nH HOTELES

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SALES AND RESULTS JANUARY – JUNE 2005

INCOME	**1H 2005**	**1H 2004**	**Change %**
Consolidated Income	**454.35**	**468.98**	**-3.1%**
Income from Hotel Activity Consolidated	436.61	421.18	3.7%
Income from Real Estate Activity	17.75	47.80	-62.9%
RESULTS	**1H 2005**	**1H 2004**	**Change %**
Consolidated Ebitda	**68.46**	**94.71**	**-27.7%**
Ebitda from Hotel Activity Consolidated	59.74	55.02	8.6%
Ebitda from Real Estate Activity	8.71	39.69	-78.1%

Hotel division: highlights

- In the first six months of the year the trend towards recovery consolidated in all NH Hoteles' markets, both in Europe and in Latin America, with a significant improvement in occupancy levels. In addition, ADRs either improved slightly or remained stable, with the exception of Spain and Germany.
- At end-June, sales at the hotel division increased by 3.7% and EBITDA by 8.6%, thanks to containment of both operating and leasing costs, and in spite of the numerous new openings.
- The second quarter performance was particularly noteworthy: RevPar at comparable hotels grew by 3.7% in Europe and by 11.4% in Latin America. Total hotel sales increased by 5.7% and EBITDA by 14.4%.
- In Europe, sales growth in the first half was a reflection of a 5.23% improvement in occupancy levels, which fed through into RevPar growth in comparable hotels of 2.2% in the first half of the year.
- Highlights included growth of 4.1% in Benelux, 3.4% in Germany and 7.7% in Switzerland, Austria and Hungary. Meanwhile, RevPar in comparable hotels in Spain remained stable.
- In the second quarter, EBITDA was positive both in Germany (€1.22m) and in the Switzerland, Austria and Hungary business unit (€0.74m).
- Figures at end-June for the hotels in Latin America were positive: sales at comparable hotels increased by 4.7% and EBITDA by 9.3%. In Mercosur, both occupancy (+16.1%) and ADR (+9.3%) posted strong growth. In Mexico, occupancy levels were stable but prices fell by 4.3%.
- In the first half of 2005, cost-savings at comparable hotels reached €16.4m (€9.47m in the first quarter and a further €6.95m in the second quarter).
- At 30th June, 2005 net debt had reached €654.24m, or an increase of 26.5% compared to net debt at year-end 2004 (€517.6m, and €564.65m at 30th March 2005). Financial gearing (net debt / equity) was 0.76X, compared to 0.61X at year-end 2004.

Property division: highlights

- In the first half of 2005, the trend in Sotogrande's property business continued to be positive. Confirmed property sales pending recognition in the accounts amounted to €91.0m, compared to €64.8m at year-end 2004.
- Recognised sales reached €17.8m, and EBITDA €8.7m. These figures were considerable lower than in the first half of 2004, but bear in mind that a large plot was sold for €21m in March 2004, whereas sales in the first half of 2005 reflected only normal levels of activity. However, ordinary sales in the second quarter of the year were lower due to the handover timetable.

1. TABLE: OPERATING RATIOS AT 30TH JUNE

OPERATING RATIOS	AVERAGE ROOMS		OCCUPANCY %			ADR			REVPAR		
	2005	2004	2005	2004	%Var	2005	2004	%Var	2005	2004	%Var
Spain Comparable	9,558	9,544	66.19%	63.92%	3.55%	80.94	83.90	-3.52%	53.58	53.63	-0.10%
Non Comparable Spain	1,086	864	61.13%	63.22%	-3.31%	90.53	106.37	-14.89%	55.34	67.25	-17.71%
TOTAL B.U. SPAIN	**10,644**	**10,408**	**65.67%**	**63.86%**	**2.84%**	**81.85**	**85.75**	**-4.54%**	**53.76**	**54.76**	**-1.83%**
Holland & Belgium Comparable	5,737	5,737	67.57%	64.94%	4.05%	87.82	87.76	0.06%	59.34	56.99	4.11%
Non Comparable Belgium & Holland & Others	912	1,014	63.27%	59.69%	5.99%	76.43	71.36	7.10%	48.35	42.60	13.51%
TOTAL B.U. HOLLAND & BELGIUM	**6,649**	**6,750**	**66.98%**	**64.15%**	**4.41%**	**86.34**	**85.47**	**1.02%**	**57.83**	**54.83**	**5.47%**
Total Switz & Austria Comparable	845	845	65.95%	62.18%	6.07%	62.93	61.98	1.53%	41.50	38.53	7.70%
Switzerland & Austria&Hungary Non Comparable	846	812	69.22%	61.87%	11.88%	80.25	82.61	-2.86%	55.55	51.11	8.68%
TOTAL B.U. SWITZ&AUSTRIA&HUNGARY	**1,691**	**1,657**	**67.59%**	**62.03%**	**8.97%**	**71.46**	**68.98**	**3.60%**	**48.30**	**42.78**	**12.88%**
Germany Comparable	8,184	8,184	60.44%	55.79%	8.33%	57.99	60.76	-4.56%	35.05	33.90	3.40%
Germany Non Comparable	520	671	41.00%	46.44%	-11.71%	62.25	62.79	-0.86%	25.52	29.16	-12.47%
TOTAL B.U. GERMANY	**8,704**	**8,855**	**59.28%**	**55.08%**	**7.62%**	**58.17**	**60.89**	**-4.47%**	**34.48**	**33.54**	**2.80%**
Non Comparable Italy	384	0	66.72%	0.00%	0.00%	80.99	0.00	0.00%	54.04	0.00	0.00%
TOTAL B.U. ITALY	**384**	**0**	**66.72%**	**0.00%**	**66.72%**	**80.99**	**0.00**	**0.00%**	**54.04**	**0.00**	**0.00%**
TOTAL EUROPE COMPARABLE	**24,324**	**24,309**	**64.57%**	**61.36%**	**5.23%**	**74.77**	**77.01**	**-2.91%**	**48.28**	**47.26**	**2.17%**
Mercosur Comparable	1,345	1,345	68.92%	59.37%	16.09%	38.03	34.80	9.28%	26.21	20.66	26.86%
Mexico Comparable	1,191	1,191	63.33%	63.30%	0.05%	65.49	68.46	-4.34%	41.47	43.34	-4.29%
Latin America Comparable	2,535	2,536	66.29%	61.22%	8.30%	50.35	51.15	-1.56%	33.38	31.31	6.61%
Mercosur Non Comparable	32	0	61.77%	0.00%		34.64	0.00	0.00%	21.40	0.00	
Mexico Non Comparable	345	479	46.82%	47.99%	-2.44%	56.67	58.39	-2.95%	26.53	28.02	-5.31%
Latin America Non Comparable	378	479	48.10%	47.99%	0.23%	54.24	58.39	-7.10%	26.09	28.02	-6.88%
TOTAL B.U. LATINAMERICA	**2,913**	**3,015**	**63.94%**	**59.11%**	**8.15%**	**50.73**	**52.08**	**-2.59%**	**32.43**	**30.79**	**5.35%**
TOTAL CONSOLIDATED	**30,986**	**30,684**	**64.11%**	**60.83%**	**5.40%**	**73.18**	**75.05**	**-2.50%**	**46.92**	**45.65**	**2.77%**
TOTAL COMPARABLE NH	**26,859**	**26,845**	**64.74%**	**61.35%**	**5.52%**	**72.41**	**74.57**	**-2.90%**	**46.88**	**45.75**	**2.46%**

