Sol Meliá

London, September 2003

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

Sol Meliá

The Company

338 Hotels

80,842 Rooms

25 Millions of Stays

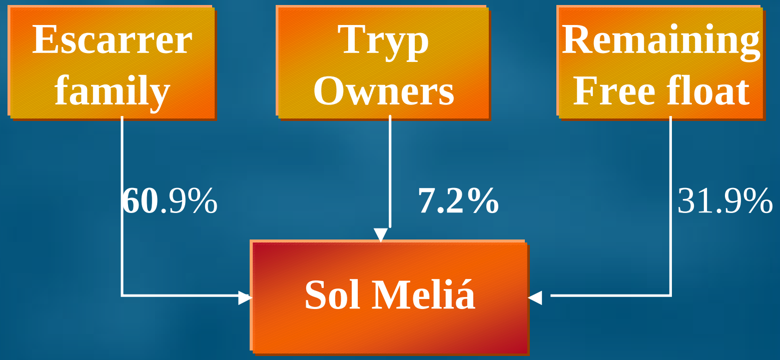
36,000 Employees

Sol Meliá

Company Background

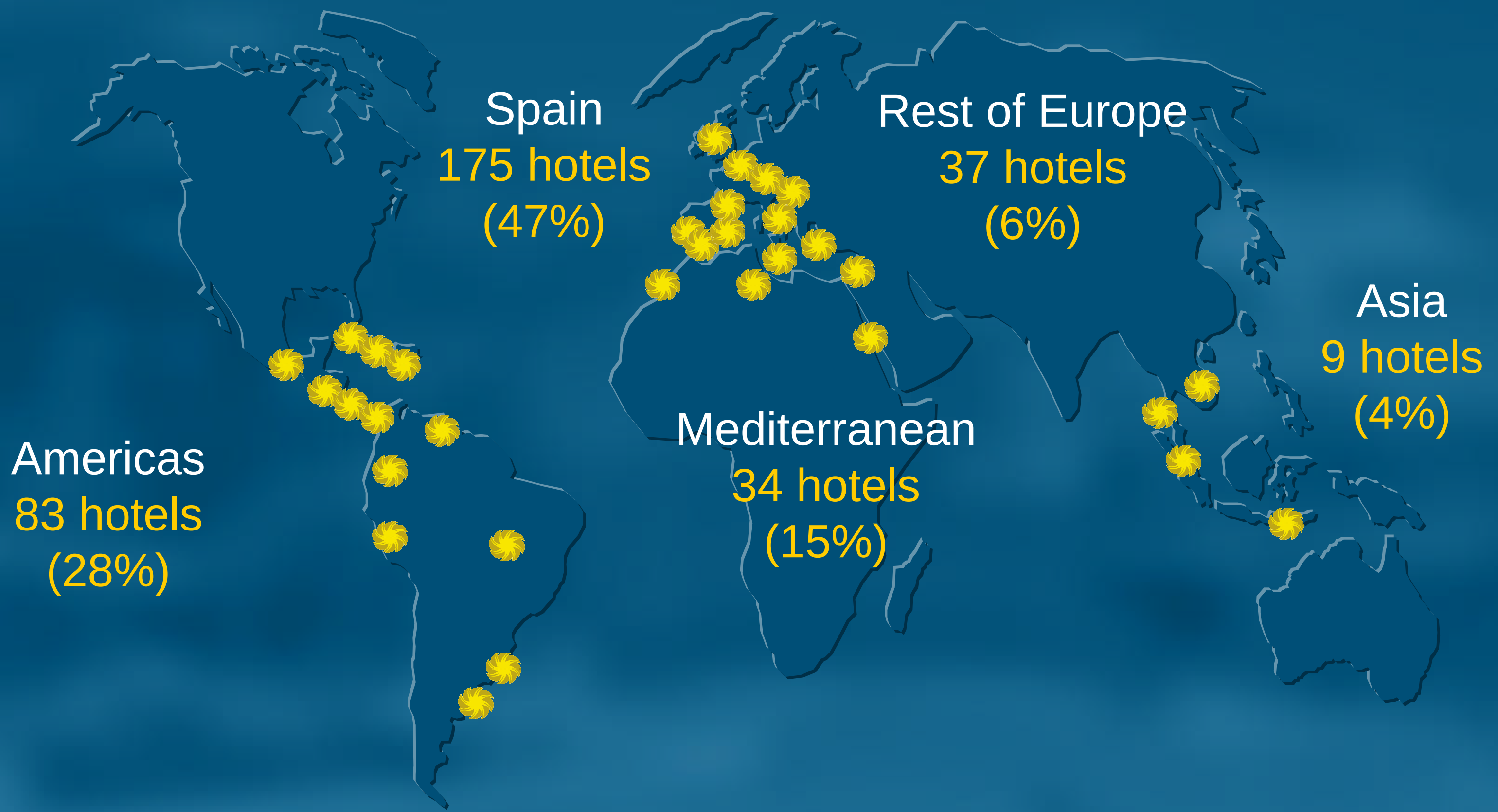
- 1956 First hotel opening
- 1984 HOTASA acquisition :
  City hotels
- 1987 Internationalisation: MELIA acquisition
  New brand & Product diversification
- 1996 Sol Meliá flotation as management company
- 1997 Beginning of e-transformation
- 1998 Consolidation as Management & Hotel Real Estate company
- 1998-00 Completion of major refurbishment program in Spain
- 2000 Tryp acquisition
- 2001 Restructuring of existing brands
  Simplification of corporate structure
- 2002 Consolidating Growth
- 2003 Alliances with major players in the leisure industry:
  Hard Rock Hotels , Warner Bros., ...

