



ANNUAL REPORT 2002



GOLDEN TULIP
HOTELS • INNS • RESORTS

International standards, local flavours

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MISSION STATEMENT

'TO BE THE **LEADING CHAIN OF THREE- AND FOUR-STAR HOTELS**, WITH AN **EXCELLENT CARE FOR CUSTOMERS AND STAFF**, IN THOSE MARKETS WHERE WE HAVE CHOSEN TO OPERATE.

THE GROUP'S COMMON OBJECTIVE IS TO MAXIMISE REVENUES AND PROFITS BY UTILISING ALL OPPORTUNITIES AND SYNERGIES THE CHAIN OFFERS, WHILST IMPLEMENTING **INTERNATIONAL STANDARDS** AND MAINTAINING **LOCAL FLAVOURS.'**



DEAR READER

Welcome to Golden Tulip's first annual report. This report aims to provide you with in depth information about the concept, structure and organisation of Golden Tulip.

As per the 1st of January 2002 and in its fortieth year of existence, Golden Tulip became an independent company, following the purchase of the franchise company and the intellectual ownership of the brands Golden Tulip and Tulip Inn by Dutch based Kenmark Holding BV.

Following the acquisition, Golden Tulip re-baptised the group with the name Golden Tulip Hotels, Inns & Resorts, in its efforts to enhance the focus of the business, which is to provide a commercial and operational franchise concept for the hospitality industry through the brands Golden Tulip and Tulip Inn.

The emphasis of Golden Tulip can be summarised as follows:

- To provide a franchise concept for independent hotels and hotel groups wishing to exploit their business on an international basis, whilst maintaining their own style and character;
- To provide a support system facilitating the full utilisation of the franchise concept;
- To offer a model stipulating an active and responsible involvement by both the franchisee and the franchisor in the strategy concerning the products, standards and services of the Golden Tulip Hotels, Inns & Resorts franchise concept;
- To continuously update and streamline the franchise system and formula;
- To assume a leading position in the markets where Golden Tulip has chosen to operate;
- To strengthen the ties with the Golden Tulip Hotel Management Alliance in order to enhance the franchise standards and to offer management services in the markets where Golden Tulip operates;
- To develop the group's portfolio to 1.000 hotels by the year 2010.

Golden Tulip has named its franchise concept the 'European Way of Franchising' emphasising the relevance of the support aspect of the franchisor to its franchisees. The successful usage of all three components of the Golden Tulip franchise, these being the brand, the operating system and the support network are greatly enhanced by Golden Tulip's role of being a coach to its hotels.

Building business and the long-term benefit for both parties is Golden Tulip's clear objective when entering into franchise agreements. In order to emphasise the value of an excellent cooperation between both parties, Golden Tulip has laid down a set of principles in 'The Golden Tulip Essentials of Franchising' defining its vision of the relationship between the franchisee and the franchisor.

Throughout 2002, Golden Tulip Hotels, Inns & Resorts experienced a worldwide growth of thirty-five new hotels. In addition, during the third quarter of 2002, Golden Tulip completed the acquisition of TOP International Hotels, comprising 180 hotels in Europe. Although this group will retain its current branding as TOP International Hotels, the growth in portfolio strongly benefits both Golden Tulip and TOP International Hotels.

The combined group now represents a total portfolio of 440 Golden Tulip, Tulip Inn and TOP International Hotels. The TOP International business was consolidated as from 1 January 2003.

In closing, I would like to thank all our franchisees, our partners and our excellent staff for their support and confidence in us, enabling us to develop one of today's leading and contemporary European hotel franchises.

Hans W.R. Kennedie
Managing Director & CEO



Gideon Spitz, CEO Golden Tulip, 1964 – 1989



H I S T

1962

Golden Tulip was founded in the Netherlands by a group of six independent hoteliers. The group soon developed into one of the leading national hotel management companies.

1975

In 1975, the company Golden Tulip Hotels Worldwide was initiated as a joint venture between Golden Tulip Hotels from the Netherlands and KLM – Royal Dutch Airlines. It was at this point in time that the company expanded its business to a more worldwide presence through licensing the Golden Tulip brand.

1990

KLM divests of its shares in Golden Tulip, allowing both companies to focus on their core businesses.