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2. TABLE: SALES AND EBITDA

	June, 30th 2005			June, 30th 2004			% 05/04 Change	
	REVENUE	EBITDA	Margin	REVENUE	EBITDA	Margin		
		M Euros	%	M Euros	M Euros	%	Revenue	EBITDA
Spain & Portugal Comparable	**150.80**	**31.14**	**20.6%**	**148.68**	**31.08**	**20.9%**	**1.4%**	**0.2%**
Spain & Portugal Non Comparable	20.94	3.18	15.2%	19.72	4.11	20.8%	6.2%	-22.6%
B.U.SPAIN & PORTUGAL	171.74	34.32	20.0%	168.40	35.19	20.9%	2.0%	-2.5%
Holland & Belgium & Others Comparable	**107.40**	**30.51**	**28.4%**	**107.66**	**30.32**	**28.2%**	**-0.2%**	**0.6%**
Holland & Belgium & Others Non Comparable	13.94	6.40	45.9%	11.38	2.92	25.6%	22.5%	119.3%
B.U. HOLLAND & BELGIUM & OTHERS	121.35	36.91	30.4%	119.04	33.23	27.9%	1.9%	11.1%
Switzerland & Austria & Hungary Comparable	**9.28**	**-1.18**	**-12.7%**	**8.94**	**-1.14**	**-12.7%**	**3.8%**	**-4.1%**
Switzerland & Austria & Hungary Non Comparable	11.91	0.71	6.0%	9.93	-0.08	-0.8%	19.9%	984.9%
B.U. SWITZERLAND & AUSTRIA & HUNGARY	21.19	-0.47	-2.2%	18.87	-1.22	-6.4%	12.3%	61.3%
Germany Comparable	**84.81**	**-2.12**	**-2.5%**	**81.43**	**-5.26**	**-6.5%**	**4.1%**	**59.8%**
Germany Non Comparable	6.14	-2.36	-38.4%	7.81	-1.96	-25.1%	-21.5%	-19.9%
B.U. GERMANY	90.94	-4.47	-4.9%	89.24	-7.23	-8.1%	1.9%	38.1%
Italy Non Comparable	6.25	-1.27	-20.2%	0.00	0.00	0.0%	0.0%	0.0%
B.U. ITALY	6.25	-1.27	-20.2%	0.00	0.00	0.0%	0.0%	0.0%
TOTAL EUROPE COMPARABLE	**352.29**	**58.35**	**16.6%**	**346.71**	**55.00**	**15.9%**	**1.6%**	**6.1%**
Latin America Comparable	**22.49**	**6.21**	**27.6%**	**21.48**	**5.68**	**26.4%**	**4.7%**	**9.3%**
Latin America Non Comparable	2.65	0.61	22.9%	4.14	0.87	21.0%	-36.1%	-30.3%
B.U. LATIN AMERICA	25.14	6.81	27.1%	25.63	6.55	25.6%	-1.9%	4.0%
HOTEL ACTIVITY COMPARABLE	**374.78**	**64.56**	**17.2%**	**368.19**	**60.68**	**16.5%**	**1.8%**	**6.4%**
CORPORATE	0.00	-12.09		0.00	-11.51			-5.0%
TOTAL HOTEL ACTIVITY	**436.61**	**59.74**	**13.7%**	**421.18**	**55.02**	**13.1%**	**3.7%**	**8.6%**
SOTOGRANDE REAL ESTATE	17.75	8.71	49.1%	47.80	39.69	83.0%	-62.9%	-78.0%
TOTAL CONSOLIDATED	**454.35**	**68.46**	**15.1%**	**468.98**	**94.71**	**20.2%**	**-3.1%**	**-27.7%**

