

ANNUAL REPORT 2010

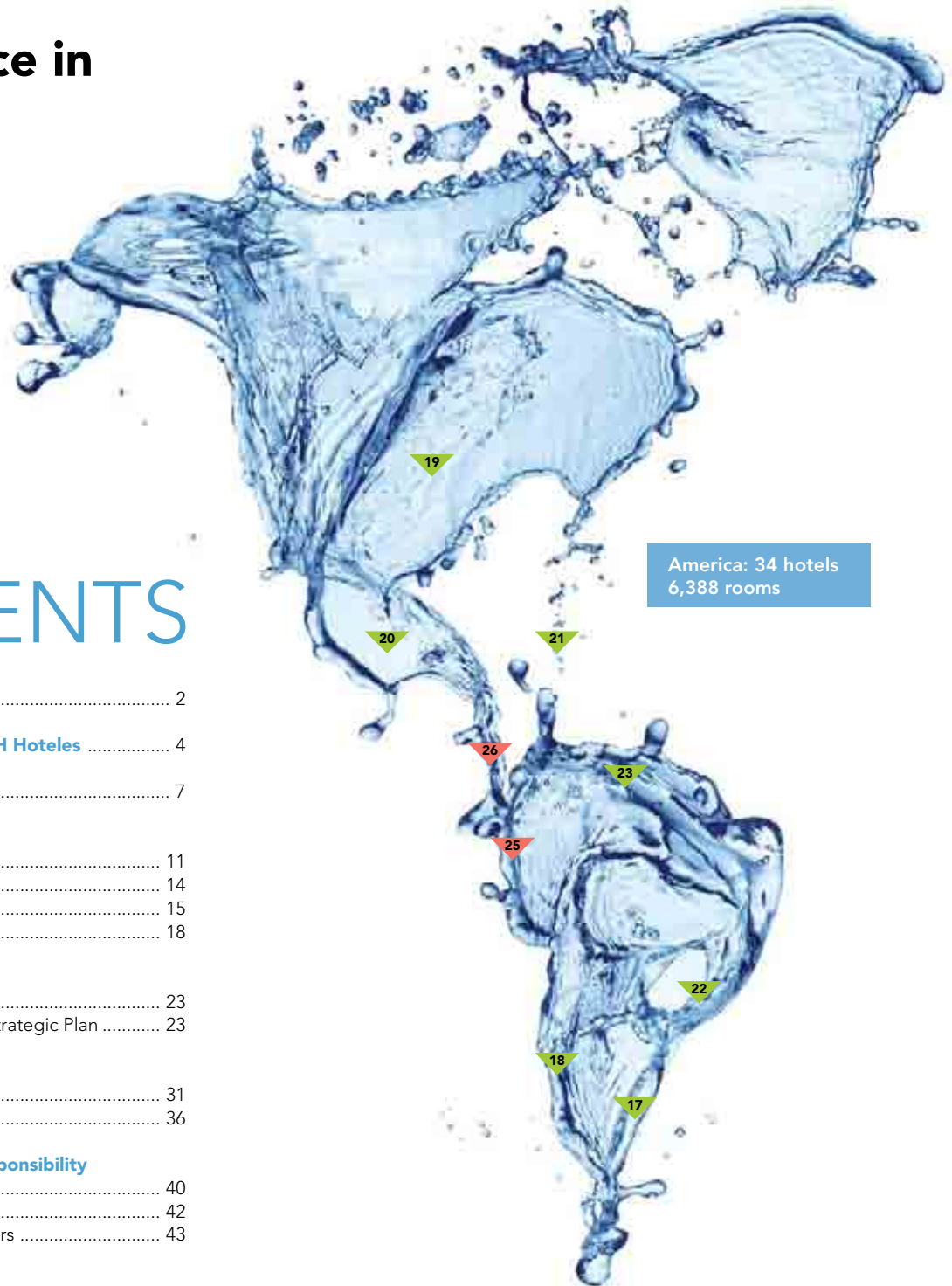
CORPORATE RESPONSIBILITY



Our presence in the world

NH Hoteles in 2010:

397 hotels in 24 countries
58,687 rooms
18,294 employees
18 million customers



America: 34 hotels
6,388 rooms



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This is NH Hoteles' fifth Corporate Social Responsibility Report detailing the company's **economic, environmental and social performance** for the 2010 financial year. This report has been produced in accordance with the guidelines set out by the G3 Guide to the **Global Reporting Initiative**, being graded as **A+** and receiving the confirmation of this level of application from the GRI itself. The report has also been subject to an independent review by KPMG in relation to the reliability of the information reported and the monitoring of reporting rules.

The complete annual reports of NH Hoteles are published in digital format and are available at www.nh-hotels.com. The Corporate Social Responsibility Report, available throughout June 2011, can be downloaded from our web page.

KPMG statement concerning the NH Hoteles, S.A. Corporate Social Responsibility Report

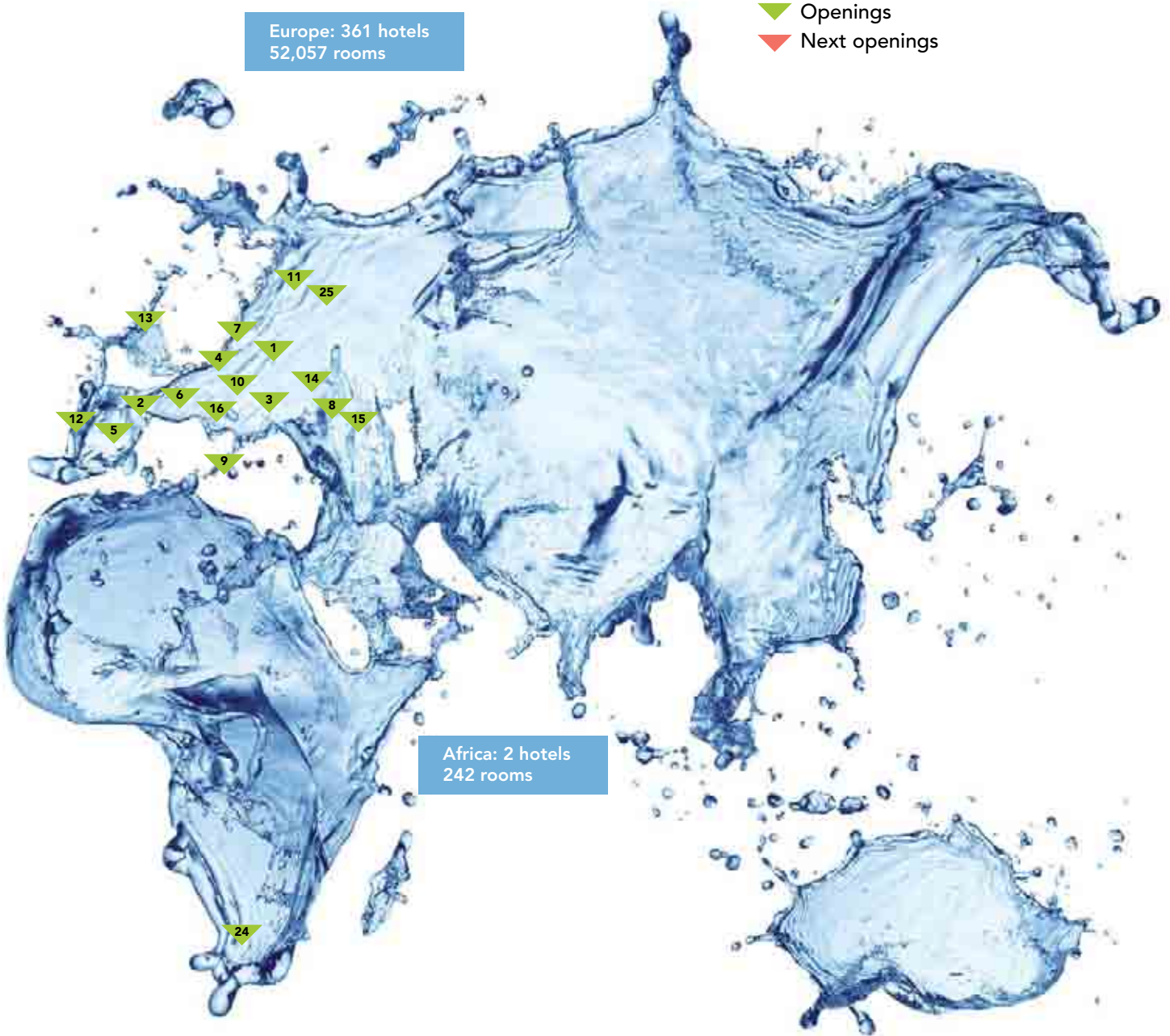
The information contained in this executive summary is consistent with that included in the NH Hoteles, S.A. Corporate Social Responsibility Report (hereafter NH Hoteles), available throughout the month of June 2011, at www.nh-hotels.com.

With the objective of forming a broader and deeper opinion of the actions carried out and the results obtained by NH Hoteles in its commitments to contribute towards sustainable development, this publication must be read together with the NH Hoteles Corporate Social Responsibility Report.

Likewise, we inform you that we have reviewed the content of the NH Hoteles Corporate Social Responsibility Report, using the scope and results described in our associated report that you will find attached to the aforementioned report, the reading of which we recommend in order to acquire a better understanding of our work.

Europe: 361 hotels
52,057 rooms

▼ Openings
▼ Next openings



Africa: 2 hotels
242 rooms

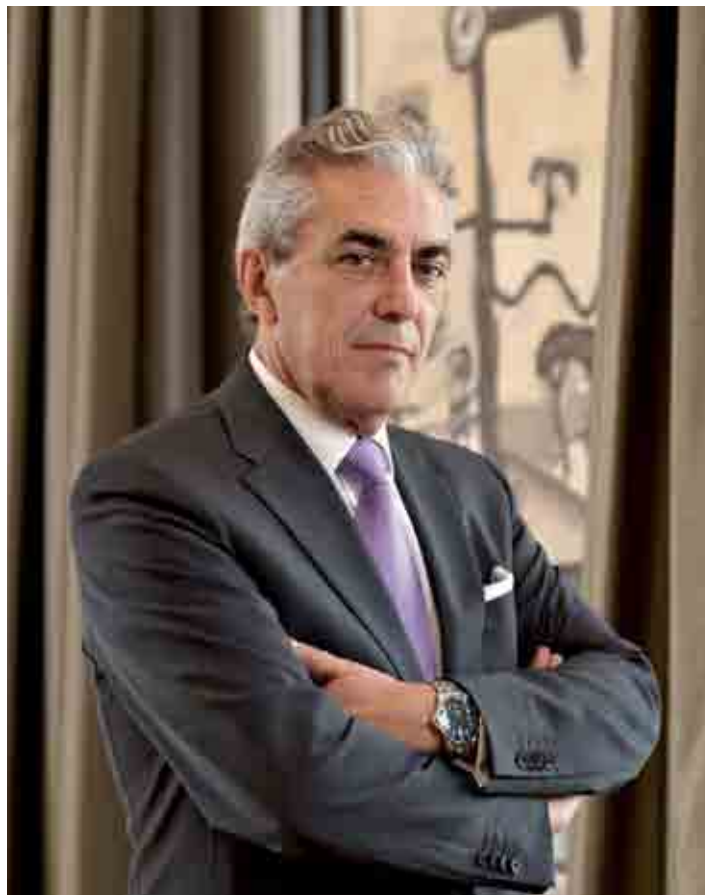
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|------------|--------------------|--------------------|------------------------|--------------|
| 1. Germany | 7. The Netherlands | 13. United Kingdom | 19. United States | 25. Colombia |
| 2. Andorra | 8. Hungary | 14. Czech Republic | 20. Mexico | 26. Panama |
| 3. Austria | 9. Italy | 15. Romania | 21. Dominican Republic | |
| 4. Belgium | 10. Luxembourg | 16. Switzerland | 22. Uruguay | |
| 5. Spain | 11. Poland | 17. Argentina | 23. Venezuela | |
| 6. France | 12. Portugal | 18. Chile | 24. South Africa | |

 www.nh-hotels.com

Please send us your comments and opinion of this report by e-mail to corporateresponsibility@nh-hotels.com or using the form published on our website <http://www.suopinioncuenta.es/formulario.html>



In 2010, we have progressed in our goal to position ourselves as a leading responsible company in our sector, thanks to our continued work on sustainable innovation.



Mariano Pérez Claver, Chairman of NH Hoteles

LETTER FROM THE CHAIRMAN OF NH HOTELES

The 2010 financial year was a year of substantial improvement for NH Hoteles' income statement after a 2009 marked by economic uncertainty and sharp employment and price cutbacks.

The reasons for these improvements are basically found in the increased employment and prices in all markets where the company operates, which has resulted in increased sales which consolidated at year end. Likewise, maintaining cost control and restraint programmes, restructuring the business, and reducing its financial debt throughout the year have also had an influence. In contrast, the chain has had to redefine its expansion and implement a disinvestment plan for non-strategic assets.

As such, the 2010 revenue reached €1.33 billion, 9.6% more than the previous year, and the operating profit, which shows the operational evolution of NH Hoteles, reflected the market recovery and an outstanding increase in productivity. The company generated an

EBITDA of 147.8 million euros, more than double that of 2009, whilst the Group's net losses fell by 57.5%.

This enables us to position ourselves more solidly ahead of the significant challenges that we are facing in order to manage the business in a more sustainable way. The challenges posed by the context can only be overcome with innovative proposals based upon a responsible approach at all operational levels and a quality service adapted to suit new requirements and needs. Without a doubt, the tourism market is changing, both due to the demand and the types of offering, the channels and the loss of profitability, which forces us to review our business models.

In 2010, we have progressed in our goal to position ourselves as a leading responsible company in our sector, thanks to our continued work on sustainable innovation.



Nhow Berlin, Berlin - Germany

We have some excellent teams, which have a high sense of belonging and truly enviable profiles in terms of attitude and ability, which represents, without any doubt, an unbeatable asset for any responsible business organisation that is constantly looking to achieve excellence. In our social performance, we are making a big effort to find out what our people feel, manage diversity, carry out continual training, detect and support talent... as important elements for growing together.

We have managed to achieve most of the objectives contained in the strategic environmental plan two years ahead of time. As part of the aforementioned plan, the energy efficiency programmes implemented, as well as employee training, have enabled us to achieve a significant reduction in consumption which translates into significant savings for the company. Between 2008 and 2010, the reduction in energy consumption has led to a financial saving of around 12 million euros and the lower water consumption has resulted in savings of around 1.8 million euros.

The phenomenon of Web 2.0 and social networks is a reality that the company is incorporating in its business model with innovative applications which facilitate new alternatives for customers. In 2010, the effort to boost direct sales via the web generated a 47.28% increase in online sales.

The centralisation of reservations has made it possible to manage twice as many customers compared to the previous year, with over 4,200 interactions with customers in 2010. This represents a 51% increase on the 2009 figures, achieving a larger number of contacts in a more personalised manner.

