



# Delivering Enhanced Growth in Hotels

Organic Growth Plan 2007-2009

Acquisition of Jolly Hotels

Capital Increase in NH Hoteles



# Agenda

1. Strategy 2007-2009
  2. Jolly Hotels
  3. European Focus
  4. The Expansion Plan
  5. Sotogrande
  6. Financials
- Appendix

# Strategy 2007-2009

In the last 5 years NH has consolidated itself as a truly multinational chain

| 2003 - 2004   | 2005 – 2006  |
|---|--|
| <ul style="list-style-type: none"> <li>➤ Integration of Acquisitions (*):               <ul style="list-style-type: none"> <li>• Cost Savings Plan</li> <li>• Asset restructuring</li> <li>• New IT implementation and unification</li> <li>• Debt reduction and dividends</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>➤ Development of the Italian platform</li> <li>➤ Reinforced Presence in Core Markets:               <ul style="list-style-type: none"> <li>• Germany</li> <li>• Spain</li> <li>• Latin America</li> </ul> </li> </ul> |



| EBITDA Breakdown                  | 2003  | 2006E (**) | 2006 PF inc. Jolly Hotels |
|-----------------------------------|-------|------------|---------------------------|
| Hotel EBITDA (Overheads Included) | €123m | €158m      | €211m                     |
| Spain                             | 48%   | 38%        | 28%                       |
| Benelux                           | 50%   | 47%        | 35%                       |
| Germany & Switz. & Austria        | -10%  | 5%         | 4%                        |
| Italy / Jolly                     | n/a   | -2%        | 24%                       |
| Latin America                     | 12%   | 12%        | 9%                        |

1 (\*) Krasnapolsky, Krystal and Astron

(\*\*) Market consensus

## Italy

- Crystallize value of Jolly and rest of the assets in Italy to double results

## European Focus

- Reinforce European focus leveraging on good economic prospects and lack of leaders in mid-segment hotels
- Growth will target core markets taking advantage of increasing brand awareness, proven operating model and economies of scale

## Growth Plan

- Investments will be concentrated in Germany and Italy thereby reducing exposure away from Spanish real estate
- New resort developments in the Caribbean will represent about 2% of total investment commitment

## Sotogrande

- Sotogrande will be refloated in the next months and net proceeds devoted to fuel hotel activity

|                  | Target  | Rationale   |
|------------------|---|---|
| 3-Year Plan      | <ul style="list-style-type: none"> <li>➤ ~ €1,300m Capital invested / +50% of market cap</li> <li>➤ Double Hotel EBITDA</li> <li>➤ ROCE target 10%</li> </ul>   | <ul style="list-style-type: none"> <li>➤ Reinforce European leadership in the mid-segment</li> <li>➤ Ride the real estate cycle</li> <li>➤ Become a pure hotel player</li> </ul>  |
| Jolly Hotels     | <ul style="list-style-type: none"> <li>➤ €670m Capital invested</li> <li>➤ €100m Refurbishment / other costs</li> <li>➤ Double EBITDA from Italy</li> </ul>   | <ul style="list-style-type: none"> <li>➤ Equity Investment below NAV</li> <li>➤ Significant opportunity for margin improvement</li> <li>➤ Not replicable and unique portfolio</li> </ul>                                  |
| Growth Plan      | <ul style="list-style-type: none"> <li>➤ 18,000 new signed rooms 07-09</li> <li>➤ €500 million equity investment</li> <li>➤ Exposure to real estate in Germany / Italy / Other Eastern Markets</li> </ul> | <ul style="list-style-type: none"> <li>➤ Expansion in core European markets</li> <li>➤ Match real estate cycle with different investing formulas (owned, leased and managed)</li> <li>➤ Proven operating model</li> </ul> |
| Capital Increase | <ul style="list-style-type: none"> <li>➤ Raise equity capital</li> <li>➤ €250m rights issue at 15.27€ per share</li> </ul>  | <ul style="list-style-type: none"> <li>➤ Finance Jolly acquisition</li> <li>➤ Finance organic growth</li> <li>➤ Maintain Net Debt / EBITDA &lt; 4x</li> </ul>   |

# Jolly Hotels

# Jolly Acquisition

## Key Terms

- Through its 55% subsidiary NH Italia (45% Banca Intesa), NH Hoteles will control 51% of the holding Grande Jolly, that will retain control of Jolly Hotels
- Shareholders of Grande Jolly: 51% NH Italia, 42% Joker, 7% Banca Intesa
- NH Hoteles and Banca Intesa to fund €200m capital increase of NH Italia to execute the transaction

## Valuation

| € million          | Implied Valuation<br>November 15 <sup>th</sup> Transaction | Average Acquisition Price<br>for NH Hoteles ** |
|--------------------|--|--|
| Share Price (€)    | 25.00  | 21.43  |
| Equity Value       | 500  | 429  |
| Net Debt           | 241  | 241  |
| Firm Value         | 741  | 670  |
| Firm Value to      |  |  |
| '06E EBITDA: €53m* | 13.9x  | 12.6x  |
| '07E EBITDA: €60m* | 12.3x  | 11.1x  |

(\*) Source: NH Hoteles

(\*\*) Includes investment as of 1999



# Transaction Rationale

## Valuation

- Acquisition Price lower than NAV will generate no goodwill. Since last external appraisal, EBITDA has increased by 20%, suggesting similar upward trend in the asset value

## Returns

- Estimated ROCE above 10%. Great opportunity to improve margins.

## Asset Location

- Unique hotel locations. Most of the owned assets are in the city centre. Portfolio covers key Italian cities and international gateways (NY, London, Paris, Amsterdam, Berlin and Brussels)

# Jolly Hotels Potential

## Real Estate Appraisal December 2005

Source: Jones Lang LaSalle, Praxi

## Rooms

## Real Estate Appraisal 2005 (€ Million)

## Value per Room (€ Thousands)

### Total Italy

**2,344**

**238.1**

**102**

Amsterdam

218

53

243

London

285

81.2

285

Paris

167

85.8

514

New York

252

86.5

343

### Total International

**922**

**306**

**332**

Headquarters

11.4

Congresses Milanoflori

24.1

### Total Owned Rooms

**3,266**

**580**

**178**

### Total Owned Hotels

**19**

## Potential Source of Value

### ➤ Value appraisal in 2005:

- €102,000 per room in Italy
- €332,000 per international room

### ➤ Expected synergies from:

- Implementing NH operating practices
- Overheads
- Procurement

### ➤ Potential for GOP improvement:

- Jolly's GOP today: 27%
- NH's GOP today: ~35%

## Key Targets

- Improving operating margins
- €100m investment in asset repositioning and improving quality of hotels
  - EBITDA CAGR of 10%-15% in the medium term

## TRANSFORMING ACQUISITION MAINLY FOCUSED ON THE BOTTOM LINE

| Financials    | 2006*       | 2009             | CAGR           |
|---------------|-------------|------------------|----------------|
| Sales         | €260m       | €280m-€320m      | 2.5%-7%        |
| <b>EBITDA</b> | <b>€53m</b> | <b>€70m-€80m</b> | <b>10%-15%</b> |
| EBITDA Margin | 20%         | 25%              |                |
| EV/ EBITDA**  | 12.6x       | 8.9x***          |                |

(\*) Source: NH Hoteles

(\*\*) Considering investment since 1999

(\*\*\*) Implies 2009 mid range EBITDA of €75m

## The fact

- Extensive M&A and integration track record

## Example

- NH has significantly improved margins in the former Krasnapolsky Group

| <b>KRASNAPOLSKY GROUP</b>      | 2001    | 2006E   | Change    |
|--------------------------------|---------|---------|-----------|
| Rooms(*)                       | 5,706   | 5,739   |           |
| ADR (€)                        | 95€     | 92€     | -3%       |
| Occupancy                      | 74%     | 73%     | -1 p.p    |
| RevPar (€)                     | 70€     | 67€     | -4%       |
| Total Revenues (€ Thousand)    | 245,640 | 231,440 | -6%       |
| Operating Expenses (€Thousand) | 140,099 | 126,147 | -10%      |
| GOP Margin                     | 43%     | 46%     | +300 b.p. |

- Note that accumulated inflation in the period 2001-06 has been 14%, therefore reduction in operating expenses in real terms has been of 20%

(\*) "Like for like" sample portfolio

# European Focus

# There is an Opportunity To Consolidate European Mid-Market Segment...

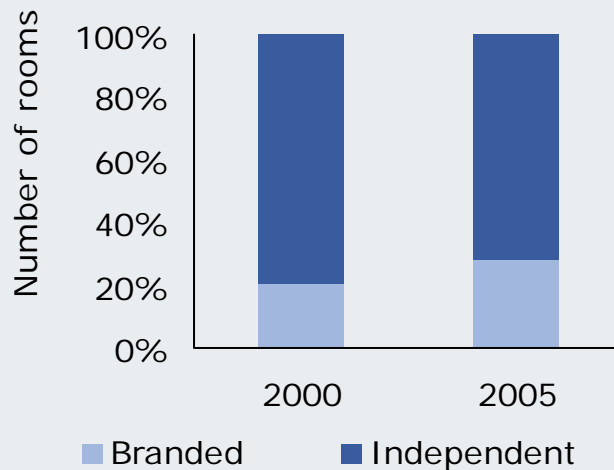
## Grow in NH's core market: "Mid Segment"

Why the middle segment?

