

NH HOTELES CORPORATE PRESENTATION

December 2005



NH
HOTELES

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HISTORY

**Q3 2005
SUMMARY**

PRODUCT

STRATEGY

FINANCIALS

Who are we?



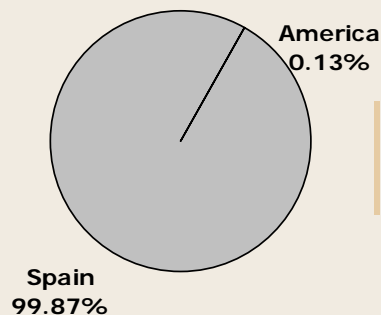
Introduction

- **Founded in 1978, NH Hoteles is today the fourth largest urban hotel group and the seventh hotel brand in Europe, aimed at business travelers**
- **NH Hoteles is operating 256 hotels with 36,841 rooms in 19 countries in Europe, Latin America and Africa**
- **Almost 13,000 employees of 106 nationalities**

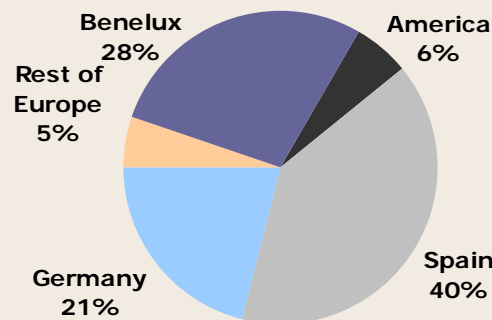
Deal History

- **2000: Acquisition of the Dutch hotel chain Krasnapolsky (@ 10x Ebitda; 70% owned)**
- **2001: Purchase of the Mexican Hotel Group Chartwell (@ 7.8x Ebitda; 25% owned)**
- **2001/2002: Purchase of the German company Astron (@ 8x Ebitda; 100% leased)**
- **2000-2005: Organic growth**
- **2004-2005: Signature of lease/ management contracts of Italian hotels. €50m funding aimed at future expansion**

