

CORPORATE PRESENTATION

June 2005



nh
HOTELES

NH Hoteles: A real multinational company ready to grow

Facing the challenges in Spain and Germany

Long term strategy: Looking for profitable growth opportunities

NH is today a fully integrated multinational company



- **One solid brand and homogeneous product**
- **242 hotels operated in 18 countries with 35,241 rooms and 27 new projects with 4,109 rooms to be opened over the next years.**
- **A more efficient and flexible organisation. The restructuring and centralisation process was completed in a record period**



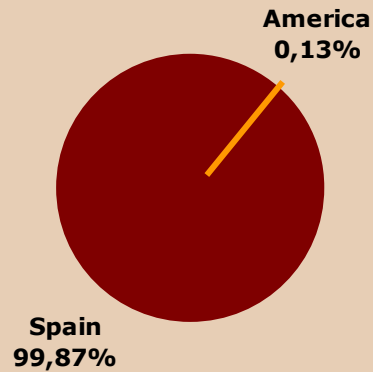
The IT infrastructures are now converted into sales

- **One single inventory CRS**
- **New website, research and bookings engines with solutions for all NH speakers:**
 - **MY NH**
 - **CLIENT PAGE**
 - **Employees page and trade page**
- **Express Check-out**
- **Loyalty program NHW: 79,000 members jointed the program from October 2004 to May 2005.**
- **Development of the market segmentation tools**
- **Management Information Systems: budgeting, reporting, administration, HHRR... centralised, faster and lower costs**

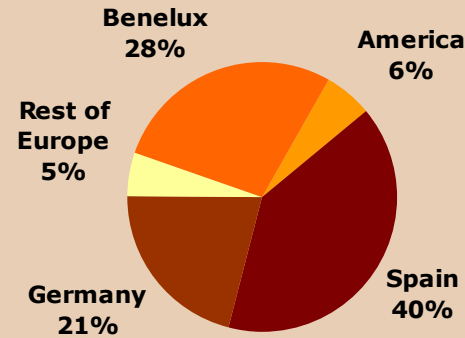
**A process of internationalisation and risk diversification:
From 1999 to 2004**