1993

Golden Tulip enters the limited service hotel business with the launch of the

sub-brand
Tulip Inn.

1980

In the 1980's the licensing and hotel management businesses were consolidated into one company, named Golden Tulip International.



O R Y



1996

A five-year agreement was negotiated with Utell International to operate the hotel licensing business of Golden Tulip and Tulip Inn, under the name Golden Tulip Worldwide.

2001

The end of the five-year outsourcing agreement appeared in sight and NH Hoteles, the successor of the original owner Golden Tulip International, chose to bring the companies back together. The circle was closed when this deal was concluded on 30 June 2001.

2002

Golden Tulip Worldwide demerged from NH Hoteles as per the 1st January 2002. In order to expand its market position in German speaking Europe, Golden Tulip acquired TOP International Hotels, the German based hotel consortium with 180 member hotels throughout Europe, in the third quarter of 2002. Together the two groups consolidate 440 hotels. In 2002, Golden Tulip also celebrated its fortieth anniversary, whilst TOP International celebrated its twentieth anniversary.

40TH ANNIVERSARY



INTERNAL ORGANISATION

Golden Tulip Hotels, Inns & Resorts

In 2002, Golden Tulip Hotels, Inns & Resorts comprised 264 hotels worldwide, with the majority of hotels being located in urban destinations across Europe.

Golden Tulip is a privately owned franchise company with its head office based in Amersfoort, the Netherlands. The operations are centralised with the majority of activities taking place from the head office. Employees based outside of the Netherlands primarily hold support, development and sales functions.

After the purchase of TOP International Hotels, which was completed in the third quarter of 2002, the company was structured as follows:



Management

Managing Director and Chief Executive Officer – *Hans Kennedie*

Chief Operating Officer – *Hans Mueller*

Vice President Franchising – *Tuomas Madison* (joined 1st January 2003)

Vice President of Commercial Services – *Klimis Messios*

Vice President of Franchise Operations – *Haïke Blaauw*

Director of Finance and Administration – *Alex Kompier*

Strategic Development Director – *Rachna Taneja*



Standing left to right: Klimis Messios, Alex Kompier, Rachna Taneja, Tuomas Madison and Haïke Blaauw. Seated left: Hans Kennedie, seated right: Hans Mueller.

Golden Tulip Hotel Management Alliance

The Golden Tulip Hotel Management Alliance is an initiative of Golden Tulip to pool together the various management companies operating multiple Golden Tulip hotels across the globe in an effort to share expertise and to increase strength as a combined group for soliciting new projects.

Earlier in 2000, Golden Tulip began co-operating with a select number of management companies, in order to create a broader base for strategic growth. Throughout the years the name Golden Tulip Hotel Management Alliance was given to this co-operation model, currently comprising four management companies: RIMC in Germany for the Central European region, AHM hotel group and Euroase in the Netherlands for the Benelux region and Golden Tulip (UK) in England for the UK region. In June of 2002, Golden Tulip entered into a master franchise agreement with its alliance partner in the UK, which began operating under the name Golden Tulip (UK). This company developed a strategic relationship with a venture capital company raising funds of EUR 51 million to develop a portfolio of thirty-five franchise hotels over the next four years. The German alliance partner RIMC has also invested EUR 50 million in its development of fifteen hotels in Central Europe. The Golden Tulip Hotel Management Alliance partners combined manages operations of thirty hotels and four conference centres as at 31st December 2002.

EXTERNAL ORGANISATION

THE MAIN AIM OF THE GENERAL FRANCHISE COUNCIL IS TO SAFEGUARD THE CONTINUITY OF THE FRANCHISE BY GIVING OPTIMAL INVOLVEMENT TO THE FRANCHISEE.



