HOTELS & RESORTS WORLDWIDE
LUXURY RESIDENTIAL OWNERSHIP
VACATION CLUB

# 1Q09 Results

## Profit & Loss Account

| (million Euros) | Mar 09 | Mar 08 | % |
|---|---|---|---|
| **REVENUES** | **266.7** | **295.2** | **-9.6%** |
| **EXPENSES ( ex - Operating leases** | **212.1** | **216.8** | **-2.2%** |
| **EBITDAR** | **54.6** | **78.4** | **-30.3%** |
| Rental expenses | 15.2 | 15.5 | -1.7% |
| **EBITDA** | **39.4** | **62.9** | **-37.4%** |
| Depreciation and amortisation | 23.7 | 23.5 | 0.9% |
| **EBIT** | **15.7** | **39.4** | **-60.2%** |
| **Total financial profit / (loss)** | **(14.5)** | **(20.2)** | **28.2%** |
| Profit/(loss) from equity investments | (1.0) | 0.3 | **-434.6%** |
| **Continuing EBT** | **0.2** | **19.5** | **-98.7%** |
| Discontinuing Operations | 0.0 | 0.0 | 0.0% |
| Profit before taxes and minorities | 0.2 | 19.5 | -98.7% |
| **Net Profit** | **0.2** | **17.8** | **-98.8%** |
| **Net Profit attributable** | **0.5** | **18.1** | **-97.5%** |

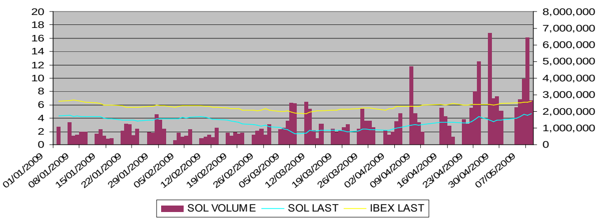
## Operational Ratios

| | | | |
|---|---|---|---|
| RevPAR | 43.2 | 50.3 | -14.2% |
| EBITDAR MARGIN | 20.5% | 26.6% | -608 bp |
| EBITDA MARGIN | 14.8% | 21.3% | -654 bp |
| *EBITDA MARGIN (ex-asset rotation)* | *14.8%* | *21.3%* | *-654 bp* |
| EBT MARGIN | 0.1% | 6.6% | -653 bp |
| NET PROFIT MARGIN | 0.2% | 6.1% | -594 bp |

## Interest Cover Ratios

| | | | |
|---|---|---|---|
| EBITDA / Net Interest Expense | 0.6x | 1.2x | -52.3% |
| EBIT / Net Interest Expense | 0.2x | 0.7x | -69.7% |
| EBITDA / Net Int. (ex - asset rotation) | 0.6x | 1.2x | -52.3% |
| EBIT / Net Int.( ex - asset rotation) | 0.2x | 0.7x | -69.7% |

## Stock Performance




| | |
|---|---|
| Average Daily Volume 2009 (€) | € 1,414,152 |
| 52- Week High, May 7th 08 | € 9.69 |
| 52- Week Low, March 6th 09 | € 1.67 |
| Market cap May 11th 09 (€4.41 ) | € 814.9 mn |

*Bloomberg: SOL SM ; Reuters: SOL.MC*

## Highlights

### Rev., Ebitda and Net Profit down by 9.6%, 37.4% and 97.5%

The performance of these items is explained by the economic downturn and the overall reduction in travel activity, driving a 14.2% reduction in company RevPAR. On the positive side, "Financial Results" improve by 28.2% derived from the active management of overall Company debt and the positive effect of the decrease of the 3-month Euribor rate on Company debt.

### Outlook: Limited visibility, Contingency Plan on track

The evolution of RevPAR in Q2 and Q3 is likely to remain under pressure due to the decrease in business travel activity derived from corporate savings policies, difficulties in the Spanish island resort destinations derived from the slowdown in the UK and Spanish feeder markets and Sterling depreciation. Even though, the impact of swine flu is limited since the outbreak took place in the low season (revenues from Mexican hotels in May and June making up 1% of the total) and the Company has managed to transfer part of the clientele to alternative destinations in the Caribbean, Sol Melia is closely monitoring the traffic to Cancun airport in Q3 in order to better asses the situation.

