Sol Meliá
HOTELS & RESORTS

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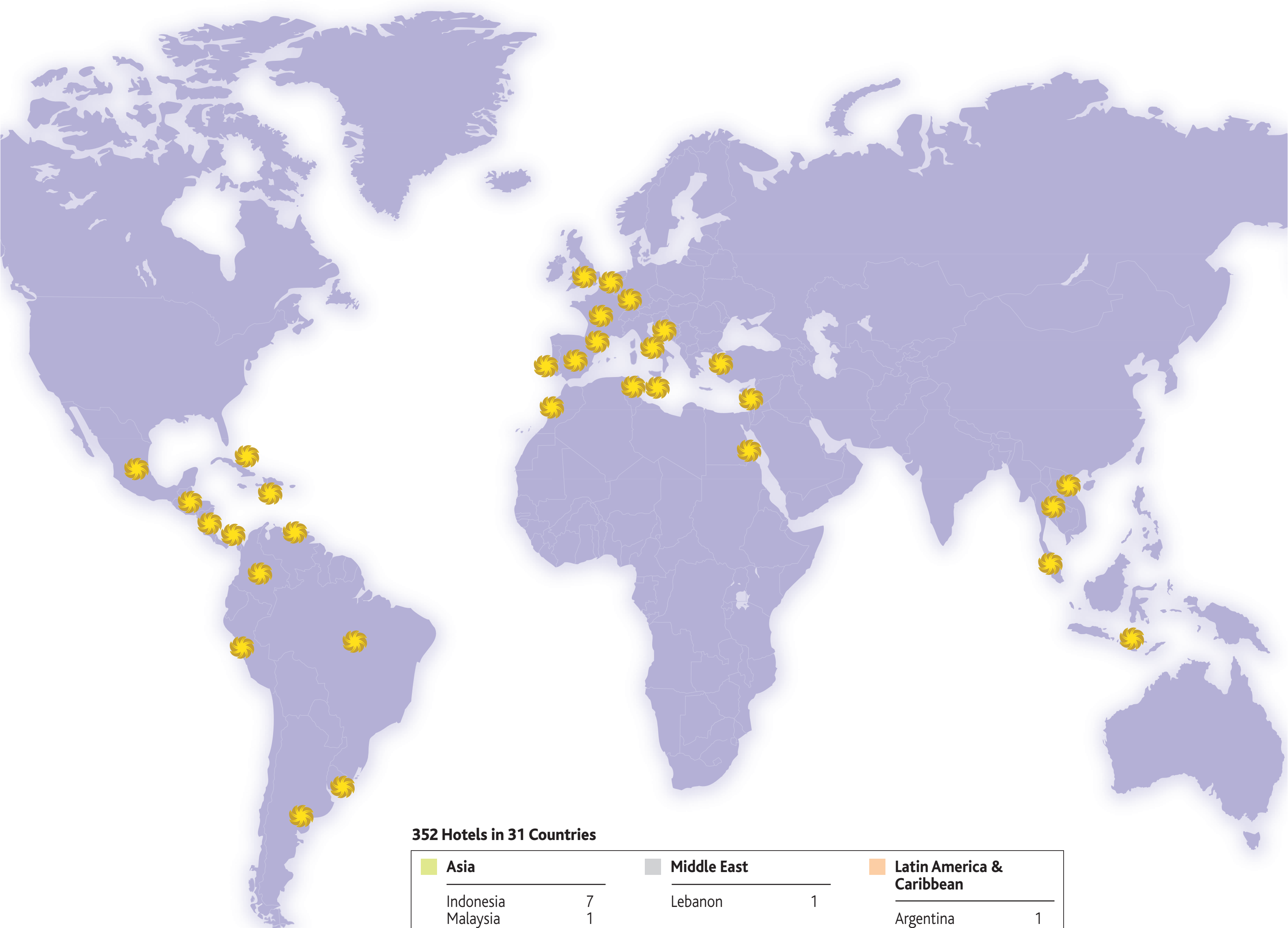
Company Profile



352 Hotels in 31 Countries

Asia

Indonesia	7
Malaysia	1
Thailand	1
Vietnam	1
Total	**10**

Mediterranean

Egypt	1
Morocco	6
Tunisia	17
Total	**24**

Middle East

Lebanon	1

Europe

Andorra	1
Belgium	1
Croatia	27
France	8
Germany	12
Italy	3
Malta	1
Portugal	13
Spain	174
Turkey	2
United Kingdom	1
Total	**243**

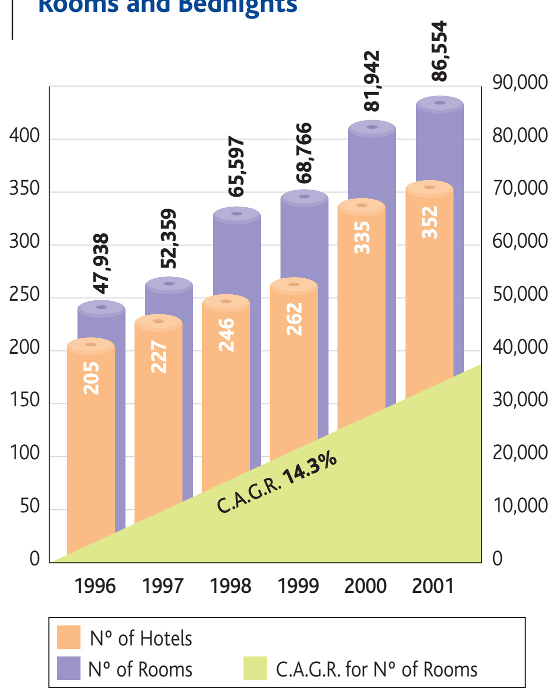
Latin America & Caribbean

Argentina	1
Brazil	18
Colombia	7
Costa Rica	4
Cuba	22
Dominican Rep.	5
Guatemala	1
Mexico	11
Panama	1
Peru	1
Uruguay	1
Venezuela	2
Total	**74**

Current Sol Meliá Positioning

- **The largest** resort hotel company **in the world**.
- **Leader in the Spanish market** in both business and leisure hotels.
- **Leading** hotel company **in Latin America and the Caribbean.**
- **Third largest** hotel company **in Europe**.
- **Tenth largest** hotel company **in the world by number of rooms.**
- Hotels in 30 countries.
- More than 33,000 employees.

Growth in Number of Hotels, Rooms and Bednights



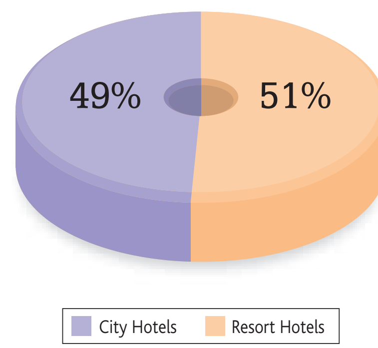
Bednights

Years	Bednights
1998	19 Million
1999	21 Million
2000	23 Million
2001	23.7 Million

Diversification: A Company Success Story

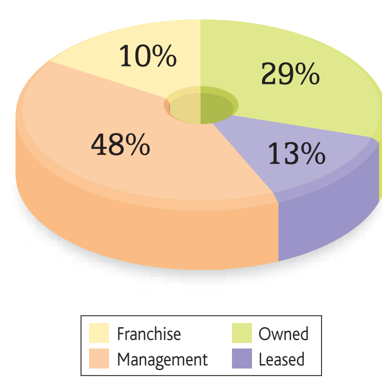
Diversification of City & Resort Hotels

(Number of Hotels)



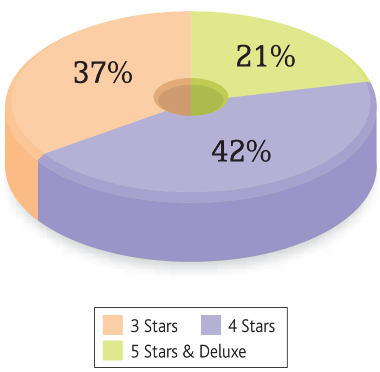
Diversification by Management Type

(Percentage of rooms)

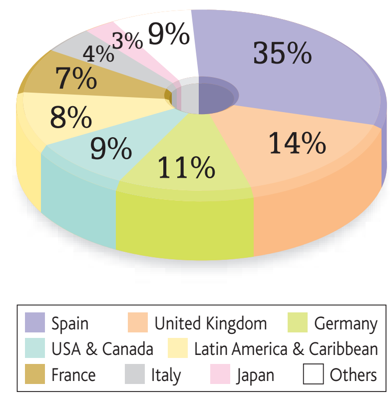


Diversification by Hotel Category

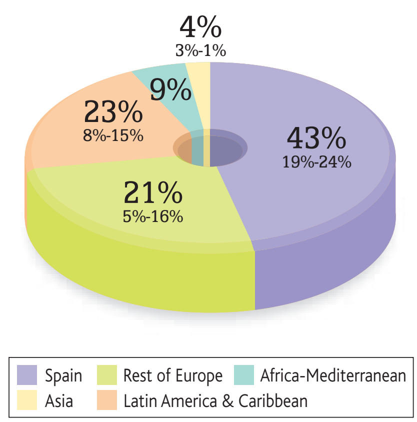
(Percentage of rooms)



Diversification by Guest Nationality



Diversification of Number of Rooms by Geography



In brackets, City% + Resort%

Sol Meliá: Four brands. One World.

	CITY HOTELS	RESORT HOTELS
LUXURY	Meliá	Meliá · Paradisus RESORTS
SUPERIOR	TRYP HOTELS	Sol Hoteles

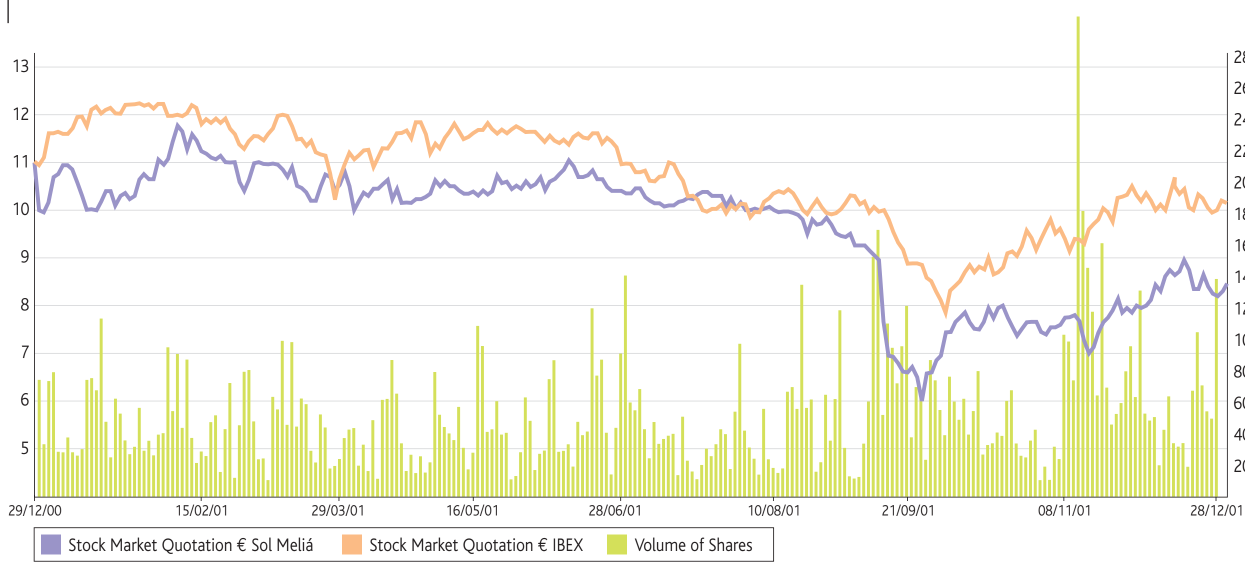
Financial Profile

- **Company foundation**: 1956
- **Date of IPO**: 2nd July, 1996
- **IPO share price** (before split): 900 pesetas (5.41 Euros)
- **Ticker Symbol**: Sol
- **Markets**: Continuous Market (Spain)
- **Forms part of IBEX 35**
- **Shares issued**: 184,776,777
- **Share price at 31/12/01**: 8.54 Euros per share
- **Rating BBB Stable from Standard & Poor's and BBB+ Stable from Fitch**
- **Increase in value from IPO to 31/12/01**: 57.9%

Basic Ratings

PER	26.8
EV / EBITDA	11.6 x
NET DEBT / SHAREHOLDER EQUITY	105.4 %
FIXED CHARGE COVERAGE	3.7 x
MARKET CAPITALISATION	1,577,993,676 €
IBEX WEIGHTING	0.34
NET DEBT	1,211 €
SHAREHOLDER EQUITY	1,149 €

Sol Meliá's Shares



2000

Price in Euros (31/12/00)	% Increase	IBEX-35	Max.	Min.	Average Daily Volume Shares	Average Daily Volume Euros (M)	Dividend	EPS	CFPS
11.01 €	**-2.13%**	**-21.75%**	**14.28**	**8.8**	**416,000**	**4.9**	**0.14 €**	**0.63 €**	**1.14 €**

2001

Price in Euros (31/12/01)	% Increase	IBEX-35	Max.	Min.	Average Daily Volume Shares	Average Daily Volume Euros (M)	Dividend	EPS	CFPS
8.54 €	**-22.43%**	**-7.82%**	**11.78**	**6.01**	**522,138**	**4.85**	**0.07 €**	**0.32 €**	**0,95 €**

Analysis of Activities

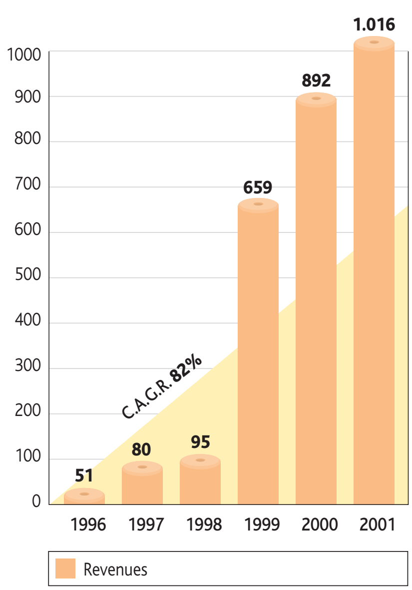
Data in Million Euros

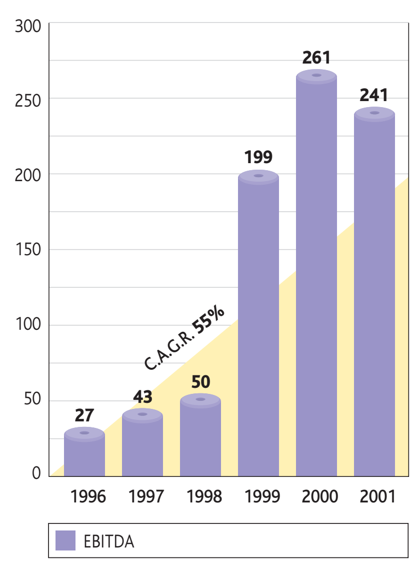
	2000	INCREASE	2001
HOTEL REVENUES	779.7	15.7%	902.2
European Resort	295.0	10.2%	325.1
European City	295.1	32.6%	391.4
Americas Division	189.6	-2.0%	185.8
MANAGEMENT FEES	40.5	-1.1%	40.1
CASINOS	12.4	22.6%	15.2
TIMESHARE	14.6	-26.7%	10.7
OTHERS	44.7	7.7%	48.1
TOTAL REVENUES	**891.9**	**13.9%**	**1,016.3**

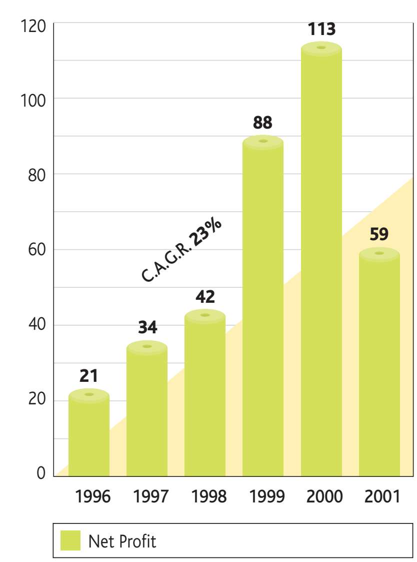
Economic Progress

Data in Million Euros

	1996	1997	1998	1999	2000	2001	C.A.G.R.
REVENUE	51	80	95	659	892	1,016	82%
	-	58%	18%	596%	35%	14%	
EBITDA	27	43	50	199	261	241	55%
	-	56%	17%	301%	31%	-7%	
NET PROFIT	21	34	42	88	113	59	23%
	-	63%	21%	112%	28%	-48%	







Dear shareholders,

Past history has demonstrated that the beginning of each century has usually been marked by important events, symbolising its commencement. 2001 has been no exception to the rule and in the future it will be remembered as a year full of achievements and important advances, but also for the tragic events that took place.

This phenomenon coincides almost 100% with Sol Meliá's evolution during the year 2001.

The acquisition and integration of Tryp Hotels by Sol Meliá meant the immediate incorporation of 60 new hotels to the group, as well as the later inclusion of 15 more hotels that were under construction or design at the time. But in Sol Meliá "Everything is Possible", and today we can proudly affirm that as a result of the efforts of all involved, the application of a complete training and development programme for new staff, and the materialisation of the initial synergies that existed between Sol Meliá and TRYP Hotels, the merger has been a complete success.

Another accomplishment that has been achieved during these last 12 months has been the finalisation of an ambitious refurbishment programme involving an investment of over 400 million Euros.

The completion of this initiative has allowed us, on one hand, to compete with advantage in terms of modernity and quality of facilities, with large and small companies of the international and domestic tourist industry, as 75 % of our hotel portfolio, integrated by more than 350 hotels distributed in 30 countries on 4 continents, has been constructed or completely remodelled during the last 5 years. On the other hand, it has also allowed us to be finally prepared for launching a new brand structure that classifies the hotels according to their category, standards and the segments which they are aimed at.

The above, allows me to highlight what could be considered as one of the most revolutionary promotional and marketing actions that we have carried out in the past years. Within the framework of this refurbishment policy, and once having analysed conclusions from an extensive research on our own and other brands, within and outside our country, we believe it is time to optimise our services and thus further adapt them to the needs and demands of our customers.

As a result, we have simplified and reduced our brand portfolio to four key brands: Meliá Hotels, TRYP Hotels, Sol Hotels and Paradisus Resorts. This will allow us to concentrate our efforts on promoting 4 major groups of hotels, whose solid presence will contribute to strengthening the standards of each one of these brands, increasing recognition and improving their position in comparison to their direct competitors.

The 21st Century stands for technology and development, computerisation and communication, globalisation and e-commerce, social actions and environment, amongst many others; that is why Sol Meliá couldn't begin such a long-awaited century without being sufficiently prepared to tackle the important objectives it presents regarding cybernetic advances and as a socially responsible company.

Once Sol Meliá had laid the foundations to adapt its internal and external structure to the Internet, 2001 has witnessed the e-transformation of the group, which has now been almost completely transformed into the new "solmelia.com". This step has involved an investment of over 30 million Euros.

The implementation of advanced information management systems, such as RA2000, the multifunctional SAP platform and CRM, will allow us to obtain an extensive amount of information on each of the guests that stay in any of the company's hotels, know them better and thus provide them with a service more adapted to their needs and requirements. Our participation as co-founders in the creation of several Internet portals, the launching of a multi-channel travel agency "Meliaviajes.com", and the group's new generation website, are some of the actions included in our commitment to the use of new technology.

On another subject, it is also interesting to mention that during many years, although especially since the year 2001, we have been working on several projects related to environment protection and supporting the socio-economic development of the areas surrounding our hotels, especially matters concerning social assistance, health, education, professional training and employment.

In summary, 2001 for Sol Meliá has represented a year where we completed our major refurbishment programme, the launching of a new brand structure, and the consolidation of our corporate image, all key elements for entering the 21st century on the right foot as a leading hotel company.

However, as previously mentioned, the transformation has not only affected the external façade of the company, but has also entailed major internal changes. Within this framework, one can't leave unmentioned our adjustment to our new computer systems, the efforts related to personnel training, especially those concerning the integration of the managers coming from TRYP Hotels, and of course, the actions that have been carried out to strengthen and diversify Sol Meliá's financial structure, including the issue of EMTN (Euro Medium Term Notes) for a value of 340 million Euros.

The reason that justifies all these means has been the consolidation of an important project with one main objective: to strengthen Sol Meliá's foundations and make the company even more solid and stronger.

Nevertheless, the tragic course of events in New York, which will always be remembered as the 11th of September, put a halt to prosperous times and prevented the year from having a satisfactory end. The negative effects of the tragedy have been felt by world finance, especially by the tourist industry.

