

Decorative retail which enhances one of our gastronomic spaces



ANNUAL REPORT 2011
CORPORATE RESPONSIBILITY

Wake Up
To a Better
World

NH
HOTELES



OUR PRESENCE IN THE WORLD

NH Hoteles in 2011:

397 hotels in 25 countries
59,052 rooms
19,600 employees
15 million customers

Wide presence in
America: 35 hotels
6,838 rooms

Argentina
Chile
Colombia
Dominican Republic
Mexico
United States
Uruguay
Venezuela

NEXT OPENINGS

Haiti
Panama

Leaders in Europe with holiday presence in Spain and Italy.
Europe: 360 hotels
51,974 rooms

| | |
|----------------|-----------------|
| Andorra | Luxembourg |
| Austria | Poland |
| Belgium | Portugal |
| Czech Republic | Romania |
| France | Spain |
| Germany | Switzerland |
| Hungary | The Netherlands |
| Italy | United Kingdom |

NEXT OPENING
Slovakia



Africa: 2 hotels
240 rooms

South Africa

www.nh-hotels.com

MESSAGE FROM THE CHAIRMAN OF NH HOTELES



Mariano Pérez Claver,
Chairman of NH Hoteles

Wake Up
To a Better
World

NH
HOTELES

The NH Hoteles corporate culture, based on a quality commitment to our customers and constant sustainable innovation, enables us to report a significant evolution in performance, the results of which I am honoured to present in this sixth Annual Corporate Responsibility Report 2011.

In 2011, NH Hoteles has redefined its model, size and organisation in order to manage its business more efficiently in the new competitive context. The organisational change is aimed at growing and boosting the Group's profitability by using a more functional structure, through greater integration of the Business Units, the markets in which we operate, the hotel brands and operation models, as well as strengthening commercial, operational and management skills.

We have finished the year with solid results. The main NH Hoteles figures at the close of 2011 reflect a considerable recovery compared to 2010. It is worth highlighting the strong cost-reduction policy maintained throughout the year, with particular efficiency in the latter months of 2011, as well as the intense commercial boost. This has all enabled the Group to generate an EBITDA of €202.4 million, a 37% increase compared to the previous year; the total revenue also increased by 7%, reaching €1.4 billion. I want to thank all of our employees, not only for their effort and commitment in the current climate, but also for their continued dedication to offering a quality service which has always made us stand out to our customers.

In addition to this, I am pleased to announce that in 2011 we exceeded the ambitious environmental objectives that we set ourselves. Thanks to the effectiveness of all of the programmes implemented, not only has the efficiency of NH Hoteles increased but we have also made a saving of €15.1 million on the energy consumed throughout the year.

We continue to incorporate improvements to the quality of our service; furthermore, customer comments have practically doubled compared to last year, reaching 210,000 due to an increase in the surveys received and the incorporation of online comments from external websites.

Also in 2011, our new Corporate Website was launched with the aim of offering global, transparent and effective communication to our stakeholders who are connected to NH in different ways, both with regard to our service offering and to our performance at all levels.

Another of the year's milestones was the approval of the new NH Hoteles Code of Conduct which covers all of the stakeholders and sets guidelines relating to each of them, strengthening our commitment to act in line with the most demanding ethical principles. As such, we promote trust and responsibility to everyone who shares our values and standards.

Furthermore, our commitment to society has been strengthened by collaborating on over 450 social projects in the communities where we operate, with the participation of 193 volunteers. For this reason, we have developed a global indicator system that will enable us to measure the social impact of the actions in progress.

We continue to work to offer high-quality sustainable services with the spirit of leadership that we are known for, in order to continue being the sector's leaders in sustainability and boost the Company's maximum performance.



Mariano Pérez Claver
Chairman of NH Hoteles

OUR SUSTAINABLE APPROACH

Our mission is to offer sustainable, consistent and efficient services to our stakeholders, integrating **the sustainable management of our business in the economic, environmental and social context, with our desire to be the sector's responsible company of reference.**

Our Values

- ⊕ People Focus
- ⊕ Innovation
- ⊕ Environmental Responsibility
- ⊕ Business Sense

BENEFITS AND OPPORTUNITIES OF SUSTAINABILITY IN NH HOTELES

Innovation

The **NH Sustainable Club** is already a prime example of the commitment to sustainable innovation and a source of the sector's key initiatives such as biodegradable amenities, LED lighting, cork recycling and sustainable lifts.

Savings and competitive advantage

The reduction of environmental consumption with significant operational cost savings on water, energy and gas which enable us to improve our competitiveness without reducing the quality of service that we are known for.

Commitment and Stakeholder engagement

Our **Corporate Responsibility (CR)** strategy enables us to ensure the **active collaboration with Customers, Employees, Suppliers and Society** in order to achieve sustainable development objectives. Initiatives like Ecomeeting or charity donations at the check out are examples of involving customers in our responsible commitment.

Brand differentiation

Our sustainable focus **increases brand value** and makes us stand out in the market, being a commercialisation lever in the Corporate Client and Consortiums segments which already assess the supplier's responsible commitment.

Long-term planning

CR implies integrating a vision with a greater perspective and analysing, not only the quarterly financial results, but also the **long-term impact.**



STAKEHOLDER INVOLVEMENT

In 2011, we continue to work to strengthen the dialogue with every stakeholder and tackle the challenges and opportunities that arise, trying to provide answers that **create value for the business** and for the interested parties.



| | CR Master Plan | Specific corporate webs | Satisfaction Surveys | Meetings and workshops | Participation in events and forums | Communication/Publication of Information | 2011 PROGRAMMES |
|--------------|----------------|-------------------------|----------------------|------------------------|------------------------------------|--|------------------------------------|
| Shareholders | ● | ● | ● | ● | | ● | New Shareholder Web |
| Customers | ● | ● | ● | ● | | ● | NH World update |
| Employees | ● | ● | | ● | ● | ● | New Code of Conduct complaints box |
| Suppliers | ● | ● | ● | ● | ● | ● | NH Sustainable Club |
| Environment | ● | ● | | ● | ● | ● | New Environment Web |
| Society | ● | ● | | ● | ● | ● | Up! For the People Strategy |

THE GLOBAL COMPACT



NH Hoteles **became a member in 2006**, integrating its 10 Principles as a reference framework for responsible design and management. Our new Code of Conduct includes the fulfillment of international and sectorial ethical commitments which feature the **Global Compact Principles**.

CORPORATE RESPONSIBILITY MANAGEMENT SYSTEM

As part of the **2011-2013 Corporate Responsibility Management Plan**, in 2011, the Annual Plan was launched, approved by the CR Committee and the NH Hoteles Steering Committee, and backed by the Steering Committees of the Company's Business Units, thus consolidating the **transversal and global nature** of our sustainable focus.



2011 CORPORATE RESPONSIBILITY MILESTONES

- New **Code of Conduct**: it considers all stakeholders, making commitments in the relationship with each one of them.
- Successful launch of the **NH Hoteles Corporate Website www.corporate.nh-hotels.com**. New section on CR, information for shareholders and investors and the Environment.
- Consolidation of the web tool **Quality Focus On-line** that enables hotels to monitor customer satisfaction and promote plans for improvement within the quality management system.
- The success of the **3rd NH Sustainable Club Meeting (Milan)**, central to sustainable innovation with the most committed suppliers.
- **"Time For You,"** the new Performance Management system as a key tool for promoting talent.
- The objectives of the **Environmental Strategic Plan 2008-2012** were exceeded.
- First international hotel chain worldwide with **ISO 50001 Certification**, an international regulation concerning the Energy Management System, in some of its hotels.
- Consolidation of the **Up! For the People Community Involvement Action Plan** in all of the Business Units and creation of a scorecard with global indicators (KPI) concerning the social impact of our projects.

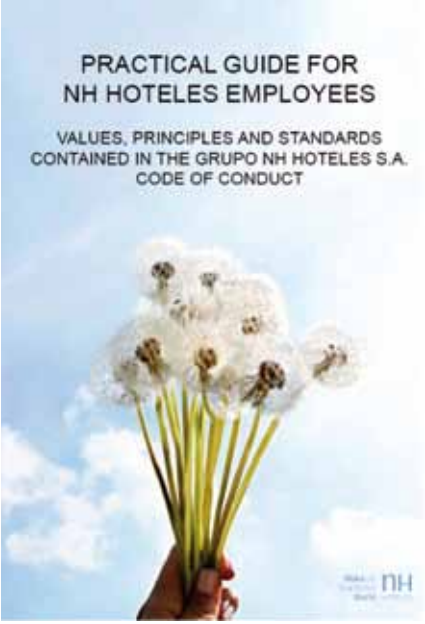
NEW NH HOTELES CODE OF CONDUCT

Approved by the Board of Directors in May 2011. It is binding on all Employees, Board Members, Shareholders, Suppliers and other stakeholders. Basis for the revision of the Code of Conduct:

- It incorporates preventive **measures for minimising the risks** to a legal entity of criminal liability for offences committed by their legal representatives or employees. In order to achieve this, it has an appropriate internal control system for protecting the Company from possible offences committed by related parties.
- Procedure concerning **conflicts of interest and related operations**.
- **Anonymous complaints channel** run by the Internal Audits Department. This guarantees confidentiality.

- It incorporates the fulfillment of **international and sectorial ethical commitments** such as the United Nations Global Compact, the World Tourism Organization Code of Ethics for Tourism and the ECPAT Code of Conduct.

The Code also has a **Practical Guide**, which details the rules and values of the Code in an informative way, and a document containing the **Most Frequently Asked Questions**, which reflects aspects such as its binding nature, confidentiality in the processing of complaints and the anonymity of the channel.



INITIATIVES AND ALLIANCES

- ⊕ **World Travel & Tourism Council (W TTC)**. NH Hoteles has formed part of this platform for four years, with the support of senior management at the top one hundred companies in the tourism world.
- ⊕ **International Tourism Partnership (ITP)**. In 2011, two events have been held jointly with this international platform which brings together the leaders in sustainability from the tourism sector.
- ⊕ **Club de Excelencia en Sostenibilidad**. We form part of these working groups of this organisation, the aim of which is to promote sustainable development in the Spanish business sector.

In NH Hoteles we promote Sustainable Development.

⊕ Forum for Corporate Responsibility with Entrepreneurs.

In 2011 we joined this forum that was set up by Accenture, the IE Business School and the Bankinter Innovation Foundation to promote entrepreneurs from the CR model.

⊕ European Conference on Tourism.

Participation in the initiative organized by the Hungarian Presidency and the Council of the European Union in Budapest to strengthen the development of sustainable tourism at European destinations. NH Hoteles was invited to share its best practices as it is regarded as Europe's responsible hotel company of reference.

⊕ The Fundar Corporate Volunteer Work Study.

Participation in the study evaluating the impact of volunteer work in improving performance.

⊕ Academic Collaboration.

NH Hoteles Case for studying CR practices at IESE (Spain), Universidad Antonio de Nebrija (Spain), Universidad Rey Juan Carlos (Spain), Universidad de Huelva (Spain) and Hospitality Glion Institute (Switzerland).

⊕ Agreement with the Instituto Cervantes.

Global partnership that facilitates the international visibility of both parties and allows for greater dissemination of their commitment to culture.

2011 CORPORATE AWARDS AND RECOGNITIONS

→ "Key Audience Research" (KAR) Study. NH Hoteles has been rated as one of the best hotel chains.

→ El Economista Ranking. With 35% of votes, NH Hoteles was voted the tourism sector company best appreciated by the newspaper's readers.

→ Sector leader in MercoEmpresas 2011. NH Hoteles has again been recognised as the Company with the Best Reputation in the Spanish Tourism Sector, ranking 18th in the general classification.

→ MercoEmpresas Responsables 2011. NH Hoteles is the sector's only company listed in this new ranking that includes Spain's 50 most responsible companies.

→ European Hotel Design Awards to the NH Palacio de Tepa (Madrid, Spain).

→ Condé Nast Traveller Prize. The Secrets Royal Beach Punta Cana hotel won the prize in the Best International Resort category.

→ Best New Hotelier Award. Jordi Caralt, Director General of NH Resorts, was awarded the best new hotelier award at the International Tourism Fair (WTM) in London.



ECONOMIC PERFORMANCE

WHO WE ARE

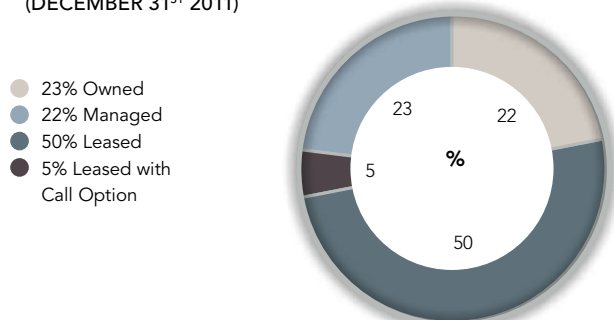
NH Hoteles is a chain that offers hotel services in **25 countries** in Europe, America and Africa. In 2011, our portfolio had **397 hotels**, including urban and holiday establishments, with a total of **59,052 rooms**.

