

CORPORATE PRESENTATION JULY 2005



NH
HOTELES

Current Macro environment favours NH Long term strategy

Top priorities for NH: To face the challenges in Spain and Germany

Strong competitive advantages encourage NH Hoteles to continue growing



*Source: BBVA Economic Reserach Department

- **Slightly more moderate global growth, but still better than the average of the last 25 years:**
 - Strong growth in emerging economies.
 - USA: economic expansion, recovery in corporate savings, contained inflation and \$ appreciation.
 - Mexico: expected growth in 2005 thanks to the strength of internal demand, fiscal and monetary discipline and integration into the EUA.
 - Germany: growth will accelerate in the second half of 2005 due to external demand and investment in capital goods.
 - Central Europe: solid growth helped by the recovery in Germany.
 - Spain: sustained dynamic growth outperforming the eurozone: favourable financial conditions, improved expectations encouraging corporate investment, growth in internal demand due to increased disposable income and a growing immigrant population.

Higher oil prices:

- Limited impact on inflation due to increased production efficiency in OECD countries
- Impact on corporate confidence, reducing investment and encouraging saving

Low long-term interest rates

Continued growth in the property sector



... The economic environment favours NH Hoteles' strategy

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IMPACT ON NH HOTELES



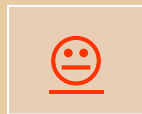
OPPORTUNITIES FOR NH HOTELES



- The expectations for growth and low interest rates indicate solid demand which will absorb the over-supply of hotel rooms, particularly in Spain



- The recovery in Germany will have a contagious effect in Central Europe where 49% of NH's rooms are located
- The improvement in German tourism is positive for the Spanish hotel sector in general



- Property prices in Europe will continue to rise with only occasional corrections



- US growth and the recovery in Mexico favour NH's strategy of expanding into the Caribbean

Healthy outlook for RevPar growth

Limited opportunities for organic growth in Europe

Good opportunities for growth in the Caribbean and the \$ zone



I. To keep up NH strong leadership in the urban hotel market specialised in business clients

- Through organic growth in markets where the NH product works
- 31 NH hotels signed (5.131 rooms), 82% of the rooms signed under lease or management contracts.

EUROPE

- **Spain: 17 projects signed with 2,065 rooms.**
- **Germany: two hotels signed. The ongoing process to renegotiate lease contracts will improve NH Hoteles financial capacity to keep on growing in this market.**
- **Italy: with Laguna Palace opened, there are other two projects signed in Milan and Turin and a number of them under negotiations.**
- **In UK: Nh Hoteles recently opened its first hotel in London**
- **In Rumania: two new hotels will be opened this Summer in Bucarest and Timisoara**

LATINOAMERICA

- **Analysis of new opportunities in Mexico, Argentina**
- **In México: three projects signed in cities: NH Centro Historico, NH Santa Fe y NH Queretaro**
- **NH Crillón recently opened in Buenos Aires**



II. Strategic driving line for the future: To grow in the Resort Segment and to offer leisure alternatives

“State of the Art” Resorts by Sotogrande

- This strategy is to leverage on the brand recognition of Sotogrande to develop projects including Golf Resorts, Marinas and Real Estate developments.
- Sotogrande is involved in two projects: Donnafugata (Sicily) and Santa Bárbara in Castellón (Mediterranean coast of Spain)
- Sotogrande is analysing other projects in Europe and Caribbean area.



To develop high quality “all-inclusive” hotels, through organic expansion or acquisitions

- NH Hoteles currently manages 8 resorts with 1,819 rooms: Three hotels located in Mexico (Puerto Vallarta, Cancún and Ixtapa), four in Costa del Sol (NH Almenara, NH Sotogrande, NH Marbella and NH Alanda), and one in Germany (Baden-Baden)
- Organic expansion plan aimed at growing in the Caribbean area: In Mexico NH has signed a 5 stars resort in Riviera Maya.
- In Dakar (Senegal), NH Hoteles has signed two 5 stars hotels with a convention center, under management contract.



Reasons to strengthen NH presence in the Resort Segment

The challenge of becoming global

- Global players offer both “business” and “leisure” options.
- The resort business would help to compensate the urban hotel cycle.
- NH Hoteles would extend its offer to new geographical markets.

An alternative for profitable growth

- Opportunities to continue growing into the European business hotel segment are today limited.
 - The strong real estate market conditions have led to a wide gap between the hotel valuations by professional hoteliers and the yields requested by investors (private investors, real estate developers, banks or VC groups).
 - More stable political and financial conditions together with better economic environment make projects in the Caribbean area more attractive.