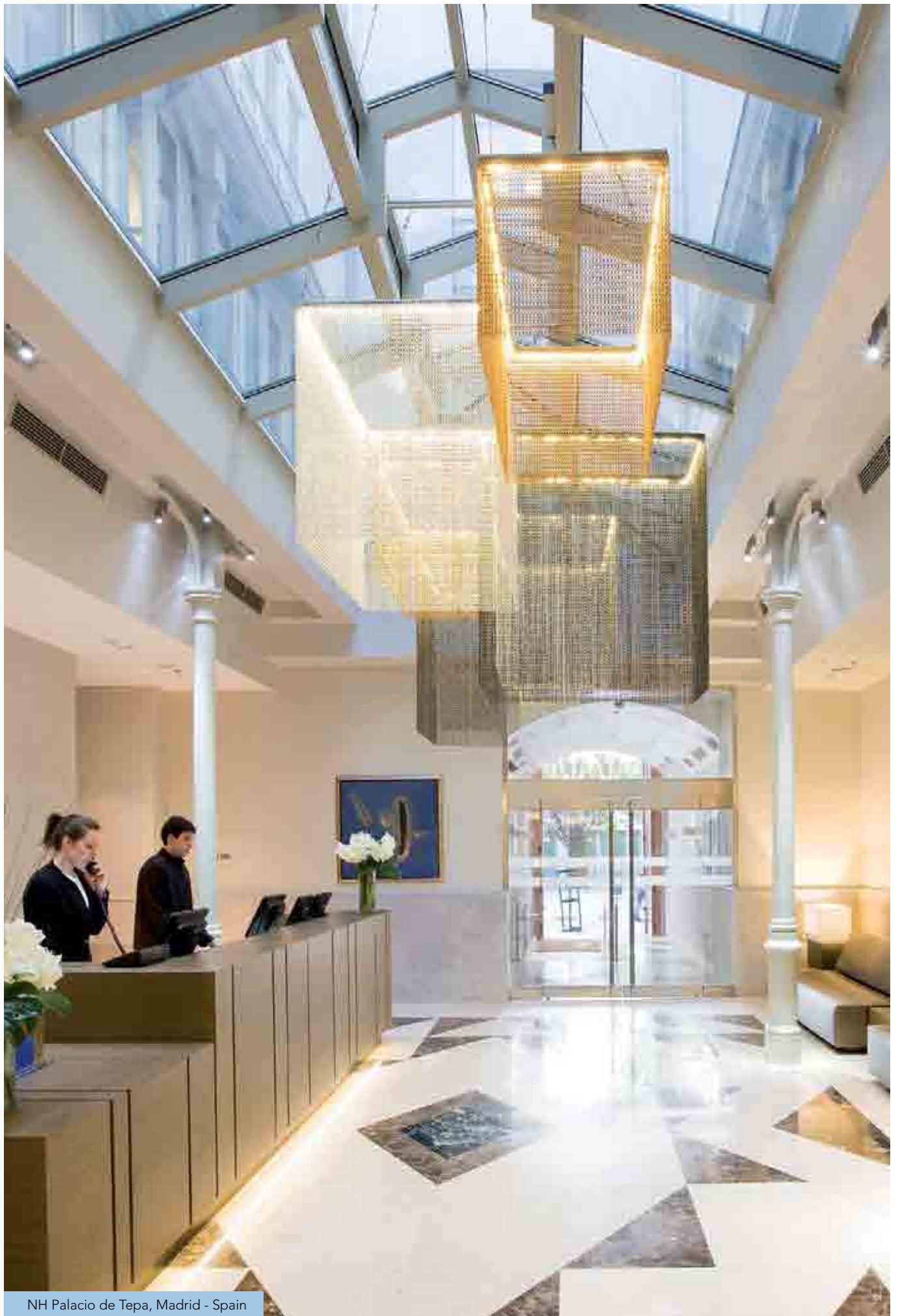
In line with our search for responsible innovation, the company generates special collaboration agreements with the most sustainable suppliers via the NH Sustainable Club, a pioneering initiative in the tourism sector. Working together with the suppliers, as well as helping to improve their products from a sustainability point of view, has contributed towards the chain's improved environmental results.

The gradual recovery of hotel activity during 2010 has given rise to a growth in employment generated by NH Hoteles. This has a positive impact on the different countries in which we operate as well as enabling us to guarantee the best quality of service.

The future challenge is to make progress in developing our business in a sustainable fashion in order to adjust efficiently to the new demands and increase our levels of profitability. We have the firm conviction that the path to being leaders in sustainability in the places where we operate lies in innovation and reporting, as we are doing in this report.

Mariano Pérez Claver
Chairman of NH Hoteles

March, 2011



NH Palacio de Tropa, Madrid - Spain

OUR APPROACH

In line with the vision, mission and values of the company, our strategy is to consolidate a culture of responsibility at all levels, which enables us to offer excellent sustainable services. All with the aspiration of **leading the sector in the area of sustainability**, meeting the needs of all of our stakeholders and, as a responsible company, sharing our experience and good practices with others.

▼ VISION

To enhance the time that our customers spend with us by heightening their experience and contributing to a more sustainable world.

▼ MISSION

At NH Hoteles we are committed to offering sustainable, consistent and efficient hotel services for our customers, shareholders, partners, employees and for society in general. We aspire to lead the tourism sector in sustainable development and to inspire others.

▼ VALUES

- ▼ People Focus
- ▼ Innovation
- ▼ Environmentally Friendly
- ▼ Business Sense

RESPONSIBILITY MANAGEMENT SYSTEM

At the end of 2010, NH Hoteles approved the new **Corporate Social Responsibility Master Plan 2011-2013**. Its principal objective is to give all of the actions and initiatives carried out in this area a global and transversal quality. These plans are agreed by the members of the Sustainability/Corporate Responsibility Committee and they are subject to approval by the NH Hoteles Steering Committee.

Strategic lines of the new Master Plan 2011-2013

- To give all of the actions in the area of CSR a **global and transversal** quality.
- To globally promote the **Social Action** that the NH Hoteles brand carries out as "Social Innovator".
- To make a commitment to **Corporate Volunteering** as a vehicle for social action and internal reputation.
- **Sustainable innovation** as a lever of brand differentiation and reputation strengthening.
- To reinforce **responsible and sustainable NH communication** with employees, customers and Society in general.

STAKEHOLDER INVOLVEMENT

In 2010, we worked in line with the commitments that we set with each stakeholder and to give continuity to our focus upon each one of them, with the challenges and opportunities that this implies.

	Shareholders	Customers	Employees	Suppliers	Society	Environment
CR Master Plan	▼	▼	▼	▼	▼	▼
CR web	▼	▼	▼	▼	▼	▼
Satisfaction Index	▼	▼	▼	▼		
Meetings	▼	▼	▼	▼	▼	▼
Participation in CR's events and forums				▼	▼	▼
Communication / Information Release	▼	▼		▼	▼	▼
Specific Programs	Shareholders' Club	NH World	Employee Mailbox and Idea NH	NH Sustainable Club	NH Amigo Solidario Programme	2008-2012 Environmental Strategic Plan

OUR ETHICAL FRAMEWORK

During 2010, NH Hoteles began to review its **Code of Conduct** with the aim of making it part of the company's Corporate Social Responsibility philosophy and policies, emphasising all of those aspects which define ethical behaviour. Principal changes in progress:

- ▼ It considers all stakeholders, making commitments in the relationship with each one of them.
- ▼ It incorporates the **Principles of the Global Compact** which NH Hoteles joined in 2006, with the objective of disseminating them and promoting them as well as reinforcing the company's own values.
- ▼ It details specifications linked to fraudulent practices, corruption and aspects such as prostitution and child exploitation.

The Global Compact: In 2010, as it does every year, NH Hoteles issued its Annual Global Compact Progress Report by means of a public letter signed by the President of the company, detailing all of the year's outstanding initiatives and results.

ECPAT Code of Conduct: NH Hoteles has signed in Mexico, under the auspices of **UNICEF**, the **ECPAT** (International network against Sexual Exploitation of Children) **Code of Conduct** for the prevention and battle against the sexual exploitation of children in the Tourism sector.

INTERNAL ORGANISATION

NH Hoteles management is totally committed to promoting and developing a culture of Corporate Social Responsibility in the company, which is why since 2010, the Corporate Social Responsibility Department, which is dependent on the General Secretary, reports directly to the presidency. The General Secretary is a member of the Steering Committee and the strategy which is defined on Corporate Social Responsibility is overseen by an Independent Director.

In order to ensure correct implementation and coordination in the different Business Units, there is a CSR manager in each one of them who heads up the management, and channels all of the information, doubts, ideas and initiatives which emerge in each region.

The Sustainability/Corporate Social Responsibility Committee brings together the different areas of the organisation including Project Management, Human Resources, Procurement, Environment & Engineering, Marketing, Sales, Quality & Processes, Institutional Relations & Communication.

INITIATIVES AND ALLIANCES

▼ World Travel & Tourism Council

NH Hoteles has formed part of this platform for three years, with the support of business presidents at the top one hundred companies in the tourism world.

▼ International Tourism Partnership

In 2010, four events have been held jointly with this international platform which brings together the leading players in sustainable conduct from the tourism sector.

▼ Club de Excelencia en Sostenibilidad

We joined at a national level in 2009 and in 2010 we started to participate in the working groups of this organisation, the aim of which is to promote sustainable development in the Spanish business sector.

2010 MILESTONES

▼ Renewal of the Corporate Responsibility strategy

NH Hoteles devised and approved its new Corporate Social Responsibility Master Plan 2011-2013, the principal objective of which is to give all of the actions and initiatives carried out in this area a global and transversal quality.

▼ Integration of Hesperia

Successful integration project Hesperia including standardization of systems and processes through an ambitious training plan for all employees. Consolidation of its economic, social and environmental information. Report of the Corporate Responsibility indicators obtained of Hesperia.



NH Campo de Cartagena, Murcia - Spain



Hesperia Tower, Barcelona - Spain



NH Olomouc Congress, Czech Republic

▼ **Increase in sales on 2.0 platforms**

Increase in web sales of 47.28%, a 16% increase of the conversion rate and 16,500 downloads of its new reservations application for iPhone.

▼ **Evolution of quality and satisfaction**

Weekly monitoring and continuous improvement have enabled the satisfaction of resident guests to increase by 8.03% in 2008 and by 8.41% in 2010, on a scale of 1 to 10.

▼ **New NH Sustainable Club meeting and bold solutions**

At the 2nd NH Sustainable Club Meeting, held in Berlin, innovative sustainable solutions were put forward as well as disseminating and debating the results of R&D work and associated effort.

▼ **Growing curve of environmental compliance**

The effectiveness of the initiatives implemented in all of the chain's hotels in order to comply with the Strategic Environmental Plan 2008-2012 has generated highly satisfactory results. Thanks to the efforts carried out, in two years the environmental objectives which the chain had set for 2012, concerning water, CO₂ emissions and waste have been achieved.

▼ **Strategic Plan for People Management 2010-2012**

ew Strategy for People Management based on three fundamental pillars which are Talent, Competitiveness and Performance Culture.

▼ **Evaluation of diversity**

Diversity status analysis in the different countries where the chain operates with important results for designing Action Plans and responsible people management.

▼ **Maintaining Community investment**

In 2010, the chain developed different programmes and social initiatives, including cultural promotion and employee collaboration through the Voucher Amigo and Employee Rate, the total community investment being more than €1.06 million.

▼ **Evolution of Corporate Social Responsibility reporting**

AWARDS AND CORPORATE RECOGNITION

▼ **European Travelzoo Awards**

Hotel Hesperia Tower awarded in 2010 for the Best Hotel Offering of 2009.

▼ **New Michelin Star for NH Hoteles**

The Vermeer restaurant at the NH Barbizon Palace hotel (Amsterdam) has been recognised in the new 2011 edition of the Michelin Red Guide for its quality, creativity and cleanliness.

▼ **2010 European Hotel Design Award**

Award in the Refurbishment of Existing Hotel Category given to NH Porta Rossa (Italy).

▼ **Construction for the year 2010**

The NH Olomouc Congress (Czech Republic) was awarded the prize for the "Construction of the year 2010" in recognition of its architectural performance, impact on the local environment, the high quality of the building, design, functionality, sustainability, as well as the costs and construction time.

▼ **Five Star Diamonds Awards**

NH Hoteles has been awarded three prizes by the American Academy of Hospitality Sciences: Best European Resort Development, Gran Hotel Convento di Amalfi and Donnafugata Golf, Resorts & Spa (Italy).

▼ **Golden Apple Award**

The NH Royal Beach resort (Punta Cana, Dominican Republic), has received this award for its high levels of quality and service.

▼ **Sector leader in MERCO Companies 2010 (Business Corporate Reputation Monitor)**

NH Hoteles has again been recognised in 2010 as the Company with the Best Reputation in the Spanish Tourism Sector by the Business Corporate Reputation Monitor (MERC0).





NH Porta Rossa, Florence - Italy

ECONOMIC PERFORMANCE

Who we are

NH Hoteles is a chain that offers hotel services in 24 countries in Europe, America and Africa. In 2010, our portfolio had 397 hotels, including urban and holiday establishments, with a total of 58,687 rooms. This year, for the first time, NH Hoteles was placed as the

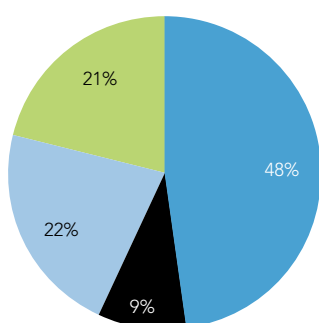
largest leading Spanish chain in Europe. Following the incorporation of the **Hesperia** establishments in the Group, the company operates 353 establishments with 50,057 rooms in 16 European countries, from Portugal to Romania.

	TOTAL		LEASED		OWNED		MANAGED	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL NH HOTELES	397	58,687	230	33,359	79	12,883	88	12,445
EUROPE								
Spain	175	20,977	94	10,647	15	2,218	66	8,112
Germany	60	10,704	60	10,704	0	0	0	0
Italy	53	8,276	33	5,348	16	2,449	4	479
The Netherlands	35	6,509	16	2,441	18	3,988	1	80
Belgium	11	1,632	2	434	9	1,198	0	0
Austria	6	1,180	6	1,180	0	0	0	0
Switzerland	5	632	4	510	1	122	0	0
United Kingdom	3	533	1	121	0	0	2	412
France	3	556	2	397	1	159	0	0
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	361	52,057	224	32,472	60	10,134	77	9,451
LATIN AMERICA AND CARIBBEAN								
Mexico	13	2,040	5	689	4	681	4	670
Argentina	13	1,909	0	0	11	1,524	2	385
Dominican Republic	2	1,015	0	0	0	0	2	1,015
Venezuela	3	924	0	0	0	0	3	924
Uruguay	1	136	0	0	1	136	0	0
Chile	1	122	0	0	1	122	0	0
TOTAL LATIN AMERICA AND CARIBBEAN	33	6,146	5	689	17	2,463	11	2,994
AFRICA								
South Africa	2	242	1	198	1	44	0	0
TOTAL AFRICA	2	242	1	198	1	44	0	0
UNITED STATES								
United States	1	242	0	0	1	242	0	0
TOTAL UNITED STATES	1	242	0	0	1	242	0	0

BREAKDOWN BY ROOMS

(December 31st 2012)

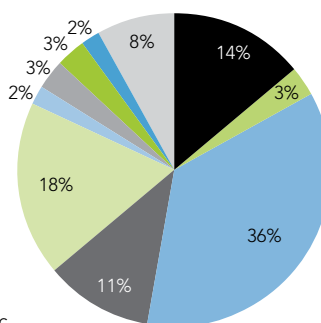
- 48% Leased
- 22% Owned
- 21% Managed
- 9% Leased with Call Option



BREAKDOWN OF ROOMS PER COUNTRY

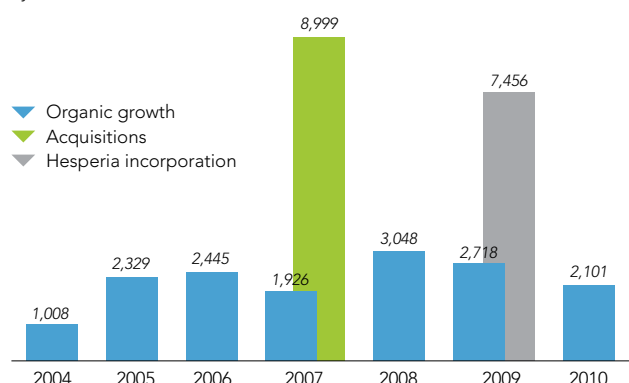
(December 31st 2010)

- 36% Spain
- 18% Germany
- 14% Italy
- 11% The Netherlands
- 8% Others
- 3% Belgium
- 3% Mexico
- 3% Argentina
- 2% Austria
- 2% Dominican Republic



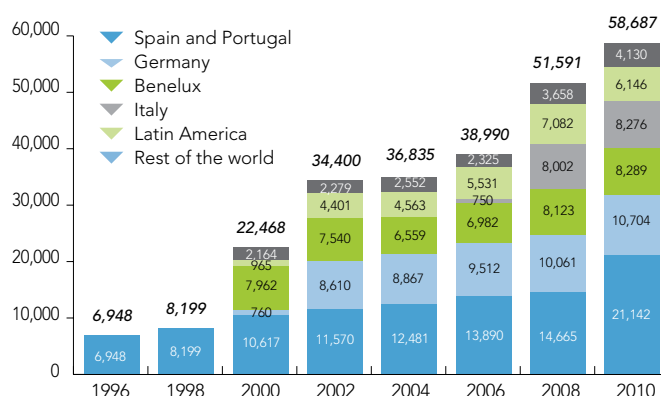
PERFORMANCE OF OPENINGS AND INCORPORATIONS

By number of rooms



NUMBER OF ROOMS 1996-2010

CAGR: 15%



2010 RESULTS

In 2010, NH Hoteles' revenue amounted to €1.33 billion, up 9.6%, and EBITDA, which reflects the operational evolution of NH Hoteles, showed the recovery of the market and a notable increase in productivity. The company generated an EBITDA of €147.8 million, more than double that of 2009, whilst the Group's net losses fell by 57.5%.