Currently, bookings for the summer season in Spain are below last year by double digit amounts although ahead of the industry. Last minute pick-up in bookings and low visibility are more prominent than ever in all segments and, as occurred with the Easter holidays, the summer season is likely to be ahead of what current bookings indicate. Cities are likely to suffer more than resorts.

To soften the impact, Sol Meliá implemented a Contingency Plan that involves 4 major courses of action: 1) Revenues, 2) Cost Optimization, 3) Risk Management and 4) Cash Flow management and Financial Equilibrium.

Based on the Plan, in Q1 the Company has increased revenues by 8/10 million and increased expectations of cost cuts in 09 from 35.6 to 55.6 million. Additionally Sol has maintained delinquency and average collection periods under control, reduced the capex budget for 09 to below 90 million and increased liquidity by 100 million.

### Further financing by 100 million Euros

On April 30th Sol Meliá signed a 3-year maturity 80 million Euros syndicated loan with 6 financial institutions in order to face medium term debt requirements. The Company has also agreed a mortgage loan of 20 million Euros. Following these agreements total liquidity goes up to 325 million euros which compares with 336 million debt maturities for April to December 2009 and 2010.

### Future Development

The Company has 6,327 rooms (19 hotels) in the pipeline, of which 84% are under management and 16% under lease. 2,073 rooms (6 hotels) will open before year-end. Current environment represents a good breeding ground for the incorporation of new hotels in the Sol Meliá's network due to the competitive advantage of major hotel groups in terms of brand, distribution capacity and know-how. Year-to-date, Sol has already signed the incorporation of 6 hotels.

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# 1. Letter from the C.E.O. and Vice-Chairman

Dear friend,

Following the latest resolutions approved by the Board of Directors of Sol Meliá, this is my first letter as Vice Chairman and CEO, a position from which it is my responsibility, together with the Senior Executive Team (SET), to take all the measures required to improve the efficiencies in our management that will lead us to better our business performance and to address these very difficult times.

In this regard, Sol Meliá is releasing first quarter results within the framework of a severe contraction in the economy in which GDPs are shrinking at historical rates. Travel and Tourism indicators have fallen by more than expected. Our industry is extremely sensitive to GDP, and the decrease of RevPAR in major world cities is explained by the increase in supply in some city markets, a pronounced contraction in the number of events and corporate demand, expected to continue in the coming months.

Although the performance of the leisure demand is also negative, the outlook is comparatively better on an aggregate level. European travellers are not expected to give up their summer holidays, although making savings through decreasing the length of their stay, searching for added value, going to less expensive and closer destinations or opting for lower category accommodation. The demand for all-inclusive products has increased. More than 50% of summer bookings are expected to be late bookings. Apart from the decrease in activity, lack of visibility is a common feature for hotels and resorts this year.

In the current environment it is virtually impossible to give a date for recovery, linked as it is to the global economic recovery.

***… Update on Sol Melia's Contingency Plan …***

Irrespective of the above mentioned, we are convinced that Sol Meliá is responding with the right set of measures included in the Company's **Contingency Plan** to manage through the current environment. As advanced in previous reports, these measures pursue these key objectives: 1) Revenues, 2) Cost Optimization, 3) Risk Management and 4) Cash Flow management and Financial Equilibrium.

Regarding the 2008-2010 Strategic Plan, the Company has not altered the vision of its main priorities (1. Brand Equity, 2. Customer Knowledge, 3. Vacation Club transformation model, 4. People's Talent & Empowerment and 5. Sustainability), although we are currently responding in the short term with measures aimed at managing the current market difficulties.

***… Objectives of Revenues Maximization …***

As far as **1) Revenues** is concerned, the objectives are:

a) to identify customer needs and respond through a Brand Unique Selling Message and Strategy where each brand (Sol, Tryp, Meliá and Premium brands) has developed a set of additional benefits with a clear value for money proposition for the customer in addition to the regular fares. The aim is to differentiate and incentivise demand with added values when price is key in the decision making process.

b) to diversify and seek the appropriate balance of feeder markets and market segments which drive our business. The objective of rebalancing feeder market implies a higher sales focus on areas such as European Eastern countries and LatAm thus guaranteeing we remain leaders in leisure, business groups, business travel and incentives.

c) to consolidate our relationship with consumers through the Company's brand awareness,

d) to strengthen our positioning with intermediaries and key partners. Following a process of consolidation in the market, Sol Meliá has identified key partners with whom we have intensified our relationship in order to also help achieve the mentioned rebalancing of business origin, and

e) to improve balance in the distribution of our revenues. Relating to this latest point, in spite of the decrease in overall consumption, we are introducing creative and aggressive ways to increase spending of in-house customers in our hotels and resorts by enhancing the guest experience with the right value proposition (breakfast, Spa, in-room snacks, restaurants, etc.).