Commercial synergies

- The new distribution channels through internet are shared by both urban hotels and Resorts and allow for a direct access to clients.
- Commercial synergies

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Spain is the today the main concern but it is a growing market for NH Hoteles (I)



- **The most recent figures of the second quarter of 2005 show that RevPar (+3.4%) is growing for the first time after three years of negative performance.**
- **Occupancy at NH hotels in Spain is clearly improving. However, prices generally remain under pressure due to increased competition, particularly in Madrid and Barcelona.**



- **NH Hoteles is making important efforts facing competition which are providing good results:**
 - **The survey made by Business Traveller Magazine show that NH is ranked n°1 as BEST CHAIN in Spain, with 45% of the votes.**
 - **The NH special offers in the holidays seasons and week-ends are proving to be a success in terms of gaining market share in the leisure segment.**
 - **In the business segment, occupancy levels are also growing with ADR reducing at lesser extent. Demand for the MCI segment (Meetings, Conventions and Incentives), worst-affected by 11th March events, has started to pick up again in the fourth quarter 2004 and first months of 2005.**



Spain is the today the main concern but it is a growing market for NH Hoteles (II)

NH is improving its market position in Spain through organic growth

- NH is the best recognized brand in Spain, well above the rest of its competitors. The suggested brand awareness is a 95%.
- With 112 hotels in Spain (12,500 rooms), NH ranks second in the urban hotel market, with 9% share.
- Its market position will be further consolidated with 17 new projects signed (2,065 rooms).
- NH Hoteles will continue its organic growth strategy, specially when a difficult environment may bring up attractive opportunities.
- The new supply growth is slowing down after 2006. No new projects have been announced over the past two years.

Total new supply in Madrid and Barcelona Source HVS)

| City and Outskirts | MADRID | BARCELONA |
|---------------------------------|---------------|---------------|
| 2004 Total existing supply | 26.602 | 21.577 |
| Growth 2004 vs. 2003 | 19,6% | 14,0% |
| Total proposed supply 2005-2008 | 7.558 | 6.004 |
| % Growth s/2004 | 28,41% | 27,83% |
| % Growth 2005/2004 | 15,42% | 16,62% |
| % Growth 2006/2005 | 6,54% | 4,86% |
| % Growth 2007/2006 | 0,57% | 2,87% |
| % Growth 2008/2007 | 3,83% | 1,61% |





Germany, the results from the internal efforts help to improve results (I)

The challenge in Germany

- With 52 hotels in Germany (8,867 rooms) NH ranks third in the German urban hotel market. The brand awareness improved in the last months, from a 26% to a 36% (suggested).
- During the past two years the weakness of the German economy has hit the operating performance. Lower sales and fixed lease costs led to EBITDA losses, nevertheless NH Germany is the most efficient part of the NH group measured by FTE/room.
- In Q205, NH Hoteles made positive EBITDA both in the business units of Germany, €1,22m., and Switzerland&Austria& Hungary, €0,74m.

NH is doing its best to return NH Germany into profitability:

Boosting Sales: Efforts aimed at improving management, products and capture clients.

- RevPar rose by 6% in 2004 and 3.4% in the first six months of 2005.
- Efficient sales team in place and a completed data base of clients.
- Pro-active approach to key accounts and small&medium potential clients.
- The focus is on Corporate and MCI markets but also increasing Leisure in need-times.

Reducing operating costs and improving efficiency:

- In 2004 GOP at comparable hotels improved by 10%. Net cost-savings reached €3.9m.
- 82% of the rooms are above 50% level of compliance with NH standards in software, new F&B concepts, training, WiFi installation, etc... and 20% above 80% level.
- Lease agreements under renegotiation: with noticeable savings at EBITDA level.

