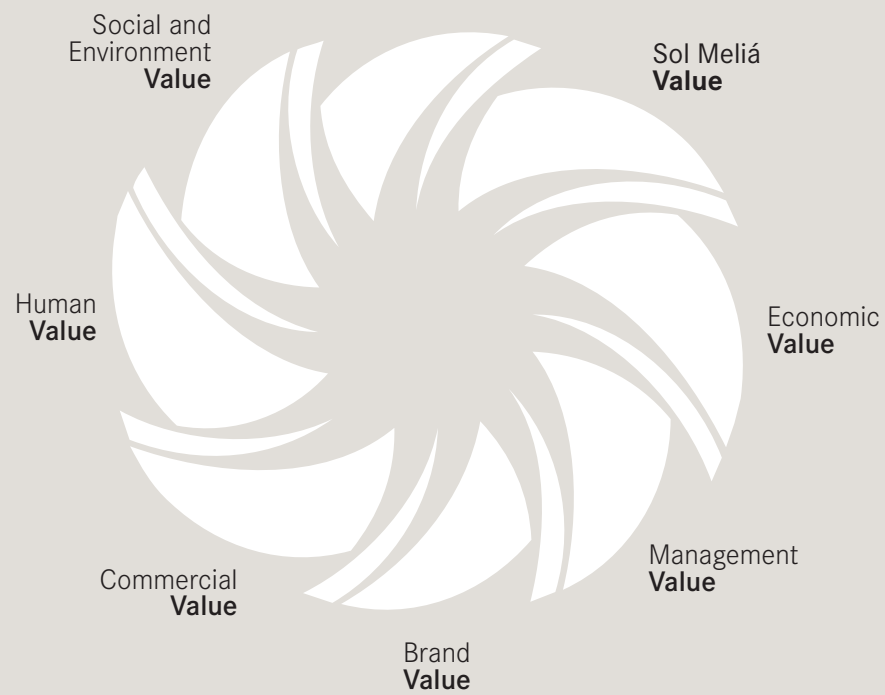


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Value is a factor shared by the activity and business philosophy of Sol Meliá in 2007, a differential factor which characterises our actions and attitudes in favour of sustainable development. Value as the focus for our product offering, our know-how and our commitment.

### **Sol Meliá Value**

Letter from the Chairman · Letter from the Joint Vice Chairmen  
Introduction to the Annual Report · Mission, vision and values of the Organisation  
Strategic Plan and vision of corporate responsibility  
New organisational and business models · Company profile  
Sol Meliá Communication



1

### **Economic Value**

Financial results · Outlook 2008



2

### **Management Value**

Hotel management · Leisure Real Estate  
Vacation Club · HBS · Investor Relations



3

### **Brand Value**

Our brands · Sol Meliá in the media · Sales activities



4

### **Commercial Value**

Customer knowledge · Sales channels · Suppliers



5

### **Human Value**

Corporate governance · Human capital in figures  
Human Resources policy · Training and promotion · Employee health



6

### **Social and Environment Value**

Sustainability at Sol Meliá  
Environmental dimension · Socio-cultural dimension



7

The value of a leader.





## Letter from the Chairman

Sol Meliá Value



Many important things have happened to the company in 2007, a year in which we have been busy with the difficult task of planning the future of the company. The most significant thing for me, without any doubt, has been to hand over the reins of power at Sol Meliá to my sons, Sebastián and Gabriel Escarrer Jaume, after more than fifteen years working alongside them in the management of the company. A decision which not only fills me with pride, but also reconfirms my confidence that Sol Meliá will have a future which is even more promising than the trajectory of the last 52 years.

At this stage, the most important event was the internal reorganisation to implement our new organisational model and thus make the company more competitive, allow it to align itself behind the new strategies, and allow the company to grow in the way we have foreseen in the Strategic Plan.

Finally, I would also like to emphasise that once again in 2007 we have achieved historic results at Sol Meliá thanks to the correct performance of the hotel business and Vacation Club – a business which has a promising future in Europe – and which we hope to repeat in 2008 in spite of the negative macroeconomic indicators that point towards a slowdown in consumption and other problems related to exchange rates and raw material costs.

I am extremely proud to be aware that a major part of this positive balance may be attributed to the strengths and values which our company has nurtured and consolidated over its 52 year history: to provide an excellent product, at the best possible price, to diversify market segments, brands, countries of origin, client types and businesses, and to attract and develop the best team of people. In addition, I may say that we have always known how to move on in our management methods, as we are doing now, from a model based on cost control towards another based on customer loyalty and the guest experience.

With the presentation of the Sustainability Report this year I would like to attend to a dual obligation: to comply with the transparency expected and to open our books to all of the clients and stakeholders that have provided us with fundamental and unquestioned support over so many years, and also to share with the Joint Vice Chairmen, my sons, responsibility for this annual appearance, safe in the knowledge that they will perform their duty with the same brilliance, dedication and devotion with which they manage the company.

**Gabriel Escarrer Juliá**

## Letter from the Joint Vice Chairmen

Sol Meliá Value



Gabriel Escarrer Jaume



Sebastián Escarrer Jaume

Dear shareholders, owners and partners:

We are pleased to present the Annual Report 2007, an exercise in which every year we review and analyse our performance, the performance of each and every one of us that forms part of this great company. This collective review provides information required by the markets and by all of our stakeholders, but it also allows us to define the new challenges we face. This time around, the Annual Report is also a privileged vehicle for the internal and external communication of the changes that Sol Meliá has set in motion to make it an even bigger, even more solid and even more responsible company.

2007 was an historic year for Sol Meliá, both from the point of view of financial results and from the point of view of the workplace environment and corporate reputation. As we will see, this has allowed us to achieve the dual commitment of value creation: our profitability obligations – economic value– for our shareholders, and our responsibility obligations – labour, social and environmental value – for our other stakeholders.

In the financial arena, 2007 ended a three year period of consolidation and financial discipline which has generated a financial position above the average for the industry to help face the uncertainties presented by the economic cycle. This magnificent financial year was also fundamental for facing the new economic cycle which has begun in 2008 and which will test the strengths which Sol Meliá undoubtedly possesses; a healthy balance sheet, a diverse product in terms of location, client base, segments and business type, a magnificent team of people and excellent workplace environment and corporate reputation.

These strengths will be fundamental in making 2008 a year in which we create the basis for qualitative progress in terms of intense growth in the number of hotels and also in superior positioning for our brands, both of which will generate greater value for the company. This significant growth, accompanied by an increase in the importance to the business of the Vacation Club, is all detailed in our new Strategic Plan 2008- 2010, recently presented to all of our stakeholders.

During the year Sol Meliá earned a net profit of 161.9 million euros. Revenues increased by 7.2% to 1,347 million euros and EBITDA, although affected by the devaluation of the dollar, grew to 349 million euros, 7.1% more than in 2006.

With regard to business performance, the excellent results were mainly down to the performance of resort hotels (particularly in the Dominican Republic) the growth in European cities, progress with business travel and congress activity (Meeting Sol Meliá) worldwide, and the positive performance of the Sol Meliá Vacation Club.

From the third quarter onwards, after overcoming a period of stagnation, the Canary Islands also began to recover thanks to the inauguration of new low cost airline routes, an expectation to continue to grow in the future, and a commitment to tourism promotion by the local authorities.

With regard to the balance sheet, in 2007 the company reduced debt by 67 million euros, a decrease of 7.1% for the fourth consecutive year, thus achieving the debt reduction objectives

set out in the previous Strategic Plan. This conservative financial policy has allowed Sol Meliá to build up sufficient financial muscle to face the credit uncertainties of the near future, and to see the contraction of the real estate and hotel market as an opportunity for consolidation.

Apart from the financial highlights, 2007 also tested the morale in our workplace environment with the implementation in the second half of the year of a complex restructuring within the new Organisational Model. We are nevertheless satisfied to say that the workplace environment survey results for 2007 were the best in our history. The organisation appreciates the efforts made to change and has become successfully involved in the process.

This involvement of our human capital detailed in “Human Value” was also an important reason why our company was included in the ranking of the 60 companies “Top for Employment and Leaders in Talent Management” by the consultancy Accenture and CRF, as well as having achieved the greatest rise in the Merco ranking for Corporate Reputation. This reputation, already recognised last year with first place in the ranking by the New York Corporate Reputation Institute for a hotel company, will also be boosted by the integration of the principles of Responsible Tourism in company policies and processes.

### **Strategic Plan 2004-2007: Objectives achieved**

In 2007 the company finalised the implementation of its previous Strategic Plan, with important achievements in both financial and business areas, achieving a reduction in debt levels of 350 million euros and an average increase in revenues per available room (RevPAR) of 5.3%.

Underlying EBITDA margin increased by 280 base points meaning that there was a spectacular growth in ROCE of 490 base points over the period.

These favourable results are basically due to the performance of the Sol Meliá Vacation Club which contributed 10% of EBITDA for the period, and achievement of objectives with regard to asset rotation, particularly with regard to the favourable difference between the multiples of disposals and the acquisition of strategic assets (19.5 x against 8.5 x). The revenues generated by asset rotation were 370 m€, compared to 175 m€ spent on acquisitions over the same period.

With regard to the investment and divestment policies, Sol Meliá added superior quality rooms more in line with brand standards and removed from its portfolio rooms that did not come up to standards. Together with the new additions, the company made improvements in 95 hotels, investing 430 million euros, of which 225 were invested in renovating 40 owned hotels and 205 million in improvements to 55 hotels owned by third parties.

In 2007, Sol Meliá exceeded its objective of raising an annual amount of 100 million euros in revenues through asset sales, and also focused new acquisitions on assets which conform to Brand Equity strategies, such as the German hotel chain Innside, with hotels that fit perfectly with the strategy for repositioning and enhancing the value of the Sol Meliá brands.

### **The new Sol Meliá: new strategic, organisational and business model**

The transformation Sol Meliá has implemented over the second half of the year is not just limited to the application of a new Strategic Plan. To allow alignment behind the strategies and to make it possible to achieve the important growth the company expects, through more efficient management, we have developed and implemented a new Organisational and Business Model, within which we have strengthened the Sol Meliá Vacation Club and Leisure Real Estate businesses as part of company value creation.

The most important feature of this progress, pursuing maximum synergy between the hotel business and mixed ownership products such as Sol Meliá Vacation Club or Condo hotels, is undoubtedly the fact that the company approaches it as “hoteliers more than ever before”, given that it is precisely the strength of the hotel business that allows us to maximise the results of other products.

With regard to the new Organisational Model, there is a new structure which focuses on Balance and Teamwork, applied both to the exercise of leadership and the perfect balance and complementary performance of ourselves as Joint Vice Chairmen, and also to the work of the Senior Executive Team (SET), the most senior executive body in the company, the coordination and complementary nature of which is fundamental to the new structure.

Other key features are the greater internal efficiency which will allow the creation of a Shared Services Centre for all of the company back office functions, (Hospitality Business Solutions) and the implementation of a new business style and culture promoted by the generational change at the top of the organisation characterised by empowerment, the balance represented by the Senior Executive Team and teamwork. In the sections on “Sol Meliá Value” and “Management Value” there is more detail on this progress and the Strategic Plan.

The path defined by the Plan for the new organisation involves five major strategic areas which will allow the improvement of our performance, the positioning of our brands and the satisfaction and loyalty of our clients. These improvements, together with an ambitious and consistent growth policy are the factors which will generate the definitive qualitative progress for Sol Meliá. The strategic areas, already announced in our 2006 Annual Report, are: **Brand Equity, Customer Knowledge and Contact, Development of Leisure Real Estate and Mixed Ownership Products, Talent Management and Empowerment and Sustainability.**

The implementation of the Strategic Plan should provide organic growth over the period 2008-2010, (adding 19,700 rooms in around 80 hotels), as well as an improvement in RevPAR thanks to the revaluation of our brands. The investments required by the Strategic Plan for 2008-2010 are estimated at 1,100 m€ with an expected ROCE of 16%. The investments will be financed in full by company cash flow and will be distributed between actions aimed at increasing Brand Equity and financing the growth policy.

Together with these investments in organic growth and quality, Sol Meliá understands that efforts have to be made to increase brand awareness, an intangible value which nevertheless has an important repercussion on operational results. To improve brand awareness the company

will make a major investment in an ambitious Advertising and Communications policy in all of our key markets.

As we can see, the next three years will see major development for which our company must be prepared. Over the period of the new Strategic Plan, 2008 is seen as a year to prepare the basis for the important growth to which we have already referred and which is expected for 2009 and 2010.

Finally, the Joint Vice Chairmen of Sol Meliá and all of the management team would like to share with you the vision of our new Strategic Plan 2008-2010, which positions us as even more of a leader from the point of view of the hotel and vacation club businesses, and also as a point of reference for employability and responsible tourism.

All of this can be summarised by the idea of VALUE creation. Our Sustainability Report 2007 thus uses the concept of Value throughout. We trust that we will continue to create value for our clients, shareholders, employees, and partners, and for the local communities in the areas where we operate.

**Gabriel Escarrer Jaume**  
Joint Vice Chairman & CEO

**Sebastián Escarrer Jaume**  
Joint Vice Chairman & CEO

## Introduction to the Annual Report

Sol Meliá Value

The objective of the publication of this Annual Sustainability Report 2007 is to report the financial, environmental and social results for financial year 2007 to all of our stakeholders. To condense the activity of a global company in an annual report is never an easy task, and Sol Meliá is also faced with the challenge of ensuring that the information is relevant, complete and accurate for all of our stakeholders.

Our Annual Sustainability Report 2007 is based on different recommendations and guidelines, particularly the Guide to the preparation of the Sustainability Report from the Global Reporting Initiative (GRI), and the criteria for preparing the public information has followed the recommendations of the GRI Boundary Protocol published in January 2005.

- **Global.** The principles, policies and activity that Sol Meliá reports in this Annual Report and the business strategy designed to make progress in sustainable development are applicable to all of the company brands and business units, in areas or geographical regions. They also refer to the entire financial year 2007.
- **Inclusiveness and contextualisation.** The report includes quantitative, performance, qualitative, strategic and descriptive information from all of the points of view of sustainability: financial, social, cultural and environmental.
- **Comparability – Homogeneity.** With regard to financial performance, the information available in the Annual Report has been prepared in accordance with applicable law. The result may be seen in the Financial Report and in the chapters on finance within the Annual Report.

Taking the previous criteria as a point of reference, we have taken the idea of “Value” as a common factor in all of our sustainable development activities, and we have grouped the activities together depending on the type of “value” that each activity or policy brings to our shareholders: Sol Meliá Value, Economic Value, Management Value, Brand Value, Commercial Value, Human Value and Social and Environment Value.

## Mission, Vision and Values of the Organisation

Sol Meliá Value

### MISSION

To add value for all of our stakeholders through hotel brands and residential tourism positioned as reference points for responsible tourism in their different market segments, satisfying our guest experience needs and developing our human capital.

---

### VISION

To be a leader and point of reference for responsible tourism, employability profitability, increasing the value of our brands and using the hotel business to promote the growth of associated businesses such as residential tourism or the vacation club.

---

### VALUES

- **First generation values:** For 52 years, Sol Meliá based its development on solid corporate values such as austerity, hard work, simplicity and ethics, leading by example, encouraging responsibility and constant self-improvement as well as delegation, personalised service, value for money and control.
- **Second generation values:** The company today, maintaining this basic “cultural” tradition, adds new 21st. century values to its philosophy and values such as globalisation, diversity, equality and no discrimination, conciliation of work and family life, dialogue with shareholders, loyalty to the company, proximity and, in particular, sustainability.

The full modernisation and consolidation of the new Sol Meliá brand values will be tackled during the course of the current Strategic Plan 2008-2010.

---

## Strategic Plan and Vision of Corporate Responsibility

Sol Meliá Value

The new Sol Meliá Strategic Plan 2008-2010 sets the following objectives:

1. Clear and competitive brand positioning.
2. Customer focus (both internal and external)
3. Hotel and business units at the heart of the organisation.
4. Market leadership in Leisure Real Estate
5. Focus on sustainable and coherent growth
6. Generate a sustainable company (environmentally, socially and culturally responsible)

These objectives are based on five strategic foundations; the five key strategic areas which focus all of the company activities on the objectives of the Strategic Plan:

1. **Brand Equity;** all of the activities focused on strengthening the value of the brands, repositioning them on a superior level and increasing brand awareness in the market.  
The total investment for the period in activities in this area will be 442 m€.
2. **Customer Knowledge and Contact,** includes all Customer Relationship Management (CRM) activities aimed at favouring direct distribution channels and raising customer satisfaction and loyalty levels and so reducing company costs.  
The value creation for the company from this strategic area comes to 32 m€ for the period 2008 - 2010.
3. **Asset Management Development,** products with great growth potential in Europe due to their attractiveness for customers and their contribution to the company. Vacation Club business will grow by 12% per year worldwide, and has a stability and benefits for clients which make it an option with an exciting future.
4. **Talent Management and Empowerment** including policies and measures to attract, retain and promote human capital, one of Sol Meliá's most important assets.
5. **Sustainability,** an area which includes the company's responsibility for the environment, society and culture of the communities in which it operates. Sol Meliá is aware of the responsibility that travel companies have with respect to their natural environment and surroundings, as well as of the high profitability of investments in sustainability such as the SAVE programme which the company began 4 years ago and which has avoided the emission of 2,900 tonnes of CO<sub>2</sub> and the use of resources valued at 1.6 million €. For the period 2008 -2010, financial savings from the programme will reach 6.7 million € and 8,000 tonnes of CO<sub>2</sub> less in the atmosphere. The section on "Social and Environmental Value" provides more information on policies.

### Strategic definition

The strategic areas have been defined through specific programmes and projects which affect every level of the company from business units (hotels, Vacation Club units and real estate developments) to Global Function offices. The new Strategic Plan implies an improvement in the adaptation and creation of certain processes, as well as the adjustment of systems and resources to the new focus of the company.



**STRATEGIC KEY**

**BRAND  
EQUITY**

**CUSTOMER  
KNOWLEDGE AND  
CONTACT**

**ASSET  
MANAGEMENT  
DEVELOPMENT**

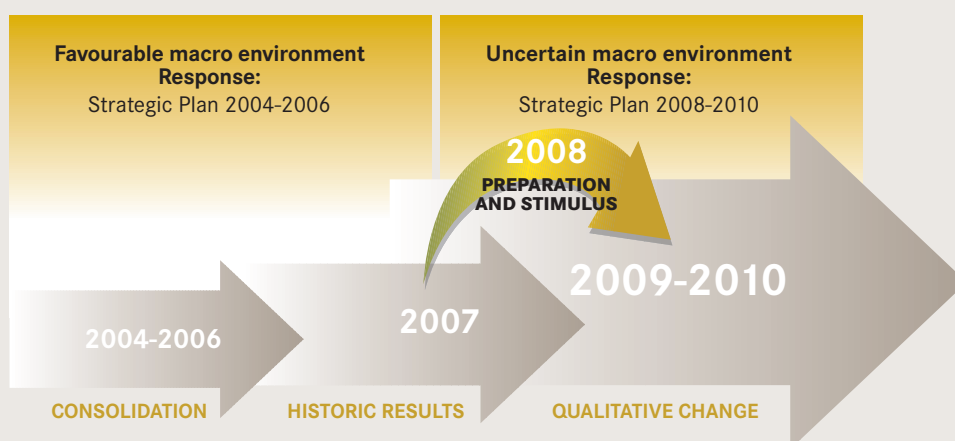
**TALENT  
MANAGEMENT AND  
EMPOWERMENT**

**SUSTAINABILITY**

## New Organisational and Business Model

Sol Meliá Value

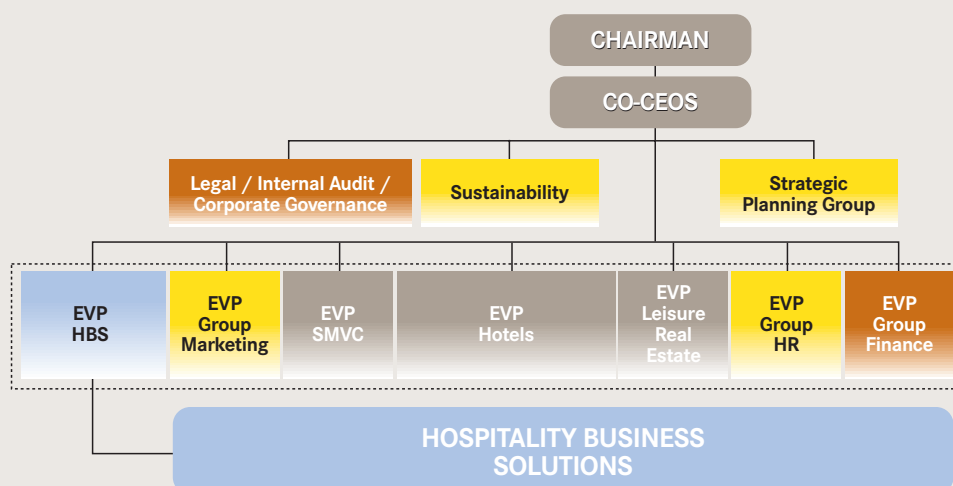
- After the implementation of the Strategic Plan 2004-2007, Sol Meliá has to adapt its strategy to the new environmental circumstances if it wishes to maintain its leadership position.



- The result of this adaptation to the new market challenges and realities is the Strategic Plan 2008-2010, prepared around five key strategic areas: Brand equity, Customer Knowledge and Contact, Asset Management Development, Talent Management and Empowerment, and Sustainability.
- The alignment of all staff and departments behind these strategic priorities requires a new internal organisation and business model. To implement a new organisational model able to align itself behind the new strategies, the following design principles are used.

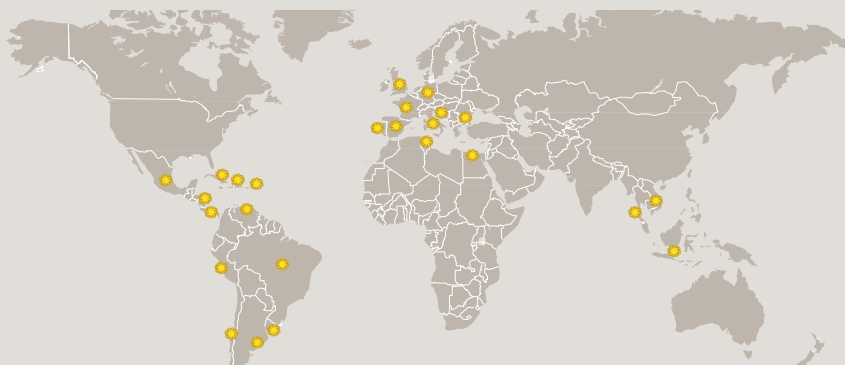


- With regard to the Business Model, it may be defined as the “focus on the three businesses, as hoteliers more than ever before”. This focus on the three business areas is seen in a new functional model in which the different business units report to Hospitality Business Solutions (HBS), a shared services support area for all of the company’s back-office processes. Alongside this common support area, the different corporate functions will develop teamwork focused on the business units.



## Company Profile

Sol Meliá Value



### 301 HOTELS IN 25 COUNTRIES

#### ASIA

Indonesia	5
Malaysia	1
Vietnam	1

**TOTAL 7**

#### MEDITERRANEAN

Egypt	4
Tunisia	2

**TOTAL 6**

#### AMERICA

Argentina	3
Brazil	15
Chile	1
Costa Rica	1
Cuba	26
Mexico	10
Panama	1
Peru	1
Puerto Rico	1
Dominican Rep.	5
Uruguay	1
Venezuela	2

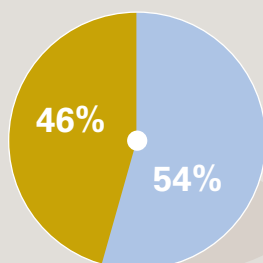
**TOTAL 67**

#### EUROPE

Germany	12
Bulgaria	1
Croatia	16
Spain	165
France	8
Italy	5
Portugal	12
United Kingdom	2

**TOTAL 221**

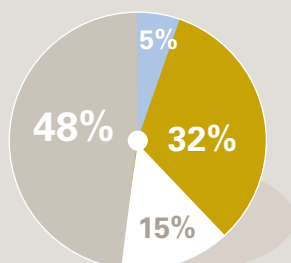
### DIVERSIFICATION BETWEEN CITY AND RESORT 2007 (number of hotels)



CITY

RESORT

### DIVERSIFICATION BY TYPE OF OPERATION 2007 (% of rooms)



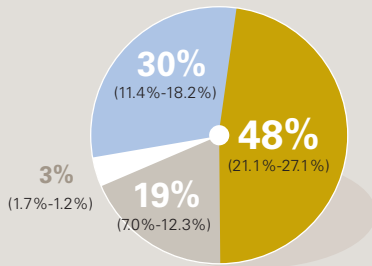
MANAGED

OWNED

LEASED

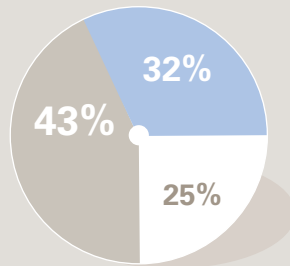
FRANCHISED

**DIVERSIFICATION NUMBER  
OF ROOMS BY REGION**  
(% City -% Resort)



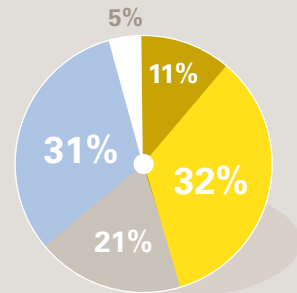
SPAIN  
ASIA  
LATIN AMERICA & CARIBBEAN  
REST OF EUROPE

**DIVERSIFICATION BY  
HOTEL CATEGORY**



3 STARS  
4 STARS  
5 STARS AND 5 STARS DELUXE

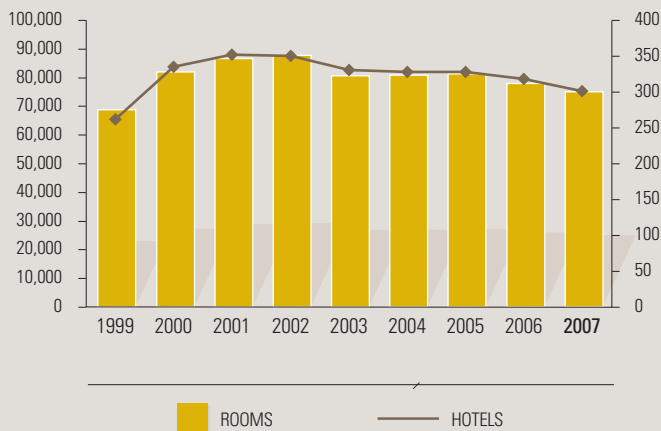
**DIVERSIFICATION NUMBER  
OF ROOMS BY BRAND**



MELIÁ  
SOL  
PREMIUM  
TRYP  
NO BRAND

	TOTAL	CITY	RESORT	%CITY	%RESORT
Spain	48%	36,159	20,294	21.1%	27.1%
Rest of Europe	19%	14,475	9,228	7.0%	12.3%
Asia	3%	2,198	922	1.7%	1.2%
Latin America & Caribbean	30%	22,190	13,659	11.4%	18.2%
<b>TOTAL</b>	<b>100%</b>	<b>75,022</b>	<b>44,103</b>	<b>41.2%</b>	<b>58.8%</b>

**NUMBER OF HOTELS, ROOMS AND STAYS**



	Rooms	Hotels
1999	68,766	262
2000	81,942	335
2001	86,554	352
2002	87,717	350
2003	80,494	330
2004	80,834	328
2005	81,282	328
2006	77,893	318
2007	75,022	301

**Number of stays**

	Number of stays
1999	21.5 million
2000	23.0 million
2001	23.7 million
2002	24.3 million
2003	26.2 million
2004	27.3 million
2005	27.4 million
2006	27.8 million
2007	28.6 million

### SOL MELIÁ CURRENT POSITIONING 2007

Company founded:	1956
Company IPO:	2 July 1996
Initial share price (before split):	5.41 €
Ticker Symbol:	SOL.MC / SOL SM
Stock market:	Continuous market (Spain)
Number of shares:	184,776,777
Share price at 31 Dec 2007	10.42 €
Share performance from IPO to 31 Dec 2007:	92.6%
Share performance from 31 Dec 2006 to 31 Dec 2007:	-30.6%
Rating Baa3 stable outlook under review from Moody's	

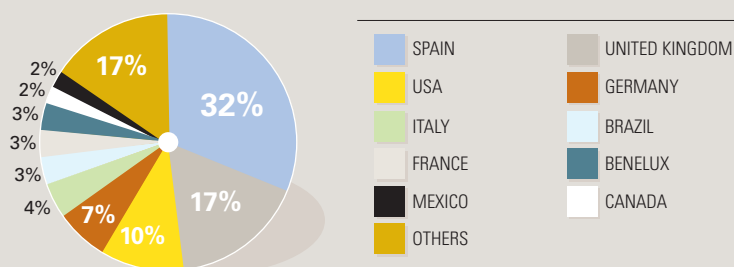
### CURRENT POSITIONING OF SOL MELIÁ

(In million euros)

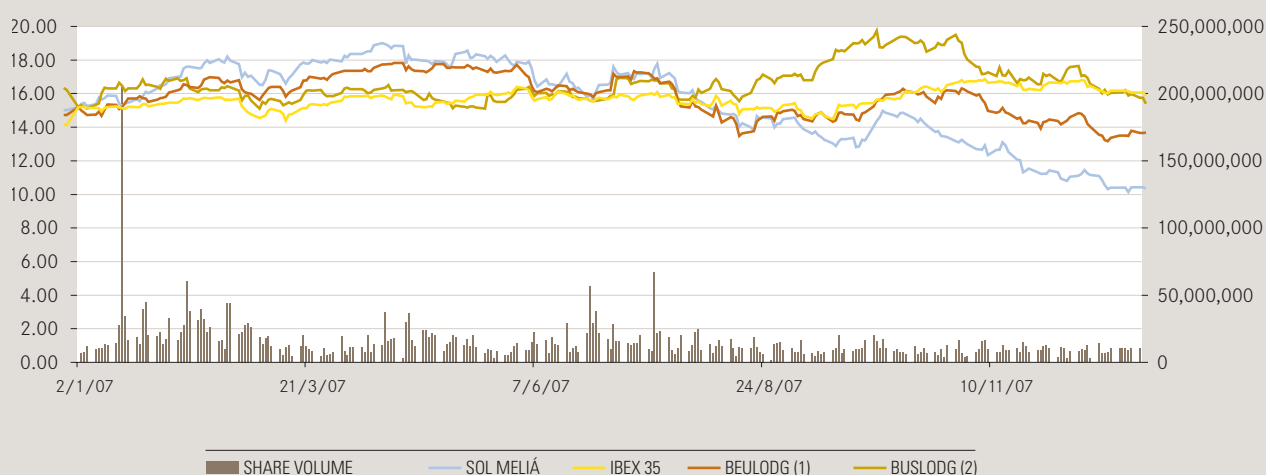
	2007	2006
EBITDA / NET INTEREST EXPENSE	5,4 x	5,2 x
PER (PRICE EARNINGS RATIO)	11,9 x	20,4 x
MARKET CAP.	1.925,4 €	2.773,5 €
EV / EBITDA	8,0 x	11,4 x
NET DEBT (TOTAL DEBT - CASH - IFT)	872 €	944 €

\* Net debt 2006: 895€ when taking into consideration coverage of the convertible bond (due in November 2008)

### DIVERSIFICATION BY COUNTRY OF ORIGIN



### SHARE PERFORMANCE 2007



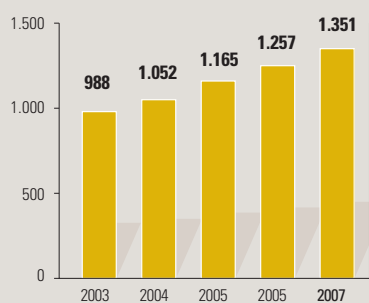
Share price €		Average daily volume								
	% Change	IBEX - 35	Max.	Min.	Shares	Euros (M)	Dividend €	EPS	CFPS	
31/12/07	10,42	-30,58%	7,32%	19,10	10,13	950.186	14,94	0,146	0,88	1,46
31/12/06	15,01	39,76%	28,81%	15,45	10,74	403.551	5,37	0,122	0,74	1,33

## FINANCIAL PERFORMANCE

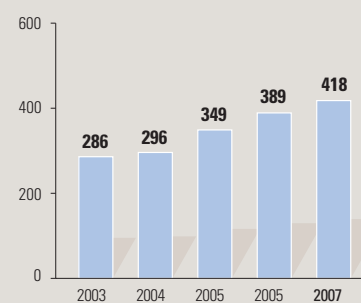
(in million euros)

	2003	2004	2005	2006	2007	C.A.G.R. 07
REVENUES	988	1,052	1,165	1,257	1,351	8%
EBITDAR	286	296	349	389	418	10%
EBITDA	222	239	288	326	349	12%
NET PROFIT	49	46	92	138	165	35%
RESULT PARENT COMPANY	38	44	90	136	162	44%
	812%	15%	105%	51%	19%	

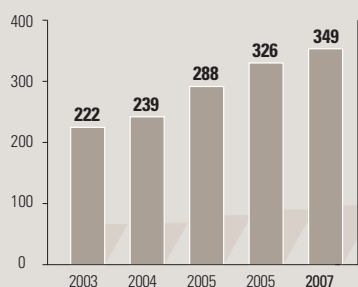
From 2004 under New International Accounting Rules



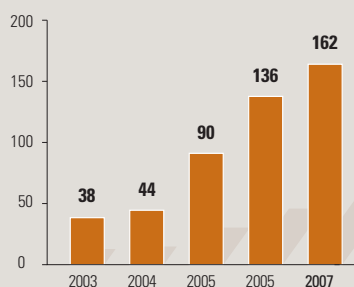
REVENUES



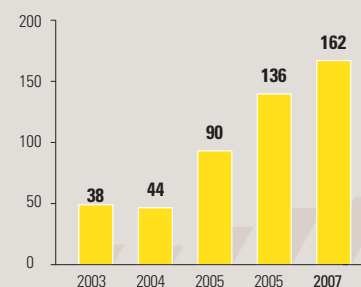
EBITDAR



EBITDA



RESULT PARENT COMPANY



NET PROFIT



Gran Meliá Fénix, Madrid

2000 WAS THE YEAR  
FOR THE MOST RECENT  
MAJOR ACQUISITION:  
THE PURCHASE OF  
TRYP HOTELS.

## Milestones in company history

In **1956**, at only 21 years of age, Gabriel Escarrer Juliá began to operate his first leased hotel, the Hotel Altair in a residential area of Palma de Mallorca, which would become the seed for the international hotel chain which is now Sol Meliá.