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3. TABLE: PROFIT AND LOSS ACCOUNT

NH HOTELES,S.A.	2005		2004		"05/04
P&L ACCOUNT AS AT JUNE, 30TH 2005	**M Eur.**	**%**	**M. Eur**	**%**	**Var. %**
Hotels sales and other revenues	436.61	96.1%	421.18	89.8%	3.7%
Real Estate Sales and other	17.75	3.9%	47.80	10.2%	(62.9%)
TOTAL REVENUES	**454.35**	**100.0%**	**468.98**	**100.0%**	**(3.1%)**
Cost of Real Estate Sales	(2.91)	(0.6%)	(3.77)	(0.8%)	(22.7%)
Operating Expenses	(294.29)	(64.8%)	(283.54)	(60.5%)	4%
GROSS OPERATING PROFIT	**157.15**	**34.6%**	**181.68**	**38.7%**	**(13.5%)**
Lease Payments and Property Taxes	(88.70)	(19.5%)	(86.98)	(18.5%)	2.0%
EBITDA	**68.46**	**15.1%**	**94.70**	**20.2%**	**(27.7%)**
Depreciation	(41.67)	(9.2%)	(39.80)	(8.5%)	4.7%
Depreciation STG consolidation difference	(0.34)	(0.1%)	(2.32)	(0.5%)	(85.2%)
EBIT	**26.44**	**5.8%**	**52.58**	**11.2%**	**(49.7%)**
Interest Income (expense)	(10.39)	(2.3%)	(9.97)	(2.1%)	4.2%
Income from minority equity interests	(0.01)	(0.0%)	0.02	0.0%	(134.5%)
Extraordinary results	(1.14)	(0.3%)	(3.57)	(0.8%)	NA
EBT	**14.91**	**3.3%**	**39.05**	**8.3%**	**NA**
Corporate income tax	(5.56)	(1.2%)	(10.39)	(2.2%)	(46.5%)
NET INCOME before minorities	**9.35**	**2.1%**	**28.66**	**6.1%**	**NA**
Minority interests	(3.07)	(0.7%)	(7.79)	(1.7%)	(60.6%)
NET INCOME	**6.28**	**1.4%**	**20.87**	**4.5%**	**NA**

4. TABLE: OPERATING COST RATIOS

Total Hotels	6m 2005	6m 2004	% Var
Average number of rooms	30,986	30,684	1.0%
Occupied rooms per day	19,865	18,662	6.4%
Average number of FTE	10,854	10,792	0.6%
FTE per room	0.350	0.352	-0.6%
Staff Cost per available room (€/day)	27.20	26.17	3.9%
Other Operating exp per available room (€/day)	18.21	17.91	1.7%
Staff Cost & Other exp per available room (€/day)	**45.41**	**44.08**	**3.0%**
FTE per occupied room	0.546	0.578	-5.5%
Staff Cost per occupied room (€/day)	42.43	43.03	-1.4%
Other Operating exp per occ. room (€/day)	28.40	29.45	-3.6%
Staff Cost & Other expenses per occ room (€/day)	**70.83**	**72.48**	**-2.3%**

- NH Hoteles has continued to make progress in terms of cost-cutting, resulting in savings of €38.0m in 2004.
- In the first half of 2005, operating costs per room occupied across the whole chain fell by 2.3% in nominal terms compared to the first half of 2004. In comparable hotels, 68 FTEs fell by 0.8%, the ratio of FTE per room occupied fell by 6.0% and total operating costs per room occupied dropped by 3.2%.
- Altogether, including the general improvement in occupancy and cost inflation, comparable hotels achieved total cost-savings of €16.42m (€9.47m in the first quarter and a further €6.9m in the second quarter).

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HOTEL DIVISION

The first six months of the year consolidated a recovery in all of NH Hoteles' markets, both in Europe and in Latin America. The month-on-month volatility of the figures was very considerable due to the timing of holidays, trade fairs and other events, but the underlying trend was one of consolidation and a general improvement across the board.

The highlight of the hotel business was the important growth in occupancy levels. ADRs also improved slightly or remained stable in all markets except Spain and Germany.

In the first six months of the year, hotel sales increased by 3.7%, GOP by 4.5% and EBITDA by 8.6%. RevPar at comparable hotels rose by 2.2% in Europe and by 6.6% in Latin America, with improvements in occupancy of 5.23% and 8.29% respectively.

Performance in the second quarter was particularly striking: RevPar at comparable hotels increased by 3.7% in Europe and by 11.4% in Latin America. Total hotel sales rose by 5.7% and EBITDA by 14.4%.

Non-comparable hotels, opened or refurbished within the last 12 months, made a contribution of 16.5% to sales. The EBITDA contribution increased by 24.3% but although an improvement on the first quarter of 2004, the sales margin diluted the overall margin of the group due to the start-up nature of these hotels.

