

nh **HOTELES**



PART OF
THE nh WORLD

ARGENTINA
AUSTRIA
BELGIUM
BRAZIL
CHILE
CUBA
GERMANY
GHANA
HUNGARY
MEXICO
THE NETHERLANDS
PORTUGAL
SPAIN
SOUTH AFRICA
SWITZERLAND
URUGUAY

SOGRANDE

May 2003



**A main player in the European hotel
business**

**Recent Operating and Financial
Performance**

Facing a Challenging Future

A main player in the European hotel business

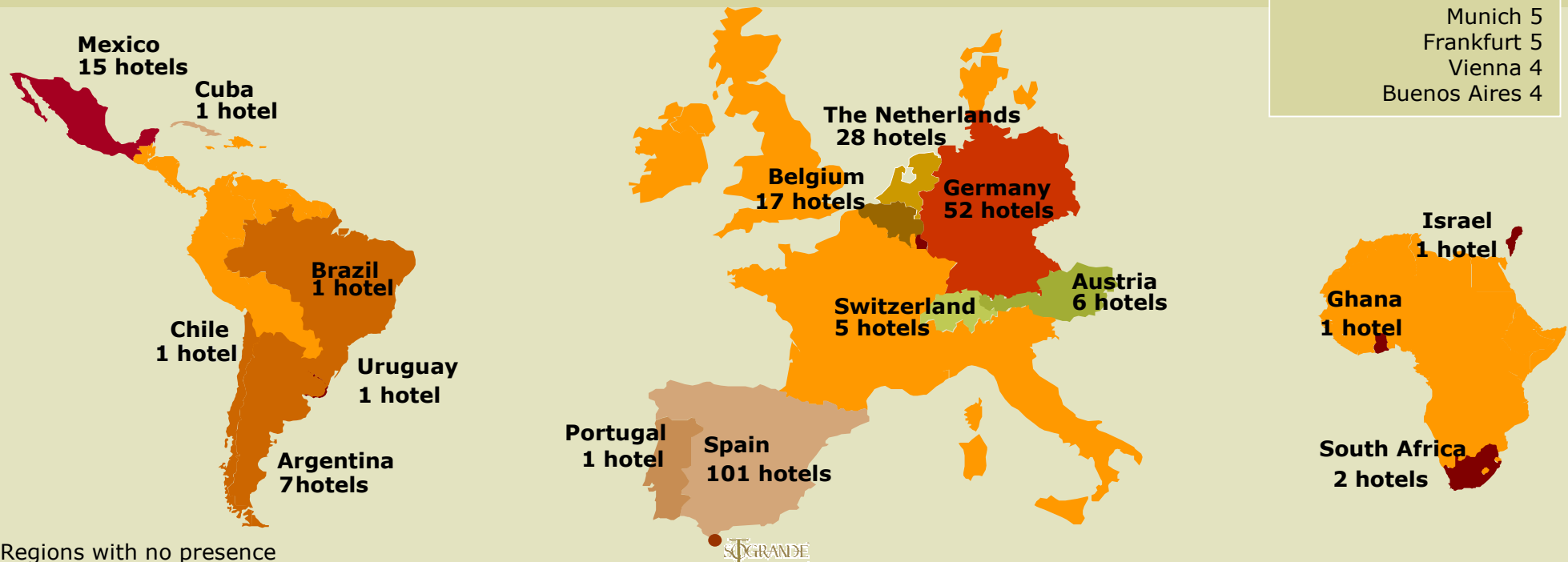
NH RANKS THIRD AMONG EUROPEAN URBAN-HOTEL OPERATORS

- Presence in 16 countries, with 242 hotels and 34,876 rooms.
- 80% of the portfolio located in Spain, Germany and Benelux.
- 26 hotels in Latin America, with 4,533 rooms, mostly owned in 65-35% joint-venture with USA investor EIP.
- The chain's organic growth is based upon a pipeline of 34 projects signed which will add 5,933 new rooms.