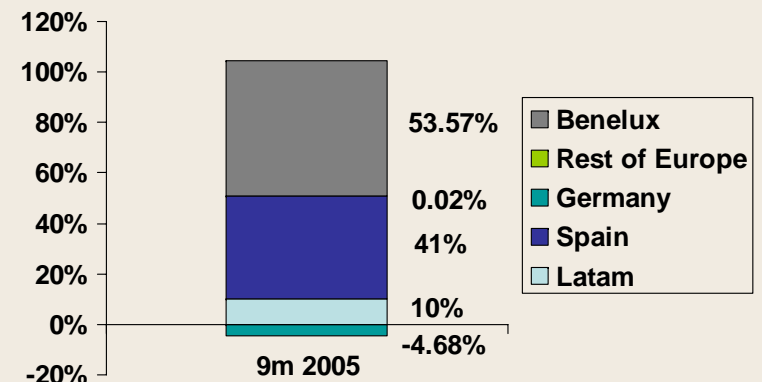
Sales from Hotel activity 1999



Sales from Hotel activity 2005



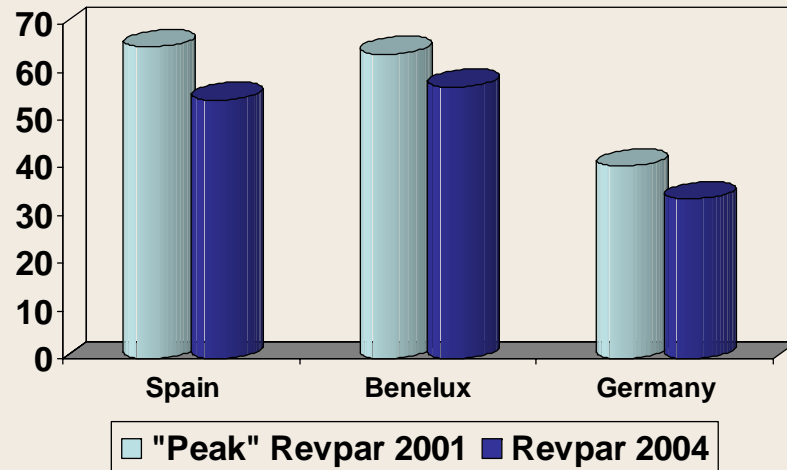
% Ebitda from Hotel Activity 9m 2005



Historical Revpar Peak



Revpar € **Nominal Revpar Slump**



NH Total (no latam)*
NH Total (only Spain and Benelux)*

Nominal01/05% Real01/05%

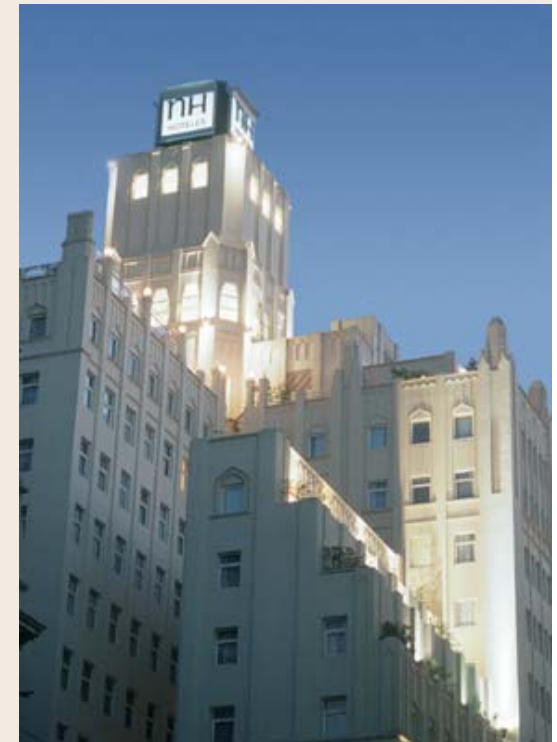
-12% -19%
-12% -20%

Nominal % Real %
2001/2004 2001/2004

-13% -21%
-11% -18%
-17% -24%

Spain*
Benelux (former Krasnapoulsky)*
Germany (former Astron)*

(*) Revpars quoted are not totally comparable due to portfolio rotation, rooms assignation to different B.U. Nevertheless, they are worth to understand the Revpar trend





