nH

Madrid, 2 de julio de 2003

Adjunto les remito una copia de la presentación que NH Hoteles hará en el día de hoy a los analistas que habitualmente siguen la evolución de la Compañía.

Roberto Chollet
Director General Económico-Financiero

NH HOTELES

Corporate Presentation
July 2003

Important Note

Disclaimer

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Part 1

A partial, non-sense bid

Part 2

NH Hoteles: A good investment opportunity

Part 3

Business Plan 2003 - 2008

A partial, non-sense bid

A non-sense, partial bid, which is negative for NH Hotel shareholders

- **NH Hoteles has always stated that it would not oppose a takeover bid which was beneficial for its shareholders as long as the offer:**
  - Is made to all shareholders
  - Is fair in terms of price
  - Is made at a time which suits the shareholders' interests
  - Is transparent with a well defined goal

The Board is unanimous in rejecting this offer

- **A Hostile and Opportunistic Bid**
  - This is a hostile bid by a competitor. NH Hoteles has turned down approaches from this bidder on numerous occasions and is aware that the bidder's ultimate ambition is to merge the two companies.
  - This is an opportunistic move made at the worst time in the hotel cycle for years.

- **A partial bid with negative implications for NH Hotel shareholders**
  - It is a partial bid, for 26% of the current 75% free-float, which means that a minority shareholder can only accept the offer for 34.67% of his or her shareholding (one in three shares).

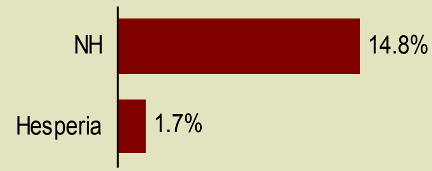
- **The premium is a long way below the "fair value" of NH Hoteles**
  - The price offered is taking advantage of the fact that the share price touched its lows of the current cycle.
  - The premium offered is actually 12% below the average share price in the last twelve months, and only 3% above the average share price in the last three months.

A partial, non-sense bid

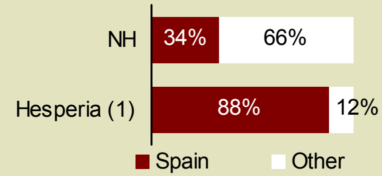
Hesperia hardly contributes to NH Hoteles´s project

NH Strategic Objectives	Hesperia's Contribution
Clear Business Model and focus on productivity	• Unclear operating model: numerous products, numerous segments and various target markets. • Present in the resort and leisure segment (58% of total rooms) • Lower returns and lower GOP margins
Grow on a Strong Pan-European Brand	• No contribution to further geographic expansion (88% of portfolio in Spain). • No international distribution capacity. • Limited economies of scale opportunities.
Preserve Financial Discipline	• Aggressive bid-financing structure.

ROE

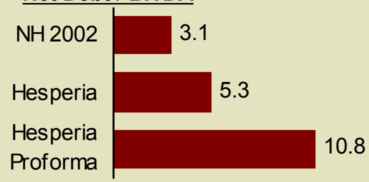


International Presence by Rooms

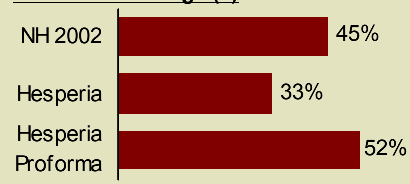


(1) Other: Venezuela and one hotel in Brussels

Net Debt / BITDA



Financial Leverage (2)



(2) Financial leverage defined as Net Debt / (Net Debt+Equity+Minorities)

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NH Hoteles: A good investment opportunity

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Business Plan 2003 - 2008

NH Hoteles: A good investment opportunity

- **NH Hoteles is trading at historic lows in terms of valuation:**
  - Due to the uncertainties affecting the sector in general (correlation between GDP and RevPar).
  - Due to its disappointing results, in turn a reflection of the slowdown in its principal markets and certain atypical factors, such as the lack of visibility of its restructuring and the increased overhead costs.
  - However, these low multiples have not affected the value of the underlying property/hotel assets.

- **The potential of cash-flow generation in a mid-cycle year should be reflected in a value of the shares ranging between €13-16 per share (see page 9):**
  - Consolidation of a business model based on productivity. The new tools and resources will enable NH Hoteles to improve revenue and operating cost management.
  - Disappearance of atypical factors: non-recurrent costs incurred in the development of the new structure.
  - Operating leverage in Germany is a reflection of the importance of leasing contracts, although the favourable terms and conditions of these contracts will mean that ROCE will surge as soon as RevPar improves.

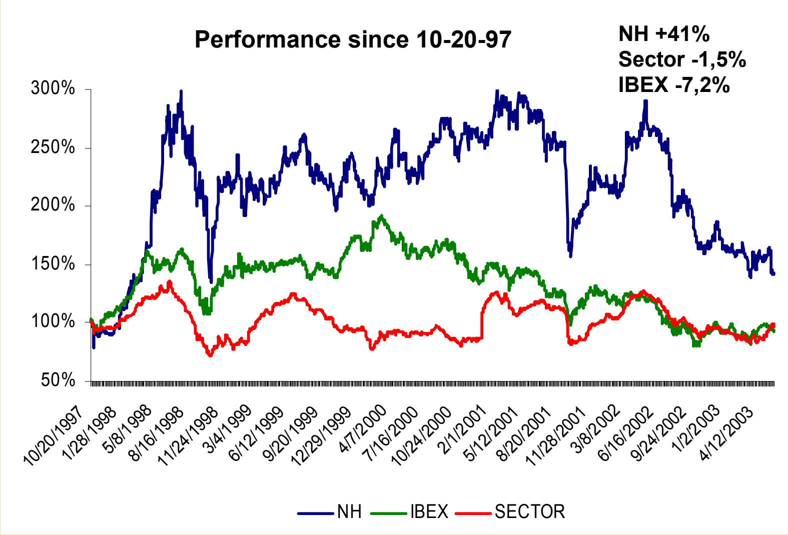
- **The "Fair value" of NH Hoteles is backed on its assets valuation, estimated at €15 per share (see page 13):**
  - NH Hoteles owns 12,325 hotel rooms for which Richard Ellis have assigned a market value of €1,669m.
  - Sotogrande has more than three million m2 of plots for sale as well as other property assets, valued by Auguste Thouard at €1,038 m. The contribution of value from Sotogrande to the NH share should be around €3.2 per share, close to 35% of the NH share price at €9.2 per share.

NH Hoteles: A good investment opportunity

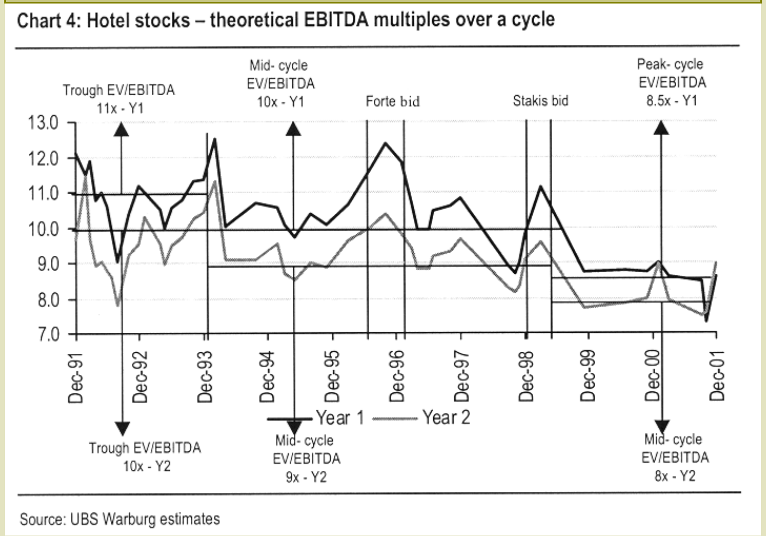
Poor results and weak valuations are common to all the companies in the sector

- **A general fall in share prices (to 1997 levels) .**
- **Sector multiples are at six-year lows (EV/EBITDA 8.4X).**
- **In previous downturns of the cycle, the hotel companies have been valued at an EV/EBITDA multiple of 11-12X.**