Sol Meliá has been no exception. The last minute cancellations recorded during the weeks following the attacks, as well as the decrease in bookings ever since, has had an effect on the company's results, although our hopes that the industry will soon recuperate haven't diminished.

It's precisely during times like these, that one appreciates how important financial solvency is for a public company. The healthy situation of our balance sheets, guaranteed by credit ratings such as BBB (stable) from Standard &

Poor´s and BBB + from FITCH, allow the company to offer a strong resistance against these type of recessions, and to steadily endure until the expected better times arrive.

Our strong stability has been assisted by the diversification of our hotel portfolio, with 3, 4 or 5 star, city and resort hotels in 30 countries.

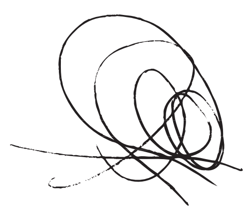
Nevertheless, it is expected, as on previous occasions, such as the Gulf War, that the international situation will gradually return to normal, and people will travel again, both for leisure and business purposes.

Hope shines, as we already perceive signs of recuperation. Hence our faith in the near future.

The new European currency that came into force in 2002 has had a positive effect on price stability and has meant the end to currency exchange commissions. Spain also holds the Presidency of the European Community during the first semester of this year. Both of these factors could contribute to the recuperation, and turn countries such as Spain into destinations offering an excellent value for money.

Lastly, before ending this letter I would like to express my utmost gratitude to Sol Meliá's pillars of strength: our shareholders for their trust in this chairmanship, which I extend to each one of our partners, to our guests, to the people who work in this company and on its solid structure. Professionalism, high recognition of the quality of our product, along with the satisfaction of our customers, ensure that we maintain a growing enthusiasm.

Thanks to them, in Sol Meliá "Everything has been Possible", and thanks to the co-operation that they have given us over the last 45 years, we have been able to enter the 21st Century not only as the first real estate company in our country, but also as the world's tenth largest hotel company, as undisputed leaders in Spain, Latin America and the Caribbean, as the third largest chain in Europe, and as the largest resort hotel company in the world.



Gabriel Escarrer Juliá
Chairman
SOL MELIÁ

COMPANY HISTORY

A dream is born...

1956.- At only 21 years of age, a young entrepreneurial Gabriel Escarrer Juliá began to rent and operate his first hotel, the Altair in the residential area of Son Armadams (Palma de Majorca). 60 rooms that would later become Sol Meliá.

60's.- The tourism boom of the 1960's were fundamental to the consolidation of the structure of a growing business. Through reinvestment of profits, increased co-operation with Tour Operators and bank loans, the company began to take shape. The tenacity of Gabriel Escarrer Juliá and his team, led by Juan Vives, his charisma and innate flair for sales and marketing would do the rest.

70's.- This was a time for growth in the Balearic Islands, the most popular destinations on the Spanish mainland and the Canary Islands with the acquisition of the company's first resort hotels. The entrepreneurial vision and spirit of its founder and, once again, a risky but firm commitment for making his name in the hotel business were key in this growth.

Over a 20 year period, coinciding with the growth of Spain as a tourism destination, Escarrer built up a small hotel chain with a strong presence in the Balearic Islands, operating until 1976 as Hoteles Mallorquines, and also laid the foundations for what is still company philosophy: reinvestment of profits in new hotels, growth through the purchase of other hotel chains and constant renovation of hotel facilities.

The embryo of a great company...

At the end of the 70's, Sol Meliá began to consolidate its expansion in Spain with a presence in most popular tourism destinations on the mainland and in the Canary Islands, changing its name along the way to Hoteles Sol.

1984.- Time for real growth. In a joint deal with Aresbank (financial representative of the KIO group in Spain), the 32 hotels of the HOTASA chain in Spain were acquired. The purchase meant the beginning of a presence in the city hotel market and the company moved up to number 37 in the world ranking of hotel chains. At the same time, the company also became the largest hotel chain in Spain, a position it has held ever since.

1985.- The hotel group began its international expansion with its first hotel outside Spain: the Bali Sol. The business instincts of Gabriel Escarrer once again led to commercial success as the company became the first international chain to build a hotel in the then-unknown destination of Bali. It seemed like a very risky bet. Nowadays all of the major world hotel companies are there, but only one can proudly claim to be a pioneer.

1986.- Continuing with a policy of growth through acquisition, Hoteles Sol took over Compañía Hotelera del Mediterráneo, including 11 hotels partly owned by the airline British Caledonian.

And then there was Meliá...

1987.- 27th June, 1987 was the date for another milestone in company history. Owned by the Luxembourg-based company Interport, with Giancarlo Parretti at its head, the 22 Meliá hotels were the object of desire of major international hotel groups including Sheraton, Wagon-Lits or Hilton. Arduous negotiations finally led to Gabriel Escarrer becoming the new Chairman of Hoteles Meliá.

From then onwards, backed by the international recognition of Hoteles Meliá, the company's growth continued: Europe, the Americas, the Caribbean, Southeast Asia and the Mediterranean. Globalisation and diversification became the watchwords of the times.

Meliá Bali

New management...

1993.- The incorporation of Sebastián Escarrer brought new ways to the company as he began a revolution in Sol Meliá's business strategy and implemented the organisational structure that is in place today.

To favour continued growth, the management team was reinforced and changes were made in management procedures and systems (information technology, accounts, quality control, bonus systems, financial management, added values for the 5 types of clients, etc...). Faithful to its origins, the company also adopted a management style aimed at encouraging an entrepreneurial and team spirit, with fluid lines of communication and a greater focus on the market and the customer.

That same year the company was named as the recipient of the Principe (Prince) Felipe Award for excellence in tourism for its management, growth and contribution to the industry.

Meliá White House

Going public...

1996.- Once the new organisation and management systems were consolidated, on 2nd June, 1996, Sol Meliá became the first hotel management company in Europe to be floated on the stock exchange. Prior to the flotation the company had been split into two new entities: Inmotel Inversiones, the owner of the new Sol Meliá, S.A., a hotel management company and target of the flotation.

On 30th December 1996, the value of the company's shares had increased by 72.2% and had been incorporated into the IBEX 35 index along with all other major Spanish public companies.

Just six months later, the US agency Standard & Poor's granted a credit rating of BBB+, rating Sol Meliá as the most solvent hotel company in Europe and allowing a much greater capacity to obtain financing on capital markets.

Time for integration: the new Sol Meliá...

1998-1999 As a consequence of the situation the international tourist market was going through, marked by important vertical and horizontal mergers, a strategic decision is made to reintegrate the hotel management and property business. The integration ended in 1999 with the take-over of Meliá Inversiones Americanas (MIA) and the merger with Inmotel Inversiones.

This action further strengthened Sol Meliá's growth and initiated the company's technological transformation. The New Sol Meliá became the 12th largest hotel group in the world, with more than 260 hotels in 27 countries and a market capitalisation of 2,300 million Euros.

After the creation of the New Sol Meliá, another of the Chairman's sons, Gabriel Escarrer Jaume, joined the company as Chief Executive Officer. He had held the same position with Inmotel Inversiones, a period during which he brought about an important modernisation and adaptation of the company to prepare for merger with Sol Meliá, while also initiating an ambitious and highly successful plan for renovation of the hotel portfolio.

Gran Meliá Fénix

1999.- In 1999, the company opened 27 hotels and purchased 34, further reinforcing and developing its presence in its three key natural markets: Latin America, the Mediterranean and major European cities. The investment made in purchases reached 100,623 million pesetas (604.75 million Euros).

Thanks to these investments, the company established a presence in Europe's foremost capital cities and business and leisure tourism destinations: Rome, Paris and London.

Adapting to a new age: E-Transformation...

During the different stages of its history, one of the company's pillars of strength for growth and international development was the use of new generation technology. First SolRes was created, the innovative central reservations system with connection to the world's main GDS, secondly the launch of the website on the Internet and the incorporation of modern ISDN connections in many hotels, and then, in 1999, came the enormous challenge.

During that year, in the midst of the rising so-called "new economy", Sol Meliá chose to enter the 21st Century having adapted its entire internal and external structure to Internet's new technologies, creating a true "solmelia.com" on the Inside, the Sell Side and the Buy Side.

Gran Meliá México Reforma

Tryp Hotels, the latest major deal...

2000.- On 21st August, 2000, Sol Meliá sealed its purchase of Tryp Hotels. With the incorporation of the 60 hotels of the company led by Antonio Briones, Sol Meliá has consolidated its leadership position in both the business and leisure hotel markets in Spain, Latin America and the Caribbean, and its ranking as number 2 in Europe. At the same time, Sol Meliá has achieved a place in the Top Ten hotel companies in the world by number of rooms and has become the undisputed leader of the Spanish city hotel market.

A year to remember...

2001.- The new year was accompanied by the excitement of launching a new product, which involved an innovative brand strategy that meant reducing the group's brand portfolio to 4 key brands: Meliá Hotels, Tryp Hotels, Sol Hotels and Paradisus Resorts. An ambitious project capable of strengthening the company's image and hotel standards. But just when the summer was drawing to an end a tragic event, 11-S, brought the entire world to a halt, especially the international tourist industry.

The standstill, followed by the deceleration of the world's tourist industry had an effect on the annual financial results of many companies, including Sol Meliá. Nevertheless, thanks to the important part tourism plays in the everyday life of people of the 21st Century, 2002 has begun with hope in the horizon and with clear signs of recuperation.

Sol Meliá currently operates more than 350 hotels in 30 countries on 4 continents with a team of over 33,000 employees.

MILESTONES 2001

Before beginning the summary of the major milestones of 2001, it is important to highlight that this hasn't been a normal year. Events and actions of a variety of natures have marked the company's development in very different ways, from the splendid times experienced at the beginning of the year to the worry and concern brought about by 11-S.

1 | Financial Results

Ever since Sol Meliá began quoting on the Spanish stock exchange in July, 1996, the company acquired an inevitable commitment: to provide profitability to all its shareholders. Until the third quarter of 2001, the chain's financial results were within the forecasted margins for the financial year, and thus accomplishing the established objectives.

1.1 | Synergies of the integration of Sol Meliá and TRYP Hotels

One of the reasons why Sol Meliá decided to integrate the TRYP Hotel chain towards the end of the year 2000, was because of the synergy existing between the two companies. As a result, during the first months of 2001, the quarterly results of the group reflected the materialisation of these synergies, generating cost savings of approximately 7 million Euros.

1.2 | Strengthening of the Financial Balance

Sol Meliá obtained in 2000 and 2001, respectively, a BBB (stable) rating by Standard & Poor's and BBB+ (stable) by FITCH, thus strengthening the hotel company's capacity for obtaining more resources from capital markets, which the company is promoting as it looks to diversify its sources of finance. This financial diversification policy has been seen in the programme to issue EMTN's (European Medium Term Notes) for a value of 340 million Euros.

Balance Sheet 2001

Million Euros

	Dec. 2001	Dec. 2000	Dec. 1999
CASH	175.8	74.4	62.7
SHORT TERM INVESTMENTS	0.3	21.3	0.1
DEBTORS	143.7	107.5	78.6
INVENTORY	39.7	36.0	25.4
OTHER CURRENT ASSETS	123.8	121.0	112.0
CURRENT ASSETS	**483.3**	**360.3**	**278.8**
GROSS FIXED ASSETS	2,843.1	2,903.8	2,020.2
ACCUMULATED DEPRECIATION	(630.0)	(550.9)	(426.1)
NET FIXED ASSETS	2,213.1	2,352.9	1,594.0
FINANCIAL INVESTMENTS	187.6	189.2	181.3
OTHER FIXED ASSETS	46.9	42.7	36.3
TOTAL ASSETS	**2,930.8**	**2,945.1**	**2,090.4**

Million Euros

	Dec. 2001	Dec. 2000	Dec. 1999
TRADE ACCOUNTS PAYABLE	137.4	117.0	70.9
SHORT TERM LOANS	154.2	153.8	153.7
OTHER SHORT TERM LIABIL.	145.9	60.8	51.7
CURRENT LIABILITIES	**437.6**	**331.6**	**276.3**
LONG TERM LOANS	1,162.9	1,020.1	606.9
OTHER LONG TERM LIABIL.	180.9	182,5	164.7
TOTAL LIABILITIES	**1,343.8**	**1,202.7**	**771.6**
MINORITY INTEREST	64.7	58.9	43.6
TOTAL COMMON EQUITY	1,084.8	1,352.0	999.0
SHAREHOLDERS EQUITY	**1,149.5**	**1,410.9**	**1,042.6**
TOTAL LIABILITIES & EQUITY	**2,930.8**	**2,945.1**	**2,090.4**

Million Euros

Item	2001 Figures	01-00 Incr.
Consolidated Sales	1,016.1	14%
EBITDA	241.3	-7%
Net Profit	64.7	-45%
Profits to Mother Company	58.9	-48%

1.3 | The effect of the Crisis of the 11th September

After having begun a relatively positive year, marked by the RevPar increase (average revenue per available room) of the European city hotels and by the relative recovery of the hotels in the Americas Division, the 11th of September brought the company's positive evolution to a halt, and had a negative effect on the year's closing.

During the first weeks after the attacks, the occupancy decrease affected all destinations in a similar manner. Although the areas that suffered most were Latin America and the Caribbean, Middle East and North Africa, especially Tunisia, as well as the main European Capitals, such as Paris, London, Rome and some areas of Madrid, such as Gran Via, which receive a large percentage

Income Statement

Million Euros

	Dec. 2001	Dec. 2000	Dec. 1999
TOTAL REVENUES	1,016.1	891.9	658.6
TOTAL OPERATING EXPENSES	(774.8)	(631.2)	(459.7)
EBITDA	**241.3**	**260.7**	**198.9**
EBITDAR	299.0	289.6	209.4
PROFIT/LOSS FROM EQUITY INVEST.	(2.7)	1.0	1.0
NET INTERESTS	(65.9)	(50.9)	(23.6)
EXCHANGE RATE DIFFERENCES	0.7	(0.3)	(1.5)
FINANCIAL RESULTS	(65.3)	(51.1)	(25.1)
DEPRECIATION & AMORTISATION	(94.9)	(84.0)	(62.4)
CONSOLIDATION GOODWILL AMORT.	(2.6)	(2.7)	(1.8)
PROFIT/LOSS FROM ORDINARY ACTIVITIES	75.9	123.8	110.6
EXTRAORDINARY RESULTS	4.8	20.8	5.3
RESULTS BEFORE TAXES AND MINORITIES	80.7	144.6	115.9
TAX EXPENSES	(16.0)	(26.0)	(21.7)
GROUP NET RESULT	64.7	118.6	94.2
MINORITIES	(5.7)	(6.0)	(6.2)
PROFIT(LOSS) TO PARENT COMPANY	58.9	112.7	88.0
CASH FLOW FROM OPERATIONS	176.0	202.7	159.4

of American tourists. Likewise, the changes in habits of European tourists who exchanged long distance journeys for short stays to nearby destinations, also had its effect on the company's results for the Americas.

In general, the consolidated sales during 2001 were 1.016 million Euros, an increase of 14% above the previous year. Whilst operating profits, before interests, amortisation, taxes and rentals (EBITDAR) amounted to 299 million Euros, 3,2% above the previous year. The Net Profit results during 2001 were 64,7 million Euros, representing a 45% decrease. On this score it is important to point out that the extraordinary profits gained during the year 2000 were not repeated during 2001 as a result of the sale of several hotels.

The average RevPar (average room revenue) for all of the hotels included in Sol Meliá's portfolio was 47 Euros, a 1% increase. The average occupancy level was 69%.

1.4 | 2002, excellent prospects for Spain and Latin America

The critical times experienced by international economy, and most of all by the tourist industry, has caused the closure of several major airlines and weakening of important companies within the industry. The strength of Sol Meliá's financial balance, as well as the fact that it has no major investment pending, as all have already been made, has allowed the hotel group to offer a reasonably good resistance to these hard times.

Everything seems to indicate that tourism is gradually recovering. Within this framework, Spain, as the 2nd tourist destination in the world (according to the results published by the World Tourism Organisation, WTO), will act as a retreat, with an excellent value for money, and where next spring/summer many tourists will digress, attracted, amongst many other factors, by the security it offers compared to other alternative destinations.

If forecasts are fulfilled, and taking into consideration that 65% of Sol Meliá's EBITDA comes from the hotels it has in Spain, it's more than likely that 2002 results will improve satisfactorily in relation to 2001. The forecasts of the

Ratios

FIXED CHARGE COVERAGE	2001	2000	1999
C.F.O/ NET DEBT	14.6%	18.5%	22.8%
EBITDA/ NET INTEREST	3.7 x	5.1 x	7.9 x
NET DEBT/ EBITDA	5.0 x	4.2 x	3.5 x

LIQUIDITY	2001	2000	1999
CURRENT ASSETS / CURRENT LIABILITIES	110%	109%	101%
C.F.O. / CURRENT LIABILITIES	40%	61%	58%
C.F.O. / TOTAL DEBT	13%	17%	21%

LEVERAGE	2001	2000	1999
NET DEBT	1,211 €	1,095 €	698 €
WEIGHTED AVERAGE COST OF DEBT	5.5%	5.7%	5.1%
NET DEBT / TOTAL ASSETS	41.3%	37.2%	33.4%
NET DEBT / SHAREHOLDER EQUITY	105.4%	77.6%	67.0%
NET DEBT / MARKET CAP (*)	76.7%	53.8%	36.2%

* Price at closing 31/12/2001: 8.54 Euros

following months are promising, especially considering that the occupancy levels recorded in Latin American and the Caribbean during the first quarter of 2002 seem to indicate the recovery of these destinations.

Investments Summary 2001

Million Euros

Total Investments	**260.3**
Refurbishment	**168.5**
Spain	126.2
London & France	26.9
Latin America	15.4
Constructions & Acquisitions	**47.9**
Paradisus Puerto Rico	27.2
Meliá Milano	17
Meliá Trujillo	3.7
Conclusion of the e-Transformation	**25.2**
Others	**18.7**

Cash Flow

Cash Flow from Operations	Dic. 2001
Cash Flow from Operations	176,005
Change in Working Capital	
Less:	
Incr. Inventory	(3,637)
Incr. Receivable	(49,474)
Incr. Holding of own shares	(2,248)
Incr. Prepaid expenses	(3,249)
Incr. Current accounts with equity affiliates	(4,324)
Plus:	
Decr. Short Term Financial Investments	31,268
Incr. Trade payable	38,511
Change in working capital	**6,845**
Cash flow from Investing	
Less:	
Increase in Start-up expenses	(9,584)
Increase in Fixed assets	(173,653)
Increase in Intangible assets	(85,993)
Plus:	
Decrease in Financial assets	2,946
Total Investments	**(260,323)**
Cash Flow from Financing	
Cost Bearing Debt	
Decr. Bank loans L/T	(5,787)
Plus:	
Incr. Bank loans S/T	4,783
Incr. Bond issued S/T	69,523
Incr. Bond issued L/T	138,803
Subtotal Cost Bearing Debt	**207,322**
Other financing	
Long-term creditors	(1,897)
Subtotal Other Financing	**(1,897)**
Total Financing	**205,425**
Dividends paid	**(26,503)**
Increase in Cash	**101,448**
Beginning Cash	74,384
Ending Cash	175,832
Increase in Net Debt (Cost Bearing Debt)	**105,874**

2 | The year of Consolidation

Analysing the basic figures isn't enough to have a clear view on everything that has taken place in Sol Meliá during the threshold of the 21st Century, one has to go into further depth by reviewing the actions and progresses made in the various areas of the group.

Although each area has had a different type of evolution, adapted to their own particularities, all have had a common denominator: the effects of Sol Meliá's consolidation policy for 2001. The last years of the 20th Century witnessed the launching of innovative systems, whose implementation was to take place during the first year of the 21st Century. And that, in most cases, is exactly what has happened.

2.1 | Development: more than 350 hotels in 30 countries on 4 continents

The integration of TRYP Hotels during the year 2000, brought about the entry of Sol Meliá in the world Top Ten, the ranking of the 10 largest hotel companies in the world. A year later, in development terms, 2001 was another exceptional year for Sol Meliá.

During the year, the hotel chain incorporated 28 hotels, allowing it to reach the figure of 352 hotels by the end of 2001.

The spectacular growth that the company has maintained during the last 5 years has made the group's hotel portfolio double during this period.

Furthermore, Sol Meliá has signed agreements for incorporating 65 new hotels, which will be opening during the next two years. The cherry on the top of all these achievements has been the election of Sol Meliá as the "Best European Hotel Company" by the prestigious British magazine "Travel Weekly".

2.1.1 | Introducing new destinations

Sol Meliá's growth has always leaned on a key factor: diversification. A variety that not only includes the type and category of the hotels, such as 3, 4 or 5 star city or resort hotels, but also their geographical location.