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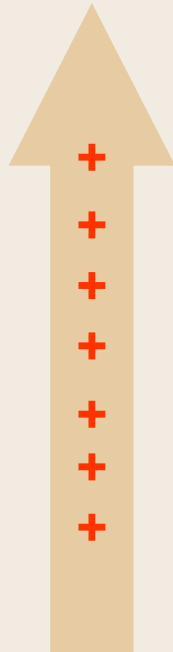
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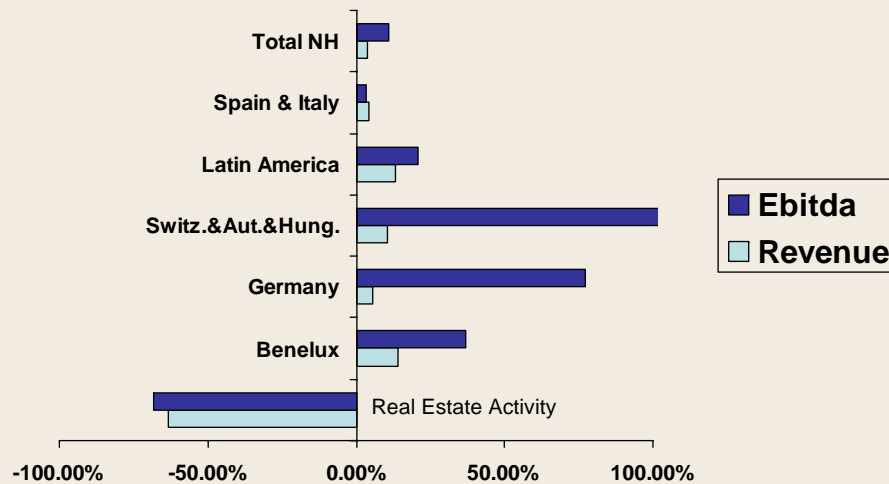
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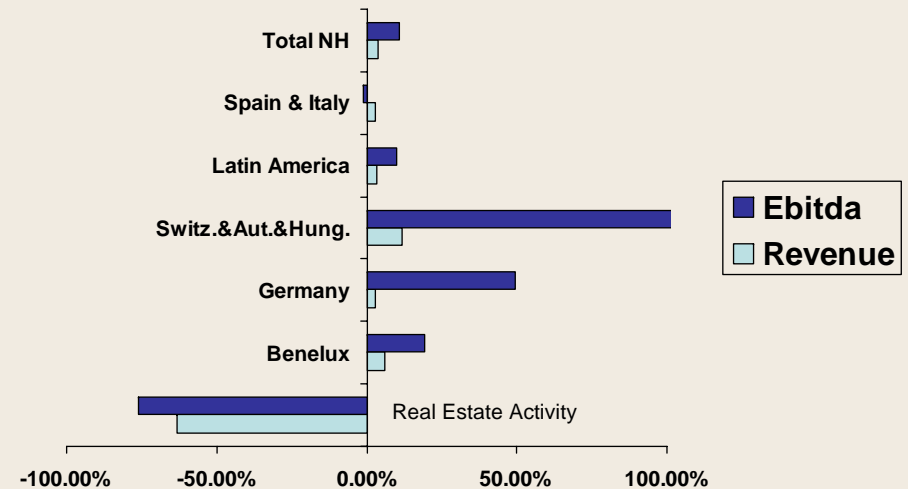
FINANCIALS



Q3 Revenue and Ebitda % 05/04



9M Revenue and Ebitda % 05/04



Highlights

- **GOP growth of 11,1% (3.5% in Europe Comparable)**
- **Better margin GOP (32.9% in 2005 vs. to 31.3% in 2004)**
- **Cost savings and efficiency improvements (€1.23 million up to September 2005)**

- **In line with expectations. Decrease in Ebitda because of absence of big plots disposals and handover timetable**
- **As at September 2005 Sotogrande had committed sales not reflected in the accounts amounting to €89.58m, with an estimated deferred margin of €44.81m**

Hotel Activity

Real Estate Activity



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BRAND STRUCTURE



NH
HOTELES

Brand Name of the NH Group

Brand “umbrella” of Hotel activity of the Goup

**Leisure Hotels
RESORT**

**Current Hotels
NH (3*, 4* and 5*)**

**Hotels Design
Segment**

**PART OF
THE NH WORLD**

“Premium” Brand



NH
HOTELES

nhow



Resort 4* Segment



Agua de la Tierra



OUR CLAIM: AN EYE FOR DETAIL



“AN EYE ON DETAIL”

• An “eye on detail” excellence through a personalized hospitality based on details

“AN EYE ON DETAIL”

Gastronomy

- Sophisticated breakfasts
- Author Restaurants
- Nhube
- Fast Good
- Ferrán Adriá Joint Venture

Culture

- Books for bedtime reading: NH Short Stories
- Stock Art

Elements

- High quality specialized amenities: Woman Style, NH Kids
- NH Hoteles has developed its own branded bath kit “Agua de la Tierra”
- Pillows Menu
- Interior Design

People

- The most differential factor
- NH University: More than 230,000 hours of training





- In March 2003, NH Hoteles opened the first “*nhube*”, a pioneering design concept designed with Ferrán Adriá that combines restaurant services with salon and coffee bar. Given the huge success of this initiative, 17 “*nhube*” have already been opened. Another 6 new projects have been identified.