**Trading performance of NH, IBEX and hotel sector*
10/97-21-<5-03**



Performance of the trading multiples of the hotel sector in the economic cycle



**Index composed by Accor, Sol Meliá, Thistle, Queens Moat, Hilton, Jarvis, Millenium Copthorne, and Macdonald Hotels*
Source: Bloomberg

NH Hoteles: A good investment opportunity

NH Hoteles mid-cycle valuation: Ranging from €13-16 per share, considering ONLY the current pipeline of signed projects

Mid-cycle year cash-Flow valuation (Year "t“)

RevPar Assumptions Year "t" (€/room)	
Spain	60.5
Holland & Belgium	61.0
Switzerland & Austria	50.8
Germany	36.1
Mercosur	38.4
EBITDA Year 2001	**225,170**
EBITDA Year 2002	**223,590**
EBITDA Year "t" (*)	**248,488**
(-) Capex @ 4% of total hotel sales	42,715
EBITDA (-) capex Year "t"	**205,773**

(*) Proforma EBITDA in year "t" (before asset disposals)

Eur. Mn	**248,488**	**100.0%**
of which:		
Spain (hotels)	104,944	42.2%
Benelux (1)	90,198	36.3%
Switz&Austria	1,322	0.5%
Germany (2)	5,115	2.1%
Mercosur	19,289	7.8%
Real Estate STG	48,429	19.5%
Others	-20,809	-8.4%

Valuation					**Average**
Discount Rate	8.5%	9.0%	9.5%	10.0%	
Asset Value	2,420,859	2,286,367	2,166,032	2,057,730	
Net Debt Year "t"	164,256	164,256	164,256	164,256	
Minorities (Book Value)	327,498	327,498	327,498	327,498	
Equity Value	1,929,105	1,794,613	1,674,278	1,565,976	
Equity Value per share (€)	**16.1**	**15.0**	**14.0**	**13.1**	**14.6**
Ex-STG Real Estate Equity Value per share (€)	**13.0**	**11.9**	**10.9**	**10.0**	**11.5**

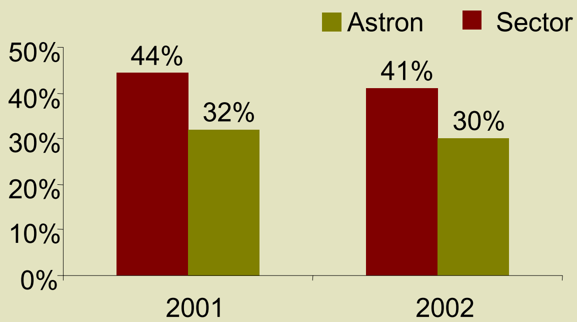
Note: At the time of the acquisition:(1) Benelux: €90m 2002EBITDA. (2) Germany: €19.4m 2001 EBITDA

NH Hoteles: A good investment opportunity

Germany (I): The NH hotels in Germany have the potential for fast growth in the future

- **Returns on the hotels managed by NH in Germany have been historically above the sector average: in geographical terms, Germany is the most efficient part of the NH group measured by employees/room.**
- **The terms and conditions of the leasing contracts in Germany are very favourable:**
  - **The estimated leasing costs per room are lower than in the hotels in Spain and Benelux.**
  - **Besides, the investments in equipment and refurbishment are at the charge of the lesser.**
  - **Leasing costs are indexed at below the rate of inflation.**

GOP Astron vs Avg. in Germany



Source: NH, Deloitte & Touche

Business Units Comparison

Year 2002	B.U. GERMANY	B.U. SPAIN	B.U. BENELUX
Lease payment / room (€/room)	7,232	7,509	10,108
GOP margin (% on Sales)	25.9%	40.4%	29.7%
GOP / lease payments (2002)	1.16	2.12	1.98
Lease payment / Sales (2002)	34%	24%	20%

(*) Lease payments in Germany include hotels equipment and refurbishing (NH is not carrying out any investments)

NH Hoteles: A good investment opportunity

Germany (II): limited investments and high operational leverage

- **Investment commitment for the next 5 years in Germany is limited to the projects signed and refurbishing needs (all hotels under lease contracts) which amounts to €5.6m.**
- **High operational leverage: An increase in REVPAR in Germany by €1 should improve the GOP margin by 120b.p.**

Committed capital expenditure 2003 - 2008

Figures in € thousand	2003E	2004E	2005E
Hotels in Germany			
NH Dusseldorf Messe	430		
NH Aukam Wiesbaden	973		
NH Hamburg Airport			3,505
NH Regensburg	692		
TOTAL CAPEX	2,095		3,505

Sensitivity Analysis

	2003E
REVPAR (€)	31.1
GOP margin %	29.0%
EBITDA	-13,751

A) REVPAR +1 €	**2003E**
REVPAR (€)	32.1
GOP margin increase (% points)	1.2%
EBITDA increase (€m)	3,715

B) BREAK-EVEN: At REVPAR + 4 €	**2003E**
REVPAR (€)	34.9
GOP margin %	33.1%
EBITDA (€m)	0

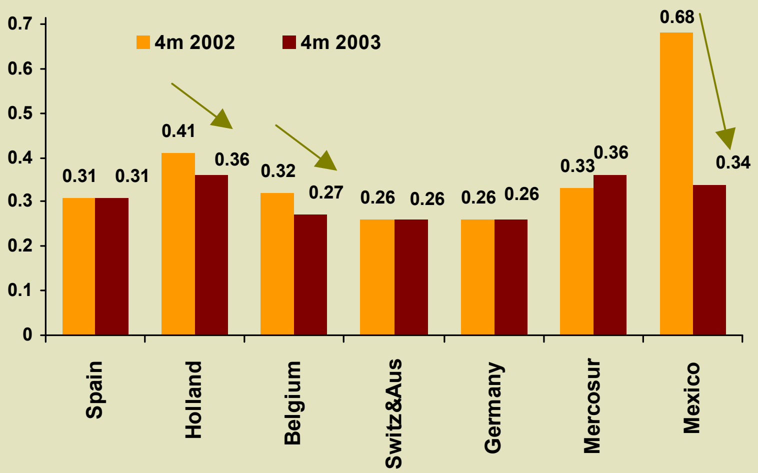
NH Hoteles: A good investment opportunity

Benelux: Asset-backed valuation and first synergies coming through

- **Asset Valuation**
  - Holland: 18 owned hotels (3,990 rooms) for which Richard Ellis assigned a market valuation of €655m.
  - Belgium: 11 owned hotels (1,510 rooms) for which Richard Ellis assigned a market valuation of €159m.

- **Productivity ratios are improving as costs and staff are rationalised.**
  - There has been an improvement in the first four months of 2003 compared to the same period in 2002, with a decline of 355 FTEs in Holland and Belgium.
  - Synergies arising from the integration into NH: once this process of integration will be completed in 2003 and thanks to economies of scale and eliminating duplications.

FTEs/Room (comparable hotels)
Performance January-April 2003 vs. January-April 2002



Operating Ratios
Performance January-April 2003 vs. January-April 2002

Accumulated Figures **January-April 2003** *All hotels*	**Spain** 4m 2003	**Benelux** 4m 2003	**Switz&Austria** 4m 2003	**Germany** 4m 2003	**Latam** 4m 2003
FTE/Room 4months 2003	0.34	0.36	0.26	0.25	0.47
FTE/Room 4months 2002	0.34	0.41	0.26	0.26	0.54
Revenue/FTE	27,276	29,439	29,459	22,907	14,778
GOP/FTE	9,592	8,123	7,034	6,330	3,691

NH Hoteles: A good investment opportunity

NH Hoteles asset value is placed at €15 per share

- **NH trades at a large discount to its asset value of €15 per share (the current share price is €9.3 per share).**

Net Asset Evaluation of NH Hoteles

ASSET	CRITERIA	Data	Value (€ Mn.)	€/share
Owned Rooms (1)	Valuation by Richard Ellis	12,325 rooms	1,669.0	13.97
Hotel Business under Management and Lease Contracts	8.5x EBITDA 02 (2)	€65,6m	557.5	4.67
Sotogrande	NAV (3)		525.0	4.39
Jolly	Market Cap		16.0	0.13
Net Financial Debt	Book Value		-694.0	-5.81
Minorities (4)			-327.5	-2.74
Total Net Assets			**1,746.0**	**14.61**

1) 71 hotels and other three projects in works, for which Richard Ellis have assigned a market value of €1,669m.
2) Estimated hotel activity EBITDA multiple, which implies a discount on sector multiples as the business risk is higher than for the owned hotels.
3) NH own estimates, based on current real estate assets and the cash-flow generated by non-real estate assets (golf, restaurants, water concession…)
4) Minority interests in the hotels in ownership, Mercosur and Mexico (LGH), Sotogrande, Astron and preferent shareholders of Krasnapolsky.