The major tourism boom seen in Spain in the 1960s helped consolidate the new company, while the 1970s saw it growing to other parts of the Balearic Islands, leading destinations on the Spanish mainland coast and the Canary Islands. The company was known as Hoteles Mallorquines, and its founders focused on three key areas: reinvestment of profits in new acquisitions, growth through the purchase of other hotel chains, and renovation of the hotel facilities.

**At the end of the 1970s**, the company changed its name to **Hoteles Sol** and began an ambitious expansion programme in the major resort destinations in the Spanish mainland and Canary Islands. This process reached one of its highest points in **1984** with the purchase together with Aresbank of the 32 hotels operated by the **Hotasa** hotel chain in Spain, making it the first experience with city hotels for the company and also making it the leading hotel company in Spain.

In **1985** the company began its **international expansion** with the construction of the Hotel Bali Sol – also making Sol Meliá the first international hotel chain to build a hotel in the then unknown Indonesian destination of Bali—and the integration in 1986 of the Compañía Hotelera del Mediterráneo –which operated 11 hotels owned by the British Caledonian airline group—. The process reached one of its most important milestones in June 1987 with the acquisition of a hotel chain desired by many leading global hotel companies of the time: **Meliá Hotels**.

Senior management at the company saw an important renovation with the incorporation of Sebastián Escarrer Jaume in **1993**, representing a fusion of the traditional philosophy and values of Sol Meliá with a more entrepreneurial and team-based managerial style based on a greater market and customer focus. One of the most important projects undertaken in this new stage was the successful stock market flotation of the company on **2 July 1996**.

The new Sol Meliá experienced an intense phase of globalisation **at the end of the 1990s** which made Sol Meliá the 12th largest hotel company in the world with more than 260 hotels in 27 countries, and with a market capitalisation of almost 2,300 million euros.

This stage also saw the addition to the group of another of the Chairman's sons, Gabriel Escarrer Jaume, who led an important process of modernisation and adaptation of the company and also launched an ambitious hotel renovation programme.





Gran Meliá Victoria, Palma de Mallorca



Meliá Bali, Indonesia

1999 also saw a major **technological transformation** at Sol Meliá as the company adapted all of its internal and external structure to the new environment created by Internet technology and the ‘.com’ world.

2000 was the year for the most recent major acquisition: the purchase of **Tryp Hotels** adding 60 hotels to the company portfolio and making it the clear leader of the city hotel market in Spain and amongst the top ten hotel companies in the world by room numbers.

The 21st century began with a new focus on brand strategy, with the company operating hotels under four major brands: Meliá, Tryp, Sol and Paradisus. The positive performance of the company was then interrupted by the events of 11 September which caused a pause and then slowdown in world travel. Sol Meliá decided to make the most of the circumstances to consolidate all of the new projects, allowing the company to begin its recovery in 2003.

Between 2004 and 2005, Sol Meliá initiated a new strategy aimed at optimising results of Group assets– with the creation of the **Asset Management** department – and the extension of its product range – with the strong commitment to the new **Sol Meliá Vacation Club** and the 50% share taken in **Luxury Lifestyle Hotels & Resorts**, created in 2004 by The Stein Group—. This product extension also led to the creation of the **ME by Meliá** hotel brand in 2006, a year in which the company celebrated its fiftieth anniversary with record results.

And so we arrive at 2007, a year which saw the finalisation of the Strategic Plan 2004-2007 and great achievements such as the reduction of company debt, a growing contribution to results from Sol Meliá Vacation Club, greater optimisation of operations in company properties and an average annual increase of 5% in revenues per room (RevPar).

The year also saw Sol Meliá purchase the German hotel chain Ininside and approval of the **Strategic Plan 2008-2010**, including actions and investment policies which favour significant qualitative change in organic growth and brand equity. The company also used 2007 to plan an ambitious **internal reorganisation** to adapt the company structure to provide a more appropriate response to the challenges of the future, a structure which has been implemented at the beginning of 2008.

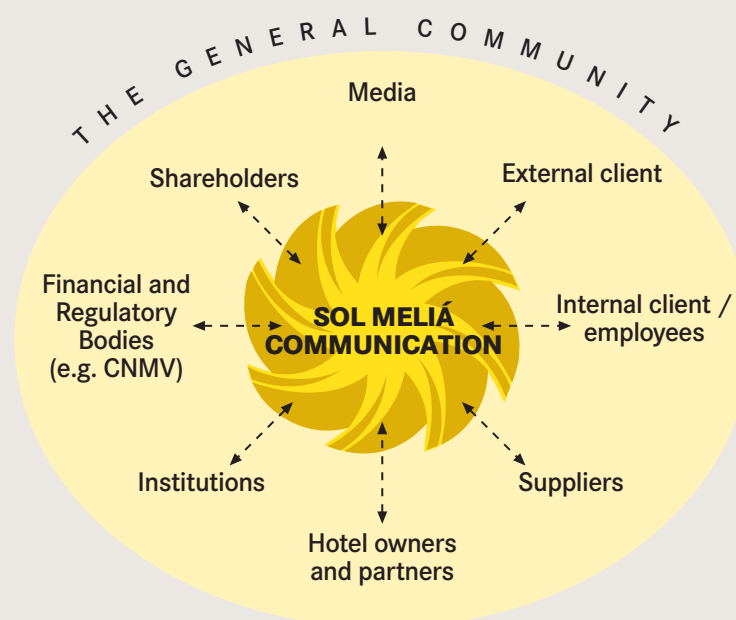
2007 SAW SOL MELIÁ  
PURCHASE THE GERMAN  
HOTEL CHAIN INN  
SIDE AND APPROVAL OF THE  
STRATEGIC PLAN 2008-2010.



Ininside Frankfurt Eurotheum

## Sol Meliá Communication

Sol Meliá Value



### External communication

External communication at Sol Meliá is increasingly about more fluid relationships with domestic and international media and about the modernisation of the processes, channels and tools used in the company communication system. A number of rigorous stages which are quick and efficient and which optimise the media treatment of news arising from our hotels and the company in general.

Although Sol Meliá headquarters are in Palma de Mallorca, the chain operates in 30 countries on 4 continents. The specific nature of each destination as well as the different way in which the media operates in each area means that the support of external Communications and Public Relations agencies is sometimes required. In 2007 the company used agencies in Spain, Germany and the USA.

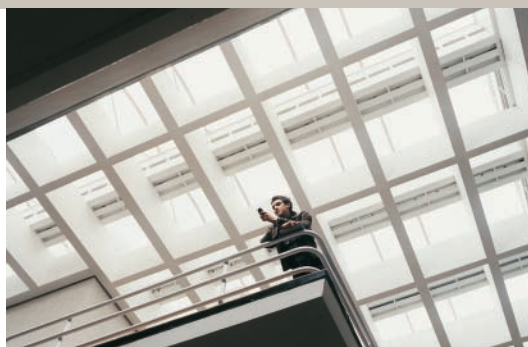
#### Press releases

The communications department issued 58 press releases in 2007 sent to domestic and international media, and all available in Spanish and English in the press area of our website [www.solmelia.com](http://www.solmelia.com).

#### Press dossier

The company updates its press dossier every year (also available on the website) including the key figures on company activities, the history and progress of the group, the objectives and strategies for the future, the biographies and curricula of senior executives, and a description of the image and attributes of each brand.

CORPORATE  
COMMUNICATION AND  
COMMUNICATION BY BRAND  
IS ONE OF THE OBJECTIVES  
OF THE COMPANY'S NEW  
STRATEGIC PLAN.



#### **Meetings with the press**

Good relations with the press, as with any other type of client, partner or supplier, requires personalised treatment. In 2007 Sol Meliá hosted several meetings with the press through the celebration of an inauguration event, during trade fairs or on special occasions; many of these meetings involving senior executives to promote cooperation with domestic and trade media.

#### **Check In magazine**

Corporate quarterly magazine placed in hotel rooms and including the latest company news, as well as lifestyle and culinary features, interviews, technology news, etc.

#### **Check Out**

Corporate paper prepared for trade fairs which the company attends and which presents the different Sol Meliá brands, their attributes, development news and featured hotels.

#### **MaS Gold Press card**

In 2007 the list of journalists on the programme was updated. The card is a specific MaS loyalty programme card for journalists giving them benefits during their stay in company hotels.

In 2007 Sol Meliá also gave interviews in different media allowing a greater personalisation of the information and proximity to target markets. 2007 also saw other activities such as participation in surveys and miscellaneous reports, barter agreements and press monitoring.

Corporate communication and communication by brand is one of the objectives of the company's new strategic plan, particularly emphasising the external promotion of the brands. In 2008 a specific, clear and attractive communications plan will present the image and concept behind each of the brands along with the company's management model.

### **Internal communication**

To fully involve employees in the new business model, in the organisation and in the promotion of company strategy, the Sol Meliá HR department has updated all of the internal communication tools creating a new platform, the Employee Portal, a place to share, receive and provide information and services.

The Portal is an application which allows all of the team members anywhere in the world access to useful content, applications, news and company services. The tool focuses on people and works as a dynamic source of information to which new sections and content is added based on the suggestions received from all of the employees at Sol Meliá.



SOL MELIÁ HAS UPDATED  
ALL OF THE INTERNAL  
COMMUNICATION TOOLS  
CREATING A NEW PLATFORM,  
THE EMPLOYEE PORTAL

This internal communications application joins other tools which are also constantly being improved:

- **Brief News:** published every 15 days for company employees, Brief News is a newsletter which includes corporate information, community involvement activities and corporate events (appointments, news, activities, etc.).
- **Change to Win newsletter:** This “Guide to Change” was created to provide more information on organisational and strategic changes being carried out by the company. The magazine allows us to evaluate employee attitudes and opinions with respect to the new Strategic Plan using questionnaires and other surveys.
- **Regular communication:** to make internal messages more immediate, Sol Meliá sends e-mail news to provide information on specific situations or events at the company.
- **Blogs:** In 2007 Sol Meliá created three blogs open to all employees with a computer. This allows the company to provide information in an open format and encourage participation. The three blogs the company has set up are Up210 (on the Strategic Plan), Change to Win (on the new organisational model) and Our brands (on the Sol Meliá brands).
- **Change to Win e-mail account:** similar to the blogs, this e-mail account was set up to receive concerns, doubts and questions on the changes and the new model.
- **Internal road shows:** Between 19 and 27 September the first stage of the internal “Change to Win” road show was held in which the Joint Vice Chairmen Sebastián and Gabriel Escarrer, together with the Executive Vice President Hotels, André Gerondeau, and other members of the Senior Executive Team, accompanied by the Director of Communication, met with other company executives to present the Strategic Plan 2008-2010 and request their active involvement in the change process.

During the road shows, held in Spain (Canary Islands, Mallorca and Madrid), Miami, Orlando and Cancun and attended by more than 900 people, Sol Meliá’s senior management team presented the keys to the future of the company: the major areas of the Strategic Plan which will guide our activities up to 2010, and the reasons for and nature of the new organisational model. After this first stage, general managers in their hotels and executives in corporate offices then transmitted the information to their teams along with the messages from the Joint Vice Chairman on the changes, messages which in many cases go further than simply company management and deal more with a sense of belonging to a great company and a great team.

The second stage of the “Change to Win” road show is another sign of Sol Meliá’s commitment to internal and corporate communication and to updating and further improving existing communication tools while also creating new means of effective communication with employees. Communication is one of the key factors in the process of raising awareness and implementation of the new company strategy and business model.

The value of a leader.



## Financial Results

Economic Value

### Hotel performance

RevPAR for owned and leased hotels increased by 6.0% during 2007. This evolution is mainly explained by the performance of European cities and the Americas, verifying the company's expectations for the year.

In the European Resort Division, RevPAR increased by +4.4%. By region, the best performers of the year have been the Balearics, Alicante and the Costa del Sol, with a +6.8%, +6.3% and +5.0% RevPAR increase respectively, while the main challenge remained in the Canary Islands even though the region is evolving satisfactorily thanks to progressive improvements each quarter.

RevPAR in the European City Division grew by 8.6% mainly due to the positive evolution of Spain and the performance of the main European cities (London, Berlin, Paris and Milan). RevPAR from Spanish cities also grew, mainly explained by the good performance of Madrid, Barcelona, the Balearics, Valencia and Seville. By brand, the best performers were the Premium brands (+14.0%) followed by Tryp (+7.8%) and Meliá (+4.4%). On a quarterly basis the company has not noted any slowdown in Spanish cities, verifying a RevPAR increase of +8.9% in Q4.

Regarding operations outside Spain, the on-going evolution of European cities is reflected in RevPAR increases of 36.2%, 15.4%, 3.2% and 9.4% in Berlin, London, Milan and Paris, exceeding market performance in all cases (3.1%, 9.8%, 2.6% and 9.9%) according to the statistics provided by HotelBenchmark Survey by Deloitte. Increase in Berlin is due to the recent opening, in October 2006, of the hotel Meliá Berlin (364).

In the Americas Division, RevPAR grew by 14.9% in dollar terms (3.5% in euros), mainly fuelled by the positive performance of our hotels in the Dominican Republic. The good results of the Gran Meliá Caracas (428) also contributed to 12.3% growth in operational revenues. The hotels in Puerto Rico and Cancun are evolving progressively to achieve their market niche and consolidate their recent change of brand.




**HOTEL STATISTICS 07 / 06 (REVPAR & A.R.R. IN EUROS)**

<b>OWNED &amp; LEASED HOTELS Dec 07 / 06</b>			<b>OCCUPANCY</b>	<b>RevPAR</b>	<b>A.R.R.</b>
EUROPEAN RESORT		2007	71.0%	43.1	60.6
	% s/ 2006		-1.0%	4.4%	5.5%
		2006	71.7%	41.2	57.5
EUROPEAN CITY		2007	69.6%	65.3	93.7
	% s/ 2006		1.8%	8.6%	6.7%
		2006	68.4%	60.1	87.9
AMERICAS		2007	67.6%	54.2	80.2
	% s/ 2006		0.2%	3.5% (1)	3.3%
		2006	67.5%	52.4	77.7
TOTAL		2007	69.8%	54.8	78.6
	% s/ 2006		0.4%	6.0% (2)	5.5%
		2006	69.5%	51.8	74.5

(1) RevPAR in US dollar terms grew by +14.9%. (2) If we do not take into account exchange rate fluctuations, RevPar would have grown by 8.1%.

The following table shows the breakdown of the components of growth in room revenues at the hotel level for owned and leased hotels taking into account the company as a whole.

**BREAKDOWN OF TOTAL ROOM REVENUES OWNED/LEASED HOTELS 07 / 06**

<b>% Increase Dec 07</b>	<b>EUROPEAN RESORT</b>	<b>EUROPEAN CITY</b>	<b>AMERICAS</b>	<b>TOTAL</b>
RevPAR	4.4%	8.6%	3.5%	6.0%
Available Rooms	-1.7%	2.1%	14.5%	2.7%
Room Revenues	0.3%	10.6%	18.4%	8.8%

In the European Resort Division, the decrease in available rooms was due to the process of refurbishment of the hotel Magalluf Park (Mallorca, Spain) and the disposal of the hotel Vista Sol (Mallorca, Spain). The 2% increase in the European City Division is mainly explained by the incorporation of Innside hotels in Germany, in the last quarter of the year, the Melia Berlin and the ME Madrid Reina Victoria, while offset by the disposal of the Meliá Rey Don Jaime and the processes of refurbishment of the Meliá Madrid Princesa, Meliá Seville and Gran Meliá Colon.

In the Americas, the 14.5% increase is due to the increase in capacity of our hotels in Cancun, ME Cancun and Gran Meliá Cancun following the process of refurbishment after Hurricane Wilma.

**HOTEL REVENUES SPLIT 07 / 06 FOR OWNED/LEASED HOTELS**

(Million Euro)

<b>Dec 07 / 06</b>	<b>EUROPEAN RESORT</b>			<b>EUROPEAN CITY</b>			<b>AMERICA</b>			<b>TOTAL</b>		
	<b>07</b>	<b>% s/06</b>	<b>06</b>	<b>07</b>	<b>% s/06</b>	<b>06</b>	<b>07</b>	<b>% s/06</b>	<b>06</b>	<b>07</b>	<b>% s/06</b>	<b>06</b>
ROOMS	176.7	0.3%	176.2	348.8	10.6%	315.2	114.7	18.4%	96.8	640.2	8.8%	588.2
F&B	103.0	3.5%	99.5	110.3	3.0%	107.1	127.1	14.7%	110.8	340.4	7.3%	317.3
OTHER REVENUES	14.0	9.3%	12.8	31.7	6.3%	29.8	31.6	-11.8%	35.8	77.3	-1.5%	78.4
<b>TOTAL REVENUES</b>	<b>293.7</b>	<b>1.8%</b>	<b>288.5</b>	<b>490.8</b>	<b>8.5%</b>	<b>452.1</b>	<b>273.3</b>	<b>12.3%</b>	<b>243.4</b>	<b>1,057.9</b>	<b>7.5%</b>	<b>984.0</b>

IN THE THIRD QUARTER  
THE COMPANY GOT GREAT  
FINANCIAL CONDITIONS  
TO ACQUIRE THE INNSIDE  
HOTEL CHAIN.



## Asset Management Performance

### Asset Rotation

During the year, Sol Meliá sold assets for 129.5 million euros, exceeding the objective of 100 million euros for the full year.

SALES								
ASSET	ROOMS		PRICE		EV/EBITDA (x)		PROFIT	
	07	06	07	06	07	06	07	06
Sol Vista Sol (Mallorca, Spain); 1Q06	-	176	-	12.5	-	17.9	-	7.1
"La Jaquita" land (Tenerife, Spain); 1Q06	-	-	-	22.5	-	-	-	4.5
M. Rey Don Jaime (Valencia, Spain); 3Q06	-	319	-	38.5	-	17.5	-	14.2
50% Meliá Colon (Seville, Spain); 4Q06	-	218	-	20.0	-	21.4	-	10.5
Tryp Hidalgo (Ciudad Real, Spain) 2Q07	54	-	2.3	-	40.0	-	1.7	-
Commercial premises (Mallorca, Spain) 2Q07	-	-	0.9	-	-	-	0.9	-
Land in Dominican Rep. 2Q07	-	-	8.8	-	-	-	3.8	-
15.0% Paradisus Playa Conchal (Costa Rica) (*)2Q07	406	-	23.4	-	14.7	-	5.7	-
17.4% Paramount NY (New York, USA) (*)2Q07	567	-	25.1	-	21.2	-	5.1	-
Other assets 3Q07	-	-	15.5	-	-	-	5.8	-
Meliá Cáceres, Mérida and Trujillo (Extremadura, Spain) 4Q07	269	-	30.0	-	18.9	-	9.7	-
Tryp Paris Boulogne (Paris, France) 4Q07	75	-	12.5	-	17.3	-	5.0	-
Meliá Avenue Louise Boutique Hotel (Brussels, Belgium) 4Q07	80	-	11.0	-	19.3	-	5.3	-
<b>TOTAL</b>	<b>1,720</b>	<b>713</b>	<b>129.5</b>	<b>93.5</b>	<b>18.2</b>	<b>18.5</b>	<b>43.1</b>	<b>36.3</b>

(\*) The profits generated by the sale of stakes in hotels in Costa Rica and New York have been included in the Profit and Loss account at the "Financial Result" and "Companies integrated by the equity method" respectively. The EBITDA at the asset rotation level includes 32.3 Mn.

ACQUISITIONS				
ASSET	LOCATION	ROOMS	PRICE	EV/EBITDA (x)
Innside	Germany	1,848	16.5	6.0
<b>TOTAL</b>		<b>1,848</b>	<b>16.5</b>	<b>6.0</b>

With regard to investments, in the third quarter the company got great financial conditions to acquire the Innside hotel chain. The acquisition allowed Sol Meliá to increase its presence in major German cities: Munich, Frankfurt, Bremen and Düsseldorf. Innside operates 8 hotels with 1,072 rooms and has scheduled three new hotel openings under lease agreements between 2008 and 2010. Sol Meliá will also benefit from the quality of the management team at Innside.



### Sol Meliá Vacation Club (SMVC)

Total sales of SMVC reached 109.3 million Euros (+26%) mainly due to the performance in the Dominican Republic (40.7% of total sales), Puerto Rico (17.4%), the Gran Meliá Cancún (12.3%) and the Gran Meliá Salinas (12%). In 2007, the number of weeks sold increased by 25.4%, while the average price decreased by 3.1% mainly due to the strength of the Euro compared to the dollar (if the basis for comparison were the dollar, prices would have increased by 5.6%).

Total sales of SMVC do not just include the total sales of the Club, but also, amongst others, the revenues generated by interest charged on purchases, maintenance and management fees and the Network fees. The latest actions of the Club should also be taken into account, as efforts are made to sell the existing stock of weeks in the “Gold and Platinum” seasons.

#### HOTEL REVENUES SPLIT 07 / 06 FOR OWNED/LEASED HOTELS

(Figures in Euros)

	NUMBER OF WEEKS SOLD			NUMBER OF EQUIVALENT UNITS			AVERAGE PRICE			SALES OF VACATION CLUB (IN '000€)		
	2007	%s/06	2006	2007	%s/06	2006	2007	%s/06	2006	2007	%s/06	2006
Europe	507.0	24.0%	409.0	9.9	24.0%	8.0	19,334.3	0.0%	19,335.3	9,802.5	-	7,908.1
Americas	3,784.5	55.8%	3,012.0	72.8	55.8%	57.9	14,856.8	-3.6%	15,417.7	56,225.6	21.1%	46,438.2
<b>TOTAL</b>	<b>4,291.5</b>	<b>25.4%</b>	<b>3,421.0</b>	<b>82.7</b>	<b>25.4%</b>	<b>65.9</b>	<b>15,385.8</b>	<b>-3.1%</b>	<b>15,886.1</b>	<b>66,028.1</b>	<b>21.5%</b>	<b>54,346.3</b>

## Outlook 2008

Economic Value



ME Cancún, Mexico.



Meliá White House, United Kingdom.

With regard to the outlook for 2008, Sol Meliá expects to repeat the excellent results of 2007 in spite of the recession in the real estate market and the unfavourable euro-dollar exchange rate which will reduce the positive results obtained by the hotel business and Sol Meliá Vacation Club.

With regard to the European Resort Division, company projections reflect a positive performance based on the positive outcome of negotiations with tour operators, the growing importance of market diversification (thanks in part to the opening of markets in Eastern Europe, less affected by the slowdown in the Euro region and USA) and the positive trends in online tour operators which will continue to compensate reductions in traditional channels.

We expect the performance of the European City Division in 2008 to correspond to the results of the negotiations with the company's most important Key Accounts, to adjustments in the hotel supply in Spanish cities and progress with Meeting Sol Meliá (MSM) thanks to the efforts made to increase efficiency and synergies with the rest of the company.

The outlook for the Americas is based on positive expectations for the Dominican Republic. With regard to hotels in Puerto Rico and Cancun the company expects a correct performance as they achieve their market positioning and consolidate their recent brand changes.

In relation to Sol Meliá Vacation Club, the company continues to expect future growth, particularly given that the economic slowdown seems to have a more reduced impact on the luxury segment.

With regard to the asset rotation activity, Sol Meliá foresees opportunities in the market given the pressure on real estate prices.

Regarding company liquidity, in the future Sol Meliá will maintain its conservative financial policy, with the main objective being the maintenance of investment grade rating from the Moody's credit rating agency.



SOL MELIÁ WILL CONTINUE WITH ITS EXPANSION PROGRAMME WITH THE OBJECTIVE NOT ONLY OF IMPROVING THE NUMBER AND QUALITY OF HOTELS, BUT ALSO ADJUSTING EXISTING HOTELS TO THE BRAND STANDARDS, A KEY STRATEGIC AREA.

Sol Meliá will continue with its expansion programme with the objective not only of improving the number and quality of hotels, but also adjusting existing hotels to the brand standards, a key strategic area. In 2008 the company will open the Gran Meliá Palacio de Isora in Tenerife (Spain) and Gran Meliá Shanghai (China), hotels which are expected to become standard bearers for superior quality hospitality and service. The company expects to add 80 new hotels to its portfolio over the coming years, focusing on European cities, North America, the near East and the Mediterranean.

2008 will be a year for sowing the seeds for excellent profits in 2009 and 2010, and also for implementing important measures for the future growth of the company, such as the new Organisational and Business Models, based on a desire for greater balance, teamwork and empowerment, and the new Strategic Plan, the company's response to the new environment of economic slowdown and uncertainty, including actions and investment policies which will favour important qualitative progress in organic growth and brand equity.

*Paradus Punta Cana, Dominican Republic*



**[solmelia.com](http://solmelia.com)**

The value of a leader.





## Hotel Management

Management Value



SOL MELIÁ HAS A HOTEL OWNER RELATIONS DEPARTMENT RESPONSIBLE FOR ENSURING THAT THERE IS FLUID COMMUNICATION AND EXCELLENT RELATIONS BETWEEN HOTEL OWNERS AND ANY AREA OF SOL MELIÁ.

### Hotel Owner Relations

Sol Meliá hotels form part of the portfolio in several different ways: ownership, management, franchise or lease agreements, meaning that there are a large number of hotels which are managed by the company and yet owned by a strategic partner. Given the importance of these partners, Sol Meliá has a Hotel Owner Relations Department responsible for ensuring that there is fluid communication and excellent relations between hotel owners and any area of Sol Meliá.

Amongst the department's responsibilities is to attend Board Meetings and Shareholders' Meetings, as well as to hold regular meetings with owners as a representative of Sol Meliá, giving their activities a somewhat institutional nature and guaranteeing that owners' concerns are managed with the different areas within the hotel management company.

One of the main objectives is to strengthen the confidence owners feel in Sol Meliá, allowing them to remain certain that the management of their investments is in the best possible hands and that Sol Meliá truly provides them with added value in the hotel management area.

The department team is also a link between hotel owners' interests and those of Sol Meliá, as they aim to defend shared interests which guarantee satisfaction with overall results, maximising return on the investment while also offering the best possible management of sales.

The department is aware that hotel owners are their most important clients, and thus make sure, in cooperation with the Communications Department, that they are kept fully informed of all of the measures taken by Sol Meliá which may in any way affect them, such as in the application of the Strategic Plan 2008-2010.

Within the new Sol Meliá organisational structure, the department will also begin to focus on each of the brands individually (Premium, Meliá, Tryp and Sol) so as to be even more in tune with the concerns of owners and able to provide them with the most appropriate and rapid response.

Amongst the future challenges in which the department is already working, either directly or indirectly, are.

- Definition and organisation of the franchise business model to promote greater franchise opportunities.
- Greater awareness of the main concerns of hotel owners for each of the different types of contract.
- Preparation of internal management regulations.
- Presentation of budgets.
- Preparation and distribution of a departmental presentation within Sol Meliá.
- Coordination of Board Meetings in management companies.
- Management of pre-opening activities in newly added hotels.

All focused on achieving greater satisfaction of hotel owners.

## Leisure Real Estate

Management Value



*Gran Meliá Palacio de Isora, Tenerife.*

TODAY THE TEAM WORKS  
IN THREE MAIN AREAS:  
ASSET MANAGEMENT,  
RESORT DEVELOPMENT  
AND CONDO HOTELS.

The Leisure Real Estate area is now one of the basic foundations of the organisation in the light of the Strategic Plan 2008-2010, both in regard to obtaining maximum profitability from the company's real estate assets and in regard to maximising the use of those assets to provide the greatest range of services to our customers and thus earn their loyalty.

In 2007, Leisure Real Estate area was also involved in the internal changes carried out within the company, resulting in an extension to its area of activity, moving forwards from a more limited function named Asset Management to the much broader denomination of Leisure Real Estate. Today the team works in three main areas: asset management, resort development and condo hotels.

Within the Asset Management activity, and in spite of the difficulties faced by the traditional real estate market, the department made selected sales of non-strategic company properties for a total of 129.5 million euros, bringing not only a sizeable contribution to company Ebitda, but also greater coherence to company brand integrity given that only 7% of the rooms sold last year were in compliance with the standards set for their respective brands.

With regard to resort development, the Leisure Real Estate area has been working for some time on three major projects: the Gran Meliá Palacio de Isora in Tenerife, a resort scheduled to open in June 2008, and the resort developments in Playa del Carmen (Mexico) and Salvador de Bahía (Brazil). All of the projects involve both hotel and residential facilities as well as other complementary facilities which will allow Sol Meliá to present the widest range of service alternatives to customers.

The department is also responsible for the development of condo hotels, an alternative use of Sol Meliá real estate assets in the luxury segment by which customers may purchase one of the rooms of a given hotel, leaving the maintenance of the room to the hotel management along with the sale and promotion of the room whenever the owner is not using it. Sol Meliá currently manages 5 condo hotel areas in Spain and 13 in Brazil, and is also working on 3 additional projects in Spain and 1 in Brazil to begin operations in the medium term.

Amongst the initiatives carried out by Sol Meliá to extend the choice of facilities for customers there are other features such as restaurants and golf courses. To assist in development the hotel chain has set up a number of strategic alliances with experienced experts in each field, and will continue to focus on building and strengthening alliances to ensure superior quality services.

