ANNUAL REPORT 2009

CONSOLIDATED FINANCIAL STATEMENTS AND
CONSOLIDATED MANAGEMENT REPORT

Wake Up
To a Better
World

NH
HOTELES

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NH Príncipe de la Paz - Aranjuez - Spain
NH Hoteles received the prize

GreenBuilding

This prize recognizes officially the
non-residencial buildings more
concerne with energy consumption.

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NH Ludwigsburg
Ludwigsburg - Germany

Index

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Translation of a report originally issued in Spanish based on our work performed in accordance with generally accepted auditing standards in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of
NH Hoteles, S.A.:

1. We have audited the consolidated financial statements of NH HOTELES, S.A. AND SUBSIDIARIES comprising the consolidated balance sheet at 31 December 2009 and the related consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended. The preparation of these consolidated financial statements is the responsibility of the Parent's directors. Our responsibility is to express an opinion on the consolidated financial statements taken as a whole based on our audit work performed in accordance with generally accepted auditing standards in Spain, which require examination, by means of selective tests, of the evidence supporting the consolidated financial statements and evaluation of their presentation, of the accounting policies applied and of the estimates made. Our work did not include an examination of the financial statements of certain Group companies whose assets at 31 December 2009 and revenue in 2009 represented approximately 22% and 29%, respectively, of the Group's totals, and which contributed a net loss of approximately EUR 14 million to the consolidated net result for 2009. The financial statements of these companies were examined by other auditors, as indicated in Appendix I to the notes to the accompanying consolidated financial statements. Our opinion as expressed in this report is based, with respect to the ownership interests in these companies, solely on the reports of the other auditors.

2. As required by Spanish corporate and commercial law, for comparison purposes the Parent's directors present, in addition to the consolidated figures for 2009 for each item in the consolidated balance sheet, consolidated income statement, consolidated statement of recognised income and expense, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, the figures for 2008. Our opinion refers only to the consolidated financial statements for 2009. On 27 February 2009, we issued our auditors' report on the 2008 consolidated financial statements, in which we expressed an unqualified opinion.

3. In our opinion, based on our audit and on the reports of the other auditors referred to in paragraph 1 above, the accompanying consolidated financial statements for 2009 present fairly, in all material respects, the consolidated equity and consolidated financial position of NH Hoteles, S.A. and Subsidiaries at 31 December 2009 and the consolidated results of their operations, the changes in the consolidated equity and their consolidated cash flows for the year then ended, and contain the required information, sufficient for their proper interpretation and comprehension, in conformity with International Financial Reporting Standards as adopted by the European Union applied on a basis consistent with that of the preceding year.

4. The accompanying consolidated directors' report for 2009 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2009. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the Group's accounting records.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pablo Hurtado March
1 March 2010

Deloitte S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020. Madrid.

CONSOLIDATED MANAGEMENT REPORT

For the year ended on December 31, 2009

DEVELOPMENT OF THE GROUP'S BUSINESS AND SITUATION

The hotel industry has been hit harder than other industries in a year of uncertainty and plunged into a major economic recession.

Some indicators which have a great deal of significance in the hotel industry are:

- The policies of businesses to cut back on travelling expenses, incentives and new product presentations
- The overall lack of confidence among private consumers and, accordingly, the drop in levels of hotel occupancy
- The strength of the euro with regard to currencies such as the dollar and the pound
- The application of restructuring plans in several countries, in particular in Spain and Italy
- The serious crisis of the real state business on the coast

However, demand for travelling is highly elastic. This means that the slight recovery of the United States and European economies during the second half of 2009 will probably imply an immediate improvement of demand for travelling which will have a direct impact on occupancy levels at hotels.

The trend in the main economic ratios for the hotel industry in 2009 has been marked by a severe overall fall in levels of occupancy and prices and, as a consequence of this circumstance, in prices and profits compared to the previous year. The impact of the economic crisis has been harder in countries of Central Europe and Spain, geographical areas where the Group has, in particular in Spain, a high level of presence.

Considering the circumstances exposed above, the Group announced back in September 2008 a slowdown in its expansion plan, which has continued in 2009, set in motion at the beginning of 2007, focusing on growth via management contracts and calling for higher rates of return from its projects.

The Group is still keeping up its rationalising and cost cutting plan which was set up in mid-2008. The main measures are as follows:

- **Freezing of capital expenditures:** CAPEX is restricted to investment commitments signed in earlier years. New expansion projects have been limited to those formulated under management or variable lease contracts, which minimize NH Hoteles's capital expenditure commitments.
- **Sale of non-strategic assets.** NH Hoteles has kept up its commitment to sell off non-strategic assets totalling 300 million euros, although there has been a 6-month delay in its implementation essentially owing to the lack of financing for the potential buyers. During the early weeks of 2010, there have been signs of an improvement in liquidity in the markets and access to funding has become easier.
- **Flexibility in the work force,** which has been adapted to the current levels of occupancy.
- **Optimising costs:** booking centre, energy costs and supplies.
- **Retirement of unprofitable hotels**: in 2009, 7 lease contracts with negative EBITDA contribution were cancelled, involving 661 rooms in all, in addition to management contracts with 133 rooms and a franchise with 107 rooms that have also been cancelled.
- **Negotiation and refinancing** for in rent rented were negotiated and refinanced, by reducing rent payments and freezing rent increases.
- Employees awareness of the need to contribute to the sales effort through the programme **"We Are All Sales".**

The impact of the different captions of the profit and loss account in the Group's net financial structure is described as follows:

P&L ACCOUNT THAT DOES NOT REPRESENT CASH RECEIPTS AND OUTGOINGS

	12M 2009
	M EUR.
Hotel activity revenues	1,188.0
Real estate sales and others	22.1
Non-recurring revenues	4.4
TOTAL REVENUES	**1,214.5**
Staff costs	(458.9)
Direct Management expense	(373.3)
Other Non-recurring expenses	(13.3)
Lease payments and property taxes	(272.2)
Interest expenses	(49.9)
TOTAL EXPENSES	**(1,167.6)**
TOTAL OPERATING CASH FLOW	**46.9**

Note: The Consolidated Statement of Cash Flow has been drawn up based on hotel management criteria, which are not necessarily the same as the accounting principles used when drawing up the Consolidated Cash Flow Statement of the NH Hoteles Group.

The plan to sell off non-strategic assets mentioned above will allow NH to face the current economic situation from a stronger position as it will improve the structure of the Group's balance sheet. With this aim the parent company increased its capital by 221 million, subscribed to by all its major shareholders, who thereby showed their support for NH's business plan

In 2009, NH Hoteles and Hesperia signed an agreement to integrate their respective hotel managment businesses. NH Hoteles now manages the 49 hotels that are currently owned or operated by Hesperia; there by NH Hoteles has increased the total number of hotels in operation to 398. This transaction puts NH Group at the top of the rank of urban segment hotel chains in Spain and bolsters its strategy to become a leader in the European market, without having taken on any further debt, as the agreement does not involve acquiring the properties, or taking over the rents of the hotels. Additionally, this operation shall allow the Group to obtain major synergies at the level of incomes and expenses, which will make for improving margins and profits of the Group.

Along another line, NH Hoteles is developing several projects for connecting up directly to GDS suppliers. These interfaces will enable the company to send travel agencies its entire list of public prices, including promotions and their content, as well as business agreements, on a real-time basis. In this regard, at the end of the year 2009, the Group integrated directly into the Amadeus system, which is the largest GDS system in the world. This makes for an increase in management capacity and a reduction in costs and response times for queries about room availability. NH Hoteles is the first Spanish hotel chain to implement this connection, and the second hotel chain in Europe to do so.

On December 13, 2009, the Group signed an agreement with Husa Hoteles to set up a cooperation platform in the area of purchases. This plan will also provide services to other hotel chains, improving the industry's competitiveness.

The Group has a specific research and development department that focuses its efforts on creating new high value added services and products. The objective consists of gaining a deeper understanding of customer expectations, in order to prepare for them in advance and offer more personalised services, that fit their demands, improving quality and increasing satisfaction. In this area, NH Hoteles received in 2009 the "European Hotel Design Award" for the best hotel room.

ENVIRONMENT

2009 has been a vital year for developing the NH Hoteles environmental policy. A large number of initiatives designed in the context of the Strategic Plan for Sustainability and Energy Efficiency 2008/2012 have been set in motion and have enabled us to make progress and offer tangible results. Aware of the challenge, a detailed plan has been implemented and the results have been monitored, and made public in the annual report and in quarterly press releases.

The Plan launched in 2008 was based on a comprehensive effort to find out, using 2007 as a basis for measurement, what impact the activity of NH Hoteles has on the environment in terms of energy consumption, CO_2 emissions, water consumption and waste generation, setting a specific target for the entire period of the plan, specifically to cut these variables by 20%, 8 years before the deadline set by the EU, i.e. in 2012.

Thus, the results of applying the present measures of reduction of energy consumption show that it has been reduced overall by more than 9% in absolute value terms and by nearly 5.5% in the ration Kwh/customer, which makes for a reduction in consumption of electricity and gas valued at more than 5.6 million euros.

The results of applying the current measures to water consumption have led to a decrease in consumption overall of around 13% in absolute value terms and more than 9% in the ratio litres/customer, which means a financial saving of more than 900,000 euros and a reduction of 478,712 m3.

The work performed by NH Hoteles energy and sustainability has been acknowledged during 2009 with several awards, in particular the "GreenBuilding Award" for the hotel NH Príncipe de la Paz granted by the European Commission for the project with the greatest potential to be reproduced in the area of energy efficiency and the "Enable the Eco-enterprise 2009 Award", given by Oracle, in acknowledgement of the best business practices in the sustainability area.

RESULTS

The hotel industry has continued suffering from the slowdown in the economy during the final months of the year 2009, in particular concerning average prices, although some improvements in occupancy are beginning to be obtained in certain markets. Hotel activity recurring incomes fell by 16.5% as a result of a 19.7% drop in RevPar which is partially offset by the openings made during the year. 40% of this reduction is due to falls in occupancy and the remaining 60% is due to a drop in prices.

The total decrease in revenues, totalling 235 million euros, has been offset by a reduction in costs which, after discounting the effects of all extraordinary items, totalled 128 million euros, which makes for an absortion rate of the drop in sales of 54.4%.

The largest reductions in operating costs were made in:

- **Staff costs:** the decrease in staff costs was 6% (32 million euros) comparing the 12 months of 2009 with the same period the previous year, in addition to the absorption of the inflation effect:

    a. The number of employees in comparable hotels fell by 13.66%, more than the decrease in occupancy, 8.96%, as a result of the lower activity in the restaurant line of business.

    b. The ratio of employees to available room has managed to be reduced, compared to 2008, and has been brought into line with the fall in occupancy and, consequently the ratio of employees per room occupied has been maintained.

    c. The Group has 38% of it staff on temporary or extra contract, enabling it to adapt its work force to the performance of the market if required.

- **Food & Beverages supplies:** The difference between the fall in consumption (24%), higher than the current drop in sales of F&B (15%) is due to improvements in purchase management.

- **Other operating expenses:** declined by 16%, greater than the fall in occupancy, as a result of the cost rationalising plan, absorbing the increase due to inflation.

CONSOLIDATED MANAGEMENT ACCOUNT

(million euros)

NH HOTELES,S.A. PROFIT AND LOSS ACCOUNT

as at december 31, 2009

	2009		2008		2009/2008
	M Eur.	%	M Eur.	%	Change %
Hotel Activity revenues	1,188.0	98%	1,422.8	93%	(17%)
Real estate sales and others	22.1	2%	50.1	3%	(56%)
Non-recurring revenues	4.4	0%	59.5	4%	(93%)
TOTAL REVENUES	**1,214.4**	**100%**	**1,532.4**	**100%**	**(21%)**
Real estate cost of sales	(8.0)	(1%)	(23.0)	(2%)	(65%)
Staff Costs	(458.9)	(38%)	(490.5)	(32%)	(6%)
Other operating expenses	(389.1)	(32%)	(462.7)	(30%)	(16%)
Non-recurring expenses	(16.3)	(1%)	(13.3)	(1%)	23%
GROSS OPERATING PROFIT	**342.3**	**28%**	**542.9**	**35%**	**(37%)**
Lease payments and property taxes	(272.2)	(22%)	(265.9)	(17%)	2%
EBITDA	**70.1**	**6%**	**277.0**	**19%**	**(75%)**
Impairment	(37.1)	(3%)	(32.5)	(2%)	14%
Depreciation	(124.8)	(10%)	(124.0)	(8%)	1%
EBIT	**(91.9)**	**(8%)**	**120.5**	**12%**	
Market value derivaties	13.0	1%	(43.8)	(3%)	
Interest income (expense)	(49.9)	(4%)	(69.2)	(5%)	28%
Profit/(Loss) of companies carried out using the equity method	(6.6)	(1%)	(2.3)	(0%)	187%
EBT	**(135.4)**	**(11%)**	**5.2**	**7%**	
Corporation income tax	20.3	2%	(3.7)	(0%)	
NET INCOME before minority interests	**(115.1)**	**(9%)**	**1.4**	**0%**	
Minority interests	18.0	1%	21.7	1%	(17%)
NET INCOME	**(97.1)**	**(8%)**	**23.2**	**2%**	

Note: This Consolidated Operating Account is drawn up using criteria for grouping hotel operations which do not always have to be the same as the accounting criteria used in the Consolidated Financial Statements of the NH Hoteles Group's Consolidated Financial Statements.

GENERAL DESCRIPTION OF THE RISK POLICY

NH Hoteles focuses its business essentially on the hotel industry and, in particular, city hotels where quite a high level of operating leverage is a feature that calls for major investments in tangible fixed assets, in particular buildings. Such assets have a long economic cycle which involves investments that need to be financed for the most part by financial debt. The Group's policy has always been to remain financially orthodox and aim to keep solvency ratios constantly high.

Managing the risks to which NH Hoteles is exposed in the course of its business is one the fundamental tenets of how it operates in order to preserve the value of the assets and hence its shareholders' investment. Group Management's objectives include keeping risks down to a minimum and optimising how the are managed by analysing the corresponding risk maps.

Financial risks managment is centralised in the Corporate Finance Department. The financial systems needed for checking have been set up, on the basis of the Group's structure and financial position and the economic variables of the environment, exposure to changes in interest rates and exchange rates, and to credit and liquidity exposures.

The size of NH Hoteles and the fact that its brand name has made its mark and is well known will enable the Group to gain access to a larger number of expansion opportunities, more selectively and with the features described above of getting higher rates of return and lower or no need for capital expenditure, always aiming to minimise the risks that are part of the sector in which the Group operates, as it is an industry which is very sensitive to changes in the economic cycle and therefore is exposed to the risk of price changes which the Group has always managed by offsetting it against occupancy.

The Group's credit risk is primarily attributable to its trade receivables. The figures are shown net of provisions for bad debts. The risk is very low because it has a very large number of different customers spread among a large number of agencies and companies. Moreover, part of the accounts receivable are secured by insurance policies, guarantee deposits, guarantees and advances by tour operators.

The Group's financial assets and liabilities are exposed to fluctuations in interest rates that could have an adverse effect on its earnings and cash flow. In order to mitigate their effects, the Group has contracted a series of financial instruments, interest-rate swaps and "collars" (a combination of swaps and options) so that approximately 40% of its net debt is indexed to fixed interest rates. The information about the derivatives held by the Group as at December 31, 2009 and its policies in this regard are set out in Note 19 to the accompanying consolidated accounts.

The Group has subsidiary companies in a number of countries which operate in currencies other than the euro, the Group's reference currency. The operating results and financial position of these subsidiary companies (mainly in Mexico and Argentina) are stated in their local currencies and are later translated at the prevailing exchange rate when they are included in the Financial Statements. In 2009 the euro has undergone various fluctuations, which have affected sales, equity and cash flow, in comparison with the main world currencies. In order to reduce this exposure as far as possible, the Group endeavours to contract its debts in the same currency as the investment being made always bearing in mind that the revenues generated in areas that use currencies other than the euro account for less than 10% of total revenues.

For its liquidity exposure, NH Hoteles has a suitable schedule of payments of the debt, as set out in detail in Note 17 to the accompanying consolidated accounts.

Consolidated net financial debt stood as at December 31, 2009 amounted to 1,118 million euros, so that the Group's net borrowings fell by 57 million euros compared to the previous year. This fact has made for an improvement in the financial leverage ratio (net financial debt / net equity) which fell to 0.84x, lower than the 1x ratio the Group has always set as its target. As occurred the year before, the business unit which has recorded the largest amount of capital expenditures has been Italy.

Keeping up the operational sources of cash flow depends on trends in the hotel business, the sale of plots of land and developments in the Group's real estate business and the selling off of non-strategic assets referred to earlier. These variables depend on the general economic cycle and the market situation regarding supply and demand. The Group's business units are capable of generating a high level of recurrent cash flow from their operations. The Group also makes cash-flow forecasts on a recurrent basis, which enables it to assess its liquidity requirements and fulfil its payment commitments without having to resort to funding under onerous terms.

SHARES AND SHAREHOLDERS

At 2009 year end the share capital of NH Hoteles, S.A. was represented by 246,617,430 fully subscribed and paid-in bearer shares, each with a par value of 2 euros. All these shares have equal voting and dividend rights and are listed on the Continuous Market of the Stock Exchanges of Madrid, Barcelona, Valencia and Bilbao.

This figure was attained after the capital increase of 221,955,687 million euros carried out after being approved by the General Meeting of Shareholders on June 16, 2009, by issuing and subscribing 98,646,972 euros each with a par value of 2 euros, plus a share premium of 0.25 euros per share.

The increase was 98.18% covered in the tranche reserved for shareholders, and requests for subscription were received for the following tranches which reached more than 135% of the total volume of the increase. The new capital was entered in the Mercantile Register on July 23 and the new shares began to be listed as from July 30, 2009.

According to the latest notifications the Company has received, and to the notifications made to the Spanish Securities Exchange Commission before the year end, the most significant shareholdings were as follows as at December 31:

	2009	2008
Grupo Inversor Hesperia, S.A.	25.09%	25.09%
Caja de Ahorros de Valencia, Castellón y Alicante	5.66%	5.66%
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	5.04%	5.04%
Caja de Ahorros y Monte de Piedad de Madrid	10.04%	10.04%
Hoteles Participados, S.L.	5.43%	5.05%
Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastián	6.14%	5.09%
GSS III Huricane BV	-	6.57%
Pontegadea Inversiones, S.L.	5.07%	5.07%
Intesa Sanpaolo SpA	5.65%	5.00%
Longleaf Partners International Fund	-	4.99%
Shares to be used in Employee Remuneration Plans	1.38%	2.56%
Shares held by NH employees	1.28%	1.71%

On December 28 and 29, 2009 respectively, the Company and the Spanish Securities Exchange Commission were notified about two shareholder agreements, the first involving Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja), Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja) and Caja de Ahorros y Monte de Piedad de Madrid (Cajamadrid) representing 20.74% of the share capital of the Company, and the other involving Hoteles Participados, S.L. and Caja de Ahorros y Monte de Piedad de Guipuzkoa y San Sebastián (Kutxa) representing the 11,57% in all.

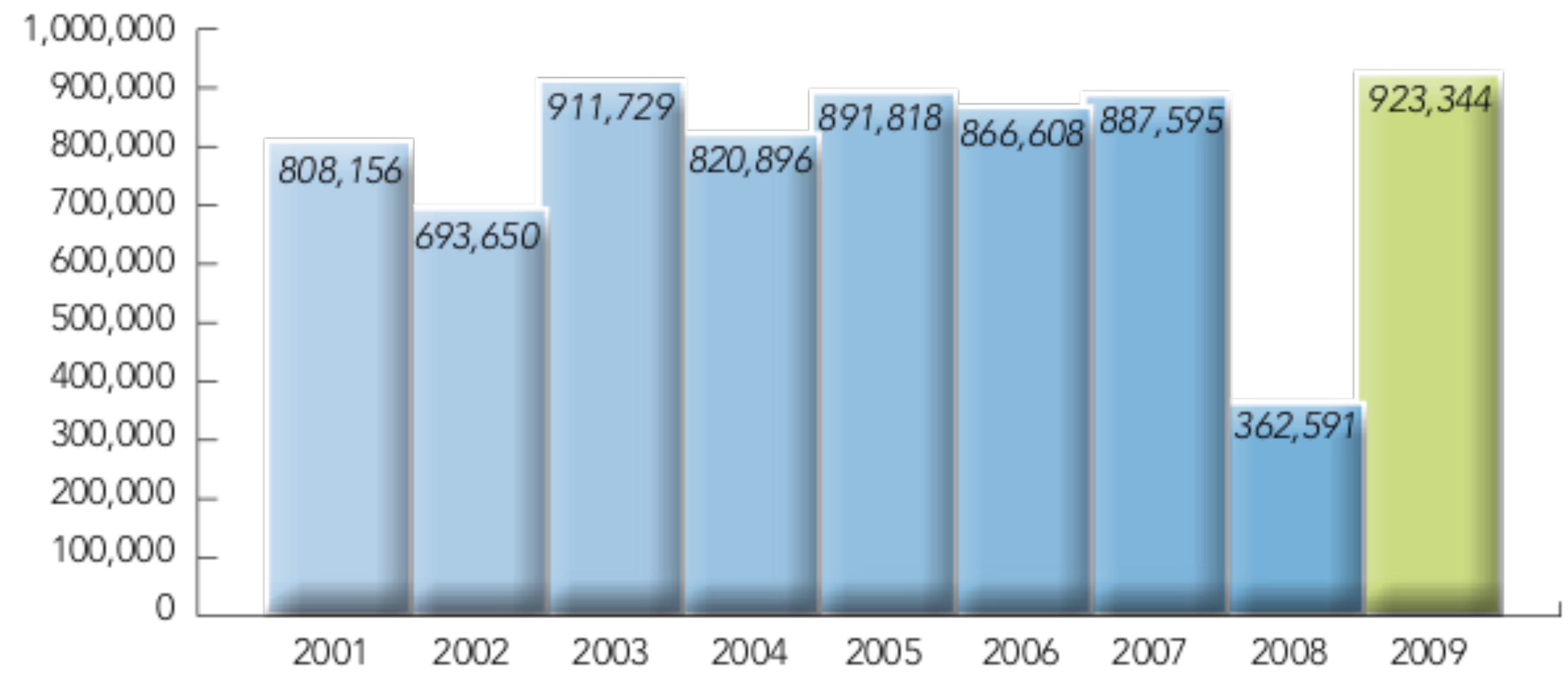
These syndication agreements have not altered the make-up of the Company's governing bodies.

The average price of NH Hoteles, S.A. shares was 3.56 euros per share (9.04 euros in 2008). It recorded its lowest price in March at 1.83 euros per share (3.64 euros in 2008) and its highest price in September at 5.26 euros per share (12.34 euros in 2008).

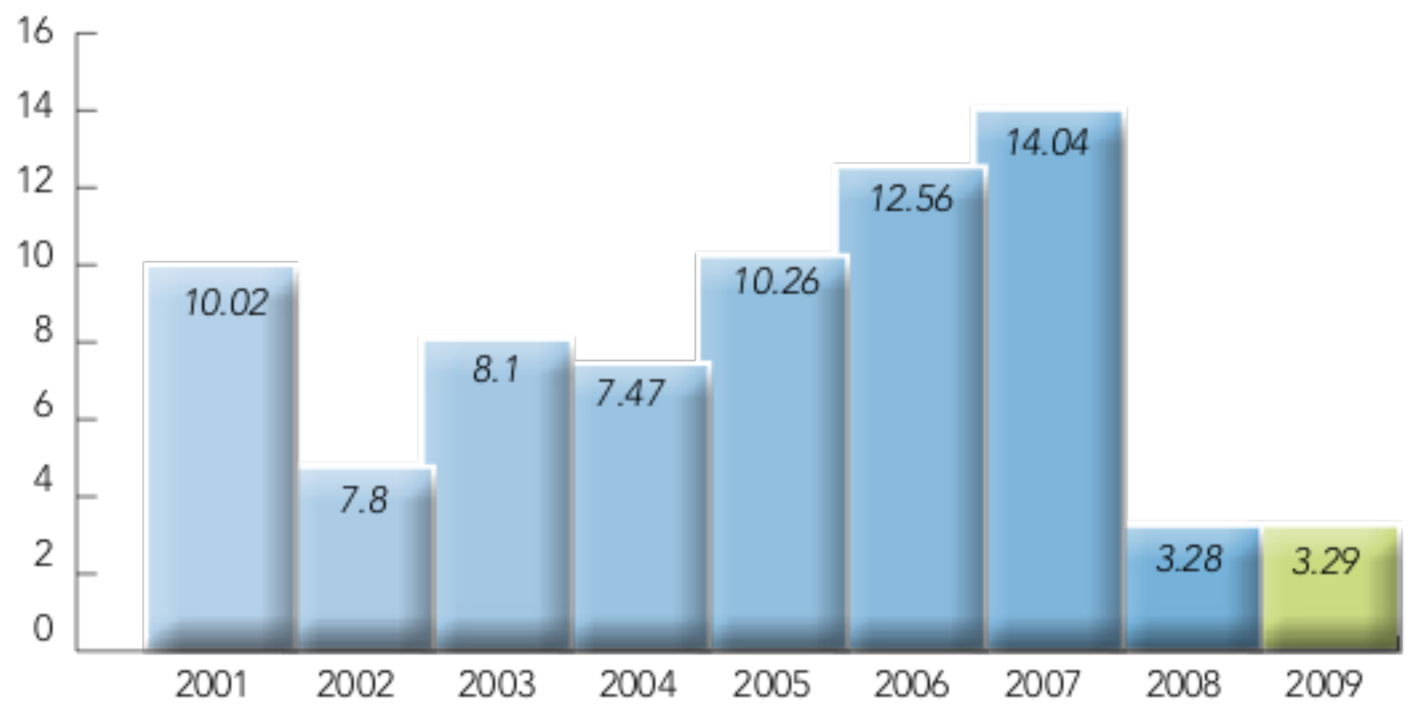
At the year end, NH Hoteles held 91,057 of its own shares, representing 0.04% of its share capital at a total cost of 1.1 million euros.

During 2009, 234,529,568 shares in NH Hoteles, S.A. were traded on the Continuous Market (92,098,294 in 2008). This represents 0.95 times (0.62 times in 2008) the total number of shares into which the share capital is divided, with an average daily rate of trading of 923,344 shares on the Continuous Market.

AVERAGE DAILY TRADING IN SHARES
2001-2009

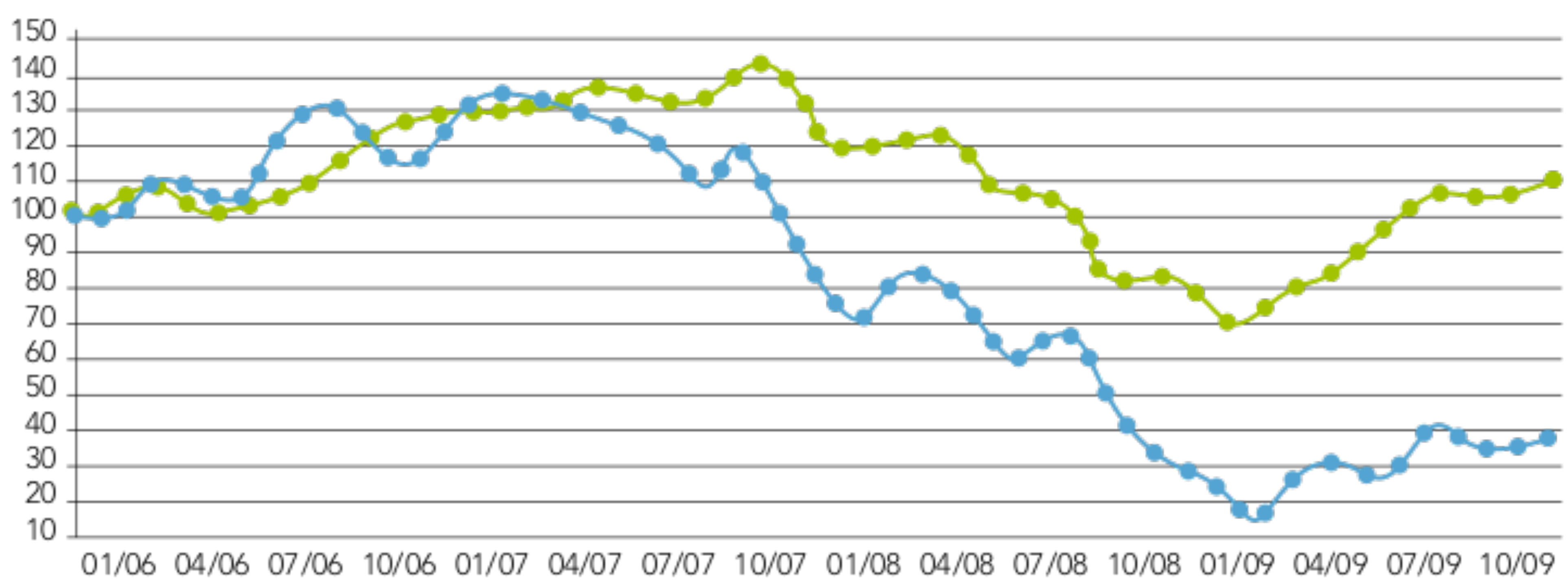


AVERAGE DAILY TRADING IN MILLION EUROS
2001-2009

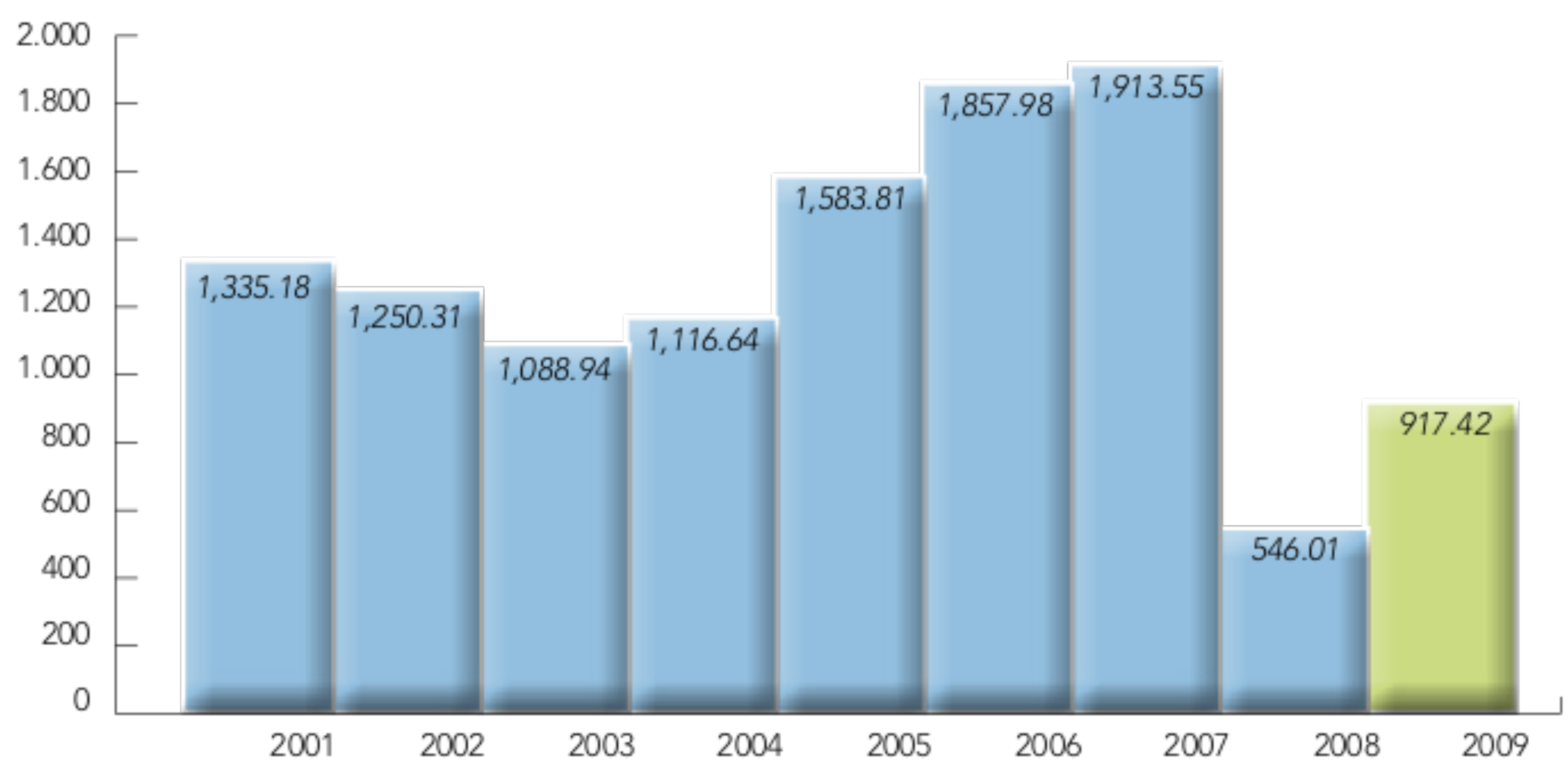


The charts show the trends in share prices and market capitalisation over the last four and nine years, respectively:

TREND NH HOTELES - IBEX
January 2006 - December 2009



CAPITALISATION 2001-2009
(MILLION EUROS)



EXPLANATORY REPORT SUBMITTED BY THE BOARD OF DIRECTORS OF NH HOTELES, S.A. ABOUT THE ASPECTS OF THE MANAGMENT REPORT SET OUT IN SECTION 116 BIS OF THE SECURITIES MARKET ACT, LAW 24/1988, DATED JULY 28

The Board of Directors of NH HOTELES, S.A., in compliance with the terms of Section 116 bis of the Securities Market Act, law 24/1988, dated July 28, enacted in Law 6/2007, dated April 12, issued this Explanatory Report on the aspects of the Directors' Report envisaged in said Section, to be submitted to the Company's General Meeting of Shareholders.

a. The capital structure, including the securities that are not traded on an official market in the EU, stating, whenever appropriate, the different classes of shares and the rights and obligations pertaining to each class of shares and the percentage of the share capital it represents

The share capital of NH HOTELES, S.A. is 493,234,860 euros and is represented by 246,617,430 shares, represented by entries in account, each with a par value of 2 euros, grouped into a single series and numbered correlatively from 1 through 246,617,430 inclusive, fully subscribed and paid in. The aforementioned figure for capital is the result of the capital increase carried out in 2009, for a total par amount of 197,293,944 euros, by issuing and subscribing 98,646,972 new ordinary shares, each having a par value of 2 euros, which gave rise to a public offering of shares that was 137% subscribed. The new shares issued were listed on the stock exchanges where the company is listed as at July 30, 2009, prior verification by the National Securities Exchange Commission.

The shares are listed on the Continuous Markets of the Madrid, Barcelona and Bilbao Stock Exchanges.

b. Any restriction on the transferability of securities

There are no legal restrictions on the transferability of the shares that represent the Company's share capital. Neither do the Company's Articles of Association provide for any such restrictions.

c. Major direct or indirect holdings in the share capital

Set out below is a list of the major shareholdings in the capital of NH HOTELES, S.A. as at December 31, 2009, according to the public registers:

1. Direct and indirect holders of major shareholdings, not including Directors

NAME OR CORPORATE NAME OF THE SHAREHOLDER	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS (*)	% OF TOTAL VOTING RIGHTS
GRUPO INVERSOR HESPERIA, S.A.	61,871,380	-	25.088%
CASTRO SOUSA, JOSÉ ANTONIO	-	61,871,380	25.088%
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	-	24,766,704	10.043%
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	11,206,208	-	4.544%
BANCAJA INVERSIONES, S.A.	13,955,675	-	5.659%
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIÁN	-	15,147,973	6.142%
CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L.	15,147,973	-	6.142%
ORTEGA GAONA, AMANCIO	-	12,512,971	5.074%
PONTEGADEA INVERSIONES, S.L.	12,512,971	-	5.074%
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA (IBERCAJA)	12,432,716	-	5.041%
INTESA SANPAOLO, S.P.A.	5,791,685	8,148,802	5.652%

(*) Through:

NAME OR CORPORATE NAME OF THE INDIRECT SHAREHOLDER	NAME OR CORPORATE NAME OF THE DIRECT HOLDER OF THE HOLDING	NUMBER OF DIRECT VOTING RIGHTS	% OF TOTAL VOTING RIGHTS
CASTRO SOUSA, JOSÉ ANTONIO	GRUPO INVERSOR HESPERIA, S.A	61,871,380	25.088%
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	13,560,496	5.499%
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	CORPORACIÓN FINANCIERA CAJA DE MADRID	11,206,208	4.544%
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIÁN	CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L.	15,147,973	6.142%
ORTEGA GAONA, AMANCIO	PONTEGADEA INVERSIONES, S.L.	12,512,971	5.074%
INTESA SANPAOLO, S.P.A.	PRIVATE EQUITY INTERNATIONAL	8,148,802	3.304%

2. Members of the Company's Board of Directors who hold voting rights of shares in the Company:

NAME OR CORPORATE NAME OF THE DIRECTOR	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS (*)	% OF TOTAL VOTING RIGHTS
BURGIO, GABRIELE	1,600,176	-	0.649%
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE, BANCAJA	-	13,955,675 through BANCAJA INVERSIONES. S,A,	5.659%
HOTELES PARTICIPADOS, S.L.	13,385,269	-	5.428%
DE NADAL CAPARÁ, JOSÉ	18,770	-	0.008%
RODRÍGUEZ DOMÍNGUEZ, MIGUEL	3,000	-	0.001%
SAMARANCH SALISACHS, JUAN ANTONIO	82,000	-	0.033%
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	13,560,496	-	5.499%
ILLA RUIZ, FRANCISCO JAVIER	1	-	0.00%
CASIRAGHI, ROSALBA	1	-	0.00%
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID, through the indirect shareholder CAJA DE AHORROS Y MONTE DE PIEDAD, for the shares in the Company held by CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	11,206,208	-	4.544%
ARRATÍBEL OLAZIREGI, IÑAKI	100	-	0.00%
DÍAZ-FREIJO, JULIO, through the shareholder, PONTEGADEA INVERSIONES, S.L.	12,512,971	-	5.074%
ARRATÍBEL OLAZIREGI, IÑAKI, through the shareholder, CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L	15,147,973	-	6.142%
ILLA RUIZ, FRANCISCO JAVIER, through the shareholder GRUPO INVERSOR HESPERIA, S.A.	61,871,380	-	25.088%
CASIRAGHI, ROSALBA, through the shareholder INTESA SANPAOLO, SPA	5,791,685	8,148,802	5.652%

Percentage of votes in the possession of the Board of Directors: 63.777%

Said percentage is represented by voting rights held directly or indirectly by Members of the Board of Directors.

The voting rights held indirectly include the rights held via related persons as this is defined by law, and via shareholders who they represent on a stable basis on the Company's Board of Directors.

d. Any restriction on voting rights

In accordance with the terms of Article 15 of the Company's Articles of Association, decisions shall be taken by a majority of the votes of the shares present or represented. Every share shall entitle its holder to one vote. No shareholder, regardless of how many shares he may hold, may have more votes than the votes for 20% of the issued voting shares. This limit shall not apply in the Shareholder Meetings where, according to the list of those attending, a single shareholder present or represented at the Meeting holds more than 51% of the issued voting shares. The Chairman of the Meeting shall report this fact when opening the meeting.

Any decision to change this Article must be supported by a vote of at least 51% of the capital.

This Article was modified by a decision taken by the Extraordinary General Meeting of Shareholders held on December 3, 2009, as explained later in this report.

e. Parasocial agreements

The Company knows about the existence of two Syndicates of Shareholders, one consisting of Bancaja Inversiones, S.A., Sociedad de Promoción y Participación Empresarial Caja Madrid, Corporación Financiera Caja de Madrid, S.A. and Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja (Ibercaja), representing all together 20.74% of the Company's capital share, and another that groups together the shares held by Hoteles Participados, S.L. and CK Corporación Kutxa-Kutxa Korporazioa, S.L. which represents the 11.570% of the capital of NH Hoteles, S.A.

The Shareholders' Agreements referred to above, which have been duly notified to the CNMV on 28 and December 29, 2009, each aim to set up a Syndicate of Shareholders whereby all the shareholders undertake to exercise their voting rights arising from the syndicated actions as a single unit, and above all to vote as a block at the General Meetings and in the manner decided by the majorities specifically provided for in said Shareholder Agreements.

f. Rules applying to the appointment and replacement of members of the governing body and to changes in the Company's Articles of Association

1. Appointing and replacing members of the Board of Directors

The rules governing the appointment, replacement and resignation of Members of the Board of Directors are laid down in the Company's Articles of Association and the Company's Regulations for the Board of Directors.

Accordingly, in accordance with Article 20 of the Company's Articles of Association the Company shall be administered and represented by the Board of Directors, which shall have no less than five and no more than twenty members. The appointment of members of the Board of Directors and the number of members shall be set by the General Meeting of Shareholders.

Said Article of the Articles of Association also stipulates that Directors shall hold their positions for terms of three years. The position of member of the Board may be revoked or resigned from at any time, and may be re-elected an indefinite number of times for like terms.

- **Appointment of Directors:**

The proposed appointments of Directors which shall be submitted by the Board of Directors to the General Meeting of Shareholders for consideration and the appointment's decisions taken by the Board to make appointments in accordance with its legal powers of co-option shall be made in the form of a proposal to the Nominating and Compensation Committee, for independent Directors, and subject to a report by said Committee for any other Directors.

Proprietary Directors appointed must be the people who are proposed by the respective holders of significant stable ownership interests in the company. All the other Directors must vote for said appointments by co-option or appointment proposals be approved by the Board of Directors.

As regards the appointment of External Directors, under the terms of Article 11 of the Regulations of the Board of Directors, the Board of Directors and the Nominating and Compensation Committee shall endeavour to ensure that the candidates elected be persons who are known to be solvent, competent and experienced, who are prepared to spend a sufficient part of their time on the Company. Particularly special care must be taken when electing those people called in to hold positions as independent directors.

As regards the appointment of Independent Directors, it is expressly stated that under the terms of Article 9.4 of the Regulations, in response to the Recommendations set out in the Unified Code of Good Governance, the Board of Directors shall propose or designate persons who qualify to hold positions as Independent Directors,.

For all intents and purposes, the Articles of Association and the Regulations of the Board of Directors remind that any persons who are deemed to be incapable, disqualified, forbidden or incompatible to hold such posts under current law may under no circumstances be proposed for appointment to the Board of Directors.

For said purposes, Article 11.3 of the Regulations of the Board expressly states that "any person who has direct or indirect interests of any kind or who has an employment, professional, commercial or any other kind of relationship with rival companies shall be deemed incompatible to hold a position as Director, unless at least 70% of the members of the Board vote for that person to be exempted".

- **Replacing Directors by co-option:**

The Board may fill any vacancies that arise as a result of resignations, disability, death, etc. of Board members, regardless of the number involved, on an interim basis, and shall submit its appointments to the first General Meeting held for approval; the persons so appointed must necessarily be shareholders and shall cease to hold the position when the term of the persons whose vacancy they are filling expires.

- **Resignation of Directors:**

The resignation of the Directors is expressly provided for in Article 14 of the Regulations of the Board, which states that Directors shall resign from their positions at the end of the term for which they have been appointed or whenever so decided by the General Meeting using the powers granted to it by law.

Furthermore, Directors must tender their resignation to the Board of Directors and formalize the corresponding resignation in the following cases:

a) When they reach the age of 70. Directors who hold executive positions shall cease to perform said duties when they reach the age of 65 although they may continue to be Directors, if the Board itself so decides. In such cases, the resignation shall be made at the first meeting of the Board held after the General Meeting of Shareholders that approves the accounts for the year in which the Director has reached the age limit.

b) In the event that executives whose appointments as Directors are associated with their executive positions leave said executive positions or whenever the reasons for which they were appointed no longer exist, this being deemed to be the case for Proprietary Directors when the business entity or group he represents no longer holds a major shareholding in the Company's share capital or when, for independent Directors, he becomes an executive of the Company or of any of its subsidiary companies.

c) In the event that they are disabled, disqualified, forbidden or incompatible to hold said positions, this being understood as including the case set out hereabove, laid down in Article 11.3 of the Regulations of the Board.

d) In the event that they are severely reprimanded by the Nominating and Compensation Committee for having failed to fulfil any of their obligations as Directors.

e) In the event that their remaining on the Board would be likely to affect the creditworthiness or reputation of the Company on the market or in any other way put its interests at risk.

2. Modification of the Company's Articles of Association

The rules that govern changes in the Company's Articles of Association are laid down in Article 144 et seq of the Companies Act, which require approval by the General Meeting of Shareholders, subject to the majorities provided for in Article 103 of said Act.

Exceptionally, Article 15 of the Company's Articles of Association - concerning the 20% limit on voting rights that may be cast by any single shareholder - may only be changed by a vote in favour of at least 51% of the capital.

During 2009, the Company's Articles of Associations were modified twice as follows:

a) Article 5, as a result of the capital increase approved by the Ordinary General Meeting of Shareholders held on June 16, 2009, which led to an increase in the par value of the capital of 197,293,944 euros, as a consequence of issuing and subscribing 98,646,972 new ordinary shares each having a par value of two euros. As a result, capital was increased from 295,940,916 euros to 493,234,860 euros.

b) Article 15 of the Articles of Association, approved by the Extraordinary General Meeting of Shareholders held on December 3, 2009, whereby the limit on the right to vote was increased from 10% to 20%, and the percentage needed to modify Article 15 was reduced from 75% to 51%.

g. Powers of the members of the Board of Directors and, in particular, those relating to the possibility of issuing or buying back shares

- **The powers of the Chairman - Chief Executive Officer shall be:**

The Executive Chairman shall be the Chief Executive Officer of the Company and, therefore, his appointment or the renewal of his appointment also includes the delegation of all the powers and competencies of the Board that may be legally delegated, for the effective management of the Company's business, always in accordance with the decisions and guidelines laid down by the General Meeting of Shareholders and the Board of Directors.

In accordance with the terms of Article 17 of the Regulations, the Chairman - Chief Executive Officer has the power to implement the decisions taken by the Board itself and, whenever applicable, by the Delegate Committee, which bodies shall be represented permanently with the widest powers, and may take, in emergencies, such measures as he may deem advisable in the Company's interests.

- **The powers of the Board of Directors:**

The Board of Directs assumes, holds and enforces, in court and out of court, all the management, administration and representation of the Company in all acts that fall within the remit of the corporate object and in all its proprietary activity, the powers falling to the General Meeting of Shareholders notwithstanding.

In particular, Article 22 of the Articles of Association of NH HOTELES, S.A. state that he is responsible for:

1° Managing, organising and overseeing the life and operations of the Company, regarding staff, assets and the course of the company's business.

2° Calling General Meetings of Shareholders and implementing their decisions.

3° Acknowledging and paying the Company's debts and claiming and collecting any amounts that are owed to or must be handed over to the Company, regardless of who or what body must make the payment, including the State, Regional, Provincial or Municipal authorities or official bodies in general, and the reason or title under which the Company's right originates.

4° Entering into contracts of all kinds relating to the corporate object; appointing and dismissing employees; contracting construction work, services, supplies, insurances, guarantee deposits and deposits; arranging leases and evicting tenants, precarious occupants and occupants; entering into settlements and commitments; taking part in competitions and auctions; attending General Meetings with full voting rights; applying for and giving up concessions and authorizations; setting up, modifying and extinguishing companies and community properties; lending money, setting up and accepting securities, including mortgages, and cancelling them; and, in general, entering into, modifying, renewing and terminating contracts of all kinds.

5° Buying, selling, swapping, mortgaging and, under any other title, acquiring, disposing of or encumbering fixed and moveable assets of all kinds, or whole or specific participations in such assets, and rights in rem; making declarations of construction work, demarcations, divisions into plots, material divisions, segregations, groupings, setting up condominiums and any other modifications in real estate properties or mortgage entities; and, in general, to perform any acts of disposal and strict domain on the Company's assets without any exception whatsoever.

