

**NH HOTELES, S.A.**  
**STATEMENT OF TAKEOVER OFFER FOR**  
**SOTOGRADE, S.A.**

This document is made public in compliance with that stipulated in Article 18.1 of Royal Decree 1197/1991, of July 26, on the Regime applicable to Tender Offers.

On November 16, 2006, the Spanish Securities and Exchange Commission (the “**CNMV**”) authorised the following takeover Offer for SOTOGRADE, S.A. formulated by NH HOTELES, S.A., which shall be governed by Law 24/1988, of July 28, namely the Securities Market Act, and by Royal Decree 1197/1991, of July 26, on the regime applicable to tender offers (“**Royal Decree 1197/1991**”), in accordance with the following essential terms and conditions that have been made public in the offer prospectus (the “**Prospectus**”) of this takeover Offer (the “**Offer**”):

**1 Identification of the Affected Company**

The company affected by the Offer is SOTOGRADE, S.A. (“**Sotograde**” or the “**Affected Company**”), whose business address is Edificio C, Puerto Deportivo de Sotograde, Sotograde, San Roque, Cadiz, Spain, and Fiscal Identification Code is A-28110666. Sotograde is registered in the Mercantile Register of Cadiz in volume 681, folio 213, page number CA-9166.

**2 Identification of the Offering Company and its Group**

The Offer is being made by NH HOTELES, S.A. (“**NH**” or the “**Offering Company**”), whose business address is Calle Santa Engracia 120, planta 7, 28003 Madrid, Spain, and Fiscal Identification Code is A-28027944. NH is registered in the Mercantile Register of Madrid in volume 576 general 176 of the 3rd section of the companies’ ledger, folio 61, page number M-61.443.

On the date the Prospectus was made public no individual or legal entity, either acting alone or in conjunction with others, controls, or can control, NH in conformance with that stipulated in Article 4 of Law 24/1988, of July 28, namely the Securities Market Act.

NH is the parent company of a group of companies active in the hotel, real estate and catering services sectors. In section I.9 of the Prospectus there is more information regarding these activities, and this is complemented by the information contained in the Registration Document approved by the CNMV on August 29, 2006.

**3 Sotograde Securities owned by NH**

NH controls Sotograde by merit of holding 79.061% of the shares representing Sotograde’s stock capital and has four representatives on the Sotograde Board of Directors. Furthermore, another 3 members of the Sotograde Board of Directors (Mr Manuel Herrando Prat de la Riba, Mr José María Mas Millet and Mr Gustavo Gabarda Durán) occupy top management posts with or are directors of NH. As a result, Sotograde belongs to the NH Group.

**4 Agreements between NH and Caja Madrid**

NH and Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A., holder of 7,232,265 shares representing 17.267% of the capital stock of Sotogrande, and member of its Board of Directors (henceforth "**Caja Madrid**") have reached an agreement by which Caja Madrid will sell to NH those shares in Sotogrande of which Caja Madrid is the holder in exchange for shares in NH with a swap of one NH share for each Sotogrande share. In conformance with that stipulated in the aforementioned agreement, in the event of NH selling its total shareholding in Sotogrande within the twelve months following the date on which the acceptance time of the Offer ends, NH would be obliged to pay Caja Madrid, for each Sotogrande share transferred to NH, the highest value that NH were to obtain, should this circumstance arise, from the sale of said Sotogrande share to a third party, all in accordance with the terms and conditions specified in said agreement. On January 16, 2006, Caja Madrid stated its intention to NH to accept the Offer, as and how reported via Relevant Fact also made public on the same date by NH. On September 6, 2006, NH and Caja Madrid formalised this agreement in writing.

Despite this Offer, the terms and conditions of this undertaking apply to all of those Sotogrande shareholders who accept it. For more information in this regard, please see Chapter IV of the Prospectus.