Current ownership structure



Sol Meliá

Sol Meliá positioning : 338 hotels / 80,842 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

Sol Meliá

Brand Structure

	Resort	Urban
5 Stars Luxe	Paradisus Resorts	
4 – 5 Stars	Meliá Hotels & Resorts	Hard Rock Hotel
3 – 4 Stars	Sol Hoteles Hotels & Resorts	TRYP Hoteles solmelia.com Hoteles en la Ciudad www.solmelia.com

Sol Meliá

Brand recognition

Best Lodging brand and 12th most popular Spanish brand in Spain

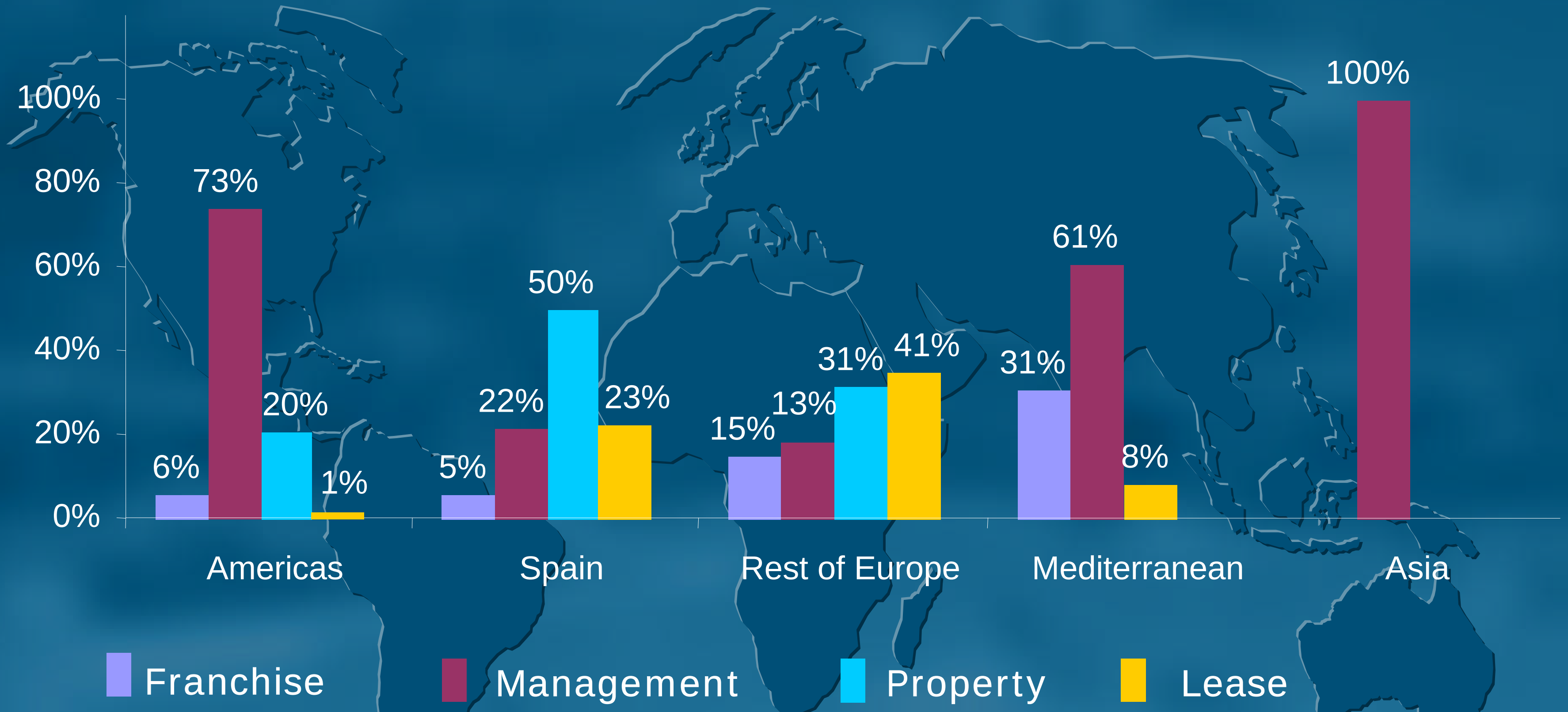
1	Mercedes	8,702	31	Gucci	7,748	61	Philips	7,122	91	Frigo	6,598	121	**Amena**	6,125
2	Coca-Cola	8,672	32	L'Oréal	7,744	62	**nH Hoteles**	7,117	92	Budweiser	6,572	122	**Osborne**	6,106
3	BMW	8,573	33	**BBVA**	7,743	63	**Pascual**	7,114	93	Smirnoff	6,571	123	Fontaneda	6,060
4	Microsoft	8,484	34	Christian Dior	7,743	64	**La Caixa**	7,100	94	**Mango**	6,543	124	Knorr	6,025
5	Nestlé	8,479	35	HP	7,726	65	Nesquik	7,068	95	Pizza Hut	6,540	125	**Fortuna**	5,996
6	Nike	8,427	36	**Chupa Chups**	7,667	66	Vodafone	7,053	96	**Pastas Gallo**	6,539	126	Wanadoo	5,977
7	Danone	8,425	37	**Zara**	7,663	67	Johnnie Walker	7,049	97	**Freixenet**	6,537	127	Gamecube	5,934
8	Rolex	8,378	38	Adidas	7,661	68	Bimbo	7,033	98	Ford	6,526	128	Nordic Mist	5,930
9	Nokia	8,369	39	Barbie	7,610	69	Pepsi	7,018	99	**TelePizza**	6,488	129	**Cuétara**	5,885
10	Sony	8,364	40	Marlboro	7,602	70	Baileys	7,017	100	**Solán de Cabras**	6,433	130	**Banesto**	5,880
11	Audi	8,301	41	Mc Donald's	7,598	71	Beefeater	6,993	101	**Puig**	6,412	131	**Spanair**	5,866
12	Levi's	8,283	42	Ikea	7,569	72	Bacardi	6,989	102	**Gallina Blanca**	6,403	132	X-Box	5,853
13	Chanel	8,260	43	Johnson&Johnson	7,556	73	**FC Barcelona**	6,926	103	Oscar Mayer	6,394	133	**Terra**	5,846