- “Fast Good”: innovative and revolutionary concept combining fast food with maximum quality. A Concept designed in collaboration with Ferran Adriá

- NH Hoteles has introduced the first “Fast Good” at the NH Eurobuilding in Madrid in May 2004. Now NH will open the second “Fast Good” in Madrid and will start its international expansion (Santiago de Chile)

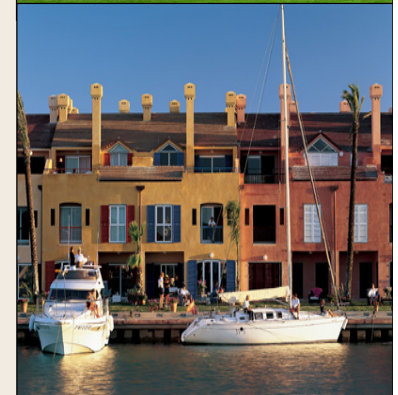
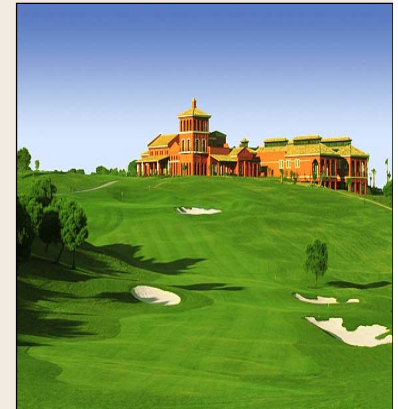


- NH Hoteles is currently operating two new Elysium Spas in Marbella and Madrid to be added to the one in Sotogrande (Condé Nast 2004 Award for the Best Hotel Spa in Europe)





- **NH Hoteles controls 78.7% of Sotogrande S.A., regarded as the most prestigious residential and golf development on the Costa del Sol and one of the most exclusive sites in southern Europe.**
- **Two million m2 of land for sale, as well as other property assets. External appraisals valued the property assets at around €850m.**
- **After a long period only focused on the original estate, Sotogrande today includes not only the Real Estate activity but a number of different businesses: Club de Golf Retamares, Casino de Madrid and Golf Management.**
- **Two years ago, Sotogrande started a period of both international and national expansion to create new state-of-the-art luxury residential developments (i.e. Donnafugata, Cap Cana).**



SOTOGRADE



Sotogrande Estate

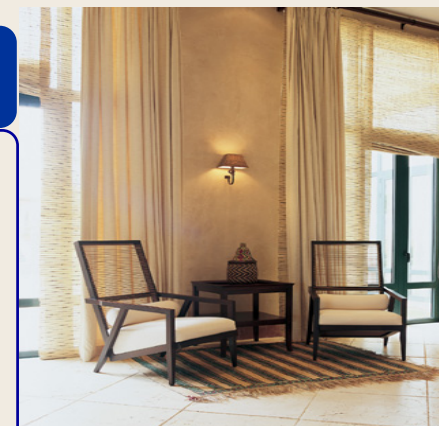
- Real estate
- Water Supply Concession
- Hotels:
 - Almenara Hotel & Health Resort
 - Sotogrande Hotel
 - Restaurants+ Cafeterias
- Golf:
 - Almenara Golf Course (27 holes) + academy
 - La Reserva Golf Course (18 holes + 18 t.b.d.)
- Tourist services:
 - Beach Club
 - Riding & Racket Centres
 - Spa
 - Health Resort
 - And 3 managed golf courses

Group's companies

- Gran Circulo de Madrid
- Los Retamares Golf Club
- Panoramica Golf Club
- Hotels:
 - Alanda Hotel
 - Marbella Hotel

Other activities

- Expansion of the Resort model:
 - Donnafugata
 - Cap Cana
 - Riviera Maya





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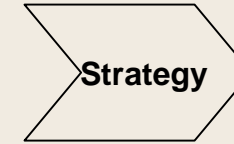
**Q3 2005
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1. GOAL