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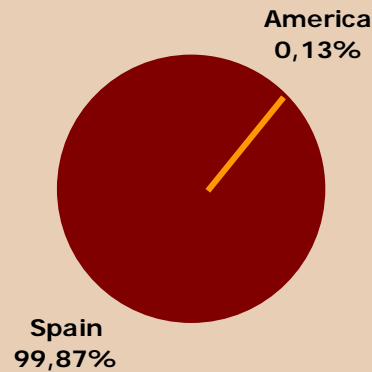
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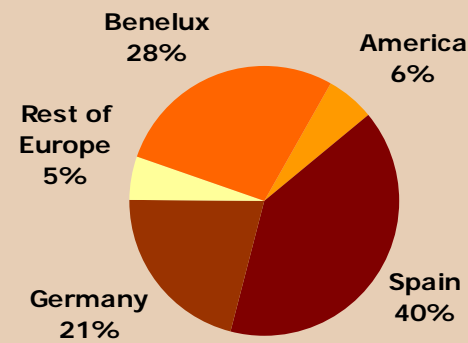
**A solid process of internationalisation and risk diversification:
From 1999 to 2004**

243 hotels operated in 19 countries with 35,337 rooms and 31 new projects with 5,131 rooms to be opened over the next years.

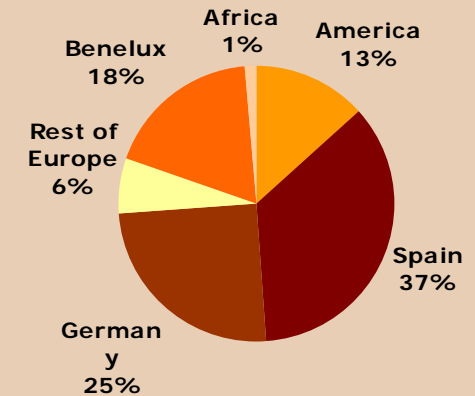
Sales from Hotel activity 1999
€269.66m



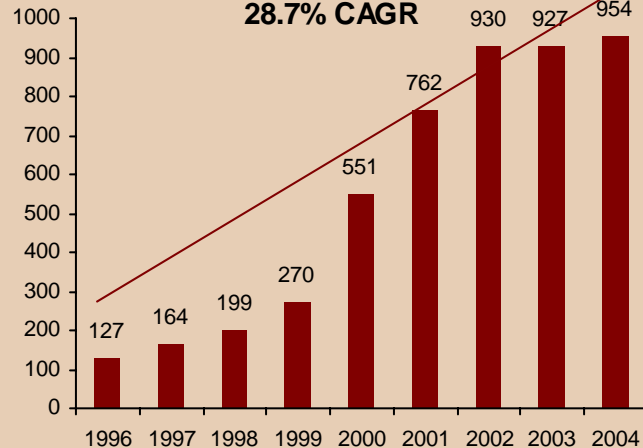
Sales from Hotel activity 2004
€855.32m



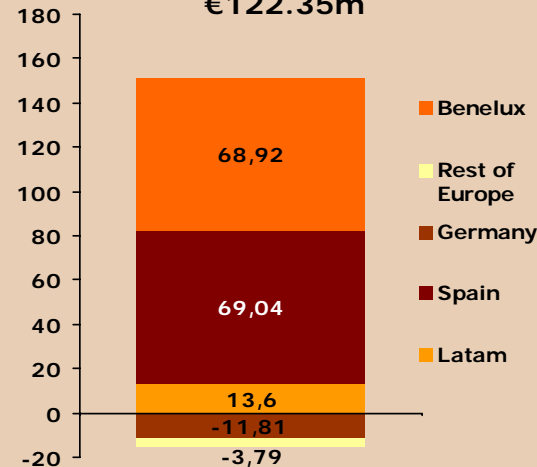
NH Group Rooms: 35,337



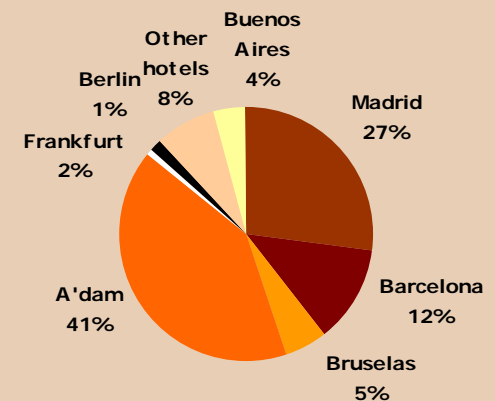
Performance of Revenues:
28.7% CAGR



2004 EBITDA from hotels:
€122.35m



2004 EBITDA in main cities





NH Hoteles is consolidating its leading position in its core markets

Good performance in the first 6m of 2005

| REVPAR (€/Room) | Jan-March | | | March-April | | | Jan-June | | |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | 2005 | 2004 | % Var | 2005 | 2004 | % Var | 2005 | 2004 | % Var |
| Spain Comparable | 48,1 | 50,2 | -4,1% | 59,0 | 57,1 | 3,4% | 53,6 | 53,6 | -0,1% |
| Benelux Comparable | 52,3 | 49,2 | 6,4% | 66,3 | 64,8 | 2,3% | 59,3 | 57,0 | 4,1% |
| Switz, Austria & Hungary Comp. | 34,4 | 30,8 | 11,5% | 48,6 | 46,3 | 5,0% | 41,5 | 38,5 | 7,7% |
| Germany Comparable | 32,5 | 32,3 | 0,4% | 37,6 | 35,5 | 6,1% | 35,1 | 33,9 | 3,4% |
| Total Europe Comparable | 43,4 | 43,3 | 0,2% | 53,2 | 51,2 | 3,7% | 48,4 | 47,3 | 2,5% |
| Total Latam Comparable | 31,9 | 31,4 | 1,8% | 34,8 | 31,3 | 11,4% | 33,4 | 31,3 | 6,6% |

NH Hoteles is gaining market share in most of its European Markets, only Madrid and Barcelona remain tough

| RevPar 6m 2005 vs. 6m 2004 (% Chg) | | | |
|------------------------------------|----------------------------|-----------------------|----|
| | HotelBenchMark by Deloitte | NH Hoteles Comparable | |
| Madrid | 4,7 | 0,15 | ☹️ |
| Barcelona | -0,8 | -4,25 | ☹️ |
| Amsterdam | -1,0 | 6,05 | 😊 |
| Brussels | 3,6 | 1,71 | 😊 |
| Berlin | -7,3 | 4,28 | 😊 |
| Munich | 3,0 | 4,00 | 😊 |
| Frankfurt | 0,2 | 9,26 | 😊 |



An excellent work done in reducing costs

NH Hoteles is today a reference of efficiency in the hotel industry

- With a €30m target from July 03 to December 04, the Cost Savings Plan succeeded in achieving €9m in 2003, €38m in 2004 and additional €16.4m in the first half of 2005.