6° To deal with Banks - including the Bank of Spain -, Savings Banks and other financial institutions, doing whatever is allowed by law and banking practice; opening, drawing down on and closing current accounts, passbooks or savings books and deposits of any kind; formalising documents and bank contracts of all kind, such as: loan or credit agreements, commercial guarantees, discounting of bills; drawing down on and cancelling credit lines; drawing, endorsing, accepting, guaranteeing and protesting bills of exchange, promissory notes, cheques and commercial paper in general; giving joint or several guarantees for all kinds of obligations arising in operations with banks on behalf of third parties; setting up, modifying, accepting and cancelling mortgages on fixed or moveable assets, pledges with or without displacement and any other type of right in rem.

7° Representing the Company before authorities, civil servants and bodies of all kinds belonging to the Central, Provincial, Municipal or Regional Authorities, and before all kinds of Courts and Tribunals, for any matters, cases or suits in which the Company has an interest, with wide-ranging powers to exercise rights and powers, actions and exceptions, claims and oppositions of all kinds; submitting written documents and ratifying them, challenging, impeaching, proposing and accepting evidence, lodging appeals, including for annulment or review, compromising, accepting awards by legal arbitrators or in equity, agreeing to accept, giving up, relinquishing and performing, in general, whatever he may deem advisable to protect the Company's interests; and granting powers of attorney to Solicitors and Barristers with the powers freely determined, even when they go beyond those listed hereabove.

8° Deciding on the distribution of interim dividends to the shareholders, before the respective financial year has ended or before the Financial Statements have been approved, always in accordance with current law.

9° Granting powers of all kinds, including with the power to replace or grant on the powers and revoking such powers.

10° And for all the above, which is given for the sake of information and should not be regarded as complete, as a result of which it must be construed in a broad sense, granting public and private documents without any exception whatsoever.

- **Delegation of powers to issue debentures, bonds and other fixed-yield securities**

  The General Meeting of Shareholders held on June 16, 2009, voted to delegate to the Board of Directors, for a term of five (5) years, powers to issue debentures, bonds and other fixed-income securities of the same nature, either simple or exchangeable with and/or converted for shares of the Company. The delegation of powers has been extended to setting the criteria for calculating the bases and methods of the conversion and/or swap, and the powers needed so that, for convertible debentures and bonds, the capital be increased by the amount needed to meet the applications for conversion.

- **Delegations to buy back shares**

  The General Meeting of Shareholders held on June 16, 2009, authorised, for a 18-month period, the Board of Directors to take as security and/or acquire, directly or indirectly, own shares, by buying them on an official secondary market for a price not below their par value, nor higher than their listed price at the time of acquisition. In no event the par value of the shares acquired, together with the shares taken as security, may exceed the cap set by law at the time.

  The Board of Directors is expressly empowered, by virtue of this decision, to freely dispose of the shares acquired under the aforementioned authorisation in order to comply, as the case may be, with the commitments entered into under the "Stock option remuneration schemes" or "linked to the listed share value" which implementation in the Company would have been duly approved, as well as to pay, at their listed price, any variable compensation (bonus) that may arise as a result of the compensation plans currently in force in the Company.

h. Major decisions entered into by the Company that come into force, are changed or terminate in the event that the control of the Company changes as a result of a takeover bid, and its effects, except when disclosing them would seriously damage the company's interests. This exception shall not apply when the company is legally required to disclose this information to the public

The NH Hoteles Group has signed agreements with the shareholders of Residencial Marlin, S.L. and Los Alcornoques de Sotogrande, S.L. which provide that the shareholders personal characteristics are essential for the development of the projects, and that any change in effective control, be it among the shareholders or among their parent companies, shall trigger off a procedure whereby the other shareholder may leave the company and be entitled to be refunded the entire amount of its holding in the company plus the damages caused.

The syndicated loan signed between a Group company, NH Finance, S.A., as the borrower, and a syndicate of banks for 650 million euros, signed on August 2, 2007, includes a clause which provides for the early termination of the agreement in the event that any circumstances were to occur that were to lead to a change in the control of the company NH Hoteles, S.A.

The NH Hoteles Group has, moreover, loans and credit lines granted, with a combined limit of 35 million euros, which provide for a clause of early termination in the event of change in control of the company NH Hoteles, S.A.

There are hotel management contracts that have been signed by subsidiaries of the Group where the owner (or lessor) of the hotels is entitled to terminate the contracts in the event that control over NH Hoteles, S.A. changes hand, this being deemed to occur should one or more persons acting together hold at least 50.01% of the voting rights. Should said right be exercised, the owner of the hotels must pay the management company certain amounts that vary depending on when the right is exercised as compensation for the effects of terminating the contract.

i. Agreements between the company and its administrative and management officers or employees which provide for severance payments when they resign or are dismissed improperly or in the event that the employment relationship ends as a result of a takeover bid

Except for the Chief Executive Officer and five employees, the Company has no agreements other than those provided for in the Workers' Statute or in the Senior Management Decree 1382/1985, which provide for severance payments when they resign or are dismissed improperly or in the event that the employment relationship ends as a result of a takeover bid.

For the Chairman - Chief Executive Officer and said employees, in order to encourage them to be loyal to and remain in the Company, severance payments are provided for that may be higher than the figure resulting from applying the aforementioned rules in the event of unfair dismissal and change of control.

OUTLOOK FOR THE FUTURE

The hotel industry is highly sensitive to the state of the economy and to business activity. Even though the company has an internationally diversified business, the delicate state of the world economy has had an extraordinary impact on the Group's performance.

Furthermore, in the urban sector there is generally low visibility as regards customer bookings. Except in cases where a specific event is taking place, bookings are being made increasingly at shorter notice, which makes it difficult to set any kind of forecast for the year.

In any case, the Group has, since the fourth quarter of 2009, seen the drop in occupancy rates become contained and there have even been some moderate rallies in certain markets. This trend has apparently been confirmed during the first two months of the year. On the other hand, average prices are still performing weakly, and prices have fallen slower but everywhere in all the business units. The company's plans for the year as a whole, albeit ambitious, aim to increase occupancy and improve prices a little in the second half of the year, which will lead to a small increase in the sales line.

SUBSEQUENT EVENTS

On February 22, 2010 the contract to sell the companies in the Group Servicios e Inmuebles Turísticos, S. de R.L. de C.V., Chartwell Inmobiliaria Monterrey, S. de R.L. de C.V. y Chartwell Inmobiliaria Juárez, S. de R.L. de C.V. was completed. The overall price of this operation, which is part of the strategy to pull out of certain assets, valued at 300 million euros, totalled 730 million pesos, and recording a consolidated profit of approximately 4 million euros.

CORPORATE GOVERNANCE REPORT

IDENTIFICATION DATA OF THE ISSUER
FISCAL YEAR ENDED: **31/12/2009**
TAX ID.: **A28027944**
Corporate Name: **NH HOTELES, S.A.**

STANDARD ANNUAL REPORT ON CORPORATE GOVERNANCE OF THE LISTED PUBLIC LIMITED COMPANIES

In order to gain a better understanding of the standard report and how it is subsequently drawn up, the instructions for filling it in set out at the end of this report should be read.

A - OWNERSHIP STRUCTURE

A.1 Fill out the following table about the company's share capital:

DATE OF LATEST CHANGE	SHARE CAPITAL (EUROS)	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS
23/07/2009	493,234,860.00	246,617,430	246,617,430

State whether there are different classes of shares each with their own set of rights:

NO

A.2 List of direct and indirect holders of major shareholdings, in your company at the year end, not including Directors:

NAME OR CORPORATE NAME OF THE SHAREHOLDER	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS(*)	% OF TOTAL VOTING RIGHTS
GRUPO INVERSOR HESPERIA, S.A	61,871,380	0	25.088
MR. JOSÉ ANTONIO CASTRO SOUSA	0	61,871,380	25.088
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	0	24,766,704	10.043
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIÁN	0	15,147,973	6.142
CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L.	15,147,973	0	6.142
BANCAJA INVERSIONES, S.A.	13,955,675	0	5.659
INTESA SANPAOLO, S.P.A.	5,791,685	8,148,802	5.653
MR. AMANCIO ORTEGA GAONA	0	12,512,971	5.074
PONTEGADEA INVERSIONES, S.L.	12,512,971	0	5.074
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA (IBERCAJA)	12,432,716	0	5.041
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	11,206,208	0	4.544

NAME OR CORPORATE NAME OF THE INDIRECT OWNER OF THE HOLDING	THROUGH: NAME OR CORPORATE NAME OF THE DIRECT HOLDER OF THE HOLDING	NUMBER OF DIRECT VOTING RIGHTS	% OF TOTAL VOTING RIGHTS
MR. JOSÉ ANTONIO CASTRO SOUSA	GRUPO INVERSOR HESPERIA, S.A	61,871,380	25.088
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A.	11,206,208	4.544
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	13,560,496	5.499
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIÁN	CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L.	15,147,973	6.142
INTESA SANPAOLO, S.P.A.	PRIVATE EQUITY INTERNATIONAL	8,148,802	3.304
MR. AMANCIO ORTEGA GAONA	PONTEGADEA INVERSIONES, S.L.	12,512,971	5.074

State the most significant movements in shareholder structure during the year:

NAME OR CORPORATE NAME OF THE SHAREHOLDER	DATE OF OPERATION	DESCRIPTION OF THE OPERATION
GSS III HURRICANE BV	21/07/2009	Has fallen below 5% of the Share capital
GSS III HURRICANE BV	23/07/2009	Has fallen below 3% of the Share Capital
MORGAN STANLEY REAL STATE III MANAGER, LLC	21/07/2009	Has fallen below 5% of the Share capital
MORGAN STANLEY REAL STATE III MANAGER, LLC	23/07/2009	Has fallen below 3% of the Share capital
STANDARD LIFE INVESTMENTS LTD	29/10/2009	Has fallen below 3% of the Share capital
STANDARD LIFE INVESTMENTS LTD	12/10/2009	Has exceeded 3% of the Share capital
LONGLEAF PARTNERS INTERNATIONAL FUND	06/03/2009	Has fallen below 3% of the Share capital
SOUTHEASTERN ASSET MANAGEMENT, INC	10/03/2009	Has fallen below 3% of the Share capital

A.3 Fill in the following tables about the members of the company's Board of Directors who hold voting rights of shares in the company:

NAME OR CORPORATE NAME OF THE DIRECTOR	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS (*)	% OF TOTAL VOTING RIGHTS
MR. GABRIELE BURGIO	1,600,176	0	0.649
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	0	13,955,675	5.659
MR. FRANCISCO JAVIER ILLA RUIZ	1	0	0.000
HOTELES PARTICIPADOS, S.L.	13,385,269	0	5.428
MR. IÑAKI ARRATÍBEL OLAZIREGI	100	0	0.000
MR. JOSÉ DE NADAL CAPARÁ	18,770	0	0.008
MR. JUAN ANTONIO SAMARANCH SALISACHS	82,000	0	0.033
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	3,000	0	0.001
MS. ROSALBA CASIRAGHI	1	0	0.000
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	13,560,496	0	5.499

NAME OR CORPORATE NAME OF THE INDIRECT OWNER OF THE HOLDING	THROUGH: NAME OR CORPORATE NAME OF THE DIRECT HOLDER OF THE HOLDING	NUMBER OF DIRECT VOTING RIGHTS	% OF TOTAL VOTING RIGHTS
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	BANCAJA INVERSIONES, S.A.	13,955,675	5.659

% of votes in the possession of the board of directors	**17.276**

Fill in the following tables about the members of the company's Board of Directors who hold rights over shares in the company:

NAME OR CORPORATE NAME OF THE DIRECTOR	Nº OF DIRECT OPTIONS	Nº OF INDIRECT OPTIONS	Nº OF EQUIVALENT SHARES	% OF TOTAL VOTING RIGHTS
MR. GABRIELE BURGIO	600,000	0	600,000	0.405

A.4. State, whenever applicable, any family, commercial, contractual or corporate relationships among owners of significant shareholdings, insofar as the Company is aware of them, except in cases in which they are immaterial or are the result of routine business:

A.5. State, whenever applicable, any commercial, contractual or corporate relationships between owners of significant shareholdings and the company and/or its group, except when they are immaterial or are the result of routine business:

A.6 State whether the company has been informed about any shareholder agreements that may affect it in accordance with the terms of Section 112 of the Securities Market Act. If there be any, describe them briefly and list the shareholders bound by the agreement:

YES

% of share capital affected: 20.74 %

Brief description of the agreement:
Setting up a Syndicate of Shareholders that will cover all the shares of the Company that are held by the Shareholders for as long as the Shareholders' Agreement is in force, except for any shares acquired as a result of providing financial services to customers or cash and bank and trading activities. Under the terms of this Syndicate, all the members of the Syndicate undertake to use their full voting rights relating to the syndicated shares as a single block and, in particular, that all the syndicated shares vote at General Meetings as a single block in such a way as decided by the majorities as specifically laid down in said Shareholders' Agreement.

PARTICIPANTS IN THE PARASOCIAL AGREEMENT
BANCAJA INVERSIONES, S.A.
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID
CORPORACIÓN FINANCIERA CAJA DE MADRID, S.A
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA (IBERCAJA)

% of share capital affected: 11,570 %

Brief description of the agreement:
Setting up a Syndicate of Shareholders that will cover all the shares of the Company that are held by the Shareholders for as long as the Shareholders' Agreement is in force, except for any shares acquired as a result of providing financial services to customers or cash and bank and trading activities. Under the terms of this Syndicate, all the members of the Syndicate undertake to use their full voting rights relating to the syndicated shares as a single block and, in particular, that all the syndicated shares vote at General Meetings as a single block in such a way as decided by the majorities as specifically laid down in said Shareholders' Agreement.

PARTICIPANTS IN THE PARASOCIAL AGREEMENT
CK CORPORACIÓN KUTXA-KUTXA KORPORAZIOA, S.L.
HOTELES PARTICIPADOS, S.L.

State whether the company knows about any agreements entered into between its shareholders. If so, briefly describe them:

NO

Mention expressly any change or breach of any such agreements during the year:

A.7 State whether any private individual or legal entity has or may have control over the company as defined in Section 4 of the Securities Market Act. If so, identify it:

NO

A.8 Fill in the tables about own shares held by the company:
As at the year end:

NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES (*)	% TOTAL SHARE CAPITAL
0	91,057	0.037

(*) Through:

NAME OR CORPORATE NAME OF THE DIRECT HOLDER OF THE HOLDING	NUMBER OF DIRECT SHARES
GRUPO FINANCIERO DE INTERMEDIACIÓN Y ESTUDIOS, S.A.	91,057
Total	**91,057**

Breakdown of significant changes, pursuant to the provisions of RD 1362/2007, that took place in the year:

DISCLOSURE DATE	TOTAL DIRECT SHARES ACQUIRED	TOTAL INDIRECT SHARES ACQUIRED	% TOTAL SHARE CAPITAL
25/03/2009	217,318	1,964,303	1.475

Increase/(decrease) in own shares held during the period (thousand euros)	291

A.9. Conditions and time period of any authorizations granted by the Shareholder Meeting to the Board of Directors to undertake acquisitions and/or transfers of own shares held.

The General Meeting of Shareholders held on 16 June 2009 authorised, for am 18-month period, the Board of Directors to take as security and/or acquire, directly or indirectly, own shares, by buying them on an official secondary market for a price not below their par value, nor higher than their listed price at the time of acquisition. In no event may the par value of the shares acquired, together with the shares taken as security, exceed the cap set by law at the time.

The Board of Directors is expressly empowered to freely dispose of the shares acquired under the aforementioned authorisation in order to comply, as the case may be, with the commitments entered into under the "Stock option remuneration schemes" or "linked to the listed share value" set up in the Company that have been duly approved.

A.10 State, whenever applicable, any legal or articles of association restrictions on exercising voting rights, as well as legal restrictions on the acquisition or transfer of holdings in the share capital. State if there are any restrictions on exercising the voting rights:

NO

Maximum percentage of voting rights to which any shareholder may legally exercise	0

State whether the Articles of Association impose any restrictions on voting rights:

YES

Maximum percentage of voting rights to which any shareholder may exercise under the terms of a statutory restriction	20,000

DESCRIPTION OF THE RESTRICTIONS ON EXERCISING VOTING RIGHTS LAID DOWN BY LAW OR IN THE ARTICLES OF ASSOCIATION
In accordance with the terms of Article 15 of the Articles of Association of NH Hoteles, S.A., no shareholder, regardless of how many shares he may hold, may have more votes than the votes for 20% of the issued voting shares. This limit shall not apply in the Shareholder Meetings where, according to the list of those attending, a single shareholder present or represented at the Meeting holds more than 51% of the issued voting shares. For the purposes of the previous paragraph, companies belonging to the same group as defined in Article 42 of the Code of Commerce shall be deemed to be a single shareholder.

State whether there are any legal restrictions on the acquisition or transfer of holdings in the share capital:

NO

A.11 State whether the Shareholder Meeting has adopted preventive measures against public takeover bids, pursuant to Law 6/2007.

NO

If so, explain the measures approved and the terms under which the restrictions will no longer hold:

B - STRUCTURE OF THE COMPANY'S ADMINISTRATION

B.1 Board of Directors

B.1.1 State the maximum and minimum directors provided for in the Articles of Association:

Maximum number of directors	20
Minimum number of directors	5

B.1.2 Fill out the following table with the names of the members of the Board of Directors

NAME OR CORPORATE NAME OF THE DIRECTOR	REPRESENTATIVE	POSITION ON THE BOARD	DATE FIRST APPOINTMENT	DATE LATEST APPOINTMENT	ELECTION PROCEDURE
MR. GABRIELE BURGIO	-	CHAIRMAN AND CHIEF EXECUTIVE OFFICER	12/01/1993	16/06/2009	VOTE AT SHAREHOLDERS' MEETING
MR. ANTONIO VIANA BAPTISTA	-	DIRECTOR	16/06/2009	16/06/2009	VOTE AT SHAREHOLDERS' MEETING
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	MR. AURELIO IZQUIERDO GÓMEZ	DIRECTOR	17/02/2002	29/05/2007	VOTE AT SHAREHOLDERS' MEETING
MR. FRANCISCO JAVIER ILLA RUIZ	-	DIRECTOR	27/10/2009	03/12/2009	VOTE AT SHAREHOLDERS' MEETING
HOTELES PARTICIPADOS, S.L.	MR. IGNACIO EZQUIAGA DOMÍNGUEZ	DIRECTOR	29/04/2004	29/05/2007	VOTE AT SHAREHOLDERS' MEETING
MR. IÑAKI ARRATÍBEL OLAZIREGI	-	DIRECTOR	28/10/2008	16/06/2009	VOTE AT SHAREHOLDERS' MEETING
MR. JOSÉ DE NADAL CAPARÁ	-	DIRECTOR	08/05/1997	17/06/2008	VOTE AT SHAREHOLDERS' MEETING
MR. JUAN ANTONIO SAMARANCH SALISACHS	-	DIRECTOR	03/12/2009	03/12/2009	VOTE AT SHAREHOLDERS' MEETING
MR. JULIO C. DÍAZ-FREIJO CERECEDO	-	DIRECTOR	22/02/2006	16/06/2009	VOTE AT SHAREHOLDERS' MEETING
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	-	DIRECTOR	29/04/2004	29/05/2007	VOTE AT SHAREHOLDERS' MEETING
MS. NURIA ITURRIAGAGOITIA RIPOLL	-	DIRECTOR	16/06/2009	16/06/2009	VOTE AT SHAREHOLDERS' MEETING
MS. ROSALBA CASIRAGHI	-	DIRECTOR	12/05/2009	16/06/2009	VOTE AT SHAREHOLDERS' MEETING
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	MR. ANGEL CÓRDOBA DÍAZ	DIRECTOR	17/06/2008	17/06/2008	VOTE AT SHAREHOLDERS' MEETING

Total number of directors	**13**

State the resignations that have taken place from the Board of Directors during the period

NAME OR CORPORATE NAME OF THE DIRECTOR	DIRECTOR STATUS AT TIME OF RESIGNATION	RESIGNATION DATE
MR. RAMÓN BLANCO BALÍN	INDEPENDENT	16/06/2009
MR. ALFONSO MERRY DEL VAL GRACIE	INDEPENDENT	16/06/2009
MR. MANUEL HERRANDO Y PRAT DE LA RIBA	INDEPENDENT	27/10/2009

B.1.3 Fill in the following tables about the different types of members of the Board of Directors:

EXECUTIVE DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR	COMMITTEE THAT PROPOSED HIS/HER APPOINTMENT	POSITION ON THE ORGANISATION CHART OF THE COMPANY
MR. GABRIELE BURGIO	BOARD OF DIRECTORS	CHAIRMAN - CHIEF EXECUTIVE OFFICER

Total number of executive directors	1
Total % of the board	7.692

EXTERNAL PROPRIETARY DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR	COMMITTEE THAT HAS PROPOSED THE DIRECTOR'S APPOINTMENT	NAME OR CORPORATE NAME OF THE MAJOR SHAREHOLDER WHO HE/SHE REPRESENTS OR THAT HAS PROPOSED THE DIRECTOR'S APPOINTMENT
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	-	CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)
MR. FRANCISCO JAVIER ILLA RUIZ	NOMINATING AND COMPENSATION COMMITTEE	GRUPO INVERSOR HESPERIA, S.A
HOTELES PARTICIPADOS, S.L.	NOMINATING AND COMPENSATION COMMITTEE	HOTELES PARTICIPADOS, S.L.
MR. IÑAKI ARRATÍBEL OLAZIREGI	-	CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIÁN
MR. JULIO C. DÍAZ-FREIJO CERECEDO	NOMINATING AND COMPENSATION COMMITTEE	PONTEGADEA INVERSIONES, S.L.
MS. ROSALBA CASIRAGHI	NOMINATING AND COMPENSATION COMMITTEE	INTESA SANPAOLO, S.P.A.
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	-	CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID

Total number of proprietary directors	7
Total % of Board	53.846

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of the director MR. ANTONIO VIANA BAPTISTA
Qualifications MBA; Honours of Distinction; INSEAD, Fontainebleau (Francia); Master en European Economics.

Name or corporate name of the director MR. JOSÉ DE NADAL CAPARÁ
Qualifications Degree in Chemical Engineering, IQS Barcelona (1962-68), MBA Esade Barcelona (1966-69) lecturer in Marketing Master in Business Studies IQS, Barcelona (1980-83)

Name or corporate name of the director MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ
Qualifications Businessman

Name or corporate name of the director MS. NURIA ITURRIAGAGOITIA RIPOLL
Qualifications Degree in Economics and Business Studies, Deusto University; General Management Programme, IESE; International Marketing, Accounts and Finance, Business Policy, Human Resources Management, Buckingham College of Higher Education (United Kingdom).

Total number of independent directors	4
Total % of the board	30.769

OTHER EXTERNAL DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR	COMMITTEE THAT HAS PROPOSED THE DIRECTOR'S APPOINTMENT
MR. JUAN ANTONIO SAMARANCH SALISACHS	NOMINATING AND COMPENSATIONS COMMITTEE

Total number of other external directors	1
Total % of the board	7.692

Set out the reasons why they cannot be classified as proprietary or independent directors and their relationships, either with the company or its managers, or with its shareholders.

Name or corporate name of the Director MR. JUAN ANTONIO SAMARANCH SALISACHS
Company, executive or shareholder with whom he is linked NH HOTELES, S.A.
Grounds The company GBS Finanzas, S.A., in which the Director is a top executive, has on occasions, and in any case prior to his appointment as a Director, had business relations with the NH Hoteles group.

State any changes that have taken place during the period in the status of each director:

B.1.4 Please state the reasons, where applicable, for the appointment of proprietary directors at the request of shareholders whose ownership in the share capital is less than 5%.

State whether the Board of Directors disregarded formal requests for Board presence made by shareholders whose ownership in the share capital is equal to or greater than others whose call for such presence was met with the appointment of proprietary directors. If so, explain the reasons for not meeting their requests.

NO

B.1.5 If any Directors left their seats on the Board prior to the completion of their term, whether they have stated their reasons for resigning and how, to the Board, and if they have done so in writing to the entire Board, please state at least the reasons:

YES

Director's name MR. MANUEL HERRANDO Y PRAT DE LA RIBA
Reason for resignation Mr. Herrando y Prat de la Riba tendered his resignation on personal grounds which he stated at the meeting of the Board of Directors.

B.1.6 State the powers that have been delegated to the Chief Executive Officer/s, if any:

Name or corporate name of director MR. GABRIELE BURGIO
Brief description All the powers of the board of Directors, except for those which may not be delegated by law or under the articles of association

B.1.7 Identify any members of the board of directors who are also board members or executives of other companies that belong to the group of the listed company:

NAME OR CORPORATE NAME DIRECTOR	CORPORATE NAME OF THE GROUP COMPANY	POSITION
MR. GABRIELE BURGIO	GRUPO FINANCIERO DE INTERMEDIACIÓN Y ESTUDIOS. S.A.	REPRESENTATIVE OF THE SOLE ADMINISTRATOR NH HOTELES. S.A.
MR. GABRIELE BURGIO	KRASNAPOLSKY HOTELS & RESTAURANTS. BV	MEMBER OF THE "SUPERVISORY BOARD"
MR. GABRIELE BURGIO	NACIONAL HISPANA HOTELES SRL DE CV	DIRECTOR
MR. GABRIELE BURGIO	NH DOMO DISEÑO Y DECORACIÓN S.L.	JOINT ADMINISTRATOR
MR. GABRIELE BURGIO	SOTOGRANDE. S.A.	DIRECTOR
MR. GABRIELE BURGIO	NH HOTELES PARTICIPATIES N.V.	CHAIRMAN AND DIRECTOR
MR. GABRIELE BURGIO	NH ITALIA. S.R.L.	CHAIRMAN AND DIRECTOR
MR. FRANCISCO JAVIER ILLA RUIZ	NH HOTELES ESPAÑA. S.L.	DIRECTOR

B.1.8 State any members of the Board of Directors of the Company who are also members of the Boards of Directors of other companies listed on official securities markets in Spain, apart from the Group, that have been notified to the company:

NAME OR CORPORATE NAME DIRECTOR	CORPORATE NAME OF THE LISTED COMPANY	POSITION
MR. GABRIELE BURGIO	GRUPO FERROVIAL. S.A.	DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	ARCALIA PATRIMONIOS SOCIEDAD DE VALORES. S.A.	DIRECTOR
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	BANCAJA CAPITAL. S.A.	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	BANCO DE VALENCIA. S.A.	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	BANCAJA EMISIONES. S.A.	CHAIRMAN
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	ENAGAS. S.A.	DEPUTY CHAIRMAN
MR. MIGUEL RODRÍGUEZ DOMÍNGUEZ	COMPAÑIA ESPAÑOLA PARA LA FABRICACIÓN MECÁNICA DEL VIDRIO. S.A.	DIRECTOR

B.1.9 State and, wherever necessary, explain any rules laid down by the company regarding the number of boards on which its directors are allowed to serve:

YES

EXPLANATION OF THE RULES
Article 29 of the Board Regulations expressly states that Directors must give over the time and effort to their position as is needed to perform it efficiently, and must report to the Nominating and Compensation Committee any matters that might interfere with the required time and effort. Accordingly, Directors may not serve on more than 10 Boards of Directors, apart from the Board of NH Hoteles, S.A. and of family holding and family companies, unless expressly authorised by the Nominating and Compensations Committee after examination of the details of each case.

B.1.10 With reference to recommendation 8 of the Unified Code, state the general policies and strategies of the company that the Board reserves to itself for plenary approval:

Investment and financing policy	YES
The definition of the structure of the group of companies	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
The strategic business plan and annual management and budgetary targets	YES
Executive management compensation and performance appraisal policies	YES
Risk control and management policies, as well as the periodic monitoring of internal informationand control systems	YES
Dividend payout and treasury stock policies, and in particular, their limits	YES

B.1.11 Fill in the following tables about the aggregate compensation accruing to directors during the year:

a) In the company which is the subject of this report:

ITEM OF COMPENSATION	FIGURE IN THOUSAND EUROS
Fixed Compensation	775
Variable Compensation	900
Attendance fees	76
Statutory Compensation	439
Stock options and/or other financial instruments	0
Other	235
Total	**2,425**

OTHER BENEFITS	FIGURE IN THOUSAND EUROS
Advances	0
Loans granted	8,305
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations entered into	0
Life insurance premiums	42
Guarantees given by the company for the benefit of the directors	0

b) For belonging to the boards of directors and/or senior management of other companies of the group:

ITEM OF COMPENSATION	FIGURE IN THOUSAND EUROS
Fixed Compensation	0
Variable Compensation	0
Attendance fees	1
Statutory Compensation	125
Stock options and/or other financial instruments	0
Other	0
Total	**126**

OTHER BENEFITS	FIGURE IN THOUSAND EUROS
Advances	0
Loans granted	0
Pension Funds and Plans: Contributions	0
Pension Funds and Plans: Obligations entered into	0
Life insurance premiums	0
Guarantees given by the company for the benefit of the directors	0

c) Total compensation by type of director

CATEGORIES OF DIRECTORS	BY COMPANY	BY GROUP
Executives	1,948	16
External Proprietary	248	0
External Independent	226	110
Other External Directors	3	0
Total	**2,425**	**126**

d) Out of net income attributed to the controlling company:

Total compensation directors (in thousand euros)	2,551
Total compensation directors/profit attributed to the controlling company (expressed in %)	-2.6

B.1.12 Identify any senior managers who are not also executive directors, and stated the total compensation accruing to them during the year:

NAME OR CORPORATE NAME	POSITION
MR. ROBERTO CHOLLET IBARRA	CHIEF FINANCIAL OFFICER
MR. LEOPOLDO GONZÁLEZ-ECHENIQUE CASTELLANOS DE UBAO	GENERAL SECRETARY
MR. JUAN DE MORA NARVÁEZ	CORPORATE MANAGER HUMAN RESOURCES
MR. JESÚS IGNACIO ARANGUREN GONZÁLEZ-TARRÍO	CHIEF STRATEGY OFFICER
MR. IGNACIO DÍAZ LÓPEZ	CORPORATE MANAGER INTERNAL AUDITING
MR. FRANCISCO ALEJANDRO ZINSER CIESLIK	CHIEF OPERATIONAL OFFICER

Total compensation of senior management (in thousand euros)	**3,076**

B.1.13 Identify in aggregate any guarantee or "golden parachute" clauses for senior managers, including executive directors, of the company or its group that cover possible dismissals or changes in control. State whether such contracts must be notified to and/or approved by the governing bodies of the company or of its group:

Number of beneficiaries	**6**

	BOARD OF DIRECTORS	GENERAL MEETING
Body that authorises the clauses	YES	NO

Is the General Meeting told about the clauses	NO

B.1.14 Explain the process for setting compensation for members of the Board of Directors, and where applicable, the relevant clauses in the company's Articles of Association.

PROCEDURE FOR SETTING THE COMPENSATION OF THE MEMBERS OF THE BOARD OF DIRECTORS AND THE CLAUSES OF THE ARTICLES OF ASSOCIATION
Article 35 of the Rules and Regulations of the Board of Directors provides that Directors shall be entitled to be paid compensation as set by the Board of Directors in accordance with the provisions of Law and of the Articles of Association, subject to a report by the Nominations and Compensation Committee. The Board of Directors shall endeavour to ensure that the compensation of the member of the Board be in line with market rates, in companies of similar size and business Article 20 of the Company's Articles of Association provides that the compensation of the directors shall consist of a set annual amount and fees for attending the meetings of the Board of Directors and its delegate and consulting Committees. The amount of the compensation that the company may pay the Directors taken all together under both headings shall be equal to three percent of the liquid profits recorded by the Consolidated Group for the previous year. The exact amount to be paid within this limit shall be set by the Board of Directors who shall distribute it among the different Directors. In addition, apart from the remuneration provided for in the previous section, there are plans to set up systems of remuneration indexed on the share price or which involve handing over shares or share options for the Directors. The use of such systems of remuneration must be approved by the General Meeting of Shareholders, which shall determine the value of the shares taken as a reference, the number of options, the price at which the share options are exercised, the duration of this system of remuneration and any other conditions that are deemed appropriate. Furthermore, after the legal requirements have been met, similar systems of compensation may be set up for the staff management or other of the Company. The compensation provided for in the above sections, resulting from membership of the Board of Directors, shall be compatible with any other professional or employment earnings that are paid to the Directors for any other executive or advisory duties which they may provide the Company other than for supervising and taking decisions on the Board as part of their duties as Directors, which shall be governed by the legal rules that apply to them. It should also be pointed out that every year the Board of Directors draws up a report on the Directors' compensation policy, wich is notified to the Shareholder Meeting.

State whether the Board, in a plenary session, has reserved to itself the right to approve the following decisions:

Upon proposal of the company's chief executive, the appointment and possible dismissal of senior managers, as well as their compensation clause.	NO
Directors' compensation, as well as, in the case of executive directors, any additional remuneration for their executive duties and other contract conditions.	YES

B.1.15 State whether the Board of Directors approves a detailed compensation policy and explain what decisions it makes in this regard:

YES

Amount of fixed components, with a breakdown, where applicable, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to	YES
Items of variable compensation	YES
Main features of the pension systems, with an estimate of the amount or equivalent annual cost thereof.	YES
Conditions to apply to the contracts of those who hold senior management positions as executive directors.	YES

B.1.16 State whether the Board submits a report on the compensation policy for directors to the Shareholder Meeting as a separate item on the agenda for a consultative vote. Whenever applicable, explain the points of the report regarding compensation policy approved by the Board for future years, the most significant changes in such policies compared to the policy pursued during the year and an overall summary of how the compensation policy was applied during the year. Describe the role of the Compensation Committee and whether outside advisory services have been used, and if so give the names of the outside consultants who have provided such services:

NO

ISSUES COVERED IN THE COMPENSATION POLICY
The Board of Directors approves a Report on the Compensations Policy concerning the members of the Board of Directors as set out in Recommendation 40, which it makes available to shareholders at the Shareholder Meeting.

ROLE OF THE COMPENSATION COMMITTEE
The Nominating and Compensation Committee plays a major role in all matters relating to compensation policy, be it for members of the Board, or for senior managers of the Company. It is the body that proposes said compensations to the Board.

HAS OUTSIDE ADVICE BEEN USED?
Names of the outside consultants

B.1.17 Mention any members of the Board who are likewise members of the Boards of Directors or senior managers or employees of companies that have major shareholdings in the listed company and/or entities of its group:

NAME OR CORPORATE NAME OF THE DIRECTOR	CORPORATE NAME OF THE MAJOR SHAREHOLDER	POSITION
MR. FRANCISCO JAVIER ILLA RUIZ	GRUPO INVERSOR HESPERIA, S.A	CHIEF EXECUTIVE OFFICER
MS. ROSALBA CASIRAGHI	INTESA SANPAOLO, S.P.A.	MEMBER OF THE AUDITING AND COMPLIANCE COMMITTEE
MS. ROSALBA CASIRAGHI	INTESA SANPAOLO, S.P.A.	MEMBER OF THE BOARD OF SURVEILLANCE

Provide a detailed explanation, where applicable, of significant affiliations or relationships apart from those addressed in the foregoing section, that link Board members to major shareholders and/or entities of your group:

B.1.18 State any changes that have been made to the Rules and Regulations of the Board of Directors during the year:

NO

B.1.19 Describe the procedures for appointing, re-electing, assessing and removing Directors. List the competent bodies, procedures and formalities to be followed and criteria used in each of these procedures.

Procedures for selecting members of the Board
Directors are appointed by the General Meeting of Shareholders or, on a provisional basis, by the Board itself in accordance with the terms of the Companies Act and the Articles of Association.

The proposed Nominations of Directors which shall be submitted by the Board of Directors to the General Meeting of Shareholders for approval and the decisions taken by the Board to make Nominations in accordance with its legal powers of co-option must be in accordance with the provisions of the Rules and Regulations of the Board of Directors and shall be made in the form of a proposal to the Appointment and Compensation Committee, for independent Directors, and subject to a report by said Committee for any other Directors.

1. APPOINTING EXTERNAL DIRECTORS

The Rules and Regulations of the Board of Directors make particular reference to the designation and appointment of External Directors, given their special status when compared to the Executive Directors.

The Board of Directors and the Nominating and Compensation Committee shall endeavour, within their respective remits, to ensure that the candidates elected be persons who are known to be solvent, competent and experienced, who are prepared to spend a sufficient part of their time on the Company. Particularly special care must be taken when electing those persons called in to hold positions as independent directors.

Set out below is a brief description of the basic features involved in designating said External Directors:

1.1 Proprietary Directors
Proprietary directors are defined as being those directors who represent or possess a shareholding equal to or more than what is deemed by law to be a major shareholding or who have been designated in their capacity as shareholders, even when their holding is lower than said amount.

For the purposes of this definition, a Director is deemed to represent a shareholder whenever:

a) He or she has been appointed exercising the powers of attorney.

b) He or she is a Director, senior manager, employee or regular supplier of services to said shareholder or to companies belonging to the same group.

c) The corporate documents show that the shareholder assumes that the Director has been designated by it or represents it.

d) Is the spouse, person related by a similar relation of affection, or is a relation up to the second degree of a major shareholder.

1.2 Independent Directors
Independent shareholders are defined as shareholders who have been designated on the basis of their personal and professional conditions and may perform their duties without being subject to any relationship with the company, its major shareholders or its senior management.

The following Directors may not under any circumstances qualify as Independent Directors:

a) When they have been employees or executive directors of companies of the group, unless 3 or 5 years have elapsed, respectively, since they ceased to hold such positions.

b) When they receive from the company, or from its group, any amount or benefit under any heading other than Director's compensation, unless it is immaterial.

For the purposes of this section, neither dividends nor pension complements received by the Director in view of his or her prior professional or employment relationship shall be taken into account, provided that such complements are unconditional and, accordingly, the company paying them may not suspend, modify or revoke their accrual at its discretion, without being in breach of its obligations.

c) They are, or have during the last 3 years been, partners in the independent auditors or responsible for the audit report, be it the audit of the listed company of any other company in its group during said period.

d) They are executive directors or senior managers of another different company where any Executive Director or senior manager of the company is an External Director.

e) They have or have in the course of the last year had a major business relationship with the company or with any company in its group, either on their own behalf or as a major shareholder, Director or senior manager of a company that has or has had such a relationship.

Business relations are deemed to be relationships of suppliers of goods or services, including financial services, advisors or consultants.

f) They are major shareholders, Executive Directors or senior managers in any company that receives or has in the course of the last 3 years received large donations from the company or its group.

This definition does not include anyone who is merely a patron of a Foundation that receives donations.

g) They are the spouses, or persons linked by a similar relation of affection, or relations up to the second degree of an Executive Director or senior manager of the company.

h) They have not been proposed by the Nominating Committee to be appointed or have their term renewed.

i) They fall into any of the categories described in paragraphs a), e) f) or g) here above with regard to any major shareholder or shareholder represented on the Board. For family relationships as mentioned in paragraph g), the restriction shall apply not only to the shareholder, but also to its Proprietary Directors in the investee company. Proprietary Directors who lose this status as a result of the shareholder they represent having sold its holding may only be re-elected as Independent Directors when the shareholder they were representing up until then has sold its entire holding in the company.

In order to set up a reasonable balance between the two types of external directors, the Board shall bear in mind the company's ownership structure, so that the relationship between each type of director bears a relation with the ratio of stable capital to floating capital.

2. APPOINTING THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER OF THE COMPANY

The Executive Chairman and the Chief Executive Officer shall be the first executive officer of the Company and, therefore, his appointment or the renewal of his appointment shall also include the delegation of all the powers and competencies of the Board that may be delegated, for the effective management of the Company's business, always in accordance with the decisions and guidelines laid down by the General Meeting of Shareholders and the Board of Directors.

The Executive Chairman and Chief Executive Officer has the power to implement the decisions taken by the Board itself and, whenever applicable, by the Executive Committee, which bodies shall be represented permanently with the widest powers, and may take, in emergencies, such measures as he may deem advisable in the Company's interests.

3. APPOINTMENT OF THE DEPUTY CHAIRMAN OF THE BOARD

The Board may elect, from among its members, one or more Deputy Chairmen, who may or may not be executive directors, to stand in for the Chairman, should he so delegate, be absent or ill and, in general, in any event, for any duty or attribution that is deemed appropriate by the Board or by the Chairman himself.

The Chairman shall be replaced by the Deputy Chairman who has executive duties in the Company or, in the absence thereof, by the eldest Deputy Chairman.

4. APPOINTMENT OF THE SECRETARY OF THE BOARD

The Secretary shall be appointed and removed as proposed by the Nominating Committee and approved by the Board in plenary session.

5. TERM OF THE POSITION

Directors shall hold their positions for three-year terms.

Members of the Board appointed by co-option shall, however, hold their positions until the date of the first General Meeting of Shareholders.

Any Member of the Board who terminates his or her mandate or leaves his or her directorship for any other reason may not, during a period of two years, provide services in any other entity that has a similar or the same corporate object as the Company or any of the companies in its Group.

The Board of Directors, should it deem so appropriate, may release an outgoing Member from this obligation or shorten its term of application.

The proposals to re-elect Members of the Board that the Board of Directors decides to submit to the General Meeting must be drawn up in accordance with the formalities, which must include a report issued by the Nominating and Compensation Committee which assesses the quality of the work and dedication to the position of the Members of the Board proposed during their terms of office.

The Nominating and Compensation Committee is the body that has competence to review the criteria that must be followed for the membership of the Board of Directors and the selection of candidates.

Every year, the Board, on the basis of a Report by the Nominating and Compensation Committee, assesses the quality and efficiency of the performance of the Board, its Committees, as well as the performance of the Chairman- CEO and first executive officer of the company.

Removal of the Directors

Members of the Board shall leave their position at the end of the term for which they were appointed or whenever the General Meeting of Shareholders so decides in accordance with its legally granted attributions.

Members of the Board of Directors must tender their resignation to the Board of Directors and formalize the correspondent resignation, in the following cases:

a) When they reach the age of 70. Directors who hold executive positions shall cease to perform said duties when they reach the age of 65 although they may continue to be Directors, if the Board itself so decides.

   In such cases, the resignation shall be made at the first meeting of the Board held after the General Meeting of Shareholders that approves the accounts for the year in which the Director has reached the age limit.

b) In the event that executives whose Nominations as Directors are associated with their executive positions leave said executive positions or whenever the reasons for which they were appointed no longer exist, this being deemed to be the case for proprietary Directors when the business entity or group he represents no longer holds a major shareholding in the Company's share capital or when, for independent Directors, he becomes an executive of the Company or of any of its subsidiary companies.

c) In the event that they are disabled, disqualified, forbidden or incompatible to hold said positions under the terms of current legal provisions.

For said purposes, any person who has direct or indirect interest of any kind or who has an employment, professional, commercial or any other kind of relationship with competing companies shall be deemed incompatible to hold a position as Director, unless at least 70% of the members of the Board vote for that person to be exempted.

d) In the event that they are severely reprimanded by the Nominating and Compensation Committee for having failed to fulfil any of their obligations as Directors.

e) In the event that their remaining on the Board would be likely to affect the creditworthiness or reputation of the Company on the market or in any other way put its interests at risk.

B.1.20 Circumstances under which directors are required to resign.

Members of the Board shall leave their position at the end of the term for which they were appointed or whenever the General Meeting of Shareholders so decides in accordance with its legally granted attributions.

Members of the Board of Directors must tender their resignation to the Board of Directors and formalize the correspondent resignation, in the following cases:

a) When they reach the age of 70. Directors who hold executive positions shall cease to perform said duties when they reach the age of 65 although they may continue to be Directors, if the Board itself so decides.

In such cases, the resignation shall be made at the first meeting of the Board held after the General Meeting of Shareholders that approves the accounts for the year in which the Director has reached the age limit.

b) In the event that executives whose Nominations as Directors are associated with their executive positions leave said executive positions or whenever the reasons for which they were appointed no longer exist, this being deemed to be the case for proprietary Directors when the business entity or group he represents no longer holds a major shareholding in the Company's share capital or when, for independent Directors, he becomes an executive of the Company or of any of its subsidiary companies.

c) In the event that they are disabled, disqualified, forbidden or incompatible to hold said positions under the terms of current legal provisions.

For said purposes, any person who has direct or indirect interest of any kind or who has an employment, professional, commercial or any other kind of relationship with competing companies shall be deemed incompatible to hold a position as Director, unless at least 70% of the members of the Board vote for that person to be exempted.

d) In the event that they are severely reprimanded by the Nominating and Compensation Committee for having failed to fulfil any of their obligations as Directors.

e) In the event that their remaining on the Board would be likely to affect the creditworthiness or reputation of the Company on the market or in any other way put its interests at risk.

B.1.21 Explain whether the duties of the top executive of the company are taken on by the chairman of the Board. Whenever applicable, state the measures that have been taken to limit the risks of accumulation of powers in a single person:

YES

MEASURES FOR LIMITING RISKS
Article 17 of the Board of Directors Regulations provides that the Executive Chairman shall be the Chief Executive Officer of the Company and shall have powers of effective management of the Company's business, always in accordance with the decisions and criteria laid down by the General Meeting of Shareholders and the Board of Directors. The decisions of the Chairman shall, therefore, be in any case subject to and controlled by the General Meeting and the Board of Directors. Furthermore, any agreement or decision of particular significance for the Company must first be submit to the Board of Directors or the corresponding compliance committee for approval. Also necessary are the reports and proposals of the different Board Committees for taking certain decisions. The Rules and Regulations of the Board have moreover provided (Article 21.2) for the Members of the Board to be able to request the Chairman to include items in the agenda. The Chairman must do so whenever the request has been made at least ten days before the date set for the meeting and the relevant documents have been sent in attached to the request so that they may be passed on to all the other members of the Board. Finally, it expressly provides that whenever the Chairman of the Board is also the Company's chief executive officer, the Board shall appoint one of the independent Directors to coordinate and relay the concerns of the external Directors and to head the Board's assessment of its Chairman (Article 21.5 of the Rules and Regulations of the Board).

State and, where appropriate, explain whether there are rules allowing one of the independent directors to be able to summon a Board meeting or include new items on the agenda so as to coordinate and give voice to the concerns of the external directors and to head their development by the Board of Directors.

YES

EXPLANATION OF THE RULES
Article 21 of the Rules and Regulations of the Board provides that Directors may ask the Chairman to include items on the agenda and the Chairman must do so whenever the request has been made at least ten days before the date set for the meeting and the relevant documents have been attached to the request so that they may be passed on to all the other members of the Board. They also provide that whenever the Chairman of the Board is also the Company's chief executive officer, the Board shall appoint one of the independent Directors to coordinate and relay the concerns of the external Directors and to head the Board's assessment of its Chairman.

B.1.22 Are qualified majorities, other than those required by law, required for certain decisions?

YES

State how the Board of Directors takes its decisions stating, at least, the quorum and types of majority needed to take decisions:

Description of the decision:
Appointing a Director who directly or indirectly has interests of any kind or has an employment, professional, commercial or any other type of relationship with competing companies.

QUORUM	%
Half of the members of the Board of Directors plus one.	51.00

TYPE OF MAJORITY	%
70% of its members	70,00

Description of the decision:
For any decision other than the above

QUORUM	%
Half of the members of the Board of Directors plus one.	51.00

TYPE OF MAJORITY	%
Absolute majority of those present	51.00

B.1.23 Explain if any specific requirements must be met, apart from those required for directors, to qualify to be appointed Chairman.

NO

B.1.24 State whether the chairman has a casting vote:

YES

ISSUES FOR WHICH THERE MAY BE A CASTING VOTE
Decisions shall be taken by an absolute majority of the Directors present at the meeting, and in the event of a tied vote, the Chairman or the Deputy Chairman standing in for the Chairman shall have a casting vote.

B.1.25 State whether the Articles of Association or the Rules and Regulations of the Board of Directors set any age limits for Directors.

