

# CORPORATE PRESENTATION

## July 2004



**NH**  
HOTELES

**NH Hoteles: A stronger company ready to grow**

**Recent Operating and Financial Performance**

**What to leverage on...**

**... .. and What to improve**

**Long term strategy: Looking for profitable growth opportunities**



## NH Hoteles: A stronger company ready to grow

<b><u>Strategic Plan 2003</u></b> <b><u>(Presented in July 2003)</u></b>	<b><u>Goals achieved</u></b>
<b>Cost Savings:</b> <ul style="list-style-type: none"> <li>• Target 2003: €3m cost savings</li> <li>• Target 2004: €2m cost savings</li> </ul>	<p>In 2003: Cost savings of €9.3m, which imply annualized €24m.</p> <p>In H1 2004: Progressing ahead of expectations</p>
<b>To freeze any further development project during the next 12 months</b>	<b>Achieved</b>
<b>Selective divestment of non-strategic hotels</b>	<b>More than €200m from the sale of assets in 2003, exceeding the €187m targeted</b>
<b>To increase the contribution of the real estate activity EBITDA</b>	<p>Historical record in signed sales achieving €73.5m in H12004.</p> <p>Targeted '04 and part of '05 EBITDA done</p>
<b>To reduce net debt and to remunerate NH Hoteles shareholders</b>	<p>Net Debt as for June 30: €509.3m (-20.4% vs. July 2003)</p> <p>NH has paid out a dividend of €0.25/sh.</p>



## NH Hoteles: A stronger company ready to grow

### The situation today

- **Cost Savings Plan is showing results ahead of expectations... and is to be continued**
- **Better RevPar performance in all Business Units except for Spain**
- **In Q2 Comparable hotels EBITDA has increased by 8%, showing growth for the first time since Q3 2002.**
- **Benelux contribution is becoming as important as Spain**
- **Germany is showing a recovery trend with good potential for growth**
- **Record results in Sotogrande**
- **More flexible financial structure**
- **The NH product today is consistent and homogeneous. The Sales force is stronger**
- **IT developments: competitive advantages from the work done.**

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## Performance in Spring (Q2 2004)

### Positive contribution from:

- **The Cost Savings plan has resulted in -5.1% improvement in the total operating expenses per occupied room in comparable hotels.**
- **Benelux shows increasing operating results.**
- **Germany sales and results are improving: higher occupancy as a result of sales efforts and re-branding, while local economy is bottoming up.**
- **The market is definitively back in the Americas regions.**
- **Despite decline in sales, NH Hotels in Spain is gaining market share vs. competitors.**

### Negative contribution from:

- **In Spain the over-supply situation is putting rates under pressure.**
- **Madrid suffered from the impact of terrorists attacks and political elections, only getting normalised in late May and June.**
- **Negative impact in EBITDA from the hotels sold over the last twelve months (€m) partially offset by lower depreciation and financial costs.**
- **More leisure clients helped for increasing RevPar, although ADR resulted lower.**



**Reduction Of Operative Expenses over LTM**

- In comparable hotels the Cost Savings plan has resulted in a 2.7% reduction of FTE per room and 5.1% improvement in the total operating expenses per occupied room.
- The new rooms added to the portfolio helped for a better distribution of costs: In total hotels FTE/room is 7.9% lower than in the first half of 2003 and total operating expenses per available room improved by 7%

Comparable Hotels & Corporate	June 04	June 03	% Var
Average number of rooms	26.709	26.711	0,0%
Occupied rooms per day	16.584	16.064	3,2%
Average number of FTE	9.541	9.809	-2,7%
FTE per room	0,36	0,37	-2,7%
FTE per occupied room	0,58	0,61	-5,8%
Staff Cost per occupied room (€/day)	42,56	45,09	-5,6%
Other expenses per occupied room (€/day)	29,00	30,34	-4,4%
<b>Total operating expenses per occupied room (€/day)</b>	<b>71,55</b>	<b>75,43</b>	<b>-5,1%</b>