NH HOTELES

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Business Plan 2003 - 2008

Business Plan 2003 - 2008

NH Hoteles Business-Plan 2003-2008 main drivers:

- **Expansion strategy focused on consolidating the core business in the European markets where NH Hoteles is present**
  - NH Hoteles is committed to the signed projects in the markets where is present: In the period from January 2003 to December 2005, it is expected to start operations of 5,800 rooms (a growth of 17%) which comprises total capex of €84m.
  - According to own estimates, in the 2003-2008 period NH Hoteles will generate total free cash-flow of €798m. and would count on a total financial capacity of €1bn. keeping the targets of net debt levels.
- **Disposal of non-strategic assets, with the goal of rationalising the portfolio of hotels and improving ROCE**
  - Divestment of hotels which do not fit the portfolio due to their location/product/returns or hotels not managed by NH Hoteles.
  - The plan of divestments of non-strategic assets is estimated to generate total funds of €282m. before taxes and minorities. Some of the negotiations are in the late phase, i.e. Princesa Sofía in Barcelona.
- **Cost Savings. Two different plans:**
  - The first plan includes cost savings of €16m to achieve over the next three years resulting from the capex carried out in MIS and back office systems.
  - The second plan comprises concrete measures to be implemented in H2-2003, as a consequence of the current difficult market conditions, with expected cost reductions of €8m in 2004.
- **Sotogrande:**
  - NH Hoteles strategy in Sotogrande is to continue the current developments not incurring in any further real estate investments. Sotogrande´s free cash-flow will be paid out in dividends to its share holders.
- **Shareholders remuneration:**
  - Following shareholders´ request at the Annual Shareholders Meeting held last April 28th, NH Hoteles Board of Directors consider that the above stated economic and financial drivers would allow for setting up an active shareholders remuneration policy.

Business Plan 2003 - 2008

2003-2008 Business Plan: Basic Operating assumptions and outcome

- **According to own estimates, in the 2003-2008 period NH Hoteles will generate total free cash-flow of €798m. and would count on** a **total financial capacity of €1bn. keeping the targets of net debt levels.**

2003 – 2008 Business Plan

	Figures in €mn
Growth hypothesis	
New Number of Rooms (signed hotels)	5,800
Additional rooms assumption (growth %)	0
RevPar 2004 vs. 2003 (% growth)	-1.0%
"Stable Year" Room Revenue Key Figures	
ADR €	71.4
Occupancy %	63.7%
RevPar €	45.5
Investments 2003-2008	
Signed hotels Capex	83,726
Maintenance Capex (@ 4% of Sales)	250,228
Sotogrande Real Estate	70,678
Others (Golf, CM convention centre and water concession)	28,307
Total Investment	432,939
"Stable year" EBITDA	248,488
2003-2008 Total EBITDA	1,368,887
2003-2008 Total Free Cash-Flow	798,765
Avg. Free Cash-flow yield (on current share price of €9.2)	12.1%
Net Debt / EBITDA ratio from year 2004	3.0 x
2003-2008 Financial Capacity	**1,010,633**

Business Plan 2003 - 2008

Selective divestment of non-strategic hotels

- **NH Hoteles continues the process of selective divestments of hotels identified as non-strategic (hotels which do not fit the portfolio due to either their location/product/returns).**
- **Focused on:**
  - Maintaining product homogeneity
  - ROCE improvement
- **In 2002-2003, NH has divested of 11 hotels with a total of 1,421* rooms.** The implicit value of these transactions was €152m.* (cash contribution of €110m). The transactions were not dilutive: EV/EBITDA multiples were more than 10x.
- **The total estimated valuation of the next expected transactions amounts to €282m. before taxes and minority interests.**

** Adding the assets value and the contracts value. Resulting multiples per room are not representative as some of the cases are partial divestments or the sale of subsidiaries including net debt position.*

Asset divestments 2003 – 2004 (figures in €m)

Figures in (€m)	**Estimated Sale Price**
Princesa Sofia	130
Crowne Plaza	30
Cancun	25
Hilton Guadalajara	42
Other hotels	55
TOTAL	**282**

Note: before taxes and minority interests

Business Plan 2003 - 2008

Improvements in the corporate structure of central services

- **The culmination of the management improvement process will lead to savings of €16m a year, over the next three years, resulting from the capex carried out in back office and management information systems (MIS).**
- **In addition, given the current difficult market conditions, in H2-2003 NH Hoteles will implement concrete measures which will contribute with cost reductions of €8m in 2004.**
- **The total costs of central services at NH Hoteles is forecast to reach 8.5% of consolidated sales in 2003. This ratio should improve to 5.5% in 2007 in the current portfolio of hotels and the projects already agreed. Assuming normal rates of growth, this ratio should gradually fall to reach the sector average of 4.4%.**

Expected Cost Reduction 2003 – 2008 (figures in €m)

Savings Plan I		**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
International Rebranding	5,000	0	1,500	3,500	5,000	5,000	5,000
fulfilment %		0.0%	30.0%	70.0%	100.0%		
Back-Office personel adjustment	6,000	0	1,800	4,200	6,000	6,000	6,000
fulfilment %		0.0%	30.0%	70.0%	100.0%		
Back-Office Indemnisation		0	-1,800	-4,200	-6,000		
General Costs	2,000	0	600	1,400	2,000	2,000	2,000
fulfilment %		0.0%	30.0%	70.0%	100.0%		
Technology	3,000	0	900	2,100	3,000	3,000	3,000
fulfilment %		0.0%	30.0%	70.0%	100.0%		
Total		0	3,000	7,000	10,000	16,000	16000

Savings Plan II		**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Miscellaneous	8,000	4,000	8,000	8,000	8,000	8,000	8,000
fulfilment %		50.0%	100.0%				
Total		4,000	8,000	8,000	8,000	8,000	8,000

Business Plan 2003 - 2008

Sotogrande (I): An additional source of value and liquidity

- **Sotogrande:**
  - More than three million m2 of plots for sale, as well as other property assets. Auguste Thouard values the property assets at €1,038m.
  - Sotogrande real estate sales are expected to contribute over €40m of EBITDA per year over the next three years, which in aggregate amounts to 70% of its current market cap.
  - Sotogrande is valued at €130m in the consolidated statements on NH Hoteles.
  - Sotogrande currently trades at €5.4 per share, equivalent to 3.2x EBITDA and less than 40% of adjusted net asset value (1).
  - A conservative estimate of the hidden value of Sotogrande assets in the NH books should be in excess of €350m.
  - The contribution of value from Sotogrande to the NH share should be around €3.2 per share, close to 35% of the NH share price at €9.2 per share.

(1) Adjusted NAV: real estate adjusted to market prices -35% of capital gains

- **The key priorities when defining the strategic alternatives for Sotogrande are:**
  - I. Preservation of the value of the Sotogrande brand.
  - II. Maximization of free cash flow.
  - III. Leverage NH capabilities in a growing and highly fragmented business.

Business Plan 2003 - 2008

Sotogrande (II): Strategic Alternatives

I. Gradual sale of the land bank

ADVANTAGES

- Maximization of NPV of cash flows.
- Preservation of value of all assets, including the value of the brand.
- Opportunity to gain a leadership position in the fragmented and growing golf related business.

DISADVANTAGES

- Lower immediate cash inflow.
- Exposure to second home real estate market.
- Lower visibility of earnings for equity markets analysis.
- Higher management complexity.