The initiatives that NH Hoteles promoted in order to reduce its costs include: its Reservation Desks centralisation in a single office in Europe, the group's non-profitable and non-strategic assets Divestment Plan, direct sales channels promotion such as the company website, the chain's purchasing centralisation in a single supplier management platform and energy saving thanks to the initiatives carried out as part of the Environmental Strategic Plan.



NH HOTELES, S.A. AS OF DECEMBER 31st 2010 P&L ACCOUNT

(€ million)	12M 2010	12M 2009	2010/2009
Hotel Revenues	1,294.1	1,191.4	8.6%
Real estate sales and other	12.8	22.1	(42.0%)
Non-recurring Revenues	28.0	4.4	-
TOTAL REVENUES	1,334.8	1,217.9	9.6%
Real estate cost of sales	3.0	8.0	(61.8%)
Staff Cost	478.3	458.9	4.2%
Operating expenses	416.6	396.3	5.1%
Other Non-recurring expenses	19.3	12.9	49.6%
GROSS OPERATING PROFIT	417.6	341.8	22.2%
Lease payments and property taxes	269.7	271.7	(0.7%)
EBITDA	147.8	70.1	111.0%
Impairment	9.4	37.1	(74.7%)
Depreciation	123.2	124.8	(1.3%)
EBIT	15.2	(91.9)	(116.5%)
Market value derivatives	(0.6)	(13.0)	(95.1%)
Interest expense	42.7	49.9	(14.3%)
Exchange rate difference	24.2	0.0	-
Income from minority equity interests	1.5	6.6	(78.0%)
EBT	(52.5)	(135.4)	(61.2%)
Corporate income tax	(5.1)	(20.3)	(74.8%)
NET INCOME before minorities	(47.4)	(115.1)	(58.8%)
Minority interests	(6.1)	(18.0)	(65.9%)
NET INCOME	(41.3)	(97.1)	(57.5%)

OPENINGS

In 2010 it opened 15 new hotels with 2,101 rooms and two hotels were expanded with 64 additional rooms to the portfolio of NH Hoteles.

NEW HOTEL OPENINGS FROM JANUARY 1ST TO DECEMBER 31ST 2010

Hotels	City	Rooms
NH Porta Rossa	Florence, Italy	72
NH Ludwigsburg	Ludwigsburg, Germany	130
NH Capo dei Greci	Taormina (Sicily), Italy	200
NH Praha Radlicka	Prague, Czech Republic	134
NH Olomuc Congress	Olomuc, Czech Republic	137
NH Valle Dorado	Mexico FD, Mexico	130
Donnafugata Golf Resort & Spa	Ragusa (Sicily), Italy	202
NH Dresden Atmarkt	Dresden, Germany	240
Hesperia WTC Valencia	Valencia, Venezuela	32
NH Palacio de Tepa	Madrid, Spain	85
NH Girona	Girona, Spain	115
Nhow Berlin	Berlin, Germany	304
NH Queretaro	Queterato, Mexico	140
NH Campo de Cartagena	Cartagena, Spain	100
NH Hotel Casino	Mar de Plata, Argentina	80
Total New Openings		2,101



Donnafugata Golf Resort & Spa

HIGHLIGHTS 2010

▼ NH Hoteles reinforces its financial situation

In 2007, the company agreed a syndicated loan with 34 national and international banks to the value of €650M. The loan expires after five years and has a grace period of three years, repayment starting in 2010. During this financial year, NH Hoteles has obtained exemption from the banks for the 2010 financial year, from fulfilling two of the committed financial ratios.

▼ Asset Management

Among the initiatives of the rationalization plan and divestment of assets that the company launched it should be noted the many agreements reached in this field. During 2010, 18 hotels with 4,842 rooms exited the portfolio of NH Hoteles.

▼ Leaders in the European sector

In 2010, for the first time, NH Hoteles was placed as the largest Spanish chain in Europe, according to the annual MKG Hospitality ranking, produced by the leading tourism consultancy.

▼ Procurement platform



Since the start of 2010, NH Hoteles and the HUSA chain have been managing their purchasing jointly. This platform, in which NH Hoteles holds the majority share, generated a turnover to the value of 300 million euros, through the purchases that NH Hoteles and HUSA carried out at both hotel chains' 350+ Spanish establishments.

Likewise, Sercotel Hotels signed an agreement in October 2010, as a result of which it started to use the Coperama procurement platform. Since then, Sercotel has been able to manage its purchasing with over 600 suppliers.

SOTOGRADE INTERNATIONAL PROJECTS

During the 2010 financial year, the property sector has been characterised by its poor performance on the national market, influenced by the difficult international economic situation, in general, and by the lack of access to mortgage loans, in particular. At NH Hoteles, real estate activity has produced revenue of €12.8M in 2010, compared to the €22.4M produced during the same period of the previous year.

▼ Sotogrande at Cap Cana (Dominican Republic)

The completion of the first property sales began in November 2010, demonstrating the quality of the development as well as its exceptional location. This is backed up by the fact that at the time of completing this report the sales process has been completed and payment received for 45 of the 77 pre-sales (out of a total of 122 in phase I of the project).

▼ Sotolindo (Riviera Maya, Mexico)

Sotolindo extends to the Blanca and Poniente islands feature over 45 kilometres of coastline washed by the Caribbean Sea and over 15 kilometres of beaches. Around it, a low-density residential project will be developed, with approximately 2,000 exclusive dwellings and, close to the residential area, a development of 5,000 hotel rooms.

▼ Sotogrande Donnafugata Golf, Resorts & Spa (Sicily, Italy)

It is located on an estate spanning 284 hectares, which is situated in the southeast of the island, close to Ragusa and very close to the future Comiso airport and the sea.

The project consists of a new 5-star hotel with 170 rooms, 20 junior-suites and 10 senior-suites. Meanwhile, Donnafugata has two 18-hole golf courses designed by Gary Player and Franco Piras, and a first-rate spa.

BOARD OF DIRECTORS OF NH HOTELES, COMMITTEES AND MANAGEMENT COMMITTEE

*Change of Chairman

On 18th February 2011, Mr. Gabriele Burgio notified the NH Hoteles board of directors of his decision to leave his role as Board Member, Chairman and CEO of the company, stating that once the principal objectives of the Business Plan, approved in July 2009 in order to tackle the economic crisis were met, the company would be in an ideal position to make the most of the early signs of recovery. Mr. Burgio's decision took effect on 1st March 2011, once the annual accounts for the 2010 financial year had been drawn up for the board.

At the proposal of the Commission of Appointments and Payment, the board of directors agreed the appointment of Mr. Mariano Pérez Claver as the new member of the board and Chairman of the Company.

▼ Board of Directors (31st December 2010)

Chairman and CEO: **Mr. Gabriele Burgio**

Members: **Mr. Iñaki Arratibel Olaziregi**
Mrs. Rosalba Casiraghi
Mr. Roberto Cibeira Moreiras
Mr. Angel Córdoba Díaz (representing Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A.)
Mr. José de Nadal Capará
Mr. Ignacio Ezquiaga Domínguez (representing Hoteles Participados, S.L.)
Mr. Francisco Javier Illa Ruiz
Ms. Nuria Iturriagoitia Ripoll
Mr. Aurelio Izquierdo Gómez (representing Caja de Ahorros de Valencia, Castellón y Alicante-Bancaja)
Mr. Juan Llopart Pérez
Mr. Miguel Rodríguez Domínguez
Mr. Juan Antonio Samaranch Salisachs
Grupo Inversor Hesperia, S.A. (Mr. José Antonio Castro Sousa)
Mr. Antonio Viana-Baptista

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

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

▼ Audit and Control Committee

Chairman: **Mr. Antonio Viana-Baptista**

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

Secretary: **Mr. Roberto Chollet Ibarra**

▼ Executive Committee

Chairman: **Mr. Gabriele Burgio**

Members: **Mr. Aurelio Izquierdo Gómez** (representing Caja de Ahorros de Valencia, Castellón y Alicante-Bancaja)
Mr. Angel Córdoba Díaz (representing Sociedad de Promoción y Participación Empresarial Caja Madrid, S.A.)

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

▼ Appointments and Compensation Committee

Chairwoman: **Ms. Nuria Iturriagoitia Ripoll**

Members: **Mr. José de Nadal Capará**
Mr. Francisco Javier Illa Ruiz

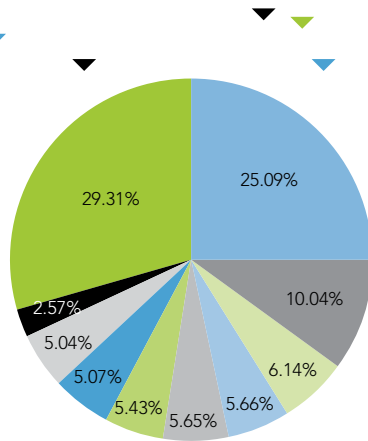
Secretary: **Mr. José María Mas Millet**

Shareholders

Current and potential shareholders are one of the company's most important sources of funding and growth. A fluid relationship with investors, based on complete and accurate information, contributes towards creating a professional and efficient link in the process of making investment decisions.

SHAREHOLDING STRUCTURE

- ▶ 25.09% Grupo Inversor Hesperia
- ▶ 10.04% Caja Madrid
- ▶ 6.14% Kutxa
- ▶ 5.66% Bancaja
- ▶ 5.65% Banca Intesa
- ▶ 5.43% Hoteles Participados
- ▶ 5.07% Ponte Gadea
- ▶ 5.04% Ibercaja
- ▶ 2.57% NH Management Team & Employees
- ▶ 29.31% Rest of Capital



CHANGES TO THE ARTICLES OF ASSOCIATION

The articles of association were modified in 2010 with the aim of adapting them in line with the regulatory framework on the subject of payment. The general meeting of shareholders held on 24th June 2010, modified section 20 of the articles concerning the payment of administrators, in accordance with which the board of directors drew up an Annual Report on the Remuneration of Board Members and Senior Management. The basic content and submission of the said report to the general meeting of shareholders will be as stipulated in the laws and other applicable regulations in force. Where the board of directors is concerned, two changes were recorded in the composition concerning the appointment of two new board members, following the resignation of two former members, joining the board on receipt of a favourable report.



Nhow Berlin, Berlin - Germany

ANNUAL SHAREHOLDERS' MEETING

The 2010 annual meeting, approved the ratification, appointment and re-election of board members, following the prior proposal of the Commission of Appointments and Payment, in the case of independent board members, otherwise, in the case of the other board members, on receipt of a report from the said Commission, which has been presented to the board of directors. Also at the aforementioned annual meeting, a new Proprietary Director was appointed, exercising the right to proportional representation of the **Grupo Inversor Hesperia, S.A.**

INVESTOR RELATIONS

"In 2010, the objectives of the Investor Relations Department have basically been to increase its contacts with analysts and investors and to improve efficiency in response times. In this line, we highlight a significant increase in the number of meetings and road-shows organised. Meanwhile, to complement the information offered, in 2010, an interactive section was added to the website with stock price graphics and a summary of the most relevant data concerning NH Hoteles shares."

José María García, NH Hoteles Investor Relations Corporate Director

For the efficient management of these relations, NH Hoteles has an **Investor Relations** department which forms part of the Corporate Investment Analysis Department and which also offers the Shareholder Care service.

The section of the **corporate website** that is devoted to the shareholder is one of the platforms for the relationship with investors. It includes the publication of all of the relevant information and the tools for shareholder care. Likewise, the online **Shareholder's Corner** offers a direct care service. Furthermore, the Investor Relations department sends quarterly results and other relevant data by e-mail to analysts, and institutional and individual investors.

SHAREHOLDER CLUB

Created to reward shareholders with exclusive benefits via the **NH World** card. Furthermore, the shareholders' reservations line is a special service which includes direct reservations, extensive arrival times, superior room, express check in ...

INTERESTING REPORTS FOR INVESTORS

For the third year, in line with our commitment to transparency and responsibility, we have reported information to **Siri Company** (Sustainable Investment Research International) and **Eiris** (Ethical Investment Research Services), both devoted to evaluating socially responsible investments and which analyse the environmental, social, ethical and governance performance of companies.



In 2010, NH Hoteles once again participated in the **Carbon Disclosure Project** (CDP) as part of the company's commitment to the battle against climate change, the objective of which is to inform investors of their evolution in this area.

NH Hotels is pleased to have been considered in this assessment in the range B as advanced followers (scale between A and D), included in the top 10 Spanish companies. Report acknowledges the good practices with Ecomeeting and charging points for electric cars in our hotels.

Customers

Customers are central to our business. Our principal objective is to always offer them the best quality and excellent service. In order to achieve this, we are constantly looking for increasingly sustainable and efficient products and services at all of our hotels.

QUALITY OF SERVICE

Our Comprehensive Quality of Service Management system, called **Quality Focus (QF)** is based upon a structure that is distributed throughout 25 countries and its objective is to improve perceived quality and increase satisfaction, as well as raising awareness throughout the organisation about the value of quality as a market differentiator, coordinating and implementing internal procedures, necessary training and quality measurement tools.

Management System

In order to manage Quality Focus, NH Hoteles has the Corporate Quality Department which coordinates the team and centralises the creation of quality procedures and standards. The Business Unit coordinators manage implementation and communication. A total of **400 quality supervisors** ensure the perfect implementation of procedures and standards.

QF training pills

With the objective of facilitating the implementation of these procedures throughout the company, training pills have been developed called **"QF in 5 minutes"**. They enable all employees to learn about procedures in a dynamic way and NH Hoteles to be faster in implementing and updating such systems.

Quality ranking "9 Steps to Quality"

The **"9 Steps to Quality"** initiative was developed in 2010, the objective of which is to increase the motivation of all the departments involved in order to achieve the highest quality control scores. The project reviews procedures on a monthly basis, awarding a prize to the best hotels in every section and department.

