investor day

Madrid **Feb 08**

Sol Meliá
HOTELS & RESORTS

SOL MELIÁ

Sol Meliá Vacation Club	**Hotels**	Leisure Real Estate

Brand Portfolio Strategy

Luxury Segment	Upper Segment	Midscale Segment
Paradisus Resorts ME by Meliá Gran Meliá Hotels & Resorts	Meliá Hotels & Resorts	Tryp Hotels – Hotels in the City Sol Hotels – Always Fun

Market developments · Spain

The current outlook makes brand strategy and customer focus even more critical:

Demand · Urban

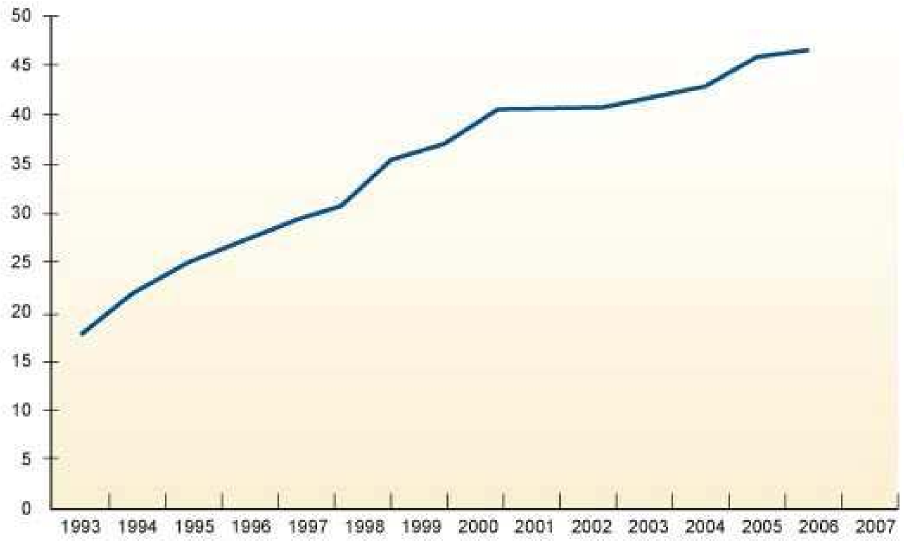
Especially in areas with excessive room supply, Branded hotels have adopted a strategy of increasing ARR to drive RevPAR, supported primarily by:

- Greater use of low cost airlines and bookings through the internet.
- The opening of the T4 terminal at Barajas airport and the new terminal at Barcelona airport
- The continued popularity of city breaks
- Zaragoza Exposition in 2008
- Strong demand for meetings and incentives

Demand · Resorts

- In terms of international arrivals, Spain is the 2nd most visited country worldwide. In 2007, it reported 59.2 Mn of international tourists (+1.7% increase).

- The Spanish Resorts shows its resilience towards the adversities in the industry as proven by Sol Meliá's RevPAR growth (Resorts) in the last 10 years:



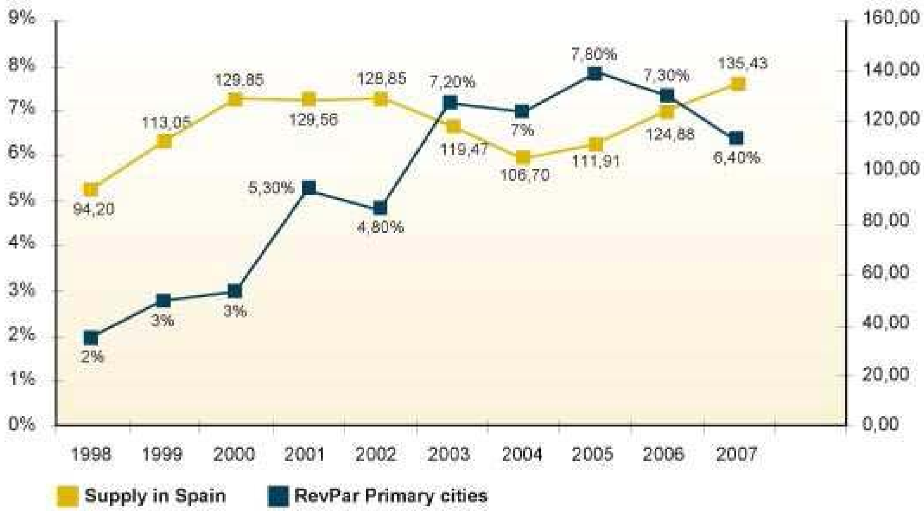
Sources: European Hotel Sector" UBS, OCDE Dec.07, Euromonitor International; Nielsen; AENA - Assuming crystallization of all projects.