This is our route map. The Company has split the Revenues key objective into two different tracks to help focus the organization: “Fare Revenues” (i.e. room + Food & Beverage) and “Other Revenues”.

Other significant actions have also been implemented, measured and monitored on a regular basis, amongst others: a) sales strategies in city hotels (to create a base occupancy through tour operators and air crews so we have a better chance to yield with other segments, strengthening the corporate segment though customised plans for corporate key accounts, launch of a programme for small and medium-sized enterprises (SMEs), and being more proactive in achieving new business groups), b) sales strategies in resort hotels (introduction of all-inclusive in resort hotels in Spain, alliances of co-marketing with leisure key accounts and incentives to intermediaries) c) further development of solmelia.com and strengthening relationships with Online Travel Agencies (OTAs) understanding that there are synergies between them d) greater focus on Sol Meliá’s Customer Relationship Management through customized advertising campaigns based on customer insight.

All in all, the measures described above are estimated to have a total impact on revenues of 8 to 10 million in the first quarter 2009 primarily based on achievements with weekend occupancy rates, business groups and SMEs. The Company has performed better than its compset in major world cities such as Madrid, Paris, Berlin, Caracas and Mexico DF. We understand the higher resistance in overall consumption but it is our goal to keep on growing Sol Meliá’s market penetration index in its core markets.

*… Cost optimisation programme rose up to 55.6 million …*

Regarding the 2) **Cost Optimisation Programme**, the direct effect of the measures implemented at both Headquarters and Business Unit levels has led Sol Meliá to save 12.1 million euros as of March 31st. The main actions are related to personnel management, renegotiation of third-party services (primarily energy) and the integration of brand-focused sales forces and leisure brand teams within the Global sales department. The Programme was fully detailed in the Company’s 2008 Year-End Results and quantified at 35.6 million euros for 2009. During the quarter, in light of the current situation the Company’s Senior Executive Team has established additional 20 million euros of savings at both hotel and headquarters level, making total savings for the year of 55.6 million ( 56% in hotels / 44% in headquarters). These additional savings are primarily related with the rationalization of personnel management according to opening periods of seasonal hotels and overall occupancy levels, savings in amenities and services which compounded represent fair value for money. These savings are to be made without any effect on the customer experience.

As far as 3) **Risk Management** is concerned we are working on the adaptation of the risk map to current market practices and conditions. In hotels, the Company has obtained a similar average collection period to last year (average has increased by only 5.6 days up to 54.9 days) and no major differences as far as the delinquency rate is concerned. Moreover, the Company has had a negligible impact from the different chapter 11 – insolvency act – processes initiated with several tour operators and airlines to date.

Regarding risk management of leased contracts, the Company has successfully managed to disaffiliate 3 loss-making leased hotels in Germany and Brazil. Regarding hotel insurance coverage, the material damages, stop loss and civil liability insurances are completely activated.

*… Sol Melia further increases its liquidity levels to confront medium term maturities…*

On the **4) Cash Flow Management and Financial Equilibrium** level, on April 30th Sol Meliá signed a 3-year maturity 80 million Euros syndicated loan with 6 financial institutions to confront medium term debt requirements . The Company has also agreed a mortgage loan of 20 million Euros. Following these agreements total liquidity goes up to 325 million euros which compares with 336 million debt maturities for April to December 2009 and 2010.

The renewal of credit lines that expired in Q1 together with the one recently signed has enabled us to maintain them at the 217 million Euros level although with a higher spread.

The debt amortization scheme has been smoothed recently, renegotiating 25 million Euros from 2009 to next year. Additionally, in order to progressively switch to a more 50/50 floating / fixed debt structure, Sol Meliá has signed a 100 million Euros interest rate swap that increases fixed debt weighting from 27% to 36%. The floating / fixed debt structure is expected to be 58 / 42 in July 2009.