Other Strategic Alternatives:

II. Outright sale of NH stake

ADVANTAGES

- Clean & Immediate generation of cash.
- Simplicity.

DISADVANTAGES

- Low price
  - Current market cap (€190mm) is less than 20% of the appraisal value of its assets.
  - The transaction with Caja Madrid reflected 40% of the appraisal value.
- Loss of the brand and the platform to develop golf business.

III. Sell all or a significant chunk of Sotogrande land bank

ADVANTAGES

- Relatively fast generation of cash
- Higher total cash generation than in outright sale of NH stake

DISADVANTAGES

- Potential for high tax impact.
- Deterioration of the environment, with negative impact on the value of the brand and other assets of the company (ie. golf courses, hotels)

NH HOTELES

Corporate Presentation - Appendix

July 2003

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Appendix

1. **A moment of low earnings visibility**
2. **Value of strategic market positioning**
3. **Business focus based on active brand and portfolio management**
4. **Profitable growth during the cycle**

1. A moment of low earnings visibility

The visibility of the business potential and the improvement of the profitability in the short- and medium-term is scarce due to the market situation and the process of restructuring the group

Overall market factors

- **General economic situation: correlation between GDP and RevPar.**
- **The geopolitical situation (terrorist attacks, the war in Iraq, etc.) and the threat of SARS have all had a negative impact on RevPar in all European capitals.**
- **The weakness of the German economy is having a negative impact on occupancy and pricing levels, as well as on the profitability of NH hotels in Germany, because of their high operating leverage.**
- **General decline in share prices of hotel companies (to 1997 levels).**

Portfolio restructuring process and internal reorganisation

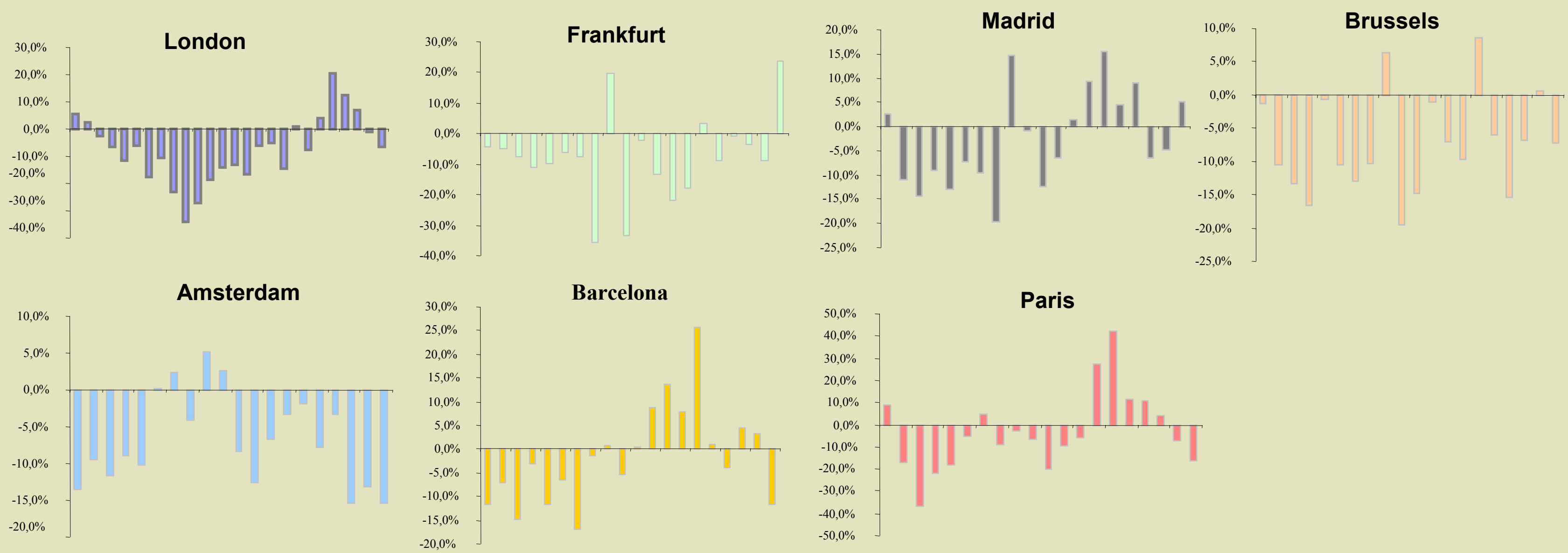
- **NH is undergoing an internal reorganisation process which is obscuring the real and potential profitability of the business.**
- **Portfolio reorganisation and alignment of the group's brands.**
- **Recent integration of the hotels in Germany and Austria acquired from Astron.**
- **Restructuring of central services and IT systems in order to improve efficiency and achieve cost-savings.**

1. A moment of low earnings visibility

The most recent REVPAR figures for NH Hotels markets do not create visible results in the short-term

- **Negative trend in all European capitals as a reflection of the economic and geopolitical situation:**
  - Madrid and Barcelona are still the best-performing cities, due to faster economic growth in Spain than in the rest of Euroland.
  - Brussels and Amsterdam are the worst-performing cities.
- **In Q103, RevPar at NH Hotels was in line with the sector:** -2.8% in Spain, -9.7% in Benelux and -9,6% in Germany.

RevPar performance on monthly basis (y-y) in the main European cities: August 01 – March 03



1. A moment of low earnings visibility

The new supply at the urban hotels in Spain is an added factor in price competition

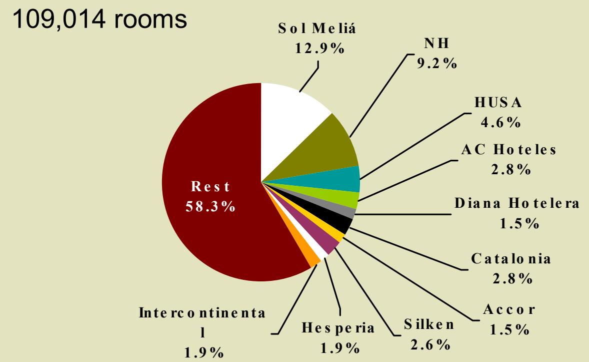
- **NH is the second biggest chain in Spain in the urban hotels segment in terms of the number of rooms after Sol Meliá, with a 9% market share in this segment.**
- **The estimated increase in the number of rooms is an average of 44% in the main cities, i.e. 30% in Madrid (6,900 rooms) and 63% in Barcelona (10,100 rooms).**
- **NH has considerable competitive advantages over the new entrants for the next few years:**
  - The unbeatable central locations of its present hotels.
  - Excellent recognition of the "NH" brand compared to local chains lacking a homogenous product, as well as an international sales and distribution network, compared to local competitors.
  - The new entrants are generally on the city outskirts, where NH competes its hotels in the economic segment; it is the market leader in this segment with 20 units.
  - The surge in property prices (annual average increases of +23 and +19% in Madrid and Barcelona respectively between 1996 and 2002), have increased investment and had a negative impact on the cost of renting, causing a decline in yields for new operators and increasing both their risk and operating leverage.

