

NH HOTELES, S.A.

ARTICLES OF ASSOCIATION

TITLE ONE

Denomination, Corporate Purpose and Registered Office of the Company

Article 1. The Company, a public limited liability trading corporation, is denominated NH HOTELES, SOCIEDAD ANONIMA and is governed by these Articles of Association and by the legal provisions which are compulsory for or supplementarily applicable to this type of company.

Article 2.

1. The Company's corporate purpose is the:

- A. Purchase, holding, enjoyment and disposal of all types of securities for its own account.
- B. Purchase, exploitation and sale of all types of real estate property.
- C. Management of and rendering of advisory services for the trading corporations in which the Company has a direct or indirect stake.
- D. Exploitation of establishments relating to the hotel and restaurant sector.

2. These activities can be conducted by the Company either completely or partially in an indirect way, through the holding of shares or participations in companies with the same or a similar corporate purpose.

3. Under no circumstances can the Company carry out activities pertaining to Investment Fund Institutions and Companies or dealer or other activities entrusted by Spain's Securities Market Law to the various securities market operators on an exclusive basis.

4. In those cases in which a professional qualification, administrative authorization or registration in Public Registers is required by virtue of the legal provisions for conducting any of these activities, such activities must be carried out through a person in possession of such professional qualification and, as and when applicable, they may not be started before

the administrative requirements have been fulfilled.

Article 3. The Company is incorporated for an indefinite term.

Article 4. The registered office is established at Santa Engracia 120, Edificio Central, 7th floor in Madrid and branches, plants and offices may be established in any other town or locality in Spain or abroad, subject to the pertinent resolutions.

TITLE TWO

Corporate Capital

Article 5. The corporate capital is 295,940,916 euros and is represented by 147,970,458 shares, represented by book entries, with a face value of 2 euros each, grouped together in a single series and numbered consecutively from 1 to 147,970,458, both inclusive, fully subscribed and paid up.

Article 6. The shares are ordinary and indivisible and are represented by book entries, which shall be governed by the Securities Market regulations.

Each share grants to its legitimate holder the condition of partner, with all the rights inherent therein pursuant to the Law and these Articles of Association.

Article 7. The transfer of shares and the constitution of limited rights or any other encumbrance on them must be registered in the corresponding Register, as provided for in the Securities Market Law and similar provisions.

Article 8. In the event that the Company adopts a resolution to issue, within the legal limits, shares without voting rights, such shares shall enjoy all the rights recognised for them in the prevailing legislation and, in particular, the right to receive a minimum annual dividend of 5% of the disbursed capital for each share of this type.

TITLE THREE

Corporate Governance and Administration

Article 9. The Company shall be governed and administered by the General Meeting of Shareholders, the Board of Directors and the Managing Directors designated by the latter.

TITLE FOUR

General Meeting of Shareholders

Article 10. The General Meetings of Shareholders can be ordinary or extraordinary.

The Ordinary General Meeting of Shareholders must meet within the first six months of each financial year in order to audit corporate management, approve, as and when applicable, the previous financial year's accounts, decide on the application of profit and, when appropriate, renew the Board of Directors.

All meetings that are not the Ordinary Meeting shall be Extraordinary General Meetings of Shareholders.

Article 11. All General Meetings of Shareholders, both Ordinary and Extraordinary, shall be called and constituted in the manner and with the requirements and attendance majorities as laid down by the prevailing legal provisions.

The General Meeting of Shareholders shall be organized and conducted in accordance with the provisions of the Rules duly approved by the General Meeting of Shareholders and always in strict fulfilment of the provisions established in these Articles of Association and the prevailing legal regulations.

Article 12. The General Meeting of Shareholders can be attended by the holders of one or more shares who, at least five days prior to the date on which the Meeting is to be held, are registered in the corresponding book entry register.

Voting on the proposals relating to the items on the Agenda of either type of General Meeting of Shareholders can be exercised or delegated by the shareholder using postal, electronic or any other means of remote communication, always provided that the identity of the party exercising its voting right is duly guaranteed, within the terms and conditions provided for in the Rules of the General Meeting of Shareholders. Shareholders who issue their votes from a distance shall be counted as being present for the purpose of the Meeting's constitution.