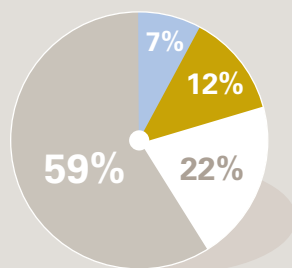


## Vacation Club

Management Value



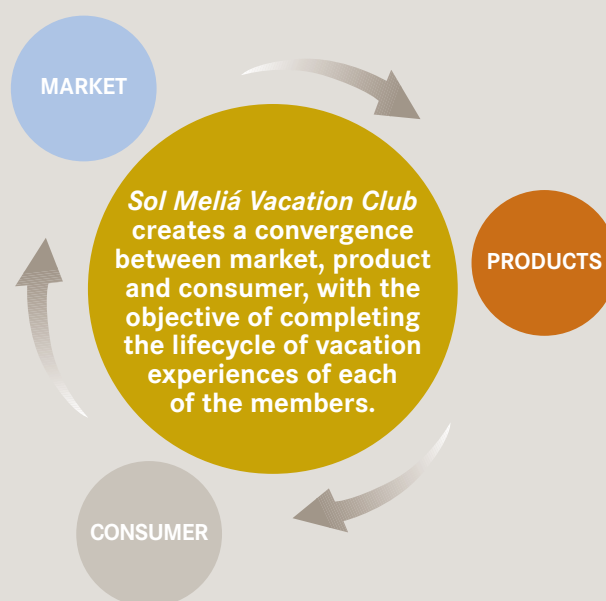
**DISTRIBUTION OF MEMBERS  
IN DECEMBER 2007**



Sol Meliá Vacation Club and the Leisure Real Estate Division were created in 2004 in response to the changes in the behaviour of travellers with increasing resources and free time deciding to invest some of those resources in their leisure time. With more than 15 years of experience in this market, Sol Meliá offers members of the Club a chance to acquire their vacations for the next 50 years in accommodation units designed to make them feel right at home wherever they may be in the world and while also enjoying the finest hotel service.

The company considers SMVC to be one of the best loyalty programme it has. The business has existed for more than 40 years, and in 2007 generated revenues of more than 109 million euros for the company, achieving one of the highest profit margins in the industry thanks to the magnificent performance in the Dominican Republic, Puerto Rico, México, Central America and Spain. The Club opened its corporate offices in Orlando, Florida with three properties and ended 2007 with 12 international resorts and 36 affiliate resorts.

### SMVC LIFECYCLE



Sol Meliá Vacation Club (SMVC) is now a strategic business for the company and has been developed as an integrated yet self-sufficient business. The first operations were set up in Mexico (Gran Meliá Cancún, Meliá Puerto Vallarta, ME Cancún and Meliá Cozumel), in the Dominican Republic (Meliá Caribe Tropical and Paradisus Palma Real), in Puerto Rico (Gran Meliá Puerto Rico), Central America (Meliá Panama Canal) and Europe.





Gran Meliá Cancún, Mexico



Meliá Panamá Canal, Panama

#### VACATION CLUB STATUS (SITUATION AT 31 DECEMBER)

BRAND	NUMBER OF RESORTS				NUMBER OF UNITS		
	TOTAL	IN ACTIVE SALES	IN CONSTRUCTION	FINALISED	UNITS SOLD	UNITS ON SALE	FUTURE CAPACITY
GRAN MELIÁ	4	3	1	189	81	108	533
MELIÁ	7	6	1	350	45	305	226
ME BY MELIÁ	1	1	-	56	6	50	-
PARADISUS	3	1	2	372	87	285	332
<b>TOTAL SMVC</b>	<b>15</b>	<b>11</b>	<b>4</b>	<b>967</b>	<b>219</b>	<b>748</b>	<b>1091</b>

The Club is part of a modern concept in leisure time investment which is growing fast. The concept offers exotic destinations, suites and villas decorated by famous designers, exclusive services, and unforgettable leisure experiences for members. It also offers members a full lifecycle of vacation experiences which adapt to their changing needs; beginning with membership of a vacation club, moving on to a luxury fractional ownership product, and ending with the chance to purchase leisure real estate outright. This great choice of vacation experiences provides flexibility and alternatives for every type of customer and also the chance to organise meetings and weddings with banqueting, butler and chef services, flight tickets, cruises, etc.

#### Business Objectives and Synergies

Sol Meliá Vacation Club was created with the aim of becoming the outstanding leader in the Leisure Real Estate market. Sol Meliá possesses the name, prestige, organisation and international positioning required to develop and provide a quality experience through an affiliation which meets or even exceeds the service and quality expectations of members. The international presence of Sol Meliá provides the perfect support for growing the number of members and providing a product which offers experiences that can be enjoyed by members throughout their lives.



Gran Meliá Puerto Rico

#### SMVC OBJECTIVES

- To become a dominant player in the market
- To increase brand penetration and expansion
- To provide an alternative to the traditional vacation system
- To create a long-term loyalty programme guaranteeing lifetime value
- To maximise ROCE



*Meliá Puerto Vallarta, Mexico*



THE CLUB IS PART OF  
A MODERN VACATION  
INVESTMENT CONCEPT WHICH  
IS GROWING RAPIDLY.

### Security, Flexibility and Exclusive Benefits

Members may choose between spending their vacations in luxury accommodation in a great choice of unique resorts and city properties all over the world. They also have the flexibility to choose the duration of their stay, the time of year, and the size of their accommodation, from one bedroom units to luxury private villas. Members may also defer their vacations to the next year, take future vacation time in advance to get a longer vacation, or divide their vacation time into several shorter periods or a run of one night stays in any of the affiliate hotels worldwide.

Members of SMVC automatically receive all of the exclusive benefits of the MaS Gold Rewards programme. Their vacation periods can also be exchanged for MaS Rewards points, allowing them to stay in any of the city and resort hotels operated by Sol Meliá worldwide.

They can also get access to 3,700 resorts worldwide with the innovative SMVNetwork service, as well as to cruises, car rental and flights through partner companies.

The main objective of the Club is to provide a unique international experience, adapted to the needs of guests, regardless of whether it's a trip to discover the archaeological ruins of Mexico, enjoy the virgin beaches of the Dominican Republic, stroll around old San Juan in Puerto Rico, or explore ancient cities in Spain, France or Great Britain. The Club has been created to satisfy all of the needs of its members.

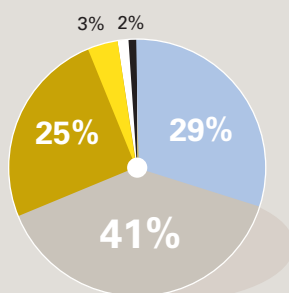
*Meliá Caribe Tropical, Dominican Republic*



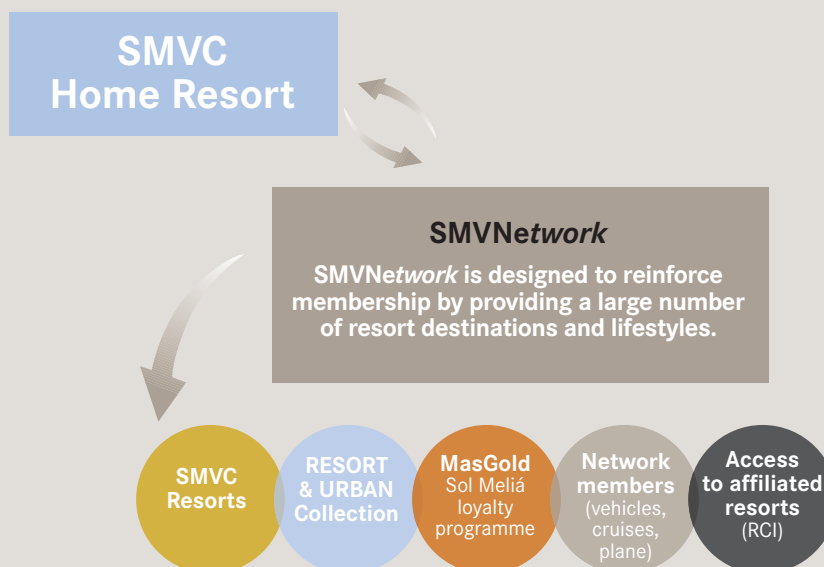


## Sol Meliá Vacation Network

SMVNETWORK  
MEMBER ACTIVITIES



SMVNETWORK



Members enjoy the availability of their **RESORT RESIDENCE** (first benefit) as well as enjoying the rest of the benefits of the SMVC Network

## The Future

The Club is committed to providing a life full of vacation alternatives to members. The Club will continue to grow to include more luxury resorts, exotic destinations, first class activities and services and inimitable experiences.

The objective of the Club is to create a unique style for vacations for future generations, at the same time developing a sense of loyalty between Sol Meliá and its affiliates.

## Hospitality Business Solutions - HBS

Management Value

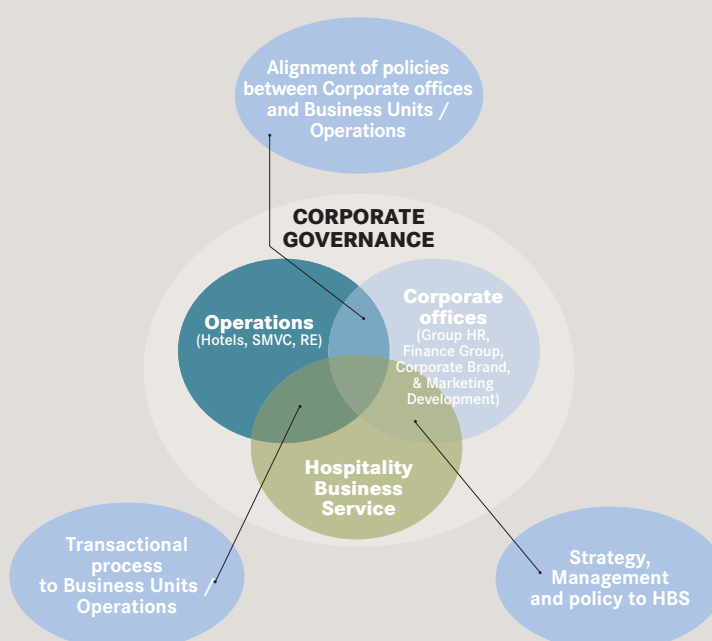
One of the most important landmarks in the profound internal transformation which Sol Meliá began in 2007 was the creation of HBS (Hospitality Business Solutions), a new area that comprises 5 departments with the following 7 functions: Information Systems, Corporate Administration, Fiscal Services, Personnel Administration, Hotel Administration Services, Credit & Consult, and Business Intelligence.

This ambitious project aims to provide the different Sol Meliá business and corporate units with a common support area, intensifying the understanding between different areas and meaning that they all speak the same language when it comes to interrelated functions such as Administration, Information Systems or Personnel Administration, all of which will have a positive effect on excellence in company performance.

The creation of HBS brings together 220 employees in 6 countries who will all contribute to intensifying the teamwork culture at Sol Meliá, guaranteeing maximum efficiency in all processes and improving the allocation of resources by business units and corporate departments to back office functions so that it is easier for them to grow.

The change in the company organisational structure has required major efforts in adaptation throughout 2007, including the distribution of the Administration team between the hotel business and HBS, and the creation of administrative structures for each brand. Important efforts have also been made to adapt internal reporting systems to the new internal organisation structure.

The Personnel Administration area was also subject to major adaptation activities while continuing to implement measures to consolidate its globalisation, installing corporate management systems in the Dominican Republic and beginning their implementation in Italy.





THE CREATION OF HBS  
BRINGS TOGETHER 220 EMPLOYEES  
IN 6 COUNTRIES WHO WILL  
ALL CONTRIBUTE TO INTENSIFYING  
THE TEAMWORK CULTURE  
AT SOL MELIÁ.



One of the major milestones for the Information Systems area was the implementation of a Project and Portfolio Management system which allows the company to measure the value that each and every project brings to the company with regard to its alignment with company strategy, profitability and risk, so allowing Sol Meliá to optimise its investments in IT systems.

Over the course of 2007 there were also advances in the design and implementation of operational procedures in the department following ITIL standards and of IT Governance processes under the COBIT standards, accompanied by indicators against which performance may be measured, leading to constant improvements in the quality of the projects and services provided.

<b>Corporate Administration Fiscal Service</b>	<ul style="list-style-type: none"> <li>• Payments due</li> <li>• Agency commissions, overrides for customers and suppliers</li> <li>• General accountancy and monthly closure</li> <li>• Intercompany operations</li> <li>• Company tax planning (*)</li> <li>• Tax obligations</li> <li>• Support with tax inspections and appeals (*)</li> <li>• Coordination external audits (*)</li> </ul>
<b>Hotel Administration Services</b>	<ul style="list-style-type: none"> <li>• Payments due to hotels</li> <li>• Offshore services for client invoicing</li> <li>• Policies and procedures. Administration procedures manuals for hotels (*)</li> <li>• Reengineering of back office processes for hotels (*)</li> <li>• Back office training and taskforce services for hotels</li> </ul>
<b>Business Intelligence</b>	<ul style="list-style-type: none"> <li>• Consolidated financial reports (*)</li> <li>• Management reports (*)</li> <li>• Business Intelligence</li> </ul>
<b>Labour Relations</b>	<ul style="list-style-type: none"> <li>• Payroll</li> <li>• Social Security</li> <li>• Employee benefits</li> <li>• Support for SAP tools for HR</li> </ul>
<b>Information Systems</b>	<ul style="list-style-type: none"> <li>• Principle applications (PMS, ERP SAP, SIEBEL,...)</li> <li>• Workplace services (e-mail, user assistance...)</li> <li>• Centralised databases</li> <li>• Information architecture</li> <li>• Security</li> <li>• Voice and data communications</li> <li>• Information systems strategy (*)</li> </ul>

(\*) Strategic corporate service

## Investor Relations

Management Value

AT THE END OF 2007,  
THERE WERE 186 MAS GOLD  
REWARDS SHAREHOLDERS  
AND 2,724 MAS BLUE  
REWARDS SHAREHOLDERS.



In 2007, the Sol Meliá Investor Relations Department carried out a number of activities focused on communication with company shareholders and potential investors. The most relevant actions focus on road shows in major European cities (Madrid, Barcelona, Milan, London, Paris and Frankfurt), private visits to Spanish and international investors, participation in seminars such as the event organised by BBVA “2008: Objective 65 million tourists” in October, or the “Stock Market and Portfolio Management Seminar” organised by the Madrid Stock exchange and AERI (the Spanish Association for Investor Relations), amongst others, all in close cooperation with the financial analysts that cover the trading of Sol Meliá shares and with the objective of ensuring they receive accurate and timely information.

The road shows are used to inform the market on company performance and strategy and provide a vision of how events may affect results. Information is also provided on advances in distribution, research, development and innovation, the financial situation and the development of new hotels and new business units.

Each road show implies a greater degree of commitment to and involvement with investors, the main protagonists of our stock market performance, which is why the department works intensively to improve the service and the information it provides to investors on each trip.

In 2007, visits were made to 76 institutional investors in the following road shows and seminars organised by a wide range of financial institutions.

- On 22 January 2007, the Investor Relations team visited 17 important institutional investors in London with Kepler Equities.
- On 31 January 2007, Sol Meliá met seven institutional investors on a road show in Paris.
- On 17 February 2007, the company met 13 investors at the “Small & Medium Caps Santander” event in Madrid.
- On 16 March 2007, Sol Meliá met 13 institutional investors in Paris at a road show organised by M&B.
- On 21 March 2007 a total of 11 investors were visited at the road show Milan – Frankfurt organised by Citigroup.
- On 9 July 2007 the Investor Relations team visited five important investors in the company in Barcelona as part of the workshops organised by La Caixa in the city.
- On 10 July 2007, Sol Meliá met ten institutional investors at a road show in London organised by Citigroup.
- On 24 October 2007 the Investor Relations team met 8 investors in London at a road show organised by Citigroup.



The Director of Investor Relations, Carlos López, is a member of the Management Board and one of the four spokespersons (in addition to the Chairman and Vice Chairman) of the Spanish Investor Relations Association and responsible for the coordination of training courses organised by the Association. The Spanish Investor Relations Association was founded in 1991 as a non-profit organisation which aims to assist members in the improvement and promotion of investor relations in Spanish public companies, promoting activities focused primarily on training for members, the organisation of events and conferences, the promotion of international best practices in investor relations, and the sharing of know-how, demonstrating the commitment of the Investor Relations Department in particular and of Sol Meliá in general to communication with the markets and the transparency of information.

The Investors' Club provides shareholders with a direct line of communication with company management to ensure they are kept up to date with all company developments, and also provides an opportunity to make suggestions.

This direct communications channel between shareholders and the company is provided through the website ([inversores.solmelia.com](http://inversores.solmelia.com)), in which both current and historical financial information is available, through e-mail ([club.accionista@solmelia.com](mailto:club.accionista@solmelia.com)) and through a direct phone line (+34 971 22 45 54).

Every shareholder member of the Club is also given a card which in addition to providing MaS points which can be exchanged for free stays in company hotels, also provides access to a series of benefits in company hotels such as priority reservations, express check-in, free newspapers, free breakfast for room mate, late check-out, advance warning of exclusive online offers. MaS Gold Shareholders, with more than



1,000 shares and holders of the MaS Gold card, also get upgrades to a superior room, 20% extra MaS Rewards points for every stay, discounts in hotel restaurants and other benefits.

Registration for the Shareholders' Club may be made through [www.solmelia.com](http://www.solmelia.com) or by telephone on 901 34 44 44 for MaS Blue Rewards members with less than 1,000 shares and 901 10 00 02 for MaS Gold Rewards shareholders.

At the end of 2007, there were 186 MaS Gold Rewards Shareholders and 2,724 MaS Blue Rewards Shareholders. Every two months they receive a points account statement, every three months an exclusive newsletter with special offers and benefits, and twice a year a newsletter with news on company performance.

The Sol Meliá website at [www.solmelia.com](http://www.solmelia.com) has a special new section for financial information with an attractive design which provides full and accessible information on finances and corporate governance. The section is in full compliance with the directives on transparency in financial information issued by the Spanish Stock Exchange Commission.

The section contains updated information on quarterly results, issues of securities, financial news, share price, and information from the General Shareholders Meeting, Board of Directors meeting, as well as information on the Investors Club in a new section specially designed for members.

The Sol Meliá Investor Relations Department is always available to shareholders to guarantee the availability at all times of the most accurate market information and are always open to constructive suggestions on how they may provide better service.



The value of a leader.

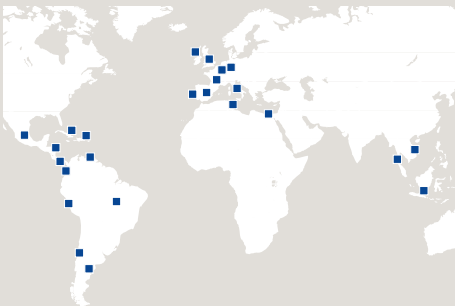


## Our Brands

Brand Value



### MELIÁ HOTELS WORLDWIDE



### Meliá Hotels & Resorts

#### Passion for service

Meliá Hotels & Resorts are located in the world's most important cities and popular resort destinations. Meliá combines Latin passion for service with special attention to style and a constant drive for innovation. With the dedication of their personnel and the brand's attributes in constant evolution, Meliá is "experienced" by its guests through every one of their five senses. The mission of the hotels is to delight guests with new and fresh experiences.

#### Rooms

The rooms are adapted to their different uses: the DreaMax bed, created in association with Flex, guarantees a great night's rest. Their new design is complemented by even more benefits. With Serviexpress our customer service staff will cater to any of our guests' needs and will advise on different experiences and activities that might make the stay even more enjoyable. Meliá Royal Service, recognised as one of the best exclusive personalised services for both business and leisure travellers, has now become The Level and includes new services and private spaces.

Technology also plays a key role in Meliá Hotels. Guestrooms have high speed Internet connections and plasma screen TVs, while up on The Level guests can use a Wii console and video games and a CD and DVD player, amongst other facilities.

#### Meliá cuisine

Meliá provides restaurants and bars each with their own particular personality, all going further than the traditional classic food service formulas to become points of reference in their home cities and resorts.

New restaurant concepts have been created in which the different spaces have been designed to ensure that the service, design, ambience and music fuse majestically to create unforgettable experiences.

- **Signature Restaurants:**

Top quality cuisine is represented at Meliá by the internationally famous chef Dani García. In addition to running his restaurant in Marbella, *Calima* (Gran Meliá Don Pepe), he also supervises other projects which blend tradition and innovation to perfection, such as *Quimera* and *Quimera Banqueting* at the Meliá Golf Vichy Catalan (Girona) and Dani García Attentions which he designed and developed himself and is now implemented in Meliá Hotels.

- **Destination Restaurants:**

Our restaurants provide superior quality cuisine.

- *La Albufera (Meliá Sevilla)*

Specialised in local cuisine and rice dishes.



Gran Meliá Palacio de Isora, Tenerife.



Calima. Gran Meliá Don Pepe, Marbella.

Our Brands | Brand Value



Meliá Barcelona

TECHNOLOGY ALSO PLAYS A KEY ROLE IN MELIÁ HOTELS. GUESTROOMS HAVE HIGH SPEED INTERNET CONNECTIONS AND PLASMA SCREEN TVs.

- *Meliá Tapas (Meliá Berlin)*  
Fusion of traditional and creative tapas in a cutting-edge ambience.
- *Floridita (Meliá Galgos)*  
Concept imported from Cuba combining the traditional taste of Cuba with the latest trends in cocktails and cuisine.
- *UNO by Dani García (Meliá Madrid Princesa)*  
A restaurant run by the well-known chef from Malaga offering a varied and original menu which exceeds the expectations of lovers of great food.
- **Lounges and Bars:**  
Great places to sample and enjoy exclusive flavours in a designer ambience with unique music.
- *Gabi Beach (Meliá Caribe Tropical and Meliá Gorriones)*  
Bar with chill-out ambience, with decor and furnishings which invite you to relax.
- *Davidoff Café (Meliá White House)*  
A place to enjoy the finest coffees and sample fine cigars.





YHI SPA IS CURRENTLY AVAILABLE IN MORE THAN 15 HOTELS AND HAS AN AMBITIOUS DEVELOPMENT SCHEDULE FOR 2008.

· *Illy café*

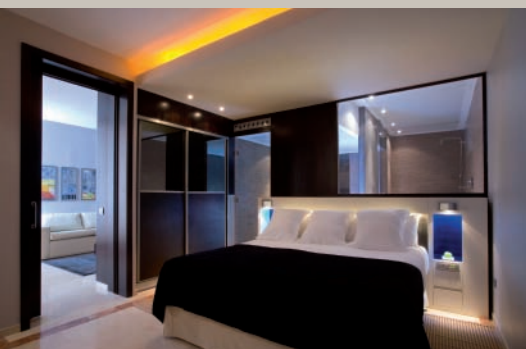
Agreement with the prestigious coffee brand to serve their coffee at breakfast and in restaurants, bars and cafeterias.

As has become tradition in recent years, Meliá continues to promote food festivals. The finest dishes in the world are served at festivals which reflect the 50 years of experience of the company in providing guests with innovative quality cuisine.

**Beauty and Wellbeing at Meliá**

Meliá has responded to the growing demand for the wellbeing of the body, mind and spirit by adding a great range of specialist gym and spa facilities. Our fitness areas are equipped with superior quality facilities provided by Lifefitness, a market leader in gym equipment.

To awaken the senses Meliá has created Yhi Spa, the exclusive spa areas for its Meliá and Premium brands. The spas are designed for wellbeing, health, beauty, relaxation



*Meliá de Mar, Mallorca.*



*Meliá Golf Vichy Catalan, Girona.*

and the revitalisation of body and mind. A life philosophy based on architectural senses. Yhi Spa ensures the experience will be truly unforgettable.

Yhi Spa is currently available in more than 15 hotels and has an ambitious development schedule for 2008.

### **Renovations in 2007**

- **Meliá de Mar (Mallorca, Spain).**  
The hotel will be fully renovated in 2008 in line with to the new attributes of the Meliá brand. It will provide 144 rooms with integrated Royal Service, as well as an exclusive culinary and leisure options. A luxury hotel alongside the sea.
- **Meliá Barcelona (Spain).** The Meliá Barcelona is special thanks to the elegance of its rooms, the exclusivity of The Level, personalisation in even the smallest of details, the excellence of its cuisine, the facilities in the spa and the professionalism of its event preparation. In 2007 the Meliá Barcelona continued with a full renovation scheduled to end in 2008.
- **Meliá Sol y Nieve (Granada, Spain).** The hotel is located in the heart of the Sierra Nevada ski resort just a few metres from the ski lifts. In 2007 the hotel added 30 new rooms as well as a spectacular 2,500 m2 Yhi Spa.
- **Meliá Madrid Princesa (Spain).** Located in the centre of Madrid, the hotel renovated its facilities to adapt them to the modern, cutting-edge image of the new Meliá brand and also introduced a new The Level service. It also has a new UNO restaurant run by Dani García.
- **Meliá Sevilla (Spain).** The hotel has the largest Convention and Congress Centre in the city and provides 366 contemporary styled rooms all fully equipped with the latest technology and attributes. It also offers a new and exclusive The Level service.



*Meliá Barcelona*

### **Openings 2007**

- **Meliá Grand Hermitage (Bulgaria).** Located in Golden Sands, Varna, right on the beach, this five star hotel has a total of 727 rooms and offers an extensive choice of services and facilities which make it ideal for vacations.
- **Meliá Patagonia (Chile).** The first Sol Meliá hotel in this South American country. The new hotel opened in March 2007 and provides 91 rooms, the majority of which have views of the lake. It also offers a full leisure and relax package.

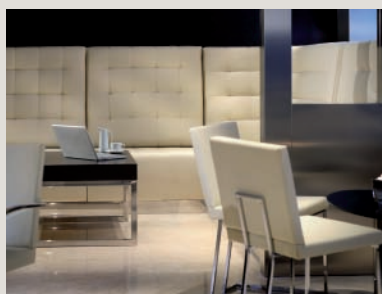


*Meliá Grand Hermitage, Bulgaria.*

Our Brands | Brand Value



*Yhi Spa. Meliá Bali, Indonesia.*



*The Level. Meliá Madrid Princesa.*



*Meliá Aldeia Dos Capuchos, Portugal.*

- **Meliá Aldeia dos Capuchos (Portugal).** Located near the tourist town of Caparica, in the entrance to the historical village of dos Capuchos, the new hotel provides 111 apartments and 58 rooms, as well as an extensive range of services. The unbeatable location in one of the most popular tourist resorts in the region of Almada, makes it ideal for travellers looking to combine business with pleasure.

#### **Main projects in 2008:**

Amongst the actions scheduled at Meliá Hotels & Resorts for 2008 is the implementation of the Guest Experience manager, new technologies in guest rooms and public areas: piped music, interactive television and improvements in business centres. Quick and efficient check in and check out express kiosks, e-Concierge, availability of smoke-free spaces and implementation of a single aroma for Meliá hotels, Meliá Breathing.

#### **Meliá Boutique Hotel**

Meliá Boutique Hotels are small hotels with a personality of their own, also providing all of the quality standards that distinguish Meliá Hotels. They are renowned for their luxury, exclusive design and highly personalised service providing the greatest attention to even the smallest details. The hotels are located in outstanding buildings such as palaces, castles or convents.





ME Cabo, Los Cabos.



ME Madrid

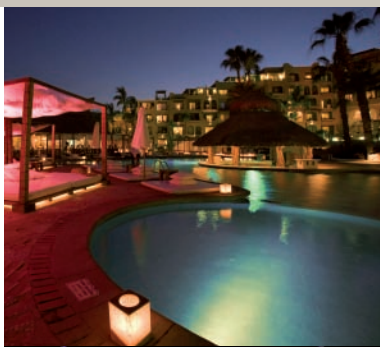
## ME by Meliá It becomes you



ME by Meliá is a new concept for hotels with personality, where design, international cuisine and cutting-edge music all have an important role to play. ME by Meliá will operate in the most important cities in the world as well as in leading tourism destinations.

ME guests are open-minded, stylish and worldly. They are concerned about fashion and music, they follow the latest trends and are used to travelling. They are individuals who view their lives not in eight-hour shifts or 40-hour weeks, but as a seamless trajectory of experiences toward a set of long-term goals. They are motivated by personal growth rather than status. They are decisive and discerning. They crave stimulation and inspiration from new experiences, and are satisfied to pay a premium for quality, innovation and sincerity wherever they can find it.

ME by Meliá is a family of design-driven, experience-based “personality hotels” which stimulate the senses at the same time as they help relax. No two ME hotels look the same, but they all offer a range of shared attributes that make them unique. To assist in this task they have the support of internationally respected expert partners such as the Gerber Group or the Nikki Beach team which help to make destinations out of hotels, great for both travellers and local residents. ME has also enjoyed the services of the architect Álvaro Sans, who alongside interior designers Keith Hobbs from United Designs and Rebeca Pérez from Interarq, has designed unique, energising spaces in Madrid, Cancun and Cabo San Lucas.



Nikki Beach. ME Cabo.



ME Cancún.

### Technology and cutting-edge design in rooms

Quality and design are key to ME by Meliá guestrooms. The beds are dressed with 300-thread count linen sheets, feather pillows and superior quality mattresses, and guests also have a range of organic products to accompany their bath or shower.

The ME experience piques the senses with cutting-edge leisure technology: a home movie system with CD and DVD and a 32 inch interactive plasma-screen TV; speakers with surround-sound; a large CD and DVD library in each room; as well as the latest facilities for business travellers such as iPod adaptors and connections points.

ME hotels also provide The Level, an exclusive floor for VIP guests with luxury rooms and suites with special features such as a private Jacuzzi, a selection of aromatherapy products, cocktails and continental breakfast and free Internet access.

### Cuisine. Fusion and style

ME by Meliá is also home to the finest international cuisine. The prestigious Rande and Scott Gerber, founders of *The Gerber Group*, have created the restaurants, bars and lounges for the brand. Famous chefs propose the most appetising fusion cuisine, while skilled barmen delight guests with cocktails in the coolest of settings.

The *Midnight Rose* bar-restaurant and *The Penthouse* terrace, both supervised by the prestigious Spanish chef, Jaime Renedo, are the signature dining and leisure experiences at the ME Madrid.

For the ME Cancún the Gerbers have created an *Infinity Bar*, *Water Grille* and *Rose Bar* serving customers with unique cocktails and a great experience for the taste buds. *The Gerber Group* has also joined forces with the magazine *Maxim* to create the first *Maxim Beach Club* at the ME Cancún. The hotel also has a great chef, Matías Martínez, showing off all of his skills at the Mediterranean style *SALT* restaurant and the Japanese cuisine *Silk* and *Bistro*.

In Cabo, ME also has *Nikki Beach* as a new partner at a beach club which everyone wants to see and where everyone wants to be seen. *The Passion Club*, also by *The Gerber Group*, is the focus for fusion cuisine at ME Cabo.





Nikki Beach. ME Cabo.

ME HOTELS ALSO PROVIDE THE LEVEL, AN EXCLUSIVE FLOOR FOR VIP GUESTS WITH LUXURY ROOMS AND SUITES WITH SPECIAL FEATURES.

### The Yhi Spa experience

The Yhi Spa experience, the Sol Meliá spa brand, is also a prominent feature of ME by Meliá. At ME Cancún, Yhi Spa offers a great range of indoor and outdoor treatments. Outdoors, guests may delight in an oasis overlooking the ocean under the Cancun sun. Three outdoor swimming pools, including the biggest infinity pool in Mexico, extend the water ritual.

ME Cabo provides a spa boutique with innovative areas for physical exercise (Yhi Moves), hydrotherapy (water ritual) and relaxation (Yhi Relax). Special classes in yoga, tai chi or Pilates offered by skilled monitors help provide the Yhi Spa relaxation and revitalization experience.

### Everything is possible

Everything is Possible is the service programme that delivers what guests expect and anticipates what they don't. ME by Meliá individualises the guests' stays and goes beyond their needs. Individualized service is the soul of the culture of ME.

ME by Meliá has a guest recognition programme which ensures that each time a guest returns, the hotel is able to call upon a register of their preferences and make their stay perfect for their particular needs.

The Experience Manager (EM) orchestrates the energy in the public spaces. A master of nuance, of spectacle and of everything in between. The EM of ME keeps the hotel in sync with the rhythm of the moment. The EM has a team of individuals that not only give personality to the hotel but are there to ensure your experience is executed on every level.