New supply in 3 and 4 stars urban hotels in Spain (January 2003 - 2006)

New supply	Nº rooms 2003	Nº rooms 2006	% growth
Madrid	23,018	29,975	30.2%
Market share NH Hoteles	13.15%	11.02%	
Barcelona	16,295	26,483	62.5%
Market share NH Hoteles	7.61%	6.59%	
Valencia	4,885	9,901	102.7%
Market share NH Hoteles	20%	10%	
Other cities in Spain	64,816	90,160	39.1%
Market share NH Hoteles	7.40%	7.94%	
TOTAL SPAIN	109,014	156,519	43.6%
Market share NH Hoteles	9.22%	8.41%	

Source: NH Hoteles

Market Share in the 3 and 4 stars urban hotels segment in Spain (December 2002)



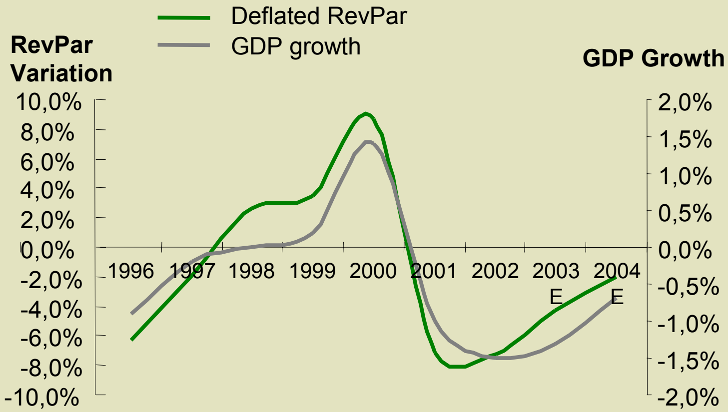
Source: NH Hoteles

1. A moment of low earnings visibility

The situation in Germany: aggravated by economic weakness and the high leverage of these hotels

- **The weakness of the German economy is having a negative impact on RevPar performance.**
- **In line with the general sector trend, occupancy at NH hotels in Germany has fallen 10 percentage points below the rest of its markets.**
- **The ADR of NH hotels in Germany is lower than its competitors in this market because of Astron's aggressive commercial policy.**
- **The high operating leverage of these hotels (which account for 44% of the group's rented rooms), is disadvantageous in the short-term.**
  - EBITDA at the NH hotels in Germany was a negative €-6m in Q103.
  - Temporary lower visibility due to the integration of Astron into the NH world.

Relative Performance RevPar change vs. GDP growth in Germany



Source: Pricewaterhouse, BBVA, Nmás1

NH Germany Q103 Results

€ Mn	Q1 03	Q103/Q102 Chg.
Revpar	29.3	-9,6%
Revenues	40.99	1,47%
GOP	11.45	-1,80%
% Revenues	*27.9%*	
EBITDA	-5.98	-4,70%
% Revenues	*-14.6%*	

RevPar in Main Cities in Germany (YtD April 2003)

Cuty	RevPar NH (YtD)	Avg. RevPar Competitors (YtD)	% Change
Nürnberg	37.75	33.11	14.0%
Heidelberg	25.57	40.38	-36.7%
Düsseldorf	34.09	37.38	-8.8%
Frankfurt	39.38	56.38	-30.2%
Berlin	51.81	54.72	-5.3%
München (*)	42.47	42.28	0.4%

(*) Figures as for May

1. A moment of low earnings visibility

In the near term NH results are negatively affected by the re-branding process and the implementation of the new "NH Model"

- **Unification of all the hotels in the chain under the "NH Hoteles" brand (at a cost of €16 million)**
  - During 2003 the re-branding of hotels in Switzerland and Benelux and of the Astron hotels has been finalised. By August 2003 the Krystal hotels in Mexico will have been re-branded.
- **Internal reorganisation:**
  - The management team has been strengthened and activity has been reorganised in a matrix system with seven business units thus centralizing infrastructures and common tools.
  - Five new international sales offices have been opened.
  - In 2002, the reorganisation led to an increase in overhead costs of €11million (+56%), as compared to 2001.
  - Introduction of a new back office system and the database integration (CRM) (at a cost of €8m between 2002 and 2003). These new tools will lead to optimal revenue management (occupancy and ADR) and cross-selling.
- **Objective: Creation of a truly multinational company**
  - A hotel business model based on guest information which will ultimately develop into a personalised hotel service: A sales force based on "Key Account Management", relational or direct marketing actions, "Total Quality Management" (TQM) will measure guest satisfaction and optimal "Revenue Management" will boost sales.

NH HOTELES

Spain+Portugal	Germany	Netherlands & Belgium	Austria & Switzerland	Mexico	Mercosur	Sotogrande Real Estate & Golf &Leisure
102 hotels	53 hotels	48 hotels	11hotels	15 hotels	11 hotels	
11,924 rooms	8,863 rooms	7,980 rooms	1,465 rooms	2,909 rooms	1,623 rooms	

New ISOs: USA (NY, Miami y Houston), Scandinavia, UK, France, Italy, Asia-Pacific (under project)

HHRR | Purchasing | Works& Projects
Planning and Infrastructures | Controlling
Process

Sales | Marketing | F&B
Client

1. A moment of low earnings visibility

The integration process will be finalised within the next twelve months. Current status at 60-65% of accomplishment

Integration Process	NETHERLANDS AND BELGIUM		GERMANY		MEXICO
	Status	Comments	Status	Comments	Status
BRANDING	**80%**		**80%**		**95%**
External Signs	75%	Town Council permises pending	90%	Hotels to be refurbished pending	95%
GDS Code	100%		100%		100%
Rebranding	100%		80%	Some items pending because of high costs	95%
PRODUCT CONSISTENCY	**10%**	Large Investments required	**50%**		**30%**
OPERATIONS	**65%**		**50%**		**65%**
Operating Ratios	20%		50%	Negatively affected by low sales. Good advance in costs.	40%
Similar Services	90%		30%		80%
Same Systems	90%	Treasury pending	25%	Expected for September 1st.	85%
Same Processes	60%		40%		90%
Organisation and Policies at the hotels	70%	Different Functions	80%	Recent change in management team will speed up	70%
Organisation and Policies at the head-offices	80%	Excessively in some areas. Reservation systems pending	80%		70%
Integrated Operations, Sales and Marketing	90%		25%		95%
Centralised Purchasing	70%	At 80% among them but not connected to central yet	70%	Among them but not connected to central yet	80%
Homologation (Quality Standards)	50%	At 80% among them but not connected to central yet	50%	Among them but not connected to central yet	30%
Training and culture	80%		30%		80%
F&B	20%		20%		20%
TOTAL	**62%**		**50%**		**65%**

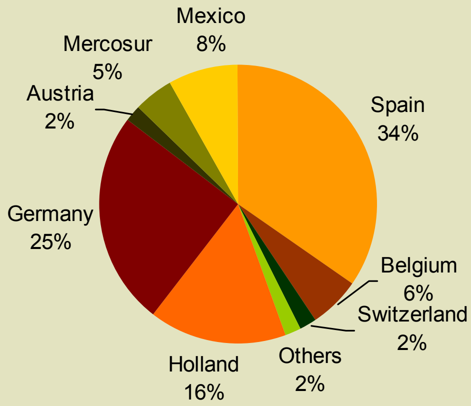
NH HOTELES

2. Value of strategic market positioning

NH is the third biggest urban hotel chain in Europe, with a notable presence in the main European cities

- **The third biggest hotel chain in the urban hotel sector in Europe, after Accor and Intercontinental, and the sixth biggest European hotel company in terms of market capitalisation.**
- **A presence in 16 countries (240 hotels and 34,764 rooms). 83% of the portfolio is in Euroland (Spain, Germany, Austria and Benelux).**
- **Growth potential in Latin America: 26 hotels with 4,533 rooms.**
- **Diversified position in eight out of the twelve key European cities, with 39% of its portfolio concentrated in those cities, compared to 22% at Accor and 15% at Intercontinental, respectively.**
- **Significant market share in big cities, with 44% of its portfolio concentrated in those cities: market leadership in Barcelona, Valencia and Amsterdam, and in second position in Madrid, Brussels and Buenos Aires.**
- **NH brand value: good brand recognition in Spain and Mercosur.**

Distribution by countries



Presence of NH in major cities

Country	City	Nº hotels	rooms
Spain	Madrid	27	3,591
	Barcelona	14	1,930
	Valencia	7	968
Germany	Berlin	6	1,180
	Munich	6	1,211
	Frankfurt	7	1,371
Benelux	Amsterdam	11	2,360
	Brussels	7	1,367
Austria	Vienna	4	628
Argentina	Buenos Aires	4	656
Total			**15,262**

Ranking in major European cities

	Total rooms	Nº of cities	Main city	Weight of the main city
ACCOR	30,648	12	Paris	35%
INTERCONT.	15,483	11	London	34%
NH	**13,638**	**8**	**Madrid**	**26%**
HILTON	11,547	11	London	35%
MARRIOTT	11,318	10	London	40%
STARWOOD	9,083	10	Frankfurt	22%
SOL	8,124	8	Madrid	59%

•Madrid, Barcelona, Amsterdam, Brussels, Berlin, Frankfurt, Munich, Vienna, London, Paris, Rome, and Milan.