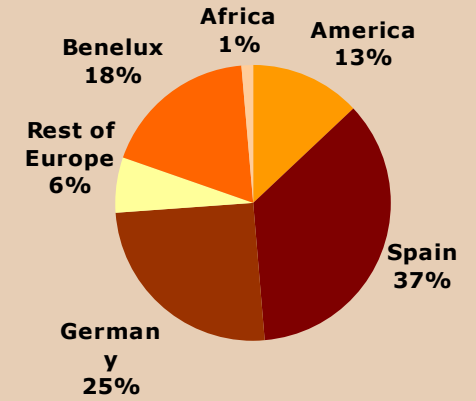
Sales from Hotel activity 1999
€269.66m



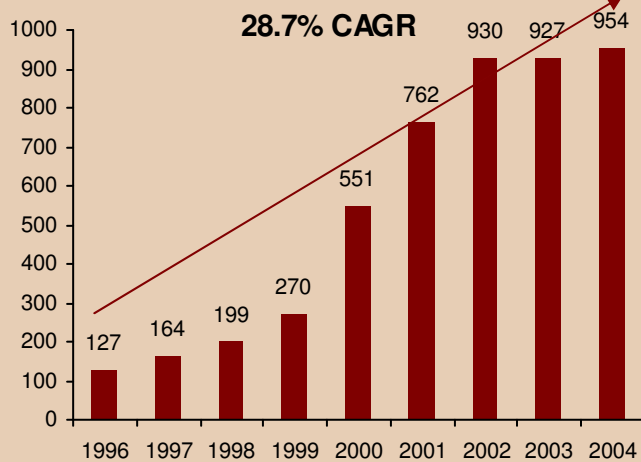
Sales from Hotel activity 2004
€855.32m



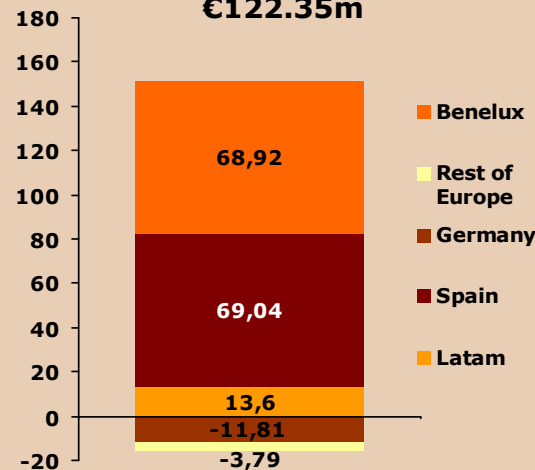
NH Group Rooms: 35,241



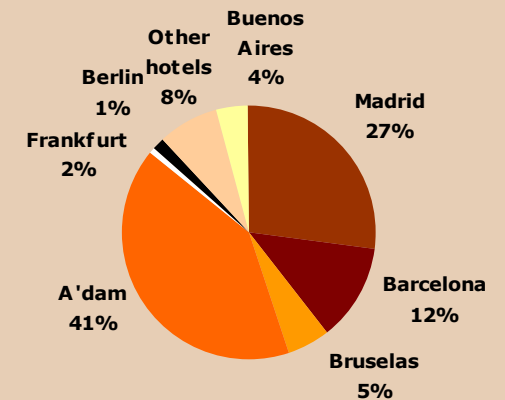
Performance of Revenues:



2004 EBITDA from hotels:
€122.35m



2004 EBITDA in main cities





An excellent work done in reducing costs

NH Hoteles is today a reference of efficiency in the hotel industry

- With a €30m target from July 03 to December 04, the Cost Savings Plan succeeded in achieving €9m in 2003, €38m in 2004 and additional €9.5m in the first quarter of 2005.
- In comparable hotels, the ratio of FTE per occupied room is 5.4% lower than one year ago and the total operating expenses per occupied room is 4.2% lower.
- The new rooms added to the portfolio helped for a better distribution of costs: In total hotels FTE/occupied room is 8% lower than in 2003 and operating expenses per occupied room improved by 7%.

Total Hotels	12m 2004	12m 2003	% Var
Average number of rooms	30.859	30.767	0,3%
Occupied rooms per day	19.376	18.657	3,9%
Average number of FTE	11.011	11.512	-4,4%
FTE per room	0,36	0,37	-2,7%
Staff Cost per available room (€/day)	26,35	26,99	-2,4%
Staff Cost & Other exp per available room (€/day)	45,03	46,76	-3,7%
FTE per occupied room	0,57	0,62	-7,9%
Staff Cost per occupied room (€/day)	41,97	44,51	-5,7%
Staff Cost & Other expenses per occ room (€/day)	71,71	77,11	-7,0%



Good Performance in the first four months of 2005

	Jan-March			Month of April			Jan-April		
	REVPAR			REVPAR			REVPAR		
	2005	2004	% Var	2005	2004	% Var	2005	2004	% Var
Spain Comparable	48,09	50,17	-4,14%	58,63	52,25	12,20%	50,73	50,69	0,08%
Holland&Belgium&Other Comparable	52,33	49,20	6,36%	68,12	64,31	5,93%	56,28	52,99	6,21%
Swt&Austria&Hungary Comparable	34,36	30,81	11,52%	44,75	41,96	6,63%	36,96	33,59	10,02%
Germany Comparable	32,45	32,33	0,35%	42,29	31,81	32,95%	34,91	32,15	8,59%
Total Europe Comparable	43,35	43,26	0,20%	54,89	47,86	14,69%	46,24	44,39	4,15%



