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 2018

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED BALANCE SHEETS AT 30 June 2018 AND 31 December 2017

(Thousands of euros)

ASSETS	Note	30/06/2018	31/12/2017 (*)	NET ASSETS AND LIABILITIES	Note	30/06/2018	31/12/2017 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Goodwill	**6 - a**	112,714	111,684	Share capital	**10**	784,361	700,544
Intangible assets	**6 - b**	149,581	151,083	Reserves of the parent company	**10**	679,684	526,243
Property, plant and equipment	**7**	1,573,660	1,583,164	Reserves of fully consolidated companies		46,421	38,877
Investments accounted for using the equity method		9,325	9,419	Reserves of companies consolidated using the equity method		(22,738)	(23,087)
Non-current financial investments-	**8**	77,298	75,895	Other equity instruments	**10**	-	27,230
Loans and accounts receivable not available for trading		*65,901*	*65,154*	Exchange differences		(165,077)	(157,542)
Other non-current financial investments		*11,397*	*10,741*	Treasury shares and shareholdings	**10**	(2,530)	(39,250)
Deferred tax assets		142,550	137,996	Consolidated profit for the period		64,325	35,489
Other non-current assets		17,222	16,448	**Equity attributable to the shareholders of the Parent Company**		**1,384,446**	**1,108,504**
Total non-current assets		**2,082,350**	**2,085,689**	Non-controlling interests	**10**	43,125	43,472
				Total equity		**1,427,571**	**1,151,976**
				NON-CURRENT LIABILITIES			
				Debt instruments and other marketable securities	**9**	381,980	387,715
				Bank borrowings	**9**	69,475	71,246
				Other financial liabilities	**9**	744	12,481
				Other non-current liabilities		41,971	38,976
				Provisions for contingencies and charges	**12**	51,196	50,413
				Deferred tax liabilities		174,037	167,433
				Total non-current liabilities		**719,403**	**728,264**
CURRENT ASSETS:				**CURRENT LIABILITIES:**			
Non-current assets classified as held for sale	**5**	43,454	109,166	Liabilities associated with non-current assets classified as held for sale	**5**	2,417	2,377
Inventories		9,768	9,809	Debt instruments and other marketable securities	**9**	271	246,195
Trade receivables		126,817	132,582	Bank borrowings	**9**	7,955	11,724
Non-trade receivables-		47,687	42,786	Other financial liabilities	**9**	12,515	11,618
Tax receivables		*28,653*	*23,743*	Trade and other payables		240,725	222,951
Other non-trade debtors		*19,034*	*19,043*	Public administration payables		78,326	45,860
Cash and cash equivalents		251,744	80,249	Provisions for contingencies and charges	**12**	7,907	8,971
Other current assets		12,744	11,423	Other current liabilities		77,474	41,768
Total current assets		**492,214**	**386,015**	**Total current liabilities**		**427,590**	**591,464**
TOTAL ASSETS		**2,574,564**	**2,471,704**	**NET ASSETS AND LIABILITIES**		**2,574,564**	**2,471,704**

* 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 2018.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES
CONDENSED CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2018 AND 2017
(Thousands of euros)

	Note	30/06/2018	30/06/2017 (*)
Revenues		781,222	752,465
Other operating income		2,708	8,342
Net gains on disposal of non-current assets	7 - a	(11,803)	10,097
Procurements		(37,019)	(37,698)
Staff costs		(210,504)	(211,300)
Depreciation and amortisation charges		(55,623)	(55,775)
Net Profits/(Losses) from asset impairment		501	1,392
Other operating expenses		(414,062)	(400,606)
Variation in the provision for onerous contracts		*1,287*	*2,050*
Other operating expenses		*(415,349)*	*(402,656)*
Gains on financial assets and liabilities and other	2	(85)	6
Profit (loss) from companies accounted for using the equity method		(50)	29
Finance income		2,240	1,241
Change in fair value of financial instruments		-	(7)
Finance costs		(32,364)	(38,458)
Net exchange differences (Income/(Expense))		1,606	(6,006)
PROFITS / (LOSSES) BEFORE TAX FROM CONTINUING OPERATIONS		**26,767**	**23,722**
Income tax		(16,048)	(14,651)
PROFIT / (LOSS) FOR THE PERIOD - CONTINUING		**10,719**	**9,071**
Profit (loss) for the year from discontinued operations net of tax	5	55,076	254
PROFIT FOR THE PERIOD		**65,795**	**9,325**
Exchange differences		(8,249)	(8,974)
Income and expenses recognised directly in equity		**(8,249)**	**(8,974)**
TOTAL COMPREHENSIVE PROFIT / (LOSS)		**57,546**	**351**
Profit / (Loss) for the year attributable to:			
Parent Company Shareholders		*64,325*	*7,646*
Non-controlling interests		*1,470*	*1,679*
Non-controlling interests in discontinued operations		-	-
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		*56,790*	*139*
Non-controlling interests	*10 -c*	*756*	*212*
Profit per share in euros (basic)	**4**	**0.19**	**0.02**

* 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 2018.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIODS ENDED
30 JUNE 2018 AND 30 JUNE 2017

(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
Final balance as at 31/12/2017	**700,544**	**542,033**	**(39,250)**	**35,489**	**27,230**	**(157,542)**	**43,472**	**1,151,976**
Adjustments due to changes in accounting policies (See Note 1.c)	-	8,571	-	-	-	-	-	8,571
Adjusted balance at 31/12/2017	**700,544**	**550,604**	**(39,250)**	**35,489**	**27,230**	**(157,542)**	**43,472**	**1,160,547**
Net profit (loss) for 2018	-	-	-	64,325	-	-	1,470	65,795
Exchange differences	-	-	-	-	-	(7,535)	(714)	(8,249)
Total recognised income / (expense)	**-**	**-**	**-**	**64,325**	**-**	**(7,535)**	**756**	**57,546**
Transactions with shareholders or owners	**83,817**	**116,935**	**36,720**	**-**	**(27,230)**	**-**	**(1,103)**	**209,139**
Distribution of dividends	-	(39,158)	-	-	-	-	(1,103)	(40,261)
Convertible bonds	83,817	156,022	35,691	-	(27,230)	-	-	248,300
Remuneration Scheme in shares	-	71	1,029	-	-	-	-	1,100
Other changes in equity	**-**	**35,828**	**-**	**(35,489)**	**-**	**-**	**-**	**339**
Transfers between equity items	-	35,489	-	(35,489)	-	-	-	-
Other changes	-	339	-	-	-	-	-	339
Final balance as at 30/06/2018	**784,361**	**703,367**	**(2,530)**	**64,325**	**-**	**(165,077)**	**43,125**	**1,427,571**

	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
Final balance as at 31/12/2006	**700,544**	**527,133**	**(39,983)**	**30,750**	**27,230**	**(133,765)**	**43,967**	**1,155,876**
Adjustments due to changes in accounting policies	-	-	-	-	-	-	-	-
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)
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
Ending balance at 30/06/2017 (*)	**700,544**	**557,865**	**(56,391)**	**7,646**	**27,230**	**(141,272)**	**43,441**	**1,139,063**

(*) 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 2018.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED CASH FLOW STATEMENTS PRODUCED IN THE SIX-MONTH PERIODS ENDED 30 June 2018 AND 30 June 2017

(Thousands of euros)

	Note	30.06.2018	30.06.2017 (*)
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax:		**26,767**	**23,722**
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)	**6 and 7**	55,623	55,775
(Profits)/Losses for impairment (net) (+/-)		(501)	(1,392)
Allocations for provisions (net) (+/-)	**12**	(1,287)	(2,050)
Gains/Losses on the sale of tangible and intangible assets (+/-)	**7**	11,803	(10,097)
Gains/Losses on investments valued using the equity method (+/-)		50	(29)
Finance income (-)		(2,240)	(1,241)
Finance costs and variation in fair value of financial instruments (+)		32,364	38,465
Net exchange differences (Income/(Expense))		(1,606)	6,006
Profit (loss) on disposal of financial investments		85	(6)
Other non-monetary items (+/-)		3,827	213
Adjusted profit (loss)		**124,885**	**109,366**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		41	(72)
(Increase)/Decrease in trade debtors and other accounts receivable		2,169	(2,872)
(Increase)/Decrease in other current assets		(4,645)	(6,147)
Increase/(Decrease) in trade payables		3,484	5,504
Increase/(Decrease) in other current liabilities		(4,713)	5,644
Increase/(Decrease) in provisions for contingencies and expenses		(1,882)	(3,028)
(Increase)/Decrease in non-current assets		(362)	713
Increase/(Decrease) in non-current liabilities		*68*	*495*
Income tax paid		(14,049)	(9,173)
Total net cash flow from operating activities (I)		**104,996**	**100,430**
2. INVESTMENT ACTIVITIES			
Finance income		**141**	**703**
Investments (-):			
Group companies, joint ventures and associates		-	(20,265)
Tangible and intangible assets and investments in property	**6 and 7**	(54,080)	(54,313)
Non-current financial investments		(671)	-
		(54,751)	**(74,578)**
Disinvestment (+):			
Group companies, joint ventures and associates	**2**	85	62
Tangible and intangible assets and investments in property		579	31,930
Non-current assets classified as held for sale	**5**	154,068	-
		154,732	**31,992**
Total net cash flow from investment activities (II)		**100,122**	**(41,883)**
3. FINANCING ACTIVITIES			
Dividends paid out (-)	**10.c**	(1,103)	(682)
Interest paid on debts (-)		(24,011)	(36,749)
Interest paid by means of payment		(8,218)	(7,920)
Interest paid by financing and other		(15,793)	(28,829)
Variations in (+/-):			
Equity instruments			
Treasury shares		-	-
Debt instruments:			
- Bonds and other tradeable securities (+)		-	115,000
- Bonds and other tradeable securities (-)	**8.b**	(1,700)	(150,000)
- Loans from credit institutions (+)		-	-
- Loans from credit institutions (-)	**8.b**	(5,216)	(8,280)
- Other financial liabilities (+/-)		(1,135)	-
Total net cash flow from financing activities (III)		**(33,165)**	**(80,700)**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		171,953	(22,153)
5. Effect of exchange rate variations on cash and cash equivalents (IV)		(362)	-
6. Effect of variations in the scope of consolidation (V)	**2**	(96)	(48)
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		171,495	(22,201)
8. Cash and cash equivalents at the start of the financial year		**80,249**	**136,733**
9. Cash and cash equivalents at end of year		**251,744**	**114,532**

(*) 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 2018.