Article 13. All shareholders with the right to attend can be represented at the General Meeting of Shareholders by another person, even when such person is not a shareholder. The representation must be conferred within the terms and conditions and with the scope established in Public Limited Companies Law, in writing and specifically for each Meeting. This restriction shall not apply when the proxy is the principal's spouse, ancestor or descendant or when the proxy has a general power granted in a public document to administer the whole of the shareholder's estate in Spain.

Representation can also be conferred by any remote means of communication which, duly guaranteeing the identity of the principal and of the proxy, the Board of Directors may

establish, as and when applicable, pursuant to the provisions of the Rules of the Company's General Meeting of Shareholders.

The Chairman and Secretary of the General Meeting of Shareholders or the persons designated by them shall be deemed to have the power to establish the validity of the representations granted as well as fulfilment of the requirements of attendance at the Meeting.

Representation shall always be revocable. The principal's personal attendance at the Meeting shall be deemed to constitute revocation.

Article 14. Shareholders may request from the Directors, either in writing or other remote means of electronic or telematic communication, up to the seventh calendar day prior to the date on which the Meeting is scheduled to take place at the first call, any information or clarifications that they may consider necessary or formulate any questions they may consider pertinent on the items included on the Agenda or on any information accessible to the general public which the Company may have made available to the *Comisión Nacional del Mercado de Valores* [Spain's National Securities Market Commission] since the holding of the previous Meeting. The Directors must make this information available in writing up to the day on which the Meeting is to be held.

During the Meeting, prior to the examination and discussion of the items on the Agenda, shareholders may verbally request from the Chairman all the information and clarifications on such items that they may consider appropriate. The information and clarifications thus requested shall be provided, also verbally, by any of the Directors present, on the Chairman's instructions. If the information and clarifications so requested refer to matters that are the Audit and Control Committee's responsibility, they shall be provided by any of the members or advisers of this Committee present at the Meeting. If, in the Chairman's opinion, it is not possible to satisfy the shareholder's right to information in the Meeting itself, the outstanding information shall be provided in writing to the requesting shareholder within the seven calendar days following the date on which the Meeting is adjourned.

The Directors have the obligation of providing the information referred to in the foregoing two paragraphs, except in those cases in which, in the Chairman's opinion, making the requested data publicly known may be detrimental to the Company's interests.

This exception shall not apply when the request is backed by a number of shareholders representing at least one quarter of the corporate capital. The Company shall at all times have a web page containing the legally required information, through which the shareholders' right to information, as per the legislation in force at any given moment, can be attended.

Article 15. Resolutions shall be adopted by the majority of votes of the shares present or represented. Each share affords the right to one vote.

Irrespective of the number of shares a shareholder may hold, no shareholder can issue more

votes than those that correspond to 10% of the shares issued with the right to vote. This limitation shall not apply in those General Meeting of Shareholders in which, as per the list of attendants, a shareholder present or represented in the Meeting is the owner of more than 75% of the issued shares with the right to vote. The Meeting's Chairman shall announce such circumstance when opening the meeting.

For the purpose of the foregoing paragraph and pursuant to the provisions of Article 42 of the Commercial Code, those companies which belong to the same group shall be deemed to be a single shareholder.

The vote in favour of at least 75% of the corporate capital shall be necessary for this Article's amendment.

Article 16. The provisions of the foregoing Article notwithstanding, when the Meeting is attended by shareholders who represent less than fifty per cent of the subscribed capital with the right to vote, the adoption of the resolutions to which Section 103 of Public Limited Company Law refers shall require the vote in favour of two-thirds of the capital present or represented.

Article 17. The Chairman and Secretary of the Board of Directors, or their deputies, or, by default, those designated by the Meeting itself, shall act as Chairman and Secretary thereof.

The Chairman shall declare the meeting open and, once the List of Attendants has been drawn up, which can be done using computerised means, and the Meeting's legal constitution has been verified, it shall turn to the Agenda, directing the discussions, providing the information that may be requested, solving any doubts that may arise and at the appropriate moment issuing instructions for the vote.

Article 18. Resolutions shall be recorded in the corresponding Minutes Book and shall be drawn up and signed by the Secretary, with the Chairman's approval, and approved by the Meeting itself before the session is adjourned, or by the Chairman and two Auditors within a term of fifteen days, except in the situation provided for in Section 114 of Public Limited Company Law, in which case the Notary's record shall be deemed to be the Minutes of the Meeting.

Certificates of the meetings, both complete and partial, shall be signed by the Secretary with the Chairman's approval.