Spain

- The business in Spain continued to recover in the second quarter of the year, with RevPar growing 3.4% thanks to a 4.9% increase in occupancy and a steadier performance from prices, which only fell by 1.5%. Total hotel sales increased by 5.2% and EBITDA by 4.6%.
- Altogether, total sales at comparable hotels increased by 1.4% in the first six months of the year, and including the contribution made by non-comparable hotels, total revenues rose by 2%. There was a slight 0.2% improvement in GOP, the sales margin reached 40% and EBITDA fell by 2.5%, marking a considerable improvement in the trend.
- Bear in mind that the sales contribution from the non-comparable hotels, either newly opened or recently refurbished, increased by 25.5%, which offset the impact of the refurbishment of the NH Calderón and the NH Almenara in the early part of 2005.
- Operating costs were contained, and in nominal terms only increased by 2.0%. Taking account of the general increase in occupancy levels and cost inflation, cost-savings in the first six months amounted to €4.0m.
- RevPar at comparable hotels was stable or slightly positive in all the Spanish cities with the exception of Barcelona, where average occupancy increased more slowly and was lower than in 2004. In the case of Madrid, this year's figures benefit from comparison with a period in 2004 when the city was suffering from the after-effects of the terrorist attacks of 11th March. However, there have also been negative factors at work in 2005, such as the public holidays in May and fewer group and convention bookings.
- Other events such as the Zaragoza Agricultural Fair or the American Cup in Valencia have helped to contribute towards a more positive tone in these cities.
- NH Hoteles is continuing to try and build up weekend sales. Second quarter figures indicate that weekend occupancy is increasingly robust although the ADR of these rooms is lower. However, the fall in ADR on mid-week working days was much slower.
- As regards the performance of comparable hotels in the big cities:
    - In **Madrid,** RevPar in the year to June 2005 increased by 0.15% with a 4.6% fall in ADR and a 4.9% increase in occupancy. According to Deloitte & Touche's Hotelbenchmark survey in June, the performance of the sector as a whole improved by 4.7%.
    - In **Barcelona,** RevPar in the year to June 2005 fell by 4.2% with an increase in occupancy of 0.2% and a 4.5% drop in prices. Deloitte & Touche's survey indicates a fall in RevPar of 0.8% across the sector. In general, there are fewer trade fairs in Barcelona in 2005.
    - It is worth mentioning that in these two cities NH hotels are underperforming the Deloitte & Touche survey sample because in the case of NH Hoteles, the comparison is based on higher occupancy figures for 2004,

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whereas the Deloitte & Touche survey includes non-comparable, newly-opened hotels, where occupancy levels were much lower in 2004.

- In the **rest of Spain,** the trend improved in the second quarter, such that overall occupancy improved by 3.3% and RevPar by 0.8% in the first six months of 2005, in spite of the fact that ADR was 2.4% lower.

Benelux

- Activity in Benelux consolidated at the higher levels noted in the second quarter of 2004, with business bookings improving faster than weekend bookings and growth in MCI activity (banquets and conventions). As was to be expected, growth in the second quarter of 2005 was slightly slower than in the first quarter, and RevPar increased by 2.3%, total hotel sales were stable and EBITDA increased by 5.5%.
- The overall trend in the first half continued to be very favourable: total hotel sales in Benelux increased by 1.9% while GOP rose by 7.4% (with a sales margin improvement of two percentage points to 38.3%) and EBITDA grew 11.1%. These figures are even more positive given the impact of the sale of NH Docklands at the end of 2004 and of NH Oostende in February 2005, as well as the effect of the refurbishment of NH Schipol Airport and other hotels.
- Operating costs were very well contained and in nominal terms only increased by 0.2%, and taking into account the general improvement in occupancy levels and cost inflation, cost-savings in the six-month period reached €4.9m.
- RevPar at comparable hotels in the year to June 2005 increased by 4.13%, with a notable improvement in occupancy levels, which grew by 4% and resulted in stable ADR (0.07%).
    - In **Amsterdam,** RevPar at comparable hotels posted strong growth in the year to June (+6%), with improvements of 6.1% in occupancy and stable prices. The Deloitte & Touche survey indicates a 1% deterioration in this city.
    - In the **rest of Holland** there was a general improvement in comparable hotels, with RevPar rising by 1.3% and a 1.8% improvement in occupancy and stable ADR (-0.5%).
    - In **Brussels,** after strong growth throughout 2004, occupancy improved by 3.5% in the first half but ADR slid 1.7%, resulting in an improvement in RevPar of 1.7%. These figures are in line with the sector, which according to Deloitte & Touche, averaged RevPar growth of 3.6%.

Switzerland, Austria and Hungary

- In the first half of 2005, hotel sales increased by 12.3%, GOP by 12.4% and EBITDA surged 61.3%, resulting in losses falling to just €0.47m. In the second quarter, sales improved by 11% and EBITDA reached a positive €0.74m.
- Part of this increase was explained by the strong performance of comparable hotels, where revenues improved by 3.8%, but the main reason was the incorporation of new rooms at the NH Vienna Airport and NH Geneva Airport hotels.
- Sales performance was satisfactory in both markets: in Austria, sales growth reached 3% and in Switzerland 5.7% (4.3% in local currency terms).
- Operating costs were cut by €0.09m, including the general increase in occupancy levels and cost-inflation, but more important were the cost-savings of €1m achieved in leasing costs thanks to contract-renegotiation.
- RevPar at comparable hotels gained 7.7% on a 6% increase in occupancy, resulting in a 1.5% improvement in ADR compared to the same period in 2004.
    - o The RevPar growth was particularly strong in the comparable hotels in **Switzerland,** where it reached 10.1% thanks to a 14% increase in occupancy and a 3.5% drop in ADR. According to the Deloitte & Touche survey to junio, sector RevPar rose 8.8% in Geneva and 13.7% in Zurich, whereas RevPar at NH hotels in these two cities improved 10.2% and 22.6% respectively.
    - In **Austria,** RevPar at comparable hotels grew 6% with improvements of 1.4% in occupancy and 4.6% in ADR. According to the Deloitte & Touche survey to Jun.
    - RevPar in **Budapest** increased by 14%, while the NH hotels in this city improved their RevPar by 62%.

Germany

- In the first half, the improvement noted at NH hotels towards the end of last year consolidated, with gains in market share and greater brand recognition, as a reflection of the efforts made to improve management, products and the capture of new business with promotional campaigns, new loyalty programmes, a focus on weekend business and efforts to improve the quality of the F&B services.