- In the first six months of 2005, the ratio of FTE per occupied room in comparable hotels is 6% lower than in the same period of 2004 and the total operating expenses per occupied room is 3.2% lower.
- The new rooms added to the portfolio improved the allocation of fixed costs: in total hotels, FTE/occupied room is 5.5% lower than in H12004 and operating expenses per occupied room improved by 2.3%.

| Total Hotels | 6m 2005 | 6m 2004 | % Chg. |
|--|--------------|--------------|--------------|
| Average number of rooms | 30.986 | 30.684 | 1,0% |
| Occupied rooms per day | 19.865 | 18.662 | 6,4% |
| Average number of FTE | 10.854 | 10.792 | 0,6% |
| FTE per room | 0,350 | 0,352 | -0,6% |
| Staff Cost per available room (€/day) | 27,20 | 26,17 | 3,9% |
| Staff Cost & Other exp per available room (€/day) | 45,41 | 44,08 | 3,0% |
| FTE per occupied room | 0,546 | 0,578 | -5,5% |
| Staff Cost per occupied room (€/day) | 42,43 | 43,03 | -1,4% |
| Staff Cost & Other expenses per occ room (€/day) | 70,83 | 72,48 | -2,3% |



Sotogrande: Proven track record of growth



NH Almenara Golf Hotel & Spa was awarded the 2003 Conde Nast Johansen's 'MOST EXCLUSIVE EUROPEAN SPA HOTEL' prize.

In January 2004 NH Almenara Golf Hotel & Spa entered SIM, a private association aimed at promoting Spain as a destination to the main CMI (Congress, Meetings and Incentives) operators in North America.

- Two million m2 of land for sale, as well as other property assets. External appraisals valued the property assets at around €350m.
- NH Almenara Golf Hotel & SPA, with 27 holes golf course and the newly opened NH Sotogrande hotel.
- La Reserva Golf Club, exclusive and private club with 18 holes golf course and another 18 holes in project.
- After a record year in 2004 for Sotogrande real estate activity, the trend looks set to continue in 2005.
- Confirmed sales at June 30 amount to €91m. with an EBITDA contribution of €47m.
- In H1 2005 Real estate accounted sales reached €17,8m and EBITDA was €3,7m. These figures are lower than those of H1 2004 due to a different handover timetable.

Marketing Strategy

- Position Sotogrande as the highest quality resort of Costa del Sol
- Target investors/clients are Spanish, German, British and Northern European
- Sotogrande Long Term focus is on golf resort business
- Export Sotogrande brand and know-how to other projects



Thank you!



NH
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