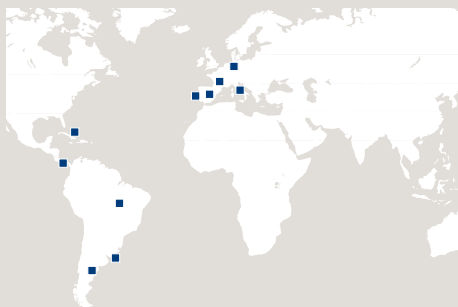
Tryp Oviedo

Our Brands | Brand Value



Hotels in the City

#### TRYP HOTELS WORLDWIDE



Tryp Barcelona Aeropuerto

### Tryp Hotels in the city

Tryp Hotels, with more than 100 hotels in 10 countries in Europe and America, has become the favourite choice for travellers seeking a centrally-located, modern and comfortable hotel for business trips and also to combine their work with some leisure time in the city.

Tryp Hotel guests are modern and well-prepared men and women, concerned about their health and with a desire to keep up to date with things. Tryp is also home to young families with children that like to discover some of the great cities of the world on weekend breaks or vacations. They seek great value for money, excellent locations, healthy food and modern meeting spaces.

### Tryp Rooms

Tryp Hotels knows the needs of their guests when they wake in the morning, when they get back after a hard day's work, or when they take a break with their family. We know their preferences and their concerns, and that's why we created new types of rooms better adapted to their needs: Premium Room, Fitness Room and Family Room. During 2007 ten hotels adapted their rooms in line with the new brand attributes.





Tryp Oceanic, Valencia



Tryp Barcelona Aeropuerto

DURING 2007 TEN HOTELS  
ADAPTED THEIR ROOMS IN  
LINE WITH THE NEW BRAND  
ATTRIBUTES.

- **Premium Room: Something more than work**

Specially designed for business travellers, guests can surf the Internet or sip a coffee while they read the financial press as they recline in their Premium Bed developed by Flex. The Premium room includes: free internet, exclusive premium bed by flex, financial newspaper, coffee and tea maker, ironing board and iron, bathrobe and slippers, hairdryer and diffuser, special amenities for men and women.

- **Fitness Room: Stay in shape**

Tryp Hotels together with LifeFitness has created rooms for making the most of your time and keeping in trim during your business trips. Fitness Rooms have all the features of a Premium Room and have added a treadmill, elliptical or exercise bike as well as a free fitness clothing kit and sports newspaper.

- **Family Room: Your family in the city**

Tryp Hotels makes it easy for travelling with your family: rooms with bunk beds for the kids and regular beds for the parents so that you can discover the city and then rest together. Family Rooms provide bunk beds, baby kit, bottle warmer, children's toothbrush and a gift for the kids.

## Updating the brand's image

Tryp Hotels continues to adapt the brand image. The latest hotel to open was the Tryp Zaragoza, and all of its rooms have been designed following the standards and attributes of the new image. Tryp beds with four great Flex pillows and various quilts for maximum comfort and choice during the different seasons of the year. The pillow menu, from feathered pillows to special cervical pillows, also makes for a great night's rest.

In its drive to adapt to changing guest trends, Tryp Hotels has introduced a new line of bathroom amenities with 100% biodegradable packaging. It has also introduced new hygiene kits for guests, such as the "tired feet kit", especially designed for female business travellers.

## Tryp cuisine

Tryp Hotels has always been extremely proud of the extensive variety, quality and design of their breakfast service. Young and sporty Tryp customers require healthy and balanced meals.

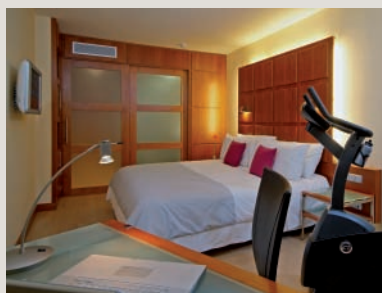
In Tryp Hotels keeping in shape is our way of life. That's why our breakfast buffets provide a great choice of fresh fruit, cereals and yoghurts to provide the energy needed to face the new day.





Tryp Zaragoza

**DURING 2007, TRYP HOTELS  
HAS CONTINUED WITH ITS  
POLICY OF MODERNISING  
ITS HOTELS.**



Fitness Room. Tryp Azafata, Valencia.



Tryp Cibeles, Madrid.

In the interests of nutritional balance, special attention has also been given to the health food corner including low-calorie products and a selection of fresh fruit, cereals and dried fruit to help keep a healthy, balanced diet.

Furthermore, the new Fitness and Family Rooms have inspired a breakfast proposal by expert nutritionists to help guests get the best out the experience. During 2007 the concept of the Coffee Shop in the Tryp Zaragoza has continued to be developed, allowing guests to enjoy healthy food in a modern and pleasant environment or to ask for a take away served in original packaging.

### **Tryp activities**

Sport and leisure activities are highly valued by Tryp hotel customers and more and more Tryp Hotels are adding special areas for relaxation and exercise. Amongst them was the Tryp Barcelona Aeropuerto which opened its 24 hour gym in 2007, a feature now available in 26% of Tryp Hotels.

### **Sales activities**

At the end of 2007 Tryp Hotels launched the Spider-Man 3 Family Room in Spanish hotels in association with Sony Pictures meaning that the company's youngest guests could have fun with their favourite superhero during their stay. Not only did our guests enjoy added value for money with this promotion but it also helped sales of Family Rooms in the low season for minimum stays of two nights.

In 2007 Tryp Hotels provided 65 weekend stays for two people as part of the new promotional campaign which Sol Meliá organised with Kellogg's and the travel portal Rumbo for the coming months.

In September the Tryp Barcelona Aeropuerto hosted a recording of the reality show 26.2 transmitted by the Spanish television channel Tele 5 Sport. The programme prepared 10 amateur runners for the famous marathon in New York.

During 2007 Tryp Hotels, and in particular the Tryp Comendador, sponsored the national show jumping championship which took place in Espinar, Segovia.

### **Renovations 2007**

During 2007, Tryp Hotels has continued with its policy of modernising its hotels. Amongst the renovations undertaken this year we would highlight the continuing work or end of work at the Tryp Bellver in Palma de Mallorca, the Tryp Alameda Aeropuerto in Madrid, and the Tryp Azafata in Valencia.

### **Openings 2007**

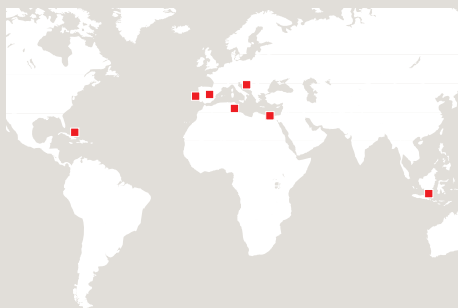
- **Tryp Zaragoza.** Located opposite the Las Delicias station and the entrance to the Expo Zaragoza 2008. The hotel has 162 rooms and modern facilities equipped with the latest technology for the business traveller and weekend breaks to the city.



*Sol Milanos Pingüinos, Menorca.*



#### SOL HOTELS WORLDWIDE



*Sol Antillas Barbados, Mallorca.*

### Sol Hotels

#### Always fun

Located in major Mediterranean and Caribbean tourist destinations, Sol Hotels provide comfortable rooms, a wide range of restaurants and bars, swimming pools and an extensive programme of activities for guests of all ages, especially for children.

2007 has been a year of consolidation and enhancement of the concepts introduced throughout the previous year, both in the area of food and beverage and in the area of activities.

The brand's new corporate image has been introduced in public areas and restaurants, as well as in rooms. The new Sol Hotels' logo and signs were introduced in 2007 in the Sol Antillas Barbados (Mallorca, Spain), Sol Pelícanos Ocas (Alicante – Benidorm, Spain), Sol Milanos Pingüinos and Sol Falcó (Menorca, Spain), Sol Princesa Dácil and Sol Tenerife (Canary Islands, Spain), Sol Príncipe (Malaga – Torremolinos, Spain) and Sol S'Argamassa (Ibiza, Spain). At the same time the brand's new image was beginning to be introduced in the following hotels: Sol Cala Blanca, Sol Mirlos Tordos (Mallorca, Spain), Sol Ibiza, Sol Galua (Murcia, Spain), Sol Aloha Puerto (Malaga, Spain), Sol Los Fenicios (Granada, Spain), Sol Menorca and Sol Gavilanes (Menorca, Spain).

Everything about Sol Hotels has been designed to ensure that every member of the family finds an activity that appeals to them by day and night.

### Sol Cuisine

During 2007 the different food service features introduced in 2006 went from strength to strength: Fun Food adapts food service to the type of client, with special attention to the children, and SOGOOD restaurants offer a fresh, modern image accompanied by the flavours and aromas of our finest cuisine along with theme corners alongside the best of traditional local cuisine.

At the Sol breakfast buffet, ovens have been installed so that guests can warm rolls and pastries and create a pleasant "fresh-from-the-bakery" smell.

Mediterranean flavours and aromas also play a prominent role in the new SOWORLD buffets. Fresh salads accompany the latest trends in healthy cuisine expected by today's guests.

Entertainment abounds in the restaurants at the Flintstones hotels where kids enjoy unforgettable fun with their favourite cartoon characters. Special menus were created in 2007 offering all the food that children like best including pasta and rice.

THROUGHOUT 2007 THE  
FLINTSTONE ACTIVITY  
PROGRAMME (ADVENTURE,  
WORKSHOPS, CAMPING,  
ETC.) AND THE ROCKAPACKS  
CONTINUED TO BE A GREAT  
SUCCESS.



*Sol Kipriotis, Greece.*

A novel new idea saw ice cream sold in a new way at two hotels in Menorca (Sol Falcó and Sol Milanos). In an area next to the swimming pool, ice cream parlours were set up where guests could choose their own ice cream ingredients. Refreshing flavours served in a cone saw sales doubling compared to the previous year.

#### Activities at Sol Hotels

Now available at ten hotels, the Flintstones Land is the best way to enjoy activity-packed vacations with the children's favourite cartoon characters. Throughout 2007 the Flintstone activity programme (adventure, workshops, camping, etc.) and the Rockapacks continued to be a great success. An investment of 690,000 euros in six Sol hotels means that we now offer a more standardised product.

30 Flintstones rooms have also been introduced at the Sol Milanos Pingüinos, Sol Falcó and Sol Lanzarote which have had a positive impact on guests.

As a complement to the children's facilities there is also a health and sports programme for adults - SOSPORT active - including activities such as spinning, aero dance, swimming, tonic training, etc., all supervised by expert monitors. In 2008 the aim is to implement specific health programmes (exercise and nutrition).

Nightlife also plays a prominent role at Sol Hotels. The concept of night time activities changed in 2007 and now includes chill-out parties, discos, Tex Mix parties, Sol World parties and parties on the terraces and on the beach. Live music at night has been another novel and modern feature, with "Le Cirque" show and other family-orientated shows. These shows and performances have been a great success with our guests.

Sol Hotels also pays special attention to senior guests with the Senior Programme which was consolidated over the winter season, improving guest satisfaction and contributing, in conjunction with the SOSPORT programme, the Rockapacks and



*Sol Falcó, Menorca.*





*Sol Príncipe Principito, Málaga.*

Our Brands | Brand Value

**SOL HOTELS  
HAS RENOVATED  
13 SPANISH HOTELS  
IN 2007.**

the new concept of parties, to achieving objectives in generating extra revenues for the year.

Solidarity Day is a project which forms part of the Sol Meliá Community Involvement programme and has been held for the fourth consecutive year in company hotels. In 2007, 18 Sol Hotels took part (4 more than the previous year) with a programme of solidarity activities and workshops for one day and night every week. The events were a great success amongst guests and beat all expectations of participation and fundraising. (More information in the Community Involvement 2007 section of this report).







*Sol La Palma*

### **Renovations 2007**

In 2007 Sol Hotels has continued to renovate hotel facilities, specifically so in 13 Spanish hotels amongst which is the total renovation of public areas at the Sol Mirlos Tordos, and the renovation of guest floors and guestrooms at the Sol Antillas Barbados, both in the Balearic Islands.

### **Additions in 2008**

- **Sol Kipriotis Village (Kos, Greece).** Located on the east coast of the island of birth of Hipocrates, right on the beach, this 4 star hotel has 651 rooms and an extensive choice of dining and leisure options. The public areas were completely renovated in 2007 and in 2008, before the summer season, their rooms will be renovated.
- **Sol Nessebar Resort (Bulgaria).** The complex consists of three hotels located on the shores of the Black Sea, in gardens some 2.5 kilometres from the city centre. It has 791 soundproofed and fully equipped rooms.



*Sol Kipriotis, Greece.*

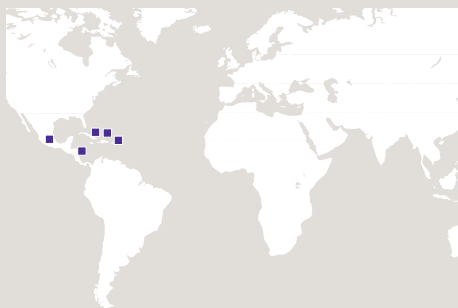




Our Brands | Brand Value



#### PARADISEUS RESORTS WORLDWIDE



*Paradiseus Riviera Cancún, Mexico.*

### Paradiseus Resorts

#### A real life fantasy

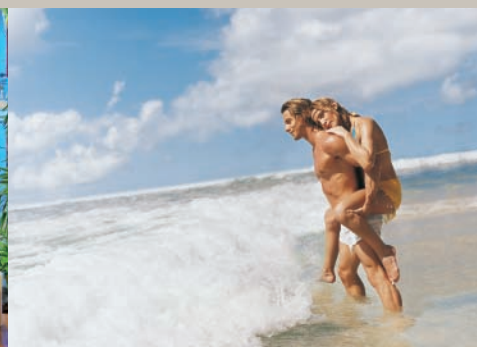
The Ultra All Inclusive Paradiseus Resorts are ideal for unforgettable vacations on the best beaches in the Caribbean. With their unique architecture, the resorts fit in perfectly with their exotic surroundings and are a luxury for all the senses. The prestigious all inclusive service includes a great choice of food and beverage options as well as an adult-only Royal Service, Family Concierge and a wide range of leisure options. At Paradiseus Resorts all the services are geared to make guests' dreams come true.

The brand's exclusive architectural style and internationally famous service, as well as its excellent facilities and amenities, have created an exclusive five star experience pleasing even the most demanding of guests.

Paradiseus Resorts has hotels in Costa Rica, Mexico, Dominican Republic and Cuba, three of which are members of The Leading Hotels of the World.



Paradisus Río de Oro, Cuba.



THE RESORTS HAVE ALSO INTRODUCED ROMANCE BY PARADISUS, A RANGE OF PACKAGES DESIGNED FOR COUPLES TO CELEBRATE A SPECIAL ANNIVERSARY, A SPECTACULAR WEDDING OR AN UNFORGETTABLE HONEYMOON.

### Cuisine at Paradisus

Cuisine at Paradisus Resorts is famous for the diversity and quality of its dishes and the professionalism of its chefs. Delicacies from Italian, Japanese, Mexican and French cuisine combine with the most appetising ingredients and techniques of local cuisine in each location. The menus in the specialist restaurants reflect the very latest trends in haute cuisine so guests can try fusion food in the sushi bars, Latin bistros or Mediterranean favourites. An original range of creative cocktails also rounds off the evening perfectly.

### Activities

The original activities on offer at Paradisus Resorts are designed to make vacations a truly unforgettable experience. The Life Enriching Activities allow guests to enjoy their rest and relaxation with a few workshops to help them learn new skills or just meet people. Led by expert monitors, guests may take classes in Japanese cuisine, photography, wine tasting or massage techniques.

Paradisus Resorts has also introduced the Experience Manager, a concept designed to make made-to-measure vacation experiences for guests.

The resorts have also introduced Romance by Paradisus, a range of packages designed for couples to celebrate a special anniversary, a spectacular wedding or an unforgettable honeymoon. The programme provides all of the flexibility and personalization required for a memorable experience. Romance by Paradisus also employs expert professionals able to coordinate any desire the couple may have, whether it's a special ceremony or a horse ride along the beach. To help create these packages, Paradisus Resorts is working with the *Beverly Clark Collection*, a leading company in wedding organisation.

Paradisus Riviera Cancún, Mexico.







*Paradisus Princesa del Mar, Cuba.*

Our Brands | Brand Value



*Paradisus Palma Real, Dominican Republic.*

### A year of awards

Paradisus Riviera Cancún and Paradisus Playa Conchal were named in 2007 as two of the best resorts in the world in the 20th Annual Selection Awards by the readers of Condé Nast Traveler. The popular North American travel magazine also selected the Paradisus Riviera Cancún at number 14 of all of the Mexican resorts and Paradisus Playa Conchal at number 10 amongst Central and South American resorts.

The Family Concierge programme at the Paradisus Riviera Cancún received the industry's top award as it was admitted for membership of The Leading Hotels of the World. The resort also achieved membership for its adult-only Royal Service.

Paradisus Playa Conchal has been named amongst the World's Best Luxury Hotels for Families, a prize awarded by the online travel agency Five Star Alliance to hotels with excellent family service. The award is added to the resort's membership of The Leading Hotels of the World.

Paradisus Punta Cana was presented with the Green Planet Award 2007-2008 by the tour operator Kuoni Travel Group in recognition of its commitment to environmental issues.

### Renovation

Paradisus Punta Cana Resort will open new restaurants in 2008: *Baci*, serving Italian cuisine, *Aqua*, with Mediterranean fusion dishes and *Fuego*, a Latin bistro; as well as a new lobby bar, the *Red Lounge*. The *Gabi Club*, Paradisus Resorts' beach club concept, will also start serving international cuisine.



*Yhi Spa. Paradisus Princesa del Mar, Cuba.*

THE POPULAR TRAVEL  
MAGAZINE NAMES THE  
PARADISUS PLAYA CONCHAL  
THE 10TH BEST RESORT  
IN CENTRAL AND SOUTH  
AMERICA.



*Paradus Varadero, Cuba.*



*Paradus Riviera Cancún, Mexico.*

### New features 2007

- **The Reserve.** The Reserve is the “jewel in the crown” of the recently renovated Paradus Punta Cana which includes everything, from new dinner concepts to more spacious and improved areas for meetings; an exclusive oasis with all the services required to make a stay a very special moment. The Reserve offers all the home comforts together with privacy and exceptional features.
- **Yhi Spa.** Paradus Palma Real opened its Yhi Spa, the new Sol Meliá wellbeing brand, where a selection of the best products, treatments and rituals are provided to awaken the senses and provide total wellbeing for the body and the soul. This exclusive space includes treatments from the Gaia collection, with natural curative properties.
- **Palma Real Shopping Centre.** Palma Real Shopping Centre is a shopping and leisure complex which will delight the most discerning travellers with more than 60 shops and boutiques, selling international brands, as well as bars, restaurants and ice cream parlours. In its second phase of development, the centre will also provide a multicinema complex.
- **Mobile phone and laptop hire programme.** Paradus Resorts has become pioneers in launching a programme to hire mobile phones and laptops so that guests can stay in contact with friends, family or even the office without having to bring their bulky laptops or pay the high roaming charges of mobile phone companies.



*Paradus Playa Conchal, Costa Rica*

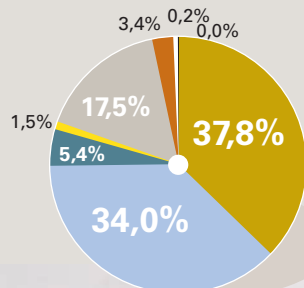




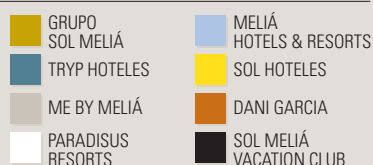
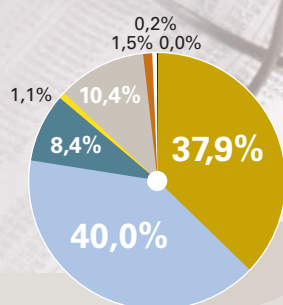
## Sol Meliá in the media

Brand Value

### FINANCIAL VALUE 2007



### PAGE SPACE 2007



In 2007 Sol Meliá increased the number of appearances in the press of the Group and its Meliá, Tryp and ME by Meliá brands, while also noting a need to strengthen communication in areas such as Food and Beverage, Real Estate and Paradisus, which have fallen back by around 50% in their exposure.

Throughout the year ME by Meliá achieved excellent results in press coverage. Thanks to major communication efforts, in 2007 the brand reached all of its target markets, from international business travellers to domestic tourists, also making itself the “place to be” thanks to its leisure options and trendy locations.

### 2007

BRANDS	NUMBER OF REPORTS	PAGE SPACE	FINANCIAL VALUE	NUMBER OF IMPACTS
GRUPO SOL MELIÁ	2,016	158.70 Pag.	765,902.76 €	290,042,000
MELIÁ HOTELS & RESORTS	2,215	169.18 Pag.	688,777.84 €	363,083,000
TRYP HOTELES	506	35.34 Pag.	109,686.41 €	75,097,000
SOL HOTELES	30	4.81 Pag.	31,290.73 €	6,911,000
ME BY MELIÁ	153	43.68 Pag.	355,133.85 €	77,452,000
DANI GARCIA	16	6.38 Pag.	68,494.55 €	6,471,000
PARADISUS RESORTS	10	0.84 Pag.	3,819.27 €	437,927
SOL MELIÁ VACATION CLUB	3	0.04 Pag.	595.10 €	112,000
<b>TOTAL</b>	<b>4,949</b>	<b>418.97 Pag.</b>	<b>2,023,700.51 €</b>	<b>819,605,927</b>

### 2006

BRANDS	NUMBER OF REPORTS	PAGE SPACE	FINANCIAL VALUE	NUMBER OF IMPACTS
GRUPO SOL MELIÁ	1,752	153.58 Pag.	789,945.37 €	336,541,000
MELIÁ HOTELS & RESORTS	2,186	203.72 Pag.	779,862.51 €	360,513,000
TRYP HOTELES	371	39.80 Pag.	182,724.71 €	67,227,000
SOL HOTELES	34	3.06 Pag.	18,771.52 €	5,717,000
SOL MELIÁ VACATION CLUB	36	4.65 Pag.	37,237.47 €	6,314,000
HARD ROCK HOTELS	74	19.21 Pag.	85,937.31 €	27,076,000
PARADISUS RESORT	31	5.24 Pag.	36,578.24 €	5,036,000
DANI GARCIA	45	4.70 Pag.	50,846.44 €	19,105,000
ME BY MELIÁ	113	32.06 Pag.	307,494.40 €	50,783,000
<b>TOTAL</b>	<b>4,642</b>	<b>466.02 Pag.</b>	<b>2,289,397.97 €</b>	<b>878,312,000</b>

### 2005

BRANDS	NUMBER OF REPORTS	PAGE SPACE	FINANCIAL VALUE	NUMBER OF IMPACTS
GRUPO SOL MELIÁ	2,196	183.72 Pag.	846,164.21 €	375,833,000
MELIÁ HOTELS & RESORTS	2,184	203.91 Pag.	817,138.88 €	320,118,000
TRYP HOTELES	628	49.25 Pag.	168,545.83 €	100,002,000
SOL HOTELES	88	7.40 Pag.	22,743.38 €	13,333,000
SOL MELIÁ VACATION CLUB	39	1.31 Pag.	4,286.82 €	3,899,000
HARD ROCK HOTELS	32	4.56 Pag.	24,086.28 €	6,308,345
PARADISUS RESORT	37	1.85 Pag.	11,062.91 €	6,195,000
<b>TOTAL</b>	<b>5,204</b>	<b>452.00 Pag.</b>	<b>1,894,028.31 €</b>	<b>825,688,345</b>

## Sales activities

Brand Value



Amongst the most prominent sales activities carried out by Sol Meliá in 2007 was the celebration of the first Meliá Golf Tour, an event which even after just its first edition has quickly become a superior quality event thanks to the impressive range of resources brought to its organisation. Another of the most important events of the year was the Flavours and Colours road show bringing the Sol Meliá Caribbean-style soul and magic to many of Europe's major cities.

### First Meliá Golf Tour

In 2007 Meliá Hotels & Resorts celebrated the first Meliá Golf Tour between 28 September and 25 November in five Spanish cities. Participants in the different tournaments included some of Sol Meliá's most distinguished partners, amongst them senior executives from some of the country's leading companies and travel agencies. The first Meliá Golf Tour, officially sponsored by AVIS and PHILIPS, included 5 tournaments each with two categories and which each attracted around 100 of the major companies in each destination.

Meliá Hotels & Resorts provides two hotels in Spain which are highly focused on golf, the Meliá Golf Vichy Catalan and the Meliá Sancti Petri, as well as a large number of hotels located in golf destinations which have preferential agreements with the best local golf courses. The Meliá brand is increasingly becoming associated with this elegant sport, in perfect tune with the new brand attributes and the Meliá mission to create fresh, new experiences. The company also provides magnificent golf courses in many of its resorts in the Caribbean and Latin America.

This is the first major event organised by the new golf unit run by the hotel chain. Sol Meliá Golf, a newly-created department, has the objective of promoting business in this important travel segment with an increasing number of travellers both in Spain and in the rest of the Sol Meliá destinations.

THE MELIÁ BRAND IS  
INCREASINGLY BECOMING  
ASSOCIATED WITH THIS ELEGANT  
SPORT, IN PERFECT TUNE WITH  
THE NEW BRAND ATTRIBUTES.



*Meliá Sancti Petri, Cádiz.*



*Meliá Golf Vichy Catalan, Girona*



Gabi Club, Paradisus Punta Cana, Dominican Republic.

## Flavours and Colours



From April to June 2007, Sol Meliá carried out an innovative promotion organised by the North America and Caribbean Division. Normally hotel chains invite travel agents to get to know their hotels by taking them to the destination. This time around Sol Meliá brought the destination and its cuisine, culture, colour and warmth to 9 major European cities. The major Flavours and Colours of America road show became the most important promotional effort for the preferred destination of many Europeans and also enjoyed the cooperation of the hotel chain's most important business partners.

Gabi Club, Nikki Beach, Romance by Paradisus, Family Concierge or Experience Manager are just some examples of the new attributes which define Sol Meliá in the Caribbean and in which the company has invested 300 million euros in recent years.

After landing in Berlin, Flavours and Colours moved on each week to Zurich, Frankfurt, Barcelona, Milan, Paris, Brussels and Madrid to host food festivals, presentations at central reservations companies, interviews with radio stations and the press, training for travel agents, and great shows brought directly from the Caribbean.

**[solmelia.com](http://solmelia.com)**



The value of a leader.



## Customer Knowledge

Commercial Value

### Loyalty Programmes: our own particular clients.

#### TODAY, SOL MELIÁ IS ASSOCIATED WITH THE FOLLOWING LOYALTY PROGRAMMES:

- AAdvantage (American Airlines)
- AMC Miles (ANA)
- Binter Mas (Binter Canarias)
- Club Premier (Aeroméxico)
- Club Ave (AVE-Renfe)
- Distancia (Grupo Taca)
- Eurobonus (SAS)
- Fly Pass (Meridiana)
- Frecuenta (Mexicana de Aviación)
- Hi-Fly (Meridiana)
- Iberia Plus (Iberia Líneas Aéreas)
- JAL (Japan Airlines)
- Krisflyer (Singapore Airlines)
- Lanpass (Lan Chile)
- Malaysian Airways
- Membership Rewards (American Express)
- Millemiglia Club (Alitalia)
- Victoria (Tap Air Portugal)
- Sky Miles (Delta Airlines)
- Sky Club (Portugalia)
- Spanair Plus (Spanair)
- Top Bonus (Air Berlin)
- Travel Club (Air Miles Spain)
- Trip Rewards (Cendant)



#### Sol Meliá and its partners

Sol Meliá began its experience with customer loyalty programmes in 1993 with the Iberia Plus card and then extended its relationship with other airlines throughout the world until it had become a partner in the loyalty programmes of more than twenty other companies.

#### MaS Programme

Seeing the numerous advantages of these programmes, including the use of database marketing to raise customer loyalty, providing them with information on a regular basis about new features and attractive offers for specific market segments, Sol Meliá created its own MaS loyalty programme in 1994.

The company was thus able to provide clients with a more personalised product, based around earning and exchanging points and also enjoying additional benefits during their hotel stay: free newspaper, priority bookings, express check-in and late check-out, etc. Since then the number of MaS members has steadily increased and the programme has also increased its number of partners. At the end of 2007 we had 1,850,000 MaS members, a 32% increase over 2006.



Mention must also be made of the MaS online service at [solmelia.com](http://solmelia.com), allowing members access to their accounts, statements and gift catalogues, etc., making access to real-time information easier and also promoting direct communication with members. E-mail newsletters are also sent to MaS members with all the programme's latest news, offers and features. In 2007 there were 650,000 MaS members registered online.



MORE THAN TWO MILLION  
GUESTS ARRIVE AT OUR  
HOTELS VIA A LOYALTY  
PROGRAMME.



### Club Amigos Programme

Sol Meliá launched another loyalty programme in Germany and Switzerland in 1997. Club Amigos aimed to attract, get to know and gain the loyalty of travel agents that sell company hotels. After its wide acceptance in these countries, the company introduced the programme in Spain and Portugal in 1998. Since then other countries have gradually been added to the programme:

- 1999 Club Amigos United States and Canada
- 2000 Club Amigos Mexico
- 2002/2003 Club Amigos United Kingdom and Scandinavia
- 2005 Club Amigos Virtual (rest of the world)

### Sol Meliá loyalty in figures

More than two million guests arrive at our hotels via a loyalty programme. Two out of every five individual guests staying at a Sol Meliá hotel mention a loyalty card when they make a reservation with the company's central reservations system. Since 1997 SolRes has registered a 30% increase in revenues thanks to demand from travel agents after the launch of Club Amigos Spain.

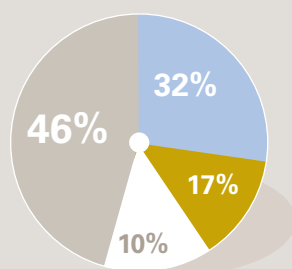
If we add these figures to a database of more than 100 million frequent travellers, both domestic and international, nearly 2,000,000 MaS cardholders and 130,000 Club Amigos travel agents, the result is a truly extraordinary evaluation of the influence of these programmes on the sales of our products.



THE SMART TOOL IS  
A FLEXIBLE AND INTUITIVE  
WEB-BASED SOLUTION WHICH  
INCLUDES ALL OF THE  
SALES PROCESSES AND  
THE DATABASES.



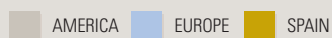
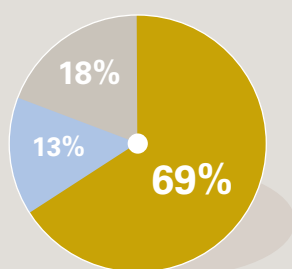
Nº OF USERS BY SEGMENT



NO. OF USERS

	Spain	Europe	America	Total
Corporate	58	27	13	98
MSM	52	15	32	99
Leisure	34	1	11	46
Hotel	161	17	25	203
<b>Total</b>	<b>305</b>	<b>60</b>	<b>81</b>	<b>446</b>

Nº OF USERS BY REGION



## CRM

### SMART: Our CRM tool for companies and intermediaries

#### Implementation of SFA worldwide

Throughout the company's history, Sol Meliá's salespeople have been clearly focused on customers and boasted an extensive knowledge of the company's hotels, a fundamental factor for sales success.

The growth of the company has gone hand in hand with a sales force which is now more professional and standardised than ever before.

Sales Force Automation (SFA) at Sol Meliá was designed to help improve internal and external sales and had a great impact on corporate clients and travel agencies. The implementation of computerised solutions in the sales process responds to the objective of improving efficiency and the capacity of the sales network and thus make it more productive. Sol Meliá currently has 446 users of the tool.