YES

AGE LIMIT OF CHAIRMAN	AGE LIMIT OF CHIEF EXECUTIVE OFFICER	AGE LIMIT OF DIRECTOR
65	65	70

B.1.26 State whether the Articles of Association or the Rules and Regulations of the Board of Directors set any limits to the term of office for Independent Directors.

NO

Maximum term in years	0

B.1.27 In the case of few or no female Directors, explain the reasons thereof and the initiatives taken to remedy the situation.

EXPLANATION OF THE REASONS AND THE INITIATIVES
NH Hoteles, S.A. now has two female Directors who were appointed during 2009. In any case, the Nominating and Compensation Committee has been given the express duty to ensure that there is no implicit bias in the selection procedure that prevents woman Directors from being selected and for women with the appropriate professional qualifications and experience to be included on the short-lists for directorships. (Article 26.b of the Rules and Regulations).

In particular, state whether the Nominating and Compensation Committee has set up any procedure to ensure that there is no implicit bias in the selection procedures that prevent women directors from being selected, and to deliberately seek out women candidates who have the necessary qualifications and experience:

YES

DESCRIBE THE MAIN PROCEDURES
Article 26.b) of the Rules and Regulations expressly states that the Nominating and Compensation Committee's duties shall, inter alia, include reporting on the proposals to appoint and remove Directors and Senior Managers of the Company and of its subsidiary companies. When filling any vacancies that may come up in the Board of Directors, the Nominating and Compensation Committee shall ensure that there is no implicit bias in the selection procedure that might prevent women from being selected to be Directors and for women with the appropriate professional qualifications and experience to be included on the short-lists for directorships.

B.1.28 State whether there are any formal procedures for proxy authorizations and voting at Board meetings. If so, briefly describe.

Article 22 of the Rules and Regulations of the Board of Directors states that Directors must attend meetings of the Board in person and, whenever exceptionally they are unable to do so, they shall endeavour to ensure that the powers of attorney they grant another member of the Board includes, as far as possible, appropriate instructions. Such powers may be granted by letter or in any other way that ensures the validity of the representative in the view of the Chairman.

B.1.29 State how many Board Meetings were held in the year. State also, whenever applicable, how many times the Board has met in the absence of the Chairman:

Number of meetings of the board	13
Number of meetings of the board when the chairman does not attend	0

Number of meetings of the Board Committees held during the year:

Number of meetings of the executive committee	0
Number of meetings of the audit committee	10
Number of meetings of the nominating and compensation committee	9
Number of meetings of the nominating committee	0
Number of meetings of the compensation committee	0

B.1.30 Number of Board meetings held in the year not attended by all of its members. Representatives appointed without specific instructions shall be counted as failures to attend:

Number of times directors failed to attend meetings during the year	13
% of non-attendance total votes during the year	9.980

B.1.31 State whether the individual and consolidated accounts that are presented to the Board for approval have been certified beforehand.

NO

Identify, as appropriate, the person/s who has/have certified the company's individual and consolidated annual accounts, to be drawn up by the board:

B.1.32. Explain, whenever applicable, any processes that have been set up by he Board to prevent individual or consolidated accounts approved by the Board from being presented to the Shareholder Meeting with a qualified auditors' report.

Article 40.2 of the Rules and Regulations of the Board provides that the Board of Directors shall endeavour to draw up the final accounts in such a way as to ensure that the Auditor does not qualify them. However, in the event that the Board considers that it must keep to its criterion, it shall publicly explain the content and extent of the differences of opinion.

B.1.33. State whether the Secretary of the Board is also a Director of the Board.

NO

B.1.34. Explain the appointment and removal procedures for the Secretary of the Board, stating whether his/her appointment or removal is notified by the Nominating Committee and approved by the Board in a plenary meeting.

APPOINTMENT AND REMOVAL PROCEDURE
In accordance with the terms of Article 19.4 of the Rules and Regulations of the Board, the appointment and removal of the Secretary shall be proposed by the Nominating Committee and approved by the Board in a plenary meeting.

Does the Nominating Committee report on the appointment?	YES
Does the Nominating Committee report on the removal?	YES
Is the Board required to approve the appointment in a plenary meeting?	YES
Is the Board required to approve the removal in a plenary meeting?	YES

¿Does the secretary to the Board have the duty of keeping a special check on compliance with the good governance recommendations?

YES

OBSERVATIONS
As stated in Article 19.3 of the Rules and Regulations of the Board, the Secretary shall make sure that the actions of the Board are formally and materially in accordance with the law and shall ensure compliance with its procedures and rules of good governance.

B.1.35 State, whenever applicable, what procedures have been set up by the company to safeguard the independence of auditors, financial analysts, investment banks and rating agencies

The Board of Directors has set up, via the Auditing and Compliance Committee, a stable, professional relationship with the Company's external Auditors, strictly respecting their independence. Accordingly the Auditing and Compliance Committee keeps a check on any situations likely to put the independence of the external Auditors of the company at risk and, specifically, supervises the percentage of their fees compared to the total fees paid to the auditing firm. Accordingly, Article 25.b.6) states that the Auditing and Compliance Committee is competent, inter alia, ´to handle relations with the Auditor for receiving information regarding any issues that may put the Auditor's independence at risk, and any other issues relating to the process of performing the audit of the accounts, as well as to receive information and keep up the communications with the Auditor provided for under audit legislation and in technical auditing rules'.

The Auditing and Compliance Committee also keeps a check on the independence and efficiency of internal auditing, proposing the selection, appointment, re-election and removal of the head of the internal auditing department. Furthermore, it proposes the budget of the internal auditing department and receives regular information about its activities, and checks that senior management take the conclusions and recommendations of its reports into account. This Committee also has the duty of overseeing the process of the preparation and accuracy of the financial information concerning the company and, as applicable, the group, and reviews compliance with requirements, the proper definition of the consolidation scope and that accounting policies are correctly applied.

B.1.36 State whether the Company has changed its independent auditing firm during the year. If so, identify the incoming and outgoing auditors:

NO

In the event that there are disagreements with the outgoing auditor, explain its contents:

NO

B.1.37 State whether the firm of auditors provides any non-audit services to the company and/or group, and if so, state the amount of fees for such work and the percentage it represents of total fees invoiced to the company and/or group:

YES

	COMPANY	GROUP	TOTAL
Fees for non-audit services (thousand euros)	220	44	264
Fees for non-audit services/Total amount invoiced by the auditing firm (in %)	55.000	6.810	25.240

B.1.38 State whether the report from the auditors on the accounts for the previous year has any qualifications or exceptions. If so, state the reasons given by the Chairman of the Auditing Committee to explain the content and extent of these qualifications or exceptions.

NO

B.1.39 State the number of consecutive years that the current auditing firm has conducted audits of the annual accounts of the company and/or its Group. Also state the percentage represented by the number of years audited by the current auditing firm out of the total number of years in which the accounts were audited.

	COMPANY	GROUP
Number of consecutive years	8	8
Number of years audited by the current auditing firm/Number of years that the company has been audited (in %)	34.8	34.8

B.1.40 Significant shareholdings of members of the Board of Directors of the company in the capital of companies that have the same, similar or complementary type of activity as that of the company or its group, and that have been reported to the company. State also any positions held or duties performed in such entities.

NAME OR CORPORATE NAME OF THE DIRECTOR	NAME OF THE CORPORATE OBJECT	% HOLDING	POSITION OR DUTIES
MR. GABRIELE BURGIO	MOLA 15, S.L.	10.000	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	PLAYA HOTELS RESORTS, S.L.	6.640	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	HOTEL BARCELONA GOLF,S.A.	17.410	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	GRAN HOTEL XIRIVELLA, S.L. UNIPERSONAL	100.000	NONE
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	HOTEL ALAMEDA VALENCIA, S.L.	100.000	NONE
CAJA DE AHORROS DE VALENCIA. CASTELLÓN Y ALICANTE (BANCAJA)	PROHORESA	29.930	NONE
MR. FRANCISCO JAVIER ILLA RUIZ	HOTEL COMTAT DE VIC, S.A.	23.500	NONE
MR. FRANCISCO JAVIER ILLA RUIZ	DESARROLLO TURÍSTICO ISLA BONITA, C.A.	0.000	MEMBER OF BOARD
MR. FRANCISCO JAVIER ILLA RUIZ	HESPERIA AMSTERDAM, B.V.	0.000	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER ILLA RUIZ	CORPORACIÓN HOTELERA HEMTEX, S.A.	0,000	MEMBER OF BOARD
MR. FRANCISCO JAVIER ILLA RUIZ	HESPERIA VICTORIA UK LIMITED	0.000	SOLE ADMINISTRATOR
MR. FRANCISCO JAVIER ILLA RUIZ	HOTELES Y GESTIÓN, S.A.	0.900	NONE
MR. FRANCISCO JAVIER ILLA RUIZ	HOTELS HESPERIA ANDORRA, S.A.	0.000	SECRETARY TO THE BOARD AND GENERAL LEGAL REPRESENTATIVE

B.1.41 State whether a procedure exists for directors to be provided with outside counsel or expert assistance.

YES

DETAILS OF THE PROCEDURE
Article 28 of the Rules and Regulations of the Board of Directors expressly states that the Directors may ask for legal, accounting and financial advisors or other experts to be contracted, at the Company's expense, to help them in the performance of their duties. The commissions must be for specific, significant, complex matters that come up in the course of their duties. The decision to contract such services must be notified to the Chairman of the Company and shall be implemented through the Secretary to the Board, unless the Board of Directors does not deem such contracting necessary or advisable.

B.1.42 State whether a procedure exists for directors to be provided with the necessary information to prepare the meetings of governing bodies on a timely basis:

YES

DETAILS OF THE PROCEDURE
Article 27 of the Rules and Regulations of the Board reflect the right and duty of disclosure of the members of the Board of Directors. Accordingly, it states that every Director must gather whatever information he or she deems necessary or advisable at any moment in time in order to perform his or her duties properly. For said purpose, Directors shall have wide-ranging powers to find out about any aspect of the Company, to examine its books, records, documents and any other background information of corporate operations to the extent necessary or advisable in order to properly perform their duties. Such right of disclosure also extends to the different subsidiary companies that belong to the consolidated group, and must always be exercised in accordance with the requirements of good faith.

B.1.43 State and, where applicable, provide details on whether the company has established rules or procedures that require directors to inform and, where applicable, resign in cases in which they may damage the standing, credibility and reputation of the company:

YES

EXPLAIN THE RULES
Article 14.2.e) of the Rules and Regulations of the Board of Directors of NH Hoteles, S.A. expressly provides that Directors must tender their resignations ´in the event that their remaining on the Board would be likely to affect the creditworthiness or reputation of the Company on the market or in any other way put its interests at risk". They also provide that under no circumstances may any persons who are deemed to be incapable, disqualified, forbidden or incompatible to hold such posts under current law be proposed for appointment to the Board of Directors.

B.1.44 State whether any of the Board members has notified the Company of being involved in a lawsuit or if any court proceedings have been filed against him or her for any of the offences listed in Section 124 of the Companies Act

NO

State whether the Board of Directors has analysed the case. If this is the case, explain its decision, giving the grounds for its decision, as to whether or not to let the director remain in office.

NO

B.2 Board Committees

B.2.1 List all the Board committees and their members.

EXECUTIVE OR DELEGATE COMMITTEEE

NAME	POSITION	TYPE
MR. GABRIELE BURGIO	CHAIRMAN	EXECUTIVE
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	DIRECTOR	PROPRIETARY
MR. JULIO C. DÍAZ-FREIJO CERECEDO	DIRECTOR	PROPRIETARY
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	DIRECTOR	PROPRIETARY

AUDIT COMMITTEE

NAME	POSITION	TYPE
MR. ANTONIO VIANA BAPTISTA	CHAIRMAN	INDEPENDENT
HOTELES PARTICIPADOS, S.L.	DIRECTOR	PROPRIETARY
MR. IÑAKI ARRATÍBEL OLAZIREGI	DIRECTOR	PROPRIETARY
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	DIRECTOR	PROPRIETARY

NOMINATING AND COMPENSATION COMMITTEE

NAME	POSITION	TYPE
MR. JOSÉ DE NADAL CAPARÁ	CHAIRMAN	INDEPENDENT
MR. FRANCISCO JAVIER ILLA RUIZ	DIRECTOR	PROPRIETARY
MS. NURIA ITURRIAGAGOITIA RIPOLL	DIRECTOR	INDEPENDENT

B.2.2 State whether the following duties and responsibilities are assigned to the Audit Committee:

To supervise the preparation and integrity of the financial information for the Company, and, where applicable, its group of companies, reviewing compliance with regulatory requirements and legal provisions, the scope of the consolidation perimeter and the correct application of accounting principles	YES
To carry out regular reviews of internal control and risk management systems so that key risks can be properly pinpointed, managed and reported on.	YES
To ensure the independence and efficacy of internal audit; propose the selection, appointment, re-appointment and, where applicable, removal of the internal audit manager; propose a budget for the internal audit service; receive periodic information on its activities; and ensure that senior management is aware of the conclusions and recommendations contained in such reports	YES
To establish and supervise a mechanism that allows employees to confidentially, and if considered appropriate, anonymously report any irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities	YES
To submit to the Board proposals for selection, appointment, re-appointment and replacement of the independent auditors and the terms and conditions of their engagement.	YES
To regularly receive information from the independent auditors on the audit plan and on the progress and outcome of its execution, verifying that senior management is duly aware of its recommendations.	YES
To ensure the independence of the externally-hired auditing firm.	YES
In the case of groups of companies, to help the group auditors take charge of the audits of the companies belonging to the group	YES

B.2.3 Description of the rules of organization and procedure, as well as duties and responsibilities, assigned to each of the Board committees.

Committee name
NOMINATING AND COMPENSATION COMMITTEE

Brief description

a) Membership
The Nominating and Compensation Committee shall have at least three and at most five members. All the members of this Committee must be non-executive Directors, and a majority of members must be independent directors.

The Chairman of the Nominating and Compensation Committee must be an independent Director and shall be appointed by the Committee itself from among its members.

b) Competencies.
Any other commission that may be assigned to it by the Board of Directors notwithstanding, the Nominating and Compensation Committee shall have the following competencies:

- To report on the proposed Nominations and removals of Directors and Senior Managers of the Company and its subsidiary companies. When filling any vacancies that may come up in the Board of Directors, the Nominating and Compensation Committee shall ensure that there is no implicit bias in the selection procedure that might prevent women from being selected to be Directors and for women with the appropriate professional qualifications and experience to be included on the short-lists for directorships.

- To approve the compensation brackets of the Senior Managers of the Company.

- To approve the standard contracts for Senior Managers.

- To lay down the rules on compensation for the Chairman and, whenever applicable, for the CEO.

- To examine or organise, in the manner deemed appropriate, the succession of the Chairman and chief executive officer and, whenever applicable, to make proposals to the Board, so that said succession takes place in an organised, well planned fashion.

- To propose the rules on compensation of the Directors to the Board of Directors and the review them on a regular basis to ensure that they are in line with the duties they perform, in accordance with the terms of Article 35 of these Rules and Regulations.

- To report on the incentive plans.

- To carry out an annual examination of the compensation policy for Directors and Senior Managers.

- To report on the proposed Nominations of the Executive Committee and other Board Committees.

- To draw up and keep a record of the situations of the Company's Directors and Senior Managers; and

- To exercise such other competencies as are assigned to the Committee under the terms of these Rules and Regulations.

All the action taken by the Nominating and Compensation Committee shall be reported to the Board of Directors at the first meeting it holds and the relevant documents shall, in any case, be made available so that it may be informed about this action in order to exercise its competencies.

c) Modus operandi
The Nominating and Compensation Committee shall meet whenever the Chairman deems appropriate or whenever a request to this effect is made by two of its members or the Board of Directors.

Committee name
EXECUTIVE OR DELEGATE COMMITTEE

Brief description

a) Membership
The Executive Committee shall be made up of the Chairman of the Board and no fewer than three and no more than nine Directors, appointed by the Board of Directors.

The Board shall ensure that the membership structure of the different categories of Directors on the Executive Board be similar to the structure of the Board of Directors and that its Secretary be the Secretary to the Board.

In any case, the appointment or renewal of members of the Executive Committee needs in order to be valid a vote of at least two-thirds of the members of the Board of Directors.

b) Modus operandi
The Executive Committee shall meet whenever called by its Chairman. The Chairman and Secretary of the Executive Committee shall be the Chairman and Secretary of the Board of Directors. Furthermore, one or more Deputy Chairmen and a Deputy Secretary may be appointed. The Executive Committee shall be deemed to have a quorum whenever half plus one of its members are present or represented by another member.

Decisions shall be taken by a majority vote of the Directors attending or represented at the meeting. In the event of a tied vote, the Chairman shall have a casting vote.

c) Relationship with the Board of Directors.
The Executive Committee shall report to the Board on a timely basis about the matters discussed and the decisions taken at its meetings.

Committee name
AUDIT COMMITTEE

Brief description

a) Membership

The Auditing and Compliance Committee shall have no fewer than three and no more than five Directors appointed by the Board of Directors. All the members of this Committee must be external or non-executive Directors.

The members of the Auditing and Compliance Committee, and in particular its Chairman, shall be appointed bearing in mind their knowledge and experience in accounting, auditing or risk management.

The Chairman of the Auditing and Compliance Committee must be an independent Director and shall be appointed from among its non-executive director members, and must be replaced every four years. He or she may be re-elected once again after a year has elapsed since the end of his or her last term.

b) Competencies

Any other commission that may be assigned to it by the Board of Directors notwithstanding, the paramount job of the Auditing and Compliance Committee shall be to support the Board of Directors in its duties as supervisor and it shall, specifically, have at least the following competencies:

- To report, through its Chairman, to the General Meeting of Shareholders on the issues that are put to it by the shareholders regarding matters that fall within the Committee's remit.

- To propose to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment of the Auditor referred to in Section 204 of the Companies Act, as well as, whenever appropriate, the terms under which the Auditor is to be contracted, the scope of his professional mandate and the revocation or renewal of his appointment.

- To ensure the independence and efficacy of internal audit; propose the selection, appointment, re-appointment and, where applicable, removal of the internal audit manager; propose a budget for the internal audit service; receive periodic information on its activities; and ensure that senior management is aware of the conclusions and recommendations contained in such reports.

- To supervise the preparation and integrity of the financial information for the Company, and, where applicable, its group of companies, reviewing compliance with regulatory requirements and legal provisions, the scope of the consolidation perimeter and the correct application of accounting principles.

- To establish and supervise a mechanism that allows employees to confidentially, and if considered appropriate, anonymously report any irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.

- To handle relations with the Auditor for receiving information regarding any issues that may put the Auditor's independence at risk, and any other issues relating to the process of performing the audit of the accounts, as well as to receive information and keep up the communications with the Auditor provided for under audit legislation and in technical auditing rules.

- To oversee compliance and the internal codes of conduct, and the rules on corporate governance.

- To report to the Board, before the Board takes the relevant decisions, on the financial information which the company must, as a listed company, publish on a regular basis.

- To report to the Board on all matters concerning operations with related parties, as defined by the current Companies Act (Section 127 ter).

- To report to the Board on the creation or acquisition of holdings in companies for special purposes or which are domiciled in countries or territories that qualify as tax havens, and any other transactions or operations of a similar nature which are of a complexity such that they may impair the transparency of the group, and

- To exercise such other competencies as are assigned to the Committee under the terms of these Rules and Regulations or which may be assigned to it by the Board of Directors.

c) Modus operandi

The Auditing and Compliance Committee shall meet at least once a quarter and whenever it may be appropriate, after been called by the Chairman, on his own decision or in response to a request made by two of the members of the Committee or of the Board of Directors.

The Auditing and Compliance Committee may call on any employee or executive of the company, or the Company's Auditor to attend its meetings.

<u>B.2.4 State the advisory and consultancy powers assigned to each committee and, where applicable, the powers delegated to each of the committees.</u>

Committee name
NOMINATING AND COMPENSATION COMMITTEE

Brief description
To report on the proposed Nominations and removals of Directors and Senior Managers of the Company and its subsidiary companies; when filling any vacancies that may come up in the Board of Directors, the Nominating and Compensation Committee shall ensure that there is no implicit bias in the selection procedure that might prevent women from being selected to be Directors and for women with the appropriate professional qualifications and experience to be included on the short-lists for directorships, seeking to approve the compensation brackets for the Company's Senior Managers; to approve the standard contracts for Senior Managers; to lay down the rules on compensation for the Chairman and, whenever applicable, for the Chief Executive Officer; to examine or organise, in the manner deemed appropriate, the succession of the Chairman and chief executive officer and, whenever applicable, to make proposals to the Board, so that said succession takes place in an organised, well planned fashion; to propose the rules on compensation of the Directors to the Board of Directors and the review them on a regular basis to ensure that they are in line with the duties they perform, in accordance with the terms of Article 35 of these Rules and Regulations; to report on the incentive plans; to carry out an annual examination of the compensation policy for Directors and Senior Managers; to report on the proposed Nominations of the Executive Committee and other Board Committees; to draw up and keep a record of the situations of the Company's Directors and Senior Managers and to exercise such other competencies as are assigned to the Committee under these Rules and Regulations.

Committee name
EXECUTIVE OR DELEGATE COMMITTEE

Brief description
Empowered to take decisions at a general level and, consequently, expressly empowered with all the powers pertaining to the Board of Directors, except for those which are not allowed to be delegated under the terms of the law or of the Company's Articles of Association.

The Board of Directors may, moreover, entrust the Executive Committee with further duties.

Committee name
AUDIT COMMITTEE

Brief description
Its paramount job shall be to support the Board of Directors in its duties as supervisor and it shall, accordingly, be empowered with all the powers granted, be it under the terms of the Companies Act (LSA), or under the Company's Articles of Association, and the Rules and Regulations of the Board of Directors on matters concerning auditing and compliance.

B.2.5 Indicate, where applicable, if there are any rules and regulations for the Board Committees, where they are available for consultation and any changes or amendments made during the year. Likewise indicate whether an annual report on the activities of each Committee has been prepared on a voluntary basis.

Committee name
NOMINATING AND COMPENSATION COMMITTEE

Brief description
The Rules and Regulations of the Board of Directors lay down comprehensive, detailed rules that govern the structure, modus operandi and competencies of the Nominating and Compensation Committee (Article 26 of the Rules and Regulations)

These Rules and Regulations may be consulted at any time on the NH Hoteles, S.A. web site.

On 23 January 2007, the Board of Directors approved a new set of Rules and Regulations of the Board of Directors, which essentially brought in the Recommendations set out in the Unified Code of Good Governance, which also affected the modus operandi and competencies of the Nominating and Compensation Committee.

Later, on 22 April 2008, the wording of the Rules and Regulations were partially amended again in order to bring it into line with the Conthe Code. These changes included a new paragraph in Article 26, b) 1, which expressly states that the Nominating and Compensation Committee shall ensure that there is no implicit bias in the selection procedure that might prevent women from being selected to be Directors and for women with the appropriate professional qualifications and experience to be included on the short-lists for directorships.

Furthermore, Reports on the action taken by the Auditing and Compliance Committee and the Nominating and Compensation Committee are approved every year.

Committee name
EXECUTIVE OR DELEGATE COMMITTEE

Brief description
The rules on the structure, modus operandi and competencies of the Executive Committee are expressly set out in Articles 23 and 24 of the Rules and Regulations of the Board. These Rules and Regulations of the Board may be consulted at any time on the NH Hoteles, S.A. web site, in the section on Shareholder Information

On 23 January 2007, the Board of Directors approved a new set of Rules and Regulations of the Board of Directors, which essentially brought in the Recommendations set out in the Unified Code of Good Governance. In 2008 no changes affecting the rules and modus operandi of the Executive Committee were made.

Committee name
AUDIT COMMITTEE

Brief description
Article 25 of the Rules and Regulations of the Board of Directors lay down all the rules that govern the structure, modus operandi and competencies of the Audit and Compliance Committee.

These Rules and Regulations have been published on the NH Hoteles, S.A. web site, www.nh-hotels.com, in the section on Shareholder Information.

On 23 January 2007, the Board of Directors approved a new set of Rules and Regulations of the Board of Directors, in order to bring them into line with the Recommendations set out in the Unified Code of Good Governance. These changes also included a change to Article 25, which is worded as stated in the Recommendations set out in the Unified Code of Good Governance on the modus operandi, structure and competencies of the Auditing Committee. No further changes affecting the rules governing this Committee were made last year.

Every year, moreover, Reports have been approved on the activities of the Auditing and Compliance Committee.

B.2.6 State whether the composition of the Executive Committee reflects the proportions of the different types of Directors on the Board.

YES

C - INTERCOMPANY TRANSACTIONS

C .1. State whether the Board, in a plenary session, has reserved itself powers to approve, based on a favourable report from the Audit Committee or any other entrusted with such a task, the transactions in which the Company engages with its directors, significant shareholders or shareholders with Board representation, or parties related to them:

YES

C.2. List the significant transactions made during the year that involve a transfer of resources or obligations between companies or entities of the Group and the Company's significant shareholders.

NAME OR CORPORATE NAME OF THE MAJOR SHAREHOLDER	NAME OR CORPORATE NAME OF THE COMPANY OR ENTITY IN ITS GROUP	NATURE OF THE RELATIONSHIP	TYPE OF OPERATION	(THOUSAND EUROS)
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	NH HOTELES, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	47,622
CAJA DE AHORROS Y MONTE DE PIEDAD DE MADRID	NH HOTELES, S.A.	CONTRACTUAL (Credit line limit 27,500)	Agreements for financing loans and contributions to capital (borrower)	26,598
CAJA DE AHORROS Y MONTE DE PIEDAD DE GIPUZKOA Y SAN SEBASTIÁN	NH FINANCE, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	15,000
INTESA SANPAOLO, S.P.A.	GRANDE JOLLY, S.R.L.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	23,807
INTESA SANPAOLO, S.P.A.	GRANDE JOLLY, S.R.L.	CONTRACTUAL (Credit line limit 5,500)	Agreements for financing loans and contributions to capital (borrower)	5,500
INTESA SANPAOLO, S.P.A.	JOLLY HOTEL HOLLAND NV	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	5,625
INTESA SANPAOLO, S.P.A.	JOLLY HOTELS USA, INC	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	4,714
INTESA SANPAOLO, S.P.A.	NH HOTELES, S.A.	CONTRACTUAL (Credit line limit 15,000)	Agreements for financing loans and contributions to capital (borrower)	12,202
PONTEGADEA INVERSIONES, S.L.	LOS ALCORNOQUES DE SOTOGRANDE, S.L.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	1,066
PONTEGADEA INVERSIONES, S.L.	NH HOTEL RALLYE PORTUGAL LTD.	CONTRACTUAL	Leases	666
PONTEGADEA INVERSIONES, S.L.	NH HOTELES ESPAÑA, S.L.	CONTRACTUAL	Leases	9,577
PONTEGADEA INVERSIONES, S.L.	RESIDENCIAL MARLIN, S.L.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	13,238
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA (IBERCAJA)	NH FINANCE, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	3,500
CAJA DE AHORROS Y MONTE DE PIEDAD DE ZARAGOZA, ARAGÓN Y RIOJA (IBERCAJA)	NH HOTELES, S.A.	CONTRACTUAL (Credit line limit 6,000)	Agreements for financing loans and contributions to capital (borrower)	5,961

C.3. List the significant transactions involving a transfer of resources or obligations between the Company or entities of its Group, and the Directors or Senior Managers or the Company.

NAME OR CORPORATE NAME OF THE ADMINISTRATORS OR EXECUTIVES	NAME OR CORPORATE NAME OF THE COMPANY OR ENTITY IN ITS GROUP	NATURE OF THE OPERATION	TYPE OF OPERATION	(THOUSAND EUROS)
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	NH FINANCE, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	25,000
CAJA DE AHORROS DE VALENCIA, CASTELLÓN Y ALICANTE (BANCAJA)	NH HOTELES, S.A.	CONTRACTUAL (Credit line limit 15,000)	Agreements for financing loans and contributions to capital (borrower)	14,992
MR. GABRIELE BURGIO	NH HOTELES, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	8,305
HOTELES PARTICIPADOS, S.L.	DESARROLLO INMOBILIARIO SANTA FE	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	5,481
HOTELES PARTICIPADOS, S.L.	NH FINANCE, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	7,500
HOTELES PARTICIPADOS, S.L.	NH FINANCE, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	12,500
HOTELES PARTICIPADOS, S.L.	NH HOTELES, S.A.	CONTRACTUAL (Credit line limit 1,000)	Agreements for financing loans and contributions to capital (borrower)	993
MR. JESÚS IGNACIO ARANGUREN GONZÁLEZ-TARRÍO	NH HOTELES, S.A.	CONTRACTUAL	Financing agreements: loans and capital contributions (lender)	3,437
MR. ROBERTO CHOLLET IBARRA	NH HOTELES, S.A.	CONTRACTUAL	Financing agreements: loans and capital contributions (lender)	2,578
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH FINANCE, S.A.	CONTRACTUAL	Agreements for financing loans and contributions to capital (borrower)	40,000
SOCIEDAD DE PROMOCIÓN Y PARTICIPACIÓN EMPRESARIAL CAJA MADRID	NH HOTELES, S.A.	CONTRACTUAL	Commitments entered into	56,282

C.4. List of significant transactions carried out by the Company with other companies belonging to its same Group which have not been eliminated in the process of consolidation and are not part of the Company's routine business.

Corporate name of the group company HARRINGTON HALL HOTEL LIMITED
(Thousand euros) 7069
Brief description of the operation LOAN

Corporate name of the group company LOS ALCORNOQUES DE SOTOGRANDE, S.L.
(Thousand euros) 5539
Brief description of the operation LOAN

Corporate name of the group company RESIDENCIAL MARLIN, S.L.
(Thousand euros) 735
Brief description of the operation PROVISION OF SERVICES

Corporate name of the group company RESIDENCIAL MARLIN, S.L.
(Thousand euros) 13238
Brief description of the operation LOAN

Corporate name of the group company RESIDENCIAL MARLIN, S.L.
(Thousand euros) 708
Brief description of the operation CURRENT ACCOUNT

Corporate name of the group company RESIDENCIAL MARLIN, S.L.
(Thousand euros) 105
Brief description of the operation CURRENT ACCOUNT

C.5. Mention any conflicts of interests that Directors may be involved in, pursuant to Section 127.ter of the Companies Act.

NO

C.6. List of the procedures set up to identify, determine and settle possible conflicts of interest between the Company and/or its Group and its Directors, Senior Managers or major shareholders.

Article 32 of the Rules and Regulations of the Board sets out the rules for detecting, determining and settling any conflicts of interest that may arise between the company and/or its group and its Directors. The actual wording of this Article states that the Directors shall perform their duties with complete loyalty to the interests of the Company.

To this end, the Directors must comply with the following obligations and pohibitions:

a) The Directors may not use the Company's name or invoke their status as Administrators to carry out any operation on their own behalf or on behalf of persons related to them.

b) No Director may carry out, for his or her own benefit or for the benefit of anyone who is related to him or her, any investments or operations linked to the Company's assets which he or she has learnt about in the course of his duties as a Director, whenever such operations have been offered to the Company or the Company has an interest therein, unless the company has rejected them without the Director having had any influence on the decision.

c) The Directors may not use the Company's assets or avail themselves of their position in the Company to achieve any material benefit unless they have paid proper consideration therefor.

If the benefit is received by virtue of their position as a shareholder, it shall only be proper if the principle of equal treatment of shareholders is fulfilled.

d) The Directors must notify the Board of Directors about any situation that may bring them directly or indirectly into conflict with the company's interests. In the event of conflict, the Director in question shall refrain from taking part in the operation giving rise to the conflict.

e) The Directors must refrain from voting on any matters in which they, or anyone related to them, have a direct or indirect interest.

f) No Director may carry out, directly or indirectly, any professional or business operation or transaction with the Company or with any of the companies in its Group, whenever said operations are not part of the Company's normal course of business or are not performed on an arms'-length basis, unless the Director previously reports the Board of Directors about such operations and the Board of Directors, subject to a report from the Nominating and Compensation Committee, approves the transaction with at least 80% of the members of the Board attending or represented to the meeting vote, voting in favour of the transaction.

g) The Directors must report any holding they or anyone related to them have in the capital of any company which engages in the same, a similar or a complementary activity as that which constitutes the corporate object, any positions or duties that they hold therein, as well as the performance of any type of activity that constitutes the corporate object for their own account or as salaried employees thereof.

The Board of Directors may, at the proposal of the Nominating and Compensation Committee, prevent Directors from holding senior positions in companies that compete with the Company or with any of the companies in its Group.

For the purposes set out in the previous paragraph, the term anyone related to the Directors as being the persons referred to in Section 127 ter. 5 of the Companies Act.

The Internal Code of Conduct also defines the general duties and obligations of loyalty that the Directors and senior management of the Company have undertaken to fulfil, which concern in general terms matters relating to conflicts of interest, standards of behaviour relating to privileged information, disclosure of significant information and securities transactions.

The Audit and Control Committee has the duty, inter alia, of ensuring compliance with the internal codes of conduct and the codes of corporate governance.

C.7. Is more than one company of the Group listed on the securities market in Spain?

YES

Identify the subsidiary companies that are listed:

LISTED SUBSIDIARY COMPANY
SOTOGRANDE, S.A.

State whether the respective areas of activity and possible business relationships between them have been publicly, precisely defined, as well as the relationships of the listed dependent company with other companies in the group:

YES

DEFINE ANY POSSIBLE BUSINESS RELATIONSHIPS BETWEEN THE PARENT COMPANY AND THE LISTED SUBSIDIARY COMPANY AND BETWEEN THE LISTED SUBSIDIARY COMPANY AND ALL THE OTHER COMPANIES IN THE GROUP
The relationships stemming from existing management agreements between the companies

Identify the measures set up to settle any conflicts of interest that might arise between the listed subsidiary company and the other companies in the group:

METHODS FOR SETTLING ANY CONFLICTS OF INTEREST THAT MIGHT ARISE
The measures for settling any conflicts of interest that could arise between NH Hoteles, S.A. and the listed company that belongs to its group, Sotogrande, S.A., are defined by the Auditing and Compliance Committee of the respective companies. Appropriate solutions are put forward and are approved, whenever necessary, by each company's Board of Directors.

D - RISK CONTROL SYSTEMS

D.1. General description of the risk policies of the company and/or group, listing and evaluating the risks covered by the system, along with an explanation of the extent to which such systems are tailored to the profile of each type of risk.

The Risk Control Systems for the business activities of the NH Hoteles S.A. Group can be classified as follows:

- Controlling Financial Risk
- Controlling the Strategic Investment Risk
- Business Risk Control, operational and environmental
- Regulatory risk control systems
- Other preventive procedures

1. Controlling Financial Risk

The Group controls its financial risks using the following systems:

1.1 Manual of Procedures: Major operations carried out by the NH Hoteles Group are standardised in a manual of internal procedures, be it for purchasing circuits, managing assets, cash and banks, monthly closure procedures, etc. Furthermore, the rules governing accounting matters have been laid down for all the Group's companies, in Spain and abroad.

1.2 Internal Audit: The internal audit department works on an ongoing basis, focused largely on identifying risk situations and in assessing how they are managed. An annual audit plan has thus been defined which aims, inter alia, to check that the rules and procedures laid down are properly applied, at the level of the corporate departments and in each particular hotel.

1.3 Auditing Committee: The Auditing Committee reports directly to the Board of Directors. It ensures that all the Group's Internal Control Systems are working properly. Moreover, at regular intervals it analyses the main business risks and the systems set up to manage and control them and is responsible for relations with the Group's external auditors.

1.4 Centralised Management: The Group manages its financial policies, interest rates and exchange rates on a non-speculative basis in a single, centralised manner at the Directorate General for Corporate Economics and Finance.

2. Controlling Strategic Investment Risk

2.1 The NH Hoteles Group has a team of professionals whose job it is to analyse strategic opportunities of various different kinds. This team selects the alternatives that best fit the Group's global strategy and submit them to the Expansion and Management Committee and, later, to the Executive Committee and the Board of Directors.

2.2 The Group has identified a series of employees who, every time an acquisition is made, set up an Integration Committee, aimed at standardising the policies and procedures of various different critical areas (human resources, information systems, sales and marketing,...)

2.3 The Expansion Committee reports to the Management Committee. It analyses the operations put to it. Its members come from each of the areas for analysing each and every one of the opportunities and risks of the businesses that are submitted to the group.

3. Business Risk Control Systems, operations and the environment

3.1 The Management Committee meets every week and analyses, on the one hand, the information on the control panels prepared by the Management Control Corporate Department to assess the performance of the operations, and on the other, it monitors in greater depth the aspects of sales assessment obtained through the computer system.

It also lays down the policy for all the company's departments and monitors compliance with the market policy for the Committee.

3.2 The Group's policy, in particular in its Golf business, is aimed at respecting the environment to the utmost. It has therefore contracted the services of an environmental consultancy to diagnose and provide advice on the Group's actions.

4. Regulatory Risk Control Systems

This group includes all those risks connected with legal rules that are likely to affect day-to-day operations, the drawing up of contracts (customers and suppliers), complying with legal, administrative, international, state, regional or municipal rules, and renewing lease and management agreements. There is a procedures for simultaneous approval at different levels in the organisation which ensures that the agreements are properly approved. Furthermore all the risks affecting this sector are regularly reviewed by the Internal Audit Department as part of its annual plan.

The company also has subcontracted companies that ensure compliance with health, safety on the job, safety of the facilities, fire-prevention regulations, etc.

5. Other preventive procedures

5.1 Employee and safety
The safety and health plans for employees involve planning the processes that are likely to give rise to risks and setting up appropriate safety measures. The Company provides many training courses to its own employees and to sub-contracted staff.

5.2 Insurance
The NH Hoteles Group's policy is to have wide cover by taking out insurance policies for risks that are likely to arise. There is also a policy of ongoing reviews of covers.

5.3 Risk Map
The Auditing Committee of the NH Hoteles Group has drawn up a risk map that covers a wide range of up to 14 types of risk ranging from future rent commitments to the state of the operating permits of the hotels, and commitments under financial covenants in loans. This plan is updated every year to identify any threats that might affect the Group in its operations.

D.2. State whether any risks have arisen during the year, some of the different types of exposures (operational, technological, financial, legal, reputation, tax) that affect the company and/or its group.

YES

If so, state the reasons for this and if the control systems set up have worked.

Risk arising in the year Risks inherent to the activity
Reasons Carrying on the activities carried on by NH Hoteles, S.A.
How the control systems work The systems for preventing and controlling risk have been found to be working properly, as a result of which the measures set up have to date been found to be operating satisfactorily.

D.3. State whether there is any committee or other governing body in charge of setting up and supervising control mechanisms.

YES

If so, list its duties

Name of the committee or body Auditing and Compliance Committee
Description of duties The Auditing Committee reports directly to the Board of Directors. It ensures that all the Group's Internal Control Systems are working properly. Moreover, at regular intervals it analyses the main business risks and the systems set up to manage and control them and is responsible for relations with the Group's external auditors.
In general it supports the Board of Directors in its duties as supervisor and it shall, accordingly, be empowered with all the powers granted, be it under the terms of the Companies Act (LSA), or under the Company's Articles of Association, and the Rules and Regulations of the Board of Directors on matters concerning Auditing and compliance.

Name of the committee or body Internal Audit Department
Description of duties Identifying and assessing risk situations defining an annual Audit plan has thus been defined which aims, inter alia, to check that the rules and procedures laid down are properly applied, at the level of the corporate departments and in each particular hotel.

D.4. Identification and description of the processes of compliance with regulations that affect the company and/or the group.

Department of Prevention of On-the-Job Risks
The systems for preventing on-the-job risks are assessed and audited internally on an ongoing basis. The scope extends to central departments and all the hotels.

Internal Audit
The Internal Audit Department, which reports directly to the Chairman and is at the disposal of the Board of Directors via the Auditing and Compliance Committee, helps in managing the risks to which the Group is exposed when fulfilling its objectives.

Thus, the Audit Department carries out a continuous assessment of the risk control procedures and systems, organisation models and management variables in the most significant areas of the NH Hotels, S.A. Group. The corresponding conclusions are reported to the heads of the areas being assessed and to Senior Management of the Group, including, whenever appropriate, recommending specific action to be taken to implement improvements.

The Audit Department therefore takes an active part in preventing and controlling fraud. Secretary General
The General Secretary is competent to assess and reduce legal risks, and to ensure that the rules are complied with.

Internal Code of Conduct
Furthermore, on 26 June 2003, the Board of Directors of NH Hoteles, S.A. approved the Internal Code of Conduct of NH Hoteles, S.A. and its Group of Companies on the Securities Markets, which must be complied with by its recipients and lays down rules governing all matters relating to standards of behaviour with regard to securities, conflicts of interest, standards of behaviour concerning privileged information, and securities transactions, inter alia.

Security Policy
All the Company's employees sign a Security Policy document which sets out the security policy of NH Hoteles with regard to data processing and data communications. Its purpose is to ensure that every member of staff is informed, clearly and briefly, about the security policy of NH Hoteles in connection with the use of information systems, access to facilities, software and using e-mail and the Internet in the work place, in order to clearly define behaviours that are not allowed when using these work tools of NH Hoteles.

E - GENERAL SHAREHOLDERS´ MEETING

E.1. State and if necessary describe the quorum required at the General Shareholders Meeting pursuant to the Company's Articles of Association. Describe any differences vis-à-vis the rules of minimum requirements provided for in the Companies Act (LSA).

NO

	% OF QUORUM DIFFERENT TO THAT SET IN ART. 102 LSA FOR GENERAL CASES	% OF QUORUM DIFFERENT TO THAT SET IN ART. 103 LSA FOR SPECIAL CASES OF ART.103
Quorum required when first called	0	0
Quorum required when called the second time	0	0

E.2. Mention and if necessary describe any differences in the decision-making procedures vis-à-vis the guidelines provided for in the Companies Act (LSA).

YES

SECURITY	
Modification of article 15 of the Articles of Association	51.000

Describe any differences with regard to the rules laid down in the Companies Act (LSA).

DESCRIBE THE DIFFERENCES
Article 15 of the Company's Articles of Association states that Shareholder Meetings shall take their decisions by a majority of the votes of the shares present or represented. Every share shall entitle its holder to one vote. No shareholder, regardless of how many shares he may hold, may have more votes than the votes for 20% of the issued voting shares. This limit shall not apply in the Shareholder Meetings where, according to the list of those attending, a single shareholder present or represented at the Meeting holds more than 51% of the issued voting shares. Article 15 provides for an exception to the rule set out above (majority of the votes attending or represented) ´any decision to amend this Article must be with the vote in favour of at least 51% of the capital'.

E.3. List the rights of shareholders with regard to Shareholder Meetings apart from those provided for in the Companies Act (LSA).

- **Right to information:**

Article 9 of the Rules and Regulations of the Shareholder Meeting provides that as from the date the announcement calling the Shareholder Meeting is published, the Company shall make available to its shareholders the documents and information that it must provide them by law or under the terms of its Articles of Association concerning the items on the agenda, and shall include these documents and information on the Company website as from said date. This notwithstanding, shareholders may obtain these documents and information immediately and free of charge at the Company's registered address or may ask the Company to send them free of charge, in the cases and subject to the terms laid down by law.

Furthermore, as from the date the announcement calling the Shareholder Meeting is published, and in order to facilitate attendance by the shareholders at the Shareholder Meeting and so that they may take part in the Meeting, the Company shall include on its website, to the extent that they are available, in addition to the documents and information required by law, anything that the Company deems advisable for the purposes referred to and in particular, but not only, the following:

a) The full text of all the proposed decisions that are to be submitted to the Shareholder Meeting which have already been approved by the Board of Directors, any changes made by the Board of Directors prior to the date of the Meeting notwithstanding, whenever this is legally possible.

b) Information about where the Shareholder Meeting is to be held, describing, whenever appropriate, how to gain access to the venue.

c) Procedure for getting attendance cards or the certificate issued by the entities who are legally authorised to do so.

d) Methods and procedures for granting proxy rights for the Shareholder Meeting.

e) Any methods and procedures for distance voting.

f) Any other points of interest for the meeting, such as whether or not there are simultaneous translations facilities, if the Shareholder Meeting is to be broadcast or the information in other languages.

This information may be subject to changes at any time. Any such changes or clarifications shall be published on the Company's website.

The Company shall provide, sufficiently in advance, the information and documents referred to in sections 1 and 2 a) here above, to the National Securities Market Commission and to such other Market Governing Bodies as may be appropriate.

Article 10 of the Regulations also sets out all the rules regarding the right to information of shareholders and states that as from when the notice calling the Shareholder Meeting is published, and up to the seventh last day prior to the date set for holding the meeting when first called, any shareholder may apply in writing to the Company's Board of Directors for any information or clarification he or she may deem necessary, or put in writing any question he or she may deem appropriate, about the matters included in the Agenda of the Meeting published when the announcement calling the meeting is made or about any information available to the public that the Company has provided to the National Securities Market Commission since the previous Shareholder Meeting was held.

The Board of Directors must provide, up until the date the Shareholder Meeting is held, in writing, any information or clarification that has been requested, and also to give written answers to any questions made. The replies to the questions and to the requests for information made shall be sent via the Secretary to the Board of Directors, by any of the members of the board or by anyone who has been expressly empowered by the Board of Directors for said purpose.

While the Shareholder Meeting is being held, the Company's shareholders may verbally ask for any information or clarification they deem advisable about the matters included in the agenda and, if the shareholder's right cannot be satisfied at that moment in time, the Administrators must provide this information in writing within seven days after the General Meeting ends.

The Administrators must provide the information asked for under the terms of the two above sections, except in cases where, in the opinion of the Chairman, making public the information asked for would be damaging to the Company's interests.

Information may not be held back when the request is supported by shareholders who represent at least one quarter of the share capital.

- **Suggestions made by shareholders.**

Notwithstanding the right of shareholders, in the cases and terms provided for by law, to apply for certain matters to be included on the agenda of the Meeting which the ask to be called, shareholders may, at any time, after giving proof of their shareholder status, make suggestions relating to the organisation, operations and competencies of the Shareholder Meeting.

- **Right to attend**

  Article 12 of the Rules and Regulations sets out the rules on the right to attend meetings. In this regard it provides that Shareholder Meetings may be attended by shareholders who hold the minimum number of shares required under the Articles of Association registered in their name in the appropriate record of notes in account five days before the date the meeting is to be held, provided that they provide proof of their status in the form of the relevant attendance card or share certificates issued in their name by any of the entities that participate in the body that manages this accounting record or directly by the Company itself, or in any other manner allowed under current Law. This card or certificate may be used by shareholders as a proxy document for the Meeting in question. Shareholders who do not hold the minimum number of shares required to attend may, at any time, delegate their proxy rights, as set out in the next Article, to a shareholder who is entitled to attend the Meeting, or to group together with other shareholders in the same situation so as to attain the number of shares needed, in which case they must grant their proxy rights to one of those shareholders. Such groups must be set up especially for each Meeting, and be recorded in some written form.

  The Chairman may authorise that anyone whom he deems advisable may attend although the Meeting may reject such permission.

- **Proxy rights**

  Article 13 of the Rules and Regulations of the Shareholder Meetings states that any shareholder who is entitled to attend Shareholder Meetings may be represented by somebody else, who does not have to be a shareholder. The proxy must be accepted by the representative and must be granted specially for each Meeting, either as a printed power of attorney on the attendance card or else in any other manner allowed by Law, except as provided for in Article 108 of the Companies Act for cases where family relations act as representatives and the granting of general powers of attorney.

  Proxy may also be granted using data transmission or distance data transmision that properly guarantee the proxy right attributed and the identity of the represented party. The proxy granted shall be accepted when granted in these ways when the electronic document whereby the proxy is granted included the recognised electronic signature used by the represented party or any other type of signature that gives sufficient guarantee of authenticity and for identifying the shareholder who is granting the proxy and complies with all the other requirements laid down in law current at the time.

  The documents which record the proxies or powers of attorney for the Shareholder Meeting shall set out the instructions as to how to vote, it being understood that if no express instructions are given, the representative shall vote for the decision proposed by the Board of Directors for the items on the agenda.