NOTWITHSTANDING THIS PROVISION, IT IS EXPRESSLY RECORDED THAT NH HAS NOT RECEIVED, AND DOES NOT REASONABLY EXPECT TO RECEIVE, NOR IS IN NEGOTIATIONS OR CONVERSATIONS TO RECEIVE, ANY OFFER FROM A THIRD PARTY FOR THE TRANSFER OF ITS STAKE IN SOTOGRANDE AND WHICH, AT THE PROSPECTUS DATE, MEANS THAT IT CANNOT BE FORESEEN THAT SAID TRANSFER IS TO TAKE PLACE WITHIN THE PERIOD STATED, AND THIS WOULD ONLY OCCUR, WHERE APPROPRIATE, FOLLOWING THE SETTLEMENT OF THE PUBLIC OFFER. FOR MORE DETAILED INFORMATION WITH RESPECT TO THE MOST IMMEDIATE PLANS REGARDING THE AFFECTED COMPANY, PLEASE SEE CHAPTER IV OF THE PROSPECTUS.

That stated involves the only agreement that exists between NH and Caja Madrid. Specifically speaking, notice is hereby given that it is independent and is in no way related with any of the stipulations established in the agreement of December 2002 signed between NH and Caja Madrid that is no longer in force. In particular, notice is hereby given that the agreement in question is in no way related with the acquisition of the assets of the company Ahora, S.L. nor with the statement contained in said agreement regarding NH collaborating with Caja Madrid in the event of the latter deeming it opportune to transfer its shareholding in Sotogrande. Section I.8 of Chapter I of the Prospectus contains an additional description of the agreements reached in December 2002 with respect to Ahora, S.L. as well as the prior agreements regarding the creation of Ahora, S.L. of 1999.

The operation described in this Prospectus is a tied operation between NH and Caja Madrid, insofar as Caja Madrid is a member of the Board of Directors of NH. The exchange of shares equation was fixed in accordance with the advice received from Nmás1, the firm that since October 1, 2003 has been commissioned by NH to provide continuous financial assessment, and it was made applicable to all of the Sotogrande shareholders via the formulation of this Offer, with the aim being to put all of the shareholders of the affected company on an equal footing. In order to guarantee the absence of conflict, Caja Madrid abstained both from the prior deliberation and from the adoption of the agreement with

respect to the approval of the operation, which took place during the meeting of the NH Board of Directors held on December 20, 2005. Whatever the case, notice is hereby given that Caja Madrid, as a member of the NH Board of Directors, has not had access to private information that has been a determining factor for adopting the aforementioned agreement.

Aside from the aforementioned, there exists no verbal or written agreement in relation with the operation described in this Prospectus either with Sotogrande (with the exception of the concentration and redevelopment process referred to in section 13.1.2 below and in section IV.1.2 of Chapter IV of the Prospectus), or between NH and the members of the Board of Directors or any of the shareholders of Sotogrande or persons in any way associated with these. Neither has any specific benefit been reserved for the members of the Sotogrande Board of Directors. Likewise, neither consideration nor discriminatory treatment among shareholders is derived from these agreements.

## **5 Number of Securities within the Scope of the Offer**

The Offer targets 100% of Sotogrande's shares and, therefore, there is no maximum limit of securities within the scope thereof. Neither is the Offer conditioned by the acquisition of a minimum number of securities.

Despite the above, NH holds 79.061% of the shares representing the share capital of Sotogrande and that are currently locked up and, therefore, to all intents and purposes this Offer targets the 8,770,130 Sotogrande shares (which together represent 20.939% of Sotogrande's capital stock) that are not held by NH.

## **6 Consideration**

The Offer is formulated as an exchange of shares, with newly issued shares in NH being offered as consideration. Specifically speaking, for each Sotogrande share, the consideration being offered to those Sotogrande shareholders who accept the Offer shall be a newly issued NH share, each of which with a face value of TWO EUROS (€2.00) (henceforth "**New Shares**", namely all of the shares issued for this purpose).

The exchange of shares equation proposed for the consideration of this Offer was approved by the NH Board of Directors on December 20, 2005, bearing in mind the relative valuations of NH and Sotogrande. For this purpose, and in accordance with the advice of Nmás1, the business of both companies was valued based on the following commonly used valuation methods: quoted price, the recommendations of analysts, the multiples of comparable quoted companies and discounting cash flows. As a result of this analysis, the exchange of shares equation considered to be reasonable was that of one NH share for each Sotogrande share.

