

# NH HOTELES

## January - June 2001 Results



[www.nh-hoteles.com](http://www.nh-hoteles.com)

July 26, 2001



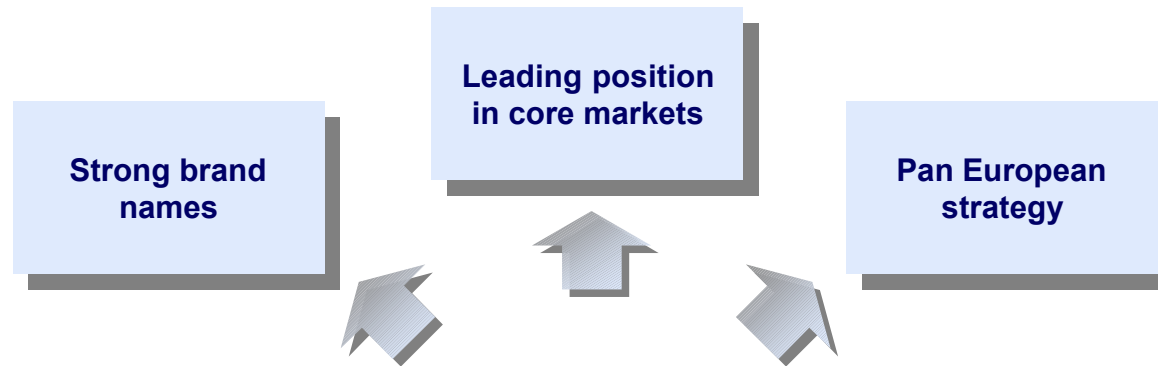
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- **NH Hoteles: One of the fastest growing hotel companies**
  
- **Recent Evolution: January - June 2001 Sales and Results**
  
- **Strategic Actions Underway**
  - **Integration Process**
  - **Portfolio Management**
  
- **Brand Strategy**
  
- **Growth Strategy**





**One of the world's fastest organically growing hotel companies backed on considerable competitive advantages.**





## NH currently operates 165 Hotels in 16 countries and also counts on an excellent source of cash-flow from Sotogrande

### Hotel Activity

- 165 hotels with 23,147 rooms in 16 countries
- One of leading hotel companies in Spain and Benelux, where 77% of the portfolio is located
- 14 hotels with 2,238 rooms in Latin America
- 337 hotels in 50 countries under GTWW franchise agreement
- H1 2001 Key Ratios:
  - RevPAR growth: +6% in
  - Average occupancy: 71%
  - GOP Margin 42% in comparable hotels

### Real Estate business



- 700 hectares of land to develop and more than 3 million m2 of plots for sale.
- Almenara Resort + SPA + 27 holes golf course
- New 18 holes golf course under development. Possibility of developing new hotel units.



Hotels in Cuba, Portugal, Ghana, Tunisia and Malta under management agreements



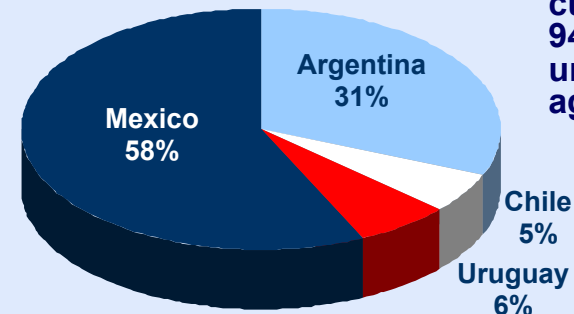
## The Group's business in Latin America is increasing, consolidating its presence in Mercosur and entering the Mexican market

### 8 Hotels in Mercosur

	Y2000	H1 2001
ADR (Eur)	81.66	73.84
Occupancy	36%	47%
RevPAR (Eur)	29.71	34.43
Sales (Mn Eur)	8.5	7.2
EBITDA (Mn Eur)	-2.7	0.0 (break-even)