  In the absence of voting instructions, because the Shareholder Meeting is to vote on matters that were not included on the agenda and were therefore not known when the proxy rights were granted, the proxy holder may vote as he or she best deems appropriate, in the interests of the Company and of the shareholder he or she is representing. This shall also be the case when the proposal or proposals put to the vote at the Shareholder Meeting have not been drawn up by the Board of Directors.

  In the event that the proxy document or power of attorney fails to state the particular person who is granted powers to represent the shareholder, said powers shall be deemed to have been granted to the Chairman of the Board of the Company or the person designated by the Chairman of the Board, or whosoever may stand for him in chairing the Shareholder Meeting.

  In the event that a public application of representation has been drawn up in accordance with the terms of Article 107 of the Companies Act, the Administrator who is given such powers of attorney shall be subject to the voting restriction set out in Article 114 of the Securities Market Act for cases of conflict of interest.

  Proxy rights shall always be revocable. If the represented shareholder attends the Shareholder Meeting in person, this shall constitute a revocation of the proxy.

- **Right to vote**

  The shareholders present or represented at the Meeting may vote on the proposed decisions put to the Shareholder Meeting. Decisions taken by Shareholder Meetings shall be taken subject to the majorities stipulated by law. Each share shall be entitled to one vote.

  Shareholders who are private individuals who are not entitled to act legally and legal entities that are shareholders shall be represented by persons who are, according to the Law, entitled to act as their duly accredited representatives.

  In any case, either in the event of voluntary representation or legal representation, shareholders may not have more than one representative at the Meeting.

  The Chairman of the General Meeting of Shareholders or, by delegation by the Chairman, the Secretary to said Meeting, shall settle any doubts that may arise as to the validity and efficiency of the documents whereby each shareholder is entitled to attend Shareholder Meetings individually or by grouping his or her shares together with those of other shareholders, and to delegate or grant proxy powers to somebody else, and shall endeavour to regard as invalid or inefficient only those documents that fail to meet the minimum requirements laid down by law or in the Articles of Association as being essential, and only if such defects have not been remedied.

E.4. State any measures that have been taken to encourage shareholder participation at Shareholder Meetings.

In order to encourage shareholders to attend Shareholder Meetings, the Company makes available to its shareholders the documents and information that it must provide them concerning the items on the agenda, and shall include these documents and information on the Company website as from said date. This notwithstanding, shareholders may obtain these documents and information immediately and free of charge at the Company's registered address or may ask the Company to send them free of charge, in the cases and subject to the terms laid down by law.

Furthermore, as from the date the announcement calling the Shareholder Meeting is published, and in order to facilitate attendance by the shareholders at the Shareholder Meeting and so that they may take part in the Meeting, the Company shall include on its website, to the extent that they are available, in addition to the documents and information required by law, anything that the Company deems advisable for the purposes referred to and in particular, but not only, the following:

a) The full text of all the proposed decisions that are to be put to the Shareholder Meeting which have already been approved by the Board of Directors, any changes made by the Board of Directors prior to the date of the Meeting notwithstanding, whenever this is legally possible.

b) Information about where the Shareholder Meeting is to be held, describing, whenever appropriate, how to gain access to the venue.

c) Procedure for getting attendance cards or the certificate issued by the entities who are legally authorised to do so.

d) Methods and procedures for granting proxy rights for the Shareholder Meeting.

e) Any methods and procedures for distance voting.

f) Any other points of interest for the meeting, such as whether or not there are simultaneous translations facilities, if the Shareholder Meeting is to be broadcast or the information in other languages.

As from when the notice calling the Shareholder Meeting is published, and up to the seventh last day prior to the date set for holding the meeting when first called, any shareholder may apply in writing to the Company's Board of Directors for any information or clarification he or she may deem necessary, or put in writing any question he or she may deem appropriate, about the matters included in the Agenda of the Meeting published when the announcement calling the meeting is made or about any information available to the public that the Company has provided to the National Securities Market Commission since the previous Shareholder Meeting was held.

The Board of Directors must provide, up until the date the Shareholder Meeting is held, in writing, any information or clarification that has been requested, and also to give written answers to any questions made. The replies to the questions and to the requests for information made shall be sent via the Secretary to the Board of Directors, by any of the members of the board or by anyone who has been expressly empowered by the Board of Directors for said purpose.

While the Shareholder Meeting is being held, the Company's shareholders may verbally ask for any information or clarification they deem advisable about the matters included in the agenda and, if the shareholder's right cannot be satisfied at that moment in time, the Administrators must provide this information in writing within seven days after the Meeting ends.

In any case, in order to facilitate the flow of information between the shareholders and the Company, a Department of Investor and Shareholder Relations has been set up to which they may send e-mails or phone in order to clear up any doubts they may have about the corporate governance of the Company.

In addition to all the above, NH Hoteles, S.A. has a website which provides shareholders and investors in general with information about the most significant events that take place with regard to the company. The corporate website brings together significant information and documents on corporate governance and aims to become a method of communicating with shareholders, providing them with up-to-date information about any matters that may be of importance.

The Administrators must provide the information asked for under the terms of the above sections, except in cases where, in the opinion of the Chairman, making public the information asked for would be damaging to the Company's interests, except when the request is backed by shareholders representing at least one quarter of the Company's share capital.

E.5. State whether the Chairman of the Shareholder Meeting is likewise the Chairman of the Board of Directors. Describe any measures adopted to guarantee the independence and proper conduct of Shareholder Meetings.

YES

DESCRIBE THE MEASURES
The Rules and Regulations of the Shareholder Meeting, which govern all matters relating to calling, preparing and holding the Shareholder Meeting, and shareholders' rights, ensures that the Meeting goes off properly. Furthermore the presence of a Notary is requested to draw up the minutes of the Meeting and perform the duties relating to drawing up the minutes, such as taking part in organising the order for taking the floor as set out in the Meeting and taking note or keeping word-for-word records of anything shareholders wish to say.

E.6. Mention any amendments that have been introduced during the year in the Rules and Regulations of Shareholder Meetings

No amendments were made to the Rules and Regulations of Shareholder Meetings last year.
The latest amendment to these Rules and Regulations was approved by the Extraordinary Shareholder Meeting held on 5 March 2007 to bring them into line with the Recommendations of the Unified Code of Good Governance.

E.7. Provide information on attendance at Shareholder Meetings held in the year referred to in this report:

ATTENDANCE INFORMATION					
Date Annual Meeting	% of actual attendance	% represented	% postal vote		Total
			Electronic vote	Other	
16/06/2009	17.754	60.259	0.000	0.000	78.013
03/12/2009	44.144	48.436	0.000	0.000	92.580

E.8. Briefly describe the decisions taken at Shareholder Meetings held during the year and percentage of votes in favour of each decision.

I.- General Meeting of Shareholders held on 16 June 2009

One: To approve the Annual Accounts and Directors' Report
Percentage of votes of those attending in favour of the decision: 83.219%

Two: Renewal, ratification, appointment and dismissal of Directors.

2.1 Ratification of the appointment of Mr. Iñaki Arratíbel as a Proprietary Director by cooption.
Percentage of votes of those attending in favour of the decision: 99.2659%

2.2 Ratification of the appointment of Ms. Rosalba Casiraghi as a Proprietary Director by cooption. Percentage of votes of those attending in favour of the decision: 99.2659%

2.3 Appointment of Mr. Antonio Viana Baptista as Director.
Percentage of votes of those attending in favour of the decision: 83.2106%

2.4 Appointment of Ms. Nuria Iturriaggoitia as an Independent Director
Percentage of votes of those attending in favour of the decision: 83.2178%

2.5 Reelection of Mr. Gabriele Burgio as Executive Director.
Percentage of votes of those attending in favour of the decision: 82.7343%

2.6 Reelection of Mr. Manuel Herrando y Prat de la Riba as an Independent Director.
Percentage of votes of those attending in favour of the decision: 83.2178%

2.7 Reelection of Mr. Julio C. Díaz-Freijo Cerecedo as a Proprietary Director
Percentage of votes of those attending in favour of the decision: 83.2178%

Three: Capital increase
Percentage of votes of those attending in favour of the decision: 83.2178%

Four: Board authorisation for Capital increase.
Percentage of votes of those attending in favour of the decision: 83.1384%

Five: Delegation issues
Percentage of votes of those attending in favour of the decision: 83.2132%

Six: Purchases of own shares
Percentage of votes of those attending in favour of the decision: 83.2492%

Seven: Appointment of Auditors for the company and for its consolidated group
Percentage of votes of those attending in favour of the decision: 99.9670%

Eight: Delegation of powers of attorney to formalise, interpret, rectify and enforce the decisions taken by the general meeting of shareholders
Percentage of votes of those attending in favour of the decision: 99.9996%

II.- Extraordinary General Meeting on 3 December 2009

One: Ratification and Appointment

1.1 Ratification of the appointment of Mr. Francisco Javier Illa as a Proprietary Director
Percentage of votes of those attending in favour of the decision: 94.4682%

1.2 Appointment of Mr. Juan Antonio Samaranch Salisachs
Percentage of votes of those attending in favour of the decision: 99.9108%

Two: Change in Articles of Association
Percentage of votes of those attending in favour of the decision: 99.8940%

Three: Delegation of powers of attorney to formalise, interpret, rectify and enforce the decisions taken by the Extraordinary General Meeting of Shareholders
Percentage of votes of those attending in favour of the decision: 99.9279%

E.9. State whether there is any restriction in the Articles of Association setting a minimum number of shares needed to attend Shareholder Meetings.

NO

E.10. State and justify the policies pursued by the Company with regard to proxy voting at Shareholder Meetings.

Any shareholder who is entitled to attend Shareholder Meetings may be represented by somebody else, who does not have to be a shareholder. The proxy rights must be granted in accordance with the terms and scope set in the Companies Act, in writing and especially for each Meeting. This restriction shall not apply when the representative is the spouse, ascendant or descendent of the represented shareholder, nor when the representative holds general powers of attorney executed in a public document to administer the all the assets owned by the shareholder in Spain.

Proxy may also be granted using methods of transmission from a distance that properly guarantee the identity of the represented shareholder and of the representative, if this has been determined.

Under the terms of the Rules and Regulations of Shareholder Meetings and of the Company's Articles of Association, proxy may also be granted using data transmissions that properly guarantee the proxy right attributed and the identity of the represented party. The proxy granted shall be accepted when granted in these ways when the electronic document whereby the proxy is granted included the recognised electronic signature used by the represented party or any other type of signature that gives sufficient guarantee of authenticity and for identifying the shareholder who is granting the proxy and complies with all the other requirements laid down in law current at the time.

The documents which record the proxies or powers of attorney for the Shareholder Meeting shall set out the instructions as to how to vote, it being understood that if no express instructions are given, the representative shall vote for the decision proposed by the Board of Directors for the items on the agenda.

The Chairman of the General Meeting of Shareholders or, by delegation by the Chairman, the Secretary to said Meeting, shall settle any doubts that may arise as to the validity and efficiency of the documents whereby each shareholder is entitled to attend Shareholder Meetings individually or by grouping his or her shares together with those of other shareholders, and to delegate or grant proxy powers to somebody else, and shall endeavour to regard as invalid or inefficient only those documents that fail to meet the minimum requirements laid down by law or in the Articles of Association as being essential, and only if such defects have not been remedied.

Article 13 of the Articles of Association expressly states that if the represented shareholder attends the Shareholder Meeting in person, this shall constitute a revocation of the proxy.

E.11. State whether the company knows about the policies of institutional investors with regard to their involvement or non-involvement in corporate decisions.

NO

E.12. Give the address and method of accessing corporate governance information on the company's website.

All the information of interest to shareholders, including the Corporate Governance Reports approved every year are available at all times on the NH Hoteles, S.A. website, www.nh-hotels.com, in the section on "Shareholder Information".

F. LEVEL OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

State the extent to which the company is following the recommendations of the Unified Code of Good Governance. In the event that it is not complying with any of them, explain the recommendations, standards, practices or policies being applied by the company.

1. The Articles of Association of listed companies should not impose an upper limit on the votes that can be cast by a single shareholder, or impose other restrictions that could hinder the takeover of the company by means of share purchases on the securities market.
See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Explain

In accordance with the terms of Article 15 of the Articles of Association of NH Hoteles, S.A., no shareholder, regardless of how many shares he may hold, may have more votes than the votes for 20% of the issued voting shares. This limit shall not apply in the Shareholder Meetings where, according to the list of those attending, a single shareholder present or represented at the Meeting holds more than 51% of the issued voting shares.

2. Whenever a parent and its subsidiary company are listed, both should clearly and publicly define:

a) The type of business or activity they each engage in and any business dealings between them, as well as between the subsidiary and other group companies.

b) The systems in place to ultimately settle any conflicts of interest that might arise.
See sections: C.4 and C.7

Complies

3. Even when commercial law does not expressly require, any decisions involving a structural or corporate change in the Company should be submitted to the General Meeting of Shareholders for approval, particularly the following:

a) Converting listed companies into holding companies through the process of "subsidiarising", i.e., reassigning to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;

b) Acquiring or selling key operating assets, whenever this would effectively alter the corporate purpose;

c) Transactions that effectively add up to the company's liquidation.

It complies in part

The subsidiarising referred to in section a) of this Recommendation has not been submitted to the General Meeting of Shareholders of the company for approval, because the process of subsidiarising the company that is the majority shareholder of the hotel assets in Spain has been completed during the year, thus replicating the corporate structure of the group in all the other companies and regions where it operates.

4. Detailed proposals of the resolutions to be adopted at the Shareholder Meeting, including information referred to in Recommendation 28, should be disclosed and made available at the same time as the notice to call the Shareholder Meeting is published.

Complies

5. Separate votes should be cast at Shareholder Meetings on materially separate issues, so that shareholders may express their preferences in each case. This rule should particularly apply in the following cases:

a) The appointment or ratification of directors, with separate voting on each candidate;

b) In the case of amendments to the Articles of Association, each article or groups of articles that are materially separate should be voted on individually.
See section: E.8

Complies

6. Companies should allow split votes so that brokers or custodians who are shareholders of record but act on behalf of different clients can issue their votes according to the instructions of such clients.
See section: E.4

Complies

7. The Board of Directors should perform its duties with unity of purpose and independent judgment, affording all shareholders the same treatment and consideration. It should be guided at all times by the Company's best interests and accordingly, strive to maximize its value over time.

It should likewise ensure that the Company abides by applicable laws and regulations in its dealings with stakeholders; fulfil its obligations and covenants in good faith; respect the customs and good practices of the sectors and territories where it does business; and uphold any additional social responsibility principles it has voluntarily adhered to.

Complies

8. Board's core mission should be to approve the Company's strategy and the organization needed for its implementation, as well as to oversee and ensure that Management meets the designated goals and objectives and pursues the Company's interests and corporate purpose. Accordingly, the Board should fully reserve to itself the rights and powers to approve:

a) The policies and strategies of the Company and in particular:
- **i) The strategic business plan and annual management and budgetary targets;**
- **ii) Investment and financing policy;**
- **iii) The definition of the structure of the group of companies;**
- **iv) Corporate governance policies;**
- **v) Corporate social responsibility policies;**
- **vi Executive management compensation and performance appraisal policies;**
- **vii) Risk control and management policies, as well as the periodic monitoring of internal information and control systems.**
- **viii) Dividend payout and treasury stock policies, and in particular, their limits.**

See sections: B.1.10, B.1.13, B.1.14 and D.3

b) The following decisions:
- **i) Upon proposal by the chief executive officer, the appointment and possible dismissal of senior managers, as well as their severance conditions.**

See section: B.1.14
- **ii) Directors' compensation, as well as, in the case of executive directors, any additional remuneration for their executive duties and other terms and conditions to be included in their contracts.**

See section: B.1.14
- **iii) Financial information that the Company, as a listed company, is required to disclose on a regular basis;**
- **iv) Any and all kinds of investments and/or transactions that, due to their amount or special features, may be regarded as strategic, except where the Shareholder Meeting is specifically entrusted with the task of approving them;**
- **v) The creation or acquisition of holdings in companies for special purposes or which are domiciled in countries or territories that qualify as tax havens, and any other transactions or operations of a similar nature which are of a complexity such that they may impair the transparency of the group.**

c) Transactions between the Company and its directors, its major shareholders or shareholders with Board representation, or parties related to them ("related-party transactions").
Nevertheless, this Board authorization may not be required in related-party transactions that simultaneously meet the following three conditions:
- **1ª. They are governed by standard contracts applied on an across-the-board basis to a large number of clients and customers;**
- **2ª. They are made at market rates that are generally set by suppliers of goods and services;**
- **3ª. They amount to no more than 1% of the Company's annual revenues.**

It is recommended that the Board approve the related-party operations subject to a favourable report by the Auditing Committee or, whenever applicable, of whichever other committee has been given this duty; and that the directors who are affected, apart from neither exercising nor delegating their voting rights, shall leave the room while the Board is debating and voting on this point.

It is recommended that the competencies attributed to the Board herein shall not able to be delegated, except as mentioned in b) and c), which may be taken in cases of emergency by the Executive Committee and subsequently ratified by the Board in a plenary meeting.
See sections: C.1 and C.6

It complies in part

These recommendations have been complied with, except as set out in section b.i), where the Board of Directors holds that the decision on appointing and removing senior managers should be taken and continue to be taken by the Company's Chief Executive Officer. This notwithstanding, the Rules and Regulations of the Board give the Nominating and Compensation Board competencies to draw up a prior report on the appointment and removal of executives who report directly to the CEO.

9. The Board of Directors should be the right size to make it work effectively and encourage the greatest participation of its members, and therefore it would be advisable to have no less than five and no more than fifteen members.
See section: B.1.1

Complies

10. In the Board's structure, external proprietary directors and independent directors should represent a broad majority of the Board members and the number of executive directors should be the minimum required, consistent with the complexity of the corporate Group and the percentage of the share capital held by executive directors.
See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. If there are any external directors who cannot be classified as proprietary directors or independent, the Company should explain the reasons thereof and their ties with either the Company, its executive managers and/or its shareholders.
See section: B.1.3

Complies

12. Among external directors, the ratio between proprietary directors and independent directors should reflect the existing proportion between the share capital represented by proprietary directors and the remaining share capital.
The strict interpretation of this principle of proportionality may be relaxed so that the percentage of proprietary directors is in fact greater than what would strictly correspond to the total percentage of capital they represent, in the following cases:

1. In large-cap companies where few or no equity holdings attain the legal threshold for being considered significant shareholdings, despite the considerable sums actually invested.

2. Whenever this involves companies in which a plurality of shareholders are represented on the Board but such shareholders otherwise have no ties among them.
See sections: B.1.3, A.2 and A.3

Complies

13. Independent directors should account for at least one third of the total number of Board members.
See section: B.1.3

Explain

The Board of Directors of the company has thirteen members, four of whom are Independent Directors. To comply with the criterion set in this Recommendation, 4.33 Independent Directors would be required. Bearing in mind that Directors are indivisible and in accordance with general rules on rounding up and down, the company thinks that the structure of the Board complies with Recommendation 13.

14. The Board should explain the type of each directorship to the Shareholder Meeting requested to appoint these directors or ratify their appointment. This should be confirmed or reviewed on an annual basis in the Corporate Governance Report, after being verified by the Nominating Committee. This report should likewise disclose the reasons for the appointment of shareholder representative directors at the request of shareholders whose stake in the Company's share capital is less than 5%; and it should furthermore explain the reasons for rejecting, where applicable, formal requests for Board presence made by shareholders whose equity stakes are equal to or greater than those of others who were indeed granted proprietary directorships.
See sections: B.1.3 and B.1 4

Complies

15. If there are few or no female directors, the Board should explain the reasons thereof and the initiatives taken to remedy this situation, and in particular, the Nominating Committee should take the proper steps to ensure that, whenever vacancies arise:

a) The selection process for filling such vacancies has no hidden gender bias;

b) The Company makes a conscious and deliberate effort to include women candidates who meet the desired professional background and requisites.
See sections: B.1.2, B.1.27 and B.2.3

Complies

16. The Chairman, who is responsible for ensuring that the Board runs smoothly and efficiently, should strive to guarantee that all the Board members receive sufficient information prior to the meetings; encourage the directors to engage in discussion and actively participate in the meetings, safeguarding their freedom to take a stand on the issues brought before them and to express their opinions; and organize and coordinate regular and timely evaluations of the Board, or where appropriate, of the Company's Chairman or Chief Executive Officer, with the chairpersons of the respective Board committees.
See section: B.1.42

Complies

17. They also provide that whenever the Chairman of the Board is also the Company's chief executive officer, the Board shall appoint one of the independent Directors to call a meeting of the Board or to include new items on the agenda; to coordinate and voice the concerns of external directors; and oversee the Board's evaluation of its Chairman.
See section: B.1.21

Complies

18. The Secretary of the Board should do his best to ensure that the Board's actions:

a) Abide by the spirit and letter of the law and their enforcing regulations, including those issued by regulatory agencies;

b) Meet the provisions of the Company's Articles of Association and the Rules and Regulations for Shareholder Meetings, the Board of Directors and any others that the Company may have;

c) Keep in mind any recommendations on good corporate governance contained in this Unified Code that the Company has adhered to.

And, in order to safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal should be proposed by the Nominating Committee and approved by the Board in a plenary meeting; and furthermore, the appointment and removal procedure should clearly be specified in the Rules and Regulations of the Board of Directors.
See section: B.1.34

Complies

19. The Board should meet as frequently as needed to properly carry out its duties, following a pre-established schedule of meetings and issues drawn up at the beginning of the year, allowing each director to propose the inclusion of additional unforeseen items on the agenda.
See section: B.1.29

Complies

20. Non-attendance at Board meetings should be limited to strictly unavoidable circumstances and should be specified in the Annual Corporate Governance Report. Whenever proxies are required, they should be granted with the proper voting instructions.
See sections: B.1.28 and B.1.30

It complies in part

Even though Article 22 of the Rules and Regulations of the Board expressly states that Directors must attend meetings of the Board in person and, whenever exceptionally they are unable to do so, they shall endeavour to ensure that the powers of attorney they grant another member of the Board includes, as far as possible, appropriate instructions, such instructions are not always recorded in writing, and may also be given verbally.

21. Whenever the Secretary or directors express concerns about a specific proposal or, in the case of directors, on the progress of the Company and such concerns are not resolved within the Board, the person expressing them may request that they be recorded in the minutes.

Complies

22. The Board, in a plenary meeting, should evaluate the following points on an annual basis:

a) The quality and efficiency of the Board's operation;

b) Based on a report submitted by the Nominating Committee, how well the Chairman and Chief Executive Officer have carried out their duties;

c) The performance of its committees on the basis of the reports furnished by the same.
See section: B.1.19

Complies

23. All directors should be able to exercise their rights to receive any additional information they require on matters that come under the Board's authority. Unless the Articles of Association or the Rules and Regulations of the Board determine otherwise, such requests should be addressed to the Chairman or the Secretary of the Board.
See section: B.1.42

Complies

24. All the directors should be entitled to rely on the Company for the counsel and guidance needed to perform their duties. Furthermore, the Company should provide the suitable channels for the directors to exercise this right, which under special circumstances may include external counsel or assistance at the Company's expense.
See section: B.1.41

Complies

25. Companies should establish an induction programme to familiarise new directors with the Company, and its corporate governance rules, as promptly and broadly as possible. Companies should also offer their directors refresher or professional development programmes whenever circumstances so advise.

Complies

26. Companies should require directors to dedicate sufficient time and effort to their Board duties in order to ensure they are performed effectively and therefore:

a) Directors should inform the Nominating Committee of their other professional obligations, in case these interfere with the dedication and commitment required for their duties on the Company's Board;

b) Companies should lay down rules on the number of Boards their directors are allowed to serve on.
See sections: B.1.8, B.1.9 and B.1.17

Complies

27. The proposal to appoint or re-elect directors submitted to the Annual Meeting by the Board, as well as provisional Nominations by co-option, should be approved by the Board:

a) Upon proposal by the Nominating Committee with regard to independent directors.

b) On the basis of a report from the Nominating Committee in the case of the remaining Board members.
See section: B.1.2

Complies

28. The Company should make the following information on its directors available on its website and keep it permanently updated:

a) Professional and biographical background;

b) Other Boards on which they serve, whether or not they belong to listed companies;

c) An indication as to whether the directorship is executive, proprietary or independent, stating, in the case of proprietary directors, the shareholder which they represent and to whom they are affiliated;

d) The date of their first and subsequent Nominations, and;

e) Shares and/or share options held in the Company.

Complies

29. Independent directors should not serve as such for more than 12 consecutive years.
See section: B.1.2

Complies

30. Proprietary directors should resign whenever the shareholders they represent sell their entire stake in the Company. In the event that such shareholders reduce their stakes, the number of shareholder representatives they are entitled to should likewise be reduced in the same proportion.
See sections: A.2, A.3 and B.1.2

Complies

31. The Board of Directors should not propose the removal of any independent director prior to the completion of his or her term of office as specified in the Articles of Association, except where just cause is determined by the Board, based on a report from the Nominating Committee. In particular, just cause will be presumed whenever the director is in breach of his or her fiduciary duties or has engaged in any of the circumstances listed in section III.5 of this Code.

The removal of independent directors may also be proposed whenever takeover bids, mergers or similar corporate transactions lead to changes in the shareholding structure of the Company, in order to meet the proportionality criteria set out in Recommendation 12.
See sections: B.1.2, B.1.5 and B.1.26

Complies

32. Companies should establish rules requiring directors to inform the Board, and where applicable, resign under any circumstances that may jeopardize the credibility and good standing of the Company and in particular, require that they report any criminal charges brought against them, and the status of any subsequent court or legal proceedings.

In the event that a director were to be prosecuted or summoned to appear in trial for any offence mentioned in Article 124 of the Companies Act, the Board should examine the case as soon as possible and basing its opinion on the specific circumstances, should decide whether to confirm or remove the director from his position. The Board should give a proper account of the above in the Corporate Governance Report.
See sections: B.1.43 and B.1.44

Complies

33. All directors should clearly express their disagreement or disapproval whenever they believe that a proposed resolution submitted to the Board may go against the Company's best interests. In particular, independent and other directors unaffected by the conflict of interest should challenge any decision that may go against the interests of shareholders not represented on the Board.

Whenever the Board adopts significant or reiterated resolutions on issues on which a director has expressed serious concerns or reservations, said director should draw the pertinent conclusions and if he chooses to resign over such a matter, he should explain the reasons for leaving in a letter, as referred to in the following recommendation. This Recommendation should also be applicable to the Secretary of the Board, even if he or she does not hold a directorship.

Complies

34. In the event that a Director were to resign or leave his or her position before the end of his or her term for any reason, the Director shall explain the reasons for doing so in a letter sent to all the members of the Board. Notwithstanding the publication of such resignation as a significant event, the reasons for the resignation must be disclosed in the Annual Corporate Governance Report.
See section: B.1.5

It complies in part

The resignations have been notified verbally by the outgoing Director to the Board of Directors. The grounds for the resignation are reported in this Annual Corporate Governance Report.

35. The Company's compensation policy, as approved by the Board, should specify at least the following points:

a) Amount of fixed components, with a breakdown, where applicable, of Board and committee meeting attendance fees, and an estimate of the associated fixed annual pay for board members;

b) Performance-related components, including, in particular:
- **i) The types of directors to which they apply, as well as an explanation of the ratio of variable-to-fixed pay components;**
- **ii) Performance appraisal criteria to calculate an entitlement to the award of shares, share options or any other performance-related components;**
- **iii) Key parameters and grounds for any annual bonus schemes or other non-cash benefits or perquisites; and**
- **iv) An estimate of the sum total of variable payments arising from the proposed compensation policy, based on the level of compliance with pre-set targets or benchmarks.**

c) Key features of pension and insurance schemes (for example, supplementary pensions, life insurance plans and other arrangements), with an estimate of their total amount or equivalent annual cost;

d) Conditions that the employment contracts of executive directors and senior managers must honour, including:
- **i) Duration;**
- **ii) Notification periods; and**
- **iii) Any other clauses regarding hiring bonuses, as well as compensation or golden parachute clauses due to early termination or rescission of the contractual relationship between the Company and the executive director.**

See section: B.1.15

Complies

36. Compensation involving awards of stock in the Company or companies of the Group, option awards or share-based incentives, non-equity incentive plans or pension/retirement schemes should be strictly limited to executive directors.

This recommendation shall not extend to deliveries of shares, when they are subject to the directors remaining in their positions until they are removed as directors.
See sections: A.3 and B.1.3

Complies

37. External directors' remuneration should sufficiently compensate them for their commitment and dedication, qualifications and the responsibilities involved in the performance of their duties, but not be so high as to compromise their independence.

Complies

38. In the case of performance-based pay or incentive plans, deductions should be calculated for any possible qualifications contained in the independent auditors' report that may reduce earnings.

Complies

39. In the case of earnings-based pay, compensation policies should include technical safeguards to ensure that they reflect the professional performance of the beneficiaries and not just the general progress of the markets or the Company's sector, or other similar circumstances.

Complies

40. The Board should submit a report on the directors' compensation policy to the consultative vote of the Annual Meeting, as a separate item on the agenda. This report should be made available to shareholders either separately or in any other manner the Company deems advisable.

The aforementioned report should focus on the compensation policy the Board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the issues referred to in Recommendation 35, except those cases that may involve the disclosure of commercially-sensitive information. It will stress the most significant changes in these policies compared to the policies pursued last year referred to by the General Meeting. It will also include an overview of how the compensation policy was applied last year.

The Board should also report to the Annual Meeting on the role of the Nominating Committee in designing the policy and if outside counsel was sought, the identity of the external advisors or consultants hired for such purposes.
See section: B.1.16

It complies in part

Every year the Board draws up a Report that replicates virtually all the information referred to in Recommendation 35 reporting on virtually all the information set out above. The contents of this report are presented to the General Meeting, without being put to the vote.

41. The Notes to the Accounts should list the individual compensation packages for directors during the year, including:

a) A breakdown of each director's compensation, in particular:
- **i) Attendance fees and other fixed payments associated with directorships;**
- **ii) Additional compensation for acting as Chairperson or member of a Board Committee;**
- **iii) Any payments made under profit-sharing schemes or bonuses and the reason for granting them;**
- **iv) Contributions on behalf of directors to defined-contribution pension plans; or any increase in directors' vested rights in the case of contributions to defined benefit schemes;**
- **v) Any severance packages agreed or paid out;**
- **vi) Any compensation they receive as directors of other group companies;**
- **vii) Compensation received by executive directors in conjunction with their senior management positions;**
- **viii) Any kind of compensation other than those listed above, regardless of its nature or the company making such payment, especially when it is considered a related-party transaction or when its omission would detract from a true and fair view of the total compensation received by the director.**

b) A breakdown of shares, stock options or share-based incentives awarded in the year to the directors, itemised by:
- **i) Number of shares or options awarded in the year, and the terms set for exercising the options;**
- **ii) Number of options exercised in the year, specifying the number of shares involved and the executed price;**
- **iii) Number of options outstanding at year-end, specifying their price, date and other exercise conditions;**
- **iv) Any change in the year in the exercise terms of previously-awarded options.**

c) Information on the relationship in the previous year between the compensation awarded to executive directors and the Company's earnings or any other performance measure.

It complies in part

The Annual Report sets out most of the information referred to in points a) and b), but does not include the information referred to in point c) in the Notes to the Accounts.

42. In cases in which the Company has an Executive Committee, the breakdown of its members by director category should reflect that of the Board, and the Board's Secretary should act as this Committee's Secretary.
See sections: B.2.1 and B.2.6

It complies in part

The Executive Committee did not meet in 2009. It has therefore not been possible to designate the two Independent Directors who could have filled the two vacancies that arose as a result of the resignation tendered by Manuel Herrando y Prat de la Riba, and the expiry of Ramón Blanco Balín's term as director. The Board firmly intends to designate new members of the Executive Committee and so comply with Recommendation 42 of the Unified Code of Good Governance so that the membership structure of the different categories of Directors be similar to the structure of the Board itself, and that its Secretary be the Secretary to the Board.

43. The Board should be kept fully apprised of the business transacted and resolutions adopted by the Executive Committee and all of the Board members should receive copies of the minutes of Executive Committee meetings.

Complies

44. In addition to the mandatory existence of an Audit Committee, pursuant to the Securities Market Act, the Board of Directors should form a committee, or two separate committees, for nominations and compensation.

The rules governing the structure and working procedures of the Audit Committee and the Nominating and Compensation Committee should be set forth in the Rules and Regulations of the Board of Directors, and include the following:

a) The Board should appoint members of such committees taking into account the background, expertise and experience of its directors and the duties and responsibilities of each Committee; discuss their proposals and reports; and oversee and evaluate their work, reporting back to the first full Board meeting held thereafter;

b) Such committees should be exclusively made up of external directors, having a minimum of three members. Executive directors or senior managers may also attend meetings at the express invitation of the committees;

c) Committees should be chaired by an independent director;

d) They may engage outside experts or consultants whenever they feel this is necessary for the performance of their duties;

e) Meeting proceedings should be recorded in the minutes and sent to all the Board members.
See sections: B.2.1. and B.2.3

Complies

45. The task of overseeing compliance with internal codes of conduct and corporate governance rules should be entrusted to the Audit Committee, the Nominating and Compensation Committee, or if one exists separately, the Corporate Governance Compliance Committee.

Complies

46. The members of the Auditing Committee, and in particular its Chairman, shall be appointed bearing in mind their knowledge and experience in accounting, auditing or risk management.

Complies

47. Listed companies should have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal reporting and control systems.

Complies

48. The internal audit manager should present an annual work program to the Audit Committee; directly report on any incidents arising during its implementation; and submit an activities report at the end of each year.

Complies

49. The control and risk management policy should at least specify:

a) The different types of risks (operational, technological, financial, legal, reputational…) faced by the Company, including, with regard to financial or economic risks, the contingent liabilities and other off-balance-sheet risks;

b) The levels of risk that the Company considers acceptable;

c) The measures established to mitigate the impact of identified risks, should they actually materialize;

d) The internal control and reporting systems that will be applied to oversee and manage these risks, including contingent liabilities and off-balance-sheet risks.
See sections: D

Complies

50. The Audit Committee's role and sphere of influence should be:

1. With regard to internal control and reporting systems:

a) To supervise the preparation and integrity of the financial information for the Company, and, where applicable, its group of companies, reviewing compliance with regulatory requirements and legal provisions, the scope of the consolidation perimeter and the correct application of accounting principles.

b) To carry out regular reviews of internal control and risk management systems so that key risks can be properly pinpointed, managed and reported on.

c) To ensure the independence and efficacy of internal audit; propose the selection, appointment, re-appointment and, where applicable, removal of the internal audit manager; propose a budget for the internal audit service; receive periodic information on its activities; and ensure that senior management is aware of the conclusions and recommendations contained in such reports.

d) To establish and supervise a mechanism that allows employees to confidentially, and if considered appropriate, anonymously report any irregularities they notice within the Company that may be of potential importance, especially financial and accounting irregularities.

2. With regard to the external auditors:

a) To submit to the Board proposals for selection, appointment, re-appointment and replacement of the independent auditors and the terms and conditions of their engagement.

b) To regularly receive information from the independent auditors on the audit plan and on the progress and outcome of its execution, verifying that senior management is duly aware of its recommendations.

c) To ensure the independence of the externally-hired auditing firm, and, accordingly:

i) To ensure that the Company reports any change in the auditing firm to the Spanish Securities Market Commission (CNMV), accompanied by a statement on the possible existence of discrepancies that may have arisen with the outgoing auditing firm, and if so, the reasons thereof.

ii) To ensure that the Company and the independent auditors respect and honour prevailing standards on the provision of non-auditing services, the limits on the focus of the auditors' business, and generally speaking, any other existing standards aimed at guaranteeing the auditors' independence;

iii) To examine the circumstances leading to the resignation, where applicable, of the independent auditors, if this should happen.

d) In the case of groups of companies, to help the group auditors take charge of the audits of the companies belonging to the group.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies

51. The Audit Committee should be entitled to meet with any of the company's employees or senior managers, and to summon them without the presence of another senior manager.

Complies

52. The Audit Committee should provide information on the following items referred to in Recommendation 8 prior to any related resolutions passed by the Board:

a) Financial information that the Company, as a listed company, is required to disclose on a regular basis; The Committee should ensure that interim accounts are prepared using the same accounting principles as the annual accounts and, accordingly, may ask the independent auditors to conduct a limited review.

b) The creation or acquisition of shares in special-purpose entities or entities with registered offices in countries or territories regarded as tax havens, and any other similar transactions or operations whose complexity could jeopardize the group's transparency.

c) Related-party transactions, except in cases in which their review has been entrusted to another supervision and oversight committee.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors should always strive to present the accounts to the Shareholder Meeting unqualified and without exceptions in the audit report. In the exceptional event that such qualifications or exceptions do exist, the Chairman of the Audit Committee and the auditors should provide a clear explanation to shareholders on the nature and extent of such reservations or qualifications.

See sections: B.1.38

Complies

54. A majority of the members of the Nominating Committee - or of the Nominating and Compensation Committee, if there is only one - should be independent directors.

See section: B.2.1.

Complies

55. The Nominating Committee should have the following duties in addition to those listed in foregoing recommendations, namely:

a) To evaluate the skills, knowledge and experience required on the Board, define the roles and capabilities required of the candidates to fill each vacancy accordingly and decide on the time commitment and dedication needed for them to properly carry out their duties;

b) To examine or organise, in the manner deemed appropriate, the succession of the Chairman and chief executive officer and, whenever applicable, to make proposals to the Board, so that said succession takes place in an organised, well planned fashion.

c) To report on appointments and removals of senior managers as proposed to the Board by the Chief Executive Officer;

d) Inform the Board on gender-diversity issues as explained in Recommendation 14 of this Code.

See section: B.2.3

Complies

56. The Nominating Committee should consult with the Chairperson and Chief Executive Officer, especially with regard to matters involving executive directors.

Any Board members may ask the Nominating Committee to consider potential directorship candidates to fill vacancies arising on the Board.

Complies

57. The Nominating and Compensation Committee should have the following duties in addition to those listed in foregoing recommendations, namely:

a) To make proposals to the Board of Directors regarding:

i) Compensation policies for directors and senior managers;

ii) Additional compensation and other contractual conditions for executive directors;

iii) Basic contractual conditions for senior managers.

b) To oversee compliance with the compensation policies set by the Company.

See sections: B.1.14 and B.2.3

Complies

58. The Nominating and Compensation Committee should consult with the Company's Chairman and Chief Executive Officer, especially in connection with matters involving executive directors and senior managers.

Complies

G - OTHER INFORMATION OF INTEREST

List and explain the contents of any relevant principles or aspects of corporate governance applied by the Company that has not been covered in this report.

SECTION A.3.:

The information set out in table A.3 records only the number of votes held directly by the private individuals and legal entities who are members of the Board of Directors. It does not count two votes held by the legal entities for which some proprietary directors have been designated.

SECTION A.5.:

All relationships of a trading, contractual or corporate nature between holders of major holdings in the Company and/or its group have been described in section C.2 and C3 (whenever the major shareholders are at the same time Directors of the Company). It has not been felt necessary to reproduce them in Section A.5 as these operations are deemed to have arisen in the normal course of business.

SECTION: B.1.11.:

Under the terms of Article 20 of the Articles of Association of NH HOTELES, S.A., directors' compensation shall consist of a set annual amount and fees for attending the meetings of the Board of Directors and its Committees. The sum of these two items may not exceed 3% of the net earnings recorded by the consolidated group in the previous year.

This amount expressly does not include any other professional compensation earned by the Directors for any executive duties they performed in the Company or the group.

Set out below are the amounts paid in 2009 individually to each Director as their set annual payment and fees for attending meetings of the Board of Directors and its Committees:

CHAIRMAN OF THE BOARD OF DIRECTORS AND OF THE EXECUTIVE COMMITTEE:

Mr. Gabriele Burgio
- Board attendance fees 2009: 37,800 Euros
- Executive Committee attendance fees: 0 Euros
- Total Fees: 37,800 Euros

DIRECTORS:

Mr. José de Nadal:
- Board attendance fees 2009: 37.800 Euros
- Nominating and Compensation Committee attendance fees: 16,643 Euros
- Total Fees: 54,443.34 Euros

Mr. Julio Díaz-Freijo Cerecedo:
- Board attendance fees 2009: 37,800 Euros
- Executive Committee attendance fees: 0 Euros
- Total Fees: 37,800 Euros

Caja de Ahorros de Valencia, Castellón y Alicante (Bancaja)
- Board attendance fees 2009: 37,800 Euros
- Executive Committee attendance fees: 0 Euros
- Total attendance fees: 37,800 Euros

Hoteles Participados, S.L.:
- Board attendance fees 2009: 37,800 Euros
- Audit Committee attendance fees: 9,812.40 Euros
- Total Fees: 47,612.40 Euros

Sociedad de Promoción y Participación Empresarial Caja Madrid:
- Board attendance fees 2009: 37,800 Euros
- Audit Committee attendance fees: 8,585.85 Euros
- Total attendance fees: 46,385.85 Euros

Mr. Miguel Rodríguez Domínguez:
- Board attendance fees 2009: 37,800 Euros
- Audit Committee attendance fees: 1,581.61 Euros
- Total Fees: 39,381.61 Euros

Mr. Iñaki Arratíbel Olaziregui
- Board attendance fees 2009: 37,800 Euros
- Audit Committee attendance fees: 5,547.78 Euros
- Total Fees: 43.347.78 Euros

Mr. Manuel Herrando y Prat de la Riba
- Board attendance fees 2009: 25,476.16 Euros
- Nominating and Compensation Committee attendance fees: 14,794.08 Euros
- Total Fees: 40,270.24 Euros

Ms. Nuria Iturriagagoitia Ripoll
- Board attendance fees 2009: 20,505.21 Euros
- Nominating and Compensation Committee attendance fees: 1,849.26 Euros
- Total attendance fees: 22,354.47 Euros

Mr. Ramón Blanco Balín
- Board attendance fees 2009: 17,294.79 Euros
- Audit Committee attendance fees: 9,246.30 Euros
- Total Fees: 26,541.09 Euros

Mr. Alfonso Merry del Val Gracie
- Board attendance fees 2009: 17,294.79 Euros
- Total Fees: 17,294.79 Euros

Mr. Francisco Javier Illa Ruiz
- Board attendance fees 2009: 12,323.84 Euros
- Nominating and Compensation Committee attendance fees: 1,849.26 Euros
- Total Fees: 14,173.10 Euros

Mr. Juan Antonio Samaranch Salisachs
- Board attendance fees 2009: 3,003.29 Euros
- Total Fees: 3,003.29 Euros

Ms. Rosalba Casiraghi
- Board attendance fees 2009: 20,505.21 Euros
- Total Fees: 20,505.21 Euros

Mr. Antonio Viana-Baptista
- Board attendance fees 2009: 20,505.21 Euros
- Audit Committee attendance fees: 5,547.78 Euros
- Total Fees: 26,052.99 Euros

SECTION B.2.1:

The Committees have their own (non-member) Secretaries who are Mr. José María Mas Millet, for the Nominating and Compensation Committee and the Executive Committee, and Mr. Roberto Chollet Ibarra, for the Audit and Compliance Committee.

Furthermore, it should be mentioned that, although as at 31 December 2009, the structure of the Nominating and Compensation Committee was as set out in section B.2.1., as at the date of this Report there has been a change in the membership structure as Ms. Nuria Iturriagagoitia Ripoll has been designated Chairwoman of the Committee, and Mr. de Nadal Capará has become a member of the Committee. These changes were duly notified to the CNMV.

SECTION C.2.:

It should be pointed out that the lease agreements between the major shareholder PONTEGADEA INVERSIONES, S.L. and some of the companies of the NH HOTELES, S.A. group were actually signed by PONTEGADEA INMOBILIARIA, S.L., a 100% owned (indirectly) subsidiary of PONTEGADEA INVERSIONES, S.L.

SECTION C.3.:

The loans referred to in the table in this section, made between HOTELES PARTICIPADOS, S.L. and the company NH FINANCE, S.A. have actually been signed by the two shareholders who make up 50% of the company HOTELES PARTICIPADOS, S.L., i.e. Caja Murcia and Caixa Nova.

SECTION F.25.:

The Company systematically pursues the policy, included in its internal procedures, that when it selects new Directors, they are given information courses and brought up to date about the different management structures used to provide them with information and information about internal aspects of the company so that they may better perform their duties as Directors of NH Hoteles, S.A.

This section may include any other relevant information, clarification or particularity related to previous sections of the report, insofar as they are significant and not reiterative.

Specifically indicate whether the Company is subject to corporate governance legislation applicable in countries other than Spain and, if so, include the mandatory information to be disclosed whenever this is different from what is required in this report.

Binding definition of Independent Directors:
State whether any of the Independent Directors has or has had any material relationship with the Company, its significant shareholders and/or its executives, as defined in section 5 of the Unified Code of Good Governance that may compromise or influence his or her independence in the discharge of his or her duties:

NO

Date and signature:
This Corporate Governance Report has been approved by the Company's Board of Directors on

01/03/2010

State whether any Directors voted against or abstained from approving this Report.

NO

NOTE: The present document is a translation of a duly approved spanish language document and in the event of any discrepancy the original spanish language document shall prevail.

CONSOLIDATED FINANCIAL STATEMENTS

NH HOTELES, S.A. AND SUBSIDIARIES

Consolidated Financial Statements for 2009 drawn up in accordance with the International Financial Reporting Standards adopted by the European Union.

CONSOLIDATED BALANCE SHEETS AT DECEMBER 31, 2009 AND 2008

(Thousand euros)

ASSETS	Note	31.12.09	31.12.08
NON-CURRENT ASSETS			
Property, plant and equipment	8	2,386,093	2,402,489
Goodwill	6	121,134	122,205
Intangible assets	7	121,241	122,507
Investment property	9	5,671	5,983
Investments in companies consolidated using the equity method	10	70,753	74,637
Non current financial assets -		158,809	156,148
Loans and receivables	11.1	147,649	145,317
Other financial assets	11.2	11,160	10,831
Deferred tax assets	22	105,290	53,053
Other non-current assets		1,281	6,171
TOTAL NON-CURRENT ASSETS		**2,970,272**	**2,943,193**
CURRENT ASSETS:			
Inventories	12	126,037	128,559
Trade receivables	13	119,816	127,998
Non trade receivables -		67,798	65,381
Current tax receivables	22	46,470	33,295
Other non trade receivables		21,328	32,086
Current financial assets -	14	14,217	7,448
Cash and cash equivalents	15	221,585	17,032
Other current assets		16,218	4,706
TOTAL CURRENT ASSETS		**565,671**	**351,124**
TOTAL ASSETS		**3,535,943**	**3,294,317**

The accompanying Notes 1 to 33 and the Appendices I/III are an integral part of the consolidated balance sheets at December 31, 2009 and 2008.
The consolidated balance sheet at December 31, 2008 is presented solely for purposes of comparison

"Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRS's as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails."