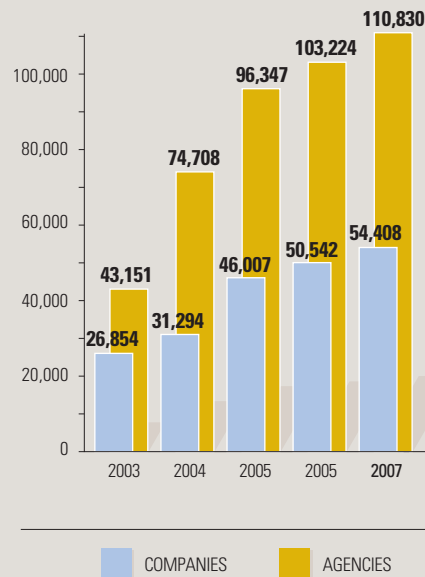
The SMART tool (Sol Meliá Account Relationship Tool) is a flexible and intuitive web-based solution which includes all of the sales processes and the databases of corporate clients and travel agencies in the same tool. The main advantages are:

- Improve sales force coordination and management by optimising resources.
- Help manage group leads with a focus on the client.
- Allows salespeople to access client data.

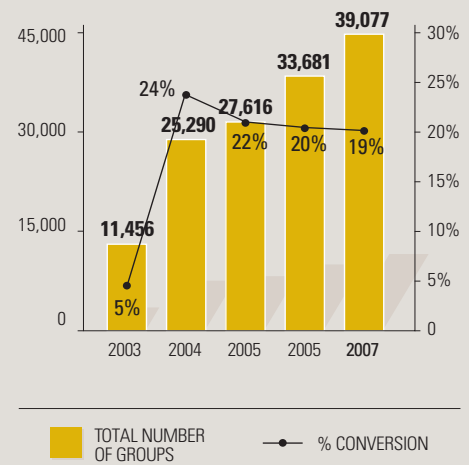
Since its introduction in 2003, the corporate client and intermediaries database has grown every year to now double the number of corporate clients and nearly triple the number of intermediaries worldwide. There are currently 165,000 clients registered in the data base.

#### SMART, fundamental to the MSM segment

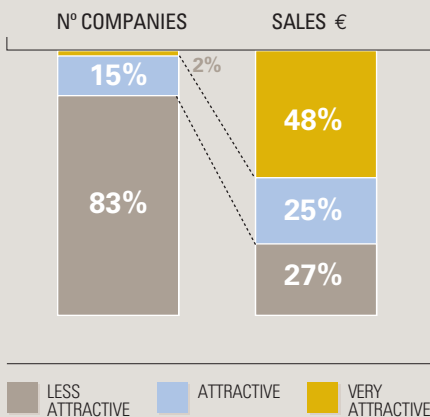
SMART also plays an important role in the MSM group business segment valued at 120 million euros. The tool allows the capture, management and follow up of leads in the sales network and helps guarantee a response to clients within 24 hours. In the last few years the MSM segment has grown and made Sol Meliá an attractive destination for groups, conventions and incentives. Proof of this is the fact that the 2003 figure had doubled by 2007, a year in which 39,000 quotes were processed with a conversion ratio of 19%.

GROWTH OF REGISTERED CLIENTS  
(CORPORATE + INTERMEDIARIES)

GROWTH OF MSM LEADS



## OPTIMIS: Optimisation of the sales network



In a move towards greater proximity to the client and the achievement of business objectives, the sales network has focused on a process of optimisation based on client knowledge and Key Accounts to focus efforts on the most attractive segments from the accommodation and group point of view.

Various stages were defined, starting with the sales network in Spanish cities and focusing on Spanish corporate clients and travel agencies, not only for their current value but also for their strategic value to Sol Meliá. The objective achieved was to design a sales network model that maximised sales efficiency.

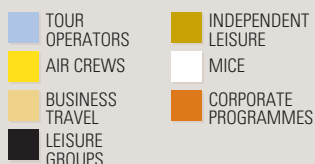
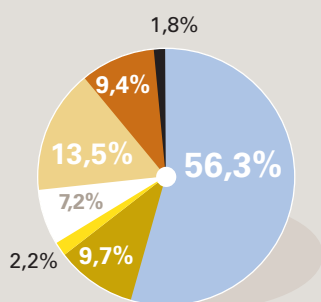
- It identified the clients on which the sales network should focus.
- It specified what products the sales network should present.
- It defined the sales profiles of the sales network.
- It defined the mission and responsibility of each position in the sales network.
- It defined the organisational structure of the Sol Meliá sales network.
- It designed tools for sales follow up.

One of the major advantages was to focus the sales force on key accounts. The analysis and segmentation concluded that 2% of clients generated 48% of revenues, leading to the sales network being organised by sector and according to client potential and so helping to optimise the resources dedicated to sales management.

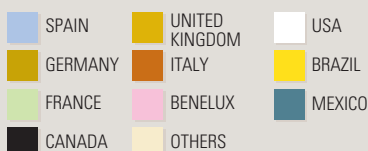
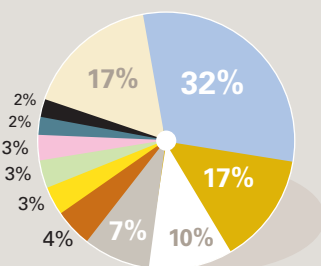


Tryp Zaragoza

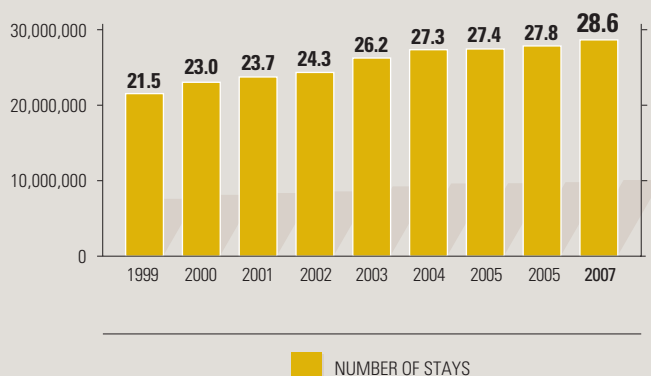
#### DIVERSIFICATION OF CLIENTS BY TYPE



#### DIVERSIFICATION OF CLIENTS BY COUNTRY OF ORIGIN



Thanks to this effort, a business opportunity was detected in the most attractive market segments to duplicate current estimated revenues in accommodation. Around 1,400 new clients in the most attractive market were identified as priorities. Depending on the potential value of the accounts, Attraction, Development, Loyalty and Prospects objectives were also developed to help the sales team define the right strategy to follow with each client depending on their lifecycle. To achieve this, more homogenous client portfolios were designed to help the sales team dedicate more time to each client and improve relationships with them.



#### Quality Control

Sol Meliá has a fully integrated quality control programme which includes specific tools and actions which aim to ensure guest and employee satisfaction and which are implemented in all hotel areas along with their systems for the measurement and management of incidents. Hotels also follow the rules about claims set for each particular community.

Our personnel receive training in quality control, customer care, personalised service and brand philosophy and values, all aimed at exceeding the expectations of our guests and giving them a unique and unrepeatable experience in every one of our hotels.

Different tools are used to measure quality control to ensure standards of service and compliance with procedures and also evaluate aspects such as facilities, services and global experience. External and internal questionnaires, online blogs and mystery guests analyse the level of service and product standardisation in each hotel.





OUR PERSONNEL RECEIVE  
TRAINING IN QUALITY  
CONTROL, CUSTOMER CARE,  
PERSONALISED SERVICE  
AND BRAND PHILOSOPHY  
AND VALUES.

- **Internal questionnaires:** available for our guests to fill in during their stay in different hotel areas. The heads of quality control are responsible for management and follow up.
- **External questionnaires:** Sol Meliá employs an external company to carry out surveys in hotels during breakfast and/or dinner helping to approach the majority of guests staying at the hotel. The surveys are carried out every month or every two months depending on the type of hotel.
- **Mystery guest:** an auditor stays at the hotel as a guest and evaluates all the services and facilities. A report is sent with an evaluation of the hotel's strong and weak points, as well as the degree of standardisation of services and products within the hotel.

All the results are presented in a Quality Control Action Plan every two years to implement the required corrective measures for the medium term, and there is also a monthly report of results to assist in the implementation of short term actions with immediate effect.

Sol Meliá has a Manager On Duty system which means guests problems can be attended to immediately. In the majority of the Sol, Paradisus, Meliá and Tryp hotels (with more than 300 rooms) there is also a Head of Quality Control responsible for the implementation of the quality control programme and follow up on guest satisfaction together with the hotel heads of department. We also have a 24-hour "Serviexpress" guest service hotline in hotels which guests may call if they require help or information.

When guests wish to make a complaint they can do so directly in the hotel during their stay or afterwards with Sol Meliá headquarters. The Quality Control department deals with the incident and coordinates a response to the guest from the hotel within 48 hours.

## Sales Channels

Commercial Value

### Solmelia.com

Solmelia.com continues to focus on constant improvement, a demonstration of the fact that the passion for service at Sol Meliá starts with the very first contact with the company. An example of this is the launch of the solmelia.com laboratory, where users test, evaluate and chose different improvements in the web, such as the new design of the special offers newsletter or the special offers page.



Knowing that information about the hotels is one of the main attractions of the website, we have made great efforts to increase and improve the hotel information online. These include the introduction of room descriptions in greater detail than ever before, nearly 30 independent hotel websites which complement the online offer and help to improve the presence of every one of the hotels on the web, plus the incorporation of new geolocation systems, which came to the fore with the Escape viral promotion that helped extend the subscriber database and showcase the global nature of the Sol Meliá product.



These efforts and improvements are reflected in sales figures which reached 168 million euros, an increase of 18% with respect to 2006. The most notable growth was seen in Gran Meliá hotels, with a 47% increase with respect to 2006. Without doubt, the change of brand of the old Paradisus Puerto Rico to Gran Meliá Puerto Rico helped this increase even though the sales of Paradisus maintained similar figures as for 2006. Meliá with an increase of 29%, Sol Hotels with a 16% increase and Tryp with a 14% increase complete the sales figures for the brands, all of which are increasingly more consolidated on the Internet. In Spain, 1 out of every 5 people that are searching for a hotel on the Internet visit [www.solmelia.com](http://www.solmelia.com) (according to Netsuus).





WITH AN INCREASE IN REVENUES OF 18% COMPARED TO 2006, SALES THROUGH SOLMELIA.COM REACHED 168 MILLION EUROS.

The subscriber database is one of the largest in the whole of the Spanish tourism industry. 125,000 new subscribers were signed up in 2007 along with 280,000 new members of MaS Rewards online.

Bookings at solmelia.com enjoy a Lowest Online Rate Guarantee, a commitment from the company to equal any lower rate customers might find on the Internet and also offer an additional 10% discount on the cost of the stay.

### Tour Operators

We could almost say that our relationship with tour operators is as old as the company itself, since Sol Meliá's first hotel contractor was our Chairman and founder, Gabriel Escarrer, back in 1956.

The contracting process at Sol Meliá is centralised by a team which plans, negotiates, signs and follows up on all the contracts signed with tour operators worldwide. In 2007 32,000 contracts were signed which generated total revenues of 643 million euros, 36.76% of all Sol Meliá accommodation and board revenues. Of this total, the ten major key accounts produce 262 million euros per year, 40.74% of the total.

The contracting process is supported by an ambitious promotional programme including private meetings, road shows, workshops and stands at the major tourism events such as BTL- in Lisbon, FITUR- in Madrid, BIT- in Milan, ITB- in Berlin, MITT- in Moscow, DATE- in Punta Cana, FIT- in Havana, TIANGUIS- in Acapulco, POW-WOW- in USA, PATA- in Asia, TOP RESA- in Deauville (France), WORLD TRAVEL MARKET- in London, the fair in Dubai, etc.

- In 2007 14 road shows were carried out in countries such as Spain, Germany and Russia, visiting a total of 108 cities.
- Sol Meliá made door to door visits in Spain, Portugal, Italy, Belgium, Holland, Germany, Poland and Switzerland, visiting a total of 4,600 travel agents.
- Sol Meliá carried out training and product seminars for several tour operator booking departments. A total of 18,234 travel agents attended.





### Meeting Sol Meliá (MSM)

Meeting Sol Meliá was created by Sol Meliá in 2003. The concept has developed a great deal over the past few years and includes all the initiatives related to the product, service and professional team within the conventions, incentives and events segment at Sol Meliá.

#### Meeting Sol Meliá hotels

Sol Meliá has incorporated its best hotels from all over the world for hosting events, meetings and incentives under the name "MSM hotels". Clients can choose their destination, a specific hotel location, preferred characteristics or required room space from a total of 96 hotels throughout the world. All of them are listed in an exclusive directory.

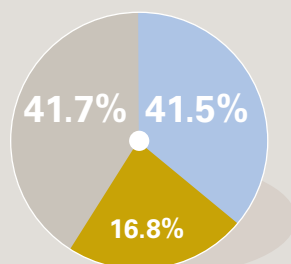
#### Meeting Sol Meliá sales management

The MSM sales force is present in more than 13 countries and represent Sol Meliá and the specialised hotels in the conventions, congresses and incentives segment (CCI).

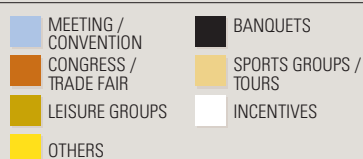
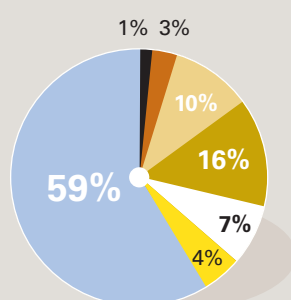
MSM sales management is based on market specialisation and segmentation, as well as on specific strategies for each segment. There are key account managers and MSM account managers, with a clear focus on attracting new CCI business.

This is reinforced by sales management in Corporate Headquarters managing commercial relations and operations which act as a link between the hotels and the small and medium sized accounts that request groups and events.

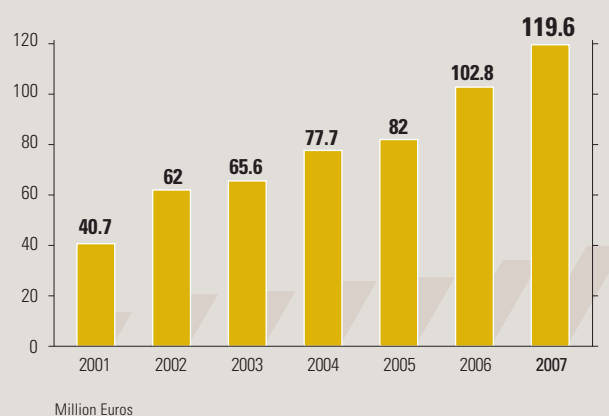
MSM CENTRALISED REVENUES  
BY ORIGIN



SEGMENTATION OF CENTRALISED  
GROUP SALES 2007



EVOLUTION OF CENTRALISED GROUP SALES





## EVENT PARTICIPATION 2007

### JANUARY

24 - 28

BTL, Lisbon Tourism Fair  
(Lisbon, Portugal)

29 - 30

FITUR CONGRESOS (Madrid, Spain)

31 - 4 Feb

FITUR, Feria Internacional de Turismo  
(Madrid, Spain)

### FEBRUARY

13 - 15

BTS, Business Travel Show  
(London, UK)

20 - 22

CONFEX, Conference Exchange  
(London, UK)

22 - 26

BIT, Borsa Internazionale de Turismo  
(Milan, Italy)

### MARCH

7 - 11

ITB, Internationale Tourismus-Börse  
(Berlin, Germany)

21 - 24

MITT, Moscow Intl. Travel &  
Tourism Exhibition (Moscow, Russia)

22 - 25

TUR, Travel and Tourism Fair  
(Göteborg, Germany)

### APRIL

17 - 19

IMEX, Worldwide Exhibition for Incentive  
Travel, Meetings and Events  
(Frankfurt, Germany)

### SEPTEMBER

25 - 27

IT&ME, The Motivation Show  
(Chicago, USA)

27 - 29

TOP RESA (Deauville, France)

### NOVEMBER

6 - 8

International Congress and Incentive Fair  
(Florence, Italy)

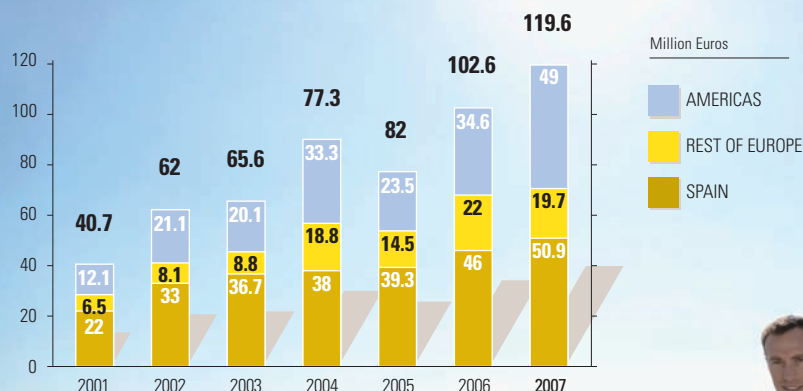
12 - 15

WTM, World Travel Market  
(London, UK)

27 - 29

EIBTM (Barcelona, Spain)

## EVOLUTION OF CENTRALISED GROUP SALES



## Tradyso

Tradyso was created with the objective of becoming the best multi-channel distribution service for hotels worldwide, developing applications which allow constant competitive innovation in hotel distribution systems and thus providing extra value to clients.

The new hotel distribution platform is 50% owned by Sol Meliá and 50% by Talonotel and has been in operation since September 2007. It includes booking technology through several different distribution channels for hotels and a central reservations system for travel agents.

Tradyso is a flexible system which will enjoy guaranteed development in the future. The distribution services Tradyso offers to hotels include the possibility of private label call centre services, a website booking engine, access to GDS, and full integration in the booking systems used by the most important travel agency networks and online travel portals. The multi-lingual service and systems are available both for individual travellers and travel agents and all at a variable cost.

Tradyso's main services are:

- Access to global hotel distribution services
- Control of prices, availability and sales channels
- Flexible "a la carte" services

Tradyso's reservation system is based on centralised management of inventory, availability and room allotment, all under strict sales rules and policies.

IN 2007 THE NEW COMPANY PURCHASING MANAGEMENT SOFTWARE WAS PARTIALLY IMPLEMENTED AND WILL BE FULLY OPERATIVE IN 2008.

The general Sol Meliá purchasing policy aims to “meet the operational needs of hotels and corporate offices that may be covered by acquisition or contracting in order to generate revenue increases or cost reductions at acceptable quality levels”.

### Purchasing and supply management policies

The mission of the Purchasing Department is thus to apply supplier management criteria that meet the needs of hotels and corporate offices in a balanced and sustainable way.

The following criteria, however, are also taken into account:

- The geographical limits of the supplier
- Type of industry: manufacturer, importer, exporter, distributor, installer and/or maintenance supplier
- Quality certification
- Environmental certification
- Health and safety certification
- Special Employment Centre certification
- Economic conditions

The Purchasing Department aims to have satisfactory relationships with suppliers that helps those relationships to last. During the registration process, suppliers must fill in a form related to human rights. The department is very strict in this respect and if any suppliers do not respect human rights their contracts are cancelled immediately.

### Process improvements and automation

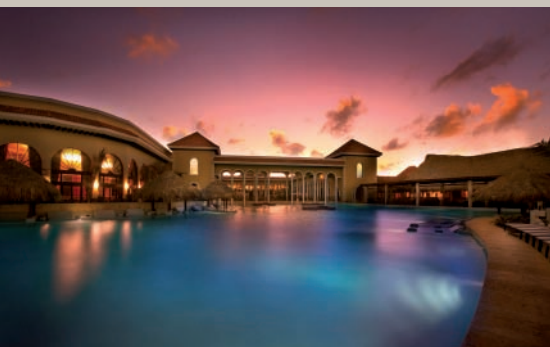
In 2007 the new company purchasing management software was partially implemented and will be fully operative in 2008. The software will allow the purchasing department to benefit from:

- Alignment with management by brands, allowing greater flexibility in adaptation to business requirements.
- Direct financial savings (reduction of use of paper, savings on telephone and other consumable goods)
- Reduction in human error.

The purchasing model used in Spain and the Dominican Republic has also been exported to Italy and Mexico (the process in Mexico will end at the beginning of 2008), a further step towards global standardisation of purchasing practises.

IN LINE WITH ITS SUSTAINABILITY CRITERIA, SOL MELIÁ HAS SPENT 3,243,650.32 € ON PURCHASES FROM SPECIAL EMPLOYMENT CENTRES.





Paradisus Palma Real

## Department statistics

The volume of data processed by the system and from which the Purchasing Department receives information on buying patterns by region, hotel category and hotel brand in 2007 was:

- 8,340 suppliers to which orders were made in 2007
- Amount of transactions in purchase orders in 2007 from hotels and corporate headquarters: 370,048,959.23 €

The hotels and corporate offices with purchasing data belong to 16 countries. The relative importance of each is as follows:

PURCHASING ORGANISATION 2007		
OCES	Purchasing organisation Spain	2,720
OCRD	Purchasing organisation Domin. Rep.	688
OCMX	Purchasing organisation Mexico	1,737
OCVE	Purchasing organisation Venezuela	485
OCPR	Purchasing organisation Puerto Rico	215
OCCR	Purchasing organisation Costa Rica	331
OCIT	Org. acquisti Italy	471
EODE	Einkaufsorg. Germany	225
OCBR	Purchasing organisation Brazil	498
POUK	Purchasing org. UK	150
OCFR	Org. d'achats France	110
OCPE	Purchasing organisations Peru	232
OCPT	Purchasing organisations Portugal	166
OCCL	Purchasing organisation Chile	99
POUS	Purchasing org. US	75
OCAR	Purchasing organisation Argentina	138
<b>TOTAL</b>		<b>8,340</b>

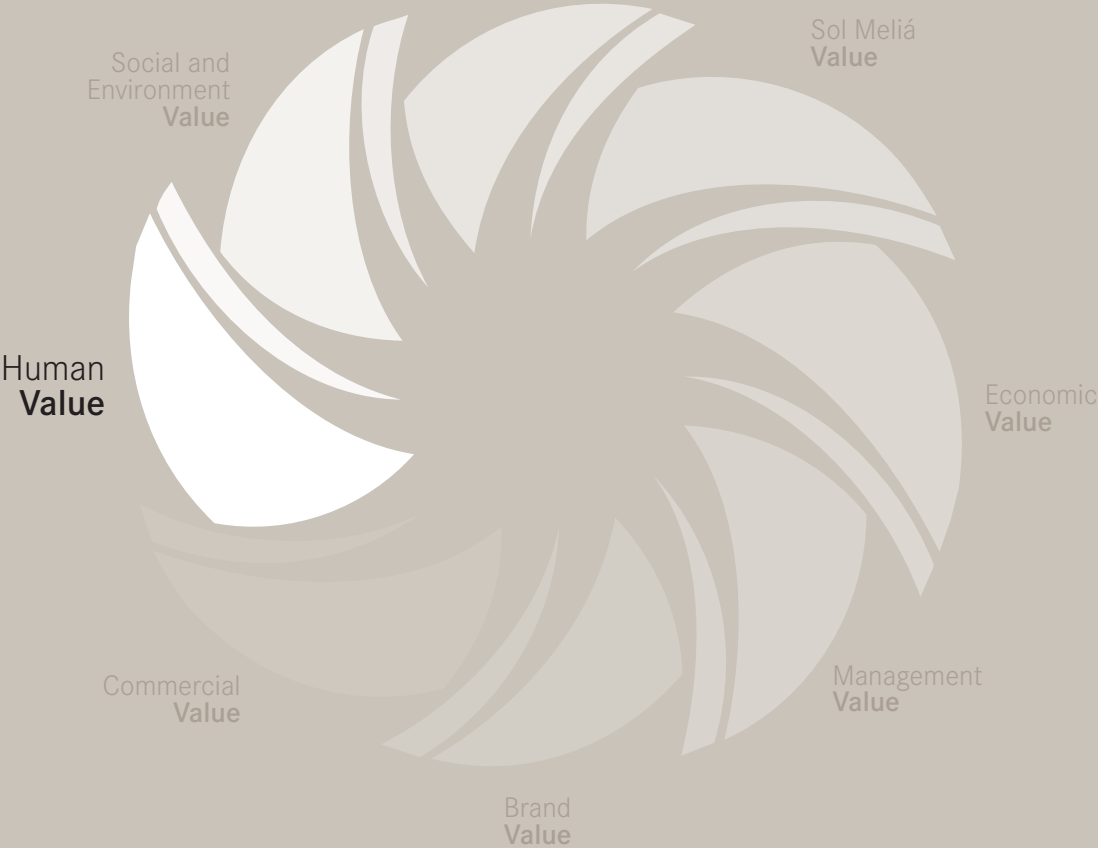
PURCHASES BY REGIONAL ORGANISATION 2007			
<b>TOTAL</b>	<b>370,048,959.23</b>	<b>EUR</b>	<b>97.6%*</b>
OCES	266,258,896.70	EUR	99.0%
OCRD	42,664,141.29	EUR	91.6%
OCMX	24,573,487.05	EUR	97.2%
OCVE	7,878,320.56	EUR	99.8%
OCPR	6,159,456.97	EUR	87.5%
OCCR	5,792,941.38	EUR	94.8%
OCIT	4,216,714.99	EUR	94.3%
EODE	3,738,898.62	EUR	99.5%
OCBR	3,114,155.08	EUR	100.0%
POUK	2,514,581.28	EUR	90.9%
OCFR	1,000,601.17	EUR	81.4%
OCPE	796,401.59	EUR	100.0%
OCPT	569,735.96	EUR	94.6%
OCCL	306,468.35	EUR	100.0%
POUS	287,638.87	EUR	99.8%
OCAR	176,519.37	EUR	100.0%

\* % of purchases from local suppliers.

The total percentage of purchases from local suppliers is greater than 80% in all cases.

**[solmelia.com](http://solmelia.com)**

The value of a leader.



## Corporate Governance

Human Value

The Board of Directors in its meeting of 31 March, 2008, approved and made available for company shareholders the Annual Report on Corporate Governance corresponding to the year ending 31 December, 2007, in compliance with Law 26/2003 of 17 July modified by Stock Market Law 24/1998 of 28 July and the Revised Text of Company Law, approved by Royal Legislative Decree 1564/1989 of 22 December, with the aim of increasing transparency in publicly traded companies.

The Annual Report on Corporate Governance was made following the rules in Law 26/2003, as well as in Ministerial Order ECO/3722/2003 of 26 December about the annual report of corporate governance and other information from publicly traded companies and other entities, following the model defined in Circular 4/2007, of 27 December in the Spanish National Stock Exchange Commission.

The regulation of corporate governance of SOL MELIÁ S.A. is contained in Company Bylaws, in the Regulations of the Board of Directors and in the Rules on Internal Conduct in matters related to the stock market, and to the Regulations of the Shareholders' Meeting. All of the mentioned documents are available for shareholders and investors in company headquarters and in at the website ([www.solmelia.com](http://www.solmelia.com)) in the Corporate Governance section.

The latest modifications in the company's corporate governance regulations were approved by the Shareholders' Meeting on the 8 June, 2004. In the meeting the proposals by the Board of Directors to modify the Company Bylaws and Regulations of the Shareholders' Meeting were approved. In compliance with article 115 of Stock Market Law, the Shareholders' Meeting was also informed of the approval by the Board of the new Regulations for the Board of Directors in their meeting of 30 March, 2004. The aim of all of this was to revise the regulations of the company and adapt them to the principles and criteria of transparency for publicly traded companies contained in the report by the Special Commission for the promotion of market transparency and security in publicly traded companies (Aldama Report), in Law 44/2002 of 2 November on reform measures in the financial system, and in the previously mentioned Law 26/2003.

On 7 September, 2004 the Board of Directors of SOL MELIÁ S.A. approved some modifications to the Internal Rules of Conduct in matters related to the Stock Market to reinforce investor protection and market transparency.

In 2007 there were no changes to corporate governance regulations.

## Human capital in figures

Human Value

IN 2007 THE NUMBER  
OF STAFF EMPLOYED  
BY SOL MELIÁ  
WAS 35,182.

One of the keys to the success of Sol Meliá is, without any doubt, the quality of its human resources. The professional qualities of each and every one of the people that form part of the company is a decisive element in transmitting a passion for service to clients from their very first contact with the company and which, over the years, has become a key success factor for the business.

Proof of the importance of its personnel to Sol Meliá is the fact that the Talent Management and Empowerment is one of the five key strategic areas. The management of talent in its different stages (identification, recruitment, development and promotion) provides Sol Meliá with a highly qualified human resources team and improves levels of services day after day, repeatedly confirmed in the external quality audit reports about our hotels, where service and staff capability is one of the items most appreciated by our clients. In 2007 we began an empowerment programme for all job positions, especially those that have direct contact with guests. The objective of the programme is to maximise the services provided and to resolve requests as quickly and as efficiently as possible.