The internal report

There are various resources which facilitate and speed up the internal information on quality results:

- The **Quality Report** reflects the level of implementation of procedures by hotel and Business Unit, as well as customer satisfaction. It includes all of the comments and requests made by customers at hotel level.
- The **CS Quick Report** is generated on a weekly basis, and makes it possible to monitor the results obtained in customer surveys.
- The **Quality on-line** tool includes all of the survey scores and comments, summarising the comments from external web pages

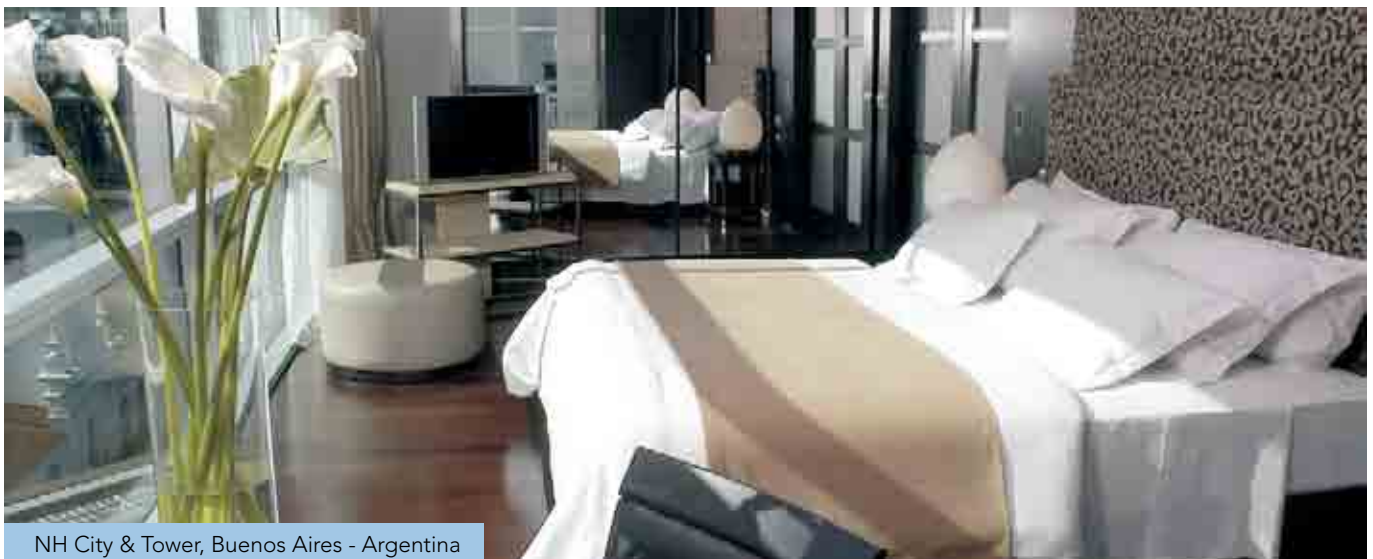
CUSTOMER SURVEYS

In order to measure perceived quality, all of the customers who stay at NH Hoteles receive a **Satisfaction Survey**. These surveys are sent weekly with the objective of increasing the number of assessments received, thus achieving a more approximate report of their satisfaction.

	2008		2009		2010	
	Score	N°. Surveys	Score	N°. Surveys	Score	N°. Surveys
OVERALL SCORE	8.03	32,748	8.39	42,018	8.41	66,323
VALUE FOR MONEY	-		7.66		7.71	

"At NH Hoteles we sell "experiences". This is what distinguishes us from the competition. We respond to the quality culture based on continuous improvement. Our objective is to optimise the service provided, involving and training all of our employees when it comes to drawing up, disseminating and implementing certain procedures and action plans aimed at improving the degree of customer satisfaction day by day. In order to achieve this, there is an international quality team with a Business Unit Coordinator which, along with the Corporate Team, defines the procedures, coordinates the quality measurement actions and establishes the plans for improvement."

Javier Carazo, NH Hoteles Quality and Processes Corporate Director



NH City & Tower, Buenos Aires - Argentina

CUSTOMER CARE

During the year, over 4,200 interactions with customers have been managed, which represents a 51% increase on the previous year's figures. This increase is due to the Reservation Desk centralization which enables more concentrated customer contact. The complaints and suggestions received are communicated to all hotel managers on a monthly basis with the aim of considering this data in the continuous improvement process.

CENTRALISED SERVICE

In 2009, NH Hoteles centralised its European Call Centres in Madrid, offering a 24-hour personalised service in more than 10 languages. Waiting times decreased and the ratio of service to incoming calls increased by up to 94%. Customer satisfaction, in short, increased to the point of exceeding the average for Spanish hotels by almost four percentage points (69.61%); in place of the sector average of 65.81%, according to the Best Customer Experience (BCX) study carried out by IZO Systems.

MYSTERY GUEST

In order to measure technical quality, hotels are audited on more than **600 quality standards** which enable the evaluation of the implementation of corporate procedures, as well as the fulfilment of the action plans devised at the start of the year. In 2010, an additional 34 hotels were audited compared to 2009, with an average score of 7.03.

	2009	2010
HOTELS AUDITED	156	189
AVERAGE SCORE	7.05	7.03

SPECIAL ACTIONS

Food Safety Policy

In line with the evaluation and management procedures for those products and services which have a possible impact on customer health and safety, our policy includes the general European guidelines which must be fulfilled in relation to food safety and hygiene.

Accessible hotels

Our general hotel design guides and aforementioned specifications include guidelines for the accessibility of people with reduced mobility, and all implementation projects are supervised with the objective of guaranteeing compliance with these regulations at each new hotel.

INNOVATION 2.0

With innovative solutions for looking for and reserving at the best guaranteed price, the 2010 Internet sales figures exceeded the 2009 figures by 40%. **Multichannelness**, in both B2C and B2B business, and **mobility**, are two important guidelines for the chain. NH Hoteles is developing its applications for smartphones and launching applications for both Blackberry and Android. The new corporate website will have a version for iPad devices and the NH World and NH YourSpace web pages will be adapted for this device, as well as smartphones.

Online dialogue

In 2010, NH Hoteles, in its constant desire to innovate and reach the greatest number of customers, started to have a presence on social networks in order to have better dialogue, be more dynamic and visible to our customers. We seek to add value to users as well as listening to their experiences and meeting their needs.



Innovation 2.0

NEW SERVICES

NH&You

This B2B platform enables companies to organise their professional travel with the maximum ease of use and efficiency. Personalisation, cost optimisation and speed of management are just some of its advantages.

Best Rate Guaranteed

This commitment implies that the chain always provides the lowest price for all online reservations, such that if better offers are found via other intermediaries or a direct sale, customers will obtain a further 10% discount.

NH Event Tools

It simplifies the organisation of events and conferences for the MICE sector (meetings, incentives, conferences and events). It enables the prior reservation of rooms and assigns rooming to delegates, optimising multi-hotel transactions and times in various cities and different countries.

NH Trade Pages

For travel agencies, tourism business associations and tour operators, the company has specifically designed this site which enables them to manage intermediation business quickly and efficiently.

New NH Resorts Website

All the information on our resorts. It offers special offers, photographs and the option to make reservations using the page.

CRS Meeting

This service offers a centralised database with a unique hotel function room inventory which will enable cross-selling between different Business Units and facilitate the implementation of a common operational procedure throughout the organisation thanks to the Booking Files.

NEW 'NHOW' HOTEL IN BERLIN

With appealing interior decoration and a striking architectural design, it is a leading European hotel because of its sound and recording facilities, with a "Music Floor" that includes two recording and mixing studios featuring professional quality and cutting-edge technology, as well as a spacious Lounge for live performances. The new nhow Berlin is located in the heart of two of the liveliest, most ground-breaking neighbourhoods of the Berlin creative scene: the districts of Friedrichshain and Kreuzberg.



"antiOx" breakfasts

NH WORLD

The NH Hoteles customer loyalty programme presents its new image and shakes up its structure with new benefits for its cardholders, creating new categories for its most exclusive customers beneath the **NH World Citizen** concept.

With almost 1,700,000 members, it offers a new look&feel, transparency in the credit accumulation system and no end of advantages which make it possible to establish a strong link between the chain and its most loyal customers.

NH World members are invited to participate in World2 with publications in the blog and Facebook updates, offering the opportunity to be connected, share and interact with the company and with other members.



CAMPAIGNS AND PROMOTIONS

▼ The Organisers

ETHis offer provides the available prepaid offers on a monthly basis, with discounts of up to 30% on the best available rate, rewarding customers who make their reservation a minimum of 7 days in advance and prepay directly. In 2010, there was a 33% increase in sales.

▼ Weekend Extender

Customers can enjoy value-added benefits on weekend reservations at all hotels in Spain and Latin America, from only €129. The customers can check out of hotel on Sunday at 5 p.m. Meanwhile, drinks and snacks from the minibar in your room are included in all reservations made via the website.

▼ For your eyes only

Rate for employees and relatives, only useable via Internet. The rate for a double room with breakfast is 59€, (excluding VAT), at over 300 hotels.

▼ Thinking about everyone

NH Hoteles has offers aimed at groups with different needs and ages. Thanks to the **Club+60**, people over the age of 60 years can enjoy rooms at a reduced rate. Meanwhile, **Sleep and Go** provides cheaper accommodation for young people in European hotels.



antiOX

New **"antiOx breakfasts"**, a new concept of an antioxidant breakfast which helps to fight against the negative effects of free radicals. It includes healthy suggestions such as 100% natural fruit jellies, surprising combinations of antioxidant juices, organic yoghurt combined with all kinds of fruit, muesli and goji berries, amongst many other options. The chef, Enrique Martínez, is responsible for designing the innovative menu.

AWARDS AND ACKNOWLEDGEMENTS

▼ "Best Customer Experience 2010" Awards

The Spanish Association of Experts in Customer Contact Centres (AEECCC) recognised NH Hoteles in two categories, both in the specific category for the tourism sector, and in the global category, as **"the Spanish company offering the best customer experience 2010"**.

▼ Contact Center Award 2010

The NH Hoteles **European Reservations Desk**, recently centralised in Madrid, has received this prize, awarded by the Contact Centre magazine in the "Technological Development" category, for the Contact Centre On Demand (CCOD) service, along with the corporate Information Technology (IT) department).

▼ Best Customer Experience 2010 in the Latin American Tourism Sector

Prize for the Best Customer Experience 2010 in the Latin American Tourism Sector, awarded by the Latin American Company-Customer Relations Association (AIAREC) to NH Hoteles.

Suppliers

At NH Hoteles we consider our suppliers to be key stakeholders for consolidating our commitment to sustainability. This means having responsible partners in a value chain that plays its role in sustainable and ethical development and which strives to develop innovative joint solutions.

PURCHASING INTEGRATION

"The year 2010 has been the year of consolidation and expansion of big projects for the NH Hoteles Procurement Department. In addition to obtaining greater purchasing synergies, this has enabled us to achieve success through innovating in both products and in the way that we do business".

Pedro Martínez, NH Hoteles Procurement Corporate Director

▼ Birth and consolidation of Coperama

The new Procurement Desk, lead by **NH Hoteles, Hesperia and Husa**, has consolidated during its first year of operation as Europe's second and Spain's first Procurement Desk, by business volume. In 2010, Coperama consolidated with the organisation of more than 50 tenders, signing agreements with more than 100 local and national suppliers which have taken on board the social and environmental commitments promoted by NH Hoteles.

▼ Implementation of Click NH' Buy in Spain, integration with Hesperia

During 2010, the new supply management system, **Click NH'Buy** was implemented in 100% of the group's Spanish hotels. This system involves the integration and automation of the entire supply process from the order to payment, giving company costs greater transparency and ensuring that they are better managed. In parallel, the **Hesperia** hotels have been integrated into NH Hoteles policies, processes and management systems.

▼ Growth of NH Sustainable Club

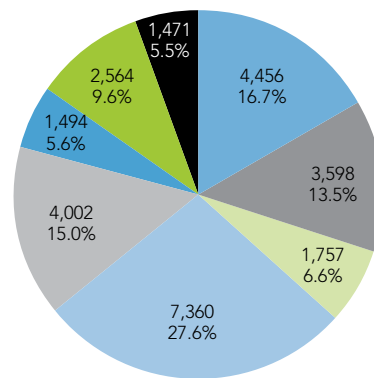
In 2010, the **NH Sustainable Club** saw the participation of 40 suppliers with which we are working on over 25 projects. This initiative is moving forwards in its objectives with the active participation and interest of its member suppliers. The second meeting in Berlin further strengthened this commitment, promoting the exchange of ideas as a source of innovative projects.

SUPPLIER MANAGEMENT

In 2010, NH Hoteles worked with a total of 26,702 national and international suppliers, with an annual purchasing volume (cost plus investment) of €466.5 million. 88% of this volume is concentrated in Spain, Italy, Germany and Benelux. The degree of internationalisation remains high, with Spanish companies only accounting for 27.6% of suppliers, a figure slightly higher than last year.

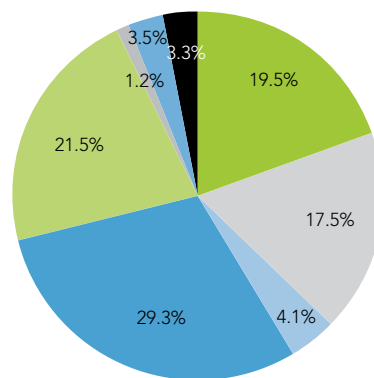
Suppliers by Country

- ▼ 7,360 Spain
- ▼ 4,456 Germany
- ▼ 4,002 Italy
- ▼ 3,598 Benelux
- ▼ 2,564 Mexico
- ▼ 1,757 Central Europe
- ▼ 1,494 Mercosur
- ▼ 1,471 Others



Turnover by Country

- ▼ 29.3% Spain
- ▼ 21.5% Italy
- ▼ 19.5% Germany
- ▼ 17.5% Benelux
- ▼ 4.1% Central Europe
- ▼ 3.5% Mexico
- ▼ 3.3% Others
- ▼ 1.2% Mercosur



Following the principles of our **Corporate Procurement Policy**, at NH Hoteles we strive to offer equal opportunities and promote local purchasing in each region where we operate. In 2010, the local purchasing volume represented 93% of approved purchases.



NH Convento de Amalfi, Amalfi - Italy



NH Praha Radlická, Prague - Czech Republic

COMPREHENSIVE EVALUATION

With the framework of our solid **Procurement Policy**, NH Hoteles is making progress in implementing increasingly rigorous supplier evaluation and selection processes, with analysis based on environmental, social and ethical criteria.

In 2009, a system to evaluate supplier commitment and respect for the environment was implemented. Throughout 2010, two big corporate tendering processes were carried out and 100% of the participating suppliers were assessed using this system. Furthermore, it includes the Ecodesign questionnaire and since it was implemented, all suppliers are classified according to their degree of environmental impact and the associated control and management methodologies used, assessing each candidate using a similar system to the European energy grading label, Energy Star.

MEMBERSHIP OF THE CODE OF CONDUCT

In line with its social and ethical commitments, in 2009, NH Hoteles incorporated the **Code of Conduct** as an annex to the Approval Contract, with the aim of ensuring responsible behaviour in our supply chain. As a result 171 new codes have been signed, which represents a 24% increase on 2009, and takes the number of codes signed to date to 896.

The turnover achieved in 2010 by these suppliers was as much as 212,180,878 euros, which represents 45% of the total NH Hoteles group worldwide turnover. The impact on the turnover of suppliers who have signed the code increased by 5%.