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- In the year to June, hotel sales increased by 2% and GOP by 11.2%. Losses at the EBITDA level improved by 38% to €4.47m. In the second quarter alone, sales grew by 5.5% and EBITDA was a positive €1.22m.
- The more robust performance was largely due to operating cost-savings of €5.8m, including the general increase in occupancy and cost-inflation, as well as a €0.85m drop in leasing costs due to contract-renegotiation.
- However, there was also a notable improvement in RevPar at comparable hotels (+3.4%), as a reflection of the 8.3% improvement in occupancy. ADR fell by 4.5%, mainly due to the impact of biannual trade fairs which did not take place in 2005. However, the improved positioning of NH Hoteles in Germany has allowed the introduction of "best available rate" pricing, which will be positive in the medium-term.
    - RevPar at comparable NH hotels in **Berlin** in the year to June increased by 4.3% on a 5.5% improvement in occupancy but a 1.1% drop in ADR. These figures are stronger than the sector trend, which according to the Deloitte & Touche survey indicate a deterioration of 7.3%.
    - In **Frankfurt,** RevPar at comparable NH hotels rose by 9.3% with a 7.2% increase in occupancy and an improvement in ADR (+2.0%) and a consequent gain in market share in a market in which, according to Deloitte & Touche, RevPar improved by only 0.2%.
    - In **Munich,** RevPar at comparable NH hotels improved by 4% as a reflection of a 10% increase in occupancy, although the impact of trade fairs resulted in ADR being 5.5% lower than in the first half of 2004. According to Deloitte & Touche, market RevPar rose 3%.

Italy

NH has just started its hotel business in Italy with the opening of a new hotel in the city of Mestre, a few minutes from the centre of Venice, in 2004.

In the first half of 2005 this hotel achieved an occupancy level of 66.7% and an ADR of €81.0, and second quarter performance was more robust than the first quarter figures. Recent contracts with Iberia and KLM and other new corporate contracts, together with NH brand awareness marketing campaigns in Italy, will strengthen the performance of this hotel in the rest of the year.

Latin America

- First half 2005 figures for the hotels in Latin America were positive: sales at comparable hotels grew 4.7% and Ebitda increased by 9.3%. Operating costs were trimmed by 2.7% in nominal terms and taking into account the general increase in occupancy and cost-inflation, cost-savings in the six-month period amounted to €1.63m.
- The sale of NH Cancún at the beginning of 2004 (which in the first quarter of that year made a sales contribution of €1.36m), the refurbishment of the NH Krystal Zona Rosa and the termination of the lease contract on the NH Tlaneplanta, together with the negative foreign exchange impact resulted in total hotel sales in Latin America falling by 1.9%.
- Bear in mind that the second quarter performance was particularly robust: RevPar at comparable hotels increased by 11.4% in Latin America.
- In MERCOSUR, the comparable hotels posted a strong performance, particularly in Argentina where, in local currency terms, sales surged 33.3% due to a 16.1% improvement in occupancy and also a notable increase in ADR. The Crillon hotel in Buenos Aires opened its doors at the beginning of May with 62% occupancy. Sales in local currency terms also improved in Santiago de Chile (+11.0%), Uruguay (+12.3%) and Brazil (+14.0%).
- In Mexico, occupancy was stable but prices were 4.3% lower expressed in Euros. In local currency terms, total sales at comparable hotels fell by 1.1%. The overall performance was good, with a successful reopening of the NH Mexico City, both in terms of room and restaurant sales, after refurbishment in 2004. The initial figures for the new hotel NH Puebla were also encouraging. The main problem was at the Hilton Nuevo Laredo due to serious local security problems.

SOTOGRANDE PROPERTY DIVISION

- After a year of all-time high results in 2004, the trends at Sotogrande's property division continued to be very positive in the first half of 2005.
- At the end of June 2005, Sotogrande's committed sales pending recognition reached €91.0m, compared to €64.8m at year-end 2004. The margin on these sales is estimated at €47.0m to be spread over 2005 and the two following years.

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- Recognised sales reached €17.8m and EBITDA €8.7m. These figures are considerably lower than in the first half of 2004, but bear in mind that in march 2004 property sales included a large plot of land for €21m while in the first half of 2005 sales reflect normal activity levels.
- However, ordinary sales in the second quarter were 33.7% lower as a reflection of the handover timetable.

Sotogrande - Desglose de Ventas	6m 2005		6m 2004	
	Mn Euros	% total	Mn Euros	% total
Amarres y garages	1.40	7.9%	1.26	2.6%
Parcela de uso comercial	3.41	19.2%	0.00	0.0%
Apartamentos	4.47	25.2%	0.04	0.1%
Casas	0.00	0.0%	0.00	0.0%
Parcelas	4.98	28.1%	44.63	93.4%
Total Ventas Inmobiliarias	**14.26**	**80.4%**	**45.93**	**96.1%**
Otros Ingresos	3.48	19.6%	1.87	3.9%
Total Ventas	**17.74**	**100.0%**	**47.80**	**100.0%**

FINANCIAL PERFORMANCE

At 30th June, 2005 net debt reached €654.24m, an increase of 26.5% over the level of net debt at year-end 2004 of €517.16m (€564.65m at 31th March, 2005).