### EMPLOYEES BY GEOGRAPHICAL AREAS

EMPLOYEES	SPAIN	REST OF EUROPE	CUBA	SMVC*	ACN***	ACS	ASIA**	TOTAL
FIXED CONTRACTS	7,695	1,134	8,868	339	6,917	2,421	2,364	29,738
SEASONAL CONTRACTS	2,796	323	0	2	1,913	0	410	5,444
<b>TOTAL</b>	<b>10,491</b>	<b>1,457</b>	<b>8,868</b>	<b>341</b>	<b>8,830</b>	<b>2,421</b>	<b>2,774</b>	<b>35,182</b>

Table data: January - December 2007

### EMPLOYEES BY POSITIONS

EMPLOYEES	SPAIN	REST OF EUROPE	CUBA	SMVC*	ACN***	ACS	ASIA**	TOTAL
CORPORATE HEADQUARTERS	978	87	88	5	199	62	7	1,426
HOTELS	9,513	1,370	8,780	336	8,631	2,359	2,767	33,756
General staff	7,758	1,162	6,848	300	8,057	2,091	2,651	28,867
Heads of Department	1,587	182	1,756	30	556	246	109	4,466
Hotel General Managers	168	26	176	6	18	22	7	423
<b>TOTAL</b>	<b>10,491</b>	<b>1,457</b>	<b>8,868</b>	<b>341</b>	<b>8,830</b>	<b>2,421</b>	<b>2,774</b>	<b>35,182</b>

Table data: January - December 2007

### PYRAMID BY AGE (%)

EMPLOYEES	SPAIN	REST OF EUROPE	CUBA	ACN***	ACS	ASIA**	TOTAL
< 20	0.91	3.67	0	3.19	4.00	0.18	2.01
20-30	19.56	46.06	0	41.83	54.97	27.76	32.25
30-40	25.43	29.40	0	34.52	28.34	43.62	31.29
40-50	28.74	13.46	0	15.33	12.23	26.24	21.28
50-60	22.82	6.21	0	4.46	0	2.20	11.81
> 60	2.55	1.19	0	0.18	0.46	0	1.35

Table data: January - December 2007



## PYRAMID BY SEX (%)

EMPLOYEES	SPAIN	REST OF EUROPE	CUBA	ACN***	ACS	ASIA**	TOTAL
MALE	49.56	49.43	0	66.98	55.51	59.70	57.06
FEMALE	50.44	50.57	0	33.02	44.49	40.30	42.94

Table data: January – December 2007

## KEY PERSONNEL AND HIGH POTENTIAL

EMPLOYEES	SPAIN	REST OF EUROPE	CUBA	ACN***	ACS	ASIA**	TOTAL
CORPORATE HEADQUARTERS	123	21	0	17	6	4	171
HOTEL	324	202	0	361	22	148	1,057
General staff	79	67	0	99	0	57	302
Heads of Department	126	114	0	246	0	84	570
Hotel General Managers	119	21	0	16	22	7	185
<b>TOTAL</b>	<b>447</b>	<b>223</b>	<b>0</b>	<b>378</b>	<b>28</b>	<b>152</b>	<b>1,228</b>

Table data: January – December 2007

The personnel at Sol Meliá have diverse origins, and come from 80 different countries:

NATIONALITY	%	NATIONALITY	%	NATIONALITY	%	NATIONALITY	%
Albanian	0.004	Croatian	0.008	Irish	0.025	Peruvian	0.869
German	1.827	Cuban	0.218	Icelander	0.000	Panamanian	0.754
American	2.064	Danish	0.007	Israeli	0.000	Polish	0.237
Angolan	0.008	From Cape Verde	0.000	Italian	1.845	Portuguese	0.223
Algerian	0.081	From Sierra Leone	0.008	Jamaican	0.008	Romanian	0.182
Argentinean	1.074	Dominican	14.070	Japanese	0.023	Russian	0.084
Armenian	0.000	Ecuadorian	0.601	Kyrgyzstani	0.008	From Salvador	0.002
Australian	0.001	Egyptian	0.004	Korean	0.004	Senegalese	0.067
Austrian	0.025	Slovakian	0.032	Latvian	0.004	Without nationality.	0.052
Azerbaijan	0.000	Slovenian	0.008	Lebanese	0.012	Serbian	0.004
Bengali	0.008	Spanish	36.788	Lithuanian	0.024	From Sierra Leone	0.015
Belgian	0.100	Estonian	0.012	Macedonian	0.002	From Singapore	0.004
Belorussian	0.002	Philippine	0.117	Madagascan	0.003	Syrian	0.004
Burmese	0.004	Finnish	0.011	Malaysian	0.743	Somalian	0.004
Bolivian	0.065	French	0.618	From Mali	0.005	Sri Lankan	0.064
Bosnian	0.001	Gambian	0.023	Malgaches	0.001	Sudanese	0.004
Brazilian	5.305	Georgian	0.004	Maltese	0.001	Swedish	0.032
British	0.312	Ghanaian	0.019	Moroccan	0.388	Swiss	0.032
Bulgarian	0.055	Greek	0.039	Mauritian	0.013	South African	0.023
Bhutanese	0.001	Guinean Bissau	0.010	Mauritanian	0.118	Thai	0.031
Canadian	0.004	Guinean	0.032	Mexican	13.608	From Taiwan	0.008
Cambodian	0.005	Haitian	0.019	Burmese	0.004	Tunisian	0.029
Cameroon	0.023	Hindu	0.017	Moldovan	0.016	Turkish	0.039
Czech	0.027	Dutch	0.080	Mongolian	0.000	Ukrainian	0.092
Chilean	0.092	Honduran	0.008	Nepalese	0.004	Ugandan	0.004
Chinese	0.130	From Hong Kong	0.002	Nicaraguan	0.111	Uruguayan	0.249
Cypriot	0.008	Hungarian	0.034	Nigerian	0.057	From Vatican City	0.001
Colombian	0.597	Indian	0.069	Norwegian	0.003	Venezuelan	2.564
Congolese	0.035	Indonesian	8.087	Pakistani	0.061	Vietnamese	1.846
From Ivory Coast	0.017	Iranian	0.004	Palestinian	0.001	Yugoslav	0.031
Costa Rican	2.503	Iraqi	0.007	Paraguayan	0.026		100.000

## HR Policy

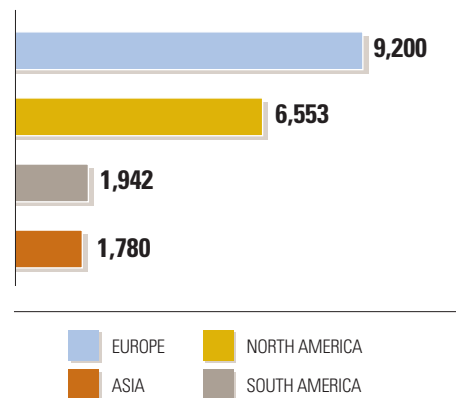
Human Value



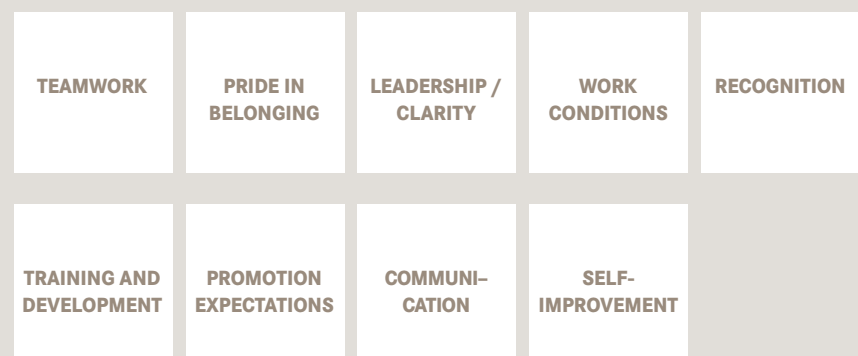
IN 2007 AROUND  
19,475 SURVEYS WERE  
CARRIED OUT WORLDWIDE  
IN OUR OWNED, LEASED AND  
MANAGED HOTELS.

One of the basic requirements for guest satisfaction is the satisfaction of our employees. Every year the company applies a specific internal quality and workplace environment programme and action plan to improve the working environment of all of our colleagues.

Every year, all over the world, hotels carry out workplace environment surveys to provide a global and objective vision of the state of each of the dimensions of the company and areas for improvement.



The aspects which are evaluated are as follows:



On a corporate level, in 2007 Sol Meliá carried out surveys on service quality and workplace environment to assess the opinions of staff. It is our human resources that will achieve quality and so it is therefore highly relevant to be aware of any aspect that might have an impact on morale in the workplace environment.

The surveys highlight employee requirements and expectations. The service quality survey evaluates five other variables in addition to the quality of the service provided by corporate departments: courtesy, the speed of the response, ease of contact, capacity to find solutions and flexibility.



THERE ARE CURRENTLY  
6,940 PEOPLE AMONGST  
SOL MELIÁ EMPLOYEES  
INCLUDED IN THE  
PERFORMANCE EVALUATION  
SYSTEM.

The workplace environment surveys are focused on staff in corporate and regional offices in six language areas: Spanish, English, French, Italian, German and Portuguese, and aim to assess the opinion of our colleagues on matters related to autonomy, initiative, recognition, teamwork, Strategic Plan, functional communication, work organization, people management, motivation, pride in the company, conciliation, philosophy and values, development and training, work conditions, activities, community involvement and the natural environment.

### Remuneration Policy

Performance management is a strategic area for Sol Meliá which helps us achieve the global objectives of the organization.

The Performance Evaluation system is a human resources management technique which allows an assessment of the performance of each employee in relation to a series of objectives set in advance. The system also allows:

- The definition of a Global Performance Evaluation system sensitive to the specific performance needs of each job position.
- To raise the direct impact of a variable bonus on the performance of each of the team members.
- To align the objectives of the organization with the objectives of each Division/Department/Business Centre.

The Performance Evaluation is an analytical process which is carried out systematically and periodically. At Sol Meliá staff are evaluated annually with at least one review and follow-up every six months.

Objectives must have the following characteristics:

- The bonus payments assigned to the achievement of objectives is a percentage of the fixed annual gross wage.
- The bonus is paid based on the basis for bonus payments for that full year.
- There are three types of objective: economic, quality and performance.
- There are also corporate objectives set by corporate offices for each function, and individual objectives set by the hotels for each employee in the bonus payments system.
- Objectives are defined depending on the position held.
- There are currently 6,940 people amongst Sol Meliá employees included in the performance evaluation system.



**SOL MELIÁ APPLIES  
GENERAL CONDUCT POLICIES  
FOR EXECUTIVES WHICH  
ARE EXTREMELY IMPORTANT  
FOR THE COMPANY.**

## **Executive Conduct Policies**

Sol Meliá applies general conduct policies for executives which are extremely important for the company. This ethical code, named Executive Conduct Policies, deals with matters such as conflict of interest, use of information or resources, family relationships, personnel policy and sanctions. The Policies are complemented by other mandatory instructions in the company Policies and Rules Manual.

The regulations do not aim to cover all aspects of executive conduct. Executive conduct is always expected to be exemplary and they are expected to perform in good faith in all of their activities, always defending the interests of the company with scrupulous respect for existing legislation.

Executives are held to be those people named as EVP, SVP, VP, or Hotel General Manager, providing their services in hotels or corporate offices in any country in which the company operates.

### **Policies on conflicts of interest and the use of information or resources**

Executives may not use past, current or future corporate information for any ends other than that of the development of company business.

Special attention is also given to the safekeeping or transmission of information by any electronic or other means.

All members of the SET, Institutional Relations and certain other colleagues in Group Finance, as well as other members of staff that due to their involvement in certain projects may temporary have access to privileged information, are subject in their dealings with operations related to shares in Sol Meliá, S.A. to compliance with the Internal Code of Good Conduct.

It is strictly forbidden for Sol Meliá executives to simultaneously be employees or shareholders in suppliers or in other companies which operate in the same business areas as Sol Meliá (current or potential competitors). Any such cases must be communicated in writing to the Appointments and Remuneration Committee to be noted in the corresponding Register before possible ratification.

Executives must inform their team members about any confidentiality and make sure that information is kept safely and handled correctly.

Executives must avoid any use of company assets or real estate which is not in company interests, and also assume responsibility for the care and maintenance of the same.



### **Policies on Family Relations**

It is strictly forbidden for direct family members (parents, siblings, spouse, partner, children) of an executive to work in the Department/Business Unit managed by their family relation. Any such cases must be communicated in writing to the Appointments and Remuneration Committee to be noted in the corresponding Register before possible ratification.

### **Personnel Policy**

Executives will ensure that they manage the company's affairs with the greatest respect for staff and customers, particularly avoiding any conduct that may offend others and any form of discrimination for reasons of sex, race, age, religion, nationality or any other in the management of people in their charge.

Sol Meliá policy also rigorously penalises any conduct by male or female members of staff which uses their superior position in the hierarchy to sexually harass others.

### **Penalisation Policy**

Any lack of compliance with the policies described is understood to represent a transgression of the employee's duties of loyalty and good faith and thus also a transgression of the contractual good faith that presides the relationship between Sol Meliá and executives.

Any infringement of this code must be communicated in writing to the immediate superior, registering receipt by signing two copies, and the person affected may use the same means to appeal to the superior of their immediate superior if they do not agree with the resolution.

This communication does not exclude any other legal actions that may be considered depending on the seriousness of the matter.

### **Conciliation and social benefit policies**

The Social Projects Office offers health and wellbeing benefits (medical insurance, gym, etc.), consumer products (electrical goods and tools, leisure products, vehicles, telephony, food...), leisure and cultural products (car rental, discounts at theme parks, travel agencies, etc.) and other services such as the virtual bank branch, insurance services, or security and alarm systems, for example.

Sol Meliá is making progress with greater flexibility in working hours, particularly in hotels and corporate offices in Europe, together with assistance for absences due to pregnancy and family care.

In 2008, the company will incorporate at least one female independent director to the Board of Directors.



SOL MELIÁ IS MAKING  
PROGRESS WITH GREATER  
FLEXIBILITY IN WORKING HOURS,  
TOGETHER WITH ASSISTANCE FOR  
ABSENCES DUE TO PREGNANCY  
AND FAMILY CARE.



## Organisation

There are many different initiatives within hotels which aim to improve communication both horizontally between teams and vertically through the different hierarchical levels and between departments.

All of this helps to generate good communication from within the teams themselves and then extending this to other departments. Encouraging teamwork, recognition and awareness of opportunities for improvement brings better results on all levels; the company's service philosophy can be summarised as "Everything is Possible".

To ensure the correct implementation and monitoring of the different tools used, Sol Meliá runs a Quality Programme aimed at both hotel staff and heads of department.

### At the hotel staff level:

- Sol Meliá Let's Talk: a forum where hotel general staff can share their suggestions and comments with hotel management about areas for improvement in the hotel.
- Improvement Group: employees volunteer to form part of this group which meets to detect areas for improvement and proposals focusing on guest satisfaction.
- Departmental Meetings: meetings are held at least once a month to improve the work environment and seek areas for improvement.

### At head of department level:

- Daily Briefing: a brief daily meeting between hotel management and the heads of department to coordinate the day's duties and analyse incidents and their solutions.
- Operations Committee: every fifteen days or every month to define guidelines for strategic improvements in the department.
- General Assembly: held twice a year or according to the season, there is a meeting with all of the hotel staff. At the beginning of the year the meeting deals with strategy (objectives, priorities, policies), and at the end of the year the results achieved (financial results, goals achieved, etc.)

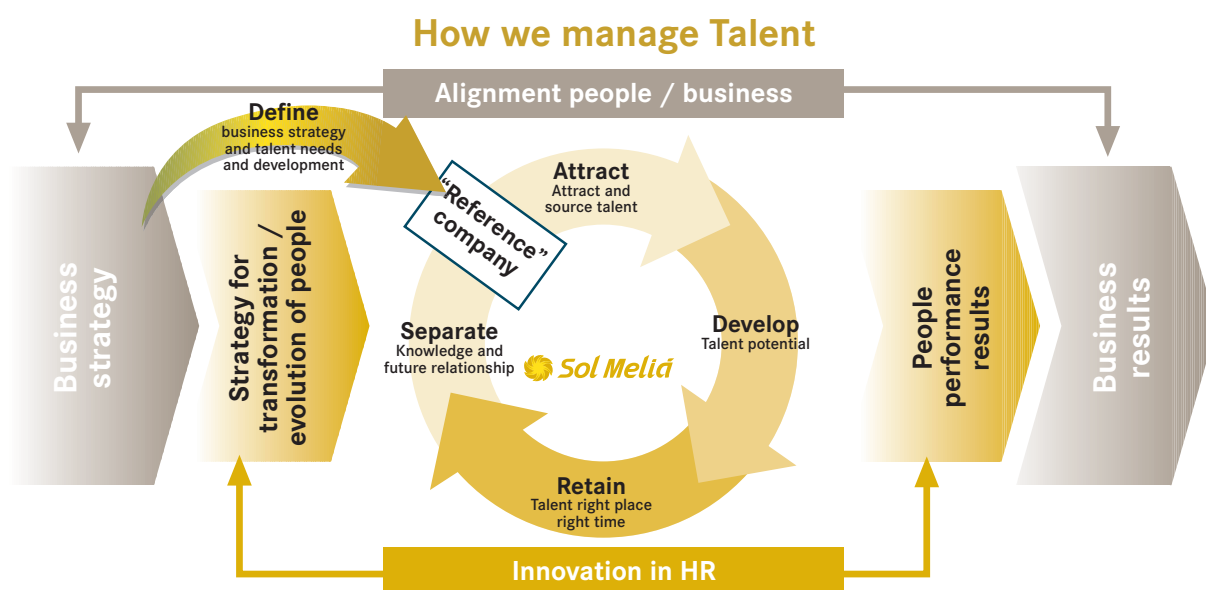
The Quality Manager, the Hotel General Manager and the heads of department are the people in charge of ensuring there is fluid communication using the tools described above. All of this has a direct influence on the Work Environment survey results which continue to improve year after year.

## Talent management and empowerment

A sign of the importance Sol Meliá attaches to its people is the fact that one of its five key strategic areas is Talent Management and Empowerment. The different stages of talent management, identification, recruitment, development and promotion, allow Sol Meliá to employ a highly qualified human team and to improve service levels on a daily basis, as is repeatedly shown in the external quality audits carried out in hotels where service and staff skills are the aspects most appreciated by our guests.

Sol Meliá is included in three important talent management rankings:

1. CRF ACCENTURE: Sol Meliá was named a TOP company to work for in 2007 by Accenture and CRF.
2. MERCOPERSONAS: In 2007 the company reached number 31 in the ranking, improving by 26 places on the previous year.
3. BEST PLACE TO WORK: Sol Meliá is currently preparing its entry into the BPW ranking.



## Training and promotion

Human Value



WITH REGARD TO  
INSTITUTIONAL TRAINING,  
A TOTAL OF 12 COURSES  
WERE PROVIDED TO MORE  
THAN 1,200 HOTEL MIDDLE  
MANAGERS.

For Sol Meliá, learning and the permanent development of people that provide a service is a vital element in the creation of an unforgettable experience for guests. The company works hard to identify employees with high potential for growth and helps them to increase their know-how and skills, guaranteeing them not only a high degree of development in their current positions, but also preparing them for reaching positions of greater responsibility in the future.

Development plans are the tool used to focus the different activities for each employee and encourage their progress within the organisation. These plans also assist in generating value for the company and favour talent retention.

### Training linked to employee development

In 2007 there were a number of different training linked to development for high potential employees. The training is an integral part of our development plan and so has been linked to improvements in technical areas and competencies that the employee needs to continue to grow within the organisation. On this occasion the training programme has focused on Leadership and People Management, giving the participants operational tools so that they can put what they have learnt into practise immediately.

With regard to Hotel General Managers and Assistant Managers on development programmes, in 2007 there were a number of different training courses held. Hotel General Managers under development, more than 30 in total, attended training programmes linked to improvements in the management of their hotels and improved people management. For the former, the company was assisted by Cornell University (number one hospitality education institution in the world) and also included “Business Games”; while people management has been improved with specific development sessions.

Hotel Assistant Managers under development received technical training in the fundamental areas: the new international legal regulations in finance (Uniform System of Accounts) and improvements in their knowledge of “basic hotel management tools”.

### Institutional training

With regard to institutional training, a total of 12 courses were provided to more than 1,200 hotel middle managers. The courses aimed to provide Heads of Department with basic “Coaching” tools to assist them with the management of their teams. With the aim of bringing even greater coherence to training activities, in 2007 our hotel management teams received extended coaching training adapted to their level of responsibility.

More than 300 Heads of Department from hotel Engineering Services and Food and Beverage Departments received specific training in the management of their respective departments.



TO SUPPORT THE COMPANY  
STRATEGIC PLAN AND THE  
NEW FOCUS ON BRANDS,  
MORE THAN 650 COURSES  
WERE GIVEN TO EUROPEAN  
STAFF IN THE TRYP,  
SOL AND MELIÁ.

To complete the institutional training and to support the company Strategic Plan and the new focus on brands, more than 650 courses were given to European staff in the Tryp, Sol and Meliá brands combining training and information on the new brand attributes and standards.

“A la carte” training, requested specifically by hotels depending on their needs, reached 400 courses this year linked to improvement in certain areas by hotel staff in subjects such as techniques, legal matters, competencies, work environment, etc.

On a corporate level, training is a priority for Sol Meliá, and there are training and development plans which aim to cover all of the key areas and assist our team members in developing the know-how they need for their professional development in alignment with group strategy.

Every year, Human Resources carries out an analysis of training needs in the different areas and departments based on the Strategic Plan. We then schedule the training activities required for each year, both in managerial areas (personal skills, attitudes, etc.) and technical areas (languages, computer skills, etc.).

At the same time, every employee with a need or an interest in extending their training, provided it is also of interest or useful to the company may request courses to be financed by Group HR both for their current position and for the future after approval by their immediate superior.

The company also runs individual development plans for staff with excellent performance levels in their current positions. These employees take part in competence evaluation sessions after which they receive a full report on their strong points and areas for improvement in their personal and professional skills. Group HR then schedules training actions for each individual plan which aim to encourage and increase their vision of the business and also develop their management skills.

Management behaviour development cycles, outdoor leadership and teamwork exercises, workshops on strategic vision, forums for interdepartmental information exchange and hotel management modules are just some of the activities included in development plans.

2007 also saw the first year of Corporate Development Plans, a project promoted by Group Human Resources to encourage and develop the competencies of a group of colleagues in corporate offices with excellent performance records and high potential. The plan included training and development actions, both for individuals and groups. The programme also enjoyed the cooperation of firms specialising in talent management and focused on motivational stimuli considered fundamental in personal development such as self-esteem, assertiveness, transactional analysis, training and recognition, amongst others, required for talent to shine through.

DEVELOPMENT PLANS							
DEVELOPMENT PLANS	SPAIN	REST OF EUROPE	CUBA	ACN***	ACS	ASIA**	TOTAL
GENERAL STAFF	64	23	0	117	0	17	<b>221</b>
Heads of Dept.	115	16	0	99	7	17	<b>254</b>
General Managers	119	2	0	1	0	0	<b>122</b>
Hotel based	0	0	0	73	0	0	<b>73</b>
<b>TOTAL</b>	<b>298</b>	<b>41</b>	<b>0</b>	<b>290</b>	<b>7</b>	<b>34</b>	<b>670</b>

Table data: January – December 2007

Total spending on training in 2007 was 4,489,602 Euros. In Spain, the total number of hours spent on training was 98,621, an average of 9.41 hours per employee.

“A LA CARTE” TRAINING,  
REQUESTED SPECIFICALLY  
BY HOTELS DEPENDING ON  
THEIR NEEDS, REACHED 400  
COURSES THIS YEAR.

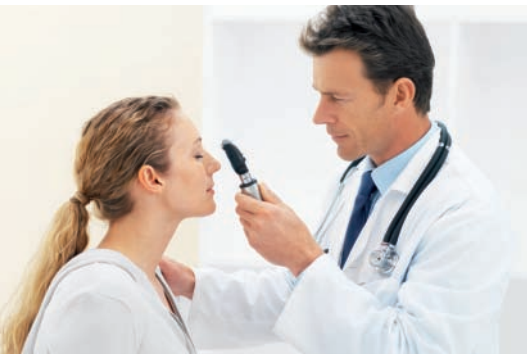
SPAIN DATA	
<b>TOTAL COURSES MANAGED:</b>	<b>1,171 COURSES</b>
<b>TOTAL NUMBER OF PARTICIPANTS:</b>	<b>12,527 EMPLOYEES</b>
<b>TOTAL HOURS OF TRAINING:</b>	<b>98,621 HOURS</b>
<b>AVERAGE TRAINING HOURS PER YEAR:</b>	<b>9.41 HOURS PER PERSON</b>

Sol Meliá currently has agreements with the main hotel schools, universities and prestigious business schools worldwide, with the objective of defining shared areas of interest: consultancy for the creation of new courses, exchange of services and research, cooperation to increase hotel service quality, staff training, etc.



## Employee Health

Human Value



Sol Meliá's employees are the company's most important asset and that is why the company works hard to prevent risks in the workplace and guarantee their health and safety. As a company with operations in more than 30 countries, employee health policies differ according to the laws and customs of each of them. Company policy requires strict compliance with the applicable legislation in every country and the development of policies designed to prevent the specific risks detected in each area.

Our objective is to become a point of reference in each of the countries in which it operates, and one of the ways to achieve this is to be a model of responsibility and sustainability in relations with and care for employees, something to which we dedicate a great deal of effort.

The diversity of the regulations makes it very difficult to define standardised policies on health and safety in the workplace for all company employees, and so the company has to adapt to each location. This Annual Report 2007 thus only offers full data for Spain, a country which is the location for more than half of the company's hotel portfolio. Other employees are covered by the preventative services in each particular country.

### European Division

Sol Meliá operates in eight European countries: Belgium, Croatia, France, Germany, Great Britain, Italy, Portugal and Spain, the latter home to corporate headquarters and the majority of the employees. There are 11,948 employees in the European Division, also including the hotels the company operates in Tunisia and Egypt. As is the case with all of the different areas, procedures vary according to the country in which hotels are located.

### Spain

In Spain, the Sol Meliá Joint Prevention Service has 45 associated companies and 166 work centres. That makes a total of 11,157 employees signed up to the service, of which 7,238 are employees of Sol Meliá S.A. while the others belong to other related Group companies. The DELTA programme is used to compile the statistics.

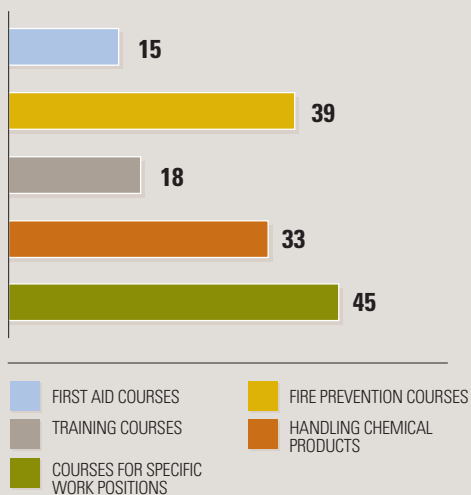
In 2007, there were 633 workplace accidents in Spain leading to 9,976 lost days of work. The incident index reached 87.45 per thousand, the frequency index 41.93 per thousand and the seriousness index 0.66 per thousand. The rate of absenteeism due to general illness was 4.33%.

Health and Safety Committees monitor the company's activities in preventing accidents in the workplace. In Spain every work centre with more than 50 employees has a committee. The committees may have two or more prevention delegates and two or more company representatives. Work centres with up to 30 staff have one prevention delegate chosen from amongst the staff.

IN 2007, THERE WERE  
633 WORKPLACE ACCIDENTS  
IN SPAIN LEADING  
TO 9,976 LOST DAYS  
OF WORK.



IN 2007 THERE WERE 15 FIRST AID COURSES, 39 FIRE PREVENTION COURSES, 33 ON HANDLING CHEMICAL PRODUCTS, 18 TRAINING COURSES FOR STAFF REPRESENTATIVES, AND 45 COURSES FOR SPECIFIC WORK POSITIONS.



Strict compliance with the regulations and, consequently, with the recommendations of the International Labour Organisation, is monitored by an external audit performed by a locally certified company.

### Asia Pacific Division

Sol Meliá has seven hotels in Indonesia, Vietnam and Malaysia in which there is an average of 2,774 employees. In all of them absenteeism and accidents and similar incidents are monitored. All of the hotels also have policies on workplace health and safety and risk prevention.

At least once every quarter company hotels in Asia carry out courses on the prevention of AIDS and bird flu, and evacuation procedures for earthquakes, fires and hurricanes. To reduce the number of workplace accidents there are also regular and frequent training programmes by the maintenance department and machinery suppliers.

Each of the seven hotels has a health and safety committee formed by representatives of the management and staff to monitor health and safety issues.

Division management also aims to promote punctuality and attendance through the award of prizes and certificates to staff and departments with the lowest absenteeism rate.

### South America

The South America Division of Sol Meliá includes hotels in Argentina, Brazil, Colombia, Peru, Uruguay and Venezuela with a total of 2,421 employees.

All of these countries have their own specific health and safety legislation, but the procedures in hotels are fairly similar. When there is a workplace accident this is reported to the workplace insurance company which then takes care of any medical treatment. The insurance company also sends the company data for registering the details of the accident both internally and with the relevant authorities.

Given the range of different regulations, the health and safety committees in each country are quite different, although all of them are formed by representatives of management and staff, and all of them regularly monitor health and safety policies, programmes and events. In Brazil, for example, hotels with more than 50 employees have a CIPA (Internal Commission on the Prevention of Accidents) comprising two members of the management team and two members of staff chosen every year. The CIPAs meet every month to implement the annual programme.

With regard to health and safety training, and particularly AIDS, hotels in South America follow the policies determined by each of their respective Health Ministries. Each of the hotels also carries out their own programmes.

ONCE EVERY QUARTER COMPANY  
HOTELS IN ASIA CARRY OUT COURSES  
ON THE PREVENTION OF AIDS  
AND BIRD FLU, AND EVACUATION  
PROCEDURES FOR EARTHQUAKES,  
FIRES AND HURRICANES.



### North America and the Caribbean

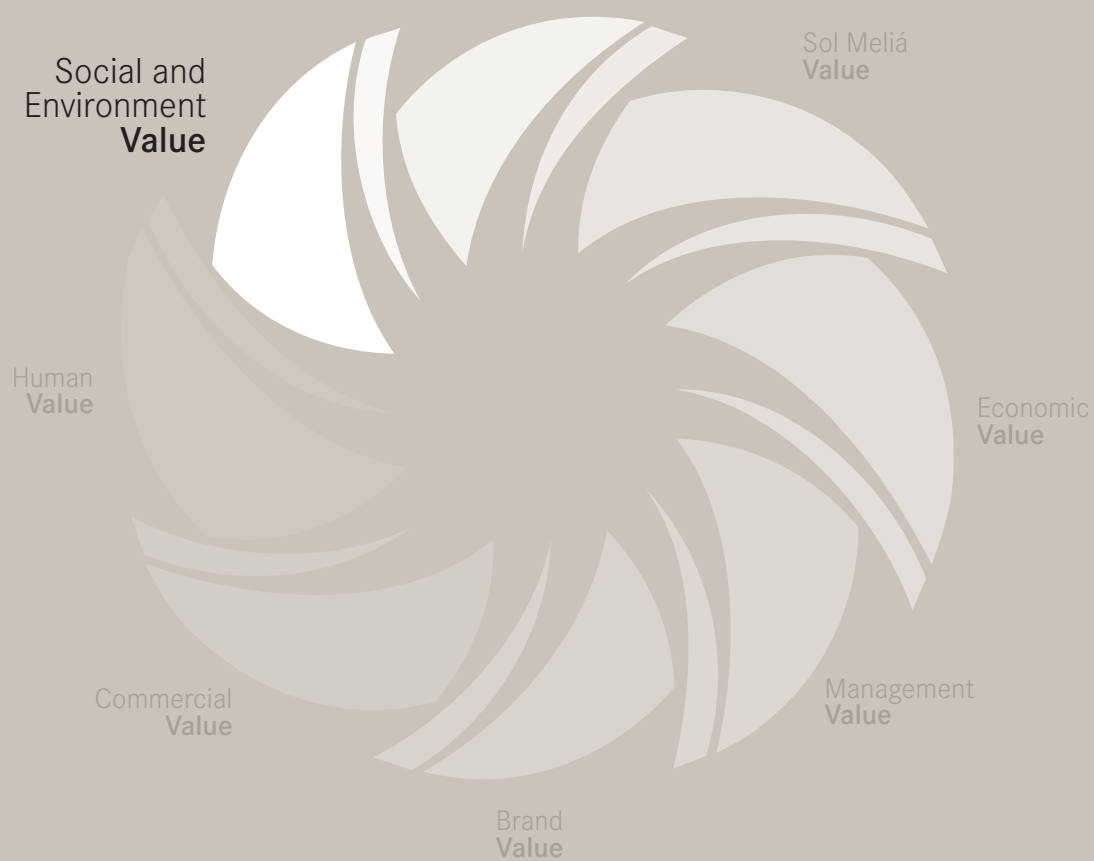
The North America and Caribbean Division includes the Sol Meliá hotels in Costa Rica, Panama, Puerto Rico, Mexico and the Dominican Republic with a total of 8,830 permanent and temporary staff.

Each of the countries has workplace health and safety regulations which include systems for the notification of accidents and illnesses. In all of them employees must report any accidents to their superiors immediately. The company must also present documentation to the social security authorities so that the need for any public assistance may be investigated along with the causes and potential remedies of the accident. For example, in Mexico the company must prepare an accident report which helps calculate a company risk index, complemented by an independent risk assessment by the Social Security authorities.

In all of the hotels in the area there are health and safety committees formed by members of staff and management which monitor workplace health and safety issues. These committees also have to define and implement action plans for natural disasters, particularly hurricanes, including evacuation and cooperation with the local community.

With regard to information and prevention programmes, hotels in the region work with the authorities on AIDS prevention campaigns as well as prevention programmes against other illnesses such as malaria and dengue fever.

The value of a leader.



## Sustainability

Social and Environment Value

In 2007, Sol Meliá made a firm commitment to Sustainability as a creator of value for the company. Sustainability has been included as one of the 5 strategic areas in the new Sol Meliá Strategic Plan 2008-2010.

This commitment comes from a need to consolidate and balance the growth of the company between the economic, socio-cultural and environmental dimensions. The main characteristics of the Sol Meliá commitment to Sustainability are:

- Sustainability as a strategic commitment at Sol Meliá
- Creation of added value through differentiation
- Generation of platform for activities and awareness
- Global nature.

