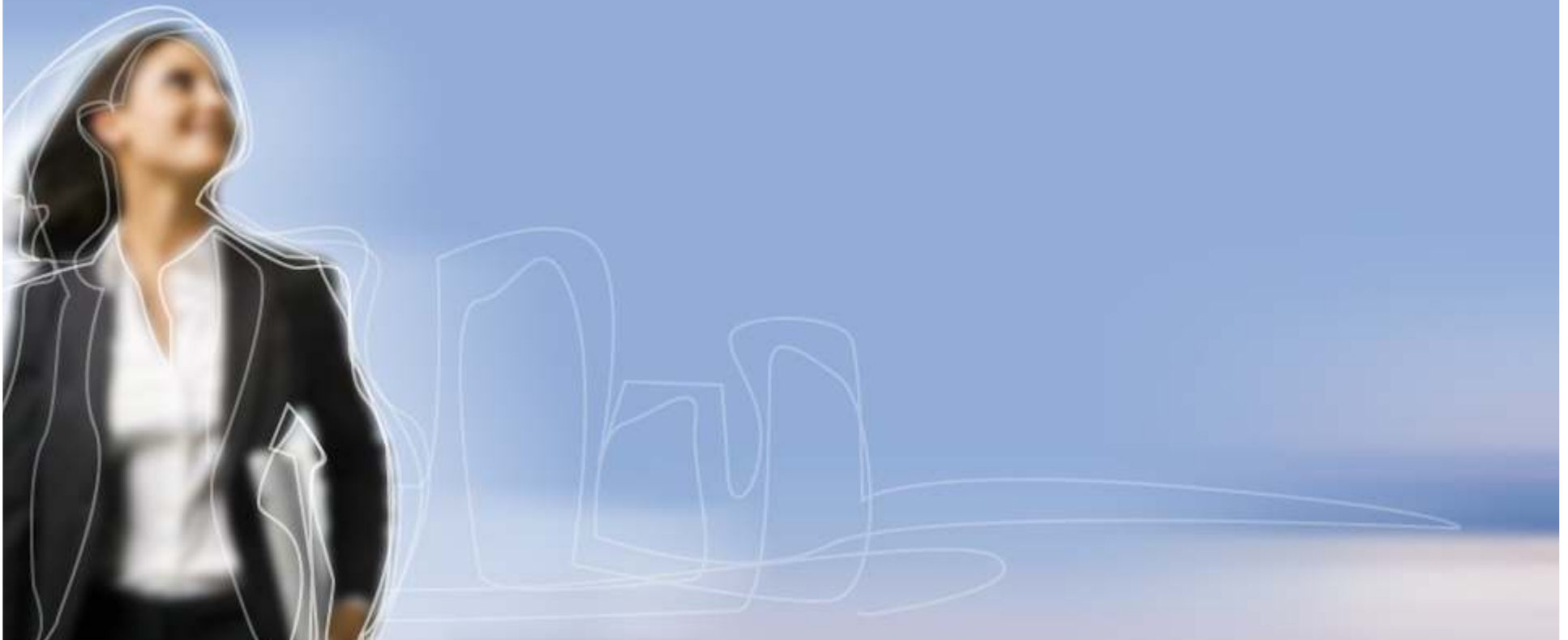




# NH Hoteles Presentation

27 February 2008



## 2007 Highlights

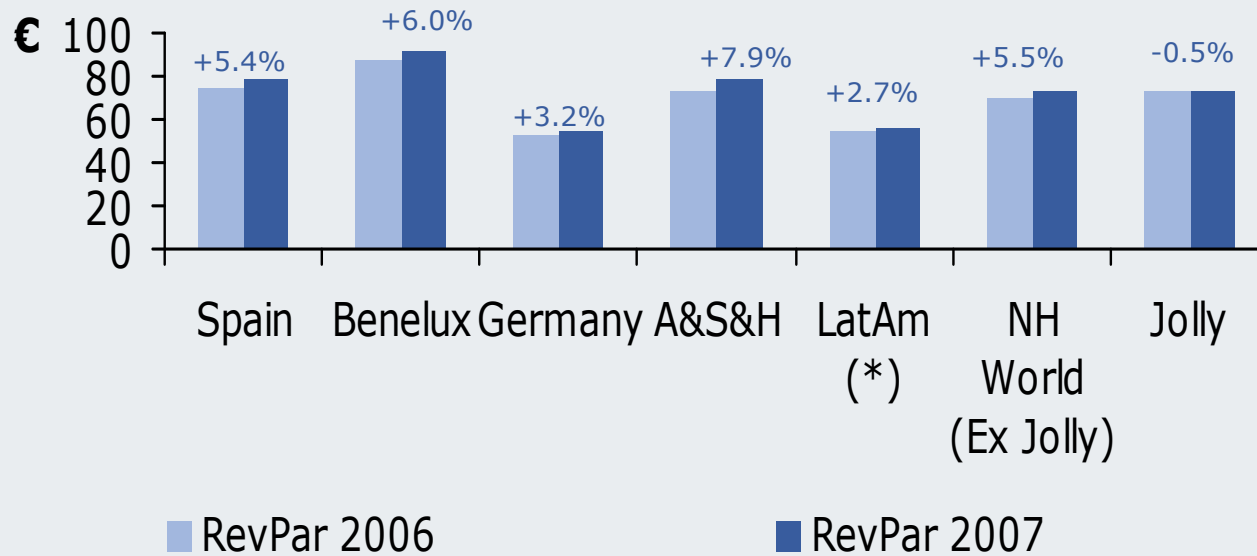
- ✓ Strong growth in LFL hotel revenue, +8%, with accelerating trend in Q407
- ✓ Hotel margins increase 1.5 p.p. driven by improving ADR in all business units.
- ✓ Record increase in room additions in 2007 in both current and new high-potential markets. Pipeline is set to secure high growth in next years
- ✓ Sotogrande´s EBITDA decreased by 10%. Increasing diversification in new projects in Spain and abroad and operations already closed but not yet accounted for should underpin Sotogrande´s contribution in 2008.

