NH HOTEL GROUP, S.A.

Report on Limited Review of Condensed Interim Consolidated Financial Statements 30 June 2019

Free translation of the limited review report on the condensed interim consolidated financial statements originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of NH Hotel Group, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the statement of financial position as at June 30, 2019, and the statement of comprehensive profit and loss, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2019 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 1, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2018. Our conclusion is not modified in respect of this matter.

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Other Matters

Interim consolidated directors´ Report

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2019 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2019. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from NH Hotel Group, S.A. and its subsidiaries´ accounting records.

Comparative figures

The figures for the six-month period ended June 30, 2018, which are included for comparative purposes in the interim financial statements for the six-month period ended June 30, 2019, have not been audited or reviewed.

Preparation of this review report

This report has been prepared at the request of Board of Directors in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Original in spanish signed
by Mariano Cortés Redín

July 25, 2019

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 2019

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED BALANCE SHEETS AT 30 JUNE 2019 AND 31 DECEMBER 2018

(Thousand Euros)

	Nota	30/06/2019	31/12/2018 (*)		Nota	30/06/2019	31/12/2018 (*)
NON-CURRENT ASSETS:				**EQUITY:**			
Goodwill	6 - a	109,443	109,432	Share capital	11	784,361	784,361
Assets for rights of use	7	1,753,219	-	Reserves of the parent company	11	776,942	681,068
Intangible assets	6 - b	104,559	110,569	Reserves of fully consolidated companies		(334,938)	(44,723)
Real estate investment		3,027	-	Reserves of companies consolidated using the equity method		(23,935)	(23,436)
Property, plant and equipment	8	1,689,947	1,637,718	Exchange differences		(61,240)	(60,854)
Investments accounted for using the equity method		7,641	8,971	Treasury shares and shareholdings	11	(1,629)	(2,530)
Non-current financial investments-	9	46,442	54,126	Consolidated profit for the period		39,873	117,785
Loans and accounts receivable not available for trading		*35,753*	*42,598*	**Equity attributable to the shareholders of the Parent Company**		**1,179,434**	**1,451,671**
Other non-current financial investments		*10,689*	*11,528*	Non-controlling interests	11	53,826	52,351
Deferred tax assets	1.c.3	233,765	138,724	**Total equity**		**1,233,260**	**1,504,022**
Other non-current assets	1.c.3	-	13,427				
Total non-current assets		**3,948,043**	**2,072,967**				
				NON-CURRENT LIABILITIES			
				Debt instruments and other marketable securities	10	344,000	342,485
				Debts with credit institutions	10	85,046	71,473
				Liabilities for operating leases	10	1,957,886	-
				Other financial liabilities	10	1,679	1,762
				Other non-current liabilities		34,349	47,296
				Provisions for contingencies and charges	12	37,561	51,178
				Deferred tax liabilities		185,549	177,478
				Total non-current liabilities		**2,646,070**	**691,672**
CURRENT ASSETS:				**CURRENT LIABILITIES:**			
Non-current assets classified as held for sale	5	43,776	55,974	Liabilities associated with non-current assets classified as held for sale	5	2,545	2,456
Inventories		10,304	10,435	Debt instruments and other marketable securities	10	141	73
Trade receivables		126,170	106,601	Debts with credit institutions	10	3,934	4,881
Non-trade receivables-		45,193	38,195	Liabilities for operating leases	10	164,882	-
Tax receivables		*26,310*	*19,451*	Other financial liabilities	10	192	710
Other non-trade debtors		*18,883*	*18,744*	Trade and other payables		268,939	252,704
Account receivable with related entities		611	978	Tax payables		60,907	59,453
Cash and cash equivalents		245,214	265,869	Provisions for contingencies and charges	13	8,605	2,713
Other current assets		18,980	12,109	Other current liabilities		48,816	44,444
Total current assets		**490,248**	**490,161**	Total current liabilities		**558,961**	**367,434**
TOTAL ASSETS		**4,438,291**	**2,563,128**	**NET ASSETS AND LIABILITIES**		**4,438,291**	**2,563,128**

* Presented for comparison purposes only. Unaudited, unreviewed balances.

Note: For comparison purpose, it should be considered that Financial Statement at June 30, 2019 includes the application of IFRS 16 (Note 1.c.3), not considered at December 31, 2018, due to first application was January 1, 2019 and application of IAS 29, which was considered on second half of 2018 (Note 1.g).

Notes to the accounts 1 to 20 attached hereto form an integral part of the abridged consolidated statement of financial position as at 30 June 2019.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

CONDENSED CONSOLIDATED COMPREHENSIVE PROFIT AND LOSS STATEMENT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019 AND 2018

(Thousands of euros)

	Nota	30/06/2019	30/06/2018 (*)
Revenues		815,980	781,222
Other operating income		5,683	2,708
Net gains on disposal of non-current assets	**5**	2,609	75,513
Procurements		(37,102)	(37,019)
Staff costs		(216,054)	(210,504)
Depreciation and amortisation charges	**1.c.3**	(146,191)	(55,623)
Net Profits/(Losses) from asset impairment		588	501
Other operating expenses		(299,537)	(414,062)
Variation in the provision for onerous contracts		-	*1,287*
Other operating expenses	**1.c.3**	*(299,537)*	*(415,349)*
Gains on financial assets and liabilities and other		9	(85)
Profit (Loss) from entities valued through the equity method		7	(50)
Financial income		933	2,240
Change in fair value of financial instruments		81	-
Financial expenses	**1.c.3**	(66,694)	(32,364)
Result from exposure to hyperinflation (IAS 29)		(115)	-
Net exchange differences (Income/(Expense))		(222)	1,606
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**59,975**	**114,083**
Income tax		(17,813)	(48,042)
PROFIT FOR THE PERIOD - CONTINUING		**42,162**	**66,041**
Profit (loss) for the year from discontinued operations net of tax	**5**	(493)	(246)
PROFIT FOR THE PERIOD		**41,669**	**65,795**
Exchange differences		(514)	(8,249)
Income and expenses recognised directly in equity	**1.g**	**(514)**	**(8,249)**
TOTAL COMPREHENSIVE PROFIT		**41,155**	**57,546**
Profit / (Loss) for the year attributable to:			
Parent Company Shareholders		39,873	64,325
Non-controlling interests	**11 - c**	1,796	1,470
Comprehensive Profit / (Loss) attributable to:			
Parent Company Shareholders		39,487	56,790
Non-controlling interests		1,668	756
Profit / Loss per share in euros basic	**4**	**0.10**	**0.19**

* Presented for comparison purposes only. Unaudited, unreviewed balances.

Note: For comparison purpose, it should be considered that Financial Statement at June 30, 2019 includes the application of IFRS 16 (Note 1.c.3), not considered at December 31, 2018, due to first application was January 1, 2019 and application of IAS 29, which was considered on second half of 2018 (Note 1.g).

The explanatory notes to the accounts 1 to 20 attached form an integral part of the consolidated comprehensive income statement for the six month period ended 30 June 2019.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX-MONTH PERIODS ENDED

30 JUNE 2019 AND 30 JUNE 2018

(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
Ending Balance at 31/12/2018 (**)	**784,361**	**612,909**	**(2,530)**	**117,785**	-	**(60,854)**	**52,351**	**1,504,022**
Accounting correction (Note 1.f)	-	16,212	-	(16,212)	-	-	-	-
Ending Balance at 31/12/2018	**784,361**	**629,121**	**(2,530)**	**101,573**	-	**(60,854)**	**52,351**	**1,504,022**
Implementation of new accounting policy (IFRS 16) (Note 1.c.3.)	-	(258,324)	-	-	-	-	(1,471)	(259,795)
Adjusted balance at 01/01/2019	**784,361**	**370,797**	**(2,530)**	**101,573**	-	**(60,854)**	**50,880**	**1,244,227**
Net profit (loss) for 2019	-	-	-	39,873	-	-	1,796	41,669
Exchange differences	-	-	-	-	-	(386)	(128)	(514)
Total recognised income / (expense)	-	-	-	**39,873**	-	**(386)**	**1,668**	**41,155**
Transactions with shareholders or owners	-	**(61,552)**	**970**	-	-	-	**(971)**	**(61,553)**
Distribution of dividends (Note 3)	-	(58,771)	-	-	-	-	(971)	(59,742)
Remuneration Scheme in shares (Note 14)	-	(2,781)	970	-	-	-	-	(1,811)
Other changes in equity	-	**108,824**	**(69)**	**(101,573)**	-	-	**2,249**	**9,431**
Transfers between equity items 2018	-	101,573	-	(101,573)	-	-	-	-
Application IAS 29 (Note 1.g)	-	7,909	-	-	-	-	2,249	10,158
Other changes	-	(658)	(69)	-	-	-	-	(727)
Ending balance at 30/06/2019	**784,361**	**418,069**	**(1,629)**	**39,873**	-	**(61,240)**	**53,826**	**1,233,260**

	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**

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

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

Note: For comparison purpose, it should be considered that Financial Statement at June 30, 2019 includes the application of IFRS 16 (Note 1.c.3), not considered at December 31, 2018, due to first application was January 1, 2019 and application of IAS 29, which was considered on second half of 2018 (Note 1.g).

Notes to the accounts 1 to 20 attached hereto form an integral part of the abridged consolidated statement of changes in equity for the six-month period ended 30 June 2019.

