

[seal:
NH HOTELES]

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NOTIFICATION OF SIGNIFICANT EVENT

NH HOTELES, S.A. (“**NH**”) wishes to inform you of the **Significant Event** that is detailed below pursuant to the reporting obligations set out in article 82 of the Spanish Stock Market Act, so that it can be made public:

SIGNIFICANT EVENT

Today NH has filed an application with the Spanish Securities and Exchange Commission (SEC) for authorization of a takeover bid to acquire shares in SOTOGRADE S.A (the bid), together with the complementary documentation. The most important terms of the bid, which is pending authorization by the SEC, are:

1: Securities subject to bid

The bid is for all the shares issued by Sotogrande that are not held by NH (the 33,114,628 shares in Sotogrande that are held by NH and which account for 79.061% of Sotogrande’s corporate capital are excluded).

Consequently, the securities that are subject to the bid are a total of 8,770,130 Sotogrande shares that account for 20.939% of its corporate capital.

2: Consideration

The bid provides for a share swap, and the consideration is to be a new NH share issue. The consideration offered to Sotogrande shareholders who accept the bid consists of one share of the new NH share issue for each Sotogrande share. These shares will have the same rights as the shares that are currently in circulation.

In this regard, the last General Shareholders Meeting of NH of 5 May, 2006, approved the required capital increase. Express provision was made for the eventuality of the shares not being fully subscribed and the consequent elimination of preferential subscription rights, so that the number of NH shares issued will correspond to the amount needed to conclude the bid. These actions are conditional on the Spanish Securities and Exchange Commission approving the bid.

THE NH WORLD

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NH HOTELES]

3: Caja Madrid Agreement

Within the framework of the bid, Caja Madrid has undertaken to participate in the bid with NH; consequently it will swap the 17.267% corporate capital of Sotogrande that it holds for shares in the new NH share issue.

NH and Caja Madrid have also agreed upon a mechanism that will be open to all shareholders who accept the bid, enabling them to participate in any gains that may be generated as a result of the Sotogrande share swap during the twelve (12) months subsequent to completion of the bid.

NOTWITHSTANDING THE ABOVE, IT IS EXPRESSLY STATED THAT NH HAS NOT RECEIVED, NOR DOES IT REASONABLY EXPECT TO RECEIVE, NOR IS IT IN NEGOTIATIONS OR TALKS WITH ANY THIRD PARTY REGARDING A BID TO TRANSFER ITS SHAREHOLDING IN SOTOGRANDE. AT THE PRESENT TIME IT IS NOT EXPECTED THAT SAID TRANSFER WILL TAKE PLACE WITHIN THE STATED PERIOD OF TIME.

4: Reason for the takeover bid

After NH had reached an agreement with Caja Madrid to swap the shares that it holds in Sotogrande for new shares in NH, the NH Board of Directors decided to offer the same conditions of purchase to the remaining Sotogrande shareholders in the takeover bid statement, in order to promote market transparency and treat all Sotogrande shareholders equally.

However, subsequent to the consolidation of Sotogrande and the reorganization of its activities in the way that is described below, NH intends to reduce its present shareholding in Sotogrande, although said shareholding will not be less than 51% of the total corporate capital.

5: Future plans with respect to Sotogrande

In view of the growing international demand for luxury developments, and the lack of quality operators who provide comprehensive property services and whose activities include all the stages involved in the real estate process (planning, development and management services), NH feels that market conditions are such that Sotogrande should focus on its core business (comprehensive luxury development management), and export the model developed in Sotogrande to new national and international projects.

Specifically, it is intended that Sotogrande's core business should be limited to:

- (i) The development of relatively large, comprehensive projects, participating in all the phases of the project which generate value.
- (ii) The creation of quality residential environments, with top-quality technical infrastructures, sport facilities and services.
- (iii) The penetration of geographical markets where projects of this kind may be developed.
- (iv) The participation in projects with strategic partners who provide the "local factor".

In this sense, NH has the intention of moving all the activities connected to tourist-property development management that are currently undertaken in NH to Sotogrande.

To achieve this objective, NH will propose to the Sotogrande Board that it sell any activities that are not connected to its core business, as defined above, to NH or to independent third parties.

The goal is for Sotogrande to take on new projects, taking advantage of its brand name, experience and professional team, and that this strategy should be consolidated as a project for growth, and to generate value for shareholders.

Sotogrande should undertake various operations to achieve the objectives described in the preceding paragraph, the most important of which are:

- Sotogrande should spin off all of its sections which are not directly linked to its core business, as described above, either by selling them or by ceding their management to a third party or to NH.
- The transfer of all the rights that NH has in its own property projects to Sotogrande.

Given the importance of the Sotogrande brand name, and its connection with the world of golf, NH intends to continue with the golf-related businesses through the Sotogrande company. This proposal will be put to its Board of Directors.

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Subsequent to the authorization of the bid by the Spanish Securities and Exchange Commission, the explanatory prospectus for the takeover bid and the accompanying documentation will be made public, in the manner and deadlines set out in the applicable legislation.

This notification is issued for the appropriate purposes on 4 September, 2006,

Yours sincerely,

NH HOTELES, SA

Jesús Ignacio Aranguren González-Tarrio