Based on the aforementioned relative valuations, NH concluded that an exchange of shares equation of 1 NH share for 1 Sotogrande share was fair and reasonable.

It must be pointed out that these valuations were carried out in order to determine the resulting relative valuations for each of the criteria applied and might not reflect the possible strategic value that an investor could end up paying for the two companies in a takeover operation. Whatever the case, section II.2.2 of Chapter II of the Prospectus contains more information about the exchange of shares equation.

As this is an operation to be carried out by exchanging the shares of listed companies, the Sotogrande shareholders must bear in mind the variation in the quoted share price of both the offering company and the affected company. At the close of the stock exchange session corresponding to the date on which the agreement by which the Offer is formulated was adopted by the NH Board of Directors (December 20, 2005), NH shares were quoted with a discount of 10.38% with respect to those of Sotogrande. On the date on which the relevant fact confirming that Caja Madrid had agreed to the operation was made public (January 16, 2006), and which was subject to the effectiveness of agreement of the Board of Directors referred to above, NH shares were quoted with a discount of 9.24% against shares in Sotogrande.

## **7 New Shares to be issued to cover the outcome of the Offer**

The NH general stockholders' meeting, which was held on May 5, 2006, agreed to increase its stock capital, excluding the right of preferential subscription, by way of the issue of up to 8,770,130 new shares in order to cover the outcome of the Offer, with the possibility of said increase of capital resulting undersubscribed being foreseen and delegating the implementation of the increase of capital under the protection of that stipulated in Article 153 of the Joint Stock Companies Law to the NH Board of Directors (with an express option of substitution). In this way, the Board of Directors shall be able to determine the final amount of the increase of stock capital to within the maximum agreed upon by the General Shareholders' Meeting of the Offering Company in accordance with the acceptances received. Likewise, the General Shareholders' Meeting in question approved that the type of issue (face value plus stock issue bonus) of each of the new shares would be equal to 13 euros, namely a face value of €2.00 plus a stock issue bonus of €11.00 proposed by the Board of Directors.

No constitution of guarantee whatsoever was requested in order to ensure the settlement of the Offer by virtue of that specified by Article 11.4 of Royal Decree 1,197/1991, of July 26.

Given that the consideration consists entirely in newly issued securities, NH shall not have to pay out or, as a result, finance any amount whatsoever for the settlement of the Offer.

## **8 Acceptance Time**

The acceptance time of this Offer is that of one month. This shall start on the same day as the first of the announcements to which Article 18 of Royal Decree 1197/1991, of July 26, refers are made public in the Official Bulletin of the Mercantile Register, in the Daily Official List of the Stock Markets of Madrid, Barcelona, Bilbao and Valencia, and in two newspapers, one national and the other with the largest circulation in the municipality where the Affected Company has its business address. In order to gauge the referred to time period of one month, both the day on which it commences and that on which it ends shall be included. If the first day of this time period happens to be one on which the Spanish Stock Market Interconnection System (Continuous Market) (henceforth referred to as "**SIBE/Continuous Market**") is not operational, said time period would start on the next working day that it is. In the event of the final day of the time period being one when the SIBE is not operational, the acceptance time shall be extended until the next working day that it is.

In the event of the first of the announcements being made public in the Daily Official Lists of the Stock Markets of Madrid, Barcelona, Bilbao and Valencia, the acceptance time would

start on the working day following the date of the session to which the aforementioned Daily Official Lists of the Madrid, Barcelona, Bilbao and Valencia Stock Markets refer.

It shall be possible to extend the acceptance time in accordance with the terms and conditions stipulated in Royal Decree 1197/1991, of July 26.

## **9 The formalities with which the receptors of the Offer must comply in order to state their acceptance, as well as how and when they shall receive the consideration**

Given that the consideration of this Offer consists of newly issued NH shares, this Offer consists of an exchange of shares and the intervention of member bodies of the stock markets is not required.

### **9.1.1 Irrevocable and Unconditional Acceptance**

The acceptances of the shareholders of the Affected Company who accept this Offer under the terms and conditions stipulated in the Prospectus shall be irrevocable and shall not be conditional in accordance with that stated in Article 25.2 of Royal Decree 1,197/1991, of July 26. Those that do not include these characteristics shall be declared invalid and cannot be admitted.