- NH is leader in cities like Madrid, Barcelona, Valencia, Amsterdam and second in Brussels and Buenos Aires

Number of hotels:

- Madrid 27
- Barcelona 14
- Valencia 7
- Amsterdam 11
- Brussels 9
- Berlin 5
- Munich 5
- Frankfurt 5
- Vienna 4
- Buenos Aires 4



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THE STEPS GIVEN IN 2002 STRENGTHEN NH MARKET POSITION

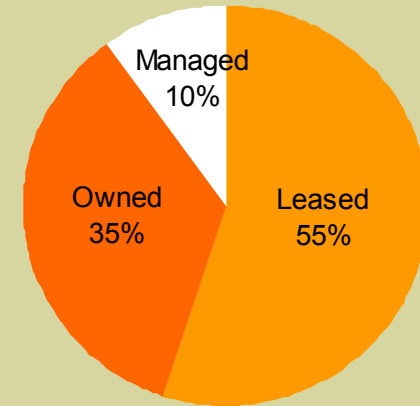
IN 2002

- NH Hoteles gained foothold in Germany and Austria with the incorporation of 53 Astron Hotels.
- The international sales area was strengthened with new sales offices opened in Paris, Milan and Stockholm.
- 7 "NH" hotels with 850 rooms, were newly opened: five in Spain, one in Frankfurt and one in Argentina.
- In Mexico, NH Hoteles integrated 4 additional hotels, 519 rooms, and increased its stake in NH Mexico to 62%.
- 18 new "NH" hotels were signed, with 2,206 rooms.
- Six "NH" hotels with 741 rooms were sold, four of them leased-back and the other two remain under management.

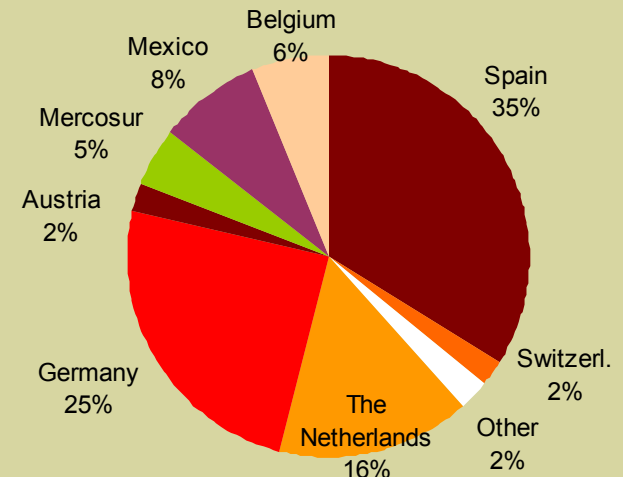
IN THE FIRST MONTHS OF 2003

- One "NH" hotel was signed in León, Spain, with 51 rooms.
- Five "NH" hotels newly opened: Four in Europe, with 523 rooms and one in Mexico with 132 rooms.
- Four hotel were sold, another hotel was sold&leased, and the management contracts of other four hotels were dropped.
- The first "NHube" was inaugurated at the NH Balboa in Madrid, a multifunctional area to combine food service and leisure.

BREAKDOWN OF NH PORTFOLIO BY ROOMS



BREAKDOWN OF ROOMS BY COUNTRIES



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"NH" BRAND IS DRIVING THE GROUP IDENTITY WORLD-WIDE

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THE NH WORLD

- ✓ *11 Michelin stars working or advising in gastronomy for the chain*
- ✓ *NHUBE and FAST GOOD: Pioneering experiences combining food service, leisure and relaxation for our customers*
- ✓ *High Internet Speed, flat rate in each room*
- ✓ *The biggest award in the world for short stories in spanish language*
- ✓ *A collection of more than 4.000 original pictures from international artists*
- ✓ *A very selected decoration: woods, special furnitures, marmol baths...*

UNIFICATION INTO ONE SINGLE BRAND AND A NEW GRAPHIC IMAGE

- The re-branding process is finished for the hotels in Benelux and Switzerland.
- All "Astron" hotels integrated into "NH" have been re-branded.
- Before Summer 2003 the "NH" brand will be implemented in 9 Mexican "Krystal" hotels.
- Total capex related to the re-branding process amounts to €16m.
- The implementation of "NH" brand and the new distribution systems give scope for future RevPar improvement.



