



Sol Meliá  
Preliminary Year End Results 2003  
February 25, 2004



Paradise Puerto Rico, Opening in March 2004

# Sol Meliá at a glance



330 Hotels

80,110 Rooms



30 Countries



25 Million Stays



36,000 Employees



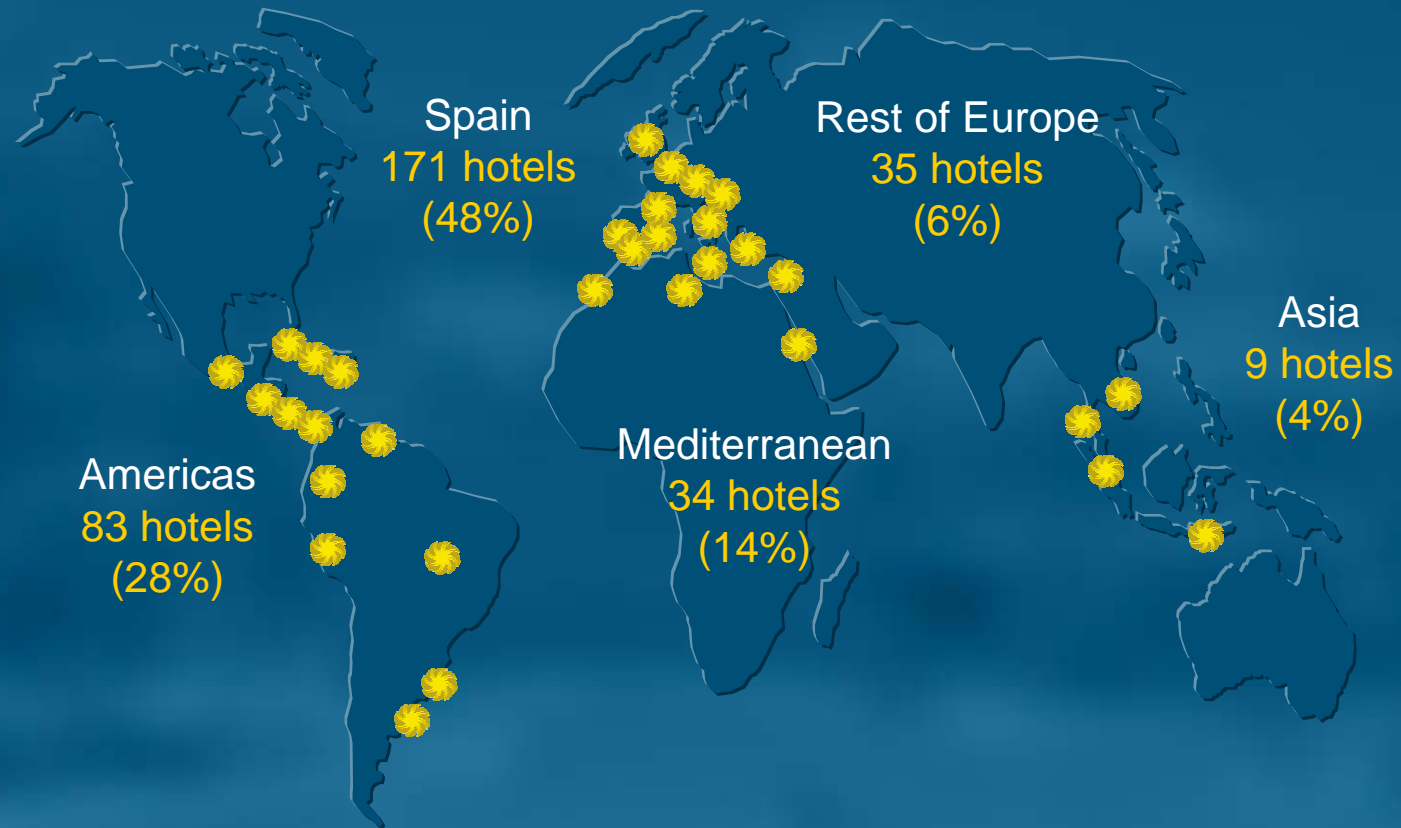
€ 988 Mn Revenues 2003