### **9.1.2 The Offer Acceptance Procedure**

The Sotogrande shareholders who wish to accept the Offer shall have to approach the entity in which their shares are deposited. The acceptances shall be lodged with the Agent Entity via which the trustee entities members of the Central Registry of the Management Company for Securities Registry, Clearance and Settlement (**Iberclear**) in which the corresponding shares are deposited, who will, in turn, notify said Agent Entity using the opportune IT support media. The trustee entities shall be responsible for collecting said acceptances in writing and shall respond in accordance with their registries detailing the ownership and tenancy of the securities to which the acceptance statements refer, as well as the inexistence of records of charges or encumbrances or the rights of third parties that would limit the political or economic rights of the shares in question or their free transferability.

The acceptance statements of the shareholders of the Affected Company shall be accompanied by the documentation required to carry out the transfer of the corresponding shares, and shall have to include all of the identifying details demanded by the legislation applicable to this type of operations.

It shall be understood that the declaration stating acceptance of the Offer automatically and irrevocably implies the consent of the accepting shareholder, thereby enabling his or her shares in the Affected Company that correspond to his or her acceptance statement to be presented by the trustee entity with whom they are registered to the Offering Company via the Agent Entity, thus allowing the latter to oversee the change of ownership of the of the shares in question in favour of the Offering Company, thereby subscribing and disbursing the increase in capital of said company corresponding to the issue of the New Shares.

During the Offer acceptance period, those trustee entities who are members of Iberclear and who receive the acceptance statements shall, on a daily basis, forward the details regarding the number of shares that go to make up the acceptance

statements presented by the shareholders of the Affected Company to the Agent Entity. Each shareholder of the Affected Company who accepts the Offer shall be entitled to demand confirmation from the Iberclear affiliated entity that his or her statement of acceptance has been presented to the Agent Entity in conformance with that stated in the Prospectus.

No Offer acceptance statements with respect to shares whose registration references are submitted after the last day of the acceptance period of this Offer shall be accepted. In other words, those shares to be included in the exchange of shares operation shall have to have been presented prior to or on the final day of the time period established for the acceptance of the Offer.

Sotogrande shareholders shall be entitled to accept the Offer for all or a part of the shares they hold in Sotogrande. Any statement they formulate shall have to consist of at least one (1) Sotogrande share.

## **10 Offer Consideration Settlement and Allotment Procedure**

### **(a) Publication of the result of the Offer**

The Agent Entity shall notify the Spanish Securities Market Commission, within a time period that shall not exceed five days as of the conclusion of the acceptance time (including any extension or modification thereof), of the total number of securities resulting from the statements of acceptance received.

Once the Spanish Securities Market Commission has received the information with respect to the total number of acceptances within the time period mentioned in the previous paragraph, the Spanish Securities Market Commission shall, within a time period of no more than 3 working days, notify the Stock Market Managing Societies of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, the Stock Exchange Corporation, the Offering Company and the Affected Company of the positive or negative result of the Offer. The Stock Market Managing Societies of the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges shall then publish the result, in specific detail, no later than on the following working day, in the Stock Lists of the aforementioned Stock Exchanges. The official publication date of the result of the Offer shall be that of the trading session referred to in the above mentioned Stock Lists.

### **(b) Offer settlement**

The Agent Entity shall request Iberclear to make the Sotogrande shares that form the purpose of the acceptance of the Offer available to the Offering Company. In response to this request, Iberclear shall block the corresponding Sotogrande shares until they can be effectively exchanged for the new NH shares that shall have to be allotted as a consideration.

To do this, Iberclear shall, within a time period of four (4) working days during which SIBE is operational and as of the date on which the result of the Offer was published, issue a certificate that shall authorise the allotment for the purpose of increasing the capital of the Offering Company, meaning that once the shares of the Affected Company making up the Offer have been blocked, it shall be understood

that said increase of capital has been subscribed and disbursed via the contribution of the aforementioned shares of the Affected Company.