- **Grow in the natural market of NH: The mid segment**

2. STRATEGY

- **To become a segment leader in Europe**

3. PRIORITIES

- **New markets: Italy**
- **Increase market share in our current markets**
- **New products: Leisure hotels through opportunistic investments**
- **Leverage on Sotogrande brand and expertise through leisure developments**



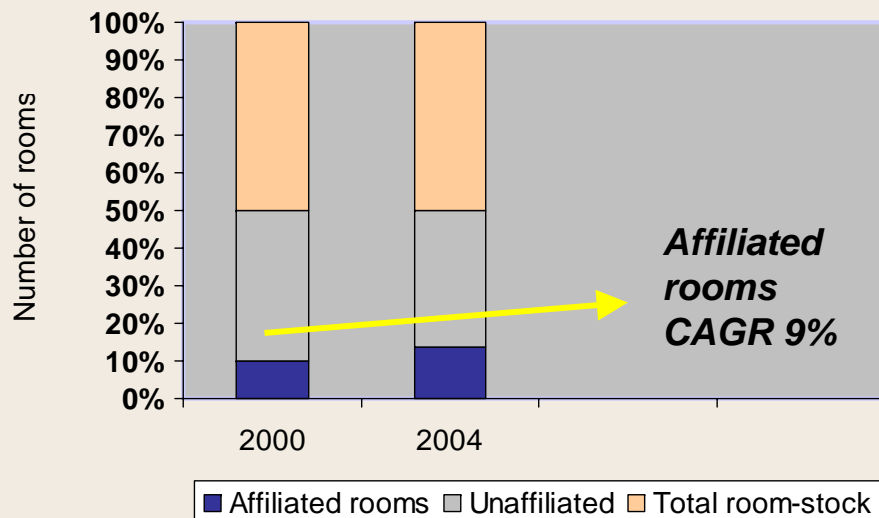
1. Goal

• **Grow in the natural market of NH: The mid segment**

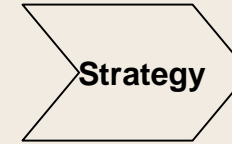
Why the middle segment?

- **Natural market of NH**
 - **The largest segment of the hotel market**
 - **It is the weakest in terms of brand power**
 - **Opportunities arise because of market fragmentation**

Growth in branded hotels in Europe



- **In the mid- Market, the branded segment has grown by 8% per annum since 2000.**
- **At last count there were 292 brands servicing the market, an increase of 121 in five years**



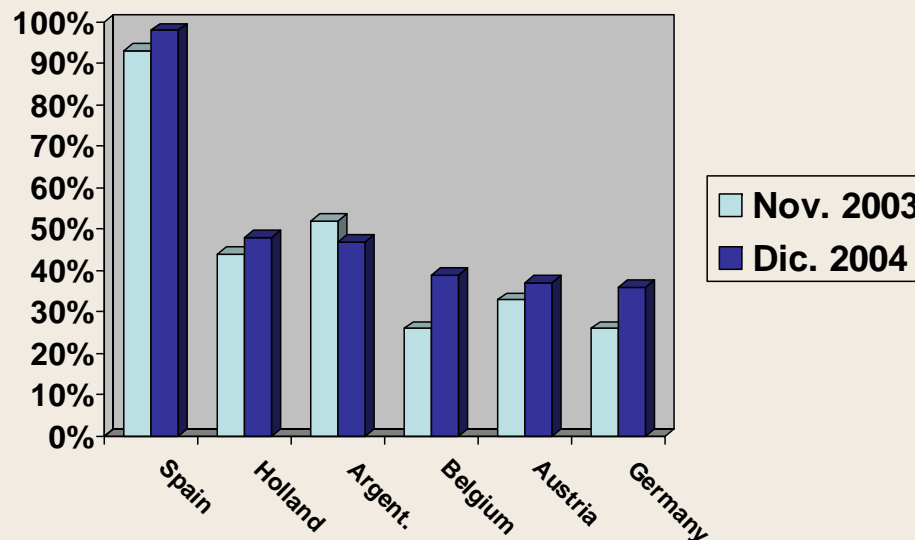
3. Strategy

• To become a segment leader in Europe

How will it be achieved?

