Sol Meliá 2008 Results




February 27th, 2009

Results affected by economic downturn

Ex-asset rotation & exchange rate

	2008 YTD	%	2008 YTD (Ex-asset rotation & exchange rate)	%
REVENUES	1,279.0	-5.3%	1,309.8	-0.7%
EBITDAR	333.9	-20.0%	340.3	-11.7%
EBITDA	256.7	-26.5%	263.0	-17.0%
EBIT	159.2	-32.7%	163.4	-20.0%
Total financial profit / (loss)	(91.8)	39.5%	(82.6)	-15.5%
Net Profit attributable	51.2	-68.4%	63.1	-48.4%

Sale of T. Bracos hotel by €6.0 million at 16.7x

Economic downturn:
- Evolution intensified in Q4 due to advanced economies entering into recession

Sluggish summer season in Spain:
- Drop of the main feeder markets in Jul-Aug (Spanish: -2.4%; British: -6.0%(*))

Depreciation of the US dollar and Sterling pound:
- Impact at the Net Profit level of -15.3 million Euros

Decrease of asset rotation
- Ebitda level: €32.2 million 2007 vs €3.8 million 2008

(*) Number of overnight stays. Source: Exceltur

2008 Revpar ex-currency: -1.1%

Sol brand (RevPAR: -5.7%):
- Balearics weak (-9.5%)
- Reduction in capacity by Tour Operators
- Bankruptcy of some players (XL, Futura)

Tryp brand (RevPAR: -4.6%):
- Decrease Business Travel
- Fall in leisure weekend occupancies
- Madrid RevPAR 2008: -5.1%

Meliá brand (RevPAR: -3.2%; ex-currency: -0.3%):
- Cities: Spain: -4.4%. Rather better in Europe (i.e. London +2.9%)
- Spanish Resorts: +1.3%

Premium brands (RevPAR: -3.5%; ex-currency: +1.8%):
- Higher resistance of leisure luxury segment in Dom. Republic

Total RevPAR -3.2% (ex-currency: -1.1%)

Challenging macroeconomic environment in 09

MACRO

- **Contraction of GDP of feeder markets:**

Expected GDP	2009	2010
United States	-1.6%	1.6%
United Kingdom	-2.8%	0.2%
Germany	-2.5%	0.1%
Spain	-1.7%	-0.1%

Source: International Monetary Fund (Jan 28th 09)

- **Extreme volatility in credit markets**
- **Declining consumer and business confidence**

INDUSTRY

- **International Tourism: 0%/-2%(1)**
  Americas & Europe most affected
- **Spanish Tourism**

Spanish Tourism	2009e
GDP Tourism	-3.0%
Real Tourism Revenue	-5.7%
Foreign tourists	-3.8%
Roomnights	-4.0%

Source: Exceltur. Jan 2009

- **T.O.'s Airflight capacity decline**

(1) World Tourism Organization. Jan 28th 2009

Limited visibility on overall activity

Sol Melia's Highlights 2009:

- Further decrease in **business travel** derived from corporate saving policies
- **Spanish Islands** affected by the slowdown of UK and Spanish feeder markets
- Comparatively **better evolution** of Caribbean destinations
- **January09** Company RevPAR: -10%
  Mexico: -3.5% and Dominican Republic: 0.3%
- RevPAR Guidance 1Q09: -10%

Sensible Contingency Plan against the crisis

- ✓ Revenues Maximization
- ✓ Cost optimization
- ✓ Risk Management
- ✓ Cash Flow Management & Financial Equilibrium

Sales flexibility, focus on strategic alliances and CRM

✓ Sales Strategy Program:

- Increase presence in new feeder markets.
- Promotion of solmelia.com.
- Increase loyalty of key-accounts and strategic partners.
- Presale strategies by brand and segment.
- Promoting upselling.
  - Breakfast, SPA, In-room snack, Restaurants, etc...

Concentration of major distribution consortia on fewer and larger companies, benefiting Sol Meliá

✓ CRM:

- Customer insight managed through 4 million customer database.
- Support of SAS data mining technology.
- Development of propensity models.
- Further professionalization of campaigns.

Cost Efficiency Program’ 09 of € 35.6 mn

✓ Hotel Level

- Rationalization of personnel management.
- Renegotiation of third-party services.
- Disaffiliation/renegotiation of loss-making business units.
- Renegotiation of rental expenses.
- Synergies by managing clusters of hotels.

€18.7 million

✓ Central Headquarters

- Integration of Sales and Leisure brand teams.
- Lightening Leisure Real Estate Division.
- Creation of Global Marketing Fund.
- Travel commissions renegotiation.
- Synergies centralizing back-office tasks, by the Hospitality Business Services.