Golden Tulip has organised the hotels into geographic regions, as follows:

- Americas
- Benelux
- Central Europe
- France
- Mediterranean
- Middle East & Africa
- Scandinavia
- UK

For those regions represented by a large number of hotels, a so-called 'cluster' organisation was founded. The cluster organisations currently exist in the following regions:

- Belgium
- Central Europe
- France
- Mediterranean
- The Netherlands

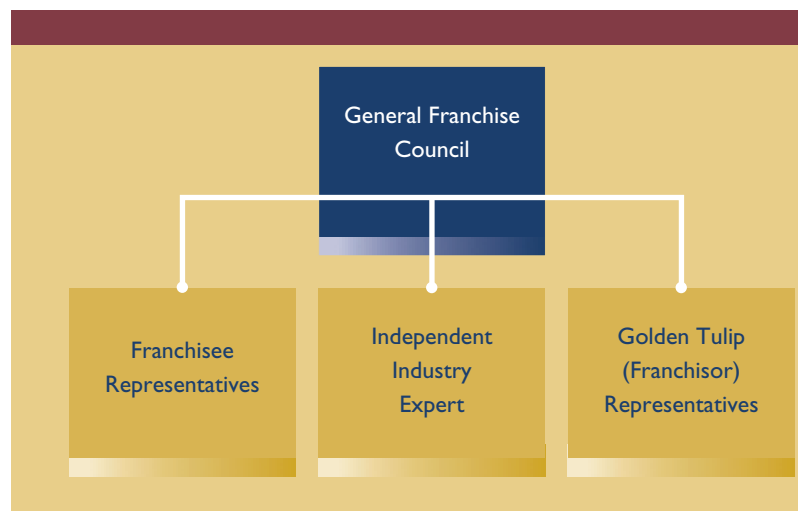
The clusters are represented by a council of hoteliers organised to function as a communication link between Golden Tulip and the regions in respect of issues relating to commercial activities, territorial protection, quality standards and other regional concerns. A regional director manages each region with a team of franchise services & sales managers who function as an interface between the franchisees and Golden Tulip.

General Franchise Council

The year 2002 saw the founding of the General Franchise Council, a body constituted of the franchisee representatives from each of the regions and members of the Golden Tulip organisation. In the case of a cluster, the representative is the chairman of the cluster council, whilst in the other regions, the representative is the master franchisee or the particular regional partner. An independent industry expert also holds one of the seats in the council.

The General Franchise Council gives optimal involvement to the franchisee by allowing influence in relevant decisions regarding the franchise product and commercial direction. In addition, the General Franchise Council functions as a safeguard for the continuity of the organization.

