

NH HOTELES, S.A.

Capital increase – The subscription period commences

Exercising the delegation by the Company's General Shareholders' Meeting on 5 May 2006, the Board of Directors of NH Hoteles, S.A. (the "**Company**") resolved, in its meetings on 27 November 2006 and 23 January 2007, to increase the Company's share capital as envisaged in article 153.1 b) and in accordance with the following terms and conditions:

One – Amount of capital increase

The nominal amount of the capital increase is 32,743,942 euros through the issue of 16,371,971 shares (the "**New Shares**") with a par value of 2.00 euros each, of the same class and series as the Company shares which are currently outstanding, represented by book-entries, with an issue premium of 13.27 euros per New Share and recognising the preferential subscription right of all the Company shareholders in the following proportion: 1 New Share per every 8 shares that they own. Therefore, the Capital Increase issue will amount to 15.27 euros per New Share.

Two – Preferential subscription period

The New Shares are offered preferentially to the shareholders of the Company at the end of the day before the start of the Preferential Subscription Period; they can exercise their right to a preferential and proportional subscription with respect to the entire shares issued, as well as to the acquirers of the subscription right.

The Preferential Subscription Period for shareholders and acquirers of the subscription rights will begin on the day after the publication of this announcement in the Official Gazette of the Mercantile Registry, i.e. 28 February 2007, and will end once 15 calendar days have elapsed, i.e. 14 March 2007. The subscription rights will be negotiable in SIBE (the Electronic Market).

Second round – Additional Allocation period

If the New Shares have not been subscribed once the Preferential Subscription Period has elapsed, an Additional Allocation Period will be opened in which the shareholders and/or investors who have applied for additional New Shares during the Preferential Subscription Period will be allocated.

The Additional Allocation Period will have a duration of 2 business days, starting on the business day after the end of the Preferential Subscription Period. The possibility of allotting the additional New Shares in that Additional Allocation Period is subject to:

- a) The existence of outstanding New Shares at the end of the Preferential Subscription Period once the shareholders and/or investors have exercised their right.
- b) An indication, in the subscription order filed with the Participating Institutions during the Preferential Subscription Period, of the intention to subscribe additional New Shares in the Additional Allocation Period.
- c) The exercise by the applicant shareholder and/or investor of the entire preferential subscription rights that they own during the Preferential Subscription Period.

If the total number of additional New Shares requested in the Preferential Subscription Period for allocation in the Additional Allocation Period exceeds the number of unallocated shares by virtue of the exercise of the preferential subscription right, the Agent Entity will calculate on a pro rata basis the volume of New Shares corresponding to the total of the requests for additional New Shares that were notified. If there are fractions in the allocation, they will be rounded off by default.

If, after applying the pro rata basis stated in the preceding paragraph, there are unallocated New Shares by the effect of rounding them off, they will be distributed one by one, from large to small amount of the request for additional New Shares and, in the event of a tie, in alphabetical order of the shareholders and/or

investors who have made those requests, taking the first position of the field “Forename and Surnames or Company Name”, whatever its content, starting from the letter “W” according to a draw held before a notary.

Third round – Discretionary Allocation Period

If there are still unallocated New Shares once the Preferential Subscription Period and Additional Allocation Period have elapsed, the Agent Entity will notify the Company as soon as possible and, in any case, prior to the start of the Discretionary Allocation Period, of the number of New Shares not subscribed and which will be placed or, where appropriate, subscribed by the proposed persons in accordance with the procedure detailed below.

The Discretionary Allocation Period will have a duration of 2 business days in which any physical or legal person, whether or not they are shareholders, can present proposals to subscribe the New Shares before any Participating Entity, which will notify the Agent Entity. By virtue of the delegation granted for those purposes by the Board of Directors, the Company’s Representative Committee can, in the two business days after the end of the Additional Allocation Period, reject or accept, completely or partially, at its discretion, the proposals for subscription presented by shareholders or any third party.