14	Nescafé	8,207	44	**Camper**	7,466	74	Benetton	6,903	104	Axe	6,362	134	**Ducados**	5,791
15	Playstation	8,164	45	Martini	7,457	75	**CajaMadrid**	6,888	105	Peugeot	6,344	135	**Bollycao**	5,781
16	Apple	8,140	46	Sony Ericsson	7,441	76	Renault	6,869	106	Massimo Dutti	6,328	136	Camy	5,762
17	Louis Vuitton	8,082	47	**Telefónica**	7,429	77	**Codorníu**	6,866	107	Citroën	6,319	137	Larios	5,746
18	Volvo	8,080	48	Colgate	7,408	78	Panasonic	6,865	108	Burger King	6,298	138	**Lois**	5,721
19	**Real Madrid**	8,073	49	**SCH**	7,390	79	Motorola	6,857	109	Opel	6,288	139	**Barceló**	5,695
20	Häagen-Dazs	8,036	50	**Donuts**	7,388	80	Fanta	6,823	110	**AC Hotels**	6,276	140	Trina	5,675
21	Armani	8,017	51	**Lladró**	7,378	81	**Carbonell**	6,812	111	Starbucks	6,234	141	**Springfield**	5,642
22	**El Corte Inglés**	8,003	52	**Sol Meliá**	7,376	82	Mini	6,798	112	Cruzcampo	6,230	142	**Patagon**	5,633
23	IBM	7,974	53	Nivea	7,308	83	ING Direct	6,760	113	**Mahou**	6,223	143	**Retevision**	5,555
24	Samsonite	7,932	54	Duracell	7,259	84	Winston	6,732	114	Alcatel	6,221	144	**Air Europa**	5,489
25	Volkswagen	7,921	55	Hugo Boss	7,212	85	Font Vella	6,722	115	Maggi	6,220	145	Fiat	5,423
26	Kodak	7,904	56	Heineken	7,181	86	**Campofrío**	6,711	116	**Famosa**	6,193	146	Uni2	5,410
27	Burberry's	7,887	57	J&B	7,150	87	**Adolfo Dominguez**	6,677	117	**San Miguel**	6,176	147	Ya.com	5,392
28	Loewe	7,800	58	**Iberia**	7,147	88	**Pescanova**	6,636	118	**Kolpe**	6,148	148	DYC	5,250
29	Gillette	7,786	59	Schweppes	7,146	89	Carlsberg	6,631	119	Seat	6,143	149	**uno-e**	5,166
30	**Cola Cao**	7,770	60	Siemens	7,135	90	Paco Rabanne	6,609	120	Puma	6,134	150	**Don Simón**	4,809