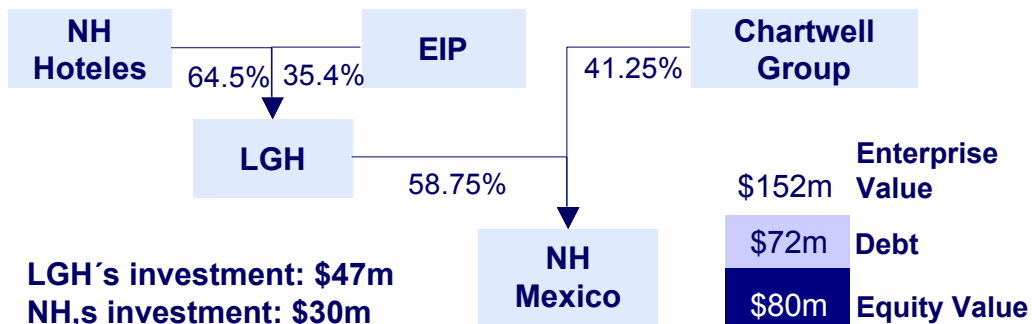
NH Mexico (to consolidate from July 1st)	(\$M)	2000	2001E	2002E
# Rooms owned		1,273	1,273	1,317
Sales		58.44	61.83	67.03
EBITDA		15.33	18.47	21.65

IRR for NH is estimated at 20%



2,238 rooms currently operated, 94% owned and 6% under management agreement.

- NH currently operates 8 hotels (965 rooms) in Mercosur, all of them branded NH Hoteles.
- Low occupancy levels in Mercosur hotels are explained by the relatively start-up nature of the operations.
- NH Mexico, has been recently created, establishing a starting platform of 5 hotels (1,273 rooms) located in the main Mexican cities. 4 hotels will be branded NH Hoteles.
- The growth strategy in Latin America is to achieve a maximum contribution of 5 - 10% to the Group's EBITDA





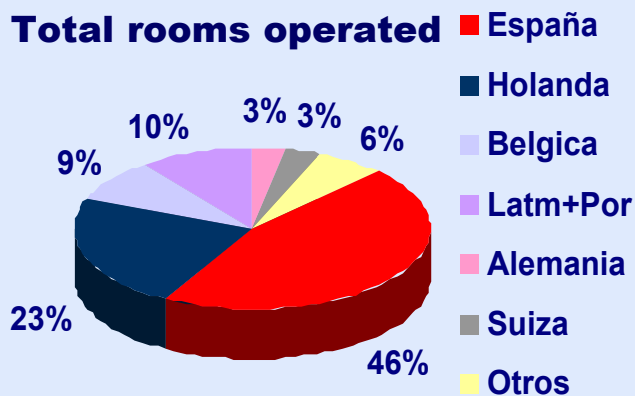
## NH Hoteles enjoys a unique platform to become a major player in the European arena

### 165 Hotels in the Portfolio

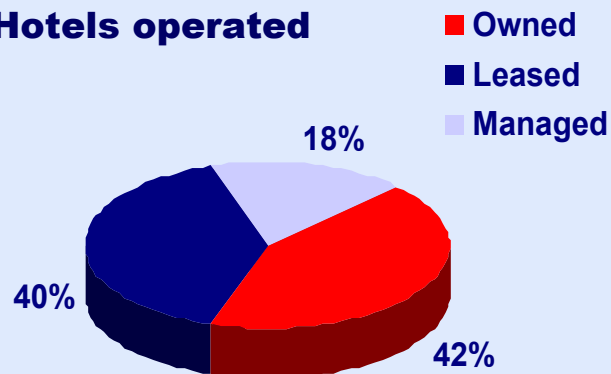
	NH HOTELES *		KRASNAPOLSKY GOLDEN TULIP		NH EXPRESS		LATIN AMERICA + PORTUGAL		TOTAL *	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Owned *	25	3.659	32	6.059	1	43	12	2.100	70	11.861
Leased	44	5.177	15	2.393	7	661	0	0	66	8.231
Managed	9	835	15	1.840	3	159	2	221	29	3.055
<b>Hotels operated</b>	<b>78</b>	<b>9.671</b>	<b>62</b>	<b>10.292</b>	<b>11</b>	<b>863</b>	<b>14</b>	<b>2.321</b>	<b>165</b>	<b>23.147</b>
<b>Signed deals</b>	<b>15</b>	<b>1.694</b>	<b>4</b>	<b>708</b>	<b>7</b>	<b>641</b>	<b>2</b>	<b>459</b>	<b>28</b>	<b>3.502</b>
<b>Operated + Signed</b>	<b>93</b>	<b>11.365</b>	<b>66</b>	<b>11.000</b>	<b>18</b>	<b>1.504</b>	<b>16</b>	<b>2.780</b>	<b>193</b>	<b>26.649</b>