- Largest segment of the hotel market
- Opportunities arise from market fragmentation
- Growth potential in European middle class

Main Focus

## Growth in Branded Hotels in Europe



CAGR

+0.5%

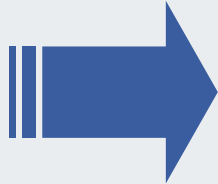
-2%

+8.9%



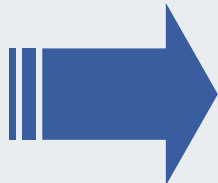
- A total of 292 brands servicing the market
- In Europe, roughly 28% of the hotels are branded
- 70% branded in the U.S.

Operating model



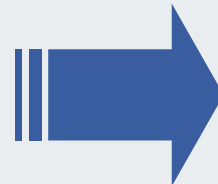
- Maximum operating efficiency through optimal personnel structure produces highest margins within the industry
- Fully integrated IT Systems allow for: single inventory image, deeper knowledge of our guests and profiles, seamless integration of properties and centralised administrative model
- Centralized sales force specialized by business segment permits access to top-end clients and cross-selling

Product



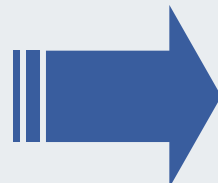
- Optimal price – quality balance
- Key locations in main urban areas
- Same quality standards across all NH hotels

Client



- Business traveller looking for comfort and reliability (no bad surprises!)
- Urban tourists, city breaks and low cost airlines generate additional demand on weekends

Current Margins



- Our business model offers best-in-class GOP margins
- 2006E GOP ~ 35%

# ...Increasing Brand Awareness and Cross Selling ...

## Brand awareness

### Independent Brand Survey 2006 (Ikerfel)

- Increased penetration of the NH brand in Europe among business travelers since 2003
- Top 3 Ranking
  - Client loyalty index
  - Total awareness of the brand and
  - Preferred brand in all countries
- European clients highlight the ability and openness of NH to innovation

## Evolution Since December 2004 Survey

Increased Brand Awareness

Germany, Austria, Holland, Belgium

Brand Maintenance

Spain

### Cross Selling:

- Pan-European strategy supports RevPar levels in gateway cities through corporate agreements. (450,000 commercial agreements, as of December 2006)
- 11 ➤ On average, 20% of Corporate Accounts revenues of each Business Unit are generated abroad



# ...While Europe is Gaining Momentum...

|                                | Real GDP Growth (%) |      |      |      |      |
|--------------------------------|---------------------|------|------|------|------|
|                                | 2005                | 2006 | 2007 | 2008 | 2009 |
| Spain                          | 3.5%                | 3.4% | 2.7% | 2.4% | 2.2% |
| Germany, Austria & Switzerland | 1.1%                | 2.5% | 1.5% | 2.0% | 2.0% |
| Italy                          | 0.1%                | 1.7% | 1.2% | 1.5% | 1.6% |
| Benelux                        | 1.5%                | 2.8% | 2.5% | 2.8% | 2.6% |
| Latin America                  | 4.4%                | 4.9% | 4.2% | 3.9% | 3.7% |
| Eastern Europe                 | 4.6%                | 5.8% | 4.9% | 4.5% | 4.2% |

*“One important reason for optimism is the renaissance of the German economy, which is reaping the benefits of several years of restructuring and the VAT hike will not derail that process”*

**Goldman Sachs “European Weekly Analyst” December 14, 2006**

*“Robust economic performance is the foundation upon which our long-held bullish stance on European equities has been built. The global economy has delivered impressively over the past few years”*

**Citigroup “2007 European Market Outlook” December 28, 2006**

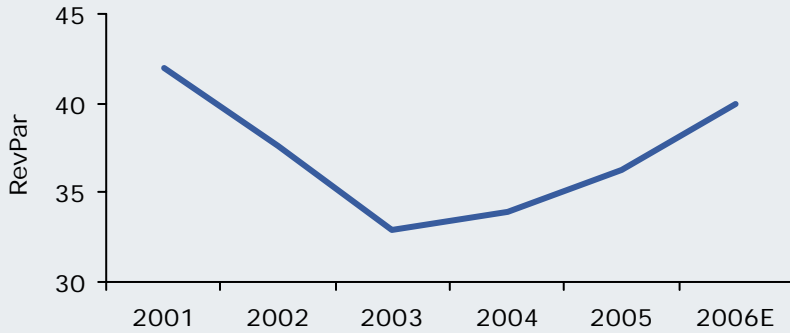
*“The majority of data support the ECB continuing to tighten monetary policy. However, it is still too early to gauge the effect of Germany’s VAT hike. [...] The euro-area recovery has finally spread to household consumption. But weak wage growth should limit the momentum and keep inflation in check, despite a higher oil price”*

**Lehman Brothers “Euro Area Weekly Economic Monitor” January 5, 2007**

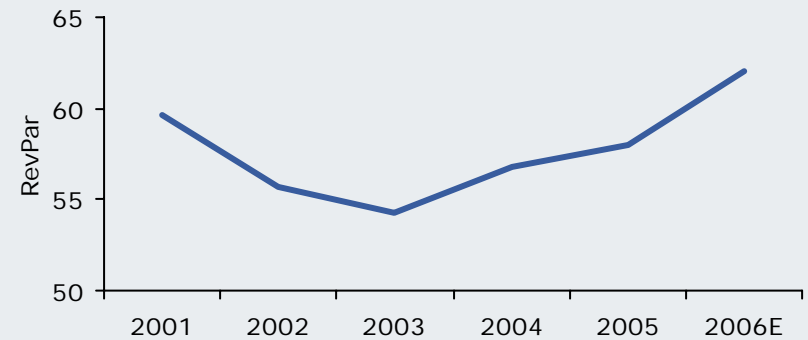
# ...and NH is experiencing a Positive RevPar Trend

The RevPar increase seen in 2006 confirmed our expectations of recovery across all Business Units