EQUITY AND LIABILITIES	Note	31.12.09	31.12.08
NET EQUITY:			
Share capital	16.1	493,235	295,941
Reserves of the Parent	16.2	498,812	464,374
Reserves of fully consolidated companies	16.3	375,258	374,206
Reserves of proportionally consolidated companies	16.3	3,293	(160)
Reserves of companies consolidated using the equity method	16.3	(5,023)	(2,734)
Equity valuation adjustments	16.4	(9,931)	(6,296)
Currency translation differences	16.3	(75,774)	(56,076)
Treasury Shares	16.5	(1,100)	(38,027)
Consolidated profit for the year		(97,100)	23,168
Net equity attributable to shareholders of the Parent		**1,181,670**	**1,054,396**
Minority interests	16.6	209,254	233,698
TOTAL NET EQUITY		**1,390,924**	**1,288,094**
NON-CURRENT LIABILITIES:			
Borrowings and other finance debt	17	942,555	1,008,180
Net obligations under finance leases		278	4
Other non-current liabilities	18	181,566	203,097
Provisions for contingencies and charges	21	54,114	47,393
Deferred tax liabilities	22	254,873	258,358
TOTAL NON-CURRENT LIABLILITIES		**1,433,386**	**1,517,032**
CURRENT LIABILITIES:			
Issue of debentures and other held-for-trading securities		-	30
Borrowings and other finance debt	17	394,003	191,248
Net obligations under finance leases		806	40
Trade and other payables	23	234,469	211,254
Other current financial liabilities		-	4,309
Tax payables and Social Security contributions	22	34,765	26,164
Provisions for contingencies and charges	21	10,756	8,519
Other current liabilities	24	36,834	47,627
TOTAL CURRENT LIABILITIES		**711,633**	**489,191**
TOTAL LIABILITIES AND NET EQUITY		**3,535,943**	**3,294,317**

The accompanying Notes 1 to 33 and the Appendices I/III are an integral part of the consolidated balance sheets at December 31, 2009 and 2008.
The consolidated balance sheet at December 31, 2008 is presented solely for purposes of comparison

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CONSOLIDATED INCOME STATEMENTS FOR 2009 AND 2008

(Thousand euros)

	Note	2009	2008
Revenue	26.1	1,209,750	1,456,484
Other operating income	26.1	5,185	11,027
Net profit/(loss) on disposals of non-current assets	7.8 y 26.1	(326)	54,409
Supplies		(91,329)	(129,476)
Purchases	12	(91,020)	(129,476)
Impairment of inventories	12	(309)	-
Staff costs	26.3	(425,071)	(464,922)
Amortization and depreciation	7.8 y 9	(124,810)	(124,172)
Net losses due to asset impairment	7 y 8	(36,832)	(32,060)
Other operating expenses	26.4	(617,880)	(650,229)
OPERATING PROFIT/(LOSS)		**(81,313)**	**121,061**
Profit/(losses) of companies valued using the equity method	10	(6,580)	(2,290)
Financial income	26.2	9,770	8,617
Changes in the fair value of financial instruments	20 y 26.2	1,286	(43,108)
Finance costs	26.6	(57,698)	(77,860)
Net exchange differences (gains and loses))	-	(357)	(1,264)
Losses due to investment impairment	11.2	(488)	-
PROFIT BEFORE TAXATION FROM CONTINUING ACTIVITIES		**(135,380)**	**5,156**
Taxation	22	20,270	(3,730)
PROFIT/(LOSS) FOR THE YEAR		**(115,110)**	**1,426**
Attributable to:			
Parent Company		(97,100)	23,168
Minority interests	16.6	(18,010)	(21,742)
Earnings per share in euros (basic and diluted)	5	(0.48)	0.16

The accompanying Notes 1 to 33 and the Appendices I/III are an integral part of the consolidated income statements for 2009 and 2008.
The consolidated income statement for 2008 is presented solely for purposes of comparison.

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CONSOLIDATED STATEMENTS OF CHANGES IN NET EQUITY FOR 2009 AND 2008

(Thousand euros)

	Share Capital	Share Premium	Reserves of the Controlling Company: Legal Reserve	Reserves of the Controlling Company: Voluntary Reserves	Reserves at: Fully consolidated companies	Reserves at: Porportionally consolidated companies	Reserves at: Companies accounted for using the equity method	Currency translation differences	Equity Valuation Adjustments	Treasury Shares	Profit Atributable to the Parent Company	Total	Minority Interests	Total Equity
Balances as at December 31, 2007	**295,941**	**395,876**	**28,876**	**72,194**	**306,566**	**446**	**(321)**	**(29,556)**	**420**	**(22,809)**	**77,443**	**1,125,076**	**214,734**	**1,339,810**
Adjustment for change in accounting principle (Note 2.1.1)	-	616	-	-	-	-	-	-	-	-	-	616	-	616
Balances as at December 31, 2007	**295,941**	**396,492**	**28,876**	**72,194.00**	**306,566**	**446**	**(321)**	**(29,556)**	**420**	**(22,809)**	**77,443**	**1,125,692**	**214,734**	**1,340,426**
Total income and expenses recognised in the period	-	-	-	-	-	-	-	(26,520)	(6,716)	-	26,792	(6,444)	(25,885)	(32,329)
Capital increase	-	-	-	-	-	-	-	-	-	-	-	-	59,850	59,850
Distribution of 2007 Profit -	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- To Reserves	-	-	4,598	2,914	72,949	(606)	(2,412)	-	-	-	(77,443)	-	-	-
- To Dividends	-	-	-	(38,472)	-	-	-	-	-	-	-	(38,472)	(1,100)	(39,572)
Change in treasury shares	-	(2,086)	-	-	-	-	-	-	-	(15,218)	-	(17,304)	-	(17,304)
Changes in the scope of consolidation	-	-	-	-	-	-	-	-	-	-	-	-	7,065	7,065
Acquisition of minority interests	-	-	-	-	(3,030)	-	-	-	-	-	-	(3,030)	(20,794)	(23,824)
Other movements	-	(142)	-	-	(2,280)	-	-	-	-	-	-	(2,422)	(172)	(2,594)
Balances as at December 31, 2008	**295,941**	**394,264**	**33,474**	**36,636**	**374,205**	**(160)**	**(2,733)**	**(56,076)**	**(6,296)**	**(38,027)**	**26,792**	**1,058,020**	**233,698**	**1,291,718**
Adjustment for change in accounting principle (Note 2.1.1)	-	-	-	-	-	-	-	-	-	-	(3,624)	(3,624)	-	(3,624)
Opening balance adjusted December 31, 2008	**295,941**	**394,264**	**33,474**	**36,636**	**374,205.00**	**(160)**	**(2,733)**	**(56,076)**	**(6,296)**	**(38,027)**	**23,168**	**1,054,396**	**233,698**	**1,288,094**
Total income and expenses recognised in the period	-	-	-	-	-	-	-	(19,698)	(3,635)	-	(97,100)	(120,433)	(18,379)	(138,812)
Capital increase	197,294	22,067	-	-	-	-	-	-	-	41.00	-	219,402	1,760	221,162
Distribution of 2008 Profit-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- To Reserves	-	-	1,858	13,097	7,050	3,453	(2,290)	-	-	-	(23,168)	-	-	-
- To Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in treasury shares	-	(291)	-	-	-	-	-	-	-	36,886	-	36,595	-	36,595
Acquisition of minority interests	-	-	-	-	(2,431)	-	-	-	-	-	-	(2,431)	(3,299)	(5,730)
Other movements	-	(2,293)	-	-	(3,566)	-	-	-	-		-	(5,859)	(4,526)	(10,385)
Balances as at December 31, 2009	**493,235**	**413,747**	**35,332**	**49,733**	**375,258**	**3,293**	**(5,023)**	**(75,774)**	**(9,931)**	**(1,100)**	**(97,100)**	**1,181,670**	**209,254**	**1,390,924**

The accompanying Notes 1 to 33 and the Appendices I/III are an integral part of the consolidated statements of changes in equity for the years ended December 31, 2009 and 2008. The consolidated statement of changes in net equity for the year ended on December 31, 2008 is presented solely for purposes of comparison.

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CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR 2009 AND 2008

(Thousand euros)

	2009	2008
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	**(115,110)**	**1,426**
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		
Restatement/(reversal) of tangible fixed assets and intangible assets	-	-
Valuation of financial instruments-	(5,194)	(9,666)
Available-for-sale financial assets	-	-
Other income/(expenses)	(5,194)	(9,666)
Cash flow hedges	-	-
Currency translation differences	(20,066)	(30,545)
Actuarial gains/(losses) and other adjustments	-	-
Companies accounted for using the equity method	-	-
Other income/(expenses) recognised directly in equity	-	-
Tax effect	1,558	2,900
	(23.702)	(37.311)
TRANSFERS TO THE PROFIT AND LOSS ACCOUNT:		
Valuation of financial instruments-	-	(33)
Available-for-sale financial assets	-	-
Other income/(expenses)	-	(33)
Cash flow hedges	-	(45)
Currency translation differences	-	-
Companies accounted for using the equity method	-	-
Other incomes/(expenses) recognised directly in equity	-	-
Tax effect	-	10
	-	(68)
TOTAL RECOGNISED INCOME/(EXPENSE)	**(138,812)**	**(35,953)**
a) Attributable to the parent´s shareholders	(120,433)	(10,068)
b) Attributable to minority interests	(18,379)	(25,885)

The accompanying Notes 1 to 33 and the Apendices I/III are an integral part of the consolidated statements of recorgnised income and expense for 2009 and 2008. The consolidated statement of recognised income and expense for 2008 is presented solely for purposes of comparison.

"Translation of consolidated financial statements originally issued in Spanish and prepared in accordance with IFRS's as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails."

CONSOLIDATED CASH FLOW STATEMENT FOR 2009 AND 2008

(Thousand euros)

	Note	2009	2008
1. OPERATING ACTIVITIES			
Consolidated profit /(loss) before taxation		(135,380)	5,156
Adjustments to profit			
Depreciation and amortization (+)	7. 8 y 9	124,810	124,172
Impairment losses (+/-)	7. 8 y 21	37,141	32,060
Provisions (+/-)		15,762	10,741
Gain/(loss) on sale of tangible and intangible assets (+/-)		326	(54,409)
Gain/(loss) of investments valued using the equity method (+/-)	10	6,580	2,290
Finance income (-)	26.2	(9,770)	(8,617)
Finance and changes in fair value of financial instruments (+)		56,769	122,232
Other non-cash items (+/-)		488	-
Adjusted profit /(loss)		**96,726**	**233,625**
Net change in assets / liabilities:			
(Increase)/Decrease in inventories		2,213	(10,246)
(Increase)/Decrease in trade debtors and other receivables		9,356	21,658
(Increase)/Decrease in other current assets		(11,490)	2,856
Increase/(Decrease) in trade creditors		16,801	(23,682)
Increase/(Decrease) in other current liabilities		(21,478)	11,669
Increase/(Decrease) in provisions for charges and liabilities		(8,826)	(23,878)
Income taxes paid		(14,605)	(31,430)
Net cash provided by operating activities (I)		**68,697**	**180,572**
2. INVESTMENT ACTIVITIES			
Financial income		9,443	8,617
Capital expenditure (-):			
Group and associated companies and joint ventures		(15,095)	(88,437)
Tangible and intangible assets and property investments	7 y 8	(171,494)	(114,684)
Permanent investments		(17,803)	(26,781)
Investments and other current financial assets		(13)	-
Other assets		-	(13,339)
		(204,405)	**(243,241)**
Divestments (+):			
Group and associated companies and joint ventures		15	5,498
Tangible and intangible assets and property investments		27,455	76,287
Permanent investments		38	3,702
Investments and other current financial assets		7,381	8,943
Other assets		4,890	-
		39,779	**94,430**
Net cash used in investing activities (II)		**(155,183)**	**(140,194)**
3. FINANCING ACTIVITIES			
Dividends paid (-)		-	(38,472)
Pre-paid interest on debt (-)		(61,632)	(73,298)
Changes in (+/-):			
Equity instruments			
- Capital	16.1	197,294	-
- Reserves		53,232	(49,276)
- Minority interests		(3,708)	40,706
Liability instruments (+/-):			
- Bank loans and overdrafts		136,978	39,107
- Leasing		1,040	(84)
- Debenture loans and other traded securities		(30)	(39)
- Other non-current financial liabilities		(32,135)	(3,689)
Net cash used in financing activities (III)		**291,039**	**(85,045)**
4. GROSS INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III)		**204,553**	**(44,667)**
5. CURRENCY TRANSLATION DIFFERENCES RELATING TO CASH AND CASH EQUIVALENTS (IV)		**113**	**(2,043)**
6. NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)		**204,440**	**(42,624)**
7. CASH AN CASH EQUIVALENTS AT BEGINNING OF YEAR		**17,032**	**61,699**
8. CASH AN CASH EQUIVALENTS AT YEAR END (7+5)		**221,585**	**17,032**

The accompanying Notes 1 to 33 and the Appendices I/III are an intergral part of the consolidatred cash flow statements for 2009 and 2008.
The consolidated cash flow statement for 2008 is presented solely for purposes of comparison.

NH HOTELES, S.A. AND SUBSIDIARY COMPANIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2009 AND 2008

1. ACTIVITY AND STRUCTURE OF THE PARENT COMPANY

NH HOTELES, S.A. (hereinafter the Parent Company) was set up as a Spanish public limited company ("sociedad anónima") in Spain on 23 December 1881 under the name "Material para Ferrocarriles y Construcciones, S.A.", which subsequently changed its name to "Material y Construcciones, S.A." (MACOSA) and later to "Corporación Arco, S.A."

In 1992, Corporación Arco, S.A. absorbed Corporación Financiera Reunida, S.A. (COFIR) taking the corporate name of the absorbed company and adapted the corporate object to the new activity of the Parent Company, focused on managing its share portfolio.

In 1998 Corporación Financiera Reunida, S.A. (COFIR) merged with Grupo Catalán, S.L. and subsidiaries and Gestión NH, S.A., through the absortion of these companies by the former. Corporación Financiera Reunida, S.A. (COFIR) later absorbed NH Hoteles, S.A. and took the corporate name of the absorbed company and extended its corporate object to allow it to carry out hotel activities directly, activities it was already carrying on indirectly through its subsidiary companies.

The information relating to these mergers is set out in the Financial Statements for the years in which these transactions took place.

In October 1999 a takeover bid was made for 100% of the capital of Sotogrande, S.A. which has meant that at all times it has controlled over 75% at all times.

In 2000, the expansion strategy began, essentially in Europe, aimed at creating a strong world brand in the urban hotel segment. This process began by integrating the Dutch hotel firm "Krasnapolsky Hotels and Restaurants, N.V.", continued with the acquisition of the Mexican company "Nacional Hispana de Hoteles, S.r.l. de C.V." in June 2001 and was completed in 2002 with the purchase of the German hotel company Astron Hotels.

Over the period 2003-2005, the Group has entered several European markets through organic growth such as Italy and Romania, and entered new cities such as London. In 2005, it also embarked on its growth strategy in the quality tourist sector with a major real state component with projects in Cap Cana (Dominican Republic) and Riviera Maya (Mexico).

Once the acquisitions made in earlier years had been consolidated, the Group continued with its international expansion strategy in 2007 and 2008, by acquiring the Italian hotel chains Framon and Jolly Hotels.

In 2009, the Group signed an agreement with Grupo Inversor Hesperia, S.A., (hereinafter referred to as "Hesperia") to integrate their respective hotel management businesses, under which the former took over the management of the 49 hotels that are either owned or being operated by Hesperia.

At the end of 2009, NH Hoteles was already present with hotels operating in 24 countries, with 398 hotels and 60,605 rooms, 84% of which are in Spain, Germany, Italy and the Benelux.

NH Hoteles, S.A.'s registered address is in Madrid.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND ACCOUNTING PRINCIPLES

2.1. Basis of presentation of the Financial Statements

The consolidated financial statements of the NH Hoteles Group for the year ended December 31, 2009, were prepared by the Administrators of NH Hoteles S.A., at the meeting held on March 1, 2010. These consolidated finance statements were obtained from the accounting records and financial statements of the Parent Company and its subsidiaries.

These consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union in conformity with the terms of Regulation (EC) Nº 1606/2002 of the European Parliament and with Law 62/2003 of December 30, on Tax, Administrative, Labour and Social Security Measures, so that they present fairly the Group's consolidated equity and financial position at December 31, 2009 and the results of its operations, the changes in the consolidated equity and its consolidated cash flows for the year then ended in accordance with current accounting legislation.

The 2009 consolidated financial statements of the Group and the 2009 individual financial statements of the Group subsidiaries, which were prepared by the respective directors, have not yet been approved by the shareholders at their respective Annual General Meetings. However, the Parent Company's directors consider that the aforementioned financial statements will be approved without any material changes.

Nevertheless, as the accounting principles and standards and the valuation rules used when preparing the Group's consolidated financial statements for 2009 may be different to those used by some of the Group's companies, the necessary significant adjustments and reclassifications in the consolidation process have been made in order to bring the accounting principles and standards and the valuation rules into line with one another in accordance with International Financial Reporting Standards as adopted by the European Union.

2.1.1 Standards and interpretations in force in this period

This year, the Group has adopted the following standards and interpretations which have come into force in 2009:

- **IFRS 8 Operating segments**

This standard derogates IAS 14. The main new feature of the new standard is that IFRS 8 requires a company to adopt the "management focus" for reporting on the financial performance of its business segments. Generally, the information to be reported will be the information used internally by Management to evaluate the performance of the segments and assign resources among them.

The application of this standard has entailed no redefinition of the financial information by segment as it has been analysed up until now.

- **Revision of IAS 23 Borrowing costs**

The main change in this new revised version of IAS 23 is the removal of the option to immediately charge as an expenses the interest on the financing relating to assets that require a long period of time before they are ready for use or sale. This new standard may be apply prospectively.

The adoption of this revised standard has no impact on the Group's consolidated financial statements as this accounting criterion has been followed by the Group earlier than this revised standard has come into force.

- **Revision of IAS 1 Presentation of financial statements**

The new version of this standard aims to make it easier for users of financial statements to analyse and compare the information they provide. These improvements will allow users of consolidated financial statements to analyse the changes in equity brought about by transactions with the owners (as dividends and share buybacks) separately from the changes due to transactions with non-owners (such as transactions with third parties or income or expense taken directly to equity). The revised standard provides the option of presenting items of incomes and expenses and components of other total incomes either in a single statement of total income with subtotals, or in two separate statements (a consolidated income statement followed by a consolidated statement of recognised income and expense).

This standard also brings in new reporting requirements for whenever a company applies an accounting change retrospectively, makes a reformulation or reclassifies items that have already been stated in earlier financial statements.

The impacts of this standard are basically on presentation and disclosure. As the Group did not regularly present a consolidated statement of recognised incomes and expenses, this new version of IAS 1 has entailed including it as a part of the consolidated financial statements.

- **Change in IFRS 2 Share-based payment**

The change in IFRS 2 as published is essentially aimed at clarifying the concepts of conditions for vesting rights and cancellations in share-based payments.

The directors consider that the enforcement of this change has no impact on the Group's consolidated financial statements.

- **Change in IAS 32 and IAS 1. Puttable instruments at fair value and obligations arising on liquidation**

The change refers to the classification of certain financial instruments that before this change were classified as financial liabilities, as by their features they were redeemable even when by their nature they represented a residual interest in the company. The change means that some of these financial instruments may be classified as equity provided that certain requirements are met, inter alia, that they always represent a residual interest in the company's net assets and are the most subordinate instrument.

Adopting this change has no effect on the Group's consolidated financial statements.

- **IFRS 7 Change - Further disclosures**

The basic change in IFRS 7 is the requirement to enhanced disclosures about fair value measurement and liquidity risk. The most significant in the first case is the obligation to disclosure the financial instruments stated at their fair value in accordance with the hierarchy for calculating it.

In this regard, Note 4, 19, 20 and 32 present all the required additional disclosures.

- **IAS 39 and IFRIC 9 Change – Reassessment of Embedded Derivatives**

This change requires that on the date a financial instrument reclassified that is not in the category of "at fair value with changes in results" is, the embedded derivative be reassessed and, whenever applicable, recorded separately in the accounts. Prior to the change, IFRIC 9 did not allow any restatements to be made after the initial contract value.

This change has no impact on the Group´s consolidated financial statement as no financial instrument that is not in the category of "at fair value with changes in results" has been reclassified.

- **IFRIC 13 Customer Loyalty Programmes**

The Interpretation addresses the accounting by companies that provide their customers with incentives (via award credits, "kilometres", etc.) to buy goods or services. Specifically, it explains how such companies must record their obligations for providing free or discounted price (via award credits, "kilometres", etc.) to customers who trade their points.

The interpretation requires entities to account for award credits as a separately identifiable component of the sales transactions in which they are granted. The company must recognize the consideration allocated to award credits as revenue when award credits are redeemed and the entity fulfils its obligations to supply awards or paying to a third party to do it.

As a result of this interpretation coming into force, reserves as at January 1, 2009 decreased by 3,624 thousand euros, and reserves as at January 1, 2008 increased by 616 thousand euros.

- **IFRIC 14 and IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**

IFRIC 14 addresses general guidelines that on how entities should determine the limit placed by IAS 19 Employee Benefits on the amount of surplus in a pension plan can be recognised as an asset. It also explains how the pension asset or liability may be affected whenever there is a statutory or contractual minimum funding requirement requirement, setting the need to record an additional liability in the event the contribution that are payable under the minimum funding requirement cannot be return to the company. The interpretation will standardise the practice and ensure that entities recognise an asset in relation to a surplus on a consistent basis.

The Group's directors consider that the coming into force of this interpretation will have no material effect on the consolidated financial statements.

- **IFRIC 16 Hedges of a Net Investment in a Foreign Operation**

Three main points are dealt within this interpretation. One is that it can't be an hedged risk the one that exists between the functional currency of a foreign operation and the presentation currency of the parent company, only qualifying as hedged risk the one that exists between functional currencies of both companies. It also clarifies that the derivative used as to hedge the net investment may be held by any company in the group, not necessary by the parent company of the foreign operation, and, finally, it provides guidance on how an entity should determine the amounts to be reclassified from equity to profit and loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

The accounting practice being used previously by the Group in its operations of this kind is consistent with the interpretation that has been issued. This means that as this interpretation has become effective no impact on the Group's consolidated financial statements has been recorded.

2.1.2. Standards and interpretations issued not in force yet

At the date these consolidated financial statements were prepared, the following standards and interpretations had been published by the IASB but had not yet come into force, either because their effective date is later than the date of these consolidated financial statements, or because they have not yet been endorsed by the European Union:

STANDARDS, AMENDMENTS AND REVISIONS		Compulsory application in the years beginning on or after
APPROVED FOR USE IN THE EU (1)		
Revision of IFRS 3	Business combinations	July 1, 2009
Change in IAS 27	Changes in the holdings	July 1, 2009
Change in IAS 39	Items qualifying as hedged items	July 1, 2009
Change in IAS 32	Classification of share rights	February 1, 2010
IFRIC 12 (1)	Service Concession Arrangements	April 1, 2009
IFRIC 15 (1)	Agreements for the construction of real estate	January 1, 2010
IFRIC 17 (1)	Distributions of non-cash assets to owners	November 1, 2009
IFRIC 18 (1)	Transfers of assets from customers	November 1, 2009
NOT APPROVED FOR USE IN THE EU (2)		
IFRS 9	Financial instruments: Classification and valuation	January 1, 2013
Planned improvements 2009	Improvements to the IFRS that are not urgent	Miscellaneous (mainly January 1, 2010)
Amended IFRS 2	Share-based payments in the Group	January 1, 2010
Revision of IAS 24	Breakdown of related parties	January 1, 2011
Amended IFRIC 14	Obligatory minimum payments in advance	January 1, 2011
IFRIC 19	Cancellation of financial liabilities using equity instruments	July 1, 2010

(1) Compulsory application date in accordance with approval in the Official Journal of the European Union, which do not coincide with the original date of the IASB.
(2) Standards and interpretations not adopted by the European Union at the date these financial statements were prepared.

2.2. Information relating to 2008

In accordance with the requirements of IAS 1, the information set out in these notes of to the consolidated financial statements for 2008 is presented, for the purposes of comparison, with the information for 2009 and, therefore, it does not constitute the consolidated financials statements for 2008.

2.3. Currency of presentation

These consolidated financial statements are expressed in euros. Transactions in foreign currencies are recorded in accordance with the criteria set out in Note 4.9.

2.4. Responsibility for the information, use of estimates and sources of uncertainty

The information contained in these consolidated financial statements is the responsibility of the controlling company.

The estimates contained in the Group's consolidated financial statements were made by the executives of the Group and of the consolidated companies, later ratified by the directors, in order to quantify certain assets, liabilities, income, expenses and commitments reported herein. These estimates basically refer to:

- The impairment losses on certain asset
- The assumptions used in the actuarial calculation of the pension liabilities and other commitments regarding to personnel
- The useful life of tangible and intangible fixed assets
- The valuation of goodwill on consolidation
- The fair value of certain assets
- Estimates of onerous contracts
- Calculation of provisions

These estimates were made based on the best information available at December 31, 2009 on the events analysed. However, events may occur in the future that require their modification, which should be applied in accordance with the terms of IAS 8.

At the date these consolidated financial statements were issued, no event had taken place that was likely to be a significant source of uncertainty as to the effect that such events would have on the accounts in future financial years.

2.5. Consolidation principles applied

2.5.1 Subsidiaries

Subsidiaries are defined as those companies included in the scope of consolidation which are directly or indirectly managed by the Parent Company because it holds a majority of the voting rights in the representative and decision-making bodies and controls them. Controls comprise the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

The subsidiaries financial statements are fully consolidated with those of the Parent Company. Consequently, all the material balances and effects of intercompany transactions have been eliminated in the consolidation process.

The share of the minority interests represent the portion of profit or loss and net assets in subsidiaries that is not held by the Group.

The subsidiaries results acquired or disposed of during the year are included in the consolidated income statement as from the effective date of their acquisition or as from the effective date of their disposal, according to the case.

2.5.2 Joint ventures

A joint venture is a contractual arrangement whereby the investee company is managed jointly by the Parent Company and by third parties who are not related to the Group, where the strategic financial and operating decision relating to the activity require the unanimous consent of the ventures. The financial statement of joint ventures are consolidated using the proportional method so that the aggregation of balances and the subsequent eliminations are made in the same proportion as the Groups holding in the capital of said ventures.

Whenever necessary, the financial statements of these companies are adjusted to bring their accounting policies into line with those used by the Group.

2.5.3 Associated companies

Associated companies are defined as companies over which the Parent Company has powers to exercise a significant influence through participation in the financial and operating policy decisions of the investee, but which is not subsidiary or a jointly controlled entity. In general, significant influence is deemed to exist whenever the Groups percentage of the (direct or indirect) ownership interest exceeds 20% of the voting rights, provided that it does not exceed 50%.

Capredo Investments, GmbH, Desarrollos Isla Blanca, S.L. and Desarrollos Isla Poniente, S.L. are vehicles with no activity of their own for the final investment in a series of addressed in the Dominican Republic and Mexico in which the Group has a 25% holding. This is the reason these vehicles have been considered as associated companies.

In consolidated financial statement, associated companies are consolidated using the equity method, i.e. for the portion of their net worth that represents the Group's share of their capital, after considering any dividends received and any other equity eliminations.

2.5.4 Valuation of consolidated companies on acquisition at the time they are purchased

Until January 1, 2004, the date on which the NH Group changed over to the IFRS, the differences between the cost of acquiring of the investments in consolidated companies and their fair values on the date of acquisition that could not be allocated to assets and liabilities up or down to their fair market value, were included, whenever positive, in the caption "Goodwill" in the consolidated balance sheet.

For acquisitions of subsidiaries and joint ventures made after the date the IFRS came into force, the assets and liabilities of the companies acquired are stated at their fair values on the date of acquisition. Any excess of the cost of acquisition over and above their fair values, is recognised in the caption "Goodwill" in the consolidated balance sheet.

Conversely, in the event that the cost of acquisition the net identifiable assets were lower than their fair values, this lower value or "negative difference on consolidation" would be taken to the consolidated profit and loss account for the year.

Goodwill generated in acquisitions of associated companies is recorded as an increase in the carrying amount of the investment value of the holding.

2.5.5. Foreign currency translation

The different captions of the balance sheet and the income statement of the foreign companies that have been included in the scope of consolidation have been translated into euros using the following criteria:

- Assets and liabilities have been translated at the official year-end exchange rate.
- Equity has been translated applying the historical exchange rate. The historical exchange rate of the companies included in the scope of consolidation prior to the changeover date has been deemed to be the rate of exchange prevailing on December 31, 2003.
- The income statement has been translated using the average exchange rate for the year.

The differences resulting from applying these criteria have been included in the caption "Translation differences" under "Equity".

The adjustments made as a result of applying the IFRS when a foreign company is acquired, with regard to the fair value and the goodwill are deemed to be assets and liabilities of that company and, therefore, are translated at the year-end exchange rate.

2.5.6. Changes in the scope of consolidation

Set out below are the most significant changes in the scope of consolidation during 2009 and 2008 that affect the comparison of figures from one year to the next:

a.1. Changes in the scope of consolidation in 2009

a.1.1 Newly consolidated companies

Set out below is the only company that has been included in the scope of consolidation in 2009, and the method of consolidation used:

COMPANY	METHOD OF CONSOLIDATION	EFFECTIVE DATE OF ACQUISITION
Hoteles Hesperia, S.A.	Full	27/10/09

On October 27, 2009 the contract of sale of the shares of the company "Hoteles Hesperia, S.A." was signed between the "Grupo Inversor Hesperia, S.A.", and "NH Hoteles S.A.", for "Hoteles Hesperia, S.A.," to be integrated into the NH Group.

Hoteles Hesperia brings 49 hotels in all to the Group. 45 are located in major cities in Spain, 1 in Andorra, 1 in London and 2 in Isla Margarita (Venezuela).

Set out below is an analysis of the business combination (thousand euros):

	BOOK VALUE	ADJUSTMENTS	FAIR VALUE
Tangible fixed assets	1,520	-	1,520
Intangible fixed assets	4,280	6,277	10,557
Tax credits recognized	-	1,241	1,241
Deferred tax assets	-	1,437	1,437
Deferred tax liabilities	-	(2,716)	(2,716)
Other long-term payables	(12)	(2,014)	(2,026)
Working capital	279	-	279
Non-current financial investments	108	-	108
NET ASSETS ACQUIRED	**6,175**	**4,225**	**10,400**
COST OF THE BUSINESS COMBINATION			**10,400**

The price payable for transferring these shares has been calculated on a provisional basis as a multiple of the estimate for Ebitda generated by Hoteles Hesperia, S.A. in the second half of 2009, giving an estimated total of 10,400 thousand euros.

The final price to be paid shall be set by an independent expert on the basis of the formula referred to above, during the first six months of 2010.

In the event that this business combination was to have taken place on January 1, 2009, the "sales" and the "earnings" of the NH Hoteles Group for 2009 would have increased by approximately 10.96 million euros and fallen by 0.47 million euros, respectively.

a.1.2 Other corporate operations

Furthermore, Sotogrande, S.A. subscribed the capital increase in cash in the company Donnafugata Resort, S.r.l. which led to a dilution of 46 thousand euros in minority interests.

On June 18, 2009, NH Hoteles, S.A. swapped 750 thousand of its own shares for the minority interests in Hoteles Palacio de Castilla, S.A. and Nuevos Espacios Hoteleros, S.L.

In 2009, NH Hoteles, S.A. fully subscribed a non-cash capital increase in Sotogrande, S.A., by contributing its holding in Desarrollos Isla Poniente, S.L. This operation led to a dilution of the minority interests in Sotogrande, S.A. of 482 thousand euros.

On March 25, 2009 Sotogrande, S.A. granted shareholders, who approximately represent 30% of the capital of Donnafugata Resort, S.r.l., a put option for its share in its Italian subsidiary. This circumstance has meant to register a liability amounting to 5,176 thousand euros and a reduction in reserves and minority interests totalling 3,254 and 1,922 thousand euros, respectively.

a.1.3 Taken out of consolidation

No consolidated companies have ceased to be consolidated during 2009.

a.2 Changes in the scope of consolidation in 2008

Set out below are the companies that became consolidated companies during 2008, and the consolidation method used:

COMPANY	METHOD OF CONSOLIDATION	EFFECTIVE DATE ACQUISITION
De Sparrenhorst B.V.	Full	01/01/08
Hotel Porta Rossa, S.r.l.	Full	28/02/08
Blacom, S.A.	Full	02/08/08
Syllabus, S.A.	Full	02/08/08
Polis Corporation, S.A.	Full	02/08/08
Borokay Beach, S.L.	Proportional	30/05/08
Capredo Investments, GmbH	Equity	01/01/08
Mil Novecientos Doce, S.A. de C.V.	Equity	01/07/08
Consorcio Grupo Hotelero T2, S.A. de C.V.	Equity	01/07/08

On January 1, 2008, the Group acquired, through its subsidiary NH The Netherlands B.V., 100% of the share capital of De Sparrenhorst B.V. adressed in Nunspeet (Netherlands), which owns a hotel in Nunspeet.

On February 28, 2008, the Group acquired, through its subsidiary, NH Italia, S.r.l., 100% of the share capital of Hotel Porta Rossa, S.r.l. adressed in Florence (Italy). This company operates a hotel in Florence under a lease contract.

The cost of the investment of these two business combinations amounted to 14,574 and 9,189 thousand euros, respectively, and generated no consolidation difference. An analysis of the business combination is set out in the consolidated financial statements for 2008.

On August 2, 2008, the Group acquired, through its subsidiary Latina de Gestión Hotelera, S.A., 100% of the companies Blacom, S.A and Syllabus, S.A. and 50% of Polis Corporation, S.A. The companies Blacom, S.A. and Syllabus, S.A. hold 34% of the capital of the group Inmobiliaria Aconcagua, S.A. which owns and operates the hotel NH Crillón in Buenos Aires. In turn, Polis Corporation, S.A. owns the hotel NH 9 de Julio, in Buenos Aires.

The cost of the investment totalled 24,924 thousand euros. Set out below is an analysis of this business combination (in thousand euros):

	BOOK VALUE	ADJUSTMENTS	FAIR VALUE
Tangible fixed assets	3,176	13,708	16,884
Other Long-term Assets	314	-	314
Deferred taxes	-	(3,839)	(3,839)
Working capital	256	-	256
NET ASSETS ACQUIRED	**3,746**	**9,869**	**13,615**
Minority interests	-	286	286
MARKET VALUE OF THE HOLDING	3,746	10,155	13,901
COST OF THE BUSINESS COMBINATION	-	-	24,924
GOODWILL (NOTE 6)			**8,871**
Surplus over the cost of the business combination acquired from minority shareholders			**2,152**

On May 30, 2008, the Group acquired, through its subsidiary NH Hoteles España, S.L., 50% shareholding in Borokay Beach, S.L., registered in Madrid, the owner of the hotel NH Alanda in Marbella.

The cost of the investment totalled 7,350 thousand euros, and did not arise any difference on consolidation.

On January 1, 2008, Capredo Investments, GmbH joined the consolidated group. This company is registered in Switzerland and has become the parent company of the real-estate projects in the Dominican Republic.

On July 1, 2008, a minority holding was acquired in the Consorcio Grupo Hotelero T2, S.A. de C.V. which owns a hotel in Terminal T2 in Mexico City.

3. DISTRIBUTION OF EARNINGS

Set out below is the distribution of profit and loss for 2009 proposed by the Board of Directors of the Parent Company:

	THOUSAND EUROS
Legal reserve	1,289
Voluntary reserves	11,603
PROFITS PARENT COMPANY	**12,892**

4. ACCOUNTING POLICIES

The main accounting policies and standards used by the Group in preparing these consolidated financial statements, which comply with IFRS in force on the date of the corresponding financial statements, were as follows:

4.1. Tangible fixed assets

Tangible fixed assets are registered at cost of acquisition, less accumulated depreciation and any recognised impairment loss, except for those subsidiaries whose tangible fixed assets were acquired before December 31, 1983, where the cost price was revalued in accordance with various legal provisions. Later additions have been stated at cost.

At the time of the changeover to IFRS, the Group restated at market value, certain pieces of land, by a gross total amount of 217 million euros, on the basis of assessments performed by independent experts.

The revalued cost of this land was considered as cost attributed in the changeover to the IFRS. The Group's policy has been not to revalue any of its tangible fixed assets when closing its accounts for subsequent financial years. Set out below is the information concerning said revaluation:

COUNTRY	THOUSAND EUROS		
	BOOK VALUE	FAIR VALUE	CAPITAL GAIN
Argentina	18,063	39,550	21,487
Belgium	3,484	16,108	12,624
Spain	63,613	157,570	93,957
Netherlands	118,728	207,039	88,311
Switzerland	3,904	4,600	696
	207,792	**424,867**	**217,075**

The costs of expansion, modernization or improvements leading to increased productivity, capacity or efficiency or to a lengthening of the useful lives of the assets are recorded as an increase in the cost. Expenditure for maintenance and repairs is charged to consolidated expense for the year in which they are beared.

The Company depreciates its property, plant and equipment by the straight-line method at annual rates based on the following years of estimated useful life:

	ESTIMATED USEFUL LIFE IN YEARS
Structures	33-50
Plant and machinery	10-12
Other fixtures, tools and furniture	5-10
Other tangible fixed assets	4-5

4.2. Investment property

Investment property includes the value of the land, buildings and other constructions either to be operated under leases or to obtain a capital gain when they are sold.

Property investments are stated at cost of acquisition. Buildings under construction are stated at the cost of the corresponding certificates of completed construction work plus the expenses relating to the project (management of construction work, fees, architect's fees, etc.) and are depreciated on a straight-line basis over its expected useful life, which is the same as the one corresponding to similar items of tangible fixed assets.

Interest expenses imputable to these capital expenditures are capitalized over the period of construction work until they become ready for sale and is registered as an increase in the cost of the investment. The interest income earned on current-asset investments of surpluses will reduce the cost of the investment.

Income and earnings are recognised when the assets are sold and executed in deeds, so that rights and obligations pertaining are transferred. Incomes from rents are taken to profit and loss on an accrual basis.

Rental expenses are recognised on an accruals basis and all maintenance, management and depreciation expenses for the assets rented are charged to expense.

The Group regularly calculates the fair value of its real-state investments, using the assessments carried out by independent experts as a reference (see Note 9).

4.3. Goodwill on consolidation

The goodwill generated on the consolidation represents the excess of the acquisition cost over the Group's share of the net fair value of the identifiable assets and liabilities in subsidiaries or jointly controlled entities on the date of acquisition.

Any positive differences between the cost of shares in the capital of consolidated companies and associates and the corresponding net book values acquired, adjusted on the date of first consolidation, are allocated as follows:

1. If they can be allocated to specific assets and liabilities of the companies acquired, increasing the value of the assets for which the market values are higher than their carrying values as recorded on these companies' balance sheets.

2. If they can be allocated to specific intangible assets, by being explicitly recognised in the consolidated balance sheet provided that their market value can be reliably as at the date of acquisition can be reliably determined.

3. Any other differences are recorded as goodwill which is allocated to one or more specific cash-generating units (in general, hotels) expected to benefit.

Goodwill is only recorded when it has been acquired in return for valuable consideration.

The goodwill generated on the acquisition of associated companies is recorded in the accounts as an increased value of the share.

The goodwill generated on acquisitions made prior to the date of the changeover to the IFRS, January 1, 2004 remain at its net book value as recorded as at December 31, 2003 in accordance with Spanish accounting standards.

Goodwill is not depreciated. In this regard, every year end, or if there are events or changes in circumstances that indicate that carrying values of the assets may not be recoverable, the Group estimates, using the "Impairment test", the likelihood of there being permanent impairments that reduce the recoverable value of the goodwill to a lower amount than the net cost recorded. If this is the case, it is charged to profit and loss. Any write-downs so recorded cannot be reversed later on.

In order to carry out this impairment test, all the goodwill is allocated to one or more cash generating units. The recoverable value of the assets associated with the cash generating unit is calculated as the higher of the value in use and the fair value less cost to sell that would be obtained. The value in use is calculated based on estimated future cash flows, discounted using a pre-tax discount rate that reflects current market value of the time value of money and the specific risks associated with the asset.

The discount rates used by the NH Hoteles Group for these purposes vary between 8.6% and 14%, depending on the different risks associated with each specific asset.

4.4. Intangible assets

Intangible assets are defined as non-monetary assets that can be specifically identified, that have been acquired from third parties or have been developed by the Group. They are only recognised in the accounts when their cost can be estimated objectively and it is expected that future economic benefits associated with them will flow to the Group.

They are deemed to have an "indefinite useful life" whenever it is concluded that they will contribute indefinitely to the generation of benefits. All other intangible assets are deemed to have a "finite useful life".

Intangible assets with indefinite useful lives are not written down. They are therefore subject to the "impairment testing" at least once a year (see Note 4.3).

Intangible assets with "indefinite useful live" are amortised on a straight-line basis, calculated over their respective expected useful lives.

Intangible assets" records, fundamentally, the following items:

i) Rights of beneficial use: records the cost of the right to operate the Hotel NH Plaza de Armas in Seville, acquired in 1994, which is being written off against the consolidated profit and loss account over the 30 years of the term of the contract at a rate that is increasing by 4% a year.

ii) The "Premiums for rent contracts" records the amounts paid as a condition for obtaining certain rent contracts hotel, which are written down on a straight-line basis over the term of the rent contract.

iii) "Concession, patents and trade marks" include, basically, the disbursements made by Gran Círculo de Madrid, S.A. on the construction work to renovate and remodel the building which houses the Casino of Madrid. The amortisation of this work is calculated on a straight-line basis taking into account the term on which the concession contract for operating and managing the services provided in the building where the Casino de Madrid is housed expires, January 1, 2037.

iv) "Computer applications" include various different computer programs that have been acquired by the different consolidated companies. These programs are stated at cost and are amortised on a straight-line basis at an annual rate of 25%.

4.5. Impairment in value of tangible and intangible assets not including goodwill

Every year, the Group assesses its tangible and intangible fixed assets for possible impairment that require the investment is written down to its recoverable amount. An impairment is deemed to exist whenever the carrying amount exceeds the recoverable amount.

The recoverable value is calculated as the higher of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash-flows are adjusted for the risk specific to the asset and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

The discount rates used by the NH Hoteles Group for these purposes vary between 8.6% and 14%, depending on the different risks associated with each specific asset.

If it is estimated that the recoverable value of an asset is lower than its book value, its book value is written down to its recoverable value and the corresponding write-down is charged to profit and loss.

In the event that a loss due to impairment is reversed later on, the amount recorded for the asset in books is written up to the limit of the original value at which said asset had been recorded prior to the recognition of the impairment in value.

The information concerning the impairment losses detected in the year is set out in Note 8 of these financial statements.

4.6. Leases

The Group, in general, classifies all leases as operating leases. It only classifies them as financial leases when they substantially transfer the risks and advantages of ownership to the lessee and when, furthermore, the lessee holds an option to purchase the asset when the contract ends under terms that may be deemed to be clearly better than market terms.

4.6.1. Operating leases

In operating leases, the ownership of the asset leased and, substantially all the risks and advantages of ownership of the asset, remain with the lessor.

When the Group is the lessor, it recognises the income from operating leases on a straight-line basis, in accordance with the terms set out in the contracts signed. These assets are written off in accordance with the policies adopted for similar tangible assets of its own that it uses. Whenever the Group is the lessee, the lease expenses are charged to consolidated profit and loss on a straight-line basis.

4.6.2. Finance leases

The Group recognises financial leases as assets and liabilities on the consolidated balance sheet, on inception of the lease, at the market value of the leased assets or at the present value of the minimum lease instalments, whenever this is lower. To calculate the present value of the lease instalments, the contractual interest rate is used.

The cost of the assets acquired under finance leases is presented on the consolidated balance sheet, according to the nature of the asset that is the object of the contract.

Interest expense is distributed over the period of the lease on a pay-back basis.

4.7. Financial instruments

4.7.1. Financial Assets

Financial assets are recognised on the consolidated balance sheet when they are acquired, and are recorded initially at their fair value. The financial assets maintained by the Group companies are classified as:

- Traded financial assets: are assets acquired by the companies for the purpose of making a short-term gain on changes in their prices or on the differences between their purchase and sale prices. This caption also includes financial derivatives that are not regarded as accounting hedge.

- Financial assets at maturity: assets for which the collections are for a fixed or determinable amount with preset maturity dates. The Group states that it intends and is able to hold these assets from when they are purchased until they mature.

- Loans and accounts receivable generated by the company itself: financial assets originated by the companies in exchange for providing cash flow, supplying assets or services.

The held-for-trading assets are stated at their "fair value" after they have been acquired, and any changes in their fair value are taken to profit and loss for the year.

The fair value of a financial instrument on a particular date is defined as the amount at which it could by bought or sold on that date between two properly informed parties, acting freely and prudently on an arms'-length basis.

Financial assets at maturity and loans and accounts receivable originated by the Group are stated at amortised cost. Accrued interest is taken to profit and loss on the basis of their effective rate of interest. Amortised cost is defined as the initial cost less the collections or repayments of the principal, taking into account any potential reductions for impairment or non-payment.

4.7.2.Cash and banks and other cash equivalents

This caption on the consolidated balance sheet comprises cash in hand, demand deposits and short term highly liquid investments that are really convertible to known amount of cash are subject to insignificant risk of changes in value.

4.7.3. Financial Liabilities

- **Bank loans**
  Bank loans are recorded at the amount received, net of the direct costs incurred in the transaction. They are subsequently stated at amortised cost. Financial expenses are recorded on the accruals basis in the consolidated profit and loss account using the effective interest method. Any amounts not settled in the period they occur are added to the amount of liabilities recorded in the books.

- **Trade creditors and other accounts payable**
  Trade creditor accounts are recorded on inception of the transaction at their fair value and, later, they are stated at their amortised cost using the effective interest rate method.

- **Derivative Financial Instruments derivatives and accounting for hedges**
  Hedges used to cover the risk to which the Group's business is exposed, mainly exchange rate and interest rate exposures, are stated at market value on the date they are contracted. Any subsequent changes in market value are recorded as follows:

  - Differences arising in hedging items and hedged items in fair value hedges, in so far as they refer to the type of risk hedged against, are taken directly to consolidated profit and loss.

  - For cash-flow cover, the differences in valuation arising in the efficient part of the cover of the hedging items are recorded on a transitional basis in the equity caption "Valuation Adjustments to equity". They are not taken to profit and loss until the losses or gains on the hedged item are taken to profit and loss or until the date the hedged item matures. The inefficient part of the cover is taken directly to consolidated profit and loss.

Hedges stop being recorded in the accounts when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies to be recorded as cover in the accounts. At that moment in time, any accumulated profit and loss corresponding to the hedging instrument that has been recorded in net equity is kept in net equity until the planned operation takes place.

When the operation that is being hedged is not expected to take place, the accumulated net gains or losses recognised in net equity are taken to profit and loss for the year. Any changes in the fair value of the financial derivatives that fail to qualify to be recorded as hedges in the accounts are taken to consolidated profit and loss as and when they occur.

Financial derivatives implicit in other financial instruments or other main contracts are recorded separately as derivatives only when their risks and characteristics are not closely linked to those of the main contracts and whenever said main contracts are not stated at their fair value by recognising the changes that have taken place in fair value in the profit and loss account.

- **Valuation techniques and assumptions that may be used for measuring fair value.**
  The fair values of the financial assets and liabilities shall be calculated in the following way:

  - The fair values of financial assets and liabilities with standard terms and conditions which are traded on active, liquid markets shall be set with reference to the listed market prices.

  - The fair value of other financial assets and financial liabilities (not including derivatives) is calculated in accordance with generally accepted valuation models on the basis of discounted cash flow using prices of transactions that may be observed on the market and the listed prices of contributors for similar instruments.

  - To set the fair value of the interest-rate swaps, it discounts cash flows based on the implicit flows determined by the curve of interest rates for the euro, at market rates. For calculating the fair value of options, the Group uses the Black & Scholes valuation model and its variants, using the market volatility for the strike prices and maturities of these options for said purpose.

  Financial instruments restated after they have been initially stated at their fair value are classified into levels from 1 to 3 based on the extent to which the fair value can be observed.

  - **Level 1:** those indexed to listed prices (not adjusted) in active markets for identical assets or liabilities.

  - **Level 2:** those indexed to other "inputs" (other than the listed prices included in level 1) that may be observed for the asset or liability, be it directly (i.e. prices) or indirectly (i.e. derived from the prices).

  - **Level 3:** those indexed to valuation techniques, which include "inputs" for the asset or liability that are not based on observable market data ("inputs" that are not observable).

4.7.4. Equity instruments

An equity instrument represents a residual holding in the net assets of the Parent Company, after all its liabilities have been deducted.

The amounts received for equity instruments issued by the Parent Company are recognised in equity, net of issue expenses.