The strategic basis for Sustainability at Sol Meliá are:

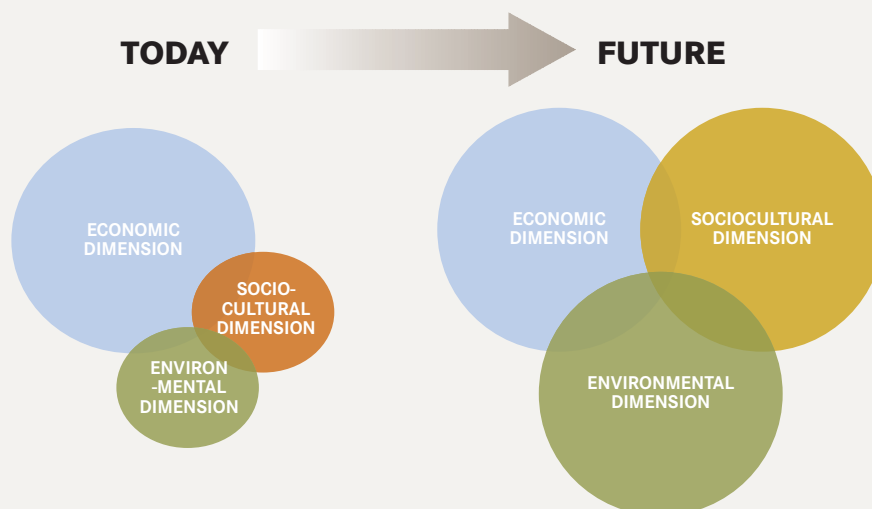
- Internalise the principles of Sustainability in all of the company processes
- Incorporate the values of responsibility and sustainability in all our products and services
- Involve our stakeholders in the process

This will allow Sol Meliá to consolidate a strategic positioning in which sustainability, as a focus for environmental and socio-cultural respect and awareness, creates a sense of cohesion and pride in belonging which will help reinforce teamwork and unite employees around the philosophy and values which will guide company activity this century.

### SUSTAINABILITY AT SOL MELIÁ: GENERATION OF VALUE



### ACTION IN 3 AREAS OF SUSTAINABLE DEVELOPMENT TRANSVERSAL ACTIONS ACROSS THE WHOLE COMPANY





## Environmental Dimension

Social and Environment Value



THE MOST IMPORTANT FOCUS FOR ACTIVITY IS TO LIMIT THE ENVIRONMENTAL IMPACT OF THE BUSINESS.

### Philosophy

Responsibility and a commitment to the care and preservation of the environment at Sol Meliá is reflected both in the daily activity in hotels and in the actions promoted by corporate offices. In 2000 the company already had several hotels with environmental certification and was encouraging ideas which helped to minimize environmental impact.

As the company has grown, this type of activity has been extended over the years through the transfer of best practices between hotels, generating the current situation in which environmental protection has become one of the key strategic areas of company activity.

In the light of this, 2007 may be considered the year of the definitive consolidation of environmental activities, with the objective of collecting all of the individual activities together and learning from the experience already acquired, as well as making environmental management a natural component of all of the company processes.

With this new integrated approach, Sol Meliá aims to become a platform for raising awareness and getting all of its stakeholders involved in order to maximize the scope of its environmental management.

The most important focus for activity is to limit the environmental impact of the business. Activities are carried out on a local level in the destinations in which we operate hotels, helping to generate the added value of sustainable development to local tourism activity, and also on a global level, thus contributing to the reduction of negative environmental impacts on the planet as a whole.

The major areas of activity are as follows:

- Mitigate the effects of climate change, mainly through energy savings and greater energy efficiency.
- Reduction in use of water.
- Protection and conservation of habitats with high ecological value to help preserve their biodiversity.
- Minimization of the environmental impact generated, amongst other things, by the consumption of resources and generation of waste products

Compliance with environmental regulations is one of the company commitments. In 2007 there were no penalties imposed for lack of compliance with any international environmental regulations or codes of conduct.

THE COMPANY MADE  
IMPORTANT ADVANCES IN  
2007 TO ADD THE MITIGATION  
OF THE EFFECTS OF CLIMATE  
CHANGE TO COMPANY  
STRATEGY.



## External projects

### Environmental agreements and initiatives supported by the organisation

#### Participation in Climate Change Group at the Entorno Foundation

In addition to the major achievements in energy efficiency, the company made important advances in 2007 to add the mitigation of the effects of climate change to company strategy. In December 2007, Sol Meliá signed a cooperation agreement with the Entorno Foundation - WBCSD Spain through participation in the Energy and Climate Change Work Group, consisting of more than twenty leading companies which aim to face the challenges presented by climate change and the transition to a low-carbon economy.



#### Sol Meliá sustainability diagnosis made by the Responsible Tourism Institute (ITR)

During the first half of 2007, the ITR analyzed all of the different activities carried out by Sol Meliá from the point of view of their compliance with the principles of sustainability, including environmental, socio-cultural and economic factors.

This diagnosis has become the basis for guidelines for the preparation of the Sustainability objectives in the Strategic Plan 2008 – 2010.

#### Signature of the Bali Agreement

Also in December 2007, Sol Meliá subscribed to the Bali Declaration on Climate Change which came out of the United Nations Global Warming Summit. This business initiative demonstrated to politicians the support of more than 100 multinational companies to the development of the measures required for business to effectively contribute to the creation of a low-carbon economy.

#### Cooperation with environmental Non-Governmental Organizations (NGOs)

Sol Meliá cooperates with several environmental NGOs to assist in efficiently channeling the contribution of hotels to the preservation of natural resources in the locations in which the company operates.

The most relevant examples of such cooperation are the following:

- *Cooperation agreement for all of the hotels in Brazil with WWF - Brazil*

After more than 3 years of individual agreements between the WWF – Brazil and the Meliá Jardim Europa and Meliá Brasília hotels, Sol Meliá has now reached a corporate agreement for all of the hotels in Brazil.





Cooperation is based on an environmental information campaign and fundraising for WWF – Brazil in the hotels with staff also receiving training in environmental issues.

The funds raised in 2007 were:

HOTELS	2007
GRAN MELIÁ MOFARREJ	1,521 €
MELIÁ BRASIL 21	915 €
MELIÁ JARDIM EUROPA	3,356 €
<b>TOTAL</b>	<b>5,792 €</b>

The funds raised are used by WWF – Brazil for various sustainable development projects in the country.

· *Cooperation by hotels in Menorca with the Grup Ornitològic Balear (GOB).*



The Sol Menorca, Sol Falcó, Sol Milanos – Pingüinos and Sol Gavilanes hotels in Menorca, declared a Biosphere Reserve in 1993 by UNESCO, make an annual donation to the GOB to develop environmental actions in the island and also assist the NGO in several environmental awareness projects.

### Environmental awards and distinctions

- Sol Menorca (Menorca, Spain): TUI Environmental Champion
- Paradisus Punta Cana (Punta Cana, Dominican Republic): Green Planet Award
- Paradisus Río de Oro (Holguín, Cuba) Spa; National Environmental Award
- Paradisus Playa Conchal (Guanacaste, Costa Rica): Honorary mention in Environment with emphasis on Recycling and Ecological Blue Flag Award
- Meliá Benoa (Bali, Indonesia): Tri Hita Karana Award and ASEAN Green Award
- Meliá Bali (Nusa Dua, Indonesia): ASEAN Green Award
- Meliá Kuala Lumpur (Kuala Lumpur, Malaysia): ASEAN Green Award
- Meliá Cayo Santa María (Cayo Santa María, Cuba): National CFC-Free Award
- Meliá Cayo Coco (Ciego de Ávila, Cuba): Provincial Environmental Award

IN 2007 THE COMPANY  
OPERATED 22 HOTELS  
WITH A TOTAL OF 28  
ENVIRONMENTAL MANAGEMENT  
CERTIFICATIONS.



ENVIRONMENTAL CERTIFICATION	
ISO 14001	11
GREEN GLOBE XXI	7
EMAS	6
BIOSPHERE HOTEL*	4
<b>TOTAL</b>	<b>28</b>

(\*) 3 of the 4 current certificates were in the implementation stage in 2007

## Environmental certification

Sol Meliá is aware that the best way to demonstrate respect for the environment, rather than just complying with legislation, is to get involved with voluntary schemes such as, for example, systems of environmental management certification.

In 2007 the company operated 22 hotels with a total of 28 environmental management certifications based on ISO 14001:2004 rules, the European EMAS regulations or the Green Globe XXI and Biosphere Hotel standards.

The Green Globe XXI and Biosphere Hotel standards do not only include environmental requirements, but also requirements on sustainability such as the development of ideas to promote the local culture, society and economy.

The company shares the idea of the World Tourism Organisation that certification systems have an increasingly important role to play in the regulation of travel services, providing considerable benefits for the environment and society in general in destinations where it has been developed (source: responsible Tourism Institute).

The following is a list of all of the hotels with environmental certification:

- Paradisus Riviera Cancún, Green Globe XXI
- Paradisus Playa Conchal (Costa Rica): ISO 14001
- Paradisus Punta Cana (Playa Bávaro, Dominicana Republic): Biosphere Hotel
- Paradisus Palma Real (Playa Bávaro, Dominicana Republic): Biosphere Hotel
- Sol Falcó (Menorca, Spain): ISO 14001
- Sol Gavilanes (Menorca, Spain): ISO 14001 // EMAS Regulation
- Sol Milanos Pingüinos (Menorca, Spain): ISO 14001
- Sol Menorca (Menorca, Spain): ISO 14001 // Biosphere Hotel
- Sol Pinet Playa (Ibiza, Spain): EMAS Regulation
- Tryp Bellver (Mallorca, Spain): ISO 14001
- Tryp Montevideo (Uruguay): ISO 14001
- Gran Meliá Don Pepe (Málaga, Spain): ISO 14001 // EMAS Regulation
- Gran Meliá Victoria (Mallorca, Spain): ISO 14001
- Gran Meliá Jakarta (Indonesia) Green Globe XXI
- Meliá Sitges (Tarragona, Spain): Reglamento EMAS
- Meliá Palas Atenea (Mallorca, Spain): ISO 14001 // EMAS Regulation // Biosphere Hotel
- Meliá Costa del Sol (Málaga, Spain): EMAS Regulation // ISO 14001
- Meliá Benoa (Bali, Indonesia): Green Globe XXI
- Meliá Bali (Nusa Dua, Indonesia): Green Globe XXI
- Meliá Purosani (Java, Indonesia): Green Globe XXI
- Meliá Hanoi (Hanoi, Vietnam): Green Globe XXI
- Meliá Kuala Lumpur (Kuala Lumpur, Malaysia): Green Globe XXI

## Internal projects

### Savings and efficiency in energy and water use

#### Emission of pollutant gases

The direct emission of CO<sub>2</sub> to the atmosphere from burning fuel calculated by the emission factors method reached 24,412,016 Kg in the 99 hotels that form part of the SAVE project described below.

In addition, the most important indirect emissions of greenhouse gases are from the power stations which produce electricity. According to our estimations, for these hotels the indirect emissions of the gas reached 85,282,904 Kg.

Adding the direct emissions and the most important indirect emissions, the total amount of CO<sub>2</sub> issued to the atmosphere in 2007 was 109,694,920 Kg.

Apart from the CO<sub>2</sub> emissions we would like to mention another type of emission which also plays an important role in the contamination of our planet: direct emissions of NO<sub>x</sub> and SO<sub>2</sub>. These emissions are the cause of acid rain, which itself causes greater acidity in the water in lakes, rivers and the oceans making it more difficult for marine life to thrive. This also directly affects the plant life and acid rain also causes corrosion in constructions and infrastructure.

For the 99 hotels that form part of the SAVE project the emissions of these gases are the following:

NO <sub>x</sub> Kg.	SO <sub>2</sub> Kg.
24,231	15,943

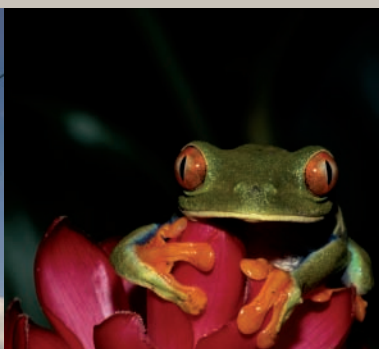
Thanks to the measures applied in energy use, the emission of NO<sub>x</sub> and SO<sub>2</sub> in those hotels has decreased by 7% and 12% respectively on the average for the three previous years.

This example is a reflection of a number of activities that Sol Meliá has carried out in energy saving.

#### Energy saving

Energy consumption is directly related to the emission of pollutants to the atmosphere. That is the reason that Sol Meliá has consolidated the energy-saving measures in the SAVE project run by the Works and Maintenance Department over 2007.





IN 2007 THERE WERE  
99 HOTELS IN SPAIN AND  
THE AMERICAS WHICH  
OFFICIALLY FORMED PART OF  
THE SAVE PROJECT.

The main areas of the project are the following:

- Reports and consumption ratios for energy, water and CO<sub>2</sub> emissions – “you cannot improve what you do not measure”
- SAVE Investments – “proposals and technical and financial viability studies of investments in energy savings and efficiency”
- Standardization of energy efficient systems and products – “energy efficiency as a key factor in the purchase of technical products and the design of facilities”
- Awareness and training – “you cannot apply what you do not know”
- Energy contracting – “the age of cheap energy is over”

In 2007 there were 99 hotels in Spain and the Americas which officially formed part of the SAVE project. The hotels involved in the project must have all of their historical energy use data loaded on the Business Warehouse system to take part in the programme. (Although there are also some measures in raising awareness and in standardization which have been applied not only in these hotels, but also in hotels outside Spain in north and central America, the UK and Italy).

Every month energy and water use in all of the hotels that take part in the project is monitored and analyzed. The direct energy consumption in 2007 of these 99 hotels by source is as follows:

Electricity Kwh	Natural gas (m3)	LPG (Kg.)	Diesel oil (l)
172,288,695	3,325,808	1,472,387	4,759,181

#### *Energy efficient systems and products*

The actions carried out to reduce the impact of the use of fuels and water include:

- Standardization of efficient systems for temperature and lighting control by the detection of human presence.
- Standardization of efficient systems for lighting for new projects and renovations. Consultancy and cooperation agreements with leading companies in the lighting industry to apply LED technology.
- Energy efficiency audits for lighting in non-renovated hotels.

In 2007 there were a total of 29 lighting audits which came to the following conclusions:

- Annual energy saving: 6,679,163 KWh.
- Annual financial saving (energy + maintenance): 868,661 €
- Proposed investment: 1,114,728 €
- Return: 1.28 years.



Meliá Galgos, Madrid.



Tryp Azafata, Valencia.

## Environmental dimension | Social and Environment Value

- Location, valuation and implementation of fuel saving measures with no need for investment.

### Fuel savings through additives

To save diesel oil consumption the RJ10 additive has been used in 9 hotels, of which 6 form part of the SAVE project.

- Tryp Azafata
- Tryp Comendador
- Meliá Galgos
- Meliá Lebreros
- Sol Pelícanos Ocas
- Sol Antillas Barbados

These 6 hotels have used 104,092 litres less of diesel oil, equivalent to a saving of 9% of diesel oil per stay.

- Training in efficient systems, lighting, control systems, efficient production systems, etc.
- Advice and implementation in efficient market-leading energy systems in cooperation with leading engineers and consultancies. (e.g.: geothermal heating systems, heat recovery systems, distributed transport, partially charged generation, optimization of production systems, etc.)
- Design of energy audit by the DOM.

### Water savings

The total consumption of water in 2007 for all of the centres that form part of the SAVE project was 3,278,254 m<sup>3</sup>

Within the framework of the efforts made by Sol Meliá to save water, one of the most prominent measures was saving water with no need of investment through maintenance contracts which included systems for regulating water flow. In 2007 measures have been implemented in 46 hotels, generating the following savings compared to the three previous years:

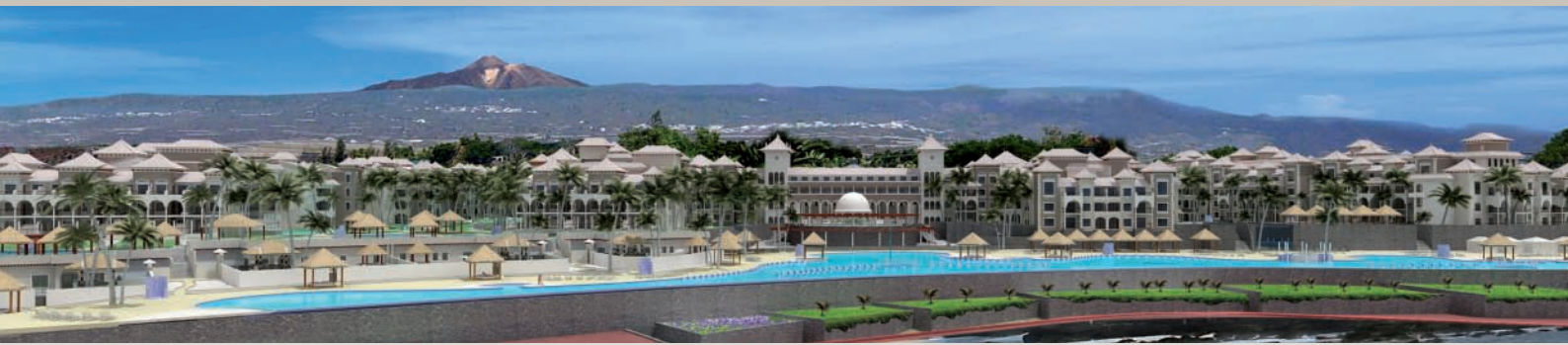
Gas (m3)	Water (m3)	Diesel oil (l)
149,428	178,806	222,496

*Note: The savings are calculated based on the number of stays.*

The 149,428 m<sup>3</sup> of water that have been saved have also helped avoid the emission of 920 tonnes of CO<sub>2</sub>.

### Business Case New Construction: Gran Meliá Palacio de Isora

2007 was a year that saw increasing awareness amongst different governmental organisations both in Spain and abroad about the need for greater energy efficiency in the construction industry.



Gran Meliá Palacio de Isora, Tenerife.

As an example of the commitment to energy sustainability and the technical rigor applied to the design of new facilities, the following are the possible actions for energy optimization in newly-built hotels and full renovations as applied in the Gran Meliá Palacio de Isora hotel which will open in 2008.

*Temperature control and heat generation through geothermal systems, heat recovery and expert systems*

Water temperature control is achieved through geothermal systems which employ holding tanks and the swimming pool to absorb excess heat and thus generate hot water and heating the pool at no environmental non financial cost and using the earth as a free heat exchange system.

The classical system of generating heat through burning fossil fuels has been replaced by a heat production system which recovers residual heat in summer and water from wells (geothermal) in winter.

A distribution system based on re-pressurising rings which allow reductions in the energy and economic costs of transporting energy to the point of consumption.

All of this is controlled using an expert system which automatically defines the parameters for optimum performance in production systems depending on performance curves.

According to the studies made for the Gran Meliá Palacio de Isora, the financial, energy and environmental savings with respect to the installation of traditional temperature control systems would be:

TEMPERATURE CONTROL – ANNUAL SAVINGS	
Environmental Savings	1,390 tonnes of CO <sub>2</sub>
Energy Savings	2,677,383 Kwh 53,000 litres diesel oil
Financial Savings	307,000 euros

*Lighting system with LED technology and low-energy lighting.*

Hotel lighting may account for 35% of electricity use. The installation of efficient lighting systems allow energy, financial and environmental savings. Sol Meliá is committed to using cutting-edge LED lighting technology, considered the greatest revolution in lighting since the invention of the incandescent light bulb, LED lighting allows electricity use to be reduced by up to 10 times and lasts for 50,000 hours compared to the 2,000 hours of incandescent lighting, thus also achieving savings in waste and emissions.

According to the surveys made for the Gran Meliá Palacio de Isora hotel, the financial, energy and environmental savings with respect to traditional incandescent lighting are:

<b>LIGHTING – ANNUAL SAVINGS</b>	
Environmental Savings	296 tonnes of CO <sub>2</sub>
Energy Savings	700,000 kwh
Financial savings energy - maintenance	104,960 Euros

Total savings for the mentioned areas are:

<b>TOTAL – ANNUAL SAVINGS</b>	
Environmental Savings	1,685 tonnes of CO <sub>2</sub>
Energy Savings	3,377,383 Kwh
	53,000 litres diesel oil
Financial Savings	411,000 Euros

#### *Integrated water management system*

Design of facilities which allow the optimization of the entire water cycle, meaning that both production and the final use and recycling of water are fully integrated in the hotel systems. To achieve this, the design takes into account the different stages in the hotel water cycle.

- Production:
  - production of fresh water through desalination plants
  - the use of salt water for swimming pools
  - use of salt water as a coolant in heating systems
- Final use:
  - installation of water saving systems in terminals
- Recycling:
  - of soiled water for watering gardens
  - of soapy water for cisterns

#### **Waste management**

##### **Management in Hotels**

Depending on our activity, the waste generated by hotels is mainly urban waste such as paper, cardboard, glass, packaging and organic materials. All of them are separated so that they can later be recycled in locations where such services are provided.



Corporate head office , Palma de Mallorca.

IN 2007 TOTAL AMOUNT OF PAPER  
AND CARDBOARD COLLECTED  
FROM CORPORATE HEAD OFFICE  
IN PALMA DE MALLORCA  
AND SENT FOR RECYCLING  
WAS 27,157 KILOGRAMMES.

To a far lesser extent hotels also generate some hazardous waste or waste which requires some form of specific treatment. In these cases the waste is collected by authorised waste management teams. This is the case with kitchen oil, batteries, electrical and electronic waste, and packaging of chemical substances (cleaning products) or dangerous materials (paint, varnish, etc.)

In certain locations the company chooses to make agreements with fully integrated waste management solutions such as is the case with the hotel in Brazil, where the recycling programme lead to the recovery in 2007 of up to 153,321 kilogrammes of paper and cardboard, glass and aluminium and plastic packaging.

The company is aware of no incidents in 2007 related to accidental spillage.

#### Management in corporate offices

In corporate offices the waste generated is fundamentally paper and cardboard, but there is also some packaging and organic material, electrical and electronic waste, fluorescent tubes, batteries, printer cartridges, cleaning product packaging, etc.

Waste management is also handled through authorised companies. Paper, for example, is removed by the company responsible for the confidential destruction of documents which is all sent for recycling. The same applies to cardboard which is collected and sent for recycling by another authorised company. In 2007 total amount of paper and cardboard collected from corporate head office in Palma de Mallorca and sent for recycling was 27,157 kilogrammes.

Computer systems are recycled through donation to employees or to NGOs. Mobile phones which are no longer required are delivered to an authorised company for distribution to NGOs or for recycling if they may no longer be used.

#### Preservation of biodiversity

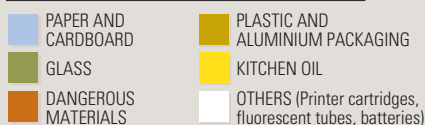
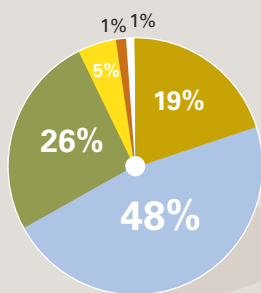
The attractiveness of a travel destination is often based on its natural environment. That is why hotels are often located near sites which may be protected areas or unprotected areas rich in biodiversity.

Sol Meliá runs hotels in a number of countries with biodiversity hotspots, the name given to the regions of the planet with the greatest wealth of animal and plant species, but also with high levels of destruction. The countries with biodiversity hotspots in which Sol Meliá operates are:

#### RECYCLING PROGRAMME 2007

HOTELS	KG
GRAN MELIÁ MOFARREJ	27,629.00
MELIÁ / TRYP BRASIL 21	13,694.00
MELIÁ JARDIM EUROPA	21,867.80
TRYP BERRINI	5,140.50
TRYP GUARULHOS	6,936.00
TRYP HIGIENÓPOLIS	10,965.70
TRYP IGUATEMI	4,029.50
TRYP ITAIM	8,966.00
TRYP JESUÍNO ARRUDA	4,152.72
TRYP NAÇÕES UNIDAS	24,301.02
TRYP PAULISTA	20,250.00
TRYP TATUAPÉ	5,389.66
<b>TOTAL</b>	<b>153,321.90</b>

#### WASTE RECYCLED IN HOTELS, 2007







**SOL MELIÁ RUNS HOTELS IN A  
NUMBER OF COUNTRIES WITH  
BIODIVERSITY HOTSPOTS.**

- **Americas:** Costa Rica, Cuba, Puerto Rico, Dominican Republic, Mexico, Peru, Brazil, Argentina, Panama and Uruguay.
- **Europe:** Spain, France, Italy and Portugal.
- **Asia:** Indonesia, Malaysia, Vietnam.
- **Africa:** Egypt and Tunisia.

Paradus Playa Conchal, for example, located on the northwest coast of Costa Rica and belonging to the Mesoamérica biodiversity hotspot alongside the Tempisque Conservation Area (ACT), has more than 30 protected areas spread over 23,000 hectares, and amongst other things, is home to 23 endangered species and the fourth most important beach in the world for the egg-laying of Baula turtles, another endangered species.

Paradus Playa Conchal runs a certified environmental management system under ISO 14001 regulations and since 2000 has been working with the ACT (together with the Tryp Corobicí and Meliá Cariari up to December 2007) through the Fideicomiso Costarrisol Sol Meliá - ACT to organise voluntary donations by guests of the three hotels of 1 US dollar per stay.

In 2007 the company raised 18,070 US dollars for different biodiversity conservation projects developed by the mentioned Fideicomiso.



*Paradus Playa Conchal, Costa Rica.*



Apart from this programme, as part of its Environmental Solidarity scheme, the hotel has organised a group of volunteers which carries out monthly environmental protection duties at the different beaches and communities in the region.

The commitment shown by this hotel is mirrored in all of the company locations. Meliá Bali in Indonesia, for example, is located in a biodiversity hotspot called The Sonda, known for its spectacular flora and fauna threatened by the increasing speed of industrial deforestation and the illegal trade in numerous species of tigers, primates and turtles. The hotspot is also home to packs of extremely endangered orang-utans as well as some of the last refuges in Asia for the rhinoceros.

Meliá Bali has Green Globe XXI certification and has also received prestigious environmental awards in the past such as the Green Paradise Tri Hita Karana, the TUI Environmental Champion and, more recently, the ASEAN Green Award. Amongst the numerous environmental activities carried out at the hotel there is a biodiversity conservation programme which included amongst its activities in 2007 participation in several release programmes for endangered turtle species.

In 2007 a total of 255 turtles were released back to the wild in actions involving both guests and local children along with the United Nations Framework Convention on Climate Change and in projects which also involved the Indonesian Ministry of the Environment.



*Children take part in the release of turtles on 24 August 2007 near the Meliá Bali hotel.*

## Training and environmental awareness

The incorporation of environmental management in hotels is destined to fail without the correct training and raising employee awareness. Sol Meliá includes both aspects as a basis for its efforts to achieve sustainability. This helps to improve employee performance thanks to better training, and also helps motivate staff thanks to the opportunities it presents for personal fulfillment and professional growth.

Awareness needs to be raised amongst all stakeholders, and particularly amongst customers, whose participation and cooperation are essential to ensure that their stay in both the hotel and the destination are respectful of the natural environment so that it can be enjoyed by future generations.

### Employee training and environmental awareness

Hotels with environmental management systems have to provide the training to raise awareness amongst employees so that they can carry out their daily tasks in a way which respects the natural environment.



*Environmental employee training in Paradisus Palma Real hotel.*

Environmental training for employees in 2007 also included actions about the correct use of lighting supported by Philips for all Area managers and Engineering Managers in Spain.

In relation to employee environmental awareness, 2007 also saw the SAVE GREEN PLANET competition. Thanks to the efforts of all of the hotels involved, savings of 2,971 tonnes of CO<sub>2</sub> were made, equivalent to all of the CO<sub>2</sub> absorbed over the lifetime of a total of 148,550 trees. The estimated cost of planting precisely that amount of trees may now be used by the hotel that won the competition, the Gran Meliá Salinas, to invest in an environmental project.

### Intraining and guest awareness

The Sol Meliá hotels with environmental management certification are clear examples of this as they report all of their activities to guests and aim to involve them as much as possible in minimising the impact of hotel activities and tourism.

This goes further than the simple intraining of guests about the environmental impact of their hotel stay (energy and water consumption, generation of waste, etc.) and actually gets them involved in environmental activities, with a particular focus on children given that raising their environmental awareness is even more important and necessary.

A clear example of raising awareness is to be found at the Sol Milanos – Pingüinos hotel, where facilities include an environmental education and interpretation workshop with the following activities:



Cover of the responsible tourism policy at the Paradisus Punta Cana.

- Preparation of a herb garden with local plants.
- Cultivation of a vegetable garden.
- Interpretation of the surrounding natural environment (Son Bou dunes and lagoon).
- Excursions to the lagoons at Son Bou for bird watching and bird census.
- Excursions to a local Wildlife Recovery Centre and the Menorca Nature Museum.

All of these actions form part of the environmental awareness activities included in Solidarity Day held in this hotel and 27 other resort hotels run by the company.

Another example is the Meliá Bali which invited children from the local city to their turtle release, also giving them a free stay in the hotel and thus helping make them participants in the conservation programme and environmental preservation.



## Socio-cultural Dimension

Social and Environment Value



SOL MELIÁ FOCUSES ITS PROJECTS IN THE COMMUNITIES IN WHICH IT OPERATES, ATTENDING TO THE NEEDS OF THE MOST DISADVANTAGED MEMBERS OF THE COMMUNITY .

### Philosophy

Since its foundation more than 50 years ago, Sol Meliá has always assumed its responsibility for the environment. Different plans and programmes in this respect have made the hotel company an active player in the development of actions aimed at assisting in reducing some of the most important social problems affecting some of the most disadvantaged members of our society. In 2001, Community Involvement became part of company strategy and in 2004 Sol Meliá received the “Business and Society Award” in recognition of its Community Involvement projects.

In its daily business Sol Meliá comes into contact with millions of people every year and aims to use this fact to become a platform for social and environmental awareness, as well as ensuring sustainability in the projects it carries out through the involvement of different interest groups.

Sol Meliá focuses its projects in the communities in which it operates, attending to the needs of the most disadvantaged members of the community and also hotel staff. Amongst the groups that receive greatest support are children, the disabled, women victims of domestic violence, and staff members affected by natural disasters.

These projects form part of two different areas, “Top-Down” projects which originate in corporate offices and then reach hotels, and “Bottom-Up” projects which are created in hotels and reported to corporate offices. Within this framework there are 5 major areas of activity:

- Projects to support child education
- Projects to support the disabled
- Community Involvement by hotels
- Support Fund for Sol Meliá staff affected by natural disasters
- Specific projects to support local communities (Hotel Solidarity Award)

#### 1. “All for them” programme (Projects to support child education)

“All for them” is the banner under which Sol Meliá carries out projects focused on support for education for children from underprivileged backgrounds in the regions in which the company operates.

The most important of those projects are:



#### Sol Meliá Solidarity Day

The Solidarity Day project has been running since 2004 and is based on two basic concepts; firstly, to raise the awareness of children and adult guests through hotel-based activities, and; secondly, to support educational projects for children through different fundraising events.

THE TANAH MERA PROJECT  
HAS ASSISTED 900 CHILDREN,  
5,000 ADULTS AND 1,600  
FAMILIES.



Reconstruction of damaged houses. Before and after.

Solidarity Day is carried out in a number of family resort hotels in the summer months, including the “Flintstones Land” hotels, and consists of one day a week of children’s activities to raise their awareness about the need for solidarity and environmental protection and the problems facing the developing world. The children also learn more about the local culture around the location of the hotels. Funds raised by some of the activities go to help finance children’s education projects supported by Sol Meliá, always near the location of a hotel to guarantee the maximum possible involvement of staff and thus guarantee the sustainability of the projects.

In 2007, 80,000€ was raised to fully renovate the “El Principito” infant school in Mexico. The school provides education to 80 children between 1 and 5 years old in Quintana Roo, Mexico.

#### Tanah Mera Project

Solidarity Day in Indonesia helped provide both funds and personnel from Sol Meliá to help out on the Tanah Mera Project, a project which helps with the education of poor children and families affected by the floods in Jakarta. The project aims to rebuild and equip a school which was destroyed by the floods, provide professional training and job-seeking assistance to the young and legal assistance to children and families for their registration as citizens.

The project has assisted 900 children, 5,000 adults and 1,600 families.

#### Huancavélica Project

Children’s education objectives are also supported by the Meliá Lima, which gives an annual award to the top 16 children taking part in a Spanish and Quechua education project carried out by the “Tierra de Niños” organisation in Huancavélica, one of the poorest areas in Lima, Peru.