NH HOTEL GROUP, S.A. AND SUBSIDIARIES

ABRIDGED CONSOLIDATED CASH FLOW STATEMENT PRODUCED IN THE SIX-MONTH PERIODS ENDED 30 JUNE 2019 AND 30 JUNE 2018

(Thousands of euros)

	Note	30.06.2019	30.06.2018 (*)
1. OPERATING ACTIVITIES			
Consolidated profit (loss) before tax:		**59,975**	**114,083**
Adjustments:			
Depreciation of tangible and amortisation of intangible assets (+)		146,191	55,623
Impairment losses (net) (+/-)		(588)	(501)
Allocations for provisions (net) (+/-)		-	(1,287)
Gains/Losses on the sale of tangible and intangible assets (+/-)		(2,609)	(75,513)
Gains/Losses on investments valued using the equity method (+/-)		(7)	50
Financial income (-)		(933)	(2,240)
Variation in fair value of financial instruments (+)		*(81)*	-
Financial expenses (+)		66,694	32,364
Result from exposure to hyperinflation (IAS 29)		115	-
Net exchange differences (Income/(Expense))		222	(1,606)
Profit (loss) on disposal of financial investments		(9)	85
Other non-monetary items (+/-)		(876)	3,827
Adjusted profit (loss)		**268,094**	**124,885**
Net variation in assets / liabilities:			
(Increase)/Decrease in inventories		131	41
(Increase)/Decrease in trade debtors and other accounts receivable		(21,567)	2,169
(Increase)/Decrease in other current assets		40	(4,645)
Increase/(Decrease) in trade payables		9,120	3,484
Increase/(Decrease) in other current liabilities		7,796	(4,713)
Increase/(Decrease) in provisions for contingencies and expenses		(1,852)	(1,882)
(Increase)/Decrease in non-current assets	**15**	(6,946)	(362)
Increase/(Decrease) in non-current liabilities		(82)	*68*
Income tax paid		(27,174)	(14,049)
Total net cash flow from operating activities (I)		**227,560**	**104,996**
2. INVESTMENT ACTIVITIES			
Finance income		**103**	**141**
Investments (-):			
Tangible and intangible assets and investments in property	**6.b y 8**	(84,587)	(54,080)
Non-current financial investments		-	(671)
		(84,587)	**(54,751)**
Disinvestment (+):			
Group companies, joint ventures and associates	**2**	1,903	85
Tangible and intangible assets and investments in property		18,436	154,647
		20,339	**154,732**
Total net cash flow from investment activities (II)		**(64,145)**	**100,122**
3. FINANCING ACTIVITIES			
Dividends paid out (-)	**3**	(54,089)	(1,103)
Interest paid on debts (-)		(18,279)	(24,011)
Financial expenses for means of payment		(9,210)	(8,218)
Interest paid on debts and other interest		(9,069)	(15,793)
Variations in (+/-):			
Debt instruments:			
- Bonds and other tradable securities (+)	**9**	-	(1,700)
- Loans from credit institutions (+)	**9**	14,100	-
- Loans from credit institutions (-)	**9**	(1,943)	(5,216)
- Lease liabilities (-)		(123,341)	-
- Other financial liabilities (+/-)		(520)	(1,135)
Total net cash flow from financing activities (III)		**(184,072)**	**(33,165)**
4. GROSS INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III)		(20,657)	171,953
5. Effect of exchange rate variations on cash and cash equivalents (IV)		2	(362)
6. Effect of variations in the scope of consolidation (V)		-	(96)
7. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		(20,655)	171,495
8. Cash and cash equivalents at the start of the financial year		**265,869**	**80,249**
9. Cash and cash equivalents at the end of the financial year (7+8)		**245,214**	**251,744**

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

Note: For comparison purpose, it should be considered that Financial Statement at June 30, 2019 includes the application of IFRS 16 (Note 1.c.3), not considered at December 31, 2018, due to first application was January 1, 2019 and application of IAS 29, which was considered on second half of 2018 (Note 1.g).

Notes to the accounts 1 to 20 attached hereto form an integral part of the abridged consolidated cash flow statement produced in the six-month period ended 30 June 2019.

NH Hotel Group, S.A. and Subsidiaries

Explanatory notes to the interim financial statements for the six-month period ended 30 June 2019

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 2019, the NH Group was operating in 28 countries, with 369 hotels and 57,356 rooms, giving it a significant presence in Europe.

The Group's consolidated financial statements for 2018 were approved by the shareholders at the Annual General Meeting of NH Hotel Group, S.A. held on 13 May 2019.

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 2018 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 2018 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 22 July 2019, 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 2018. Therefore, the intermediate abridged financial statements at 30 June 2019 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 2018.

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 2018, except for the standards and interpretations which came into force in the first half of 2019 (see Note 1.c).

All information corresponding to the six-month period ended 30 June 2018 within the explanatory notes to the abridged interim financial statements for the six-month period ended 30 June 2019 is only and exclusively presented for comparative purposes and these balances have not been audited or reviewed.

c) Standards and interpretations effective in this period

During the six-month period ending 30 June 2019 new accounting standards came into force and were therefore taken into account when preparing the interim consolidated financial statements:

(1) New obligatory regulations, amendments and interpretations for the year commencing 1 January 2019:

New standards, amendments and interpretations		**Obligatory application in the years beginning on or after:**
Approved for use in the European Union		
New Standards:		
IFRS 16 Leases (published in January 2016)	Replaces IAS 17 and associated interpretations. The main change hinges on the fact that the new standard proposes a single accounting model for lessees who will include all leases (with some 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

Amendments and/or interpretations

Amendment to IFRS 9 Characteristics of early cancellation with negative offset (published in October 2017).	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.	01 January 2019
IFRIC 23 Uncertainty over tax treatment (published in June 2017)	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.	
Amendment to IAS 28 Long-term interest in associates and joint ventures (published in October 2017)	Clarifies that IFRS 9 must be applied to long-term interests in an associate or joint venture if the equity method is not applied.	01 January 2019
Amendment IAS 19 - Accounting for a change, reduction or settlement of a defined benefit plan (published in February 2018)	Addresses the accounting for a change, reduction, or settlement of a defined benefit plan that occurs in the fiscal year.	
Improvements to IFRS 2015-2017 Cycle (published in December 2017)	Minor amendments to a number of standards: IFRS 3, IFRS 11, IAS 12 and IAS 23.	

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

Awaiting approval for use in the European Union as of the date of publication of this document (1)

New Standards:

IFRS 17 Insurance contracts (published in May 2017)	Replaces IFRS 4 and reflects the principles of registration, valuation, presentation and breakdown of insurance contracts with the objective that the entity provides relevant and reliable information which allows users of the information to determine the effect which contracts have on the financial statements.	1 January 2021(2)
Amendment to IFRS 10 and IAS 28 “Sale or contribution of assets between an investor and its associates or joint ventures	These amendments clarify the accounting treatment of the sales and contributions of assets between an investor and its associates and joint ventures that will rest on if the non-monetary assets sold or contributed to an associate or joint venture constitute a "business". The investor will recognise the full gain or loss when the non-monetary assets constitute a "business". If the assets do not meet said definition, the investor recognises the gain or loss to the extent of the interests of other investors. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. Originally, these amendments to IFRS 10 and IAS 28 were prospective and effective for annual periods beginning on or after 1 January 2016. However, at the end of 2015, the IASB made the decision to postpone the effective date (without setting a new specific date) as it is planning a broader review that could result in simplifying the accounting of these transactions and other aspects of the accounting of associates and joint ventures.	01 January 2019

(1) The approval status of the standards can be consulted on the EFRAG website.

(2) The IASB has proposed its deferral to 1 January 2022 (Draft amendment to IFRS 7 published on 26 June 2019).

Amendments and/or interpretations

Amendment to IFRS 3 - Definition of business (published in October 2018)	Clarifications to the definition of business.	01 January 2020
Amendments to IAS 1 and IAS 8 Definition of "materiality" (published in October 2018)	Amendments to IAS 1 and IAS 8 to align the definition of "materiality" to the content of the conceptual framework.	

(3) Change in accounting policy

IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-17 and establishes the principles for the recognition, measurement, presentation and disaggregation of leases and requires lessees to account for all leases under a balance sheet recognition model similar to the accounting for finance leases under IAS 17. IFRS 16 came into force on 1 January 2019 and the Group decided not to apply it early.

The standard provides that at the inception of the lease, the lessee must record a liability equal to the present value of the lease payments. Such a liability includes fixed lease payments and those that are substantially fixed, as well as variable lease payments that depend on an index or interest rate. An asset that represents the right to use the underlying asset during the lease term (the right of use) is recognised. In the case of Grupo NH, the right of use is linked to "Buildings and Constructions". Lessees are required to record separately the interest expense of the lease liability from the amortisation expense of the right of use.

Lessees are also required to recalculate the lease liability in certain circumstances (for example, a change in the term of the lease or a change in lease payments due to a change in the index or rate used to determine those payments). The lessee shall recognise the difference from the recalculation of the liability as an adjustment to the value of the right of use.

The lessor's accounting under IFRS 16 is substantially the same as under IAS 17. The lessor shall continue to classify leases using the same criteria as under IAS 17 and distinguish between operating and finance leases.

Transition to IFRS 16

The Group has begun applying the standard to all contracts that were identified as leases in accordance with IAS 17 and IFRIC 4, except for the exceptions recognised by the standard. These exceptions are as follows: leases of low-value assets (e.g. computers) and short-term leases (leases for periods of less than 12 months). Also, the Group analysed the subleases signed at the transition date and, due to their amount and the applicable market conditions, were not considered relevant for the application of the standard.

The Group decided to apply the modified retrospective method as the transition method to IFRS 16, calculating the asset at the commencement date of each identified contract and the liability at the transition date, using for the calculation of both the incremental interest rate at the transition date and recognising the difference between the two items as an adjustment to the opening balance of the consolidated reserves.

In order to determine the term of the lease contracts, the Group has taken as non-cancellable the initial term of each contract, taking the possible unilateral extensions at the option of the Group only in those cases in which it has been reasonably considered certain that they will be exercised, and only the cancellation options whose exercise has been reasonably considered certain have been taken into account.

The incremental interest rate is the interest rate that the lessee would incur at the commencement of the lease if it borrowed, over a period of time, with similar guarantees and in a similar economic environment. The interest was calculated as a combination of the following elements:

- CDS curve of the economic environment
- Euribor Swap Rate Curve.
- Synthetic NH CDS curve.

These elements were combined to obtain an interest rate curve for each contract based on its geoeconomic specificities and from which the calculation process consists of bringing each of the discounted flows to the present value at the interest rate corresponding to each maturity within said curve and calculating which single equivalent rate would be used to discount said flows. The Group's simple average interest rate of all lease contracts affected by IFRS 16 is 4.31%.

The impact of IFRS 16 on the Group's financial statements is significant due to the maturity of the contract portfolio.