€ 222 Mn EBITDA 2003



# Sol Meliá positioning : 330 hotels / 80,110 rooms in 30 countries

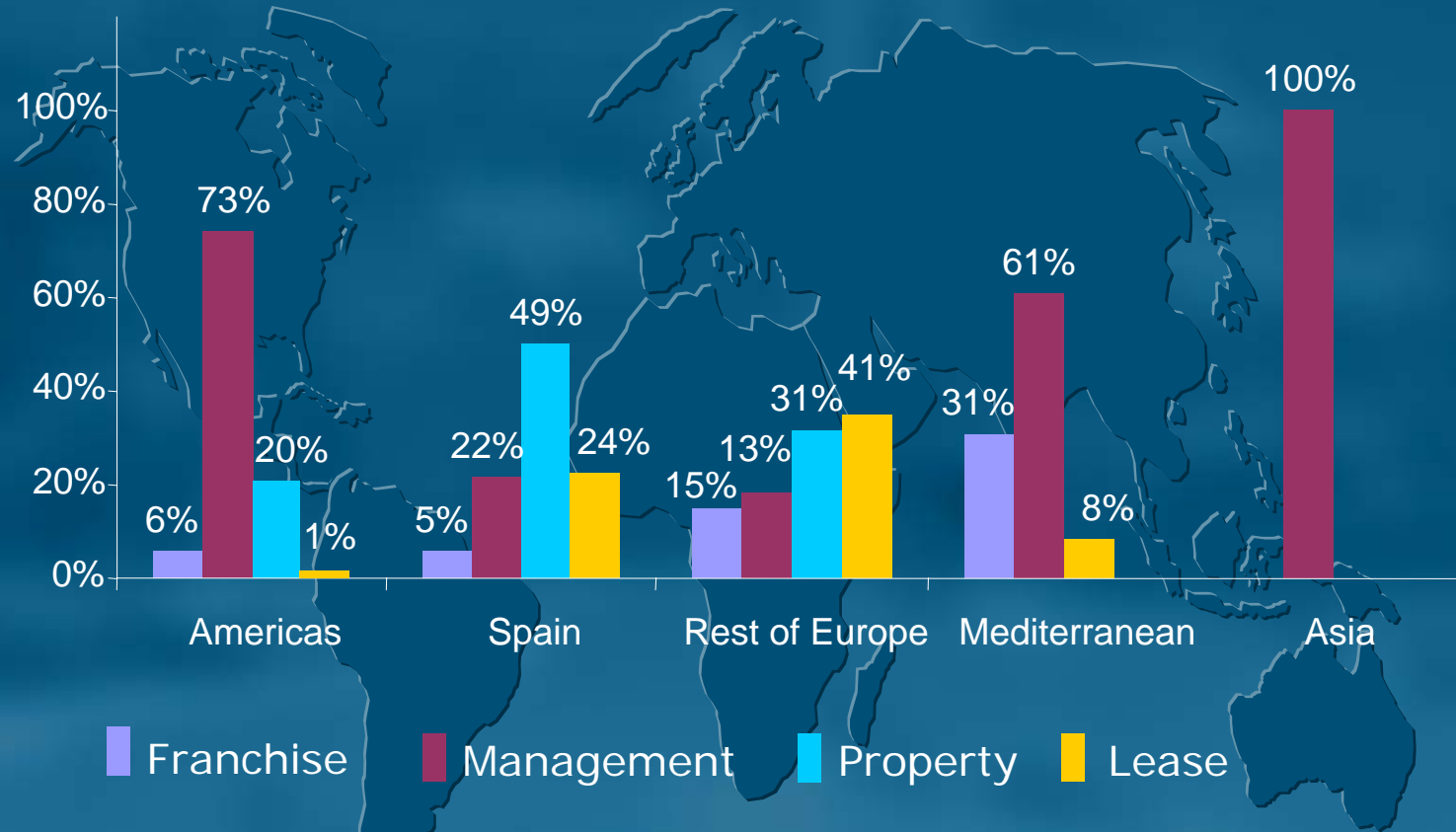


- 1st Hotel chain in the Spanish market.
- 1st Resort Hotel chain in the world.
- 1st in LatAm and the Caribbean.



Note: % of rooms.