KEY FIGURES

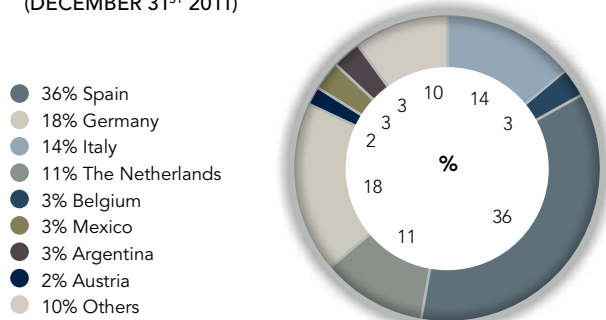
NH HOTELES PORTFOLIO BREAKDOWN (31ST DECEMBER 2011)

| | TOTAL | | LEASED | | OWNED | | MANAGED | |
|--|------------|---------------|------------|---------------|-----------|---------------|-----------|---------------|
| | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms | Hotels | Rooms |
| TOTAL NH HOTELES | 397 | 59,052 | 225 | 32,488 | 82 | 13,628 | 90 | 12,936 |
| EUROPE | | | | | | | | |
| Spain | 176 | 21,119 | 96 | 10,995 | 15 | 2,229 | 65 | 7,895 |
| Germany | 60 | 10,655 | 55 | 9,651 | 5 | 1,004 | 0 | 0 |
| Italy | 53 | 8,287 | 32 | 5,289 | 15 | 2,280 | 6 | 718 |
| The Netherlands | 35 | 6,509 | 16 | 2,441 | 18 | 3,988 | 1 | 80 |
| Belgium | 10 | 1,550 | 2 | 434 | 8 | 1,116 | 0 | 0 |
| Austria | 6 | 1,183 | 6 | 1,183 | 0 | 0 | 0 | 0 |
| Switzerland | 4 | 522 | 3 | 400 | 1 | 122 | 0 | 0 |
| United Kingdom | 3 | 533 | 1 | 121 | 0 | 0 | 2 | 412 |
| France | 3 | 556 | 2 | 397 | 0 | 0 | 1 | 159 |
| Czech Republic | 2 | 271 | 1 | 134 | 0 | 0 | 1 | 137 |
| Portugal | 2 | 165 | 2 | 165 | 0 | 0 | 0 | 0 |
| Romania | 2 | 161 | 1 | 83 | 0 | 0 | 1 | 78 |
| Hungary | 1 | 160 | 1 | 160 | 0 | 0 | 0 | 0 |
| Luxembourg | 1 | 148 | 1 | 148 | 0 | 0 | 0 | 0 |
| Poland | 1 | 93 | 0 | 0 | 0 | 0 | 1 | 93 |
| Andorra | 1 | 60 | 0 | 0 | 0 | 0 | 1 | 60 |
| TOTAL EUROPE | 360 | 51,972 | 219 | 31,601 | 62 | 10,739 | 79 | 9,632 |
| LATIN AMERICA AND CARIBBEAN | | | | | | | | |
| Mexico | 13 | 2,040 | 5 | 689 | 4 | 681 | 4 | 670 |
| Argentina | 13 | 2,049 | 0 | 0 | 11 | 1,524 | 2 | 525 |
| Dominican Republic | 2 | 1,015 | 0 | 0 | 0 | 0 | 2 | 1,015 |
| Venezuela | 3 | 1,094 | 0 | 0 | 0 | 0 | 3 | 1,094 |
| Colombia | 1 | 140 | 0 | 0 | 1 | 140 | 0 | 0 |
| Uruguay | 1 | 136 | 0 | 0 | 1 | 136 | 0 | 0 |
| Chile | 1 | 122 | 0 | 0 | 1 | 122 | 0 | 0 |
| TOTAL LATIN AMERICA AND CARIBBEAN | 34 | 6,596 | 5 | 689 | 18 | 2,603 | 11 | 3,304 |
| AFRICA | | | | | | | | |
| South Africa | 2 | 242 | 1 | 198 | 1 | 44 | 0 | 0 |
| TOTAL AFRICA | 2 | 242 | 1 | 198 | 1 | 44 | 0 | 0 |
| USA | | | | | | | | |
| United States | 1 | 242 | 0 | 0 | 1 | 242 | 0 | 0 |
| TOTAL USA | 1 | 242 | 0 | 0 | 1 | 242 | 0 | 0 |

BREAKDOWN BY ROOMS
(DECEMBER 31ST 2011)



BREAKDOWN OF ROOMS PER COUNTRY
(DECEMBER 31ST 2011)





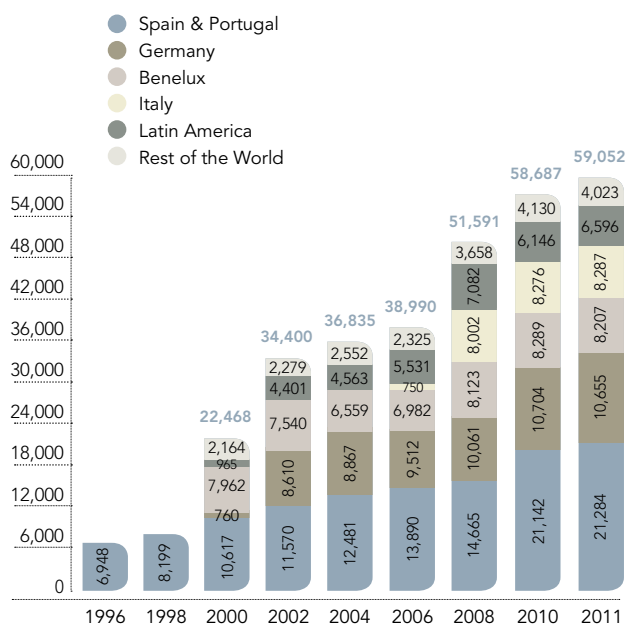
OPENINGS

HOTELS OPENED FROM 1ST JANUARY TO 31ST DECEMBER 2011

| HOTELS | CITY | ROOMS |
|-----------------------------------|--------------------------|--------------|
| NH Lingotto | Turin, Italy | 240 |
| NH Lingotto Tech | Turin, Italy | 140 |
| NH Ribera del Manzanares | Madrid, Spain | 224 |
| Hesperia WTC Valencia (Extension) | Valencia, Venezuela | 170 |
| NH Castellar | Cadiz, Spain | 74 |
| NH Algeciras Suites | Algeciras, Spain | 73 |
| NH Frankfurt Messe | Frankfurt, Germany | 62 |
| NH Bogotá 93 | Bogota, Colombia | 140 |
| NH Diagonal Center | Barcelona, Spain | 138 |
| NH Provincial (Extension) | Mar del Plata, Argentina | 155 |
| TOTAL New Openings | | 1,416 |

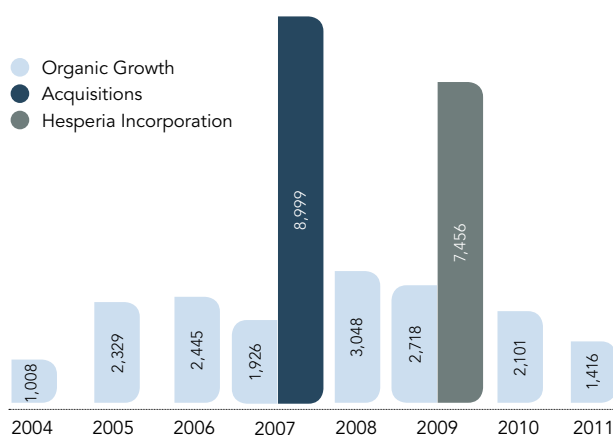
CONTINUOUS GROWTH NUMBER OF ROOMS 1996-2011

Compound annual growth: +14%



PERFORMANCE OF OPENINGS AND INCORPORATIONS

By number of rooms



INTERNATIONAL DEVELOPMENT

The growth strategy, mainly based on lower capital intensive formats, bore fruits in 2011 with 100% of the projects signed under the management formula.

NEW HOTEL AGREEMENTS FROM JANUARY 1ST TO DECEMBER 31ST 2011

| CITY | ROOMS | OPEN |
|----------------------|------------|------|
| Cadiz, Spain | 74 | 2011 |
| Teruel, Spain | 56 | 2013 |
| Bratislava, Slovakia | 116 | 2012 |
| Turin, Italy | 159 | 2013 |
| Guadalajara, Mexico | 135 | 2013 |
| TOTAL | 540 | |

ASSET MANAGEMENT

In line with the Company's asset rationalisation Plan, it is worth pointing out the sale of 8 hotels (1,051 rooms) in 2011. Additionally, NH Hoteles sold the 67% of the proprietary company of the Hotel Lotti in Paris. The Group continues operating the hotel under management contract for two more years.



NH Bogotá 93 - Colombia

NH Hoteles enters Colombia.

NON-STRATEGIC ASSETS SALE

| HOTELS | COUNTRY | ROOMS |
|--------------------------|----------------------|-------|
| Hesperia Centurión | Cambrils, Spain | 211 |
| Hesperia Chalet del Golf | Gerona, Spain | 33 |
| NH Capo dei Greci | Sicily, Italy | 200 |
| NH Gottingen | Gottingen, Germany | 114 |
| NH Fuenlabrada | Madrid, Spain | 132 |
| NH Ligure | Turin, Italy | 169 |
| NH Lucerna | Lucerne, Switzerland | 110 |
| NH Genk Molenvijver | Genk, Belgium | 82 |
| TOTAL SOLD | 1,051 | |

As part of Operation Artos, NH Hoteles exercised an option to purchase that it held for 10 hotels operating under lease in Germany and Austria. Simultaneously, the Company sold five of the aforementioned hotels to the INVESCO investment fund, with which it signed a new operating lease agreement. The sale generated €28M of capital gains.

2011 RESULTS

The main NH Hoteles figures at 31st December 2011, show a **considerable recovery** compared to the results for 2010. The efforts made and the commercial boost have enabled the Company to generate an EBITDA of **€202.4M**, 37% more than the previous year. 79% of the EBITDA comes from the chain's operations in Benelux, Central Europe and America.

The total revenue of NH Hoteles at 31st December 2011, reached **€1,428.3M**, a 7% increase on the previous year. The Group's cumulative net profit shows a notable improvement of up to €6.2M euros based on a solid cost reduction policy, having achieved extremely high levels of operational efficiency during the latter months of 2011.

Furthermore, the Company's debt/EBITDA ratio was reduced by 6.5 times at the close of 2010, and by 4.5 times at 31st December 2011. In the last quarter of the year, NH Hoteles' net debt dropped more than €100M.

The chain's occupation levels at the end of the year were 65%, with a growth of 3.7%. All of the Business Units recorded RevPar increases (revenue per available room), particularly America with 7.4% and Benelux with 6.1%. The Company's comparable RevPar grew by 4.9% and the Group gained in market share in relation to the competitors in Barcelona, Brussels, Frankfurt and London.

MAIN FIGURES OF THE NH HOTELES GROUP AS AT 31ST DECEMBER 2011

| NH HOTELES, S.A. P&L ACCOUNT | | | |
|---------------------------------------|----------------|----------------|---------------|
| (€ million) | 2011 12M | 2010 12M | % var |
| Hotel Revenues | 1,339.2 | 1,292.8 | 3.6% |
| Real estate sales and other | 17.0 | 14.0 | 21.0% |
| Non-recurring Revenues | 72.1 | 28.0 | 157.6% |
| REVENUES | 1,428.3 | 1,334.8 | 7.0% |
| Real estate cost of sales | 2.0 | 3.0 | (32.9%) |
| Staff Cost | 479.9 | 478.3 | 0.3% |
| Operating expenses | 420.0 | 416.6 | 0.8% |
| Other Non-recurring expenses | 32.6 | 19.3 | 68.6% |
| GROSS OPERATING PROFIT | 493.8 | 417.6 | 18.3% |
| Lease payments and property taxes | 291.4 | 269.7 | 8.0% |
| EBITDA | 202.4 | 147.8 | 36.9% |
| Impairment | 15.3 | 9.4 | 62.7% |
| Depreciation | 119.0 | 123.2 | (3.4%) |
| EBIT | 68.1 | 15.2 | 348.6% |
| Market value derivatives | 6.6 | (0.7) | n/a |
| Interest expense | 51.3 | 42.7 | 20.1% |
| Non-recurring financial expenses | 1.9 | 24.2 | (92.1%) |
| Income from minority equity interests | 4.0 | 1.5 | 174.5% |
| EBT | 4.3 | (52.5) | 108.2% |
| Corporate income tax | (6.2) | (5.1) | 21.3% |
| NET INCOME before minorities | 10.5 | (47.4) | 122.1% |
| Minority interests | 4.3 | (6.1) | (169.5%) |
| NET INCOME | 6.2 | (41.3) | 115.1% |

2011 HIGHLIGHTS

⊕ Opening in Colombia

In 2011, the first hotel was opened in Colombia, the NH Bogotá 93. With this opening, the Group increases its presence on the continent, where it has a brand image and business model with a high level of acceptance in the eight countries where it offers 7,000 rooms.

⊕ Change in the Presidency of Sotogrande

The Chairman of NH Hoteles took over the Presidency of Sotogrande in September 2011, eliminating any duplicity in management and facilitating improvements.

⊕ Coperama



The purchasing platform, founded by NH Hoteles, which is also the majority shareholder, signed an agreement with the Zenit Hoteles chain in 2011. Along with the NH Hoteles, Hesperia, Husa and Sercotel chains, Zenit Hoteles uses the Coperama services for its purchases.

BOARD OF DIRECTORS (25TH APRIL 2012)

Chairman and CEO: **Mr. Mariano Pérez Claver**

Vice-Chairman: **Grupo Inversor Hesperia, S.A.** (represented by **Mr. José Antonio Castro Sousa**)

Members: **Mr. Iñaki Arratibel Olaziregi**
Corporación Financiera Caja de Madrid, S.A.
(represented by **Mr. Manuel Lagares**
Gómez-Abascal)
Ms. Rosalba Casiraghi
Mr. Roberto Cibeira Moreiras
Mr. Carlos González Fernández
Hoteles Participados S.L. (represented by
Mr. Ignacio Ezquiaga Domínguez)
Mr. Francisco Javier Illa Ruiz
Ms. Nuria Iturriagoitia Ripoll
Mr. Juan Llopart Pérez
Mr. Gilles Pélisson
Mr. José María López-Elola González
Sociedad de Promoción y Participación
Empresarial Caja Madrid S.A. (represented by
Mr. José Riva Francos)

Secretary/Non-Director: **Mr. José María Mas Millet**

Vice-Secretary (Non-Director): **Mr. Leopoldo González-Echenique Castellanos de Ubao**

Executive Committee (25th April 2012)

In January 2012 the Board of Directors decided to reactivate the Executive Committee, and designated the following members to the Committee:

Chairman: **Mr. Mariano Pérez Claver**

Members: **Grupo Inversor Hesperia, S.A.** (represented by
Mr. José Antonio Castro Sousa)
Mr. Iñaki Arratibel Olaziregi
Mr. Carlos González Fernández
Mr. Juan Llopart Pérez
Mr. Gilles Pélisson

Secretary/Non-Director: **Mr. José María Mas Millet**

Vice-Secretary (Non-Director): **Mr. Leopoldo González-Echenique Castellanos de Ubao**

Audit and Control Committee (25th April 2012)

In 2011 there was a change in the Audit Committee, after the independent director Mr. Antonio Viana-Baptista, who was the

chairman of the Audit and Control Committee, resigned, Mr. Carlos González Fernández having been appointed to replace him.