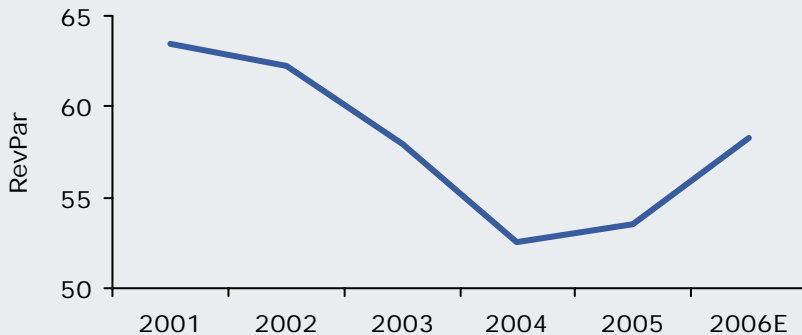
Germany and Austria



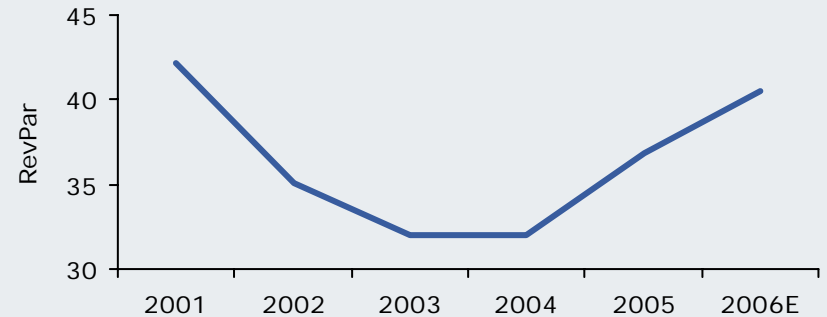
Benelux



Spain



Latam

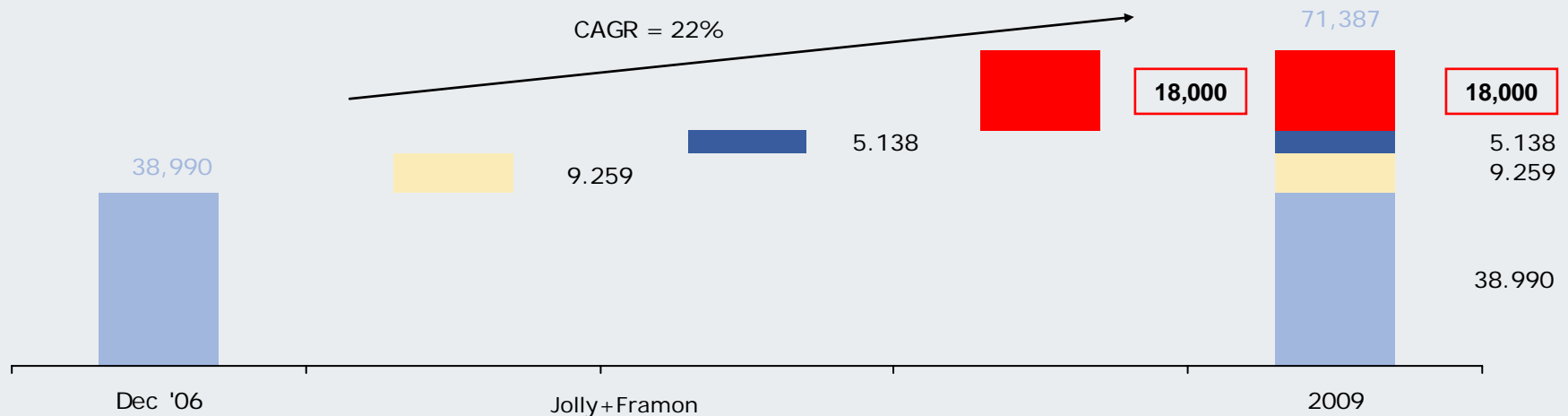


# The Expansion Plan

| INVESTMENT ALLOCATION              |     | Europe | Latam   | Resorts |
|------------------------------------|-----|--------|---------|---------|
| €500M Capital Investment           |     | 75%    | 15-18%  | 7-9%    |
| c.€1700M Total Capital Employed(*) |     | 93%    | 4-6%    | 2-3%    |
| Expected ROCE(*)                   | 10% | 9%     | 12%-15% | +15%    |

| Assumptions**   | 2004-2006 CAGR | 2006-2009 CAGR | 2006-2012 CAGR |
|-----------------|----------------|----------------|----------------|
| RevPar          | 6%             | 6%             | 5%             |
| Revenues        | 10%            | 12%            | 10%            |
| Operating Costs | 8%             | 11%            | 9%             |

## Hotel Portfolio Expansion – 18,000 New Rooms



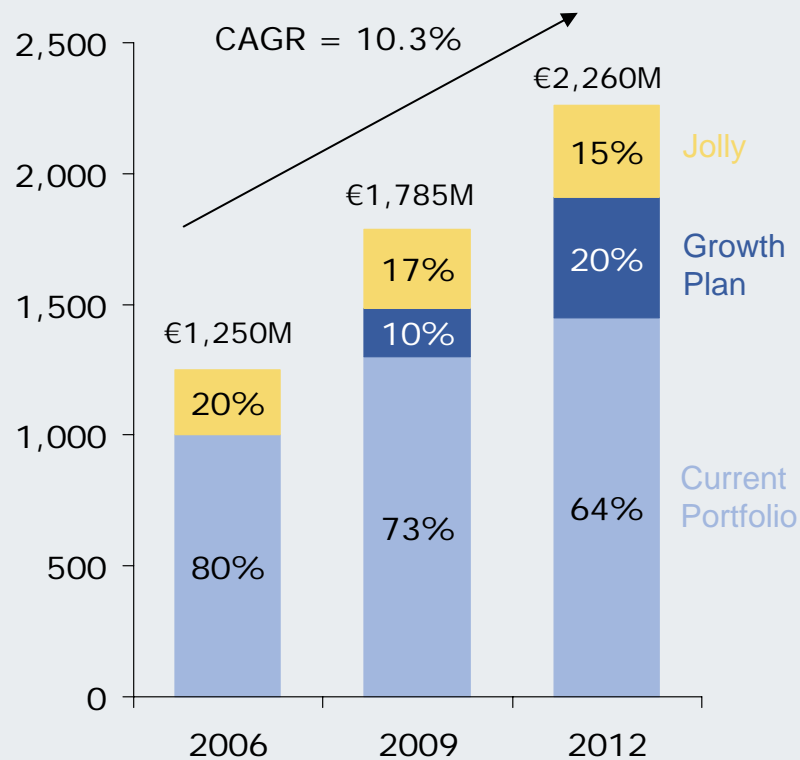
# Strategy by Business Unit\*

|                                | Total Capital Employed | Rooms       | Expansion Tactics  |
|--------------------------------|------------------------|-------------|--|
| Italy                          | 20-25%                 | 3,000-3,600 | ➤ <b>Consolidate presence</b> in key cities via leases with or without call options and management contracts   |
| Germany, Switzerland & Austria | 25-30%                 | 3,000-3,600 | ➤ <b>Increase presence</b> in the most important cities through direct property acquisitions / lease agreements with call options                      |
| Benelux                        | 15-20%                 | 2,500-3,000 | ➤ <b>Increase presence mainly in Holland</b> via lease contracts with or without call options  |
| Eastern Europe                 | 10-15%                 | 2,500-3,000 | ➤ <b>Consolidate presence especially in Poland</b> , and other important Eastern European countries via lease contracts with or without call options   |
| Spain                          | 10-15%                 | 1,500-2,000 | ➤ <b>Maintain market share</b> , through low risk formulas of existing hotels. Hotel returns unsuitable for real estate prices                         |
| Latam                          | 5%                     | 1,000-1,500 | ➤ <b>Reinforce presence</b> in Argentina (Buenos Aires), Mexico and potentially Chile through direct acquisitions in premium zones of country capitals |
| Resort                         | 2%                     | 3,000-3,500 | ➤ <b>Reinforce presence</b> in the Caribbean with very low capital commitment  |