4.8. Inventories

The various different categories of stocks have been stated using the following criteria:

Property business (via Sotogrande, S.A.)
All the costs incurred are identified for each area and product in order to determine the cost of each item when it is sold. This method enables a proportional part of the total value of the land and the development costs to be assigned to the cost of the sale, based on the percentage that the metres sold represent in proportion to the total metres available for sale in each area.

All the land and sites are classified under current assets even though it may take more than one year to build and sell them.

i) Undeveloped land: valued at cost, which includes the legal costs of executing deeds, registration and taxes that cannot be directly recovered from the Tax Authorities.

ii) Developed land: stated at the lowest of cost or market value. The mentioned cost includes the cost of the land and sites and the costs of development and technical projects. Bearing in mind the special features of the Company's activity (developing and selling a property of approximately 16 million square metres over a period of approximately 50 years), the value of the developed land includes the personnel and general expenses of the technical department incurred in connection with developing and designing the different projects. The personnel expenses and overheads relating directly to such projects in 2009 totalled approximately 326 thousand euros (514 thousand euros in 2008).

iii) Buildings under construction and completed buildings: are stated at cost, which includes the proportional part of the costs of land and infrastructure of the Pleasure Port and Inner Marina and the costs that are directly incurred in connection with the different developments (projects, building permits, works certificates, legal expenses relating to the declaration of new construction work, registration, etc.). The Group takes into account the market value and the time it takes for its finished products to be sold, making the necessary adjustments in values whenever they are required.

Hotel business
The food in the catering services is stated at the lowest of cost or realisable value.

4.9. Transactions and balances denominated in foreign currencies

The Group uses the euro as its functional currency. Consequently, operations in currencies other than the euro are deemed to be denominated in "foreign currency" and are recorded in accordance with the exchange rates prevailing on the date the operations are carried out.

On every balance sheet date, the monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the exchange rates prevailing on the balance sheet date. Any gains or losses that arise are taken directly to consolidated profit and loss.

4.10. Classifying financial assets and debts as current and long-term

In the accompanying consolidated balance sheet, the financial assets and the debts are classified according to their due date that is as current when they expires within or before twelve months and as long-term when they expires after more than twelve months.

4.11. Income and expense

Income and expenses are recorded on the accruals basis, i.e. when the flow of assets and services which they represent actually takes place, irrespective of when the resulting monetary or financial flow occurs.

Specifically, income is calculated at the fair value of the consideration to be received and represents the amount receivable for the assets handed over or the services provided in the ordinary course of business, after deducting discounts and taxes.

Interest income and expense accrues on a pay-back basis, based on the principal outstanding receivable or payable and the applicable effective interest rate.

In compliance with IAS 18, the Group records sales of properties under contraction and hence any profit thereon in its accounts when the risks and significant advantages thereof have been transferred to the buyer and the buyer has taken effective control over the property.

As a general rule and in accordance with the principle of correlation of income and expense, sales staff commissions and other commissions of a general nature (trade, advertising, etc...) that cannot be specifically allocated to the promotions, although they are without any doubt related to them, which are incurred during the period of time between when the promotions start until the sales are recorded in the accounts, are recorded under the caption "other current assets" under assets on the Consolidated Balance Sheet, and are charged to expense when the sales are recorded in the accounts, provided that the margin made on the sales agreements signed that have yet to be recorded in the accounts at the end of every year is higher than the figure for the expenses.

4.12. Official grants

The Companies in Group have recorded grants received in accordance with the following criteria:

- Non-refundable capital grants (linked to assets) are stated for the amount granted. They are recorded as deferred income and released to income in proportion to the depreciation recorded during the year by the assets that are being financed by these grants.

- Operating grants are taken to income when they accrue.

4.13. Income tax

The current income tax expense is calculated by aggregating the current tax arising from the application of the tax rate to the taxable profit (tax loss) for the year, after deducting the tax credits allowable for tax purposes, plus the change in deferred tax assets and liabilities.

The deferred tax assets and liabilities include any timing differences that are identified as the amounts that are expected to become payable or collectible on the differences between the book values of the assets and liabilities and their tax values, as well as any tax loss carryforwards and credits for unused tax deductions. These amounts are recorded by applying the rate of taxation at which the corresponding timing difference or credit is expected to be refunded or paid.

In some countries the rate of taxation varies depending on the form taken by the asset transfer. In these cases the Group's policy has been to apply the effective rate at which the tax is expected to be refunded or paid. The Administrators of the Group are of the opinion that, in this case, the deferred tax calculated covers any amount that may eventually be paid in tax.

Deferred tax liabilities are recognised for all taxable timing differences, except when the timing difference derives from the initial recognition of goodwill the write-downs on which are not tax deductible or the initial recognition of other assets and liabilities in operations that affect neither the tax result nor the book result.

For their part, deferred tax assets, identified with timing differences are only recognised when it is deemed probable that the consolidated companies are going to recording sufficient taxable income in the future to be able to make them effective and do not stem from the original recognition of other assets and liabilities in an operation that affects neither the tax result nor the book result. All other deferred tax assets (tax loss carryforwards yet to be offset and deductions yet to be used) are recognised only in the event that the consolidated companies are going to recording sufficient taxable income in the future to be able to make them effective.

The deferred tax assets and liabilities recorded are reviewed every time accounts are closed, in order to check that they remain in force and to make whatever corrections may be appropriate on the basis of the results of the analyses carried out.

4.14. Commitments to staff

The Spanish companies in the hotel industry are required to pay a certain number of months' pay to employees of a certain seniority and meet certain prerequisites, who leave the company's employ when they retire or become permanently disabled or reach a certain age.

The liabilities accruing on these commitments to staff are recorded in the caption "Provisions for charges and liabilities" on the accompanying consolidated balance sheet (see Note 21).

In accordance with Royal Decree 16/2005, the Group has externalised these commitments, and finances all the services that have accrued beforehand.

4.15. Contracts which are onerous in nature

The Group defines onerous contracts as being those where the unavoidable costs of fulfilling the obligations that arise thereunder exceed the financial benefits that are expected to be gained therefrom.

The Group policy is to record a provision for the present value of said difference between the costs and the benefits of the contract.

The discount rates before taxes used reflect the present valuation of money on the market, and the specific risks of these contracts. Specifically, a rate of 8.6% has been used.

4.16. Compensation plans linked to the listed price of the share

A value is set for these plans when they start to be executed using a financial method based on a binomial model that takes into account the option price, the volatility, the term for taking up the option, expected dividends, the risk-free interest rate and the assumptions made for the expected year in advance.

This valuation is taken to profit and loss, in accordance with IFRS 2, in the caption personnel expenses over the period of time the employee must remain in the Group's employee in order to qualify for the option. Said value is taken to consolidated profit and loss on a straight-line basis of the period that runs from the date the option is granted to the date it is taken up. Under the Regulations of the Plan, it must be settled in cash. The valuation set is therefore recognised with a contra account in liabilities due to the employees. Likewise, every year the Group re-estimates its original valuation and takes the part for the year plus the part relating to prior years to profit an loss.

Later, after the period the employee must remain in the Group's employ in order to qualify for the option plan has elapsed, the difference between the settlement price and the liability recognised as described hereabove for the operations settled is taken to consolidated profit and loss. For operations outstanding at the year end, the amount of the difference between the liability recognised on the date and the corresponding revaluation is also taken to consolidated profit and loss.

Finally, as set out in Note 19 to these consolidated accounts, in order to cover against any possible financial responsibilities of the Compensation plan, the Group has contracted a financial instrument to hedge against the future cash flows needed to settle this system of compensation. This financial instrument ("equity swap") qualifies as a derivative and is treated in the accounts in accordance with the general rules that govern derivatives (See Note 4.7).

4.17. Own shares held

In accordance with IAS 32, own shares held are stated as a reduction in the Group's Equity. The profits and losses recorded by the Group on the disposal of these own shares held are recorded in the caption "Share premium" on the consolidated balance sheet.

4.18. Allowances

The Group's policy is to set up provisions for the estimated amounts needed to meet any liabilities that arise from disputes under way, indemnities or obligations, and for the guarantee deposits and guarantees granted by Group companies that may entail a (legal or implicit) payment obligation for the Group, provided that the amount can be reliably estimated.

4.19. Environmental policy

Capital expenditures stemming from environmental activities are stated at cost and capitalised as an increased cost of fixed assets or inventories in the year they are incurred.

Expenses arising from the protection and improvement of the environment are charged to expense in the year they are incurred, regardless of when the related monetary or financial flow takes place.

The provisions for probable or certain contingencies, disputes under way or indemnities or obligations outstanding for an undetermined amount of an environmental nature, not covered by the insurance policies that have been taken out, are set up when the liability or the obligation that sets off the indemnity or payment arises.

4.20. Consolidated cash flow statements

The following terms with the following definitions are used in the consolidated cash flow statements, prepared using the indirect method:

- Cash flows: the incomings and outgoings of cash and cash equivalents. Cash equivalents are defined as high-liquidity current-asset investments with little risk of change in value.

- Operating assets: the normal activities of the companies that make up the consolidated group, and any other activities that cannot be classified as capital expenditure or financing.

- Investment activities: the activities relating to the acquisition, alienation or disposal by other means of long-term assets and other capital expenditures not included in cash and cash equivalents.

- Financing activities: the activities that give rise to changes in the size and structure of net equity and the liabilities that are not part of the operating activities.

5. EARNING PER SHARE

The basic earnings per share are calculated by dividing the net profit attributed to the Group (after taxes and minority interests) by the weighted average number of shares outstanding during the year, as shown below:

	THOUSAND EUROS		CHANGE
	2009	2008	
Profit for the year	(97,100)	23,168	-
Weighted average number of shares issued (thousand shares)	201,483	147,970	36.16%
Weighted average number of own shares held (thousand shares)	199	2,482	(91.98%)
Weighted average number of shares outstanding (thousand shares)	201,284	145,488	38.35%
Diluted earnings/(losses) per share (euros)	**(0.48)**	**0.16**	**-**

6. GOODWILL

The balance recorded under this caption is for the net goodwill that has appeared on the purchase of certain companies. Set out below is an analysis of this balance:

	THOUSAND EUROS	
	2009	2008
Companies		
NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH	108,674	108,674
Polis Corporation, S.A.	7,775	8,871
Other	4,685	4,660
	121,134	**122,205**

Set out below is the movement in this chapter of the consolidated balance sheet in 2009 and 2008 (in thousand euros):

Company	Goodwill 31.12.07	Newly Consolidated Companies	Disposals	Translation difference	Goodwill 31.12.08
NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH	108,674	-	-	-	108,674
Polis Corporation, S.A. (Note 2.5.6)	-	8,871	-	(10)	8,861
Grupo NH Italia, S.r.l.	5,426	-	(5,426)	-	-
Other	4,648	-	-	22	4,670
Total	**118,748**	**8,871**	**(5,426)**	**12**	**122,205**

Company	Goodwill 31.12.08	Translation Difference	Goodwill 31.12.09
NH Hoteles Deutschland, GmbH y NH Hoteles Austria, GmbH	108,674	-	108,674
Polis Corporation, S.A.	8,861	(1,086)	7,775
Other	4,670	15	4,685
Total	**122,205**	**(1,071)**	**121,134**

The recoverable values of the goodwill have been allocated to each cash generating unit, rent contract, for the most part, using five-year forecasts of results, investments and working capital.

7. INTANGIBLE ASSETS

Set out below is an analysis and the movements on the different intangible asset accounts in 2009 and 2008 (thousand euros):

	Balance as at 31.12.07	Change in the scope of consolidation	Additions / Charges	Disposals	Balance as at 31.12.08	Change in the scope of consolidation	Additions / Charges	Disposals	Balance as at 31.12.09
COST									
Rights of beneficial use	31,512	-	980	-	32,492	-	1,238	(4,625)	29,105
Lease premiums	62,203	12,260	825	(1,170)	74,118	9,038	1,596	(15,517)	69,235
Concessions, patents and trademarks	30,540	-	126	(93)	30,573	2,881	1,899	(173)	35,180
Computer software	34,981	229	7,287	(1,341)	41,156	299	1,348	(347)	42,456
	159,236	**12,489**	**9,218**	**(2,604)**	**178,339**	**12,218**	**6,081**	**(20,662)**	**175,976**
DEPRECIATION ACCUMULATED									
Rights of beneficial use	(10,490)	-	(1,197)	-	(11,687)	-	(4,434)	3,739	(12,382)
Lease premiums	(4,026)	-	(7,557)	960	(10,623)	(1,548)	(3,565)	11,372	(4,364)
Concessions, patents and trademarks	(4,567)	-	(2,174)	5	(6,736)	-	(944)	3	(7,677)
Computer software	(23,845)	-	(3,787)	846	(26,786)	(113)	(3,129)	291	(29,737)
	(42,928)	**-**	**(14,715)**	**1,811**	**(55,832)**	**(1,661)**	**(12,072)**	**15,405**	**(54,160)**
Impairment	**-**	**-**	**-**	**-**	**-**	**-**	**(575)**	**-**	**(575)**
NET BOOK VALUE	**116,308**				**122,507**				**121,241**

7.1. Rights of beneficial use

On July 28, 1994, NH Hoteles, S.A. set up a right of beneficial use on the Hotel NH Plaza de Armas Hotel in Seville, owned by the Red Nacional de Ferrocarriles Españoles (RENFE), for a period of 30 years as from the date the agreement was signed. The price to be paid for this by NH Hoteles, S.A. to RENFE is 30.20 million euros, in instalments that will be paid up to the year 2014.

The Group has recorded under "Rights of beneficial use" all the amount agreed as the price for the operation and, in order to suitably record it in the respective financial periods, it takes the result of spreading the cost of the right over the thirty years of the term of the agreement to consolidated profit and loss, using an amount that increases by 4% every year. In turn, the captions "Other current liabilities" and "Other long-term liabilities" (see Notes 24 and 18) on the accompanying consolidated balance sheet record the amounts pending payment in the short and long term as at December 31, 2009, which amount to 1.49 million euros and 5.9 million euros, respectively (1,49 million euros and 7,48 million euros as at December 31, 2008).

7.2. Lease premiums

In 2009, the column "Change in the scope of consolidation" totalling 9,03 million euros records, mainly the difference arising on the first consolidation of Hoteles Hesperia, S.A. which has been allotted to management agreements obtained as a result of acquiring Hoteles Hesperia, S.A. The Group has yet to assign this difference individually which it is written down on a straight-line basis over the life of the corresponding contracts.

The main retirements in 2009 were for the ending of the management agreements for the Italian hotels Grand Hotel Bristol, in Rapallo, Grand Hotel Timeo and Hotel Villa Sant Andrea, in Taormina.

8. TANGIBLE FIXED ASSETS

Set out below is an analysis and the movements on the different intangible asset accounts in 2009 and 2008 (thousand euros):

	Balance as at 31.12.07	Change in the scope of consolidation	Translation differences	Additions	Disposals	Balance as at 31.12.08	Change in the scope of consolidation	Translation differences	Additions	Disposals	(Note 9) Transfers	Balance as at 31.12.09
COST												
Land and structures	2,203,842	57,198	(46,208)	13,235	(38,504)	2,189,563	-	(10,279)	28,141	(40,953)	201	2,166,673
Technical plant and machinery	641,660	3,902	(2,853)	55,947	(31,904)	666,752	470	(1,001)	60,378	(4,926)	61,642	783,315
Other plant, tools and furniture	497,808	2,778	(5,007)	47,578	(16,686)	526,471	1,676	940	13,136	(20,630)	-	521,593
Other tangible fixed assets	25,707	754	(210)	963	(5,617)	21,597	5	(154)	931	(7,867)	-	14,512
Fixed assets under construction	46,286	2,942	(684)	33,925	(6,617)	75,852	600	(397)	62,827	(1,480)	(61,642)	75,760
DEPRECIATION ACCUMULATED	**3,415,303**	**67,574**	**(54,962)**	**151,648**	**(99,328)**	**3,480,235**	**2,751**	**(10,891)**	**165,413**	**(75,856)**	**201**	**3,561,853**
Structures	(269,849)	(220)	3,711	(22,088)	6,900	(281,546)	-	-	(32,380)	8,923	(164)	(305,167)
Technical plant and machinery	(332,491)	(1,849)	1,851	(44,209)	15,889	(360,809)	(208)	(208)	(45,262)	3,341	-	(403,146)
Other plant, tools and furniture	(328,697)	(1,764)	1,936	(40,309)	9,861	(358,973)	(1,023)	(1,023)	(33,562)	5,545	-	(389,036)
Other tangible fixed assets	(8,206)	(671)	127	(2,559)	833	(10,476)	-	-	(1,259)	394	-	(11,341)
	(939,243)	(4,504)	7,625	(109,165)	33,483	(1,011,804)	(1,231)	(1,231)	(112,463)	18,203	(164)	(1,108,690)
Provisions	**(78,413)**	**-**	**-**	**(32,060)**	**44,531**	**(65,942)**	**-**	**-**	**(36,257)**	**35,129**	**-**	**(67,070)**
NET BOOK VALUE	**2,397,647**					**2,402,489**						**2,386,093**

In 2009 and 2008 the column "Change in scope of consolidation" records the effect of the inclusion/retirement of tangible fixed assets of certain companies that were included/excluded in the consolidated group during each of these years (see Note 2.5.6).

The column "Differences on translation" records the effect of the change in the exchange rate used for translating the different tangible fixed asset captions.

The most significant movements in this item during 2009 and 2008 are as follows:

i) The main additions in this caption during 2009 and 2008, analysed by business unit, are as follows:

	THOUSAND EUROS	
	2009	2008
Spain	21,094	39,607
Benelux	23,483	32,126
Germany	11,533	18,530
Italy	89,842	40,042
Switzerland	589	1,149
Latin America	13,651	18,944
Rest of Europe	5,221	1,250
	165,413	**151,648**

In Spain, the most significant additions records the renovation carried out in the NH Gran Hotel (8.6 million euros) in Zaragoza.

In the Benelux, renovation and equipping work was carried out in the hotels NH Central Station (5.2 million euros) and NH Grand Hotel Krasnapolsky (4.6 million euros) in Amsterdam, NH Zandvoort BV (1.9 million euros) in Zandvoort and NH Amersfoort (1.7 million euros) in Amersfoort.

In Italy, the most significant additions in 2009 were the renovation work that began in the previous year and is still under way in the hotels NH Vittorio Veneto (5.2 million euros) in Rome and NH Milano Touring (2.6 million euros) in Milan and the opening of the hotels Gran Hotel Convento Di Amalfi (23.8 million euros) in Amalfi and NH Fiera (13.1 million euros) in Milan. Furthermore, in the "fixed assets under construction" account, the most significant additions record, on the one hand, the costs incurred for building a hotel project in Sicily which will consist of a hotel and two golf courses (22.7 million euros) and, on the other, the construction work on the hotel NH Porta Rossa (5.2 million euros) in Florence, which is planned to open in 2010.

The most significant additions in 2008 were the renovation of the hotels in Italy as part of the general annual plan carried out on the hotels NH Vittorio Veneto (11.5 million euros) in Rome, NH Cavalieri (3.9 million euros) in Pisa, NH Firenze (3.2 million euros) in Florence, NH Bologna de la Gare (3.1 million euros) in Bologna and the opening of the hotel NH Giustiniano (3.5 million euros) in Rome. In the Netherlands the most significant additions were the renovating and fitting out of the hotels NH Gent Belfort (4.8 million euros) in Gant and NH Grand Hotel Krasnapolsky (4.7 million euros) and NH Musica (3.3 million euros) in Amsterdam. In Spain, the most significant additions relate to the wholesale renovations of the hotels NH Calderón in Barcelona and the NH Plaza de Armas in Seville, totalling 5.4 million euros.

ii) The main retirements in 2009 were, on the one hand, the closing down of the hotel NH Baglio Oneto Resort, in Marsala, at a cost of 6.9 million euros and the sale, of the hotel NH Regensburg, with a net book value of 1.97 million euros, recording a net loss of 0.97 million euros and, on the other, the sale of offices in Madrid, with a net book value of 0.81 million euros, which has made a net profit of 0.49 million euros.

The main retirements in 2008 were essentially the sale of the hotels NH Alcalá, NH Luz de Huelva and NH Santander, all placed in Spain, with a net book value of 16 million euros, which generated a net profit of 27.5 million euros, the sale of the hotel NH Central Station in the Netherlands, with a net book value of 20.1 million euros, which generated a net profit of 1.89 million euros and the writing off of fully depreciated assets in the hotels NH Mexico City and Hotel Hilton Aeropuerto in Mexico, totalling 2.57 million euros.

iii) In 2009, the Group analysed whether certain tangible assets that had become impaired in prior years, located in Germany , Spain, Italy and Uruguay could be recovered. It ascertained that the impairment loss in these assets was permanent and therefore wrote off their cost and the 4.73 million euro provision set up.

The Group has signed insurance policies to cover against the exposure to risk of its different tangible fixed assets, as well as against any claims that may be filed against it for carrying on its business. These policies are deemed to provide sufficient cover for the risk exposure of these assets.

9. PROPERTY INVESTMENTS

Set out below is an analysis and the movements on the different intangible asset account in 2009 and 2008:

	THOUSAND EUROS					
	Balance as at 31/12/2007	Additions or Charges	Balance as at 31/12/2008	Additions or Charges	Transfers (Note 8)	Balance as at 31/12/2009
Cost						
Structures	7,203	-	7,203	-	(201)	7,002
Advance payments and tangible fixed assets under construction	-	792	792	-	-	792
	7,203	**792**	**7,995**	**-**	**(201)**	**7,794**
Depreciation accumulated						
Structures	(1,720)	(292)	(2,012)	(275)	164	(2,123)
	(1,720)	(292)	(2,012)	(275)	164	(2,123)
Net book value	**5,483**		**5,983**			**5,671**

Set out below are the most significant investments recorded under this caption on the consolidated balance sheet:

- Premises D.02 Sotogrande Pleasure Harbour
- Premises E.07 Sotogrande Pleasure Harbour
- Equestrian Land Valderrama
- International School

The Group's investment property relates mainly to properties earmarked for operations under lease. Set out below is an analysis of the distribution of these investments:

	Square Metres
Offices	219
Sports Centre	11,215
Educational Centre	5,445
	16,879

The fair value of the Group's investments as at December 31, 2009, calculated on the basis of assessments made by independent third parties, totalled 9,994 thousand euros.

In 2009 and 2008, income from earnings on the investment property owned by the Group totalled 369 thousand euros and 443 thousand euros, respectively. Likewise, direct operating expenses for investment property totalled 12 thousand euros and 16 thousand euros, respectively.

At the end of 2009 and 2008, there were no restrictions on making further property investments nor on the collection of income on such property, or in connection with any funds received as a result of any disposal.

The Group has signed insurance policies to cover against the exposure to risk of its different investment properties, as well as against any claims that may be filed against it for carrying on its business. These policies are deemed to provide sufficient cover for the risk exposure of these assets.

10. COMPANIES CONSOLIDATED USING THE EQUITY METHOD

Set out below is an analysis as at December 31, 2009 and 2008 of the holdings in companies consolidated using the equity method (in thousand euros):

Company	Net balance 31.12.07	Additions	Disposals	Retirements	Profit/(loss) 2008	Translation Difference	Net balance 31.12.08
Desarrollos Isla Poniente, S.L.	30,252	6	-	-	(202)	(788)	29,268
Desarrollos Isla Blanca, S.L.	19,316	-	-	-	-	(1,125)	18,191
Capredo Investments, GmbH	-	17	-	15,052	(1,263)	794	14,600
Promociones Marina Morelos, S.A. de C.V.	7,035	3,258	-	-	-	(2,856)	7,437
Losan Investment, Ltd.	2,155	1,125	-	-	(767)	(833)	1,680
Inmobiliaria 3 Puente, S.A. de C.V.	1,805	-	(108)	-	79	(295)	1,481
Palacio de la Merced, S.A.	1,177	-	-	-	(69)	-	1,108
Mil Novecientos Doce, S.A. de C.V.	-	-	-	1,026	(67)	(165)	794
Consorcio Grupo Hotelero T2, S.A. de C.V.	-	76	-	-	(1)	(17)	58
Fonfir1, S.L.	20	-	-	-	-	-	20
Corporación Hotelera Dominicana, S.A.	13,267	-	-	(13,267)	-	-	-
Corporación Hotelera Oriental, S.A.	1,785	-	-	(1,785)	-	-	-
Total	**76,812**	**4,482**	**(108)**	**1,026**	**(2,290)**	**(5,285)**	**74,637**

Company	Net balance 31.12.08	Additions	Disposals	Profit/(loss) 2009	Translation difference	Net balance 31.12.09
Desarrollos Isla Poniente, S.L.	29,268	-	-	(199)	(1,254)	27,815
Desarrollos Isla Blanca, S.L.	18,191	-	-	(849)	(2,570)	14,772
Capredo Investments GmbH	14,600	1,969	-	(2,172)	1,544	15,941
Promociones Marina Morelos, S.A. de C.V.	7,437	1,148	-	(1,429)	272	7,428
Losan Investment, Ltd.	1,680	-	-	(1,657)	(23)	-
Inmobiliaria 3 Puente, S.A. de C.V.	1,481	-	(15)	92	24	1,582
Palacio de la Merced, S.A.	1,108	-	-	5	-	1,113
Mil Novecientos Doce, S.A. de C.V.	794	1,108	-	(293)	9	1,618
Consorcio Grupo Hotelero T2, S.A. de C.V.	58	485	-	(78)	(1)	464
Fonfir1, S.L.	20	-	-	-	-	20
Total	**74,637**	**4,710**	**(15)**	**(6,580)**	**(1,999)**	**70,753**

The most important financial information concerning the main holdings in joint ventures is set out in Appendix III to these notes to the consolidated accounts.

11. NON CURRENT FINANCIAL ASSESTS

11.1. Loans and receivables not held for trading:

Set out below is an analysis of this caption as at December 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Subordinate loans to companies that own hotels operated by the Group under lease (*)	82,996	78,317
Loans to staff (Note 27)	14,320	14,320
Loans to joint ventures (Note 27)	14,304	11,228
Advance lease payments	7,385	7,039
Accounts receivable from joint ventures (Note 27)	4,473	4,469
Loan to associated companies (Note 27)	2,250	2,250
Long-term deposits and guarantee deposits	10,226	9,440
Other	11,695	18,254
Total	**147,649**	**145,317**

(*) See analysis of these loans totalling 99,550 thousand euros below

Set out below is an analysis of the different loans granted, together with the interest rate set:

Balance as at 31/12/2009	DUE DATE						Average Interest rate
	2010	2011	2012	2013	2014	Remainder	
99,550	-	14,304	-	-	-	85,246	3% al 4.89%

The line "Subordinate loans to companies that own hotels operated by the Group under lease" records a series of loans granted by the NH Hoteles Group to companies owning hotel buildings in Germany, Austria, Luxembourg, the Netherlands, Italy and Spain, which are operated by the Group under lease agreements.

These operations, aimed to begin with to refinance rents, are now being used to grow the Group. Set out below are the main characteristics of these lease agreements:

- The rent of the hotels shall not be pegged to inflation or to any other index.
- These subordinate loans shall earn interest at a fixed annual rate of 3% (2.39 million euros for 2009 and 2.09 million euros the year before).
- The new rent agreements provide for a right to purchase, at market rates, the buildings leased under the contracts, which may be taken up, as a general rule, in the tenth and fifteenth periods as from when they come into force.
- The model for these rent contracts has been analysed by two independent experts and they have been regarded as operating leases.

The line "Advance lease payments" record advances paid to the owners of certain hotels that are operated under leases so that said owners could buy decoration items and furniture. They are discounted from future lease payments.

11.2. Other non-current financial assets

This caption on the consolidated balance sheet consisted, as at December 31, 2009 and 2008, of holdings stated at cost. Set out below is an analysis (in thousand euros):

COMPANY	2009	2008
Hotelera del Mar, S.A.	4,734	3,847
Varallo Comercial, S.A.	3,146	2,958
NH Panamá, S.A.	2,968	2,692
Other capital expenditures	1,080	1,614
Provisions	(768)	(280)
Total	**11,160**	**10,831**

These companies were not consolidated as at December 31, 2009 because as at said date they were dormant.

12. INVENTORIES

Set out below is an analysis of inventories and movement in inventories during 2009 and 2008:

Thousand euros	Balance as at 01/01/08	Transfers	Net Change in Inventories	Balance as at 31/12/08	Transfers	Net Change in Inventories	Balance as at 31/12/09
Developed land	38,884	2,153	4,278	45,315	1,226	1	46,542
Undeveloped land	10,734	-	183	10,917	-	1,209	12,126
Short-term work in progress	29,647	(29,647)	-	-	-	-	-
Long-term work in progress	49	(49)	-	-	-	-	-
Completed buildings	27,680	27,543	6,606	61,829	(1,226)	(3,419)	57,184
Auxiliary material and other	11,051	-	-553	10,498	-	(313)	10,185
Total	**118,045**	**-**	**10,514**	**128,559**	**-**	**(2,522)**	**126,037**

Thousand euros	2008			2009		
	Net Change in Inventories	Purchases	Total Supplies	Net Change in Inventories	Purchases	Total Supplies
Developed land	(4,278)	4,278	-	(1)	2	1
Undeveloped land	(183)	183	-	(1,209)	1,209	-
Short-term work in progress	-	-	-	-	-	-
Long-term work in progress	-	-	-	-	-	-
Completed buildings	(6,606)	31,356	24,750	3,419	4,534	7,953
Merchandise	553	104,173	104,726	313	82,753	83,066
Total	**(10,514)**	**139,990**	**129,476**	**2,522**	**88,498**	**91,020**

The Group currently owns approximately 1,535,000 square metres of land. The planning status of this land is governed by the General Urban Zoning Plan of San Roque, approved by the Provincial Town Planning Committee of Cadiz on November 2, 1987, which classifies the land owned by the Group mostly as programmed land that qualifies for development. The average cost of the developed land is 24 euros per square metre and 22 euros per square metre for the undeveloped land, as at December 31, 2009.

On April 23, 2007, the Group signed an urban development agreement with the City Council of San Roque, of a legal and administrative nature, governed by the terms of the Urban development in Andalusia Act, Law 7/2002, dated 17 December. The built-up area allotted in said agreement totals 633,893 m² and 2.887 homes, far more than envisaged in the original revision of the Plan dating from February 2005. This Plan is no longer effective. The present figure is the same as the built-up area provided for under the General Plan dating from 1987.

As at December 31, 2009, an impairment has appeared in the inventories of property assets of the Group, of 309 thousand euros, based on the valuations carried out by American Appraisal España, S.A. and Tasaciones Inmobiliarias, S.A., on April 23, 2009 and December 22, 2009, respectively.

The market value of the Group's inventory of property assets, according to the valuations carried out by these independent experts, is as follows:

	Thousand euros
Developed land	124,353
Undeveloped land	386,299
Finished construction	116,078
Total	**626,730**

As at December 21, 2009, inventories used as security for mortgage loans totalled 35,279 thousand euros (see Note 17).

13. TRADE DEBTORS

This caption records different accounts receivable as a result of the Group's activities. Set out below is an analysis as at December 31, 2009 and 2008:

	Thousand euros	
	2009	2008
Trade accounts receivable for services provided	125,357	134,324
Trade debtors for sales of property products	6,510	7,978
Provision for bad debts	(12,051)	(14,304)
Total	**119,816**	**127,998**

As a general rule, these accounts receivable earn no interest, and fall due within 90 days. There are no restrictions on how they may be used.

Movements of the provision for bad debts during 2009 and 2008 are as follows:

	Thousand euros	
	2009	2008
Balance as at January 1	14,304	16,415
Translation differences	(23)	(24)
Newly consolidated companies	-	38
Provisions	2,113	2,114
Applications	(4,343)	(4,239)
Balance as at December 31	**12,051**	**14,304**

Set out below is an analysis of the age of the financial assets overdue but not deemed to have been impaired as at December 31, 2009 and 2008:

	Thousand euros	
	2009	2008
Less than 30 days	23,268	47,081
Between 31 and 60 days	10,208	24,122
More than 60 days	20,332	18,155
Total	**53,808**	**89,358**

14.CURRENT FINANCIAL ASSETS

This caption on the accompanying consolidated balance sheet as at December 31, 2009 and 2008, is made up of the following accounts (in thousand euros):

	2009	2008
Held-to-maturity financial assets	-	7,381
Other current financial assets	14,137	-
Held-for-trading financial assets	80	67
Total	**14,217**	**7,448**

The line "Other current financial assets" records the investment in the company NH Parque de la 93, S.A. which was set up on April 25, 2008. This company is the owner of a hotel project in Bogotá (Colombia). The Group intends to sell off this company in the short term at its net book value.

15. CASH, BANKS AND OTHER CASH EQUIVALENTS

This caption includes mainly the Group's cash and bank accounts, as well as bank loans and deposits that initially expire within no more than three months. The average interest rate earned by the Group on the balances of its cash and bank and other cash equivalents during 2009 and 2008 was a floating rate benchmarked to Euribor. These assets are recorded at their fair value.

There are no restrictions on the use of cash.

16. EQUITY

16.1. Share capital

As at December 31, 2008, the Parent Company's share capital was represented by 147,970,458 fully subscribed and paid-in bearer shares, each with a par value of 2 euros.

On June 16, 2009, the Annual General Meeting of the Parent Company approved a capital increase in cash amounting to 221,955,687 euros by issuing 98,646,972 new shares, each with a nominal value of 2 euros, in the same class and series as the shares already outstanding, and a share premium of 0.25 euros per share. The capital increase was entered in the Mercantile Register of Madrid on July 23, 2009.

After this increase, the Company's share capital was represented by 246,617,430 bearer shares, each with a par value of 2 euros.

All the shares have equal voting and financial rights and are listed on the Continuous Market in Madrid.

According to the latest notifications the Parent Company has received, and to the notifications made to the Spanish Securities Exchange Commission before the year end, the most significant shareholdings were as follows as at December 31:

	2009	2008
Grupo Inversor Hesperia, S.A.	25,09%	25,09%
Caja de Ahorros de Valencia, Castellón y Alicante	5,66%	5,66%
Caja de Ahorros y Monte de Piedad de Zaragoza, Aragón y Rioja	5,04%	5,04%
Caja de Ahorros y Monte de Piedad de Madrid	10,04%	10,04%
Hoteles Participados, S.L.	5,43%	5,05%
Caja de Ahorros y Monte de Piedad de Gipuzkoa y San Sebastián	6,14%	5,09%
GSS III Huricane BV	-	6,57%
Pontegadea Inversiones, S.L.	5,07%	5,07%
Intesa Sanpaolo SpA	5,65%	5,00%
Longleaf Partners International Fund	-	4,99%
Shares to be used in Employee Compensation Plans	1,38%	2,56%
Shares held by NH employees	1,28%	1,71%

At the end of 2009 and 2008, the different members of the Board of Directors held or were the stable representatives of shareholdings representing approximately 63.77% and 31.95% of the share capital, respectively.

The main objectives for managing the capital of the NH Hoteles Group is to ensure short-term and long-term financial stability, that the shares of NH Hoteles, S.A. perform well and there are sufficient funds for the investments, maintaining its level of borrowing. All this is aimed at ensuring that the NH Hoteles Group remains financially strong and its financial ratios are sound, so that it supports its businesses and maximises value for its shareholders.

During 2009, the strategy of the NH Hoteles Group is the same as for the previous year. It has kept its financial leverage ratio at 0.84 x lower than the 1x ratio that the Group has always kept as its target. Set out below are the leverage ratios as at December 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Bank loans and overdrafts (*) (Note 17)	1,340,705	1,201,014
Derivative liability instruments (Note 19)	52,637	51,735
Gross debt	**1,393,342**	**1,252,749**
Held-to-maturity investments	-	7,381
Traded financial assets (Note 14.2)	80	67
Cash and banks and other cash equivalents (Note 15)	221,585	17,032
Cash assets	**221,665**	**24,480**
Total Net Debt	**1,171,677**	**1,228,269**
Total Equity	1,390,924	1,288,094
Financial leverage	**0.84**	**0.95**

(*) Short-term and long-term bank loans and overdrafts not including the cost of formalising debts and unmatured accrued interest.

16.2. Reserves of the Parent Company

I) Legal reserve

The current Spanish Companies Act stipulates that 10% of the net profits of the year must be appropriated to the Legal reserve until it attains at least 20% of share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except for this purpose, and whenever its balance does not exceed 20% of share capital, this reserve may only be used to offset losses whenever there are no other reserves available.

ii) Share premium

The current Spanish Companies Act expressly allows the balance of this reserve to be used for increasing capital and lays down no restrictions whatsoever on how it may be used.

iii) Other reserves not available for distribution

Until such time as goodwill (not including goodwill on consolidation) recorded in the individual financial statements of the companies that are included in the scope of consolidation of the NH Hoteles Group have been written off, no dividends may be distributed, unless the amount of reserves available for distribution is at least equal to the unamortised balances.

Reserves totalling 1,100 thousand euros may not, as at December 31, 2009, be distributed (38,027 thousand euros as at December 31, 2008) because they are for the reserve un amortised own shares held.

16.3. Reserves of subsidiaries

Set out below is an analysis for each company of the balances of this account in the consolidated balance sheets - after taking into account the effect of the consolidation adjustments - and the differences on exchange recognised in net equity as a result of the consolidation process:

Fully consolidated and consolidated using the proportional method	THOUSAND EUROS			
	2009		2008	
	Reserves	Differences on exchange	Reserves	Differences on exchange
NH Participaties, N.V. and subsidiaries	254,307	(470)	211,896	(916)
Sotogrande, S.A. and subsidiaries	73,630	(7,207)	78,644	-
Latinoamericana de Gestión Hotelera, S.L.. and subsidiaries	50,459	(66,907)	48,796	(43,742)
NH Italia, S.r.l. and subsidiaries	(92)	(3,363)	22,601	(4,688)
NH Private Equity, B.V. and subsidiaries	73	-	73	-
NH Central Europe GmbH & Co. KG, and subsidiaries	(63,671)	5	(67,455)	66
Caribe Puerto Morelos, S.A. de C.V.	3,309	(1,084)	5,266	(1,138)
Other foreign hotel companies	(13,919)	3,738	(1,253)	1,771
Other Spanish hotel companies	74,453	-	75,478	-
Subtotal	**378,551**	**(75,288)**	**374,046**	**(48,647)**
Consolidated using the equity method				
Palacio de la Merced, S.A.	(426)	-	(358)	-
Fonfir, S.L.	(4)	-	(4)	-
Harrington Hall Hotel, Ltd.	(1,629)	370	(1,629)	369
Losan Investment, Ltd.	(735)	(856)	32	(3,689)
Capredo Investments, GmbH	(2,036)	-	(773)	(4,109)
Inmobiliaria 3 Puente S.A. de C.V.	79	-	-	-
Mil Novecientos Doce, S.A. de C.V.	(69)	-	-	-
Consorcio Grupo Hotelero T2, S.A. de C.V.	(1)	-	-	-
Desarrollos Isla Blanca, S.L.	-	-	-	-
Desarrollos Isla Poniente, S.L.	(202)	-	(2)	-
Subtotal	**(5,023)**	**(486)**	**(2,734)**	**(7,429)**
TOTAL	**373,528**	**(75,774)**	**371,312**	**(56,076)**

16.4. Valuation adjustments

Cash-flow covers

This caption on the consolidated balance sheet records the net amount of the changes in value of the financial derivatives designated as cash-flow hedging instruments (see Note 4.6.3).

Set out below is the movement in the balance of this caption during 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Opening Balance	(6,296)	420
Additions	(3,635)	(6,648)
Disposals	-	(68)
Closing balance	**(9,931)**	**(6,296)**

During 2009 a negative reserve for adjustments in equity relating to Cash flow cover ratios in the IRS and Collars totalling 3,635 thousand euros has been recognised.

The negative reserve for adjustments to equity for the valuation of interest rate derivatives in force as at December 31, 2009, totalling 9,931 thousand euros, shall take place between 2009 and 2014 as and when the loan agreement being hedged reach their expiry dates (see Note 19).

16.5. Treasury shares

At the year end, the Group held 91,057 shares in NH Hoteles, S.A., (3,066,496 at the end of 2008) representing 0.04% of the share capital, at a cost of 1,100 thousand euros (38,027 thousand euros at the end of 2008).

16.6. Minority interests

Set out below is an analysis, by companies, of the balance of the caption "Minority Interests" on the consolidated balance sheets as at December 31, 2009 and 2008 and the share of outside shareholders in profit and loss for 2009 and 2008:

Company	THOUSAND EUROS			
	2009		2008	
	Minority interests	Profit/(loss) Attributed to Minority interests	Minority interests	Profit/(loss) Attributed to Minority interests
NH Italia, S.r.l. and subsidiaries	169,892	(18,513)	187,183	(20,077)
Latinoamericana de Gestión Hotelera, S.L.. and subsidiaries	15,381	1,192	14,461	385
Sotogrande, S.A. and subsidiaries	8,770	(946)	11,009	(246)
NH Participaties, N.V. and subsidiaries	3,376	272	3,176	334
Other Spanish companies	11,835	(15)	17,869	(2,138)
	209,254	**(18,010)**	**233,698**	**(21,742)**

Set out below is a summary of the movement in this caption during 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Opening Balance	233,698	214,734
Capital increases	1,760	59,850
External shareholders' share in profit/(loss) for the year	(18,010)	(21,742)
Changes in the scope of consolidation	(4,510)	7,065
Changes in holding percentages	(3,299)	(20,794)
Dividends paid to minority shareholders	-	(1,100)
Cash-flow covers	(1)	(118)
Other movements	(16)	(172)
Translation differences	(368)	(4,025)
Closing balance	**209,254**	**233,698**

In 2009, the line "Capital increases" recorded the amount paid in by minority shareholders in the capital increase in Donnafugata Resort, S.r.l. totalling 1,393 thousand euros and in Grupo Hotelero de Querétaro, S.A. de C.V. totalling 367 thousand euros (see Note 2 a.1.2). In 2008 it recorded the minority interest (42.75%) that Intesa Sanpaolo, SpA. had in the 140 million euro capital increase made in NH Italia, S.r.l. on October 13, 2009.

The line "Change in percentage holdings" basically recorded, in 2009, the recording of the put option for 30% of Donnafugata Resort S.r.l. (1,922 thousand euros), the dilution of the minority shareholders in Sotogrande, S.A., as a result of the non-cash capital increase made by that Company, totalling 482 thousand euros and the swaps of minority interests in Hoteles Palacio de Castilla, S.A. and Nuevos Espacios Hoteleros, S.L. (See Note 2 a 1.2).

17. BANK BORROWINGS

Set out below is an analysis of bank loans and overdrafts as at December 31, 2009 and 2008 (thousand euros):

		Limit	Available	Withdrawn	2.009	2.010	2.011	2012	Outstanding
Mortgage loans		**255,196**	**16,963**	**238,233**	**-**	**41,117**	**48,636**	**30,913**	**117,567**
	Fixed Rate	5,803	715	5,088	-	470	416	421	3,781
	Variable Rate	249,393	16,248	233,145	-	40,647	48,220	30,492	113,786
Unsecured bilateral loan		**99,354**	**3,213**	**96,141**	**-**	**70,244**	**11,844**	**5,233**	**8,820**
	Fixed Rate	10,195	-	10,195	-	779	2,173	2,205	5,039
	Variable Rate	89,159	3,213	85,946	-	69,465	9,671	3,028	3,781
Subordinate loans		**75,000**	**-**	**75,000**	**-**	**-**	**-**	**-**	**75,000**
	Variable Rate	75,000	-	75,000	-	-	-	-	75,000
Syndicated loan		**650,000**	**-**	**650,000**	**-**	**32,500**	**162,500**	**455,000**	**-**
	Variable Rate	650,000	-	650,000	-	32,500	162,500	455,000	-
Credit lines		**292,983**	**11,652**	**281,331**	**-**	**247,477**	**-**	**33,854**	**-**
	Variable Rate	292,983	11,652	281,331	-	247,477	-	33,854	-
Debt arrangment expenses				**(8,058)**		**(1,247)**	**(1,520)**	**(1,520)**	**(3,771)**
Interest debt				**3,911**		**3,911**			
Indebteness as at 31.12.2009		**1,372,533**	**31,828**	**1,336,558**	**-**	**394,002**	**221,460**	**523,480**	**197,616**
Indebteness as at 31.12.2008		**1,629,665**	**428,650**	**1,199,428**	**191,248**	**142,162**	**231,578**	**481,236**	**153,204**

Set out below is an analysis of syndicated and unsyndicated mortgage loans (in thousand euros):

	Asset mortgaged	Fixed interest	Variable interest	Total	Net book value of the asset mortgaged
Spain	NH Calderón	-	10,381	10,381	40,223
	NH Lagasca	-	11,880	11,880	18,501
	NH Ppe. de la Paz	-	6,154	6,154	10,149
	NH Alanda	-	4,966	4,966	25,416
	Promoción R. Marlin-50%, Las Cimas	-	18,350	18,350	31,898
	NH Sotogrande	-	7,350	7,350	12,364
	Total Spain	**-**	**59,081**	**59,081**	**138,551**
Mexico	Grupo Hotelero Queretaro	-	2,748	2,748	663
	Santa Fe Project	-	5,433	5,433	9,966
	Total Mexico	**-**	**8,181**	**8,181**	**10,629**
Netherlands	NH Groningen	-	4,288	4,288	7,050
	Total Netherlands	**-**	**4,288**	**4,288**	**7,050**
Italy	Donnafugata	-	24,863	24,863	46,734
	Villa San Mauro	-	4,240	4,240	7,098
	Hotel Quattro Canti Project	715		715	2,767
	Roma Vittorio Veneto	329	16,756	17,085	84,736
	Ischia	-	16,250	16,250	37,637
	Torino Ligure	-	4,500	4,500	21,708
	La Spezia	-	2,222	2,222	17,520
	Firenze	-	4,000	4,000	35,161
	Catania	-	7,500	7,500	10,763
	Triestre	-	6,000	6,000	21,379
	Torino Ambasciatori	-	6,875	6,875	15,628
	Milanofiori and conf. centre	-	18,900	18,900	48,056
	Genova	-	7,453	7,453	26,487
Netherlands	Carlton (Amsterdam)	-	5,625	5,625	92,714
USA	Madison Tower (New York)	-	4,715	4,715	88,157
France	Lotti Parigi (Paris)	-	2,420	2,420	115,889
United Kingdom	ST Ermins (Londres)	-	29,276	29,276	100,944
	Total Italy	**1,044**	**161,595**	**162,639**	**773,378**
Switzerland	NH Fribourg	4,044	-	4,044	7,776
	Total Switzerland	**4,044**	**-**	**4,044**	**7,776**
	Total	**5,088**	**233,145**	**238,233**	**937,384**

The caption "Syndicated loan" includes the following loans:

- A syndicated loan granted to NH Finance, S.A. by 34 European banks on August 2, 2007, for 650 million euros.

- This loan matures on August 2, 2012, and bears an annual interest rate tied to Euribor plus a spread that varies between 0.60% and 0.70% according to the Net financial debt/ EBITDA ratio". This loan shall be repaid in six-monthly instalments. The first repayment shall be made in August 2010 by an amount of 32.5 million euros; the next one shall be made in February 2011 by an amount of 65 million euros. The remaining three repayments for the equivalent of 15%, 30% and 40% shall be made the following year until it finally expires.

- This loan requires is subjects to compliance with certain financial ratios. On December 31, 2009, all the financial ratios were being complied with at the date of preparation of these consolidated financial statements thanks to the capital increase carried out on July 22, 2009, by 222 million euros, and the waiver of two financial ratios granted by the participating institutions on August 8, 2009. As of this date and up to the presentation of covenants in 2010, it was agreed to increase the spread by 0.5%.

The caption "Unsecured bilateral loan" records the following loans:

- A syndicated loan granted by Banco Bilbao Vizcaya Argentaria to NH Hoteles, S.A. up to a maximum amount of 42.07 million euros, aimed at financing the acquisition in 1997, via a Takeover Bid, of Promociones Eurobuilding, S.A. (a company that was absorbed by NH Hoteles, S.A. in 2002). On December 31, 2009, an amount of 11.7 million euros was still outstanding. This loan bears an annual interest rate tied to Euribor plus a spread and it will be repaid gradually starting in 2001 and ending in 2011.