Following this change, the members of the Audit Committee are now as follows:

Chairman: **Mr. Carlos González Fernández**

Members: **Mr. Iñaki Arratibel Olaziregi**
Hoteles Participados S.L. (represented by
Mr. Ignacio Ezquiaga Domínguez)
Mr. Juan Llopart Pérez

Secretary: **Mr. Leopoldo González-Echenique Castellanos de Ubao**

Appointments and Compensation Committee (25th April 2012)

Chairman: **Ms. Nuria Iturriagoitia Ripoll**

Members: **Mr. Francisco Javier Illa Ruiz**
Sociedad de Promoción y Participación
Empresarial Caja Madrid S.A. (represented by
Mr. José Riva Francos)
Mr. Gilles Pélisson

Secretary: **Mr. José María Mas Millet**

Person in charge of the Annual Corporate Social Responsibility Report: **Ms. Nuria Iturriagoitia Ripoll**

Management Committee

The Board of Directors of NH Hoteles approved in 2011 a new organizational structure for the Group to develop its future strategy. To this end, the Company set up a Commercial Strategy and Development Division, and two new business support areas, the Resources Division and the Organisation and Systems Division.

Mr. Mariano Pérez Claver, Chairman & CEO
Mr. Mikael Andersson, Chief Commercial Officer
Mr. Ramón Aragonés Marín, Chief Operations Officer
Mr. Ignacio Aranguren Gonzalez-Tarrio, Chief Assets & Rents Officer
Mr. Íñigo Capell Arrieta, Chief Resources Officer
Mr. Roberto Chollet Ibarra, Chief Financial Officer
Mr. Leopoldo González-Echenique Castellanos de Ubao, General Counsel
Mr. Francisco Javier Matas Martínez, Chief Organization & Technology Officer
Mr. Francisco Alejandro Zinser Cieslik, Chief Strategy & Development Officer

SHAREHOLDERS

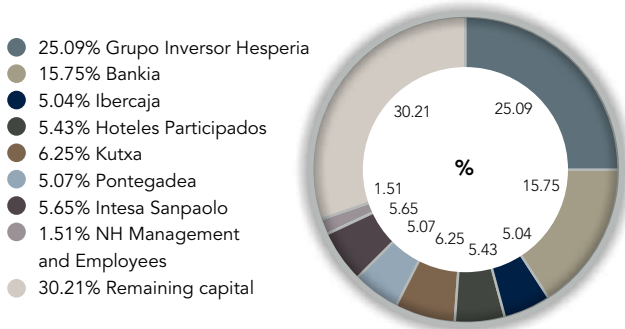


Shareholders are a very important stakeholder for NH Hoteles, with whom we enjoy a relationship based on reciprocal sustainable benefits and governed by **trust, transparency and ethics**.

"The year 2011 has been marked by the interest created by the announcement of the Chinese group HNA's entry in the capital, the suspension of the agreement at the end of the year, and the formal start of the refinancing of most of the Group's financial debt. During the financial year, we have continued to respond to analysts and investors with the greatest possible flexibility and efficiency and, in the interests of improving communication tools, we have worked to redesign our website for shareholders and investors, introducing major improvements."

Chema García, SVP Investments and Investor Relations

SHAREHOLDING STRUCTURE OF NH HOTELES ON 31ST DECEMBER 2011



RELATION WITH THE HNA GROUP

In May 2011, the strategic alliance with the Chinese group HNA was announced, the objective of which had three main elements: a rights issue in order to become one of the key partners, the creation of a joint venture to develop hotels in China, and a large commercial agreement to attract customers destined for Europe. In view of the volatility of the markets after August, in December 2011 the Chinese group announced its decision not to continue with the investment agreement, and was obliged to compensate the NH Hoteles group with compensation amounting to 15 million dollars.

FURTHER INFORMATION FOR SHAREHOLDERS AND INVESTORS

In the last quarter of 2011, the launch of the new Corporate Website <http://corporate.nh-hotels.com> updated the **Shareholders' Corner**, increasing the content and interactivity and enabling our shareholders and investors to have access to all of the financial, stock-market and corporate governance information and any additional data that may be of interest.

→ Electronic Shareholders' Forum

In line with the new provisions of the Spanish Stock Market Act, NH Hoteles has added the creation of the Electronic Shareholders' Forum to its articles of association and General Meeting Regulations. This Forum is active all year long so that shareholders can use it as a **permanent communication tool**, and not only in the run-up to a General Meeting. The web page offers the shareholder the possibility to exercise their electronic vote within the timeframe expressly established for the purposes of the Meeting.



Information report for the fourth consecutive year to Siri Company (Sustainable Investment Research International) and Eiris (Ethical Investment Research Services), sustainable investment managers who analyse the ethical, social, environmental and governance performance of Companies. In 2011, NH Hoteles participated once again in the **Carbon Disclosure Project (CDP)** as part of the Company's commitment in its management report to fight climate change and use investors as a source of information.

SHAREHOLDER CLUB

Initiative to reward shareholders with exclusive benefits. Shareholders earn 6% worth of credits for all the billed items (1 credit = €1), which they can exchange for free nights' accommodation and catering services.

CHANGES IN BY-LAWS AND REGULATIONS

In 2011, numerous amendments were approved to the text of the articles of association, to the **Board Regulations and Annual General Meeting**, for the purposes of adapting their content to the new Company Law legislation.

- Ban on restrictive clauses concerning the maximum number of votes, which translated into the removal of the former section 15 of the previous text of the articles of association. Likewise, new information and shareholder participation instruments have been introduced (such as the Electronic Shareholders' Forum) and the composition and powers of the Auditing Commission have been amended.
- The possibility of publishing the meeting announcement on the company web page (instead of in the provincial newspapers), in accordance with the provisions of Royal Decree 13/2010, of 3rd December, concerning measures in the fiscal and labour fields and liberalising actions to promote investment and job creation.
- Obligation to produce an Annual Directors' Remuneration Report that shall be circulated and put to the vote, in a consultative capacity, at the General Shareholders' Meeting in compliance with the provisions of the Sustainable Economy Act.

CUSTOMERS



Renovated room
in NH Grand Hotel Krasnapolski, Amsterdam - The Netherlands

For the NH Hoteles Group, **customer satisfaction** is a top priority. Process efficiency, transparent actions and treatment, ensuring the quality of service, are priorities for all employees of NH Hoteles.

"The big challenge for 2011 was to equip the Company with a system to measure and monitor customer satisfaction results – Quality Focus On-line – which would enable us to integrate in the same tool, accessible to all employees, more than 200,000 customer assessments and over 130,000 comments concerning all of our hotels, with the option to analyze the results for an individual hotel or several establishments online."

Javier Carazo, SVP Quality and Competition

EXCELLENCE IN QUALITY



NH Hoteles has implemented new ways to guarantee customer satisfaction and has consolidated the **Quality Focus On-line system**, with the development of new channels for customer

dialogue and advanced tools for analysing assessments and comments concerning the chain on the Internet, as well as comparing them to the competition. Quality Focus On-line is an internally developed application that enables us to check online any assessment and/or comment about our hotels from 11 defined web pages (Booking, Tripadvisor, Expedia, Atrápalo, etc.), including the results of **over 100,000 internal surveys** received from our customers.

Customer satisfaction is NH Hoteles' top priority.

OVERALL SCORE OF NH HOTELES

| | 2010 | 2011 | DIFF. |
|--|--------------|--------------|----------|
| General satisfaction (*) | 8.1 (0 a 10) | 8.1 (0 a 10) | 0 → |
| Nº Surveys | 66,323 | 105,135 | 38,812 ↑ |
| Nº Scores (NH surveys + external pages) | 138,408 | 211,577 | 73,169 ↑ |
| Value for money score | 7.6 | 7.5 | 1% ↓ |

* We have reported 2010 General satisfaction with NH as 8.1 because it also includes internal surveys and not external pages.

INTERNAL MOTIVATION

- Online training via the **"QF in 5 Minutes"** training pills and in developing more efficient procedures and processes.
- Following the success of the **"9 Steps to Quality"** competition held in 2010, in 2011 the **"One Step Forward"** initiative was launched to identify the employees most committed to improving the level of quality perceived by customers. Seven of the hotel's departments and their respective teams have been rewarded in the two editions held during the year.



"One Step Forward" Initiative

MYSTERY GUEST

In addition to the assessment made by customers, the Quality Department at NH Hoteles has carried out **290 audits** using the **Mystery Guest** methodology (quality provided) in order to determine whether the service meets the standards and follows the procedures defined by the Company.

| | Average Mystery Guest score (scale of 0-10) |
|------|---|
| 2010 | 7.03 (189 hotels) |
| 2011 | 7.08 (290 hotels) |



"Your Second NH Family"
Programme

CUSTOMER CARE

In 2011, our Customer Care Department contacted **17,696 customers** compared to the 4,246 customers contacted in 2010. This evolution makes it possible to strengthen the relationship and improve the perception of confidence in the Company.

CAMPAIGNS AND PROMOTIONS

The Organizers

Prepaid offers available on a monthly basis with discounts of between 15% and 25% on the best available tariff. This campaign rewards the early action of customers who book a minimum of 7 days in advance and make a direct pre-payment. In 2011, there was a growth in sales of 25%.

Weekend Extender

Added-value benefits offered with weekend reservations, from only €128 including breakfast, as well as the option of checking out at 5 pm on Sundays and free use of the mini-bar with all bookings made via the web.

Flash discounts

Web users at NH Hoteles are offered the option of making their prepaid bookings within 48 and 96 hours applying a 50% discount and having a period of 6 months within which to enjoy their stay.

Stay longer pay less

Prepaid offer that enables customers to enjoy long stays at the best price, making use of discounts of up to 25% after the third night without the need to book in advance.

Your Second NH Family

Reward Programme for travel agents with the aim of creating links that keep us close to the channel. Different online actions were carried out via the website www.tusegundafamilanh.com, such as viral campaigns, promotional gifts and events for this stakeholder.

NEW SERVICES

⊕ New design of the Comercial Website

With greater clarity of content and ease of use for visitors, enhancing their level of interactivity through social networks.

⊕ Mobile Applications

Multi-channeling (in the B2C and the B2B business) and mobility have been a key in 2011.

⊕ Integration of Trip Advisor remarks on the web

NH Hoteles displays the remarks made on the Trip Advisor tourist opinion website in most of its hotels to take account of its guests' impressions.

⊕ Local flavour antiOX breakfasts

Now on offer in **148 hotels** of the Spain Business Unit; and during 2011, we also began to develop and plan the implementation, tailored to local tastes in Italy, The Benelux and America Business Units, with **healthy and innovative ideas**.



AntiOx breakfast at NH Diagonal Center,
Barcelona - Spain

NEW COMMERCIAL STRATEGY

- Underpinned by the **online strategy** based on non-presence sales channels: best positioning in Google, online advertising and best integration in Google Places.
- Integration of several meta search engines such as Trivago or Kayak, developing the **relaunch of the Mobile Web and of Mobile Apps** for iPhone, Android and tablets.
- More centralized business structure, which is why positive results are expected throughout 2012.
- In **Revenue Management**, new revenue management tools have been introduced, such as EZRMS, a predictive price positioning system based on occupancy, allowing for greater control, dynamism, immediacy and clarity in Revenue Management.

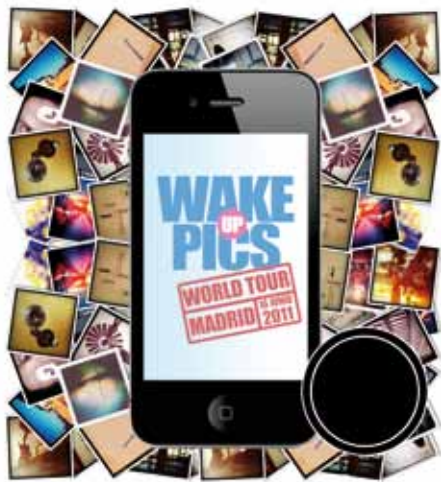
Relaunch of the Mobile Web and of Mobile Apps for iPhone, Android and tablets.

SOCIAL MEDIA STRATEGY

With the aim of managing a close relationship with our customers, the social media strategy has been reorganised and relaunched on **Facebook**, **Twitter**, **Foursquare** and other applications such as **Instagram**.

Wake Up Pics: NH Hoteles organized in Spain a photography competition through Instagram. More than 600 photos were submitted and 30 of them were selected for display in the first offline exhibition at the NH Palacio de Tepa hotel (Madrid, Spain).

Name Your Room: An application was made available on Facebook to enable users to choose one of the chain's approximately 60,000 rooms and give it a name, not only on the social network, but also in the real world, by means of identification plaques featuring the names of the 'virtual owners' of the respective rooms.



NH WORLD PROGRAMME

NH World guest sales now represent **17.37%** of the Company's total sales. **54.77%** of these sales are made via direct channels such as the Hotel, the Reservations Desk, NH World Web and NH Comercial Web.

In 2011 the NH World loyalty-building programme launched the **Citizen**, **Attraction y Fascination** categories, which include new and better benefits. Programme members have received cards with revamped designs personalized by category and gender, with a chip that stores their **personal details and preferences**.



2011 AWARDS AND RECOGNITIONS

- **Senses magazine awards.** The Hesperia Lanzarote hotel has been named the Best Resort for Families and NH Resorts as the Best Family Holiday Concept.
- **TUI Nordic 2011 Award.** The Hesperia Lanzarote hotel has also been awarded the Silver Blue Award, in recognition of the quality of its services and customer care.
- **Five Star Diamond Awards.** The American Academy of Hospitality Sciences has given two awards to Grand Hotel Convento di Amalfi (Italy) and Donnafugata Golf Resort & Spa (Ragusa, Italy), both for their excellent quality and the service offered to guests.