***… Financial situation underpinned by the support of Spanish banks and asset base…***

The financial situation is also underpinned by the concentration of Company's debt in well capitalized Spanish banks and the Company's asset base. Regarding the latter, currently less than 20% of total debt is backed by company assets. This leaves room for significant fund raising even in a medium loan-to-value ratio as is the case for the recently signed 20 million euros mortgage. Spain's large banks have so far dealt with the crisis comparatively better than many of their rivals abroad. Board-level focus on risk and tight controls imposed by the Spanish Central Bank are behind such effect.

***… Capex budget 2009, reduced …***

Capex spending remains limited. Total investments are expected to remain below the 90 million figure (previously 100 million), involving the requirement to maintain the portfolio in prime condition. Expansionary capex will be negligible or zero. As occurred in 2008, future incorporations will be made though low capital-intensive development. Year to date, the Company has signed the incorporation of 6 hotels (1,331 rooms), of which 88% are under management and 12% under lease. Amongst these 6 establishments, we would like to highlight the incorporation of the Reconquista hotel, one of the most emblematic hotels in Spain, and the Innside Copenhagen, the first Innside hotel outside Germany as well as the first Sol Meliá establishment in Denmark. Negotiations for future incorporations are also taking place via these ownership models and we understand current environment represents a good breeding ground for the incorporation of new hotels in the Sol Meliá's network due to the competitive advantage of major hotel groups in terms of brand, distribution capacity and know-how.

The response of Sol Meliá to the current economic crisis has also involved senior management. The situation requires maximum flexibility and precision in decision-making and a clear focus on day-to-day management. In this regard, I have been named as the sole CEO by the Company's board of directors

***… Gabriel Escarrer, sole CEO. Sebastián Escarrer, future non-executive Chairman. Higher independence of Board of Directors…***

Sebastian Escarrer will assume the role of non-executive Vice Chairman, creating value through a greater presence and influence in all areas and before all of our stakeholders, becoming non-executive Chairman whenever Gabriel Escarrer Juliá decides to relinquish his current functions. This decision of the board together with the incorporation of two new independent directors meets with the recommendations of Corporate Governance Codes of Conduct, establishing a differentiation between the management and leadership of the company (responsibility of the Chief Executive Officer) and the roles of supervision and leadership of the Board.

Throughout this letter, we have tried to articulate the fact that the situation is difficult, that we are very much aware of this, that we were aware a long time ago, and that our response has also been in place for a long time. We believe that the crisis has found Sol Meliá sturdier than ever before at the business diversification, asset base and financial levels. Additionally we are responding with the right measures regarding distribution, cost structure and risk and cash management without losing the long term strategic vision. The Company is making an extraordinary effort –as the dimension and depth of the crisis – to ensure that Sol Meliá will come out of this situation in good shape, the most important objective and mission of my Vice Chairmanship. The only risk that we envision is limited with the tough current market conditions and the lack of visibility as far as the business is concerned.

Gabriel Escarrer

CEO & Vice Chairman

## 2. Information on Operations

### 2.1. Hotels

RevPAR for owned and leased hotels has decreased by 14.2% during the first quarter of the year, due to decreases in Occupancy and ARR by 8.2% and 6.6% respectively. Overall reduction in corporate activity and leisure travel is behind this evolution.

Sol Hotels

RevPAR for **Sol brand** (100% resort, 100% Spain) decreased by 18.8%, mainly due to decreases in Occupancy by 16.5%. This figure has been affected by the performance of the Balearic Islands, where RevPAR decreased by 36.5%. The shift in the Easter vacation calendar to April 2009 from March 2008, and the fall of the British feeder market, hit by the devaluation of the pound, and the current economic environment mainly explain the results.

Within the Sol brand, a set of **corrective measures** has been implemented in order to mitigate the impact of the current crisis. Sol has developed a Brand Unique Selling Message and Strategy with a package of additional benefits at favourable prices, mainly for families, such as the introduction of the all-inclusive model in resort hotels in Spain. This measure will also involve a communication plan by channel. Sales strategy for resorts also includes co-marketing alliances with tour operators and incentives for travel agents.

Regarding cost control actions, improvements have mainly been achieved by managing clusters of hotels, adapting their openings to the existing demand and consequently improving the profitability of the brand.

Decrease in **Available Rooms** is related to the late opening of 3 seasonal hotels: Sol Costa Blanca (Alicante), Sol Antillas-Barbados and Sol Trinidad (both in the Balearic Islands).