# Affiliation regime by geographical area



■ 75% of Real Estate Value in European Assets

■ 91% of Value of lease contracts in Europe

Note: % of rooms



# Brand Structure



Leisure



Business



3\*

4\*

5\*

5\* Deluxe

Mid-Price

First Class

Deluxe



## 2003 Results Overview

- Positive Results overshadowed by the appreciation of the Euro
- + 6.9% EBITDA increase in Q4 vs -7.1% up to September
- 813% Net income increase

(Millions of euros)	Dec-03	Dec-02	%
RevPAR (Euros)	44.6	45.4	-1.7%
Revenue	987.8	1010.5	-2.2%
EBITDAR	286.1	300.8	-4.9%
EBITDA	222.3	233.3	-4.7%
EBITDA MARGIN	22.5%	23.1%	-54.9bp
Net Profit (before Min.)	49.1	13.6	260%
Net Income	38.1	4.2	813%





# Hotels performance 2003 (Owned and leased)

- Total accumulated RevPar changed by - 1.7% which would have been +0.1% excluding the currency effect.
- In European Resorts, RevPAR increased by 5.0% due to the positive performance of Spanish Resorts during 2003.
- RevPar in European city hotels decreased by 3.6%, explained by a reduction of business travel and general slowdown in bookings to the main capital cities in Europe.
- In the Americas Division, RevPar decreased by 16.5%, negatively affected by the appreciation of the Euro vs. the USD, and the poor performance of the Gran Meliá Caracas.

	Owned & Leased Hotels	% Occupancy	RevPar	A.D.R.
European Resorts	2003	72.4%	36.9	50.9
	03/02	1.6%	5.0%	3.4%
	2002	71.3%	35.1	49.3
European City	2003	62.8%	53.2	84.8
	03/02	-1.0%	-3.6%	-2.27%
	2002	63.4%	55.2	87.1
America	2003	65.3%	37.8	57.9
	03/02	5.6%	-16.5%	-20.9%
	2002	65.0%	49.7	76.4
Total	2003	67.0%	44.6	66.6
	03/02	0.6%	-1.7%	-2.3%
	2002	66.5%	45.4	68.2



# Travel and Tourism Industry 2004

Outlook  
2004

Asset Base

Distribution  
Capacity

Comfortable  
Servicing  
Debt

- Economic recovery likely to improve RevPars
- Sharp recovery of German market to Spain
- Continuing positive evolution of UK market
- Strength of Spanish-speaking Caribbean destinations
- Recovery of Airline sector
- Further improvement of low-cost carrier performances





# Sol Meliá Prospects

Outlook  
2004

- Recovery lead by Latin America, due to:
  - The economic recovery of the US
  - The new Paradisus Puerto Rico Hotel

Asset Base

- European Resorts and European City:
  - Recovery of Germany economy
  - Positive trend of the UK market
  - Recovery of Corporate and Leisure activity in the Spanish Cities.

Distribution  
Capacity

- Cost Reduction and disaffiliations in the past, repositioning of hotels recently refurbished / incorporated will pay-off in the future

Comfortable  
Servicing  
Debt



## Best ever Asset Base

Outlook  
2004

- 88 owned hotels valued by American Appraisal at €2.7 bn

- 1 additional project (Paradisus Puerto Rico)
- 75% of value in European assets
- Average value of each hotel €30 Mn
- Implied value per room of €105,000

Asset Base

- €600m of FF&E capex over the last 4 years

- 4 out of 5 hotels in the portfolio upgraded

Distribution  
Capacity

- Total Asset Value of €3.6 Billion

Comfortable  
Servicing  
Debt



# Sol Meliá: an approach to Net Asset Value

Outlook  
2004

Sol Meliá trades at a large discount to its asset value of € 12.7 per share  
(The current share price is € 6.86<sup>(1)</sup> per share, i.e. 85%)

Asset Base

ASSET	CRITERIA	DATA	VALUE (€Mn.)	€/ share
Owned Rooms	Valuation by American Appraisal	24,925 rooms	2,700	14.61
Hotel Business under Management and Lease Contracts	Valuation by American Appraisal	55,185 rooms	600	3.25
Paradisus Puerto Rico	Book Value	490 rooms	120	0.65
Other Businesses <sup>(2)</sup> / Plot of Lands	8.0 x EBITDA Multiple /Book Value		200	1.08
Net Financial Debt	Book Value		-1,110	-6.0
Minorities	Book Value		-165,8	-0.89
<b>NAV</b>			<b>2,344</b>	<b>12.7</b>