This variety, along with an aggressive development policy, is precisely what has allowed the company to become leader in its natural markets: Spain, Latin America and the Caribbean, to become the largest resort hotel company in the world, to be the third biggest hotel chain in Europe and the largest real estate company in our country.

| Geographical Area

Positioning
Spain Undisputed leader in both business and leisure hotels.
Europe 3rd largest hotel chain
Latin American and the Caribbean 1st largest hotel chain
World Largest resort hotel company
10th largest hotel company

| Hotels opened during 2001

Country	Nº of hotels opened
Germany	1
Brazil	6
Cuba	2
Spain	10
Italy	2
Lebanon **	1
Malta **	1
Morocco	4
Mexico	1
Total	**28 Hoteles**

** new destinations.

Paradisus Riviera Cancún

To maintain this positioning the company intensifies presence in areas of special interest and with a major growth potential, such as Spain, as well as introducing new destinations, such as Lebanon, Malta and to some extent, Italy, a country the company has a great faith in

Meliá Milano

2.2 | Sales & Marketing: launching a new brand strategy.

Consolidation also knocked on the door of the Sales & Marketing Department of Sol Meliá. The inclusion of the new TRYP brand and the approval of the standards of the group's hotels as a result of the major refurbishment that had been carried out in most of them, seemed to make it the perfect time to reorganise and cutback the company's extensive brand structure.

Within this framework, Sol Meliá proceeded to approve and launch a new brand strategy, which as a result reduced its structure to 4 key brands: Meliá Hotels, TRYP Hotels, Sol Hotels and Paradisus Resorts. Although the company has maintained the Gran Meliá sub-brand, because of the high recognition it enjoys.

This simplification will allow the company to concentrate promotional efforts on 4 major groups of hotels, whose solid position will contribute to strengthening the standards of each one of the brands, increasing brand recognition and improving its position as opposed to competitors.

The world-wide prestige and renown of the Meliá Group is sufficient in itself to guarantee the success of a product designed to satisfy the most demanding of client. Luxury, tailor-made service, magnificently located hotels in some of the leading cities and holiday resorts: these are some of the many attractions offered by Meliá Hotels. If you like to feel as if you were at home, or even better than that, Meliá is the right choice for you.

When you are travelling on business, what you hope to find is a hotel that gives you everything: excellent prices in relation to quality, functional, modern surroundings and highly comfortable rooms. If, in addition, it assists you in your work by providing spacious conference rooms and state-of-the art technical equipment, as well as allowing you to spend the weekend in one of the most beautiful cities, you realise that you have finally hit upon the place you spent so much time searching for: a TRYP hotel.

After months of waiting, today's the day: the holidays begin. You have been dreaming about them for a long time and everything has to be perfect. You don't want the least little problem. Only a hotel group with the experience of Sol can guarantee the success of your holidays. If you haven't tried us, do it now and choose from some of the 100 Sol hotels available world-wide. Your family will thank you for choosing us.

The word that defines best Paradisus Resorts is "unforgettable". Even if you only do it once in your life, it's worth trying. The experience – in idyllic surroundings where everything is already paid for, including the best, most select of restaurants – will make you feel that from then onwards you only want to return to a Paradisus Resort hotel. Don't worry. There's always a special occasion to celebrate and we're here waiting for you!

2.3 | IT: the year Sol Meliá consolidated the e-transformation

One of the pillars the company has based its growth and international development over the years, has been the application of modern technology. First came the Central Reservations System, SolRes and connections with the main GDS's around the world, then the launching of the first Internet website and the incorporation of modern ISDN connections in many hotels, and finally in 1998 the major revolution arrived. That year, right in the midst of the so-called "new economy" boom, Sol Meliá decided to enter the 21st century having adapted its internal and external structure to the new Internet technology.

Meliá Balneario Mondariz

2001 will always be marked on Sol Meliá's calendar as the year the ambitious e-transformation project was completed, which in summary involved the following actions:

Inside: amongst other actions, was the integration of the multifunctional SAP (System Application Program) platform, an immense database designed to facilitate and improve processes using the benefits of the Internet and assisting in placing the customer at the very heart of our organisation.

Sell Side: includes the direct or indirect participation in the creation and launching of different market places, Meliaviajes.com (100%), lastminute.es (70%) and Solmelia.com itself.

Buy Side: includes our participation in the HotelnetB2B market place for the hotel industry. This initiative, founded by Sol Meliá, Telefonica and BBVA, is aimed at providing services to hotel managers and suppliers through the optimisation of purchasing processes using Internet technology.

2.3.1 | The new hotel of the 21st century: the "on line" hotel

Adapting the hotels to Internet technology, also involved equipping its rooms and meeting rooms with hi-tech systems, so that guests could use their computer and telematic equipment. Nevertheless, technology is capable of providing many additional advantages, especially when it is applied to the service industry, where a good customer service is a priority.

In Sol Meliá's case, the incorporation of new tools, such as RA2000, the multifunctional SAP platform and CRM, amongst others, will allow us to obtain a great amount of detailed information on our guests staying in our hotels, and thus manage them more efficiently and provide a service adapted to their needs and requirements.

For example, when a person spending a holiday in Cuba, makes any comment concerning their preferences on the type of room they like, or regarding their needs, such as a cot or additional bed for their small son, it will all be recorded on the hotel's computer systems, and when that very same guest makes another booking at any other hotel of the company, the person who attends him will have access to that information and will be capable of anticipating the guest's needs, without them having to make any mention at all.

Thanks to technology and know-how acquired by 45 years experience in the industry, in Sol Meliá "Everything is Possible".

2.4 | HH.RR.: decentralisation and globalisation

The strength of a company lies in the capacity of innovating and leading its employees. Sol Meliá has over 33,000 members of staff all over the world. To efficiently manage such a large amount of resources, one has to adapt them to the market's latest needs and, above all, consolidate the integration of all employees coming from TRYP Hotels. Sol Meliá during 2001 reorganised its senior management team.

When establishing a new corporate organisational chart, the company had two main objectives: to simplify relations with the hotels and the guests, the heart of the company, and to be coherent with the growth strategy based on the segmentation by brand standards and geographical areas.

The changes demanded by a market in constant movement, as well as the definition of the company's internal needs have brought the group to adapt their departmental structure, so as to simplify and further clarify its field of activity.

The corporate team of senior managers has been simplified and reduced, and responsibilities extended, so as to increase their commitment and responsibility in decision making. A less pyramidal and more flexible structure simplifies work organisation and entails a significant saving in costs.

2.4.1 | Sol Meliá's training procedure

Sol Meliá looks upon training as a continuous procedure that begins the moment a new employee is hired with the "Welcome" action and is prolonged throughout their professional career within the company. The objective of Sol

Meliá's training is to guarantee that all employees are sufficiently prepared to carry out the tasks and duties their positions require, as well as to prepare them to take up other positions that may arise in the future.

Training includes all of the company's centres, hotels and corporate offices, and is designed with annual training plans. Each hotel and every corporate department has an annual training plan that is carried out by internal trainers.

Nevertheless, Sol Meliá has signed several agreements with Spanish and international universities and hospitality schools (Superior Hospitality School of Galicia, University of the Balearic Islands and the University of Seville, amongst others), which aside from being another training source, are also a source for candidates for covering vacant positions within the company. Sol Meliá invests approximately between 0'6% and 1'5% of its GOP (depending on needs, geographical location, etc.) in training its 33.000 employees around the world.

2.4.2 | Sol Meliá's development procedure

The company's internal promotion policy has always been one of its pillars, both as an opportunity to develop staff, and as a source of human resources to cover development needs. For that reason, Sol Meliá provides Institutional Development Programmes for General Managers and Individual Development Plans for Assistant General Managers, always under the supervision of Headquarters.

2.5 | Quality and product standards: over 75% of the portfolio has been incorporated or renovated during the last 5 years

2001 has been a key year regarding the refurbishment of the group's hotel portfolio, as it has marked the completion of emblematic hotels, in Paris, London, Madrid and Mexico, amongst others. The improvements that have

Gran Meliá Bahía del Duque

SOL MELIÁ ORGANISATIONAL STRUCTURE

CHAIRMAN - VICE PRESIDENCY

Chairman
Gabriel Escarrer Juliá

Vice Chairman
Sebastián Escarrer Jaume

Chief Executive Officer
Gabriel Escarrer Jaume

EXECUTIVE MANAGEMENT

Operations Divisions

Executive Vice President Europe
Andrés Encinas

Executive Vice President North America
André P. Gerondeau

Executive Vice President South America
Rui Manuel Oliveira

Executive Vice President Cuba
Gabriel Cánaves

Service Divisions

Executive Vice President Sales & Marketing
Luis del Olmo

Executive Vice President Finance
Onofre Servera

Executive Vice President Development & Property Relations
Ángel A. Palomino

Executive Vice President Administration
Mark Hoddinott

Executive Vice President Communication & Institutional Relations
Jaime Puig de la Bellacasa

Gran Meliá Salinas

been made, have sometimes meant an increase in category and the long-awaited 5th star such as for the Meliá Zaragoza, the Meliá de Mar, the Meliá Tamarindos or the Meliá Barcelona, or achieving the maximum deluxe category of Sol Meliá's brands: Gran Meliá, such as for the Meliá Mexico Reforma or the TRYP Fénix.

2.5.1 | Entering the exclusive club "The Leading Hotels of the World"

Likewise, thanks to the efforts that have been made, 5 of the company's most emblematic hotels have been included in the exclusive club "The Leading Hotels of the World": the Gran Meliá Salinas*****GL (Lanzarote, Spain), the Gran Meliá Bahía del Duque*****GL (Tenerife, Spain), the Gran Meliá Mexico Reforma*****GL (Mexico D.F., Mexico), the Gran Meliá Caracas*****GL (Venezuela) and the Meliá Playa Conchal*****L (Guanacaste, Costa Rica)

Nevertheless, the most notable achievement as a result of all this is that 75% of Sol Meliá's portfolio has been incorporated or renovated during the last 5 years, which, along with the completion of the ambitious e-transformation project carried out by the group to adapt its internal and external structures to the Internet, has allowed the chain to become one of the most modern hotel companies in the industry, both in and out of Spain.

This improvement in quality and the standardisation advances that have been made have had a major influence on the launch of the group's new brand structure, which has now been reduced to four brands: Meliá Hotels, TRYP Hotels, Sol Hotels and Paradisus Resorts.

3 | Launching of new products

The success of the company, mainly lies in its capacity for innovation and anticipation in comparison to its competitors. Which is why Sol Meliá as one of the first companies in the Spanish tourist market, never stops researching and creating new hotel products.

3.1 | F&B: launching Meliá Catering

With regard to the Food & Beverage area, Sol Meliá chose 2001 to launch "Meliá Catering", a new company that has been designed to provide catering services to those companies that wish to hold any type of gastronomic event anywhere in the Spanish territory.

In this regard, Sol Meliá wished to complete the services and products it provides its business clients, by adding "external catering" to its services which already include hotel room, meeting room and conventions centre rentals, presentation set-ups, contracting of open air events for incentives and organisation of lunches and dinners at the group's hotels.

With its headquarters in Barcelona, "Meliá Catering" provides service all over Spain, with four main operation centres: Barcelona, Madrid, Palma de Mallorca and Merida.

"Meliá Catering" was born with the intention of becoming something more than a traditional catering service and to turn every event into a real party. The decoration of the spaces, an impeccable service, the turning out of the waiters, the exquisite presentation and the innovation applied in the preparation of the dishes are only some of the elements that make this new company singular and unique.

"Meliá Catering", which started operating during a trial phase in the year 2000, already has within its client portfolio important companies such as Deutsche Bank, Suzuki or Repsol, aside from being the official supplier for participants and organisations of several sports events, such as the Tennis Open in Palma de Mallorca.

MELIÁ
catering

3.2 | Quality service: consolidation and launching of the international GSA Programme

Sol Meliá's philosophy and values have always been aimed at improving the quality of the products and services provided to its increasingly discerning guests. To fulfil this premise the company needs to involve its personnel so as to achieve a change in approach, which will focus on Creating Memories for guests, and thus establish a bond with Sol Meliá and increase their loyalty. This is precisely what the new GSA (Guest Satisfaction Assurance) Programme implements and foments, and which has been based on Sol Meliá's initial Guest Satisfaction Programme.

After having been implemented in most hotels in Spain during 2001, in 2002 Sol Meliá has begun to introduce it into international hotels.

GSA
Guest
Satisfaction
Assurance
Quality Programme

3.2.1 | Duties of the GSA Programme:

The GSA Programme has been created to perform several well defined duties, including the following: measure satisfaction and know the requirements and expectations of the external client so as to anticipate their needs; motivate and involve the internal client, as they are responsible for the quality of the service; personalise the service, as it represents a competitive advantage and gives the company added value; handle all incidents immediately and efficiently; and fulfil all quality standards whilst continually improving procedures.

4 Recognition for a highly successful professional career

The year 2001 will also be remembered for the amount of awards and recognitions the company received, and especially for its Chairman and Founder, Gabriel Escarrer Juliá, who received, amongst others, two important international awards closely related to the hotel industry.

One was his election as member of the exclusive "Hall of Fame" of the British Travel Industry and the other for the prestigious "Hall of Honour" of the Conrad N. Hilton for Hotel Management of Houston University (USA). Two top awards to the standard of such an extensive and successful professional career.

A glorious year, yet marked by tragic events, 2001 will remain in all our memories as also a very special year: our first step into the 21st Century.

SOCIAL AND ENVIRONMENTAL REPORT

Companies are one of the main protagonists of modern society and over the last few years they have gained prestige and leadership. Perhaps that's why citizens are beginning to demand that, apart from their traditional financial activities, their products and services should contribute to society's welfare, and that their activities should preserve the environment, or they should support the socio-economic development of the locations they operate in, and be more sensitive to their cultures and needs.

Until now, these aspects were considered marginal, philanthropic or a social asset. The novelty now consists in integrating them naturally into the company and rationalising their management so that they can also contribute to the company's mission: financial profitability as a key factor for growth and creating prosperity in its surroundings.

Whilst this initiative in Spain is still taking its first steps, other major companies around the world already work with a triple P&L account (financial, environmental and social). That's why each year they often publish a joint package for their shareholders with all of the information structured into three chapters. The data related to environmental and social matters is incorporated into the traditional economical-financial information. This concept is also defined as "a socially responsible company" or "a company that supports sustainable development".

Sol Meliá's objective is to become a socially responsible company. It's always a matter to be considered when one understands that an increase in socio-economic development benefits any business. That's why it is conceived as a medium term investment and regarded as a new opportunity – not a new obligation – related to increasing value for shareholders.

In this regard, the company is aware that it must play an active role and publicly assume its future commitment for assisting with the integration of financial, environmental and social aspects in the activities of the business industry.

Both business and leisure hotel activities, especially in areas such as Latin America, Caribbean, North Africa and Asia, where Sol Meliá has a major presence, have a high impact on the environment and the socio-economic development of the areas. Both are essential in a globalised world, which is why they condition practically all of Sol Meliá's actions, and are becoming decisive factors in Sol Meliá's daily business.

Even though the Government still plays an extremely important role in environmental conservation and socio-economic development, the proactive attitude of companies such as Sol Meliá, is to incorporate new social agents capable of generating a relevant impact on both fields.

1 | Sol Meliá's Social Actions

1.1 | Perspective

Two common components of the social field are labour relations and the company's social actions. The support of other activities of general public interest, such as art, culture or the conservation of historical patrimony could also be included.

During the past years, Sol Meliá has been working on several projects for supporting socio-economic development of the areas surrounding its hotels, especially concerning the underprivileged, health, education, professional training and employment.

Sol Meliá has the following main principles:

- To acknowledge how important social actions are to society.
- To acknowledge how important managing social actions is to the company.
- To develop an internal and external social dialogue, globally and locally.
- To work in a team to promote socio-economic development, especially education and access to employment for those who have greater difficulties in entering the job market.

1.2 | Main actions during 2001

During 2001 Sol Meliá has invested money, made investments in kind and invested the time of its staff.

The entities that have benefited from Sol Meliá's social actions concentrate their main efforts in the following areas:

- Alcoholics anonymous.
- Children's homes.
- Co-operation with general development.
- Educational children centres.
- Family members of Alzheimer patients.
- Handicapped people in general.
- Hospitals.
- Incurable illnesses.
- Insertion centres for the underprivileged.
- Orphanages.
- People suffering from Down Syndrome.
- Professional training colleges.
- Rehabilitation Centres for drug addicts.
- Schools.
- Shelters for the homeless.
- Support to battered women.
- Support to children

- Support to immigrants
- The mentally handicapped.
- Victims of natural catastrophes.
- Welfare services in general.

Several types of actions are covered, depending on the characteristics of the hotels' surroundings and the autonomy they have to develop what actions they believe to be more appropriate.

1.3 | Social action programmes based on products and services

Hospitality plays a major role in all hotel activities, and it also can be made available to organisations that support activities of public interest. With this in mind, Sol Meliá offers free stays, special rates, provides facilities, holds events, prepares meals, sponsors activities and jointly finances projects in co-operation with social organisations, the civil service, guests and even with other hotels.

The main actions that took place in this field were:

Stays

- Complimentary stays for prizes at charity draws.
- Complimentary stays for groups of people with impaired mobility.
- Complimentary stays for voluntary workers during their visits to Spain.
- In co-operation with local town councils, free lodging for battered women whilst they are seeking a shelter.

Use of facilities

- Halls for press conferences, festivals, book presentations, activity presentations and exhibitions for cultural and social activities.
- Halls for exhibition and sale of handmade articles and works by local artists.
- Halls for charity events.
- Halls for theatrical plays by handicapped children.
- Auditoriums for theatrical plays.

Preparing meals

- Giving cutlery to shelters, along with other hotels and with the co-operation of Town Councils and Autonomous Regions.
- Preparing sandwiches for welfare leisure activities.
- Trays of food for charity events and fêtes.
- Dishes prepared for charity fêtes.
- Complimentary lunches as gifts for charity draws.

Events

- Cocktail for supporting social development projects.
- NGO's Presentation Cocktail.

Sponsorship and publicity

- Sponsorship of cultural activities with public participation.
- Sponsorship of sports activities with public participation.
- Sponsorship of promoting actions for popular sports.
- Sponsorship, complimentary use of facilities and logistics support of TV and radio programmes related to healthy eating, nutrition and diffusion of local culture.
- Advertisements and special offers placed in NGO's magazines.
- Handing out pens, T-shirts, baseball caps, sweets, ..., for charity events.

With guests

- Inviting guests to co-operate in jointly financed social projects.

1.4 | Social action programmes in co-operation with members of staff

One of Sol Meliá's biggest aims is to have the support of a competent and committed team. The company is present in areas that could progress and become better places to live thanks to Sol Meliá, for that purpose it is important that the company's teams are also sensitive to the situation of the surrounding communities.

Sol Meliá is very sensitive about the diversity of its employees, especially concerning women who have difficulty in accessing the job market or local minorities, and about the projects they are interested in. That is why Sol Meliá's hotels support the initiatives of their staff by jointly financing projects, promoting voluntary services and participating in campaigns they have proposed or with the teamwork performed outside the office for supporting social projects.

The main actions that took place in this field were:

Joint finance

- Supporting donations made by workers.
- Giving part of the tips received to hospitals, and using them to support schools, child educational centres and their pupils.
- Supporting children.
- Supporting local schools.
- Supporting a fund for underprivileged women and their children.

Voluntary services

- Visiting children's homes.
- Visiting old people's homes.
- Visiting orphanages.
- Visiting families who have been victims of natural catastrophes.
- Meetings between hotel staff and teachers from nearby schools.
- Supporting local schools.
- Rendering human resources for several projects.

Employee initiatives

- Blood donating.
- Donating clothing.
- Donating toys for children in hospitals.
- Donating toys at Christmas time.
- End of year party for employees' children.

Teamwork outside of the office

- Cleaning tasks at an orphanage carried out by directors and department managers.

1.5 | Corporate Social Action programmes

Sol Meliá's commitment with social development also includes supporting social actions with other corporate resources, such as the traditional donation or donation of used assets to programmes, or educational opportunities, professional training and employment for people with special difficulties to access the job market or improving access to our hotels.

The main actions that took place in this field were:

Cash donations
- Donations to social organisations.
- Supporting local schools.
- Supporting victims of natural catastrophes.
- Scholarships for underprivileged children.

Donation of used assets
- Furniture and rugs.
- Clothing, towels, sheets, slippers, bathrobes, drapery and crockery.
- Cleaning utensils.
- Products for personal hygiene.
- Computer equipment.

Supporting employment
- Training and job trainee periods for battered women.
- Hiring immigrants in co-operation with a NGO for social integration.
- Hairdresser courses for underprivileged women.
- Professional training for pupils studying tourist entertainment.
- Supporting a recycling cooperative made up of people aged over 40 who have been unemployed for long periods.

Supporting education
- Open day for schools.
- Open day for old people's homes.
- Educational contests for children from local schools.

