

CORPORATE PRESENTATION
May 2004



NH
HOTELES

Strategic steps towards value reinforcement

Performance in Q1 of 2004

Outlook for 2004

Germany: The challenge for NH Hoteles

Development of the new NH online strategy

Long term strategy: Looking for profitable growth opportunities



Strategic Steps Towards Value Reinforcement

<u>Strategic Plan 2003</u> <u>(Presented in July 2003)</u>	<u>Goals achieved</u>
Cost Savings: <ul style="list-style-type: none"> • Target 2003: €8m cost savings • Target 2004: €22m cost savings 	Cost savings of €9.3m, which imply €24m annualized in 2003, better than expected
To freeze any further development project during the next 12 months	Achieved
Selective divestment of non-strategic hotels	More than €200m from the sale of assets in 2003, exceeding the €187m targeted
To increase the contribution of the real estate activity EBITDA	Historical record in signed sales achieving €70.2m in 2003 compared to €34.8m in 2002.
To reduce net debt and to remunerate NH Hoteles shareholders	Up to March Net debt has been reduced a 32%, to €454m since the end of 2002. NH will pay out a dividend of €0.25 per share during 2004

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Performance in Q1 of 2004

NH Hoteles is performing relatively well in difficult market conditions

Overall market factors

- Continental Europe is lagging the cyclical hotel recovery which is seen clearly in the US, the UK and Asia.
- Madrid bombings and political elections as short term set backs in Spain. Oversupply is putting pressure in prices.
- The relative strength of the euro/dollar causes to decrease number of US travellers coming to Europe, and mostly Amsterdam.
- German economy seems to have reached its lowest level.

Specific Issues Resolved

- The costs savings plan has improved the operating expenses ratios. This has been notoriously reflected in the results of the B.U. of Holland.
- In Germany, the rebranding process and the efforts made by the new corporate sales team are starting to show good results.
- The extraordinary performance of the hotels in Latin America is partially offsetting the negative impact of the currency exchange rate.



Spain Q1 results

Spain is currently the main concern

Revenues Evolution

- In Spain, Total Revenues decreased by 9.3%, or €7.7m less. Unlike this Q1, Princesa Sofía Hotel contributed Q1 of last year with €6.8m.
- In Comparable Hotels, total income dropped 5.5%, or €4,06m less. Without the effect of NH Almenara, the decrease would have been of 3.7%.
- Revpar decreased by 4.72%, ADR and Occupancy dropping a 2.82% and 1.23 points respectively, affected by Madrid bombings, Political elections and tough competition putting pressure on prices.

Cities	NH RevPar(*)			Market RevPar (**)		
	Occupancy	ADR	Revpar	Occupancy	ADR	Revpar
	Change p.p	%Chg.	%Chg.	Change p.p	%Chg.	%Chg.
Madrid	-1.0	-3.4%	-4.9%	-3.3	-4.7%	-7.8%
Barcelona	0.0	-1.8%	-1.8%	-1.5	-1.6%	-3.1%

(*) comparable hotels.

(**) Deloitte & Touche Hotelbenchmark survey

Operating Results

- Ebitda in Comparable Hotels decreased by 25.7%, €4.47m less, narrowing the margin of Ebitda on sales from 23,5% to 18,5%.
- Operating Expenses increased by 1%, in spite of an average wage inflation of around 4.5%.



Benelux Q1 results

Holland is showing boosted efficiency

Revenues Evolution

- In Holland, Total Revenues decreased by 6.2%, or €3.52m less. Unlike this Q1, Crowne Plaza Hotel contributed in Q1 of last year with €2.34m.
- In Comparable Hotels, total income dropped 1.1%, €0.5m less.
- Revpar Comparable decreased by 1.72%, ADR dropping 4.57% and Occupancy increasing 1.23 points, affected by a higher proportion of holiday guests, a lower proportion of US travellers and a downturn in MCI.