# Results

€ m	2007	2006	% Change
Hotel Activity Revenues	1,395.83	1,005.58	38.8
Real Estate Activity Revenues	77.50	69.37	(11.7)
Other Non-recurrent Revenues	32.36	15.99	(102.4)
<b>Total Revenues</b>	<b>1,505.69</b>	<b>1,090.94</b>	<b>38</b>
Hotel GOP	500.37	345.99	44.6
<i>gop margin (%)</i>	<i>35.1</i>	<i>33.9</i>	<i>+1.2 pp</i>
Leasing costs and Property Taxes	(241.66)	(184.19)	31.2
<b>Hotel EBITDA</b>	<b>258.71</b>	<b>161.8</b>	<b>59.9</b>
Real Estate EBITDA	24.29	27.09	(10.3)
<b>Total EBITDA</b>	<b>283</b>	<b>188.89</b>	<b>49.8</b>
Amortisation and Depreciation	(109.73)	(75)	46.3
EBIT	173.27	113.89	52.1
Interest income (expense)	(62.79)	(29.79)	110.8
Income from minority equity interests	(2.48)	1.28	-
EBT	108	85.38	26.5
Corporate income tax	(8.5)	(24.09)	(64.7)
Net Profits (before minorities)	99.5	61.29	(62.3)
Minority Interests	(22.06)	1.16	-
<b>Net Income</b>	<b>77.44</b>	<b>62.45</b>	<b>24,0</b>

# RevPar

## LFL RevPar 2007-2006



## Key Points

- RevPar growth of 5.5% Ex-Expansion, driven by ADR
- Q407 RevPar was very strong, growing 7% and showing improvements across all business units, with the exception of Spain

# Healthy revenue growth

## Total revenue growth, +38%:

+8%

*Revenue Base*

✓ The underlying trend continued to be positive

- Hotels: +8%
- Real Estate: +11%

+1%

*Non-recurrent items*

✓ Badwill from Jolly Hotels: Fair Value > Acquisition price

+29%

*Expansion*

✓ Jolly Hotels: +22%

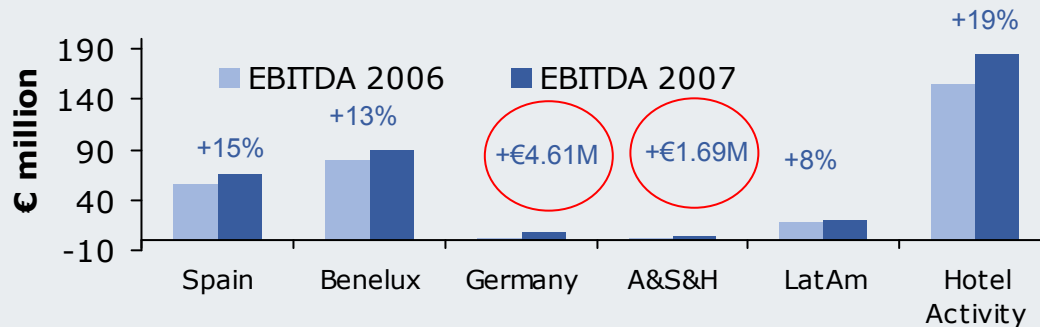
✓ Organic growth: +7%

+38%

*Total Revenues*

# Operating Result

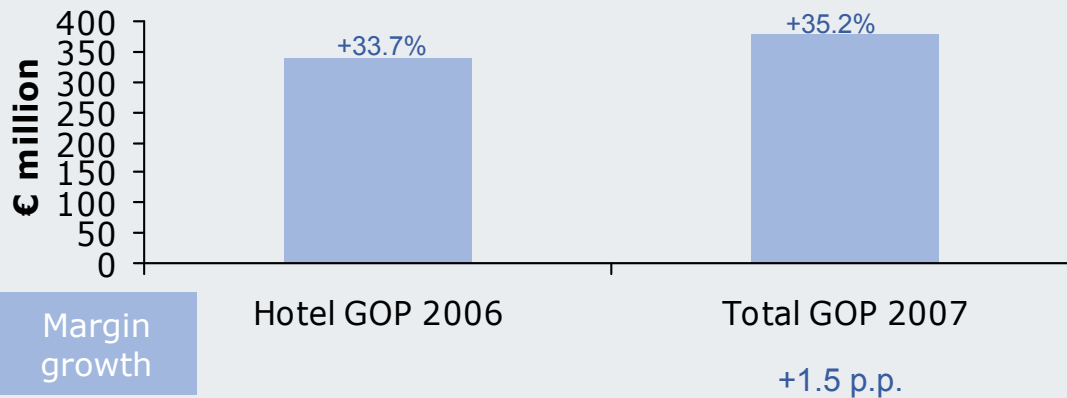
## EBITDA 2007



## Drivers

- General increase in **ADR** in across all Business Units
- **Germany** posted solid results, bolstered by a strong underlying trend
- **Spain**, enjoyed strong growth in demand for the second consecutive year
- **LatAm**, showed significant growth in spite of adverse foreign exchange movements. In local currency terms, Ebitda grew by 16%.