COMMUNICATION WITH SUPPLIERS

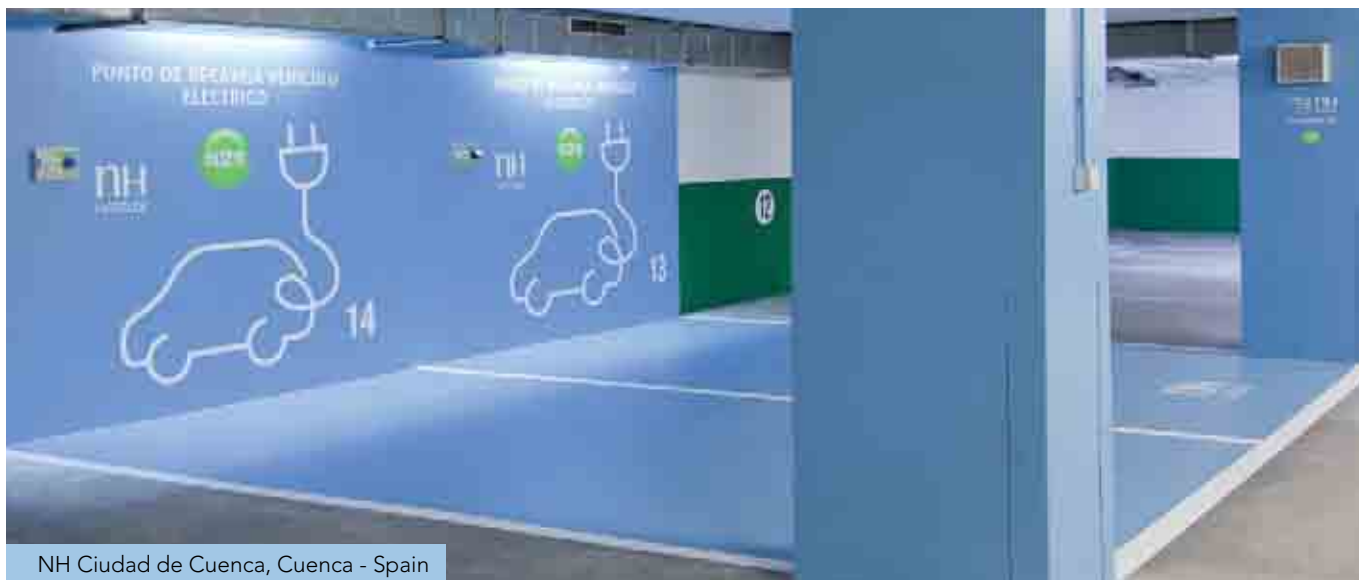
In 2010, the implementation of the Suppliers' Portal was consolidated, **Click NH'Buy**, and electronic invoicing in 100% of the group's Spanish hotels including the incorporations from **Hesperia**. Furthermore, implementation began in Italy.

The number of participants has increased by 25%, reaching 38 suppliers and 22,092 invoices in 2010, which represents 12% of all invoices received from suppliers.

SATISFACTION OF INTERNAL CUSTOMERS

For the third year running, in December 2010 the Purchasing area conducted the **International Internal Customer Satisfaction Survey** to obtain feedback on the service provided by the Purchasing Department and on our suppliers' performance.

The 2010 survey has included employees from Spain, Germany, Italy, Benelux and Central Europe, who use our tools and get support from the Department. The results show that over 90% of the users consider the management of the purchasing department to be good, satisfactory or very satisfactory.



NH Ciudad de Cuenca, Cuenca - Spain

NH SUSTAINABLE CLUB

In its third year of existence, the **NH Sustainable Club** boasts 40 national and international members. The joint effort made by suppliers and the Company brings about innovative and sustainable solutions for the hotel industry. This collaboration is based on the importance given by NH Hoteles to innovation as a means to optimise resources and improve environmental competitiveness.

2ND NH SUSTAINABLE CLUB MEETING

In June 2010, the 2nd NH Sustainable Club Meeting was held in Berlin with 100 participants from several countries and industries, including suppliers, NH Hotel directors and important players in the field of sustainability. The aim of this annual event is to encourage communication between the Company and its strategic suppliers, to disseminate information on the most relevant projects in which it is actively involved and to present goals achieved.



SUPPLIER	MAIN ACTIVITY	SUPPLIER	MAIN ACTIVITY
AMENITIES PACK	Amenities	MARTÍNEZ OTERO	Furniture
AMORIM (WICANDERS)	Cork Coverings	OTIS	Elevators and Maintenance
BERLYS	F&B	PEDERSOLI	Laundry Italy
BLYCOLIN	Laundry North Europe	PERMAFLEX	Mattresses Italy
BUNZIL	Logistics Platform North Europe	PHILIPS	Televisions
CARLO LAMPERTI	Laundry	PRODUCTOS DEL CAFÉ	Coffee
COMO	F&B Platform Germany	SALONI	Ceramics
DELI XL	F&B Logistics Platform North Europe	SCA	Cellulose
DIVERSEY	Cleaning chemicals	SCHNEIDER ELECTRIC ESPAÑA	Plugs
E. ON ENERGÍA	Energy	STANDARD TEXTILE	Lingerie
FLEX	Mattresses Spain	STYB	NH Pens
FLISA (GRUPO FUNDOSA)	Laundry Spain	SYMPHONY PLASTICS	Additives for oxobiodegradable products
FONTVELLA	Water	TCH	Coutines
HEINEKEN	Beer	TELFÓNICA	Telecoms
INDEL B S.P.A.	Minibars	TIPOGRAFÍA DANZO S.N.C.	Printing Italy
J.J. DARBOVEN	Coffee Germany	TRINKS	Drinks
LEDS C4	Lighting	VILLEROY&BOCH	Equipment
MAHOU SAN MIGUEL	Beer	WINTERHALTER	Dishwashers
MARR	Logistics Platform Italy		

RELEVANT INICIATIVES

- ▼ **Use of LED technology**, low energy lamps and other eco-efficient electrical appliances.
- ▼ **Replacement of 400 absorption minibar** refrigerators for new compression ones, with a 36% energy savings.
- ▼ **Replacement of traditional plastic** with biodegradable plastic in laundry bags, amenities and pens.
- ▼ **Encouragement of use of the electric car**, with the installation of recharge points along the main routes of life maintenance of hotels in Madrid, with a reduction of indirect CO₂ emissions of 3.600 Kg per annum.
- ▼ **Implementation of innovative WC systems** resulting in a 25% water savings.
- ▼ **Recycling and reuse project** of bottle corks in our hotels at a European level, **Cork2Cork** by NH Hoteles, which will enable the recycling of one million corks transforming them in wall coverings for our hotels.
- ▼ **Agreements for the use of more sustainable cellulose**, enabling us to save over 75,000 kilometres of paper a year.
- ▼ **Obtention of Oekotek and Ecolabel** certifications in our towels.
- ▼ **Certification of Green Energy** from renewable energies for hotels in Spain (2010).
- ▼ **Application of innovative technologies** in the manufacture of our towels, using less water and electricity in their laundering.
- ▼ **Design of lifts** generating energy that can be used to recharge electric cars.
- ▼ **Research** in the reuse of grey waters.

AWARDS AND ACKNOWLEDGEMENTS

- ▼ **Diamond Prize in Purchasing 2010**
The Purchasing Department of NH Hoteles has received an award from the Professional Association of Spanish Purchasing, Contracting and Supplying Services (AERCE) in recognition of the most sustainable **project in "Purchasing Management"** and second prize in the **"Most innovative project" category**.
- ▼ **Prize from the 'Fundación Corresponsables'**
The **"NH Sustainable Club"** has been awarded the Prize from the Fundación Corresponsables to Innovation in the Large Corporate category.
- ▼ **3S Awards Prize 2010**
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.



Oxobiodegradable Amenities



Cork2Cork project by NH Hoteles

A SUSTAINABLE BUILDING

Solar filters for windows
Windows are equipped with high solar and thermic protection, adapted to climate zone

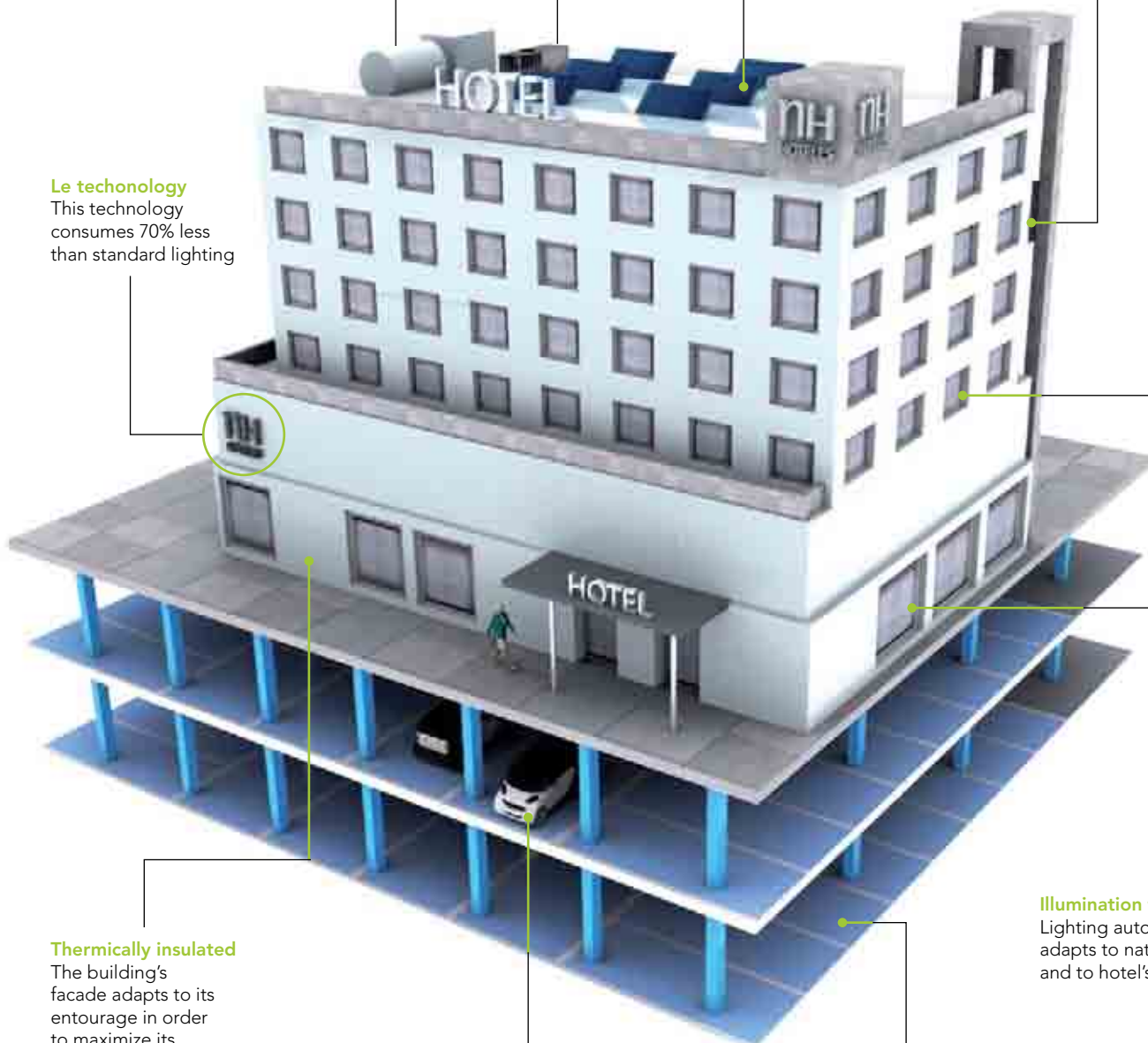
Free cooling air conditioning
It uses the external temperature to help in the cooling process. Air conditioning represents up to 40% of the electricity consumption of a hotel so reducing consumption in this area is capital

Condensation boiler
Not only do they consume and contaminate less, but they also produce more, reaching an efficiency of 108%

Thermic and photovoltaic solar panels
4,396 m² of this panels have been installed. The energy they generate could supply electricity to 900 homes a year

Eco-efficient lifts
The use of more energy efficient engines for lifts has made it possible to save 3,600 kg. in CO₂ emissions by saving up to 4,200 kWh/year

Le technology
This technology consumes 70% less than standard lighting



Thermically insulated
The building's facade adapts to its entourage in order to maximize its insulating efficiency

Free recharging points
We've installed up to 43 recharging points in 21 European cities for clients with an electric car

Sustainable parking
The eco-efficient lifts of the hotel provide the free recharging points with the energy necessary for driving 30,000 km.

Illumination timetable
Lighting automatically adapts to natural light and to hotel's occupation

ENVIRONMENTAL PERFORMANCE

The efficient management of environmental resources is a key aspect for NH Hoteles. **The Environmental Strategic Plan** of the Company was created in 2008 in order to reduce water and electricity consumption and emissions and waste produced, having invested over 3 million euros of which 61% has been in the implementation of sustainable and highly efficient installations.

The objectives established for 2012 have been reached and, in most cases, exceeded two years in advance of expectations. Along with continued awareness and training to our employees, successful results have been achieved since 2008:

- ▼ Reduction in the energy consumption ratio per guest/night of 15.83%
- ▼ Reduction in the generation of CO₂ emissions ratio per guest/night of 31.03%
- ▼ Reduction in the ratio of water usage ratio per guest/night of 28.20%
- ▼ Reduction in the ratio of waste generation ratio per guest/night of 26.83%

In 2010 it is worth highlighting the following: the important research and development efforts made in the Environmental area, the technical teams of NH Hoteles and, in many cases, the search for more sustainable solutions together with our suppliers, in addition to the ongoing encouragement of awareness and training of our employees.

Management System

Environmental strategy management at NH Hoteles is in the hands of the **Environment and Engineering Corporate Department** which reports to the Chief Operating Office. 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.

Moreover, the Company has created an Environment Committee which acts as a consultant body. All areas of NH Hoteles with a potential environmental involvement form part of this body.

Control system

Additionally, NH Hoteles has established a system for the monitoring and control of environmental indicators whereby all the data from the hotels in the Group are compiled on a monthly basis. Such data are analysed every quarter in order to assess the degree of compliance with environmental 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.

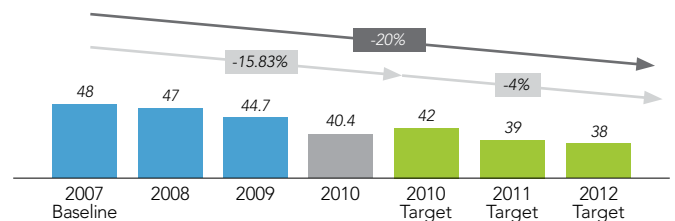
In order to measure and comparable report a standard measure is used for the whole chain: the ratios of consumption per guest night. Also, is identified as **"urban comparable hotel"** which has a business structure and internal organization homogenous and similar to that established in NH Hoteles.

In each exercise the corresponding indicators are calculated and a recalculation of the same are carried out for the previous exercise in function of the new guaranteed comparability, thus the same scope. For this reason, variations exist in all the data of 2009.

Advances in the Environmental Strategic Plan 2008-2012

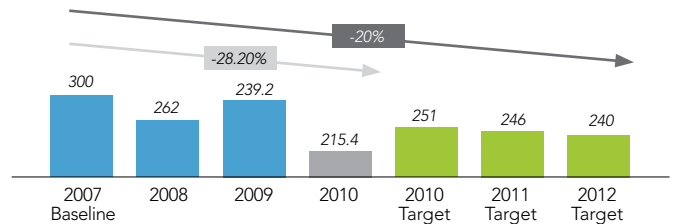
Energy consumption per guest/night (kWh)

Reduction of the ratio of electricity per guest/night: **3.81%** higher than forecast.



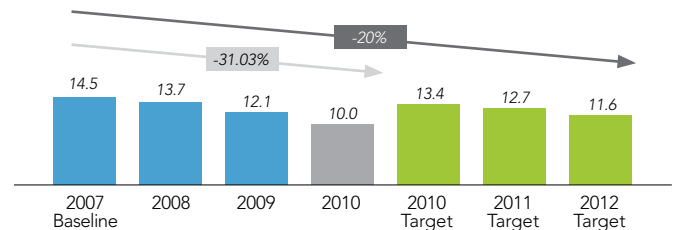
Water consumption per guest/night (l)

Reduction of the ratio of water usage per guest/night: **14.18%** higher than forecast.



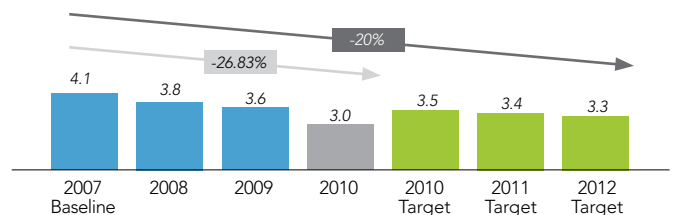
CO₂ emissions per guest/night (kg)

Reduction of the ratio of CO₂ emission generation per guest/night: **25.37%** higher than forecast.



Waste generation per guest/night (kg)

Reduction of the ratio of waste generation per guest/night: **14.29%** higher than forecast.