NH Hotel Group, S.A. and Subsidiaries

Explanatory notes to the interim financial statements for
the six-month period ended 30 June 2018

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 2018, the NH Group was operating in 30 countries, with 385 hotels and 59,682 rooms, of which around 70% are located in Spain, Germany, Italy and Benelux.

The Group's consolidated financial statements for 2017 were approved by the shareholders at the Annual General Meeting of NH Hotel Group, S.A. held on 21 June 2018.

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 2017 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 2017 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 intermediate 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 26 July 2018, 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 2017. Therefore, the intermediate abridged financial statements at 30 June 2018 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 2017.

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 2017, except for the standards and interpretations which came into force in the first half of 2018.

c) Standards and interpretations effective in this period

During the six-month period ending 30 June 2018 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 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	New standard on revenue recognition, replacing IAS 18, IFRIC 15, IFRIC 18 and SIC-31	01 January 2018
IFRS 9 - Financial Instruments:	It replaces the requirements for classification, valuation, recognition and derecognition of financial assets and liabilities in accounts, hedge accounting and impairment of IAS 39.	
Amendment to IFRS 2 Classification and measurement of share-based payment transactions	Narrow-scope amendments clarifying specific matters such as the effects of vesting and non-vesting conditions in cash-settled share-based payments, the classification of share-based payments where there are net settlement clauses and some aspects of the modifications to terms of a share-based payment.	
Amendment to IFRS 4 Insurance contracts	It allows entities under 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	The amendment clarifies that the reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use.	
IFRS 1 First-time Adoption of the IFRS	Deletion of short-term exemptions (improvements to IFRS Cycle 2014 – 2016).	
IAS 28 Investments in Associates and Joint Ventures	Clarification relating to the option of fair value evaluation (improvements to IFRS Cycle 2014 – 2016).	
IFRIC 22 Foreign Currency Transactions and Advance Consideration	This interpretation establishes the "transaction date" for the purpose of determining the exchange rate applicable in transactions with foreign currency advances.	

(2) New obligatory regulations, amendments and interpretations which will be obligatory in the years following the year commencing 1 January 2019:

IFRS 16 Leases	Replaces IAS 17 and associated interpretations. The main change hinges on the a single accounting model for lessees who will include all leases (with some exceptions) on the balance sheet with a similar impact to that of the current financial leases (the asset will depreciate due to the right of use and a financial expense for the cost of amortising the liability).	01 January 2019
Amendment to IFRS 9 Characteristics of early cancellation with compensation less than the pending amount of principal and interest on that negative principal.	This amendment allows for the valuation of some financial instruments with early payment characteristics at amortised cost allowing the payment of an amount less than the unpaid amounts of principal and interest.	
IFRIC 23 Uncertainty over income tax treatments	This interpretation clarifies application of recognition and measurement requirements in IAS 12 when there is uncertainty over acceptability by the tax authorities of a certain income tax treatment used by the entity.	Pending adoption in EU 1 January 2019
Amendment to IAS 28 Long-term interest in associates and joint ventures	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	
Amendment to IAS 40 Reclassification of real estate investments	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 2015-2017 cycle	Amendments to a number of standards.	
Amendment to IAS 19 Amendment, reduction or liquidation of a plan	Clarifies how to calculate the cost of the service for the current period and the net interest for the rest of an annual period when there is a modification, reduction or liquidation of a defined benefit plan.	
IFRS 17 Insurance contracts	To replace IFRS 4. Covers the principles of registration, evaluation, presentation and breakdown of insurance contracts	Pending adoption in EU 1 January 2021

(3) Analysis of IFRS 9 first application

IFRS 9 will replace IAS 39 as of the year beginning on 1 January 2018 and affects financial instruments for both assets and liabilities, covering three large blocks: classification and measurement, impairment and hedge accounting. There are very relevant differences with the current standard of recognition and measurement of financial instruments, the most significant being:

- Investments in financial assets whose contractual cash flows consist exclusively of principal and interest payments and, if the management model of such assets is to hold them to obtain the contractual flows will, in general, be valued at amortised cost. For the same assets, when the business model is to obtain the contractual flows and the sale of the assets, they will be measured at fair value with changes in other comprehensive profit and loss. All other financial assets which do not consist exclusively in of principal and interest payments and where the management model is their sale will be measured at fair value with changes in profit and loss. However, the Group may irrevocably choose to present the subsequent changes in the fair value of certain investments in equity instruments under "Other comprehensive income" (equity) and, in this case, generally only the dividends will be subsequently recognised in profit and loss.

- In regard to the valuation of financial liabilities optionally designated in fair value with changes in profit and loss, the amount of the change in the fair value of the financial liability which is attributable to changes in the credit risk itself must be presented in the "Other comprehensive profit and loss" (equity), unless this creates or increases an accounting asymmetry in profit and loss, and it will not be subsequently reclassified to the profit and loss account.

- In relation to the impairment of financial assets, IFRS 9 requires the application of a model based on the expected loss, compared to the IAS 39 model structured on the loss incurred. Under this model, the Group will account for the expected loss, as well as the changes in this at each presentation date to reflect the changes in credit risk from the date of initial recognition. In other words, it is no longer necessary for an impairment event to occur before recognising a credit loss.

The Group has applied IFRS 9 without restating the comparatives, i.e., the difference between the previous book values and the new values at the date of initial application of the standard has been recognised as an adjustment in reserves (equity). Based on analysis of the Group's financial assets and liabilities at 31 December 2017, the Group's management has evaluated the effect of IFRS 9 on the annual accounts, as set out below:

Classification and valuation

As a result of the preliminary analysis, there are no significant changes in the classification and measurement of financial assets based on the Group's current model. The application of IFRS 9 will only have an impact on the presentation of other non-current financial investments.

The Group has renegotiated its financial liabilities (bonds and obligations) which, according to the provisions of IAS 39, were considered non-material and consequently did not require derecognition of financial liabilities. The treatment provided for by IFRS 9 requires recalculating the amortised cost book value of such financial liabilities on the renegotiation date and recognising a gain or loss for the change in the results of the period or at the time of applying the new standard. The impact at 1 January 2018 is a decrease of 8.6 million euros in the book value of financial liabilities, increasing the amount of opening reserves at that date.

All other financial assets and financial liabilities will continue to be measured on the same basis currently adopted by IAS 39.

Impairment

Financial assets measured at amortised cost, fair value through changes in other comprehensive results, accounts receivable from leases, assets from contracts with customers or a loan commitment and a financial guarantee contract will be subject to the provisions of IFRS 9 regarding impairment.

The new standard replaces the "incurred loss" models established in IAS 39 by the "expected loss" model. This model requires the registration of the financial assets on the date of initial recognition, as well as the amounts pending collection from customers of the expected loss resulting from a "default" during the next 12 months or throughout the life of the contract.

The Group has provisions on its trade debtors. As a result of the evaluation by the Group, it has been confirmed that it is not necessary to make significant adjustments to the provision of insolvencies recorded on the balance sheet.

(4) Analysis of IFRS 15 first application

IFRS 15 is the new comprehensive standard for recognition of income with customers, and replaces standards and interpretations currently in force: IAS 18 on Revenue from ordinary activities, IAS 11 on Construction Contracts, IFRIC 13 on customer loyalty programmes, IFRIC 15 on agreements for the construction of real estate, IFRIC 18 on Transfers of assets from customers and SIC 31 on Revenue/Barter transactions involving advertising services.

The new revenue model applies to all contracts with customers except those falling within the scope of other IFRS, such as leases, insurance contracts and financial instruments.

The central recognition model is structured around the following five steps.

- Identify the contract with the customer.
- Identify the separate obligations of the contract.
- Determining the price of the transaction.
- Distribute the transaction price between the identified obligations.
- Account for the income when it fulfils the obligations.

Due to the Group's activity, as well as the relationships with its customers, the Parent Company's Directors consider that no significant changes derive from its application in relation to the current record of the Group's operations.

(5) Preliminary analysis of the future IFRS 16.

The directors are assessing the potential impact of the future application of this regulation, that will entail a very 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, and an impact on the Group's profit and loss account and/or equity, depending on the chosen method. In this regard, the scope of the transition to the application of the standard -early implementation is not intended- and the need for the adaptation of financial and accounting reporting systems are being assessed.

In relation to the other standards, amendments and interpretations, that will be applicable in subsequent years, 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 intermediate 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 specific assets;
- Calculation of provisions and evaluation of contingencies.
- The recoverability of capitalised tax credits.

In spite of the fact that the estimates described above were carried out using the best information available at 30 June 2018 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 2018, 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.

On the other hand, at the close of each fiscal year, the Group evaluates the estimates made by the Parent Company unless there is evidence of a change in any of them, in which case it would be informed.

There were no significant changes in the estimates made at the close of the 2017 financial year, nor changes in the accounting criteria during the six-month period ended 30 June 2018.

e) Contingent assets and liabilities

Note 22 of the report on the Group's consolidated financial statements for the year ended 31 December 2017 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 2018 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 2018.

g) Comparison of information

The information contained in these half-yearly abridged consolidated financial statements for 2017 is presented solely for the purposes of comparison with the information for the six-month period ended 30 June 2018 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:

- Cash flows are the inflows and outflows of cash and cash equivalents.