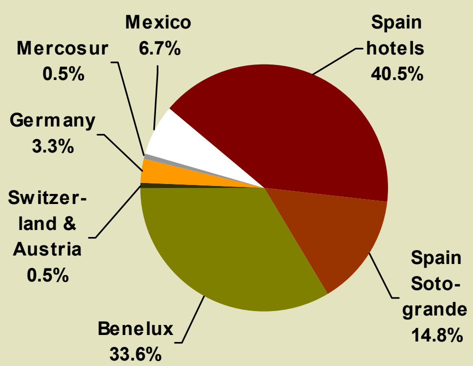
Source: Information published by companies.

2. Value of strategic market positioning

Geographical expansion focused on the creation of a multinational brand in the three- and four-star urban segment

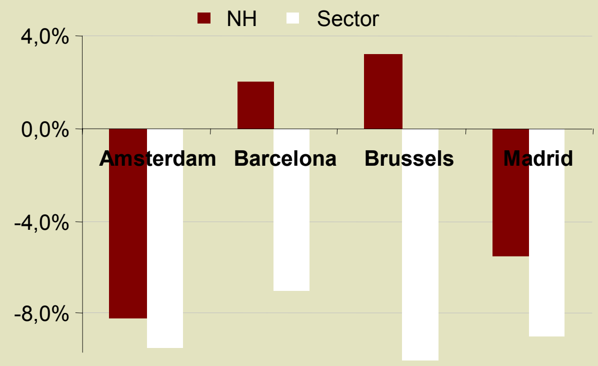
- **Product strategy:** Product homogeneity and uniformity, specialisation in three- and four-star urban hotel segment, which is the most profitable segment in the market.
- **Brand strategy: one single brand for the whole chain.**
  - One single image for a multinational company.
  - Homogeneity of product and hotels in good conditions.
  - **Strategic markets:** Europe and Latin America, consolidating the chain's presence in the countries in which NH is already present and analysing new markets with development potential for the "NH" brand.
- **Protection against current uncertainties:**
  - NH's business is concentrated in Euroland (more than 92% of revenues), where the impact of the geopolitical situation and the SARS threat has been less acute.
  - Local customer base (short-trips).
  - Not dependent on tour operators.

EBITDA by region (2002)



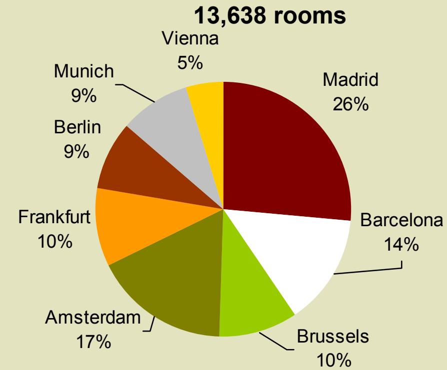
Note: Only includes hotel activity

RevPar in Sept 2001 (Impact of 09/11th)



Source: ING Barings Report

Distribution of rooms in European cities

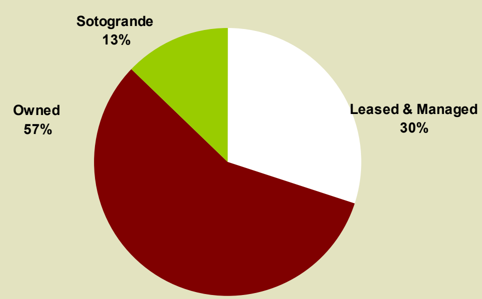


3. Business focus based on active brand and portfolio management

Management strategy focused on ownership and leasing contracts

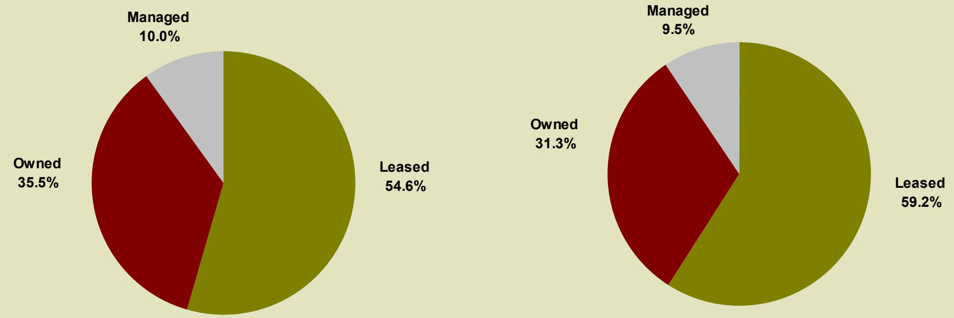
- **Although operating leverage is high, the management model has a good defensive base …**
  - Strong component of owned rooms: 12,325 rooms (35% of the portfolio) with a market value assessed by Richard Ellis at €1,669 million.
  - This means that the consolidated breakeven point is minimal, even during downturns in the cycle.
  - A limited number of management contracts as a reflection of NH's strict requirements regarding the location of the hotels and the physical characteristics of the product.
- **… and the operating leverage will enable rapid future growth with the upturn in the cycle.**
- **Rigorous financial criteria used in the evaluation of new projects:**
  - Reluctance to assume construction risks or budget deviations.
  - Long-term, reasonably priced leases (averaging €7,800/room pa).
  - The present value of the leases is considered as an investment in the calculation of the returns on the project.

EBITDA distribution per hotels by management type* December 2002



**Note: Not including head-office*

Distribution of rooms by management type - June 2003 – December 2005



3. Business focus based on active brand and portfolio management

Active portfolio management

- **Portfolio rotation, divestment of assets identified as non-strategic (hotels which do not fit the portfolio due to either their location/product/returns) and investment in strategic assets.**
- **Focused on:**
  - Maintaining product homogeneity.
  - More efficient management of financial resources.
  - ROCE improvement.
- **Recent action taken: in 2002-2003, NH has divested 11 hotels with a total of 1,421* rooms.**
  - The implicit value of these transactions was €152m.*, making a cash contribution of €110 million.
  - The transactions were not dilutive: EV/EBITDA multiples were more than 10x.

* *Includes the value of the assets and the value of the contracts. The resulting multiples per room are not significant as in some cases these were partial divestments or sales of companies which included debt*

Portfolio divestments in 2002/2003

- Sale and lease-back of NH Abascal (Madrid), NH Pirineos (Jaca), NH Villa de Bilbao (Bilbao), NH Iruña Park (Pamplona) and Lord Charles in Cape Town.
- Sale and signature of management contract of two non-strategic hotels (99 rooms) in Madrid and Tudela.
- Sale of NH Pedralbes (Barcelona), hotel resort in Champery (Suiza) and three restaurants.
- Partial divestment of NH Palacio de la Merced (Burgos).
- Withdrawal from Israel, Malta, Túnez, Hilvarenbeek, Plaza Biel, and Alfa Sablon.

Portfolio additions in January-May 2003

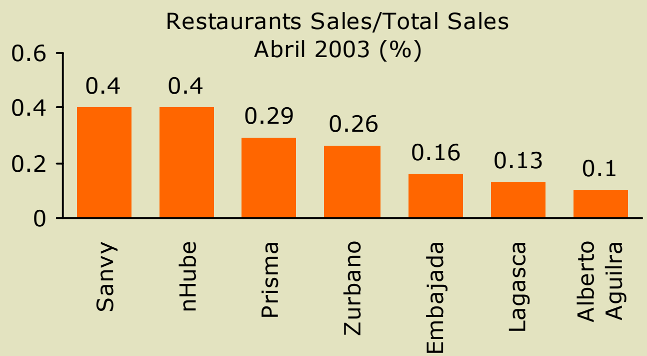
- Signature of a management contract in León (Spain) with 51 rooms.
- Four hotels newly opened in Spain:
  - NH Sant Just (Barcelona), 99 rooms (leased).
  - NH Príncipe de la Paz (Aranjuez, Madrid), 86 rooms (owned).
  - NH Almería, 139 rooms (leased).
  - NH Alanda (Marbella), 199 rooms (leased).
- NH Tlalneplantla opened in Mexico, 132 rooms (leased).
- NH Frankfurt City, 253 rooms (leased).
- Purchase of Hotel Lagasca, previously leased.