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NH IS BUILDING A PLATFORM TO BECOME PAN EUROPEAN

IMPORTANT REORGANISATION OF NH HOTEL IN 2002

7 BUSINESS UNITS

- Spain: 101 hotels with 11,841 rooms
- Germany: 52 hotels with 8,610 rooms
- The Netherlands & Belgium and Other: 50 hotels with 8.012 rooms
- Austria & Switzerland: 11 hotels with 1.465 rooms
- Mexico: 15 hotels with 2.909 rooms
- Mercosur: 10 hotels with 1.347 rooms
- Sotogrande:
 - Real Estate Activity
 - Golf / Aymerich Golf Management
 - Hotel & Spa
 - Casino de Madrid Restaurant

7 INTERNATIONAL SALES OFFICES

- USA: New York, Miami, Houston
- Scandinavia
- United Kingdom
- France
- Italy

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NH IS FOCUSED ON THE FULL INTEGRATION OF THE CHAIN

THE DRIVERS OF THE INTEGRATION PROCESS

➤ **Technology front:**

- Major progress made in implementing a single common IT platform, making hotel management, monitoring and reporting faster and more efficient.
- The same back/front office systems fully integrated for the entire chain.
- A single updated CRM customer database available at all times to all the hotels and international sales offices.
- Broad new customised corporate portal and an employee portal (IntraNHet).

➤ **Synergies:** The integration of all hotels acquired is an opportunity to grow through “best practices” policy and improve productivity through the rationalisation and centralisation of the functional areas (marketing, purchasing, finance & reporting, HHRR...) process re-engineering and productivity metrics.

➤ **Management Team:** A substantial change in NH Management Team and Operations Area, with new members on board (new COO worldwide) and a more international approach to hotel business.

➤ **Portfolio reorganisation:** An active asset management, aimed at offering an homogeneous “NH” product and improving ROCE. NH will divest or cease managing certain hotels but continue to invest in hotels refurbishing.



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PORTFOLIO REORGANISATION

AN ACTIVE ASSET MANAGEMENT

- Aimed at offering an homogeneous "NH" product, improving ROCE and rising the funds to self-finance new developments or acquisitions
- NH Hoteles will divest or cease managing certain hotels which are not a good fit for the chain but continue to invest in hotels refurbishing.
- During 2002 and early 2003, NH Hoteles divested from 11 hotels with 1,459 rooms. The value of these transactions for NH Hoteles adds up to €165m.
 - 4 hotels in Spain were sold and leased-back, NH Abascal, NH Pirineos, NH Villa de Bilbao and NH Iruña Park.
 - Other two hotels in Spain, NH Breton and NH Delta, were sold and managed-back.
 - NH Hoteles reduced its investment in NH Palacio de la Merced, in Burgos (Spain)
 - NH Pedralbes in Barcelona was directly sold
 - The resort hotel in Champéry (Switzerland) was sold, and the hotel in Cape Town was sold and leased-back.
 - The joint-venture in Israel, a 302 rooms hotel in the Dead Sea, was dropped.
 - NH Hoteles ceased managing Malta, Tunisia, Hilvarenbeek, Plaza Biel and Alfa Sablon
 - Three restaurants were sold as they were considered non-core business for NH Hoteles

The sale transactions of the urban hotels were agreed at 2002 EV/EBITDA multiple above 10x while NH Stock was trading below 7x.

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IS GAINING IMPORTANCE WITHIN THE NH STRUCTURE



The most prestigious residential estate in Costa del Sol



2,000 hectares comprising outstanding villas, five golf courses, polo courts, tennis club, port, berths, sailing



facilities, two beach clubs, shopping centres, church, medical centre, international school

REAL ESTATE ACTIVITY

- The real estate business comprises 3 million m² of plots for sale, luxury houses "Las Cimas de Almenara" and "La Reserva Golf Lodges" and apartments "Ribera del Obispo" and "Ribera del Guramí".
- In February 2002 Sotogrande unveiled "La Reserva" complex, covering 500 has. The first phase consists of 150 plots, 30 luxury houses, private golf course and clubhouse. The second phase will be launched in Summer 2003.
- The minimum size of the plot is 2,000 m² with prices ranging from €120/m² to €240/m². More than 85 plots have been sold up to date.

LEISURE AND GOLF ACTIVITY

- The real estate offer is completed with the upscale Golf Resort, NH Almenara, the Elysium Spa, 27-hole golf course and other projects related to leisure and hospitality.
- NH Hoteles recently made the moves to integrate all its tourist hotels and golf assets within Sotogrande: Los Retamares Golf Club, The Gran Círculo de Madrid, two NH hotels located in Marbella and Aymerich Golf Management, a subsidiary currently managing more than 10 golf projects.
- Sotogrande recently signed three new golf projects under lease contracts: "Doña Julia" in Casares at 15 km from Sotogrande with three golf courses and a 4-star hotel, "Cala Nova" in Mijas between the urban centre of Marbella and Malaga, and "Marina Golf" in Mojacar in the Mediterranean Coast.