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

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

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

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

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

During the first six months of 2018, the Group liquidated Hotel&Congress Technology, S.L. and Hoteleira Brasil LTDA, in which it held 50% and 100% of equity, respectively. The net result of these liquidations produced a consolidated negative result of 40 and 45 thousand euros respectively.

3. Dividends paid by the Parent Company

The General Shareholders' Meeting held on 21 June 2018 approved the proposed distribution of profit for 2017 and dividend payout. It was therefore decided to draw from the profits of the year ended 31 December 2017 and distribute a dividend of 10 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 2018

- Ex-dividend date: 25 July 2018

- Registration date: 26 July 2018

- Payment date: 27 July 2018

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 2017) is 28,172 euros, with 25,355 thousand euros to be distributed as dividends. The total approved distribution of profits is shown below:

	Financial year 2017
To legal reserve	2,817
To distribution of dividends	25,355
Total	**28,172**

Additionally, the distribution of dividends in the amount of 13,803 thousand euros with a charge to voluntary reserves was approved, increasing the estimated total dividend to approximately 39,158 thousand euros. Both amounts are derived from a maximum amount to be distributed: 0.10 euros gross per share for all outstanding shares with the right to receive it. The final amount in euros to be distributed must be updated according to the number of outstanding shares at the effective date of dividend payment.

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:

	30/06/2018	30/06/2017
Net Profit/(Loss) for the period (thousands of euros)	64,325	7,646
Weighted average number of shares in circulation (in	348,086	340,760
Basic Earnings per share in euros	**0.19**	**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 with committed sales plans.

The assets classified as held for sale, after deducting their liabilities, were measured at the lower of their carrying amount and the expected sales price minus costs.

Specifically, Sotocaribe, S.L and Capredo Investments GmbH are classified as discontinued operations; these companies represented the entirety of the Group’s property activity. Sotocaribe, S.L. was consolidated by the equity method, while Capredo Investments, GmbH was consolidated by the global method.

In addition, in 2017 the Group classified the property in which the NH Collection Barbizon Palace hotel is located to non-current assets held for sale. On January 2018 the property has been sold, which brought a net asset disposal of 66,6 million euros and a capital gain of 55 million euros register under "Profit (loss) for the year from discontinued operations net of tax" caption of the condensed consolidated comprehensive profit and loss statement for the six month period ended 30 June 2018.

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

	30/06/2018	31/12/2017
Property, plant and equipment	9,601	75,560
Financial assets	33,798	33,556
Investments accounted for using the equity method	*33,798*	*33,556*
Cash	6	2
Other current assets	49	48
Non-current assets classified as held for sale	**43,454**	**109,166**
Other non-current liabilities	514	615
Trade payables	373	376
Public administration payables	1,530	1,386
Liabilities associated with assets classified as held for sale	**2,417**	**2,377**

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.	NH Collection Barbizon Palace	Total
30/06/2018				
Profit (loss) before tax	(25)	(221)	87,316	87,070
Profit (loss) for the year from discontinued operations net of tax	(25)	(221)	55,322	55,076
30/06/2017				
Profit (loss) before tax	(39)	293	-	254
Profit (loss) for the year from discontinued operations net of tax	(39)	293	-	254

Consolidated cash flow statements

The consolidated cash flow statements for the fully consolidated company, Capredo Investments, GmbH, are detailed below (in thousands of euros):

	Capredo Investments, GmbH
30/06/2018	
Total net cash flow from operating activities I	4
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)	4
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	6

	Capredo Investments, GmbH
30/06/2017	
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 2018 and 31 December 2017, depending on the companies that generated the goodwill, is as follows:

	Thousands of euros	
	30/06/2018	31/12/2017
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	79,181	79,181
Hoteles Royal, S.A.	29,651	28,629
Others	3,882	3,874
	112,714	**111,684**

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 2017.

In accordance with the methods used and in line with the estimates, projections and valuations at the disposal of the Directors of the Parent Company, no impairment was recorded during the first six months of 2018. The change in Goodwill is due to the effect of conversion difference, mainly affecting Hoteles Royal, S.A.

b) Other intangible assets

The main additions in the six-month period ending on 30 June 2018 were in Spain (6.6 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. Additionally, there was depreciation worth 11.4 million euros, offsetting those additions. These depreciations include 2.1 million euros related with the depreciation of the hotel management rights acquired to Grupo Inversor Hesperia, S.A.

7. Tangible fixed assets

a) Movement in the period

The main additions occurring during the six month period ended on 30 June 2018 relate to hotel refurbishment and opening new hotels. These include, in Spain, the refurbishment of the NH Malaga and the opening of the new NH Collection Gran Via; in France, the new NH Collection Marseille; in Italy, the remodelling of the NH Porta Nuova and the new NH Venezia Rio Novo; in Central Europe, work on the NH Berlin Alexanderplatz y and NH Erlangen; in Benelux, work on the hotel NH Conference Centre Koningshof and the NH Schiphol Airport. Additionally, retirements have been registered arising from the starting of the refurbishment works of the NH New York Jolly Madison Towers.

During 2018 there has been depreciation worth 44.2 million euros, offsetting those additions and retirements.

b) Impairment losses

In the first six months of 2018, 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 82.9 million euros at 30 June 2018. These investments will be made from 2018 to 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 2018 and 31 December 2017 is shown below, presented by type and categories for the purposes of valuation:

Financial Assets: Type / Category	Thousands of euros 30/06/2018 Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Other non-current financial investments	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	11,397	-	-	-
Debt securities	-	-	-	63,924	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,977	-	-
Long-term / non-current	**-**	**-**	**11,397**	**65,901**	**-**	**-**
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**11,397**	**65,901**	**-**	**-**

Financial Assets: Type / Category	Thousands of euros 31/12/2017 Financial Assets Held for Trading	Other Financial Assets at Fair Value with Changes in P&L	Other non-current financial investments	Loans and Accounts Receivable	Investments Held to Maturity	Hedging Derivatives
Equity instruments	-	-	10,741	-	-	-
Debt securities	-	-	-	63,178	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,976	-	-
Long-term / non-current	**-**	**-**	**10,741**	**65,154**	**-**	**-**
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**10,741**	**65,154**	**-**	**-**

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

9. Financial liabilities

a) Composition and breakdown

The Group's financial liabilities at 30 June 2018 and 31 December 2017, broken down by type and category for the purposes of valuation, are shown below:

Financial Liabilities: Type / Category	Thousands of euros 30/06/2018 Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	69,475	-
Debt instruments and other marketable	-	-	381,980	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	744	-
Long-terms debts / Non-current financial current	**-**	**-**	**452,199**	**-**
Bank borrowings	-	-	7,955	-
Debt instruments and other marketable	-	-	271	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	12,515	-
Short-term debts / Current financial current	**-**	**-**	**20,741**	**-**
Total	**-**	**-**	**472,940**	**-**

Financial Liabilities: Type / Category	Thousands of euros 31/12/2017 Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	71,246	-
Debt instruments and other marketable	-	-	387,715	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	12,481	-
Long-terms debts / Non-current financial current	**-**	**-**	**471,442**	**-**
Bank borrowings	-	-	11,724	-
Debt instruments and other marketable	-	-	246,195	-
Derivatives	-	-	-	-
Other financial liabilities	-	-	11,618	-
Short-term debts / Current financial liabilities	**-**	**-**	**269,537**	**-**
Total	**-**	**-**	**740,979**	**-**

Long-term financial liabilities at 30 June 2018 were 452,199 thousand euros and short-term financial liabilities were 20,741 thousand euros. 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 2018 these financial ratios were completely adhered to.

The main change over the six-month period ended 30 June 2018 compared to the previous year end corresponds to the early conversion of the convertible bond worth 250 million euros (see next section).

b) Debts and accounts payable

The breakdown of short and long-term debts from credit institutions, bonds and other tradeable securities at 30 June 2018 and 31 December 2017 is as follows (thousands of euros):

				Vencimientos:			
Instrumento	Límite	Disponible	Dispuesto	Año 1	Año 2	Año 3	Resto
Préstamos Hipotecarios	**37,960**	**-**	**37,960**	**6,800**	**2,782**	**2,462**	**25,916**
Interés fijo	27,529	-	27,529	1,380	1,353	1,427	23,369
Interés variable	10,431	-	10,431	5,420	1,429	1,035	2,547
Préstamo Subordinado	**40,000**	**-**	**40,000**	**-**	**-**	**-**	**40,000**
Interés variable	40,000	-	40,000	-	-	-	40,000
Crédito Sindicado Garantizado	**250,000**	**250,000**	**-**	**-**	**-**	**-**	**-**
Interés variable	250,000	250,000	-	-	-	-	-
Obligaciones Senior Garantizadas vto. 2023	**400,000**	**-**	**400,000**	**-**	**-**	**-**	**400,000**
Interés fijo	400,000	-	400,000	-	-	-	400,000
Préstamos sin Garantía	**2,382**	**-**	**2,382**	**1,853**	**454**	**75**	**-**
Interés variable	2,382	-	2,382	1,853	454	75	-
Líneas de Crédito	**62,765**	**62,760**	**5**	**5**	**-**	**-**	**-**
Interés variable	62,765	62,760	5	5	-	-	-
Situación endeudamiento al 30/06/2018	**793,107**	**312,760**	**480,347**	**8,659**	**3,236**	**2,537**	**465,916**
Gastos de formalización deuda	(16,540)	-	(16,540)	(3,165)	(3,088)	(3,800)	(6,488)
Deuda por intereses	3,897	-	3,897	3,897	-	-	-
IFRS 9	(8,023)	-	(8,023)	(1,166)	(1,317)	(1,485)	(4,055)
Total deuda ajustada al 30/06/2018	**772,441**	**-**	**459,681**	**8,226**	**(1,169)**	**(2,749)**	**455,373**
Total deuda ajustada al 31/12/2017	**1,033,225**	**316,345**	**716,880**	**257,919**	**292**	**(371)**	**459,040**

The Group's loans bear interest at a fixed rate for 89% of the total consolidated debt, including guaranteed senior bonds maturing in 2023 with a nominal interest rate of 3.75%.