	Q1			Q2			1S		
	Q12003	Q12004	Ch	Q22003	Q22004	Ch	1S2003	1S2004	Ch
<b>REVPAR Comparable Europe</b>	<b>45,47</b>	<b>44,26</b>	<b>-2,7%</b>	<b>51,42</b>	<b>51,88</b>	<b>0,9%</b>	<b>48,46</b>	<b>48,07</b>	<b>-0,8%</b>
Occupancy	56,43	57,07	1,1%	64,87	67,55	4,1%	60,67	62,31	2,7%
ADR	80,59	77,57	-3,7%	79,27	76,8	-3,1%	79,88	77,15	-3,4%
<b>Group Revenues</b>	<b>206,95</b>	<b>219,51</b>	<b>6,1%</b>	<b>251,25</b>	<b>249,48</b>	<b>-0,7%</b>	<b>458,2</b>	<b>468,99</b>	<b>2,4%</b>
Hotel Revenues	202,36	192,05	-5,1%	235,48	229,13	-2,7%	437,84	421,18	-3,8%
Real Estate Revenues	4,59	27,45	498,0%	15,77	20,35	29,0%	20,36	47,8	134,8%
<b>GOP</b>	<b>63,52</b>	<b>80,03</b>	<b>26,0%</b>	<b>88,77</b>	<b>101,65</b>	<b>14,5%</b>	<b>152,29</b>	<b>181,68</b>	<b>19,3%</b>
<b>EBITDA</b>									
Spain	19,22	11,24	-41,5%	28,73	23,95	-16,6%	47,95	35,19	-26,6%
Benelux	9,8	11,47	17,0%	19,96	21,76	9,0%	29,76	33,23	11,7%
Germany	-4,19	-5,28	-26,0%	-3,58	-1,94	45,8%	-7,77	-7,22	-7,1%
Swit+Austria	-1,41	-1,08	23,4%	-1,19	-0,13	89,1%	-2,6	-1,21	-53,5%
Americas	3,65	3,81	4,4%	3,72	2,74	-26,3%	7,37	6,55	-11,1%
Corporate	-5,56	-5,99	-7,7%	-7,09	-5,53	22,0%	-12,65	-11,52	-8,9%
HOTELS	<u>21,51</u>	<u>14,17</u>	<u>-34,1%</u>	<u>40,53</u>	<u>40,84</u>	<u>0,8%</u>	<u>62,04</u>	<u>55,01</u>	<u>-11,3%</u>
Sotogrande	2,05	23,73	1057,6%	6,25	15,94	155,0%	8,3	39,67	378,0%
<b>TOTAL EBITDA</b>	<b><u>23,56</u></b>	<b><u>37,9</u></b>	<b><u>60,9%</u></b>	<b><u>46,78</u></b>	<b><u>56,78</u></b>	<b><u>21,4%</u></b>	<b><u>70,34</u></b>	<b><u>94,68</u></b>	<b><u>34,6%</u></b>
<b>Net Profit</b>	<b>-3,62</b>	<b>1,52</b>	<b>-142,0%</b>	<b>29,96</b>	<b>19,35</b>	<b>-35,4%</b>	<b>26,34</b>	<b>20,87</b>	<b>-20,8%</b>