Market developments · Spain

The current outlook makes brand strategy and customer focus even more critical:

Slower growth in supply, likely to benefit hotels

- Historical evolution of RevPAR is directly linked with the evolution of supply. This has meant that even during the recent period of strong economic growth (5.5% in 1998-06), RevPAR in the cities has suffered owed to excessive supply growth.



- During the 2000-06 period, supply in Barcelona and Madrid grew 10,3% and 10,1% respectively. In '07 hotel supply in Spain overall dropped to +1%; and for the next two years the growth will be moderate in these cities, with the exception of Barcelona in 2008. This will allow Sol Melia to absorb supply and increase RevPAR in spite of economical GDP slowdown based in its clear strategy. It also represents a great opportunity for development.

YEAR	Barcelona	Madrid
2008	10,4%	2,1%
2009	3,2%	1,0%

Market developments · Europe

As in Spain, the rest of Europe follows a similar pattern:

HOTEL DEMAND	Occupancy (%)			Average Room rate			RevPAR		
Europe	2007	2005	Change	2007	2005	CAGR	2007	2005	CAGR
Central & Eastern Europe	69.4	67.3	3.1%	158	128	11.1%	110	87	12.4%
Northern Europe	72.7	71.3	2%	163	133	10.7%	119	95	11.9%
Southern& Mediterranean Europe	66.7	65.1	2.5%	157	128	10.8%	105	83	12.5%
Western Europe	68	64.5	5.4%	152	127	9.4%	103	82	12.1%

*Anual profitability benchmark, Deloitte.Dec.'07

HOTEL SUPPLY	2006	2005	2004
Europe			
Establishments	200.838	193.889	205.343
Bedrooms	5.769.706	5.616.018	5.632.712

*MKG (European Union 27 countries)

- In Europe, demand has generally far outstripped supply (from 2004-2006, the number of hotels actually fell marginally, although this has been countered by an increase in average rooms per hotel)
- As in Spain, branded hotels have opted to drive ARR while maintaining occupancy stable
- Despite the economic downturn, the hotel industry is expected to benefit from the continuing slowdown in supply growth

Fuente: OMT, Eurostat

Market developments · Latin America & Caribbean

HOTEL DEMAND	Occupancy (%)			Average Room rate			RevPAR		
	2007	2005	Change	2007	2005	Change	2007	2005	Change
Central & South America	**66.1**	**63.8**	**3.6%**	**112**	**103**	**4.3%**	**74**	**66**	**5.9%**
Central America	65.7	67.6	-2.8%	132	121	4.4%	87	82	3%
South America	66.3	62.3	6.4%	100	93	3.7%	66	58	6.7%

*Anual profitability benchmark, Deloitte.Dec.'07

HOTEL SUPPLY	2000	2004	2005
Rooms			
North America & Caribbean	593.390	717.911	747.077
South America	1.040.202	1.176.857	1.169.810

INTERNATIONAL TOURISM ARRIVALS (millions)	2000	2005	2006
America	**128,2**	**133,2**	**135,9**
Caribbean	17,1	18,8	19,4
Central America	4,3	6,3	7,0
South America	15,3	18,2	18,8
North America	91,5	89,9	90,7