This impact at 1 January 2019 supposed greater rights of use assets for approximately 1.7 billion euros, a greater liability for operating leases of approximately 2.1 billion euros (1.9 billion euros of non-current liabilities and 0.2 billion euros of current liabilities), deferred tax assets of 0.1 billion euros, lower liabilities for provisions of risks and expenses for onerous contracts of 7 million euros, lower early payments assets of 3 million euros, lower lease linearisation assets of 16 million euros (13 million euros in non-current assets, 3 million euros in current assets), lower lease linearisation liabilities of 19 million euros (17 million euros in other non-current liabilities, 2 million euros in other current liabilities) and lower reserves of 0.3 billion euros.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

In order to reconcile operating lease commitments at 31 December 2018 in accordance with IAS 17 (see Note 24.5 of the 2018 consolidated annual accounts) with operating lease liabilities in accordance with IFRS 16, it would be necessary to add the impact of applying different discount rates (approximately 0.3 billion euros) to commitments discounted by operating leases in accordance with IAS 17 of approximately 2 billion euros (approximately 3.6 billion euros of commitments at nominal value before any discount) and subtract the impact of contracts signed but not in force at the transition date (approximately -0.2 billion euros), thereby achieving an operating lease liability of approximately 2.1 billion euros (1.9 billion euros of non-current liabilities and 0.2 billion euros of current liabilities).

The main impacts of IFRS 16 to 30 June 2019 Group's consolidated figures in the hotel segment, according to contracts' origin, distributed by geographic segment are as follows (in thousands of euros):

	Spain	Benelux	Italy	Germany	Latin America	Remainder	Total
Assets for use rights	353,782	338,256	302,011	535,320	19,398	204,452	**1,753,219**
Leasing liabilities	432,639	410,493	374,040	640,609	21,467	243,520	**2,122,768**
Impact on reserves due to IFRS 16	64,969	51,282	47,586	66,549	1,151	26,787	**258,324**
Deferred tax assets	19,714	18,819	16,706	30,215	616	9,543	**95,613**
Amortisation of use rights	(27,125)	(8,374)	(15,092)	(25,763)	(1,263)	(10,733)	**(88,350)**
Financial expenses	(7,500)	(9,514)	(9,813)	(12,322)	(1,299)	(4,880)	**(45,328)**
Leasing expenses	(37,611)	(15,881)	(20,516)	(34,217)	(2,165)	(15,229)	**(125,619)**

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 2019 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 2019, 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 financial year, the Group assesses the estimates made by the Parent Company's Directors unless there is evidence of a change in any of them, in which case it would be evident.

There were no significant changes in the estimates made at the close of the 2018 financial year, nor changes in the accounting criteria during the six-month period ended 30 June 2019.

e) Contingent assets and liabilities

Note 22 of the report on the Group's consolidated financial statements for the year ended 31 December 2018 provides information on the contingent assets and liabilities as at that date. Note 12 to these abridged consolidated half-yearly financial statements for the six-month period ended 30 June 2019 details the most significant changes in the contingent assets and liabilities during that period.

f) Accounting correction

During the first quarter of 2019, a situation was detected in the Consolidated Annual Accounts at 31 December 2018 in relation to the accounting for hyperinflation in the Argentine subsidiaries of the Parent Company in accordance with IAS 29.

This situation corresponded to the recording of a higher consolidated result in 2018 derived from hyperinflation in Argentine subsidiaries, when an amount of 19 million euros net of taxes and before minorities should have been recorded directly in reserves. This therefore supposes a reclassification between the result and equity without there being any additional impact to consider.

Following a report from the Audit and Control Committee, the Board of Directors considered that the situation revealed did not represent a very significant impact on the Consolidated Annual Accounts at 31 December 2018 in the context of Article 38 of the Commercial Code as it did not affect the financial or equity position of the Company, and did not justify, therefore, the consolidated annual accounts be restated.

Based on the foregoing, the aforementioned reclassification has been recorded in equity balances at 31 December 2018, which has resulted in higher consolidated reserves of 16.21 billion euros and a lower consolidated result for the same amount. On the other hand, the effect of the reclassification on minority interests was 3.18 million euros as higher reserves and the same amount as lower gain/(loss) and supposes zero effect on this heading of the abridged consolidated statement of changes in net equity (See Note 11.c).

g) Comparison of information

The information contained in these half-yearly abridged consolidated financial statements for 2018 is presented solely for the purposes of comparison with the information for the six-month period ended 30 June 2019 for the consolidated comprehensive income statement, the consolidated statement of changes in equity and the consolidated cash flow statement.

As a result of applying IFRS 16 from 1 January 2019, there are certain items in the abridged consolidated financial statements at 30 June 2019 that are not comparable with the previous year (see Note 1.c.3).

On the other hand, during 2018, the economic crisis in Argentina worsened considerably, and this situation has led to a substantial increase in the rate of inflation and has surpassed 100% in the last three years. These events led Argentina to be considered a hyperinflationary economy from the third quarter 2018 onwards, in accordance with accounting standards. As a result, the Group applied IAS 29 "Financial Reporting in Hyperinflationary Economies" to the Group's business in Argentina in the third quarter of 2018 in accordance with accounting standards.

The impact registered during the first half of 2019 due to the application of IAS 29 has supposed a 7.91 million euro increase in consolidated reserves, on the other hand, the net effect on the profit and loss account was an expense of 115 thousand euros registered under "Results from exposure to hyperinflation" of the abridged consolidated comprehensive income statement for the six months ended 30 June 2019.

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.

k) Going concern

The application of the new accounting standard IFRS 16 (see Note 1.c.3) has led to, among others, a liability being recognised in the short term corresponding to the current value of the lease payment commitments to be made in the coming twelve months that, at 30 June 2019, amounted to 164,882 thousand euros resulting in current liabilities being 68.7 million euros higher than current assets at that date. Given that this effect is caused by a purely accounting (non-financial) approach, this does not prevent the business's normal development.

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

In January 2019, the Group sold the 49% shareholding it held in Beijing NH Grand China Hotel Management Co, Ltd. This sale has resulted in a cash inflow of 1.9 million euros and has not had a significant impact on profits for the year.

3. Dividends paid by the Parent Company

The General Shareholders' Meeting held on 13 May 2019 approved the proposed distribution of profit for 2018 and dividend pay-out. It therefore decided to draw from the profits of the year ended 31 December 2018 and distribute a dividend of 15 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 payment; all according to the following schedule:

- Last date of trading with dividend: 11 June 2019
- Ex-dividend date: 12 June 2019
- Registration date: 13 June 2019
- Payment date: 14 June 2019 for 53 million euros and 3 July for 5.2 million euros. The withholdings with that tax authority for 0.6 million euros are pending settlement.

This dividend was 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 NH HOTEL GROUP, S.A., the Board will designate an entity to act as paying agent and will perform the other necessary or advisable actions for a satisfactory distribution. The amount to distribute as dividends reached 58.77 million euros. The total approved distribution of profits is shown below (in thousands of euros):

	Financial year 2018
To legal reserve	16,019
To voluntary reserves	85,402
To distribution of dividends	58,771
Total	**160,192**

In addition, the offsetting of prior years' losses on the Parent Company's balance sheet at 31 December 2018, amounting to 255.87 million euros was approved.

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:

	30/06/2019	30/06/2018
Net Profit/(Loss) for the period (thousands of euros)	39,873	64,325
Weighted average number of shares in circulation (in	391,703	348,086
Basic Earnings per share in euros	**0.10**	**0.19**

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, the shareholdings in 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.

Additionally, in 2018, the land and property in which the NH Málaga II hotel is located, the sale of which was formalised in February this year, was recognised as available for sale. This transaction represented as asset de-recognition of 12.56 million euros and a positive pre-tax result of 2.83 million euros recorded under "Net result on disposal of assets".

Abridged consolidated balance sheets. Headings of Non-current assets and liabilities classified as held for sale (in thousands of euros):

	30/06/2019	31/12/2018
Property, plant and equipment	10,180	22,594
Financial assets	33,540	33,322
Investments accounted for using the equity method	*33,540*	*33,322*
Cash	11	9
Other current assets	45	49
Non-current assets classified as held for sale	**43,776**	**55,974**
Other non-current liabilities	535	528
Trade payables	418	363
Public administration payables	1,592	1,565
Liabilities associated with assets classified as held for sale	**2,545**	**2,456**

Abridged consolidated 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 (in thousands of euros):

	Capredo Investments, GmbH	Sotocaribe, S.L.	Total
30/06/2019			
Profit (loss) before tax	(141)	(352)	(493)
Profit (loss) for the year from discontinued operations net of tax	(141)	(352)	(493)
30/06/2018			
Profit (loss) before tax	(25)	(221)	(246)
Profit (loss) for the year from discontinued operations net of tax	(25)	(221)	(246)

The net result before tax on discontinued operations shown in the consolidated comprehensive income statement consists of operating expenses and financial expenses.

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
30/06/2019	
Total net cash flow from operating activities I	2
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)	2
Effect of variations in the scope of consolidation (IV)	-
Cash and cash equivalents at the start of the financial year	9
Cash and cash equivalents at end of year	11

	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

6. Intangible assets

a) Goodwill

The breakdown of the heading "Goodwill" as at 30 June 2019 and 31 December 2018, depending on the companies that generated the goodwill, is as follows:

	Thousands of euros	
	30/06/2019	31/12/2018
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	77,933	77,933
Hoteles Royal, S.A.	27,607	27,607
Others	3,903	3,892
	109,443	**109,432**

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 2018.

The change in Goodwill is due to the effect of conversion difference.

During first half of 2019, there wasn't any change regarding estimations performed at year end 2018, therefore no impairment was recorded during the first six months of 2019.

b) Other intangible assets

The main inclusions in the six-month period ending on 30 June 2019 were in Spain (3.6 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 10.1 million euros, offsetting those inclusions.

7. Assets for use rights

The addition in the six months ending 30 June 2019 corresponds to recording the asset derived from the Use Rights of the lease agreements, as explained in Note 1.c.3.

During 2019 there were amortisations of 88.4 million euros.