(c) Implementing the NH increase of capital agreement and recording it in the Mercantile Register

Once the Sotogrande shares representing the acceptance of the Offer have been blocked in favour of the Offering Company, if possible on the following working day and within no more than two (2) working days during which SIBE is operational, the Offering Company's Board of Directors or any one of its members delegated to represent it by the General Shareholders' Meeting shall proceed to implement the increase of capital by agreeing to the allotment of the new NH shares offered as a consideration to those who have accepted the Offer and declaring the increase of capital of said company as being subscribed and disbursed by way of the contribution of the Sotogrande shares formerly held by those Sotogrande shareholders who accepted the Offer. This agreement, which shall be made public via Relevant Fact, shall be placed in the public domain and recorded in the Mercantile Register of Madrid, all of this within a time period forecast not to exceed three (3) working days during which SIBE is operational as of the date on which the increase of capital agreement was implemented.

Allotment of the New Shares to the shareholders who accepted the Offer

Once the NH increase of capital has been recorded in the Mercantile Register of Madrid, probably on the next working day on which SIBE is operational, an authorised copy or notarial certificate of the registration of said increase of capital shall be presented to Iberclear and to the Spanish Securities Market Commission. Iberclear and the participating entities shall then proceed to register the New Shares as account entries in favour of those who accepted the Offer, if possible on the following working day during which SIBE is operational and within no more than three (3) working days during which SIBE is operational after reception of the public document announcing the increase of capital. The New Shares shall be deposited with the participating entities in Iberclear in which the acceptant shareholders in question had deposited the Sotogrande shares they used to participate in the Offer on the same day as these are recorded as account entries in the registries of Iberclear.

Until the New Shares are recorded under the ownership of the acceptant shareholders in the manner hereby stated, NH shall provide each acceptant with accredited certification of the subscription should he or she specifically request the Offering Company to do so, although this certification shall not constitute a negotiable security.

The issue date of the New NH Shares that are issued as a consideration in this Offer shall be of the day on which they were recorded in the Mercantile Register in which the increase of capital was registered.

The effective change of ownership in favour of the Offering Company of the blocked shares of the Affected Company shall occur at the same time as the New NH Shares are recorded in the registers of Iberclear and of its participating entities in the name of those accepting the Offer.

In accordance with that specified in the previous section and that stated in Article 28.2 of Royal Decree 1197/1991, of July 26, on the regime applicable to tender offers, given that the consideration offered consists of an exchange in kind, it shall be settled in the manner specified in the Prospectus.

The settlement date of the Offer shall be considered as being that on which the ownership of the New NH Shares in favour of the Sotogrande shareholders who accepted the Offer was reported in the Iberclear's accounting records. This date shall be considered as being the date on which the Sotogrande shares are exchanged for the New NH Shares. It is estimated that this settlement shall take place within a maximum time period thirteen (13) working days during which SIBE is operational as of the date on which the result of the Offer was published.

The Offering Company shall make every effort and employ its utmost diligence to ensure that the procedure described in this section is carried out as swiftly as possible, thus allowing the New Shares issued as a consideration of the Offer to be traded within the shortest possible time as of the date on which the result of the Offer was published in line with that stated in section II.2.3 of Chapter II of the Prospectus. The intention of the above is that of trying to ensure that the New Shares be accepted for trading in the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia within four (4) working days during which SIBE is operational as of the date said shares are reported as account entries in Iberclear, barring unforeseen circumstances, that is, within a maximum time period of seventeen (17) working days during which SIBE is operational as of the date on which the result of the Offer was published.