\* 151 new rooms are additions to existing hotels

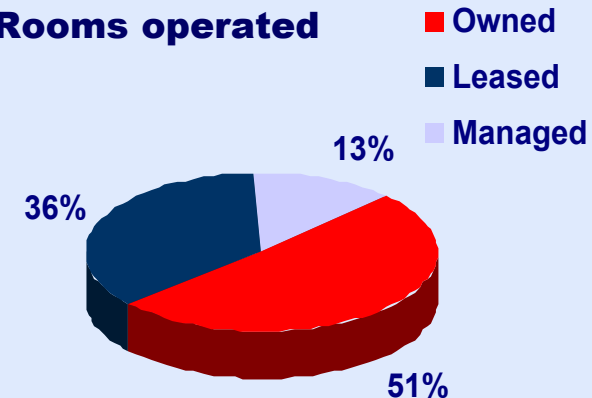
#### Total rooms operated



#### Hotels operated



#### Rooms operated







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## January - June 2001 Sales and Results

### Relevant facts

- **Group hotel sales in H1 2001 period rose by 107%**

Pro-forma Hotel Sales advanced 11.6%:

- NH+Express sales increased by 11.5%.
- Krasnapolsky sales were up by 10.6%, with significant contribution from the new hotels.
- Latin American sales jumped more than 200%.

- **Group EBITDA from hotel activity advanced by 103%**

Pro-forma EBITDA from hotel activity increased by 12%:

- NH+Express: EBITDA improved by 14.4%.
- Krasnapolsky: EBITDA rose by 4.5%.
- New Openings contribute 9% of total revenues, but dilute Group's EBITDA margins.
- Latin American hotels reached break-even point.

- **Sotogrande: 30% lower Sales and 70% lower EBITDA due to:**

- The extraordinary sale of La Marina in 2000
- The different sales mix accounted

- **H1 2001 Net profit** increased by 17% adjusting for the extraordinary items in H1 2000

### P&L January - June 2001

(Mn Eur)	H1 2000	H1 2001	% Total	01/00 Ch.
Hotel Sales	166,09	342,97	91,4%	106,5%
Real Estate Sales	36,12	25,43	6,8%	-29,6%
Other Income	6,75	6,85	1,8%	1,5%
<b>Total Revenues</b>	<b>208,95</b>	<b>375,26</b>	<b>100,0%</b>	<b>79,6%</b>
GOP	95,84	147,10	39,2%	53,5%
EBITDA	75,78	112,78	30,1%	48,8%
EBIT	57,94	83,60	22,3%	44,3%
EBT	65,29	61,47	16,4%	-5,9%
<b>Net Income</b>	<b>48,55</b>	<b>40,61</b>	<b>10,8%</b>	<b>-16,4%</b>
Avg #Shares	82,00	119,53		45,8%
EBITDA/Share	0,92	0,94		2,2%
EPS	0,55	0,34		-38,2%

See full detailed P&L in Appendix





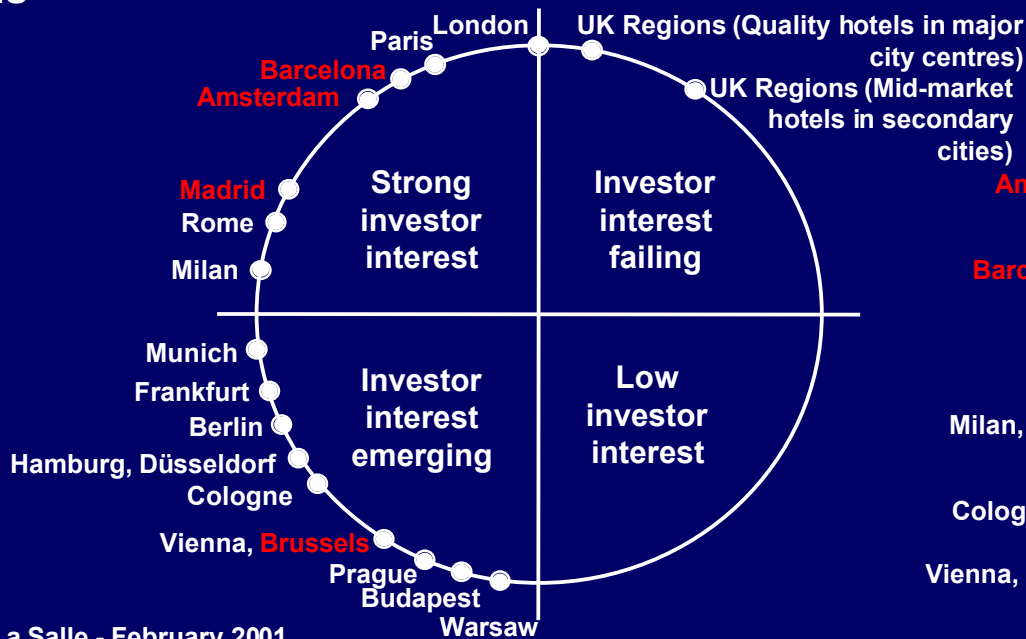
## Operating Statistics play in favour of NH Hoteles' main locations