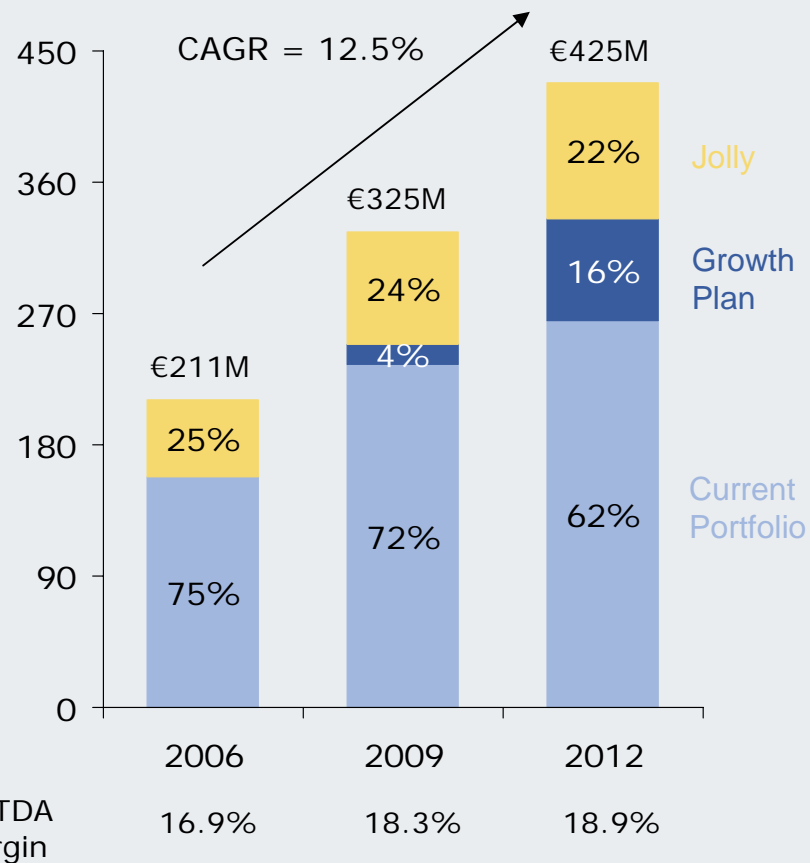
# Financials

# Proforma 2006-2012 Main Financial Targets (ex-Real Estate)

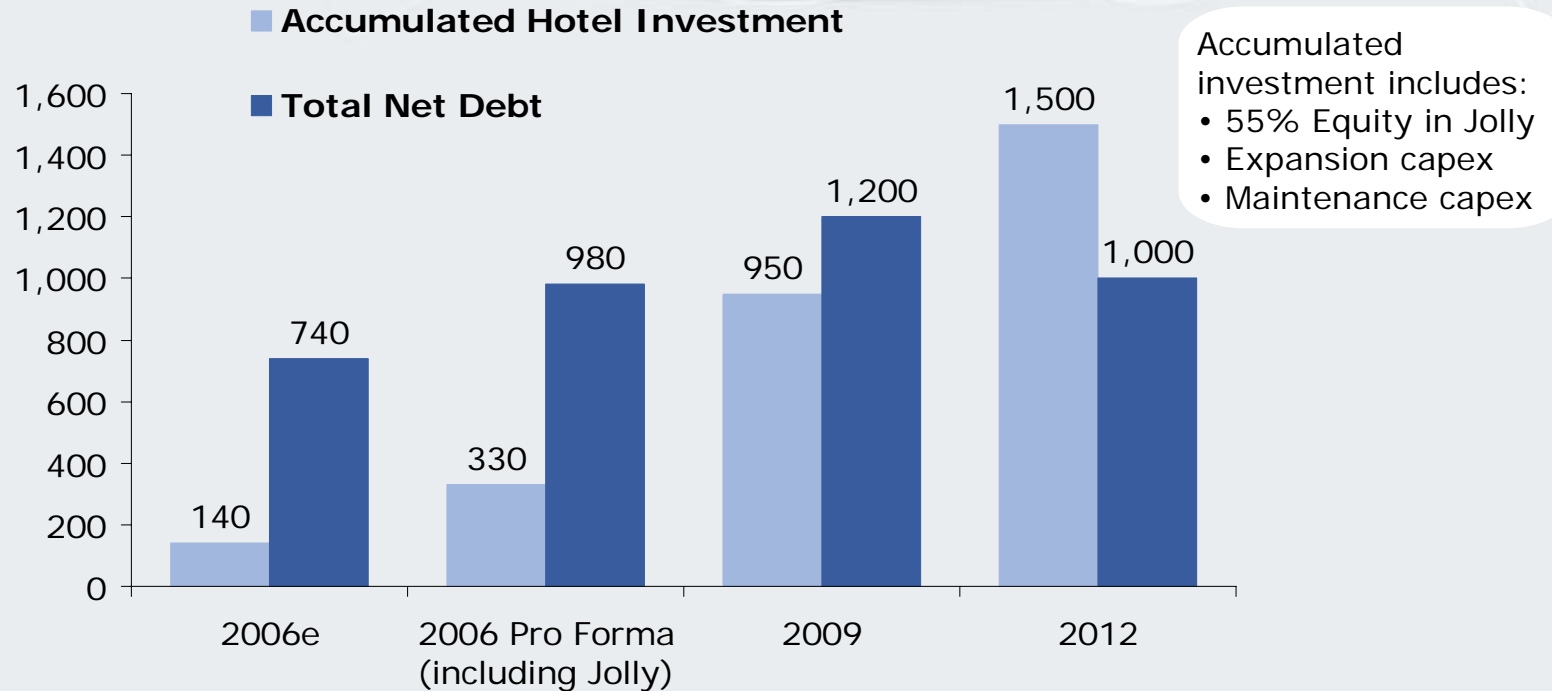
Sales Breakdown (€ Millions)



EBITDA Breakdown (€ Millions)



# Proforma 2006-2012 Main Financial Targets (ex-Real Estate)



|                        |      |      |      |      |
|------------------------|------|------|------|------|
| Net Debt/ Hotel EBITDA | 4.7x | 4.6  | 3.7x | 2.3x |
| No. of Shares (M)      | 132  | 132  | 148  | 148  |
| ROCE(*)                | 7.5% | 7.5% | 8.5% | 9.3% |

(\*) Includes NPV of lease payments

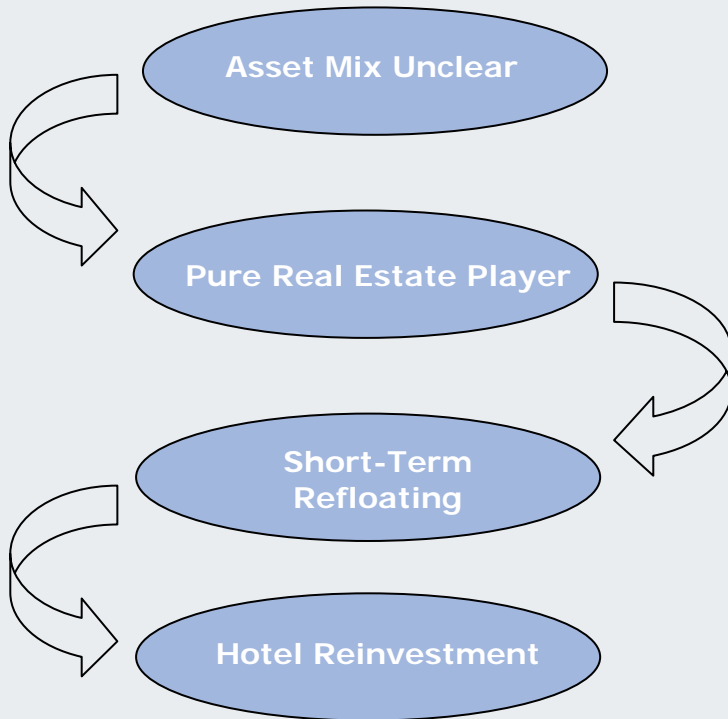
Asset Valuation of  
Owned Hotels

**NH Hoteles ex-Jolly: €1,700M (Richard Ellis, April 06)**  
**Jolly: €588M (Jones Lang LaSalle, December 2005)**



# Sotogrande Update

## Asset Restructuring and Short-Term floating



- After the "share-for-share" takeover bid, NH Hoteles owns 97.72% of Sotogrande
- We have currently started an asset restructuring after the successful tender offer. Sotogrande is absorbing development land from NH Hoteles (i.e. CapCana, Riviera Maya) and is disposing of Hotels/other assets (i.e. Alanda, Marbella, Casino) aiming at becoming a pure real estate player
- In the short-term, NH Hoteles will refloat the company and devote proceeds to fuel core hotel activity
- €900m of asset value, appraised in November 2006 (Internal Valuation)

# Appendix

## One Brand



## Attributes

- Dynamic, modern and innovative brand image for a “young” company
- Different and identifiable style
- Focus on HR development: NH University
- Innovation: Constant development of new products (i.e. Nhow and Nhube)

## Mission

- Optimal price – quality balance in the mid-market urban hotels
- Offer consistent service throughout portfolio

# Defined Style and Standards



Nhuber NH Den Haag



Reception NH Vienna Airport

# Defined Style and Standards



Room NH Agustinos (Pamplona, Spain)



Room NH Budapest

- A modern, functional and comfortable atmosphere

- 28-year history
  - First international step 7 years ago
- Clear focus on a defined segment
- Increased size four-fold in less than 7 years
- Management skills tested in worst possible conditions
  - Integration of 3 acquisitions in bearish market
- Demanding business model in diverse markets: Spain, Germany, Benelux
- Pioneering approach to hotel business
  - Focus on F&B quality, new hotel concepts (i.e. Nhube), F&B ideas (i.e. Fast Good), in-house created amenities (i.e. Agua de la Tierra)

NH University: Area focused on in-house personnel training

➤ Mission:

- Improve HR capabilities and help employees develop their careers
- Basis for NH culture: Guest focus
- Quality focus
- "Back to basics"





## Main Events

### Financial Performance

- Significant effort over the last two years now beginning to show results
- Sound improved performance across all Business Units

### Minorities Buy-Out

- Process to buy-out minorities started in 2005 and continued throughout 2006
- Currently only minority interests at the Italian Business Unit level

### Openings and new Projects

- 15 hotels with 2,486 rooms opened during 2006 in Spain, Germany, UK, Benelux, Italy and Cuba
- Projects signed for 3,911 new rooms; 13,170 including Jolly and Framon

### NH-Jolly Hotels

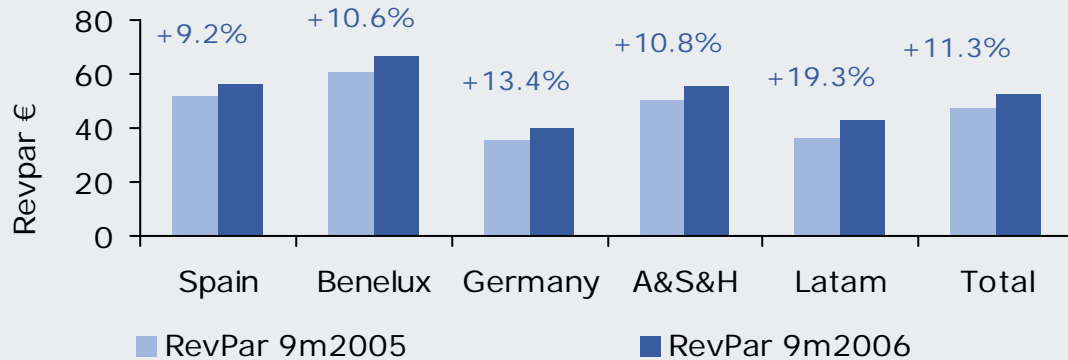
- Agreement for the integration of Jolly Hotels into NH Group
- NH and Jolly become #1 hotel chain in Italy, well ahead of competitors

