

Inter Company Long Term Loan

VALIDATION PROCESS

Version	Corporate Department	Approved by:	Approval Date
1	Finance	VP Corporate Treasury	30/09/2019
	Finance	SVP Corporate Tax	
	Legal	SVP Corporate Legal	

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TARGET AND SCOPE

This document is intended to define a single procedure for the execution, control and liquidation of long-term intercompany loans. This procedure is linked to the framework contract dated December 18, 2018.

Annexes to this contract will be signed annually in which the balances at the end of the year of the outstanding Intercompany loans and the applicable margins for each year will be collected.

INDEX

1. Disposals and approval process
2. Discharges and loan repayments
3. Loans interest expenses
4. Transformation of "Cash pooling balance / Zero Balance" into long-term loans
5. Information and registration of loans balance

1. DISPOSAL AND APPROVAL PROCESS

Any Head of Finance of the Business Unit that requires the funds (debtor) will be in charge of submitting the loan application. The application must be sent by email and it will be addressed to the corporate departments of Tax, Legal and Treasury (the Head of Finance of the creditor entity must be in copy) at least 15 days before the required disbursement date of the funds, to enable the study of the operation and the determination of its economic conditions.

The application email must contain the following:

- ✓ Company and center requesting the loan (Debtor)
- ✓ Company and center that provides the funds (Creditor)
- ✓ Concept
- ✓ Monetary amount with indication of currency EUR or USD
- ✓ Date of disposal

As a general rule, the creditor entity of intercompany financing will be the company "FINCO".

In the event that the intervening companies (debtor and creditor) and the corporate departments of Legal and Fiscal and Treasury consider that there is some advantageous reason for issuing the loan from another company in the group, it may be made effective from said.

The Legal Corporate department will verify if the company is within the framework contract of December 18, 2018. If it is not, the corresponding annex of the loan will be issued in order to include that company.

The Corporate Tax department will validate the viability of the loan from a tax point of view and will inform, if there are, of any peculiarity to be taken into account.

The Treasury Corporate department will register the operation in its database in order to calculate its interests, establish the transaction date based on the liquidity and needs of the companies, and proceed to the execution and disbursement of the corresponding funds.

2. DISCHARGES AND LOAN REPAYMENTS

The loan can be repaid in two different periods:

- ✓ In accordance with the provisions of the framework contract of December 18, 2018 and the annexes signed between the parties.
- ✓ In advance, when both parties agree to carry out full or partial repayments.

The Head of Finance of the debtor will be responsible for communicating the total or partial repayment of a loan through an email to the corporate departments of Fiscal, Legal and Treasury. (The Head of Finance of the creditor entity must be in copy)

The email must include the following information:

- ✓ Company and center that request the repayment (Debtor).
- ✓ Company and center that receives the repayment (Creditor)
- ✓ Concept
- ✓ Monetary amount with indication of currency EUR or USD

- ✓ Repayment date proposal

The mentioned departments will validate the request.

In case of approval of the request, the Treasury department will move the funds needed for the repayment.

Unless otherwise indicated by the parties, partial repayments will be applied to the older outstanding debt (under the same economic conditions) unless otherwise indicated.

3. LOANS INTEREST EXPENSES

The Treasury corporate department will be in charge of calculating the interests of the outstanding loans in each year, according to the conditions established in the framework contract of December 18, 2018, taking into account the movements that each loan has suffered throughout the year and the margins established in the corresponding annexes

4. TRANSFORMATION OF “CASH POOLING BALANCE / ZERO BALANCE” INTO LONG-TERM LOANS

On a quarterly basis, the cash pooling balances of the companies that participate in it with FINCO will be converted into long-term loans and will be held to the framework contract of December 18, 2018, being recorded according to its sign (positive when increase the loan, negative when reducing the loan).

In the record file that the treasury creates, the sign of the “cash pooling” will be determined by the initial Borrower / Lender relationship established in the framework contract of December 18, 2018.

If the same relationship is maintained, Borrower / Lender cash pooling will have a positive sign and is considered an advance.

If the Borrower / Lender relationship changes, the cash pooling will have a negative sign and is considered a reduction and will be applied to the oldest living debt under the same economic conditions.

In this case, FINCO will be responsible for making the communication to the areas involved (Fiscal, Legal and Treasury)

5. INFORMATION AND REGISTRATION OF LOANS BALANCE

The corporate Treasury department will register all loans and their movements applicable to the framework contract of December 18, 2018 and their respective annexes. In this file, all the movements that have occurred in each year and the calculation of the corresponding interest will be gathered.