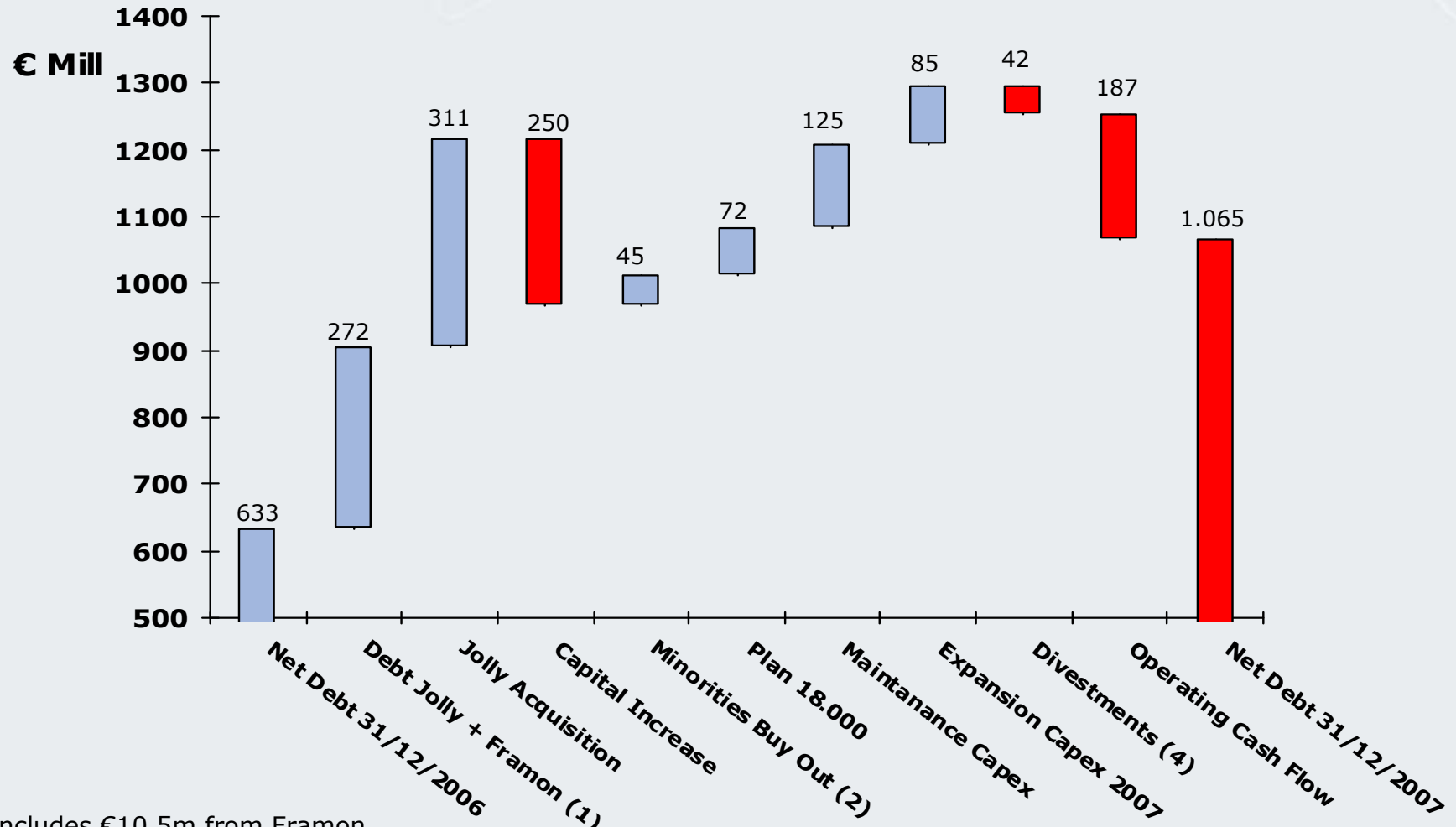
## Hotel GOP (Ex-expansion) Headquarters Included



## Sales and Results

- The Real Estate business posted revenues of €78.63m, an increase of 13.3% from the same period last year. The sale of land in Puerto Morelos in Mexico in the second quarter contributed €34.75m to revenues.
- Ebitda at the Real Estate division reached €24.29m, a drop of 10.3% from 2006.
- At 31 December 2007, Sotogrande had committed sales of €77.1m compared to the €74.6m at the end of 2006. These sales had an estimated margin of €27.8m and will be reflected mainly in the 2008 results. The majority of these sales were from berths in the Marina and the residential development of Ribera del Marlin. In this regard, it should be noted that Sotogrande signed an agreement to sell the 35 remaining sites in the Ribera del Marlin development. The agreed price per m<sup>2</sup> is more than €6,000.

# Net Debt Movements



(1) Includes €10.5m from Framon

(2) €15m from Astron + Krasnapolsky shareholders

(3) Divestment of Plot in Puerto Morelos (Caribbean), €28.8M ; Hotel Caserta, €7.7M and Hotel Zuid Limburg, €5.3M





# Fulfilling NH's Strategy



# Starting from a financial structure aligned with the Expansion Plan...

## Refinancing €650m of debt with a syndicated loan (+60% / Net Debt)

- ✓ Three-month Euribor + 70 bp
- ✓ Cheaper (spread over Euribor is 40bp narrower than the loan signed in 2004) and more flexible
- ✓ NH's total debt principal repayments back-loaded: 25% matures before 2010 end and 85% before 2012 end. The remaining 15% matures in 2039.

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Net Financial Debt at 31 December 2007	€1,065m
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### Ratios

- |   |      |
|---|------|
| • Gearing: Net Debt / Shareholders' Equity + Minorities | 75%  |
| • Net Debt / EBITDA 07:                                 | 3.7x |
- 

Targeted Net Debt / Ebitda established in Strategic Plan	< 4x
--	------

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### Asset Rationalisation

- ✓ Divesting non-strategic assets
- ✓ Potential divestment of properties with less potential for improvement



- In 2007, two hotels, (in Italy and The Netherlands), were sold for €13m.
- In 2007, one German leased contract was cancelled.
- One Travelodge hotel operated by NH in Mexico exited the chain.
- Jolly Hotel Stendhal (Parma, Italy) and Jolly Hotel Salerno (Italy) franchising contracts are no longer part of NH.

### Conversion Potential

- ✓ Jolly's Trophy assets have significant repositioning upside at different degrees of commitment (opportunity for partial divestment)
- ✓ Maximisation of property use (mainly in Jolly assets)



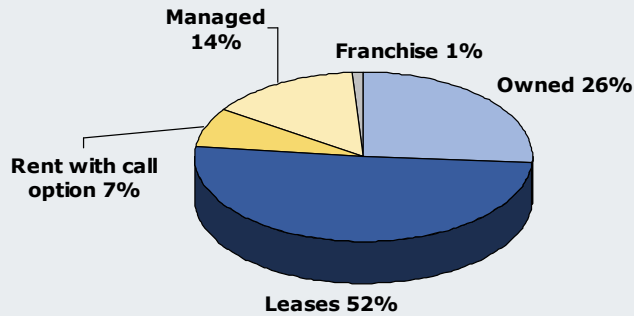
#### ✓ Conversion Cases:

- NH Brussels City Centre; Capex: €6m  
RevPar Hike: +30%; Yield on Inv: 25%

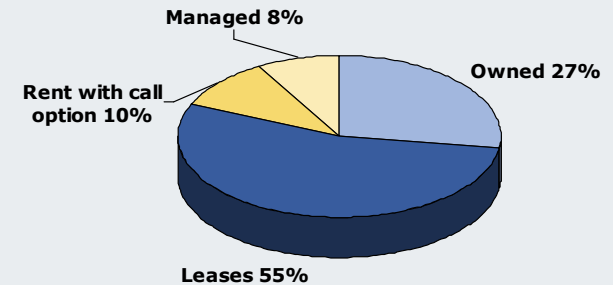
- NH Schiphol Airport; Capex: €5m  
Revpar Hike: +30%; Yield on Inv: 40%