There follows a summary of the schedule planned for the admission to quotation and allotment of the New Shares (in stock market business days):

ACTION	DATE
Approval of the Offer by the CNMV	16-11-06
Offer acceptance time	1 month as of the publication of the first of the announcements of the Offer following its approval
Publication of the result of the Offer	P
Issue of the Iberclear Certificate confirming the allotment in preparation for the increase of capital	P + 4
NH Board of Directors (or persons delegated to represent said Board of Directors) implement/s increase of capital	P + 6
Granting of the public document confirming increase of capital and recording thereof in the Mercantile Registry of Madrid	P + 9
Forwarding of the recorded notarial certificate confirming the increase of capital to Iberclear and CNMV	P + 10
Registration of the New Shares as account entries in Iberclear (Change of ownership of the Sotogrande shares forming the purpose of acceptance of the Offer)	P + 13
Application for admission to quotation of the New Shares	P + 13
Admission to quotation of the New Shares	P + 17

## 11 Acceptation and settlement expenses of the Offer

All of the expenses incurred by the increase of capital and issue of the New Shares that shall be allotted as consideration of the Offer shall be met by NH. NH shall also pay the Iberclear commissions corresponding to the change of ownership of the Sotogrande shares in favour of NH in Iberclear, as well as the commissions corresponding to the registration of the New NH Shares in favour of the Sotogrande shareholders who accept the Offer.

The shareholders accepting the Offer shall be responsible for paying the commissions and expenses that the entities who deposit and administrate the shares charge their customers for the processing of orders derived from the acceptance of the Offer and the maintenance of their balances.

As the acquirer, the Offering Company shall, at all times, meet the expenses that it incurs.

Any expenses other than those mentioned above shall be met by those incurring them.

## 12 Designation of the entities acting on behalf of the Offering Company

The Offering Company has designated Caja Madrid Bolsa, S.V., S.A., whose business address is Calle Serrano 39, Madrid, Spain and whose Fiscal Identity Code number is A-79203717 (henceforth the “**Agent Entity**”), as the entity charged with settling the acquisitions derived from this Offer on behalf of the Offering Company.

## **13 Other information**

### **13.1 Purpose of the Offer**

#### **13.1.1 The purpose of acquiring the Affected Company’s shares**

As described in section 4 above, NH Hoteles and Caja Madrid have reached an agreement to proceed with the exchange of the shareholding that Caja Madrid has in Sotogrande for New NH Shares at a ratio of 1 New NH Share for each Sotogrande share.

In order to treat all Sotogrande shareholders equally, NH has decided to extend the aforementioned terms and conditions to all the remaining Sotogrande shareholders via the formulation of this Offer. It is not the intention of NH to encourage or induce minor shareholders to accept this Offer, but simply to give all Sotogrande shareholders the opportunity to participate in the operation agreed upon with Caja Madrid on an even footing, given that NH fully intends to keep Sotogrande listed on the Stock Market as and how specified in section 13.1.4 below.

#### **13.1.2 Future activity of the Affected Company and assets and liabilities**

In the light of the growing international demand for top-quality housing developments and the lack of integrated top-class operators whose range of activities covers all the phases of the real estate development process, (planning, promotion and operation of services), NH considers that current market conditions are perfect for focusing Sotogrande's activity on what is ostensibly its principal business area (the integral management of top-quality housing developments) and exporting the model developed by Sotogrande to new domestic (Spanish) and international projects.

Whatever the case, given the importance of the Sotogrande brand, and its relationship with the world of golf, it is NH's intention to maintain all golf-related business lines under the umbrella of the Sotogrande company and this shall be the proposal put to its Board of Directors.

Therefore, NH proposes to concentrate its tourism-real estate development operations currently being carried out elsewhere within the NH Group in Sotogrande.

In order to achieve this objective, the following actions are to be implemented:

- NH intends to propose to Sotogrande's Board of Directors that the company sell those assets unrelated with its main activity, defined above, to NH or, where appropriate, to independent third parties, with these transactions being made, in all events, at market price. The assets in question are the Hotel Alanda (in Marbella), the companies Casino Club de Golf, S.A. (owner of the Retamares Golf Club in Madrid) and Gran Circulo de Madrid, S.A. (owner of the operating rights of the Gran Casino de Madrid), as well as the operating contract of the

Hotel Marbella (in Marbella). The aforementioned assets would be acquired by Ahora, S.L. (a company in which NH has a 100% shareholding) within the framework of the operations to which section I.8 of Chapter I of the Prospectus refers. By the time the Prospectus was published, various groups of investors had already shown interest in some of the aforementioned assets without any agreement having been reached as yet.