Cities	NH RevPar (*)			Market RevPar (**)		
	Occupancy	ADR	Revpar	Occupancy	ADR	Revpar
	Change p.p	%Chg.	%Chg.	Change p.p	%Chg.	%Chg.
AMSTERDAM	-0.19	-4.8%	-5.6%	-2.3	-5.6%	-7.8%
BRUSSELS	10.33	0.8%	26.1%	5.6	-2.6%	2.8%

(*) comparable hotels.

(**) Deloitte & Touche Hotelbenchmark survey

Operating Results

- Ebitda in Comparable Hotels increased by 17.5%, or €1.51m more.
- The efforts made to improve management efficiency were reflected in the 5.9% drop in operating costs at comparable hotels, where the EBITDA margin on sales rose from 17.5% to 20.7%.



Germany Q1 results

Germany is showing first sights of recovery

Revenues Evolution

- In Germany, total Revenues picked up 9.6%, €3.67m more than Q1 of 2003. This increase is explained by the incorporation of 2 new hotels in 2003 and the strong performance of comparable hotels.
- In Comparable Hotels, total income increased 2%, €0.72m more than previous year.
- Revpar Comparable increased by 0.36%, ADR dropping 3.22% and Occupancy increasing 1.9 points:
 - The efforts made to boost sales are paying off, and new corporate client accounts are starting to bear fruit.
 - The new GDS code is being used by distributors to the same extent as with the previous chain.
 - NH brand recognition has improved to the same level as its competitors.

Cities	NH RevPar (*)			Market RevPar (**)		
	Occupancy	ADR	Revpar	Occupancy	ADR	Revpar
	Change p.p	%Chg.	%Chg.	Change p.p	%Chg.	%Chg.
Berlin	3.5	-2.17%	3.6%	10.0	-3.3%	6.3%
Frankfurt	1.6	-11.7%	-4.6%	-1.4	-11.5%	-12.7%

(*) comparable hotels.

(**) Deloitte & Touche Hotelbenchmark survey

Operating Results

- Ebitda in Comparable Hotels fell 1,46m, a 39,6% over last year. In terms of GOP the decrease was 0.76m, a 7% decline.
- The combination of higher occupancy and lower ADR, more F&B business and the efforts made to improve quality have led to operating costs increasing as a percentage of total sales



Latin America Q1 results

Latin America, strong operating performance

Revenues Evolution

- In local currency in comparable hotels:
 - Outstanding evolution in Argentina: Total revenue increased by 65.6%, occupation raised by 22% and 34% in ADR.
 - Revenues in Chile fell by 16% and in Brazil remained flat.
 - In Mexico total income in comparable hotels decreased by 1.3%.
 - In total Latin America Occupancy raised 5.88 points over Q1 of previous year.

Operating Results

- Mercosur: EBITDA in local currency increased by 236%.
- First quarter shows positive Net Profit in Mercosur.
- In the hotels in Latin America, ADR increased faster than occupancy, and this had a positive impact on operating margins at these hotels, as operating costs fell as a percentage of total sales.





Another historical maximum in sales

- €82m confirmed sales, not yet reflected in the accounts at 31st March, 17% more than the €70.2m reported at year-end 2003 and 115% more than at 31st March 2003.
- The EBITDA contribution of these sales is estimated at €50m over the next two years.
- The sale of a large plot for €21m. contributed €19.6m EBITDA. This plot has a building area of 25,249 m2 and the buyer is obliged to follow the outline planning requirements determined by Sotogrande.
- EBITDA from property sales: €24.4m, compared to €2.06m in 2003.

Important revaluation of Sotogrande in 2003

- Close to three million m2 of land for sale, as well as other property assets. Auguste Thouard valued the property assets at around €900m.
- Better recognition of its intrinsic value: 77% revaluation of the share price since the end of 2002 end. Current market cap is €334m (free-float is a mere 4% of share capital).