- Over the 2000-06 period, tourist arrivals have increased strongly in Latin America:
  - South America (3.4 million)▶23%
  - Central America and Caribbean (4 million)▶45%
- The whole region has experienced strong growth, especially South America with ARR increasing 20.6% in 2007 (after an important slowdown)
- The Dominican Republic demonstrated the region's best performance. OMT identifies this destination as having the highest potential in the Caribbean; it is also true that the room supply is expected to increase during the following years.
- In the past despite of supply increases, Sol Meliá has enjoyed a competitive advantage due to a strategy based on exclusive destinations, selective development and well defined brands which will continue in the future.

Fuente: OMT, Eurostat

SOL MELIÃ

Sol Meliá Vacation Club	Hotels	Leisure Real Estate

Brand Portfolio Strategy

Luxury Segment	Upper Segment	Midscale Segment
Paradisus Resorts ME by Meliã Gran Meliã Hotels & Resorts	Meliã Hotels & Resorts	TRYP Hotels in the City Sol Hotels

Financial

PREMIUM	2007	2010	C.A.G.R.
Occupancy	61,9%	71,2%	4,8%
ARR	118,0	133,64	4,2%
REVPAR	73,1	95,1	9,2%
Total Revenue	253	358	12,2%
Total EBITDA	**62,0**	**112,7**	**22,0%**
EBITDA margin	24,5%	31,5%	700
Average nº of owned & leased rooms	4.821	5.517	4,6%
Owned & leased EBITDA Breakdown			
Underlying	62	95,1	15%
Dissafiliation	0	2,8	373%
Expansion	0	14,7	
Third Party Fees	8,5	8,9	2%

Total Brand Capex: 55 mn Euros (ROCE: 17%)
Total Expansionary Capex: 87 mn Euros (ROCE:10%)

SOL MELIÃ

Hotels

Brand Portfolio Strategy

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Financial

MELIÁ	2007	2010	C.A.G.R.
Occupancy	71,8%	72,5%	0%
ARR	90,0	105,48	5%
REVPAR	64,6	76,5	6%
Total Revenue	379	542	13%
Total EBITDA	**119**	**183**	**15%**
EBITDA margin	31,4%	33,7%	234
Average nº of owned & leased rooms	10.843	11.910	3%
Owned & leased EBITDA Breakdown			
Underlying	114	141	7%
Dissafiliation	3	0	
Expansion	1,4	41,7	
Third Party Fees	20,3	36,8	22%

Total Brand Capex: 181 mn Euros (ROCE: 11%)
Total Expansionary Capex: 364 mn Euros (ROCE:12%)

SOL MELIÁ

Hotels

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Financial

Brand contribution to Sol Meliá

Current Portfolio

Competitive Set

Segmentation

Attributes

Development

Financials

TRYP	2007	2010	C.A.G.R.
Occupancy	68,8%	71,4%	1,3%
ARR	74,5	86,12	4,9%
REVPAR	51,2	61,5	6,3%
Total Revenue	213	239	3,9%
Total EBITDA	**33,6**	**42,9**	**8,5%**
EBITDA margin	15,8%	18,0%	220
Average nº of owned & leased rooms	8.402	7.904	-2,0%
Owned & leased EBITDA Breakdown			
Underlying	30,8	36,0	5%
Dissafiliation	2,7	2,2	-7%
Expansion	0,0	4,7	
Third Party Fees	6,9	13,2	24%

Total Brand Capex: 20 mn Euros (ROCE: 13%)