NH Valle Dorado, Mexico D.F. - Mexico

ENERGY

The measures implemented in 2010 for the reduction of electricity consumption per customer/night have resulted in a **9.7% reduction** in the usage ratio over that of 2009, and a total reduction of 15.83% since the inception of the Environmental Strategic Plan in 2008.

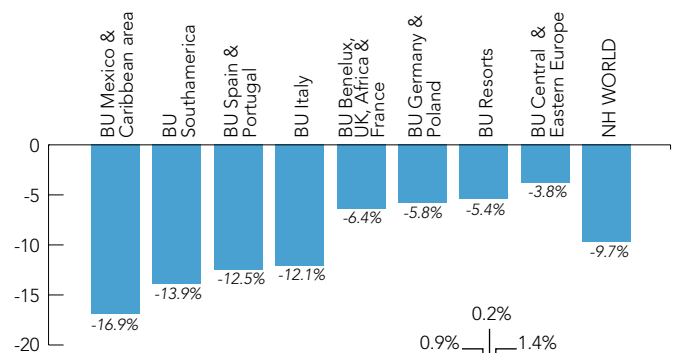
Significant inroads in the reduction of consumption in 2010 have been achieved thanks to the various projects under way:

- ▼ 84% of our hotels have efficient lighting
- ▼ 51% of NH Hoteles's employees were trained in Environmental programs
- ▼ The strict control and monitoring of all energy parameters in our hotels

All these measures have succeeded in increasing the efficiency of NH Hoteles, having achieved **savings of € 7.9 M** in energy over 2009 which has translated into over €15.5 million since the beginning of the plan in 2008.

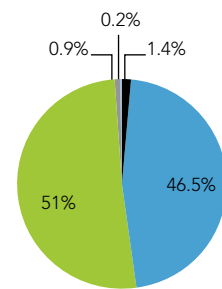
The distribution of energy consumption includes all items pertaining to electricity, gas, diesel, propane gas and BTZ.

Energy consumption reduction (kWh / guest night)



Distribution of energy consumption

- ▼ 46.5% Electricit
- ▼ 51% Gas
- ▼ 0.9% Gasoil
- ▼ 0.2% Propane
- ▼ 1.4% BTZ



URBAN HOTELS	2009	2010	Dif. (%)	2009	2010	Dif. (%)
Business Unit	kWh			kWh / guest night		
NH WORLD	609,074,104	623,105,228	2.30	44.73	40.4	-9.72
BU Benelux, UK, Africa & France	157,035,278	162,120,529	3.24	54.77	51.3	-6.35
BU Central & Eastern Europe	25,152,485	26,194,070	4.14	33.14	31.9	-3.80
BU Germany & Poland	113,562,542	116,513,893	2.60	40.49	38.2	-5.75
BU Italy	92,739,849	90,077,805	-2.87	50.95	44.8	-12.07
BU Southamerica	18,994,143	19,470,065	2.51	41.43	35.7	-13.91
BU Mexico & Caribbean area	19,515,377	18,908,938	-3.11	68.11	56.6	-16.85
BU Spain & Portugal	182,074,430	189,819,929	4.25	39.40	34.5	-12.48

RESORTS	2009	2010	Dif. (%)	2009	2010	Dif. (%)
	kWh			kWh / guest night		
	609,074,104	623,105,228	2.30	44.73	40.4	-9.72
	157,035,278	162,120,529	3.24	54.77	51.3	-6.35

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently. Managed hotels are excluded from the comparison. The hotel company used in the benchmark analysis is rated best-in-class in environmental performance worldwide.

* The ratio of comparable hotels in Energy - CO₂ is 82%.



Donnafugata Golf Resort & Spa, Ragusa - Italy

EMISSIONS

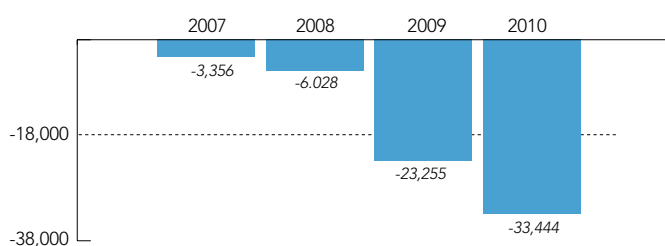
NH Hoteles has an internal procedure to calculate the carbon footprint, based on the GHG Protocol methodology for scopes 1 and 2. In 2010 we have made a change in the carbon footprint calculation in order to keep it in line with the **GHG Protocol** guidelines. CO₂ emissions for previous years have been recalculated using this new methodology.

The extent of the carbon footprint spans all comparable hotels in the Group, which are either owned or managed by the chain. In 2010, the carbon footprint of NH Hoteles fell by 17.2% compared to the previous period and by 31.03% since the launch of the 2008 Environmental Strategic Plan.

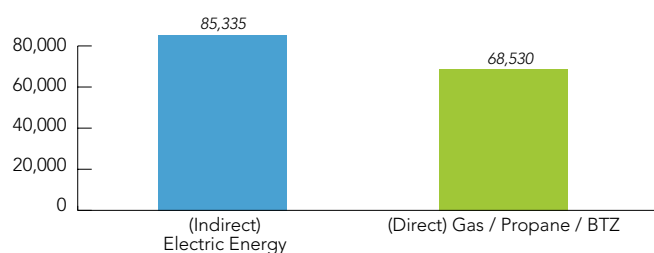
The agreement with E.ON certifies that 100% of the electricity supplied in over 74% of our hotels in Spain is exclusively generated from renewable sources. This added value has led to a significant reduction in the indirect emissions generated by our activity.

Throughout 2010, the tonnes of CO₂ emitted have been reduced by 6%, with a 17.23% reduction in the ratio per guest/night.

Accumulated CO₂ Emissions (ton)



CO₂ Emissions (ton)



URBAN HOTELS	2009	2010	Dif. (%)	2009	2010	Dif. (%)
Business Unit	ton			kg / guest night		
NH WORLD	164,288	154,207	-6.14	12.1	10.0	-17.2
BU Benelux, UK, Africa & France	44,302	46,351	4.63	15.5	14.7	-5.1
BU Central & Eastern Europe	4,880	5,130	5.12	6.4	6.2	-2.9
BU Germany & Poland	33,263	33,582	0.96	11.9	11.0	-7.3
BU Italy	30,707	29,341	-4.45	16.9	14.6	-13.5
BU Southamerica	4,983	5,047	1.27	10.9	9.2	-14.9
BU Mexico & Caribbean area	7,025	6,962	-0.89	24.5	20.9	-14.9
BU Spain & Portugal	39,129	27,794	-28.97	8.5	5.0	-40.4

RESORTS	2009	2010	Dif. (%)	2009	2010	Dif. (%)
	ton			kg / guest night		
	17,580	14,554	-17.21	10.6	8.7	-17.92

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently. Managed hotels are excluded from the comparison. The hotel company used in the benchmark analysis is rated best-in-class in environmental performance worldwide.

* The ratio of comparable hotels in Energy - CO₂ is 82%.

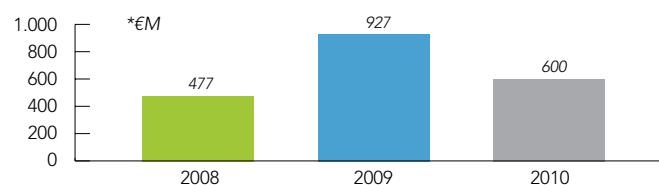


Hesperia Tower, Barcelona - Spain

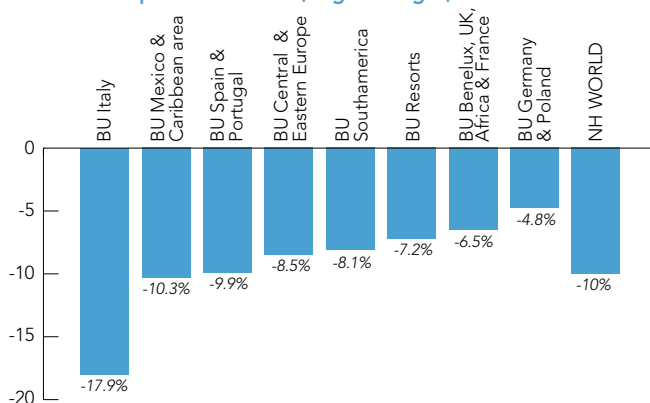
WATER

We have managed to increase the efficiency of NH Hoteles leading to a savings of €0.6 million in water consumption in 2010. The water usage per customer ratio was reduced by **9.95%** in 2010, and by 28.20% since the beginning of the Environmental Strategic Plan, having achieved the goals set for 2012 two years in advance.

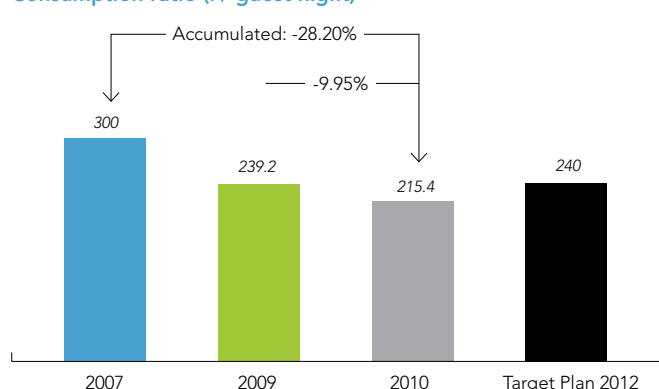
Water consumption reduction savings*



Water consumption reduction (l / guest night)



Consumption ratio (l / guest night)



URBAN HOTELS	2009	2010	Dif. (%)	2009	2010	Dif. (%)
Business Unit	m ³			litres / guest night		
NH WORLD	3,236,713	3,294,068	1.77	239.24	215.4	-9.95
BU Benelux, UK, Africa & France	661,045	680,635	2.96	231.22	216.2	-6.48
BU Central & Eastern Europe	162,738	161,221	-0.93	214.44	196.2	-8.48
BU Germany & Poland	517,231	535,800	3.59	184.42	175.5	-4.84
BU Italy	654,184	592,914	-9.37	359.38	294.9	-17.95
BU Southamerica	104,394	113,953	9.16	305.78	281.1	-8.08
BU Mexico & Caribbean area	136,126	138,695	1.89	343.13	307.9	-10.26
BU Spain & Portugal	1,000,996	1,070,850	6.98	220.10	198.3	-9.92
RESORTS	2009	2010	Dif. (%)	2009	2010	Dif. (%)
	m ³			litres / guest night		
	694,004	655,360	-5.57	460.0	427.0	-7.17

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently. Managed hotels are excluded from the comparison. The hotel company used in the benchmark analysis is rated best-in-class in environmental performance worldwide.

* The ratio of comparable hotels in Water is 80%.

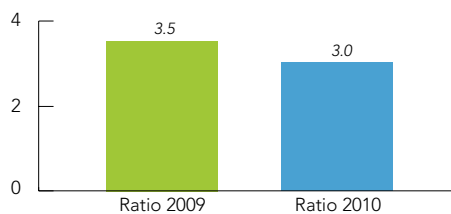


Waste management

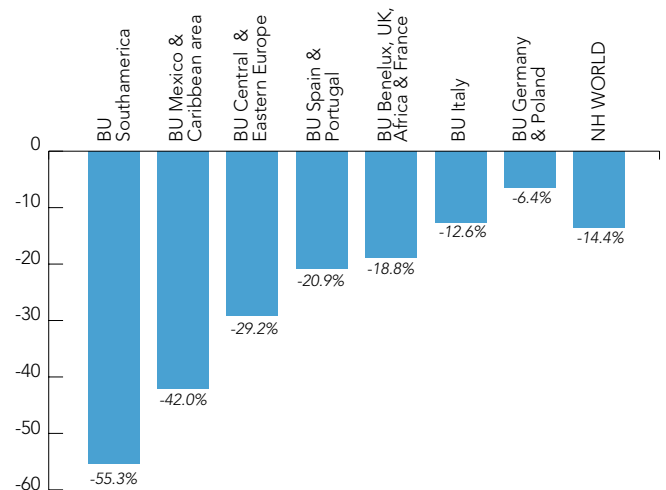
WASTE

Waste production has fallen during 2010 in line with the objectives set by the **Environmental Strategic Plan** and has enabled the reduction of overall waste generation as well as of the kilograms guest/night ratio.

Waste global generation (kg / guest night)



Waste generation reduction (kg / guest night)



"Our aim is that all services offered to our customers provide maximum satisfaction with a minimum environmental impact. In our hotels we have installed efficiency devices measuring the use of water and electricity and we are working towards a situation whereby the items the customer finds in the room are sourced from responsible suppliers."

Luis Ortega, NH Hoteles Environment & Engineering Corporate Director

URBAN HOTELS	2009	2010	Dif. (%)	2009	2010	Dif. (%)
Business Unit	kg			kg / guest night		
NH WORLD	48,167,522	43,019,872	-10.69	3.5	3.0	-14.4
BU Benelux, UK, Africa & France	3,975,399	2,298,140	-42.19	1.3	1.1	-18.8
BU Central & Eastern Europe	2,703,879	1,969,674	-27.15	3.5	2.5	-29.2
BU Germany & Poland	8,940,140	7,374,370	-17.51	3.1	2.9	-6.4
BU Italy	9,248,132	7,776,365	-15.91	4.0	3.5	-12.6
BU Southamerica	3,013,578	1,536,551	-49.01	6.3	2.8	-55.3
BU Mexico & Caribbean area	1,780,718	1,149,822	-35.43	4.4	2.6	-42.0
BU Spain & Portugal	18,505,677	20,914,950	13.02	4.7	3.7	-20.9
RESORTS*	753,648	1,210,015	60.5	6.30	2.5	-60.3

N.B.: Resorts are regarded as a separate category on account of their unique nature and their data is processed independently. Managed hotels are excluded from the comparison.

* The ratio of comparable hotels in Waste is 74%.

* Comparability criteria are not applicable to the comparison of data 2009-2010 given that recalculation of the estimate of generation of kilograms of waste in these hotels has not been possible.

**GREEN
ROOMS**

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



Led technology

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

HVAC independent equipment

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

Controlled consumption

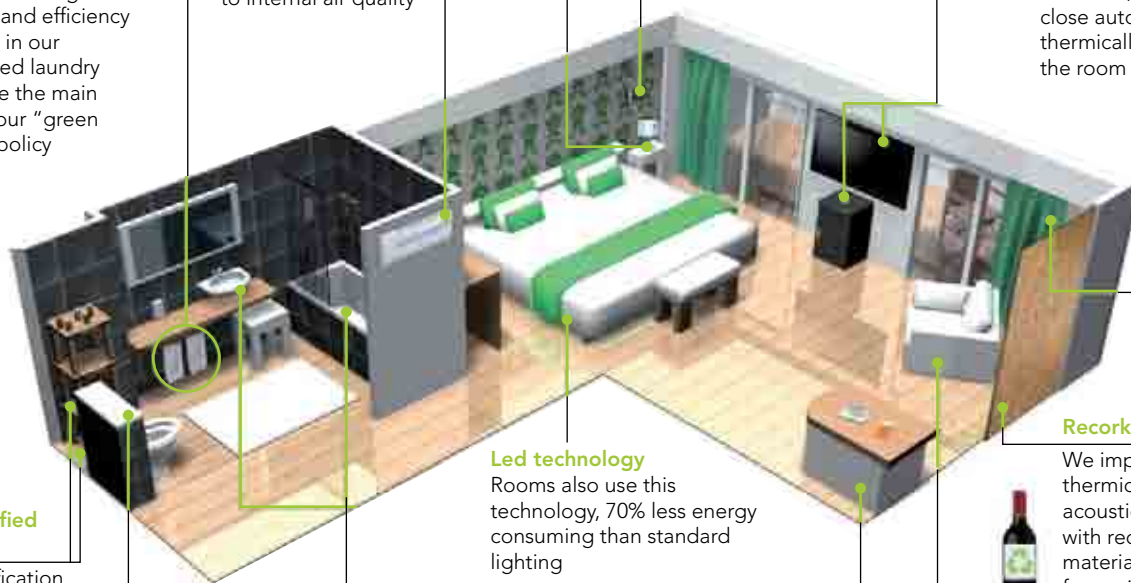
Each room is connected to the reservation, some services like air conditioning won't be able to be switched on. This also allows for tighter control over spendings

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

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

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

INNOVATION AND INTEGRATION

Efficiency in all consumption ratios has been achieved thanks to two main factors in the business model of NH Hoteles.