# Financial Results

| € million                         | 9 months 2006 | 9 months 2005 | % Change    |
|-----------------------------------|---------------|---------------|-------------|
| Hotel Revenues                    | 744.14        | 661.11        | 12.6        |
| Real Estate Revenues              | 19.89         | 26.48         | (25.0)      |
| <b>Total Revenues</b>             | <b>764.03</b> | <b>687.59</b> | <b>11.1</b> |
| GOP                               | 257.65        | 225.44        | 14.3        |
| GOP Margin (%)                    | 33.7          | 32.8          | +90 b.p     |
| <b>Hotel EBITDA</b>               | <b>111.73</b> | <b>90.65</b>  | <b>23.3</b> |
| Real Estate EBITDA                | 7.77          | 11.17         | (30.4)      |
| <b>Total EBITDA</b>               | <b>119.50</b> | <b>101.82</b> | <b>17.4</b> |
| EBIT                              | 61.80         | 51.75         | 19.4        |
| EBT                               | 42.15         | 37.02         | 13.9        |
| Net Income<br>(Before Minorities) | 29.50         | 28.97         | 1.8         |
| <b>Net Income</b>                 | <b>29.02</b>  | <b>24.49</b>  | <b>18.5</b> |

# RevPar and EBITDA

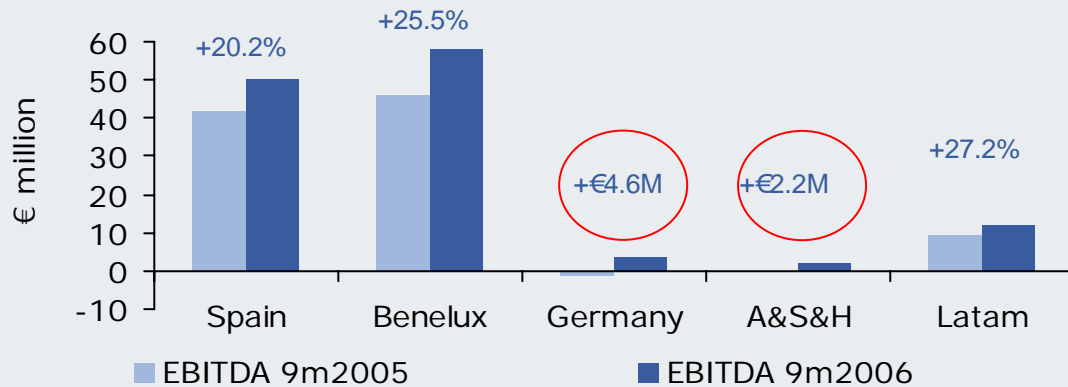
## Comparable RevPar 9 Months 2006



- 76% of the RevPar growth based on price
- ADR up by €6.2



## Comparable Hotel EBITDA 9 Months 2006



- 31.2% increase in Comparable Hotel EBITDA

# Buy-Out of Minorities

**nH**  
HOTELES

100% of Share Capital

100% of Results

Latam

Germany

Sotogrande

38% of NH Mexico (2005): \$38M

35% of Latam (2006): 4.25 million of NH shares (13€)

20% of Astron (Germany): €45m from 2005-2007

Tender offer for 20% minorities in Sotogrande. NH now owns 97.72%

Buy Out of Latin American Subsidiary minorities

Buy Out of Sotogrande minorities

€250m Capital Increase

4.25m shares

7.81m shares

16.37m shares

May 2006

January 2007

March 2007

Only Remaining minority interests at NH Italy (45% Banca Intesa)

Estimated # shares March 2007:  
147.96M Shares

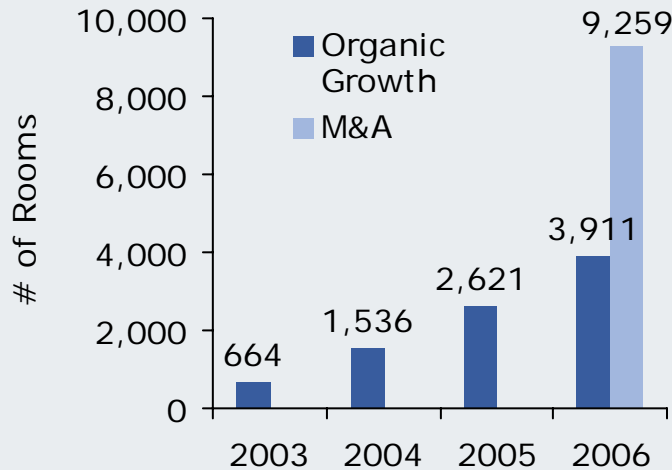
Capital Increases

# Accelerating Growth

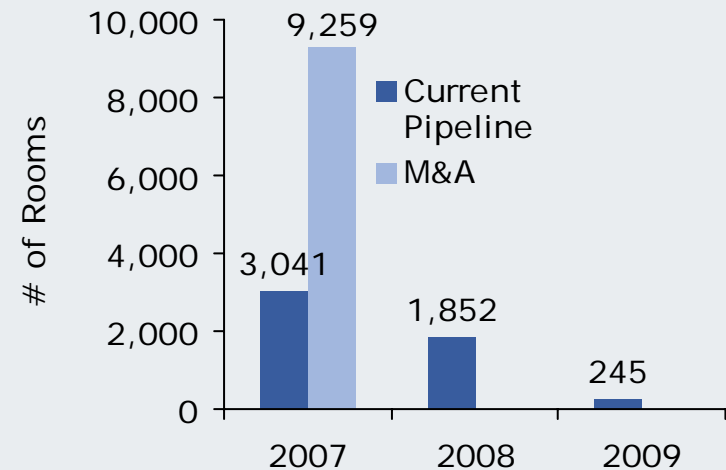
- Organic Growth: 3,911 rooms in 2006, +40% signed rooms vs. previous year
- In 2006, excluding Jolly's acquisition and Framon deal, NH signed rooms equivalent to 10% of total operating rooms
- A total of 5,138 rooms signed at the end of 2006



Signed Rooms Evolution



Room Openings



## Market Conditions

### ➤ Demand:

- Stable room mix of corporate business traveller and city tourist
- Italy is the world's fourth top tourist destination and its visitor demand is dispersed among several markets
- Stable feeder of domestic and international business traveller

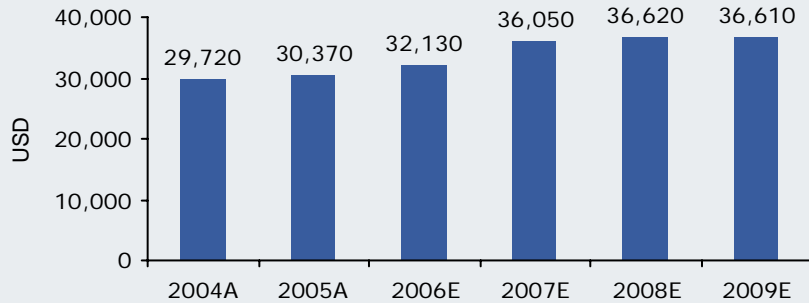
### ➤ Supply:

- A highly fragmented market lead by Jolly Hotels with less than 40 hotels
- Scarcity of 3 and 4-star hotels with an attractive price / quality ratio

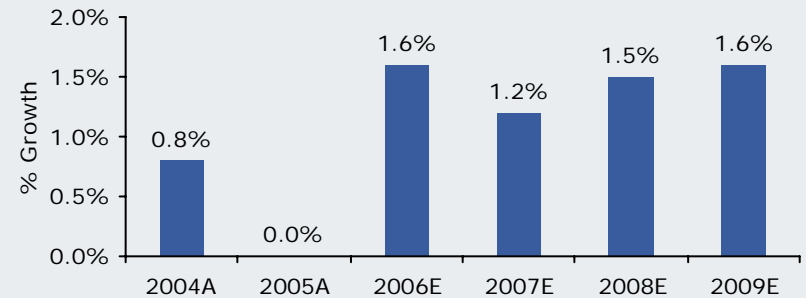
# Italian Economic Prospects

➤ One of Europe's most important economies, offering an attractive and stable environment