- **Through an identifiable way of providing service**
- **Though the building of a critical mass in the countries where NH operates or will do so**
- **Economies of scale and brand recognition**

Evolution of brand awareness



- **NH is the top brand in the Spanish hotel sector**
- **In Germany we have reached the same brand awareness than competition**
- **In Holland we have one of the highest brand recognition**

Priorities I



3. Priorities

1. **New markets: Italy**
2. **Increase market share in our current markets**
3. **New products: Leisure hotels through opportunistic investments**
4. **Leverage on Sotogrande brand and expertise through leisure developments**

Why and How?

1. **New markets: Italy**

- Very fragmented market
- Attractive mix of leisure and business component
- A mix of local and non local experienced Management Team is already working on the NH project in Italy
- So far NH Hoteles runs a hotel in Venice and there are three projects in the pipeline: Milano, Torino and Sicily
- In Milano will be opened **nhow**, the new and most modern product of NH Hoteles

2. **Increase market share in our current markets**

- 50% of the signed projects are in Spain, with important economies of scale (120 hotels) and interesting opportunities for growth
- Europe shows little opportunities, except for Germany
- Argentina and Mexico are growth markets for NH

Priorities II



3. Priorities

1. **New markets: Italy**
2. **Increase market share in our current markets**
3. **New products: Leisure hotels through opportunistic investments**
4. **Leverage on Sotogrande brand and expertise through leisure developments**

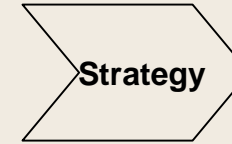
Why and How?

3. New products: Reinforce NH leisure product

- NH Hoteles currently manages two types of resort:
- Top end Resorts: Sotogrande, with its two hotels, NH Sotogrande and NH Almenara, NH Alanda in Marbella and the other in Baden-Baden, Germany
- All Inclusive: NH-Krystal Puerto Vallarta, NH-Krystal Cancun and NH-Krystal Ixtapa in Mexico
- NH Hoteles is betting for a type of upper scale resort along with residential, golf and hotel areas
- NH has already signed a project in Dominican republic

4. Sotogrande

- To leverage on the Sotogrande brand through its expertise and new leisure developments with residential and golf component