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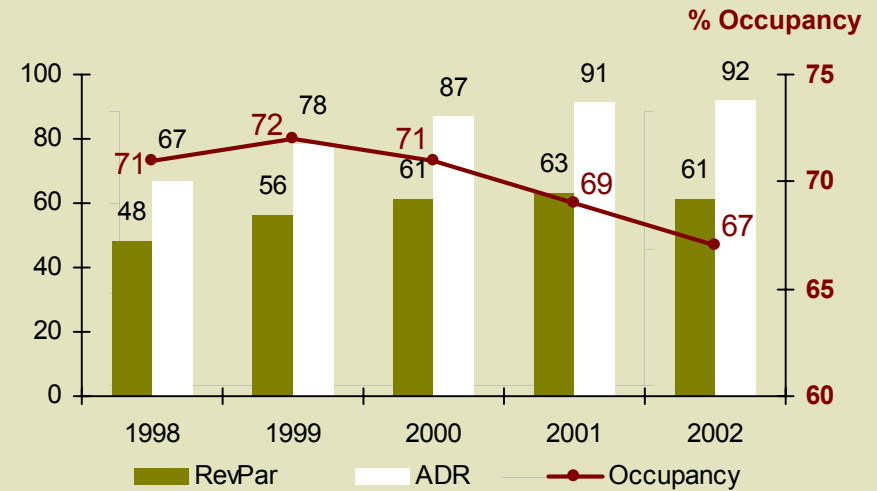
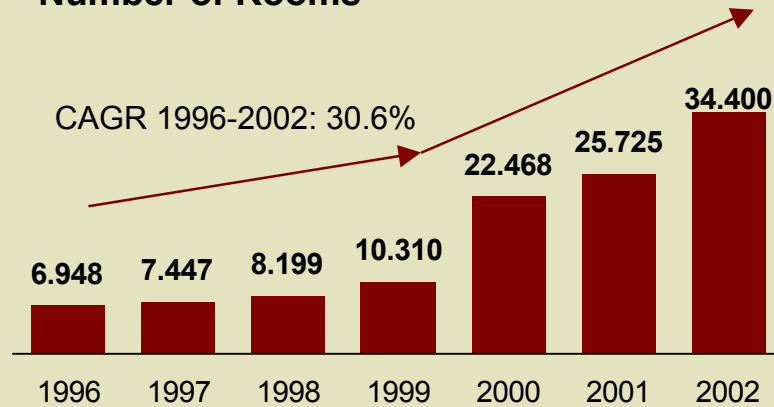
**Recent Operating and Financial
Performance**

Facing a Challenging Future

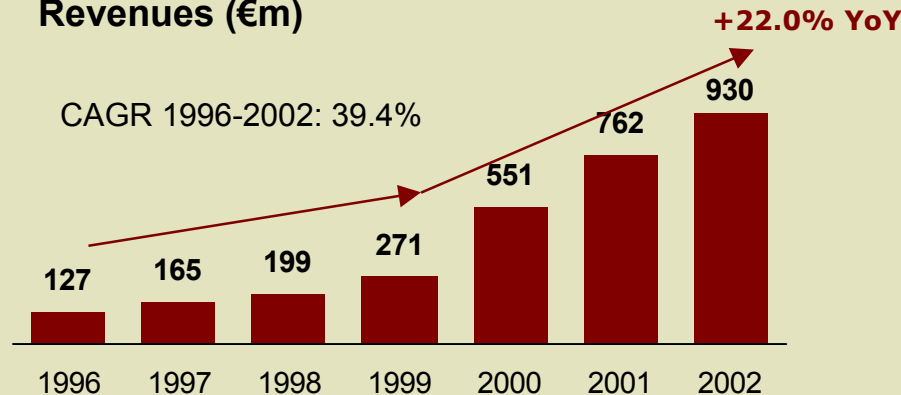
Recent Operating and Financial Performance

CONTINUOUS GROWTH THROUGH THE CYCLE

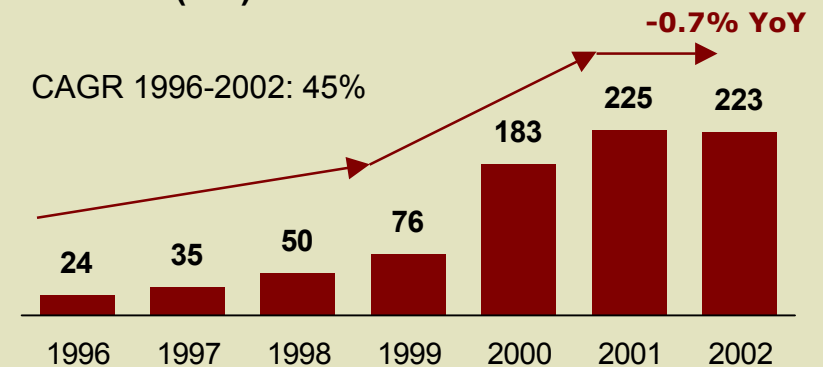
Number of Rooms



Revenues (€m)