Distribution  
Capacity

Comfortable  
Servicing  
Debt

(1) Closing price 24 Feb 2004

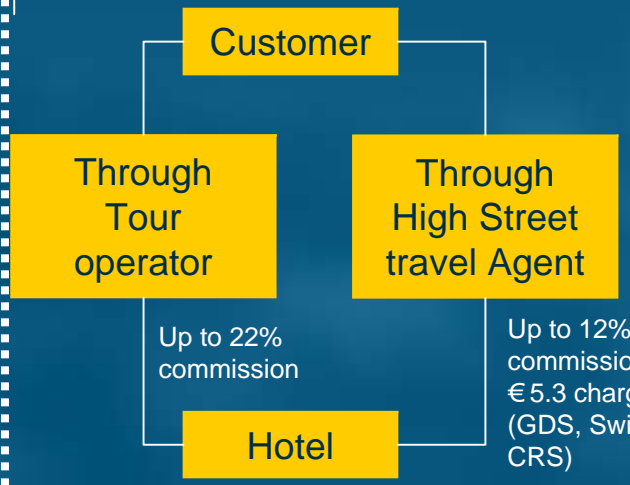
(2) Casinos and Time-Sharing



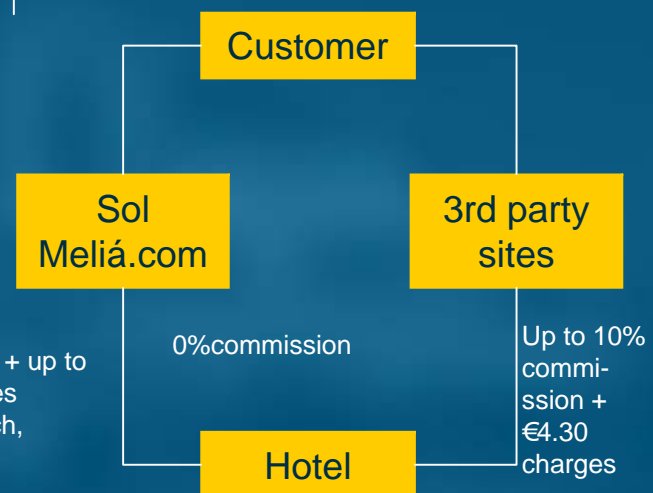
# Revenue Growth – Rationalizing the Distribution Channel

- Outlook 2004
- Asset Base
- Distribution Capacity
- Comfortable Servicing Debt

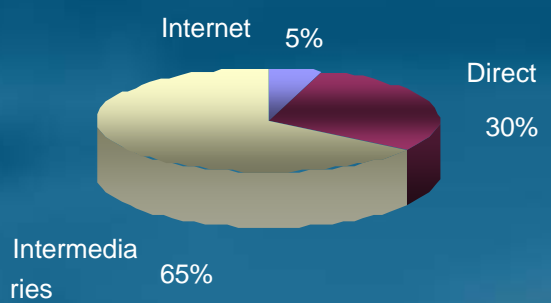
## Traditional intermediate channels



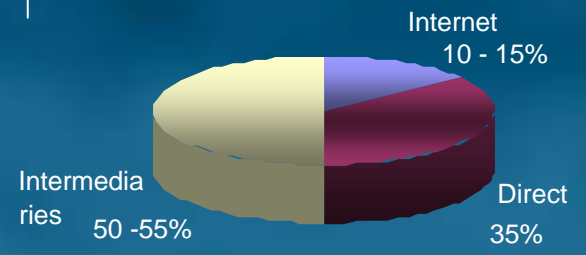
## Internet channels



## Current



## Forecasted



The change in distribution mix forecasted could yield savings of € 15 Mn in 3 years.