Conversion of Convertible Bonds

The reduction of gross borrowing at 30 June 2018 compared to gross borrowing at 31 December 2017 can mainly be explained by the early conversion of a convertible bond worth 250 million euros. The conversion took place through the delivery to the bond-holders who requested the early conversion (248.3 million euros of the total face value of 250 million euros) of 8.6 million treasury shares and 41.9 million new issue shares (see Note 10). Meanwhile, bond-holders who did not request conversion received 1.7 million euros face value plus the corresponding accrued interest. Due to this conversion, the loan of 9,000,000 shares associated with the issue was permanently cancelled, and the 1,384,473 shares held by one of the entities participating in the loan of securities were returned, these shares were used in the early bond conversion (see Note 10).

As a result of the early conversion and full cancellation of the convertible bond, interest expense of the summarized consolidated financial statements for the period of six months ended on June 30th, 2018 comprises 3 Million Euros write off in connection with the amortization of pending arranging expenses and equity portion of the convertible bond.

Secured senior bonds maturing in 2023

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285,000 thousand euros. The nominal yearly interest rate for said issuance of notes is 3.75%. On 4 April 2017, the parent company issued an extension of guaranteed senior bonds maturing in 2023 for a nominal amount of 115,000 thousand euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 30 June 2018 was 400,000 thousand euros.

In the event change of control occurs at Parent Company, the Parent Company is obliged to launch a repurchase cash offer for 101% of the nominal value of the senior secured notes due 2023 plus the accrued coupon not paid on the repurchase date. When the change of control is effective, the Parent Company must notify the investors within the next 30 days. The notification has to specify the date of repurchase that will take place between 10 and 60 days from the date of the notification (this implies up to 90 days since the change of control is effective).

Secured credit line

On 22 September 2016, the Parent Company and NH Finance, S.A. entered into a revolving business credit with credit institutions amounting to 250,000 thousand ("syndicated credit line") with a maturity of three years, extendable to five years at the time of the refinancing of the guaranteed senior bonds maturing in 2019. As a consequence of the refinancing of the guaranteed senior notes maturing in 2019, which took place in 2017, the maturity date of said financing has been extended to 29 September 2021. At 30 June 2018, this financing had not been drawn down.

In the event change of control occurs at Parent Company, this facility comprises a mechanism consisting of each lender; if they deem appropriate and inform the agent bank within 10 days after receiving the change of control notice; having their individual right for not funding additional drawdowns, requiring the borrower to refund drawn amounts plus accrued but not paid interests and cancel in full their commitment with a 90 days pre-notice.

The waiver of this clause requires the unanimous consent from all lenders, regardless each lender has the option to refuse exercising their individual rights under the agreement. The guaranteed senior bonds maturing in 2023 and guaranteed syndicated line of credit share real guarantees (mortgages and pledges) and personal guarantees from certain operational companies belonging to the parent company at 30 June 2018

Liquidity

In addition to the guaranteed undrawn syndicated line of credit of 250,000 thousand euros, the Group has 251,744 thousand euros in Treasury and 62,765 thousand euros in short-term lines of credit available at 30 June 2018.

10. Equity

On 5 June and 13 June 2018 deeds were registered for the conversion of bonds (see Note 9) and capital increase in which a total of 41,908,455 new ordinary shares were issued, each with a nominal value of 2 euros, in the context of the conversion of bonds convertible to NH Hotel Group, S.A. shares, which were issued on 31 October 2013. Due to this bond conversion and capital increase, the share capital of NH Hotel Group, S.A. came to 784,360,486 euros, divided into 392,180,243 ordinary shares of the same category and series, each with a face value of 2 euros and fully paid up.

At 30 June 2018, the share capital of NH Hotel Group, S.A. is represented by 392,180,243 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 2018 and 31 December 2017 were as follows:

	30/06/2018	31/12/2017
Minor International Public Company Limited	29.82%[1]	-
HNA CO LTD (“MINT”)	8.40%[2]	29.35%
Oceanwood Capital Management LLP	5.74%[1]	12.06%
Hesperia Group	8.28%[3]	9.27%

Without prejudice to this list of shareholders, the following changes communicated to the CNMV by said shareholders are reported:

(1) On 22 May 2018, MINT, through its wholly owned subsidiary MHG International Holding (Singapore) Pte. Ltd., agreed to use funds managed by Oceanwood to acquire 30,000,000 shares of NH Hotel Group, S.A., representing 8.6% of NH’s equity capital at that date. After the execution of the purchase contract, together with the shares it already held, MINT then held a share of 9.7% of the equity capital of NH at that time, which after the conversion of the bond would increase to a share of 8.6%. Later, on 11 June 2018, Ocenwood sold 14,000,000 NH shares (representing 3.57% of equity capital).

On 5 June 2018 Minor International announced the purchase of a total of 65,850,000 NH shares to HNA, for the price of 6.40 euros per share. The execution date was 15 June 2018.

On 5 June 2018, Minor International announced a purchase of a total of 32,937,996 shares of NH to HNA, representing 8.40% of the equity of NH, for the price of 6.10 euros per share, subject to approval of the transaction by the MINT General Shareholders' Meeting and obtaining the required authorisations from the relevant authorities. Subject to the above, the date set for this transaction is the week of 10-16 September 2018 (the "Second Stage"). Also, on 11 June 2018, the Minor International Group gave prior notice of its request for authorisation of its voluntary public purchase offer of NH Hotel Group shares. The request was registered at the CNMV on 10 July 2017.

(2) On 5 June 2018, the HNA Group announced the sale of a total of 32,937,996 shares of NH, representing 8.40% of the equity of NH to Minor International for, for the price of 6.10 euros per share, subject to the approval of the transaction by the MINT General Shareholders' Meeting and obtaining the required authorisations from the relevant authorities. Subject to the above, the date set for this transaction is the week of 10-16 September 2018 (the "Second Stage").

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

a) *Issue premium and reserves*

The share issue mentioned above, deriving from the early conversion of the convertible bond (see Note 9) matches the bond conversion price, which came to 4.919 euros, of which 2 euros correspond to the face value, the other 2.919 euros making up the issue premium per share. This meant an increase in the issue premium of 122,331 thousand euros.

Meanwhile, the most significant variation in reserves was due to the results of the previous financial year.

b) *Treasury shares and shareholdings*

At 30 June 2018, the Group had 600,000 own shares, compared to 9,416,368 own shares at 31 December 2017. The reduction in treasury shares over the period can be explained by the following movements:

- During the month of June 2018 the Group delivered 8,569,262 own shares to bond-holders for the early conversion of convertible bonds worth 250 million euros. These shares include 1,384,473 shares held by one of the entities participating in the loan of securities. The loan of 9,000,000 shares associated with the issue was permanently cancelled.

- In the first half of 2018 the second 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 2017. This second cycle was settled by the delivery of 247,106 shares valued at 1,029 thousand euros.

c) *Non-controlling interests*

The movements in this heading in the first six months of 2018 and the financial year 2017 are summarised below:

	Thousands of euros	
	30/06/2018	31/12/2017
Opening balance	**43,472**	**43,967**
Comprehensive profit (loss) attributable to non-controlling interests	756	1,001
Dividends paid to non-controlling interests	(1,103)	(1,496)
Closing balance	**43,125**	**43,472**

d) *Other equity instruments*

Due to the early conversion of the convertible bond in June 2018, the equity component of the same was reclassified to Reserves for 27,230 thousand euros.

11. Claims in process

Note 22 of the report on the consolidated annual accounts relating to the financial year ended 31 December 2017 describes the main tax and legal disputes involving the Group as at that date. Developments in the above mentioned disputes as at 30 June 2018 are detailed below:

- In relation to the role of the NH Group as defendant in breach-of-contract claims in a certain property development due to the 2014 agreements on the sale of Sotogrande, S.A. shares, a transactional agreement, for the mentioned property development, has been reached to end the legal proceedings, and is now awaiting a final decision.

As at 30 June 2018, 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 2018 and 31 December 2017 are as follows:

	Thousands of euros	
	30/06/2018	31/12/2017
Provisions for contingencies and non-current expenses		
Onerous contracts	12,361	12,213
Provision for pensions and similar obligations	15,851	16,245
Others	22,985	21,955
	51,196	**50,413**
Provisions for contingencies and current expenses		
Onerous contracts	1,584	2,513
Provision for restructuring and other	6,323	6,458
	7,907	**8,971**
Total	**59,103**	**59,384**

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 2018 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			
	30/06/2018			
	Major Shareholders	Directors and Senior Management	Associates or companies of the Group	Total
Expenses:				
Finance costs	295	-	-	295
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	-	-
Lease rentals	738	-	-	738
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	-	-	-	-
	1,033	**-**	**-**	**1,033**
Income:				
Finance income	-	-	-	-
Management or cooperation agreements	4,218	-	1,031	5,248
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	-	-	-	-
	4,218	**-**	**1,031**	**5,248**

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	706	-	-	706
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	-	-	-	-
	958	**-**	**13**	**971**
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" referring to major shareholders includes the amounts that have accrued in the form of management fees payable to Grupo NH during the period of 2018 by virtue of the hotel management agreement signed with Grupo Inversor Hesperia, S.A.

The line "Finance costs" includes the interest accrued for the outstanding debt to Grupo Inversor Hesperia, S.A. derived from the new management contract.