Forecasting an Incomplete Subscription

For the purposes envisaged in article 161 of the Spanish Corporations Law, an incomplete subscription is envisaged expressly, so that capital will be increased only by the amount that is subscribed and paid once the Discretionary Allocation Period has elapsed.

Where to subscribe

To exercise the preferential subscription rights, their owners must contact the Participating Entity at IBERCLEAR, in whose accounting register their securities are registered, stating their wish to exercise those rights and indicating the numbers of their current account and of their securities.

The current shareholders of the Company that want to participate in the Additional Allocation Period (second round) must state the number of additional New Shares that they wish to acquire, together with the order to exercise their rights. The request for additional New Shares made during the Preferential Subscription Period must include the number of additional New Shares that the current shareholders or owners of the rights have requested.

Once that announcement has been published, the Agent Entity will send, through IBERCLEAR, a warning to all the Participating Entities, informing them of the deadlines for issuing the New Shares, as well as the possible existence of a second round (Additional Allocation Period) and a third round (Discretionary Allocation Period). The subscription rights will be negotiable in SIBE (the Electronic Market).

The result of the subscription corresponding to the Preferential Subscription Period will be notified by the Agent Entity to the Participating Entities and to the Company so that the latter can notify the result to the CNMV by filing the corresponding significant event.

Payment for the New Shares

In the Preferential Subscription Period (first round), the payment for the subscribed New Shares must be made when exercising the preferential subscription rights.

In the Additional Allocation Period (second round), the payment for the New Shares must be made as a fund provision, if this is required by the Participating Entity, when the request for additional New Shares is materialised. If there is oversubscription after the pro rata calculation, the amount corresponding to the unallocated New Shares is returned by the Participating Entities within at most 2 business days from the date of the provisional allocation of the New Shares corresponding to the second round. In both cases, the payment will be made through the Participating Entities through which the orders are filed.

In the Discretionary Allocation Period (third round), the payment for the New Shares will be made on the day on which the allocation is confirmed and by the amount that is effectively allotted.

Once the public document is granted, registered at the Madrid Mercantile Registry and filed with the CNMV, the Madrid Stock Exchange and IBERCLEAR, the latter will register the New Shares in its central registry.

The Participating Entities will make the corresponding registrations in their accounting records in favour of the owners of the New Shares. The new shareholders can request the Participating Entities to send them the authentication certificates corresponding to the New Shares.

Rights of the New Shares

The New Shares will grant their owners the same political and economic rights as the ordinary shares of NH Hoteles that are currently outstanding from the date of registering the New Shares in IBERCLEAR's registry.

Expenses

The Company will not pass on any expenses to the subscribers in relation to the New Shares. Expenses will not accrue for the first registration of the New Shares in the accounting records of the Participating Entities. Nevertheless, the Participating Entities that keep the accounts of the owners of NH Hoteles shares can establish, in accordance with current legislation, the administration commissions and expenses that can be passed on which they freely determine as a result of maintaining the securities in the accounting registers.

Listing

It is expected that the New Shares will be listed in the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges and in SIBE (the Electronic Market) on a date which is not estimated to be after 30 March 2007, although the final date will depend on whether or not the Additional Allocation Period and the Discretionary Allocation Period will be opened.

Prospectus

The capital increase prospectus, comprising a summary and a note about the shares, was registered in the official registers of the Comisión Nacional del Mercado de Valores on 23 February 2007. That prospectus is available to the public at the Company's registered address (Calle Santa Engracia 120, Edificio Central, planta 7ª, Madrid), at the Comisión Nacional del Mercado de Valores, at the management companies of the Madrid, Barcelona, Bilbao and Valencia stock exchanges, and at Caja de Ahorros y Monte de Piedad de Madrid, the Agent Entity in the Capital Increase. Likewise, the prospectus can also be accessed on the Company's web site (<http://www.nh-hoteles.es>) and at the CNMV's web site (<http://www.cnmv.es>).

Madrid, 26 February 2007

José María Más Millet
Secretary of the Board of Directors