NOTE: % of Room Revenues



# Reservation by Centralized Channel 2002 - 2003

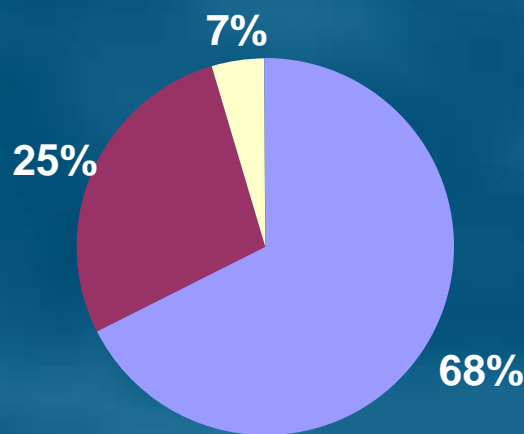
Outlook 2004

Asset Base

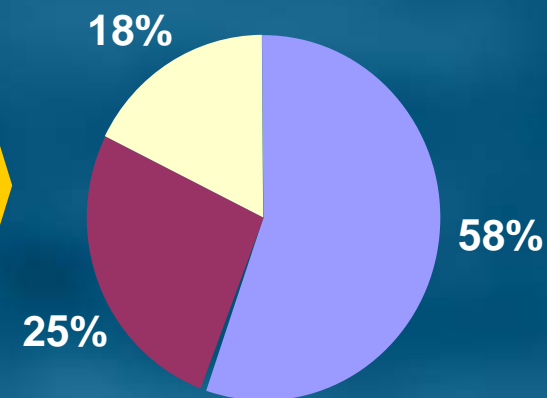
Distribution Capacity

Comfortable Servicing Debt

### Centralized channels 2002



### Centralized channels 2003



Voice

GDS

Internet

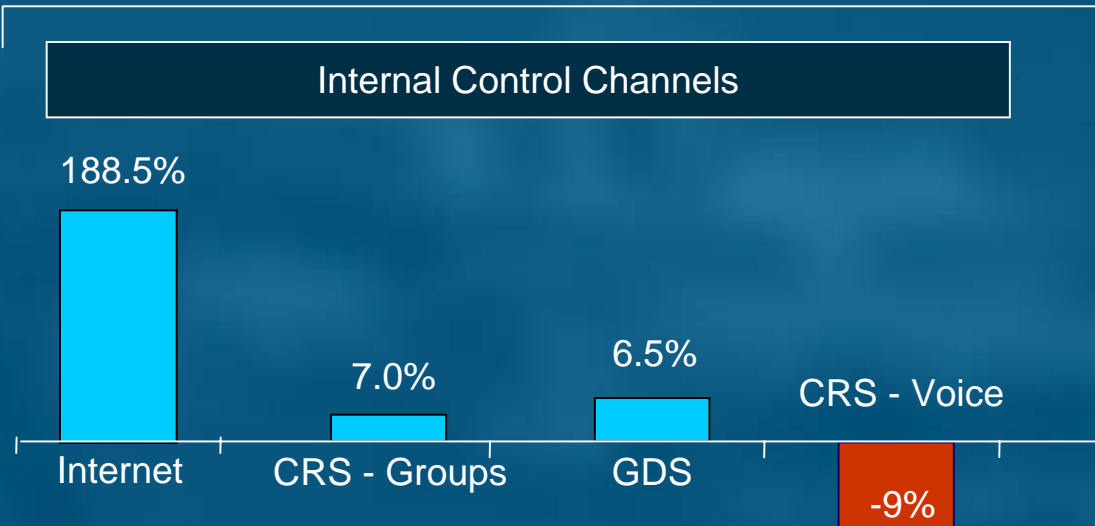
Sol Meliá has significantly increased the percentage of reservations through Internet nearing best practices in the Industry

Note: Data up to December



# Rationalising the Internal Distribution Channels

Increase in sales (2003/2002) <sup>(1)</sup>



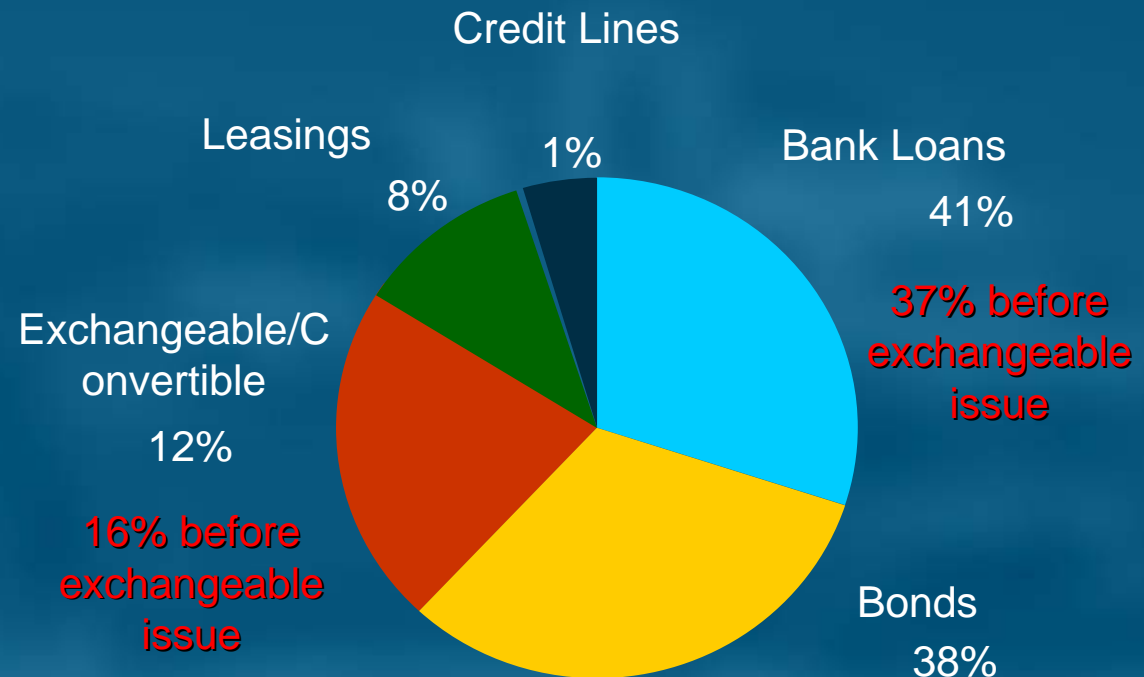
- Sales force in the US has been extended with 14 additional Key Account Sales Staff
- Focus on Spanish Tour Operators (domestic sourcing) vs International T.O.
- Low Cost Carriers success (together with relevance of their on-line reservation policies) keeps feeding our direct reservation systems - "Change in consumer habits":
  - Low Cost Airlines arrivals to Spain up to August: + 50.8%.
- Internet sales increased by 188.5 % accumulated to December
- Our Direct Sales Travel Programs grew by 33% accumulated to December