# ..in order to lighten NH's operating model

End-2003



End-2007



+

New Operating Model

- ✓ Increased brand awareness
- ✓ Superior return on capital
- ✓ Reduced earnings volatility

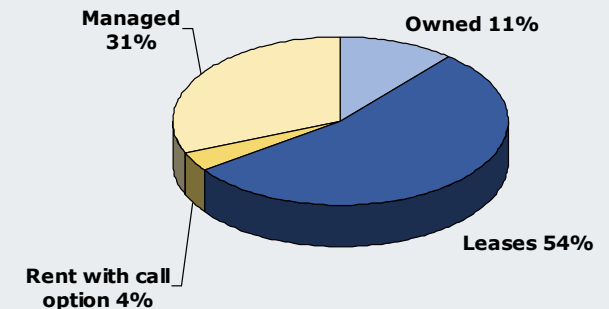
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Bias over low-risk formulas

- ✓ Asset Rationalisation
- ✓ Increasing the appeal of the NH brand in the investor universe; favouring management and variable leases

+

Current Pipeline



# ..while extracting counter-cyclical sources of value at Jolly ...I

Expected 2008-2009 Cost Reduction (Inflation-Adjusted and LFL comparison): €15m

## Delisting of Jolly

- On 14 February the squeeze-out of minorities and subsequent delisting of Jolly Hotels was approved.
- This will lead to the simplification of legal and administrative structures in Italy

## Headquarters & Management

- Merger of three different headquarters, creation of a single management team: 30% payroll reduction.

## Systems Integration

- Front Office system integration implemented in six months / All Hotels available in all NH distribution channels. Back Office adapting to the Italian legal situation.

## Purchasing

- Former Jolly's F&B purchasing and distribution was vertically integrated.
- All related structure has been disposed of, thus lightening Jolly's structure.

# ..while extracting counter-cyclical sources of value at Jolly ...II

## Sales force

- New sales structure with the same aim: one single portfolio to be sold.

## Rebranding

- Seven Jolly hotels to be flagged NH immediately; 20 Jolly hotels to be revamped before rebranding.

## Asset Disposals/ Exit

- Six hotels in Italy have been identified for sale or termination of lease contracts. All seven franchise contracts will be gradually abandoned.

## Capex

- More than €100m to be invested to modernise Italian properties, focused on four key Italian markets: Rome, Milan, Florence and Venice.

## Jolly Assets Abroad

- There are attractive alternatives for partially divesting and updating some of these assets / Clear opportunity for better use per square metre.

# And what about Sotogrande?

## Sotogrande's Original Estate

- Consolidated and recognised high-end Resort; investment in infrastructure fully accomplished; resilient to cycle.
- In stock: Around a 100 residential Units.
- Practically no debt and 15 years of average life of development for the remaining land (1,900,000 m<sup>2</sup> of which 675,000 m<sup>2</sup> is available for building).

Leverage on its brand, experience and unique competences to design, develop, build and market high-end resorts

## Sotogrande's continuing project

- Sotogrande started a national and international expansion, participating in new projects to take advantage of an expanding segment of the market in which there is a lack of integral managers such as Sotogrande.
- The expansion is backed by local partners (local knowledge and institutional relations), and Sotogrande contributes its expertise in master planning.

# Sotogrande's Ongoing Projects

## Cap Cana

- Dominican Republic; 25.7 Ha.; Share: 25%;
- Total Land Investment: \$80m(100%)
- Development of 408 apartments and Hotel (80 rooms)

## Isla Blanca and Isla Poniente

- North to Cancun (Mexico); Peninsula (565 Ha) surrounded by the Caribbean Sea; available for building: 1000,000 m<sup>2</sup>; high-end resort to be projected
- Share: 25%; Total land Investment: \$340m (100%)

## Santa Barbara

- Development Project in Burriana, Murcia; 350 Ha. One of the major marinas in the Mediterranean.
- Role as a pure project manager, leveraging on its brand.

## Donnafugata

- South eastern Sicily; Ha. 5-star Hotel, Convention Centre, two Golf courses and Spa.
- Stake: 51%





# Meeting the strategic plan's growth targets

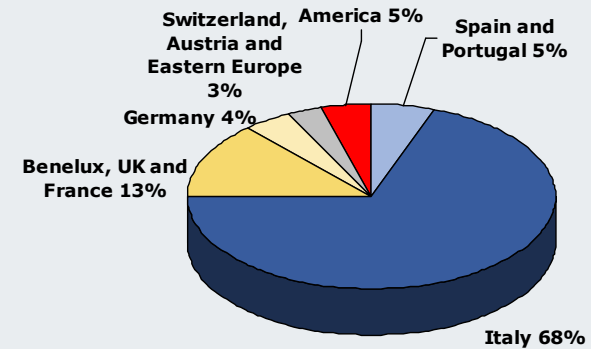


# +50,000 rooms in the NH Group

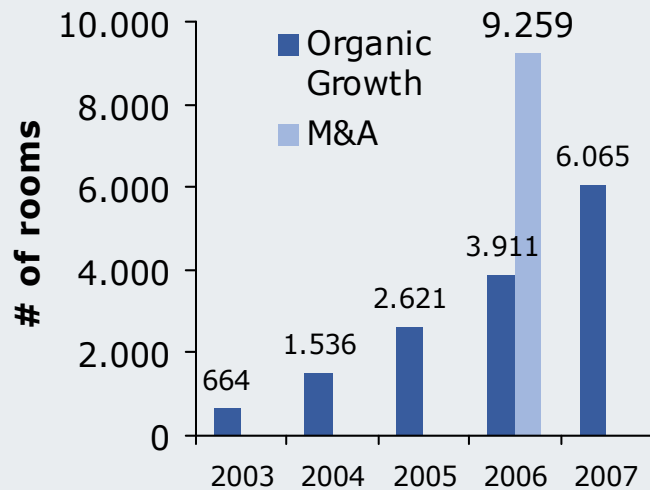
## Unprecedented room additions in 2007...