- ▼ **Sustainable innovation:** in 2010 6 pilot trials have been developed as more sustainable alternatives of environmental efficiency, where new products have been tested and changes have been made in supplier services. Some of these projects are of considerable technical complexity, such as the optimised energy management software installed in the Business Unit in Germany and others are extremely simple, such as the device for waste segregation installed in the room cleaning trolleys.
- ▼ **Integration:** Once the most efficient equipment or device has been identified, this is then implemented following a fast process that is managed by the Purchasing Department, whereby the solution is standardised and disseminated to all Business Units so that it is added to their processes.

KEY INITIATIVES

▼ **Green Certification Project**

NH Hoteles now has **70 hotels with environmental certification**. The goal is to have 100 hotels with this certification in 2012.

Business Unit	Certificate	N° Hotels
Italy	ISO 14001	4
Spain	CATALONIAN ENVIRONMENTAL LICENCE	19
	ISO 14001	1
Austria	ÖKOBUSINESSPLAN	5
The Netherlands	GREENKEY GOLD	25
	GREENKEY SILVER	10
Mexico	SINGLE ENVIRONMENTAL LICENCE	4
	ENVIRONMENTAL CERTIFICATE	2



At NH Hoteles we have a long history of **sustainable innovation**. In order to increase synergies and drive environmental initiatives in our hotels, in 2009 we gathered together all the working lines under the **"Sustainable Innovation"** project.

- ▼ **Ecomeeting:** new form of organising events, congresses and conventions based on sustainability criteria and that represents eco-friendly use of energy resources, as well as the use of low environmental impact products from fair trade sources. In 2010, 106 of the events held at our hotels, involving 6,773 people, have been carbon neutral.
- ▼ **Carbon Footprint Calculator:** you can access it via the NH Hoteles website. This carbon calculator enabled the Company to inform its customers of the environmental impact of their trip and stay, seeking to raise awareness and to implicate them in the campaign against climate change, giving them a chance to offset emissions.
- ▼ **Smart room:** capable of monitoring the water, light and energy consumption of a room used regularly.

COMMUNICATION OF ENVIRONMENTAL SUSTAINABILITY

- ▼ **With employees:** 51% of NH Hoteles' employees have already received environmental training. In fact, this subject has been added as a criterion for the annual performance assessment carried out on employees.
- ▼ **With suppliers:** Working sessions are continuously held via the **NH Sustainable Club** for the exchange of knowledge in sustainable management in the hospitality industry. Relevant events are regularly organised to encourage contact between suppliers who are members of the Club, the management team of NH Hoteles and relevant players in the area of sustainability.
- ▼ **With shareholders:** Given that environmental commitment is part of the business strategy of NH Hoteles, the communication of the main results of the Company to shareholders includes progress made in the implementation of the Strategic Environmental Plan.
- ▼ **With Society:** we are actively involved in work groups and technical sessions that enable us to share our experience. Moreover, we support sustainable initiatives such as the **"Earth Hour"** campaign, promoted by **WWF**. In 2010, 290 hotels in 188 cities of 24 countries took part in this initiative.

USE OF RENEWABLE ENERGIES

74% 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 2010, 61% of the European NH Hoteles have some form of renewable energy supply in accordance with Directive 2009/28/EC on the promotion of the use of energy from renewable sources within the European Union.

AWARDS AND ACKNOWLEDGEMENTS

- ▼ **2009 Environmental Prize**
Recognition granted to the **Hesperia Hermosilla** Hotel by the Council of the Environment of the Community of Madrid (Spain), the Chamber of Commerce and the CEiM.
- ▼ **European Green Building Prize**
The Hotel **NH Príncipe de la Paz** (Aranjuez, Madrid) received this European award as the most reproducible project.





NH Girona, Girona - Spain

SOCIAL PERFORMANCE

Employees

Our employees are the most important value for NH Hoteles, as they express our responsibility culture and we work together with them to provide a positive working environment, with training and professional growth opportunities which address cultural diversity, respect and equality, with zero tolerance of any kind of discrimination.

NH HOTELES' STAFF

The gradual recovery of the hospitality sector has led to a staff increase in line with the increase in activity, in order to continue to offer the best service quality. Likewise, in 2010 all hotels and Central Services of the **Hesperia Hoteles** chain was added to the group, resulting in the addition of 44 new hotels and over 2,000 people to NH Hoteles. Thanks to a considerable organisational effort we have achieved full integration, both in terms of systems and procedures, which have helped to strengthen the position of NH Hoteles in the world market. This integration has been fast and fluid, having brought together people, cultures and procedures in a very short period of time.

In 2010 the number of full time employees is **18,294 people**, 5.9% more than the previous year. The increase has mainly occurred in Spain and South America, with the addition of the **Hesperia** hotels. The main staff cuts have happened in Mexico and the Caribbean, where the departure of 8 hotels from the portfolio has led to a drop of up to 33.64% of the total staff in that Business Unit.

DIVERSITY MANAGEMENT

We have a diverse staff made up of 15,350 employees (permanent and temporary employment) of **134 different nationalities**, where 13.6% works in countries other than their home countries. 49.7% of the staff are women, who occupy 49.3% of managerial posts; in Spain this percentage of women managers has reached 50.2%. At NH Hoteles we pride ourselves in having an overall presence of female managers (49.3%) above the average for the industry and very much in line with female presence in the Company (49.7%).

EVALUATION OF DIVERSITY

In 2010, aware of the relevance of diversity management in a global structure, NH Hoteles carried out a study on gender and diversity in the various countries in which the chain is present. The main conclusions reached by this evaluation were:

- ▼ 51% of the staff of NH Hoteles is under the age of 35, and over 75% of employees are under the age of 45.
- ▼ Seniority is prevalent in the 1 to 3 year range (43% of staff). Percentages drop after 4 years. 15% of the staff has a seniority over 15 years.
- ▼ As for the working day, men have a lower percentage of permanent contracts (71%) than women (73%). Men have a higher full time employment percentage (91%) compared to 85% of women.

Based on these conclusions, we have begun to define Action Plans in the various Business Units to be implemented in 2011. Among the actions defined we highlight: awareness and training in Equality, Certification of Equality, training and insertion of the disabled and young people at risk of social exclusion as part of the **Up! for Opportunities** programme and annual follow-up of defined diversity indicators.

Signing of the Equality Plan in Spain

In 2010, NH Hoteles signed an Equality Plan with the representatives of the trade unions UGT and CCOO, becoming the first hotel chain to officially declare its commitment to gender equality in Spain.



NH UNIVERSITY

In 2010, €646,800 were invested in training with a total of 1,255 training sessions held as part of 252 different programmes. Classroom training has been reduced (19% less than the year before) as online training has been encouraged in order to reduce travel.

At its 8 campuses during the year, NH University has trained 14,091 participants in a classroom modality and 42,507 participants via e-learning, accounting for **175,948 hours of training**. Overall, 285 instructors gave a total of 81,717 hours training, accounting for 75% of the total number of training hours given in 2010 (compared with 17% of hours of external courses).

HIGHLIGHTS 2010

▼ NH Knowledge Management

In 2010, NH University began the NH Knowledge Management programme, aiming to strengthen the culture of disseminating knowledge within the Company. It is based on the implementation of identical training in all Business Units in technical behaviour and skills, developed by a group of in-house instructors and specialists and based on our strengths in order to benefit from the know-how of the NH World.

▼ To be or not to Betrained

Throughout the second semester of 2010, NH University has worked on a new 2.0 web learning platform to meet the training standards and expectations of our employees. Concept teaching has changed radically since the arrival of social media such as blogs, wikis and podcasts which have become the current means of learning and teaching.

With NHU Betrained, NH University gathers all social media in its course material within a 2.0 web environment, offering the employees a change to obtain an even more valuable experience and to optimise new professional approaches.



NHU Betrained

▼ Integration

A total of more than **29,200 hours of training**, divided into 302 sessions and the use of 67 in-house instructors, have led to the successful integration of all the new employees of **Hesperia** into the NH World.

▼ NH Spirit Induction Programme

In 2010, a total of 12,480 hours of training have been provided by in-house instructors, generating passion and enthusiasm among the 2,873 new employees.

▼ In-house instructors covering geographic areas

In 2010, 285 in-house instructors have collaborated in the various training programmes, having been able to offer training in the various languages and adapted to the different cultures of our employees.

▼ NH Talent Coaching

In order to promote the current and future potential, a new talent coaching programme has been created. This is a new pillar in the development of human resources and innovative professional advancement, with the aim of developing and improving the performance and skills of our young leaders.

▼ Training plan for external employees

Seeking to maintain our high quality standards in terms of customer service, NH University continues to market its professional training and courses to companies who supply our hotels with external personnel.

▼ Training in Sustainable Development

A total of 4,022 participants attended 1,355 hours of training in Corporate Social Responsibility via e-learning in 2010. Likewise, a total of 7,585 participants received 3,520 hours on online training in matters of environmental awareness.

HR STRATEGIC PLAN 2010-2013

"In 2010 we have defined a new People Management Strategy based on talent, competitiveness and performance culture. On the other hand, diversity is a key aspect to be managed and our strategy concentrates on promoting gender perspective and maintaining the variety of nationalities that characterises our staff and which makes such a great contribution in terms of cultural diversity"

Iñigo Capell, NH Hoteles Human Resources Corporate Director

2010 saw the definition of a new **People Management Strategy** the main objectives of which are to identify the best, to help grow talent, to increase people's commitment, to improve efficiency and technology and develop performance culture.

▼ Talent Development

Alongside the current Internal Development Programmes (PDI) for potential senior managers and middle managers, and the Junior Management Programme (JUMP), geared towards potential Department administrators, a new talent development programme was announced for 2011, **Global Track Management**, whereby a small and select group of the best and most relevant hotel managers with unconditional world geographic mobility will take place in an international training programme to prepare them to take on a more operational role in the most strategic business lines of the Company.

▼ Sign_In PDI

This career development programme, lasting 2 years and on a rotation basis, offers them the opportunity to work and receive transversal training in the different departments, a solid knowledge of the industry and management skills for a career in NH Hoteles.

PERFORMANCE MANAGEMENT

The number of employees who have participated in this annual performance management process has increased by 6% over that of 2009, with a total of **13,040 employees assessed** in 2010. Out of in this performance management process, 2,034 have been classified as "High Performance", of which 56% are women.

In 2010 the project **Quality Management** was emphasized, an important strategic commitment for NH Hoteles for the development of the organizational directives whose main axis was focused on the process of the 360° Feedback. 109 managers from the entire company and from the Business Units Management Committees were evaluated with the aim of knowing their strengths and areas for improvement.



Winner Step 2, Room Cleanliness, "9 Steps to Quality"

MANAGEMENT BY OBJECTIVES (MBO)

The variable remuneration system enables employee performance to be monitored, ensuring that individual, departmental and Business Unit objectives are in line with corporate aims. Simultaneously, it measures the contribution and effort made by each employee in achieving such objectives.

INTERNAL PROMOTION AND SELECTION

In line with our principle of internal promotion, vacant positions are announced in the **NH CAREERS** section of the Intranet, so that employees may access professional growth opportunities with absolute priority in the NH World. Moreover, the tool helps to promote international mobility among employees of different countries. As for new recruitments, we have the job website **NH JOBS** where vacancies available to external contenders are announced.

INTERNAL COMMUNICATION

In-house communication is fundamental for NH Hoteles in terms of the relationship with employees and dissemination of all relevant novelties. Via the various channels, the Company manages to enjoy two-way communications with its employees, thus generating value for all parties concerned.

- ▼ **Corporate intranet:** The Intranet is a consolidated platform for continuous information and direct access to internal contents and websites (NH University Learning Lounge, NH Careers, Corporate Social Responsibility Web, etc.). In 2010, to render it more attractive, it has been refreshed with new graphics and dynamic banners.
- ▼ **Internal Bulletins:** with themes such as Projects and Works, Environment and Engineering, Purchasing, Human Resources or the Corporate Responsibility Newsletter.

- ▼ **Desktop Wallpapers:** During 2010, 30 different screensavers on various themes have been used on Company equipment: openings, performance assessment, promotion of specific hotels, We are all Sales, specific quality campaign of Quality Focus "9 Steps to Quality", among others. Due to the launching of the campaign We Are All Sales, there were 4,500 more visits.
- ▼ **Employee Mailbox:** This two-way communication channel enables the employee to convey his/her concerns to the Department of In-house Communication of the Business Unit, helping the organisation to improve procedures and obtaining a deeper knowledge of the working environment in the work centres. **107 consultations** were received from employees in 2010 all of which received a personal response. Also, a new communication channel has been created: screensavers.
- ▼ **Posters and leaflets:** Designed and distributed by e-mail to the Internal Communications managers of the hotels, who updated the information on the board of their workplace, thereby enhancing communication in the Company.
- ▼ **Internal Memorandums:** Throughout 2010, **70 internal corporate communications** have been sent out, both in English and Spanish, aiming to report on novelties in the chain considered of interest to employees
- ▼ **Idea NH:** This channel of employee suggestions for improving management received a total of 59 ideas in 2010. The most interesting initiatives have been evaluated and have participated in the **Recognition Program** of NH Hoteles.
- ▼ **Initiatives for the integration of Hesperia:** The TU RED newsletter is emphasized, whose aim is to familiarize the Hesperia employees with the Intranet, and the inclusion of the Hesperia hotels to the **Responsibles of Internal Communications** network (RIC) with the publication of a decalogue of good practices for the RIC of each hotel.



NH Rincón de Pepe, Murcia - Spain

HEALTH AND SAFETY

The NH Hoteles Group has a Prevention Policy in place which establishes the basic commitments in matters of Occupational Risk Prevention. In addition to being public, it is available on the corporate Intranet and is included in the e-learning training on Occupational Risk Prevention provided to all the personnel of NH Hoteles.

Occupational Hazard Prevention

Since 2009, NH Hoteles has had a **Prevention Plan** in place which includes all the preventive actions at all hierarchical levels of the Company, establishing prevention duties and responsibilities for senior managers, middle management and employees. The Plan has involved all employees and has led to the creation of a true "prevention culture" inherent to the work environment. This is supervised by the Health and Safety Commissions made up of Hotel Managers, department heads and, in some regions, they also involve workers' representatives.



Voucher Amigo

SOCIAL BENEFITS

Employee and Voucher Amigo Rates

The Employee Rate enables employees of the Company to enjoy NH Hoteles at special rates and with an additional 30% discount on products and services of NH Hoteles. On the other hand, the Voucher Amigo Rate is directed to friends and relatives of employees. On the other hand, the Voucher Amigo Rate directed at the family and friends of the employees, registered a production of 6% more than 2009. In 2010, the employees of NH Hoteles enjoyed nearly 64,000 nights in the different hotels within the company.

Offers for employees

In order to enable employees and friends to enjoy the services offered by the hotels in the chain, attractive offers have been created including a wide range of additional services (welcome drink, late check out, additional discounts, etc.). In 2010, 51 destinations were promoted.

Recognition Programme

2010 saw the second edition of the programme designed to reward employees for good performance by means of credits that are convertible into hotel stays. 10 recognition programmes were developed, having distributed a total of 260,569 credits, convertible into products and services.

Identification Plan of Special Cases of Employees and Relatives

The aim is to help employees who may have a personal problem or a special social situation which could affect the normal development of their life and/or work.

Flexible Compensation Plan

Throughout 2010, with the aim of maximising the remuneration of our employees, the Flexible Compensation Plan was launched, initially comprising 3 products: medical insurance, lunch vouchers and nursery vouchers.