<sup>(1)</sup> Data up to December





## Debt by nature – after € 150 Mn exchangeable issue

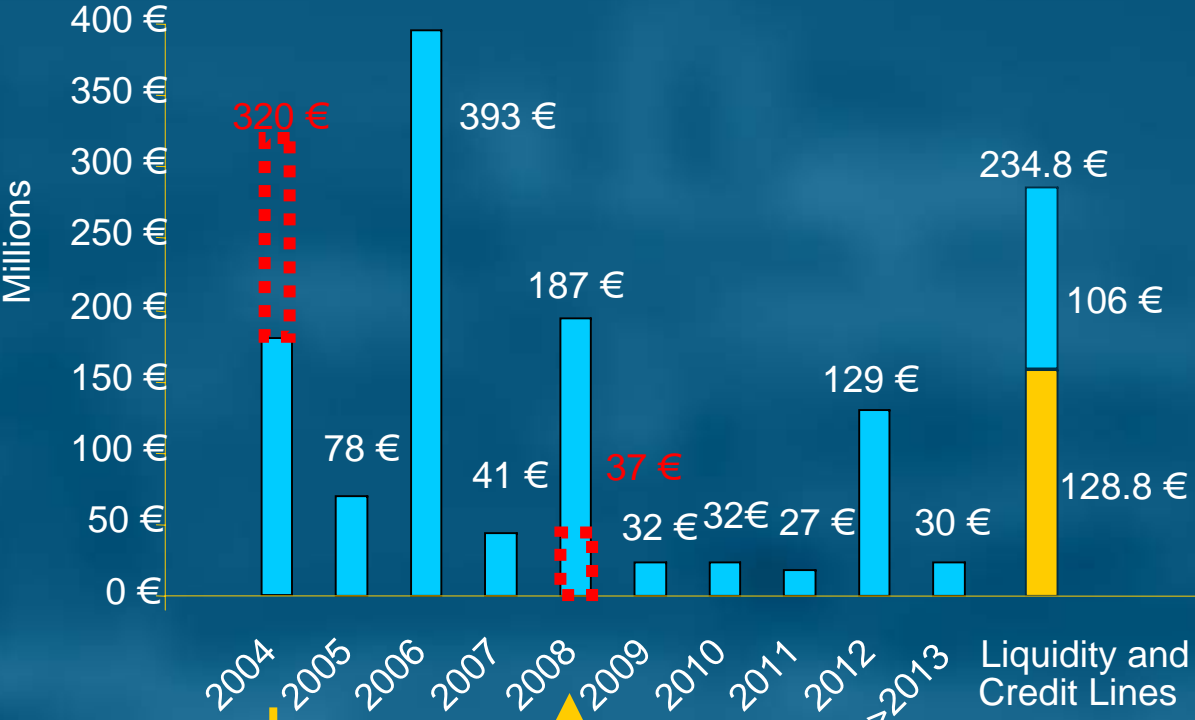


### Sol Meliá refinances short and medium term maturities:

Debt recently raised which includes securities debt and the exchangeable bond issue - € 310 Mn at an average cost of 3.85% - implies that the Company has successfully completed financing requirements up until 2006.