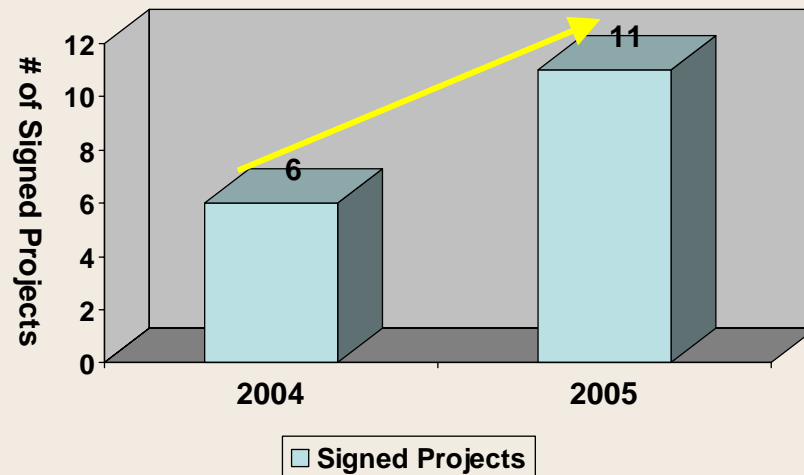


3. Priorities

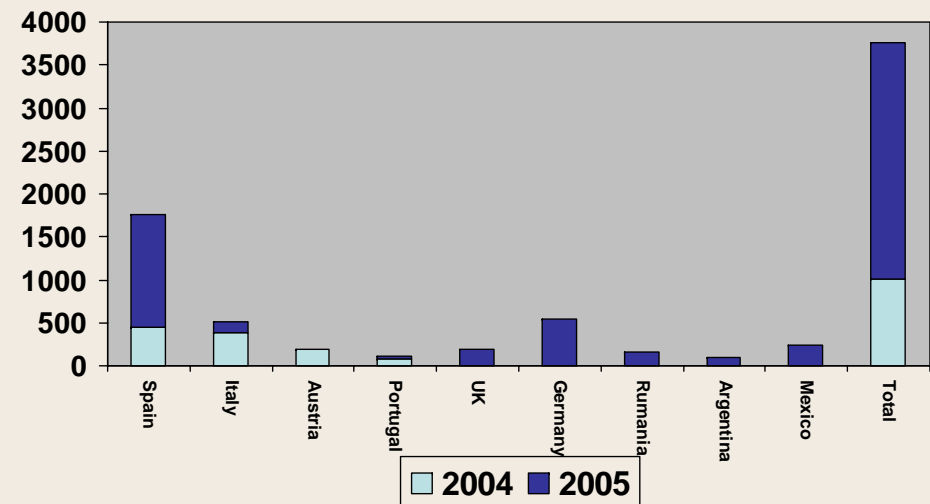
Pipeline

- 20 projects currently in the pipeline will be added to the portfolio until 2008, reaching 276 hotels if no more projects were signed