SUPPLIERS



NH Castellar, Cadiz - Spain

In order to ensure sustainable management, it is vitally important to have suppliers who share the **willingness and determination to be responsible companies** and who develop their business applying the same ethical principles that NH Hoteles supports, respects and fulfils.

"In addition to continuing to develop purchasing synergies in local and corporate negotiations, we highlight the consolidation of Coperama, the commitment to extend the hiring model to all classes of purchase, the growth of electronic invoicing with Click NH'Buy and the third meeting of our most committed suppliers through the NH Sustainable Club, in Milan. In 2012, the objective is to increase the number of Club members as well as the number of projects carried out."

Salvador Serra, SVP Purchasing

Following the principles of our **Corporate Procurement Policy**, we strive to offer equal opportunities and **promote local purchasing**. In 2011, the local purchasing volume represented **88%** of approved purchases, slightly less than in 2010 (-5%).

SIGNING OF THE NEW NH HOTELES CODE OF CONDUCT

The Code reflects the relationship with our suppliers, who must show respect for human rights, deal with employees with dignity and respect, maintain a precautionary approach to environmental protection and avoid engaging in any kind of corruption, extortion or bribery.

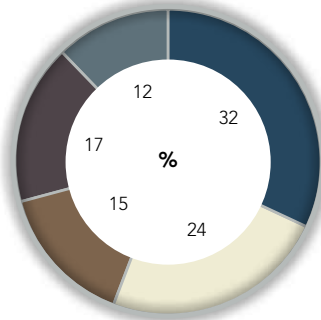
In 2011, **215 new Ethical Codes** were signed throughout the world, 25% more than in 2010, and to date 994 Codes of both versions have been signed altogether. The volume of sales of the suppliers that have signed an ethical code in 2011 amounted to €40,523,738.19, which represents 9% of total turnover in 2011.

OUR SUPPLIERS

In 2011, NH Hoteles worked with a total of 23,866 national and international suppliers, with an annual purchasing volume (cost plus investment) of €447.8 million. Spain, Benelux, Germany and Italy account for 90% of this volume and the degree of internationalisation is rising all the time.

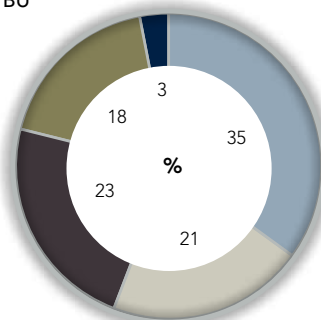
SUPPLIERS BY BU

- 7,558 Spain (32%)
- 5,747 Central Europe (24%)
- 3,598 Italy (15%)
- 4,025 Benelux (17%)
- 2,938 America (12%)



VOLUME OF PURCHASES BY BU

- 35% Spain
- 21% Benelux
- 23% Central Europe
- 18% Italy
- 3% America



NH SUSTAINABLE CLUB

In the fourth year of the NH Sustainable Club, a group workshop for developing innovative solutions in the hotel industry, we continue to work with the 40 suppliers who are most **committed to sustainability**, achieving significant savings thanks to the most innovative solutions.

In July 2011, the 3rd edition of the NH Sustainable Club Conference was held in Milan, with the objective of promoting dialogue between the Company and its strategic suppliers, as well as spreading news of the main projects in progress worldwide.

For the first time, a **survey** concerning the event was carried out, the results of which show the participants' **high degree of satisfaction** (4.35 points out of 5). 100% recommend attending the next event and **97.8%** believe that belonging to the Club adds value to their business.

Our suppliers share the willingness to be responsible companies.



NHOW Milan, July 5th, 2011

2011 HIGHLIGHTS



→ The **Cork2Cork bottle cork recycling** project together with **Amorim Revestimentos** is underway at 200 European hotels, with a campaign to encourage employees and guests to recycle corks.

→ The bed linen from **Standard Textile** bears the **Oeko-tek** and **Ecolabel** as a sign of our respect for the environment and health.

→ Effective use of **sustainable cellulose** with **SCA Hygiene Products**

that lets us save 75,000 kilometres of paper with regard to the previous year.

- **Water saving systems** in our new baths with a 25% reduction with **Villeroy & Boch**.
- Development of **High-Low technology** together with our towel supplier **Standard Textile**, allowing us to reduce cotton consumption and save on chemicals and water in washing them.
- **Calmell Eco-Card** biodegradable keys for our rooms.
- New models of **more sustainable Philips TV sets**.
- **Otis sustainable lifts** generating energy that can be used to recharge electric cars in our hotels.

AGREEMENTS AND COURSES OF ACTION FOR 2012

- ⊕ Optimisation of our partners' transport routes to **reduce indirect CO₂ emissions**.
- ⊕ **Proteus Project** with the towel supplier **Standard Textile**, **Blycolin** laundries and the chemical manufacturer **Diversey**, to reduce water and chemical consumption and CO₂ emissions.
- ⊕ Research in the **reuse of grey waters**.
- ⊕ New projects to boost **recycling of waste material** in hotels.
- ⊕ New **eco-efficient beverage coolers** by **Indel B**.
- ⊕ **Natural and recyclable carpets** from **Desso**, which contribute to the health of our clients.

⊕ **Awareness-raising campaigns.**

⊕ Updating of the **Suppliers Satisfaction Survey** that will be launched in 2012 and allows us to establish improvement indicators.

CLICK NH'BUY

In 2011 we continued bringing our **Click NH'Buy** supply management system into play in all the hotels in Spain, and finished implementing it in the Italy Business Unit, where it is now operating in all the hotels. In 2012 we will start implementing it in the Benelux and Central Europe Business Units.

Active participation in AECOC. As a member of the E-Invoicing Committee, NH Hoteles is still working on defining criteria and practices to improve the procedure.

SATISFACTION OF INTERNAL CUSTOMERS

For the fourth year running, in 2011 the Purchasing area conducted the **International Internal Customer Satisfaction Survey** to obtain feedback on the service provided by the Purchasing Department, process automation and on our suppliers' performance. The overall assessment is positive with a score of 3.15 on a 5-point scale. A new feature this year is that an **internal report** was drawn up with input from our customers to improve the service, establishing **action plans** for each Business Unit.

GROWTH OF COPERAMA

The Procurement Platform lead by NH Hoteles and Husa has successfully consolidated its position. A total of **89 new members**, including hotel chains and independent customers (hoteliers, groups and restaurants) have joined, making for a total of **417 customers** and a volume of purchases of €230M. 100 tenders were awarded, with an F&B and SBI purchases coverage ratio of 90%, an 80% compliance level in consolidated chains and 45% in new suppliers. All of Coperama's suppliers have adhered to the **NH Hoteles social and environmental commitments**.

2011 AWARDS AND RECOGNITIONS

→ **Sourcing Community Award.** Recognition granted by The Global Sourcing Council to the NH Sustainable Club as the best initiative in global provisioning and sustainable and socially responsible supply system.

ENVIRONMENTAL PERFORMANCE

At HN Hoteles we work towards **rational use of and respect for existing resources**, from a sustainable and ground-breaking approach throughout the business cycle, from the planning, design and construction of the hotels to their everyday operation and the service that we provide to customers.

"In 2011 we have stepped up our efforts to comply with the Environmental Strategic Plan that had 2012 as its deadline. Thanks to this, we are proud to be one year ahead of schedule, having completed this year the goals set for 2012".

Luis Ortega, SVP Environment & Engineering

The Environment Department has a system for the **monitoring and control of the environmental indicators** that complies monthly data about all the hotels. Such data are analysed every quarter in order to assess compliance with objectives and to identify possible improvement opportunities. A report is also prepared on the key indicators, sent to all managers of the Business Units and hotel managers. For measurement and comparative reports, a standard measure is used for the entire chain: consumption rates per night per guest.

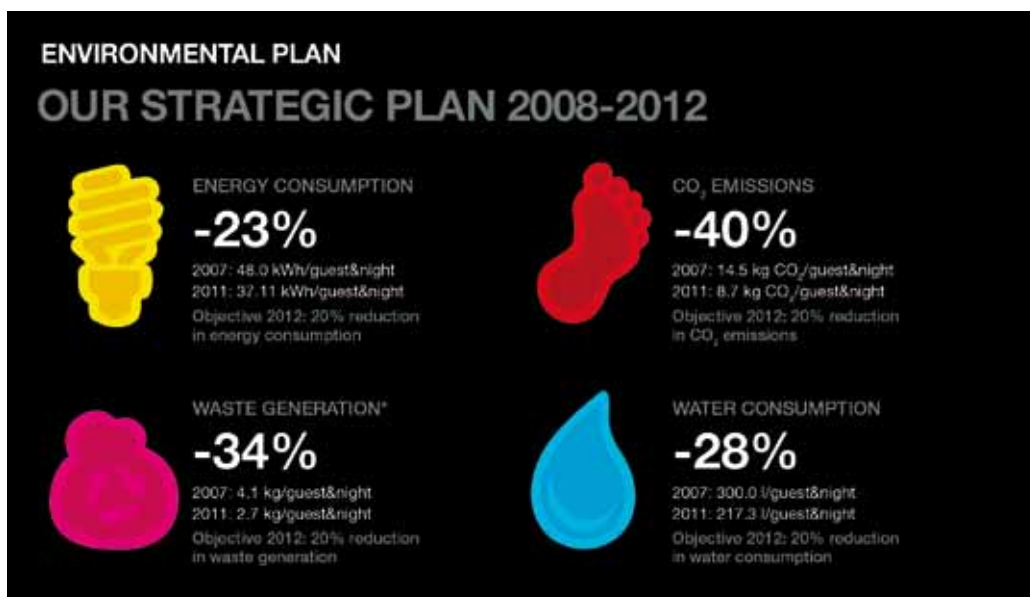
GLOBAL ADVANCES IN THE ENVIRONMENTAL STRATEGIC PLAN

The **2008-2012 Environmental Strategic Plan** established objectives to reduce energy consumption, CO₂ emissions, water consumption and waste generation by 20%. The successful implementation of the Plan has meant that not only were the 2012 objectives achieved in 2011, but they were exceeded:

MANAGEMENT AND CONTROL SYSTEM

NH Hoteles has an **Environment Department** that reports to the Chief Resources Officer. In order to increase the participation of the Board of Directors in environmental management, one of the Independent Directors is in charge of guiding and monitoring environmental initiatives. The Company has an Environment Committee, a consultative body that operates as a working party and all areas of NH Hoteles with a potential environmental involvement form part of this body.

We have accomplished the Environmental Strategic Plan 2008-2012 one year in advance.



*Waste: Estimated data



2011 RESULTS

ENERGY



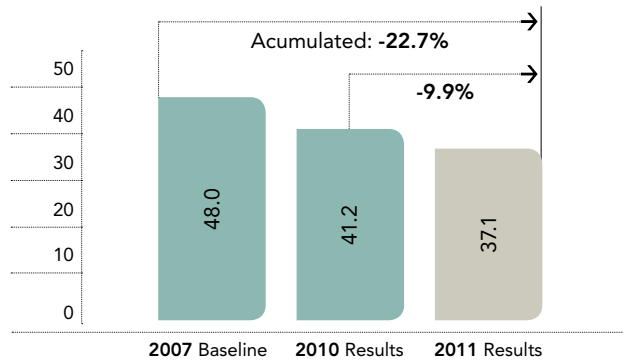
In 2011, the electricity consumption-cutting measures in place managed to lower the ratio per guest/night **by 9.9%** with respect to 2010.

These major inroads in reducing electricity consumption in 2011 have been achieved thanks to the various projects underway:

- **Efficient lighting** in more than 84% of our hotels.
- **Environmental training** programme for our employees.
- **Strict monitoring** and control of energy parameters in hotels.

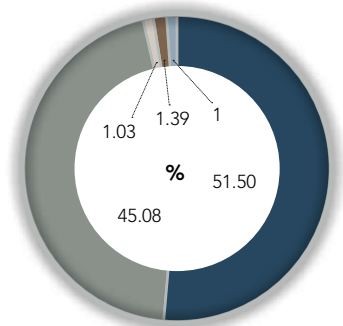


REDUCTION OF THE RATIO OF ELECTRICITY PER CUSTOMER/NIGHT



ENERGY CONSUMPTION DISTRIBUTION (%)

- 51.50% Electricity
- 45.08% Natural Gas
- 1.03% Gas Oil
- 1.39% Propane
- 1.00% BTZ



All these measures have succeeded in increasing the efficiency of NH Hoteles and exceed the savings forecasted at the beginning of the Environmental Plan.