Article 19. With the exception of the approval of the accounts, which is exclusively for the Ordinary General Meeting's cognizance, any General Meeting of Shareholders, whether ordinary or extraordinary, can discuss and adopt resolutions on the following subjects:

- 1) Appoint and remove Directors and establish the number thereof.
- 2) Audit the Board of Director's governance.

- 3) Decide on the amounts to be allocated to legal and voluntary reserves and the final disposal of the latter.
- 4) Agree to the issuance of debentures, the corporate capital's increase or reduction, the Company's transformation, merger, spin-off or dissolution and, in general, all amendments to the Company's Articles of Association.
- 5) Designate the Company's financial Auditors.
- 6) Discuss and decide on the proposals put by the Board of Directors to their examination and approval and on those which are formulated by shareholders representing at least five per cent of the corporate capital.
- 7) All other matters whose cognizance is attributed to it by the Law or these Articles of Association.

TITLE FIVE

Board of Directors

Article 20. The Company's administration and representation corresponds to the Board of Directors, which shall be made up of a number of Directors of not less than FIVE or more than TWENTY.

The appointment of Directors and the establishment of their number correspond to the General Meeting of Shareholders.

Directors shall hold office for a term of three years. The office of Director can be revoked or renounced at any time and Directors can be re-elected indefinitely for terms of a like duration.

The Board itself shall fill from amongst its members any vacancies that may arise as a result of the Directors' resignation, disability, death, etc., regardless of their number, submitting such appointments to the approval of the first General Meeting of Shareholders to be held thereafter; the Directors thus appointed must necessarily be shareholders and shall cease in their office when it corresponds to those whose vacancy they have filled.

In order to be a member of the Board of Directors it is necessary not to be involved in any of the cases of prohibition, incompatibility or incapacity established in the prevailing legal provisions.

Directors' remuneration shall consist of an annual payment and a per diem allowance for

attendance at the meetings of the Board of Directors and its delegated and advisory Committees. The amount of the remuneration which the Company can pay to its Directors overall, for both concepts, shall be equivalent to three per cent of the net profit obtained by the Consolidated Group during the immediately previous financial year. The establishment of the exact amount to be paid within that limit and its distribution amongst the various Directors corresponds to the Board of Directors.

Moreover, and regardless of the remuneration contemplated in the foregoing paragraph, the establishment of remuneration systems indexed to the shares' quoted value or which include the handing over of shares or share option rights, for the Directors, has been envisaged. The application of such remuneration systems must be agreed by the General Meeting of Shareholders, which shall establish the value of the shares for indexing purposes, the number of options, the price at which the share option rights can be exercised, the term of this remuneration system and any other conditions it may deem appropriate.

Likewise, and subject to fulfilment of the legal requirements, similar remuneration systems can be established for the Company's management and non-management personnel.

The remuneration envisaged in the foregoing paragraphs resulting from membership of the Board of Directors shall be compatible with any other professional and labour remuneration that may correspond to the Directors for any other executive or advisory functions they may carry out for the Company apart from those of supervision and decision as a body that correspond to them in their capacity as Directors, which shall be subject to the legal regime that may apply.

Article 21. The Board of Directors shall appoint a Chairman from amongst its members and shall also appoint a Secretary, who need not be a Director; it may also appoint a Vice-Chairman and a Vice-Secretary to stand in for the foregoing, without the need for any type of proof.

Article 22. The Board of Directors assumes, holds and exercises, both in and out of court, the Company's full representation, management and administration, in all the acts included within its corporate purpose and in all activities relating to its net worth, without prejudice to the powers that correspond to the General Meeting of Shareholders.

In particular, it shall have the following responsibilities:

1. Direct, organize and safeguard the Company's working and health, as regards its employees, assets and the progress of its corporate business.
2. Call the General Meetings of Shareholders and execute their resolutions.
3. Recognise and pay corporate debts and claim and collect all the amounts owed to or which must be handed over to the Company, irrespective of the entities or persons having the obligation to pay, including Central, Regional, Provincial and Local Government and

official bodies in general, or the cause or title giving rise to the Company's right.

4. Execute all classes of contract relating to the corporate purpose; hire and fire employees; contract works, services, supplies, insurances, guarantees and deposits; arrange leases and evict tenants, precarious possessors and occupants; enter into transactions and undertakings; take part in tenders and auctions; attend the General Meetings of Shareholders as full members with the right to vote; apply for and waive authorizations and concessions; constitute, modify and dissolve companies and partnerships; lend money; constitute and accept guarantees, including mortgage securities, and cancel them; and, in general, execute, amend, renew and terminate all classes of contract.