Financial

Brand contribution to Sol Meliá

Current Portfolio

Competitive Set

Segmentation

Attributes

Development

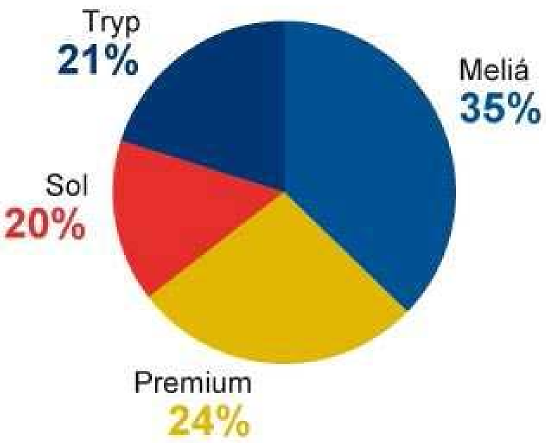
Financials

SOL	2007	2010	C.A.G.R.
Occupancy	73,5%	73,8%	0%
ARR	52,8	60,07	4%
REVPAR	38,8	44,3	5%
Total Revenue	213	221	1%
Total EBITDA	**63,4**	**66,3**	**2%**
EBITDA margin	29,7%	30,0%	25
Average nº of owned & leased rooms	12.200	10.858	-4%
Owned & leased EBITDA Breakdown			
Underlying	52,8	62,2	6%
Dissafiliation	10,5	1,4	-49%
Expansion	0,0	2,7	
Third Party Fees	8	14	19%

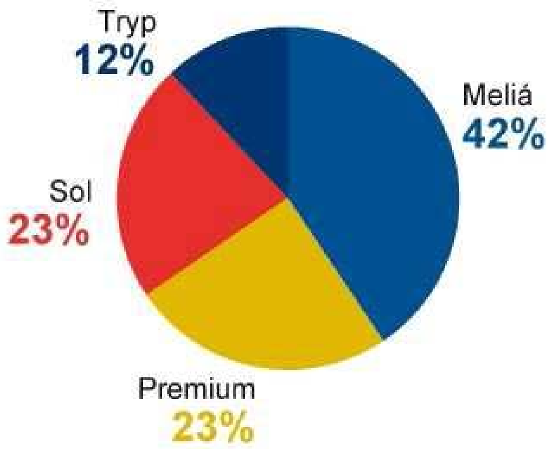
Total Brand Capex: 42 mn Euros (ROCE: 11%)