The main disbursement, made in the first quarter of 2005, was for the acquisition of the minority interests in Nacional Hispana Hoteles S.R.L. for €35.35m, through which NH Hoteles bought a stake of 38% in its Mexican subsidiary NH México. In the second quarter, NH Hoteles acquired 20% of its Germany subsidiary Astron, with an initial disbursement of €15.0m the remaining €30.0m will be paid between 2006 and 2007. NH Hoteles also spent €16.02m on the cancellation Krasnapolsky's preference shares. Finally, NH Hoteles made various investments in its new projects in Mexico, Buenos Aires and London, as well as other investments in equipment for the new hotels and in the maintenance or refurbishment required for the hotels in operation.

The financial gearing ratio (net debt / equity) reached 0.76X compared to 0.61X at year-end 2004.

In spite of the increased debt burden, net consolidated financial charges performed very satisfactorily due to the refinancing of the Dutch syndicated loan with a new syndicated loan signed in mid-2004 to refinance the debt outstanding at that time. As noted elsewhere on numerous occasions, this debt is cheaper, and the effective reduction in the average cost of debt between June 2004 and June 2005 amounted to 0.97%.

NH Hoteles has contributed with a €53m loan subordinated to the refinancing of the rents corresponding to 13 hotels located in Germany and Austria. In the first half of the year, this refinancing has led to a rents saving of €1,8m. Resides, the accrued interests generated from the loan have made another €0,8m of income during this first semester.

PORTFOLIO SITUATION AT 30TH JUNE 2005

NH Hoteles has a presence in 19 countries, with 243 hotels and 35,337 rooms. The chain owns 29.5% of the rooms, a further 59.0% are under lease contracts and the remaining 11.5% are under management contracts.

In the first six months of 2005, NH Hoteles boosted its organic growth strategy by opening seven new hotels with 840 rooms and the signature of another 10 hotels with 1,835 rooms. After entry into Hungary, Romania and Italy in 2004, NH Hoteles in the year to date it has opened its first hotel in the UK in 2005, in the centre of London, has promoted organic growth in the City segment in Spain, Italy, Argentina and Mexico, and at the same time signed various holiday projects in the Mexican Caribbean and Dakar (Senegal).

These projects are part of the company's strategy to promote organic growth in the markets where NH Hoteles already has a strong presence, to grow in European countries where it has previously had a weak presence or no presence at all such as the

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UK, Italy and Eastern European countries, to strengthen the presence in Latin America, and to build up activity in holiday hotels and resorts.

NH Hoteles is currently studying various new projects and expects to continue its strong organic growth over the coming months.

Openings: seven new openings since 1st January, 2005

Since 1st January, 2005 seven new hotels have been opened with a total of 840 rooms: four in Spain, one in London, one in Mexico and one in Argentina.

In April the NH Harrington Hall was opened in South Kensington, one of the best locations in London. The hotel is fully operational, with 200 rooms. NH is the co-owner of this hotel, with a 25% interest. It also has a 15-year management contract.

In June, NH Hoteles signed the acquisition of the NH Crillón in Buenos Aires, a traditional four-star hotel which is more than 50 years old and located in the centre of Buenos Aires, on the corner of Santa Fe Avenue and Esmeralda Avenue, opposite the famous San Martín square. The acquisition was made by NH Hoteles' Latin American subsidiary Gestión Hotelera. This new acquisition brings the total of NH Hoteles hotels in Buenos Aires to five, and a total of eight in Argentina as a whole. A gradual refurbishment of the hotel will start shortly which will not involve closure, and which will increase the number of rooms from 96 to 123.

The expansion of the NHUBE areas in NH hotels continues, with the opening of two new establishments in the year to date in the NH Pacífico and the NH Alcorcón, both in Madrid. A further three NHUBE have been opened in July, including the first NHUBE in Benelux (in The Hague in the Netherlands), another in the NH Sant Boi (Barcelona) and the third in the NH Plaza Mayor (Leon). So far the opening of another six NHUBE is planned for the second half of 2005 and one in 2006 in the NH Constanza (Barcelona).

Hotel	Ciudad	Contrato	Nº de Habitaciones
NH Central Convenciones (4 estrellas)	Sevilla	Gestión	156
NH Pacifico (3 estrellas)	Madrid	Arrendamiento	62
NH Alcorcón (4 estrellas)	Alrededores de Madrid	Arrendamiento	102
NH Central (3 estrellas)	Sevilla	Gestión	96
NH Puebla (4 estrellas)	Ciudad de Puebla (Mexico)	Gestión	128
NH Harrington Hall (4 estrellas)	Londres (Inglaterra)	Gestión	200
NH Crillón (4 estrellas)	Buenos Aires (Argentina)	Propiedad	96
Total Aperturas			**840**

Hotel sales and termination of management contracts or leases on operational hotels

Various hotels have been dropped from the chain in the year to date, either because their contracts have expired or because they were one of the group identified for strategic disposal.

In addition, of the hotels where contracts had been signed, NH Hoteles cancelled the projects for hotels in Ecatepec (Mexico) and Hamburg Airport (Germany).

Hotel / Tipo de Contrato	Ciudad	Comentarios	Nº de Habitaciones
NH Alcorcon/Copropiedad	Alcorcon (España)	Venta/Pasa a Arrendamiento	102
NH Oostende/Propiedad	Bélgica	Venta	94
NH Tlaneplanta/Arrendamiento	Tlaneplanta (México)	Rescisión de contrato	132
NH Sport/Propiedad	Zaragoza (España)	Venta/Pasa a Arrendamiento	64

Projects signed

In the first six months of the year, NH Hoteles signed ten new hotel projects with 1,835 rooms, which will involve an investment of €26.4m. Altogether, NH Hoteles has now signed 31 projects with 5,131 rooms, which together with the hotels in operation will bring the total to 274 hotels with 40,468 rooms in 20 countries. Of the 31 projects, NH Hoteles will only own six hotels, 18 will be leased and the remaining seven will be run under management contracts.

