



NH25
HOTELS YEARS

Corporate Presentation
March 2004

Strategic steps towards value reinforcement

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Performance in 2003

Outlook for 2004

Germany: The challenge for NH Hoteles

Long term strategy: Looking for profitable growth opportunities



Strategic Steps Towards Value Reinforcement

Driving lines
presented last
July 2003

- 1) To concentrate management efforts in improving the efficiency over the next six months, with the targeted results:
 - Target 2003: €8m cost savings.
 - Target 2004: €22m cost savings.

- 2) To freeze any further development project during the next 12 months. Only the capex related to the pipeline of new hotels already signed will be carried out.

- 3) To optimise the portfolio of hotels through divestments of non-strategic hotels and punctual sale&lease-back transactions aimed at signing contracts with variable lease payments.

€ Mn	Non-strategic Divestments	Variable Sale&Lease- Back	Total
Target 2003	182	25	207
Target 2004	100	125	225
Total	282	150	432

- 4) To speed up the process of crystallising the value in Sotogrande:
 - To increase the contribution of the real estate activity EBITDA in the following 12 months.
 - No further investments in real estate developments are considered.

- 5) To allocate the free cash-flow generated to reduce the level of net debt and to remunerate NH Hoteles shareholders.



1. Cost Savings Plan analysis

Savings achieved exceed the target set up for 2003 and make 2004 objectives easier to make

- The €8m savings targeted for 2003 were achieved by reducing staff costs and corporate expenses:
 - Staff cost in comparable hotels at December 2003: €2.4m lower than at December 2002 (-1.2%). Considering an average 4% CPI impact in salaries, total savings are €10.57m.
 - At the end of 2003, the number of FTE in total comparable hotels was 7.218, 348 FTE less than in 2002.
 - Corporate expenses (HH.OO): €6.9m savings obtained.
- With the efforts made in 2003, the savings plan for 2004 is now progressing faster and it possible that the objectives set up for 2004 are met in excess.
- For 2004 the savings plan is focused on improving efficiency in Holland, Spain and Mexico.

Total Savings Summary - 2003

€ Mn	Total 2003
Total Annualized Staff Costs Savings - 2003/2002 - Comparable hotels	9,96
Total Annualized Staff Costs Savings - H203/H103 - Central Services	1,83
Corporate Savings 2003 / Budget 2003	6,88
Other Savings 2003	5,17
Total	23,84

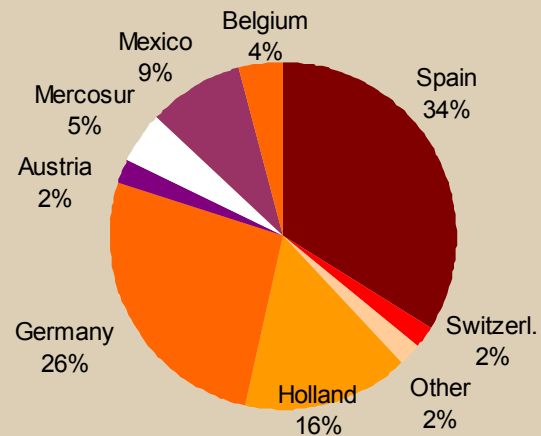


2. Portfolio management: to freeze investments in the short term

NH Hoteles remained growing with limited capex requirements. No other additions to the portfolio were made in 2003 but those signed before 2003

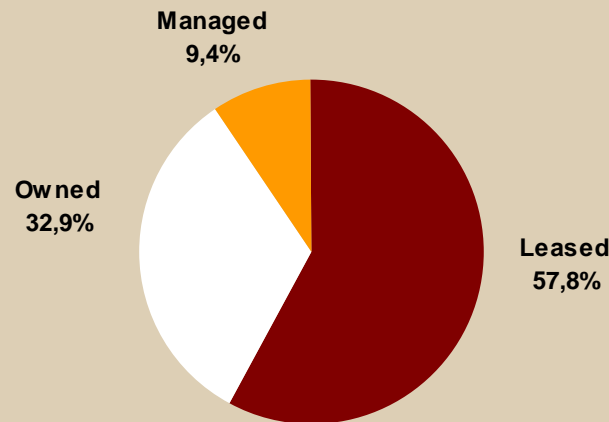
- In 2003, 11 hotels (1,727 rooms) were added to NH Hoteles portfolio: 7 hotels in Spain, 2 in Germany, 1 in Budapest and 1 in Mexico.
- 90% of these new rooms are under lease contracts, with limited capex for NH Hoteles.
- The chain's organic growth is based upon a current pipeline of 28 projects which will add 3,981 new rooms, 67% in Spain. 79% of these projects are signed under lease contracts.
- NH hoteles is currently negotiating projects that could add some 1,500 new rooms to the portfolio. The chain continues looking for opportunities to maintain the rhythm of growth in 2006 and onwards.