# Debt by maturity



- Outlook 2004
- Asset Base
- Distribution Capacity
- Comfortable Servicing Debt

Average Cost 2003 – 5.15% => 5.32%  
 Mid Maturity – 4.9 years => 5.25 years  
 Mid Length – 8.3 years => 8.7 years



# Strategic Alliance with Cendant

The Alliance consists of two separate agreements :

## 1. Time Share:

- Cendant’s Timeshare Resort Group will provide Direct Marketing support for the Meliá Vacation Club to help grow its consumer base.
- Cendant Subsidiary RCI will provide consultancy, exchange and other networking services for the Meliá Vacation Club.
- Sol Meliá acquires Most Favoured Nation Status.

## 2. Marketing and Distribution:

- Distribution and Marketing Programs to offer consumers access to Sol Meliá hotel inventory through a variety of online and offline channels including: Cheap Tickets.com, Lodging.com, Thor and Galileo.
- A cross-selling program to market Cendant hotels and travel products to Sol Meliá consumers, and to market Sol Meliá products to Cendant consumers.
- Sol Meliá participation in Cendant’s “TripRewards Guest Loyalty Program” by which members (12 million) will have the ability to redeem their TripRewards points for free night stays at selected Sol Meliá properties.



CENDANT



# Commercial and Distribution alliance: lastminute.com

lastminute.com PLC regains 100% of lastminute.com Spain repurchasing Sol Meliá's 70% ownership for €6 Mn.

The alliance will join the European leading on-line provider and the leading resort group in the world.

Lastminute.com (+Travelprice.com) Spain becomes the leading on-line distribution in the country

After the agreement, lastminute.com and Sol Meliá enhance their strategic partnership:

- The Travel Agency will offer “**Preferred Hotel Provider**” status by which Sol Meliá hotels will have priority wherever the hotel Company has a significant presence.
- Sol Meliá will incorporate lastminute.com's **Dynamic Packaging** to its solmelia.com to provide real-time customised packaged tours
- Sol Meliá's Special **Promotion and Marketing Program** in lastminute.com

**25% market share of total leisure travel sold  
online through intermediaries in Europe**

do something **lastminute.com**



# lodging.com: stay in Paris, one double room

Citywide Availability - Microsoft Internet Explorer proporcionado por SolMelía

Archivo Edición Ver Favoritos Herramientas Ayuda

**get a room!**  
**Lodging.com** Your source for discount hotel rates in cities worldwide  
[Cancellations](#) [Customer Service](#)

US Hotels Int'l. Hotels Hot Hotel Rates Extended Stay Luxury Hotels Travel Guides Affiliates Your Account Air Car

**Build-a-Trip and Save!**  Flight + Hotel + Car  Flight + Hotel  Flight + Car  Hotel + Car

Look for this tag **Exclusive Rates** & receive Exclusive Discount Rates specially negotiated for Lodging.com customers and our **Lowest Rate Guarantee**.

**Modify Your Search**  
 Advanced Search  
 Arrive: Feb 22 2004  
 Depart: Feb 23 2004  
 Rooms: 1  
 Adults: 1 per room  
 Children: 0  
 Sort by: Price (High to Low)  
 Modify Your Search  
 Select Another City

**Search Results for Paris, France**  
 Arrival: February 22, 2004 | Departure: February 23, 2004  
 Sort by:  Lodging Picks  Price  Hotel Name Find Hotel Near...  
 Results: Price (descending)

**Melia Vendome Boutique Hotel**  
 8 Rue Cambon  
 Paris, FR, 75001  
 Click here for Map  
 Exclusive Rates  
 Average Nightly Rate: **367.99\* USD**

Hotel Rating	Sun	Mon	Tue	Wed	Thu	Fri	Sat
4.5	\$367.99						

**Melia Colbert Boutique Hotel**  
 7 Rue Hotel Colbert  
 Paris, FR, 75005  
 Click here for Map  
 Exclusive Rates  
 No Photo Available  
 Average Nightly Rate: **367.99\* USD**

Hotel Rating	Sun	Mon	Tue	Wed	Thu	Fri	Sat
4.5	\$367.99						

**Villa Alessandra**  
 9 Place Boulois  
 Paris, FR, 75017  
 Click here for Map  
 Exclusive Rates  
 Average Nightly Rate: **311.99\* USD**