Accessibility
- Improving accessibility, adapting facilities and eliminating architectonic barriers.

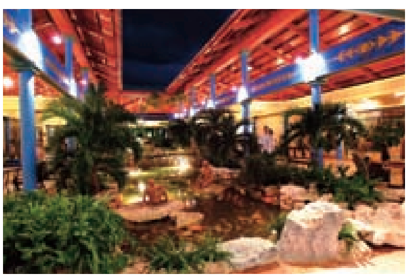
1.6 | Member of the Company and Society Foundation Association (Patronato de la Fundación Empresa y Sociedad)

During times of adjustment as now, Sol Meliá must reduce expenses, and analyse new scenarios for its investment policies. That is why social actions is another chapter in the restructuring of procedures that is being completed by Sol Meliá, considering the importance of social actions as a medium-term investment for improving our socio-economic surroundings.

Since the year 2000, Sol Meliá is a member of the "Patronato de la Fundación Empresa y Sociedad" (www.empresaysociedad.org), whose objective is to promote social actions of Spanish companies as a natural part of their strategies.

1.7 | Examples of Actions carried out during 2001

Meliá Hanoi



Meliá Río de Oro

Activity	Hotel
Handing out 40 menus a week to San Alfonso Social Welfare School, in co-operation with the Rotary Club and the City Council of Madrid.	Meliá Madrid Princesa (Spain)
Handing out of 50 menus a week to shelters for the homeless in Madrid, in co-operation with the Hotel Association of Madrid and the Community of Madrid.	Meliá Galgos (Spain)
Handing out part of the tips that have been received to hospitals and schools.	Meliá Río de Oro (Cuba)
Fortnightly visiting plan, including meals for children from local schools.	Meliá Cohiba (Cuba)
Joint financing of a project in Ecuador, managed by "Ayuda en Acción", and inviting guests to donate 1 € per invoice.	Gran Meliá Bahía del Duque (Spain)
Visiting and making donations in cash and several other articles to orphanages and to children victims of natural catastrophes.	Meliá Purosani (Indonesia)
Voluntary cleaning of an orphanage, with the participation of directors and department managers.	Meliá Kuala Lumpur (Malaysia)
Donation for the National Fund of Vietnamese Children to finance several operations on children.	Meliá Hanoi (Vietnam)
Training and work trainee periods for battered women in co-operation with the Council of Andalusia.	Tryp Guadalmar (Spain)
Training and employment programme for battered women in co-operation with the Andalusian Institute for Women.	Meliá Colón (Spain)
Removal of architectonic barriers and improvement of accessibility to the hotel's main facilities.	Sol Magalluf Park (Spain)
Giving used furniture to the "Santo Domingo El Real" Convent, the "Noviciado Piedras Vivas" Convent and the Association "Mensajeros de la Paz".	Meliá Galgos (Spain)

2 | Policy and environmental awards

2.1 | Perspective

Most of the actions carried out by Sol Meliá concerning environmental matters are channelled through its hotels, who by putting them into practice accomplish the principles set out in the Corporate Environmental Protection Manual which was created back in 1995.

It is also important to highlight how many hotels have made an effort in educating external and internal clients on the need of protecting the environment, and in creating a global environmental awareness.

2.2 | Main actions during 2001

2001 has been a year abundant in environmental activities, especially concerning educational actions, and above all, related to the implementation of recycling and energy saving devices, such as the following:

- Subscription to the Network Environment.
- Creating internal newsletters with sections exclusively dedicated to the environment.
- Creating ecological guides and itineraries.
- Re-structuring hotel rubbish rooms with cleaning trolleys to facilitate separating waste that will later be treated and recycled, including in some cases, containers for dangerous waste.
- Installing special containers for used batteries.
- Installing energy saving devices, such as double-glazed windows, air-conditioning connected to the opening and closing of doors, low energy consumption bulbs, energy disconnection in rooms, lights with movement detectors in common areas, lavatories with double flushers and taps with sensors in public toilets.
- Ecological changing of towels and sheets.
- Purchasing and installing a purifying and recycling plant for dirty water, a paper and cardboard compacting machine and an organic waste composting plant.

2.3 | Corporate environmental actions

At a corporate level, the Environmental Section of Sol Meliá's Purchasing and Technology Department has promoted and directed the following activities:

- Advise to hotels on environmental matters.
- Holding a course for hotel environmental managers with the objective of training them for implementing an environmental management system in their hotels.
- Signing local and global agreements with autonomic bodies, with the objective of providing a personalised treatment to the environmental

problems in the hotel industry, and join efforts with other hotel chains so as to find solutions that will benefit all.
- Participating in the Environmental Educational Forum with the objective of establishing new courses of action related to sustainability.
- Preparing a practical manual for implementing an environmental management system in hotels. In this regard, it is important to highlight that during 2001 several hotels of the company obtained environmental management certifications with international recognition.
- Implementation of a free printer cartridge collection system for all the hotels in Spain.
- Installation of a used battery container at Headquarters, where employees can leave batteries from home or the office (this project includes the distribution of containers to the hotels in the Balearic Islands)
- Distribution of brochures to all hotels in Mallorca with information on the various waste treatment plants on the island, so as guests can be aware of the selective waste collection system in our autonomous region.

Meliá Barcelona

Meliá Varadero

Hotels with International Environmental Certifications

Meliá Bali Bali, Indonesia	Green Globe Commendation (World Travel and Tourism Council) 1999 and 2000
Meliá Confort Montevideo* Montevideo, Uruguay	ISO 14001 – Year 2000
Meliá Varadero Varadero, Cuba	National Cuban Environmental Recognition (based on ISO 14001) – Year 2000
Sol Cala d'Or Mallorca, Spain	EMAS – Year 2000
Sol Falcó Menorca, Spain	ISO 14001 and EMAS Year 2000
Sol Gavilanes Menorca, Spain	EMAS - Year 2000
Sol Pinet Playa Menorca, Spain	EMAS - Year 2000
Sol Magalluf Park Mallorca, Spain	ISO 14001 - Year 2000
Sol Milanos-Pingüinos Menorca, Spain	ISO 14001 – Year 2000
Meliá Barcelona Barcelona, Spain	EMAS – Year 2001
Meliá Confort Apolo* (Barcelona, Spain)	EMAS – Year 2001
Meliá Girona Girona, Spain	EMAS – Year 2001
Meliá Gran Sitges Sitges, Spain	EMAS – Year 2001
Sol Pelicanos-Ocas Benidorm, Spain	ISO 14001 – Year 2001
Gran Meliá Don Pepe Marbella, Spain	ISO 14001 and EMAS – Year 2002

* Future Tryp

2.4 | Other environmental measures carried out by the Purchasing and Technology Department

- No aluminium component is allowed in the sachets, so they have all been eliminated.
- The picnic containers made up of porexpan have been substituted for ecological cardboard.
- Paper size DIN-A-4 and DIN-A-3 that is used in the hotels is either recycled or unbleached white.
- Toilet paper and hand-drying paper is recycled.
- The amenities cardboard provided in the rooms is made from recycled cardboard.
- Matches used in the hotels are sulphur-free and the wood proceeds from reforestation.
- Hotels with the Tryp brand and three star hotels have substituted bars of soap and miniature 30 ml bath gel and shampoo bottles for large 300 ml soap dispensers.
- The company encourages the use of concentrated chemical cleaning products, and some hotels have installed dosage machines for these types of products.
- The authorised supplier for chemical cleaning products has the ISO 14001 certification.
- Meliá and Gran Meliá brands have substituted plastic laundry bags for reusable cloth bags.
- Individual hygiene bags with the corresponding brand printed on them have been substituted for smaller hygiene bags with no print. As a result consumption has decreased tremendously.
- Hotels with enough space in their bathrooms, have substituted the small boxes with 5 tissues for tissue dispensers.
- Hotels can substitute individual jam and yoghurt servings for large serving bowls.
- They can also substitute individual butter portions for ones without a wrapping.
- Local products are contracted for theme buffets in most areas.

2.5 | Eco-web.

Continuing with its environmental protection philosophy, Sol Meliá was the first Spanish company to create their own Environmental Protection Manual in 1995, which has progressively been implemented in all of the company's hotels. The latest initiative in this regard has been the creation of an environmental section on the group's website. Now by accessing www.solmelia.com, and entering in the section "Environmental Management", one can find out the principles of the company's environmental policy, as well as the names of the hotels in the group that already have international environmental management certifications (ISO 14001 and EMAS, amongst other certificates and awards).

GOOD GOVERNANCE CODE

At the time of the company's IPO, SOL MELIA S.A. completely reformed its Statutes and the Board of Directors, on the 22nd January, 1999, approved the Regulations for the Board of Directors, thus establishing internal regulations for its internal organisation and control system, in order to comply with the recommendations established in the Good Governance Code for Public Companies compiled by the Special Commission for the study of an Ethical Code for Company Board of Directors, published in May, 1998, by the Spanish Stock Exchange Commission as the Standard Regulations for Boards of Directors in accordance with the Good Governance Code.

The aforementioned Regulations for the Board of Directors are also published on the CNMV's website, and are also made available to shareholders at the company's Head Office.

The following section describes how the company Statutes, Regulations for the Board of Directors and company activities comply with the recommendations that appear in the Good Governance Code for Public Companies:

1 | Function of the Board of Directors

"That the Board of Directors should explicitly assume as the nucleus of their mission the general function of supervision; exercise without delegation the responsibilities this implies; and establish a formal record of the items reserved for their knowledge".

Article 34 of the Statutes states that the Board of Directors is responsible for the representation, direction and administration of the company with respect to all of the activities undertaken within the objectives of the company as limited by the Statutes, as well as those activities required by Law and the Statutes, and without prejudice to those activities specifically reserved for them at the General Shareholders' Meeting. The mentioned Article details the legal acts or business which are within the competence of the Board of Directors.

Likewise, article 5 of the Regulation for the Board of the Directors clearly states the general supervisory duties pertaining to the Board of Directors, especially including:

a) The approval of general company strategies.
b) The selection, remuneration, and when applicable, the dismissal of members of the company's senior management team.
c) The approval of the company's shareholding policies.
d) Management activity control and evaluation of directors.

e) The identification of main company risks, especially risks proceeding from derivatives, and implementation and follow-up of internal controlling systems and adequate information.
f) Reviewing policies for information and communication to shareholders, markets and the public.
g) Policies that involve the provision of substantial company assets and major company transactions.

Likewise, article 6 of the aforementioned Regulation establishes as a guiding principle, that the performance of the Board of Directors should be directly related to increasing the company's value, indicating the guidelines to be followed for determining and reviewing the financial and business strategies on behalf of the Board.

Moreover, it establishes the responsibility of the Board of Directors to adopt necessary measures to ensure that the company's management team pursues the increase in value for shareholders, has the right incentives to do so, and is correctly supervised by the Board of Directors. It also establishes that no other individual or small group of persons should be allowed an uncontrolled power of decision and that no shareholder should receive a privileged treatment in comparison to the rest.

2 | Independent Directors

"That the Board of Directors includes a reasonable number of Independent Directors that are persons of professional prestige unrelated to the company management team nor significant shareholders".

Article 31 of the Statutes specifies the requirements for Independent Directors. The same Article states that, without prejudice to the stipulations of Company Law, and to guarantee the independent criteria of the Board and the defence of the best interests of the company and its shareholders, at least one third (1/3) of the members of the Board of Directors must be Independent Directors.

The Board of Directors of the company on 31st December, 2001, consisted of seven non-Independent Directors and five Independent Directors. These Independent Directors were appointed taking into consideration their high professional qualifications and prestige and for not being related to the company's management team, nor to significant shareholders.

3 | Composition of the Board of Directors

"That external Directors (representatives of majority shareholders and independents" should represent a large majority of the members of the Board of Directors with respect to company executives and that the proportion between representatives of majority shareholders and independents should be established bearing in mind the relation that exists between majority and minority shareholders".

The Sol Meliá, S.A. Board of Directors at 31st December, 2001 comprised:

Executive Chairman Gabriel Escarrer Juliá	Non-Independent Director
Non-Executive Vice Chairman Juan Vives Cerdá	Non-Independent Director (Representative)
Executive Vice Chairman & Chief Executive Officer Sebastián Escarrer Jaume	Non-Independent Director
Chief Executive Officer Gabriel Escarrer Jaume	Non-Independent Director
Oscar Ruiz del Río	Non-Independent Director (Representative)
AILEMLOS S.L., represented by Ariel Mazín Mor	Non-Independent Director (Representative)
Hoteles Mallorquines Consolidados S.A., represented by María Antonia Escarrer	Non-Independent Director (Dominical)
Eduardo Punset Casal	Independent Director
Alfredo Pastor Bodmer	Independent Director
José Joaquín Puig de la Bellacasa Urdampilleta	Independent Director
Emilio Cuatrecasas Figueras	Independent Director
Secretary of the Board of Directors José María Lafuente López	Independent Director

4 | Number of Directors

"That the Board of Directors adjusts its size in order to achieve more efficient and participative operations. In principal, the appropriate size may oscillate between five and fifteen members".

According to the Statutes, Article 31.2, "The Board of Directors should consist of a minimum of five and a maximum of twenty members chosen by the General Shareholders' Meeting".

On 31st December, 2001, the Board of Directors comprised 12 members, in compliance with the recommendations included in the Good Governance Code.

5 | The Chairman of the Board of Directors

"That, should the Board opt to combine the roles of Chairman and Chief Executive in one person, the Board should adopt all necessary cautionary measures to reduce the risks of concentration of power in one person".

SOL MELIA S.A. also complies with this Recommendation as the Chairman of the Board of Directors does not have faculties delegated by the Board of Directors. At the same time a number of additional measures are in place to ensure compliance: appointment of two Vice Chairmen and two Chief Executive Officers, and creation of two delegate commissions (Auditing and Compliance Commission and Appointments and Remuneration Commission), as stated further on.

6 | The Secretary of the Board of Directors

"That the figure of Secretary of the Board be given far greater relevance, reinforcing their independence and stability and highlighting their function to ensure the formal and material legality of the actions of the Board".

Article 33 of The Statutes, as well as the Regulations of the Board of Directors, in its Article 12, highlight the figure of the Secretary of the Board of Directors placing amongst his functions to support the Chairman in his labours and to provide directors with the advice and information they require as well as conserving all documentation and maintaining minutes on the development of the sessions and agreements reached. Directors are also formally committed to appointing a person that is capable of performing the role appropriately as Secretary.

The current Secretary of the Board of Directors is an Independent Director.

7 | The Executive Commission

"That the Executive Commission, wherever such exists, should reflect the same balance as the Board between different types of Directors that the relations between both bodies is based on principals of transparency, in such a way that the Board is fully aware of the matters dealt with and decisions made by the Commission".

Article 39 of the Statutes foresees the possibility of the constitution of such a commission although it has not been deemed necessary to date given that a full meeting of the Board has always been required.

8 | Delegate Control Commissions

"That the Board of Directors creates within its ranks delegate control commissions, made up exclusively of external Directors, to monitor accounts information and control (Audits); selection of Directors and senior management; remuneration policies and reviews; and the evaluation of governance".

On 23rd February, 1999, the Board of Directors agreed to create, in line with Article 14 of the Regulations of the Board, the following delegate commissions:

1. Auditing and Compliance Commission, which includes amongst its functions the proposal of Auditors, the review of annual accounts and of compliance with legal requirements, correct application of accountancy principles and the provision of financial information adapted to those principles, as well as examining compliance with the internal regulations governing compliance with Stock Markets, the Regulations of the Board of Directors and the governance rules of the company.

2. Appointments and Remuneration Commission, which includes amongst its basic functions the formulation and revision of the criteria that must be followed to form the Board of Directors and the selection of candidates, the proposal to the Board of appointments of Directors and of members that should form part of Commissions, the periodic review of remuneration policies, the supervision of the transparency of remuneration and information on transactions that may imply conflicts of interests and, in general, for the items included in Chapter VIBII of the Regulations of the Board of Directors regarding the Duties of Directors.

The Commissions are made up of three Directors, including at least one Independent Director. At present they are comprised of the following people:

Auditing and Compliance Commission:

Sebastián Escarrer Jaume
Juan Vives Cerdá
José María Lafuente López (Independent Director)

Appointments and Remuneration Commission:

Gabriel Escarrer Jaume
Sebastián Escarrer Jaume
José Joaquín Puig de la Bellacasa Urdampilleta (Independent Director)

9 | Information to the Directors

"That all necessary measures are taken to ensure that Directors are provided sufficiently in advance with the information they require, specifically prepared to assist in the duties of the Board without prejudice, except in exceptional circumstances, to the importance or reserved nature of the information".

The Regulations of the Board of Directors in its Article 19 foresees that Board meetings are convened by letter, fax, telegram or e-mail authorised by the signature of the Chairman or the Secretary on behalf of the Chairman. They also foresee the possibility that extraordinary sessions of the Board are convened by telephone whenever the Chairman may feel that circumstances make this appropriate.

In compliance with Article 35.2 of the Statutes, this communication must include the agenda for the session along with a summary of the information required.

Under normal circumstances the information will be provided to Directors fifteen days in advance.

10 | Function of the Board of Directors

"That, to ensure the appropriate performance of the duties of the Board, meetings should be held with the frequency required to allow achievement of objectives; that the Chairman should encourage the intervention and independence of mind of all Directors; that special care should be taken with the taking of minutes and that an assessment of the quality and efficiency of the work of the Board should be carried out at least once a year".

The Board of Directors, as stated in Article 35.1 of the Statutes must meet at least five times per year and whenever the interests of the company require, whenever decided by the Chairman or by his substitute, or on request of at least one third of the members of the Board, in which case the Chairman should convene a Meeting of the Board within a period of ten days from such a request.

During the year 2001, a total of six Meetings of the Board were held.

11 | Selection and re-election of Directors

"That the intervention of the Board of Directors in the selection and re-election of its members is carried out using formal and transparent procedures after presentation of a reasoned proposal by the Appointments Commission".

Article 16 of the Regulations state that the Appointments and Remuneration Commission should formulate and revise the criteria to be applied to the composition of the Board of Directors and the selection of candidates.

The Commission must thus propose the appointment of Directors so that the Board may directly approve them or submit such a decision to the General Shareholders' Meeting.

According to Article 31.3 of the Statutes, at least one third of the members of the Board must be Independent Directors. These should be persons of acknowledged prestige with no relation to the executive team or Major Shareholders (as defined in Royal Decree 377/1991, of 15th March).

12 | Resignation of Directors

"That companies include in their regulations an obligation that Directors resign in circumstances which might have a negative effect of the functioning of the Board or the credit or reputation of the company".

The Statutes state that the absence of any Director at three consecutive meetings of the Board or at any four meetings within the same financial year, without appropriate justification, will give ground to the Board to declare that Directors automatic release from his position and to then designate a provisional successor until such may be submitted to the next General Shareholders' Meeting for ratification.

Likewise, Chapter VIII of the Regulations for the Board of Directors establishes the general duties and obligations of the Directors, as stated further on in Recommendation 16.

13 | Age of the Directors

"That a maximum age is set for the position of Director, that may be between sixty five and seventy for Executive Directors and the Chairman, and more flexible for other members of the Board".

Neither of the Regulations of the Board nor the Statutes include maximum limits on the age of Directors.

14 | Information for Directors

"That there is formal recognition of the right of all Directors to gather and obtain the information and advice required to perform their supervisory duties, and that appropriate means are established to allow this right to be exercised, including the use of external experts in special circumstances".

As stated in Article 35.8 of the Statutes, in the performance of their duties Directors have the right to request the professional assistance of company executives and internal advisors. They must also have free and direct access either personally or through others delegated by them to all of the company's books and files, unless the Chairman refuses such right in defence of the interests of the company. Such refusal will not be permitted whenever the Director in question has requested and obtained a favourable vote of at least twenty five per cent (25%) of the inscribed shareholders with a right to vote, as expressed in the General Shareholders' Meeting.

This right is also detailed in Chapter VI of the Regulations of the Board of Directors.

15 | Remuneration of Directors

"That the remuneration policy applied to Directors, the proposal, evaluation and revision of which should be carried out by the Remuneration Committee, should reflect moderation and company performance with detailed and personalised information".

As stated in Article 35 of the Statutes, Independent Directors receive an amount of one million five hundred thousand pesetas for their attendance at each session. This amount may be increased on agreement by the Board in proportion with any increase in the consolidated profits of the company, without prejudice of its posterior ratification by the General Shareholders' Meeting, either explicitly or through approval of the Annual Accounts.

The remuneration of Non-independent Directors will consist of a fixed annual amount, the same for all of them, to be defined or ratified by the General Shareholders' Meeting, without prejudice to the payment of fees or other amounts that may be due from the company for the provision of professional services or derived from their private work as may be the case.

Remuneration will be paid out after the end of the month in which it may have been earned to ensure that it is proportional to the time that the Director may have served on the Board during the year.