- ✓ Additions in 2007: 72 Hotels – 10,925 rooms:
  - ✓ Jolly and Framon: 8,686
  - ✓ Organic Growth: 2,239

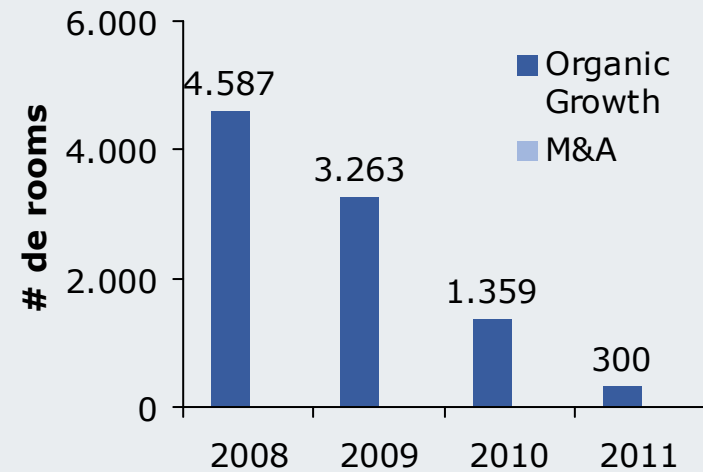
## ..in existing and high-potential markets



## ...New rooms signed for...



## ...Resulting in a Strong Pipeline



# Expansion Plan

✓ **Dynamic start to the strategic plan**

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Target Number of Rooms for signature in 2007 6,000

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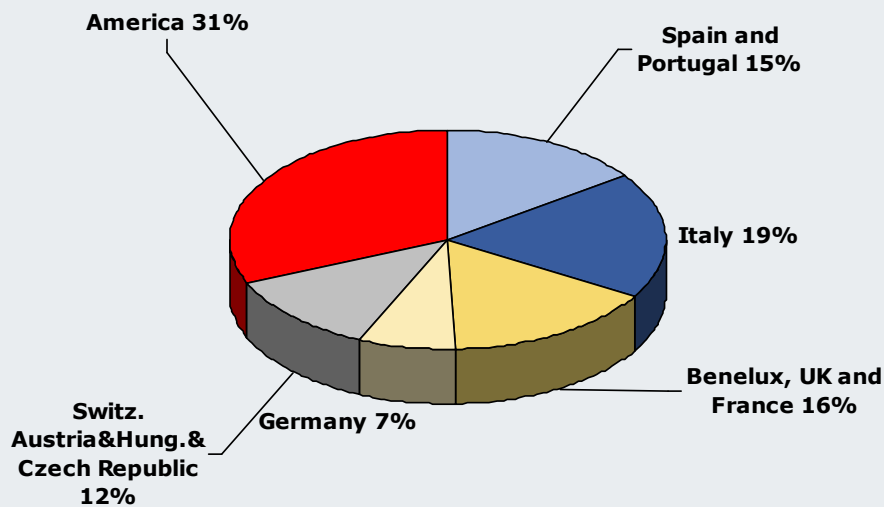
To December 2007:

- Target signatures 6,000
  - Actual signatures 6,065
- 

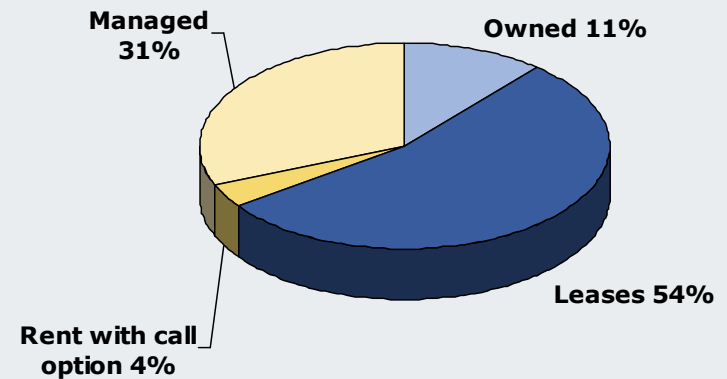
Number of total committed rooms in February 2008 8,551

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**Breakdown by country (8,551 rooms)**



**By Operating model (8,551 rooms)**





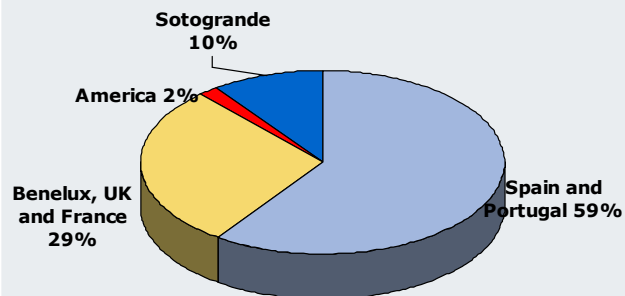
# 2008 and Onwards?



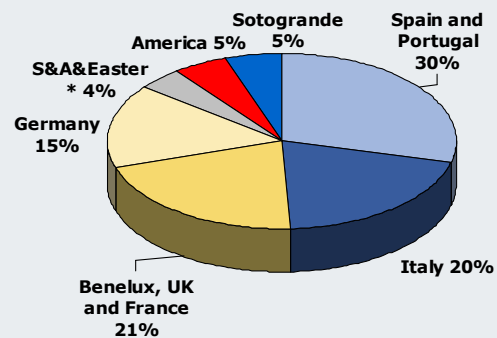
# An increasingly diversified Company...

## Revenues

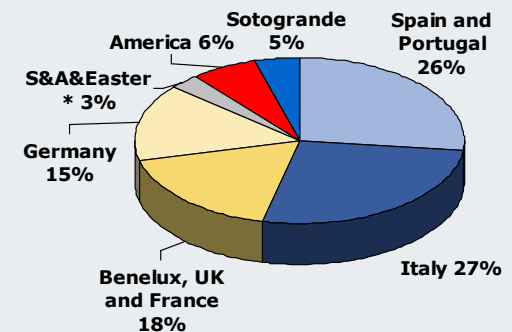
PAST (2000)



PRESENT (end-2007)

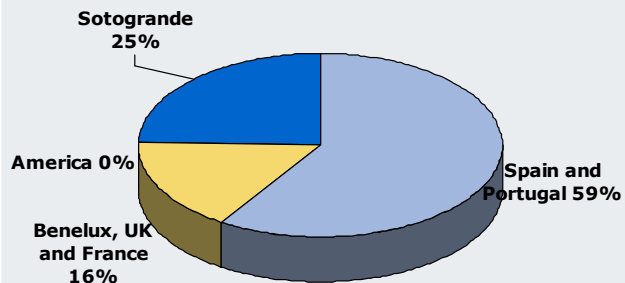


FUTURE (2012e)