### January - June 2001 Key Ratios

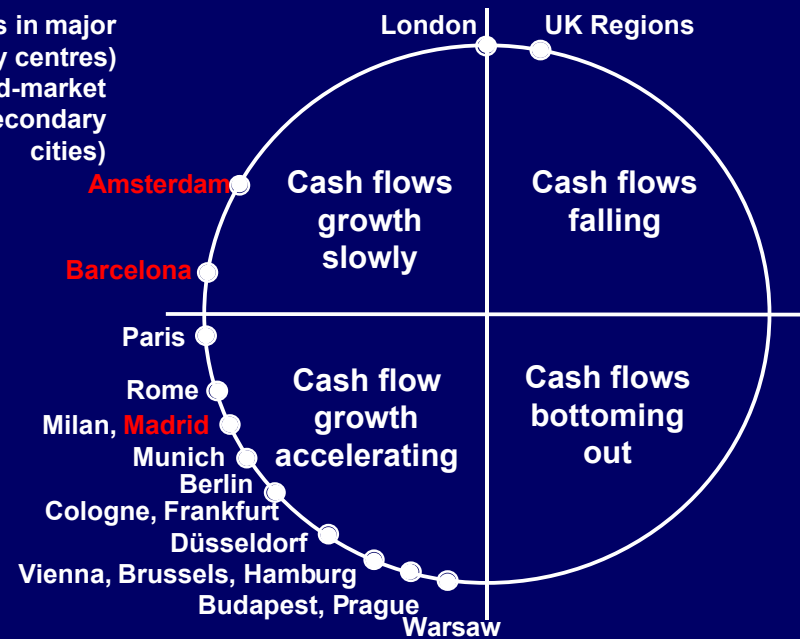
	#Rooms	ADR (Eur)	Occupancy	RevPar	RevPar Growth
Madrid	2,630	111.36	75.40%	83.97	+ 7.7%
Amsterdam	1,842	136.61	85.23%	116.44	+ 6.6%
Barcelona	1,584	131.30	80.98%	106.32	+ 9.2% (+12.4% ex-Princesa Sofia)
Brussels	827	69.88	72.54%	50.69	+ 4.1%

### Good position in the hotel cycle

#### Hotel Investment Cycle



#### Hotel Cash-Flow Cycle



Source: Jones Lang La Salle - February 2001



## Sales performance and main indicators in the first six months of 2001

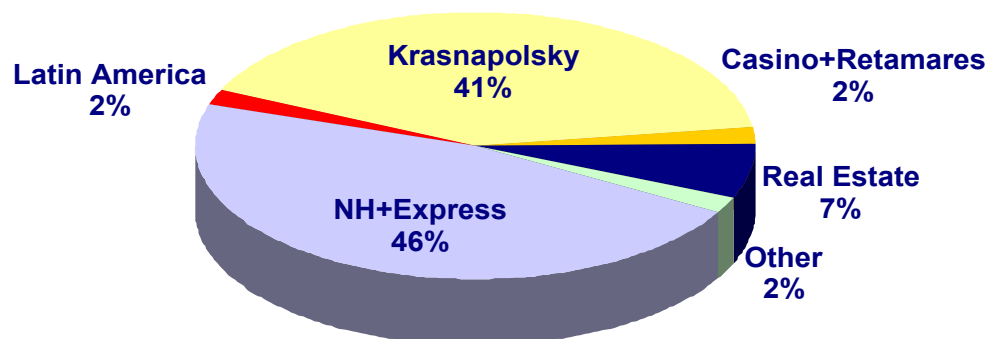
### Sales Breakdown January-June 2001

(Mn Eur)	H1 2001	01/00 Ch.
Total NH 3 y 4 Stars Spain	161,42	7,4%
Express	2,49	14,7%
Casino + Retamares	7,44	9,7%
<b>NH Comparable</b>	<b>171,35</b>	<b>7,6%</b>
<b>K-G Tulip Comparable</b>	<b>130,33</b>	<b>1,3%</b>
Non-Comparable & Openings	34,24	137,8%
Latinoamérica	7,05	209,2%
<b>CONSOLIDATED HOTEL SALES</b>	<b>342,97</b>	<b>106,5%</b>
Real Estate Sales	25,43	-29,6%
Other Income	6,85	1,5%
<b>TOTAL CONSOLIDATED REVENUES</b>	<b>375,26</b>	<b>79,6%</b>