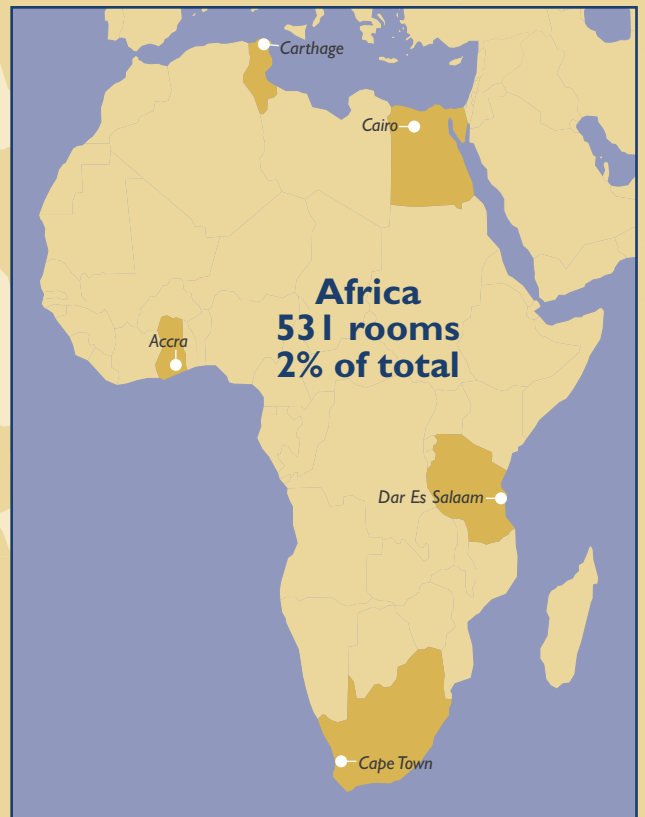
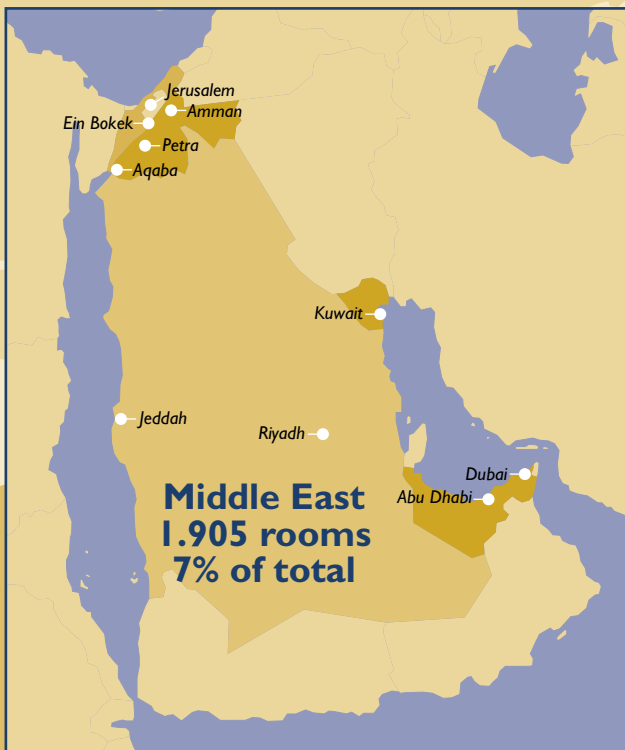
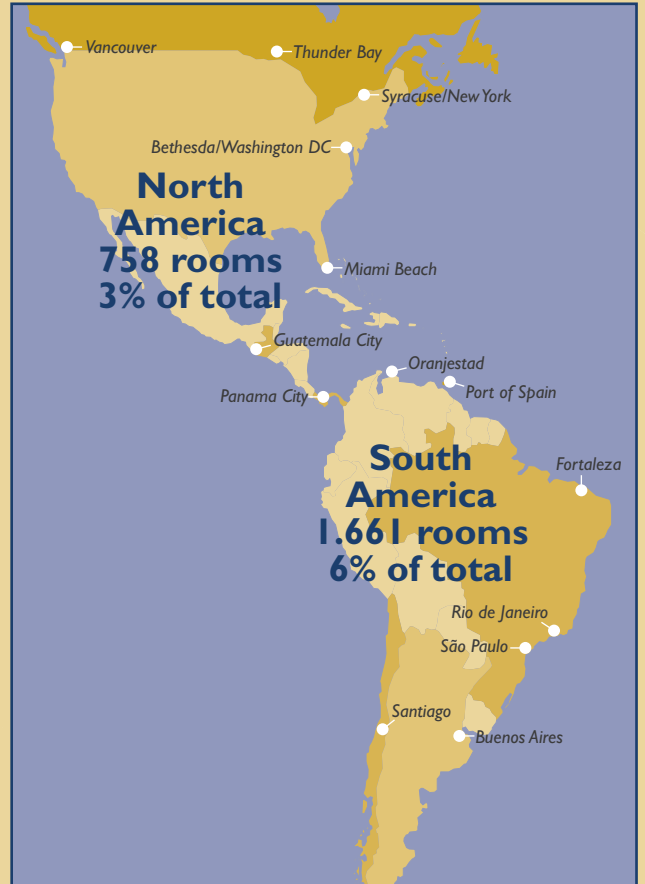
With the launch of the General Franchise Council, Golden Tulip has created a platform for both the franchisees and Golden Tulip to exchange opinions regarding the franchise concept and to take decisions with the active support of the hotels on an international basis.



PORTFOLIO PER REGION 2002



264 hotels comprising **27.375** rooms in **45**



countries representing 200 destinations

MAJOR EVENTS 2002

January

- As a result of the demerger from NH Hoteles, Golden Tulip saw the departure of some forty Golden Tulip Hotels and Tulip Inns, which previously belonged to NH Hoteles through their acquisition of the 'Krasnapolsky Hotels & Restaurants' group. It becomes clear to all in Golden Tulip that in order to compensate the loss of the hotels, a strong focus on development is imperative.

February

- Golden Tulip revamps its corporate identity and presents its new house style image.

March

- Golden Tulip introduces the new brand categories Golden Tulip Grand and Golden Tulip Resort.

