

RESULTS JANUARY - DECEMBER 2005

27th February, 2006
MADRID



nh
HOTELES



Net profit: €62.24m, 12.8% more than in 2004

- NH Hoteles generated €180.85m EBITDA in 2005: €127.2m was derived from the hotel activity and €53.66m from the real estate activity.

NH HOTELES, S.A.					
IFRS PROFIT AND LOSS ACCOUNT AS AT DECEMBER 31st					
	Jan-Dec 2005		Jan-Dec 2004		05/04 Change
	M Euros	%	M Euros	%	
room revenues	897.45	91.1%	855.32	87.9%	4.9%
real estate sales and other	83.44	8.5%	111.36	11.4%	(25.1%)
other non-recurrent revenues	3.77	0.4%	6.84	0.7%	(44.9%)
REVENUES	984.66	100.0%	973.51	100.0%	1.1%
real estate cost of sales	(16.89)	(1.7%)	(20.04)	(2.1%)	(15.7%)
personnel expenses	(316.04)	(32.1%)	(304.88)	(31.3%)	3.7%
operating expenses	(299.29)	(30.4%)	(291.21)	(29.9%)	2.8%
other non-recurrent expenses	(2.10)	(0.2%)	0.68	0.1%	(408.9%)
GROSS OPERATING PROFIT	350.34	35.6%	358.06	36.8%	(2.2%)
lease payments and property taxes	(169.49)	(17.2%)	(164.39)	(16.9%)	3.1%
EBITDA	180.85	18.4%	193.67	19.9%	(6.6%)
depreciation	(68.82)	(7.0%)	(77.31)	(7.9%)	(11.0%)
EBIT	112.03	11.4%	116.37	12.0%	(3.7%)
interest revenues (expense)	(23.13)	(2.3%)	(24.33)	(2.5%)	(4.9%)
revenues from minority equity interests	(0.65)	(0.1%)	(0.55)	(0.1%)	18.2%
exceptional items	-	0.0%	-	0.0%	-
EBT	88.25	9.0%	91.49	9.4%	(3.5%)
corporate income tax	(17.85)	(1.8%)	(25.68)	(2.6%)	(30.5%)
NET PROFIT before minorities	70.41	7.2%	65.80	6.8%	7.0%
minority interests	(8.17)	(0.8%)	(10.60)	(1.1%)	(23.0%)
NET PROFIT	62.24	6.3%	55.20	5.7%	12.8%



HOTELS

- **Sales growth of 4.6%, EBITDA growth of 8.5% and 46% growth at the EBIT level.**
- **Recovering trend: RevPar growth has consolidated at the comparable hotels across all business units.**
- **Improvement in occupancy rate in NH Europe (+4.83%) and Latin America (+8.5%).**
- **Spain: 4.6% improvement in EBITDA at comparable hotels.**
- **Benelux: An important contribution to results, with EBITDA of €78.36m (+16.8%).**
- **Germany and Austria: Results improved, not only as a reflection of increased sales, but also due to lower leasing costs after contract-renegotiation.**
- **Efficiency improvements: the FTE/room occupied improved by 5.5% at comparable hotels, and the ratio of Operating expenses/room occupied improved by 2.7%.**



GOOD OPERATING PERFORMANCE

REVPAR (€/room)	H1 2005			Q3 2005			Q4 2005			12m 2005		
	Jan-June			July-Sep			Sep-Dec			Jan-Dec		
Comparable Hotels	2005	2004	% Var	2005	2004	% Var	2005	2004	% Var	2005	2004	% Var
Spain	53.6	53.6	-0.1%	48.5	46.5	4.3%	54.2	52.1	4.1%	52.5	51.5	2.0%
Benelux	59.3	57.0	4.1%	63.4	57.7	9.9%	65.1	65.6	-0.8%	61.8	59.3	4.2%
Switz+Australia+Hungary	41.5	38.5	7.7%	53.2	49.3	7.9%	45.4	40.3	12.5%	45.4	41.7	9.0%
Germany	35.1	33.9	3.4%	36.1	33.5	7.6%	35.5	34.1	4.3%	35.4	33.9	4.6%
Total Europe	48.4	47.3	2.5%	48.0	44.9	7.0%	50.2	48.8	2.8%	48.7	47.1	3.5%
Total LatAm	33.4	31.3	6.6%	40.6	31.3	29.8%	40.6	33.3	21.9%	36.8	31.8	15.9%

RevPar in Europe: RevPar at comparable hotels increased by 3.5%, supported by a 4.8% increase in occupancy.

