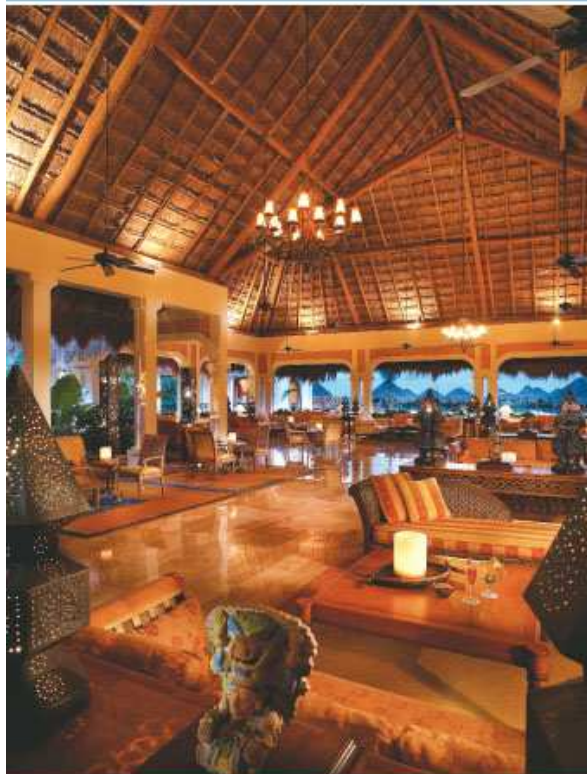


**investor**  
**day** *Madrid Feb 08*

**Onofre Servera**  
*EVP Group Finance*  
*Financial Projections Summary*

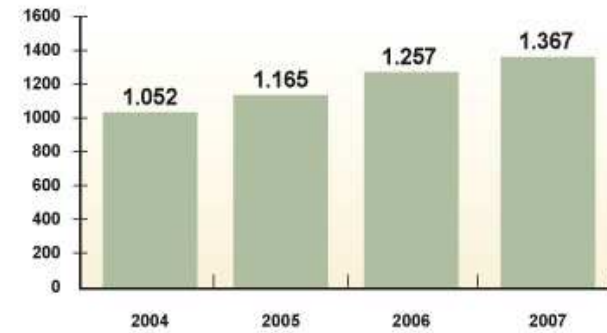
# Financial milestones before Strategic Plan 2008-2010

Financial Performance  
(Million Euros)



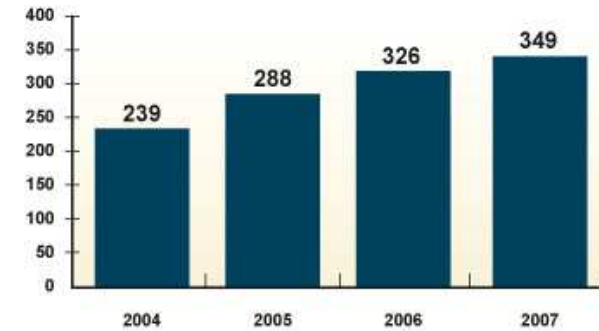
## REVENUES 2004-2007:

Dif.	Increase	CAGR
+314,8	+30%	9%



## EBITDA 2004-2007:

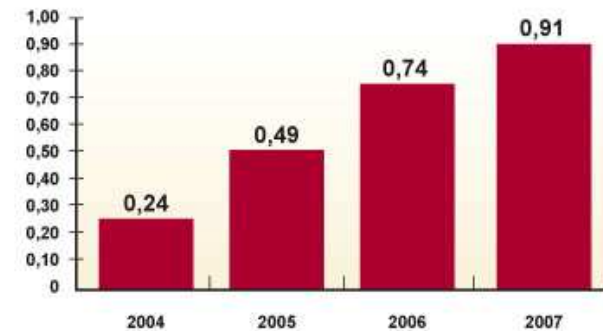
Dif.	Increase	CAGR
+110,1	+46%	14%



2

## EPS 2004-2007:

Dif.	Increase	CAGR
+0,67	+278%	56%



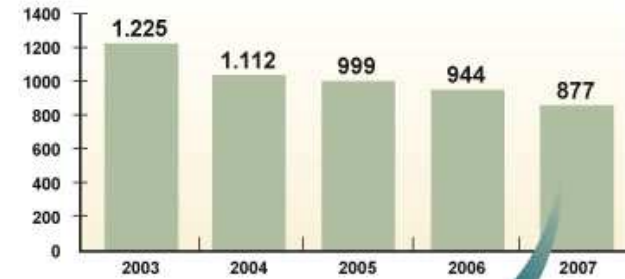
Consolidated growth of 2004-2007 financial milestones