April

- A new Internet platform is launched. Golden Tulip is the first hotel company to use the multilingual function of the online distribution database.

May

- After forty years of being headquartered out of Hilversum, Golden Tulip relocates its new corporate head office to Amersfoort, the Netherlands.

June

- Golden Tulip selects Lanyon as its software supplier for the annual preferred rate solicitation for consortia and international corporate accounts.
- Golden Tulip enters into a new three-year reservations agreement with Utell International.
- The Golden Tulip annual owners' and hoteliers' conference takes place in Brussels, Belgium.

July

- The new Golden Tulip Intranet 'Inside Golden Tulip' is launched as an interactive communication link between Golden Tulip and its franchisees.

August

- The first Golden Tulip master franchise relationship is established in the UK, where EUR 51 million are raised to develop thirty-five Golden Tulip and Tulip Inns over the coming four years.

September

- Golden Tulip completes the annual quality assurance check and presents its regional marketing activity plans.

October

- Golden Tulip initiates its first General Franchise Council, a consultative body established to increase the involvement between the franchisees and the franchisor.
- Golden Tulip acquires TOP International Hotels, the German-based hotel consortium.
- Golden Tulip invests an additional EUR 200.000 in GDS campaigns to boost revenues to its franchisees.

November

- Golden Tulip celebrates its fortieth anniversary with a charity event.
- Golden Tulip presents its new combined Golden Tulip Top Hospitality Group hotel directory at the World Travel Market in London.

December

- Golden Tulip counts thirty-five new hotels joining the group. In addition, the second master franchise agreement is signed in Brazil, where the current portfolio counts nine hotels with a development target to grow to forty hotels throughout the Mercosur region over the next five years.

FRANCHISING

The European Way

'Franchising – The European Way' is how

Golden Tulip defines its unique concept.

The challenge of developing a franchise concept, which could be applied to hotels across the globe, called for the acknowledgement of cultural differences. Golden Tulip was founded in the Netherlands, one of the many countries in Europe that defines itself by its own language, traditions and consumer behaviour. In order to benefit from the concept on a cross-border scale, the Golden Tulip franchise has been designed to implement international standards, whilst maintaining local flavours. Realising this has been key to our success: whilst no two hotels are alike, the high level of service, hospitality and comfort will be found and recognised throughout the chain.

The franchise formula is composed of three elements:

- Brand
- Operating System
- Support System

All three elements are interdependent to the effect that a successful integration of the franchise can only be achieved when all three elements are integrated into the hotels' daily operations.



The Brands

Golden Tulip owns and markets the following brands:



GOLDEN TULIP

Golden Tulip hotels are four-star hotels with superior first-class international standards in terms of comfort, service and facilities. All hotels are individual properties that reflect the local character of their destinations.



TULIP INN

Tulip Inns are comfortable three-star hotels in city centre locations or at major access routes. All hotels offer good value for money accommodation for both business and pleasure.



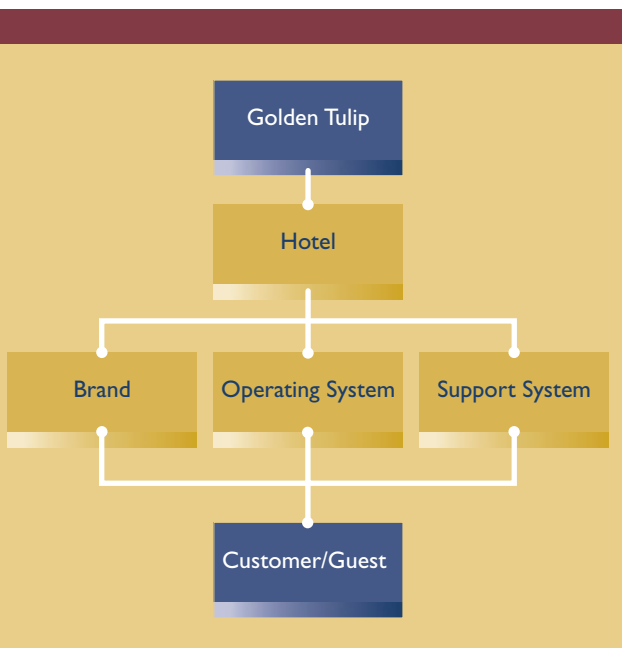
GOLDEN TULIP RESORT

Golden Tulip Resorts are superior first-class hotels in resort locations. All hotels offer a range of leisure facilities.