WE ARE ALL + SALES

The We are all + Sales Programme continues and has become part of the corporate culture of the Company seeking to positively mobilise the staff so as to increase the sense of belonging and the utmost involvement of all employees. The relaunch of this philosophy in 2010 is based on the slogan **We are all + Sales**.

Communication Campaign

In 2010 all the employees with MBO (Management by Objectives), have had an individual sales target that has accounted for 5% to 10% of their overall variable remuneration, as well as participation in the acknowledgement programme for all other employees.

AWARDS AND ACKNOWLEDGEMENTS

▼ Top Employer CRF

This acknowledgement was also obtained in Belgium, in addition to in Spain, The Netherlands, Germany, Switzerland and Mexico.

▼ Corporate Culture Ranking

NH Hoteles has achieved first place in the "Corporate Culture" category of the annual study performed by the independent organisation CRF (Corporate Research Foundation). This category highlights the role of the chain as an employer in Germany, its management of diversity and the team spirit of its employees.

▼ MercoPersonas 2010

NH Hoteles continues to be the leader in Spain as the best company to work for within the Travel and Tourism sector.

▼ Cegos Awards 2010:

Granted to Best Practice of NH Hoteles and its project "Todos Somos Ventas", awarded with the Extraordinary Distinction 2010 in Internal Communication at the Cegos Awards with Equipos&Talento 2010.

▼ HR Innovation Award:

Recognition of the project "Todos Somos Ventas" granted by Expansión & Empleo and the Instituto de Empresa.

▼ III Edition of the Hudson-ABC Award to a Human Resources 2010:

Award granted for the initiative "Todos Somos Ventas" to the HR Manager of NH Hoteles.



NH Jan Tabak, Bussum - The Netherlands

The main objective of our Social Action strategy is to build positive relationships with the communities in which we operate, where we can add value to local development, with a commitment and collaboration based on the operations of our hospitality business.

SOCIAL ACTION GUIDELINES

In 2010 a new **Corporate Responsibility Plan 2011-2013** has been defined, and **one of the main strategic guidelines is global Social Action**, covering the main action initiatives of all the Business Units, adapted to local needs but at a global level. The Plan will also enable the integrated communication of the social projects carried out in all Business Units. The three approaches defined for Social Action fall under the banner **Up! for the People**, an "innovative promise of social action": **Up! for Opportunities, Up! for Hospitality and Up! for Volunteering.**

Up! for Opportunities

International training and apprenticeship programme for young people at risk of social exclusion and the disabled in the hotels in the chain. The involvement of hotel employees in this regard is worth noting (coaching NH).

▼ Youth Career Initiative - YCI (Mexico)

Training Programme in Hospitality for young people at risk of social exclusion. NH Hoteles has begun this project in the hotel NH México City with a full hospitality training programme over 24 weeks for 10 students.

▼ Project Padre Mario (González Catán, Buenos Aires, Argentina)

We continue our active collaboration in the project of Padre Mario through training programmes for young people at risk of social exclusion. In 2010, two young people from the Padre Mario Project did an internship in our hotels.

▼ Youth Bank (Germany)

The Programme helps people under the age of 25 to create working groups for exchanging social ideas and put them into practice. Youth Banks offers training in skills and motivation, infrastructures and contacts, as well as a financial contribution per project (between €50 and €400). The participation of NH Hoteles focuses on our employees as volunteer workshop instructors and providing venues in which to hold the sessions.



YCI in NH Mexico City - México

Up! for Volunteering

- ▼ International Campaign "Christmas for All"
- ▼ Creation and implementation of a Hotel School in Ethiopia (Spain)
- ▼ Help (donations of customers and employees) Earthquake Haiti (International)
- ▼ Collaboration with victims of the earthquake of Veracruz (Mexico)

Up! for Opportunities

- ▼ Youth Career Initiative (Mexico)
- ▼ Obra Padre Mario (Argentina)
- ▼ Youth Bank (Germany)
- ▼ Training in Hospitality and Restoration (Spain)

Up! for Hospitality

- ▼ "Menudos Corazones" (Spain)
- ▼ Program "NH Amigo Solidario" (Spain)
- ▼ "Huesped de Corazón". UNICEF (Mexico)

Up! for Volunteering

Support for this social action vehicle which encourages values of solidarity and responsibility among employees toward the needy. The aim of NH Hoteles is to create **a culture of Corporate Volunteering**, based on the social contribution of our employees.

Through this programme, the aim is to achieve the recognition of Volunteering at each job, encouraging solidarity related to business and supporting employees to provide instruction to young people in special hospitality learning centres.

▼ Creation and implementation of a hospitality school in Ethiopia (Spain-Ethiopia)

The collaboration consists of the advice and contribution of know-how (Pro-bono Initiative) our employees as specialists in the management of hotel establishments, guaranteeing international standards through meetings with the NGO (**Manos Unidas**) and NH (by business area) aiming to share our experience, possible ideas and recommendations, providing advice on the best guidelines to ensure the best working order of the future establishment.

VOLUNTEERING PROJECT OF HOSPITALITY SCHOOL IN ETHIOPIA

"For me to have had the opportunity to take part in this project has meant a challenge on professional level, as I have had to adapt my working style to a completely different objective, and on a personal level, having been able to use my knowledge and the means available to me in such a poor and depressed region like Ethiopia has been one of the most rewarding things I have done in my professional career".

María Madrid , NH Hoteles Purchasing Manager



Up! for Hospitality

As a responsible hotel chain, NH Hoteles understands that collaboration via products and services is a valuable contribution to society. For this reason, the Company has designed a number of sustainable initiatives that allow it to offer its business at the service of NGOs and Foundations on a global scale.

Via the **NH Amigo Solidario Programme**, an initiative through which discounts of up to 30% on the best available rate in all NH services are offered to NGOs and Foundations that may require them, NH Hoteles has become the first port of call to cover their needs for halls, rooms and food services.

On the other hand, initiatives such as the **Fundación Menudos Corazones** consisting in the donation of rooms for parents of children with heart problems that must be treated in Madrid, and who must travel for unlimited periods of time from other parts of Spain, shall be copied in other Business Units on the basis of the success of the programme.

Another project under the Up for Hospitality umbrella is the coordination with **Hospitals in the Madrid Region** (Spain) to offer special rates to relatives of hospitalised children. The programme has been proven to be very successful, with an increasing number of NGOs and Foundations using NH Hoteles as the “responsible” supplier.

MANAGEMENT SYSTEM

The Corporate Responsibility Department of NH Hoteles supervises and collaborates in all decisions made on social actions to be implemented via the heads of **Corporate Responsibility** of each Business Unit, who channel all the information required as well as the management of the actions, in line with the Social Action strategy. All actions are gathered in an annual inventory, updated every six months, which enables the **Corporate Responsibility Department** to monitor actions, the investment made in each one and the overall investment and management.

Voucher Amigo and Employee Rate: NH Hoteles donate **€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.

MAIN SOCIAL ACTION INDICATORS

Total social collaboration: + to 260
Total beneficiary entities: + to 230 NGO and Foundations
Total Social Investment: 1,065,752€



Mario Vargas Llosa Story Award

OTHER COLLABORATIONS– RESPONSE TO INTERNATIONAL EMERGENCIES

- ▼ International fundraising campaign to help the victims of the **Haiti earthquake** (UNICEF). The total amount raised by NH Hoteles during this campaign, added to the 20,000€ donated by the Company and the total amount raised by customers and employees was €56,978.
- **Earthquake In Chile.** NH Hoteles collaborated via a loan of 800,000 Chilean pesos to enable a female employee of the hotel NH Ciudad Santiago de Chile affected by the earthquake to rebuild her home.
- **Hurricane in Mexico.** Members of the Mexico Business Unit collaborated with their colleagues in the State of Veracruz, having collected clothing and provisions to help face the disaster caused by hurricane Karl. Furthermore, a total of €13,964 was raised

"The milestones achieved in 2010 can be summarised in the definition of strategic action lines, with special emphasis on the global character, based on the business and strengths and opportunities of the Company, such as solidarity and the involvement of the staff in social projects. To this we must add the good response of NH Hoteles, staff and customers to the natural disasters that have occurred during the year and the good response given to the ambitious corporate volunteer programme based on the pro-bono collaboration of employees."

Marta Martín, NH Hoteles Corporate Social Responsibility Director

CULTURAL SUPPORT AND PROMOTION

▼ XII Edition Mario Vargas Llosa Story Award

The Peruvian writer Mario Vargas Llosa and the Chief Operating Officer of NH Hoteles, Francisco Zinser, presented at the Casino of Madrid, the XIII Edition of the Mario Vargas Llosa NH Story Award. A total of 1,043 independent stories in the Spanish language were contenders to this award.

▼ NH Stock Art

The NH Hoteles art collection continues to add works by emerging new artists which become part of the interior design and the brand image of NH. In 2010 the collection had **3,158 original works** by a total of 238 artists. In 2010 new supports for artistic photographs on large format canvasses have been displayed at the Restaurant of the NH Palacio de Tepa, NH Campo de Cartagena and in the refurbishment of the NH Príncipe de Vergara.

AWARDS AND ACKNOWLEDGEMENTS

▼ SERES Award for social innovation

Recognition of the project "Hotels with a Heart" designed for families with children suffering from heart disease who must travel from their usual home towns whilst the children are in hospital.

▼ Codespa Award

Special mention of the Codespa Award for Corporate Volunteering for our project "Hospitality School in Ethiopia". The award was presented by the President of Honour of the Foundation, the Prince of Asturias.



NH Ribera del Manzanares, Madrid - Spain

OUR PROGRESS IN CORPORATE RESPONSIBILITY



Commitments and Challenges

COMMITMENTS 2010		PROGRESS
CORPORATE RESPONSIBILITY MANAGEMENT	▼ CR Annual Report 2009 publication. Obtaining GRI A qualification.	100%
	▼ Publication of the Progress Report linked to the fulfilment of the Global Compact principles.	100%
	▼ Corporate Responsibility Scorecard. Monitor indicators and implement corrective actions.	100%
	▼ Integration of Hesperia: Consolidation of economic, social and environmental information. In 2010 expects to be able to consolidate all indicators with this chain's data.	100%
SHAREHOLDERS	▼ Continue assesment of the Corporate Governance model.	100%
	▼ Participation in SRI indexes and evaluations.	100%
	▼ Integration's process of Hesperia	100%
CUSTOMERS	▼ Raise awareness among all the company's employees about improving the Customer Service and Quality processes, through measurement and internal publication of customer satisfaction with each area of the hotel.	100%
	▼ Measure and publish Customer Satisfaction with each establishment on a weekly basis, making it easier for each hotel to identify areas of improvement and draw up action plans to tackle them.	100%
	▼ Study the customer's needs, allowing us to tailor the establishments' services and products to needs detected.	En progreso
	▼ Continue arranging events to raise environmental performance awareness among customers.	En progreso
	▼ Continue developing content in the NHWorld Customer Loyalty programmes.	80%
SUPPLIERS	▼ International monitoring of the Supplier evaluation process using ethical, social and environmental criteria.	100%
	▼ Annual Suppliers satisfaction survey.	100%
	▼ Reinforce actions to forge stronger ties with the NH Sustainable Club suppliers. Focus on innovation of products and services based on the most environmentally sustainable solutions.	100%
ENVIRONMENT	▼ Monitor compliance with the reduction objectives in the 2008-2012 Environmental Strategic Plan.	100%
	▼ Reinforce the Sustainability Communication Plan.	100%
	▼ Develop and promote an electric car charging network in our hotels in the main European cities.	80%
	▼ Introduce the "eco-friendly food" idea at some of our hotels, before launching it on a broader scale in order to study and learn about the opportunities and challenges in this field in the business.	80%
	▼ Launch the Footprint Calculator on our web so that our customers can calculate and compensate their emissions.	100%
EMPLOYEES	▼ Definition of a People Management Strategic Plan to guide the policies and practices that contribute most business value in the next few years.	100%
	▼ Relaunch the "We are all + sales" scheme to further encourage company employee involvement in the group's sales results.	100%
	▼ Define and track gender diversity indicators in all the Business Units. Develop local action plans.	100%
SOCIETY	▼ Launch community involvement campaigns that get employees, customers and other stakeholders involved in different solidarity causes.	100%
	▼ Start up new Corporate Volunteer Projects that encourage employees to get directly involved in social and environmental causes.	100%



CHALLENGES 2011

CORPORATE RESPONSIBILITY MANAGEMENT	▼ Implementation and monitoring of activities of the 2011-2013 Corporate Responsibility Master Plan.
	▼ 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 (1 Step Forward): Launch of a championship within the hotels based on customer satisfaction.
	▼ Redefinition of the hotel operating processes, oriented towards the customer experience.
	▼ Strengthening of Wake Up To a Better World communication activities.
SUPPLIERS	▼ International monitoring of the Suppliers assessment 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 Sustainability 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 Betrainned platform into the NH Hoteles Knowledge Management tool and also enhancing its use as internal Social Media.
	▼ Implementation of the new TFY ("Time For You") Performance Management System.
	▼ Launch of Employee 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 gender diversity at all levels within the organization in NH Hoteles.
SOCIETY	▼ Implementation of the global strategy for Social Action Up! For the people.
	▼ 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 Up! for Volunteering.



Statement GRI Application Level Check

GRI hereby states that NH HOTELES has presented its report "Informe Anual 2010 – Memoria de Responsabilidad Corporativa" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 30 May 2011

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a large, faint watermark of the GRI logo in the background.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The "+" has been added to this Application Level because NH HOTELES has submitted this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 26 May 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

Corporate Responsibility Indicators

PROFILE	2010	2009
Portfolio of hotels (number)		
Number of hotels	397	401
Number of rooms	58,687	61,317
Net profit	€-41.3M	€-97.1M
EBITDA increment	57.5%	-74.7%
STAKEHOLDERS		
SHAREHOLDERS		
Entities which conduct analysis of NH Turing the year	21	28
Shareholder and investor inquiries answered	832	913
One-to-One Meeting with shareholders and investors	84	32
Analyst follow-up reports	76	79
EMPLOYEES		
N° employees	18,294	17,268
Inmigrants	13.60%	13%
Female employees	49.70%	49.6%
Women in Management positions	49.30%	49%
N° of nationalities	134	118
NHU training hours	175,948	247,484
Investment in training	646,800 €	944,500 €
N° of performance evaluations conducted	13,040	12,344
Employee Satisfaction Index (scale 0 to 3)	-	2.11
% Satisfaction Survey Participation	-	79.2%
N° of employee mailbox questions	107	146
CUSTOMERS		
Quality Appraisal		
• N° of "Mystery Guest" hotel assessments	189	156
• N° of Customer Satisfaction Surveys	66,323	42,018
Communications managed by the Customer Service Department	4,200	2,800
NH World cardholders	1,692,960	1,554,543
SUPPLIERS		
Volume of suppliers managed	26,702	27,492
N° of suppliers who have signed the Code of Ethics	896	693
Supplier satisfaction index (scale of 1 to 5)	N/A	N/A
N° Suppliers NH Sustainable Club	40	29
SOCIETY		
N° community involvement projects	262	274
Social Investment	1,065,752 €	1,032,917 €
Resources obtained from solidarity € (Employee and Voucher Amigo Rates)	434,444 €	414,700 €
Beneficiary organisations	236	254
ENVIRONMENT		
Urban hotels		
Energy consumption (kWh)	154,207	164,288
Energy consumption (kWh per Guest/Night)	10	12.1
CO ₂ emissions (Ton.)	623,365,455	609,074,104
CO ₂ emissions (kg. per Guest/Night)	40.4	44.73
Water consumption (m ³)	3,294,068	3,236,713
Water consumption (l. per Guest/Night)	215.4	239.24
Waste generation (Kg.)	43,019,872	48,167,522
Waste generation (Kg. per Guest/Night)	3.0	3.5
Generation of solar energy (KWh/year)	3,975,051	2,524,860

397 HOTELS IN 24 COUNTRIES



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Wake Up
To a Better
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