16 | General Duties of Directors and conflicts of interest

"That the internal regulations of the company detail the obligations derived from the general duties of diligence and loyalty expected of Directors, including, specifically, matters relating to conflicts of interest, confidentiality requirements, the exploitation of business opportunities and the use of company assets".

Article 26 of the Regulations of the Board of Directors and others indicate the obligations of Directors.

The most relevant obligations are:

1. The Director must maintain confidentiality regarding the deliberations of the Board and the delegate Commissions of which they may form part and, in general, must abstain from revealing information to which they have had access due to their position. The aforementioned confidentiality must be maintained even after such person ceases to be a Director.
2. The Director may not occupy management positions in companies whose mission or nature that is partially analogous with that of the company, with the exception of other companies controlled by the group. Before accepting any management position with another company, the Director must consult the Appointments and Remuneration Commission.
3. The Director must abstain from attending or intervening in deliberations that may affect matters in which they may be personally involved. It is also considered a personal interest, when a matter affects a member of their family or a company where they hold a management position or have a significant participation.
4. The Director may not carry out, neither directly nor indirectly, commercial transactions with the company, unless the Board of Directors, following a report by the Appointments and Remuneration Commission, approves the transaction.
5. In the performance of their duties, the Independent Directors must declare any developments in their relations with the company, controlling shareholders or companies associated with controlling shareholders. These declarations will be recorded in the Declarations Register of the Board of Directors. The Auditors' Report will refer to relevant relations declared and recorded by the Independent Directors.
6. The Director will not be allowed to use company assets, nor use their position to obtain capital resource advantages, unless they provide an adequate compensation.
7. The private use of unpublished company information by the Director is only permitted when it is not related to purchasing or selling company shares, when it is not detrimental to the company, and when the company does not have exclusive rights or judiciary position of similar meaning over the information that they wish to use.
8. The Director may not use to their own advantage or to the advantage of closely related persons a business opportunity of the company, unless it has been offered to them, the company does not wish to make use of the situation and it has been authorised by the Board of Directors, following a report by the Appointments and Remuneration Commission.
9. The Director infringes their loyalty to the company, should they consciously allow or not reveal transactions on behalf of their family, and on behalf of companies they may hold a management position or have a major share.

10. The Director must inform the Company of the shares they hold, either directly or through other companies they have a major share in. Likewise, they must also inform on those that are directly or indirectly held by members of their family. They must keep the company informed on all positions they may occupy and relevant activities they may perform in other companies.

17 | Transactions with major shareholders

"That the Board of Directors should promote the adoption of appropriate measures to extend the duties of loyalty to major shareholders, establishing, specifically, cautionary procedures relating to any transactions carried out between such shareholders and the company".

This recommendation is in place and regulated in Articles 35 and 36 of the Regulations of the Board concerning hypothetical relevant transactions that may occur between major shareholders. Under no circumstances will the Board of Directors authorise a transaction if the Appointments and Remuneration Commission has not presented a report, taking into consideration the equal treatment to shareholders and the situation of the market.

Likewise, the Board of Directors must include in their public annual report a summary of the transactions made between the company and its Directors and major shareholders.

18 | Communication with shareholders

"That measures are taken to make mechanisms for delegating votes more transparent and to reinforce communications between the company and its shareholders, particularly with institutional investors".

As established in Article 25.1. of the Statutes, the Board of Directors may demand that in the convening of the General Shareholders' Meeting the company is in possession of the delegation of representation by shareholders at least five days before the day on which the General Shareholders' Meeting is to be held, specifically indicating the name of the corresponding representative.

This representation must be assigned in writing for each General Shareholders' Meeting within the terms established by Company Law.

Since the company IPO there have been many contacts with institutional investors and shareholders. Sol Meliá, S.A. is very active regarding providing information for investors and carries out a minimum of one or two roadshows per quarter to provide information on company activities and performance. In parallel, further roadshows are held whenever any important event requires the supply of information.

The company has also held meetings and maintained other forms of contact with shareholders in Spain and other countries.

The principal executives of Grupo Sol Meliá, S.A. have attended roadshows in cities such as New York, Boston, London, Paris and Madrid, amongst others, visiting existing and potential investors.

Amongst the numerous visits to investors, shareholders and analysts, the following are highlighted:

- Information roadshows on company results.
- Several seminars on Fixed and Variable Interests.

All the activities described in this section are carried out in observance of the regulations of the stock market and after providing, if required, the corresponding reports to the Spanish Stock Exchange Commission (CNMV) for publishing.

In addition, during the Extraordinary General Shareholders' Meeting of 23rd October, 2000, the company made a series of changes to the Statutes, introducing the possibility, on request by the Chairman, of requesting from intermediary bodies the identities of the shareholders of Sol Meliá.

This measure aimed to reaffirm the mechanisms in place for transparency within the company and put in place controls that would clarify the evolution of the shareholder structure.

SOL MELIÁ has also constituted the "Investors Club", to provide regular financial information to those shareholders that request such information, as well as other benefits including an investors "Hotline".

19 | General information

"That the Board of Directors, over and above the requirements of existing legislation, should assume responsibility for providing the markets with rapid, precise and reliable information, particularly regarding the shareholder structure, substantial modifications to the rules of governance, particularly relevant deals or operations and company shareholdings".

As indicated in Article 38 of the Regulations of the Board, the company has provided information considered to be of sufficient details and through the appropriate channels (Statements to CNMV, regular published information, communications regarding majority shareholders, other communications, etc.), on matters regarding the share price and any other matter considered relevant, as well as regular information on the company rules of governance.

20 | Financial information

"That all of the regular financial information as well as the annual information offered to the markets is generated using the same professional principles and practises as the annual accounts and that, before being published, are verified by the Audit Commission".

Amongst their duties, the Board of Directors, along with the Audit and Compliance Commission are entrusted with the duty of providing financial information to the markets following the same professional principles, criteria and practises as those employed in the production of the annual accounts.

Financial analysts have also been kept informed through conference calls on quarterly results after their presentation and registration with the CNMV.

21 | External Auditors

“That the Board of Directors and the Audit Commission supervise situations that may present a risk to the independence of the company’s external auditors and, specifically, that they verify the amounts paid to external auditors as a percentage of the total revenues of the auditing firm, and that they make public information of fees paid for services other than audits”.

The Board of Directors and the Audit and Compliance Commission have made an analysis of the possible risks regarding the independence of external auditors.

The total amount paid to the external auditor Ernst & Young reached 435.264,28 Euros (VAT included) for auditing and consulting services.

22 | Production of the Annual Accounts.

“That the Board of Directors should avoid presenting accounts to the General Shareholders’ Meeting that contain exceptions and reservations in the auditors’ report, and that, whenever this is not possible, both the Board of Directors and the auditors must clearly explain to shareholders and to the market the content and scope of the discrepancies”.

This recommendation is included in article 39 of the Regulations of the Board, establishing that the Board of Directors, and particularly the Auditing and Compliance Commission, will ensure that the Auditors will have access to all documents and information that may be relevant for carrying out their revision. The Annual Accounts must also be correctly presented and made completely clear to Auditors.

23 | Information on Governance rules

“That the Board of Directors include in their Annual Report information on their Governance rules, providing explanations for any that do not comply with the recommendations contained within this Code”.

This report aims to clearly and precisely reflect the degree to which the recommendations of the Code of Good Governance has been implemented in the company, and particularly in regard to the obligations, duties and procedures followed by Sol Meliá, S.A. Board of Directors so as to comply with said recommendations.

OFFICIAL COMMUNIQUÉS

Official Communiqués 2001

Date: 02/01/2001 | Press Release number 9439
Sol Meliá opens its two first Boutique hotels in Paris: The Meliá Colbert and the Meliá Vendôme.

Date: 09/01/2001 | Press Release number 9452
Sol Meliá takes over its first hotel in the Spanish province of Segovia.

Date: 10/01/2001 | Press Release number 9454
Sol Meliá sends out a press release informing that the Sol Pelicanos/Ocas has been awarded the ISO 14001 Environmental Management Certification.

Date: 25/01/2001 | Press Release number 9506
Sol Meliá informs on the opening of the Sol Inn Infanta Mercedes in Madrid.

Date: 31/01/2001 | Press Release number 9545
Sol Meliá informs of the agreement it has signed with Rodin Srl, for the incorporation of the Meliá Confort Verona under a leasing contract.

Date: 06/02/2001 | Relevant event number 26599
The company sends out a communication concerning the issue of Euro Notes for a value of 340 million euros.

Date: 16/02/2001 | Press Release number 9621
Sol Meliá incorporates its first hotel in Lebanon.

Date: 30/03/2001 | Press Release number 9907
The company sends out a press release concerning the group's new brand structure.

Date: 04/04/2001 | Relevant event number 27797
Sol Meliá signs an agreement with local Moroccan investors for the construction of the Paradisus Agadir.

Date: 05/04/2001 | Press Release number 9938
The company communicates that four hotels of the company have achieved the "EMAS" Environmental Managment Certification.

Date: 10/04/2001 | Press Release number 9984
Sol Meliá reinforces its confidence in snow tourism by incorporating a new hotel in Valle de Arán, Spain.

Date: 11/04/2001 | Press Release number 9987
The company sends out a press release concerning their first hotel in Zamora, Spain.

Date: 27/04/2001 | Relevant event number 28323
Sol Meliá sends out the merger project.

Date: 04/05/2001 | Press Release number 10096
Sol Meliá and Telefónica Data sign an agreement to create a company-wide "Solnet" network.

Date: 24/05/2001 | Press Release number 10362
Sol Meliá incorporates its third hotel near the Theme Park "Universal Studios Port Aventura".

Date: 25/05/2001 | Relevant event number 29189
The Board of Directors of Sol Meliá announces a General Shareholders' meeting for the 28th May, 2001.

Date: 28/05/2001 | Relevant event number 29229
The company informs that during the General Shareholders' meeting held on 28th May, the thirteen points on the agenda where approved, including the Tryp S.A. merger project.

Date: 31/05/2001 | Press Release number 10386
Sol Meliá opens another hotel in Tenerife: the Meliá Jardines del Teide.

Date: 13/06/2001 | Press Release number 10496
Sol Meliá has signed a management agreement with Suncrest Hotels p.l.c. for the incorporation of the company's first hotel in Malta.

Date: 22/06/2001 | Press Release number 10581
Sol Meliá incorporates a new hotel in Oviedo, Spain.

Date: 06/07/2001 | Press Release number 10688
Sol Meliá inaugurates its seventh hotel in Granada: the Meliá Almuñecar.

Date: 09/07/2001 | Press Release number 10699
Sol Meliá informs of the payment of a gross dividend of 24 ptas, per share to be paid out on 10/07/01 as agreed during the General Shareholders Meeting held on 28/06/01.

Date: 10/07/2001 | Relevant event number 30148
As a result of the merger with Tryp, S.A. by Sol Meliá, SA., the company wishes to amortise the entire goodwill that has been generated for a sum of 60.779 million pesetas against reserves.

Date: 23/07/2001 | Press Release number 10817
The credit rating agency FITCH granted Sol Meliá a BBB+ rating, awarding the company with the second best credit risk rating in the hotel industry.

Date: 16/08/2001 | Press Release number 10903
Sol Meliá and lastminute.com, begin a strategic alliance, which amongst other factors, includes the integration of the Spanish portal lastminute.es in Meliaviajes.com.

Date: 28/09/2001 | Press Release number 11126
The company informs that the Meliá La Caleta in Cadiz, Spain is included under the new Tryp Hotels brand.

Date: 25/10/2001 | Press Release number 11201
The Meliá Confort Azafata in Valencia, Spain, is included under the new Tryp Hotels brand.

Date: 30/10/2001 | Press Release number 11248
Sol Meliá incorporates two new hotels under the new Tryp Hotels brand.

Date: 31/10/2001 | Press Release number 11262
The Hotel Sol Inn Alicante is included under the new Tryp Hotels brand.

Corporate Information

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Gremio Toneleros, 24
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Tel. 34 971 22 44 00
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(049909) Singapore
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Fax. (65) 6 334 20 65

Website: **www.solmelia.com**
General E-mail address: **info@solmelia.com**
Central Reservations Office (SolRes): **902 14 44 44**
Sol Meliá access codes for GDS:

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

GENERAL SHAREHOLDERS' MEETING
Palma de Mallorca
Date: 29th April, 2002
Location: Hotel Meliá Palas Atenea
Dividend payment: 0,07 Euros per share

Investor Relations Department: **(34) 971 22 45 43**
E-mail: **investors.relations@solmelia.com**

"Direct line for shareholders": (34) 971 22 45 54
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EXTERNAL AUDITORS
Ernst & Young
Palma de Majorca

2001 FINANCIAL REPORT

Sol Meliá
HOTELS & RESORTS

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AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

(Free translation from the original in Spanish)

To the shareholders of SOL MELIA, S.A.
Palma de Mallorca

1. We have audited the consolidated annual accounts of SOL MELIA, S.A. and Subsidiaries, which consist of the consolidated balance sheet at December 31, 2001, the consolidated profit and loss account and the consolidated notes thereto for the year then ended, the preparation of which is the responsibility of SOL MELIA, S.A.'s directors. Our responsibility is to express an opinion on these consolidated annual accounts taken as a whole, based upon work performed in accordance with generally accepted auditing standards, which require the examination, through the performance of selective tests, of the evidence supporting the consolidated annual accounts, and the evaluation of their presentation, of the accounting principles applied, and of the estimates made.

2. In compliance with Spanish mercantile law, for comparative purposes, the parent company's directors have included for each of the captions presented in the consolidated balance sheet and consolidated profit and loss account, in addition to the figures of 2001, those of 2000. In addition, the directors include the figures of the 1999 consolidated balance sheet and consolidated profit and loss account as well as certain breakdowns of balances and other consolidated information relating to said year. Our opinion refers only to the annual accounts for 2001. On March 27, 2001, we issued our audit report on the 2000 consolidated annual accounts, in which we expressed an unqualified opinion.

3. As explained in the accompanying Notes to the 2001 consolidated annual accounts, the directors have properly amortised the full goodwill on consolidation, amounting to e362.7 million, that arose from the acquisition of the Tryp Group in 2000. Nevertheless, this exceptional amortisation was charged against the Share Premium account whereas it should have been charged against Extraordinary Results for the year according to the Spanish accounting regulations. Consequently, the 2001 consolidated profit and loss account is overstated by the mentioned amount, although the total consolidated equity balance of the Group is not affected.

Ernst & Young, S.L.
Domicilio Social: Plaza Pablo Ruiz Picasso, s/n. 28020 Madrid.
Inscrita en el Registro Mercantil de Madrid al Tomo 12749,
Libro 0, Folio 215, Sección 8ª, Hoja M-23123, Inscripción 116.
C.I.F. B 78970506.

AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS
(CONTINUED)

To the shareholders of SOL MELIA, S.A.
Palma de Mallorca

4. In our opinion, except for the non-allocation to expenses of the year for the amortisation of goodwill described in paragraph 3 above, the accompanying consolidated annual accounts for the year 2001 give a true and fair view, in all material respects, of the consolidated net equity and consolidated financial position of SOL MELIA, S.A. and Subsidiaries at December 31, 2001 and of the consolidated results of their operations for the year then ended and contain the required information necessary for their adequate interpretation and comprehension, in conformity with generally accepted accounting principles and criteria, applied on a basis consistent with that of the preceding year.

5. The accompanying consolidated management report for the year 2001 contains such explanations as the directors consider appropriate concerning the situation of SOL MELIA, S.A. and Subsidiaries, the evolution of their business and other matters and does not form an integral part of the consolidated annual accounts. We have checked that the accounting information contained in this report is in accordance with that of the consolidated annual accounts for the year 2001. Our work as auditors is limited to the examination of the consolidated management report with the scope mentioned in this paragraph and does not include the examination of information other than that obtained from the accounting records of the consolidated companies.

ERNST & YOUNG
Signed by Antonio Salas Santandreu

March 26, 2002

Consolidated Assets

In thousands of Euros

	12/31/1999	12/31/2000	12/31/2001
A. UNCALLED SHARE CAPITAL			
B. FIXED ASSETS			
I. START-UP EXPENSES	20,952	20,874	24,291
II. INTANGIBLE FIXED ASSETS			
1. Intangible assets and rights	223,692	328,991	409,707
2. Provisions and amortization	(14,177)	(25,742)	(35,121)
III.TANGIBLE FIXED ASSETS			
1. Land and buildings	1,357,142	1,670,076	1,841,599
2. Technical installations and machinery	134,179	181,674	218,331
3. Other fixed assets	260,567	303,198	306,840
4. Prepayments and tangible fixed assets in progress	27,795	23,471	39,773
5. Provisions and depreciation	(411,942)	(525,126)	(594,907)
IV. INVESTMENTS			
1. Participations by equity method	17,689	21,556	24,353
2. Loans to subsidiaries	30,050	14,596	20,014
3. Long-term securities portfolio	98,227	110,107	75,175
4. Other long-term receivables	43,566	44,705	73,780
5. Provisions	(8,200)	(1,767)	(5,720)
V. TREASURY SHARES			
TOTAL FIXED ASSETS	**1,779,539**	**2,166,613**	**2,398,115**
C. GOODWILL ON CONSOLIDATION			
1. From companies consolidated under full consolidation	15,373	394,413	23,924
2. From companies consolidated by equity method	1,402	1,978	2,904
TOTAL GOODWILL ON CONSOLIDATION	**16,775**	**396,390**	**26,829**
D. DEFERRED EXPENSES	**15,328**	**21,824**	**22,587**
E. CURRENT ASSETS			
II. INVENTORIES	25,441	36,016	39,653
III. DEBTORS			
1. Trade debtors	78,638	107,518	143,681
2. Subsidiaries	665	9,268	23,346
3. Other debtors	33,881	92,319	95,929
4. Provisions	(11,011)	(21,749)	(26,126)
IV. SHORT-TERM INVESTMENTS			
1. Short-term securities portfolio	51	21,338	302
2. Loans to subsidiaries	61,777	181	3,207
3. Other loans	16,489	22,242	8,988
4. Provisions	(189)	0	(3)
V. TREASURY SHARES	6,750	10,833	9,779
VI. CASH AND BANKS	62,658	74,384	175,832
VII. PREPAYMENTS AND ACCRUALS	3,653	7,948	8,672
TOTAL CURRENT ASSETS	**278,803**	**360,298**	**483,260**
TOTAL ASSETS	**2,090,445**	**2,945,126**	**2,930,791**

Consolidated Liabilities

In thousands of Euros

	12/31/1999	12/31/2000	12/31/2001
A. EQUITY			
I. SHARE CAPITAL	34,311	36,955	36,955
II. SHARE PREMIUM	603,528	795,132	433,793
III. REVALUATION RESERVE R.D.L. 7/96	48,279	48,279	49,278
IV. RESERVES			
1. Distributable reserves	4,361	30,608	31,586
2. Reserve investments Canary Islands Law 19/94	12,220	19,624	39,599
3. Reserves in Cos. consolidated under full consolidation	156,652	229,493	322,966
4. Reserves in Cos. consolidated by equity method	2,357	2,194	5,865
5. Non-distributable reserves	11,046	17,753	17,228
VII. FOREIGN CURRENCY GAINS/(LOSSES)			
1. From Cos. consolidated under full consolidation	38,334	59,293	88,414
2. From Cos. consolidated by equity method	(114)	(21)	140
VIII. PROFIT AND LOSS FROM PARENT COMPANY	88,011	112,664	58,932
1. Consolidated profit and loss	94,166	118,630	64,679
2. Profit and loss attributed to minority interests	(6,156)	(5,966)	(5,747)
IX. INTERIM DIVIDEND PAID IN PREVIOUS YEAR			
TOTAL EQUITY	**998,986**	**1,351,974**	**1,084,758**
B. MINORITY SHAREHOLDERS	**43,574**	**58,897**	**64,699**
C. NEGATIVE CONSOLIDATION DIFFERENCE			
1. From companies consolidated under full consolidation	15,151	22,335	21,918
2. From companies consolidated by equity method	0	196	0
TOTAL NEGATIVE CONSOLIDATION DIFFERENCE	**15,151**	**22,531**	**21,918**
D. DEFERRED INCOME			
1. Capital grants	3,490	3,638	3,780
2. Other deferred income	15,949	18,534	14,292
TOTAL DEFERRED INCOME	**19,439**	**22,172**	**18,072**
E. PROVISIONS FOR CONTINGENCIES AND EXPENSES	**53,163**	**56,718**	**56,756**
F. LONG-TERM LIABILITIES			
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES	201,408	412,224	551,026
II. BANK DEBTS	405,073	607,882	611,833
III. DEBTS WITH SUBSIDIARIES	398		
IV.OTHER LIABILITIES	76,922	81,129	84,160
TOTAL LONG-TERM LIABILITIES	**683,801**	**1,101,234**	**1,247,020**
G. SHORT-TERM LIABILITIES			
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES	586	592	70,115
II. BANK DEBTS	153,634	149,084	153,867
III. DEBTS WITH SUBSIDIARIES	45	4,688	364
IV.TRADE CREDITORS	70,906	117,040	137,436
V. OTHER NON-TRADE DEBTS	46,556	49,538	71,379
VI.TRADE PROVISIONS	24	4,181	454
VII. ACCRUED EXPENSES	4,579	6,479	3,954
TOTAL SHORT-TERM LIABILITIES	**276,331**	**331,600**	**437,568**
TOTAL LIABILITIES	**2,090,445**	**2,945,126**	**2,930,791**

