

Financial Debt Policy in NHHG

| Version | Corporate Area | Approved by: | Approval date |
|---------|----------------|-------------------------------------|---------------|
| 1 | Finance | Executive Managing Director Finance | 01/11/18 |
| | | SVP Treasury and Financing | |

Objective

Obtain short and long term financing with the best possible conditions in terms of pricing and structure and close monitoring of commitments undertaken under the financial agreements.

Scope

It applies to the Financial Departments of every BU and HQ Financial Department where the main guidelines for obtaining short and long term financing are ruled

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1. Short Term Debt

1.1 Forecast of cash needs

- On the 4th quarter of every year NH Hotel Group Financing and Treasury department prepares an annual budget at Group level with the input provided by every Business Unit.
- In parallel, NH Hotel Group Financing & Treasury team runs an annual liquidity plan in order to define the required amount of bilateral short term revolving credit facilities.
- After a thorough analysis of the annual liquidity plan, the amount of existing bilateral short term revolving credit facilities could be reduced, increased or renewed.
- On a weekly basis, NH Hotel Group Financing & Treasury team performs a cash forecast at Group level.
- Depending on the results of the weekly cash forecast, NH Hotel Group Financing & Treasury team could adjust the initial forecast of the required amount of short term revolving credit facilities.

1.2 Short term funding sources/ diversification

- Diversification of short term funding sources is key for NH Hotel Group Financing & Treasury team. Key relationship banks to NH Hotel Group have currently in force committed short term revolving credit facilities with different maturity dates.
- Furthermore, we hold regular meetings with domestic and international financial institutions having nil exposure at present that have shown interest in lending to NH Hotel Group, S.A.

1.3 Main terms and conditions of short term funding sources

- The tenor of the committed short term revolving credit facilities must be at least 12 months and renewals for the same period must be agreed by NH.
- Short term revolving credit facilities are unsecured and have no financial covenants. However, we exceptionally provide SBLC for bilateral revolving credit facilities attached to strategic cash pooling agreements.
- The bilateral revolving credit facilities bear variable interest referenced to 1, 3 and 6 months Euribor plus a spread, and a commitment fee on the undrawn amounts.

1.4 In house approvals/ renewal and relevant documentation

- NH Hotel Group Financing & Treasury department closely monitors the expiry dates of the short term revolving credit facilities so renewal if required can be agreed with sufficient time, c. 2 months before the expiry date.
- As part of the renewal, NH Hotel Group Financing & Treasury department makes sure that the terms and conditions of the renewal are aligned with the prevailing market standards and creditworthiness of NH Hotel Group.
- NH Hotel Group Financing and Treasury department will ensure that new ST financing or renewal of short term facilities is fully compliant with the existing financial covenants and ratios imposed on us by banks and bonds.

- NH Hotel Group Financing and Treasury department analyses the potential impact on liquidity and ratings derived from the renewal, cancellation, or signing of new short term facilities.
- The cancellation, addition and renewal of the short term unsecured revolving credit facilities are approved by the SVP of NH Hotel Group Financing & Treasury team.
- The documentation related to short term unsecured revolving credit facilities must be reviewed and validated by NH Legal Department or by an external legal advisor approved by NH legal Department.
- Business Units are not allowed to raise short term financing without the approval of NH Hotel Group Financing and Treasury department. If new facilities are approved, NH Hotel Group Financing and Treasury department, NH Hotel Group legal department and external legal advisors (if any) will ensure that the terms are at prevailing market conditions, adheres to existing covenants. Renewals and new committed bilateral revolving credit facilities are signed before Notary.

2. Long Term Debt (new long term debt and debt refinancing)

2.1 Define new long term debt needs/ structure

- Long term debt is largely related to the funding of investments in capex and/or acquisitions of assets.
- NH Hotel Group Financing and Treasury team, largely based on the input provided by the relevant areas, runs an in depth cash flow analysis in order to quantify the need for additional long term debt.
- NH Hotel Group Financing and Treasury team is responsible for making sure that the amount of long term additional debt and the structure is permitted by the existing financial agreements.
- New long term debt must rank pari-passu with the existing debt agreements, never more senior.
- If possible, new long term debt would share the same collateral (if any required) and structure (financial covenants, events of default, representations and guarantees, obligations etc.) of the existing financial agreements.
- NH Hotel Group Financing and Treasury department will ensure that new ST financing or renewal of short term facilities is fully compliant with the existing financial covenants and ratios imposed on us by banks and bonds.
- NH Hotel Group Financing and Treasury department analyzes the potential impact on liquidity and ratings derived from the renewal, cancellation, or signing of new short term facilities.

Business Units are not allowed to raise short term financing without the approval of NH Hotel Group Financing and Treasury department. If new facilities are approved, NH Hotel Group Financing and Treasury department, NH Hotel Group legal department and external legal advisors (if any) will ensure that the terms are at prevailing market conditions and adheres to existing covenants.

2.2 Refinancing

- NH Hotel Group Financing and Treasury team is responsible for the close monitoring of long term debt due in the short and medium term.
- Refinancing must be accomplished around 24 months before maturity, and NH Finance team will start analyzing the best alternatives for the refinancing/ repayment of long term 36 months before maturity.
- Depending on NH Group cash flow generation, a decision at the appropriate level within NH Hotel Group, S.A. (management committee, delegated commission and/or Board of Directors) is taken on the repayment or refinancing of debt maturities.
- If refinancing of long term debt due in the short term is decided, paragraph 2.3 below explain the next steps in the process.

2.3 Search for the best financial structure (new long term debt and Refinancing)

- NH Hotel Group's Financing & Treasury team search for the most appropriate structure in terms of cost, tenor, repayment schedule and other relevant terms of the new debt (secured/ unsecured/ personal guarantees/ covenants etc.).
- Impact on ratings will also be assessed during this process.
- The different alternatives are presented at the appropriate level within NH Hotel Group (management committee, delegated commission and/or Board of Directors) along with a recommendation for the most appropriate instrument, structure and parties to the transaction (advisors/financial institution etc.).
- Once a decision is taken NH Hotel Group Financing & Treasury team negotiates with the financial institutions/ investors/ advisors on the key terms and conditions of the new debt instrument.
- External legal advisors draft the relevant documentation once the final terms and conditions of the new debt facilities are agreed with the investors/ financial institutions/ advisors. NH Legal ratifies the documentation before signing.

2.4 Monitoring

- In order to prevent an event of default/ cross default of existing financial agreements, NH Hotel Group Financing & Treasury team assures full adherence to the obligations imposed on the borrowers by the existing financial agreements.
- NH Hotel Group Financing & Treasury team is responsible for preparing and delivering on a timely manner the financial reports (financial covenants and others if applicable), audited or not, required by the existing financial agreements.

2.5 Rating agencies

- In the event of a relevant refinancing transaction and/or additional debt, NH Hotel Group Financing & Treasury team is responsible for presenting the transaction to the rating agencies so they can analyse the potential impact in the rating (issuer and rated issues).