Better Operating Efficiency

Strong improvement of operating ratios in total hotel activity

	March 04	March 03	% Var	Dec 03	% Var
Average number of rooms	30.629	30.243	1.3%	30.766	-0.4%
Rooms occupied per day	17.161	16.827	2.0%	18.653	-8.0%
Average number for FTE	10.481	11.162	-6.1%	11.184	-6.3%
FTE per room	0.34	0.37	-7.3%	0.36	-4.9%
Costs of personnel for available room (€/day)	25.77	27.51	-6.3%	26.99	-4.5%
Other costs for available room (€/day)	17.68	18.60	-4.9%	19.77	-10.6%
Total operative costs for available room (€/day)	43.45	46.1	-5.8%	49.76	-12.7%
FTE for occupied room	0.61	0.66	-7.9%	0.6	1.8%
Costs of personnel for occupied room (€/day)	45.99	49.44	-7.0%	44.52	3.3%
Other costs for occupied room (€/day)	31.56	33.43	-5.6%	32.61	-3.2%
Total operative costs for occupied room (€/day)	77.54	82.87	-6.4%	77.13	0.5%

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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 106 hotels in Spain (11,929 rooms) NH ranks second in the urban hotel market, with 9% share.
- Its market position will be further consolidated with 21 new projects signed (2,459 rooms).

2004 Outlook

- For the rest of 2004:
 - RevPar could improve considering an estimated GDP growth of 3%.
 - The focus is to improve occupancy and maintain rates.
 - 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%	14.2%	
Barcelona	17.704	5.854	33,1%
NH Market share	6.8%	8.4%	

NH New supply by segment

City	NH Segment	Existing Supply	% growth NH Supply 2004 and 2005
	Standard NH	2.615	9%
Madrid	Economic	763	32%
	Total	3.375	14%
	Standard NH	1.031	37%
Barcelona	Economic	448	28%
	Total	1.479	34%

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 of 2003 suggested awareness 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

- In Q1 of 2004 the improvement of the operating margins due to cost reduction will continue over the rest of the year.
- For the rest of 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.



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 24 hotels (4,286 rooms), 10 in Mercosur and 14 in México.
- In Argentina the NH brand is leader in the 4 stars 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 5 hotels in 2002-2003 period. In 2004 NH will open another 3 hotels in this country.

2004 Outlook

- The outlook for the rest of 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.



● Regions with no presence

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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 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 but...

- 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.
- In Q1 of 2004 RevPar in comparable has increased by 0,36% and the outlook for the rest of the year is to continue improving RevPar.

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
In NH Hoteles in
Germany**

- 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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Development of the new NH Online strategy

The steps of the online strategy:

1. **Functionality & solutions for all NH speakers**
2. **Website optimization**
3. **Continuous improvement of the contents**
4. **Enhance NH presence in internet**
5. **Highly targeted e-mail marketing strategy**
6. **Track internet activity**

1.- Functionality and solutions for all NH speakers: Besides NH Hoteles public website:

- **MY NH (B2C):** A tailored web site aimed at Leisure Segment. An innovative development that leads to targeted users to an area that could be customized.
- **CLIENT PAGE (B2B):** A tailored web site aimed at Corporate Segment. The most expected working tool for companies to access to updated and customized information and booking records in order to monitor, manage and control their business relationship with NH.
- **@NH World (B2C):** A tailored web site aimed at loyalty users.
- **Employees page (B2E)**



Development of the new NH Online strategy

The steps of the online strategy:

2.- Website optimization

- Optimized reservation system for rooms, meeting rooms and restaurants: reduced number of “clicks”, reservations in the real time NH inventory system, pre-reservations and confirmation by e-mail in 24 hours. 1:30 minutes since the order is entered until the booking is done.

3.- Continuous improvement of the contents

- Improvement of the destination contents and enhanced with GIS functionality (Geographic Situation Availability), dynamic and personalized information about leisure activities.
- Decentralized Contents and Micromarketing.

4.- Marketing activities aimed at enhancing NH positioning in internet:

- Searchers: Improving the web positioning on search engines
- Main on-line reservation sites: Including the most visited sites in each B.U.
- Brand awareness: Branding in the internet best locations.
- Affiliation: Qualified traffic to NH website on a payment-on-results basis.

5.- Highly targeted e-mail marketing strategy

- Own Data Base.
- E-mail Newsletter Sponsorship (last minute, Lufthansa, KLM.....)
- Targeting leisure travellers.
- Excellent services (booking confirmation, updating info..)

6.- Track the internet activity

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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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