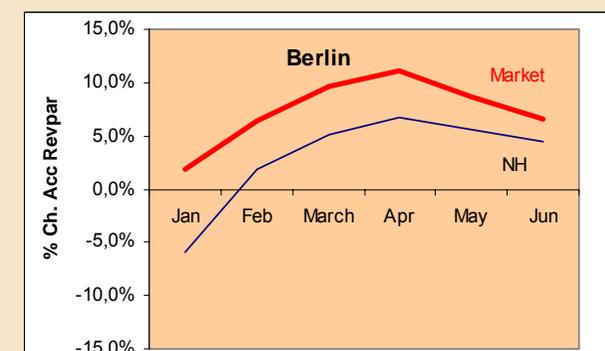
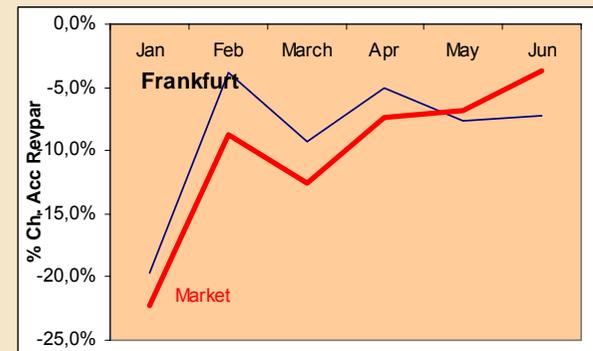
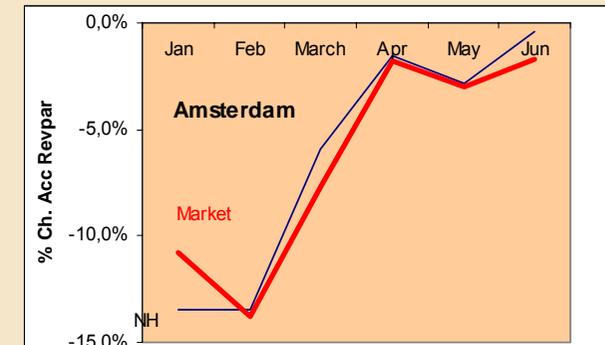
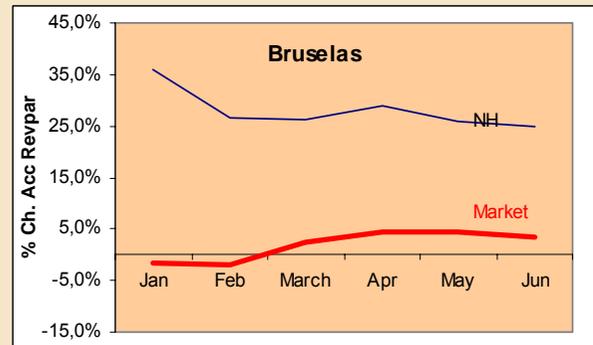
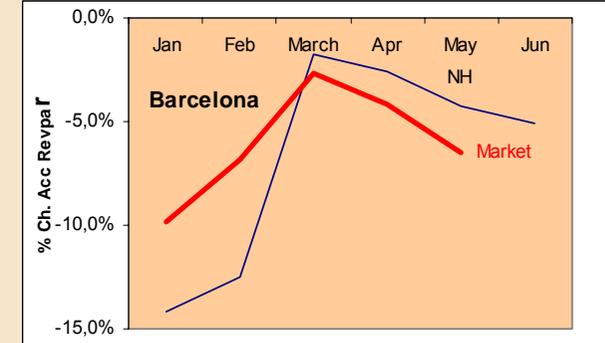
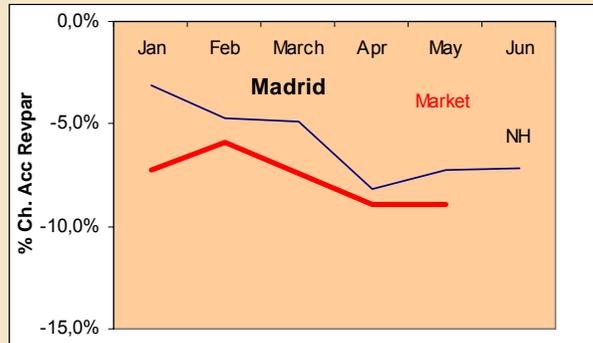




## REVPAR Performance in main cities

### RevPar NH Hotels vs D&T Survey in European cities

		June 2004	
		NH	Market
Madrid	YTD	-7,1%	NA
	Month	-6,1%	NA
Barcelona	YTD	-5,1%	NA
	Month	-8,7%	NA
Amsterdam	YTD	-0,4%	-1,7%
	Month	11,0%	12,6%
Bruselas	YTD	24,8%	3,3%
	Month	20,8%	-1,7%
Frankfurt	YTD	-7,2%	-3,7%
	Month	26,9%	15,7%
Berlin	YTD	4,5%	6,6%
	Month	0,3%	-1,8%





## BUs Highlights in Jan-June 2004

### Spain the main concern

- The focus is on sales and savings plan to improve results.
- New Supply is putting pressure in rates but occupancy remains stable
- EBITDA decreased by 27% yoy in the first half of 2004 (-41.5% in Q1 and -16.6% in Q2)

### Benelux, improved efficiency

- €10.5m of annualised savings achieved up to date.
- Reorganisation of the BU in 12 clusters and a more efficient revenue management helped for better results.
- The focus is to increase market share in MCI and Business group segments
- Sales are 3.5% lower but EBITDA increased by 12%

### Germany bottoming up

- Occupancy is higher and there is a growing trend in ADRs. Sales increased 12%.
- The efforts made to enhance product quality and improve revenue management are giving first results.
- GOP increases by 17% and EBITDA losses are reduced to €-1.9m in Q2.

### Switz&Austria, brand consolidation

- RevPar increased upon strong occupancy. Sales increased by 14.8%
- Cost savings at all levels and capex control.
- GOP is 60% up, EBITDA break-even almost reached in Q2 2004.