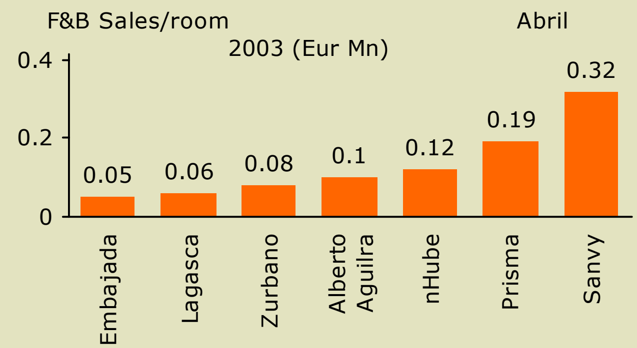
3. Business focus based on active brand and portfolio management

Innovative initiatives in F&B will simultaneously help to improve productivity and create the brand

- **The decision has been taken to standardize menus for both the restaurants and for banquets, using the same recipes and standard costs for each dish. The ultimate objective of this and other cost-cutting decisions is to improve margins on the restaurant business by 3% in 2003.**

- **The first nhube has been opened in Madrid**
  - **This is an innovative project which is producing excellent, and better than expected, initial results.**
  - **In the first three months following its opening, restaurant turnover at NHUBE was 21% higher than in the same period last year.**
  - **NH Hotels will launch NHUBE for the first time in Holland, Switzerland, and Austria. Moreover, over the next two years, the company expects to open a “nhube” in 10 of the existing hotels in Spain, and 13 hotels currently under construction.**





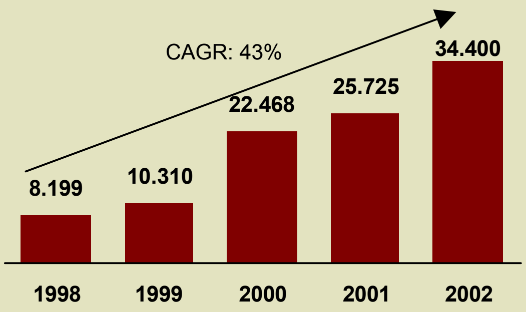
NOTE: Sales Figures include restaurants and bars

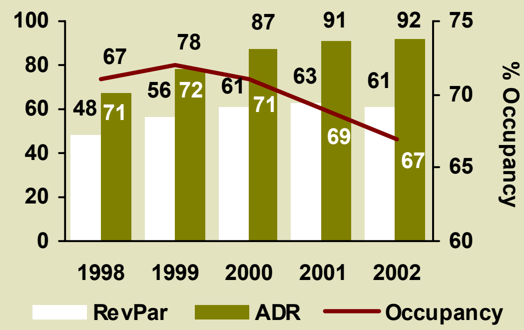
3. Business focus based on active brand and portfolio management

Growth during the cycle outperforms the market

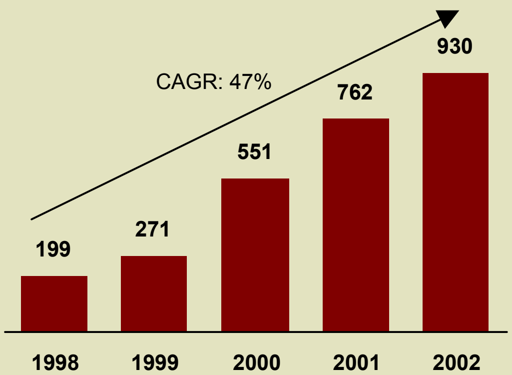
Solid Operating and Financial Performance …

Number of Rooms

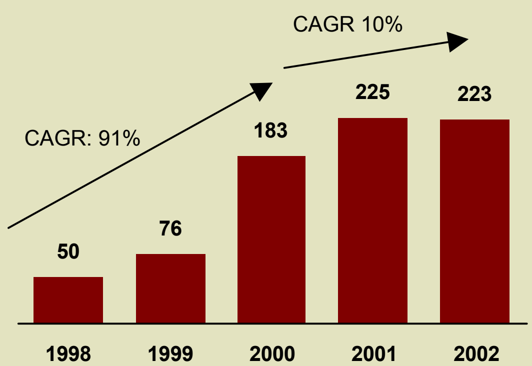




Revenues (€m)

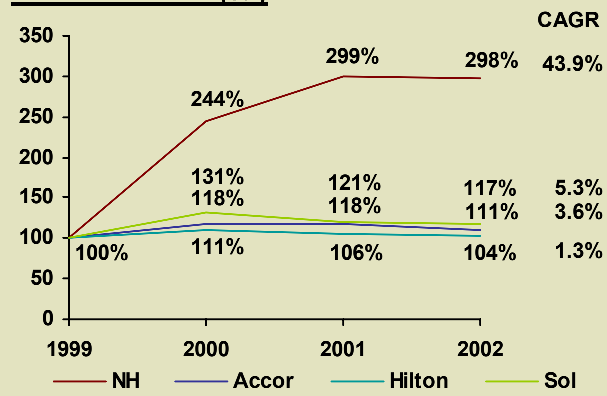


EBITDA (€m)

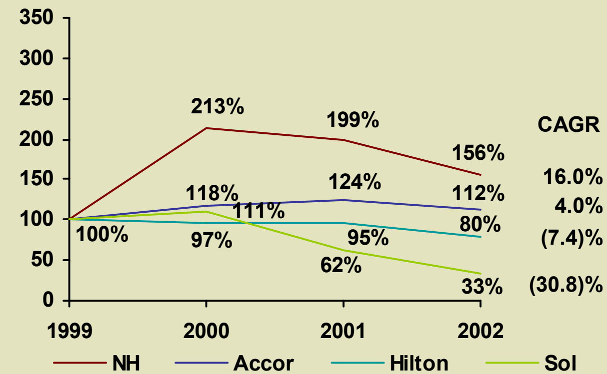


…Outperforming the Market

EBITDA Growth (%)



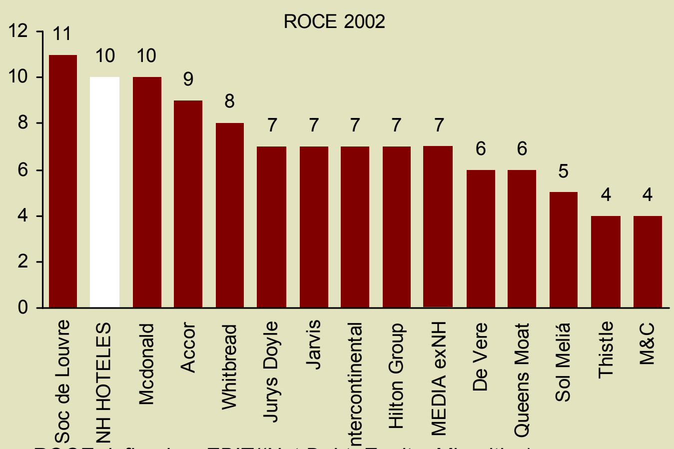
EPS Growth (%)