Portfolio by countries (rooms)

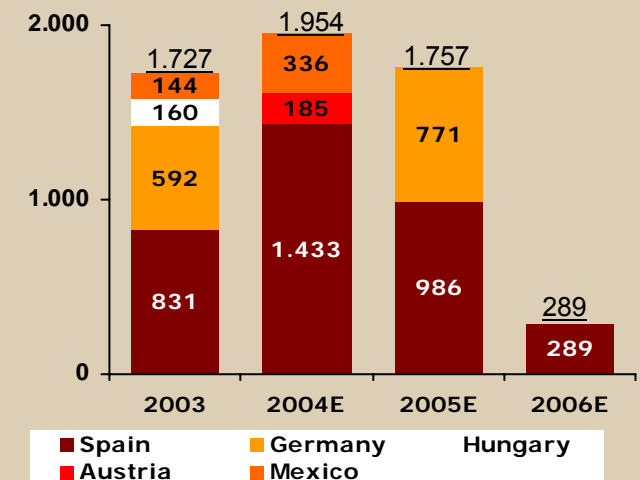


81% of the portfolio is located in Spain, Germany and Benelux

Portfolio structure by types of contract (rooms)



Evolution of organic growth as for Dec 2003 (rooms added per year)





3. Divestments Plan achievements

Selective divestment of non-strategic hotels: Targets fully reached

- NH Hoteles has completed the process of selective divestments of those hotels identified as non-strategic, which do not fit the portfolio due to either their location or product.
- This process has been focused on maintaining product homogeneity and ROCE improvement.
- Divestments made:
 - Between 2002 and 2003, NH Hoteles divested of 14 hotels (2,327 rooms) for €286m. In January 2004 NH Hoteles signed the sale of NH Krystal Cancun (325 rooms) for \$28m.
 - All these transactions were not dilutive, EV/EBITDA multiples were above 10x.
 - The divestment plan is now completed with some further small hotels under negotiations to be sold in 2004.

Asset divestments July 2003 – 2004 (figures in €m)

Figures in €m	Estimated Sale Price (2003 - 2004)	Agreed Sale Price
Princesa Sofia	130	135,5
Crowne Plaza	30	31,8
Krystal Cancun hotel resort (pending signature)	25	22,3
Hilton Guadalajara (sale&lease back)	42	-
Other hotels (10 units) (*)	55	8,5
TOTAL	282	198

Note: before taxes and minority interests

(*) Properties sold as for february 2004: NH Sant Angelo.



4. Higher Contribution from Sotogrande

With solid growth and increasing value, Sotogrande is a good source of financing for NH Hoteles



2003 was a record year for Sotogrande

- Sotogrande continues to perform extraordinarily well. In 2003 the real estate activity reached historical records with pre-contract sales of €70.2m vs. €34.8m at the end of 2002.
- These sales correspond mainly to plots and golf lodges in “La Reserva de Sotogrande” and to the deliveries of houses in “Los Cármenes de Almenara”.
- The real estate activity is expected to contribute €40m EBITDA per year over the next three years.



Important revaluation of Sotogrande in 2003

- More than three million m2 of land for sale, as well as other property assets. Auguste Thouard values the property assets at €923m.
- Better recognition of its intrinsic value: After a 83% revaluation of the share price over the last twelve months, current market cap is €356m (free-float is a mere 4% of share capital).