Other Financing agreements:

	Thousands of euros	
	30/06/2018	31/12/2017
Accounts receivable from associated companies	2,031	1,016
Loans to associates		
Sotocaribe, S.L.	7,726	7,382
Total	**9,757**	**8,398**

Management contracts

By virtue of the contractual relationship entered into with Grupo Inversor Hesperia, S.A. at 30 June 2018, 2.44 million euros had not yet been received for various reasons (2.26 million euros at 31 December 2017), of which 0.33 million euros was due on said date (0.07 million euros at 31 December 2017).

At the same time, through the 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 11,560 thousand euros still pending and 99,7 thousand euros for the unpaid interest due at 30 June 2018.

Other commitments to shareholders

By virtue of the dividend approved in the General Shareholders' Meeting of 21 June 2018, the Group has recorded a commitment to its shareholders worth 39,158 thousand euros (see Note 3) in the line "Other current liabilities" in the consolidated balance sheet at 30 June 2018.

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 2017 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 2018 and 2017 is provided below:

	Thousands of euros	
	30/06/2018	30/06/2017
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration	250	-
Variable remuneration	150	-
Allowances	54	193
Allowances as per Articles	406	250
Transactions in shares and/or other financial instruments	-	-
Others	7	
	867	**443**
Other benefits-		
Loans granted	-	-
Life insurance premiums	13	-
	13	
Senior management, excluding Directors:		
Total remuneration received by senior management	1,434	1,736
Loans granted to senior executives	-	-
Others	-	-
	1,434	**1,736**

The Board of Directors had twelve members at 30 June 2018: one woman and 11 men.

At 30 June 2018 there were seven members of Senior Management (eight at 30 June 2017). The prorated remuneration of the 7 members (excluding the CEO) who formed the Company's Senior Management in the first half of 2018 was taken into account to calculate the amounts indicated in the Senior Management section.

The current CEO was appointed in the General Shareholders' Meeting held on 29 June 2018

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

15. Segment information

Note 26 of the report on the Group's consolidated financial statements for the year ended 31 December 2017 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													
	30/06/2018							31/12/2017						
	Total	Spain*	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**Total**	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	**2,521,785**	678,749	754,001	449,919	294,489	339,325	5,301	**2,353,119**	681,765	577,523	454,217	290,223	348,494	897
Shareholdings in associated companies	**9,325**	1,138	-	-	-	6,110	2,078	**9,419**	1,366	-	-	-	5,913	2,140
Non-current assets classified as held for sale	-	-	-	-	-	-	-	**66,621**	-	66,621	-	-	-	-
Total consolidated assets	**2,531,110**	**679,887**	**754,001**	**449,919**	**294,489**	**345,435**	**7,379**	**2,429,159**	**683,131**	**644,144**	**454,217**	**290,223**	**354,407**	**3,037**
LIABILITIES														
Liabilities and equity by segments	**2,531,110**	679,887	754,001	449,919	294,489	345,435	7,379	**2,429,159**	683,131	644,144	454,217	290,223	354,407	3,037
Total Consolidated Liabilities and Equity	**2,531,110**	**679,887**	**754,001**	**449,919**	**294,489**	**345,435**	**7,379**	**2,429,159**	**683,131**	**644,144**	**454,217**	**290,223**	**354,407**	**3,037**

	Thousands of euros													
	Real estate													
	30/06/2018							31/12/2017						
	Total	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**Total**	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Shareholdings in associated companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-current assets classified as held for sale	**43,454**	-	-	-	-	33,798	9,656	**42,545**	-	-	-	-	33,556	8,989
Total consolidated assets	**43,454**	-	-	-	-	**33,798**	**9,656**	**42,545**	-	-	-	-	**33,556**	**8,989**
LIABILITIES														
Liabilities and equity by segments	**43,454**	-	-	-	-	33,798	9,656	**42,545**	-	-	-	-	33,556	8,989
Total Consolidated Liabilities and Equity	**43,454**	-	-	-	-	**33,798**	**9,656**	**42,545**	-	-	-	-	**33,556**	**8,989**

	Thousands of euros													
	Total													
	30/06/2018							31/12/2017						
	Total	Spain*	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**Total**	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others
BALANCE SHEET														
ASSETS														
Assets by segments	**2,521,785**	678,749	754,001	449,919	294,489	339,325	5,301	**2,353,119**	681,765	577,523	454,217	290,223	348,494	897
Shareholdings in associated companies	**9,325**	1,138	-	-	-	6,110	2,078	**9,419**	1,366	-	-	-	5,913	2,140
Non-current assets classified as held for sale	**43,454**	-	-	-	-	33,798.00	9,656.00	**109,166**	-	66,621	-	-	33,556	8,989
Total consolidated assets	**2,574,564**	**679,887**	**754,001**	**449,919**	**294,489**	**379,233**	**17,035**	**2,471,704**	**683,131**	**644,144**	**454,217**	**290,223**	**387,963**	**12,026**
LIABILITIES														
Liabilities and equity by segments	**2,574,564**	679,887	754,001	449,919	294,489	379,233	17,035	**2,471,704**	683,131	644,144	454,217	290,223	387,963	12,026
Total Consolidated Liabilities and Equity	**2,574,564**	**679,887**	**754,001**	**449,919**	**294,489**	**379,233**	**17,035**	**2,471,704**	**683,131**	**644,144**	**454,217**	**290,223**	**387,963**	**12,026**

*Spain includes NH Hotel Group, S.A., France and New York activity.

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**
	30/06/2018	30/06/2018	30/06/2018	30/06/2018	30/06/2018	30/06/2018	**30/06/2018**
Revenues	200,476	174,611	141,970	152,043	61,268	50,854	**781,222**
Depreciation	(20,068)	(9,377)	(11,481)	(9,826)	(3,533)	(1,338)	**(55,623)**
Finance income	1,503	290	18	261	144	24	**2,240**
Finance costs	(28,323)	4,110	(1,661)	(3,123)	(2,408)	(959)	**(32,364)**
Profit (Loss) from entities valued through the equity method	(228)	-	-	-	261	(83)	**(50)**
Variation in the provision for onerous contracts	517	-	-	228	-	542	**1,287**
Income tax	(3,069)	(5,745)	(5,458)	(556)	(849)	(371)	**(16,048)**
Profit (loss) for the year from discontinued operations net of tax	-	55,322	-	-	(221)	(25)	**55,076**

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)**
Finance income	231	192	98	341	341	38	**1,241**
Finance costs	(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	-	-	-	-	294	(40)	**254**

*Spain includes NH Hotel Group, S.A., France and New York activity.

16. Average workforce

The average number of people employed by the Parent Company and fully consolidated companies during the first half-year period of 2018 and 2017, broken down by professional categories, is as follows:

	30/06/2018	30/06/2017
Group's general management	8	8
Managers and heads of department	1,402	1,508
Technical staff	916	968
Sales representatives	743	743
Administrative staff	213	249
Rest of workforce	7,712	7,543
	10,994	**11,019**

The workforce breakdown by sex and professional category as at 30 June 2018 and 2017 was as follows:

	30/06/2018		30/06/2017	
	Males	Females	Males	Females
Group's general management	6	2	6	2
Managers and heads of department	814	627	874	631
Technical staff	502	437	547	424
Sales representatives	206	535	227	531
Administrative staff	79	133	102	146
Rest of workforce	4,021	3,908	4,017	3,735
	5,628	**5,642**	**5,773**	**5,469**

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 2018 and 2017, broken down by professional categories, is as follows:

	30/06/2018	30/06/2017
Group's general management	-	-
Managers and heads of department	5	6
Technical staff	7	10
Sales representatives	1	2
Administrative staff	4	3
Rest of workforce	76	63
	93	**84**

17. Tax note

The NH Hotel Group companies have calculated the estimated Corporate Income Tax to 30 June 2018 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. Events after the reporting period

On 11 June 2018 the company MHG Continental Holding (Singapore) Pte. Ltd. (the "Bidder"), fully owned by Minor International Public Company Limited, notified the Spanish National Securities Market Commission (CNMV) of its intention to make a public purchase offer of 100% of the share capital of NH Hotel Group, S.A. through the publication of the corresponding prior notice, in accordance with Article 16 of Royal Decree 1066/2007, of 27 July, on the regime of public share purchase offers (RD 1066/2007).

Also, on 10 July 2018 the Bidder presented the corresponding request for authorisation of the aforementioned public purchase offer to the CNMV, in accordance with Article 17 of RD 1066/2007. In this request the Bidder also confirmed (i) that at the date of the authorisation request it owned 116,945,043 shares representing 29.82% of the equity capital of NH Hotel Group, S.A., 29.86% excluding treasury shares at the date of the request; and (ii) that after the acquisition of the shares which the Bidder may acquire through the second purchase contract signed with Tangla on 5 June 2018, the execution of which is scheduled for the first half of September, and which comes to a total of 32,937,996 shares in NH Hotel Group, S.A (representing 8.40% of its equity capital), the Bidder will own 149,883,039 NH Hotel Group, S.A shares, representing 38.22% of its equity capital, 38.28% excluding treasury shares as above.

As a consequence of the this public purchase offer, over the second half of 2018 there may be a change of control of NH Hotel Group, S.A. With this in mind, NH Hotel Group, S.A. has identified and analysed the contracts that it and its affiliate companies have signed that include change-of-control clauses and considering the current market circumstances, it is not foreseeable that, due to such circumstances, adverse material effects could arise that could have significant relevance.

Meanwhile, on 5 July 2018 the Group acquired 16% of the equity capital of Palacio de la Merced, S.A., for 1,000 thousand euros. After this acquisition, the Group held an 88% share of the company.

A corporate reorganization has been carried out in June, where the company of the Group, NH Italy, has sold direct or indirectly their participations in HEMV Amsterdam BV, Jolly Hotels Deutschland GmbH and Jolly Hotels Belgio, S.A. to NH The Netherlands BV. and NH Hoteles Deutschland GMBH. The effect of this transaction in the abridged consolidated balance sheets of the Group is a tax expense of 2.2 million euros approximately.