GOLDEN TULIP GRAND

Golden Tulip Grands are superior and deluxe properties offering a unique guest experience.



IN AN EFFORT TO MAINTAIN THE QUALITY OF THE BRAND, EACH HOTEL RECEIVES AN INDEPENDENT MYSTERY GUEST VISIT ONCE A YEAR, TO EVALUATE THE LEVEL OF SERVICE AND PRODUCT, THUS ENSURING THE QUALITY OF OUR BRANDS.



The Operating System

Golden Tulip defines its operating system as a range of commercial and operational value drivers.

Commercial Value Drivers

The commercial value drivers are defined as Golden Tulip's range of sales and marketing products and services created to target the following segments:

- Business Individual
- Business Groups (Meetings, Incentives, Conferences and Events)
- Leisure Individual

Based on this and with a worldwide sales team selling the Golden Tulip and Tulip Inn brands across the globe, the following channels and products have been created to target these segments and thus add measurable value to our hotels' business.

Goldres

Goldres is the most comprehensive worldwide reservations system offering access to all major GDS systems and forty-five voice reservations centres worldwide, whilst giving our hotels the opportunity to apply sophisticated yield management techniques to maximise room revenue.

Connections

The Golden Tulip Connections programme provides access to the members of sixteen frequent flyer programmes by allowing members to collect bonus miles when staying at a Golden Tulip hotel or Tulip Inn. Simultaneously Golden Tulip is featured in airline partners publications through advertising and joint promotions reaching millions of frequent flyers.

Central Meeting Line

The Golden Tulip Central Meeting Lines in Belgium, France, Germany, Italy, the Netherlands and the UK offer an interface between the client and the hotel providing professional skills for maximising the meeting business of hotels.

Ambassador Club

The Golden Tulip Ambassador Club is the company's own loyalty scheme rewarding the bookers of corporate room nights and meeting business. The member database of the Golden Tulip Ambassador Club offers the hotels an excellent communication tool whilst providing hotels with their own ready-to-use corporate bookers programme.

Golden Tulip E-commerce

Golden Tulip has developed a highly sophisticated Internet presence with real time on-line booking facilities communicating directly with our worldwide reservations system. Furthermore, in addition to the English www.goldentulip.com website, Golden Tulip has created websites in five other languages (Danish, Dutch, French, German and Italian).

Golden Tulip Leisure Marketing

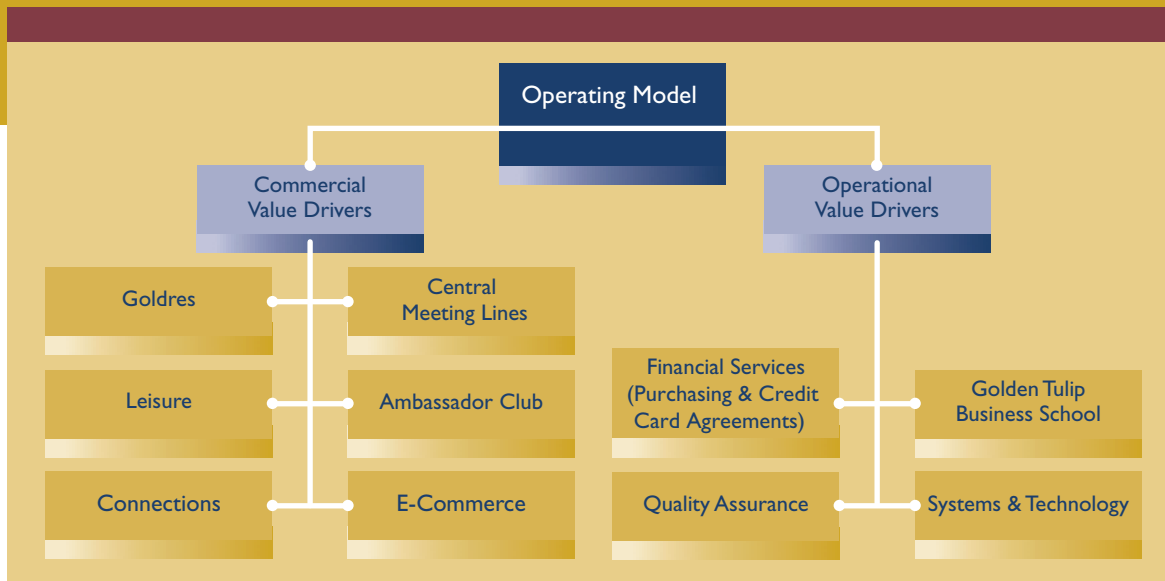
The Golden Tulip Club Weekend programme offers packages dedicated to the end consumer via the Internet and brochures. Furthermore, our partnerships with Arc Europe, ADAC, ANWB, Hertz and Avis reach a wide range of consumers.