Occupancy: Occupancy improved due to more effective marketing and pricing policies, helped by stronger demand.

Argentina and Mexico: 16% growth in RevPar in LatAm. Strong growth in occupancy (8.8% and 4.2% respectively). In local currency terms, sales increased by 31% and 4.8% respectively.



Comparison of NH Hoteles vs. the sector

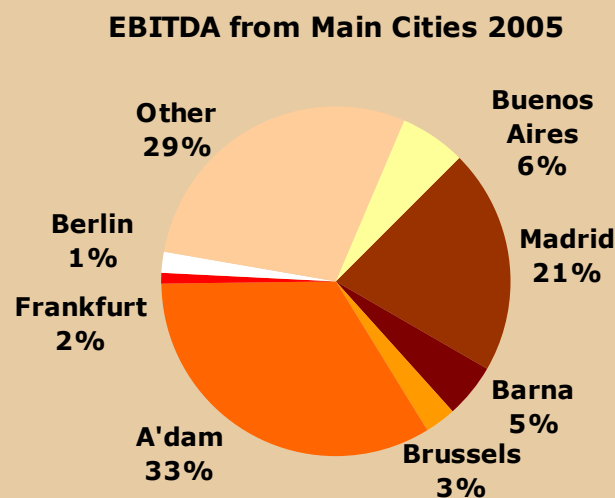
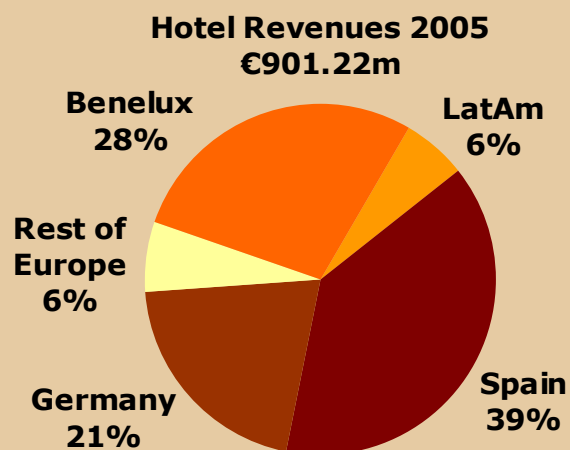
- In comparison with the figures seen in the market, NH Hoteles put in a generally strong performance, gaining market share in Central European cities, with the exception of Brussels.
- There was a notable recovery in market share in Barcelona, and a very commendable performance in Germany.

RevPar 12m 2005 vs. 12m 2004 (% Chg)

	HotelBenchMark by Deloitte	NH Hoteles Comparable	
Madrid	2,5	2,5	😊
Barcelona	-3,0	-1,3	😊
Amsterdam	5,5	5,6	😊
Brussels	5,0	2,1	😞
Berlin	-1,4	6,6	😊
Frankfurt	0,6	9,0	😊



Contribution by Business Unit



EBITDA Break-down by B.U.	EBITDA 2005 M Euros	EBITDA 2004 M Euros	% Chg. 05/04
B.U. SPAIN	63.21	74.13	-14.7%
B.U. BENELUX & Other	78.36	67.10	16.8%
B.U. SWITZ.&AUSTRIA&HUNGARY	-0.68	-3.37	79.8%
B.U. GERMANY	-0.58	-7.93	92.7%
B.U. ITALY	-1.43	-0.80	-78.7%
TOTAL EUROPE	138.89	129.14	2.2%
B.U. LATIN AMERICA	15.91	14.19	12.2%
CORPORATE	-27.61	-26.14	1.3%
TOTAL HOTELS	127.19	117.19	8.5%