Source: Actualidad Económica Magazine

Note: Spanish brands in bold

Sol Meliá

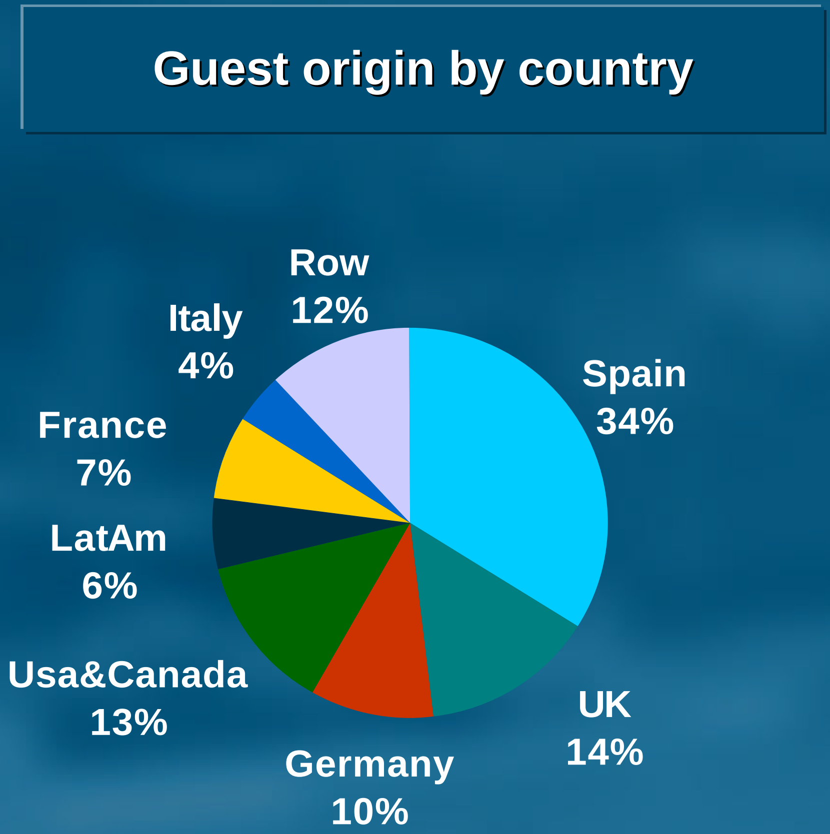
Diversification by affiliation regime



Note: % of rooms

338 hotels / 80,842 rooms in 30 countries

Wide diversification: Guest origin by country



✍The UK Market is the second Sol Melia´s clientele worldwide (14%).

✍The UK Market is the most important Sol Melia´s clientele in the European Resorts (31%).

Sol Meliá

Sol Meliá is best positioned to cash-in on the cycle upturn

Recovery of the resort business worldwide

- Spain and the Caribbean perceived as safe-haven destination
- Political changes favourable to tourism industry in Balearic Islands
- Good summer season 2003

Best ever asset base

- € 2.7bn appraisal just for owned hotels portfolio
- € 600m in refurbishment capex over the last 4 years

Working on revenues and costs

- Maximise revenues by rationalisation of distribution channels
- Cost reduction programme based on contention and standardisation
- The 2002-2003 cleaning-process is paying off

Comfortable Servicing debt

- Cash flows and liquidity lines largely cover debt maturities
- Increasing ratio of secure lending could result in longer terms and lower cost
- 60% of convertible bond refinanced (€ 224 Mn due Sept'2004)

Sol Meliá

Recovery of the resort business

• In Europe, the latest RPK [(1)] increases (+3.6% for the last week of July) are largely due to an **increase in leisure travel** (Overall RevPAR for the major European cities declined by 11.2% year-on-year in July).

• According to the INE [(2)], the number of tourists arriving to Spain between January and July has grown by 2.4%

•Zontur [(3)] expects the number of tourists to Spain to grow in 2003 to 53.2 Mn (+2.5%)

• WTTC [(4)] estimates real growth (1.1%) for travel and tourism industry worldwide in 2003

•In the Caribbean, Sol Meliá has increased its RevPar in the Dominican Republic and Mexico by +20% and +7% respectively in USD

Resort hotels represents a 55% of Sol Meliá's total EBITDA

(1) Revenue Per Kilometre and passenger
(2) Spanish Statistics Institute
(3) Hotel Association of Tourist Areas of Spain
(4) World Travel and Tourism Organisation

Sol Meliá

Best ever asset base

- **90 owned hotels valued by American Appraisal at Eur 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

- **€ 600m of FF&E capex over the last 4 years**
  - 4 out of 5 hotels in the portfolio upgraded

- **76 leased hotels**
  - 8 more under project
  - 91% of value in Europe
  - Average lease life remaining: 8 years + 18 contracts with 73 years

Sol Meliá

Best ever asset base (continued)

Gran Meliá Fenix (Madrid); AA Valuation '02: €72 Mn

Best ever asset base (continued)

Melia Caribe Tropical (Domin Rep.); AA valuation '02: €118 Mn

Sol Meliá

Best ever asset base (continued)

Gran Meliá Mexico Reforma (DF, Mexico); AA valuation '02: €69 Mn

Sol Meliá

Best ever asset base (continued)

Meliá White House (London); AA valuation '02: €120 Mn

Sol Meliá

Best ever asset base (continued)

Melia Boutique Colbert (Paris); AA valuation ‘02: €15 Mn

Sol Meliá

Best ever asset base (continued)

Sol Gavilanes (Balearic I.); AA valuation ‘02: €35 Mn

Sol Meliá

Best ever asset base (continued)

Paradisus Puerto Rico; AA valuation ‘02: €110 Mn

Sol Meliá

Sol Meliá: A good investment opportunity

✍Sol Meliá trades at a large discount to its asset value of € 12.57 per share (the current share price is € 6,20 (1) per share, i.e. 103 %).

Net Asset Evaluation of Sol Meliá

ASSET	CRITERIA	DATA	VALUE (€ Mn.)	€ / share
Owned Rooms	Valuation by American Appraisal	25,011 rooms	2.700	14,61
Hotel Business under Management and Lease Contracts	Valuation by American Appraisal	55,831 rooms	600	3,25
Paradisus Puerto Rico	Book Value	490 rooms	120	0,65
Other Businesses (2) / Plot of lands	8.0 EBITDA / Multiple /Book Value		200	1.08
Net Financial Debt	Book Value		-1.131	-6,12
Minorities	Book Value		-166	-0,9
NAV			**2.323**	**12.57**

(1) Closing price 12 Sept. 2003

(2) Casinos and Time-Sharing

Sol Meliá

Revenue growth - Rationalising the distribution channel

Traditional intermediate channels

Customer

Through Tour operator

Up to 22% commission

Through High Street travel Agent

Up to 12% commission + up to €6.86 charges (GDS, Switch, CRS)