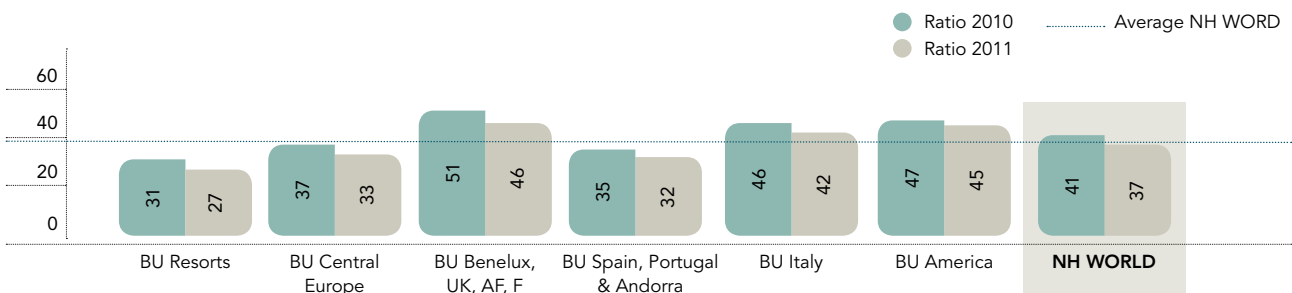


ENERGY CONSUMPTION

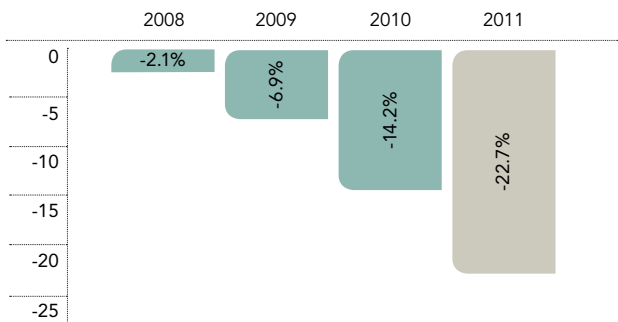
| | 2010 | 2011 | Dif vs 10 | 2010 | 2011 | Dif vs 10 |
|------------------------------|--------------------|--------------------|--------------|-----------------|-----------------|-------------|
| | kWh | kWh | | kWh/guest night | kWh/guest night | |
| NH WORLD | 654,022,690 | 610,457,576 | -6.66 | 41.2 | 37.1 | -9.9 |
| BU Benelux, UK, AF, F | 160,659,323 | 143,735,814 | -10.53 | 51.1 | 46.0 | -10.0 |
| BU Italy | 100,294,738 | 95,067,270 | -5.21 | 46.3 | 42.1 | -9.0 |
| BU Spain, Portugal & Andorra | 198,279,798 | 187,470,037 | -5.45 | 35.0 | 31.8 | -9.3 |
| BU Central Europe | 142,359,889 | 131,488,128 | -7.64 | 37.4 | 33.0 | -12.0 |
| BU America | 52,428,941 | 52,696,327 | 0.51 | 47.2 | 44.8 | -5.0 |
| BU Resorts | 40,896,263 | 40,376,411 | -1.27 | 30.9 | 26.7 | -13.7 |

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently.

ENERGY RATIO (KWH/GUEST NIGHT)



ENERGY RATIO (%)



All these measures have succeeded in increasing the efficiency of NH Hoteles, having achieved savings of **€15.1 million** in energy over 2010, which has translated into over **€29.6 million** of savings since the beginning of the Plan.



NH Frankfurt Messe - Germany

EMISSIONS



In 2011, the **carbon footprint of NH Hoteles fell by 11.9%** compared to the previous period and by **40%** since the launch of the Environmental Strategic Plan in 2008.

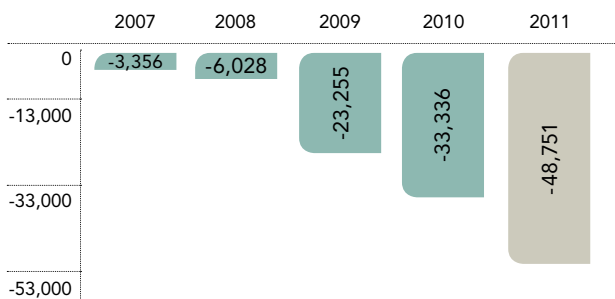
NH Hoteles has an internal procedure to calculate the carbon footprint, based on the **GHG Protocol** methodology for scopes 1 and 2. The extent of the carbon footprint

spans all comparable hotels in the Group, which are either owned or managed by the chain.

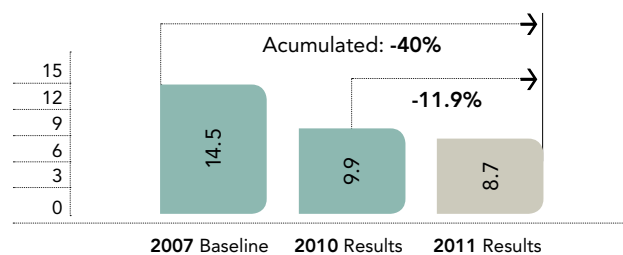
The measures in place to lower CO₂ emissions include the replacement of gas oil or BTZ boilers with natural gas boilers and the agreement reached with **EON Spain** for the purchase of green energy. This footprint has been certified by **TÜV Rheinland**.

The agreement with EON certifies that 100% of the electricity supplied in 85% of our 176 hotels in Spain is exclusively generated from **renewable sources**.

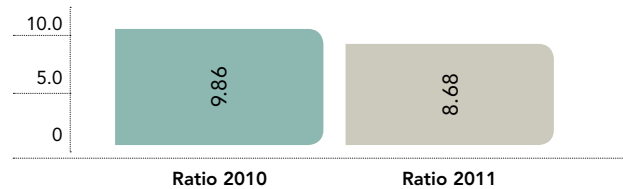
CUMULATIVE CO₂ EMISSIONS (TONS)



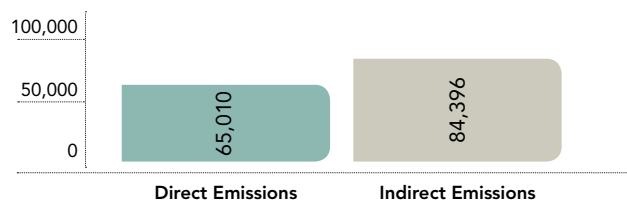
REDUCTION OF THE RATIO OF CO₂ RELEASED PER GUEST/NIGHT



GLOBAL CO₂ EMISSION RATIO (KG/GUEST NIGHT)



DIRECT AND INDIRECT CO₂ EMISSIONS (TONS)



CO₂ EMISSIONS

| | 2010 | 2011 | Dif vs 10 | 2010 | 2011 | Dif vs 10 |
|------------------------------|----------------|----------------|--------------|-----------------|-----------------|--------------|
| | ton | ton | | kWh/guest night | kWh/guest night | |
| NH WORLD | 156,615 | 142,807 | -8.82 | 9.9 | 8.7 | -11.9 |
| BU Benelux, UK, AF, F | 41,134 | 37,451 | -8.95 | 13.1 | 12.0 | -8.4 |
| BU Italy | 32,326 | 30,992 | -4.13 | 14.9 | 13.7 | -8.0 |
| BU Spain, Portugal & Andorra | 27,555 | 20,600 | -25.24 | 4.9 | 3.5 | -28.3 |
| BU Central Europe | 38,896 | 36,791 | -5.41 | 10.2 | 9.2 | -9.9 |
| BU America | 16,704 | 16,974 | 1.62 | 15.0 | 14.4 | -3.9 |
| BU Resorts | 8,206 | 6,599 | -19.58 | 6.2 | 4.4 | -29.7 |

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently.



NH Ribera del Manzanares, Madrid - Spain

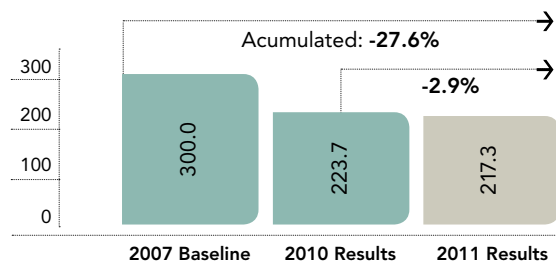
WATER



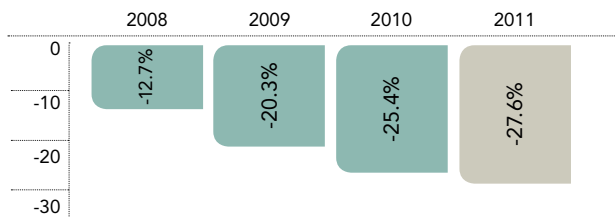
The water usage per guest ratio was lowered by **2.9%** in 2011, and has been reduced by **27.6%** since the start of the Environmental Strategic Plan.

This reduction has been achieved through the **efficiency measures in place** such as the use of aerators and usage reduction devices on tanks, the installation of water recovery and reuse systems, employee training and the redesign of operational actions in kitchens and on floors.

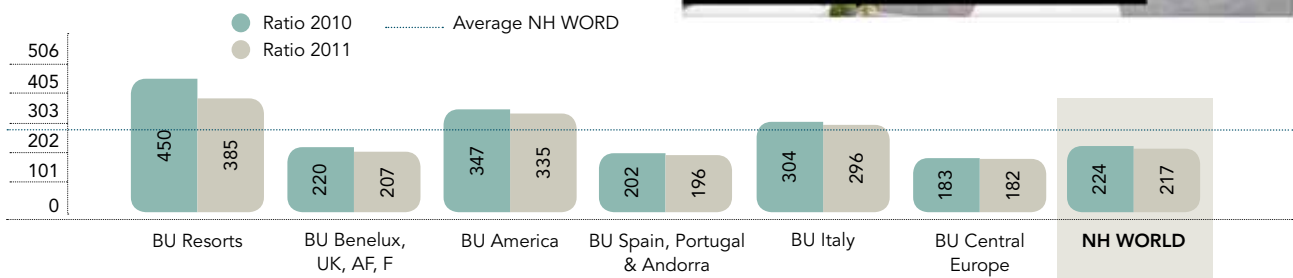
REDUCTION OF THE RATIO OF WATER USAGE PER GUEST/NIGHT (L.)



REDUCTION OF THE WATER USAGE RATIO (%)



WATER RATIO (L/GUEST NIGHT)



WATER CONSUMPTION

| | 2010 | 2011 | Dif vs 10 | 2010 | 2011 | Dif vs 10 |
|------------------------------|------------------|------------------|-------------|--------------------|--------------------|-------------|
| | m ³ | m ³ | | Litres/guest night | Litres/guest night | |
| NH WORLD | 3,433,229 | 3,450,508 | 0.50 | 223.7 | 217.3 | -2.9 |
| BU Benelux, UK, AF, F | 699,541 | 655,836 | -6.25 | 220.3 | 207.5 | -5.8 |
| BU Italy | 641,458 | 652,903 | 1.78 | 303.7 | 296.2 | -2.5 |
| BU Spain, Portugal & Andorra | 1,121,264 | 1,132,576 | 1.01 | 202.0 | 196.2 | -2.9 |
| BU Central Europe | 307,293 | 320,506 | 4.30 | 346.8 | 334.9 | -3.4 |
| BU America | 663,673 | 688,688 | 3.77 | 183.0 | 182.0 | -0.6 |
| BU Resorts | 594,957 | 582,738 | -2.05 | 449.6 | 385.0 | -14.4 |

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently.

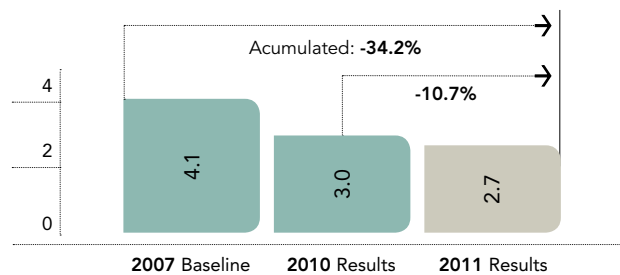
WASTES



Waste estimated production has fallen during 2011 in line with the objectives set by the Strategic Plan and has enabled us to **reduce overall waste generation** as well as the ratio of kg. per guest night **by 17.68%**.

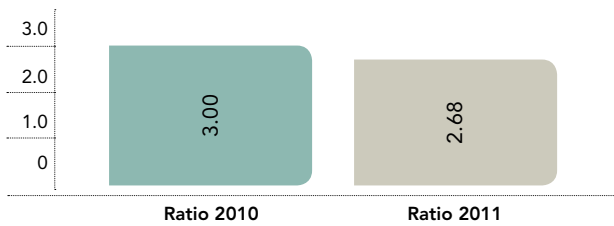


REDUCTION OF THE WASTE GENERATION PER GUEST/NIGHT RATIO (KG.)*



* Estimated data

GLOBAL WASTE PRODUCTION (KG/GUEST NIGHT)



Cork2Cork Project

WASTE GENERATION*

| | 2010 | 2011 | Dif vs 10 | 2010 | 2011 | Dif vs 10 |
|------------------------------|-------------------|-------------------|--------------|----------------|----------------|--------------|
| | ton | ton | | kg/guest night | kg/guest night | |
| NH WORLD | 43,019,872 | 41,319,219 | -3.95 | 3.0 | 2.7 | -10.7 |
| BU Benelux, UK, AF, F | 2,298,140 | 3,209,692 | 39.66 | 1.1 | 1.6 | 51.1 |
| BU Italy | 7,776,365 | 7,336,740 | -5.65 | 3.5 | 3.3 | -6.3 |
| BU Spain, Portugal & Andorra | 20,914,950 | 18,803,078 | -10.10 | 3.7 | 3.0 | -18.5 |
| BU Central Europe | 9,344,044 | 9,351,193 | 0.08 | 2.8 | 2.4 | -13.8 |
| BU America | 2,686,373 | 2,618,516 | -2.53 | 2.7 | 2.4 | -9.4 |
| BU Resorts | 1,210,015 | 1,251,192 | 3.40 | 2.5 | 1.5 | -41.9 |

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently.

* Estimated data

PAPER



In 2011, **800 tons of Tork paper were used**, an improvement on the previous year. The chain implements different practices to reduce paper usage, such as electronic invoicing, the "Paperless Office" project, the control of printing processes through "pay per print" systems and recycling processes.

SUSTAINABLE INNOVATION

- **The "Cork2Cork"** project, to encourage the recycling of wine bottle corks in our hotels to make lining and building materials.
- **Replicable good practices.** One of NH Hoteles' success factors is the replicability in the implementation of environmental measures based on the identification of more efficient equipment or devices, as well as a streamlined process that approves the solution and informs all the Business Units.
- **Innovative system for increasing the heat yield.** The NH Ciutat de Reus hotel has been a pioneer in setting up a physical treatment of water in the secondary hot water circuit.
- **Increased energy efficiency in new hotels.** The NH Diagonal Center hotel (Barcelona) has installed a "District City" system consisting of a connection to a city heating and cooling distribution network for use in heating, cooling and hot water. It reduces greenhouse gas emissions by preventing heat losses and increasing energy efficiency. This system is already in place in other countries like Germany, which has 31 hotels with district heating.