Consolidated Profit and Loss Account

In thousands of Euros

A. EXPENSES	12/31/1999	12/31/2000	12/31/2001
1. Supplies and other external expenses	85,842	115,992	129,610
2. Personnel expenses			
a) Salaries, wages and related expenses	155,327	206,277	257,045
b) Social Security cost	53,117	66,117	70,776
3. Depreciation and amortisation	62,384	84,049	94,881
4. Changes in trade provisions	1,439	3,693	5,076
5. Other operating expenses	163,964	239,097	312,274
I. OPERATING PROFIT	**136,543**	**176,671**	**146,408**
6. Financial expenses	29,350	56,589	74,718
7. Changes in provisions for decline in value of investments	189	(87)	0
8. Foreign currency losses	32,768	41,989	32,992
II. FINANCIAL PROFIT	**---**	**---**	**---**
9. Amortization of consolidation goodwill	1,828	2,667	2,555
III. PROFIT FROM ORDINARY ACTIVITIES	**110,556**	**123,819**	**75,916**
10. Losses arising from sale of fixed assets	738	493	487
11. Changes in fixed asset provisions	(287)	1,733	6,034
12. Extraordinary expenses and losses	2,098	8,423	3,429
13. Expenses and losses from prior years	5,118	9,096	3,932
IV. EXTRAORDINARY PROFIT	**5,316**	**20,783**	**4,786**
V. CONSOLIDATED PROFIT BEFORE TAXATION	**115,872**	**144,602**	**80,701**
10. Corporate income tax	21,706	25,972	16,022
VI. CONSOLIDATED RESULT FOR THE YEAR (PROFIT)	**94,166**	**118,630**	**64,679**
11. Result attributed to minority shareholders	6,156	5,966	5,747
VII. RESULT FOR THE YEAR ATTRIBUTED TO PARENT COMPANY (PROFIT)	**88,011**	**112,664**	**58,932**

Consolidated Profit and Loss Account

In thousands of Euros

B. INCOME	12/31/1999	12/31/2000	12/31/2001
1. Net turnover	628,451	847,220	953,964
2. Other operating income	30,164	44,677	62,105
I. OPERATING LOSSES	---	---	---
3. Income from share capital investments	3,440	1,083	1,136
4. Other financial income	2,515	4,559	7,636
5. Foreign currency gains	31,224	41,709	33,656
II. FINANCIAL LOSSES	**25,128**	**51,139**	**65,283**
6. Particip. in profits from companies consolidated by equity method	969	953	(2,655)
III. LOSSES FROM ORDINARY ACTIVITIES	---	---	---
7. Gains on disposal of fixed assets	1,512	19,849	8,805
9. Capital grants transferred to results for the year	134	146	159
10. Extraordinary income or profits	9,955	19,818	8,476
11. Income or profit from previous years	1,383	717	1,229
IV. EXTRAORDINARY LOSSES	---	---	---
V. CONSOLIDATED LOSSES BEFORE TAXATION	---	---	---
VI. CONSOLIDATED RESULT FOR THE YEAR (LOSSES)	---	---	---
VII. RESULT FOR THE YEAR ATTRIBUTED TO			
PARENT COMPANY (LOSSES)	---	---	---

1 Business Activities

The parent company, SOL MELIA, S.A., was formed in Madrid on June 24, 1986 with the name Investman, S.A. In February 1996 the Company modified its official name, becoming SOL MELIA, S.A., inscribed in the Mercantile Registry of the Balearic Islands Corporate volume 1335, folio nº PM 22603, third inscription, with its registered address in Calle Gremio Toneleros, 24 of Palma de Mallorca.

The activities of SOL MELIA, S.A and its subsidiaries (hereinafter "SOL MELIA" or the "Group") basically consist of tourism in general and, specifically, in the management and operation of owned or rented hotels under management or franchise agreement. The activities also consist in the promotion of any type of business related to the tourist and hotel trade or related to leisure, recreation or amusement as well as in the participation in the creation, development and operation of new business, establishments or entities within the tourist and hotel trade and in any leisure, recreation or amusement activity. Certain GROUP companies also carry out real estate activities, taking advantage of the synergies obtained from hotels development due to the significant expansion process. These activities are carried out in Germany, Andorra, Argentina, Belgium, Brazil, Colombia, Costa Rica, Croatia, Cuba, Egypt, Spain, France, Guatemala, Indonesia, Italy, Lebanon, Malaysia, Malta, Morocco, Mexico, Panama, Peru, Portugal, Puerto Rico, United Kingdom, Dominican Republic, Switzerland, Thailand, Tunisia, Turkey, Uruguay, Venezuela and Vietnam.

Public Offering of Acquisition of shares of Meliá Inversiones Americanas, N.V.

On June 11, 2001, Meliá Inversiones Americanas, N.V. launched a Public Offer to redeem its publicly traded shares. The offer expired on July 11, 2001. The offer was taken up by the holders of 134,449 shares, of the 210,442 which at that time made up the Company's free float. This acceptance implies the acquisition and delisting of treasury shares representing 1.14% of share capital. On September 26, 2001 Sol Meliá, S.A. acquired 17,371 shares of Meliá Inversiones Americanas, N.V., representing 0.15% of its share capital. On November 29, 2001 Sol Meliá, S.A. acquired the 134,449 treasury shares held by Meliá Inversiones Americanas, N.V., thereby increasing its stake to 99.5% of the latter's share capital.

Mergers of subsidiaries

On January 1, 2001 Desarrollos Sol, S.A. absorbed Inversiones Guama, S.A. and Inversiones Coro, S.A. followed by the dissolution without liquidation of the absorbed companies.

On September 4, 2001 Sol Meliá, S.A. absorbed Mesol Management, S.L., Hosterías de Castilla, S.A., Propiedades en Arriendo, S.L., Meliá Europa Holding de Entidades, S.A., Constructora Inmobiliaria Alcano, S.A, Tribenol, S.L. and Tryp, S.A. followed by the dissolution without liquidation of the absorbed companies. From an accounting standpoint, the operations carried out by the absorbed companies are considered as carried out by the absorbing company as of January 1, 2001.

On December 28, 2001 Cadstar France, S.A., Londim France, S.A and LSO France Investment, S.A. absorbed Corbeil Paris Colombes, S.A., Hotel Alexander, S.A. and Hotel Boulogne Adagio, S.A., respectively, followed by the dissolution without liquidation of the absorbed companies. From an accounting standpoint, the operations carried out by the absorbed companies are considered as carried out by the absorbing companies as of January 1, 2001.

All the aforementioned companies were included in the Group consolidation.

2 | Consolidation Scope

2.1 | Subsidiaries

The subsidiaries, defined as the companies in which Sol Meliá, S.A. directly or indirectly holds more than 50% or a controlling position is exercised, are listed below:

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR.P.	IND.P.	TOTAL	HOLDER IND. PART.
AKUNTRA s. XXI S.L.	Ronda de Sant Pere 17, Barcelona	Spain	Holding	100.00%		100.00%	
APARTOTEL, S.A	Orense 81 (Madrid)	Spain	Managing company	99.73%		99.73%	
AZAFATA, S.A.	Autopista Aeropuerto S/N (Valencia)	Spain	Owns and operates Azafata	100.00%		100.00%	
BEAR SA de CV	Paseo de la Reforma,1 (Mexico)	Mexico	Owns and operates México Reforma	100.00%		100.00%	
BISOL VALLARTA SA DE CV	Paseo de la Marina Sur (Puerto Vallarta)	Mexico	Owns and operates hotels		96.47%		CALA FORMENTOR S.A. DE C.V.
					3.03%	99.50%	MELIÁ INV. AMERICANAS N.V.
CADLO FRANCE, S.A.	Rue de Caumartin 28 (Paris)	France	Managing company		100.00%	100.00%	SOL MELIA FRANCE
CADSTAR FRANCE S.A.	Rue Caumartin 28 (Paris)	France	Managing company		100.00%	100.00%	SOL MELIA FRANCE
CALA FORMENTOR SA DE CV	Boulevard Kukulkan (Cancun)	Mexico	Owns and operates Meliá Cancún		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
CARIBOOKING & RESERV. NV	De Ruyterkade, 62 (Curaçao)	Curaçao	Dormant		99.50%	99.50%	DES.TUR.DEL CARIBE N.V
CARIBOTELS DE MEXICO S.A	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Owns and oper. Cozumel & Cabañas	50.86%		50.86%	CONT. TUR. COZUMEL, S.A.
CASINO PARADISUS S.A	Playas de Bavaro (Higuey)	Dom. Rep.	Operates Casino		49.75%	49.75%	INVERSIONES AGARA S.A.
CASINO TAMARINDOS, S.A	Retama, 3 (Las Palmas)	Spain	Owns Casino	100.00%		100.00%	
COM.PROP.SOL Y NIEVE	Plaza del Prado Llano (Sierra Nevada)	Spain	Owns and oper. Meliá Sol y Nieve	87.84%		87.84%	
COMP.TUNISIENNE GEST.HOT	Cite Mahrajene-Imm Chiaaar, 1 (Tunis)	Tunisia	Managing company		100.00%		SOL MANINVEST B.V.
CONSORCIO EUROPEO, S.A.	Darro 22, (Madrid)	Spain	Owns hotel Tryp Colon		27.00%		AKUNTRA s. XXI S.L.
					33.00%		SECADE s. XXI S.L.
					40.00%	100.00%	DARCUO S. XXI S.L.
CONT. TUR. COZUMEL, S.A.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Owns Caribotels México		23.91%		OPERADORA MESOL
					26.95%	50.86%	MELIA INV. AMERICANAS N.V.
CORP. HOT. HISP. MEX.	Boulevard Kukulkan (Cancun)	Mexico	Owns and operates Turquesa		9.20%		CALA FORMENTOR S.A. DE C.V.
					90.30%	99.50%	MELIÁ INV. AMERICANAS N.V.
DARCUO S. XXI S.L.	Ronda de Sant Pere 17, Barcelona	Spain	Holding	100.00%		100.00%	
DES TURIST DEL CARIBE SA	De Ruyterkade, 62 (Curaçao)	Panama	Marketing		99.50%	99.50%	DES.TUR.DEL CARIBE N.V
DES.HOTELERA DEL NORTE, S.A.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico	Owns Paradisus Coco Beach		47.26%		DES.HOT.SAN JUAN B.V
					47.26%	94.52%	SAN JUAN INVESTMENT B.V
DES.HOT.SAN JUAN B.V	Strawinskylaan, 307 (Amsterdam)	Netherlands	Holding		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
DES.TUR.DEL CARIBE N.V	De Ruyterkade, 62 (Curaçao)	Neth.Antilles	Holding		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
DESARROLLOS SOL S.A	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Owns and oper. Caribe-Tropical		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
DOCK TELEMARKETING,S.A	Orense 81 (Madrid)	Spain	Sales office	100.00%		100.00%	
DOMINICAN INVESTMENT NV	The Ruyterkade, 62 (Curaçao)	Neth.Antilles	Holding		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
DOMINICAN MARKTING SERV	De Ruyterkade, 62 (Curaçao)	Neth.Antilles	Marketing		99.50%	99.50%	DOMINICAN INVESTMENT NV
DORPAN, S.L	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	Owns trademarks	100.00%		100.00%	
FARANDOLE B.V	World Trade Center-Tower 17b (Amsterdam)	Netherlands	Holding		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
GESMESOL, S.A	Elvira Méndez, 10 (Panama)	Panama	Managing company	100.00%		100.00%	
GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	Exports to Cuba	100.00%		100.00%	
GRUPO SOL ASIA LTD	1109/10 Admiralty Centre Tower	Hong Kong	Holding	60.00%		60.00%	
GRUPO SOL SERVICES	80, Raffles Place, 25-01 UOB Plaza	Singapore	Services		60.00%	60.00%	GRUPO SOL ASIA LTD
GUPE INMOBILIARIA, S.A.	Estrada da Luz, 90 (Lisbon)	Portugal	Operates Hotel Atlántico	99.00%		99.00%	

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR.P.	IND.P.	TOTAL	HOLDER IND. PART.
H MEL INTERN COLOMBIA SA	Calle, 68 (Bogotá)	Colombia	Managing company		100.00%	100.00%	M.I.H. S.A.
HOT.SOL INTERNACIONAL	Edificio Banco do Brasil (Panama)	Panama	Holding	100.00%		100.00%	
HOTEL ABBAYE THELEME S.A.	Rue Ville de Saxe 9 (Paris)	France	Operates Hotel Saxe		100.00%	100.00%	CADSTAR FRANCE S.A.
HOTEL BELLVER S.A	Av Ingeniero Gabriel Roca (Palma de Mca.)	Spain	Owns Hotel Bellver	66.95%		66.95%	
HOTEL BLANCHE FONTAINE S.A.	Rue Fontaine 34 (Paris)	France	Oper. Colbert and Blanche Fontaine		100.00%	100.00%	CADSTAR FRANCE S.A.
HOT. CONVENTO DE EXTR. S.A.	Plaza de San Juan 11-13 (Cáceres)	Spain	Owns Convento de Extremadura	51.32%		51.32%	
HOTEL FRANCOIS S.A.	Boulevard MontMartre 3 (Paris)	France	Operates Hotel Francois		100.00%	100.00%	CADSTAR FRANCE, S.A.
HOTEL MADELEINE PALACE	Rue Cambon 8 (Paris)	France	Operates Madeleine Palace		100.00%	100.00%	HOTEL METROPOLITAN S.A.
HOTEL METROPOLITAN S.A.	Rue Cambon 8 (Paris)	France	Owns and oper. Madeleine Palace		100.00%	100.00%	CADLO FRANCE S.A.
HOTEL ROYAL ALMA	Rue Jan de Goujon 35 (Paris)	France	Operates hotel Royal Alma		100.00%	100.00%	CADSTAR FRANCE, S.A.
HOTELES MELIA, S.L.	Gremio Toneleros 24, (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
HOTELES PARADISUS, S.L.	Gremio Toneleros 24, (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
HOTELES SOL MELIA. S.L.	Gremio Toneleros 24, (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
HOTELES SOL S.L.	Gremio Toneleros 24, (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
HOTELES TRYP, S.L.	Gremio Toneleros 24, (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
HOTELES TURISTICOS S.A	Orense 81 (Madrid)	Spain	Owns and oper. Meliá Granada	94.52%		94.52%	
IHLA BELA GESTAO E TURISMO	31 de Janeiro 81 Founchal, Madeira	Portugal	Manages hotels in Cuba	65.00%		65.00%	
IMPULSE DEVELOPEMENT INC	Strawinskylaan, 2001 (Amsterdam)	Netherlands	Dormant		100.00%	100.00%	IMPULSE HOT.DEVELOPEMENT
IMPULSE HOT.DEVELOPEMENT	Strawinskylaan, 2001 (Amsterdam)	Netherlands	Dormant	100.00%		100.00%	
INDUSTRIAS TURISTICAS	Orense 81 (Madrid)	Spain	Owns and oper. Meliá Torremlinos	97.58%		97.58%	
INMOBILIARIA BULMES, S.A.	Darro 22, (Madrid)	Spain	Owns hotel Tryp Fénix		40.00%		AKUNTRA s. XXI S.L.
					33.00%		SECADE s. XXI S.L.
					27.00%	100.00%	DARCUO S. XXI S.L.
INMOTEL INTERNACIONAL SA	Edificio Banco do Brasil (Panama)	Panama	Holding	100.00%		100.00%	
INMOTEL INV.ITALIA S.R.L	Via Pietro Mascagni, 14 (Milan)	Italy	Owns & oper. Milano,Roma,Verona	100.00%		100.00%	
INV TURIST DEL CARIBE SA	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Holding	100.00%		100.00%	
INV. LATINOAMERICA 2000	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Holding	100.00%		100.00%	
INV.EXPLOT.TURISTICAS	Orense 81 (Madrid)	Spain	Owns and operates hotels	55.11%		55.11%	
INV.INMOB.IAR 1997 CA	Avenida Casanova (Caracas)	Venezuela	Owns and oper. Caracas		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
INVERSIONES AGARA S.A	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Owns and oper. Punta Cana		99.50%	99.50%	NEALE S.A.
INVERSIONES INVERMONT	Av. Venezuela, Edif. T. América (Caracas)	Venezuela	Dormant		100.00%	100.00%	M.I.H. S.A.
INVERSIONES JACUEY, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Owns & oper. Casino Palma Real		99.50%	99.50%	DESARROLLOS SOL S.A
IRTON COMPANY N.V.	The Ruyterkade, 62 (Curaçao)	Neth. Antilles	Marketing		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
LATIN AMERICA LOG.CORP	1000, Brickell Av. suite 500 (Miami)	U.S.A.	Services		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
LAVANDERIAS COMPARTIDAS	Paseo Colorado, 26 (Torremolinos)	Spain	Laundry	100.00%		100.00%	
LIRAX ltd	Wickham's Cay road town (Tortola)	Virg. I. (U.K.)	Holding		100.00%	100.00%	SOL MANINVEST B.V.
LOMONDO LTD	Albany Street-Regents Park (London)	U.K.	Owns and oper.White House	100.00%		100.00%	
LONDIM FRANCE S.A.	Rue de Caumartin 28 (Paris)	France	Owns and oper. Hotel Alexander		100.00%	100.00%	SOL MELIA FRANCE
LSO FRANCE INVESTMENTS S.A.	Rue Caumartin 28 (Paris)	France	Owns and oper. Hotel Adagio		100.00%	100.00%	SOL MELIA FRANCE
M.I.H., S.A	Edificio Fiducidario (Panama)	Panama	Holding	100.00%		100.00%	
M.I.H. U.K. LTD.	Cent House-Upper Woburn Place (London)	U.K.	Holding		100.00%	100.00%	M.I.H. S.A.
MARINA INTERNAT. HOLDING	Elvira Méndez, 10 (Panama)	Panama	Holding		100.00%	100.00%	M.I.H. S.A.
MARKSERV B.V	Parklaan, 81 (Amsterdam)	Netherlands	Managing and Holding	51.00%	49.00%	100.00%	SOL MANINVEST B.V.
MARKSOL TURIZM	Calakli Manavgat (Antalya)	Turkey	Managing company	10.00%	90.00%	100.00%	MARKSERV B.V.
MARKTUR TURIZM	Daire 3, Gençlik Mahallesi (Antalya)	Turkey	Dormant	100.00%		100.00%	
MARMER, S.A	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Owns and operates Bávaro		99.50%	99.50%	DES. TURÍSTICOS DEL CARIBE S.A.
MELIA BRASIL ADMINISTRAC	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil	Manages hotels		20.00%		LIRAX Ltd
					80.00%	100.00%	MARKSERV B.V.
MELIA CATERING S.A.	Gremiio Toneleros 24, Palma de Mallorca	Spain	Catering services	100.00%		100.00%	
MELIA INV.AMERICANAS N.V	Strawinskylaan, 2001 (Amsterdam)	Netherlands	Holding	82.07%	17.43%	99.50%	SOL MELIÁ INVESTMENT N.V.
MELIA MANAGEMENT, S.A	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Managing company		100.00%	100.00%	INV TURIST DEL CARIBE SA
MELSOL MANAGEMENT B.V	Strawinskylaan, 307 (Amsterdam)	Netherlands	Managing company	100.00%		100.00%	
MELSOL PORTUGAL	Avenida do Brasil, 43-8 (Lisbon)	Portugal	Managing company	80.00%		80.00%	
MOT.GR.RUTAS ESPAÑOLAS	Orense 81 (Madrid)	Spain	Owns and operates Hidalgo	74.54%		74.54%	