5. Purchase, sell, swap, mortgage and, by whatsoever other title, acquire, dispose of or encumber all classes of immovable and movable property and specific or non-severable participations therein, and real estate; draw up certificates of completion of building work, settlement of real property boundaries, division into plots, material divisions, segregations, groupings together, constitution of units of ownership in blocks and all other modifications of property or mortgage entities; and, in general, carry out all classes of acts of full legal ownership and disposal of corporate assets, without exception.

6. Enter into transactions with banks, including the Bank of Spain, savings banks and all other credit institutions, performing all that is allowed by virtue of the law and banking practices; open, draw from and cancel current accounts, savings accounts and deposits of all types; sign all classes of documents and bank contracts, such as: credit and loan policies, guarantees, discounting of bills; draw from credit accounts and cancel them; draw, endorse, negotiate, accept, guarantee and protest bills of exchange, promissory notes, cheques and commercial paper in general; guarantee, jointly or severally, all classes of obligations resulting from transactions with banking institutions on behalf of third persons; constitute, modify, accept and cancel immovable and movable mortgages, pledges with or without displacement and all other types of real estate guarantees.

7. Represent the Company before all classes of bodies, authorities and civil servants pertaining to the Central, Regional, Provincial or Local Administration, and before all classes of Courts and Tribunals, in all matters, files and lawsuits in which the Company has an interest, with the widest powers for exercising all classes of rights and powers, legal proceedings and pleas, claims and defences; present documents and ratify their contents, challenge, object, propose and accept evidence, file appeals, including appeals to the Supreme Court and appeals for judicial review, reach a settlement, abide by the decisions of judges and arbitrators, admit liability, renounce, withdraw, and, in general, carry out all that may be deemed appropriate for the best defence and safeguarding of the Company's interests; and grant powers of attorney to lawyers and barristers with the powers it may freely determine, even when they exceed those listed above.

8. Agree to the interim payment to shareholders of dividends, without the respective financial year having terminated or without having approved the annual accounts, all in compliance with the prevailing legislation.

9. Grant powers of all classes, including the power to substitute or sub-empower, and revoke them.

10. And for all the foregoing, which, having been provided as an example and not being limited thereto, must always be interpreted in the widest sense, to execute public and private documents without exception.

Article 23. The Board of Directors shall meet whenever the Chairman deems it appropriate or it is requested by two of its members. Notice of meeting shall be made in writing, at least forty-eight hours beforehand, indicating the place, date, time and purpose of the meeting. It shall be deemed to have been validly constituted when half plus one of its members are present or represented and resolutions shall be adopted by an absolute majority of the Directors present at the meeting; the Chairman or Vice-Chairman deputising for it shall cast the deciding vote, with the exception of the provisions of the Law for the delegation of powers.

The discussions and resolutions shall be recorded in the Minutes Book, which shall be signed by the Chairman and the Secretary, or their deputies, who shall issue the pertinent certificates.

Article 24. Pursuant to Section 141 of Public Limited Company Law, the Board of Directors may designate from amongst its members an Executive Committee, with the composition and regime for its working that the Board of Directors itself may so determine, and one or more Managing Directors, with the powers that result from the delegation and with no other limitations than those imposed by the law.

The Board of Directors may also appoint, as proxies, one or several General Managers, granting them the powers it may deem appropriate (with the aforesaid limitation) and determining the joint or several manner in which they are to act.

TITLE SIX

Audit and Control Committee

Article 25.

1. The Board of Directors shall constitute from amongst its members an Audit and Control Committee (with the requirements established in Section 141 of Public Limited Company Law), made up of a minimum of three and a maximum of five Directors designated by the Board of Directors. The majority of this Committee's members must be non-executive Directors.

2. The Audit and Control Committee shall appoint its Chairman from amongst its non-executive Director members. The Chairman must be replaced every four years and may be re-elected once one year has elapsed since its cessation.