EBITDA (€m)



Recent Operating and Financial Performance

THROUGH THE MOST DIFFICULT PERIOD IN THE LAST CYCLE (1993–2003)

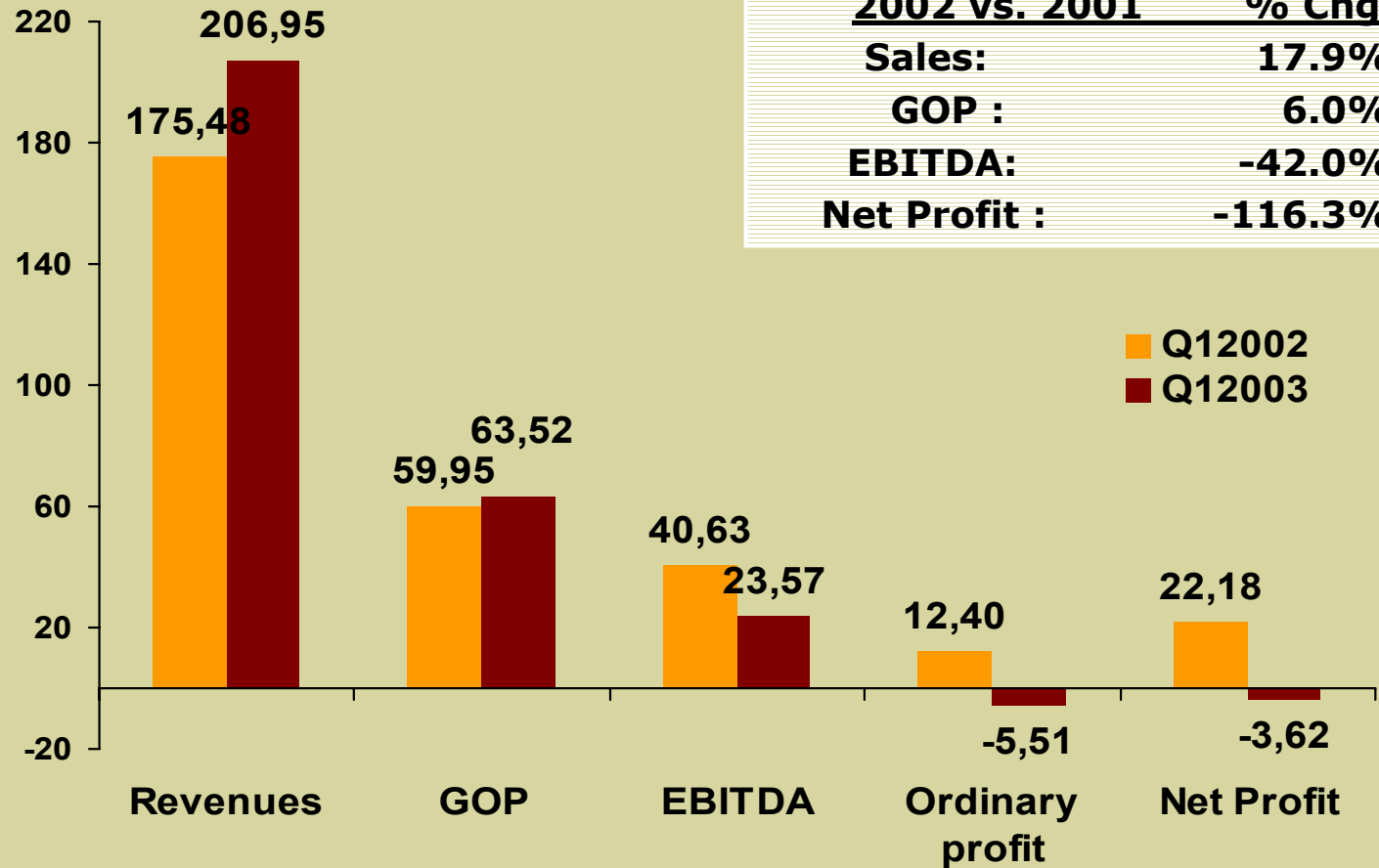
FOR THE FIRST TIME SINCE 1996, IN THE FIRST QUARTER OF 2003 NH HOTELES REPORTED LOSSES OF €3.6M