Hotel

Internet channels

Customer

Sol Meliá.com

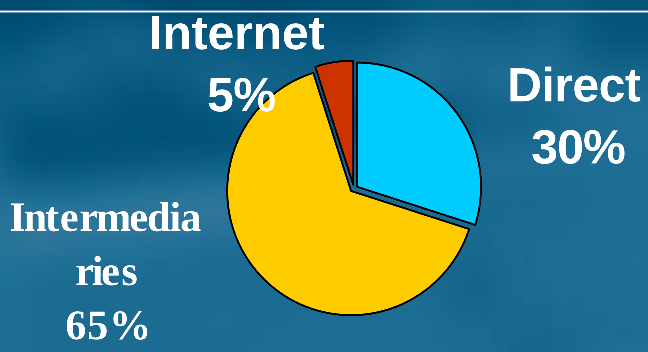
0% commission

3rd party sites

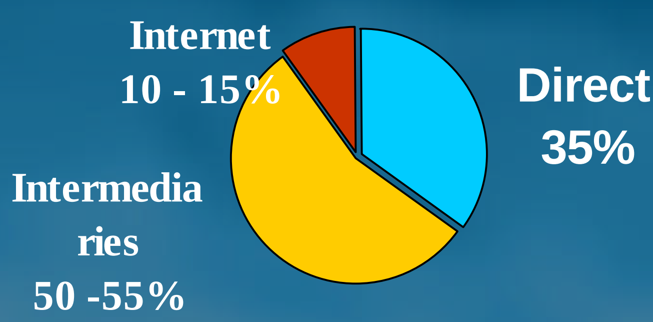
Up to 10% commission + €4.30 charges

Hotel

Current



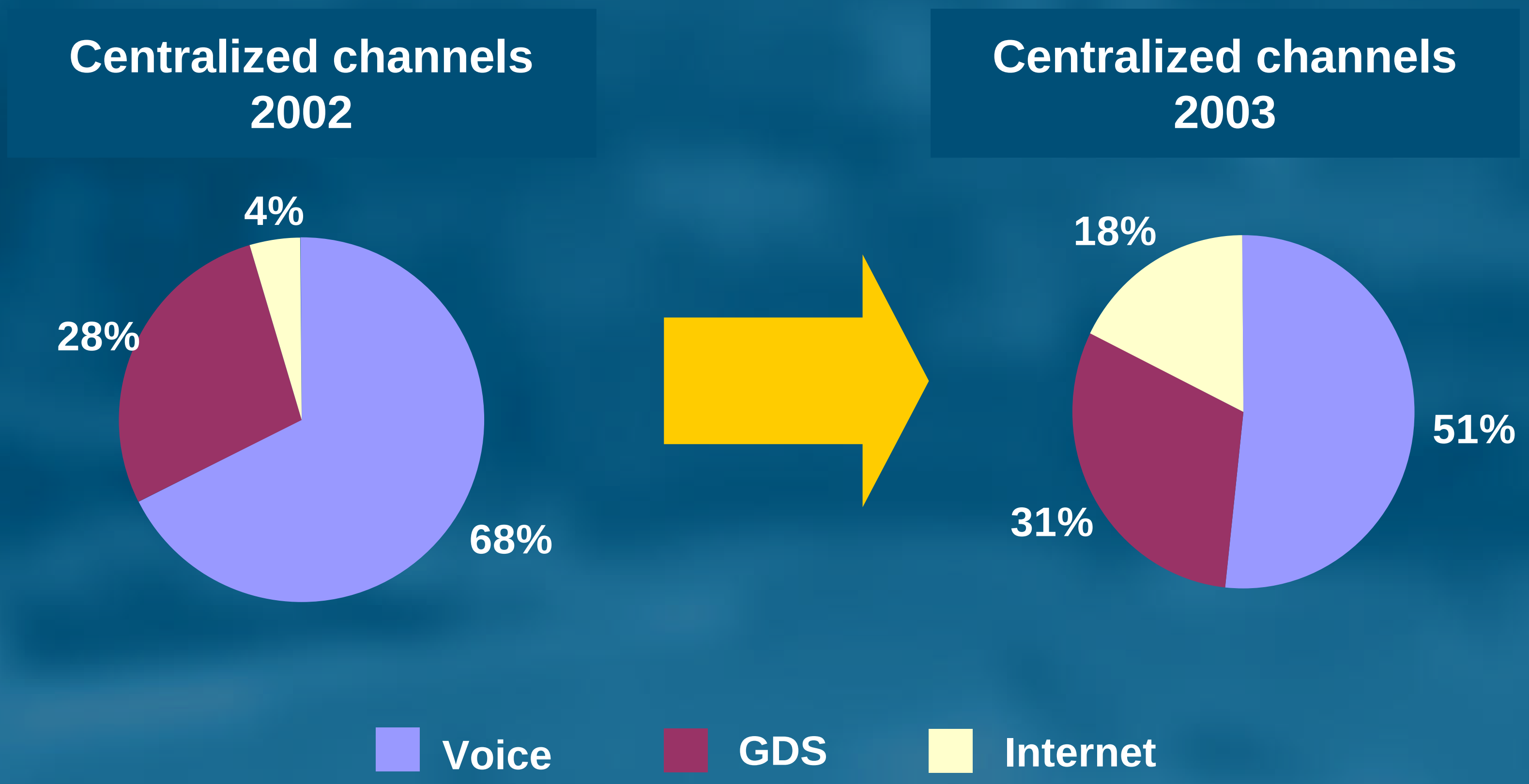
Forecasted



Sol Meliá has spent over € 83 Mn in IT and Management Information Systems over the last 3 years
The change in distribution mix forecasted could yield savings of € 10 Mn a year