The 16 children are invited by Sol Meliá to stay at the Meliá Lima for five days during which staff volunteers help the children and take them out on cultural visits around Lima, give them a medical check-up and enjoy fun and games.

#### Felicidade Project

In 2003 the company began to cooperate with the Projeto Felicidade which aims to entertain children suffering from cancer, and so help to encourage them to keep up with their treatment. Sol Meliá provides free accommodation to the children and their families in company hotels in Sao Paulo (Brazil). In 2007, a total of 77 families stayed at the hotels.







#### Foundation Abring Project

An agreement reached between the Meliá Brasil Hotel and the Abring foundation has led to the implementation of the “10 steps” to be considered a “Child-friendly Company”:

1. Say no to child labour.
2. Respect young workers.
3. Include escape clause in contracts with suppliers allowing rescission if they are denounced.
4. Provide a nursery for children of employees.
5. Promote and encourage the children of employees under 18 to attend school.
6. Promote and assist pregnant employees to attend antenatal care.
7. Encourage breast feeding until children reach 6 months old.
8. Assist employees in registering their children.
9. Invest according to criteria defined by the NGO.
10. Contribute to the Fund for the Rights of Children and Adolescents.

#### Infancia sin Fronteras (Childhood without Borders)

The Gran Meliá Volcán Lanzarote (Canary Islands) has been working with “Infancia sin Fronteras” for three years to assist in the creation and operation of a Development Centre for more than 500 children in Matagalpa (Nicaragua).



The objective of the cooperation is to raise funds for the operation of the 1st of May Development Centre located in the district of the same name, and attend to the needs of around 500 children up to the age of 14. Staff at the Gran Meliá Volcán Lanzarote organise activities to raise funds to be transferred to “Infancia sin Fronteras”.

“Infancia sin Fronteras” showed its gratitude for the efforts made by the hotel team with a commemorative plaque and a drawing of all of the children that have benefited from the project.

#### Company and Disability Project (projects to support the disabled)

The Arcángel San Miguel School Project was created to promote children’s education in the area around the Arcángel San Miguel School, in the district of Torres de Carapita-Antímamo, one of the poorest and most dangerous areas of Caracas. The project aims to provide tools and opportunities for people that cannot afford private education. There are currently 400 children studying at the school and the facilities continue to grow along with the number of children.

The Gran Meliá Caracas started the project with an awareness campaign for staff. The hotel then helped in three different areas: donation of educational materials and fundraising, repair and equipment for the school facilities, and educational training workshops.



## 2. Programa Empresa y Discapacidad (company and disability programme)

As part of the cooperation by Sol Meliá in the projects promoted by the Business and Society Foundation, Sol Meliá agreed to take part in 2005 in the Company and Disability Project, a multi-company initiative to share experiences about disability and improve performance in the following areas:

- Design of all products and services to make them more accessible.
- Accessibility audit of facilities.
- Employment of disabled people.
- Project for the visually impaired.

The activities carried out by Sol Meliá in 2007 have focused on:

### Accessibility

Sol Meliá is committed to Universal Accessibility. In 2007 the company has carried out work to improve the facilities at 5 hotels: repair and adaptation of bathrooms for the disabled in public areas and guest rooms, ramps to reach the spa. All of the elements required for greater accessibility have also been included in renovation projects for three hotels.

### Accessibility audit

In 2007 the accessibility plan for Calvià, Menorca and Ibiza was finalised with an audit of the hotels in the three regions. The audit was carried out by Proa Solutions and analysed the current situation, current needs and proposals for accessibility criteria.

### Purchasing programme from Special Employment Centres

This programme encourages purchasing from Special Employment Centres (companies with at least 70% of their staff classified as disabled); companies with employees taken from disadvantaged groups or with difficulties or in danger of marginalisation; and purchases from local suppliers of products such as local handicrafts, products which are difficult to transport and/or local or exclusive food and beverage products.

Compliance with laws concerning the integration of the disabled in 2007 led to the achievement of a quota of 2.2% through direct contracting and other measures. This year, Sol Meliá has continued to contract staff from special employment centres, with nine companies being used in Spain for services valued at 3,243,650.32 euros.



COMPLIANCE WITH LAWS  
CONCERNING THE INTEGRATION  
OF THE DISABLED IN 2007 LED  
TO THE ACHIEVEMENT OF A  
QUOTA OF 2.2%.

#### Project for the visually impaired

Working together with the Fundação Dorina Nowill, the Hotel Tryp Higienópolis (Brazil) has created menus with bigger letters for people with impaired vision and menus in Braille for the blind.

### 3. Cooperation by hotels (hotel cooperation with their local communities)

One of the most important areas of support for the Sol Meliá Community Involvement programme is cooperation by hotels. To a large degree this is based on the free use of hotel facilities (meeting rooms, guestrooms, etc.) by charity organisations and other partners, in addition to the volunteer work done by staff on different projects.

This is particularly relevant in the case of the Solidarity Hotel award. The main requirements for the award – and for our Community Involvement in general – is to focus the activity on one of our priority concerns (child education) in sustainable projects in which Sol Meliá, through its hotels, can act as a platform involving all of our stakeholders (suppliers, travel companies, hotel staff, etc.) in projects which benefit the local communities.

To coordinate this cooperation each hotel has a Community Involvement Coordinator who handles all of the requests for assistance after checking that the organisation complies with company criteria regarding transparency and best practises.



#### Some examples

Sol Meliá worked with “Pequeño Deseo” (Little Wish), a foundation which aims to help children with chronic or terminal illness to make a dream come true and so help them to feel just a little bit better. Thanks to the supply of free hotel rooms for children and their families, in 2007 Sol Meliá helped make the wishes of 16 children come true.

Sol Meliá has worked with the internal training programme at Meniños, an organisation which promotes children’s rights, offering quality services to children with social problems. Meniños employs around 100 people, a large number of which work directly with families and children. The high degree of skill they need in their work requires that they receive constant training and supervision. Thanks to the supply of free accommodation for trainers, a number of different courses have been held which has helped bring about constant improvements in staff abilities.

The “Juntos Contra la Violencia Doméstica” (Together Against Domestic Violence) Association organised the second annual Letter to an Abuser competition for



children on the International Day against violence on women. The objective of the competition is to find out what teenagers think about the subject and so help prepare new prevention campaigns. Sol Meliá helped the Association by providing free accommodation for a weekend in Mallorca.



*Reconstruction of damaged houses. Before and after.*

#### **4. Support Fund for Staff (support for Sol Meliá staff affected by natural disasters)**

In August 2007, a new earthquake in Pisco, Peru, affected some members of the Sol Meliá team directly. After immediate first aid and assistance provided by the Hotel Meliá Lima, the company added a number of measures such as the donation of points from the MaS loyalty programme, the solidarity website, and the active support and participation of people in our Asia Pacific, North America and South America Divisions which raised 57,000€ for the reconstruction of all of the houses affected by the quake.

#### **5. Adopt a Village Project (winning project of the Hotel Solidarity Award)**

The Meliá Kuala Lumpur is working on the “Adopt a Village” project which aims to assist a small village in the south of the Malaysian peninsula affected by the terrible floods of December 2006.

The project consists of a series of monthly visits coordinated by the hotel with the assistance of several external organisations which aim to reduce the effects of the floods (repairing local homes and facilities) and recover, or even improve upon, the conditions the village enjoyed before the disaster.

Over a 6 month period, hotel staff and partners visited the village to get to know the villagers’ needs and so be able to help them in the reconstruction, development and improvement of the village.

The experience went further than just providing financial assistance as both hotel staff and suppliers took an active part in project development, creating opportunities for raising awareness about other cultures, new friendships and changing the lives of the villagers.

This project led to the Meliá Kuala Lumpur winning the “Hotel Solidarity Award 2007”, a prize which Sol Meliá gives every year to the project which best manages to achieve a multiplying effect for a sustainable children’s education project through the involvement of all of the different stakeholders, particularly amongst hotel staff.







## 6. Awards and Prizes

### Gran Meliá Caracas

As part of the “UNICEF Cuenta Contigo 2007” programme, the United Nations Children’s Fund held an event at the Gran Meliá Caracas to recognise the work of 70 companies and individuals who have supported UNICEF in Venezuela in 2007, helping to implement institutional campaigns and programmes to assist children.

The Gran Meliá Caracas received an award from UNICEF for its contribution to ensuring that children and teenagers in Venezuela have more and better development opportunities.

### Meliá Kuala Lumpur

The Meliá Kuala Lumpur received the prestigious “Award of Highest Excellence of EU-Malaysia Trade/Investment 2007”, an annual award presented by the European Union and Malaysia Chamber of Commerce and Industry (EUMCCI). The awards were presented during the “European Gala Awards 2007” on 16 November and form part of a strategy for increasing trade and investment between the two regions.

The award is presented to a EU member company that has demonstrated excellence in trade and investment in Malaysia, and is based on criteria such as innovation, organizational skills and corporate social responsibility, amongst others.

Meliá Kuala Lumpur received the award thanks to its firm commitment to improving the natural environment, recognised by awards such as the Green Globe and ASEAN Green Hotel Award, and for its contribution to Malaysian society through the “Lenga Community” social programme.

### Hotel Solidarity Award

Sol Meliá Community Involvement philosophy focuses its projects in the communities in which the company operates, attending to the needs of priority groups such as children, the disabled, and women victims of domestic violence.

The sustainability of such projects is determined by the degree of involvement and commitment achieved by the hotel. Sol Meliá aims to act as a platform to promote initiatives which involve all of our stakeholders, achieving a multiplying effect with regard to the resources available and the impact created.

This year the award went to the Meliá Kuala Lumpur hotel for its Adopt a Village project described above.



## 7. Alliances and Cooperation

### Save the Children



Sol Meliá and Save the Children signed a cooperation agreement on 25 May 2006.

Considered a strategic project towards achieving the goal of responsible and sustainable tourism, the agreement helps convert Sol Meliá into a platform upon which guests, partners and staff are able to base and build solidarity projects to the benefit of all involved and achieving a multiplying effect on their results.

The 88 years of experience of Save the Children and the quality of their programmes in more than 100 countries are a major guarantee that the organisation will continue to perform its good works to the benefit of children in need.

### Business and Society Foundation



Founded in 1995 and supported by entrepreneurs and independent professionals, the mission of the Business and Society Foundation is to promote community involvement activities in Spanish companies. The Foundation provides advisory services and also carries out research and promotion activities aimed at businesses and society in general.

Sol Meliá defends the idea that companies will play a greater role in society only if they are socially responsible. Amongst other things, this means that their products and services must be accepted by society and comply with all existing legislation, their executives must behave with impeccable ethics, they must take their relations with their employees seriously, they must be respectful of their natural environment, and they must support the most disadvantaged members of their community.

The Business and Society Foundation is currently formed by more than 100 member companies, all leaders in community involvement. Sol Meliá has been a patron of the foundation since 1999 and thus committed to:

1. Improving its community involvement strategy and activities.
2. Appropriately reporting its community involvement.
3. Supporting the institutional activities of the foundation to promote community involvement in the business world.

### Lealtad Foundation



To assist with project management on the Sol Meliá Community Involvement Programme, Sol Meliá signed an agreement with the “Lealtad” Foundation which committed the company to promoting principles of transparency and good conduct amongst company employees and related companies, as well as the “Guide to



SOL MELIÁ BECAME  
THE FIRST SPANISH TRAVEL  
COMPANY TO SIGN THE  
CODE AGAINST CHILD  
SEXUAL EXPLOITATION.

Transparency and Good Conduct in NGOs' edited by the Foundation. Sol Meliá also cooperates every year with at least one of the organisations audited by the Foundation.

The work and research carried out by the Foundation has very quickly made it a reference point for companies and individuals in the selection process of NGOs or other organisations for cooperation projects.

The "Lealtad" Foundation was founded in 2001 and is an independent charitable institution that aims to promote confidence amongst the public and corporations in associations and foundations working on assistance and development projects. The Foundation operates throughout Spain and meets its objectives via its website and the publication of the mentioned guide.



#### Adecco Foundation

The Adecco Foundation is the result of the social responsibility activities of the human resources multinational Adecco. It is a non-profit organisation formed in July 1999 with the objective of assisting the disadvantaged in finding employment. The foundation assists the disabled, people over 45, single women with families and ex sportspeople.



#### Business and Growth Foundation

The mission of the Business and Growth Foundation, of which Sol Meliá is a patron, is to help provide an effective contribution by Spanish companies with direct investments to the economic and social development of developing countries through the creation and growth of small and medium-sized companies. Based on business criteria, the foundation promotes the creation and management of funds specifically for the development of small and medium-sized companies in Latin America.

Founded in February 2001, the Business and Growth Foundation is also very much involved in the training of entrepreneurs in developing countries through its own programmes or in cooperation with specialist organisations.

For more information see the website: <http://es.solmelia.com/home.htm> (press room).

#### ACIM – ECPAT Spain

On 16 October 2006 Sol Meliá signed the Tourism Industry Code of Conduct for the protection of children and teenagers against sexual exploitation, becoming the first Spanish travel and tourism company to do so.

The Code of Conduct commits the company to combat the sexual exploitation of children through a number of different activities.



Travel and tourism companies subscribing to the Code of Conduct agree to comply with their social responsibilities in the tourist destinations where they operate and to abide by the following criteria:

- To define ethical corporate policies against the sexual exploitation of children.
- To train staff in their home base and in the countries in which they operate.
- To insert a clause into supplier contracts expressing their joint rejection of the sexual exploitation of children.
- To inform tourists via pamphlets, brochures, posters, videos, tickets, websites or other appropriate means.
- To provide information to “key” local agents in each destination.
- To produce an annual report on their implementation of the above criteria.

In 2007, the Code was implemented in the South American and Asian Divisions. In 2008 staff in the European Division will receive training prior to implementation.

## 8. Sol Meliá Community Involvement in figures

In 2007, Sol Meliá hotels achieved the following figures:

<b>SOL MELIÁ COMMUNITY INVOLVEMENT</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Projects	205	628	852	509	646	880
NGOs and Foundations	145	360	470	246	302	342
Donation of resources (equivalent €)	384,859	1,153,043	1,203,475	1,107,080	1,408,054	1,638,433

Thanks to Sol Meliá’s services as a platform for the launch of other activities, the following multiplying effects have been achieved:

<b>Assets mobilised</b>	<b>153,745 euros</b>
<b>Impact on awareness</b>	
Children benefited	4,974
Adults benefited	37,119
<b>Economic impact</b>	
Children benefited	1,890
Adults benefited	5,000
Families benefited	1,666
<b>Participation of employee volunteers</b>	<b>1,114</b>



## **9. Contact details**

If you, your company, NGO, foundation or public or private institution would like more information on Sol Meliá Community Involvement projects, please contact us.

Community Involvement Department  
SOL MELIA  
Gremio de Toneleros, 24.  
07009 Palma de Mallorca, Spain  
Telephone: +34 971.224400  
Fax: +34 971.224427  
[accion.social@solmelia.com](mailto:accion.social@solmelia.com) / [community.involvement@solmelia.com](mailto:community.involvement@solmelia.com)  
[www.solmelia.com](http://www.solmelia.com)

## Regulatory Notifications

**1. 16/01/2007 Regulatory Notification Number 75580**

The Market and Investment Department raises the following motion for suspension of trading to the Chairman of the National Stock Exchange Commission which, in virtue of the delegation of faculties provided by the Board of the National Commission on 29 June 2006, agrees: "To temporarily suspend with immediate effect, as defined in Article 33 of Law 24/1988, of 28 July, of the Stock Exchange, trading in SOL MELIA, S.A. in the following markets: - in the Stock Market and Stock Market Exchange System, of the shares and other securities that may be subscribed or acquired. - In AIAF, Fixed Return Market, S.A. of the Fixed rate Bonds and Preferred Shares, while a regulatory notification is issued. At 10am on 16 January 2007, the suspension of trading will cease."

**2. 16/01/2007 Regulatory Notification Number 75581**

ING BANK NV, LONDON BRANCH reports that it is to begin a private sale of up to around 6.5% of the share capital of SOL MELIA, S.A. owned by a client of the bank..

**3. 16/01/2007 Regulatory Notification Number 75599**

ING BANK NV, LONDON BRANCH reports that after the Regulatory notification published on 16 January that, given that the period of the offer is over, the offer has been oversubscribed by qualified investors and that the bank client, the company AILEMLOS S.L., has decided to sell the 12.034.560 shares in SOL MELIA, S.A. it owns to said investors, representing 6.5% of the share capital, at a price of 15.20 euros per share.

**4. 27/02/2007 Regulatory Notification Number 77458**

The Company submits information on the results for the second semester 2006.

**5. 02/04/2007 Regulatory Notification Number 78714**

The Company submits resolutions of the Board of Directors.

**6. 03/05/2007 Regulatory Notification Number 79912**

The Company reports the calling of the Ordinary and Extraordinary Shareholders Meeting for 5 and 6 June 2007.

**7. 03/05/2007 Regulatory Notification Number 79918**

The Company submits rectification of regulatory notification 79912 published on 03/05/2007.

**8. 10/05/2007 Regulatory Notification Number 80177**

The Company submits information on the results for the first quarter 2007.

**9. 23/05/2007 Regulatory Notification Number 80638**

The Company submits the Annual report on Corporate Governance for 2006.

**10. 05/06/2007 Regulatory Notification Number 80983**

The Company reports that the Ordinary and Extraordinary Shareholders Meeting of 5 June 2007 has approved, amongst others, the annual accounts and Management Report for the company and its consolidated group, for the financial year ending 31 December 2006, and the distribution of a net dividend of 0.122 euros/ share.

**11. 18/07/2007 Regulatory Notification Number 82285**

Sol Meliá reports its new Asset Valuation.

**12. 31/07/2007 Regulatory Notification Number 82637**

The Company submits information on the results for the first semester 2007.

**13. 31/07/2007 Regulatory Notification Number 82639**

Sol Meliá reports that on 17/07/2007 it has signed a syndicated loan for a nominal amount of 200 million euros with a 5 year due date with a total of 31 participating banks.

**14. 27/09/2007 Regulatory Notification Number 84263**

The Company submits the new regulations of the Board of Directors with the modifications required due to the new Strategy Committee.

**15. 03/10/2007 Regulatory Notification Number 84464**

The Company reports an increase in the shareholding of the companies Hoteles Mallorquines Asociados, SL. Hoteles Mallorquines Consolidados, SA and Hoteles Mallorquines Agrupados SL, which have bought a total of 663,685 shares - representing 0.36% of the share capital - for an amount of 8,991,899 euros.

**16. 08/11/2007 Regulatory Notification Number 85661**

The Company submits information on the results for the third quarter 2007.



## Board of Directors

### EXECUTIVE DIRECTORS

NAME	POSITION
Gabriel Escarrer Juliá	Chairman
Sebastián Escarrer Jaume	Deputy Vice Chairman and CEO
Gabriel Juan Escarrer Jaume	CEO

### PROPRIETARY DIRECTORS

NAME	REPRESENTATIVE	POSITION	SIGNIFICANT SHAREHOLDER REPRESENTED
Juan Vives Cerdá		Vice Chairman	Hoteles Mallorquines Asociados S.L.
Hoteles Mallorquines Consolidados S.A.	María Antonia Escarrer Jaume	Director	Hoteles Mallorquines Consolidados S.A.
Caja de Ahorros del Mediterráneo	Armando Sala Lloret	Director	C.A.M.

### INDEPENDENT DIRECTORS

NAME	POSITION
José María Lafuente López	Secretary
Alfredo Pastor Bodmer	Director
Eduardo Punset Casals	Director
Emilio Cuatrecasas Figueras	Director

## GRI Indicators

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
<b>1. VISION AND STRATEGY</b>				
Strategy and Analysis	Central	1.1	Statement from the most senior decisionmaker of the organization (e.g., CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy.	AR 5
Strategy and Analysis	Central	1.2	Description of key impacts, risks, and opportunities.	AR 30, 31
<b>2. PROFILE</b>				
<b>Profile of the organisation</b>				
Organisational profile	Central	2.1	Name of the organisation.	FR, AR cover
Organisational profile	Central	2.2	Primary brands or services.	AR 46-64
Organisational profile	Central	2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	AR 16,17; FR 39,76-78
Organisational profile	Central	2.4	Location of organisation's headquarters.	AR 132
Organisational profile	Central	2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	AR 16
Organisational profile	Central	2.6	Nature of ownership and legal form.	FR 17
Organisational profile	Central	2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR 16,17
Organisational profile	Central	2.8	Scale of the reporting organization, including number of employees, net sales or net revenues, total capitalization broken down in terms of debt and equity, quantity of products or services provided, total assets, beneficial ownership and breakdown by country/region of the sales/revenues by countries/regions that make up 5 percent or more of total revenues and costs by countries/regions that make up 5 percent or more of total revenues.	AR 17-19
Organisational profile	Central	2.9	Significant changes during the reporting period regarding size, structure, or ownership including the location of, or changes in operations, including facility openings, closings, and expansions; and changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	AR 72,73,80, 81, 84, 85, 100
<b>Scope of Sustainability Report</b>				
Organisational profile	Central	2.10	Awards received in the reporting period.	AR 103, 120
<b>Report Parameters</b>				
Report profile	Central	3.1	Reporting period for information provided.	AR 10
Report profile	Central	3.2	Date of most recent previous report.	AR 132
Report profile	Central	3.3	Reporting cycle (annual, biennial, etc.).	AR 10
Report profile	Central	3.4	Contact point for questions regarding the report or its contents.	AR 132
Report scope and boundary	Central	3.5	Process for defining report content, including determining materiality, prioritizing topics within the report, and identifying stakeholders the organization expects to use the report.	AR 10
Report scope and boundary	Central	3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities,...).	AR 10
Report scope and boundary	Central	3.7	State any specific limitations on the scope or boundary of the report.	AR 10, 11
Report scope and boundary	Central	3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	FR 76-78
Report scope and boundary	Central	3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	AR 10
Report scope and boundary	Central	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/ acquisitions, change of base years/ periods, nature of business, measurement methods).	AR 10
Report scope and boundary	Central	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	AR 10
<b>GRI Content Index</b>				
Report scope and boundary	Central	3.12	Table identifying the location of the Standard Disclosures in the report.	AR 127-131
Key: <b>AR:</b> Annual Report <b>FR:</b> Financial Report <b>NAp:</b> Not applicable to Sol Meliá <b>NAv:</b> Not available				

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
			<b>Assurance</b>	
Verification	Central	3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	FR 96-98, 113-115
			<b>Governance, Commitments, and Engagement of stakeholders</b>	
Governance	Central	4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	AR 126
Governance	Central	4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	AR 126
Governance	Central	4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	FR 96
Governance	Central	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Include reference to processes regarding the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; and informing and consulting employees about the working relationships with formal representation bodies such as organization level 'work councils', and representation of employees in the highest governance body.	AR 42-44
Governance	Central	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	FR 103
Governance	Central	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	FR 117
Governance	Central	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	FR 114-115
Governance	Central	4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. (Standards on an international level and application in different divisions, departments...).	AR 122-123
Governance	Central	4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	NAP
Governance	Central	4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	NAP
			<b>Commitments to external initiatives</b>	
Governance	Central	4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization. Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organization's approach to risk management in operational planning or the development and introduction of new products.	FR 118-121
Governance	Central	4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses. (Include date of adoption, countries/operations where applied, and the range of stakeholders involved in the development and governance of these initiatives (e.g., multi-stakeholder, etc.). Differentiate between non-binding, voluntary initiatives and those with which the organization has an obligation to comply).	AR 102-104, 114-119
Governance	Central	4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization has positions in governance bodies, participates in projects or committees, provides substantive funding beyond routine membership dues or views membership as strategic.	AR 121, 122
			<b>Stakeholder engagement</b>	
Stakeholder engagement	Central	4.14	List of stakeholder groups engaged by the organization.	AR 9
Stakeholder engagement	Central	4.15	Basis for identification and selection of stakeholders with whom to engage. This includes the organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.	AR 74
Stakeholder engagement	Central	4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	AR 10
Stakeholder engagement	Central	4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	NAP <sup>1</sup>
<p>Key: <b>AR:</b> Annual Report <b>FR:</b> Financial Report <b>NAP:</b> Not applicable to Sol Meliá <b>NAP:</b> Not available</p> <p><sup>1</sup> Sol Meliá cannot report this indicator at the moment, but is developing the tools to report on it in the future.</p>				

ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
			<b>ECONOMIC PERFORMANCE</b>	
Economic performance	Principal	EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	FR 4-7, 14
Economic performance	Principal	EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	AR 102
Economic performance	Principal	EC3	Coverage of the organization's defined benefit plan obligations.	FR 5
Economic performance	Principal	EC4	Significant financial assistance received from government.	FR 5
			<b>Market presence</b>	
Market presence	Additional	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	NAv
Market presence	Principal	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	AR 81
Market presence	Principal	EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation.	NAv <sup>1</sup>
Market presence	Principal	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	NAv
Indirect economic impacts	Additional	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	AR 123
			<b>ENVIRONMENTAL INDICATORS</b>	
Materials	Principal	EN1	Materials used by weight or volume.	NAv
Materials	Principal	EN2	Percentage of materials used that are recycled input materials.	AR 110
Energy	Principal	EN3	Direct energy consumption by primary energy source.	AR 106
Energy	Principal	EN4	Indirect energy consumption by primary source.	NAv
Energy	Additional	EN5	Energy saved due to conservation and efficiency improvements.	AR 105-109
Energy	Additional	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	AR 105-109
Energy	Additional	EN7	Initiatives to reduce indirect energy consumption and reductions achieved.	AR 105-109
			<b>Water</b>	
Water	Additional	EN8	Total water withdrawal by source.	AR 107, 109
Water	Additional	EN9	Water sources significantly affected by withdrawal of water.	NAv
Water	Additional	EN10	Percentage and total volume of water recycled and reused.	NAv
			<b>Biodiversity</b>	
Biodiversity	Principal	EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	AR 110, 111
Biodiversity	Principal	EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	AR 110, 111
Biodiversity	Additional	EN13	Habitats protected or restored.	AR 110, 111
Biodiversity	Additional	EN14	Strategies, current actions, and future plans for managing impacts on biodiversity.	AR 110, 111
Biodiversity	Additional	EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	NAv
			<b>Emissions, effluents and waste</b>	
Emmissions, effluents and waste	Principal	EN16	Total direct and indirect greenhouse gas emissions by weight.	AR 105
Emmissions, effluents and waste	Principal	EN17	Other relevant indirect greenhouse gas emissions by weight.	AR 105
Emmissions, effluents and waste	Additional	EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	AR 105-109
Emmissions, effluents and waste	Principal	EN19	Emissions of ozone-depleting substances by weight.	NAv
Emmissions, effluents and waste	Principal	EN20	NO, SO, and other significant air emissions by type and weight.	AR 105
Emmissions, effluents and waste	Principal	EN21	Total water discharge by quality and destination.	NAv
Emmissions, effluents and waste	Principal	EN22	Total weight of waste by type and disposal method.	AR 109, 110
Emmissions, effluents and waste	Principal	EN23	Total number and volume of significant spills.	AR 110
Emmissions, effluents and waste	Additional	EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	NAp
Emmissions, effluents and waste	Additional	EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	NAv
<p>Key: <b>AR:</b> Annual Report <b>FR:</b> Financial Report <b>NAp:</b> Not applicable to Sol Meliá <b>NAv:</b> Not available</p> <p><sup>1</sup> Sol Meliá cannot report this indicator at the moment, but is developing the tools to report on it in the future.</p>				

Key: **AR:** Annual Report **FR:** Financial Report **Nap:** Not applicable to Sol Meliá **NAv:** Not available  
<sup>1</sup> Sol Meliá cannot report this indicator at the moment, but is developing the tools to report on it in the future.  
<sup>2</sup> Sol Meliá does not have an internationally standardised policy on this matter.



ASPECT	TYPE OF INDICATOR	INDICATOR NUMBER	GRI INDICATORS	LOCATION
Freedom of association and collective bargaining	Principal	HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	NAP
Child labour	Principal	HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor.	NAP
Forced labour	Principal	HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor.	NAP
Security practises	Additional	HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	NAP
Indigenous rights	Additional	HR9	Total number of incidents of violations involving rights of indigenous people and actions taken.	NAP
Community	Principal	SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	
Corruption	Principal	SO2	Percentage and total number of business units analyzed for risks related to corruption.	NAP
Corruption	Principal	SO3	Percentage of employees trained in organization's anti-corruption policies and procedures.	NAv
Corruption	Principal	SO4	Actions taken in response to incidents of corruption.	NAP
Public policy	Principal	SO5	Public policy positions and participation in public policy development and lobbying.	NAP
Public policy	Additional	SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	NAv
Anti-competitive behaviour	Additional	SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	NAv
Compliance	Principal	SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.	NAP
Customer health and safety	Principal	PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	NAv
Customer health and safety	Additional	PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	NP
Product and service labelling	Principal	PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	NP
Product and service labelling	Additional	PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	NAP
Product and service labelling	Additional	PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	NP
Communication and Marketing	Principal	PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	AR 74 <sup>3</sup>
Communication and Marketing	Additional	PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	NAv
Communication and Marketing	Additional	PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	NAv
Compliance	Principal	PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	NAv
				NAv
<p>Key: <b>AR:</b> Annual Report <b>FR:</b> Financial Report <b>NAP:</b> Not applicable to Sol Meliá <b>NAv:</b> Not available</p> <p><sup>3</sup> Sol Meliá is setting up a system to make a global report on the results of customer satisfaction surveys.</p>				

## Corporate Information

### Central Corporate Headquarters

Gremio Toneleros, 24  
Polígono Industrial "Son Castelló"  
07009 Palma de Mallorca - Spain  
Tel. +34 971 22 44 00  
Fax +34 971 22 44 08

### Corporate Headquarters Madrid

Mauricio Legendre, 16  
28046 Madrid  
Tel. +34 91 315 32 46  
Fax +34 91 315 62 31

### Corporate Headquarters North and Central America

800 Brickell Avenue 10th floor  
33131 Miami - Florida - USA  
Tel. (1) 305 350 98 28  
Fax (1) 305 350 99 60

### Corporate Headquarters South America

Av. Nações Unidas, 12551  
04578-903 Sao Paulo SP - Brazil  
Tel. (5511) 3043 8484  
Fax (5511) 3043 8466

### Corporate Headquarters Cuba

Ave. 3ra entre 76 y 80  
Miramar - La Habana  
Tel. (53-7) 554 712  
Fax (53-7) 832 1969

### Corporate Headquarters Asia

6 Battery Road # 18-07  
(049909) Singapore  
Tel. (65) 6.3343332  
Fax (65) 6.3342065

[www.solmelia.com](http://www.solmelia.com)

[info@solmelia.com](mailto:info@solmelia.com)

Central Reservations (SolRes): 902 14 44 44

Sol Meliá GDS access codes:

- AMADEUS: SM
- GALILEO: SM
- SABRE: ME
- WORLDSPAN: SM

### Sol Meliá Vacation Club

47 Millenia Blvd., suite 240  
Orlando /FI 32839  
Tel. 1 (407) 370-3671  
[info@solmeliavc.com](mailto:info@solmeliavc.com)  
[www.smv.com](http://www.smv.com)

### Community Involvement and the Environment

[accion.social@solmelia.com](mailto:accion.social@solmelia.com)  
[medio.ambiente@solmelia.com](mailto:medio.ambiente@solmelia.com)

### Annual General Shareholders Meeting

Palma de Mallorca  
Date: 3 June 2008  
Location: Hotel Gran Meliá Victoria  
Dividend payment: 0.146 euros per share

### Investor Relations Department:

+34 971 22 45 43  
[investors.relations@solmelia.com](mailto:investors.relations@solmelia.com)  
<http://inversores.solmelia.com>

### For more information on this report:

Communications Department: +34 971 22 44 64  
[comunicacion@solmelia.com](mailto:comunicacion@solmelia.com)  
<http://prensa.solmelia.com>

### Shareholders' hotline:

+34 971 22 45 54  
[club.accionista@solmelia.com](mailto:club.accionista@solmelia.com)

Date of the annual report previous to the most recent report: 2006

### EXTERNAL AUDITORS

Ernst & Young  
Palma de Mallorca