# Financial milestones before Strategic Plan 2008-2010

Financial Performance  
(Million Euros)



NET DEBT reduction and investment grade recovery from Moody's rating

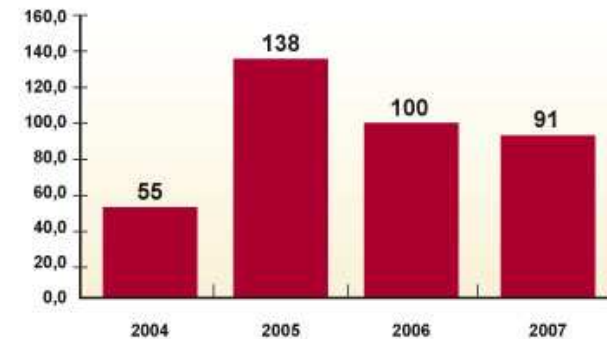


TOTAL REDUCTION 2004-2007 350 MM EUR

Reduction of NET CAPEX from 2004-2007:

NEXT CAPEX / REVENUES

2004	2005	2006	2007
5,2%	11,8%	8,0%	6,7%



3

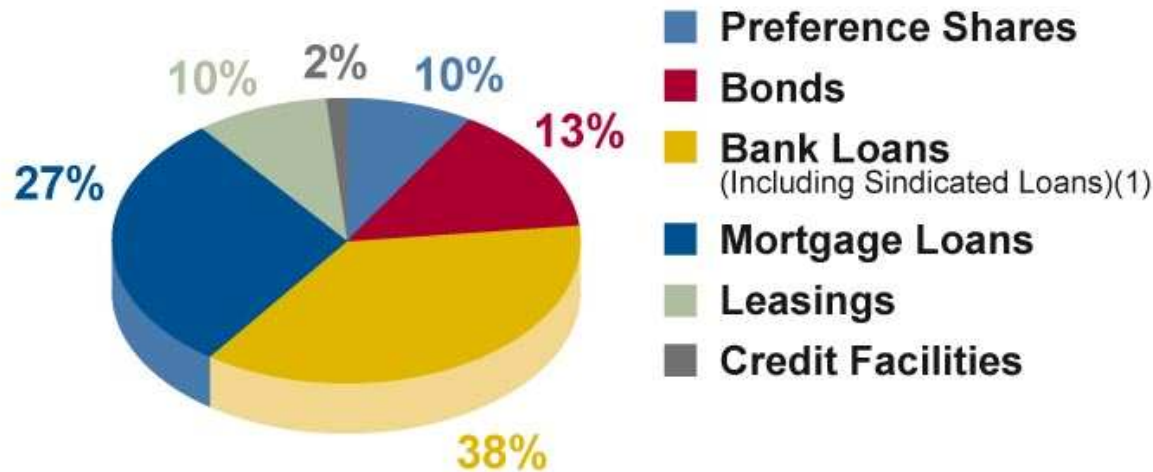
Net debt reduction combined with a controlled Net Capex increase