Operational Value Drivers

Golden Tulip supplies operational support services through the following disciplines:

Quality Assurance

In an effort to maintain the quality of the brand, each hotel receives an independent mystery guest visit once a year, to evaluate the level of service and product, thus ensuring the quality of our brands.



Golden Tulip Business School

The Golden Tulip Business School offers a large array of courses and seminars designed exclusively for the management and staff of Golden Tulip franchisees, offering them the possibility to stay up to date on the most advanced techniques of yield management, marketing, sales and service.

Financial services

Golden Tulip also offers a number of financial savings to its hotels through agreements with credit card companies and a European purchasing set-up, which through its full application can generate financial savings of up to 10% on a hotel's cost of sales.

Technology

Golden Tulip is committed to keeping up to date with the latest developments in technology. Since ten years Golden Tulip has been purchasing its reservation services and technology from Pegasus Solutions. Our central reservations system, Goldres, in addition to being one of the most advanced in the world, is constantly updated with the newest technology.

The Golden Tulip Internet platform, on which all our websites are hosted, is based on a system used by all major international Internet based travel agents. In addition to the functionalities expected from any advanced hotel chain website, the possibilities are numerous and include the creation of individual hotel sites.

Since its implementation the Golden Tulip intranet 'Inside Golden Tulip' has proven to be an excellent communication tool as well a reference library for the franchisees.

A custom made customer relation management program, Lanyon software for the annual preferred rate solicitation, management tools for creating

special packages on Golden Tulip websites as well as simple, user friendly applications accessible by all hotels for all collateral are available via Internet-based technology and as a result continuously improved.

In addition, e-mail newsletters are published regularly and distributed to thousands of travel trade professionals and consumers.

Marketing Collateral

Although the Internet is developing more and more as an important medium, brochures and other collateral are still important marketing tools.

On an annual basis Golden Tulip distributes around one million brochures and other collateral, which include worldwide directories, individual hotel brochures as well as meeting and leisure guides.

Support System

Coaching and interactive communication is the basis for a successful integration into the Golden Tulip chain. Dedicated franchise services managers are the key link between the hotel and Golden Tulip. Together with the hotel, the franchise services team aims to optimise the hotel's business through all available Golden Tulip channels. The marketing activities and targets are analysed on a continuous basis in order to ensure the best possible result for each hotel.

A hotel can find all necessary information to work with the franchise on the intranet and directly download it at the hotel. As such, the hotels are given the flexibility to have all information at their disposal when and where they need it.