- A loan amounting to 40 million dollar granted by Caja Madrid aimed at financing the operations that are currently taken place in the Caribbean. It earns interest at Libor plus a spread. It began to be repaid in May 2008 and will be fully repaid in May 2010. The balance as at December 31, 2009, was 13.3 million dollars (9.6 million euros).

- A loan of 10 million euros granted to the company Jolly Hotels, S.p.A. (now Grande Jolly, SpA.) by Banca Popolare de Vicenza Euribor that bears an annual interest rate tied to Euribor and matures in June 2014.

- A loan totalling 26 million pounds granted to the company Jolly Hotels, St. Ermins BV. by Banco de Sabadell that earns interest at a rate indexed to Libor which expires in July 2014.

Furthermore, the caption "Subordinate loans" includes two loans totalling 75 million euros that had been drawn down in full as at December 31, 2009. These loans bear an annual interest rate tied to Euribor plus a spread of 1.70%. They have a term to maturity of 30 years and they will be repaid "bullet" on maturity of each loan.

Set out below are the average interest rates for financing the Group in 2009 and 2008:

	2009	2008
Mortgage loans		
Fixed interest	3.87%	3.98%
Variable interest	Euribor +1.15%	Euribor +0.92%
Unsecured bilateral loan		
Fixed interest	3.80%	3.62%
Variable interest	Euribor +1.08%	Euribor +0.73%
Subordinated variable interest loan	**Euribor +1.70%**	**Euribor +1.70%**
Credit lines	Euribor +1.71%	Euribor +0.70%

18. OTHER NON-CURRENT LIABILITIES

Set out below is an analysis of the caption "Other long-term liabilities" on the accompanying consolidated balance sheets as at December 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
At fair value:		
Account payable for the Jolly Hotels operation	87,393	87,393
Systems of remuneration linked to the listed price of the share 2007-2013 (Note 20)	32,784	36,611
Call and put option for the Framon operation	-	21,996
Interest rate financial derivatives (Note 19)	19,853	15,124
Put option on Donnafugata Resort, S.r.l. (Note 2.5.6)	5,176	-
A net value:		
Capital Grants	10,964	14,335
Residencial Marlin, S.L.	13,238	10,188
Right of beneficial use of Hotel NH Plaza de Armas (Note 7.1)	5,980	7,475
Loans to shareholders	1,416	1,786
Los Alcornoques de Sotogrande, S.L	1,066	1,040
Other liabilities	3,696	7,149
	181,566	**203,097**

The caption "Account payable for the Jolly Hotels operation" records the liability relating to a put option held to Joker Partecipazioni, S.r.l., which was taken up in prior years and which becomes payable as from July 2010, and may be postponed if the Group so wishes until January 2011, for which reason it has been classified as long-term.

The caption "Call and put option for the Framon operation" recorded, as at December 31, 2008, the liability for the contract for the call option held by the Group and the put option held by Tourist Ferry Boat, S.r.l. (hereinafter referred to as TFB), the company that previously owned the Framon hotel chain, signed on May 13, 2008, for the 5% holding it held in the company NH Italia, S.r.l. On March 31, 2009, this option was taken up early by handing over 1,900,000 shares in NH Hoteles, S.A. and making a cash disbursement of 7,500 thousand euros.

The financial liabilities arising from recording the put options granted to minority interests have been classified as level 3 in the calculation scale set up in IFRS 7, while the compensation plan and the other financial derivatives have been classified as level 2.

The line "Capital grants" basically records, as at December 31, 2009, a total of 10.96 million euros for the grants received to build the hotels and golf courses of Sotogrande, S.A. for 2.6 million euros (2.96 million euros as at December 31, 2008) and the capital grants received for the projects under way which are listed below:

	THOUSAND EUROS	
	2009	2008
Donnafugata	6,200	6,200
Baglio Oneto	-	2,081
Parco Degli Aragonesi	2,139	2,707
Other grants	26	390
	8,365	**11,378**

As at December 31, 2009, the Administrators of the Parent Company considered that all the requirements relating to these grants had been met. They therefore regard them as non-refundable.

The figures recorded in the line "Residencial Marlin, S.L." and "Los Alcornoques de Sotogrande, S.L." are for the proportional part (50%) of the participating loans granted to these companies by the minority shareholder of Sotogrande, S.A. (50% in these companies) (see Notes 10.1 and 27).

The line "Loans to shareholders" basically records the 682 thousand euro loan granted to the owner of the hotel NH Lancaster, which expires in March 2012. Interest accrues on this loan at an annual rate of 12%. It is being repaid in six-monthly instalments.

19. DERIVATIVE FINANCIAL INSTRUMENT

Set out below is an analysis of financial derivatives on the consolidated balance sheet as at Decembe 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Description	Financial Liabilities	Financial Liabilities
Interest rate derivatives (Note 18)	19,853	15,124
Remuneration plan linked to the price of the share 2007-2013 (Notes 18 and 20)	32,784	36,611
Total	**52,637**	**51,735**

19.1 Interest-rate derivatives

Set out below are the financial derivatives and their fair values as at December 31, 2009 and 2008, and the date of expiry of the notionals they are linked to. This information is given (in thousand euros) separating the derivatives that are deemed to be accounting hedge (in accordance with the requirements laid down in IAS 39) from the derivatives regarded as not efficient.

		Fair value 31.12.2009	Fair value 31.12.2008	Nominal outstanding			
Company	Instrument	Liabilities	Liabilities	31.12.2009	31.12.2010	31.12.2011	31.12.2012 and later
Efficient hedges							
NH Finance	Collar	(12,644)	(7,486)	360,000	342,000	306,000	216,000
NH Hoteles	Collar	(18)	(33)	2,400	-	-	-
Donnafugata Resort	IRS	(265)	(239)	14,750	14,273	13,287	12,259
Total efficient hedges		**(12,927)**	**(7,758)**	**377,150**	**356,273**	**319,287**	**228,259**
Inefficient hedges							
NH Finance	Options	(5,710)	(6,016)	360,000	342,000	306,000	216,000
Jolly Hotels UK	Collar	(1,216)	(1,350)	22,796	22,649	-	-
Total inefficient hedges		**(6,926)**	**(7,366)**	**382,796**	**364,649**	**306,000**	**216,000**
Total hedges		**(19,853)**	**(15,124)**	**759,946**	**720,922**	**625,287**	**444,259**

To set the fair value of the interest-rate swaps (IRS), options or Collars and other derivatives, the Group discounts cash flows based on the implicit flows determined by the curve of interest rates for the euro, according to market conditions on the date of valuation.

Efficient hedges

The Group hedges against interest rate exposure on part of the syndicated financing (through NH Finance, S.A.) and other financing of the Group at variable interest rates in euros using interest rate swaps (IRS) and collars. In IRS, the interest rates are swapped so that the Group receives a variable interest rate (3 month Euribor) from the bank, in return for paying a flat rate of interest on the same nominal. The variable interest rate received for the derivative offsets the payment of interest on the funding being hedged. The final outcome is that it pays a fixed rate of interest on the financing that has been hedged. Similarly, the collars set a cap and a floor for the Euribor on the financing. The collars used to hedge the syndicated financing, taken out in 2007, are for floors of 3.50% and caps of 4.50% for Euribor, and the collars contracted during the first half of 2008 have floors of between 2.65% and 3.30% and caps of 4.50% for Euribor.

The figure recognised in Equity for the effective part of the Cash Flow Hedging Relationships of the IRS and Collars net of tax, total minus 3,635 thousand euros as at December 31, 2009 (minus 6,670 thousand euros as at December 31, 2008). The Group has designated the relevant Hedging Relationships as at December 31, 2009 and 2008, and they are fully effective. In these hedging relationships the exposure covered is the fluctuation in the variable Euribor rate for the financing being hedged.

Inefficient hedges

These are basically Knock-in options and Structured swaps for various different financing of the Group. The largest hedge is for the knock-in options contracted by NH Finance, S.A. for the syndicated financing, under which the Company undertakes to pay the bank an interest rate that varies depending on the contract between 3.2% and 4.2%, whenever Euribor hits a specific barrier set at between 2.65% and 3.50%, depending on the contract.

The change in the fair value of these interest rate derivatives has given rise to a loss that has been charged to profit and loss for 2009 of 8 thousand euros (6.155 thousand euros for 2008).

19.2 Sensitivity analysis of the financial derivatives

Sensitivity analysis of interest rate

The changes in fair value of the interest rate derivatives contracted by the Group depend on the change in the long-term euro interest-rate curve. The fair value of these derivatives totalled minus 19,853 thousand euros as at December 31, 2009 (15,124 thousand euros as at December 31, 2008).

Set out below is the sensibility analysis of the fair values of the derivatives contracted by the Group as at the end of 2009 and 2008, in Equity ("accounting hedge") and in Profit and Loss "non-accounting hedge"):

	THOUSAND EUROS			
	Equity		Profit/(loss)	
Sensitivy	2009	2008	2009	2008
+0,5% (rise in the rate curve)	2,961	3,898	406	1,356
-0,5% (fall in the rate curve)	(3,102)	(4,301)	(303)	(992)

The sensitivity analysis shows that the interest rate derivatives designated as "accounting hedge" record increases in its positive value with regard to increases in the rate curve, because they are IRS or collars where the interest rate paid by the Group is fixed or capped and, therefore, the Group has hedged against rises in interest rates.

The sensitivity of the derivatives as at December 31, 2009 will affect Equity and the Consolidated Profit and Loss Account of the Group, to the extent that market conditions may change.

20. SHARE-BASED PAYMENT PLANS

As at December 31, 2009, the Group had a System of remuneration linked to the listed price of the share in force. This plan was approved in May 2007. Set out below is the movement in the number of rights granted under these Remuneration plan in 2009 and 2008:

	Plan 2007
In force as at December 31, 2007	3,582,804
In force as at December 31, 2008	3,582,804
Options cancelled	(175,297)
In force as at December 31, 2009	3,407,507

On May 29, 2007, the General Meeting of Shareholders announced and approved a share options plan " Plan 2007" for certain employees of the Group, divided up into two categories. When it matures, these employees will have received, depending on the case, a compensation equal to the difference between the Strike price and the sale price of the options which shall be the listed price of the shares for the last 10 stock market sessions prior to the strike date.

Set out below are the main characteristics of the Plan:

- Beneficiaries: Employees of NH Hoteles, S.A. and its group of companies, designated by the Appointments and Remuneration Committee. As at December 31, 2009, 140 employees of the Group were beneficiaries and had been allotted 3,407,507 options in all.
- Maximum number that may be assigned: 3,790,000 options.
- Strike price: 17,66 euros for group one consisting of 31 top managers and 15,27 euros for group two consisting of 109 top managers.

This strike price must be reduced, therefore, as provided for in the Regulating Plan, by 0.71 euros, the theoretical value of the right of first refusal in the capital increase.

A value is set for this Plan and it is recognised on the consolidated profit and loss account as indicated in Note 4.15. The impact of the Plan on the consolidated profit and loss account for 2009 was a reduction in staff costs compared to the previous year of 150 thousand euros (a reduction of 588 thousand euros in 2008) Set out below are the main assumptions used for setting a value for this Plan granted in 2007:

- Length of time with the Group to qualify for the option: Up to five years, maximum term of the Plan ("equity swap"). The Plan may be taken up by third parties on an annual basis as from May 29, 2010.
- Risk-free rate: 4.17%
- Dividend return: 2.11%

In November 2007, the Group signed a financial swap contract to hedge against the possibility of financial liabilities deriving from this Incentive Plan linked to the share price being taken up. On July 13, 2009, this contract was renewed in an amended form to complement the financial hedge and bring it into line with the new market conditions.

Set out below are the main characteristics of the changed contract:

- The number of shares, originally the same as the maximum number of options granted, has been increased to a total of 6,316,666 after the capital increase approved by the General Meeting of Shareholders of the Parent Company on June 16, 2009.
- The Group shall pay the bank a yield based on Euribor plus a spread to be applied to the result of multiplying the number of units by the initial price.
- The Group may rescind all or part of the contract early, in which case, if the share price is lower than the initial price, the Group shall pay the bank the difference. If the share price is higher than the original price, but fails to attain the strike price, the Group shall be paid the difference between the two figures.

In accordance with accounting rules, the Group has set up, under liabilities on the consolidated balance sheet as at 31 December 2009, a provision of 32.78 million euros to cover any loss that might be incurred by the financial institution as a result of a fall in the share price that is the object of the financial swap. The change in the fair value of this financial instrument has had a positive effect on the consolidated operating account for 2009, of 3.8 million euros (a negative effect of 31.8 million euros in 2008).

Sensitivity analysis of the NH Hoteles share price

The changes in the fair value of the derivatives over the NH Hoteles share price contracted by the Group depend mainly on the change in the share price, and on the trend in the Euro interest rate curve and the estimates for dividends made by market agents. The net fair value of this derivative is minus 32,784 thousand euros as at December 31, 2009 (minus 36,611 thousand euros as at December 31, 2008).

Set out below is an analysis of the sensitivity analysis of the fair values of the derivatives contracted by the Group:

	THOUSAND EUROS	
Sensitivity in Profit and Loss	**2009**	**2008**
+10% (increase in the share price)	2,350	1,399
-10% (fall in the share price)	(2,350)	(1,399)

The sensitivity analysis shows that, when the share price rises the negative fair value of the derivatives falls, and when the share price falls, the negative fair value rises.

21. PROVISION FOR CONTINGENCES AND CHARGES

Set out below is an analysis of the "Provisions for charges and liabilities" as at December 31, 2009 and 2008, together with the main movements recorded during said years:

	THOUSAND EUROS				
	Balance as at 31/12/2007	Charges	Applications (Reductions)	Transfers	Balance as at 31/12/2008
Provisions for liabilities and non-current expenses:					
Onerous contracts	16,720	2,571	-	(6,065)	13,226
Provision for pensions and similar obligations	27,170	203	(3,511)	-	23,862
Provision for the Remuneration Plan based on the price of the share (Note 20)	2,999	-	(2,882)	-	117
Other claims	13,641	7,579	(11,032)	-	10,188
	60,530	10,353	(17,425)	(6,065)	47,393
Provisions for liabilities and current expenses:					
Onerous contracts	2,664	-	(2,425)	6,065	6,304
Other claims	5,855	388	(4,028)	-	2,215
	8,519	**388**	**(6,453)**	**6,065**	**8,519**
Total	**69,049**	**10,741**	**(23,878)**	**-**	**55,912**

	THOUSAND EUROS					
	Balance as at 31/12/2008	Newly consolidated companies	Charges	Applications/ Reductions	Transfers	Balance as at 31/12/2009
Provisions for liabilities and non-current expenses:						
Onerous contracts	13,226	-	16,384	-	(10,633)	18,977
Provision for pensions and similar obligations	23,862	7	1,883	(3,455)	-	22,297
Provision for Remuneration Plan based on the share price (Note 20)	117	-	150	-	-	267
Other claims	10,188	2,015	5,741	(5,371)	-	12,573
	47,393	**2,022**	**24,158**	**(8,826)**	**(10,633)**	**54,114**
Provisions for liabilities and current expenses:						
Onerous contracts	6,304	-	-	(6,181)	10,633	10,756
Other claims	2,215	-	-	(2,215)	-	-
	8,519	**-**	**-**	**(8,396)**	**10,633**	**10,756**
Total	**55,912**	**2,022**	**24,158**	**(17,222)**	**-**	**64,870**

Onerous contracts

The NH Hoteles Group has classified a series hotel lease agreements for which due date commitments have been entered into for between 2010 and 2027. Although these hotels' operations are profitable as far as gross operating profit (GOP) is concerned, they are loss-making at the level of Ebitda. Cancelling these contracts might involve paying all the rent outstanding for the years remaining in the lease.

Provision for pensions and similar obligations

The account "Provision for pensions and similar obligations" includes, mainly, the provision set up by the Group to cover the pension plans arranged with its staff, for an amount of 18,484 thousand euros (20,219 thousand euros as at December 31, 2008). This account includes the T.F.R. (Trattamento di fine rapporto), or the amount paid to all workers in Italy when they leave a company's employ for whatever reason. It is an extra item of remuneration, the payment of which is deferred and which is provided for on an annual basis in line with the fixed and variable remuneration in cash and in kind and is evaluated on a regular basis. The amount to be provided for every year is equal to the remuneration divided by 13.5. The fund accumulated annually is restated at a fixed rate of 1.5% plus 75% of the increase in the RPI.

The method used to calculate the valuation of the obligations relating to this pension plan was the projected credit unit method.

Set out below are the main assumptions used when calculating the actuarial liability:

	2009	2008
Discount rates	5.75%	5.75%
Forecast annual rate of wage increases	2.50%	2.50%
Forecast return on the assets earmarked for the plan	4.75%-5.75%	4.75%-5.75%

Other claims

The applications recorded in 2009 in the account "Other claims" mainly record the reversal of the provision set up in prior years to cover against the various legal disputes in which the company Jolly France, S.A. was involved. The favourable settlement of these disputes has made it no longer necessary to keep the 3 million euro provision.

22. TAX MATTERS

Set out below is an analysis of the debit balances with the Tax and Social Security Authorities as at December 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Deferred tax assets		
Tax credits	46,119	6,098
Tax assets on asset impairment	28,851	26,109
Staff-related advance taxes	920	920
Financial derivatives	5,507	4,050
Other advance taxes	23,893	15,876
Total	**105,290**	**53,053**
Short-term tax and Social Security refundable		
Corporation Tax	7,877	4,273
Value Added Tax	31,968	26,971
Assumed Tax on Profits	719	1,773
Other Taxes Refundable	5,906	278
Total	**46,470**	**33,295**

The balances of "Deferred tax assets" basically record the advance taxes arising as a result of the loss impairment of certain assets and the capitalising of tax losses.

Set out below is the movement in advance taxes in 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Opening Balance	**53,053**	**44,646**
Additions for newly consolidated companies	2,678	-
Additions for asset impairment	7,615	-
Additions from derivatives	1,457	4,050
Tax credits	37,343	5,808
Other additions	6,039	-
Advance taxes written off	(2,895)	(1,451)
Closing balance	**105,290**	**53,053**

The "Additions for asset impairment" essentially record impairments in tangible fixed assets. Furthermore, the additions for tax credits are mainly due to the tax losses that have been generated by the companies in the Group. They have been contributed, for the most part, by the business units of Spain, totalling 32 million euros, and Italy, totalling 5 million euros. The deferred tax assets mentioned above have been recorded on the consolidated balance sheet, as it is felt that, on the basis of the best estimate of the Group's future earnings, these assets will probably be recovered.

The Group, in accordance with Section 12.5 of the Corporation Tax Act, is deducting the goodwill that arose when it acquired the Astron Group from tax. The amount written off for tax purposes this year totalled 8.9 million euros. As in prior years a loss impairment of part of this goodwill had been charged and the related advance tax had not been created, this tax write-off has not led to any movement in timing differences. As at 31 December 2009, the difference between the tax and the reported cost was 14.02 million euros, this being the difference to be applied in the tax returns for the next two years.

Set out below is an analysis of the credit balances with the Tax and Social Security Authorities as at December 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Deferred tax liabilities		
Revaluations of assets	254,873	258,358
Total	**254,873**	**258,358**
Short-term tax and Social Security accounts		
Value Added Tax	2,452	2,975
Personal Income Tax	3,673	7,828
Tax on Investment Income	1,898	479
Social security taxes	8,487	9,210
Other	18,255	5,672
Total	**34,765**	**26,164**

The balance of the deferred taxes records basically the restatement of a number of the Group's assets.

Set out below is an analysis of movements in deferred tax liabilities during 2009:

	MILES DE EUROS	
	2009	2008
Opening Balance	**258,358**	**276,379**
Changes due to additions to consolidation scope (See Note 2.5.6)	2,716	7,111
Other applications	(6,201)	(25,132)
Closing balance	**254,873**	**258,358**

a) Corporation Tax expense

The companies that make up the NH Hoteles Group are grouped together geographically and file their tax returns, in accordance with the law in force in the corresponding countries.

Corporation Tax is calculated on the basis of the financial or book profit obtained in accordance with general accepted accounting principles in each country, which is not necessarily the same as the figure for taxable income used as a basis for assessing the tax.

The reconciliation between reported profits and the Corporation Tax basis of assessment is set out below (in thousand euros):

	2009	2008
Book profit/(loss) (after taxes and minority interests)	**(115,110)**	**1,426**
Corporation Tax	20,270	(3,730)
Book profit/(loss) (before taxes and minority interests)	**(135,380)**	**5,156**
Permanent differences	51,427	19,964
Timing differences	74,161	24,899
Consolidation adjustments	(64,235)	(13,760)
Prior taxable income	**(74,027)**	**31,103**
Tax loss carryforwards offset	(2,052)	(4,665)
Basis of assessment	**(76,079)**	**26,438**

b) Consolidated Group of the Parent Company

NH Hoteles, S.A. consolidates for tax purposes with all the companies that are tax residents in Spain where it has held a direct or indirect holding during the tax period of at least 75%, in accordance with the rules laid down in Title VII, Chapter VII of the current Corporation Tax Act, enacted by Royal Legislative Decree 4/2004.

In 2009 the companies Fast Good América, S.L. and Hoteles Palacio de Castilla, S.A. left the tax consolidated group. No results depend on these companies that have yet to be included in the basis of the Group.

The accounts payable or receivable generated under this heading are settled by NH Hoteles, S.A., the Parent Company of the Group. Group policy is not to remunerate tax loss carryforwards that are contributed by any of the other companies included in the Consolidated Group.

The group has been performing restructuring operations that qualify for the "Special Rules on Mergers, Spin Offs, Asset contributions and Securities swaps". The mentions required by are law made in the Notes to the Financial Statements for the appropriate year.

b.1) Years open to tax inspection

As at December 31, 2009, as a general rule the main taxes applying to the consolidated companies for the last four years are open to inspection by the corresponding tax authorities.

For the years open to inspection there may be contingent liabilities that cannot be objectively quantified. In the opinion of the Administrators of the Group, they are not significant.

b.2) Deductions made by the consolidated group of the Parent Company

The deductions made during 2005 correspond fundamentally to the deduction for investing in export business.
When calculating Corporation Tax, no amount has been deducted for investing in measures aimed at reducing the environmental impact.

As at December 31, 2009, the Tax Group had the following unused tax incentives (in thousand euros):

Year of Origin	Unused deduction	Thousand euros
2001 as at 2009	Investment in export business	46,560
2001 as at 2009	Other	3,839
		50,399

In the same way, the Consolidated Group of the Parent Company made use, in the past, of the "Deferral for reinvesting extraordinary income". Set out below are the main features of this reinvestment (in thousand euros):

	Amount offset				
Year of origin	Rent qualifying deferral	Prior years	Year 2009	Amount pending	Latest year deferral
1999	75,144	41,481	6,547	27,116	2049
2000	3,738	2,670	534	533	2010
2001	4,335	2,477	619	1,239	2011

The reinvestment of all this income took the form of various different financial holdings, except for the one that appeared in 1999, which was reinvested in acquiring properties.

Set out below is a description of the income for the year and for prior years qualifying for the deduction for reinvesting extraordinary profits, in accordance with the terms of Section 42 of the current Corporation Tax Act, as per the following analysis (in thousand euros):

Date	Date of transfer	Rent qualifying	Deduction		Company that generates the capital gain	Company that reinvests
			Used	Pending		
2002	February	25,738	4,375	-	NH Hoteles, S.A.	NH Hotel Rallye, S.A.
2002	February	3,282	558	-	NH Pamplona, S.A.	NH Hotel Rallye, S.A.
2002	April	8	-	1	Sotogrande, S.A.	NH Hotel Rallye, S.A.
2002	December	1,087	185	-	NH Hoteles, S.A.	NH Hotel Rallye, S.A.
2003	May	3,085	617	-	NH Establecimientos Hoteleros, S.A.	NH Hotel Rallye, S.A.
2003	September	3,037	607	-	NH Hoteles, S.A.	NH Hotel Rallye, S.A.
2004	March	365	73	-	NH Hoteles, S.A.	NH Hotel Rallye, S.A.
2005	May	700	140	-	NH Hoteles, S.A.	NH Hotel Rallye, S.A.
2005	May	19	4	-	NH Hoteles, S.A.	NH Hotel Rallye, S.A.
2006	January	735	147	-	Sotogrande, S.A.	Sotogrande, S.A.
2006	December	3,480	696	-	NH Hoteles, S.A.	Sotogrande, S.A.
2006	December	3,100	-	-	NH Hoteles, S.A.	Sotogrande, S.A.
2008	June	7,021	-	843	NH Hoteles España S.L.	NH Hotel Rallye, S.A.
2008	June	19,630	-	2,356	NH Hotel Rallye, S.A.	NH Hotel Rallye, S.A.
2008	June	3,627	-	435	Hotelera Onubense, S.A.	NH Hotel Rallye, S.A.
2008	June	1,583	-	190	Gran Círculo de Madrid, S.A.	NH Hotel Rallye, S.A.

The reinvestment of the capital gains generated in 2002 and 2004 was used in the purchase of 80% of the Astron Group (now NH Hoteles Deutschland, GmbH and NH Hoteles Austria, GmbH) made in November 2002. The obligation to hold the investment for 3 years ended in November 2005.

The reinvestment of the capital gains made in 2004 and 2005 was made in the purchase of 38% of Nacional Hispana de Hoteles, S.R.L. de C.V. (set of hotel companies in Mexico) made in January 2005. The obligation to hold the investment for 3 years ended in January 2008.

The reinvestment of the capital gains made in 2006 was made in the purchase in July 2006 of 50% of the company Desarrollos Isla Blanca, S.L., for 19.53 million euros. The obligation to hold the investment for 3 years ended in July 2009.

In 2009, the Group carried out a capital increase in its Italian subsidiary via NH Hotel Rallye, S.A. for 73 million euros to be used to acquire further hotels and renovate existing ones.

b.3) Tax loss carryforwards and deductions outstanding

As at December 31, 2009 , the Tax Consolidated Group headed by the Parent Company had Tax Loss Carryforwards, pending to be offset:

- From 2007, 8,992 thousand euros expiring in 2022.
- From 2008, 20,424 thousand euros expiring in 2023.
- From 2009, 107,848 thousand euros expiring in 2024.

At the year end, the Italy Business Unit has tax loss carryforwards totalling 11,791 thousand euros, lapsing in 2014.

The companies in the Tax Consolidated Group headed by the Parent Company that recorded tax loss carryforwards before they joined the group are Retail Invest, S.L., Latinoamericana de Gestión Hotelera, S.L. and Hotelera Onubense, S.A. Such prior tax loss carryforwards may only be offset against profits made by those same companies (in thousand euros):

Year of origin	Thousand euros	Limit for Offsetting
1994	145	2009
1995	3,403	2010
1996	4,132	2011
1997	11,236	2012
1998	4,648	2013
1999	197	2014
2000	55	2015
2001	15,662	2016
2002	18,959	2017
2003	25,314	2018
2004	7,299	2019
2006	14,596	2021
	105,645	

23. TRADE CREDITORS

Set out below is an analysis of this caption on the consolidated balance sheet as at December 31, 2008 and 2009:

	THOUSAND EUROS	
	2009	2008
Trade payables	215,990	191,641
Advanced payments from trade debtors	18,479	19,613
	234,469	**211,254**

The caption "Trade payables" records the accounts payable as a result of the Group's normal trading activities. The line "Advances payment from trade debtors" includes mainly advance payments made by trade debtors of Sotogrande, S.A., amounting to 2.57 million euros (5.68 million euros as at December 31, 2008).

24. OTHER CURRENT LIABILITIES

Set out below is an analysis of this caption as at December 31, 2008 and 2009:

	THOUSAND EUROS	
	2009	2008
Compensation payable	26,832	26,846
Leases payable	710	574
Restatement of income	1,342	1,005
Sundry creditors	7,950	19,202
	36,834	**47,627**

25. GUARANTEES GIVEN TO THIRD PARTIES AND ASSETS AND CONTINGENT LIABILITIES

The Group has been granted guarantees by financial institutions totalling 20.65 thousand euros (22.84 thousand euros as at 31 December 2008) which, in general, guarantee the performance of certain obligations entered into by the consolidated companies in the course of their business activities.

As at December 31, 2009, the Group has contracted insurance policies to cover against risks for damage to tangible fixed assets, for loss of profit and public liability. The insured capital sufficiently covers said assets and risks.

Commitments with regard to third parties

- On March 29, 2005 and March 10, 2006, the agreements of the shareholders of the company Harrington Hall Hotel Limited (the company that owns the Hotel Harrington Hall) and Losan Investment Ltd. (the company that owns the Hotel Kensington) between NH Hotel Rallye S.A. and Losan Hoteles, S.L., whereby in the event that the latter company were to receive an offer to purchase 100% of the shares of either of the companies at a price deemed to be a market price, Losan Hoteles, S.L. may demand that NH Hotel Rallye S.A., which shall be required to accept, transfer its shares to the third-party buyer who has made the offer. NH Hotel Rallye, S.A. shall, however, hold a right of first refusal on Losan Hoteles, S.L.'s shares in Harrington Hall Hotel, Ltd. and Losan Hoteles, Ltd.

- On December 1, 2005, an agreement was reached with Intesa Sanpaolo, S.p.a. whereby Intesa Sanpaolo, S.p.A. became a shareholder of NH Hoteles Italia, S.r.l., in which a put option was granted for the holding acquired, in the period between March 2008 and March 2015. The price shall be set on the basis of fair market value, as determined by an independent investment bank. The price shall be paid in shares of NH Hoteles, S.A. The caption "Minority interests" on the accompanying consolidated balance sheet records the value of the investment of Intesa Sanpaolo in NH Italia, S.r.l., amounting to 169.89 million euros (see Note 16.6).

- In the operations in the Caribbean region, and in the management agreement for the Edenh Real Arena complex, NH Hoteles, S.A. has undertaken to achieve a minimum profit that guarantees the covering of the 35 million dollar funding obtained in order to build the hotel.

Contingent assets and liabilities
The main contingent assets and liabilities for the NH Hoteles Group as at the date these consolidated Financial Statements were drawn up are as set out below:

- During 2008, a Group company in Italy terminated its service agreement with the building company in charge of the construction work on the tourist complex being developed by that Group company, as a result of a number of breaches of contract. As a result of this termination, the building company has sued the company for 13 million euros in damages.

- The Group company has also sued the building company for approximately 33 million euros in damages. Although the legal process is at an early stage, the Administrators of the Parent Company, on the basis of the opinion of the Group's lawyers, consider that the report of the expert appointed by the Court will uphold the Group's position and that the ruling on this dispute will not give rise to any liabilities that could affect its net worth.

- The Parent Company has been sued, in its capacity as surety, for some promissory notes issued by a Group Company when buying a hotel in Argentina. The plaintiffs are suing for the foreign exchange difference between Argentinean pesos and dollars paid, which together with interest and legal costs amount to approximately 334 thousand euros.

- NH The Netherlands, BV reported on December 31, 2009 the termination of the turnkey sale and buy agreement it had signed with the developer of a hotel project in Rotterdam, as on said date three of the termination conditions set out in the contract had been met. At the beginning of 2010, the company responsible for buying the site and building the hotel in Rotterdam filed for an injunction against the company NH The Netherlands, BV. The Rotterdam Court issued its ruling on 10 February 2010, rejecting the claims of the claimant albeit imposing on NH Hoteles, S.A. an obligation to guarantee the obligations entered into by NH The Netherlands, BV in the Sale and Buy Agreement to cover against the event that its validity be recognised in any court.

- Jardinería Sotogarden, S.L. has filed a civil case against the Parent Company for one million euros in costs for the work to be performed on a site in the Sotogrande development.

- The NH Hoteles, S.A. group has signed agreements with the shareholders of Residencial Marlín SL and Los Alcornoques de Sotogrande, S.L. which provide that the personal characteristics of the shareholders are essential for the development of the projects, and that any change in effective control, be it among the shareholders, or among their parent companies, shall trigger off a procedure whereby the other shareholder may leave the company and be entitled to be refunded the entire amount of its holding in the company plus the damages caused.

- Sotogrande, S.A. has signed Agreements with the shareholders of Corporación Hotelera Dominicana, S.A., Corporación Hotelera Oriental S.A., Inmobiliaria CHDOM, S.A. and Inmobiliaria CHDOR, S.A., in which it provides that Sotogrande, S.A. assume the obligation to keep its holding in Capredo Investments GmbH, a company that currently has a direct holding in the aforementioned companies. Failure to comply with this obligation entails an indemnity payable to the local partners for theresulting damages.

- The syndicated loan signed by a group company, signed on August 2, 2007, NH Finance, S.A., which is the borrower, and a syndicate of banks, for 650 million euros, includes a clause that provides for early termination of the agreement in the event that anything were to occur that were to lead to a change in control over the company NH Hoteles, S.A.

- The NH Hoteles Group also has been granted loans and credit lines, with a combined limit of 35 million euros, which include an early termination clause in the event that control of the company NH Hoteles, S. A. were to change.

- The Group has been informed about the plan to build a third runway at Frankfurt-Main Airport which is planned to start operating at the end of 2012. The Hotel NH Frankfurt is located in the acoustic influence area of this third runway, as a result of which the Group intends to take legal action to protect its interests after analysing the impact that the starting-up of operations on this runway may have on the Hotel's results.

As at December 31, 2009, other claims, which cannot be objectively quantified, have been made against the Group. The Directors of the Parent Company consider that any hypothetical loss the Group might eventually suffer as a result of these disputes would not have a significant effect on the Group's net worth.

26. INCOME AND EXPENSE

26.1. Income

Set out below is an analysis of these captions on the consolidated profit and loss account for 2009 and 2008:

	THOUSAND EUROS	
	2009	**2008**
Room accommodation	744,260	899,228
Catering	327,540	376,390
Reception rooms and other	82,620	100,750
Property	20,757	50,050
Golf and Sports Clubs	3,158	4,186
Rents and other services	31,415	25,880
Net sales	**1,209,750**	**1,456,484**
Operating grants	237	215
Other operating revenues	4,948	10,812
Other operating revenues	**5,185**	**11,027**
Net profit/(loss) on disposals of assets	**(326)**	**54,409**

The caption "Other operating revenues" recorded the revenues from royalties invoiced to hotels operated under management agreements were recorded, as were the services provided by the NH Hoteles Group to third parties.

Set out below is an analysis of net turnover for different geographical markets for 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Spain - Hotels	330,407	418,748
Spain Property	20,757	50,050
Benelux	264,709	317,071
Italy	275,723	295,373
Germany	205,231	237,266
Rest of Europe	57,887	67,265
Latin America	55,036	70,711
	1,209,750	**1,456,484**

The result of disposing of assets in 2009 relates to the sale of the hotel NH Regensburg, in Regensburg (Germany), and the sale of the former offices of Fast Good in calle Goya 7, in Madrid (Spain). In 2008, the capital gain recorded was for the sale of the hotels NH City Nord, NH Alcalá, NH Luz de Huelva and NH Ciudad de Santander.

26.2. Financial Income and changes in the fair value of the financial instruments

Set out below is an analysis of the balance of this caption on the consolidated profit and loss account for 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Income from traded securities	759	900
Interest income	8,786	7,544
Other financial income	225	173
	9,770	**8,617**
Income from derivatives	**1,286**	**-**

26.3. Staff costs

Set out below is an analysis of this caption of the consolidated profit and loss account for 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Wages, salaries and similar expenses	304,867	342,577
Employee benefit costs	72,744	79,966
Indemnities	4,414	8,785
Pension plan contributions and similar	9,347	9,002
Other social charges	33,699	24,592
	425,071	**464,922**

The average number of employees in the Parent Company and the companies that have been fully consolidated in 2009 and 2008, divided into categories and genders, is as follows:

	2009		
	Men	Women	Total
General management of the Group	6	-	6
Managers and Heads of Department	374	368	742
Other line personnel	291	267	558
Trade Transactions	220	249	469
Clerical staff	284	361	645
Remaining personnel	5,639	5,848	11,487
Average number of employees	**6.814**	**7.093**	**13,907**

	2008		
	Men	Women	Total
General management of the Group	6	1	7
Managers and Heads of Department	401	388	789
Other line personnel	303	281	584
Trade Transactions	231	261	492
Clerical staff	304	380	684
Remaining personnel	6,021	6,597	12,618
Average number of employees	**7,266**	**7,908**	**15,174**

The average age of the Group's workforce is approximately 39 years, with an average seniority in the NH Group of 9.2 years.

26.4. Other operating expenses
Set out below is an analysis of this caption of the consolidated profit and loss account for 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Leases	272,190	265,890
External services	322,290	362,323
Charges to provisions for charges and liabilities	23,400	22,016
	617,880	**650,229**

The "External Services" account records the fees for statutory auditing services provided by four auditing firms to the different companies that make up the NH Hoteles Group. The fees of the main auditor during 2009 amounted to 1.02 million euros (1.17 million euros in 2008) and the fees of all the other auditors totalled 0.53 million euros (0.56 million euros in 2008).

Furthermore, the fees for other professional services provided to the NH Hoteles Group by the main auditor amounted, in 2009, to 0.26 million euros (0.21 million euros in 2008) and the fees of all the other auditors totalled 0.38 million euros (0.42 million euros in 2008).

26.5. Operating leases

As at December 31, 2009 and 2008, the Group had acquired commitments for future minimum lease instalments under operating leases that cannot be cancelled, falling due on the dates shown in the table below.

The present value of the lease instalments has been calculated using a discount rate in line with the weighted average cost of capital of the Group. It includes the commitments which the NH Group estimates it will have to meet in the future for a guaranteed minimum return on the hotels being operated under management agreements.

	THOUSAND EUROS	
	2009	2008
Less than one year	266,820	252,987
Between two and five years	1,026,735	968,595
More than five years	857,462	870,933
Total	**2,151,017**	**2,092,515**

The average life of the operating lease agreements signed by the NH Hoteles Group varies between 10 and 25 years.

Set out below is an analysis for each business unit of the present value of the lease instalments (in thousand euros):

	Less than one year	Between two and five years	More than five years	Total
Spain	92,970	367,506	317,951	778.427
Germany	80,496	309,782	235,940	626.218
Italy	43,007	165,053	117,411	325.471
Benelux	30,951	113,318	134,891	279.160
Switzerland, Austria, Romania, Hungary	17,027	64,125	50,190	131.342
Latin America	2,369	6,951	1,079	10.399
Total	**266,820**	**1,026,735**	**857,462**	**2,151,017**

26.6. Financial expenses and changes in the fair value of financial instruments
Set out below is an analysis of the balance of this item on the consolidated profit and loss account for 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Interest expense	57,679	77,574
Other financial expenses	19	286
	57,698	**77.860**
Expenses of derivatives	**-**	**43,108**

27. RELATED-PARTY TRANSACTIONS

Set out below is an analysis of the main balances and transactions which have been carried out by the Group with different related parties in 2009 and 2008:

Loans and accounts receivable not available for trading

Set out below is an analysis of this caption as at December 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Loans to staff	14,320	14,320
Loans to joint ventures:		
Residencial Marlin, S.L.	13,238	9.000
Los Alcornoques de Sotogrande, S.L.	1,066	1,040
Accounts receivable from joint ventures:		
Los Alcornoques de Sotogrande, S.L.	4,473	4,469
Other accounts receivable from joint ventures	735	2,539
Current accounts with joint ventures:		
Residencial Marlin, S.L.	708	-
Resco Sotogrande, S.L.	105	-
Loans to associated companies		
Harrington Hall Hotel, Ltd.	2,250	2,250
Corporación Hotelera Dominicana, S.A.	101	-
Current accounts with associated companies	4,819	-
Total	**41,815**	**33,618**

The caption "Loans to staff" includes the loans made in 2001 to top managers who joined the Group in order to buy shares in the Parent Company totalling 14.32 million euros as at December 31, 2009 and 2008. There are sufficient guarantees for the loans in force as at 31 December 2009 and the borrowers may extend the terms of these loans until, at the latest, April 30, 2013.

The caption "Loans to joint ventures" records the proportional part of the subordinate participating loans held by Sotogrande, S.A. to the companies Residencial Marlin, S.L. and Los Alcornoques de Sotogrande, S.L. for acquiring plots of land. The interest rate for these participating loans is Euribor-linked, which is increased when the profits of each of these companies exceed certain set amounts.

These loans expire on December 31, 2011 and December 25, 2010, respectively. As at December 31, 2009, the Administrators of Sotogrande, S.A. intended to extend the loans to the companies Residencial Marlin, S.L. and Los Alcornoques de Sotogrande, S.A. when they expire.

The caption "Accounts receivable from joint ventures- Los Alcornoques de Sotogrande" records the balance receivable from Los Alcornoques de Sotogrande, S.L., a joint venture of the Group. This balance will fall due when the new Zoning Rules for San Roque are approved and must in any case be paid by December 2011.

The caption "Other accounts receivable from joint ventures" records the current balance as at December 31, 2009 for the services provided by Sotogrande, S.A. for building work, and the commissions invoiced on the sale of flats and premises. In 2009, the Group recorded revenues of 441 thousand euros for these services (1,066 thousand euros in 2008).

The caption "Loan to associated companies- Harrington Hall Hotel, Ltd." records the subordinate loan held by the NH Hoteles Group to the company Harrington Hall Hotel, Ltd., totalling 2,250 thousand euros, for the purpose of refinancing the acquired company's prior financial debt.

The caption "Current accounts and interest with associated companies" includes the interest accrued in the year on the aforementioned loan to Harrington Hall Hotel, Ltd., and a current account kept with this company.

Set out below is the financial income generated by the loans and accounts receivable mentioned above:

	THOUSAND EUROS	
	2009	2008
Loans to joint ventures	398	519
Loans to associated companies	95	170
Total	**493**	**689**

Funding agreements with financial institutions which are shareholders of the Group

Set out below is an analysis of the debt with financial institutions which are shareholders of the Group as at December 31, 2009 and 2008:

	THOUSAND EUROS	
	2009	2008
Caja Madrid	114,220	94,565
Banca Intesa Sanpaolo	51,848	43,672
Bancaja	39,992	25,000
La Kutxa	15,000	15,000
Caixanova	18,974	12,500
Caja Murcia	7,500	7,500
Ibercaja	9,461	3,500
Total	**256,995**	**201,737**

The financial expenses accrued in connection with the financing agreements with financial institutions which are shareholders of the Parent Company totalled 7,791 thousand euros in 2009 (11,635 thousand euros in 2008).

Furthermore, the Group has a financial swap contract with Caja Madrid for 56,282 thousand euros, to hedge against any possible financing liabilities that might arise as a result of the Remuneration Plan linked to the Share Price 2007-2011 (See Note 20). As at December 31, 2009 the financial expenses relating to this contract totalled 2,412 thousand euros (2,650 thousand euros as at 31 December 2008).

Other related party agreements

The Group has signed a number of operating lease agreements with Pontegadea Inversiones, S.L., totalling 10,243 thousand euros in 2009 (9,588 thousand euros in 2008).

The Group also has the following financing agreements with Pontegadea Inversiones, S.L.:

	THOUSAND EUROS	
	2009	2008
Loans to joint ventures:		
Residencial Marlin	13,238	9,000
Los Alcornoques de Sotogrande	1,066	1,040
Total	**14,304**	**10,040**

The line "Loans to joint ventures" records the proportional part of the subordinate participating loans granted by Pontegadea Inversiones, S.L. to the companies Residencial Marlin, S.L. and Los Alcornoques de Sotogrande, S.L. expiring on 31 December 2011 and 25 December 2010. The interest rate for these participating loans is linked to Euribor, which is increased when the profits of each of these companies exceed certain set amounts. As at December 31, 2009, the Administrators of Sotogrande, S.A. consider that these loans will be renewed when they expire.

The financial expenses accrued on these loans totalled 398 thousand euros in 2009 (519 thousand euros in 2008).

Remuneration relating to the Board of Directors and members of Top Management of the Company is analysed in Notes 29.1 and 29.2 to these consolidated Financial Statements.

28. INFORMATION BY SEGMENT

The information by segments is structure, first of all, on the basis of the Group's different lines of business and, secondly, on a geographical basis.

Main segments - business

The business lines described below were established on the basis of the NH Hoteles Group's organisational structure at 2009 year-end, taking into account, on the one hand, the nature of the goods and services offered and, on the other, the customer segments at which they are targeted.

In 2009, the NH Hoteles Group focused its activities on two major lines of business, hotels and property, which are the basis used by the Group to present the information about its main segment.

The Group does not include restaurant services as a main segment of its activity as this activity cannot be separated from its accommodation business, as combined together they constitute a single business, the hotel business.

Secondary segments - geographical

Furthermore, the Group operates in Spain, the Benelux, Germany, Italy the rest of Europe, South America and the rest of the world.

The information by segments set out below is based on the reports drawn up by the NH Hoteles Group and is generated using a computer application that divides the transactions into categories according to their line of business and geographical location.

The ordinary income of the segment records the ordinary income directly attributable to the segment plus the relevant proportion of the general income of the group that may be distributed to it on a fair distribution basis. The ordinary income of each segment does not include interest or dividend income or the gains on sales of investments or debt surrender or termination operations. The Group includes its holdings in the results of associated companies and joint ventures that area consolidated using the equity method in its ordinary income by segments. Also included is the corresponding proportion of the ordinary income of joint ventures consolidated using the proportional method.

The profit and loss of the segment is presented before any adjustment for minority interests.

The assets and liabilities of the segments are those directly connected with its operations.

Set out below is the information for each segment of these activities.

28.1. Information about main segments

	THOUSAND EUROS					
	Hotel		Property		Total	
	2009	2008	2009	2008	2009	2008
REVENUES						
Sales and other operating income	1,193,546	1,416,575	21,389	50,936	1,214,935	1,467,511
Net profit on disposals of long-term assets	(326)	54,409	-	-	(326)	54,409
Total revenues	**1,193,220**	**1,470,984**	**21,389**	**50,936**	**1,214,609**	**1,521,920**
PROFIT/(LOSS)						
Operating result	(80,048)	110,044	(1,265)	11,017	(81,313)	121,061
Share in profit and loss of associated companies	(6,580)	(1,027)	-	(1,263)	(6,580)	(2,290)
Financial income	8,692	6,279	1,078	2,338	9,770	8,617
Net differences on exchange	(357)	(1,264)	-	-	(357)	(1,264)
Changes in fair value of financial instruments	1,286	(43,108)	-	-	1,286	(43,108)
Interest expense	(55,674)	(76,220)	(2,024)	(1,640)	(57,698)	(77,860)
Loss on investments	(488)	-	-	-	(488)	-
Profit/(loss) before taxes	(133,169)	(5,296)	(2,211)	10,452	(135,380)	5,156
Taxes	19,374	(1,135)	896	(2,595)	20,270	(3,730)
Profit for the year	(113,795)	(6,431)	(1,315)	7,857	(115,110)	1,426
Minority interests	(18,010)	(21,732)	-	(10)	(18,010)	(21,742)
Profit/(loss) attributed to the Controlling Company	(95,785)	15,301	(1,315)	7,867	(97,100)	23,168

	THOUSAND EUROS					
	Hotel		Property		Total	
	2009	2008	2009	2008	2009	2008
OTHER INFORMATION						
Fixed asset additions	170,642	157,501	852	4,157	171,494	161,658
Depretiation	(125,940)	(125,769)	1,130	1,597	(124,810)	(124,172)
Net losses due to asset impairment	(36,832)	(32,060)	-	-	(36,832)	(32,060)
BALANCE SHEET						
ASSETS						
Assets by segment	3,228,732	3,003,075	236,458	216,605	3,465,190	3,219,680
Investments in associates	70,753	41,846	0	32,791	70,753	74,637
Total consolidated assets	3,299,485	3,044,921	236,458	249,396	3,535,943	3,294,317
SHAREHOLDERS' EQUITY AND LIABILITIES						
Liabilities and equity by segment	3,299,485	3,044,768	236,458	249,549	3,535,943	3,294,317
Total Consolidated Liabilities and Net Equity	3,299,485	3,044,768	236,458	249,549	3,535,943	3,294,317

28.2. Information about secondary segments

Set out below is a table that provides an analysis of certain consolidated balances of the Group in accordance with the geographical distribution of the companies that originate them:

	THOUSAND EUROS					
	Net sales		Total Assets		Additions to tangible and intangible assets	
	2009	2008	2009	2008	2009	2008
Spain	351,164	468,798	1,186,144	1,153,213	25,701	47,976
Benelux	264,709	317,071	700,567	703,069	23,571	32,175
Italy	275,723	295,373	1,091,270	999,780	12,651	40,910
Germany	205,231	237,266	275,724	152,826	90,102	20,244
Latin America	55,036	70,711	249,526	258,706	13,652	18,988
Rest of Europe	57,887	67,265	32,712	26,723	5,817	1,365
Total	**1,209,750**	**1,456,484**	**3,535,943**	**3,294,317**	**171,494**	**161,658**

29. REMUNERATION AND OTHER DECLARATIONS OF THE BOARD OF DIRECTORS AND SENIOR EXECUTIVES

29.1. Remuneration of the Board of Directors

Set out below is the amount accrued in 2009 and 2008 to the members of the Governing Bodies of the Parent Company, the Board of Directors (13 members), the Delegate Committee (4 members), the Audit and Control Committee (4 members) and the Appointments and Remunerations Committee (3 members) in salary paid to the Chief executive, for attending statutory meetings and attendance fees:

Categories of Directors	THOUSAND EUROS	
	2009	2008
Executives	1,964	1,835
Outside Shareholders	248	258
Independent Outside	336	369
Other Outside	3	-
Total	**2,551**	**2,462**

The figure for total compensation paid under all heading to all the Directors expressly includes, in 2009, the amount accruing to the Managing Director as beneficiary of the Three-Year Compensation Plan for the period 2007-2009, which has been generated over this period and fell due on December 31, 2009. This plan has been fully provided for by the Group.