### The Americas, the market turned around

- Mercosur continues its strong recovery: €1.95m EBITDA increased by €118%, despite the effect of local currency, and reported net profit of €419,000.
- Mexico is positively affected by the cost savings plan. EBITDA in comparable hotels increased by 4% in local currency.



- Confirmed sales not yet reflected in the accounts at June 30 amount to €73.51M, 98% more than the €37.19M reported at June 2003
- The EBITDA contribution made by these sales is estimated at around €43m split between 2004 and the two following years.
- The sale of a large plot for €21M, with an EBITDA contribution of €19.6M. The plot has a building area of 25,249 m2.
- EBITDA from property sales: €39,67M, compared to €8,3M in June 2003.

### Important revaluation of Sotogrande in 2003

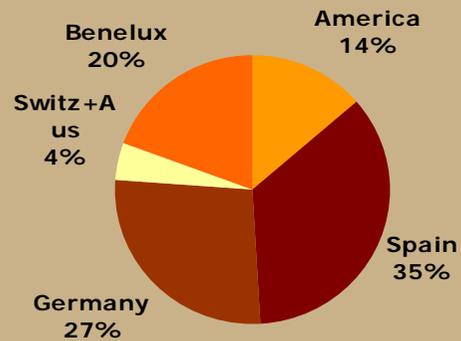
- Close to three million m2 of land for sale, as well as other property assets. Auguste Thouard valued the property assets at around €900m.
- Better recognition of its intrinsic value: 24% revaluation of the share price since the end of 2002 end. At €8/sh. the current market cap is €335m (free-float is a mere 4% of share capital).



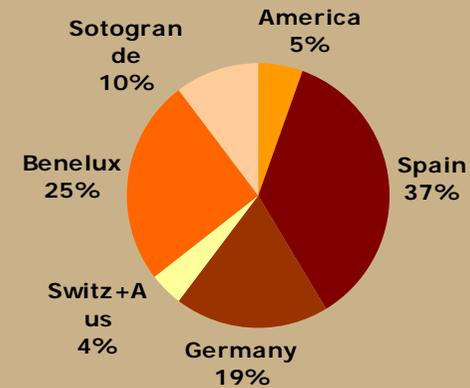


## Jan-June 2004 Contribution of the Business Units

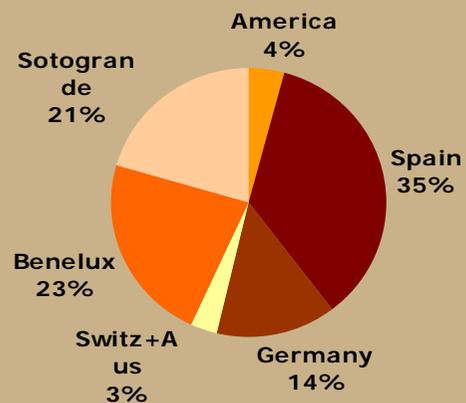
**NH Group Rooms: 34,397**



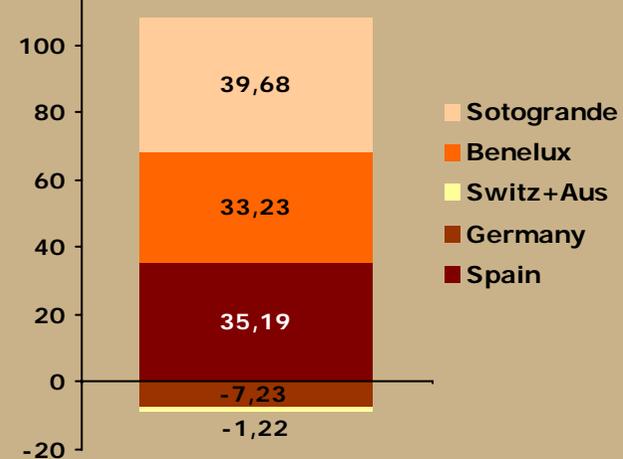
**NH Group Sales: €468.98m**



**NH Group GOP: €181.68m**



**NH Group EBITDA: €94.7m**





## Better financial structure

- The recent refinancing transaction helped for a more flexible financial structure
  - Oversubscription led the initial amount to be increased from €250m to €350m
  - With a term of 6 years it has been subscribed by 24 banks, leaders being BBVA, SCH, Caja Madrid and ABN AMRO
  - The loan brings the actual interest rate down from a band between 0.75 and 2.00 above Euribor to a band of between 0.6 and 0.9 above Euribor