During the month of July, the conditions precedent for a sell transaction agreed in 2017 of certain assets that was subject to the fulfillment of these conditions have been fulfilled, for a sale price of 15 million euros, which will be a capital gain for the Group of 11,9 million euro approximately.

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 385 hotels and nearly 60,000 rooms in 30 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 headquarters and regional offices offer hotels a wide range of functions such as sales, reservations, marketing and systems.

The European Union has estimated +3.9% growth of world economic activity in 2018, slightly higher than the previous year (+3.7%) (Data and estimates from the EC's “European Economic Forecast – Spring 2018”, May 2018). More specifically in the Eurozone, the provisional growth rate for 2018 was 2.3% (+2.4% in 2017). Global growth has led to a positive cycle of trade and investment. European economies continue to grow, although the growth rate is showing signs of slowing down. In line with the above data, when comparing the growth rates of the four countries that bring together the largest proportion of sales and results of the Group, we see similar rates to those of last year: the Netherlands (+3.0% 2018 vs. +3.2% 2017), Germany (+2.3% in 2018 vs. +2.2% in 2017), and Italy (+1.5% in 2018 vs. +1.5% 2017), and Spain (+2.9% in 2018 vs. +3.1% in 2017).

According to the World Tourism Organization ("UNWTO") in 2017, international tourist arrivals globally reached 1,322 million, representing an increase of + 7.0% over the previous year, a rate much higher than the sustained and constant trend of 4% or more which had been recorded since 2010 and represents the best result in seven years. More specifically, 671 million international tourists arrived in Europe in 2017, a remarkable growth rate of 8% after a comparatively weaker 2016, led by Mediterranean destinations. This growth was driven by the extraordinary results of Southern and Mediterranean Europe (+13%). Western Europe (+7%), Northern Europe and Central and Eastern Europe (both +5%) also posted solid growth. In this European context, Spain has established itself as the second tourist power in the world, behind only France but ahead of the United States, and managed to break its record with 82 million foreign tourists, an increase of 9% in the number of international arrivals.

In this context, in 2018, 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 price per room (“ADR”, average daily rate) in the first half of the year.

During the first half of 2018, 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 the top destinations was superior to that of the competitors.

As part of its asset repositioning plan, NH Hotel Group invested almost 200 million euros from 2014 to 2017 to fully renovate or remodel its mid-range hotels with the greatest potential for improvement. With the aim of continuing to improve the quality and strengthen the NH Collection brand, the repositioning investment phase in Germany which began in the previous year was completed during 2017, after the investment made in Benelux in 2016 and in Spain and Italy in 2015.

Additionally, new repositioning opportunities have been selectively identified for 2018 and 2019, where it is hoped that the Group will additionally have contributions from the owners of hotels through the rental regime.

Amongst the main milestones reached over the last years of transformation, the appearance of a new NH Hotel Group value proposition stands out based on the improvement of the quality, experience and the new brand architecture with the NH Collection, NH Hotel , nhow and Hesperia brands. In this vein, 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 a better experience and higher average score of the customers.

In its use of quality indicators, NH Hotel Group focuses on measuring quality using new sources of information and surveys with a significant increase in the volume of reviews and number of assessments received. Its average score on TripAdvisor in the first 6 months of 2018 was 8.4, the same level as in December 2017. Additionally, its average Google Reviews score was also 8.4, compared to 8.3 in December 2017. These average scores show the high level of quality perceived by customers.

Also, the NH Rewards loyalty programme was relaunched in May 201, now has over 9 million members, 17% of whom joined in the last 12 months, and 22% total active members.

Meanwhile, in 2018, the Group began operating new 7 hotels in the following locations: Havana, Marseilles, Brussels, Monterrey, Venice and Madrid with a total of 1,116 rooms, with a total 385 hotels operating with 59,682 rooms at 30 June 2018.

In addition, the Group signed up 2 hotels with 120 bedrooms in the first six months of 2018. These signings were rental and management contracts in primary cities (Havana and Hannover), one of them in the top brand segment, NH Collection.

As a result, revenue in the first half of 2018 amounted to 781.2 million euros, representing growth of +3.8% (+28.8 million euros), above the increase in operating costs. As a result of the improvement in operating management, the Profit for the year attributable to the Parent Company stood at 64.3 million euros compared to 7.6 million euros in the first half of 2017. This comparison is positively affected by the larger net capital gains from asset rotation in the first half of 2018.

Gross borrowing decreased from 716.9 million euros in December 2017 to 459.7 million euros as of 30 June 2018. At 30 June 2018, cash and cash equivalents amounted to 251.7 million euros (80.2 million euros at 31 December 2017). Additionally, this liquidity was complemented by credit lines at 30 June 2018 amounting to 312.5 million euros, of which 250 million euros correspond to a long-term syndicated line of credit.

The reduction of gross borrowing over the period can mainly be explained by the early conversion of a convertible bond worth 250 million euros in June 2018. The conversion took place through the delivery to the bond-holders who requested the early conversion (248.3 million euros of the total face value of 250 million euros) of 8.6 million treasury shares and 41.9 million new issue shares. Meanwhile, bond-holders who did not request conversion received 1.7 million euros face value plus the corresponding accrued interest.

The operational improvement of the Group has recently been reflected in the improvement of the corporate credit outlooks assigned by the main rating agencies. In March, S&P revised the outlook for NH from stable to positive thanks to the expected reduction in debt and large amount of generated cash, and Fitch improved the corporate rating from ‘B’ to ‘B+’, maintaining the positive outlook due to improved operational performance and leverage metrics. Also, in May Moody’s improved their rating from ‘B2’ to ‘B1’, reflecting excellent results, a significant improvement in indebtedness, and greater liquidity.

At the General Shareholders' Meeting in June 2018, shareholders approved the payment of an interim dividend from 2017 results amounting to 39 million euros, representing ten cents gross per outstanding share. The Group also established a medium term shareholder remuneration policy of nearly 50% of recurring net profit.

ETHICS

Compliance System

Since 2014, NH Hotel Group has deployed a Compliance unit whose scope includes the following key areas:

- Code of Conduct.

- Criminal Risk Prevention Plan.
- Internal Rules of Conduct.
- Procedure for Conflicts of Interest.

Code of conduct

In line with its ethical commitment and the best practices of corporate governance, NH Hotel Group has carried out communication, awareness and training campaigns on Compliance since the last update to the Code of Conduct in 2015. The Group's Board of Directors is responsible for approving the Code of Conduct.

This document affects everybody working at NH Hotel Group, applicable to employees, managers and members of the Board of Directors, and also in certain cases to other stakeholders such as customers, suppliers, competitors and shareholders, and to the communities where NH operates its hotels.

The Code of Conduct summarises the professional behaviour expected of NH Hotel Group employees, who commit to acting with integrity, honesty, respect and professionalism in the performance of their work.

The NH Group is committed to compliance with the laws and regulations of the countries and jurisdictions where it operates. This includes, amongst other things, laws and regulations on health and safety, discrimination, taxation, data privacy, competition, prevention of corruption and money laundering, and commitment to the environment.

The Code of Conduct is published in six languages on the official website of the NH Hotel Group, available to all stakeholders. Also, since 2017, NH employees can use the "My NH" app to access the code of conduct from their mobile devices. The staff at centres operating under NH Hotel Group brands also have a handbook and an FAQs document.

Compliance Committee

In 2014 the NH Hotel Group created a Compliance Committee consisting of certain members of the Management Committee and senior directors. This body is empowered to supervise compliance with the Group's Internal Rules of Conduct, Procedure for Conflicts of Interest, Code of Conduct and Criminal Risk Prevention Plan.

The Compliance Committee supervises the management of the Compliance Office, provides detailed reports of activities to the Board's Audit and Control Committee, and is empowered to impose disciplinary measures on employees in matters within its scope.

During the first 6 months of 2018 there were three meetings of the Compliance Committee.

Compliance Office

The Compliance Office, led by the Group's head of Auditing, is responsible for disseminating and supervising compliance with the Code of Conduct and for drafting the Criminal Risk Prevention Plan. The Compliance Office reports directly to the Compliance Committee, and is also responsible for managing the confidential channel for complaints and queries relating to the Code of Conduct.

The procedure for managing complaints received via the complaints channel are specified in detail in the Code of Conduct. This procedure guarantees confidentiality and respect in every phase, and protects against retaliation.

During the first six months of 2018 there were 57 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 51cases received.

Meanwhile, in 2017 the Criminal Risk Prevention Matrix in Spain was rationalised to provide a more efficient model for the company. Over the year, the Compliance Office deployed the Criminal Risk Prevention Plan in the seven most important countries where the Group operates.

Drafting the corruption prevention policy

NH has defined its corruption prevention policy, focused mainly on protecting the company and all its representatives, from directors to employees, from criminal liability if any corruption offences should by committed in the company's businesses. It is thus an additional element of the Criminal Risk Prevention Plan.

The policy, which forms part of the company's Code of Conduct, was approved internally by the Compliance Committee and the Management Committee, as well as being validated by the Audit and Control Committee in December 2017, and was presented to the Board of Directors for approval in the first quarter of 2018.

General principles of the corruption prevention policy
• Zero tolerance of bribery and corruption in the private and public sectors
• Behaviour must be appropriate and legal
• Transparency, integrity and accuracy in financial information
• Regular internal control
• Local legislation shall take precedence if stricter

RISK MANAGEMENT MODEL

The NH Hotel Group's Risk Management reflects the company's operations and culture, and impacts the implementation of its management actions, including risk identification, approval and management. The Board of Directors is responsible for defining the Risk Control and Management Policy of the NH Hotel Group, and regularly supervises the Risk Control and Management System through the Board's Audit and Control Committee.