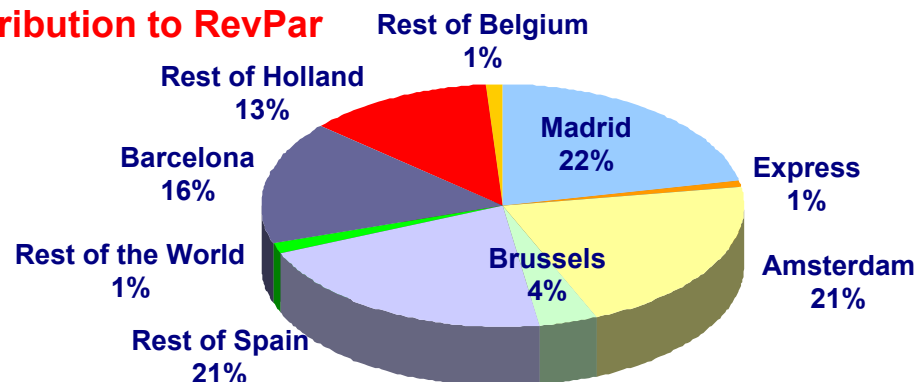
### Comparable Rev PAR January-June 2001

Region/Brand	Rev PAR	% Change 01/00
Amsterdam	116.44	+6.6%
Barcelona	106.32	+9.27%
Madrid	83.97	+7.7%
Brussels	50.69	+4.1%
NH Express	40.95	+15.5%
NH Latin America (no-comparable)	34.43	+32.8%

### Contribution to Sales



### Contribution to RevPar





## EBITDA performance

### EBITDA Breakdown January-June 2001

(Mn Eur)	H1 2000	H1 2001	01/00 Ch.	EBITDA Margin
<i>NH Comparable</i>	52,51	58,06	10,6%	33,6%
<i>K-G Tulip Comparable</i>	41,84	42,78	2,2%	32,0%
<i>Non-Comparable &amp; Openings</i>	1,64	4,78	191,8%	13,9%
<i>Latinoamérica</i>	-1,70	-0,01	-99,4%	-0,2%
<b>Consolidated Hotel EBITDA</b>	<b>51,98</b>	<b>105,61</b>	<b>103,2%</b>	<b>30,4%</b>
Real Estate	23,80	7,17	-69,9%	26,1%
<b>TOTAL CONSOLIDATED EBITDA</b>	<b>75,78</b>	<b>112,78</b>	<b>48,8%</b>	<b>30,1%</b>

- EBITDA in Comparable hotels is up by 7% and EBITDA margin slightly improves from 32% to 32.9%
  - Favourable performance in Spain: In comparable hotels EBITDA is 10.6% up and margins advance from 32.6% to 33.6%.
  - Krasnapolsky shows weaker performance: In comparable hotels EBITDA is up by 2.2% and margins slightly move up to 32%. (31.3% in H1 2000)
  - New openings contribute Eur. 4.8M EBITDA, but dilute margins in 1.8 percentage points.
- Hotels in Latin America reached EBITDA break-even level.
- Sotogrande figures show the impact of the extraordinary sale of La Marina in 2000 (Eur. 10.2 Mn) and the lower margin from the different sales mix accounted.