These amounts include the attendance fees and fees for attending statutory meetings paid to the Directors of the Parent Company in fully and proportionally consolidated companies and companies consolidated using the equity method, which totalled 127 thousand euros in 2009 (142 thousand euros in 2008).

The company GBS Finanzas, S.A. in which Juan Antonio Samaranch Salisachs is a senior executive, has on occasions, and in any case prior to his appointment as a Director, a business relations with the NH Hoteles group.

29.2. Remuneration of senior executives

The remuneration of the members of the Management Committee as at December 31, 2009 and 2008, not including those who are also members of the Board of Directors (whose remuneration has been set out hereabove) is set out below:

	Thousand euros	
	2009	2008
Cash remuneration	2,906	2,708
Remuneration in kind	170	280
	3,076	**2,988**

The figure for total compensation paid under all heading to all the Directors expressly includes, in 2009, the amount accruing to two executives in their capacity as beneficiaries of the Three-Year Remuneration Plan for the period 2007-2009, which has been generated over this period and fell due on December 31, 2009. This plan has been fully provided for by the Group.

29.3. Details of any participation by the Administrators in similar activities and performance of any similar activities as self-employed or salaried workers

In accordance with the terms of Section 127 ter. 4 of the Companies Act brought in by Law 26/2003 dated 17 July, which modified the Securities Market Act, Law 24/1988, dated 28 July, and the current Companies Act, for the purpose of making public limited companies more transparent, set out below are the companies with the same, similar or complementary types of activity to the corporate object of NH Hoteles, S.A., in which its Administrators have shareholdings, as well as any positions they may hold therein:

Holding	Investee Company	Activity	Number of shares
Gabriele Burgio	Mola 15, S.L.	Property	10%
Caja Ahorros de Valencia, Castellón y Alicante	Hotel Barcelona Golf, S.A.	Hotel Business	17.41%
Caja Ahorros de Valencia, Castellón y Alicante	Hotel Alameda Valencia SL	Hotel Business	100.00%
Caja Ahorros de Valencia, Castellón y Alicante	Gran Hotel Xirivella, S.L.	Hotel Business	100.00%
Caja Ahorros de Valencia, Castellón y Alicante	Playa Hotels & Resorts, S.L.	Hotel Business	6.64%
Caja Ahorros de Valencia, Castellón y Alicante	Prohore, S.A.	Hotel Business	29.93%
Francisco Javier Illa Ruiz	Hotel Comtat de Vic, S.A.	Hotel Business	23.50%
Francisco Javier Illa Ruiz	Hoteles y Gestión, S.A.	Hotel Business	0.90%

The Administrators have also engaged in the following activities during 2009, as self-employed or salaried workers, in companies with the same, similar or complementary types of activities to the corporate object of NH Hoteles, S.A. or any of its subsidanes:

Holder	Investee Company	Activity	Duties
Gabriele Burgio	Sotogrande, S.A.	Property	Director
	Nacional Hispana de Hoteles S.R.L de C.V.	Hotel	Director
	Grupo Financiero de Intermediación y Estudios, S.A. (Grufir, S.A.)	Hotel	Represent. of Sole Administrator
	Krasnapolsky Hotels & Restaurants, N.V.	Hotel	Member of the "Supervisory Board"
	NH Participaties, NV	Hotel	Chairman and Director
	NH Domo Diseños y Decoración, S.L.	Decoration	Joint Administrator
	NH Italia, S.r.l.	Hotel	Chairman and Director
	Ferrovial, S.A.	Property	Director
Francisco Javier Illa Ruiz	Desarrollo Turístico Isla Bonita, C.A.	Hotel	Member of Board
	Hesperia Ámsterdam, B.V.	Hotel	Joint Administrator
	Corporación Hotelera Hemtex, S.A.	Hotel	Member of Board
	Hesperia Victoria UK Limited	Hotel	Sole Administrator
	Hotels Hesperia Andorra, S.A.	Hotel	Secretary Board And General Legal Representative

30. SUBSEQUENT EVENTS

On January 22, 2010, the contract was signed to sell the companies in the Group Servicios e Inmuebles Turísticos, S. de R.L. de C.V., Chartwell Inmobiliaria Monterrey, S.de R.L. de C.V. and Chartwell Inmobiliaria Juárez, S. de R.L. de C.V. which own 3 hotels in Mexico. The overall price of this operation was 730 million Mexican pesos, giving a consolidated profit in 2010 of approximately 4 million euros.

31. INFORMATION ABOUT ENVIRONMENTAL POLICY

The activities carried on by the Group through Sotogrande, S.A. include managing the integrated water cycle in the area covered by the Sotogrande Estate and its surroundings. This management includes draining and purifying sewerage. The aim of these two latter activities is to reduce the damage to the environment.

The Group's assets associated with its drainage and purification activity include 2 sewerage purification plant, capable of meeting the needs of a population of up to 20,000 inhabitants, connected to one another so that the cleaned affluent flows into the see through an undersea outlet. In one of its purifying plants, the Group has also built a tertiary treatment system aimed at purifying the water even more so that they may be used partially for watering the Real Club de Golf Sotogrande with which a contract has been signed to this effect. The tertiary treatment plant is now operational as it came into service in July 2003. The introduction of this tertiary system will make for a reduction in the consumption of drinking water of between 200,000 and 300,000 m^3 /year.

Furthermore, the Group, as part of its activity to promote and develop the Sotogrande Estate, is now focusing its attention on urban land with partial plans that have been approved. It therefore has no need to carry out any environmental impact studies prior to carrying out its property or tourist developments. However, the Group's policy is aimed at respecting the environment to the utmost. It has therefore contracted the services of an environmental consultancy to diagnose and provide advice on environmental matters in its actions.

The assets of an environmental nature described total, net of depreciation as at December 31, 2009, total 1,671 thousand euros (1,852 thousand euros in 2008).

The Group had set up no provision at the end of 2008 for environmental contingencies or claims as there are none.

32. RISK EXPOSURE

The Group centralises the management of its financial risk exposure in the Corporate Finance Department. This Department has implemented systems to enable it to identify and manage, according to the Group's structure and financial position and to the economic variables of the environment, its interest rate and foreign exchange exposure, and its credit and liquidity exposures, and whenever necessary it makes use of one-off hedging operations. Set out below are a description of the main financial exposures and the Group's related policies:

Credit risk

The Group's main financial assets are cash and cash equivalents (see Note 15), and trade debtors and other accounts receivable (see Note 13). As a general rule, the Group keeps its cash and cash equivalents in banks with high credit ratings and part of its trade debtor and other accounts receivable are secured by guarantee deposits, guarantees and advance payments made by tour operators.

The Group has not any significant concentration of third-party credit exposure, as its investments are highly diversified and the trade exposure is spread over a large number of customers with short collection periods.

Interest-rate risk

The Group's financial assets and liabilities are exposed to fluctuations in interest rates that could have an adverse effect on its earnings and cash flow. In order to mitigate this risk, the Group has set up policies and contracted financial instruments so that approximately 40% of its net financial debt is tied to fixed interest rates.

In accordance with the reporting requirements of IFRS 7, the Group has performed a sensitivity analysis of the fluctuations in interest rates that might occur in the markets where it operates. Based on said requirements, the Group estimates that a 50 base point increase in interest rates would increase its financial expenses by 3,405 thousand euros.

In addition to the impacts that the changes in the interest rates have on the financial assets and liabilities that represent the net cash position, changes may take place in the valuation of the financial instruments contracted by the Group (see Note 19). The effects of changes in interest rates on effective hedging instruments are recognized under the caption "Net equity", while the effects on non-effective hedging instruments are recognized in the consolidated income statement. In Note 19 there is a sensitivity analysis of these derivatives to changes in interest rates.

Finally, the long-term financial instruments listed in Note 11 are also subject to interest rate risk.

Foreign exchange risk

The Group is exposed to fluctuations in exchange rates that may affect its sales, earnings, equity and cash flows, essentially as a result of:

- Investments in foreign countries (mainly in Mexico, Argentina, the Dominican Republic, the United Kingdom and the United States).
- Operations carried out by Group's companies in countries with currencies other than the euro (mainly in Mexico, Argentina, the Dominican Republic, the United Kingdoms and the United States).

In order to mitigate this risk, the Group has set up policies and contracted certain financial hedging instruments (see Note 19). In particular, the Group endeavours to keep the structure of its financial debt in line with its cash flows in the different currencies. It also contracts financial instruments to reduce exchange differences for transactions denominated in foreign currency.

The Group has carried out a sensitivity analysis with regard to fluctuations that might occur in exchange rates in the markets where it operates. For this reason, the Group has considered fluctuations in the major currencies, other than its functional currency, in which it operates (United States dollar, Argentine peso, Mexican peso and pound sterling). On the basis of this analysis, the Group estimates that a 5% depreciation in the corresponding currencies would have the following effect on its net worth:

	THOUSAND EUROS	
	Equity	Profit/(loss)
United States dollar	(4,483)	(12)
Pounds sterling	(878)	(64)
Argentinean peso	(4,218)	(162)
Mexican peso	(4,099)	(86)

Liquidity risk

Exposure to adverse situations in debt or capital markets might make it difficult or impossible to cover the financial requirements for the Group to develop properly its business activities and its Strategic Plan.

The management of this risk is focused on a detailed monitoring of the repayments schedule of the Group's financial debt, and proactively managing and maintaining the credit lines that allow it to cover expected cash requirements.

The Group's liquidity position for 2010 is based on the following points:

- As at December 31, 2009, the Group had cash and cash equivalents amounting to 221,665 thousand euros.
- Available in credit lines not drawn down as at December 31, 2009, totalling 11,652 thousand euros.
- The Group's business units are capable of generating significant, recurring cash flow from their operations. The flow from operations in 2009 totalled 68,697 thousand euros.
- The ability of the Group to increase its financial debt, since its financial leverage ratio stood at 0.84 as at December 31, 2009 (see Note 16).

Finally, the Group makes systematic cash forecasts for each business unit and geographical area in order to assess their needs. This liquidity policy pursued by the Group ensures that payment commitments entered into are met without having to resort to seeking funds under onerous terms, thus enabling the Group to continues with its liquidity position.

Market risk

The Group is exposed to the risk linked to changes in the share prices of listed companies. This risk arises in the systems of remuneration that are linked to the share price of the Parent Company. In order to reduce this market risk the Group has signed the financial swap contract described in Note 20. Furthermore, in Note 19 there is a sensibility analysis of these financial hedging instruments with regard to changes of +/- 10% in the share price of the Parent Company.

33. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

This consolidated financial statements are presented on the basis of IFRS's adopted by the European Union. Certain accounting practices applied by the Group that conform IFRS's may not conform with other generally accepted accounting principles.

APPENDIX I: SUBSIDIARY COMPANIES

Set out below the details on the Company's subsidiaries at December 31, 2009, are as follows:

Investee Company	Address of Investee Company	Main activity of the Investee Company	% holding of the parent company in the investee company	% voting rights controlled by the parent company	Net book value recorded in the parent company	Thousand euros			
						Assets	Liabilities	Equity	Profit and loss for the year
Astron Kestrell, Ltd. (**)	Plettenberg Bay	Hotel	100%	100%	(1,071.55)	746.56	(1,818.11)	1,054.04	17.51
Atlantic Hotel Exploitatie, B.V.	Den Haag	Hotel	100%	100%	1,224.00	1,886.41	(662.44)	(1,164.11)	(59.86)
Caribe Puerto Morelos, S.A. de C.V. (*)	Mexico City	Hotel	100%	100%	1,820.96	4,087.00	(2.00)	(4,047.00)	(38.00)
Chartwell de México, S.A. de C.V. (*)	Mexico DF	Property	100%	100%	4,182.33	4,163.51	150.00	(4,250.81)	(63.00)
Chartwell de Nuevo Laredo, S.A. de C.V. (*)	Nuevo Laredo (Mexico)	Hotel	100%	100%	(361.05)	617.24	(2,002.68)	367.24	1,018.21
Chartwell Inmobiliaria de Coatzacoalcos, S.A. de C.V. (*)	Coatzacoalcos (Mexico)	Hotel	100%	100%	2,275.69	2,623.72	(81.40)	(2,312.68)	(229.64)
Chartwell Inmobiliaria de Juárez, S.A. de C.V. (*)	Juárez (Mexico)	Hotel	100%	100%	4,242.97	4,747.02	(506.80)	(4,312.21)	71.99
Chartwell Inmobiliaria de Monterrey, S.A. de C.V. (*)	Monterrey (Mexico)	Hotel	100%	100%	4,518.43	5,137.00	(457.26)	(4,589.00)	(90.73)
City Hotel, S.A. (*)	Buenos Aires	Hotel	50%	50%	2,104.74	15,095.19	(3,486.29)	(11,200.00)	(408.90)
Club Deportivo Sotogrande, S.A.	San Roque	Tourist Services	93.48%	93.48%	2,503.00	4,468.89	(140.00)	(4,467.90)	138.91
Cofir, S.L.	Madrid	Holding	100%	100%	60.10	60.80	0.17	(63.32)	2.44
Columbia Palace Hotel, S.A. (*)	Montevideo	Hotel	100%	100%	3,016.79	9,688.29	(5,127.28)	(4,261.75)	(299.27)
De Sparrenhorst, B.V.	Nunspeet	Hotel	100%	100%	14,821.10	20,935.25	(5,713.88)	(14,821.10)	(400.27)
Desarrollo Inmobiliario Santa Fe, S.A. de C.V.	Mexico City	Property	50%	50%	1,592.34	10,962.79	(6,124.43)	(3,236.22)	(1,601.70)
Donnafugata Resort, S.r.l.	Italy	Tourist Services	86.24%	86.24%	2,788.91	57,315.05	(50,904.92)	(7,853.15)	1,443.01
Edificio Metro, S.A. (*)	Buenos Aires	Hotel	100%	100%	3,974.18	9,528.66	(1,041.14)	(8,663.98)	176.46
Establecimientos Complementarios Hoteleros, S.A.	Barcelona	Hotel	100%	100%	1,839.26	5,650.04	(6,694.00)	432.72	611.55
Expl. mij. Grand Hotel Krasnapolsky, B.V.	Amsterdam	Hotel	100%	100%	16,109.69	18,435.56	(4,060.29)	(16,109.69)	1,734.44
Expl. Mij. Hotel Best, B.V.	Best	Hotel	100%	100%	580.34	651.81	(148.47)	(580.33)	77.00
Expl. mij. Hotel Caransa, B.V.	Amsterdam	Dormant	100%	100%	310.57	-	310.57	(310.57)	-
Expl. mij. Hotel Doelen, B.V.	Amsterdam	Hotel	100%	100%	4,016.81	4,725.19	(357.00)	(4,016.81)	(351.38)
Expl. Mij. Hotel Naarden B.V.	Naarden	Hotel	100%	100%	972.45	1,104.23	(420.64)	(972.43)	288.86
Expl. mij. Hotel Schiller B.V.	Amsterdam	Hotel	100%	100%	5,149.39	14,819.14	(9,209.69)	(5,149.39)	(460.04)
Exploitatiemij. Tropenhotel B.V.	Amsterdam	Hotel	100%	100%	(10.16)	493.35	(501.84)	10.16	(1.67)
Explotaciones Hoteleras Condor, S.L.	Barcelona	Hotel	55%	55%	298.88	776.76	(805.25)	(485.35)	514.20
Fast Good Islas Canarias, S.A.	Las Palmas	Catering	50%	50%	350.00	1,006.21	(1,414.37)	145.51	262.65
Fast Good Península Ibérica, S.A. (*)	Madrid	Catering	100%	100%	17,003.05	7,254.57	(141.72)	(9,154.16)	2,040.50
Franquicias Lodge, S.A. de C.V. (*)	Mexico City	Property	100%	100%	147.81	151.70	(1.64)	(150.14)	0.08
Gran Círculo de Madrid, S.A. (*)	Madrid	Hotel	98.74%	98.74%	36,788.87	42,203.30	(3,211.39)	(39,028.87)	37.36
Grande Jolly, S.r.l. (*)	Milan	Hotel	97.40%	97.40%	424,912.02	794,620.70	(397,214.39)	(416,918.03)	19,511.70

Investee Company	Address of Investee Company	Main activity of the Investee Company	% holding of the parent company in the investee company	% voting rights controlled by the parent company	Net book value recorded in the parent company	Thousand euros			
						Assets	Liabilities	Equity	Profit and loss for the year
Grupo Financiero de Intermediación y Estudios, S.A.	Madrid	Holding	100%	100%	360.60	1.23	(18,171.26)	17,656.44	513.75
Grupo Hotelero Monterrey, S.A. de C.V.	Mexico City	Hotel	100%	100%	947.91	2,122.89	(1,466.09)	(965.07)	308.22
Grupo Hotelero Querétaro, S.A. de C.V.	Mexico City	Property	50%	50%	774.38	5,196.73	(2,889.19)	(2,293.14)	(14.40)
Hanuman Investment, S.L.	Tenerife	Hotel	50%	50%	2,161.55	3,740.16	(321.31)	(3,574.92)	155.13
HEM Atlanta Rotterdam, B.V.	Rotterdam	Hotel	100%	100%	4,170.51	5,253.02	(511.80)	(4,170.50)	(570.07)
HEM Epen Zuid Limburg, B.V.	Wittem	Hotel	100%	100%	(1,602.70)	3,104.07	(4,773.30)	1,669.59	0.35
HEM Forum Maastricht, B.V.	Maastricht	Hotel	100%	100%	1,118.99	2,598.87	(1,409.17)	(1,118.99)	(70.13)
HEM Jaarbeursplein Utrecht, B.V.	Utrecht	Hotel	100%	100%	4,033.14	6,133.15	(1,161.04)	(4,033.14)	(938.96)
HEM Janskerkhof Utrecht, B.V.	Utrecht	Hotel	100%	100%	630.75	1,189.40	(437.06)	(630.08)	(121.60)
HEM Marquette Heemskerk, B.V.	Heemskerk	Hotel	100%	100%	(759.94)	556.74	(1,398.10)	759.94	81.42
HEM Onderlangs Arnhem, B.V.	Arnhem	Hotel	100%	100%	197.00	1,237.65	(921.39)	(197.00)	(119.26)
HEM Spuistraat Amsterdam, B.V.	Amsterdam	Hotel	100%	100%	9,536.19	12,621.38	(1,824.76)	(9,536.19)	(1,260.44)
HEM Stadhouderskade Amsterdam, B.V.	Amsterdam	Hotel	100%	100%	6,688.69	6,075.54	(808.91)	(6,688.89)	1,422.06
HEM Van Alphenstraat Zandvoort, B.V.	Zandvoort	Hotel	100%	100%	2,269.87	3,296.50	(653.34)	(2,269.90)	(373.20)
Highmark Geldrop, B.V.	Geldrop	Hotel	100%	100%	(915.37)	1,288.55	(2,467.96)	915.37	264.05
Highmark Geldrop, B.V.	Geldrop	Hotelera	100%	100%	(915.37)	1,288.55	(2,467.96)	915.37	264.05
Highmark Hoofddorp, B.V.	Hoofddorp	Hotel	100%	100%	(5,656.00)	2,615.60	(11,315.94)	5,656.00	3,044.34
Hispana Santa Fe, S.A. de C.V.	Mexico City	Hotel	50%	50%	(1.37)	41.73	(42.00)	(3.26)	3.17
Hotel Ciutat de Mataró, S.A.	Barcelona	Hotel	51%	51%	1,077.58	1,931.99	(1,155.44)	(1,185.15)	408.65
Hotel de Ville, B.V.	Amsterdam	Hotel	100%	100%	(505.13)	761.20	(1,591.90)	505.10	325.54
Hotel Expl. Mij Amsterdam Noord, B.V.	Amsterdam	Hotel	100%	100%	(963.47)	6,547.00	(8,520.00)	964.00	1,009.00
Hotel expl. mij. Danny Kayelaan Zoetermeer, B.V.	Zoetermeer	Hotel	100%	100%	(155.46)	8,274.54	(596.87)	(7,265.34)	(412.33)
Hotel Expl.mij. Diegem, N.V. (**)	Diegem	Hotel	100%	100%	72.82	93,154.00	(11,271.00)	(93,385.00)	11,502.00
Hotel Expl. Mij Leijenberghlaan Amsterdam, B.V.	Amsterdam	Hotel	100%	100%	4,177.19	5,134.86	(1,166.58)	(4,177.19)	208.91
Hotel expl. mij. Stationsstraat Amersfoort, B.V.	Amersfoort	Hotel	100%	100%	(186.84)	2,634.87	(3,131.97)	186.64	310.46
Hotel Management Fribourg, S.A. (**)	Fribourg	Hotel	100%	100%	2,000.00	9,956.46	(7,258.41)	(3,224.74)	526.69
Hotel Porta Rossa, Srl.	Florenciz	Hotel	100%	100%	9,525.00	6,611.03	(6,481.45)	(310.00)	180.41
Hoteleira Brasil Ltda.	Brazil	Hotel	100%	100%	823.70	740.57	(170.37)	(570.20)	
Hotelera de la Parra, S.A. de C.V. (*)	Mexico City	Hotel	100%	100%	11,859.60	22,797.78	(11,513.25)	(12,054.48)	769.97
Hotelera del Mar, S.A.	C. Mar de Plata	Hotel	20%	20%	1,369.94	-	-	-	-
Hotelera Lancaster, S.A. (*)	Buenos Aires	Hotel	50%	50%	1,243.94	4,993.20	(1,743.98)	(3,012.99)	(236.24)
Inmobiliaria y Financiera Aconcagua SA (*)	Buenos Aires	Hotel	50%	50%	787.65	2,688.80	(1,299.22)	(1,171.44)	(218.14)

Investee Company	Address of Investee Company	Main activity of the Investee Company	% holding of the parent company in the investee company	% voting rights controlled by the parent company	Net book value recorded in the parent company	Thousand euros			
						Assets	Liabilities	Equity	Profit and loss for the year
Immobiliare 4 Canti, Srl. (*)	Messina	Hotel	50%	50%	1,551.54	2,914.66	(2,391.21)	(622.43)	98.97
Inversores y Gestores Asociados, S.A.	Madrid	Holding	100%	100%	3,094.43	725.07	(731.35)	(61.24)	67.51
Jan Tabak, N.V. (**)	Bussum	Hotel	80%	80%	6.61	9.94	(1.63)	(8.11)	(0.20)
JH Belgium, S.A. (*)	Brussels	Hotel	100%	100%	-	2,747.63	(1,343.94)	(1,694.33)	290.64
JH Deutschland, GmbH (*)	Cologne	Hotel	96%	96%	11,417.35	4,315.48	(1,159.38)	(1,935.37)	(1,220.74)
JH France S.A. (*)	Paris	Hotel	100%	100%	8,701.43	88,120.32	(26,371.33)	(64,821.25)	3,072.25
JH Holland, N.V. (*)	Amsterdam	Hotel	100%	100%	55,958.00	33,560.92	-	(33,560.92)	-
JH St Ermin's, B.V. (*)	Amsterdam	Property	100%	100%	35,888.00	88,708.62	(50,201.24)	(38,538.64)	31.27
JH UK, Ltd. (*)	London	Hotel	100%	100%	6,345.00	3,330.06	5,166.66	(7,110.27)	(1,386.45)
JH USA, Inc. (*)	Wilgminton	Hotel	100%	100%	8,725.88	88,604.14	(18,990.44)	(69,822.00)	208.75
Koningshof, B.V.	Veldhoven	Hotel	100%	100%	26.88	45.39	(18.51)	(25.72)	(1.16)
Krasnapolsky Belgian Shares, B.V.	Hilversum	Holding	100%	100%	(8,521.77)	-	(8,521.77)	8,521.76	-
Krasnapolsky Events, B.V.	Amsterdam	Dormant	100%	100%	0.07	0.07	(0.00)	(0.07)	-
Krasnapolsky H&R Onroerend Goed, B.V.	Hilversum	Property	100%	100%	92,001.13	161,570.00	(66,304.00)	(92,001.00)	(3,265.00)
Krasnapolsky Hotels, Ltd. (**)	Somerset West	Hotel	100%	100%	(1,053.87)	1,841.00	(2,448.00)	744.00	(137.00)
Krasnapolsky Hotels & Restaurants N.V.	Hilversum	Holding	100%	100%	466,716.53	455,551.00	20,640.00	(462,766.00)	(13,425.00)
Krasnapolsky ICT, B.V.	Hilversum	Other business activity	100%	100%	15.54	15.54	-	(15.54)	-
Krasnapolsky International Holding, B.V.	Hilversum	Holding	100%	100%	2,394.58		(8,522.00)	8,522.00	-
Latina Chile SA (*)	Santiago de Chile	Hotel	99.99%	99.99%	10,769.23	9,620.44	(232.33)	(8,760.53)	(627.58)
Latina de Gestión Hotelera, S.A. (*)	Buenos Aires	Hotel	100%	100%	28,289.74	88,068.89	(22,983.44)	(67,162.48)	2,077.00
Latinoamericana de Gestión Hotelera, S.L.	Madrid	Hotel	100%	65%	190,516.29	81,637.34	(196,080.65)	113,425.35	1,017.96
Leeuwenhorst Congres Center, B.V.	Noordwijkerhout	Hotel	100%	100%	44,773.82	89,574.47	(44,800.65)	(41,836.15)	(2,937.67)
Lenguados Vivos, S.L.	Madrid	Hotel	100%	100%	803.02	19,471.00	(25,119.00)	5,486.00	161.17
Liberation Exploitatie, B.V.	Sprang Capelle	Hotel	100%	100%	(3,266.36)	7,036.06	(10,302.43)	2,461.95	804.41
Marquette Beheer, B.V.	Hilversum	Property	100%	100%	252,645.16	252,645.10	(5.88)	(239,945.60)	(12,693.62)
Museum Quarter, B.V.	Amsterdam	Hotel	100%	100%	2,663.82	2,888.01	(316.22)	(2,663.82)	92.02
Nacional Hispana de Hoteles, S.A. (*)	Mexico City	Hotel	100%	100%	72,579.86	76,548.84	(8,525.00)	(84,212.85)	16,188.41
NH Atardecer Caribeño, S.L.	Madrid	Property	100%	100%	48.05	2,558.68	(1,310.31)	(47.04)	(1,201.32)
NH Belgium cvba	Diegem	Holding	100%	100%	134.22	83,426.07	(3,888.00)	(79,006.28)	(531.79)
Blacom, S.A.	Buenos Aires	Investment	100%	100%	4,271.16	1,299.01	(35.73)	(1,260.48)	(2.71)
NH Caribbean Management, B.V.	Hilversum	Management	100%	100%	(100.19)	-	(100.19)	100.19	-
NH Central Europe, GmbH & Co. KG (*)	Germany	Hotel	100%	100%	81,434.00	93,881.41	(586.01)	(95,394.00)	2,099.00
NH Central Europe Management, GmbH	Berlin	Hotel	100%	100%	25.00	44.24	(1.88)	(39.93)	(2.44)
NH Domo y Decoración ,S.L.	Madrid	Decoration	50%	50%	2.00	0.25	(0.73)	(0.41)	0.89
NH Finance, S.A. (**)	Luxembourg	Financial	100%	100%	2,623.00	671,307.50	(669,068.00)	(9,950.19)	7,710.69
NH Framon Italy Hotels Management S.R.L. (*)	Milan	Hotel	100%	100%	54,944.45	86,281.59	(70,495.11)	(25,806.14)	10,020.15
NH Hotel & Service, GmbH	Berlin	Hotel	100%	100%	99.83	3,099.21	(3,711.78)	1,125.31	(512.74)
NH Hotel Ciutat de Reus, S.A.	Barcelona	Hotel	90.10%	90.10%	1,118.15	3,538.00	(2,146.49)	(1,241.76)	(149.76)
NH Hotel Rallye, S.A. (*)	Barcelona	Hotel	100%	100%	323,426.09	475,962.43	(312,959.04)	(171,591.39)	8,588.00
NH Hotelbetriebs.-u. Dienstleistungs, GmbH	Berlin	Hotel	100%	100%	1,974.00	635.17	13,939.36	(15,898.00)	1,323.47

Investee Company	Address of Investee Company	Main activity of the Investee Company	% holding of the parent company in the investee company	% voting rights controlled by the parent company	Net book value recorded in the parent company	Thousand euros			
						Assets	Liabilities	Equity	Profit and loss for the year
NH Hotelbetriebs-u Entwicklungs, GmbH	Berlin	Hotel	100%	100%	-	-	(3,982.35)	3,864.07	118.28
NH Hoteles Austria, GmbH (*)	Vienna	Hotel	100%	100%	9,667.00	16,436.98	(18,076.54)	(1,833.27)	3,472.84
NH Hoteles Deutschand, GmbH (*)	Berlin	Hotel	100%	100%	61,434.14	24,836.90	(19,577.00)	(24,699.00)	19,439.47
NH Hoteles España, S.L. (*)	Barcelona	Hotel	100%	100%	166,073.99	204,436.00	(65,891.80)	(154,843.97)	16,299.57
NH Hoteles Participaties, NV (**)	Hilversum	Holding	100%	100%	225,553.50	633.73	(113.37)	(506.46)	(13.90)
NH Hoteles Polska, Sp. Z.o.o.	Poland	Hotel	100%	100%	13.99	53.66	(6.80)	(12.06)	(34.80)
NH Hotels USA, Inc.	Houston (USA)	Property	100%	100%	169.57	269.39	(87.47)	(172.41)	(9.51)
NH Hungary Hotel Management, Ltd. (*)	Budapest	Hotel	100%	100%	12.80	733.35	(508.11)	(798.33)	573.09
NH Italia, S.r.l. (*)	Milan	Hotel	57.25%	57.25%	247,237.00	510,621.16	(83,051.63)	(439,408.14)	11,838.61
NH Lagasca, S.A.	Barcelona	Hotel	100%	100%	643.38	20,257.99	(15,279.37)	(4,622.88)	(355.74)
NH Laguna Palace SpA	Mestre - VE	Hotel	100%	100%	8,851.51	12,094.99	(4,840.07)	(9,041.38)	1,786.45
NH Las Palmas, S.A. (*)	Gran Canaria	Hotel	56.13%	56.13%	12,275.32	14,826.31	(160.95)	(13,781.00)	(883.71)
NH Logroño, S.A.	Logroño	Hotel	76.47%	76.47%	598.65	2,577.62	(665.15)	(2,064.50)	152.09
NH Management Black Sea S.R.L.	Bucharest	Hotel	100%	100%	300.16	1,404.72	(146.33)	(770.97)	(487.41)
NH Marin, S.A. (*)	Malaga	Hotel	50%	50%	1,686.39	2,340.38	326.71	(2,421.70)	(245.31)
NH Orio, Srl. (*)	Milan	Hotel	80%	80%	1,005.00	3,432.19	(3,969.17)	(90.49)	627.47
NH Private Equity, B.V.	Netherlands	Holding	100%	100%	(3,220.48)	5,977.10	(13,123.50)	3,221.00	3,925.40
NH Rallye Portugal Lda.	Portugal	Hotel	99.90%	99.90%	2,005.40	5,034.97	(4,842.11)	520.82	(713.68)
NH The Netherlands, B.V. (vh GTI, B.V.)	Hilversum	Holding	100%	100%	403,450.68	435,652.39	(32,201.71)	(389,298.14)	(14,152.52)
NH Tortona, Srl.	Milan	Hotel	70%	70%	2,264.00	6,989.29	(7,174.44)	(110.00)	295.14
Nuevos Espacios Hoteleros, S.L.	Madrid	Hotel	50%	50%	3,076.40	10,988.00	(11,112.00)	214.74	(90.64)
Olofskapel Monumenten, B.V.	Amsterdam	Property	100%	100%	448.77	1,385.60	(788.40)	(448.80)	(148.40)
Operadora Nacional Hispana, S.A. De C.V. (*)	Mexico City	Property	100%	100%	2,988.31	8,190.19	(4,466.07)	(3,037.08)	(687.04)
Palatium Amstelodamum, N.V.	Amsterdam	Hotel	100%	100%	8,477.12	8,937.10	(1,537.20)	(8,477.10)	1,077.20
Panorama Hotel SA (*)	Cordoba (Argentina)	Hotel	99.99%	99.99%	6,924.47	25,481.95	(6,650.05)	(19,432.87)	600.97
Polis Corporation, S.A.	Buenos Aires	Hotel	50%	50%	10,191.50	8,109.98	(380.24)	(7,740.85)	11.11
Rest. d'Vijff vlieghen en Moeder Hendrina, B.V.	Amsterdam	Holding	100%	100%	1,739.07	6,162.36	(4,423.29)	(1,555.80)	(183.26)
Restaurant D'Vijff Vlieghen, B.V.	Amsterdam	Catering	100%	100%	1,756.47	2,239.10	(482.60)	(1,739.10)	(17.40)
Retail Invest, S.L. (*)	Madrid	Hotel	100%	100%	29,059.16	2,904.14	(1,115.85)	(4,588.00)	2,799.71
Satme S.R.L.(*)	Messina	Hotel	100%	100%	10,742.00	13,215.06	(8,373.40)	(6,039.08)	1,197.41
Servicios Chartwell de Nuevo Laredo, S.A. de C.V. (*)	Nuevo Laredo (Mexico)	Hotel	100%	100%	7.48	56.26	(34.36)	(7.66)	(14.24)
Hoteles Hesperia, S.A. (*)	Barcelona	Hotel	100%	100%	108.00	7,637.27	(7,920.53)	-	282.94
NH Hotels Czequia, s.r.o.	Czequia	Hotel	100%	100%	8.59	65.14	(77.75)	(9.63)	22.23
NH Hotels Polska, Sp. Zo.o.	Poland	Hotel	100%	100%	13.99	2.49	2.68	(52.67)	47.50
Servicios Corporativos Chartwell Coatzacoalcos, S.A. de C.V. (*)	Coatzacoalcos (Mexico)	Hotel	100%	100%	0.07	2,623.71	(2,312.67)	(81.40)	(229.64)
Servicios Corporativos Chartwell Monterrey, S.A. de C.V. (*)	Monterrey (Mexico)	Property	100%	100%	(1.15)	175.15	(188.95)	1.15	12.66
Servicios Corporativos Hoteleros, S.A. de C.V. (*)	Mexico City	Hotel	100%	100%	451.64	1,036.17	(507.13)	(459.02)	(70.02)
Servicios Corporativos Krystal Zona Rosa, S.A. de C.V. (*)	Mexico City	Hotel	100%	100%	(38.70)	259.08	(283.82)	38.94	(14.19)
Servicios de Operación Turística, S.A. de C.V. (*)	Guadalajara (Mexico)	Hotel	100%	100%	125.29	312.84	(209.78)	(127.52)	24.46
Servicios e Inmuebles Turísticos, S.A. de C.V. (*)	Guadalajara (Mexico)	Hotel	100%	100%	54,291.70	49,819.75	(1,843.10)	(45,230.30)	(2,745.78)

Investee Company	Address of Investee Company	Main activity of the Investee Company	% holding of the parent company in the investee company	% voting rights controlled by the parent company	Net book value recorded in the parent company	Thousand euros			
						Assets	Liabilities	Equity	Profit and loss for the year
Servicios Hoteleros Tlalnepantla, S.A. de C.V. (*)	Mexico City	Hotel	100%	100%	(2.20)	2.02	(6.36)	2.56	1.78
Sotogrande, S.A. (*)	Cadiz	Property	97.87%	97.87%	231,952.44	278,932.00	(37,769.00)	(245,455.00)	4,292.00
Stadskasteel Oudaen, B.V.	Utrecht	Dormant	100%	100%	(1,099.76)	-	(1,067.39)	1,099.76	(32.37)
t Goude Hooft, B.V.	The Hague	Dormant	100%	100%	(1,076.08)	-	(1,076.10)	1,076.10	-
Toralo S.A. (*)	Uruguay	Hotel	100%	100%	20,115.52	(8,501.41)	(1,912.87)	10,547.09	(133.00)
Hotelbetriebe Bayreuther Strabe, GmbH	Germany	Hotel	100%	100%	-	130.61	(30.78)	83.94	(183.76)
VSOP VIII, B.V. (**)	Groningen	Hotel	50%	50%	1,077.00	8,150.51	(6,459.27)	(1,305.14)	(386.10)
Servicios Corporativos de Tlalnepantla, S.A. de C.V.	Mexico City	Hotel	100%	100%	(2.20)	3.00	(5.19)	1.39	0.80

(*) Companies audited by Deloitte
(**) Companies audited by PriceWaterhouseCoopers

APPENDIX II: ASSOCIATED COMPANIES

Company	Address	Activity	% holding	% Voting Rights controlled by NH Hoteles	Thousand euros				
					Net book value	Information about the Investee Company			
						Assets	Liabilities	Equity	Profit and loss for the year
Capredo Investments, GmbH (*)	Switzerland	Holding	50%	50%	15,052.00	39,723.60	(114.95)	(42,115.39)	2,506.37
Consorcio Grupo Hotelero T2, S.A. de C.V.	Mexico D.F.	Hotel	10%	10%	76.00	94.45	(70.07)	(28.43)	4.05
Desarrollos Isla Blanca, S.L.	Madrid	Property	50%	50%	19,532.00	27,289.58	(6,269.75)	(20,559.69)	(460.11)
Desarrollos Isla Poniente, S.L.	Madrid	Property	50%	50%	30,258.15	26,886.11	(1,074.55)	(25,916.50)	104.95
Fonfir 1, S.L.	Madrid	Property	50%	50%	20.00	203.10	(169.18)	(33.38)	(0.54)
Harrington Hall Hotel, Ltd. (*)	London	Hotel	25%	25%	1,259.35	48,097.32	(60,868.00)	17,378.82	(4,608.31)
Inmobiliaria 3 Poniente, S.A. de C.V.	Mexico	Hotel	27%	27%	1,697.00	337.46	(32.42)	(288.88)	(16.16)
Losan Investment, Ltd.	London	Hotel	30%	30%	3,280.00	5,546.45	-	7,224.14	(12,770.59)
Mil Novecientos Doce, S.A. de C.V.	Mexico	Hotel	25%	25%	1,026.00	641.40	(303.50)	(401.28)	63.38
Palacio de la Merced, S.A.	Burgos	Hotel	25%	25%	1,532.81	18,003.50	(12,411.24)	(5,574.80)	(17.46)
Promociones Marina Morelos, S.A. de C.V. (*)	Cancun	Hotel	26%	26%	10,293.00	83,363.80	(54,937.78)	(29,854.04)	1,427.90
Isla Poniente, S.A. de C.V.	Mexico	Property	50%	25%	30,268.17	26,886.11	(1,074.55)	(25,916.50)	104.95
Fomento Inmobiliario del Caribe, S.A. de C.V.	Mexico	Property	50%	25%	27,110.59	57,774.78	(81.10)	(58,128.05)	434.37

(*) Companies audited by Deloitte

APPENDIX III: JOINT VENTURES

Set out below is information about the three property companies that are registered in San Roque (Cadiz), which are consolidated with the Parent Company using the proportional method. As at December 31, 2009, the parent company's holding in the investee companies and the proportion of voting rights controlled by the parent company was 50%, as set out blow:

Investee Company	Net book value recorded in the parent company	Thousand euros			
		Assets	Liabilities	Equity	Profit and loss for the year
Los Alcornoques de Sotogrande, S.L.	250.00	13,694.00	(13,234.00)	(548.00)	88.00
Resco Sotogrande, S.L.	2,157.00	13,099.00	(9,857.00)	(3,957.00)	715.00
Residencial Marlin, S.L. (*)	1,500.00	95,926.00	(88,908.00)	(8,247.00)	1,229.00
Borokay Beach, S.L.	5,192.50	2,039.00	-	(2,538.00)	499.00

(*) Companies audited by Deloitte

ANNUAL REPORT OF THE AUDIT COMMITTEE

1) Duties, competence and operation of the Audit Committee

The main duties of the Audit and Control Committee are to support the Board of Directors in its surveillance and control duties. The main task is to ensure that generally accepted accounting principles are properly applied and to check that the internal control systems used when drawing up the individual and consolidated Annual Accounts are adequate and complete.

As a result of the enactment of the new rules on corporate transparency and Governance, the rules governing the Committee are now to be included in the Bylaws. Thus, Article 25 of the Bylaws, which was included in the Bylaws as a result of a decision taken by the General Meeting of Shareholders held on 28 April 2003, is now worded as follows:

1. "Inside the Board of Directors, an Audit and Control Committee shall be set up - in accordance with the requirements laid down by Section 141 of the Companies Act - made up of at least three and at most five Directors appointed by the Board of Directors. The majority of the members of this Committee must be non-executive Directors.

2. The Chairperson of the Audit and Control Committee shall be appointed by the Committee itself from among its non-executive director members, and must be replaced every four years. He/she may be re-elected once again after a year has elapsed since the end of his last term

3. The Audit and Control Committee shall have, at least, the following competences:

   a) Reporting through its Chairperson to the General Meeting of Shareholders on the issues that are raised by the shareholders regarding matters that fall within the Committee's remit;

   b) Suggesting to the Board of Directors, for submission to the General Meeting of Shareholders, the appointment of the Auditor referred to in Section 204 of the Companies Act, as well as, whenever appropriate, the terms under which the Auditor is to be contracted, the scope of his/her professional mandate and the revocation or renewal of his/her appointment;

   c) Supervising the internal auditing services;

   d) to be informed about the financial information process and the internal control systems; and

   e) Handling relations with the Auditor for receiving information regarding any issues that may put the Auditor's independence at risk, and any other issues relating to the process of auditing the accounts, as well as to receive information and keep up the communications with the Auditor provided for under audit legislation and in the technical audit standards.

   f) Assuring the observance of the internal Code of Ethics and the Corporate Governance rules

4. The Committee shall meet at least once a quarter and whenever it is deemed appropriate, after being convened by the Chairperson, on his/her own decision or in response to a request made by two of the members of the Committee or of the Board of Directors.

5. The Audit and Control Committee shall have a quorum whenever at least half of its members are either present or represented; and it shall make its decisions by a majority vote of those present or represented. The Chairperson shall have a casting vote.

6. The Board of Directors may develop and complete the above rules in its Regulations, in accordance with the terms of the Bylaws and the Act."

2) Members of the Audit Committee

During the period 2009 the audit committee has suffered several changes, D.Ramón Blanco Balin expired as president of the committee and has been replaced by D.Antonio Viana Baptista as an independent director . D. Iñaki Arrtibel Olaziregui has been appointed as a new member

The Audit Committee currently consists of:

Directors:
Chairman: Antonio Viana Baptista - Independent
Member: Hoteles Participados - Shareholder
Member: Sociedad de Promoción y participación Empresarial Caja Madrid – Shareholder
Member: Caja de Ahorros y Monte de Piedad de Guipuzcoa y San Sebastián
Shareholder

3) Relations with external Auditors

The Parent company of the NH Hoteles Group has been audited since 1986 by renown business prestige audit firms. During the period 1986-1992 was audited by Peat Marwick, 1993-2001 Arthur Andersen . Since 2002 by Deloitte

The Consolidated Annual Accounts for 2009 were audited by two renown independent firms:
Deloitte is the main auditor. As such, this audit firm issues the audit opinion on the Consolidated Annual Accounts and also issues the audit report for the annual accounts of the companies in the Spain/Portugal, Mexico, MERCOSUR and Sotogrande Business Units, which account for 79% of the assets and 72% of consolidated net profit.

PriceWaterhouse Coopers audited the Netherlands/Belgium, and Austria/Switzerland Business Units, which account for 21% of assets and 28% of total revenues

Deloitte was appointed for a one-year term, as the Group's main auditor at the General Meeting of Shareholders of NH Hoteles held on 16th of June, 2009 and as auditor of the various Business Units listed above at their respective General Meetings of Shareholders held during the first half of 2009.

That firm has been the Group's main auditor since 2002, although the partner in charge of the audit changed in 2003 , 2005 and 2007. The total fees received by the firm for its auditing services for 2009 totaled 1.02 million euros (1.17 million euros in 2008).

PriceWaterhouse Coopers (PWC) was appointed, also for a one-year term, as auditor of the Business Unites listed above at the respective General Meetings of Shareholders held during the first half of 2009. PWC has been the auditor of the Dutch, Belgian and Swiss Companies since 1998 and of the Austrian Companies since 2004. The portuguese companies have been audited by Batista, Costa y Asociados .Fees for all these audit services for 2009 totaled 0.41 million euros (0.56 million euros in 2008).

4) Content and results of the work of the Audit Committee

The Audit Committee held 10 meetings in 2009, and dealt with the following issues:

a) Analyzing and assessing, with the external auditors, the Financial Statements and the Notes to the Financial Statements for 2008 and 2009, checking that their audit opinion was issued under conditions of complete independence.

b) Reviewing the regular public financial information prior to its analyzing and approving by the Board of Directors for assuring its reliability and transparency, and drafted by applying standard accounting principles and criteria.

c) Monitoring the Internal Audit Plan for 2009, examining its conclusions and the implementation, whenever applicable, deciding if any corrective measures are needed.

d) Reviewing and updating the Risk Map of the company Analysis of the main risks . Strategic risks analysis

f) Examining the Annual Corporate Governance Report, before submitting it to the Board of Directors for study and approval, with a special emphasis on the analysis of the record of situations of Directors and Managers.

h) Analyzing the operations with related companies to check that have been performed within marketing conditions

5) Priorities for 2010

The priorities of this Committee for 2010, apart from those related to the drafting and issuing of public financial information are focus on:

1. Reviewing of the Internal audit department's planning for 2010. Enhancing the following aspects:

- Development of audits processes based on procedures analysis and internal control optimization
- Development of audits processes based on internal management procedures . Main tools analysis. Continuous Control Monitoring
- Follow up audits . Focus on reviewing of the main issues detected in previous audits

2. Implementing the Manual on administrative/operational procedures in Italy. Creation of a deployment team to adapt the existing processes to the specific characteristics of the country.

Include the own processes related to italian compliance and legislation.

3. Updating and reviewing of the Risk Map of the company

As mentioned above, this Committee has had access to all the outside professionals (auditors, appraisers and consultants) and members of the economic and financial departments, internal auditors and management of control within the company whenever it has deemed necessary.