- NH shall transfer all the rights it holds in the real estate projects it is currently developing to Sotogrande via a purchase and sale transaction (by transferring its stockholdings in the companies developing the Cap Cana Real Estate, Cap Cana Boutique Hotel and Riviera Maya Real Estate projects).

Apart from these assets, NH is not planning to interfere with any of Sotogrande's other assets.

When the Prospectus was published, NH had no plans to change Sotogrande's indebtedness structure.

Likewise, when the Prospectus was published, NH's intention was that of implementing, insofar as it is possible, the NH Group's employment policy in Sotogrande.

Once the aforementioned concentration and reordering process has been completed, it is the intention of NH to reduce its shareholding in Sotogrande, as and how stipulated in section 13.1.4 below and in section IV.1.4 of Chapter IV of the Prospectus, but without taking it below 51% of Sotogrande's total stock capital. NH has yet to decide the legal transaction by which the reduction of the aforementioned shareholding will be brought about and does not discount any of the possible permutations (purchase and sale of shares, increase of capital, stock swap, etc.).

### **13.1.3 Modifications to the company statutes and to the administrative body**

#### **(i) *Modification to the company statutes***

NH currently has no intention to modify Sotogrande's statutes.

#### **(ii) *Administrative body***

Following the settlement of the Offer, the plan is that the two Sotogrande Board Members appointed at the suggestion of Caja Madrid tender their resignations. These Board Members shall be replaced by others who might be executive, proprietary, independent or external (due to being members of the NH Board of Directors or pertaining to that company's top management structure). This shall make it possible for NH to increase its current representation on the Sotogrande Board. Whatever the case, and insofar as it is possible, with respect to the remodelling of the Sotogrande Board, all efforts shall be made to respect the recommendations regarding the composition of the Board of Directors of listed companies contained in the Unified Code of Good Governance of Listed Companies.

Regarding the composition of the Commissions of Sotogrande's Board of Directors, the Board Members appointed at the suggestion of Caja Madrid

shall be replaced by other Board Members in adherence with the same criteria used to remodel the Board of Directors.

#### **13.1.4 Trading in Sotogrande shares**

It is NH's intention that Sotogrande continues to be listed following the settlement of this Offer.

NH intends to adopt any opportune agreement to increase the liquidity and spread of Sotogrande stock, be it via the issue of new Sotogrande shares or the sale of Sotogrande shares held by NH by way of a private placement or by going public, or via any combination of these alternatives, in accordance with that deemed most suitable and in compliance, at all times, with the applicable legal requirements. An alternative would be for NH to promote the exclusion of rating of Sotogrande shares via the formulation of an exclusion offer. These agreements shall be adopted during Sotogrande's Ordinary General Meeting in 2007.

In the event of stock market exclusion, NH is committed to presenting an exclusion offer of an immediate nature. The exclusion of rating shall be carried out in compliance with the applicable legal requirements and, in particular, with that stipulated in Article 34 of the Securities Market Act and in Article 7 of Royal Decree 1197/1991. Whatever the case, NH shall present a report prepared by an independent expert. Apart from the criteria explicitly specified in Article 7 of Royal Decree 1197/1991, this report shall take other criteria, such as the basic value of the company, into account.

In the event of retaining Sotogrande as a Listed Company, NH is committed to ensuring that the measures adopted for the purpose of increasing the liquidity and spread of Sotogrande come into effect prior to December 31, 2007.

#### **13.1.5 Shareholder remuneration policies**

It is the intention of NH that the policy of remunerating shareholders by way of dividends shall continue, generally speaking, as it has done to date with respect to frequency and pay out, except if prevented by Sotogrande's circumstances.

### **13.2 Impact of the acquisition of shares in the Affected Company on the Offering Company**

As a result of the exchange of shares proposed, NH shall have to proceed to increase its stock capital by the opportune amount in order to meet the needs of said exchange.

The Offering Company's Consolidated Net Equity shall not be altered as a result of this increase of capital. All that will occur is that the items that go to make it up shall be modified: the amount of capital shall swing between increases of 14.47 million euros –in the event no other shareholder apart from Caja Madrid takes part in the operation- and 17.54 million euros –in the event of all the shareholders taking part-. The increase in the issue premium shall swing between 20.44 and 24.79 million euros with respect to each of the aforementioned assumptions, with the effect on the minority shareholders item (external partners) being a reduction of 31.91 and 37.97 million euros respectively.