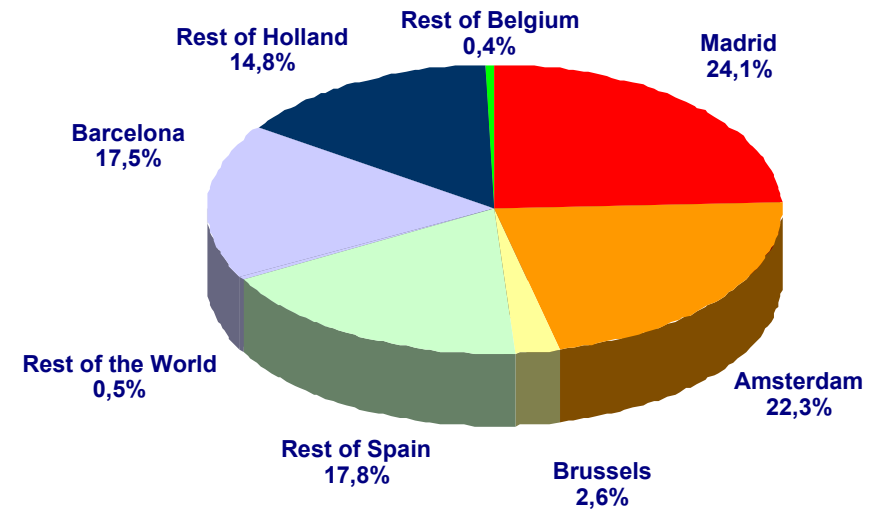


## EBITDA contribution from the hotel activity

### Comparable EBITDA January-June 2001

		% Change 01/00
Amsterdam	24,23	-1%
Madrid	23,78	+6%
Rest of Spain	20,72	+8%
Barcelona	20,00	+12%
Rest of Holland	16,53	-6%
Brussels	4,19	-2%
NH Express	0,82	+18%
Rest of World	0,69	-37%
Rest of Belgium	0,53	-15%
NH Latin America (no-comparable)	-0,01	+99%

### EBITDA from the hotel activity Breakdown by Region January-June 2001





## Sotogrande

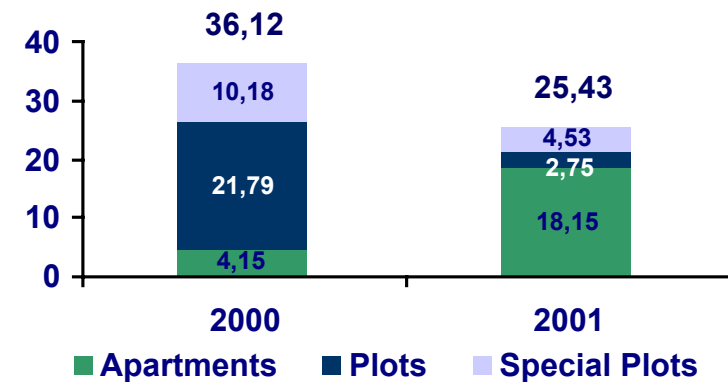


### Sotogrande, a source of Cash-flow for the Group

Sotogrande P&L (*)	H1 2001 M Eur.	01/00 Ch.
Sales	25,43	-29,6%
Other Income	7,12	-15,1%
<b>Total Revenues</b>	<b>32,55</b>	<b>-26,9%</b>
Cost of Sales	17,70	30,1%
<b>GOP</b>	<b>14,86</b>	<b>-51,9%</b>
Other operating expenses	6,47	-3,4%
<b>EBITDA</b>	<b>8,39</b>	<b>-65,3%</b>
<b>EBIT</b>	<b>7,38</b>	<b>-68,7%</b>
<b>EBT</b>	<b>8,00</b>	<b>-65,7%</b>
<b>Net Profit</b>	<b>5,02</b>	<b>-66,0%</b>

(\*) Includes  
Almenara Resort

### Sotogrande Real Estate Sales Mix



- Real Estate sales fell by Eur 10.7Mn. mainly due to the extraordinary sales of Eur 10.2 Mn from La Marina in H1'00.
- In addition, Eur. 22,4 Mn sales were committed in the first half of 2001 but only Eur. 6,4 Mn of them were recorded.
- The total figure for agreed but unrecorded sales amounts to Eur 55.3 Mn. It will contribute Eur.25.7 Mn over the next 18 months.
- EBITDA is affected from lower sales and from a different sales-mix as compared to H1 2000.
- Almenara Golf Resort shows continuous growth, sales increasing by 46% and EBITDA by two folds



## Sotogrande



### Factors underlying the success of Sotogrande

- Increase in prices in the last two years:
  - Plot selling prices increased from Eur. 60/m<sup>2</sup> to Eur. 150/ m<sup>2</sup>
  - Marina apartments prices increased from Eur 1,500/m<sup>2</sup> to Eur. 2,500/m<sup>2</sup>
  - Golf membership price increased from Eur. 12,000 to Eur. 60,000
  - Green Fees increased from Eur. 40 to Eur. 60
- Only moderate slowdown expected, although not evidenced at the moment.