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR.P.	IND.P.	TOTAL	HOLDER IND. PART.
MOTELES ANDALUCES S.A	Orense 81 (Madrid)	Spain	Owns and oper. Caballo Blanco	74.42%		74.42%	
NEALE S.A	Edificio Arango Orillac (Panama)	Panama	Marketing		99.50%	99.50%	RANDLESTOP CORP.N.V
OP.PASEO DE LA REFORMA	Paseo de la Reforma,119 (Mexico)	Mexico	Owns land		99.50%	99.50%	FARANDOLE B.V.
OPERADORA COSTARISOL	Avenida Central, 8 (San José)	Costa Rica	Managing company		100.00%	100.00%	M.I.H. S.A.
OPERADORA MESOL SA DE CV	Bosque de Duraznos 69-b, (Mexico D.F.)	Mexico	Managing company	75.21%	24.79%	100.00%	MARKSERV B.V.
PARKING INTERNACIONAL, S.A.	Darro 22, (Madrid)	Spain	Owns parking hotel Fénix		99.00%	99.00%	INMOBILIARIA BULMES, S.A.
PARQUE SAN ANTONIO S.A	Rey 1, (Puerto de la Cruz)	Spain	Owns and oper. Parque San Antonio	79.10%		79.10%	
PLAYA SALINAS S.A	Avenida Marítima, 1 (Santiago del Teide)	Spain	Owns land	49.00%			
					47.81%		INDUSTRIAS TURISTICAS
					1.89%	98.70%	HOTELES TURISTICOS, S.A.
PUNTA CANA RESERV. NV	De Ruyterkade, 62 (Curaçao)	Curaçao	Dormant		99.50%	99.50%	RANDLESTOP CORP.N.V
PUNTA ELENA S.L	San José, 33 (Tenerife)	Spain	Dormant	50.00%		50.00%	
RANDLESTOP CORP.N.V	De Ruyterkade, 62 (Curaçao)	Neth. Antilles	Holding		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
REALTUR S.A	Orense 81 (Madrid)	Spain	Owns Meliá Madrid	96.50%		96.50%	
SAN JUAN INVESTMENT B.V	Strawinskylaan, 307 (Amsterdam)	Netherlands	Holding		99.50%	99.50%	MELIÁ INV. AMERICANAS N.V.
SECADE s. XXI S.L.	Ronda de Sant Pere 17, Barcelona	Spain	Holding	100.00%		100.00%	
SECURISOL S.A	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	Security	100.00%		100.00%	
SILVERBAY, S.L.	Rafael Salgado 7-5a Izq. (Madrid)	Spain	Owns land in Cadiz	100.00%		100.00%	
SOL CARIBE TOURS, S.A.	Vía Grecia - Edif. Alamanda 6B (Panama)	Panama	Dormant		100.00%	100.00%	GESMESOL, S.A
SOL FINANCE N.V	De Ruyterkade, 62 (Curaçao)	Neth. Antilles	Dormant		100.00%	100.00%	HOTELES SOL INTNAL. S.A.
SOL GROUP B.V	Parklaan, 81 (Amsterdam)	Netherlands	Holding	100.00%		100.00%	
SOL GROUP CORPORATION	2100, Coral Way, suite 402 (Miami)	U.S.A.	Services		100.00%	100.00%	SOL GROUP B.V
SOL HOTEL U.K. LTD	Cent House-Upper Woburn Place (London)	U.K.	Sales office	100.00%		100.00%	
SOL MANINVEST B.V	Parklaan, 81 (Amsterdam)	Netherlands	Managing and Holding	100.00%		100.00%	
SOL MELIA BENELUX B.V.	Rue Blanche 4 (Brussels)	Belgium	Owns and oper. Avenue Louise	99.99%	0.01%	100.00%	MARKSERV B.V.
SOL MELIA CHINA Ltd.	1318 Two Pacific Place, 88 (Hong Kong)	China	Dormant		100.00%	100.00%	M.I.H. S.A.
SOL MELIA CROACIA	Vladimira Nazora, 6 (Rovijn)	Croatia	Managing company		100.00%	100.00%	SOL MANINVEST B.V.
SOL MELIA DEUCHLAND GMBH	Josef Haumann Strasse 1 (Bochum)	Germany	Operates hotels	100.00%		100.00%	
SOL MELIA EUROPE B.V	Strawinskylaan, 307 (Amsterdam)	Netherlands	Issuer of convertible bonds	100.00%		100.00%	
SOL MELIA FINANCE Ltd.	Ugland House South Church (Gran Cayman)	Cayman I.	Dormant	100.00%		100.00%	SOL MELIA INVESMENT, N.V
SOL MELIA FRANCE	Rue Caumartin 28 (Paris)	France	Manages French companies	100.00%		100.00%	
SOL MELIA GUATEMALA S.A	Primera Avenida, 8-24 (Guatemala)	Guatemala	Managing company		99.95%		M.I.H. S.A.
					0.05%	100.00%	MARKSERV B.V.
SOL MELIA INVESMENT, N.V	Strawinskylaan, 2001 (Amsterdam)	Netherlands	Holding		100.00%	100.00%	INV. LATINOÁMERICA 2000 S.L.
SOL MELIA MARRUECOS, S.A.	Rue Idriss Al-Abkar, 4 - 1° Etage	Morocco	Manages hotels in Morocco		100.00%	100.00%	MARKSERV B.V.
SOL MELIA PERU, S.A.	Av. Salaberri 2599, San Isidro, Lima	Peru	Manages Meliá Lima	100.00%		100.00%	
SOL MELIA SERVICE S.A	Rue de Chantemerle (Freiburg)	Switzerland	Services	100.00%		100.00%	
SOL MELIA SUISSE S.A.	Rue de Messe 8-10 (Geneva)	Switzerland	Dormant	100.00%		100.00%	
TALON. CINCO NOCHES, S.L	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	Travel agency	99.94%	0.06%	100.00%	DORPAN S.L.
TENERIFE SOL S.A	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	Owns and operates hotels	50.00%		50.00%	
TORRESOL DES.TURISTICOS	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	Owns land	80.00%		80.00%	
TRYP MEDITERRANEÉ	Hammamet Yasmine 8050, Tunis	Tunisia	Operates hotels in Tunisia	85.40%		85.40%	
URME REAL S.L	Orense 81 (Madrid)	Spain	Parking Meliá Madrid		92.81%	92.81%	REALTUR S.A.

These companies have been consolidated under the full consolidation method.

The sole and exclusive authorised activities of Meliá Brasil Administraçao are those which relate to the management of hotels. In spite of this, since the hotels are under joint ownership and are not legally authorised to carry out operating activities, in view of the local requirements, Meliá Brasil Administraçao had to assume the operations of the hotels in Brazil on behalf of the joint owners. For this reason, the consolidated profit and loss account only reflects the remuneration from the operation of the hotels received by the Group and does not include related income and expenses.

2.2 | Associated companies

The companies associated with the Group, defined as those in which the direct or indirect participation ranges between 20% and 50%, or lower, but with a significant influence over management, are listed below:

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR.P.	IND.P.	TOTAL	HOLDER IND.PART.
APARTHOTEL BOSQUE, S.A	Gremio Toneleros 42 (Palma de Mallorca)	Spain	Owns and oper. H. Sol Bosque	25.00%		25.00%	
C.P.COSTA DEL SOL	Paseo Marítimo 11 (Torremolinos)	Spain	Community property owners	0.33%	18.69%	19.02%	APARTOTEL S.A.
COM.PROP.MELIA CASTILLA	Capitán Haya 43 (Madrid)	Spain	Community property owners	28.99%		28.99%	
DETUR PANAMA, S.A.	Antigua Escuela Las Américas (Colón)	Spain	Owns & oper. H. Panamá Canal	31.78%	18.00%	49.78%	M.I.H., S.A.
HELLENIC HOTEL MANAGEMENT	Panepistimiou 40 (Athens)	Greece	Managing company	40.00%		40.00%	
HOTEL NET B2B.COM, S.L.	Gremio Tejedores 5 (Palma de Mallorca)	Spain	Wholesale Internet Portal	24.50%		24.50%	
HOTEL CAMPUS, S.L.	Villa Universitaria, Bellaterra C. (Barcelona)	Spain	Owns & oper. H. Meliá Campus	40.00%		40.00%	
INVERSIONES GUIZA, S.A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Owns & oper. Pozos de Agua		49.75%	49.75%	MARMER, S.A.
INV.TUR.CASAS BELLAS S.A	Barrio de Chamberí s/n (Sta. Cruz Tenerife)	Spain	Land owner	23.75%		23.75%	
MELIA MERIDA S.L	Moreno de Vargas, 2 (Mérida)	Spain	Owner Hotel Meliá Mérida	44.14%		44.14%	
NEXPROM S.A	Avda. del Lido s/n (Torremolinos)	Spain	Owns & oper. D. Pedro y D. Pablo	14.39%	5.67%	20.06%	PROMEDRO
PROMEDRO S.A	Avda. del Lido s/n (Torremolinos)	Spain	Holding	20.00%		20.00%	
SOL HOTI PORTUGAL HOTELS	Avda. da Republica 85 1° Esq. (Lisbon)	Portugal	Operates hotels	45.00%		45.00%	
SOL MELIA TRAVEL S.A.	Gremio Toneleros 42, (Palma de Mallorca)	Spain	Travel agency	100.00%		100.00%	

Sol Meliá Travel, S.A, carries out its activity as a travel agency through the development of its Internet sales platform. The Company has decided to consolidate this company by the equity method in order to avoid distorting the information in the profit and loss account, which is not homogeneous with that of the other Group companies.

2.3 | Companies excluded from the consolidation scope

There are certain companies which, although they meet the aforementioned requirements, are not included in the Group consolidation. These companies are listed below:

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR.P.	IND.P.	TOTAL	HOLDER IND. PART.
HOTEL LAS AMERICAS, S.A	Las Américas 9 (Guatemala City)	Guatemala	Hotels owner		20.00%	20.00%	MARINA INTERNATIONAL H.
M.I.H. EUROPE & M.	Cavendish Square, 6 (London)	U.K.	Dormant		100.00%	100.00%	MELIÁ INT. HOTELS S.A.
MOGAN PROMOC. S.A. de C.V.	(Cancún)	Mexico	Land owner		33.33%	33.33%	MARKSERV B.V.
PROM. PYA. BLANCA S.A. de C.V.	Pza. San Ángel,15 (Cancún)	Mexico	Land owner		33.33%	33.33%	MARKSERV B.V.
CORP.HOTELERA METOR	Faustino Sánchez Carrión s/n (Lima)	Peru	Owns and oper. Meliá Lima		40.03%		MARINA INTERNATIONAL H.
					19.87%	59.90%	MELIÁ INV. AMERICANAS N.V.
LASTMINUTE NETWORK, S.L.	W.T.C. - Torre Norte 7ª (Barcelona)	Spain	Travel agency via Internet		70.00%	70.00%	SOL MELIA TRAVEL S.A.
TOUROPERADOR VIVATOURS S.A.	Trespanede 29 (Madrid)	Spain	Tour-operator	21.98%		21.98%	

Despite the fact that the Group holds 20% of the shares of Hoteles Las Americas, S.A., its accounts have not been consolidated as, at year end, no accounting information was available. The investment has been duly provided for.

In view of the lack of homogeneity of its systems Corporación Hotelera Metor is not included in the consolidation.

Lastminute Network, S.L. is a subsidiary of Sol Melia Travel, S.A., having been acquired at the end of 2001.

As the Group is negotiating a reduction in its shareholding in Touroperador Vivatours, S.A. the accounts of this company are excluded from the consolidation. The investment has been duly provided for.(See Note 12.2)

The other companies excluded from the consolidation are dormant as of December 31, 2001.

The exclusion of these companies from the consolidation has no significant effect on the net equity, financial position and results of the consolidated companies. These investments are reflected at cost.

2.3 | Changes in the consolidation scope

As explained in Note 1 to the financial statements, shares of Meliá Inversiones Americanas were acquired during 2001, such that the holding in the latter at year-end totals 99.5%. This increase in ownership is also reflected in the increase in the ownership of this company's subsidiaries.

Desarrolladora Hotelera de Norte, S.A., owner of Hotel Paradisus Puerto Rico (presently under construction), is included in the consolidation scope.

On December 18, 2001, SOL MELIA sold its 49.01% holding in Sofía Hoteles S.L., previously consolidated through the equity method. Due to the sale, this company has been eliminated from the consolidation of SOL MELIA.

Sol Melia Deutschland, GMBH, consolidated by the equity method in 2000, is included in the 2001 annual acounts under the full consolidation method.

The changes that have taken place in the consolidation scope during 2001 are indicated below:

ADDITIONS	INCREASE IN HOLDING %	DISPOSALS
CARIBOOKING & RESERV. NV	BISOL VALLARTA SA DE CV	CONSTRUCTORA INMOB. ALCANO, S.A. (**)
DES.HOTELERA DEL NORTE, S.A.	CALA FORMENTOR SA DE CV	CORBEIL PARIS COLOMBES, S.A. (*)
DETUR PANAMA, S.A.	CARIBOTELS DE MEXICO S.A	HOSTERIAS DE CASTILLA, S.A. (**)
GUPE INMOBILIARIA, S.A.	CASINO PARADISUS S.A	HOTEL ALEXANDER, S.A. (*)
HOTEL NET B2B.COM, S.L.	COM.PROP.MELIA CASTILLA	HOTEL BOULOGNE ADAGIO, S.A. (*)
HOTELES PARADISUS, S.L.	CONT. TUR. COZUMEL, S.A.	INVERSIONES CORO, S.A. (***)
HOTELES TRYP, S.L.	CORP. HOT. HISP. MEX.	INVERSIONES GUAMA, S.A. (***)
INVERSIONES GUIZA, S.A.	DES TURIST DEL CARIBE SA	MELIA EUROPA HOLDING DE ENT., S.A. (**)
PUNTA CANA RESERV. NV	DES.HOTELERA DEL NORTE, S.A.	MESOL MANAGEMENT, S.L. (**)
SOL CARIBE TOURS, S.A.	DES.TUR.DEL CARIBE N.V	PROPIEDADES EN ARRIENDO, S.L. (**)
SOL MELIA CHINA Ltd.	DESARROLLOS SOL S.A	TRIBENOL, S.L. (**)
SOL MELIA FINANCE Ltd.	DOMINICAN INVESTMENT NV	TRYP, S.A. (**)
SOL MELIA MARRUECOS, S.A.	DOMINICAN MARKTING SERV	SOFIA HOTELES, S.L. (****)
SOL MELIA SUISSE S.A.	FARANDOLE B.V	TOUROPERADOR VIVATOURS, S.A. (*****)
	HOTELES TURISTICOS S.A	
	INV.EXPLOT.TURISTICAS	
	INV.INMOB.IAR 1997 CA	
	INVERSIONES AGARA S.A	
	INVERSIONES JACUEY, S.A.	
	IRTON COMPANY N.V.	
	LATIN AMERICA LOG.CORP	
	MARMER, S.A	
	MELIA INV.AMERICANAS N.V	
	NEALE S.A	
	OP.PASEO DE LA REFORMA	
	PARQUE SAN ANTONIO S.A	
	RANDLESTOP CORP.N.V	
	REALTUR S.A	
	SAN JUAN INVESTMENT B.V	
	URME REAL S.L	

(*) MERGER FRENCH COMPANIES (**) MERGER SPANISH COMPANIES (***) MERGER DOMINICAN REPUBLIC COMPANIES (****) SOLD COMPANY (*****) COMPANY IN PROCESS OF BEING SOLD

3 Basis of Presentation of the Consolidated Annual Accounts

The accompanying consolidated annual accounts consist of the consolidated balance sheet and profit and loss account for the years 2001 and 2000 and of the consolidated Notes thereto for the year 2001. In addition, the consolidated balance sheet and profit and loss account, together with the breakdown of certain balance sheet and profit and loss data as well as other consolidated information relating to the year 1999, are also included.

At year-end, the accounting records of most of the companies of the Euro zone included in the consolidation scope are expressed in euros. The records were adapted by applying the official conversion rate and round-off regulations to each account. The rounding differences were included in the profit and loss account for the year in the corresponding financial revenue and expense captions.

For companies which at year-end had not yet adapted their records, to obtain the accounts, the corresponding captions of the annual accounts in each currency were globally converted by applying the official conversion rates and round-off regulations.

3.1 | True and fair view

The consolidated balance sheet and profit and loss account have been prepared from the internal accounting records of the parent company, Sol Meliá, S.A., and from the accounting records of the other companies included in the consolidation as detailed above. The figures of the consolidated balance sheet, consolidated profit and loss account and of the Notes thereto are expressed in thousands of euros, unless otherwise indicated.

3.2 | Comparison of information

The consolidated annual accounts at December 31, 2001 are presented following the structure established in the Spanish General Chart of Accounts, and also reflect the comparative figures for the two preceding years.

The 2001 consolidated annual accounts are presented in thousands of euros. For comparative purposes, the amounts of the preceding years' balance sheet, profit and loss account and notes thereto were adapted by applying the official conversion rate and round-off regulations to the total of each caption.

In relation to the consolidation scope, the principal changes which took place in 2001 with respect to the preceding year are explained in Note 2.

In 1999, Sol Meliá, S.A. concluded the Public Offering of Acquisition of Shares of MIA and the merger with Inmotel Inversiones, S.A. The 2000 balance sheet and profit and loss account includes the financial statements of the hotels acquired in France as well as the incorporation of the Tryp Hotel Chain. Given the circumstances indicated above, the balance sheet and profit and loss account figures for 2000 and 1999 are not comparable.

3.3 | Consolidation principles

The consolidated financial statements have been prepared according to the full consolidation method for the subsidiaries in which SOL MELIA directly or indirectly owns more than 50% of these subsidiaries' voting stock shares or over which SOL MELIA exercises a control position. Minority interests in the net equity and results of the consolidated companies are presented under a separate heading in the consolidated balance sheets and profit and loss accounts, respectively.

The companies in which SOL MELIA directly or indirectly owns between 20% and 50% of the companies' voting stock shares, or over which SOL MELIA excersises significant control despite ownership of less than 20%, are presented in the consolidated balance sheets under the heading of Investments, "Participations by equity method" for the book value of the participation. The participation of these companies in the consolidated results for the year is reflected in the accompanying consolidated profit and loss account as "Participation in profits from companies consolidated by equity method".

Significant influence is considered to exist when ownership exceeds 3% in companies that are listed on a public stock exchange. For companies whose stock is not publicly traded, significant influence is considered to exist when there is significant control over the management of these companies.

4 | Appropriation of Results

The Board of Directors of each company will propose the appropriation of results at the General Shareholders' Meeting.

The parent company, Sol Meliá, S.A., will propose that results be appropriated as follows:

BASIS OF APPROPRIATION	
Profit and Loss (2001 losses)	(304,997)
APPROPRIATION	
To legal reserve	
To reserves for investments in the Canary Islands	
To voluntary reserves	
To dividends	
To losses from prior years	(304,997)

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a dividend of 0.06953 euros per share. Excluding treasury shares, the dividend will be of 0.07 euros per share.

5 | Accounting Principles

The most significant accounting principles applied in the preparation of the 2001 consolidated annual accounts are as follows:

5.1 | Goodwill and negative differences on consolidation

The valuation differences between the investment and the equity, whenever these could not be attributed to specific assets or liabilities at purchase time are reflected, when first consolidated, under two possible headings:

• **Goodwill on consolidation**

The differences between the acquisition price of subsidiaries or associated companies (Note 2) and their net book value, whenever these are not attributable to a higher value of specific fixed assets of the acquired companies, are recorded as goodwill, which is amortised on a straight-line basis over a 10 year period for goodwill existing as of December 31, 1998 and over 20 years for the goodwill arising after that date. The reason for amortising over more than 5 years is due to the determination that these investments will contribute to the generation of profits for the Group over these longer periods of time (see notes 6 and 10).

Surpluses in acquisition price assigned to specific assets are amortised, when applicable, based on the depreciation rates of these assets.

• **Negative consolidation differences**

Negative consolidation differences are calculated by taking into account the difference between the book value of the parent company's direct or indirect ownership in the subsidiary share capital and the value of the proportional part of the subsidiary's equity attributable to such participation on the first consolidation date (See Note 7). Negative consolidation differences are recorded on the liabilities side of the consolidated balance sheet.

5.2 | Minority shareholders and results

• **Minority shareholders**

This heading within liabilities on the balance sheet includes the proportional part of the shareholders' equity that corresponds to third parties not belonging to the Group (See Note 19).

• **Results attributed to minority shareholders**

This represents the participation in the consolidated profit or losses for the year that corresponds to minority shareholders (See Note 19).

5.3 | Transactions between consolidated companies

All significant intercompany transactions have been eliminated in consolidation .

Similarly, all significant intercompany balance sheet accounts have been eliminated in consolidation.

5.4 | Uniformity

Generally, all Group companies apply the same accounting policies and principles. Therefore, no adjusting entries were necessary in consolidation. With respect to the Group's Italian operations, the accounting for leasing operations and start-up expenses were adjusted to comply with Spanish accounting criteria.

The annual accounts year-end closing date for all the consolidated companies is December 31, 2001.

5.5 | Conversion of annual accounts of foreign companies

All assets, rights and obligations of the foreign companies included in the consolidation are converted into euros by applying the exchange rate prevailing on December 31, 2001.

The items of the profit and loss account have been converted by applying an appropriate weighted average exchange rate in view of the volume of the transactions during each period.