- In this period, hotel performance was affected by a global slowdown in demand, a drop in international travel in the run-up to war, and more recently, by the threat posed by SARS.
- In addition, operating results were affected by the increase in staff costs and the impact of the Integration process and the restructuring costs.
- Astron made a positive GOP contribution of €11.5M but negative of €-.98M to EBITDA and of €-6.3M to net profit.
- Sotogrande is progressing better than expected with EBITDA improving by 51% given the high margin of "La Reserva" plots sold.
- The lower interest rates and the agreement to refinance the NH Mexico debt helped for improved financial expenses.
- Q12002 Results were boosted by the €16m capital gains from the Sale&Lease transaction, whilst no extraordinary results were accounted in Q12003.

Recent Operating and Financial Performance

Q1 2003 PROFIT&LOSS ACCOUNT

P&L MAIN ITEMS



Recent Operating and Financial Performance

TOTAL SALES GREW BY 19.6% UP TO €203.9M

REVENUES	FY2001	FY2002	02/01 %Chg	Q12002	Q12003	YoY %Chg
Spain	347,19	363,17	4,6%	81,37	81,60	0,3%
Rest of Europe	304,62	292,82	-3,9%	67,70	61,04	-9,8%
Astron (from May 1st '02)		132,82			40,99	
Total EUROPE	651,81	788,81	21,0%	149,07	183,63	23,2%
LATAM (Mexico fr. 07/2001)	42,98	68,77	60,0%	17,55	17,01	-3,1%
Management Fees& Other	10,47	9,09	-13,2%	1,99	1,73	-13,1%
TOTAL HOTEL SALES	705,26	866,67	22,9%	168,61	202,37	20,0%
Sotogrande	57,06	63,44	11,2%	6,88	4,59	-33,3%
TOTAL REVENUES	762,32	930,11	22,0%	175,49	206,96	17,9%

RevPar (*) Main Regions	% Occupancy		ADR		RevPar		RevPar		
	FY2002	FY2001	FY2002 Eur	02/01 %Chg.	FY2002 Eur	02/01 %Chg.	Q12003 Eur	YoY %Chg.	
Madrid	63,5	68,5	71,5	107,6	1,3	73,7	-2,9	67,6	-0,5
Barcelona	66,0	76,5	75,5	125,5	-0,7	96,0	0,7	79,4	-6,4
Amsterdam		82,6	86,0	121,4	-2,6	100,3	-6,5	73,1	-12,8
Brussels		65,5	71,7	64,7	-3,0	42,4	-11,4	42,1	8,8
Germany		59,3	61,7	60,2	-3,1	35,7	-6,8	29,3	-9,6
Austria		74,4	75,8	69,6	-4,6	51,8	-6,3	40,9	-3,6
Mercosur	29,7	48,4	51,0	34,2	-51,6	16,5	-54,1	19,0	7,3
Mexico		57,7	53,1	93,5	-5,9	54,0	2,3	43,9	-9,1

(*) comparable hotels

Recent Operating and Financial Performance

PERFORMANCE BY BUSINESS UNITS

- Lower margins are due to lower RevPar, reclassification of payroll from hotels into the head-office, the higher costs from the reorganisation of the ISOs, CRS and ICT.
- GOP advanced by 6% however the higher lease expenses stemming from the Astron hotels the sale&lease-back deal and the newly opened hotels made EBITDA drop by 45%.
- On like-to-like basis, Astron showed an increase of 1% in sales but a decline of 12% in GOP and EBITDA dropped to €-5.6m from €0.1m in the first quarter of 2002.