RECYCLING PROGRAMMES

Since the beginning of the Environmental Plan, **waste production was reduced 34.15%**. The specific schemes to reduce waste and increase recycling include employee training, the measures designed to minimize the use of packaging and the installation of gel dispensers instead of amenities in hotels in the German chain and the recycling 61,492 kg of oil in 2011 in Spain.

COMMUNICATION OF ENVIRONMENTAL SUSTAINABILITY

In 2011 the **NH Hoteles Environment Website** was launched, allowing customers to move through our hotel's different rooms and find out about the environmental initiatives that the Company has implemented and the results achieved by our Environmental Plan.

⊕ Employees

55% of NH Hoteles' employees have already received **environmental training** and awareness-raising of two kinds: one general one, for all employees, and another specific one, designed for employees with installation maintenance and efficiency responsibilities. Furthermore, environmental performance is a criterion in their annual assessments.

⊕ Suppliers

Working sessions and meetings are held regularly via the **NH Sustainable Club** to **exchange ideas** about sustainable management in the industry.

⊕ Shareholders

Shareholder reports on the Company's main results include progress made in implementing the Environmental Plan and the consequent improvements in certain financial ratios due to the reduction of the business' operating expenses.

For the second year running, NH Hoteles has reported to the **Carbon Disclosure Project (CDP)**, an independent non-profit organization that maintains the largest database of corporate information in the world on climate change and used by the main sources of information for investors.

⊕ Society

We support sustainable initiatives such as **"Earth Hour"**, promoted by the **WWF**. In 2011, 307 hotels in 183 cities in 23 countries took part in this initiative.



COMMITMENT TO PREVENTING CLIMATE CHANGE



New Environmental Website

CARBON FOOTPRINT CALCULATOR

NH Hoteles uses this tool to inform its customers of the environmental impact of their trips and stays, in order to implicate them in the campaign against climate change. The calculator facilitates collaboration in any environmental projects, enabling people to offset the emissions generated during their journey and hotel stay.

OFFSETTING

Thanks to this service, in 2011 we calculated the carbon footprint of **343 events**, offsetting more than 2,021.04 tons of CO₂ with **VCS (Voluntary Carbon Standard)** certified carbon credits, invested in the development of a mini hydro-power plant located on the river Pimienta Bueno (State of Rondônia, Brazil).

GREEN CERTIFICATION PROJECT

In 2011, a specific plan was launched for implementing an ISO 14001 based environmental management system in the Italy and Germany Business Units. Based on this Plan, 13 hotels have been certified as having attained **maximum environmental efficiency**. More than 12,000 rooms in 84 hotels have some form of environmental certification and we hope that this will increase with the progress of the **"Green Certification"** project.

| Business Unit | Certificate | N° Hotels |
|---------------|---|-----------|
| ITALY | ISO 14001 | 11 |
| SPAIN | Catalonian environmental licence | 19 |
| | ISO 14001 | 1 |
| | ISO 50001 | 1 |
| C&EE | ISO 14001 | 6 |
| | Ökobusinessplan | 5 |
| BENELUX | Greenkey gold | 30 |
| | Greenkey silver | 4 |
| | Greenkey bronze | 1 |
| MEXICO | Single environmental licence | 4 |
| | Environmental certificate | 2 |
| TOTAL | Goal: certify 100 hotels in 2012 | 84 |

More than 12,000 rooms in 84 hotels have some form of environmental certification.

ACKNOWLEDGEMENTS OBTAINED

- **Greenlight** for the whole hotel chain and **GreenBuilding** for 5 hotels, that guarantee a cut in energy consumption.
- The NH Príncipe de la Paz hotel (Aranjuez, Madrid) received the European **GreenBuilding** award as the most replicable project.

Energy management certification

In 2011, NH Hoteles was awarded **ISO 50001** certification of its International Energy Management Systems, and is the **first international hotel chain** to achieve this prestigious certification in the NH Eurobuilding hotel.



Refurbishment of NH Príncipe de Vergara, Madrid - Spain



NH Queretaro - Mexico

SUSTAINABLE INNOVATION PROJECT

- ⊕ **Green rooms:** In our **397 hotels** we have a great variety of eco-efficient solutions which allows us to position our rooms as the most innovative in the market from an environmental point of view.
- ⊕ **Ecomeeting:** organization of events and congresses based on sustainability criteria, eco-friendly use of energy resources and the use of products from fair trade sources. In 2011 NH Hoteles held **343 carbon neutral events**.
- ⊕ **Promotion of electric vehicles:** with a total of **37 recharge points** in Europe, 14 underway and 4 under study, this service is provided free of charge to guests and suppliers.
- ⊕ **Implementation of LED technology:** In 2011 NH Hoteles approved the project to replace **65,000 low-energy light bulbs** with LED lamps, thus increasing lighting efficiency by 60%.
- ⊕ **Intelligent room:** capable of monitoring the water, light and energy consumption of a room used regularly. This pilot project is underway at the NH Eurobuilding hotel (Madrid), and the results will provide solutions for our new prototype rooms.
- ⊕ **Use of woods with environmental certifications:** sourced from sustainable forestry. Nhow Berlin has more than 10,300 m² of PEFC (Program for Endorsement of Forest Certification) certified wood.



USE OF RENEWABLE ENERGIES

85% of the electricity supply in the hotels in Spain has the **"Source Warranty"** certification, which guarantees that the source of the energy supplied comes from renewable energy sources. In 2011, 67% of our European hotels have some form of renewable energy supply in accordance with Directive 2009/28/EC.

HOTELS IN EUROPE THAT USE RENEWABLE ENERGY

| | 2010 | 2011 |
|------------------|------------|------------|
| Cogeneration | 5 | 5 |
| Solar panels | 36 | 39 |
| District heating | 23 | 37 |
| Hydroelectric | 11 | 11 |
| Green energy | 132 | 151 |
| TOTAL | 207 | 243 |

SOLAR POWER

We have a total of **4,663 m²** of solar panels which represent 4,097,953 Kw of installed capacity in 39 hotels. In 2011, the total area of panels installed increased by 4% and generation by 3%.



ENERGY EFFICIENCY INVESTMENT

In 2011 we dedicated more than €3.99 million in funding environmental actions, of which 59% were in investments that now provide us with **more sustainable, highly efficient facilities**.

2011 AWARDS AND RECOGNITIONS

- **Muévete Verde (Go Green) Award (Madrid Regional Government).** Awarded for contributing to promote electric mobility through the installation of electric car recharge points in our hotels' car parks.
- **TRI Award.** Awarded by CETRI (European Circle for the Third Industrial Revolution) to the sustainable business model.

Our Green Room



Green laundry

The use of ecological materials and efficiency programs in our externalised laundry service are the main pillars of our "green laundry" policy

FSC certified wood

This certification guarantees that the origin of the wood is both ecological and sustainable



HVAC independent equipment

The air conditioning equipment is rated A++. It also controls external air according to internal air quality

Led technology

Rooms also use this technology, 70% less energy consuming than standard lighting

Controlled consumption

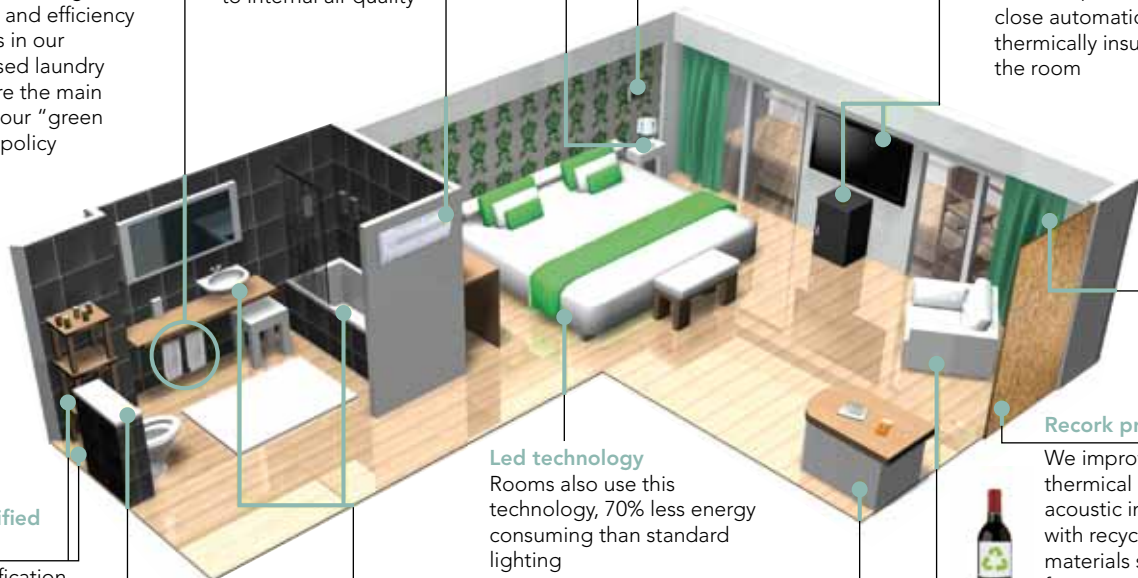
Each room is connected to the reservation, some services like air conditioning won't be able to be switched on. This also allows for tighter control over spendings

TV and mini-bar

They are both highly energy efficient (A++ category)

Automatic curtains

When the client leaves the room, the curtains close automatically, thermally insulating the room



Led technology

Rooms also use this technology, 70% less energy consuming than standard lighting

Faucet aerators

The water pressure needed for taps and showering is lessened, which results in 40% reduction in water use

Greywater recycling

Independent drain pipes collect rain and shower water that is treated before re-entering the cistern, which also has a double discharge system to save water. The toilet itself needs 25% less water

Recork project

We improve thermal and acoustic insulation with recycled materials such as cork from wine bottles consumed in NH



Tested furniture

We analyse carbon footprint on our furniture in order to select it according to the life's cycle variable

Ecological paint

The paint used in our hotels is environmentally friendly

SOCIAL PERFORMANCE

The excellence of NH Hoteles' sustainable services relies on effective management of our teams, which is why we strive to **offer a good place to work and develop**. This approach of our social performance also determines our **commitment to the local Communities** in which we operate, where we seek to contribute to sustainable development in the area of our hospitality business.

EMPLOYEES

At NH Hoteles we are committed to **creating quality employment**, in an environment that promotes training, professional development and encourages diversity of cultures and nationalities, all in **equal conditions and rights**.

NH HOTELES' STAFF

In 2011, our average headcount was **19,600 employees**, 3.3% more than in 2010. Worth noting is that, unlike 2010, in 2011, all the Business Units took on more staff (there was no declines in the number of hires), mainly in Spain and America, this latter Business Unit having been reorganized in 2011 and now including Mexico, Caribbean and South America.

EMPLOYEES PER BUSINESS UNIT

| | 2010 | 2011 | Dif. (%) |
|---|---------------|---------------|------------|
| Spain* | 6,639 | 7,003 | 5.5 |
| Central Europe** | 3,635 | 3,705 | 1.9 |
| Benelux, United Kingdom, France, Africa | 3,025 | 3,066 | 1.4 |
| Italy | 2,598 | 2,653 | 2.1 |
| America** | 3,075 | 3,173 | 3.2 |
| TOTAL | 18,972 | 19,600 | 3.3 |

Data obtained from FTEs (Full Time Equivalents) for all kinds of contracts (open-ended, part-time, extras, temporary employment agencies), considering comparable, non-comparable and managed hotels. Includes the employees of Hesperia S.A.

* Includes employees of Spain, Portugal, Headquarters and Sotogrande.

** In 2011 the Business Units were reorganized, special emphasis being placed on the new structure of America (which now includes Mexico, Caribbean and South America) and Central Europe (now including Germany and the other Central and Eastern European countries).

| | | |
|----------------------------------|---------------|--------------|
| Fixed contracts 2011 FTEs | 10,743 | 59.1% |
|----------------------------------|---------------|--------------|

"In 2011 we launched the performance assessment called **"Time For You"** with a level of participation of nearly 100%. We have designed and implemented an International Relocation Policy that has been applied to 62 international assignments. Furthermore, we have managed to convey to employees the values of **"Wake Up To a Better World"** through effective and creative internal communication campaigns. Additionally, a Diversity Management Action Plan has been designed in every country."

Francisco Catalá, SVP Human Resources



DIVERSITY MANAGEMENT

We have a diverse staff made up of 16,360 **employees** (permanent and temporary employment) of **138 different nationalities**, 16.8% of whom work in countries other than their home countries.

PERCENTAGE OF WOMEN IN MANAGEMENT POSITIONS

At NH Hoteles we are proud to have **48.6%** of women managers globally, a figure above the sector average and consistent with the presence of women in the company (50.2% of total workforce).

| | N° of Men and Women in management positions | | N° of Women in management positions | | % 2010 | % 2011 |
|---------------|---|--------------|-------------------------------------|--------------|-------------|-------------|
| | 2010 | 2011 | 2010 | 2011 | | |
| GLOBAL | 3,164 | 3,211 | 1,559 | 1,562 | 49.3 | 48.6 |



AGE PYRAMID

| Age | 2010 (%) | 2011 (%) |
|--------------------|----------|----------|
| Under 25 years old | 14.3 | 16.9 |
| 25 - 40 years old | 50.4 | 48.3 |
| Over 40 years old | 35.3 | 34.8 |

The hiring of disabled people in Spain in 2011 meant this group accounts for **5.6%** of our workforce, considering job insertion in several **Special Employment Centres** supplying different services, in particular FLISA and Icaria which shone for their social commitment.

COMMITTED TO EQUALITY

In 2011 we completed the definition of the **Diversity Plans in the Business Units** as a result of the conclusions drawn from the Diversity Assessment conducted in 2010. The main actions implemented include Diversity and Equality training, Cultural Diversity management initiatives, monitoring of diversity indicators, the meeting held by the Annual Equality Plan Monitoring Committee in Spain with union representatives and the successful implementation of **Up! For Opportunities** employment programmes.