Hotel Rating	Sun	Mon	Tue	Wed	Thu	Fri	Sat
4.5	\$311.99						

**Montaigne Hotel**

**CENDANT**

6 out of 20 first options were Sol Meliá's hotels

NOTE: Research made on Jan 21<sup>st</sup> for Feb 21<sup>st</sup>



# lastminute.com: stay in Madrid, one double room

Do great deals on flights, hotels, holidays, theatre, restaurants & gifts at the lastminute.com - Microsoft Internet Explorer p

Archivo Edición Ver Favoritos Herramientas Ayuda

Keyword Search  
  
 All Products  
 search

Find it

Homepage  
 What's new?  
 Valentine's Day  
 Love 2004  
 Weekends  
 Ski holidays

Travel  
 Holidays  
 Summer 2004  
 Flights  
 Hotels  
 Flight + Hotel  
 Tailor-made hols  
 Car hire  
 Train tickets  
 Cruise  
 Travel insurance

Entertainment  
 Restaurants  
 Theatre  
 Music  
 Film  
 Days out  
 Sport  
 UK activities

Gifts  
 Unusual gifts  
 Gadgets  
 Experiences  
 Health and beauty

More  
 Auctions  
 Buy/Rent DVDs  
 Ferry tickets  
 Order a takeaway  
 The Knowledge  
 Staying in  
 Gay  
 A - Z

Help/FAQs  
 Change your details  
 Latest travel news  
 TV & mobile

## lastminute.com

click here lastminute.com lastminute.com price match guarantee click here

### Hotels

showing offers 1- 10 of 20 next

Sort results by:  distance from Location  lowest price  lowest star rating  
 hotel name (a-z)  highest price  highest star rating

**Hotel Tryp Menfis - 4\* in Madrid** [map](#)  
 Located in the Gran Vía, a few metres from the España Square, you'll be close to the historical center and famous museums.  
 (all prices include VAT)  
[Full hotel details](#)

Sun 22 Feb 2004 to Mon 23 Feb 2004

Room One (2 Adults)	Sun	Total	Select
Double	£99	£99	<input type="radio"/>

[back](#) [Continue](#)

**Meliá Galgos - 4\* in Madrid** [map](#)  
 With stylish rooms and quality facilities, this is the perfect base to explore magical Madrid.  
 (all prices include VAT)  
[Full hotel details](#)

Sun 22 Feb 2004 to Mon 23 Feb 2004

Room One (2 Adults)	Sun	Total	Select
Double incl. breakfast	£79	£79	<input type="radio"/>
Standard Double Room	£138	£138	<input type="radio"/>

[back](#) [Continue](#)

**Hotel Florida Norte - 4\* in Madrid** [map](#)

I LOVE 2004  
 I LOVE 2004  
 I LOVE 2004  
 Do more in 2004 click here

Inicio Microsoft Power... Do great deal... Resultados Fina... Microsoft Excel 18:23

3 out of 10 first options were Sol Meliá's hotels

NOTE: Research made on Jan 21<sup>st</sup> for Feb 21<sup>st</sup>





# Additional agreements with leisure players

## ▪ **Hard Rock Hotels**

- Creation of an exclusive Joint Venture between Sol Meliá and Rank Group to develop Hard Rock hotels.
  - ✓ Sol Meliá will be in charge of: Operation, Commercialisation and Distribution
  - ✓ HRHR will be responsible for: Development of HR Culture, Design, Standards
- Development of 4 and 5 stars hotels located in prime urban and resort destinations in the United States, Europe, Latin America and the Caribbean.
- Agreement signed between Rank Group and Becker Ventures, financial partner up to \$1,000 Mn.
- Expectations of at least 9,000 rooms in 10 years.
- First hotel for 2004: The Chicago Hard Rock Hotel, 381 rooms



## ▪ **Warner Bros. Consumer Products**

- Agreement signed to develop themed areas, featuring characters from the popular Flintstones series
- The project involves 5 Spanish Sol hotels (3,265 rooms) up to 2004.



# Company Strategy

1. Further Brand Standardisation
2. Distribution
3. Return per square metre:
  - Time-Sharing
  - Food & Beverage
  - Asset rotation
4. Execution of alliances made in 2003
5. Financial Strengthening



## Safe harbour

**This document contains market assumptions, different sourced information and forward-looking statements with respect to the financial condition, result of operations, business, strategy and the plans of Sol Meliá and its subsidiaries**

**Such forward-looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward-looking statements as a result of various factors**

**Analysts and investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this presentation. Sol Meliá undertake no obligation to release publicly the results of any revisions to these forward-looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Sol Meliá business or strategy or to reflect the occurrence of unanticipated events**