Continuing growth



- After touching all-time highs in 2004, Sotogrande maintained a very positive level of recurrent activity in 2005.
- 2005 accounted sales reached €83.44m and EBITDA €53.66m.
- During 2005, Sotogrande sold 155,697m² of plots worth €47.74m. 2005 also saw an important sales contribution from the delivery of apartments, particularly in the Guramí and La Ribera del Obispo developments.
- At end-December 2005, confirmed real estate sales pending delivery amounted to €79.96m, with an estimated margin of €35m, which was largely attributable to the Ribera del Marlin residential development and Los Cortijos de La Reserva.



Financial situation at end-December 2005

FINANCIAL SITUATION

- At end-December 2005, net consolidated debt reached €690.04m, up from €517.16m at the beginning of the year.
- Financial gearing (Net Debt / Equity) was 0.78X.
- Important non-recurrent cash out flows took place during the year:
 - New projects (€43.65m): Rivera Maya (€19.65m), Cap Cana (€15m) and the investments in Argentina (€9m).
 - Buy-out of minorities (€50.35m): 38% of NH Mexico (€35.35m) and 20% of Astron (€15m).
 - Refinancing of lease contracts in Germany and Austria (€54.40m).
 - Write-down of Krasnapolsky preferred shares (€16.02m).

PROGRESS IN THE GROWTH AND EXPANSION STRATEGY



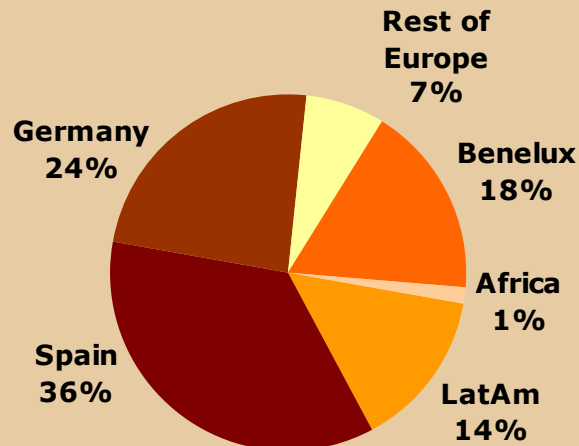
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Big boost from organic growth

- NH Hoteles has a presence in 20 countries, with 260 hotels already open and another 19 projects signed.
- There are 19 new hotels in the pipeline with 3,792 rooms

NH Portfolio by Country (February 2006) 37,851 rooms

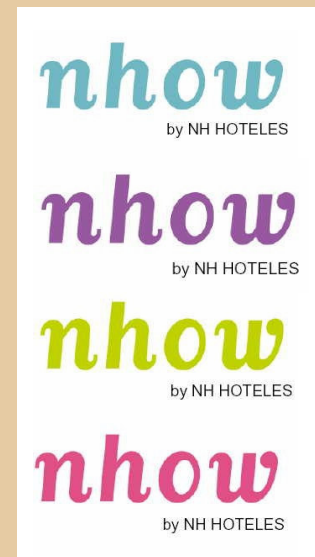


Openings and Signed projects 2005 and first weeks of 2006			Hotels	Rooms
SPAIN	Openings		13	1.311
	Openings 2005	Several hotels	12	1.191
	Openings 2006	NH Balago - Valladolid	1	120
	Signed 2005		2	192
		NH Fuenlabrada - Madrid	1	132
		NH Berrioplano - Navarra	1	60
PORTUGAL	Openings 2005	NH Campo Grande	1	82
ITALY	Openings 2005	NH Santo Stefano - Turin	1	125
	Signed 2006	NH Orio al Serio - Bergamo	1	118
UK	Openings 2005	NH Harrington Hall - London	1	200
HOLLAND	Openings 2005	NH Den Haag - The Hake	1	205
GERMANY	Openings 2005	NH Nurberg City	1	244
	Signed 2006	NH Berlin Artus	1	136
RUMANIA	Openings 2005	NH Bucarest	1	78
	Openings 2006	NH Timisoara	1	83
ARGENTINA	Openings 2005	NH Crillón - Buenos Aires	1	96
MEXICO	Openings 2005		2	233
		NH Puebla	1	128
		NH Puebla	1	105
	Signed 2005		2	690
		NH Queretaro	1	140
		NH Riviera Maya	1	550
CUBA	Openings 2006	Hotel Los Cayos	1	690
SENEGAL REP.	Signed 2006		2	319
		NH Baobab Les Mamaeles	1	120
		NH Baobab Cap Manuel	1	199
TOTAL	Openings 2005		20	2.329
	Openings first weeks of 2006		3	893
	Signed in 2005 and first weeks 2006		8	1.455