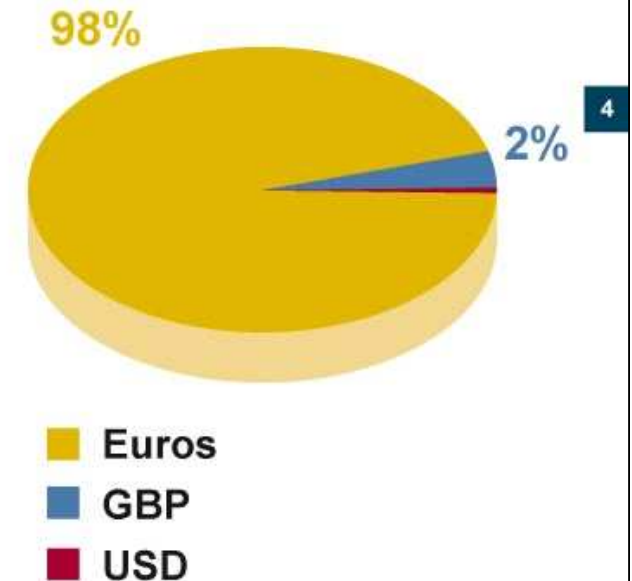
# DEBT Situation end 2007



## Sources of Financing



## Currency DEBT

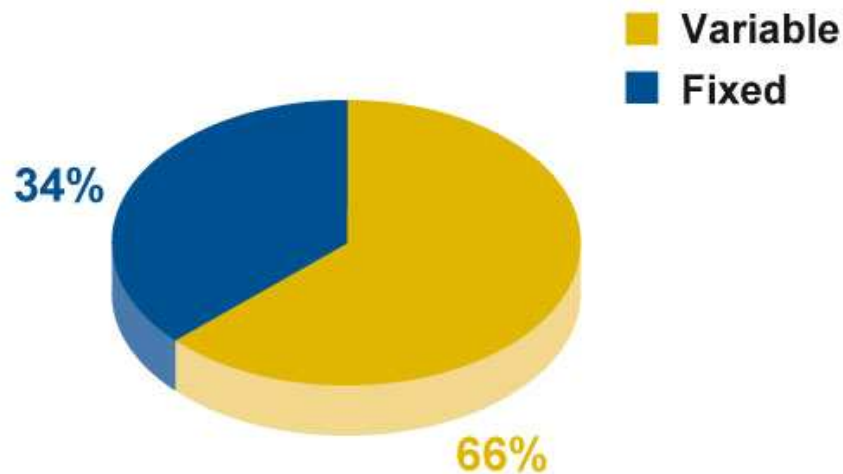


(1) Guarantee for mortgage loans is only 7,5% of the market value of the group assets according to the 2007 valuation by Richard Ellis.