- Net Debt as for June 30: €509.3m (-20% vs. Jan 2003 and +6.7% vs. Dec 2003 due to the dividend payment and the redemption of Krasnapolsky preferent shares)
- Improved Gearing ratios: Net Debt/Equity stands at 0.61x vs. 0.75x in June 2003

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**What to leverage on...**

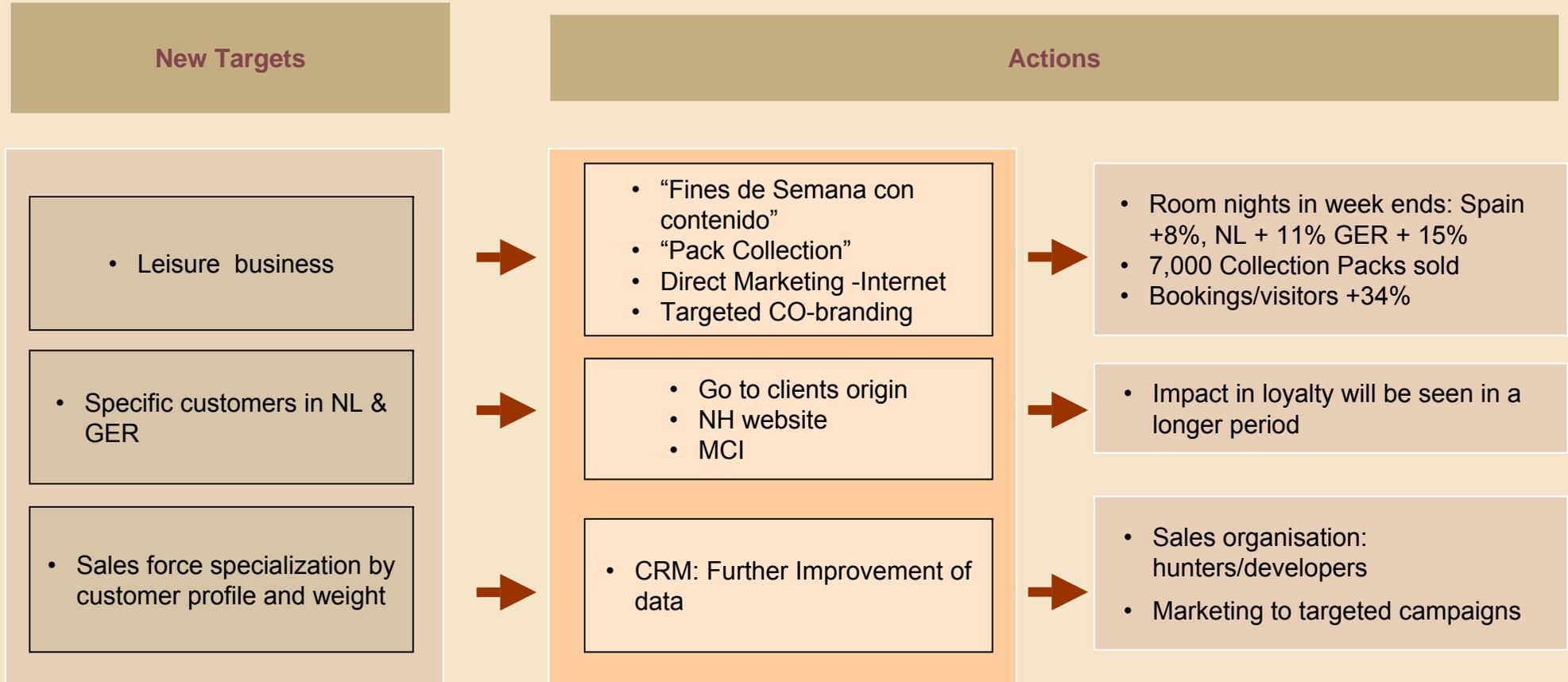
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**... and What to improve**

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## IT tools implementation is now completed

The improved IT infrastructure must now be converted into products and sales:

- CRS
- E-commerce
- NHW

- The implementation of Oracle Project, Phase 1 is completed.
- This made possible to launch other two related projects:
  - New Internal CRS
  - Loyalty program NHW
- New Website launched, research and bookings engines working, usability and surfing projects completed, web pages redesigned.