TRYP HOTELS

The **Tryp brand** (100% city; 80% Spain) has reduced RevPAR by 19.1%, due to decreases in both Occupancy and ARR by 7.9% and 12.1% respectively. The evolution of the brand is explained by the decrease in business travel activity derived from corporate travel savings policies, which have significantly reduced their travel expenses as well as the average period of stay, as well as a decline in weekend leisure travel. According to the Company's segmentation, room revenues from "business individuals and "leisure individuals" have decreased by 25.7% 34.2% respectively in Spain. This fact could not be compensated by the positive performance of hotels in Germany and France, where RevPAR changed by +10.2% and -2.4% respectively.

The Brand Unique Selling Message and Strategy at the Tryp brand involve benefits for both corporate and weekend travellers. Sale strategy for cities also includes customised plans for corporate key accounts, the launch of a program for small/medium sized companies and development of niche markets according to customer needs.

Cost savings are related with rationalization of personnel structure and the renegotiation of third-party services, including energy cost derived from the renegotiation of low and medium voltage contracts in Spain.

Decrease of the **Available Rooms** item is explained by the sale of the hotel Tryp Los Bracos (Spain) during 4Q08 and the termination of 2 hotel contracts, the Tryp Langenselbold and the Tryp Potsdam Michendorf, both in Germany.

In Q1, RevPAR for the **Meliá** brand (44% Spain, 21% LatAm, 35% EMEA) decreased by 13.9%, affected by the performance of the urban hotels (-16.6%) particularly in Zaragoza (-46.7%) where 2008 had its best performance ever due to the holding of the Expo. Apart from the decrease of business travel, as in the case of Tryp hotels, the large city hotels have been affected by the decrease in business group activity, especially in Madrid and Barcelona, where RevPAR has gone down by 20.4% and 21.8% respectively. According to the Company's segmentation room revenues from "business groups" have decreased by 20.1% in Spain.

In the resorts, RevPAR has decreased by 1.1%. Spanish resorts have gone down by 8.7% due to the shift in the Easter vacation calendar to April 2009 from March 2008.

Within the Meliá brand, the **corrective** measures implemented include Meliá's Brand Unique Selling Message and Strategy through the recently launched "All in one" program for weekend, business and holidays.

In terms of **Available Rooms**, the increase is explained by the incorporation of the hotel Meliá Athens (Greece) in June 2008, the reopening of some floors at the Meliá Princesa (Spain) previously closed for refurbishment and the disaffiliation of the Meliá Trujillo (Spain) in July 2008.

During the first quarter of 2009, **Premium brands** (77% of the portfolio in the Americas) decreased its RevPAR by 11.5%, due to decreases in both Occupancy and ARR by 6.9% and 4.9% respectively. Lack of groups and business travellers and the decrease in the contracting of additional services such as banquets and conventions, have impacted city hotels (RevPAR: -8.0%), especially in Spain (RevPAR: -21.5%) where revenues from individual business travellers have decreased by 31.8%. This fact was partially compensated by the performance of American hotels (RevPAR: -3.5%) thanks to the good performance of the Gran Meliá Caracas (RevPAR: +5.5%).

Regarding the resorts, the first quarter has been characterized by last minute sales. The economic recession affecting the main feeder markets and the shift in the Easter vacation calendar explains the decrease in the Spanish Resorts (RevPAR: -35.5%).

Revenues from "Food & Beverage and Other" increased by 3.2%, on the back of the performance of the Gran Meliá Caracas, where incomes from banquets and conventions during the first quarter increased by 39%.

The Brand Unique Selling Message and Strategy of the Premium brands are defined by the needs of each brand's target customer, based on value-added promotions – versus price discounting – and focusing on each of the brand's unique attributes.

Decrease of the **Available Rooms** item is explained by the disaffiliation of the hotel Gran Meliá Mofarrej (Brazil).