# DEBT Situation end 2007

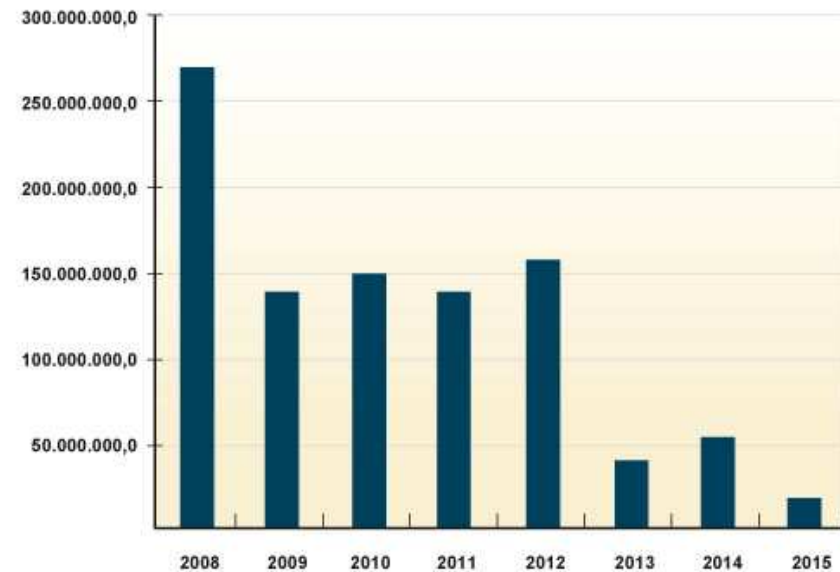


## DEBT Interest



Average interest rate 2007: 5.29%

## DEBT Maturity

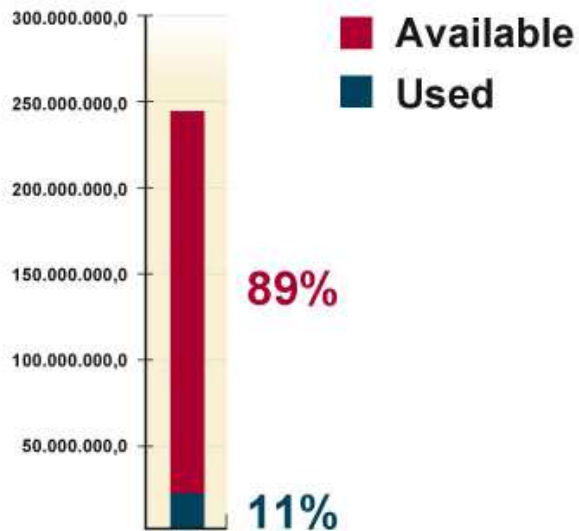




# DEBT Situation: Liquidity



## Credit Facilities



Most of the credit facilities have automatic renovation up to 3 years.

## Liquidity Situation

Cash and Cash Equivalents	233
Other Current Financial Asset	14
Bank Loan (Feb. 2008)	50
Available Credit Facilities	218
<b>TOTAL AVAILABLE (Millions €)</b>	<b>515</b>

6

Note: 6 Mn shares available for the maturity of the convertible bond by year end.

### 515 Million € available

This current liquidity situation provide us with a comfortable financial situation:  
 1<sup>st</sup>) To attend to debt maturity (convertible bond'08)  
 2<sup>nd</sup>) To reduce and refinance debt

# Group Finance: Guarantor of new Investment policy



## GROUP FINANCE EVP Onofre Servera



**Group Finance, unifies Development and Finance responsibilities under the same EVP.**

- Designed to accommodate Development investment plan (approved by the Senior Executive Team) to the Financial plan.

- Capex pace will be dictated by the ability of the company to generate cash flow.



**The creation of the Alliances and Joint Ventures department adds a new source of project financing that alleviates the dependency on the company's resources to grow and mitigates risk.**



## Development Strategy 2008-2010



- ✓ The leitmotiv of the development strategy is the mixed ownership product (MOP) i.e., analyse a project as a combination of businesses: hotel plus condo and/or SMVC and/or Real Estate, thus maximising synergies between the three core businesses of Sol Meliá

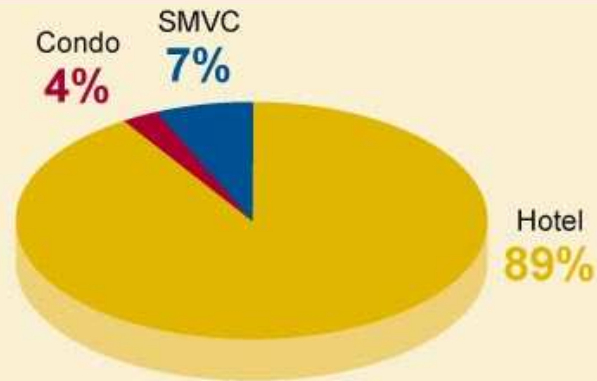
8

- ✓ The development criteria are:
  - Strategic value.
  - The product has to add value to the brand
  - Economic value.