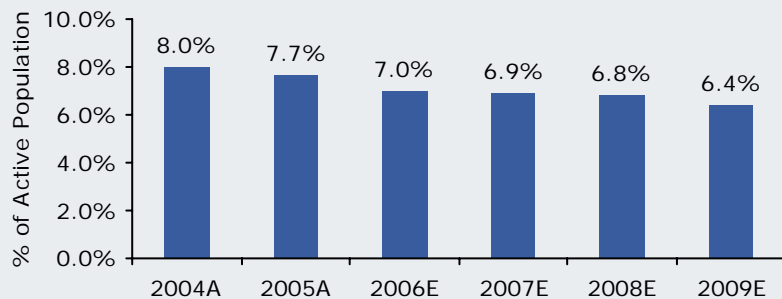
Nominal GDP per Head



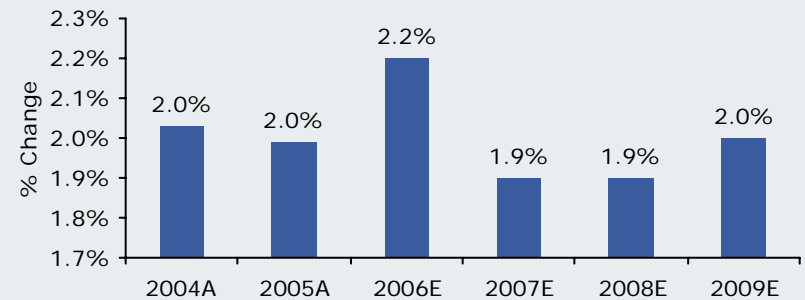
Real GDP per Head Growth



Unemployment Rate

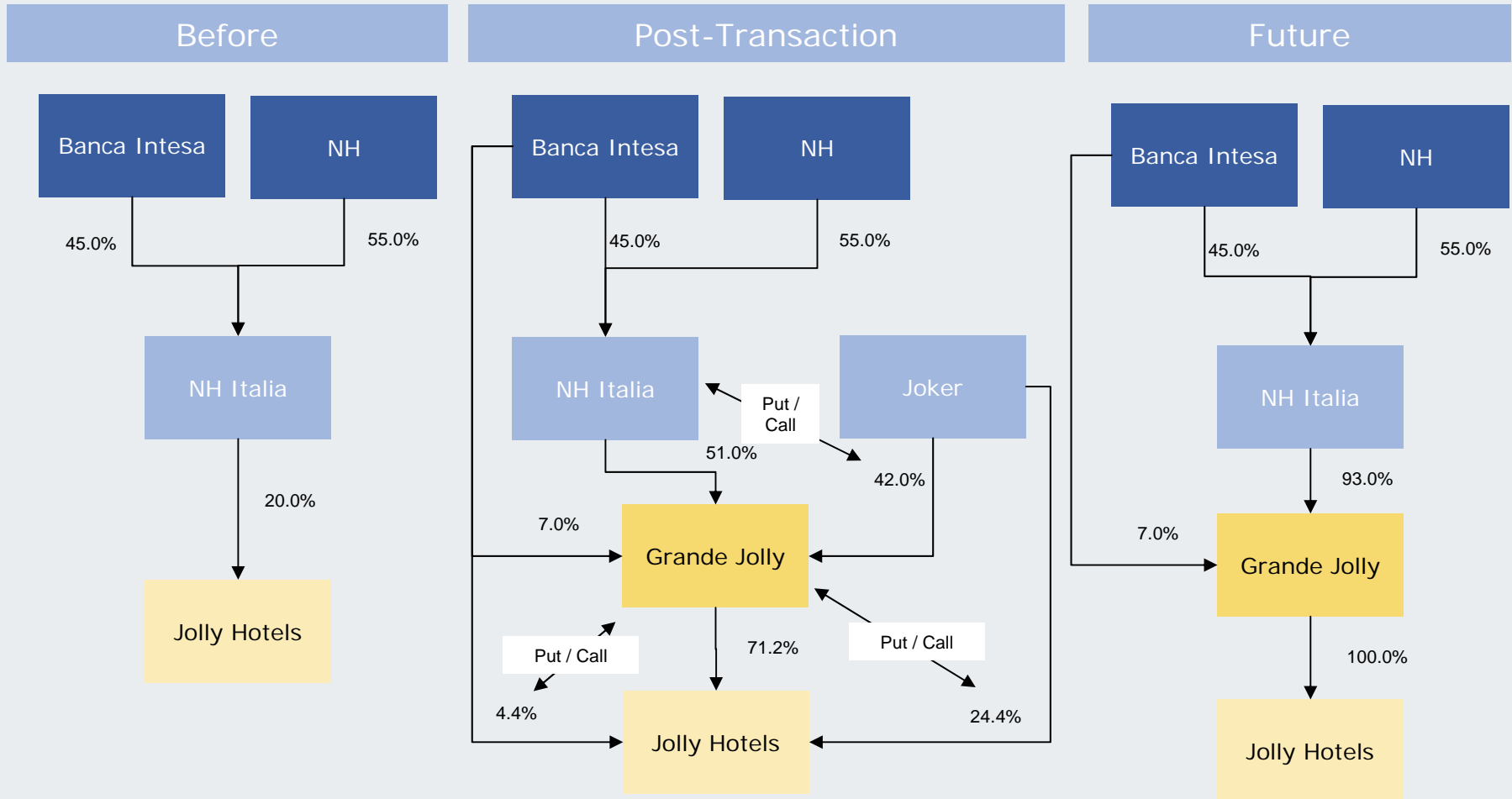


CPI Inflation Rate



Source: EIU

# Jolly Transaction Structure



➤ NH Italy will control c.100% of Jolly Hotels within the next 3-4 years



# Jolly Portfolio Example (I)

## **MILANO** Jolly Hotel President; 256 Rooms; Leased

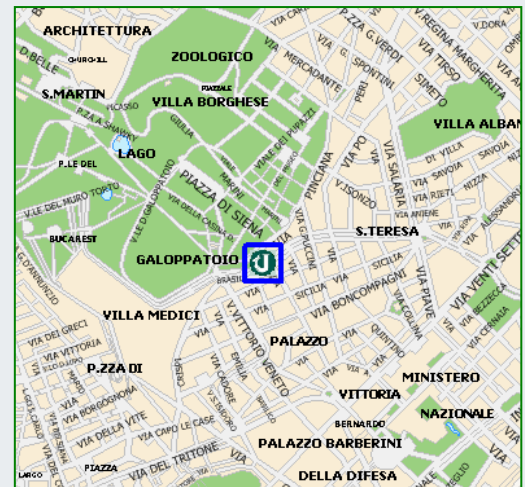
Location: In the heart of the city: 5 minutes walk to the Duomo



## **ROMA**

## Jolly Vittorio Veneto; 201 Rooms; Owned

Location: City centre between Via Veneto and Villa Borghese



# Jolly Portfolio Example (II)

## FLORENCE

Jolly Hotel; 152 Rooms; owned

Location: Located in front of Parco delle Cascine and 15 minutes walk to Ponte Vecchio and Duomo



## GENOA

Jolly Hotel Plaza; 142 Rooms; Owned

Location: Few steps from Piazza de Portobello



# Jolly Portfolio Example (III)

## PARIS

Jolly Hotel Lotti; 167 Rooms; Owned

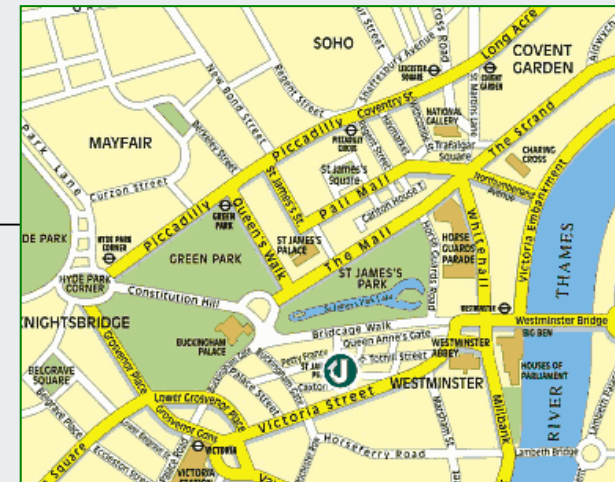
Location: Between Place Vendome and the Tuileries Gardens