DIVERSITY RATIOS

| | 2010 | 2011 |
|---------------|--------|--------|
| N° Employees* | 15,350 | 16,360 |
| % Immigrants | 13.6% | 16.8% |
| % Women | 49.7% | 50.2% |

** FTEs of employees with fixed or temporary contracts.

INTERNAL COMMUNICATION

In 2011, we consolidated the **decentralization of Internal Communication** to differentiate corporate information from local information, to ensure that the messages the different Business Units' employees receive are closer to home.

→ Wake Up To a Better World

Positioning in each of the communications with a simple, close and visual tone, providing a glimpse at the values that guide our daily work.



→ Internal Memorandums

In 2011 **61 corporate memorandums** were sent in Spanish and English to all the organization's employees and **118 local memorandums** from the Business Units.

→ Corporate Intranet

In 2011 we revamped the homepage of all the Business Units so as to offer better organized content, a more appealing look & feel and include new sections that improve the site's usability: "Shortcuts", "For your daily tasks", "Especially interesting for you", etc.



A MORE ATTRACTIVE INTRANET FOR YOU



→ Desktop Wallpapers

These remain a key factor in the communication campaigns due to their direct impact through the Company's 6,362 computers. In 2011, more than 26 images were used to generate support for the various corporate strategic projects.

→ Employee Mailbox

Two-way communication channel used to resolve all employees' concerns. In 2011 a total of **141 queries** were received.

→ NH Idea

In 2011 we launched another NH Idea contest to highlight our employees' most innovative cost-cutting ideas. Eleven employees were awarded and are getting involved in the analysis and implementation of their ideas.



Desktop wallpapers

→ Notice Boards

The 400 Heads of Internal Communication continue promoting corporate initiatives and projects, and every day update the notice boards of the hotels, where all employees can find out about relevant developments.

→ No distances, fully communicated

In 2011 we narrowed borders under the slogan "**No distances, fully communicated**" through campaigns inviting employees who do not have a corporate email account to provide their personal email. Thanks to this initiative, now a further 4,000 employees are emailed relevant promotions and news.

→ We Are All Sales

To promote and encourage employees to continue being the first brand specifiers, all the channels at our disposal have been used. In 2011 we created the role of **We Are All Sales Executives**, specialists who know the hotels, locations, prices, etc. and who help to commercially channel employees' requests.

New Code of Conduct

NH Hoteles has redefined its Code of Conduct for the whole Group, laying down the principles that must guide the Company's conduct and the principles that we want to characterize us as a company.

To bring the new Code, translated into 6 languages, closer to all employees, we organized a strong **communication and awareness campaign**, creating a **Practical Guide** and **FAQs** for better understanding. A wide range of graphic material was produced for the campaign, and employees were invited to adhere to the Code, a **very high response rate** having been achieved.

Our new Code of Conduct has achieved a very high response rate from all employees.

NH UNIVERSITY

In 2011, we invested **€1,009,319 million** in training with a total of **1,331 training sessions** spread over 278 different programmes. NH University has trained **16,163** participants in campus sessions and **63,326** via e-learning, totalling **186,404** hours of training, which means an increase of 6% compared to 2010. 372 internal trainers taught 76,167 hours of classes, representing 40.9% of the total number of training hours.



“Time For You”, the new Performance Management system that simplifies the process and makes it a motivator.

2011 NHU HIGHLIGHTS

⊕ NH Knowledge Management Program

In 2011, NH University launched its first official courses under the new concept of “sharing knowledge”, designed to strengthen the culture of knowledge sharing and development of multi-functional skills. In 2011 it held **196 training sessions** that were attended by **2,219 people**.

⊕ Entrepreneurs and Innovation

NH University held a total of 2,700 hours of training workshops to strengthen entrepreneurial thinking, entrepreneurship and innovation to our hotel managers.

⊕ Quality Focus

Training for developing employees’ awareness about the **quality approach** in order to improve the guest experience.

⊕ Talent Development

The new talent development programmes for potential hotel department heads (JUMP) and potential hotel managers (PDI) held in 2011 were attended by **50 employees** from the Italy and Benelux Business Units.

⊕ Excellence in Food & Beverage (F&B)

Training focused especially on a positive attitude as a skill necessary to improve the guest experience. This training was attended by F&B managers from all over the world with a total of **2,741 hours of training**.

⊕ Trainee Campaign

With the launch of our apprentices campaign as part of an “Employer Branding” strategy, our goal is to encourage candidates with wide training options. In addition we continue supporting our current students with a wide range of training courses in the workplace.

PERFORMANCE MANAGEMENT

For 2011 we decided to transform into Performance Management into tool for identifying talent within the organization through the initiative “**Time For You**”, a new management system that simplifies the process and makes it a motivator.

To take part, each employee must lead their own career development through an open conversation with their manager so as to display their full potential and establish a work plan based on training and development actions, the latter in the framework of the corporate “**Knowledge Management**” scheme.

In 2011 NH Hoteles **conducted 12,870 assessments**, 3% less than the previous year on account of the smaller headcount; 54% of the employees assessed were female. Only 1,311 employees - 57% of whom were female - received the top score (“Excellent”).

RECOGNITION PROGRAMME

In 2011, employees were rewarded for their tremendous work by giving them credits that they can exchange for hotel nights. NH Hoteles organized **9 Recognition Programmes**, awarding a total of **227,069 credits** on the employees’ cards.

FLEXIBLE REMUNERATION PLAN

2011 saw the implementation of a **Flexible Remuneration Plan** which included health insurance, luncheon vouchers and nursery vouchers. This project has managed to maximize the net remuneration of our corporate employees, the Spain Central Services Business Unit and hotel Managers.

INTERNATIONAL ASSIGNMENTS

- All international movements benefit from the “**NH International Mobility Policy**”.
- Short-term international assignments are responses to needs for a particular project, while long-term assignments cover the Company’s long-term needs, as well as enhancing the international development of our professionals.
- Adding the short and long term assignments, in addition to international transfers, a total of **62 employees were transferred**.





WELL-BEING AND NH RUNNERS

We believe in sport as a pillar of people's welfare, which is why we invite employees to join **NH Runners** in Madrid. The group and the daily runs are an opportunity to share good times with colleagues from other hotels and departments while doing exercise. Moreover, the Well-Being action was performed in collaboration with Sanitas to promote healthy habits and fruit consumption among employees of Central Services in Spain.

BENEFITS FOR EMPLOYEES

- ⊕ **Employee Rate**
Employees enjoy stays at almost all NH hotels at an extraordinary rate of €36 + VAT and 50% of the BAR (Best Available Rate) in the Company's top hotels, plus a 30% discount on products and services. In 2011, employees enjoyed **59,000** nights this way.
- ⊕ **Amigo Voucher**
In 2011, the rate for employees' relatives and friends generated a total of €11,712,505 in **164,228 stays**.



Amigo Voucher

In 2011 employees' relatives and friends enjoyed a total of 164,228 stays.

- ⊕ **For Your Eyes Only Rate**
New rate available for employees and friends with a 15% discount off the Best Flexible Rate Available. In 2011 it generated almost €400,000 with a total of **5,174 nights**.
- ⊕ **Special offers for employees and friends**
These campaigns managed to promote a large number of destinations amounting to **€500,000** in the year.
- ⊕ **Discounts on products and services**
Employees get discounts on products and services offered by suppliers and other external companies and that are displayed in the Intranet.

2011 AWARDS AND RECOGNITIONS

- **Corporate DNA Award.** Awarded to the We Are All Sales programme as the best initiative in the tourism sector's business model.
- **Top Employer CRF.** Recognition obtained in Switzerland for the non-monetary benefits and development opportunities offered to employees.
- **Súper Empresa 2011 Award.** Awarded by the Expansión Group to NH Hoteles as a place where everyone wants to work in Mexico, Argentina, Chile and Uruguay.
- **Merco Personas 2011.** NH Hoteles rose to number 19 among the best companies to work in Spain, and ranked first in the tourism sector.



Súper Empresa 2011 Award

SOCIETY



Hesperia Tower,
Barcelona - Spain

Consolidation of our International Community Involvement programme *Up! for the People* based in our hospitality business.

The main objective of our social action strategy is to build, as a responsible Tourism sector company, positive relationships with the communities in which we operate, where we can **adding value to local development**, with a commitment and collaboration based on the operations of our hospitality business.

*"The milestones in 2011 have been the consolidation of our international Community Involvement programme **Up! for the People**, now in place in all Business Units, with innovative projects such as volunteering at the hotel school in Ethiopia, and the launch of a new Code of Conduct that includes principles of the Code of Ethics of the **World Tourism Organization (WTO)** and the **ECPAT** Code of Conduct, signed under the auspices of UNICEF."*

Marta Martín, VP Corporate Responsibility

In 2011 we have effectively implemented an overall **Up! for the People** Community Involvement strategy in the different Business Units, thus boosting employees' involvement, identifying opportunities and promoting a number of charity projects.



Up! for Opportunities



International training and apprenticeship programme for **young people at risk of social exclusion and the disabled** in our hotels. Encourages the direct involvement of the employees that accompany and advise them.

The hotel Hesperia Tower, (Barcelona, Spain) works with the **IReS Foundation** (La Caixa's "Incorpora Scheme"), the **Mariano Foundation**, the **Joia Foundation**, **L'Hospitalet City Hall** and the **ESHOB** (Barcelona Hotel Management School) within the Labour Integration program of the La Caixa Foundation, offering guided tours and practice groups to people at risk of exclusion in the hotel. In 2011, 44 youngsters took part.

→ **Juan XXIII Foundation (Madrid, Spain)**

NH Hoteles is collaborating with a catering and cooking **practices scheme** for young disabled people in NH Prisma and NH Nacional in Madrid.

→ **Pantar Amsterdam (The Netherlands)**

Amsterdam City Council is working with this Foundation to find jobs for people with physical or intellectual disabilities and has identified NH Hoteles as a **strategic partner**. The chain's hotels in Amsterdam have employed **4 people** through Pantar.

In **The Netherlands** and also since 2007, NH Hoteles and the NGOs Meacon Werkvoorziening, In2Work and Flexpay have been working on a job placement scheme for the disadvantaged and disabled through which it has **helped find jobs for 14 people**. In 2011, 5 new employees joined the project.

→ **Carmen Pardo-Valcarce Foundation (Madrid, Spain)**

A group of **women with intellectual disabilities** will practice as housekeeping staff in several NH hotels in Madrid after a training programme that they will begin receiving in 2012.



Carmen Pardo-Valcarce Foundation Initiative



Track the Talent Initiative (The Netherlands)

→ **Youth Career Initiative (Mexico)**

NH Hoteles is involved, along with leading chains such as Intercontinental, Marriott and Starwood, in this international hotel training scheme for **youngsters at risk of exclusion** created and launched by the International Tourism Partnership (ITP). In 2011, the NH Mexico City hotel has trained the second generation. Of the 10 young people trained in 2010 who completed the programme in 2011, 6 joined the staff of the Mexico City NH Hoteles this year.



Students from YCI Programme (Mexico)

→ **Obra Padre Mario (Argentina)**

We continue our active collaboration in the **Todos Somos Parte (We are All Part)** project through training and corporate volunteer programmes to make it easier for young people at risk of social exclusion to join the job market. Following the success of this programme in Chile, a project of the same kind has been carried out with the **Forges Foundation**.

→ **Youth Bank (Germany)**

Support program for social entrepreneurs aged under 25 in which volunteer employees of NH Hoteles **offer training** in fields such as skills, motivation, infrastructure and contacts.

→ **Voluntarios por Madrid Foundation**

Agreement to set up a scheme to train and motivate of young people at risk of exclusion. Includes visits to hotels organized by employees themselves in which young people get first-hand information about the various trades that can be performed in a hotel. This initiative was part of the **international volunteer programme Give&Gain 2011**. In 2012 the goal is to organize these visits also in cities like Barcelona, London or Amsterdam.

→ **Casal dels Infants NGO (Barcelona, Spain)**

Collaboration agreement to start an **internship scheme** for the Casal students in the chain's hotels in Barcelona.

→ **Francesca Rava Foundation (Italy)**

NH Hoteles has collaborated with this Foundation, which helps poor young people through health care, education and training, especially in Haiti. The Company has provided accommodation, food and **catering work experience to 2 students** from an orphanage in Haiti in the NH Milanofiori in Milan.

Up! for Hospitality



As a responsible hotel chain, we collaborate with society through **products and services**. The Company has designed sustainable initiatives that allow it to place its business at the service of NGOs and foundations worldwide.

→ **Free donation of rooms to relatives of hospitalized children (Madrid, Spain)**

All the Business Units collaborate with this project. International replica of the "Hotels with a Heart", carried out together with the **Menudos Corazones Foundation (Spain)**. NH Hoteles has been collaborating with this foundation for the last seven years, giving away over 1,000 free nights' accommodation throughout the year at the NH Alcalá in Madrid, to the relatives of children suffering from both congenital and acquired heart disease, who have to travel to the Spanish capital for operations.

→ **Josep Carreras Foundation (Barcelona, Spain)**

NH Hoteles has signed a cooperation agreement with the Josep Carreras Foundation through which it will offer additional hotel services to the Foundation's Foster Homes programme, through an agreement with the Hospital Sant Joan de Deu, **donating rooms** in the NH Porta hotel in Barcelona.

→ **UNICEF- "Guest from the Heart" (Mexico)**

The Chain gives guests of its hotels in Mexico the chance to **donate €1 when they check out** of the hotel, and all the proceeds go to support different childcare projects that UNICEF runs in Mexico.



Visit of Voluntarios por Madrid Foundation to NH Ribera del Manzanares, Madrid - Spain

→ Others

In Brussels, NH Hoteles has signed an agreement with the **Iris Foundation** to help by donating free 2 rooms in the chain's hotels in the city for families with hospitalized children.

In Italy it has signed an agreement with **Anvolt**, a Cancer Association, under which it will donate 2 bedrooms in Milan and 2 in Rome during 2012 for patients and families.

Up! for Volunteering

This NH Hoteles scheme encourages employees to propose **Corporate Volunteer** ideas in which they can be actively involved, promoting the Company's solidarity and responsibility values.