Since November 2015, the NH Hotel Group has had a risk policy approved by the Board of Directors. The aim of this corporate policy is to define the basic principles and the general framework of action to identify and control risks of any nature which may affect NH. This policy applies to all companies over which the NH Hotel Group has effective control.

NH Hotel Group's risk management system aims to identify events that may negatively affect achievement of the objectives of the Company's Strategic Plan, providing the maximum level of assurance to shareholders and stakeholders and protecting the group's revenue and reputation.

The model set up to manage risks is based on ERM (Enterprise Risk Management) methodology and includes a set of methodologies, procedures and support tools which enable the NH Hotel Group to:

1. Identify the most significant risks that could affect achievement of strategic objectives.
2. Analyse, measure and assess such risks depending on their probability of occurrence along with their impact, which is assessed from a financial and reputational point of view.
3. Prioritise such risks.
4. Identify measures to mitigate such risks based on the group's risk appetite. This takes the form of defining risk managers and setting up action plans agreed by the Management Committee.
5. Monitor mitigation measures set up for the main risks.
6. Periodically update risks and their assessment.

In line with these principles, for the fourth year in a row, the company has begun the process of updating its Risk Map in the first half of 2018. This Map includes the main risks the company faces according to the assessment of the 33 top-level executives who participated in the process. The updated Risk Map will be presented to the Audit and Control Committee and the Board of Directors for approval.

In general, the risks to which the Group is exposed can be classified into the following categories:

a) Financial Risks, such as fluctuation of interest rates, exchange rates, inflation, liquidity, non-compliance with financing undertakings, restrictions on financing and credit management.
b) 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 covers Reputational Risks, arising from the company's behaviour which negatively affects fulfilment of the expectations of one or more of its stakeholders (shareholders, customers, suppliers, employees, the environment and society in general).

c) Business Risks generated by inadequate management of procedures and resources, whether human, material or technological. This category encompasses difficulty in adapting to changes in customer demand, price increase, fall in demand, changes in the economic cycle
d) External Risks, arising from natural disasters, changes in the economic cycle, new accommodation models and political instability or terrorist attacks.
e) Systems Risks, produced by attacks or faults in infrastructures, communications networks and applications that may affect security (physical and logical) and the integrity, availability or reliability of operational and financial information. This heading also includes business interruption risk.
f) Strategic Risks, produced by difficulty accessing to new markets and the increase in the incomes and the growth on the intermediation cost .

Also, in the first half of 2018 there was a meeting of the Risk Committee at which the company's main risks and the progress of action plans and main risk indicators were reviewed, amongst other matters relating to risks.

Finally, the meetings of the Audit and Control Committee held in the first half of 2018 were attended by the managers of the company's main risks, who explained in detail the mitigation measures implemented or in development, and the mechanisms for monitoring their risks.

New data protection plan

Due to the mandatory application of the General Data Protection Regulation (GDPR) in the European Union from May 2018, NH Hotel Group has launched a plan to guarantee compliance with the regulation, included in and aligned with the Transformation Plan.

This new plan includes general privacy measures by default, so that all the company's activities, applications, processes, and projects will take privacy matters into account. The plan includes key initiatives such as the effective management of personal data infringements, the data subject's consent to the gathering and use of their data, and a policy for the destruction of physical or virtual data. The plan also provides for the creation of a Data Protection Officer within the NH Hotel Group.

CORNERSTONES AND COMMITMENTS OF THE CSR PLAN

In 2017, in order to lead responsible behaviour in the sector, NH Hotel Group drafted its 2017-2019 Strategic Corporate Social Responsibility Plan, establishing the main objectives and initiatives for the different responsibility commitments defined by the company.

It also defined a clear purpose for this Plan: to generate a positive impact on the economic, social and environmental spheres wherever it is present. The innovative "Room 4" concept represents these goals, linked to the business of the NH Hotel Group and its key stakeholders. This cross-department three-year plan was approved by the company's main governing bodies and has the commitment of all areas of the Group. As the starting point for the creation of the Plan, on the one hand a materiality analysis was performed to determine the key aspects for the NH Hotel Group according to its strategy and stakeholders, and on the other, the company's Corporate Social Responsibility policy. It was also linked to the United Nations' Sustainable Development Goals (SDGs).

The Plan, which is deployed alongside the Group's global strategy, includes its main commitments on responsibility and the development of lines of action in the priority areas for the company: commercial, employee commitment, investment, brand purpose, corporate governance, and supplier assessment.

It also specifies the annual progress report on the Plan, both for the Group as a whole and by business unit, to the Board of Directors and Management Committee.

The Corporate Social Responsibility Plan is based on three core areas for action: People, Planet, and Responsible Business.

More specifically, in its responsible commitment to the Planet, NH Hotel Group works to minimise its impact on climate change, increase the efficiency of resources and develop more sustainable products. All this minimises its environmental footprint, with responsible consumption of natural resources.
The Corporate Social Responsibility report is available on the NH Hotel Group website (https://www.nh-hoteles.es/corporate/es) in the annual reports included under financial information in the shareholders and investors section, with more detail on the subject.

Human Resources strategy

The average number of people employed by the Parent Company and fully consolidated companies during the first half of 2018 is 10,994 employees.

The corporate culture of the NH Hotel is also based on the cornerstones of diversity and equality. At 30 June 2018, women made up 50.1% of the total workforce.

Also, the average age of employees at 30 June 2018 is 38.6 years old, and their average time with the company is 8.7 years.

Over this year, as part of the company's 2017-2019 Strategic Plan, the Human Resources strategy has continued, based on three main commitments:

• Global leadership and talent management: Ensuring the company's future by involving the best employees, and identifying and developing the most talented people in the NH Hotel Group, using competitive tools and mechanisms to ensure their retention and commitment.

• Maximum performance and better workplaces: Becoming a company recognised as a Best Place to Work, based on the high level of commitment amongst employees, active contribution to this goal, rigour in differentiating and recognising high performance, and increasing its recognition as an attractive employer.

• Transformation and reinvention: Searching for, assessing and leveraging opportunities to be more efficient (outsourcing, digitisation, etc.), evolving our working environment and acquiring advanced analytical and predictive skills.

All the above must be based on and solidly backed by Operational Excellence in Human Resources and Internal Communication, with clear policies and processes, meeting commitments proactively, continuing to support, develop and implement the operational model of the NH Hotel Group, and controlling payroll costs and related budget items.

Environment

For the NH Hotel Group, sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of water and energy. In our responsible commitment to the Planet, we work to minimise our impact on Climate Change, increase the efficiency of resources and develop more sustainable products. All this minimises our environmental footprint with responsible consumption of natural resources.

In 2018, the implementation of the sustainability initiative continued. This initiative gives continuity to the environmental achievements of recent years. Thus, compared to 2008, per Average Daily Room energy consumption has been reduced by 28%, water consumption by 29% and our carbon footprint by 74%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 99.6% of our hotels in Spain, Italy, Germany, the Netherlands, Belgium and Luxembourg, covering 89% of the total electricity consumed in Europe.

NH Hotel Group holds certificates ISO 14.001 for environmental management and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. As well as the overall certificates held by the company, 139 of its hotels hold certificates including BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 and ISO 50.001, all recognised by the GSTC (Global Sustainable Tourism Council).

NH Hotel Group has reported its climate change commitment and strategy to the Carbon Disclosure Project (CDP) since 2010. In 2017, the Company obtained a B Management rating, which places NH Hotel Group amongst the leading companies adopting measures to efficiently reduce emissions, which is indicative of advanced environmental management.

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

SHARES AND SHAREHOLDERS

At the close of the first half of 2018, the share capital of NH Hotel Group, S.A. comprised 392,180,243 fully subscribed and paid up bearer shares with a par value of 2 euros each. All these shares carry identical voting and economic rights and are traded on the Continuous Market of the Spanish Stock Exchanges.

According to the latest notifications received by the Company and the notices given to the National Securities Market Commission before the end of every financial year, the most significant shareholdings at 30 June 2018 and 31 December 2017 were as follows:

	30/06/2018	**31/12/2017**
Minor International Public Company Limited	29.82%(1)	--
HNA CO LTD	8.40%(2)	29.34%
Oceanwood Capital Management LLP	5.74%(1)	12.06%
Hesperia Group	8.28%(3)	9.27%(3)

Without prejudice to this list of shareholders, the following changes communicated to the CNMV by said shareholders are reported:

(1) On 22 May 2018, MINT, through its wholly owned subsidiary MHG International Holding (Singapore) Pte. Ltd., agreed to use funds managed by Oceanwood to acquire 30,000,000 shares of NH Hotel Group, S.A., representing 8.6% of NH's equity capital at that date. After the execution of the purchase contract, together with the shares it already held, MINT then held a share of 9.7% of the equity capital of NH at that time, which after the conversion of the bond would increase to a share of 8.6%. Later, on 11 June 2018, Ocenwood sold 14,000,000 NH shares (representing 3.57% of equity capital).

On 5 June 2018 Minor International announced the purchase of a total of 65,850,000 NH shares, representing 17.64% of the equity capital of NH to HNA, for the price of 6.40 euros per share. The execution date was 15 June 2018.

On 5 June 2018, Minor International announced the purchase of a total of ,937,996 shares of NH, representing 8.40% of the equity of NH, to HNA for a total of 32, for the price of 6.10 euros per share, subject to approval of the transaction by the Minor International General Shareholders' Meeting and obtaining the required authorisations from the relevant authorities. Subject to the above, the date set for this transaction is the week of 10-16 September 2018 (the "Second Stage"). Also, on 11 June 2018, the Minor International Group gave prior notice of its request for authorisation of its voluntary public purchase offer of NH Hotel Group shares. The request was registered at the CNMV on 10 July 2017.

(2) On 5 June 2018, the HNA Group announced the sell of a total of 32,937,996 shares of NH, representing 8.40% of the equity of NH,to Minor Internacional, for the price of 6.10 euros per share, subject to the approval of the transaction by the Minor International General Shareholders' Meeting and obtaining the required authorisations from the relevant authorities. Subject to the above, the date set for this transaction is the week of 10-16 September 2018 (the "Second Stage").