8. Tangible fixed assets

a) Movement in the period

The main additions occurring during the six month period ended on 30 June 2019 relate to hotel refurbishment and opening new hotels. Of note are the works of the NH Luz de Huelva and NH Herencia Rioja in Spain, the renovation of the NH Palermo and NH Ambassador in Italy, the works of the NH Vienna Airport and the NH Hamburg Altona and the new opening of the NH Leipzig Zentrum in Central Europe, the works of the NH Conference Centre Leeuwenhorst and the NH Collection Flower Market in Benelux. Finally, in New York, refurbishment of the NH New York Jolly Madison Towers. The total effect of all additions in the year was 89.8 million euros. In addition, fixed assets additions of 10.8 million euros have been registered as a result of IAS 29 (See note 1.g)

During 2019, there were amortisations of 47.7 million euros that offset the net effect of additions and derecognitions for the year.

b) Impairment losses

In the first six months of 2019, 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 2019. These investments will be made from 2019 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.

9. Financial assets

Composition and breakdown

The breakdown of the Group's financial assets as at 30 June 2019 and 31 December 2018 is shown below, presented by type and categories for the purposes of valuation:

Financial Assets: Type / Category	Thousands of euros					
	30/06/2019					
	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	-	-	10,689	-	-	-
Debt securities	-	-	-	33,851	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,902	-	-
Long-term / non-current	**-**	**-**	**10,689**	**35,753**	**-**	**-**
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**10,689**	**35,753**	**-**	**-**

Financial Assets: Type / Category	Thousands of euros					
	31/12/2018					
	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	-	-	11,528	-	-	-
Debt securities	-	-	-	40,696	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	1,902	-	-
Long-term / non-current	**-**	**-**	**11,528**	**42,598**	**-**	**-**
Equity instruments	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-
Derivatives	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-
Short-term / Current	**-**	**-**	**-**	**-**	**-**	**-**
Total	**-**	**-**	**11,528**	**42,598**	**-**	**-**

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

10. Financial liabilities

a) Composition and breakdown

The Group's financial liabilities at 30 June 2019 and 31 December 2018, broken down by type and category for the purposes of valuation, are shown below:

Financial Liabilities: Type / Category	Thousands of euros 30/06/2019 Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	85,046	-
Debt instruments and other marketable	-	-	344,000	-
Leasing liabilities	-	-	1,957,886	
Other financial liabilities	-	-	1,679	-
Long-terms debts / Non-current financial current	**-**	**-**	**2,388,611**	**-**
Bank borrowings	-	-	3,934	-
Debt instruments and other marketable	-	-	141	-
Leasing liabilities	-	-	164,882	
Other financial liabilities	-	-	192	-
Short-term debts / Current financial current	**-**	**-**	**169,149**	**-**
Total	**-**	**-**	**2,557,760**	**-**

Financial Liabilities: Type / Category	Thousands of euros 31/12/2018 Financial Liabilities Held for Trading	Other Financial Liabilities at Fair Value with Changes in P&L	Debts and Accounts Payable	Hedging Derivatives
Bank borrowings	-	-	71,473	-
Debt instruments and other marketable	-	-	342,485	-
Other financial liabilities	-	-	1,762	-
Long-terms debts / Non-current financial current	**-**	**-**	**415,720**	**-**
Bank borrowings	-	-	4,881	-
Debt instruments and other marketable	-	-	73	-
Other financial liabilities	-	-	710	-
Short-term debts / Current financial current	**-**	**-**	**5,664**	**-**
Total	**-**	**-**	**421,384**	**-**

With the implementation of IFRS 16 the Group has registered lease liabilities related to lease contracts previously classified as “operational leases” in accordance with “IAS 17 Leases” (Note 1.c.3).

Long-term financing liabilities at 30 June 2019 amounted to 429 million euros and short-term financial liabilities were 4.1 million 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 2019 these financial ratios were completely adhered to.

The main variation in "Debts with credit institutions" in the six months to 30 June 2019, compared to the close of the previous year, corresponds to the additional arrangement of the credit to finance the investment in the hotel in New York for approximately 14 million euros.

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

b) Debts and accounts payable

The breakdown of short and long-term debts from credit institutions, bonds and other tradeable securities at 30 June 2019 and 31 December 2018 is as follows (thousands of euros):

				Maturities:			
Instrument	Limit	Available	Disposed	Year 1	Year 2	Year 3	Remainder
Mortgages	**30,936**	**-**	**30,936**	**2,967**	**2,448**	**2,319**	**23,202**
Fixed rate	25,914	-	25,914	1,528	1,413	1,486	21,487
Variable interest	5,022	-	5,022	1,440	1,035	833	1,715
Subordinated loan	**40,000**	**-**	**40,000**	**-**	**-**	**-**	**40,000**
Variable interest	40,000	-	40,000	-	-	-	40,000
Guaranteed Syndicated Loan	**250,000**	**250,000**	**-**	**-**	**-**	**-**	**-**
Variable interest	250,000	250,000	-	-	-	-	-
Guaranteed Senior Notes mat. in 2023	**356,850**	**-**	**356,850**	**-**	**-**	**-**	**356,850**
Fixed rate	356,850	-	356,850	-	-	-	356,850
Unsecured Loans	**45,761**	**24,430**	**21,331**	**1,135**	**242**	**173**	**19,780**
Variable interest	45,761	24,430	21,331	1,135	242	173	19,780
Lines of Credit	**59,088**	**59,088**	**-**	**-**	**-**	**-**	**-**
Variable interest	59,088	59,088	-	-	-	-	-
Borrowing at 30/06/2019	**782,635**	**333,518**	**449,116**	**4,103**	**2,690**	**2,492**	**439,832**
Arrangement expenses	(12,440)	-	(12,440)	(2,964)	(3,047)	(2,601)	(3,828)
Borrowing costs	4,094	-	4,094	4,094	-	-	-
IFRS 9	(7,650)	-	(7,650)	(1,157)	(1,471)	(1,631)	(3,391)
Adjusted total debt at 30/06/2019	**766,639**	**333,518**	**433,121**	**4,075**	**(1,828)**	**(1,740)**	**432,613**
Total leasing liabilities (*)	**-**	**-**	**2,122,768**	**164,882**	**169,789**	**159,722**	**1,628,375**
Adjusted total debt at 31/12/2018	**769,271**	**350,359**	**418,912**	**4,954**	**(1,504)**	**(1,928)**	**417,390**

(*) See Note 1.c.3.

The Group's loans bear interest at a fixed rate for 85% of the total consolidated debt, including guaranteed senior bonds maturing in 2023 that accrue nominal interest of 3.75%.

<u>Secured senior bonds maturing in 2023</u>

On 23 September 2016 the Parent Company placed guaranteed senior bonds, which mature in 2023, at the nominal value of 285 million 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 million euros with an implicit cost until maturity of 3.17%. The outstanding nominal amount at 30 June 2019 was 356.85 million euros. (see section "Depreciation and Amortisation 2018").

<u>Depreciation and Amortisation 2018</u>

As a result of the change of control and as established in the voluntary repurchase and early redemption offer of the senior secured bond issue maturing in 2023 (the "Bonds") due to the change of control, requests were received for the repurchase and redemption of bonds for a nominal amount of 3.15 million euros.

The bond repurchase offer was settled on 12 November 2018, the date on which the Parent Company paid an aggregate amount of 3.20 million euros to the bondholders, who accepted the offer as a whole:

- Nominal paid in advance: 3.15 million euros
- Unpaid accrued interest: 13.5 thousand euros
- Amount of the repurchase premium: 31.5 thousand euros

On 14 December 2018, the Parent Company carried out the partial voluntary early redemption, for a nominal amount of 40 million euros (representing 10% of its original total amount), of the issue of senior secured bonds maturing in 2023 (the "Bonds"), by means of a linear pro rata reduction of the nominal value of all the bonds in circulation. The Bonds were redeemed early through the payment of approximately 103.760% of the nominal value of the Bonds being redeemed, including:

- Nominal paid in advance: 40 million euros

- Unpaid accrued interest: 304.2 thousand euros
- Amount of the repurchase premium: 1.20 million euros

The Company paid the partial redemptions from available cash.

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 million ("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 2019, this financing had not been drawn down.

Liquidity

In addition to the undrawn guaranteed syndicated line of credit of 250 million euros, the Group has 245.21 million euros in Treasury and 59.09 million euros in short-term lines of credit available at 30 June 2019.

11. Equity

NH Hotel Group, S.A. share capital at 30 June 2019 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 Parent 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 2019 and 31 December 2018 were as follows:

	30/06/2019	31/12/2018
Minor International Public Company Limited (“MINT”)	94.13%	94.13%

Between the months of May and September 2018, various purchase and sale contracts were entered into by Minor International Public Company Limited ("MINT"), as buyer, and the HNA Group and with funds managed by Oceanwood, all of which as sellers. As a result of these transactions, MINT acquired all the sellers' interests in NH Hotel Group, S.A. In addition to these transactions, MINT acquired several non-significant shareholdings, as a result of which on 30 September 2018 MINT owned 179,772,214 shares in NH Hotel Group, S.A., representing 45.84% of its share capital.

At the same time, on 11 June 2018, MHG International Holding (Singapore) Pte. Ltd. (a company wholly owned by MINT) made a takeover bid ("OPA") for 100% of the shares that formed part of the share capital of NH Hotel Group, S.A., which, once approved by the Spanish regulatory body, the "CNMV" (Spain’s National Securities Market Commission), and the acceptance period was opened, was accepted, among others, by the hitherto shareholder Grupo Hesperia.

As a consequence of the takeover bid, the result of which was notified by the CNMV through a significant event on 26 October 2018, and of the purchase and sale transactions described above, (i) the funds managed by Oceanwood, the HNA Group and the Hesperia Group lost their status as significant shareholders of NH Hotel Group, S.A.; and (ii) MINT acquired, through its wholly-owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

a) Issue premium and reserves

The most significant change in reserves is due, on one hand, to the profit for the previous financial year and to the distribution of dividends on the 2018 profits approved in 2019 (see Note 3) and, on the other, the effect of the change in accounting policy (see Note 1.3.c).

b) Treasury shares and shareholdings

At 30 June 2019, the Group had 373,933 own shares, compared to 600,000 own shares at 31 December 2018. The reduction in treasury shares over the period can be explained by the following movements:

- On 10 April 2019, the Group signed a liquidity contract to manage its treasury shares with Banco Santander, which entered into force on 11 April 2019. The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros. At 30 June 2019, 82,645 treasury shares were assigned to Liquidity Contract. The positive effect recorded in reserves for operations carried out in the first half of the year was 69 thousand euros.