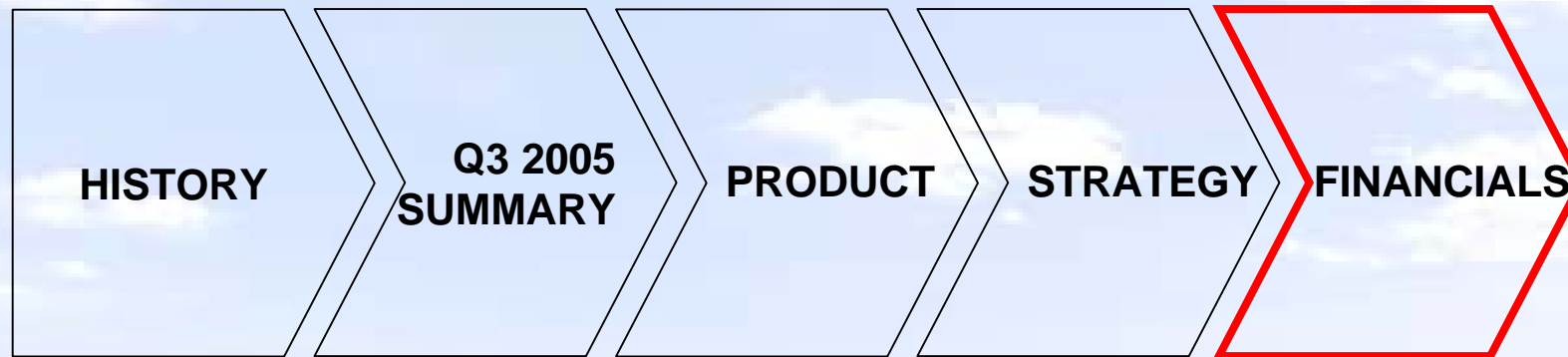
Signed Projects



Rooms Openings

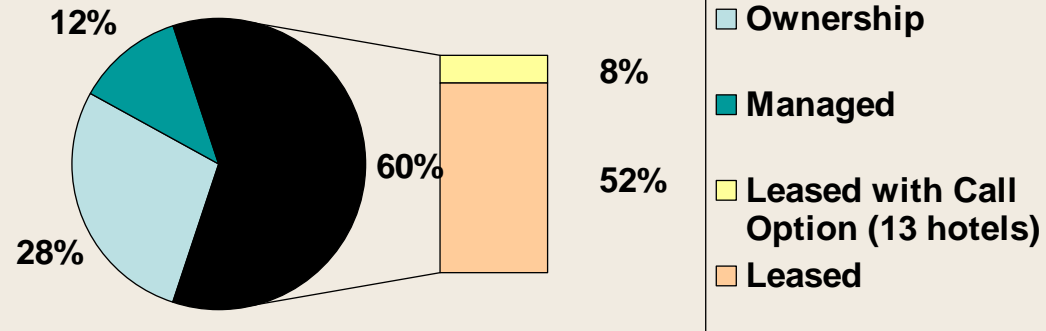


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Hotel Operating Model



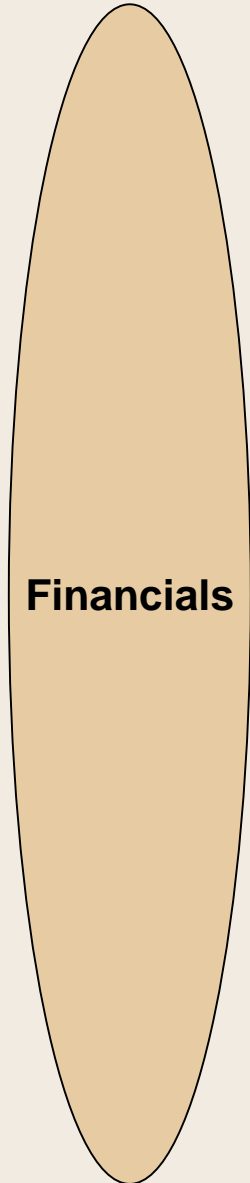
▪ **Current Situation**

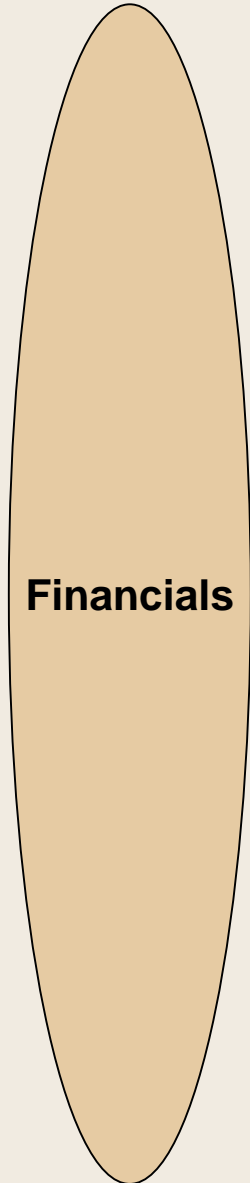
▪ **Future expansion**

▪ **Sotogrande**

- Owned properties will help to maintain a strong balance
- New development will be done mainly through variable leases, management contracts and minority stakes in ownership
- The resulting capital structure is more efficient, flexible and less cyclical

- Powerful cash flow generator used to finance the core hotel business
- More than 15 years of Real Estate development assuring non related hotel cash flows (a-cyclical)
- Additional cash flows related to Sotogrande brand and synergies with hotel leisure development





Financial Considerations

▪ **Net Debt**

- As of 30th of September Net Debt was **€698M**
- Net Debt to Equity: **0.85x**
- In 2005 Net debt has increased a 35% due to some non current financial cash outs

▪ **Asset supported**

- Independent valuation appraisals have valued NH owned assets at more than €1,500m
- And Sotogrande NAV has been set at €850m

▪ **Share Valuation**

- Current market cap valuation is very much in line with the NAV assigned by independent appraisals of NH Hoteles
- Valuation based purely on hotel cash flows easily overcome the NAV founded valuation (no expansion considered)

▪ **Potential for growth**

- NH still harbors a huge potential for growth backed on the current trading recovery, its supported asset valuation and future financial multiples



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