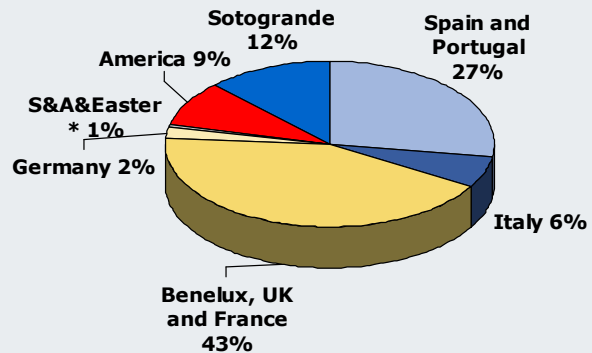


## EBIT

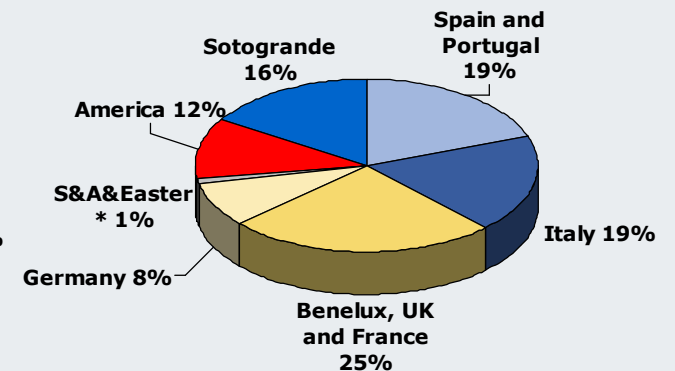
PAST (2000)



PRESENT (end-2007)



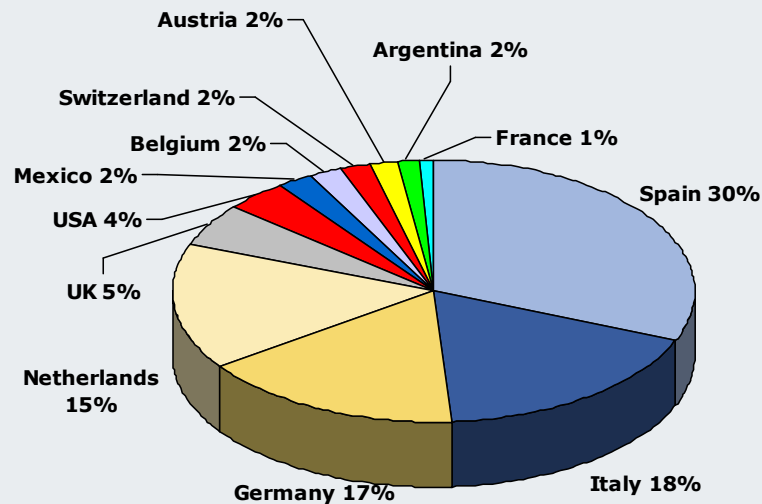
FUTURE (2012e)



\* S&A&Easter: Switzerland, Austria and Eastern European Countries

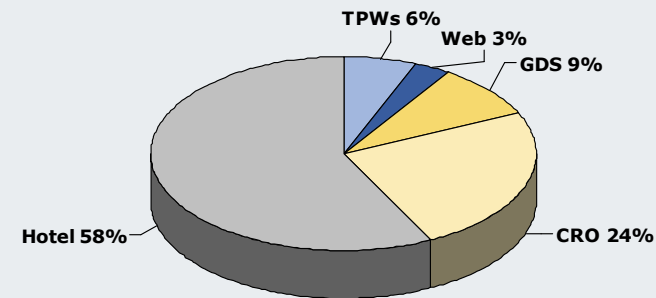
# ...with balanced feeder markets and distribution channels..

## 2007 FEEDER MARKETS BY TOTAL ROOM PRODUCTION

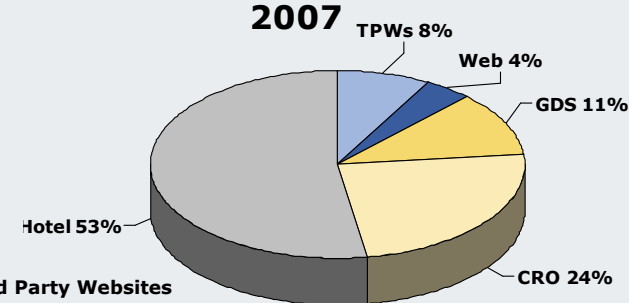


## EVOLUTION OF DISTRIBUTION CHANNELS

**2006**



**2007**



TPW: Third Party Websites  
CRO: Central Reservation Office  
GDS: Global distribution system

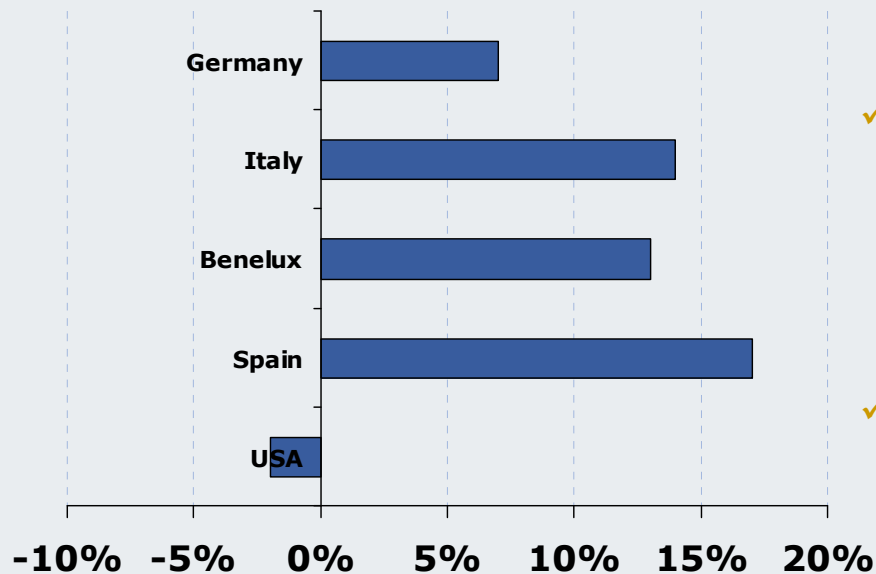
✓ 1998-2008: Spanish revenue source has decreased from c. 100% to 30%

✓ +5% its weight in electronic distribution channels (Web: +1p.p; Interfaces: +2p.p and TPW: +2%p.p)

✓ Which implies increased booking management efficiency, rates parity, distribution and administrative cost-savings

..may cope well with a more benign slowdown scenario than previous cycles..