- In the first half of 2019, the third cycle of the long-term incentive plan was settled (see Note 14). This second cycle was settled by the delivery of 226,067 shares valued at 1.67 million euros.

c) Non-controlling interests

The movements in this heading in the first six months of 2019 and the financial year 2018 are summarised below:

	Thousands of euros	
	30/06/2019	31/12/2018
Opening balance	**52,351**	**43,472**
Application of IAS 29	2,249	6,545
Application of IFRS 16	(1,471)	-
Comprehensive profit (loss) attributable to non-controlling interests	1,668	4,709
Changes in percentage shareholdings and purchase/sales	-	(2,146)
Dividends paid to non-controlling interests	(971)	(729)
Other movements	-	500
Closing balance	**53,826**	**52,351**

12. Provisions

Details of "Provisions for Contingencies and Expenses" at 30 June 2019 and 31 December 2018 are as follows:

	Thousands of euros	
	30/06/2019	31/12/2018
Provisions for contingencies and non-current expenses		
Onerous contracts	-	5,313
Provision for pensions and similar obligations	16,803	16,740
Other claims	20,758	29,125
	37,561	**51,178**
Provisions for contingencies and current expenses		
Onerous contracts	-	1,654
Other claims	8,605	1,059
	8,605	**2,713**
Total	**46,166**	**53,891**

At 1 January 2019, due to the application of IFRS 16, the provision for onerous contracts is registered as the lower value of the right of use (See Note 1.c.3).

The "Other claims" item includes provisions for disputes and risks that the Group considers likely to occur. Among the most significant are the provisions created on the basis of the action brought in the proceedings claiming breach of contract in a property development, as well as other claims received in relation to the termination of certain leases and service contracts where certain amounts are claimed.

13. Claims in process

Note 22 of the report on the consolidated annual accounts relating to the financial year ended 31 December 2018 describes the main tax and legal disputes involving the Group as at that date. Developments in the above mentioned disputes as at 30 June 2019 are detailed below:

- Within the framework of the sale of a hotel where NH agreed to undertake the extension of said hotel by agreeing to a put option in favour of the buyer with NH obliged to accept the exercise of that option provided that certain conditions are met and for a price agreed between both parties; the put option has already been executed by the buyer.

- In relation to the legal claim on the ownership of four properties in the Netherlands where compensation is requested by Dutch subsidiary due to the change of control in 2014, which supposedly would entitle the owner to claim a penalty under the lease contract, the claim has been dismissed entirely at the plea stage, and we are waiting to confirm whether the owner requests a judicial review.

- In relation to the lawsuit filed against a Grupo NH company in Italy for the early termination of a lease contract, a judgment favourable to the interests of the company has been issued and we are waiting to confirm the final ruling, if a judicial review is not requested.

- In relation to the lawsuit filed against two Grupo NH companies claiming the payment of fees to rights management entities, an appeal judgment has been handed down that partially ratifies the judgment rendered in the first instance, having requested a judicial review in the Supreme Court.

- In relation to the petition for separation of the insolvency estate of 15 commercial premises located in San Roque submitted by the company, an agreement has been reached with the insolvency administrators for the delivery of the aforementioned premises, which has already been executed.

- In regard to the eventual compensation for the resolution of a certain services contract, an extrajudicial agreement has been reached.

The effect of the above updates has had a positive pre-tax effect on the consolidated comprehensive income statement of 2.79 million euros at 30 June 2019.

As at 30 June 2019, 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.

14. Long-Term Incentive Plan

On 25 June 2013, the Company's General Shareholders Meeting approved a long-term share-based incentive plan (“the plan”) for the NH Hotel Group SA's executives and employees, as follows:
The plan consists of the grant of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of the fixed salary, according to their level of responsibility. The number of shares to be granted shall be subject to the degree of fulfilment of the following objectives:

- TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, SA shares with the following indices:
    - IBEX Medium Cap
    - Dow Jones Euro STOXX Travel & Leisure

- EBITDA, discounting the amount corresponding to rentals compared annually with the forecasts of the Company's strategic plan.

If the minimum degree of fulfilment established in the aforementioned objectives is not achieved, the plan beneficiaries shall not be entitled to shares under said plan.

The plan is aimed at a maximum of 100 beneficiaries. The Board of Directors, at the proposal of the CEO, may include new members in the plan.

The plan has a total duration of five years, divided into three three-year cycles. At 30 June 2019, the third cycle has been settled.

The 2017 General Shareholders' Meeting approved the launch of a new Long-Term Incentive Plan. The new plan has a duration of five years, divided into three three-year cycles:

- The first cycle began on 1/1/2017 with delivery of shares in 2020 (in force)
- The second cycle began on 01/01/2018 with delivery of shares in 2021 (in force)
- The third cycle began on 01/01/2019 with delivery of shares in 2022 (in force)

This second plan will have a very similar structure to the first; delivery of ordinary shares of NH Hotel Group, S.A. to the beneficiaries calculated as a percentage of fixed salary, according to their level of responsibility.

The number of shares to be delivered shall be subject to the degree of fulfilment of the following four objectives:

  - TSR (total shareholder return) at the end of each of the plan cycles, comparing the performance of NH Hotel Group, S.A. shares with the STOXX® Europe 600 Travel & Leisure share index
  - Revaluation of the Share
  - Recurring Net Profit
  - Recurring EBITDA, discounting lease expenses.

The beneficiaries must remain in the Group on each of the plan settlement dates, notwithstanding the exceptions deemed appropriate, as well as achieving the minimum thresholds for each of the objectives.

The Board of Directors will be authorised to decide, before the start of each of the cycles, the effective implementation thereof in accordance with the Group's financial position at the time. At the date of publication of this report, all the cycles had been approved by the Board of Directors.

The maximum amount approved by the General Shareholders' Meeting for the three cycles of the second Plan is 16,200,000 euros.

The effect of these items on the consolidated comprehensive profit and loss statement for first half of 2019 was 1,748 thousand euros (1.799 thousand euros in first half of 2018).

15. **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 2019 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			
	30/06/2019			
	Major Shareholders	Directors and Senior Management	Associates or companies of the Group	Total
Expenses:				
Financial expenses	-	-	-	-
Management or cooperation agreements	-	-	-	-
R&D transfers and licence agreements	-	-	-	-
Lease rentals	-	-	-	-
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	63	-	-	63
	63	**-**	**-**	**63**
Income:				
Financial income	-	-	-	-
Management or cooperation agreements	551	-	711	1,262
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	-	-	-	-
	551	**-**	**711**	**1,262**

Income and Expenses	Thousands of euros			
	30/06/2018			
	Major Shareholders	Directors and Senior Management	Associates or companies of the Group	Total
Expenses:				
Financial expenses	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:				
Financial income	-	-	-	-
Management or cooperation agreements	4,218	-	1,031	5,249
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**	**5,249**

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 2019 by virtue of the hotel management agreement signed with Grupo Minor, (during 2018, management fees were accrued in favour of Grupo NH under the hotel management contract signed with Grupo Inversor Hesperia, S.A).

Likewise, on 30 June 2019, 0.6 million euros is pending collection for various concepts (1 million euros at 31 December 2018).

Other agreements:

	Thousands of euros	
	30/06/2019	31/12/2018
Accounts receivable from associated companies	1,117	1,766
Loans to associates		
Sotocaribe, S.L.	9,119	9,020
Advance Payment	7,200	-
Total	**17,436**	**10,786**

On 27 June 2019, MINT, controlling shareholder of NH, reached a binding agreement with Invesco for the sale of MINT's properties in Lisbon where hotels "Tivoli Avenida Liberdade", "Tivoli Oriente" and "Avani Avenida Liberdade" are located,

as well as simultaneous lease of such properties from Invesco to NH for its hotel operation. Derived from the lease contract NH has paid in advance 7,200 thousand euros (See Note 20).

Other commitments to shareholders

By virtue of the dividend approved in the General Shareholders' Meeting of 13 May 2019, the Group has recorded a commitment to its shareholders worth 5.18 million euros (see Note 3) recorded under "Other current liabilities" in the consolidated balance sheet at 30 June 2019. Said dividend was paid in July 2019.

16. 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 2018 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 2019 and 2018 is provided below:

	Thousands of euros	
	30/06/2019	**30/06/2018**
Members of the Board of Directors:		
Remuneration item-		
Fixed remuneration	283	250
Variable remuneration	195	150
Allowances	8	54
Allowances as per Articles	232	406
Transactions in shares and/or other financial instruments	-	-
Others	7	7
	725	**867**
Other benefits-		
Loans granted	-	-
Life insurance premiums	10	13
	10	**13**
Senior management, excluding Directors:		
Total remuneration received by senior management	1,642	1,434
Loans granted to senior executives	-	-
Others	-	-
	1,642	**1,434**

The Board of Directors had nine members at 30 June 2019: of which one is a woman.

At 30 June 2019 there were seven members of Senior Management (seven at 30 June 2018) excluding the CEO. The prorated remuneration of the seven members (excluding the CEO) who formed the Company's Senior Management in the first half of 2019 was taken into account to calculate the amounts indicated in the Senior Management section.

The current Executive Director was appointed by the General Shareholders' Meeting on 29 June 2017.