Strategic steps taken in the first months of 2005

- **Acquisition of 38% of NH Mexico from the minority shareholders**
- **Acquisition of 20% of Astron from the minority shareholders**
- **NH hotels opened during early 2005:**
 - **Opening of NH Harrington Hall, in London with 200 rooms under management**
 - **Opening of a large convention centre in Seville with 2 hotels (252 rooms)**
 - **Opening of NH Pacifico (62 rooms) and NH Alcorcón (102 rooms), both with a new “Nhube“, in Madrid**
 - **Opening of NH Puebla, with 128 rooms, in Mexico**
- **New projects added to the chain: NH Querétaro (Mexico) with 140 rooms, NH Badajoz (Spain), a 5-stars hotel with 60 rooms, and NH Santo Stefano in Turin (Italy) with 128 rooms.**
- **Negotiations to increase the NH offer in Buenos Aires**
- **Disposal or cancellation of contracts: Since July 2002 NH Hoteles has sold 17 hotels for €260m. The most recent transactions are:**
 - **In Spain, sale&lease back of NH Sport and NH Alcorcón.**
 - **Disposal of NH Oostende (Belgium)**
 - **Cancellation of lease contract of NH Tlaneplanta (Mexico)**



NH stands out for its constant innovation

- **New Rooms:** Innovative materials, standardisation, mobile elements, interior design...
- **New Services:**
 - **External:** Express Check-Out, WiFi, Loyalty program, new web
 - **Internal:**
 - **New Intranet**
 - **PDI+High Talent Program:** This program assures a new management generation
- **New Products:**
 - **Nhube:** 8 currently opened and 12 planned for 2005
 - **Fast good:** A new culture. Amazing success in the media.
 - **“NH Pack Collection”:** 10,800 packs sold (almost €1m revenues)
 - **Weekend With Content (30 different offers):** In the start-up phase more than 1,200 clients joint 82 different activities.
 - **Agua de la Tierra:** Launched in 2004. 10,371 bottles sold.
 - **Short Story Mario Vargas Llosa Awards.** More than 2m copies printed, now English and German versions.
- **NH Idea:** Only in 2004, 564 ideas and 21 suggested projects from NH employees. 76 ideas more in Q12005.





Sotogrande: Proven track record of growth



NH Almenara Golf Hotel & Spa was awarded the 2003 Conde Nast Johansen's 'MOST EXCLUSIVE EUROPEAN SPA HOTEL' prize.

In January 2004 NH Almenara Golf Hotel & Spa entered SIM, a private association aimed at promoting Spain as a destination to the main CMI (Congress, Meetings and Incentives) operators in North America.

- Two million m2 of land for sale, as well as other property assets. External appraisals valued the property assets at around €850m.
- NH Almenara Golf Hotel & SPA, with 27 holes golf course and the newly opened NH Sotogrande hotel.
- La Reserva Golf Club, exclusive and private club with 18 holes golf course and another 18 holes in project.
- After a record year in 2004 for Sotogrande real estate activity, the trend looks set to continue in 2005. In Q105 ordinary sales grew by 70%.
- Confirmed sales at March 31 amount to €90.41m. with an EBITDA contribution of €49.6m.

Marketing Strategy

- Position Sotogrande as the highest quality resort of Costa del Sol
- Target investors/clients are Spanish, German, British and Northern European
- Sotogrande Long Term focus is on golf resort business
- Export Sotogrande brand and know-how to other projects



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Long term strategy: Looking for profitable growth opportunities



Spain is the today the main concern...

- **Occupancy at NH hotels in Spain is clearly improving. However, prices generally remain under pressure due to increased competition, particularly in Madrid and Barcelona.**
- **The special offers in the holidays seasons and week-ends are proving to be a success in terms of gaining market share in the leisure segment.**
- **In the business segment, occupancy levels are also growing with ADR reducing at lesser extent. Demand for the MCI segment (Meetings, Conventions and Incentives), worst-affected by 11th March events, has started to pick up again in the fourth quarter 2004 and first months of 2005.**
- **The most recent figures of the first four months of 2005 show that RevPar is growing for the first time after three years of negative performance.**



- **Cross-selling is a MUST:**
 - **Spain BU needs to take advantage of the more stable international sales structure of the group.**



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

NH is improving its market position in Spain through 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 112 hotels in Spain (12,500 rooms), NH ranks second in the urban hotel market, with 9% share.
- Its market position will be further consolidated with 16 new projects signed (1,934 rooms).
- NH Hoteles will continue its organic growth strategy, specially when a difficult environment may bring up attractive opportunities.
- The new supply growth is slowing down after 2006. No new projects have been announced over the past two years.