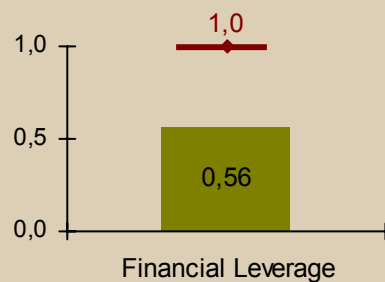


5. Sound Financial situation allows for paying-out dividends

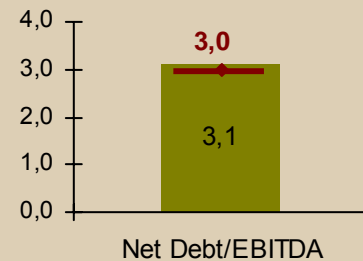
Shareholders will benefit from a healthier financial situation

- As a result of the progress made in the business plan, the net indebtedness of NH Hoteles is reduced to €480m from €667 at the end of 2002
- The financial leverage of NH Hoteles is below 2002 levels and below internal covenants.
- NH Hoteles will present for the approval of its shareholders the possibility of allocating the free cash-flow generated to remunerate shareholders. The goal is to pay-out a dividend yield in line with the Spanish stock market average.

Financial Structure



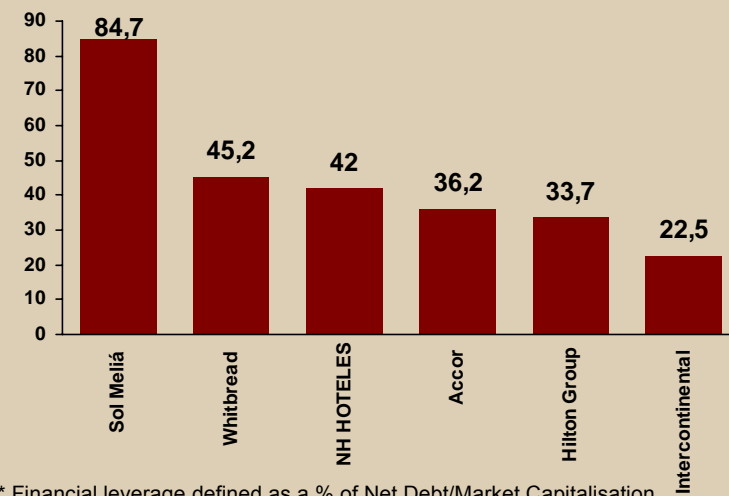
■ NH Current level
◆ Internal Covenant



■ NH Current level
◆ Internal Covenant

Financial leverage: Net Debt / Total Equity+Minorities

Comparison of Financial Leverage (%)



* Financial leverage defined as a % of Net Debt/Market Capitalisation

Strategic steps towards value reinforcement in the short term

Performance in 2003

Outlook for 2004

Germany: The challenge for NH Hoteles

Long term strategy: Looking for profitable growth opportunities



Performance in 2003

In 2003 NH Hoteles was affected by the restructuring process carried out in difficult market conditions

Overall market factors

- Economic Slowdown, Geopolitical events and turmoil in the currency markets made 2003 a difficult year for the travel and hotel business.
- The downturn of the German economy had a negative impact on occupancy and pricing levels, as well as on the profitability of NH hotels because of the high operating leverage of the hotels in Germany.

Portfolio restructuring and internal reorganisation

- In 2003 NH went through an internal reorganisation process which obscured the real and potential profitability of the business:
 - Alignment of the group's brands, a process completed in May 2003.
 - Integration of the hotels acquired from Astron.
 - Restructuring of central services and IT systems in order to improve efficiency and achieve cost-savings.



Performance in 2003

A year of “mixed feelings”

POSITIVE CONTRIBUTION FROM

Americas business unit:
Excellent operating performance

Sotogrande:
A record year of signed sales

Astron goodwill amortisation:
Allows for healthier results

Returns from PRINCESA
SOFÍA: large capital gains on disposal

The cost savings plan
In progress

Improved debt structure
Reduces the weight of financial costs

NEGATIVE CONTRIBUTION FROM

Germany: low RevPar and high operating leverage led to EBITDA losses

Increasing competition from new capacity in Spain

Restructuring process and cost of re-branding

Performance in 2003



Recent REVPAR figures could anticipate better expectations for 2004

- In 2003, the RevPar performance was weak, but slightly better than the sector average in Spain and Benelux.
- In Germany, RevPar in comparable hotels fell below break-even point. Occupancy at 57% is 8 p.p. below the NH average in Europe. ADR of €54 is the lowest within NH chain.
- In Q403, RevPar showed some recovery in most of the markets. This improvement could be the first signal of an upturn in the RevPar trends in 2004.