SALES AND EBITDA PERFORMANCE (€M)

Q1 2003 vs. Q1 2002

<u>Business Units</u>	<u>Q1 Sales</u>		<u>Q1 EBITDA</u>	
	weight	%Chg.	weight	%Chg. (*)
Spain	40,9%	0,5%	63,5%	-14,7%
The Netherlands & Belgium	28,0%	11,1%	45,6%	-25,7%
Germany	19,0%	-	-19,5%	-
Switzerland & Austria	3,8%	-	-6,6%	-416,0%
Latam	8,4%	-3,1%	17,0%	-16,7%
TOTAL HOTELS	100,0%	20,0%	100,0%	-45,2%

(*) Head Office not included

Recent Operating and Financial Performance

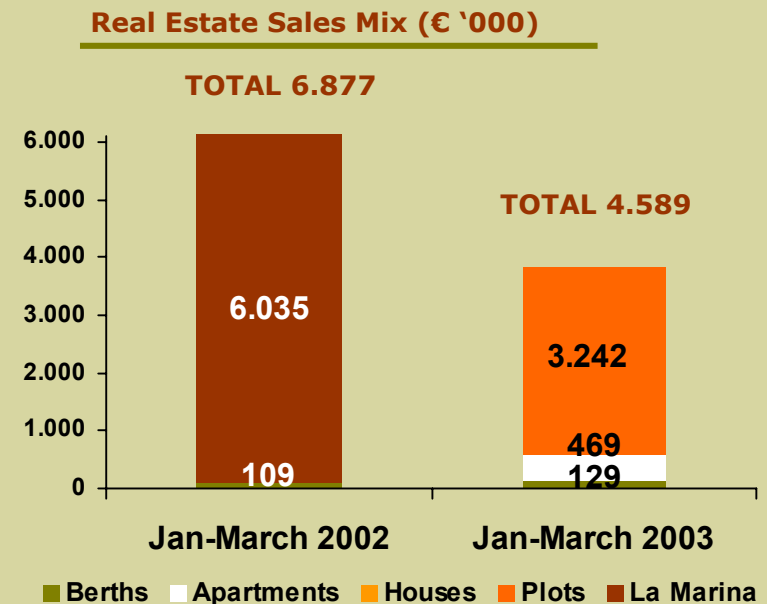
SOTOGRADE: AN EXCELLENT SOURCE OF CASH-FLOW

LONG TERM STRATEGY

- The main goal is to increase the contribution of the non-real estate assets to Sotogrande 's results
- NH Hoteles is diluting its majority stake in Sotogrande through the integration of additional golf assets in Sotogrande
- The recent restructuring in Sotogrande gives way to Caja Madrid becoming a 17% shareholder at a price of €9.71 per share, crystallising an implicit value for Sotogrande of €407M.

SOTOGRADE PERFORMANCE TODAY IS DRIVEN BY THE PROGRESS OF REAL ESTATE SIGNED SALES

- In Q103 Real Estate Sales were 37.5% lower than in Q102, due to the different product sold and a different hand-over schedule.
- Sales in January-March 2003 were mainly of plots on "La Reserva de Sotogrande" while in the first quarter of 2002 sales were mainly related to "La Marina".
- Confirmed sales not included in the accounts at March 2003 amount to €38.5M.



A blurred photograph of a diverse group of people walking in various directions against a white background. The people are out of focus, creating a sense of motion and a busy environment. The colors of their clothing are varied, including red, blue, pink, and yellow.

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Facing a Challenging Future

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LONG-TERM STRATEGY

GROW ON A STRONG PAN-EUROPEAN BRAND

- Focusing on the international business traveller: strengthening the international sales organisations (ISO) and undertaking wider cross-selling actions.
- Implementing coordinated marketing and commercial policies across the chain based upon the new CRM system and new sales tools.
- Centralised GDS and CRS, helping for optimised yield management.

GEOGRAPHICAL EXPANSION

- Expand further in primary cities with growth potential, through new developments and acquisitions of single assets or portfolios.
- Entering European markets where NH is currently not present (France, Italy, UK...).

EXPAND GOLF-RELATED ACTIVITIES

- Streamlining the group structure by grouping all golf and leisure assets within Sotogrande.
- Further development of the golf activities in Sotogrande, while selling-out the remaining land bank.