→ Volunteering project of hotel school in Ethiopia

Along these lines, NH Hoteles has taken part in an innovative project that involved the collaboration of volunteer employees who spent over a year sharing their knowledge for the construction and management of a **hotel school in Ethiopia**, a project run by the NGO Manos Unidas. Two employees travelled to the hotel to help in its opening. To find out more about the project: www.learningattigray.com



"Professionally I felt very accomplished. Seeing the staff grow with the know-how that we gave them every day was really satisfying for us .. On a personal level I have become richer inside, quieter and now I attach more importance to the little things that maybe, before this experience, I wouldn't have borne in mind".

Ada Pérez, Volunteer Employee. Front Office Manager at NH Les Corts (Barcelona, Spain).

→ 2011 "Christmas for All" campaign

Employees from all the Business Units collaborated by **donating with food, clothing and toys for the needy**. Examples of this solidarity chain have been the 25 volunteers who served a Christmas dinner in Madrid to homeless people in the House of the Sisters of Teresa of Calcutta. In addition, employees from different hotels in Mexico visited the residents of the Concepción Beistegui IAP Foundation, which provides assistance to 96 elderly people.



→ Collaboration with the NGO Equipo Cooperante

Another example of corporate volunteer work was the employees of the Salamanca hotels who designed and taught a distance course entitled **"Customer Service. A real experience with NH Hoteles"** to Hotel & Catering students from the University of Villarrica (Paraguay), to provide training that enables them to develop successful hotel projects in their country.



NH Volunteers in the Hotel School in Ethiopia



MANAGEMENT SYSTEM

NH Hoteles has a Management System called **Solidarity Index** which enables us to identify any local organisations and projects whose field of work, objectives and needs fall in line with our Community Involvement strategy, selecting those with whom we can collaborate. In turn, all the social actions carried out at NH Hoteles are gathered in an **Annual Inventory**.

SOCIAL IMPACT

In 2011, NH Hoteles developed a system of indicators (KPIs) of our **Up! for the People** projects globally to monitor the social impacts of the actions implemented. Once the initiatives have been selected after being evaluated by the Solidarity Index, these KPIs that measure their direct impact on society are introduced.

AMIGO VOUCHER AND EMPLOYEE RATE

NH Hoteles donates €1 and €2 to social and environmental projects from the special rates offered to employees. Each time they make use thereof, this amount **is added to the budget of all actions and initiatives** carried out of a social action nature. In 2011, they managed to collect a total of €389,436 that has been invested in the housing and catering services, special tariffs and grants of the different Business Units' Community Involvement programmes.



NH Volunteer Employees

SOCIAL IMPACT INDICATORS



Up! for Hospitality

- N° of agreements with NGOs: 83
- N° of rooms donated/2011: 3,277
- Total n° of hotels involved: 92



Up! for Opportunities

- N° of trainees trained: 294
- N° of contracts: 15
- Agreements with NGOs and Institutions: 19



Up! for Volunteering

- N° of Volunteers (including tutors of Up! for Opportunities trainees): 193
- N° of initiatives: 19

Community Investment:
€897,138

2011 AWARDS AND RECOGNITIONS

→ **Latin American Prize for Corporate Responsibility.** NH Hoteles has been honoured by the Ecumenical Forum in the Business category for its social and environmental initiatives carried out by employees, evidence of its responsible commitment in the environments where it operates.



Foro Ecuémico Award

CORPORATE RESPONSIBILITY PROGRESS AND INDICATORS

COMMITMENTS AND CHALLENGES

COMMITMENTS 2011

PROGRESS: ● Not carried out ● In process ● Achieved

| | | |
|-------------------------------------|--|---|
| CORPORATE RESPONSIBILITY MANAGEMENT | ⊕ Implementation and monitoring of activities of the 2011-2013 <i>Corporate Responsibility Master Plan</i> . | ● |
| | ⊕ Adoption and dissemination of the new Code of Conduct applicable to all our Stakeholders. | ● |
| | ⊕ Corporate Responsibility Scorecard. Monitoring of KPIs and implementation of corrective actions. | ● |
| | ⊕ CR Annual Report 2010 publication with external verification. Obtaining GRI highest qualification A+. | ● |
| SHAREHOLDERS | ⊕ Signature and development of the strategic alliance with the new partner HNA. | ● |
| | ⊕ Process of renegotiating the Debt of the Company with major funders. | ● |
| | ⊕ Return to the path of growth by expanding the number of hotels and geographical areas. | ● |
| CUSTOMERS | ⊕ Quality Focus On-line progress: Automatic translation feedback from customers in 54 languages. | ● |
| | ⊕ Quality Focus On-line progress: automation of customer feedback. | ● |
| | ⊕ Quality Focus Championship 2011 (<i>One Step Forward</i>): Launch of a championship within the hotels based on customer satisfaction. | ● |
| | ⊕ Redefinition of the hotel operating processes, oriented towards the customer experience. | ● |
| | ⊕ Strengthening of <i>Wake Up To a Better World</i> communication activities. | ● |
| SUPPLIERS | ⊕ International monitoring of the Supplier attending ethical, social and environmental criteria. | ● |
| | ⊕ Transfer of the new Code of Conduct commitments towards the complete Value Chain. | ● |
| | ⊕ Annual Suppliers Satisfaction Survey. | ● |
| | ⊕ Consolidation of direct actions with NH Sustainable Club members. Focus on innovation of products and services based on solutions that respect the environment. | ● |
| ENVIRONMENT | ⊕ Sustainable mobility: introducing a pilot customer experience with electric mobility services, car-sharing or rental of electric vehicles. | ● |
| | ⊕ Energy efficiency: implementation of energy management pilot projects in order to acquire sufficient experience to develop future global projects and improve the objectives set by the Company. | ● |
| | ⊕ Efficient Lighting: Implementation of the new LED technology in all permanent lighting circuits in the hotels, maximizing energy efficiency in this concept. | ● |
| | ⊕ Launch of an interactive Environment Website as a channel for communication of environmental initiatives with our customers and other Stakeholders. | ● |
| | ⊕ Implementation of an on-line Management System tracking the environmental information of our hotels. | ● |
| | ⊕ Carbon Footprint global certification following the "GHG protocol". | ● |
| EMPLOYEES | ⊕ Convert NHU Betrained platform into the NH Hoteles Knowledge Management tool and also enhancing its use as internal Social Media. | ● |
| | ⊕ Implementation of the new TFY Performance Management System ("Time For You"). | ● |
| | ⊕ Launch of Employees Satisfaction Survey 2011. | ● |
| | ⊕ Definition and implementation of Action plans resulting from the 2011 Satisfaction Survey in all Business Units. | ● |
| | ⊕ Implementation and monitoring of Diversity Plans defined in the Business Units. | ● |
| | ⊕ Enhance the definition and implementation of more stringent policies and committed to diversity at all levels within the organization in NH Hoteles. | ● |
| SOCIETY | ⊕ Implementation of the global strategy for Social Action <i>Up! For the People</i> . | ● |
| | ⊕ Identification and implementation of Up! projects in different Business Units focused on the direct involvement of employees. | ● |
| | ⊕ Definition and launch of the Corporate Volunteer Program <i>Up! for Volunteering</i> . | ● |



CHALLENGES 2012

| | |
|-------------------------------------|--|
| CORPORATE RESPONSIBILITY MANAGEMENT | ⊕ Implementation and monitoring of activities of the 2011-2013 <i>Corporate Responsibility Master Plan</i> . |
| | ⊕ Corporate Responsibility Scorecard. Monitoring of KPIs and implementation of corrective actions. |
| | ⊕ Establish the new <i>Sustainability Strategic Plan 2013-2015</i> of NH Hoteles. |
| | ⊕ Definition and implementation of the Action Plan of the ECPAT Code. |
| | ⊕ Corporate Responsibility Annual Report 2011 publication with external verification. Obtaining GRI highest calibration A+. |
| | ⊕ Monitoring and management of any incidents of the Code of Conduct Identified by our stakeholders. |
| SHAREHOLDERS | ⊕ Successful closing the debt renegotiation process of the Company with major funders. |
| | ⊕ Entry into the Socially Responsible Investment Index (SRI) FTSE4Good Ibox recognition of our commitment to Sustainability. |
| | ⊕ Continue with the path of growth by expanding the number of hotels and geographical areas (Central Europe, Brazil and/or the Caribbean). |
| CUSTOMERS | ⊕ Quality Focus On-line progress: developing a new version that allows to compare customer satisfaction data with ratios on productivity of employees of hotels seeking thereby improving decision making. |
| | ⊕ Commitment to Quality with targeting the results of customer satisfaction in the system of variable compensation of all employees. |
| | ⊕ Redefinition of the hotel operating processes, oriented towards the customer experience. |
| SUPPLIERS | ⊕ International monitoring of the Supplier attending ethical, social and environmental criteria. |
| | ⊕ Extension Click NH'Buy with their implementation in the Benelux Business Unit and Central Europe as well as the other categories of purchases. |
| | ⊕ Launch of the annual Suppliers Satisfaction Survey. |
| | ⊕ Redefinition of direct actions with NH Sustainable Club members. Focus on innovation of products and services based on solutions that respect the environment. |
| ENVIRONMENT | ⊕ Measurement of achievement and levels of compliance with the objectives set by the Environmental Plan 2008-2012. |
| | ⊕ Definition and implementation of new <i>Environmental Plan 2012-2015</i> with demanding additional objectives. |
| | ⊕ Focus on improving the efficiency of the hotels with more opportunity and environmental impact in recent years. |
| | ⊕ Commitment to sustainable innovation with the NH Sustainable Club as a differentiation strategy. |
| | ⊕ Aim to provide greater visibility to the environmental commitment of NH contributing to our brand value. |
| EMPLOYEES | ⊕ Priority programs to promote the motivation of all employees creating new initiatives to enable the development and employee satisfaction in the current economic context. |
| | ⊕ Reconsider the Employees Satisfaction Survey to identify action plans for improvement in all Business Units. |
| | ⊕ Staying engaged with Training (NH University) and Employee Development. |
| | ⊕ Commitment to the design and implementation of new Recognition Programs. |
| | ⊕ Enhance the definition and implementation of more stringent policies and committed to diversity at all levels within the organization in NH Hoteles. |
| SOCIETY | ⊕ Efficiency in the Up! for the People social initiatives. Identification and implementation of Up! projects in different Business Units focused on the direct involvement of employees. |
| | ⊕ Commitment to improving the measurement of social impact of the actions launched by the Company. |
| | ⊕ Strengthening Corporate Volunteer Program <i>Up! for Volunteering</i> for a 10% increase volunteers participating in the program in each Business Unit. |

OUR CORPORATE RESPONSIBILITY INDICATORS

| PROFILE | 2010 | 2011 |
|--|-------------|-------------|
| Portfolio of hotels (number) | | |
| Number of Hotels | 397 | 397 |
| Number of rooms | 58,687 | 59,052 |
| Net income | -€41.3M | €6.2M |
| EBITDA Increase | 57.5% | 115.1% |
| STAKEHOLDERS | | |
| SHAREHOLDERS | | |
| Entities which conduct analysis of NH during the year | 21 | 21 |
| N° of shareholders and investors queries answered | 832 | 874 |
| One-to-one meetings with shareholders and investors | 84 | 137 |
| Analyst tracking reports | 76 | 135 |
| EMPLOYEES | | |
| Average n° of Employees | 18,294 | 19,600 |
| % Immigrants | 13.60% | 16.80% |
| % Female employees | 49.70% | 50.20% |
| % Women in management positions | 49.30% | 48.60% |
| N° of Nationalities | 134 | 138 |
| NHU training hours | 175,948 | 186,404 |
| Investment in training | €646,800 | €1,009,319 |
| N° of performance evaluations conducted | 13,040 | 12,870 |
| Level of satisfaction of Employees (scale 0 to 3) | - | - |
| % Participation in Climate Survey | - | - |
| N° of Employee Mailbox queries | 107 | 141 |
| CUSTOMERS | | |
| Quality Assessment | | |
| → N° of "Mystery Guest "hotel assessments" | 190 | 290 |
| → N° of Customer Satisfaction Surveys | 66,323 | 105,135 |
| Communications managed by the Customer Service Department | 4,200 | 17,696 |
| NH World cardholders | 1,692,960 | 2,130,066 |
| SUPPLIERS | | |
| Volume of suppliers managed | 26,702 | 23,866 |
| N° of suppliers who have signed the Code of Ethics (accumulated) | 896 | 994 |
| Supplier Satisfaction Index (scale of 1 to 5) | N/A | 3.15 |
| NH Sustainable Club members | 40 | 40 |
| SOCIAL ACTION | | |
| N° community involvement projects | 262 | over 450 |
| Resources allocated to the Community | €1,065,752 | €880,423 |
| Resources obtained from solidarity € (Employee Rate and Amigo Voucher) | €434,444 | €387,425 |
| Beneficiaries | 236 | over 290 |
| N° of NH Volunteers | - | 193 |
| ENVIRONMENT | | |
| Urban hotels | 2010 | 2011 |
| CO ₂ emissions (Ton.) | 156,615 | 142,807 |
| CO ₂ emissions (kg per guest/night) | 9.9 | 8.7 |
| Energy Consumption (kWh) | 654,022,690 | 610,457,576 |
| Energy Consumption (kWh per guest/night) | 38.3 | 37.1 |
| Water consumption (m ³) | 3,433,229 | 3,450,508 |
| Water consumption (litre per guest/night) | 223.6 | 217.3 |
| Waste production (kg) | 43,019,872 | 41,319,219 |
| Waste production (kg per guest/night) | 3.0 | 2.7 |
| Generation of Solar energy (kWh/year) | 3,975,051 | 4,097,953 |



Renovated room in
NH Eurobuilding, Madrid - Spain

397 HOTELS IN 25 COUNTRIES



NH HOTELES

Santa Engracia, 120
28003 - Madrid
T: +34 91 451 97 18
F: +34 91 451 97 89



WEBSITES OF INTEREST:

Commercial website: www.nh-hotels.com
Corporate website: <http://corporate.nh-hotels.com>
Environmental website: <http://medioambiente.nh-hoteles.es>