The first results of on line sales are encouraging:

- Visits converted into bookings increased by 34%
- Online revenue advanced by 180%





- **NHUBE** has proved to be a successful project and is to be implemented in more hotels
- With only one year opened, operating margin is gradually increasing to current 20%
- New Nhube Cartagena (Feb 2004) and San Sebastián de los Reyes (May 2004).



- **FAST GOOD** has resulted a great business with an average of 375 clients/day.
- It will be further developed, starting with new projects in Spain.
- With only four months opened, operating margin is currently above the target of GOP/sales 18%



- **Ancillary sales**
  - The sale of amenities “Agua de la Tierra” are helping to improve revenue/customer in the hotels
  - The Initiative “Collection Pack” (7,000 units sold in three months) also helped to increase hotel sales



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## Spain is the today the main concern...

- The competition is tougher in Madrid and Barcelona
- The increase in leisure clients allows for stable occupancy levels but results in lower ADR.
- The Business Group segment is also affected by the “11M impact”
- The Forum 2004 in Barcelona is not resulting as expected.
- The visibility is poor, reservations are made with less anticipation.

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- Hotel revenues decreased by 9.2% (€17m) mainly due to the sale of Princesa Sofía (€16m sales in h103) but also to the decline of 4.6% in sales of comparable hotels (€7.5m)

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- **Cross-selling is a MUST:**
    - Spain BU to take advantage of the more stable international sales structure of the group.
  - **Focus on specific sales targets:**
    - Public administration
    - Layovers (airport)
    - TTOO



**...But it is a growing market for NH Hoteles**

Market position  
And organic growth

- NH is the best recognized brand in Spain, well above the rest of its competitors. The suggested brand awareness is a 95%.
- With 107 hotels in Spain (11,979 rooms) NH ranks second in the urban hotel market, with 9% share.
- Its market position will be further consolidated with 17 new projects signed (2,124 rooms).
- NH Hoteles will continue its organic growth strategy, specially when a difficult environment may bring up attractive opportunities.

**Total new supply in main cities  
Source HVS (December 2003)**

New supply	Existing Supply	Proposed Supply 2004 and 2005	% growth
Madrid	22.234	4.795	21,6%
NH Market share	17,0%	16,2%	
Barcelona	17.704	5.854	33,1%
NH Market share	8,4%	8,0%	

**NH Portfolio in Madrid and Barcelona**

City	NH Portfolio	N Rooms	% growth Pipeline 2004-2005
	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%



## Germany: The challenge for NH Hoteles

### Market position

- With 53 hotels in Germany (9,085 rooms) NH ranks third in the German urban hotel market.
- In 2003 the brand awareness improved from a 14% to a 26%, and is not far from the most important brands in the market.

### 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.
  - Leasing costs are indexed at below the rate of inflation.

### Leverage will be reduced

- Lease contracts are under revision, some of them to be turned into management contracts. Two contracts have been renovated with better financial conditions.
- Only two projects remain in the pipeline: Hamburg Airport (286 rooms) and Nürnberg City (244 rooms), both of very high interest for NH Hoteles.



## Germany: The challenge for NH Hoteles

### Further steps given to improve the market positioning and the operating performance

#### Group Desk

- Centralised management of Groups and MCI. High conversion rate of 21% of requested sales. First results obtained in Q2 2004 mainly in lunch events.

#### Revenue Management

- New Revenue management appointed with a 6 people team. The project started in Munich with good results (RevPar +10.5%)

#### Cross-Selling

- First results from cross-selling achieved in Q2 2004. Increased number of clients from other business units and from NH international sales offices
- The international clients not only contribute to reduce the 95% weight of local clients but also allow for higher ADR.
- Special project in UK aimed at the financial district of Frankfurt.

#### Sales

- New segments targeted: crews, consulting companies, IT companies and long stay bookings.
- Airport project: Taking advantage of the airport hotels (NH Frankfurt Airport and NH Munich Airport) to approach layovers and additional crews.

#### Product /Quality

- Target of compliance to 85% of NH standards in product is progressing well. New F&B concepts already implemented (breakfasts, coffee-breaks and buffet lunch). WiFi installation completed. Initial training executed and continues at all levels.

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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 continue working on efficiency and productivity.
  - To achieve full homogeneity and NH quality standards within the whole portfolio.
  - To improve the international client base.
  - To enhance NH brand awareness.
  - To take advantage of improved IT tools
  - To introduce innovative F&B products like "nHube" and "Fast Good".





## Important Note

### Disclaimer

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- Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors.
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