However, this operation will have an impact on the Net Equity of the dominant company evaluated as an increase of stock capital of 17,540,260 euros and an increase of the issue premium of 96,471,430 euros in the event of all of the Sotogrande shareholders participating in the Offer.

The increase of capital will have no impact whatsoever on indebtedness, given that all it represents is a reallocation of the Group's guarantee fund between equity and the minority shareholders. The operation shall also have no impact on the Group's assets, liabilities or income statement.

With respect to the per share profit attributed to the dominant company, taking the June 2006 income statement of both NH and Sotogrande, a reduction in per share profit of 0.167 euros occurs prior to the increase and of 0.160 thereafter.

NH considers that its dividends policy will remain unaffected as a result of this operation. With respect to the NH Board of Directors, on the date the Prospectus was published no agreement or plan existed for modifying it in order to increase the representation of Caja Madrid as a result of the rise in its participation in the Offering Company's stock capital as a consequence of the settlement of this Offer.

### **13.3 Non-subjection to the requirement of notifying the Competition Service or the European Commission**

This Offer is not affected by Law 16/1989, of July 17, governing the Defence of Competition, nor by the stipulations of Regulation (CE) number 139/2004 of the European Communities Counsel, of January 20, 2004, regarding the control of the concentrations between companies, and therefore the respective competition authorities have not been notified of the operation.

### **13.4 Offer Prospectus and announcement**

In conformance with that stipulated in Article 18.3 of Royal Decree 1197/1991, of July 26, the Prospectus, as well as the documentation that accompanies it, shall be placed at the disposal of the interested parties, with copies thereof being deposited at the Managing Societies of the Securities Markets of Madrid (Plaza de la Lealtad 1, Madrid), Barcelona (Paseo de Gracia 19, Barcelona), Bilbao (Calle de José María Olávarri 1, Bilbao) and Valencia (Calle de Libreros 2 y 4, Valencia), as well as at the business address of Sotogrande (Edificio C, Puerto Deportivo de Sotogrande, Sotogrande, San Roque, Cadiz), at the business address of NH (Calle Santa Engracia 120, planta 7, 28003 Madrid) and at the business address of Caja Madrid Bolsa, S.V., S.A. (Calle Serrano 39, Madrid), as of the day following that on which the first announcement of the Offer was published. Likewise, and within no longer than the time period stated above, it shall be possible to consult the Prospectus and the complementary documentation at the public registries of the CNMV (Paseo de la Castellana 19, Madrid and Paseo de Gracia 19, Barcelona) and on the Website of said body (only the Prospectus and the announcement of the Offer).

### **13.5 Territorial Restriction**

The Offer is exclusive to Spain and addresses all those persons holding shares in Sotogrande under the terms and conditions stated in the Prospectus without it or the content thereof constituting an extension of the Offer to the United States of America or to any other jurisdiction where the formulation of the Offer requires the distribution or recording of

additional documentation on registration of the Prospectus with the CNMV. The Offer does not address, either directly or indirectly, the United States of America, either via the postal system of the United States of America or by way of any other medium or instrument (including electronic mail, fax, telex or telephone), without prejudicing the right of Sotogrande shareholders, whatever their nationality or residency, to accept the Offer under the terms and conditions contained in the Prospectus. Copies of the Prospectus and its appendices and acceptance of the Offer shall not be sent by post, nor in any way shall they be distributed or sent within the United States of America, and those persons who receive the aforementioned documents shall not be permitted to either distribute or send them to the United States of America.

**14 Risk factors**

The Prospectus includes a Chapter V that provides information about the risk factors to be considered prior to deciding whether to participate or not in the Offer.

**15 Information about the securities to be issued by NH**

The Prospectus includes a Chapter V that provides information about the New Shares to be issued by NH as well as information regarding the fiscal consequences incurred by the transfer of shares within the Offer and on the tax regime applicable to the New Shares.

Madrid, on November 16, 2006