### Sotogrande Assets

- Remaining land bank
  - 3Million square metres of plots
  - 45,000 square metres in buildable are in La Marina
- Almenara Hotel + Golf + Resort
- 2 Golf courses in project (one under construction)
- Beach Club
- Water Concession: exclusive water supply operator in the area

### Marketing Strategy

- Position Sotogrande as the highest quality resort of Costa del Sol
- Target investors/clients are Spanish, German, UK and other Northern Europe countries
- Future Development
  - Once all real estate is sold, the company will maintain its non-real estate business



## Healthy Financial Position

### Group's Financial Structure remains solid

#### Main Financial Indicators Eur. Mn

Market Cap at July 23rd, 2001	1,565
Total Equity (as for 30.06.01)	480
Net Debt (as of 30.06.01)	528
EBITDA 2001 (E) (Consensus)	257
<hr/>	
EV/EBITDA (E) (x)	8.7
Net Debt / Equity (x)	1.1
Interest Coverage (x)	5.5x

The company has a commitment to keep operating within these guidelines in the future

#### Leverage Limited to:

1 to 1 Net Debt to Equity Ratio  
&  
3 x Net Debt to EBITDA Ratio





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## Integration process underway: Actions and Challenges

**ICT  
Integration**

Full Integration CRS  
One single image inventory

**International  
Sales**

Cross Selling  
Brand strengthening

**Marketing  
Organization**

Branding Strategy  
Wider customer base

**Human  
Resources**

Integration of cultures  
Economies of Scale

**Portfolio  
Management**

Optimised Capital Employed  
Capex

**Brand Management  
and Value Creation:**

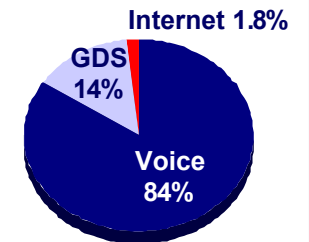




## ICT Integration

### NH's PMS

- Through the Property Management System (PMS) and the Central Reservation System (CRS) NH Hoteles is at the forefront of IT developments.
- With a team of 40 people, the CRS handled more than 900,000 calls in 2000. All hotels in Spain, Portugal and 5 in Latin America are connected on line.
- More than 30% of NH's hotel sales are booked and 1,5 Million customers are managed through NH's CRS. Krasnapolsky CRS currently represents 10% of total room reservations.
- All NH branded hotels are fully integrated through an in-house wide application. Homogeneous information is available real time at a department, hotel, area or total hotel chain level. Hotels share one single database that allows to develop CRM activities



### ICT Integration

- The goal is to implement a uniform PMS and CRS platform by using the NH applications in all managed properties of Golden Tulip Hotels.
- The project to connect the Krasnapolsky hotels online will be completed by mid-2002.
  - The Tulip Inn Groningen will be the first hotel connected before Summer-end 2001.
  - All hotels in Brussels will be connected before year end 2001.

### Brand Leverage and Value Creation



### Brand Leverage and Value Creation:

- All hotels connected ON LINE
- One single image inventory
- Homogenous information
- One unique system and one single D-base for all hotels
- Provide fully integrated booking engines
- Savings of Eur. 1.5Mn/year in the next five years from outsourcing and licenses fees



# Portfolio Management

## Rationale

Portfolio of 165 hotels in 16 countries

Relevant exposure to property assets:  
51% of rooms owned

Strong NH Brand  
Soft GT Brand

Sound financials

Funding  
development  
from  
Assets  
Management

Disposal of assets in non-core  
markets

Divestment in assets not leveraging  
brand



Organic Growth  
M&A Opportunities

Investment in Global Distribution



## Strategic Targets

To Develop and Leverage the  
Corporate Brand



To Optimise Financial Structure  
and Capital Allocation

Strengthened platform for Value Creation



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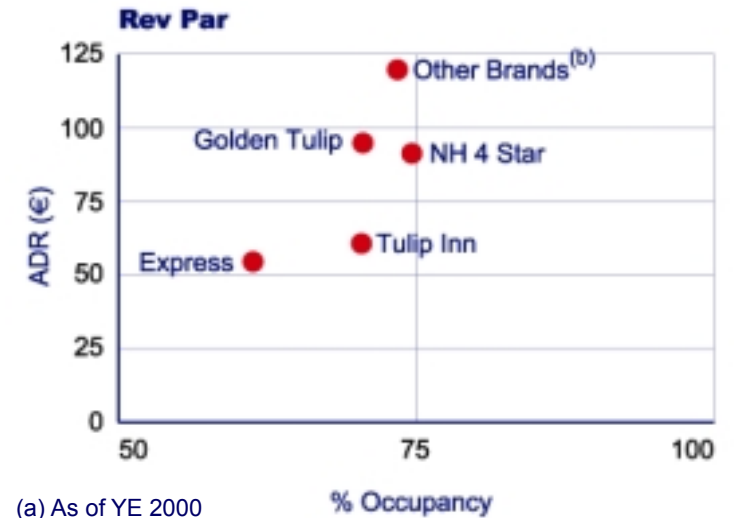
## Current Situation: Multibrand portfolio