**Table 1: Hotel statistics Owned and Leased hotels 09 / 08 (RevPAR & A.R.R. in Euros)**

| | | % Occupancy | RevPAR | A.R.R. | Available rooms ('000 units) |
|---|---|---|---|---|---|
| **SOL** | **2,009** | 50.7% | 19.3 | 38.1 | 511.0 |
| | **% o/ 2008** | **-16.5%** | **-18.8%** | **-2.7%** | **-7.3%** |
| | **2,008** | 60.7% | 23.8 | 39.2 | 551.6 |
| **TRYP** | **2,009** | 54.1% | 35.7 | 66.0 | 706.2 |
| | **% o/ 2008** | **-7.9%** | **-19.1%** | **-12.1%** | **-6.7%** |
| | **2,008** | 58.8% | 44.1 | 75.0 | 756.6 |
| **MELIÁ** | **2,009** | 60.6% | 50.6 | 83.5 | 956.4 |
| | **% o/ 2008** | **-4.9%** | **-13.9%** | **-9.5%** | **2.6%** |
| | **2,008** | 63.8% | 58.8 | 92.2 | 932.3 |
| **PREMIUM** | **2,009** | 59.5% | 67.8 | 114.0 | 422.9 |
| | **% o/ 2008** | **-6.9%** | **-11.5%** | **-4.9%** | **-2.8%** |
| | **2,008** | 63.9% | 76.7 | 119.9 | 435.2 |
| **TOTAL** | **2,009** | 56.7% | 43.2 | 76.2 | 2,596.5 |
| | **% o/ 2008** | **-8.2%** | **-14.2%** | **-6.6%** | **-3.0%** |
| | **2,008** | 61.7% | 50.3 | 81.5 | 2,675.6 |

**Table 2: Hotel revenues split 09 / 08 for owned/leased hotels**

| | | Room Revenues | F&B and Other | Total Revenues |
|---|---|---|---|---|
| **SOL** | **2,009** | 9.9 | 6.7 | 16.6 |
| | **% o/ 2008** | **-24.7%** | **-29.1%** | **-26.6%** |
| | **2,008** | 13.1 | 9.4 | 22.6 |
| **TRYP** | **2,009** | 25.2 | 10.4 | 35.6 |
| | **% o/ 2008** | **-24.5%** | **-12.9%** | **-21.4%** |
| | **2,008** | 33.4 | 12.0 | 45.3 |
| **MELIÁ** | **2,009** | 48.4 | 37.1 | 85.5 |
| | **% o/ 2008** | **-11.7%** | **-4.3%** | **-8.7%** |
| | **2,008** | 54.8 | 38.8 | 93.6 |
| **PREMIUM** | **2,009** | 28.7 | 37.2 | 65.9 |
| | **% o/ 2008** | **-14.0%** | **3.2%** | **-5.1%** |
| | **2,008** | 33.4 | 36.0 | 69.4 |
| **TOTAL** | **2,009** | 112.1 | 91.4 | 203.6 |
| | **% o/ 2008** | **-16.7%** | **-5.0%** | **-11.8%** |
| | **2,008** | 134.6 | 96.2 | 230.9 |

## 2.2 Sol Meliá Vacation Club

Total Vacation Club Revenues decreased in Euros by 21.1%. This item include Vacation Club unit sales, 62.3% of the total, but also, among others, the revenues derived from Interest Income 16.4%, Maintenance and Management fees 11.5% as well as Network fees 4.3%.

Total number of weeks sold has gone down by 26.9%. The overall performance is explained by the decrease in occupancy levels at the hotel facilities in addition to a significant change in the mix of business between groups and transients which has a direct correlation to the number of qualified prospects. The depreciation of the Mexican peso has affected the volume of club sales to Mexican nationals due to concerns regarding dollar denominated commitments.

From a risk management perspective, Sol Meliá Vacation Club has launched an array of actions to reduce delinquency that involves the increase of minimum qualifications for prospective buyers, focus and incentives to the sales force for higher average down-payments as well as payments in cash.

## 2.3 Leisure Real Estate

During the first quarter of the year, no revenues have been generated in the asset rotation activity nor by the sale of plots of land in the Dominican Republic. Income generated by the Leisure Real Estate division is mainly explained by the exploitation of commercial premises in Dominican Republic as well as through rentals of shopping areas in Caracas.

## 3. Income Statement

- **Revenues**

Total Operating Revenues decreased by 9.6% (-28.5 Million Euros). Revenues from Hotels and Sol Meliá Vacation Club decreased by 11.8% (-27.3 Million Euros) and 21.1% (-5.5 Million Euros) respectively, while Leisure Real Estate Revenues increased by 21.3% (+0.6 Million Euros). Other Revenues increase is derived from the flowering of existent latent capital gains in Q1. Management Fees decreased by 2.3 million Euros in 1Q09.