The majority of this growth will be in Spain, where NH Hoteles has signed 17 projects with 2,065 rooms. Of the 17, 13 will be leased, two owned and two run under management contracts. Nine of these hotels will open in the second half of 2005, one on the outskirts of Madrid, one in the main distribution centre of Madrid, another on the outskirts of Barcelona and six hotels in cities where NH is trying to strengthen its presence (Granada, Alicante, Santiago, Valladolid, Leon and Badajoz). A further highlight is the new four-star 309-room NH Constanza right in the centre of Barcelona which will open in early 2006.

The 205-room NH project in The Hague (Netherlands) opened at the beginning of July, under a leasing contract.

In Germany, there are two hotels signed, one under a lease contract, the 244-room NH Nuremberg City, and the NH Dusseldorf Arena, with 293 rooms, under a management contract.

In Italy, in addition to the NH Milán Tortona project with 256 rooms under a lease contract, the chain has signed for the NH Santo Stefano in Turin, with 123 rooms under a management contract. In addition, the deal has been signed for the Donnafugata hotel, part of the golf resort project which is 51%-owned by Sotogrande in Catania (Sicily).

Two hotels are expected to open in Romania during the summer, the 78-room NH Bucarest under management and the NH Timisoara, with 83 rooms under a lease contract.

Three City hotel projects have been signed in Mexico, the NH Centro Histórico with 105 rooms under a lease contract, the NH Santa Fé with 135 rooms owned by the chain and the recently-signed 140-room NH Querétaro, also owned by NH Hoteles.

In the leisure segment, NH Hoteles has signed a deal for a resort in the Mexican Caribbean. This is a project for a five-star "all-inclusive" complex with 550 rooms, in which NH will have a 20% stake. The resort is expected to open towards the end of 2006. The hotel will be located between Cancún and Playa del Carmen, right on the beachfront, surrounded by shopping malls, a marina and yacht club, botanical gardens and the Xcaret ecological park.

Elsewhere, in Dakar (Senegal), NH Hoteles has just signed a deal for two new five-star hotels and a convention centre under management contracts. The owners have already started construction and this is expected to be finished in the spring of 2007. The project includes the NH Baobab Les Mamelles hotel, close to Dakar international airport and right on the beachfront, with 120 rooms and meeting rooms with capacity for 300 and the NH Baobab Cap Manuel hotel, right in the centre of Dakar and on the sea front and next to the main business district. This hotel will have 199 rooms and a large convention centre next door. Both hotels will have excellent leisure facilities, a Spa, swimming pools and high-quality themed restaurants.

Cartera de NH Hoteles		HOTELES OPERATIVOS				PROYECTOS FIRMADOS				TOTAL
30 de junio 2005		Arrendam.	Propiedad	Gestión	TOTAL OPERATIVOS	Arrendam.	Propiedad	Gestión	TOTAL FIRMADOS	OPERATIVOS + FIRMADOS
España +Portugal	Hoteles	73	18	22	**113**	13	2	2	**17**	**130**
	Hab.	8.268	2.614	1.701	**12.583**	1.796	158	111	**2.065**	**14.648**
Holanda	Hoteles	9	18	1	**28**	1	0	0	**1**	**29**
	Hab.	1.279	3.988	80	**5.347**	205	0	0	**205**	**5.552**
Bélgica	Hoteles	1	7	0	**8**	0	0	0	**0**	**8**
	Hab.	241	877	0	**1.118**	0	0	0	**0**	**1.118**
Alemania	Hoteles	51	0	1	**52**	1	0	1	**2**	**54**
	Hab.	8.723	0	144	**8.867**	306	0	293	**599**	**9.466**
Suiza	Hoteles	2	2	0	**4**	0	0	0	**0**	**4**
	Hab.	329	232	0	**561**	0	0	0	**0**	**561**
Austria	Hoteles	6	0	0	**6**	0	0	0	**0**	**6**
	Hab.	973	0	0	**973**	0	0	0	**0**	**973**
Italia	Hoteles	1	0	0	**1**	1	1	1	**3**	**4**
	Hab.	384	0	0	**384**	256	215	123	**594**	**978**
Inglaterra	Hoteles	0	0	1	**1**	0	0	0	**0**	**1**
	Hab.	0	0	200	**200**	0	0	0	**0**	**200**
Hungría	Hoteles	1	0	0	**1**	0	0	0	**0**	**1**
	Hab.	160	0	0	**160**	0	0	0	**0**	**160**
Rumanía	Hoteles	0	0	0	**0**	1	0	1	**2**	**2**
	Hab.	0	0	0	**0**	83	0	78	**161**	**161**
Mexico	Hoteles	2	6	6	**14**	1	3	0	**4**	**18**
	Hab.	249	1.244	1.444	**2.937**	105	826	150	**1.081**	**4.018**
Mercosur	Hoteles	0	11	1	**12**	0	0	0	**0**	**12**
	Hab.	0	1.456	277	**1.733**	0	107	0	**107**	**1.840**
Africa (*)	Hoteles	1	1	1	**3**	0	0	2	**2**	**5**
	Hab.	198	42	234	**474**	0	0	319	**319**	**793**
TOTAL	Hoteles	147	63	33	**243**	18	6	7	**31**	**274**
	Hab.	20.804	10.453	4.080	**35.337**	2.751	1.306	1.074	**5.131**	**40.468**

(*) 2 hoteles abiertos en Sudáfrica, 1 en gestión en Ghana y 2 proyectos firmados en gestión en Dakar (Senegal)