Jolly Hotel St Ermin's; 285 Rooms; Owned

## LONDON

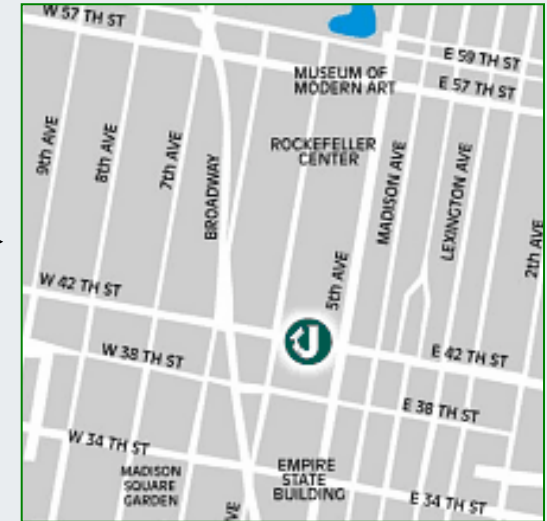
Location: Between Victoria Street and St. James's Park



# Jolly Portfolio Example (IV)

## **NEW YORK CITY** Jolly Madison Towers; 252 Rooms; Owned

Location: On  
42nd and 5th  
Avenue



## **AMSTERDAM** Jolly Hotel Carlton; 218 Rooms; Owned

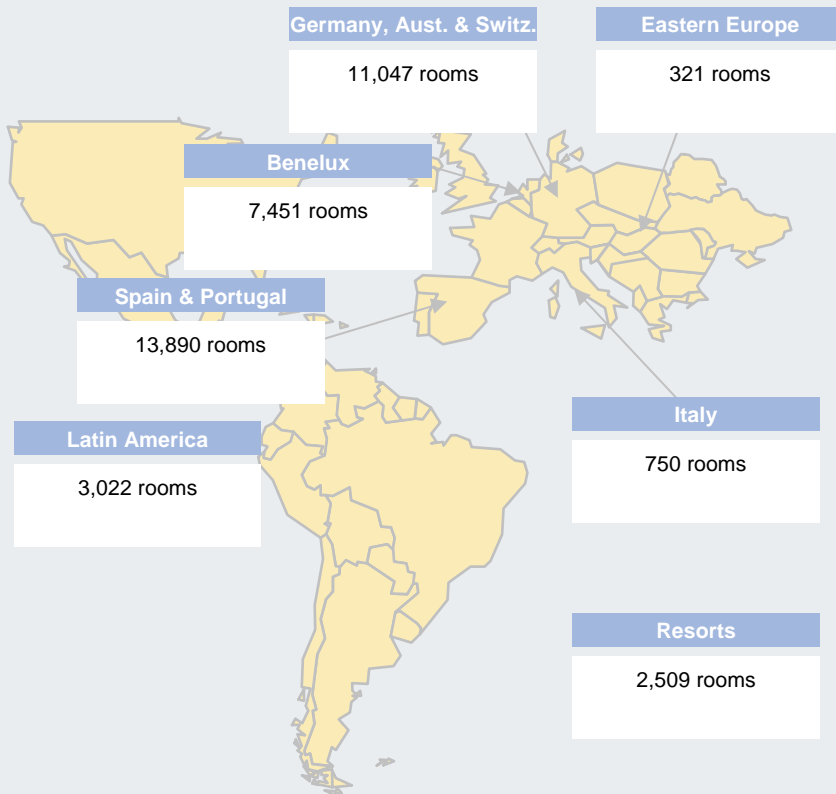
Location: opposite  
the Floating  
Flower market,  
Munt Tower and  
surrounded by the  
main shopping  
streets



# Consolidating Our Position in Europe

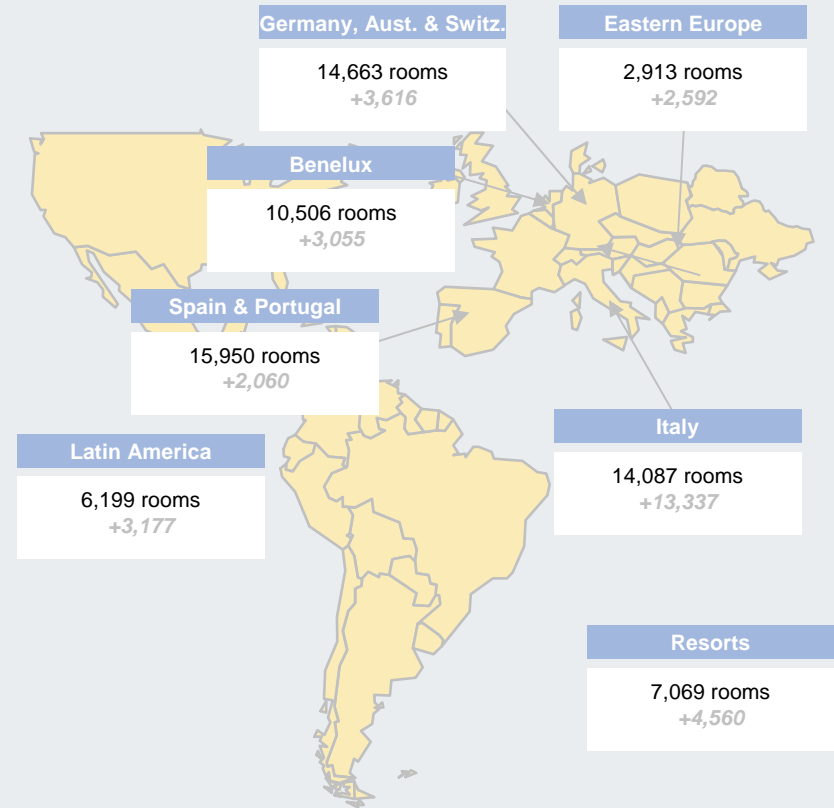
Current: 38,990 Rooms

Dec 2006



Current + Pipeline + Growth Plan + M&A: 71,387

YE 2009



# Strategy by Business Unit (I)

## Spain & Portugal

- Focus on existing hotels rather than developing new ones in order to **maintain market share** across major Spanish cities
- Continue to analyse selected opportunities where NH Hoteles is not yet present
  - In Portugal, increase presence in Lisbon; opportunistic approach in other cities
- NH to operate hotels through low risk formulas (variable rents and management contracts)

## Italy

- **Consolidate leadership driven by recent acquisitions** of Framon and Jolly Hotels
  - Reinforce presence in Rome and Milan, adopting NH standards
- NH will contemplate leases with or without call option and management contracts

## Benelux

- **Increase presence mainly in Holland** with special focus on secondary markets
  - In Luxembourg and Belgium, NH Hoteles aims at maintaining market share
- Growth via lease contracts with or without call options
- Focus on existing buildings in large cities and new hotel developments in smaller cities where few locations are available

## Strategy by Business Unit (II)

### Germany, Switzerland & Austria

- **Increase presence in the most important German cities**
- Consider entering other markets in an opportunistic manner
- Expansion through lease agreements with call options / property direct acquisitions

### Latin America

- **Reinforce presence in Argentina** (Buenos Aires), Mexico and potentially Chile
- NH will also consider initiating activity in other markets, in an opportunistic manner
- Growth via acquisition with a focus on the opening of urban hotels in premium locations of country capitals, excluding periphery development

### Eastern Europe

- Consolidate NH presence in main cities: **Prague, Sophia, Bucharest, Bratislava, Budapest, Warsaw and Belgrade**
- Opportunity to jointly develop an economic segment hotel chain in Poland, similar to those NH Hoteles with limited service
- The rest of the expansion plan to be developed through lease agreements with call options

### Resorts

- Leverage captive business through **experienced management team and low capital commitment** (2%-3% of total capital employed)
- NH Hoteles to participate in ownership including management contracts. Low capital investments
- Selected projects could incorporate real estate developments led by Sotogrande

## Investment

- €500 million investment in hotel developments
- 75-85%
  - direct ownership: €100,000 – 200,000 per room depending on geography and location
  - lease agreements with call option: initial investment 12% of hotel consideration
- 15-25% allocated to FF&E in order to modernise and adapt leased assets to NH standards