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

17. <u>Segment information</u>

Note 26 of the report on the Group's consolidated financial statements for the year ended 31 December 2018 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													
	30/06/2019							31/12/2018						
	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	**4,386,874**	966,611	1,113,037	769,282	855,728	449,874	232,342	**2,498,183**	595,886	765,478	440,001	287,391	402,698	6,730
Shareholdings in associated companies	**7,641**	967	-	-	-	6,674	-	**8,971**	1,001	-	-	-	5,935	2,034
Non-current assets classified as held for sale	-	-	-	-	-	-	-	**12,562**	12,562	-	-	-	-	-
Total consolidated assets	**4,394,515**	**967,578**	**1,113,037**	**769,282**	**855,728**	**456,548**	**232,342**	**2,519,716**	**609,449**	**765,478**	**440,001**	**287,391**	**408,633**	**8,764**
LIABILITIES														
Liabilities and equity by segments	**4,394,515**	967,578	1,113,037	769,282	855,728	456,548	232,342	**2,519,716**	609,449	765,478	440,001	287,391	408,633	8,764
Total Consolidated Liabilities and Equity	**4,394,515**	**967,578**	**1,113,037**	**769,282**	**855,728**	**456,548**	**232,342**	**2,519,716**	**609,449**	**765,478**	**440,001**	**287,391**	**408,633**	**8,764**

	Thousands of euros													
	Real estate													
	30/06/2019							31/12/2018						
	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	**43,776**	-	-	-	-	33,540	10,236	**43,412**	-	-	-	-	33,322	10,090
Total consolidated assets	**43,776**	**-**	**-**	**-**	**-**	**33,540**	**10,236**	**43,412**	**-**	**-**	**-**	**-**	**33,322**	**10,090**
LIABILITIES														
Liabilities and equity by segments	**43,776**	-	-	-	-	33,540	10,236	**43,412**	-	-	-	-	33,322	10,090
Total Consolidated Liabilities and Equity	**43,776**	**-**	**-**	**-**	**-**	**33,540**	**10,236**	**43,412**	**-**	**-**	**-**	**-**	**33,322**	**10,090**

	Thousands of euros													
	Total													
	30/06/2019							31/12/2018						
	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	**4,386,874**	966,611	1,113,037	769,282	855,728	449,874	232,342	**2,498,183**	595,886	765,478	440,001	287,391	402,698	6,730
Shareholdings in associated companies	**7,641**	967	-	-	-	6,674	-	**8,971**	1,001	-	-	-	5,935	2,034
Non-current assets classified as held for sale	**43,776**	-	-	-	-	33,540	10,236	**55,974**	12,562	-	-	-	33,322	10,090
Total consolidated assets	**4,438,291**	**967,578**	**1,113,037**	**769,282**	**855,728**	**490,088**	**242,578**	**2,563,128**	**609,449**	**765,478**	**440,001**	**287,391**	**441,955**	**18,854**
LIABILITIES														
Liabilities and equity by segments	**4,438,291**	967,578	1,113,037	769,282	855,728	490,088	242,578	**2,563,128**	609,449	765,478	440,001	287,391	441,955	18,854
Total Consolidated Liabilities and Equity	**4,438,291**	**967,578**	**1,113,037**	**769,282**	**855,728**	**490,088**	242,578	**2,563,128**	**609,449**	**765,478**	**440,001**	**287,391**	**441,955**	**18,854**

Information on sub-segments

The following table shows the breakdown of certain balances in the Group's consolidated financial statements by segment:

Significant information from the Income Statement by Geographic Area	30.06.2019 (Thousands of euros)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**TOTAL**
Revenues	216,870	176,779	148,590	156,073	60,026	57,642	**815,980**
Depreciation	(46,393)	(19,555)	(25,884)	(35,577)	(6,253)	(12,529)	**(146,191)**
Financial income	267	80	9	230	311	36	**933**
Financial expenses	(18,968)	(9,799)	(11,576)	(16,469)	(4,258)	(5,624)	**(66,694)**
Results from exposure to hyperinflation (IAS 29)					(115)		**(115)**
Profit (Loss) from entities valued through the equity method	(35)	-	-	-	42	-	**7**
Variation in the provision for onerous contracts	-	-	-	-	-	-	**-**
Income tax	(5,203)	(4,351)	(6,679)	746	(2,334)	8	**(17,813)**
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(352)	(140)	**(493)**

Significant information from the Income Statement by Geographic Area	30.06.2018 (Thousands of euros)						
	Spain	Benelux	Italy	Germany	Latin America	Rest of Europe and Others	**TOTAL**
Revenues	200,477	174,611	141,970	152,043	61,268	50,853	**781,222**
Depreciation	(20,067)	(9,377)	(11,481)	(9,826)	(3,533)	(1,339)	**(55,623)**
Financial income	1,503	290	18	261	144	24	**2,240**
Financial expenses	(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	516	-	-	229	-	542	**1,287**
Income tax	(3,070)	(37,739)	(5,458)	(556)	(847)	(372)	**(48,042)**
Profit (loss) for the year from discontinued operations net of tax	-	-	-	-	(221)	(25)	**(246)**

18. Average workforce

The average number of people employed by the Parent Company and fully consolidated companies during the first half-year period of 2019 and 2018, broken down by professional categories, is as follows:

	30/06/2019	30/06/2018
Group's general management	8	8
Managers and heads of department	1,419	1,397
Technical staff	920	912
Sales representatives	749	742
Administrative staff	169	212
Rest of workforce	7,383	7,260
	10,648	**10,531**

The workforce breakdown by sex and professional category as at 30 June 2019 and 2018 was as follows:

	30/06/2019		30/06/2018	
	Males	Females	Males	Females
Group's general management	6	2	6	2
Managers and heads of department	825	605	808	620
Technical staff	490	443	492	425
Sales representatives	227	538	204	529
Administrative staff	62	109	77	129
Rest of workforce	3,728	3,846	3,771	3,879
	5,338	**5,543**	**5,358**	**5,584**

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 2019 and 2018, broken down by professional categories, is as follows:

	30/06/2019	30/06/2018
Group's general management	-	-
Managers and heads of department	3	5
Technical staff	10	7
Sales representatives	1	1
Administrative staff	9	4
Rest of workforce	86	76
	109	**93**

19. Tax note

The NH Hotel Group companies have calculated the estimated Corporate Income Tax to 30 June 2019 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.

20. Events after the reporting period

On 27 June 2019, MINT, a controlling shareholder of NH, reached a binding agreement with Invesco for the sale of the MINT properties in Lisbon that include the hotels "Tivoli Avenida Liberdade", "Tivoli Oriente" and "Avani Avenida Liberdade", as well as for the simultaneous lease of these properties from Invesco to NH for its hotel operation.

The "Tivoli Oriente" lease contract came into force on 18 July 2019 and the "Tivoli Avenida Liberdade" and "Avani Avenida Liberdade" leases are expected to take place during the third quarter.

With these three leases in effect, the following will also be fully in force; (i) the Management Contracts under which NH will operate nine MINT hotels in Portugal, (ii) the Management Support Contract whereby NH will provide management support services on the MINT hotel portfolio in Brazil, and (iii) the different complementary agreements between NH and MINT for a suitable integration of MINT's entire hotel operation in Portugal and Brazil into NH.

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2019

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 369 hotels with 57,356 rooms in 28 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 +3.2% growth of world economic activity in 2019, slightly lower than the growth of the previous year (+3.6%) (Data and estimates from the EC's "European Economic Forecast – Spring 2019", May 2019). More specifically in the Eurozone, the provisional growth rate for 2019 was 1.2% (+1.9% in 2018). Global growth has led to a positive cycle of trade and investment. In addition, European economies continue to grow, although some signs of a slowdown are beginning to appear, with more moderate growth rates. 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, it is observed that in Spain (+2.1% in 2019 vs. +2.6% in 2018), Holland (+1.6% in 2019 vs. +2.7% 2018), Germany (+0.5% in 2019 vs. +1.4% in 2018), and Italy (+0.1% in 2019 vs. (+0.9% in 2018) lower growth rates than the previous year were recorded. On the other hand, growth in emerging countries is expected to remain stable, albeit with greater divergences between countries. In Latin America, growth is expected to be +1.1% in 2019 (vs. + 0.7% in 2018), affected by worsening financing conditions with Argentina suffering currency depreciation and entering recession and Mexico growing somewhat less than expected although a better evolution in emerging countries is expected in the coming months.

According to the World Tourism Organization ("UNWTO") in 2018, international tourist arrivals globally reached 1.40 billion, representing an increase of +6% over the previous year, clearly above the growth of 3.7% of the world economy, thus consolidating the strong results of 2017 and proving to be the second strongest year since 2010. More specifically, international tourist arrivals in Europe reached 713 million in 2018, a remarkable increase of 6% compared with an exceptionally strong 2017. Growth was driven by Southern and Mediterranean Europe (+7%), Central and Eastern Europe (+6%) and Western Europe (+6%). Results in Northern Europe were flat due to weak arrivals in the UK. In this European context, Spain has established itself as the tourist power in the world, along with France and the United States, and managed to break its record with 82.6 million foreign tourists, an increase of 1% in the number of international arrivals. For their part, the Americas (+3%) received 217 million international arrivals in 2018, with mixed results in all destinations. Growth was led by North America (+4%), followed by South America (+3%).

In this context, in the first half of 2019, the Group, as a result of the favourable evolution of hotel activity throughout the year, and thanks to greater positioning in the top brand segment, an improved customer experience, and an increase in operating and commercial efficiency has seen an increase in room prices ("ADR, average daily rate") as the main level of revenue growth.

During the first half of 2019, 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. Until May, the evolution of RevPAR in the top destinations was superior to that of the competitors.

In 2018 new selective repositioning opportunities were identified to be executed in the period 2018–2020, with only a small part of them having been invested in 2018. In this phase there will also be contributions from the owners of hotels under a rental regime.

Among 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 and nhow 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 this ongoing improvement of the customer experience, worthy of note in 2018 was the launch of FASTPASS, a combination of three innovative services (Check-in Online, Choose Your Room and Check-out Online), which gives the customer full control over their stay. In this respect, NH Hotel Group has become the first European chain to offer these three services simultaneously.

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 2019 was 8.6, compared to 8.4 in December 2018. Additionally, its average Google Reviews score was also 8.6, compared to 8.5 in December 2018. These average scores demonstrate the high levels of quality perceived by customers and the positive growth trend that the NH Hotel Group has had during the first six months of the year.

On the other hand, in 2019, the Group started operating eight new hotels in the following destinations: Mannheim, Valencia, Mérida, Marbella, Santiago de Chile, Leipzig, La Coruña and Porto. In addition, following the agreement reached with Minor, hotels in Portugal have begun operations; three under a rental agreement (formalisation estimated in 3rd quarter of 2019), nine under management and one franchise with the brands Tivoli, Avani and Anantara. As a whole, all the openings in the first half of the year contribute 3,429 rooms and, as a result, the Group now has 369 hotels with 57,356 rooms at the end of the first half of 2019.

In addition to the Portuguese signings, the Group has signed five new hotels with 431 rooms in the first six months of 2019. These signings have been under rental agreements in Marbella with the brand Anantara; La Coruña and Rome under the NH Collection brand and management in Aguascalientes and Andorra la Vella under the NH brand.