NH Hoteles RevPar performance on year-on year basis in the European Business Units

RevPar (*)

Business Units in Europe	RevPar		RevPar		RevPar	
	9m2003	YoY	Q42003	YoY	FY2003 (2)	YoY
	€/room	%Chg.	€/room	%Chg.	€/room	%Chg.
SPAIN	56,8	-4,7	58,9	-1,9	59,7	-4,0
BENELUX	54,9	-10,0	54,4	-2,4	59,7	-8,2
SWITZ&AUSTRIA	46,4	-4,8	46,0	5,4	47,4	-2,4
GERMANY	30,6	-13,8	30,5	-11,2	30,6	-13,1

(*) comparable hotels.

Figures do not include Princesa Sofía

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Outlook for 2004

SPAIN remains the biggest contributor to the group results and a good opportunity for growth

Market position

- NH is the best recognized brand in Spain, well above the rest of its competitors. The suggested brand awareness is a 93%.
- With 105 hotels in Spain (11,536 rooms) NH ranks second in the urban hotel market, with 9% share. It is leader in main cities like Madrid, Barcelona and Valencia.
- Its market position will be further consolidated with 22 new projects signed (2,635 rooms).

2004 Outlook

- For 2004, RevPar could continue an improvement trend based on estimated GDP growth of 3%:
 - The focus is to improve occupancy and maintain rates. A solid demand is absorbing the increasing competition in the market.
 - Tight cost control will help for GOP margins to improve in comparable hotels.

New supply in main cities (December 2003)

New supply	Existing Supply	Proposed Supply 2004 and 2005	% growth
Madrid	22.234	4.795	21,6%
NH Market share	13,3%	11,9%	
Barcelona	17.704	5.854	33,1%
NH Market share	6,8%	7,2%	

Source: HVS



Outlook for 2004

BENELUX is a mature but challenging market for NH Hoteles

Market position

- NH Hoteles counts on 43 hotels in Benelux (7,257 rooms). It is leader in Amsterdam with 11 hotels and a market share of 15%.
- NH brand awareness is increasing as the product consistency is improving. In the last six months the suggested awareness has improved from 25% to 32% in Holland (24% in Belgium).
- The strategy of portfolio management is focused on “NH style” hotels, which also makes sales actions more efficient.

2004 Outlook

- 2004 performance is expected to be more stable, room rates will continue to suffer some pressure but the NH focus will be volumes, upon initiatives aimed at:
 - Offering the “best-rate-availability” to corporate accounts.
 - Increasing the penetration in the MCI activity.
 - Pushing the “City breaks” in Amsterdam.
 - Benefiting from the impact of the extension of the E.U. on potential demand for Brussels.

Portfolio management in Benelux

2002-2003 period:

- Sale and lease-back of Lord Charles in Cape Town. Sale of hotel resort in Champéry (Switzerland) and three restaurants.
- Sale of Crowne Plaza (Brussels),
- Withdrawal from hotels in Israel, Malta, Tunis, Hilvarenbeek (Holland) and Plaza Biel (Belgium)
- Termination of management contracts of 5 Alfa branded hotels in Belgium.



Outlook for 2004

SWITZERLAND, AUSTRIA & HUNGARY is a platform to grow into Eastern Europe

Market position

- NH Hoteles counts on 5 hotels in Switzerland, 6 in Austria and one in Hungary (totalling 1,625 rooms).
- The presence of NH brand in these markets is will allow NH to better approach new clients from Eastern European countries and to offer a pan-European portfolio to its customers.
- The market position of these hotels will be strengthen once the re-branding and the integration process of the former "Astron" hotels into the "NH world" is now completed.

2004 Outlook

- 2004 outlook is more positive:
 - Vienna: the focus is on higher volumes in both the leisure and corporate segments.
 - Geneva: 2004 is foreseen as a good congress-year, however Switzerland remains affected by the reductions of flights and Swissair groundings.
 - Budapest: 2004 will be a moderate start-up year. The main feeder market Germany remains weak and the NH brand awareness is low, but the hotel will compete on its good location.



Outlook for 2004

THE AMERICAS: On the pathway to better operating performance and higher efficiency

Market position

- NH Hoteles is present in Latin America with 26 hotels (4,657 rooms), 11 in Mercosur and 15 in México.
- In Argentina the NH brand is leader in the 4stars urban segment. It is the second best known brand, after upper scale Sheraton, with a suggested awareness of 52%.
- The presence in Mexico is now stronger after incorporating 5hotels in 2002-2003 period. In 2003, three lease contracts were signed with good financial conditions.