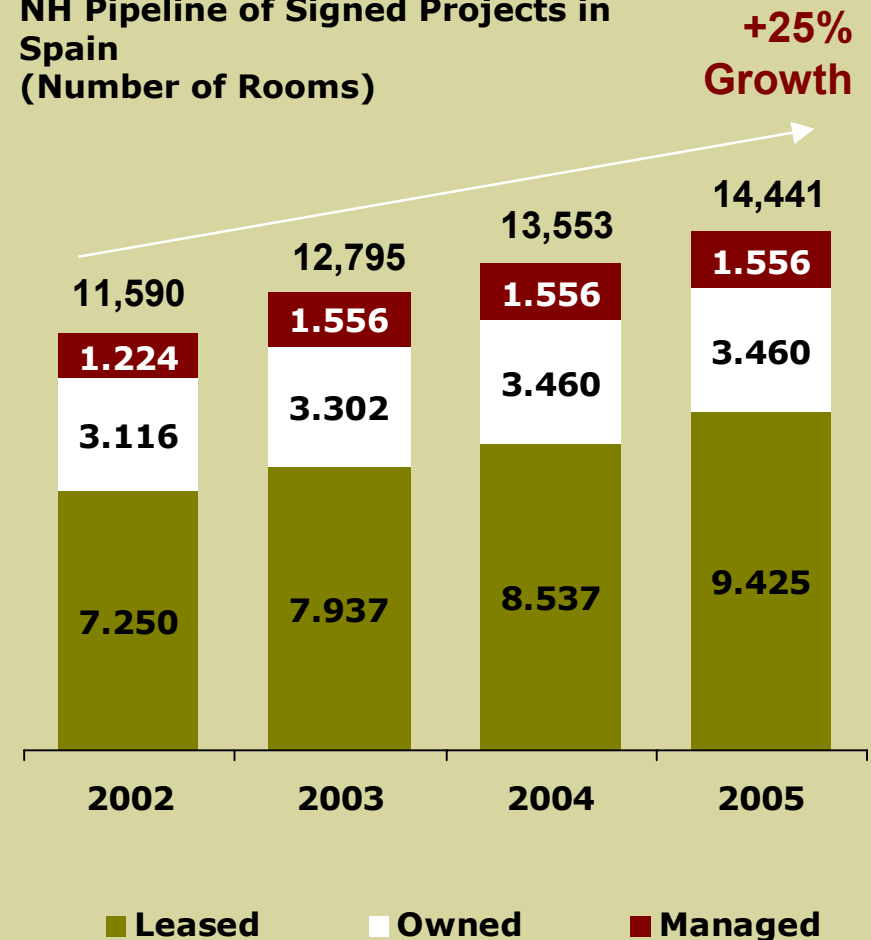
Facing a Challenging Future

ANY CONCERNS ABOUT OVERSUPPLY IN SPAIN?

Statistics estimate 40% increase in hotel rooms in gateway cities in Spain: 29% growth in Madrid (6,500 rooms) and 58% in Barcelona (9,400 rooms).

- There is a delay in the process of existing capacity meeting the demand, as well as a new distribution of the demand.
- Most of the new hotels are located in the outskirts of the cities, where NH Hoteles is leader with 20 units in the limited service segment.
- Most of the developments are aimed at refurbishing existing hotels.
- In a more competitive environment NH Hotels is well protected:
 - Central locations (15 hotels nearby main street in Madrid Paseo de la Castellana).
 - Strong brand recognition.
 - Improved international distribution vs. most competitors being local players.

NH Pipeline of Signed Projects in Spain (Number of Rooms)



Facing a Challenging Future

CAUTIOUS AND OPORTUNISTIC GROWTH STRATEGY

NH Hoteles development model

- "NH" brand is developed basically with owned and leased properties. It is product and service oriented.
- No franchised hotels: the franchise business model allows a lower degree of control over the brand
- Management contracts have limited growth potential for NH Hoteles, as "NH" brand proposal is demanding and strict in terms of product and site.

To build or to operate?

- NH is cautious when approaching new projects, reluctant to take building risks and terms and cost deviations
- The decision whether to acquire an existing hotel or to sign a lease contract depends on the arising opportunities
- Leases NPV is considered as investment when estimating IRR

Creating Value through the analysis of opportunities

- Focus on strategic markets: Selective developments in Spain and Germany, fewer opportunities in Benelux. Italy is a key target market
- Divestments or cancellation of management/lease contracts of non-good fit hotels for reasons of either product or location
- Focus on Returns exceeding consolidated WACC

Facing a Challenging Future

CONSERVATIVE APPROACH WHEN ANALYSING INVESTMENTS

Strategical Fit + Reasonable price with optimal financing ...

Non-dilutive acquisitions	Financing
<ul style="list-style-type: none"> • Ratios paid below market comparable transactions and below NH's market multiple 	<ul style="list-style-type: none"> • Divestments of non-core real estate asset • Maintaining financial flexibility <ul style="list-style-type: none"> ➢ Net Debt/Equity+Minorities below 0.90x ➢ Net Debt/EBITDA below 3.85x

... to create shareholder value

- EPS and Cash EPS enhancing transactions
- Meeting our minimum IRR target (Full equity after taxes) of 10% in Europe and 15% in Latin America

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HOTELES



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