Revenues in the first half of 2019 totalled 816.0 million euros, an increase of +4.5% (+34.8 million euros). The Profit for the year attributable to the Parent Company was 39.9 million euros compared with 64.3 million euros in the first half of 2018.

Gross financial indebtedness increased from 436.6 million euros in December 2018 to 449.1 million euros at 30 June 2019. At 30 June 2019, cash and cash equivalents amounted to 245.2 million euros (265.9 million euros at 31 December 2018). Additionally, this liquidity was complemented by credit lines at 30 June 2019 amounting to 309.1 million euros, of which 250 million euros correspond to a long-term syndicated line of credit.

In regard to financial indebtedness, at the end of 2018, the Company announced the partial voluntary early redemption, for a nominal amount of 40 million euros (representing 10% of its total nominal amount), of its issue of senior secured bonds maturing in 2023. The redemption was carried out through the payment of approximately 103.76% of the nominal value of the Bonds subject to redemption with a charge to the Company's available cash.

The Group's operating and financial transformation has been reflected in the improvement of the corporate credit outlooks assigned by the main rating agencies in 2018. Accordingly, Fitch upgraded the corporate rating to 'B+' from 'B' due to improved operating performance and leverage metrics. Moody’s also improved their rating from ‘B2’ to ‘B1’, reflecting excellent results, a significant improvement in indebtedness, and greater liquidity. Both ratings currently have a stable outlook.

At the General Shareholders' Meeting in May 2019, shareholders approved the payment of an interim dividend from 2018 results amounting to 58 million euros, representing fifteen cents per outstanding share (gross). Said dividend was disbursed on 14 June 2019.

As a result of the public offering on 31 October 2018, MINT currently owns 369,165,609 shares in NH Hotel Group, S.A. representing 94.13% of its share capital. Since then, both companies have begun to explore joint value creation opportunities for the coming years.

Minor Hotels and NH Hotel Group will integrate their trademarks under a single corporate umbrella present in more than 50 countries around the world. In this way, a portfolio of more than 500 hotels under eight brands is organised: NH Hotels, NH Collection, nhow, Tivoli, Anantara, Avani, Elewana and Oaks, which completes a wide and diverse spectrum of hotel proposals connected to the needs and desires of global travellers.

Both groups currently share their knowledge base and experience in the sector in order to materialise short-term opportunities, taking advantage of the complementarity of their hotel portfolios, the implementation of economies of scale with a broader customer base and exploring development pathways for all their brands in different geographical areas.

As a first milestone in the integration and sampling the alignment of interests, June saw the announcement of the transfer to NH Hotel Group of the operation of a portfolio of 15 Minor Hotels in Portugal and Brazil. This agreement was reached under market conditions, following a favourable report from the Audit and Control Committee assisted by external advisors, and the approval of the NH Board of Directors, without the participation of the Proprietary Directors in both bodies on behalf of the shareholder Minor. Thus, Minor International has agreed to the sale of three hotels in Lisbon to funds managed by Invesco Real Estate, which will simultaneously be operated by the NH Hotel Group through a long-term sustainable rental contract with the new ownership. At the same time, NH Hotel Group has signed an agreement with Minor International to operate another nine hotels in Portugal under a management regime plus a franchise contract and advice on the management of its two hotels in Brazil.

Analysis of first application of IFRS 16

From 1 January 2019, the new accounting regulation establishes the recognition of operating leases on the balance sheet through a financial liability equal to the current value of the fixed lease amounts, and an asset for the right to use the underlying asset. Therefore, the interest expense of the lease liability from the amortisation expense of the right of use is recorded separately.

The Group has adopted the amended retrospective method, calculating the asset at the start date of each contract and the liability at the changeover date using an incremental interest rate calculated for each agreement at the date of application of the regulations. The difference between both items is recorded as an adjustment to the opening balance of the consolidated reserves. The effects of initial application of the standard are recognised on the date of initial application and, therefore, the comparative information is not restated.

The impact of IFRS 16 on the Group's financial statements is significant due to the maturity of the contract portfolio.

The impact at 1 January 2019 has resulted in a greater increase in assets for usage rights of approximately 1.8 billion euros, an increase in liabilities for operating leases of approximately 2.1 billion euros and a decrease in reserves of 0.3 billion euros.

The calculation of these impacts has been performed as if IFRS 16 had been applied from the inception of each contract or from the date of initial consolidation of the lessee of the contract. The calculation was made by discounting the lease flows by recalculating the asset and liability for each material modification to the lease and using an incremental interest rate calculated for each of the contracts at the transition date without taking into account the tax effect.

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.

The head of Internal Audit manages 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.

Over the first half of 2019, there were 24 reports of alleged breaches of the Code of Conduct, all of which were investigated, with appropriate disciplinary measures being taken in 24 cases.

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 Audit and Control Committee, and is empowered to impose disciplinary measures on employees in matters within its scope.

The Compliance Committee met on one occasion between 1 January and 30 June 2019.

Compliance Office

The Compliance Office, led by the Group's head of Compliance, 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.

Meanwhile, in 2018 the Criminal Risk Prevention Matrix in Spain was rationalised to provide a more efficient model for the company.

Drafting the anti-corruption and anti-fraud policy

On 31 January 2018, NH's Board of Directors approved the Anti-Corruption Policy, in its commitment to detect and prevent the commission of corruption offences in business within the company. In order to reduce exposure to regulatory risks of a criminal nature, specifically to the risk of crimes related to corruption, bribery and fraud, in December 2018, the Compliance Committee approved an update of the Anti-Corruption and Fraud Policy, which was approved by the Board of Directors on 13 May 2019.

The general principles of the Anti-Corruption and Fraud Policy are:

- • 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

Drawing up of the anti-money laundering policy

NH's Code of Conduct reflects a commitment to respect the applicable regulations on anti-money laundering policy, with special attention to diligence and care in the processes of evaluating and selecting suppliers, and in payments and collections in cash. Therefore, the Compliance Committee meeting of 19 December 2018 approved a policy that reinforces NH Hotel Group's commitment to anti-money laundering and combating the financing of terrorism, with the aim of detecting and preventing NH Hotel Group, S.A. and its group companies from being used in money laundering or terrorist financing operations. Said Policy was approved by the Board on 13 May 2019.

The aforementioned Policies have been duly communicated to all Group employees and the corresponding online training has been made available to ensure their disclosure and understanding.

RISK MANAGEMENT MODEL

The NH Hotel Group's Risk Management reflects the Group'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 Group'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. To this end, each risk assessor within the Group can propose new risks within the SAP GRC tool for subsequent assessment.
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 is firmed up by 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

The Group's Risk Map is updated annually and, after validation by the Audit and Control Committee, approved by the Board of Directors. The 2019 Risk Map was updated during the second quarter of 2019 and will be submitted to the Board of Directors for approval once it has received a favourable report from the Audit and Control Committee.

For the first time, the exercise was performed using the SAP GRC tool, which significantly reduced the time spent planning and evaluating risks and controls, in addition to becoming a single point of information in the Group, at global level, in relation to Risk Management.

In addition, each of the main risks on the Group's Risk Map is assigned to a Risk Owner, who in turn is a member of the Management Committee. Each risk manager reports periodically to the Audit and Control Committee (according to an established schedule) to present the existing or ongoing mitigation measures for its risks, the state of implementation of action plans and the measurement of key indicators. Over the course of 2019, risk managers turned to the Audit and Control Committee to present their corresponding risks.

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, including those caused by External Risks, arising from cycle changes, natural disasters, political instability or terrorist attacks.
d) 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.
e) Strategic Risks, produced by difficulty accessing markets and difficulties in asset disinvestment.

Finally, the Group has an Executive Risk Committee to support the periodic monitoring of risks (monitoring of action plans and key indicators), support initiatives and activities related to the implementation of action plans, as well as creating a culture of risks in the Group. This Committee held one meeting in the first half of 2019.

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 2019, with the aim of leading responsible behaviour in the sector, NH Hotel Group continued with the implementation of its 2017–2019 Strategic Corporate Social Responsibility Plan, establishing the main objectives and initiatives for the different responsibility commitments defined by the Group for this year.

The Group's CSR Plan has a clear purpose with the generation of a positive economic, social and environmental impact 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 Group'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 Group: 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.

During the first part of the year, the Sustainable Business area was also focused on sharing knowledge and working on the key lines of integration with Minor Hotels and MINOR International. In this regard, it was agreed that the RSC 2018 Report would be a reporting source for MINT, favoring the public link for the MINT Board and General Shareholders' Meeting on April 22. Likewise, NHHG participated in the Founder's Day promoting the first week of corporate volunteering under the slogan "Together with love" led by MINT. The extraordinary results in NHHG with more than 1,000 volunteers in 3 continents confirms the continuity of the practice and the support for the measure that increases the sense of citizenship among employees. Other lines of integration such as incorporating in CEO´s MBO the 5% reduction in consumption, as well as different SB knowledge actions and support for different measures of common interest that are reviewed monthly by the affected areas (DJSI, CDP, consolidated reporting, Human Rights Policy, Susutainable Value Chain, SBTs ...).

Human Resources strategy

The average number of people employed by the Parent Company and consolidated companies during the first half of 2019 was 10,648 employees.

The corporate culture of the NH Hotel is also based on the cornerstones of diversity and equality. At 30 June 2019, women made up 50.9% of the total workforce.

Also, the average age of employees at 30 June 2019 is 38.8 years old, and their average time with the company is 8.7 years.

Over the first half of 2019, as part of the Group's 2017–2019 Strategic Plan, the Human Resources strategy has continued, based on three main commitments:

- • Global leadership and talent management: Ensuring the Group'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.

During the first part of the year, the area has also been focused on providing the corresponding support to carry out the successful integration of the Minor Portugal hotels within our territory and portfolio; as well as coordinating some integration initiatives with Minor aimed at defining a policy of joint international mobility, promoting the first exchanges of talents between territories and brands and sharing practices.