**Upside to peak vs. 2007 RevPar  
(Inflation-adjusted)**

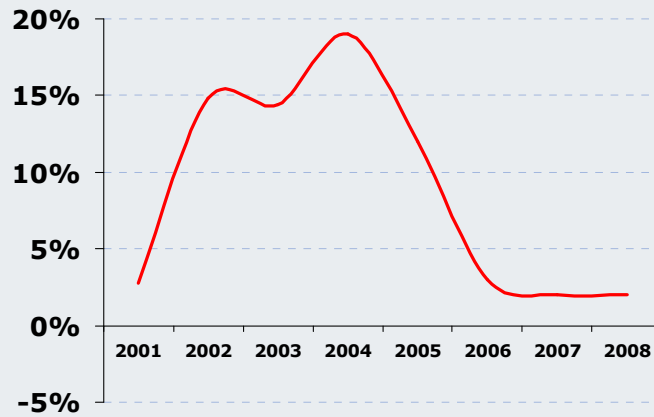


- ✓ Real RevPar still a long way from previous peaks in NH's various markets.
- ✓ Sector might be heading for a normal downturn for the first time in decades. The two previous downturns were caused by external events: the first Iraq war in the 90s and 9/11 and massive overcapacity.
- ✓ In a consumption-led downturn the sector could confirm its "late cycle" industry status given that corporate hotel demand lags a weakening economic environment

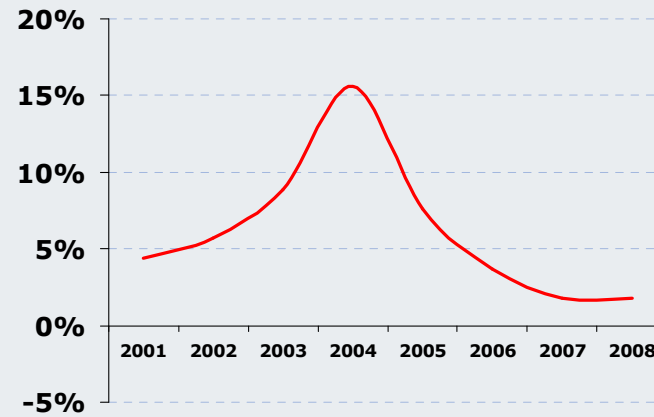
Source: Deloitte Hotel Benchmark, STR and Merrill Lynch Estimates

# ..while supply growth is set to remain at low levels ..

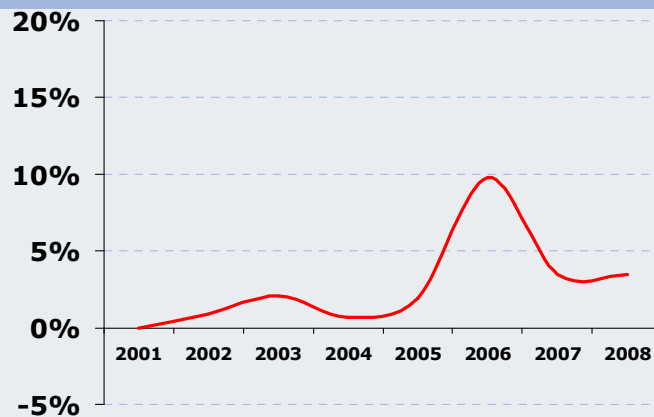
**Madrid supply growth**



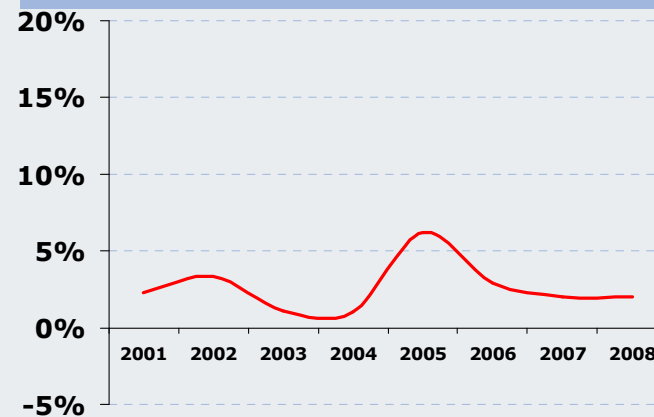
**Barcelona supply growth**



**Amsterdam supply growth**



**Berlin supply growth**



Source: Jones Lang Lasalle, Westpoint Hospitality Group, PKF, Deloitte, PricewaterhouseCoopers, Morgan Stanley and NH's Estimates