NOTE: % of Room Revenues

Reservations by centralized channel 2002-2003

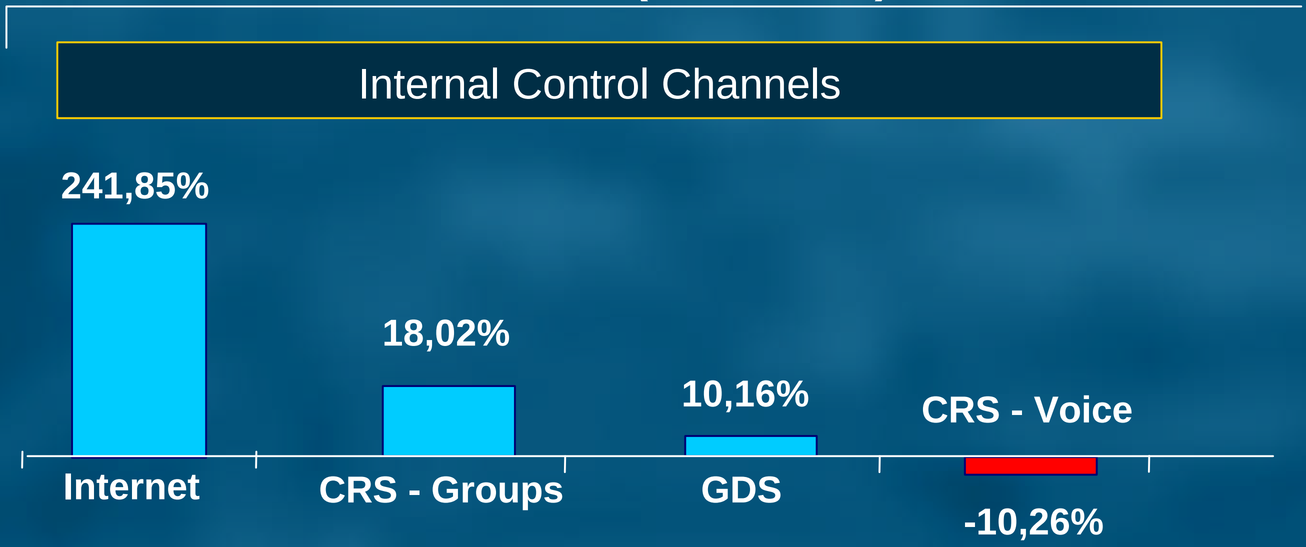


Sol Meliá has significantly increased the percentage of reservations through Internet nearing best practices in the Industry

Note: Data up to August

Rationalising the internal distribution channels

Increase in sales (2003/2002) (1)



- 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 (2) (together with relevance of their on-line reservation policies) keeps feeding our direct reservation systems - “Change in consumer habits”
- Internet sales increased by 242 % accumulated to August
- Our Direct Sales Travel Programs grew by 27% accumulated to August

(1) Data up to August

(2) Over 45 Mn passengers in Europe in 2002

Latest agreements

- **Finalization of Preferred Status agreements with Top online travel providers in the USA**