Environment

For the NH Hotel Group, sustainability drives innovation, seeking to surprise our guests as well as achieving efficiencies in the use of natural resources, particularly 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 the first half of 2019, the implementation of the sustainability initiative continued. This initiative gives continuity to the environmental achievements of recent years. Thus, compared to 2007, per Average Daily Room energy consumption has been reduced by 31%, water consumption by 27% and our carbon footprint by 67%. NH Hotel Group is committed to renewable energy, which reduces its carbon footprint. This consumption of green energy, certified as renewable, is available in 76% of our hotels in Spain, Italy, Germany, the Netherlands, Belgium and Luxembourg, covering 81% of the total electricity consumed in Europe.

NH Hotel Group works with the ISO 14.001 environmental management system and ISO 50.001 for energy efficiency in accommodation, catering, meetings and events. In total, the Company has 144 individual sustainability certifications in hotels such as BREEAM, LEED, Green Key, Hoteles+Verdes, ISO 14.001 or ISO 50.001. The hotel sector environmental certifications such as Hoteles+Verdes and Green Key are recognised by the GSTC (Global Sustainable Tourism Council).

NH Hotel Group has reported its climate change commitment and strategy to CDP (formally Carbon Disclosure Project) since 2010. In 2018, the Company obtained an A- rating on the Climate Index, placing NH Hotel Group among the leading companies in the adoption of measures to effectively reduce emissions, which is indicative of advanced environmental management. This result positions the company above the average for its sector and region.

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

NH Hotel Group, S.A. share capital at 30 June 2019 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 Parent 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 2019 and 31 December 2018 were as follows:

	30/06/2019	31/12/2018
Minor International Public Company Limited ("MINT")	94.13%	94.13%

Between the months of May and September 2018, various purchase and sale contracts were entered into by Minor International Public Company Limited ("MINT"), as buyer, and the HNA Group and with funds managed by Oceanwood, all of which as sellers. As a result of these transactions, MINT acquired all the sellers' interests in NH Hotel Group, S.A. In addition to these transactions, MINT acquired several non-significant shareholdings, as a result of which on 30 September 2018 MINT owned 179,772,214 shares in NH Hotel Group, S.A., representing 45.84% of its share capital.

At the same time, on 11 June 2018, MHG International Holding (Singapore) Pte. Ltd. (a company wholly owned by MINT) made a takeover bid ("OPA") for 100% of the shares that formed part of the share capital of NH Hotel Group, S.A., which, once approved by the Spanish regulatory body, the "CNMV" (Spain's National Securities Market Commission), and the acceptance period was opened, was accepted, among others, by the hitherto shareholder Grupo Hesperia.

As a consequence of the takeover bid, the result of which was notified by the CNMV through a significant event on 26 October 2018, and of the purchase and sale transactions described above, (i) the funds managed by Oceanwood, the HNA Group and the Hesperia Group lost their status as significant shareholders of NH Hotel Group, S.A.; and (ii) MINT acquired, through its wholly-owned subsidiary MHG Continental Holding (Singapore) Pte. Ltd., shares representing 94.13% of the share capital of NH Hotel Group, S.A.

The average share price of NH Hotel Group, S.A. in the first half of 2019 was 4.62 euros per share (6.33 euros for the same period in 2018). The lowest share price of 3.89 euros per share (5.51 euros in February 2018) was recorded in January and the highest share price of 5.28 euros per share in March (6.71 euros in April 2018). Stock market capitalisation of the Group at the close of the first half of 2019 was 1.78 billion.

At 30 June 2019, the Group had 373,933 own shares, 600,000 own shares at 31 December 2018. The reduction of treasury shares in the period is explained by the delivery of 226,067 shares to NH employees under the Long-term Incentive Plan between 31 December 2018 and 30 June 2019.

Liquidity contract for treasury shares management

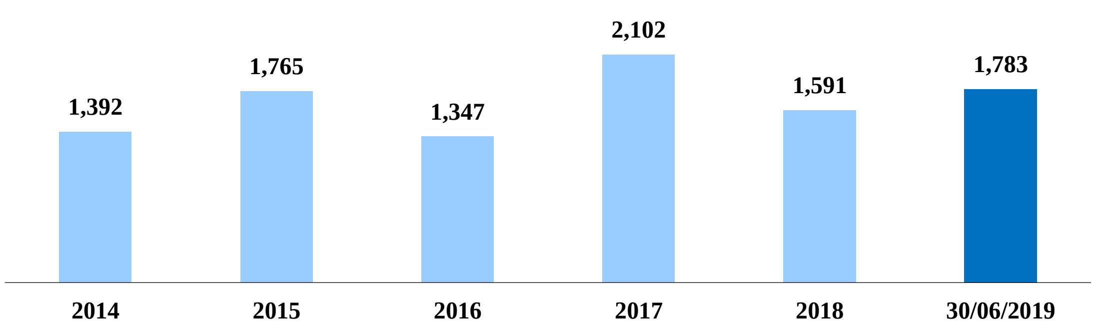
On 10 April 2019, the NH Board of Directors entered into a liquidity contract to manage its treasury shares with Banco Santander, S.A. The Contract became effective on 11 April 2019 and will last for twelve months.

This contract is in accordance with the liquidity contract model in Circular 1/2017 of 26 April from the National Securities Market Commission on liquidity contracts for the purpose of its acceptance as a market practice.

The total number of shares allocated to the securities account associated with the new Liquidity Contract is 82,645 shares and the amount allocated to the cash account is 400,000 euros.

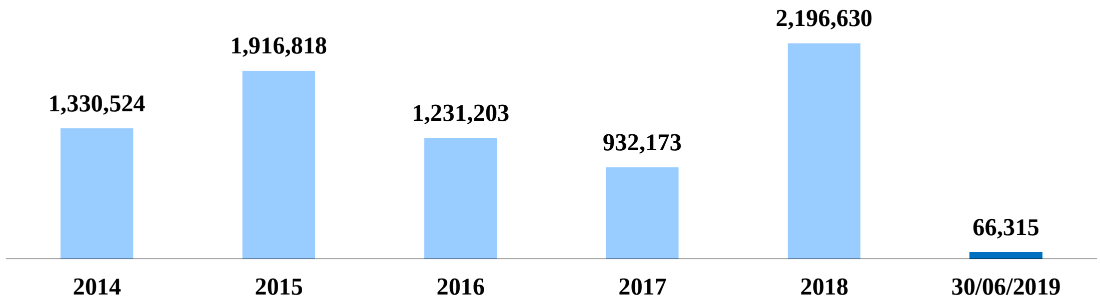
The Liquidity Contract was agreed upon by the Board of Directors at the proposal of the Proprietary Directors on behalf of the shareholder Minor as a measure to encourage and favour the liquidity of the Company's shares taking the current market conditions into account.

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



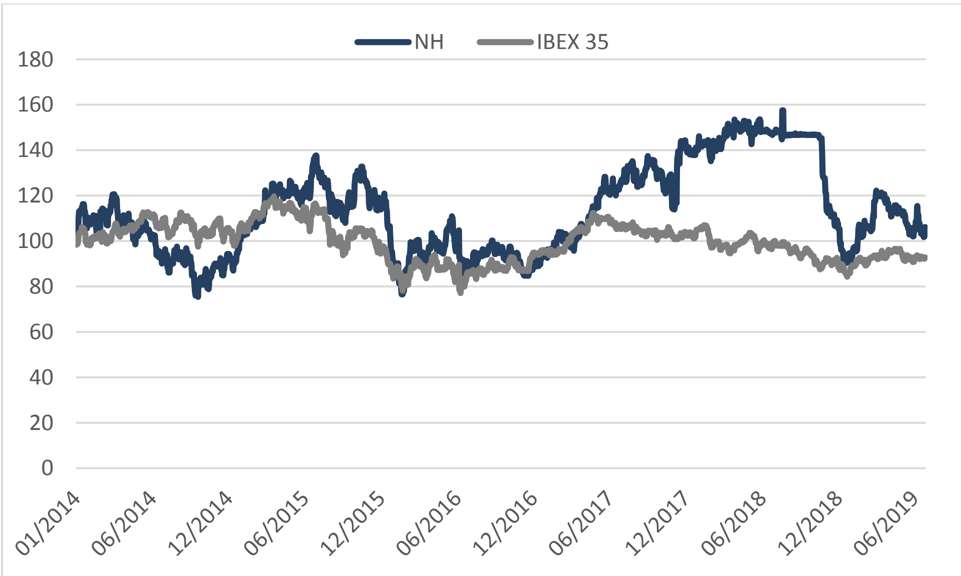
During the first six months of 2019, 8,289,399 shares in NH Hotel Group, S.A. were traded on the Continuous Market (204,835,064 shares in the same period in 2018) with average daily share trading on the Continuous Market of 66,315 shares (1,625,675 shares in the same period in 2018).

AVERAGE DAILY TRADING (in shares)



EVOLUTION NH HOTEL GROUP vs. IBEX 35

1 JANUARY 2014-30 JUNE 2019



FUTURE OUTLOOK

Forecasts indicate that this strong momentum will continue in 2019, although at a more sustainable pace after nine years of constant expansion after the economic and financial crisis of 2009. Based on current trends, the economic outlook and the UNWTO tourism confidence index, international arrivals are expected to grow by between 3% and 4% in 2019, more in line with historical growth trends

On the other hand, GDP growth in Europe is expected to be +1.2% in 2019 (Data and estimates provided by the E.C. "European Economic Forecast – Spring 2019", May 2019).

In this economic environment, the Group expects to benefit from the increase in sales associated with GDP growth expectations in 2019, 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 27 June 2019, MINT, a controlling shareholder of NH, reached a binding agreement with Invesco for the sale of the MINT properties in Lisbon that include the hotels "Tivoli Avenida Liberdade", "Tivoli Oriente" and "Avani Avenida Liberdade", as well as for the simultaneous lease of these properties from Invesco to NH for its hotel operation.

The "Tivoli Oriente" lease contract came into force on 18 July 2019 and the "Tivoli Avenida Liberdade" and "Avani Avenida Liberdade" leases are expected to take place during the third quarter.

With these three leases in effect, the following will also be fully in force; (i) the Management Contracts under which NH will operate nine MINT hotels in Portugal, (ii) the Management Support Contract whereby NH will provide management support services on the MINT hotel portfolio in Brazil, and (iii) the different complementary agreements between NH and MINT for a suitable integration of MINT's entire hotel operation in Portugal and Brazil into NH.