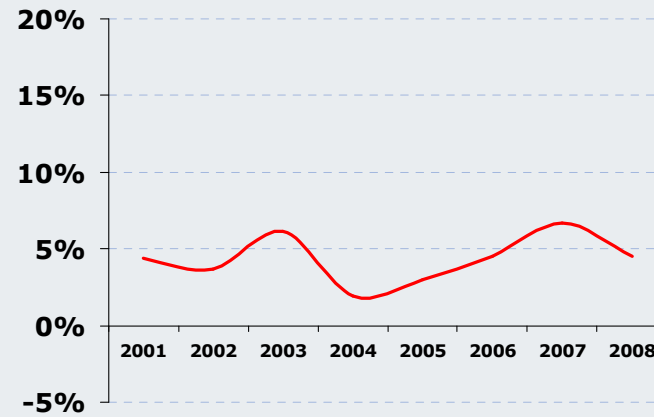


# ...increasing the prospect of a more stable scenario...

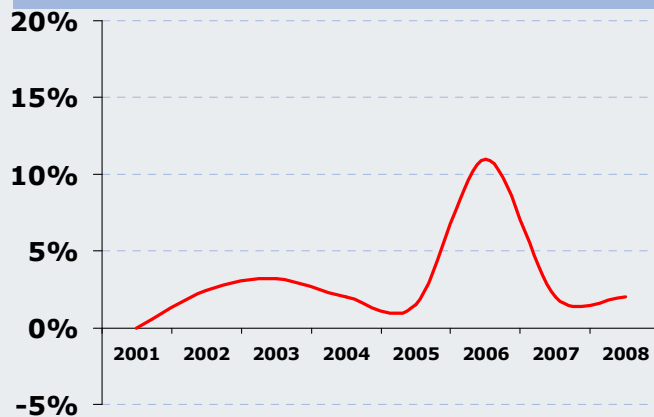
**Rome supply growth**



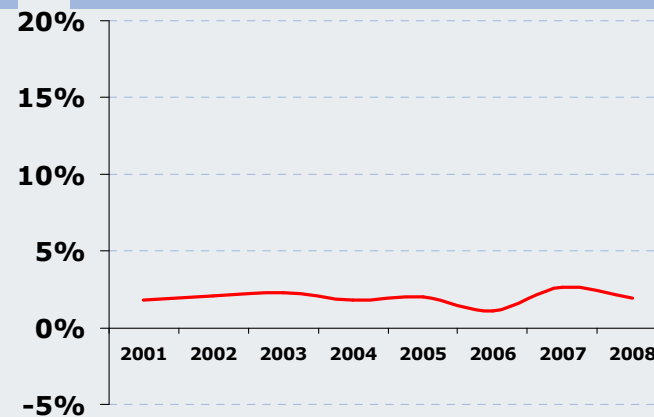
**Frankfurt supply growth**



**Brussels supply growth**



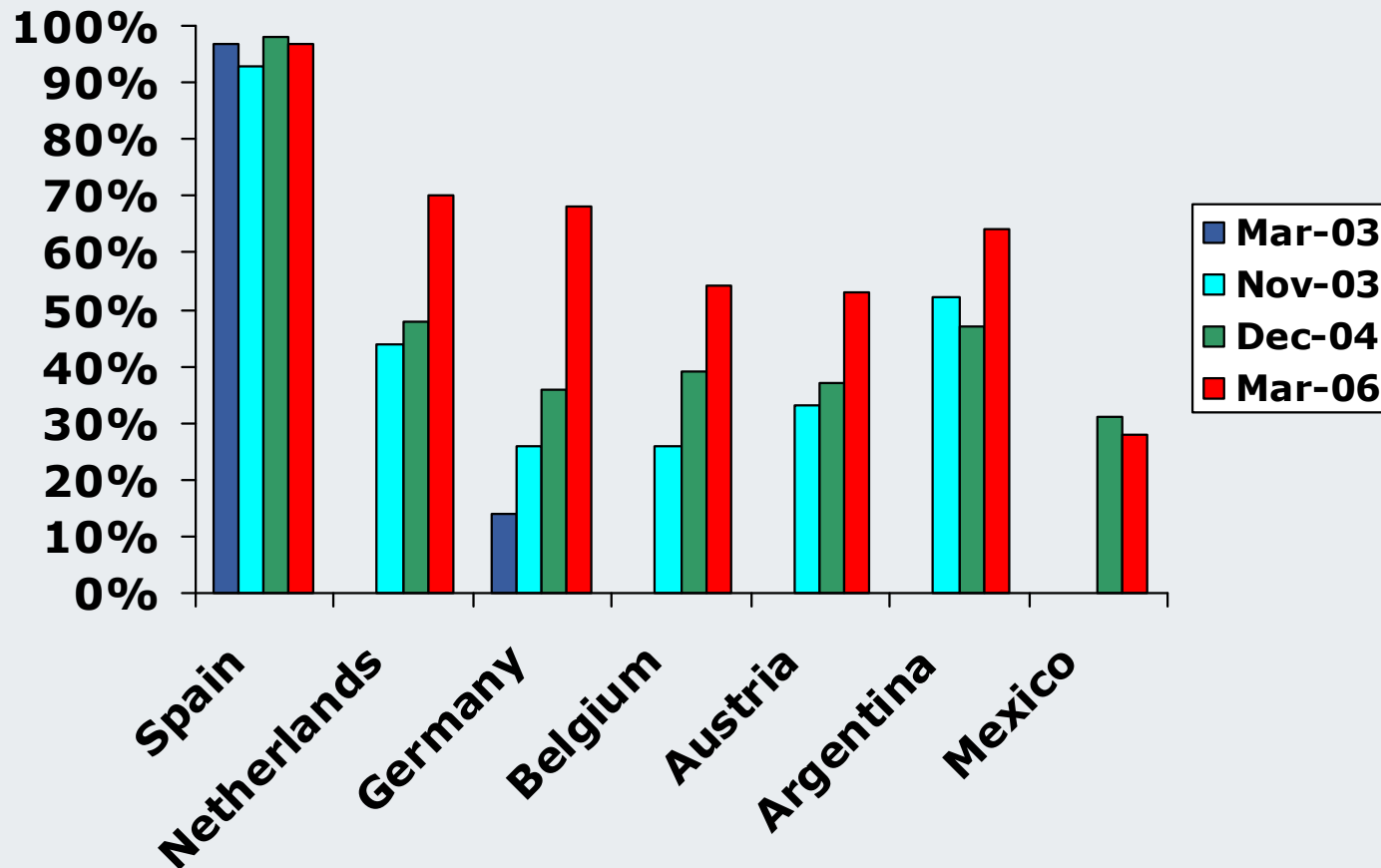
**London supply growth**



Source: Jones Lang Lasalle, Westpoint Hospitality Group, PKF, Deloitte, PricewaterhouseCoopers, Morgan Stanley and NH's Estimates

.. and an enhanced footprint of the NH brand in Europe...

**Brand Awareness NH Hoteles**



Source: *Ikerfel Market Consulting*

## Conclusions

- ✓ **Fulfilling the Strategic Plan**
- ✓ **Maximizing cost efficiency**
  - ✓ **Refinancing debt with cheaper, more flexible conditions**
  - ✓ **Capturing synergies with the integration of Jolly Hotels**
- ✓ **Delivering asset optimization through divestment of non strategic or less profitable assets**
- ✓ **Continuing Sotogrande´s diversification, mostly financed with own cash flow generation**
- ✓ **Meeting the expansion goals in the Strategic Plan. Number of rooms will double in 5 years while achieving increasing geographical diversification and more balanced feeder markets and distribution channels.**
- ✓ **New hotel space supply growth expected to remain low.**

**NH is better prepared to cope in a slowdown scenario than in previous cycles**

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