- **Operating Expenses**

Total Operating Expenses decreased by 2.2% (-4.7 Million Euros).

Personnel Expenses have decreased by 3.6% (-3.4 Million Euros), as result of efforts made to adapt the personnel structure to operations. At the Hotel Level, personnel expenses decrease by 6.0% (4.4 Million) while at Central Headquarters, this figure increased by 4.4% (1.0 Million).

Rental Expenses decrease by 1.7% (-0.3 Million Euros) include by two opposite effects in terms of perimeter. On the one hand the disaffiliation of the hotel Gran Meliá Mofarrej (Brazil), and on the other hand the incorporation of 2 hotels: an Innside hotel in Düsseldorf (Germany) within the Meliá brand in March 2008, and the Meliá Athens (Greece) in June 2008. Excluding changes in the perimeter, rental expenses remained practically flat derived from negotiations with hotel owners.

- **Ordinary Profit / Net Profit**

Depreciations and amortizations increased by 0.9% (0.2 Million Euros), as a result of investments made during 2008 in 1) Paradisus Palma Real (Dominican Republic), adding 190 Vacation club units (11.6 Million Euros invested), and 2) in Paradisus Punta Cana (Dominican Republic), adding 192 Vacation club units (15.0 Million Euros invested).

Financial results increased by 28.2% (-5.7 Million Euros) due to 1) the decrease of the Net Interest Expense by 3.9 Million Euros derived a) the management of the overall Company debt and b) from the decrease of 3 month Euribor average by 247 basis points, even considering that the Company keeps working in order to increase fixed debt weighting, and 2) the decrease of the Exchange Rate Differences by 1.8 Million Euros due to a more favourable forex during the first quarter of the year.

Profit/(loss) from equity investments decreased by 434.6% due to losses from the associates “Altavista Hotelera S.L.”, “Colon Verona S.A.” and “Comunidad de Propietarios Meliá Castilla S.A.”, owners of the hotels ME Barcelona, Gran Meliá Colón and Meliá Castilla respectively, all of them in Spain. All three are city hotels, and therefore have been affected during this quarter by the current situation. Mention that ME Barcelona and Gran Meliá Colón began their operations in 2008 and 2009 respectively, this latest after 1.5-years refurbishment process, and are currently under a process of positioning in their respective markets.

**Table 3: Sol Meliá Consolidated Income Statement**

| Million Euros | Mar 09 | Mar 08 | % |
|---|---|---|---|
| Hotels | 203.6 | 230.9 | |
| Leisure Real Estate | 3.3 | 2.7 | |
| Vacation Club | 20.6 | 26.1 | |
| Other Revenues | 39.2 | 35.5 | |
| **Total revenues** | **266.7** | **295.2** | **-9.6%** |
| Raw Materials | (33.3) | (37.7) | |
| Personnel expenses | (92.1) | (95.5) | |
| Other operating expenses | (86.7) | (83.6) | |
| **Total operating expenses** | **(212.1)** | **(216.8)** | **-2.2%** |
| **EBITDAR** | **54.6** | **78.4** | **-30.3%** |
| Rental expenses | (15.2) | (15.5) | |
| **EBITDA** | **39.4** | **62.9** | **-37.4%** |
| Depreciation and amortisation | (23.7) | (23.5) | |
| **EBIT** | **15.7** | **39.4** | **-60.2%** |
| Net Interest Expense | (13.0) | (16.9) | |
| Exchange Rate Differences | 1.4 | (0.4) | |
| Other Interest Expense | (3.0) | (2.9) | |
| **Total financial profit/(loss)** | **(14.5)** | **(20.2)** | **28.2%** |
| Profit/(loss) from equity investments | (1.0) | 0.3 | |
| **Continuing Earnings Before Taxes** | **0.2** | **19.5** | **-98.7%** |
| Discontinuing Operations | **0.0** | **0.0** | |
| **Profit before taxes and minorities** | **0.2** | **19.5** | **-98.7%** |
| Taxes | (0.0) | (1.7) | |
| **Group net profit/(loss)** | **0.2** | **17.8** | **-98.8%** |
| Minorities (P)/L | 0.2 | 0.3 | |
| **Profit/(loss) of the parent company** | **0.5** | **18.1** | **-97.5%** |