2004 Outlook

- The outlook for 2004 is optimistic, the influence of a better macro environment in North America gives confidence that occupancy levels can be held with a further rise in rates.
 - The strategy is aimed at increasing sales in all sectors, corporate, consortiums, MCI, internet webs, promote international sales and increase cross selling focus.
 - The efforts to reduce direct costs and management expenses will be seen in '04 EBITDA.



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Germany: The challenge for NH Hoteles

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

Market position

- With 53 hotels in Germany (9,085 rooms) NH ranks third in the German urban hotel market.
- The brand awareness has improved in the last six months, from a 14% to a 26%, and is not far from the most important brands in the market.

Weak performance in 2003

- In 2003 the weakness of the German economy strongly hit the operating performance. Besides, the process of integration of Astron into the NH world created low results visibility.
- 2003 Results were affected by the operating leverage of these hotels: Comparable hotels in Germany reported EBITDA of €-7.9m.

Potential for growth in the future

- Germany is the most efficient part of the NH group measured by FTE/room.
- The terms and conditions of the leasing contracts in Germany are very favourable:
 - The lease costs per room (€7,200) is lower than in the hotels in Spain and Benelux. Besides, capex in equipment and refurbishment is at the charge of the lesser.
 - Leasing costs are indexed at below the rate of inflation.



Germany: The challenge for NH Hoteles

Strategic steps to improve the market positioning and operating performance

Management

- New Country Manager since May 2003. New Sales Director appointed in January 2004.
- Reallocation of hotel managers

Commercial

- The focus is on occupancy, strengthening the presence in Corporate and MCI markets as base business, but also increasing Leisure (individual & groups) in need-periods.
 - New contracts with 500 big corporate clients and other 3,000 small/mid corporate clients
 - 7 new contracts with German Travel Groups and 300 new contracts with MCI Corporate accounts.
- Improvement of commercial items: hotel signs, WEB

Product /Quality

- Compliance to 85% of NH standards in software, new F&B concepts, training, WiFi installation in March 04.

Sales

- Efficient sales team in place and a completed data base now allow for good knowledge management.
- Pro-active sales promotion of all properties to key accounts and small&medium potential clients.

Rate/Yield

- More effective Yield Management policies.



Germany: The challenge for NH Hoteles

Strategic steps to optimise the portfolio structure and reduce the operating leverage

Portfolio Management

- 2003 EBITDA losses are concentrated in 10 hotels.
- NH Hoteles main target is to restructure the portfolio optimising the current contract conditions:
 - Lease contracts are under revision, some of them to be turned into management contracts.
 - Two contracts have been renovated with better financial conditions.
 - Pipeline Management:
 - Some of the signed projects were discontinued (Berlin Convention Centre, Frankfurt Neue Börse, Stuttgart Pragsattel and Grosshardern)
 - Only two projects remain in place: Hamburg Airport (286 rooms) and Nürnberg City (244 rooms), both of very high interest for NH Hoteles.
- NH Hoteles remain committed to improve its market position in Germany. Since the acquisition of Astron in May 2002, four new hotels have been opened with 1,175 rooms (Köln, München Dornach, Niederrad Frankfurt, Frankfurt City, Düsseldorf City North).

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Long term strategy: Looking for profitable growth opportunities

Objective: Consolidation of NH Hoteles as of a truly multinational hotel chain

GROWING TOWARDS A MULTINATIONAL HOTEL CHAIN

GEOGRAFICAL MARKETS

- The goal is to offer a global solution for NH customers' needs anywhere, while keeping up the standard of quality and service expected:
 - To consolidate or increase the market position in countries where NH Hoteles is already present.
 - Most interesting markets at the moment are MEXICO and SPAIN.
 - To enter new markets where the NH Model can be successfully implemented: ITALY.

NH BUSINESS MODEL

- The goal is to consolidate a hotel business model based on guest information which will ultimately develop into a personalised hotel service.
 - To complete the Internal reorganisation and gain efficiency and productivity.
 - To achieve 100% homogeneity and NH quality standards within the whole portfolio.
 - To improve the international client base.
 - To enhance NH brand awareness.
 - To introduce innovative F&B products like "nHube" and "Fast Good".



Important Note

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