### Multibrand Portfolio

NH Hoteles currently operates through different brands depending on:

- Geographic market  
Spain and Latin America: NH Hoteles, Express  
Other countries: Golden Tulip, Tulip Inn, Alfa
- Market segment  
Upscale: NH, Golden Tulip, Holiday Inn  
Limited Service: Express, Tulip Inn

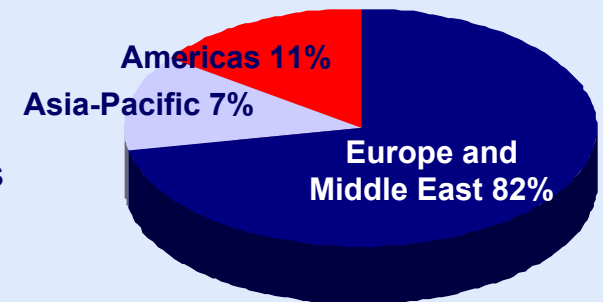


(a) As of YE 2000

### Acquisition of GTWW

- Recent Acquisition of GTWW License business (Eur.2.4 Mn)
- Control the quality of GT franchise network (337 hotels)
- Possibility to grow in selected markets, without capital investment
- Benefit from a strong international distribution network
- Take advantage of management's expertise in franchise business
- Access to global travel partners
- Estimated revenues Y2002 of Eur.21.5Mn.

### GTWW franchise network Current Portfolio





## Brand Strategy: Two Brands



### Brand Strategy

- The strategy going forward is to operate with NH and Golden Tulip brands

#### NH brand:

Will be developed basically with owned and leased properties. This brand proposal is demanding and strict in terms of locations, sites, interior design, etc. It is product and service oriented, and geographically, it is limited to Europe and Latin America

#### Golden Tulip brand:

Will be grown with full franchise agreements with limited use of capital. The franchise concept is open geographically to all areas and less demanding in the product proposal

- Limited segment brands, NH Express and Tulip Inn, will remain as secondary brands

### Migration

- Existing owned and leased hotels, will be, where appropriate, migrated to NH brand. New incorporations will follow the development criteria
- Migration Process will be gradual in accordance with full refurbishment needs.
- Re-branding Costs are included in refurbishing costs: An average of 5% of total sales per year is estimated over the next five years.





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## **A Growth strategy aimed at consolidating the position in the European Market...**

### **Growth Strategy**

- Position as a Pan European chain in the upscale urban hotel segment
- Consolidate and increase the leading position in Spain and Benelux through the expansion of the current properties, as well as new developments
- Expand further in the countries where NH is already present, but not leading the market, mainly in primary cities with high growth potential through new developments and acquisition of single assets or portfolios
- Emphasise the development efforts in Germany (with hotels in the 8 major cities), Switzerland and Portugal (with strategic hotels in Lisbon and Porto)
- Enter major European markets where NH is currently not present (i.e. France, Italy and UK) through new developments and acquisitions.
- Expand business in Latin America with a limit of 5 - 10% of Group's EBITDA
- Continue the development in the Limited Service segment in Spain
- The Strategy in Sotogrande is to sell off the real estate assets and maintain the non-real estate business



## ...Combining an Organic growth Plan with M&A opportunities

### Organic Growth

- NH's strategic growth plan for 2001-2005 establishes a substantial increase in the number of rooms managed by the group. This target is expected to be achieved through organic growth
- A significant development pipeline already committed:

### M&A Opportunities

- Considering new investment opportunities in the hotel sector if these meet strict profitability criteria:
  - Positive contribution to group EV/EBITDA
  - Returns exceeding Group's WACC

	N° hotels	N° rooms
<b>Spain</b>		
NH 4-Star	14	1,588
NH Express	7	641
Golf	1	106
<b>Benelux / Europe</b>		
Holland	2	311
Belgium	1	234
Germany	1	163
<b>Latin America</b>	2	459
<b>Total</b>	<b>28</b>	<b>3,502</b>



**NH**  
**HOTELES**