Consolidated Financials

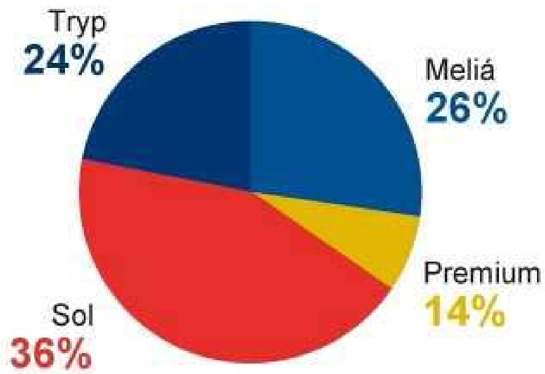
Revenue 2007



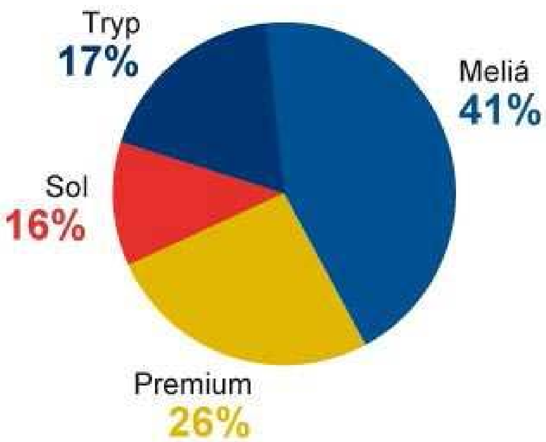
EBITDA 2007



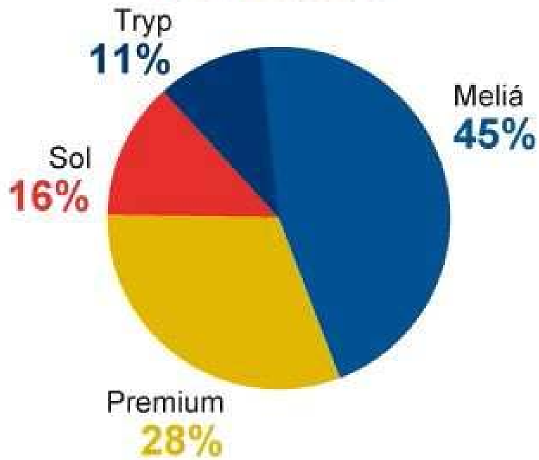
Rooms Inventory 2007



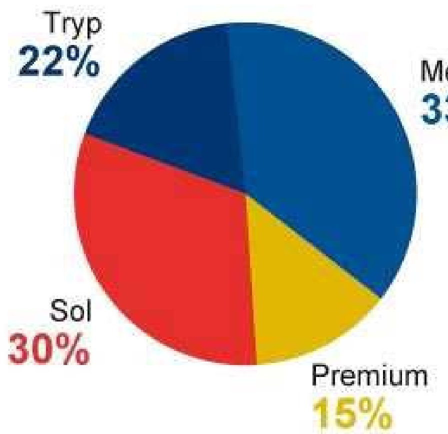
Revenue 2010



EBITDA 2010



Rooms Inventory 2010



Consolidated Finacials
Total Portfolio

2007 → **2010**

75,022 rooms

New Hotels: 79 (19,685 rooms)

Net Change: 49 (13,549 rooms) 18%

88,571 rooms

Consolidated Financials
Total Portfolio

	2007	2010	C.A.G.R.
Occupancy	70,0%	72,4%	1,1%
ARR	78,3	91,85	5,5%
REVPAR	54,8	66,5	6,7%
Total Revenue	1.057,2	1.360,0	8,7
Total EBITDA	**277,8**	**404,9**	**13,4%**
EBITDA margin	26,3%	29,8%	351
Average nº of owned & leased rooms	36.266	38.190	-0,1%
Owned & leased EBITDA Breakdown			
Underlying	260,0	334,5	9%
Dissafiliation	16,5	6,5	-27%
Expansion	1,4	63,9	
Third Party Fees	44,0	73,1	18%
Nº managed and franchised rooms	35.033	42.519	8%

Includes Innside Branded Hotels.

- **Total Brand Capex: 298 mn Euros (ROCE: 12%). Including the 2004-2007 figures the all Brand Capex represents 400 mn Euros.**
- **Total Expansionary Capex: 519 mn Euros (ROCE:12%)**

Hotels Conclusions · Total Portfolio

External Factors:

- **The tourism industry has experienced a period of strong growth in recent years achieving 6.4% in 2007 (OMT)**
- **Supply growth in Spain and rest of Europe is expected to stabilize in the next few years resulting in potential RevPAR increases and a great opportunity for development**

Growth within a challenging economical environment:

Internal Factors:

- **New Organizational Model**
  - Organizational structure by brand: multi-disciplinary teams in each brand with full accountability
  - As an important part of the strategy, Hotels and the Brands must perform as catalysts of the new business model by supporting our other businesses , as well as enhancing customer knowledge, people talent, sustainability and brand equity
- **Re-positioning of the brands:**
  - Reach a 80% of brand attributes' implementation
  - Increase RevPAR from 54,8 to 66,5
  - Increase market penetration index by 9% to reach 98% penetration
  - Brand Capex of 298 million euros with a ROCE% of 12%
- **Focus on strongly value-driven development strategy:**
  - Increase room capacity by 19,685 rooms (net 13,549)
- **Increase bottom-line performance by 3,5 points of EBITDA Margin, from 26,3% to 29,8%**
  - Expansionary Capex of 519 million euros with a ROCE% of 12%
- **Reach 73 million euros in third parties management fees**
- **Consolidate our presence in key destinations and establish ourselves in at least 5 new ones**

- ***We all recognized that 2008 is a year for investing for the future***

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