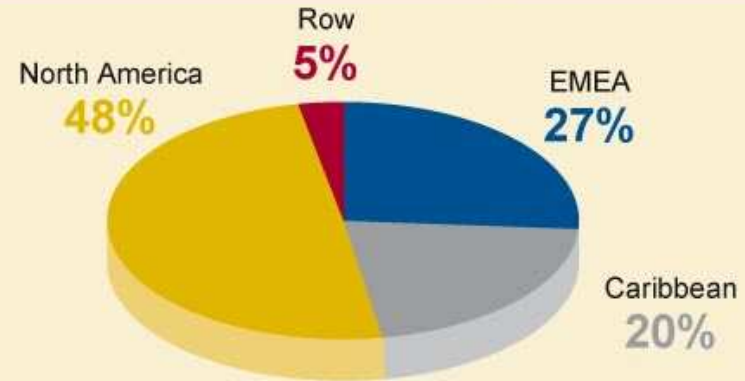


# Development Capex

Capex by type of business

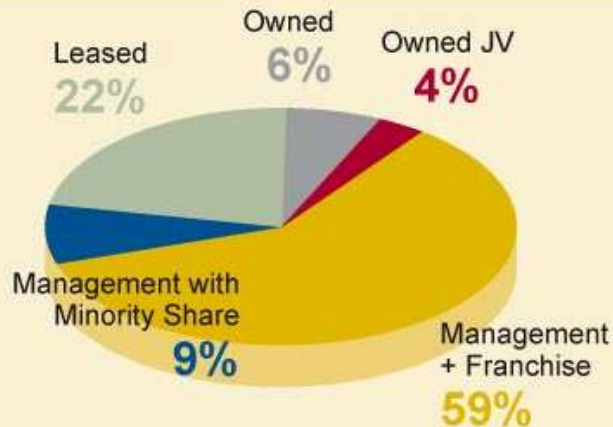


Capex by geographic area

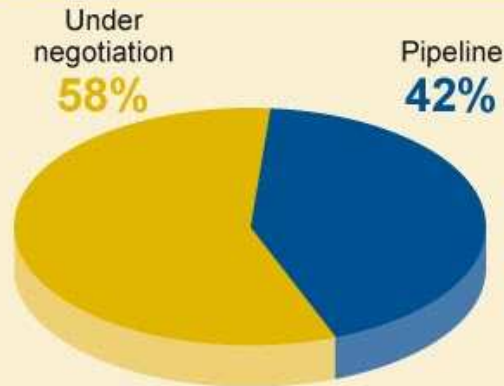


# Overall Development

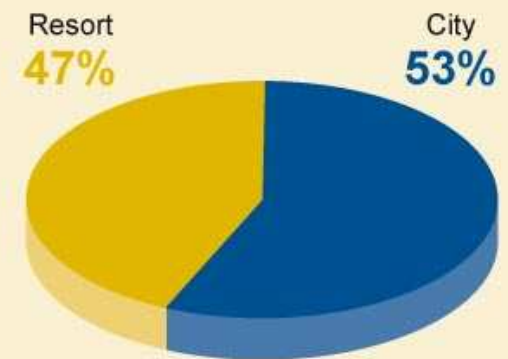
Rooms by type of contract



Projects status. number of rooms (\*)



Rooms by type of hotel



(\*) There are a further 30 hotels with 7,500 rooms identified for development beyond 2010.

# Main assumptions in Strategic Plan 2008-2010



- ✓ **New organizational model.**
- ✓ **Brand equity investments and new hotel positioning.**
- ✓ **Deceleration in consumer spending.**
- ✓ **Conservative Financial Strategy:**
  - Rate of exchange USD / EUR 2008-2010: 1.50
  - Current Euribor plus higher spreads than current. Forecasted Average Interest Rate 5.5%
- ✓ **Increase solid development based on 42% of contracts already signed. Assumptions over price index.**
  - Estimated Consumer Price Index (CPI) average per year:
    - European countries average +3.0%
    - Rest of the world: +7.0%
  - CPI of energy, average per year: +7.5%
  - Personnel expenses increase estimated per year
    - European countries average +4.2%
    - Rest of the world: +8.0%

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# Strategic Plan



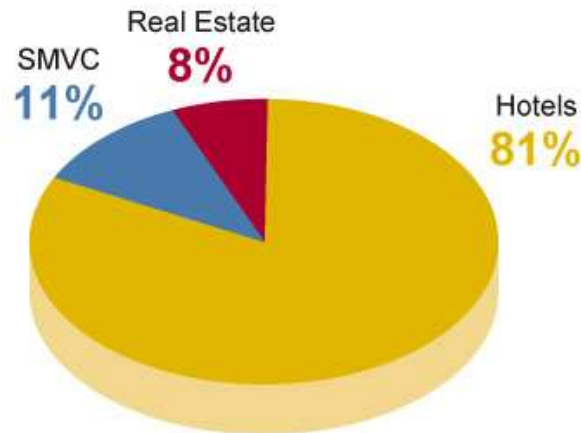
	2007	2010	CAGR
REVENUES	1.366,8	1.835,8	10,3%
EBITDA	349,1	479,1	11,1%
EPS	0,91	1,24	11,1%