PORTFOLIO PERFORMANCE



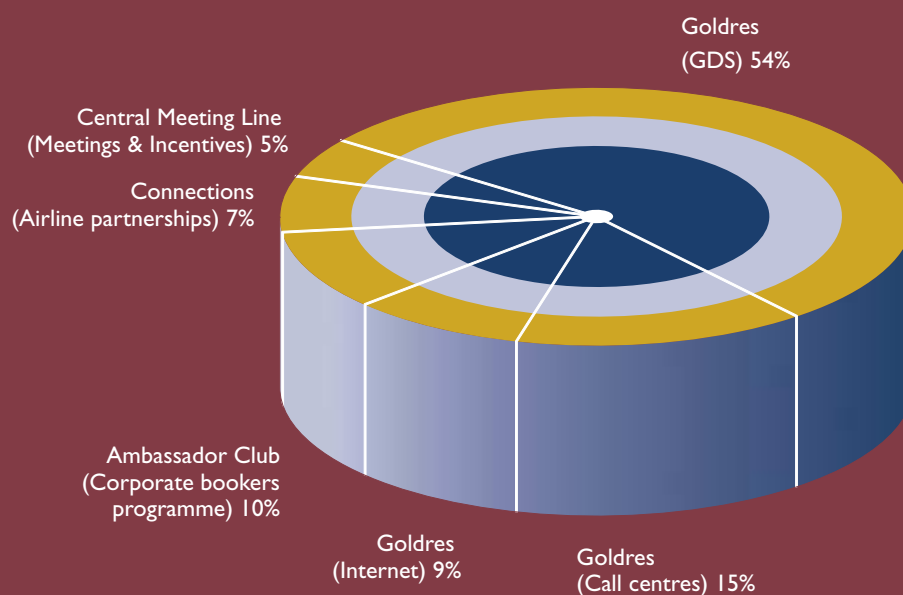
Hotels 264

Number of rooms 27.375

Gross room revenue EUR 455 million

Golden Tulip production EUR 67,5 million

2002 Source of Business





The Golden Tulip portfolio generated a combined gross room revenue in 2002 of EUR 455 million.

The measurable business produced by Golden Tulip value drivers was EUR 67.5 million, accounting for 15% of the overall produced room revenue. The 15% share only includes the channels of business that can be physically measured, whilst the impact of the brand itself remains intangible.

Source of business

The majority of business generated by Golden Tulip into the hotels, originates from Goldres, Golden Tulip's central reservations system connecting the hotels to all major GDS systems, voice reservations centres and a wide range of Golden Tulip's own and third party Internet booking sites.

Segmentation

The revenue can be segmented into two categories:

- Business
- Leisure

The business segment comprises the majority of the revenue accounting for 60% of Golden Tulip's share of business into the hotels, mainly through consortia travel agencies and global corporate accounts. The leisure segment produces the remaining 40% of the business via direct leisure marketing, call centres and the Internet:

• Business	EUR	40.500.000
Consortia/Global Accounts	EUR	20.000.000
Ambassador Club	EUR	7.000.000
Connections	EUR	5.000.000
Call centres	EUR	4.000.000
Meetings & Incentives	EUR	3.500.000
Internet	EUR	1.000.000
• Leisure	EUR	27.000.000
Leisure products	EUR	16.000.000
Call centres	EUR	6.000.000
Internet	EUR	5.000.000



OUR VISION

BY THE YEAR 2010, GOLDEN TULIP
AIMS TO HAVE GROWN THE PORTFOLIO
TO REACH 1.000 HOTELS.

Growth is aimed to be achieved

**organically through individual hotels and
strategically via mergers or acquisitions
of existing hotel groups.**

Golden Tulip plans to identify strategic partners in areas where the company is not yet represented or where it sees the opportunity to bolster its position, subject to be able to assume a leading position in line with the company's mission statement.

In light of this, the acquisition of TOP International Hotels was initiated to enlarge the company's market share and reach in Central Europe.

The acquisition resulted in an overall portfolio increase to reach 440 hotels across fifty countries.

The strength of the combined group lies in the operational economies of scales, increased marketing power and ability to offer a one-stop-shop range of services to independent hotels.

The areas where Golden Tulip has particular strategic interests in expanding to are Scandinavia, Spain & Portugal, Eastern Mediterranean, Eastern Europe, the Mercosur* countries and Northern Africa.

From time to time, Golden Tulip is offered opportunities to expand into North America and the Asia Pacific region. In the short to medium term, Golden Tulip sees these areas as very interesting to explore, with a view to expand.

**Mercosur countries are: Argentina, Brazil, Chile, Paraguay and Uruguay.*



The Golden Tulip Top Hospitality Group combines the Golden Tulip, Tulip Inn and TOP International Hotels in the areas of franchising and consortia.



TOP International Hotels combines a range of hotels in the three- to five-star category. The TOP International Hotels are unique hotels, which complement each other in location, size and tradition.

Furthermore, during 2003, Golden Tulip plans to introduce a further sub brand, the Golden Tulip Residence concept in line with our development of the long stay segment.

Colophon

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Concept and realization
C&F Report Amsterdam B.V.





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