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Madrid. July 28th, 2005

NH HOTELES JANUARY-JUNE 2005 P&L ACCOUNT RESTATED TO COMPLY WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

NH HOTELES, S.A.	Jan-June 2005 (mill. Euros)			Jan-June 2004 (mill. Euros)		
P&L Account Jan-June	**Spanish Gaap**	***Adjustments***	**IFRS**	**Spanish Gaap**	***Adjustments***	**IFRS**
Hotel Revenues	436,61	0,00	436,61	421,18	0,00	421,18
Real Estate Revenues	17,75	0,86	18,61	47,80	-3,36	44,44
Other non-recurrent revenues	0,00	3,43	3,43	0,00	1,93	1,93
Total Revenues	**454,35**	**4,30**	**458,65**	**468,98**	**-1,43**	**467,55**
Real Estate Cost of sales	(2,91)	(2,20)	(5,11)	(3,77)	(2,32)	(6,09)
Staff Cost	(153,73)	(2,41)	(156,14)	(147,16)	(2,70)	(149,86)
Operating Expenses	(140,56)	0,00	(140,56)	(136,38)	0,00	(136,38)
Other non-recurrent expenses	0	(1,15)	(1,15)	0	(3,02)	(3,02)
GOP	**157,15**	**(1,46)**	**155,69**	**181,68**	**(9,47)**	**172,21**
Lease payments and property taxes	(88,70)	1,71	(86,99)	(86,98)	1,21	(85,77)
EBITDA	**68,46**	**0,24**	**68,70**	**94,70**	**(8,25)**	**86,44**
Depreciation	(41,67)	8,10	(33,57)	(39,80)	8,80	(30,99)
Depreciation STG consolidation difference	(0,34)	0,34	0,00	(2,32)	2,32	0,00
EBIT	**26,44**	**8,69**	**35,14**	**52,58**	**2,87**	**55,45**
Interest income (expenses)	(10,39)	0,64	(9,75)	(9,97)	0,21	(9,76)
Income from minority equity interests	(0,01)	0,00	(0,01)	0,02	0,00	0,02
Extraordinary results	(1,14)	1,14	0,00	(3,57)	3,57	0,00
EBT	**14,91**	**10,47**	**25,38**	**39,05**	**6,66**	**45,71**
Corporate income tax	(5,56)	(2,41)	(7,97)	(10,39)	(1,04)	(11,42)
NET INCOME before minorities	**9,35**	**8,06**	**17,41**	**28,66**	**5,62**	**34,28**
Minority Interests	(3,07)	0,00	(3,07)	(7,79)	0,00	(7,79)
NET INCOME	**6,28**	**8,06**	**14,34**	**20,87**	**5,62**	**26,49**

MAIN ADJUSTMENTS:

- PROPERTY REVENUES:

  The Spanish General Accounting Plan allows property sales to be booked when the project is more than 80% complete.

  According to the IFRS (IAS 18), revenues should be recognised at the end of the project, when all the risks and entitlements of the sale have been transferred to the purchaser.

  In terms of sales recognition, these criteria have been adopted since January 2005.

  The NH group, and in particular its subsidiary Sotogrande S.A., has analysed the impact of adopting these criteria on the balance sheet for the financial year ended December 2003, the transition year, and on transactions effected between year-end 2003 and 31st December 2004, in order to quantify the necessary adjustments to the temporary recognition of sales. As a result of this analysis, an adjustment has been made to the 2003 transition balance sheet, which will be reversed in future years. As at 30th June, 2005 this adjustment amounted to €0.86m (€-3.36m as at 30th June, 2004).

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- DEPRECIATION:

  The main differences between the Spanish General Accounting Plan and IFRS lie in goodwill depreciation and depreciation of hotel start-up costs:

  - The new goodwill regulations (IAS 36 and 38) establish a requirement for an annual impairment test and do not permit annual depreciation.

    This change in the regulations implies that provisions for goodwill depreciation will have to be reversed. In the case of NH Hoteles, this mainly applies to the goodwill arising on the acquisition of the Astron chain. The adjustment applicable in this context amounts to €3.37m as at 30th June, 2005 (unchanged from the same date in the previous year).

  - In contrast to the Spanish General Accounting Plan, the IFRS do not allow hotel start-up expenses or other set-up costs to be capitalised. Given that in compliance with the terms of IFRS 1, these costs have been eliminated from the transition balance sheet, NH Hoteles must reverse the amortisation of these costs. This adjustment amounted to €3.24m as at 30th June, 2005 (€2.77m in the same period of 2004).

- LEASING COSTS:

  IFRS (IAS 17) sets out that leasing costs must be recognised as a function of its economic reality and that the allocation of revenues should be linear, throughout the life of the contract.

  Given that the lease contracts which NH Hoteles has signed with the owners of the hotels in Germany include step-up clauses in the first few years of a hotel's operation, the application of IFRS 1 will convert these into linear payments, with the necessary adjustments being charged to equity. This adjustment implies a reduction in leasing costs of €0.27m as at 30th June, 2005 (an increase of €0.09m compared to the same period in 2004).

- EXCEPTIONAL ITEMS

  The Exceptional items account disappears under IFRS and all transactions are considered as part of normal business operations, albeit some of them under the line of non-recurrent revenues or expenses.

  As a consequence, NH Hoteles have reclassified exceptional items which at 30th June, 2005 were mainly due to the capital gains arising on the sale of the NH Sport and NH Oostende hotels and the severance payments made by the company. In the same period in 2004, exceptional items were mainly due to the sale of the NH Villacarlos hotel and the severance payments made by the company.