Million Euros

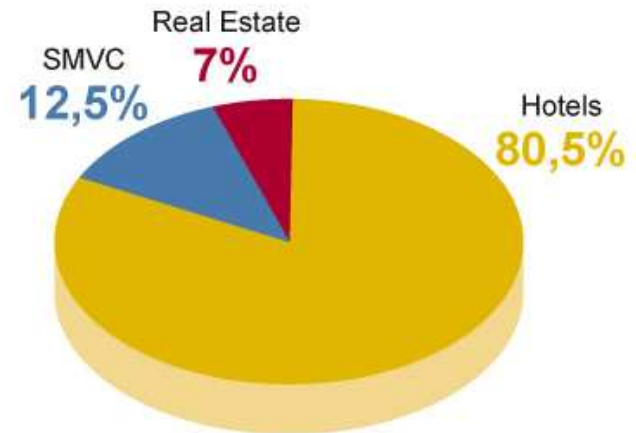
## Ebitda 3 Business Lines

- A. Focused on hotel sector
- B. Real estate affected by slowdown
- C. Gradual and consolidated growth in SMVC

2007

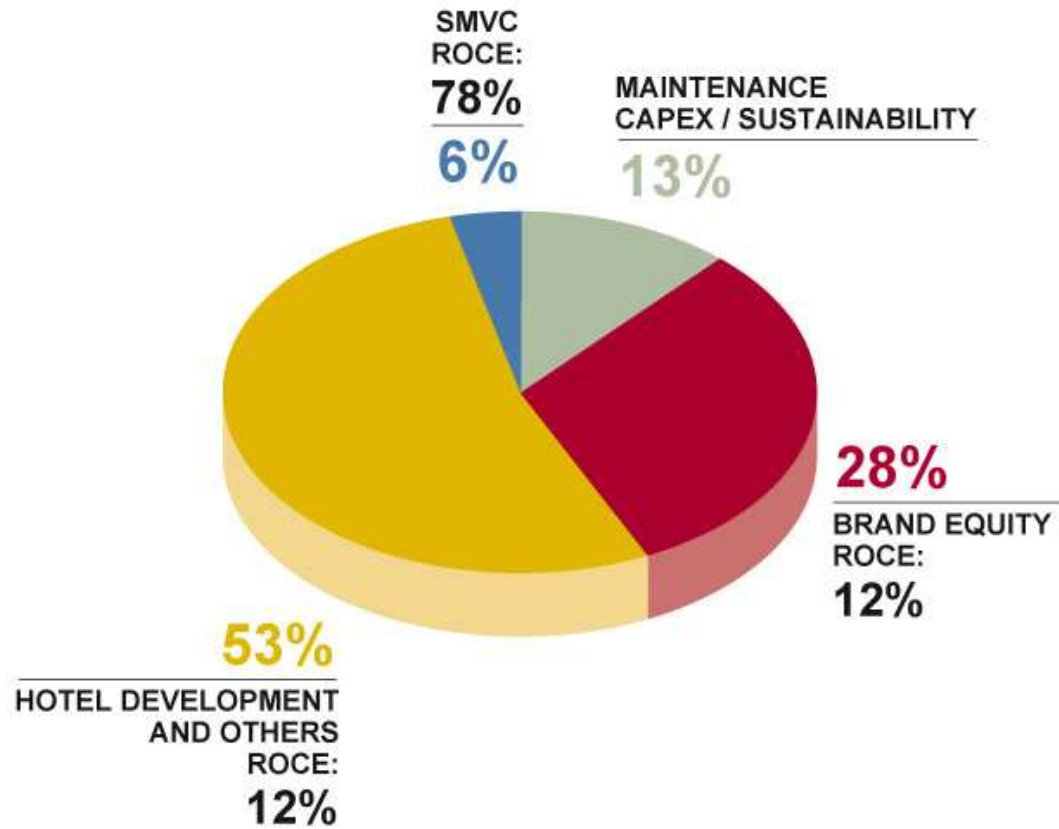


2010





# Total Investments 2008-2010: 1,1 Bn Eur



# Cash Flow



<b>Cash in the beginning of period (2008)</b>	<b>230</b>
CFO	884
Capital increase	0
Fund raise requirements	390
<b>SOURCE OF FUNDS</b>	<b>1.274</b>
NET Capital Expenditure	-809
Dividends	-100
Debt Amortization	-520
<b>USE OF FUNDS</b>	<b>-1.429</b>
<b>Cash in the end of the period (2010)</b>	<b>75</b>
<b>NET DEBT 2007</b>	<b>877</b>
<b>NET DEBT 2010</b>	<b>852</b>