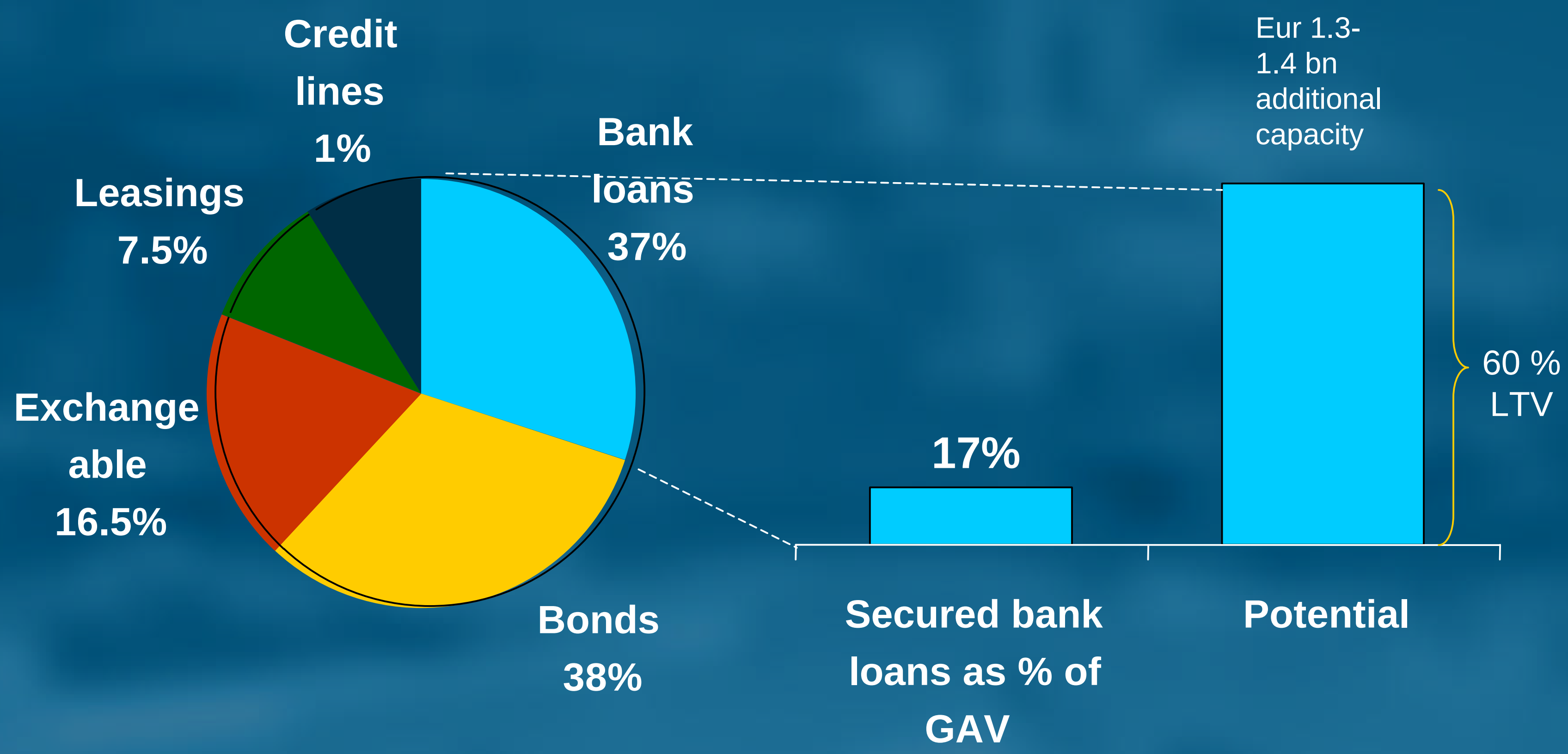
- **Warner Bros. Consumer Products**
  - Agreement signed to develop themed areas, featuring characters from the popular Flintstones series.
  - The project involves 5 Spanish Sol hotels (3,265 rooms) up to 2004.

- **Hard Rock Hotels**
  - Creation of an exclusive Joint Venture between Sol Meliá and Rank Group to develop Hard Rock hotels.
  - Development of 4 and 5 stars hotels located in prime urban and resort destinations in the United States, Europe, LatAm and the Caribbean.
  - Agreement signed between Rank Group and Becker Ventures, financial partner up to $1.000 Mn.
  - Expectations of at least 9000 rooms in 10 years. First hotel for the beginnings of 2004: the Chicago Hard Rock Hotel, 381 rooms.