Tourist and urban hotel projects

- **NH Hoteles has consolidated its presence with an hotel right in the centre of Turin (NH Santo Stefano) and has signed a contract for the NH Orio al Serio (Bergamo). NH now has 1,092 rooms open and signed for in Italy.**
- **Launch of the NHOW brand: NH Hoteles will shortly open the Via Tortona hotel in the new fashion centre of Milan. This four-star hotel will be the first to carry the NHOW brand, which is a new and exclusive category of hotels created for more avant guard guests.**
- **The Donnafugata project in Sicily will be a five-star resort with 215 rooms, and will open towards the end of 2007. NH Hoteles will own 51% of the property but its investment is limited to €5m. The group is also developing a tourist golf complex on the same model as Sotogrande.**



Agreement with Banca Intesa

- **NH Hoteles has reached an agreement with Banca Intesa for the expansion of its hotel activity in Italy.**
- **Banca Intesa will underwrite a €50m rights issue for NH Italia which means that it will own 49% of the subsidiary's capital.**



Creation of a new category, SOTOGRANDE RESORTS:

- **NH will operate its new luxury resorts under this brand. The objective will be to recreate the lifestyle and leisure opportunities of Sotogrande in new destinations.**

CAP CANA project in the Dominican Republic

- **50/50% owned by NH Hoteles and Cap Cana, this will comprise a luxury boutique hotel and 350 luxury dwellings run under a rental pool agreement. Total investment of \$100m.**

RIVERA MAYA project in Mexico

- **Rivera Maya I includes one 500-room all-inclusive luxury hotel in which NH has a 20% stake. The total investment will be \$80m, of which NH's share is \$6.4m.**
- **Rivera Maya II includes a 60-room boutique hotel in which NH will also have a 20% stake. NH will develop a residential project of 350 luxury apartments managed under a rental pool agreement.**

NH Cayo Coco Hotel in Cuba

- **All-inclusive four-star hotel, with 690 rooms under management in grounds of 32 hectares, which include a natural lagoon.**



NH Hoteles corporate moves on its subsidiaries

- At the next AGM, NH Hoteles will propose two rights issues to its shareholders in order to roll out the agreements with its partners in Sotogrande and Latinoamericana de Gestión Hotelera (LGH).
- The increase in equity at NH Hoteles is estimated to exceed €100m.
- In a scenario where 50% of the free-float in Sotogrande were to accept the offer, EIP would have a stake of 3.3% in NH and Caja Madrid's stake would increase to 10% from the current level of 5%.

Takeover bid for 100% DE SOTOGRANDE S.A

- NH Hoteles has announced its intention of launching a takeover bid for 100% of Sotogrande S.A. paid for in shares (one new share in NH for each STG share).
- NH plans will be value-enhancing for Sotogrande due to the specialisation and entry into new holiday real estate projects.
- The Sotogrande brand will be launched internationally with the residential projects at Riviera Maya and Cap Cana.

BUY-OUT OF LGH MINORITIES

- EIP and NH Hoteles have reached an agreement to swap EIP's 35.4% stake in LGH for 4,250,000 new shares in NH Hoteles.
- NH Hoteles will then control 100% of its subsidiary which is the umbrella for all the NH investments in LatAm and Mexico.

MANY THANKS!