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

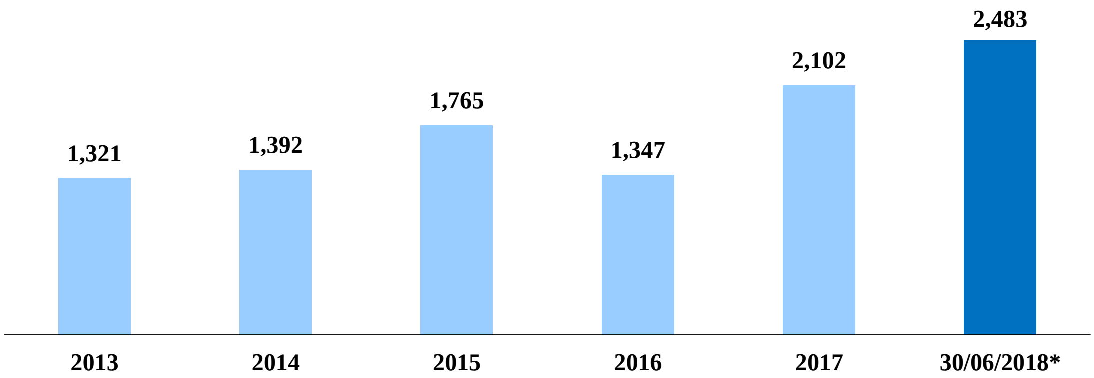
The average share price of NH Hotel Group, S.A. in the first half of 2018 was 6.33 euros per share (4.59 euros for the same period in 2017). The lowest share price of 5.51 euros per share (3.90 euros in January 2017) was recorded in February and the highest share price of 6.71 euros per share in April (5.50 euros in June 2017). The market capitalisation of the Group at the close of the first half of 2018 stood at 2,482.5 million euros

At 30 June 2018, the Group had 600,000 own shares, 9,416,368 own shares at 31 December 2017. The reduction in treasury shares over the period can be explained by the following movements:

- During the month of June 2018 the Group delivered 8,569,262 own shares to bond-holders for the early conversion of convertible bonds worth 250 million euros. These shares include 1,384,473 shares held by one of the entities participating in the loan of securities. The loan of 9,000,000 shares associated with the issue was permanently cancelled.

- In the first half of 2018 the second 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 2017. This second cycle was settled by the delivery of 247,106 shares valued at 1,029 thousand euros.

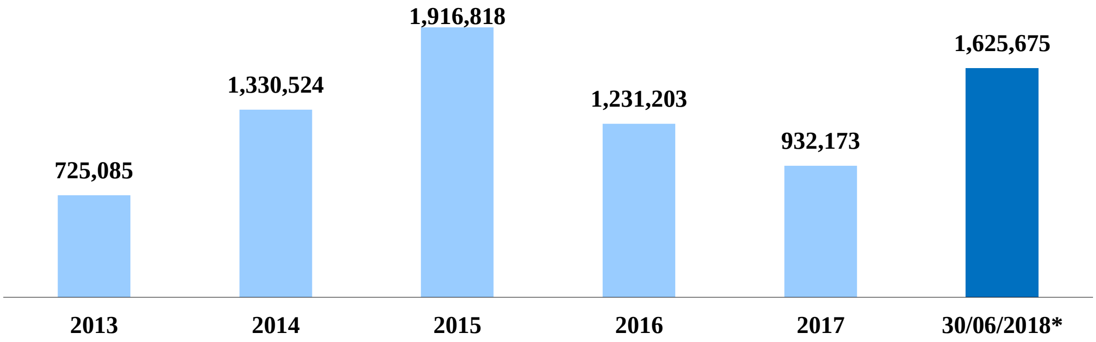
CAPITALISATION at the end of each year (in millions of euros)



* On June 2018 the capital increase of 41,9 million of new issue shares was carried out (See Note 10) due to the early conversión of a convertible bond worth 250 million euros.

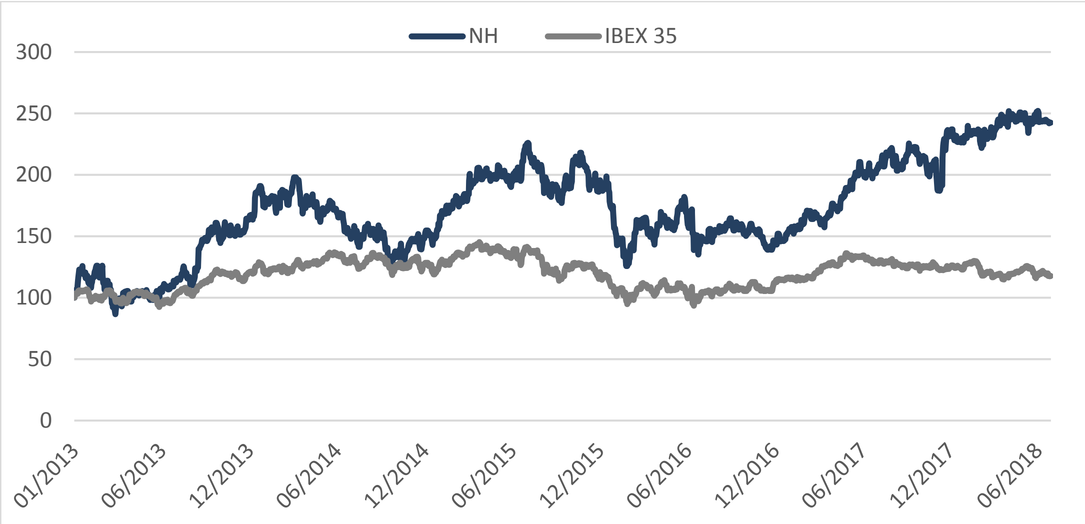
During the first six months of 2018, 204,835,064 shares in NH Hotel Group, S.A. were traded on the Continuous Market (128,107,269 shares in the same period in 2017) with average daily share trading on the Continuous Market of 1,625,675 shares (1,008,719 shares in the same period in 2017).

AVERAGE DAILY TRADING (in shares)



* On June 2018 the capital increase of 41,9 million of new issue shares was carried out (See Note 10) due to the early conversion of a convertible bond worth 250 million euros.

EVOLUTION NH HOTEL GROUP vs. IBEX 35
1 JANUARY 2013 - 30 JUNE 2018



FUTURE OUTLOOK

Forecasts indicate that this strong momentum will continue in 2018, although at a more sustainable pace after eight years of constant expansion after the economic and financial crisis of 2009. Based on current trends, economic outlooks and the forecast of the UNWTO Panel of Experts, the Organisation expects global international tourist arrivals to grow at a rate of between 4% and 5% in 2018. By region, growth in the arrival of tourists to Europe and the Americas is expected to be between 3.5% and 4.5%.

On the other hand, GDP growth in Europe is expected to be +2.3% in 2018 (Data and estimates provided by the E.C. “European Economic Forecast – Spring 2018”, May 2017).

In this economic environment, the Group expects to benefit from the increase in sales associated with GDP growth expectations in 2018, together with the positive impact of the repositioning investments made in recent years and supported by the implementation of price management tools which will allow us to continue to optimise this strategy.

EVENTS AFTER THE REPORTING PERIOD

On 11 June 2018 the company MHG Continental Holding (Singapore) Pte. Ltd. (the “Bidder”), fully owned by Minor International Public Company Limited, notified the Spanish National Securities Market Commission (CNMV) of its intention to make a public purchase offer of 100% of the share capital of NH Hotel Group, S.A. through the publication of the corresponding prior notice, in accordance with Article 16 of Royal Decree 1066/2007, of 27 July, on the regime of public share purchase offers (RD 1066/2007).

Also, on 10 July 2018 the Bidder presented the corresponding request for authorisation of the aforementioned public purchase offer to the CNMV, in accordance with Article 17 of RD 1066/2007. In this request the Bidder also confirmed (i) that at the date of the authorisation request it owned 116,945,043 shares representing 29.82% of the equity capital of NH Hotel Group, S.A., 29.86% excluding treasury shares at the date of the request; and (ii) that after the acquisition of the shares which the Bidder may acquire through the second purchase contract signed with Tangla on 5 June 2018, the execution of which is scheduled for the first half of September, and which comes to a total of 32,937,996 shares in NH Hotel Group, S.A (representing 8.40% of its equity capital), the Bidder will own 149,883,039 NH Hotel Group, S.A shares, representing 38.22% of its equity capital, 38.28% excluding treasury shares as above.

As a consequence of the this public purchase offer, over the second half of 2018 there may be a change of control of NH Hotel Group, S.A. With this in mind, NH Hotel Group, S.A. has identified and analysed the contracts that it and its affiliate companies have signed that include change-of-control clauses and considering the current market circumstances, it is not foreseeable that, due to such circumstances, adverse material effects could arise that could have significant relevance.

Meanwhile, on 5 July 2018 the Group acquired 16% of the equity capital of Palacio de la Merced, S.A., for 1,000 thousand euros. After this acquisition, the Group held an 88% share of the company.

A corporate reorganization has been carried out in June, where the company of the Group, NH Italy, has sold direct or indirectly their participations in HEMV Amsterdam BV, Jolly Hotels Deutschland GmbH and Jolly Hotels Belgio, S.A. to NH The Netherlands BV. and NH Hoteles Deutschland GMBH. The effect of this transaction in the abridged consolidated balance sheets of the Group is a tax expense of 2.2 million euros approximately.

During the month of July, the conditions precedent for a sell transaction agreed in 2017 of certain assets that was subject to the fulfilment of these conditions have been fulfilled, for a sale price of 15 million euros, which will be a capital gain for the Group of 11,9 million euro approximately.