€16.9 million

Adapting the risk to current market conditions

REVENUES MAXIMIZATION

COST OPTIMIZATION

▶ **RISK MANAGEMENT**

CASH FLOW MANAGEMENT & FINANCIAL EQUILIBRIUM

- ✓ **Identification of key risks and implementation of measures to ensure cash flow.**
- ✓ **Active monitoring of credit and alliances.**
- ✓ **Redesigning of SMVC focusing on cash generation and profitability maximization.**

Finances in good shape

REVENUES MAXIMIZATION

COST OPTIMIZATION

RISK MANAGEMENT

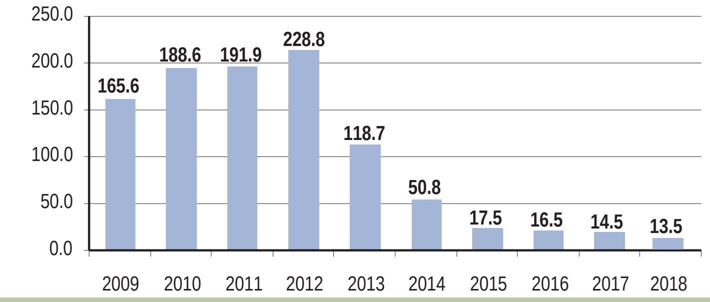
▶ **CASH FLOW MANAGEMENT & FINANCIAL EQUILIBRIUM**

Cash and short-term deposits at € 256.5 mn compares to debt maturities for 2009: € 165.6 mn

Liquidity Situation

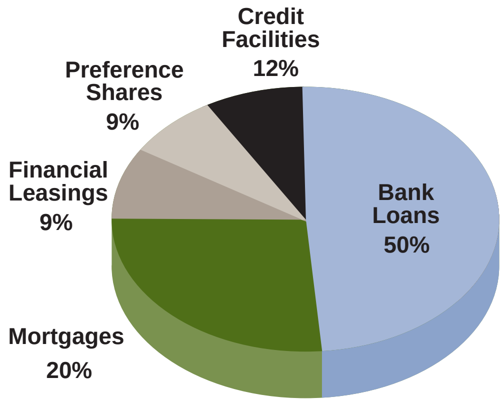
Cash and short-term deposits	256.5
Total	
	256.5

Debt Maturity



Low Asset Backed Loans ratio

Sources of financing



- ✓ Average interest rate 08E: 5.67%
- ✓ Senior unsecured debt: 80%

- ✓ Use of alternative sources of financing enable low Asset Backed Loans to Market Value ratio (5.3%):
- ✓ Asset backed loans € 248 mn
- ✓ Gross Fixed Assets (1) € 4,649 mn

- ✓ Assuming a 50% Loan to Value Ratio, the additional asset backed loans could raise up to €2,033 mn

(1) CBRE July 2007

Latest actions regarding Financing

- ✓ **100% Renewal of credit facilities in Q4 up to €190.4 million.**
- ✓ **Accomplishment of covenants.**
- ✓ **Expansionary Capex halted.**
- ✓ **Smoothed debt amortization scheme.**
- ✓ **Increase of fixed debt to a more 50 / 50 structure.**

Capex Restrain in 09'

REVENUES MAXIMIZATION

COST OPTIMIZATION

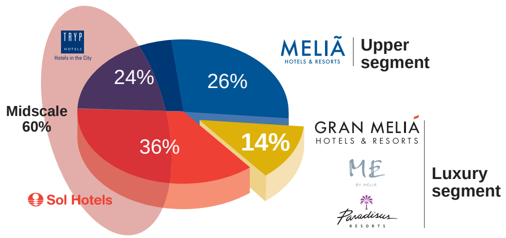
RISK MANAGEMENT

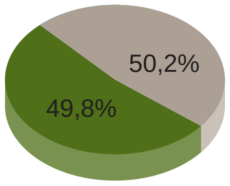
▶ **CASH FLOW MANAGEMENT & FINANCIAL EQUILIBRIUM**

- ✓ 2009 Capex below 100 million Euro, primarily maintenance.
- ✓ Delay of two development projects:
  - Salvador de Bahia, Brazil ($42 million investment; 280 rooms)
  - Playa del Carmen, Mexico ($250 million investment; 948 rooms)
- ✓ Low capital intensive expansion, focusing on projects with added value to Brand Equity. Pipeline: 18 hotels (6,150 rooms), 87% under management and 13% under lease.

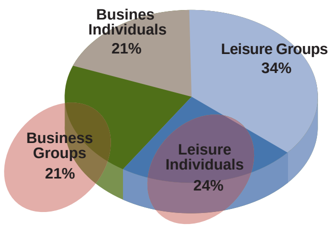
Well positioned to face the crisis

Business diversification.





Distribution flexibility.

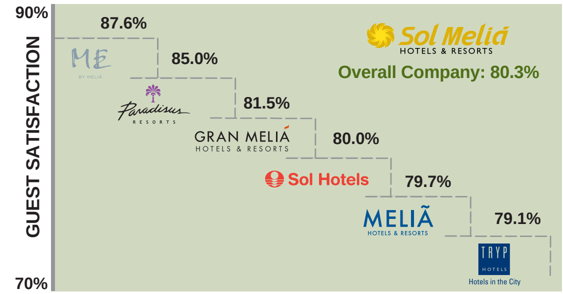


Channel

solmelia.com	9.4%
3rd parties web sites	2.0%
GDS's	3.8%
Voice	5.1%
Groups - Voice	10.4%
Owned Channels	**30.7%**
Wholesalers	**34.1%**
Transient	**35.2%**
TOTAL	**100.0%**

MaS rewards: Sol Melia's loyalty program

Guest satisfaction:



Location of hotels and resorts:

71% of the overall portfolio in prime locations

Financial situation in good shape.

Sensible contigency plan against the crisis.

Revenues Maxim / Cost Efficiency / Risk Management / Cash Management

Tourism Industry

- Fundamentals not questioned.
- Highly resilient sector.
- Recovery Potential.
- Economic growth → recovery of tourism.