3. The Audit and Control Committee shall have the following competences, as a minimum:

- a) Report, through its Chairman, at the General Meeting of Shareholders on the questions raised by the shareholders relating to the matters that are the Committee's competence;
- b) Propose to the Board of Directors, for subsequent submission to the General Meeting of Shareholders, the designation of the financial Auditors referred to in Section 204 of Public Limited Company Law, and, as and when applicable, the conditions for their hire, the scope of their professional mandate and the renewal or revocation of their appointment;
- c) Supervise the internal audit services;
- d) Be familiar with the financial information process and internal control systems; and
- e) Maintain relations with the financial Auditors in order to receive information on those questions that may jeopardise the financial Auditors' independence and any others relating to the process of carrying out the audit, and receive information and maintain with the financial Auditors the communications provided for in the auditing legislation and technical rules.

4. The Committee shall meet at least once every quarter and as many times as may be deemed necessary, subject to notice by the Chairman, at its own decision or in response to the request of two of its members or the Board of Directors.

5. The Audit and Control Committee meeting shall be validly constituted with the attendance, present or represented, of at least half of its members and its resolutions shall be adopted by the majority of the attendants, present or represented, with the Chairman thereof having the casting vote.

6. Pursuant to the provisions of the Law and these Articles of Association, the Board of Directors may complete and develop the foregoing rules in its Regulations.

Compensation and Nominating Committee

Article 26.

1. Subject to fulfilment of the requirements established in the prevailing legal provisions, the Board of Directors may also constitute a Compensation and Nominating Committee, made up of a minimum of three and a maximum of five non-executive Directors designated by the Board of Directors.

2. The Chairman of the Compensation and Nominating Committee shall be appointed by the Committee itself from amongst its members, for a term of three years, and may be re-elected indefinitely for periods of a like duration.

3. The main function of the Compensation and Nominating Committee shall be to assist and report to the Board of Directors on the following matters:

- a) Proposals for the appointment of Directors and top management of the Company and its subsidiaries.
- b) Salary scales for the Company's top management.
- c) Contractual terms and conditions and remuneration regime applicable to the top executive.
- d) Contractual terms and conditions of the executive Directors, their remuneration regime and any compensation agreements that may be established for the case of the termination of their labour, mercantile, professional or any other type of relationship that may exist between the Company and the Director other than that resulting from its membership of the Board of Directors, which shall be governed exclusively by the prevailing legal provisions and these Articles of Association.
- e) Remuneration regime of the Directors and its adaptation or otherwise to the market, based on the duties carried out by them.
- f) Incentive schemes.

4. The Committee shall meet as many times as the Chairman may deem appropriate or when requested by two of its members or the Board of Directors. It shall be validly constituted when half of its members attend the meeting, either present or represented, and its resolutions shall be adopted by the majority of attendants, with the Chairman thereof having the casting vote.

5. Pursuant to the provisions of the Law and these Articles of Association, the Board of Directors may complete and develop the foregoing rules in its Regulations.

Economic Regime of the Company

Article 27. In each financial year, once the general expenses have been deducted and the appropriate legal reserves have been established, the profit shall be devoted to the payment of dividends as agreed by the General Meeting of Shareholders and the reinforcement of the voluntary reserves and any other applications as decided upon by the Meeting.

The foregoing notwithstanding, the Directors' remuneration shall be detracted as provided for in Section 130 of Public Limited Company Law.

Article 28. To this end, within the three months following the closing of each financial year, the Board of Directors must formulate the annual accounts, which shall comprise the Balance Sheet, Profit and Loss Account and Report, the management report and the proposed distribution of profit, and, as and when applicable, the consolidated accounts and management report.

As from notice of the General Meeting of Shareholders, any shareholder may obtain from the Company the documents referred to in the foregoing paragraph, in addition to the financial Auditors' report.

Article 29. The annual accounts and management report must be reviewed by the financial Auditors, which shall be appointed by the General Meeting of Shareholders before the term to be audited has finalised.

The General Meeting of Shareholders shall establish the term during which the appointed financial Auditors may exercise their functions, which term may not be less than three years or more than nine.

TITLE SEVEN

Dissolution and Liquidation of the Company

Article 30. The Company shall be dissolved:

One. By a resolution of the General Meeting of Shareholders adopted pursuant to the Law.

Two. As a result of the loss of more than two-thirds of the corporate capital.

Article 31. Winding up of the Company shall be conducted in accordance with the prevailing laws, by an uneven number of persons from the Board of Directors designated by the General Meeting of Shareholders, which shall maintain all its powers until termination of the winding up. This shall be verified within the term established by the Meeting at the proposal of the Board of Directors.

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