# Financial & Return Ratio Improvements



	2007	2010
SM GROUP ROCE	10%	11%
EBITDA / INTEREST	5,12x	7,34x
DEBT NET / EBITDA	2,55x	1,82x
GROSS ADJUSTED DEBT TO EBITDA (*)	4,06x	3,29x
ADJUSTED RCF TO GROSS ADJUSTED DEBT (*)	15,9x	19,9x
TOTAL COVERAGE (*)	2,57x	3,05x

(\*) EBITDA and DEBT ADJUSTED on a LEASE BASIS



# Dividend Policy



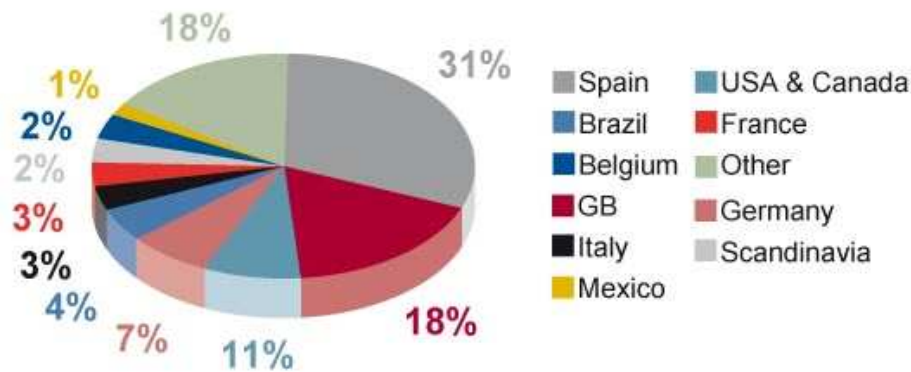
- ✓ **Maximum pay-out ratio of 25% during the period.**
- ✓ **Cash Flow generation devoted to finance capital expenditure during the 2008 – 2010 period.**
- ✓ **Sol Melia is focused on maintaining its financial ratios in a healthy state.**

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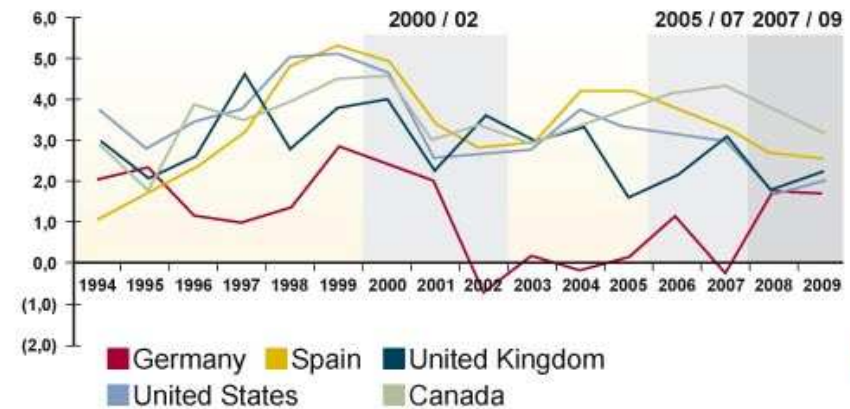
# Sol Meliá's Sensitivity To The Environment

## Investor concerns after strong punishment...

Breakdown of clients by origin (%)



Consumer spending variation



	Period (Year n/n+2)	OCDE spending	Consumption growth %	Consumer variation %	Sol Meliá % RevPAR annual variation
HOTEL SUPPLY INCREASING	2000/2002	3,9% to	2,2%	(170) bps	-1,7%
HOTEL SUPPLY INCREASING AT SMALLER %	2005/2007	2,6% to	2,6%	-	+8,3%
HOTEL SUPPLY SLOWING DOWN	2007/2009	2,6% to	2,3%	(30) bps	~4%

Underlying expected evolution

Source: Dresdner Kleinwort. Data for OCDE (February 2008)

*"According to historical economic downturns, Sol Meliá has demonstrated its capabilities to face the current macro scenarios."*



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