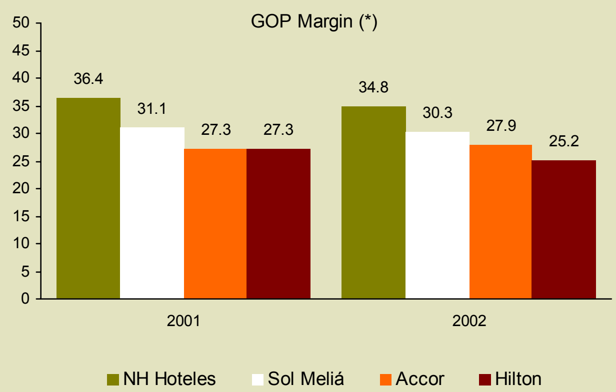
4. Profitable growth during the cycle

Proven capacity for profitable growth

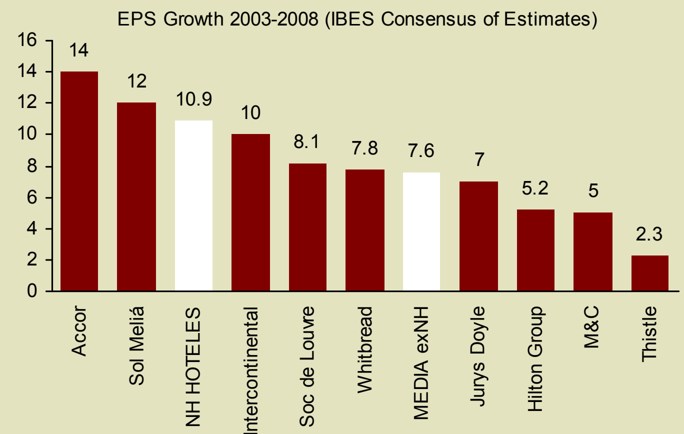
- **Geographical expansion focused on the creation of a pan-European brand in the urban segment**
  - The management model and the positioning in profitable, fast-growth markets has enabled NH Hotels to achieve higher margins than other comparable hotel chains.
  - The growth strategy in markets with potential for brand development is focused on maintaining this trend in the medium- and long-term.
  - The recent acquisition of Astron (Germany) has great long-term potential, but in the short-term has been affected by the weakness of the German economy and the high operating leverage.
  - The portfolio reorganisation and internal restructuring processes will enable NH Hoteles to benefit from the opportunities and synergies which derive from being a multinational company.
- **Profitable growth, outperforming competitors in the cycle**
  - Organic growth: more than 4,000 rooms in the last three years and 5,974 more signed for.
  - Long-term value-creation through mergers and acquisitions: seven deals in the last five years which have introduced an additional 22,339 rooms.
  - Average EPS growth of 16% between 1999 and 2002 compared to 7.4% at comparable companies.



ROCE defined as EBIT/(Net Debt+Equity+Minorities)
Source: Goldman Sachs



** Only includes hotel activity.*
Source: Information published by companies



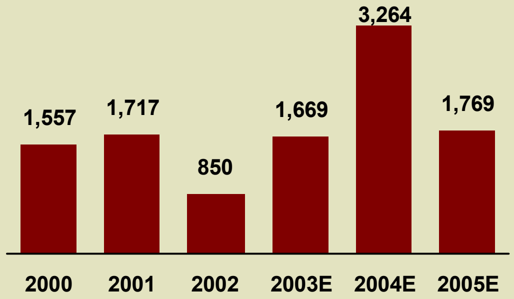
Source: Goldman Sachs

4. Profitable growth during the cycle

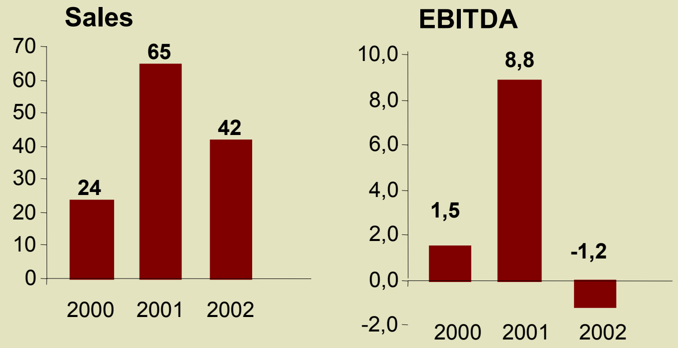
The main variable driving the chain's growth is organic growth in profitable projects

- **During the last three years, more than 4,000 rooms have been added to the portfolio (12% of the current portfolio). In their first year alone, these rooms have contributed estimated aggregated EBITDA of €9.1m to the group.**
- **Between the beginning of 2003 and December 2005, NH Hotels intends to incorporate an additional 6,702 rooms, which translates into growth of 19%.**
- **This growth is selective:**
  - The majority of projects are in Spain and Germany (48% and 37% of new rooms respectively), consolidating market leadership in the urban hotel segment.
  - Rigorous profitability analysis: economic slowdown and increased competition have caused a delay in new projects becoming profitable, but they will still be profitable in the medium-term.

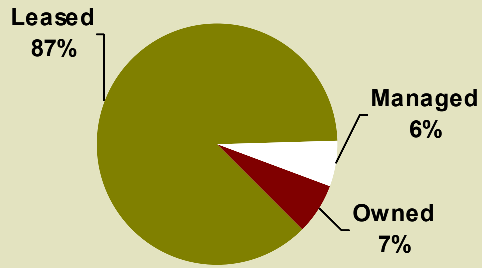
Evolution of organic growth (rooms)



Contribution of the new incorporations (€Mn)



Breakdown of new projects by type of contract

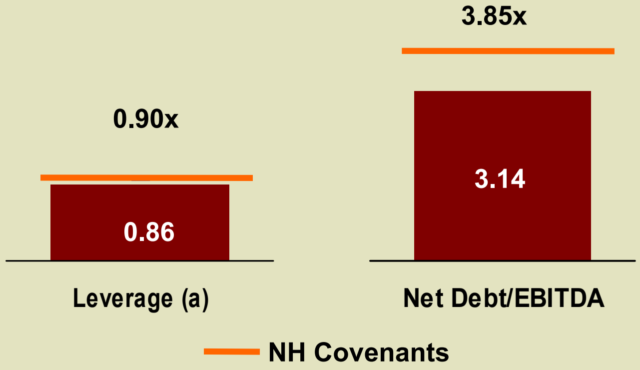


4. Profitable growth during the cycle

New investment opportunities are subject to extremely conservative analysis

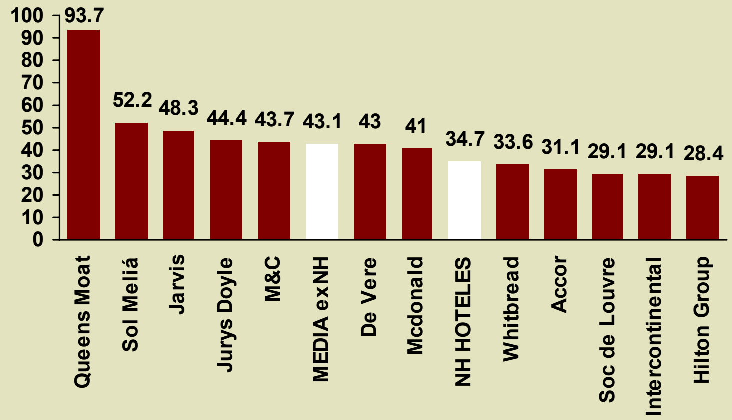
- **Acquisitions are not dilutive: ratios paid are lower than comparable transactions and below NH's own market multiples.**
- **Transactions increase EPS and Cash EPS.**
- **The NAV of leasing costs is considered as an investment in the calculation of the IRR of a project.**
- **The rate of return on investments (excluding leverage and after tax) must exceed the group's average weighted cost of capital by at least 300 b.p. (a minimum IRR of 10% in Europe and 15% in Latin America).**
- **The current phase of the cycle has made it cheaper for NH to enter strategic markets, but is also affecting the visibility of recent acquisitions (Astron and Chartwell).**

Financial Structure



(a) Net Debt / Equity + Minorities

Comparison of Financial Leverage*



* Financial leverage defined as Net Debt (Net Debt+Market Capitalisation +Minorities)

Source: Goldman Sachs

4. Profitable growth during the cycle

Long-term value-creation through acquisitions

- **NH's recent M&A deals**
  - 1997 Acquisition of Eurobuilding (460 rooms)
  - 1999 Takeover of Sotogrande
  - 1999 Acquisition of Princesa Sofía hotel (Barcelona) (500 rooms)
  - 1999 Acquisition of 20.7% of Jolly Hotels
  - 2000 Merger with Krasnapolsky (10,227 hotels)
  - 2001 Acquisition of Chartwell (2,756 rooms)
  - 2002 Acquisition of Astron (8,396 rooms)

NH HOTELES: INVESTMENTS PORTFOLIO