## Estimated Investment Distribution

### €500m Capital Investment

- Aprox. 75% in Europe
- Latam: 15-18%
- Resorts: 7%-9%

### c.1,700m Total Capital Employed (Net Present Value of Rents included)

- Aprox. 93% in Europe
- Latam: 4-6%
- Resorts: 2%-3%

- Investment commitment is clearly focused on Europe, NH's core markets

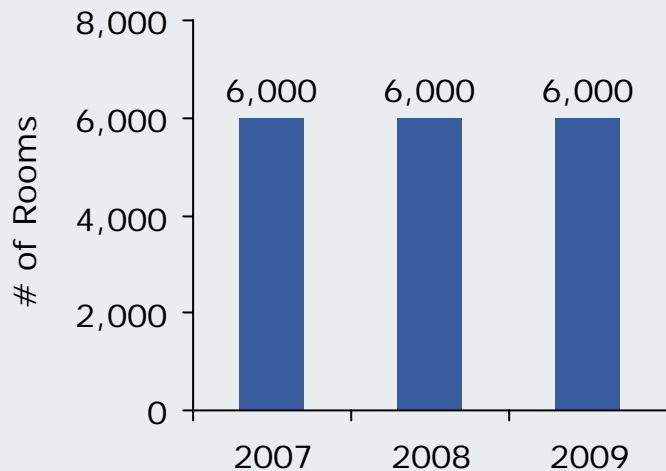


# Modelling Assumptions - Timing

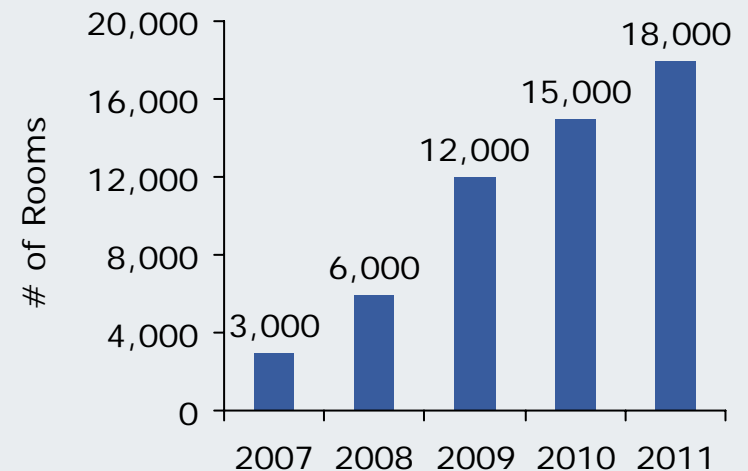
## Timing Assumptions

- Rooms signed between 2007 and 2009
- 50% existing operating rooms / 50% new rooms (2 years development and mid year convention)
- 2 years of operational ramp up until full speed of new developments
- Total investment: 2007-2011
- Full run rate achieved in 2012

Signed Rooms Evolution (Organic Growth)



Room Openings (Accumulated)



## Expected Return

- 10% ROCE target, unlevered and after taxes

## Run Rate Target Margin

- Target GOP above 35% in line with company performance targets

## Capex

- €100,000 – 200,000 per room depending on geography and location
- 5-7% yield on leases

Ownership Mix

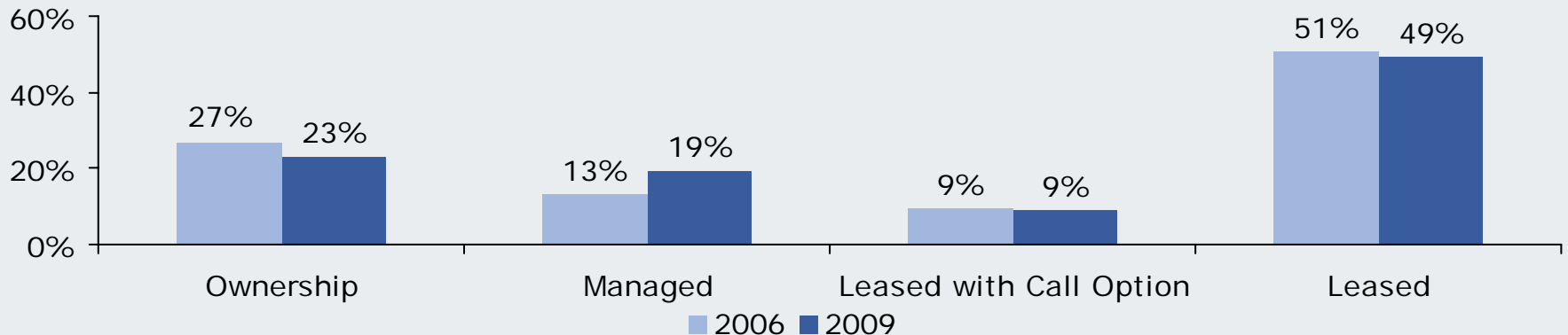
- Spain & Portugal: growth to be driven by variable leases and management contracts wherever possible
- Europe: More than 1,000 rooms through direct property  
Lease with call option for the rest of Europe with an initial investment by NH Hoteles of c.12% of hotel consideration
- Latin-America (urban): NH Hoteles ownership of assets to range between 50-100%, focus on locking up management contracts

YE 2006

EBITDA: €158m

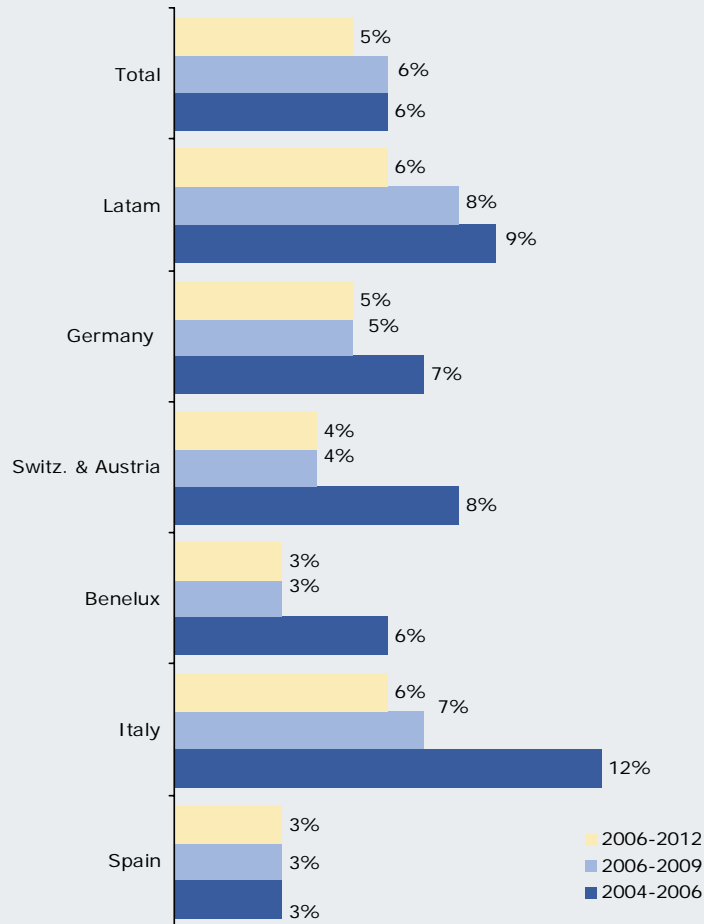
YE 2009

EBITDA: €300m – €350m

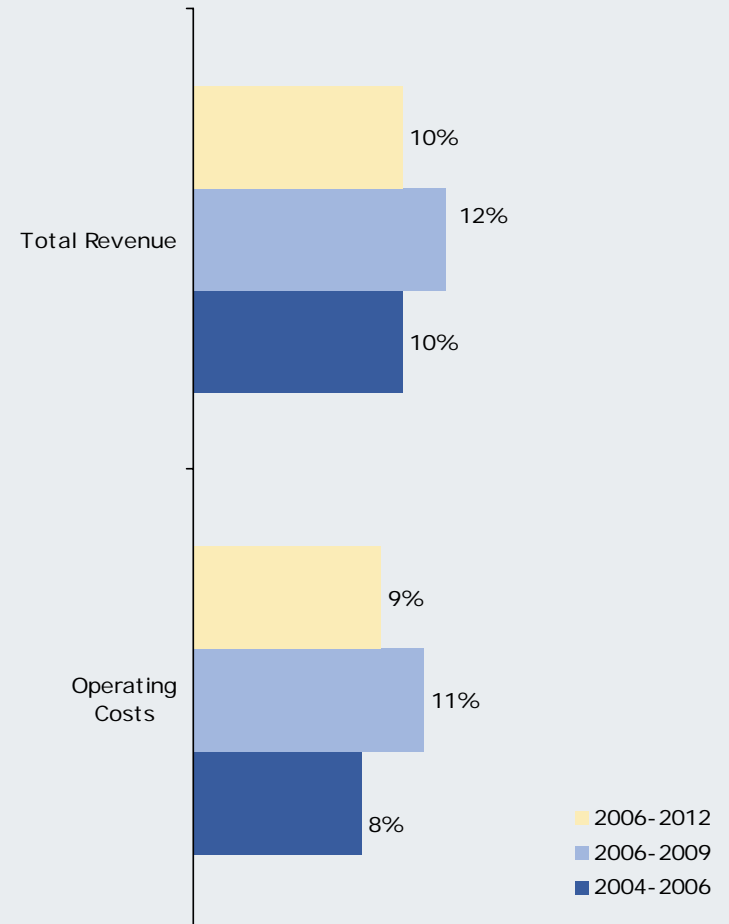


# Modelling Assumptions - RevPar Assumptions and Results of the Plan

## Expected RevPar CAGR



## Revenue and Operating Costs CAGR



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