Total new supply in Madrid and Barcelona Source HVS)

City and Outskirts	MADRID	BARCELONA
2004 Total existing supply	26.602	21.577
Growth 2004 vs. 2003	19,6%	14,0%
Total proposed supply 2005-2008	7.558	6.004
% Growth s/2004	28,41%	27,83%
% Growth 2005/2004	15,42%	16,62%
% Growth 2006/2005	6,54%	4,86%
% Growth 2007/2006	0,57%	2,87%
% Growth 2008/2007	3,83%	1,61%





Germany, the results from the internal efforts

The challenge in Germany

- With 52 hotels in Germany (8,867 rooms) NH ranks third in the German urban hotel market. The brand awareness improved in the last months, from a 26% to a 36% (suggested).
- During the past two years the weakness of the German economy strongly hit the operating performance. Lower sales and fixed lease costs led to EBITDA losses.
- NH Germany is the most efficient part of the NH group measured by FTE/room.

NH is doing its best to return NH Germany into profitability:

Boosting Sales: Efforts aimed at improving management, products and capture clients.

- RevPar rose by 6% in 2004 and 8.6% in the first four months of 2005.
- More effective Yield Management policies.
- Efficient sales team in place and a completed data base of clients.
- Pro-active approach to key accounts and small&medium potential clients.
- The focus is on Corporate and MCI markets but also increasing Leisure in need-times.

Reducing operating costs and improving efficiency:

- In 2004 GOP at comparable hotels improved by 10%. Net cost-savings reached €3.9m.
- 82% of the rooms are above 50% level of compliance with NH standards in software, new F&B concepts, training, WiFi installation, etc... and 20% above 80% level.
- Lease agreements under renegotiation: Important savings at EBITDA level will help to reach break-even point.

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Strategic driving lines for the future: Ultimately, to keep up NH strong leadership in the urban hotel market specialised in business clients and to offer leisure alternatives

• **To continue growing in the NH core urban hotel business**

- To grow in markets where the NH product works and where there is growth potential
- Organic growth: 27 NH hotels signed (4,109 rooms), 82% of the rooms signed under lease or management contracts.
- Expansion in Italy: a fast-growing business for a branded chain.
- Analysis of new opportunities in Mexico, Argentina and Eastern Europe.

• **To expand into the Resort Segment**

• **“State of the Art” Resorts by Sotogrande**

- This strategy is to leverage on the brand recognition of Sotogrande to develop projects including Golf Resorts, Marinas and Real Estate developments.
- Sotogrande is involved in two projects: Donnafugata (Sicily) and Santa Bárbara in Castellón (Mediterranean coast of Spain)
- Sotogrande is analysing other projects in Europe and Caribbean area.

• **To develop high quality “all-inclusive” hotels, through organic expansion or acquisitions**

- NH Hoteles currently manages 8 resorts with 1,819 rooms: Three hotels located in Mexico (Puerto Vallarta, Cancún and Ixtapa), four in Costa del Sol (NH Almenara, NH Sotogrande, NH Marbella and NH Alanda), and one in Germany (Baden-Baden)
- Organic expansion plan aimed at signing management contracts in the Caribbean area.
- Analysis of opportunities arising to acquire portfolios.





Why entering into the Resort Segment?

The challenge of becoming global

- **Global players offer both “business” and “leisure” options.**
 - A Global hotel chain would offer its client “a place to work”, “a place to relax” and even “a place to live”.
 - The resort business would help to compensate the urban hotel cycle.
 - NH Hoteles would extend its offer to new geographical markets.

An alternative for profitable growth

- **Opportunities to continue growing into the European business hotel segment are today more limited.**
 - The strong real estate market conditions have led to a wide gap between the hotel valuations by professional hoteliers and the yields requested by private investors, real estate developers, banks or VC groups.
 - A more stable political environment together with a more favourable exchange rate conditions make projects in the \$-Area more attractive

Commercial synergies

- **The new distribution channels through internet are shared by both urban hotels and Resorts and allow for a direct access to clients.**
- **Commercial synergies between Resorts and urban hotels make it easier and more efficient to target new clients in new markets**

Thank you!



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