Hard Rock HOTEL

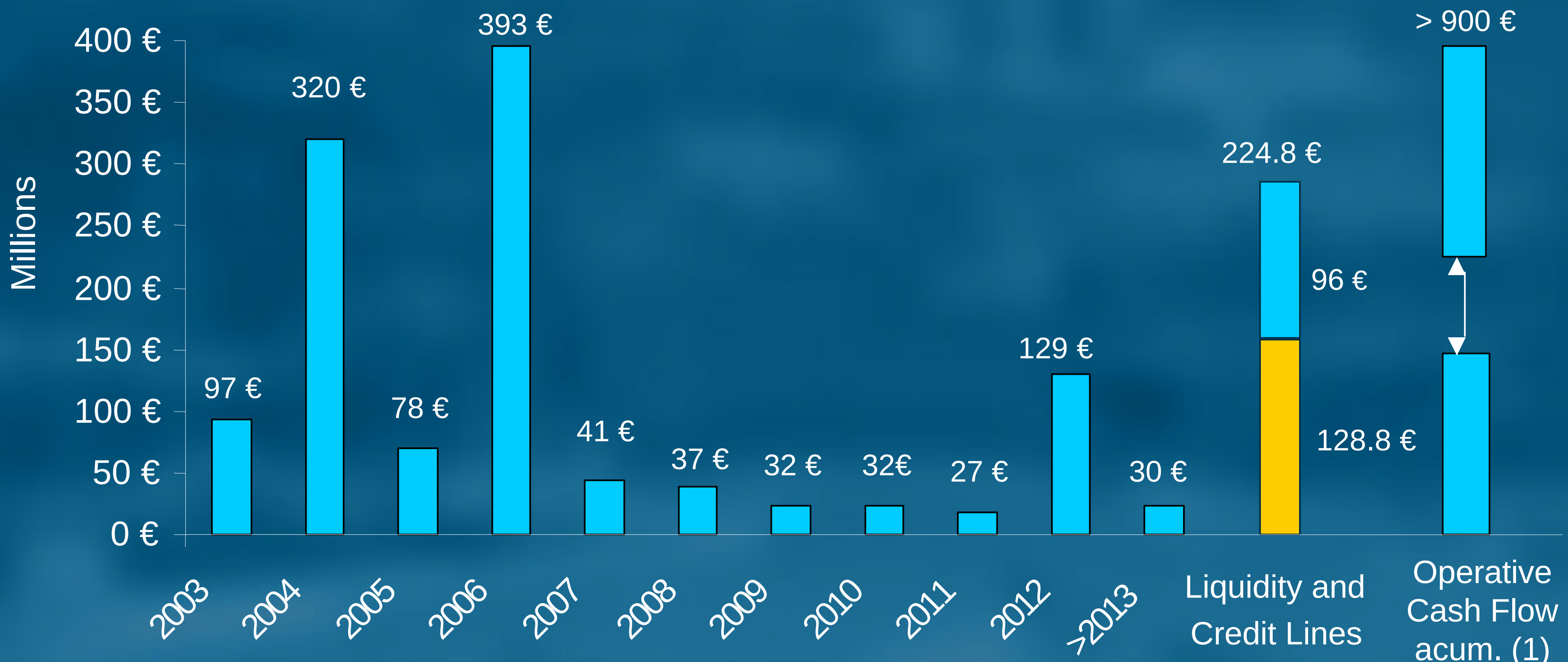
Sol Meliá

Debt by nature – low securing ratio



Increasing mortgage financing will result in lower costs and longer terms

Debt by maturity – liquidity generation and cash flows



Average Cost 2002 – 5.15%
Mid Maturity – 4.9 years
Mid Length – 8.4 years

(1) Before Investments

NOTE: 60% of convertible bond refinanced (€ 224 Mn due Sept'2004)

Sol Meliá

Liquidity

Sol Meliá's liquidity is based on:

- €128.8 Mn in Cash
- €106 Mn Credit Lines available
- 83% of land and buildings available for mortgages.

Future Strategy

STRATEGY: Four pillars of growth

1. Distribution: increase disintermediation.
2. Operational Improvement of Hotel Business: MARGINS
3. Rationalisation of Expansion by:
4. Real State Yield:
   – Maximizing yield of assets (m2) and asset rotation.
   – Generating capital gain and fiscal advantages
   – Minimizing EBITDA impact of sales
     a. In absolute terms
     b. Accretive EBITDA Multiple (10 x – 12 x)
   – Promote Time Sharing business

Sol Meliá

Timeshare benefits

- Complementary to Sol Melia's leadership in the resort business worldwide

- Timeshare is one of the few likely bright spot in the hotel industry this year: 8% to 12% growth prediction over the next 10 months [(1)]

- Optimal way in order to reduce the existing gap between NAV and Market capitalization

- Additional advantages to the existing business

Sol Meliá is willing to increase the EBITDA contribution
from timeshare in the next few years (currently 2%)

(1) *HOTELS* magazine

Sol Meliá

Sound investment case and share prices at minimums

- Leading market position in growth markets
  - Spain (growth market in EU)
  - Latin America
- Strong quality of assets
  - High quality assets in European gateway cities
  - Brand standardisation
  - Disaffiliation process nearly completed which is paying off in 2003
- Controlled costs will boost margins
- Financially comfortable
  - Covered debt service commitments
  - Potential for value crystallization

Sol Meliá

Appendix

1H 2003 Result review

Revenues:

- Hotels: -6%
- Management fees: -7%
- Others: 9.1%

Without currency effect, total revenues and EBITDA would have changed by 1% and –3% respectively.

Net debt has decreased in € 17 million in the quarter and interest expenses have decreased by 5.8% vs.1H02.

Net Profit before and after minorities has increased by 27.8% and 18.0% respectively.

(Millions of euros)	Jun-03	Jun-02	%
REVPAR (Euros)	42.5	43.4	-2.1%
Revenue	457.0	477.7	-4.3%
EBITDAR	120.1	135.7	-11.5%
EBITDAR MARGIN	26.3%	28.4%	-2.1%
EBITDA	90.7	104.8	-13.5%
Net Profit (before Min.)	10.3	8.1	27.8%
Profit Parent Co.	4.5	3.8	18.0%
FFO	56.4	71.3	-20.9%

Sol Meliá reached the bottom in April after the Iraqi war

Sol Meliá

Hotels performance (Owned and leased)

- Total accumulated RevPar changed by - 2.1% which would have been a +1% excluding the currency effect.
- In European Resorts, RevPAR increased by 5.1% vs. 1H02 derived from a major recovery in the Spanish resorts and the end of the Iraqi war.
- RevPar in European city hotels has decreased by only 2.7% explained by cancellation of Congresses and Conventions and the general slowdown in bookings in the main cities of the division. Lack of visibility going forward.

Owned & leased hotels		% Occupancy	RevPar	A.D.R.
EUROPEAN RESORTS	2003	69.7%	29.2	41.9
	% o/ 2002	3.1%	5.1%	1.9%
	2002	67.6%	27.8	41.1
EUROPEAN CITY	2003	61.7%	53.9	87.4
	% o/ 2002	0.2%	-2.7%	-3.0%
	2002	61.5%	55.4	90.1
AMERICA	2003	66.7%	41.7	62.5
	% o/ 2002	5.2%	-20.8%	-24.7%
	2002	63.4%	52.7	83.0
TOTAL	2003	65.5%	42.5	64.9
	% o/ 2002	1.9%	-2.1%	-3.9%
	2002	64.3%	43.4	67.5

- In the Americas Division, RevPar decreased by 20.8%, negatively affected by the appreciation of the Euro vs. the USD.
- RevPAR grow in Dominican Republic and Mexico by 20% and 7% respectively in USD.

Sol Meliá