The difference between the amount of the foreign companies' equity, including the balance of the profit and loss account calculated according to the preceding paragraph, converted at the historical exchange rate, and the net worth resulting from the conversion of the assets, rights and obligations according to the first paragraph, are recorded as gains or losses, whenever applicable, in the shareholders' equity of the consolidated balance sheet under the heading "Foreign currency gains/(Losses)", after deducting the part of such difference that corresponds to the minority shareholders recorded in "Minority shareholders" on the liabilities side of the consolidated balance sheet (See Notes 18.5 and 18.6).

5.6 | Start-up expenses

The start-up expenses of the different companies included in the consolidation are valued at cost, net of the corresponding amortisation which is calculated using the straight-line method over 5 years (See Note 9).

5.7 | Intangible fixed assets

Intangible fixed assets relate to various software applications and rights derived from financial leasing contracts as well as goodwill on acquisition and transfer rights.

Software applications are valued at cost and are amortised on the straight-line method over five-years.

Acquisition goodwill is amortised on the straight-line method over 5 to 20 years (See Note 10)

The cost of the assets acquired by financial leasing contracts does not include financing charges but it does include the value of the legal revaluation according to Royal Decree Law 7/1996, of June 7 (See Note 11 and 18) and is accounted for in accordance with the prevailing Spanish General Chart of Accounts.

The amount of the fixed assets revaluation was established by applying certain coefficients in view of the purchase year of the items to the purchase or production cost and to the corresponding annual amortisation charges considered as deductible expenses for tax purposes. The figures thereby obtained were reduced by 40% to take into account the financing conditions in compliance with such rulings.

The annual amortisation/depreciation charge is calculated on the straight-line method over the estimated useful lives of the different assets, which are as follows:

Buildings	30-50 years
Installations	8-18 years
Machinery	8-18 years
Furniture	10-15 years
Software	5-8 years
Vehicles	6-10 years

5.8 | Tangible fixed assets

Tangible fixed assets are stated at acquisition price which includes any additional expenses incurred until the item is put to use, and increased by the legal revaluations commented on in Note 11. No financing costs are included. In 1996 tangible fixed assets were revalued in accordance with Royal Decree Law 7/1996 of June 7, (See Notes 11 and 18).

The amount of the fixed assets revaluation was established by applying certain coefficients in view of the purchase year of the items to the purchase or production cost and to the corresponding annual depreciation charges considered as deductible expenses for tax purposes. The figures thereby obtained were reduced by 40% to take into account the financing conditions in compliance with such rulings.

Repairs which do not represent an extension of the useful life and maintenance expenses are charged directly to the profit and loss account. Costs which prolong or improve the useful life of the asset are capitalised as an increase in their value.

The Group's tangible fixed assets are depreciated on the straight-line method over the estimated useful life of the assets which are as follows:

Buildings	30-50 years
Installations	8-18 years
Machinery	8-18 years
Furniture	10-15 years
Software	5-8 years
Vehicles	6-10 years
Other fixed assets	4-8 years

The net book value of tools and fittings corresponds to the value as per stocktakings carried out in the different centres at year end.

The revaluations and capital gains attributable to tangible fixed asset items are depreciated following the same criteria applied to the revalued and/or affected items.

5.9 | Investments

Investments in associated companies have been recorded according to the equity method based on the net book value which is adjusted, when applicable, by the specific valuation made of their assets and liabilities (See Note 8). Results for the year obtained by these companies are reflected in the consolidated profit and loss accounts as "Participation in profit (losses) of companies consolidated by the equity method" (See Note 25).

Unlisted securities are valued at cost of acquisition less the corresponding amortisation when applicable.

Securities, both of fixed and variable interest, included under the Investments and Short-term investments headings are valued at their acquisition price upon subscription or purchase and include the expenses inherent to each operation.

Non-trade credits are recorded for the amount paid and corrected at year-end, whenever applicable, by the corresponding provision to cover contingencies involved due to possible insolvencies. At year-end, provisions are applied to the appropriate concept.

5.10 | Deferred expenses

Expenses for formalisation of debts are valued at cost.

Expenses for deferred interest relate to the difference between the repayment value and the nominal value of the relevant debts.

These expenses are written down over the maturity period of the corresponding debts and according to a financing plan.

5.11 | Non-trade loans

Both short and long-term non-trade loans are shown at repayment value within assets of the consolidated balance sheet.

5.12 | Inventories (Trade inventories, raw materials and other supplies)

Raw and ancillary materials are valued at their average acquisition cost which is, generally, lower than the realisable value. The acquisition price includes the amount invoiced plus all additional expenses incurred until the goods are stored in the warehouse. In the case of real estate inventories, the accounting values include tacit capital gains recorded for consolidation purposes only (See Note 14).

5.13 | Debtors

Debtors' balances are reflected in the balance sheet at real value and adjusted, whenever applicable, by the corresponding provision to cover contingencies involved due to possible insolvencies. Such provisions are applied when the debt is considered irrecoverable.

The Group has sold certain accounts receivable (via factoring) for a total amount of €11.5 million to the company Compas Sigma.

5.14 | Capital grants

Capital grants are not repayable and are recorded for the amount received at the time of the grant as deferred income, which is released to results on the straight-line method over the useful life of the assets thereby financed (See Note 20).

5.15 | Provisions for pensions and similar obligations

Certain Collective Wage Agreements prevailing and applicable in 2001 establish that the permanent staff retiring between 60 and 65 years of age will be entitled to a cash premium equivalent to a number of monthly salaries proportional to the number of years of service.

In 2001 an evaluation of these commitments was performed in accordance with the actuarial assumptions contained in the Externalization Regulations, by applying the calculation method known as the "projected unit credit" and the population assumptions corresponding to the GRM95-GRF95 tables. According to this study, the commitments accrued as of December 31, 2001 in accordance with the Externalization Regulations amount to €17.23 million. The provision for contingencies and expenses covers these commitments as well as the commitments acquired with six executives of the company absorbed in 1999.

5.16 | Provisions for contingencies and expenses

In addition to the accounting provisions for estimated potential insolvencies relating to accounts receivable, the Group also books long-term provisions in the balance sheet liabilities, estimated according to the principle of prudence and following conservative criteria, to cover the different risks and contingencies due to the different possible interpretations of the prevailing tax rulings, contingent risks for bank and other guarantees given, legal claims and lawsuits under way and other possible liabilities arising from operations. At year end, provisions are applied to the respective concepts.

5.17 | Non-trade debts

Both short and long-term non-trade debts are recorded at their repayment value. The difference between this value and the amount received is accounted for under the assets heading "Deferred expenses", and released to results on a yearly basis according to financial criteria (See Note 22).

5.18 | Short and long-term classification

The short and long-term classification depends on the expected term of maturity, disposal or cancellation of the Company's obligations and rights. A period of more than 12 months from the year-end closing date is considered long-term.

5.19 | Revenues and expenses

Revenues and expenses are recorded when realised, regardless of when actual payment or collection occurs (See Note 25).

5.20 | Corporate income tax

Corporation income tax is calculated based on the results for the year and taking into account the differences between the accounting and tax results (taxable income). These differences are classified as either "permanent" or "temporary", depending upon their nature.

Goodwill fully amortised from an accounting standpoint in 2001 is amortised on the straight-line method over 10 years for tax purposes. Following the criteria of accounting prudence, no prepaid taxes have been recognized.

Tax credits deriving from the carryforward tax losses are recorded for an amount no higher than the deferred taxation figure accounted for at that date and do not imply, therefore, any cash outlay.

The deferred tax liabilities balance maintained in the balance sheet relates mainly to differences arising from the tax treatment applied to financial leasing contracts and to the deferral of taxation for capital gains from reinvestments.

The eventual deferred taxation which would relate to the revaluation recorded according to Law 29/1991 is not accounted for since the sale of the revalued buildings is not considered part of the company's normal activities.

The tax criteria applied to financial leasing contracts signed after January 1, 1996 consist of applying amortisation rates which are twice the maximum rates established in the tax charts. The effect of this temporary difference is reflected in the corporate income tax expense (See Note 23).

5.21 | Foreign currency transactions

Debit and credit balances in foreign currency are valued at the exchange rate prevailing on the corresponding transaction date and are converted at year end at the rate then in effect.

Unrealised foreign currency losses are considered as expense of the year in which they are incurred while unrealised foreign currency gains are considered as deferred income. Nevertheless, if unrealised foreign currency losses were recorded during the year or in previous years, the unrealised foreign currency gains would be considered income of the period for the same amount of unrealised foreign currency losses. Remaining unrealised foreign currency gains would be accounted for as deferred income.

5.22 | Severance payments

In accordance with the prevailing labour agreements in some countries where the Group operates, the companies are obligated to pay severance to employees dismissed without due cause. Given that there is no staff reduction plan, no provision is deemed necessary for this concept.

5.23 | Parent company shares

The treasury shares held by SOL MELIA are valued at their acquisition price, less the difference between the acquisition value and the average quotation of the last quarter of the current year.

5.24 | Provision for bad debts

The provision for bad debts aims to cover the possible losses that might be incurred in the full recovery of the accounts receivable. This provision appears under "Debtors" within assets of the consolidated balance sheet. At year-end, the provisions are applied as necessary.

5.25 | Subsidiaries and associated companies

See Note 2 for further details on subsidiaries and associated companies.

5.26 | Modifications to the consolidation scope

Modifications to the consolidation scope are identified and explained in Note 2.

5.27 | Revenues from time-sharing

Revenues from time-sharing are accounted for on a cash basis, which is more prudent than the criteria based on the sale of the building, whose ceded right of use is equivalent to its useful life.

6 | Goodwill on Consolidation

Goodwill on consolidation and its amortisation are detailed below:

6.1 | Companies consolidated by full integration method

(Thousands of Euros)

	Balance 12/31/1999	Balance 12/31/2000	Amort. 2001	Additions	Transfers	Disposals	Balance 12/31/2001
Apartotel, S.A.	1,367	1,151	(216)				935
Azafata, S.A.		2,889	(145)				2,744
C. Tamarindos, S.A.	1,429	1,204	(226)				978
Cadlo France		1,402	(74)				1,329
Dock Telemarking, S.A.	14	12	(2)				10
Dorpan, S.L.	263	221	(41)				180
Grupo Sol Asia Ltd.	212	179	(33)				145
Gupe Inmobiliaria				214			214
H. Alexander		3,311				(3,311)	
H. Boulogne Adagio		2,352				(2,352)	
H.C. Extremadura, S.A.	1	1					1
H.Meliá Internacional de Colombia	15	13	(2)				10
Ihla Bela de Gestao e Turismo		258					258
Inversiones Latinoamérica 2.000, S.L.							
Inversiones Turísticas del Caribe	73	62	(12)				50
Inversiones y Explotaciones Tur. S.A.		1					1
Lirax	2,287	2,031	(257)				1,774
Lomondo Ltd.	4,033	4,358	(234)				4,124
Londim France		3,675	(193)				3,481
M.I.H. U.K. LTD	10	9	(2)				7
Markserv, B.V.	490	413	(77)				335
Marksol Turizm	147	124	(23)				100
Melia International Hotels, S.A	616	518	(97)				421
Melsol Management B.V.	4	4	(1)				3
Mesol Management, S.L.	4	3				(3)	
Operadora Mesol, S.A. De C.V.	847	1,064	(199)				864
Parque San Antonio, S.A.			(2)	47			45
Servicios Corporativos Mesol, S.A. De C.V.	417						
Sol Group B.V.	163	137	(26)				111
Sol Hotel Miami Beach	17						
Sol Hotel U.K. LTD	862	726	(136)				590
Sol Maninvest, B.V.	24	20	(4)				16
Sol Meliá Benelux		1,485	(75)				1,410
Sol Meliá Croacia	1,703	1,499	(204)				1,295
Sol Melia China Ltd.			(2)	2			
Sol Meliá Deuchland Gmbh					2		2
Sol Melia Finance Ltd.				1			1
Sol Meliá France, S.A.S.		1	(0)				1
Sol Meliá Marruecos			(0)	0			
Sol Meliá Perú S.A.		64	(3)				60
Talonario 5 Noches, S.L.	376	316	(59)				257
Tribenol, S.A. (1)		112,894				(112,894)	
Tryp Meditérranée		2,172					2,172
Tryp S.A. (1)		249,848				(249,848)	
TOTAL	**15,373**	**394,413**	**(2,347)**	**264**	**2**	**(368,408)**	**23,924**

(1) As a result of the takeover merger whereby the parent company absorbed Tryp, as explained in Notes 2 to 10.

Additions and disposals arise mainly from the changes introduced in the Group's consolidation scope, as explained in Note 2.

Likewise, tacit surpluses existing on the acquisition date and attributable to land and buildings were included in fixed assets and inventories. These surpluses are amortised over the useful lives of the corresponding assets.The breakdown by company is as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Amort. 2001	Additions	Disposals	Balance 12/31/01
Apartotel, S.A.	901	881	(19)		(2)	859
Casino Tamarindos, S.A.	2,683	2,585	(98)			2,487
Consorcio Europeo S.A.		10,660	(110)			10,549
Corbeil H.Paris Colombes		43,688			(43,688)	
Desarrollos Sol	19,399	19,399			(97)	19,302
H. Metropolitan		18,610	(188)			18,422
Inmobiliaria Bulmes S.A.		34,155	(260)	524		34,419
LSO France Investiments		3,760	(80)			3,680
Parking Internacional S.A.		48		63		110
Playa Salinas, S.A.	6,737	6,741			(87)	6,653
Realizaciones Turísticas, S.A.	12,909	12,367	(203)		(434)	11,730
Silverbay S.L.		2,173				2,173
Urme Real, S.L.	2,389	2,259	(43)		(162)	2,053
TOTAL FIXED ASSETS	**45,018**	**157,324**	**(1,002)**	**587**	**(44,471)**	**112,438**
Desarrollos Sol	6,735	6,060	(419)		(35)	5,606
TOTAL INVENTORIES	**6,735**	**6,060**	**(419)**		**(35)**	**5,606**

The tacit surplus attributed to inventories reduces the profit on the sale of said inventories proportionally based on the percentage of inventory sold in comparison to the initial value of these inventories.

6.2 | Companies consolidated by the equity method

The breakdown of goodwill on consolidation in companies consolidated by the equity method is as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Amort. 2001	Additions	Transfers	Disposals	Balance 12/31/01
Aparthotel Bosque, S.A.	449	378	(71)				307
Casino Tamarindos, S.A.							
Detur Panamá, S.A.			(88)	1,762			1,674
Hotel Campus, S.L.		698	(35)				663
Hotel NetB2B.com, S.A.			(14)	274			260
Inversiones Turísticas Casas Bellas, S.L.	1						
Sol Meliá Deuchland Gmbh	2	2			(2)		
Touroperador Viva Tours,S.A.	949	899				(899)	
TOTAL	**1,402**	**1,978**	**(208)**	**2,036**	**(2)**	**(899)**	**2,904**

Additions and disposals arise mainly from the changes introduced in the Group's consolidation scope, as explained in Note 2.

Likewise, the tacit surpluses attributable to tangible fixed assets items existing on the acquisition of these participations were included as increases in the value of the corresponding participations. These surpluses are amortised over the useful lives of the relevant assets The breakdown of these surpluses by company is as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Amort. 2001	Additions	Disposals	Balance 12/31/01
Hotel Bosque, S.A.	16	19	(0)			19
Hotel las Américas, S.A.	1,813					
Nexprom, S.A.	1,206	1,176	(33)			1,143
TOTAL	**3,034**	**1,195**	**(33)**	**0**	**0**	**1,162**

The effect on the balance sheet is included under "Participations in companies consolidated by the equity method" for each corresponding participation (See Note 8).

7 Negative Consolidation Differences

The negative consolidation differences are listed below:

7.1 | Companies consolidated by full consolidation method

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Additions	Disposals	Balance 12/31/01
Bear S.A. De C.V.	13,720	13,720			13,720
C.T. Cozumel/Caribotels de México		7,224		(1,127)	6,097
C.Tunissienne de G.H.	2	2			2
Desarrolladora Hotelera del Norte, S.A.			703		703
Gesmesol, S.A.	928	928			928
Grupo Sol Services	192	192			192
Inversiones Jacuey		12			12
Meliá Brasil Adminitraçao	167	167			167
Meliá Venezuela S.A.	75	75			75
Melsol Portugal	10	10			10
Sol Caribe Tours, S.A.			5		5
Sol Group Co.	6	6			6
Sol Holding Co.	46				
Sol Holding Management Co.	6				
Sol Meliá Suisse, S.A.			3		3
TOTAL	**15,151**	**22,335**	**710**	**(1,127)**	**21,918**

Additions and disposals arise mainly from the changes introduced in the Group's consolidation scope, as explained in Note 2.

7.2 | Companies consolidated by the equity method

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Additions	Disposals	Balance 12/31/01
Sofía Hoteles S.L.		196		(196)	0

The disposal listed in the table above arises from the sale of the holding in the company, as indicated in Note 2.

8 Participations by the Equity Method

The investments corresponding to participations in associated companies have been valued in accordance with the equity method of consolidation. The amounts obtained by the equity method are as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	2001 Result	Additions	Transfers	Disposals	Exchange difference	Balance 12/31/01
Aparthotel Bosque, S.A.	1,076	1,066	(11)			(96)		960
C.P. Meliá Castilla	1,871	2,015	1,435	1,204		(1,500)		3,153
C.P.Meliá Costa del Sol	1,436	1,565	508			(452)		1,621
Detur Panamá, S.A.			(1,139)	5,654			(5)	4,510
Hellenic Hotel Management	91	(20)	(56)					(76)
Hotel Campus S.L.		345	(280)			(5)		59
Hotel Las Américas, S.A.	2,304							
Hotel NetB2B.com, S.A.			(119)	2,941				2,822
I.Turísticas Casas Bellas, S.L.	9,014	9,007						9,007
Inversiones Guiza, S.A.			(1)	1			0	0
Meliá Mérida, S.L.		1,218	(26)					1,191
Nexprom/Promedro	2,084	2,434	381					2,762
Sofía Hoteles S.L.		778	139			(778)		139
Sol Hoti Portugal Hoteis	108	99	10					108
Sol Meliá Deuchland, Gmbh.	(1,620)	589			(589)			
Sol Meliá Travel, S.A.		1,588	(3,496)					(1,907)
Touroperador Viva Tours, S.A.	1,326	874				(874)		
TOTAL	**17,689**	**21,556**	**(2,655)**	**9,801**	**(589)**	**(3,705)**	**(5)**	**24,353**

Additions and disposals arise mainly from the changes introduced in the Group's consolidation scope, as explained in Note 2.

The value of the participations includes tacit surpluses relating to buildings not recorded by the subsidiaries. These surpluses are amortised over the useful life of the different buildings they relate to. (See Note 6).

9 Start-up Expenses

The breakdown of this consolidated balance sheet caption is as follows:

(Thousands of Euros)

	Balance at 12/31/99	Balance at 12/31/00	Amort.	Additions	Disposals	Conv. Dif.	Balance at 12/31/01
Formation expenses	92	191	(34)	24	(5)	(0)	176
Initial set-up expenses	11,482	11,068	(4,164)	9,665	(919)	260	15,910
Other deferred expenses	3,760	4,850	(684)	5,330	(4,279)	109	5,325
Share capital increase	5,618	4,766	(1,923)	37	(0)	(0)	2,879
TOTAL	**20,952**	**20,874**	**(6,805)**	**15,056**	**(5,203)**	**369**	**24,291**

The most significant movements recorded in 2001 relate to the inclusion of Desarrolladora Hotelera del Norte into the consolidation scope (Euros 2.2 million), the opening of the hotels Fénix and Sondika and the launching of the Tryp trademark (Euros 1.5 million) and the start of operations of Inmotel Inversiones Italia (Euros 4.5 million).

10 Intangible Fixed Assets

The breakdown of the cost and accumulated amortisation of intangible fixed assets is as follows:

(Thousands of Euros)

COST	Balance at 12/31/99	Balance at 12/31/00		Additions	Transfers	Disposals	Conv. Dif.	Balance at 12/31/01
Land	3,247	2,726			(1,508)			1,218
Buildings	138,303	87,310		26,666	(5,726)		(3)	108,247
Installations	32,642	67,363		22,813	(8,737)			81,438
Machinery	3,618	5,982		3,918	(726)			9,174
Tools	2,620	1,205		100	(1,113)	(117)		75
Furniture	31,683	42,097		9,897	(8,422)			43,572
Data processing equip.	517	2,660		5,891	(141)			8,409
Vehicles	183	12,205		1	(26)			12,179
Ind. Prop. rights/R+D exp.	1,126	4,022		3,236		(2,543)		4,715
Goodwill	7,557	8,589		361,052		(354,184)	266	15,723
Transfer rights		75,759		4,376		(4)	2,492	82,623
Software	2,197	19,073		23,321		(121)	60	42,333
TOTAL COST	**223,692**	**328,991**		**461,269**	**(26,398)**	**(356,970)**	**2,815**	**409,707**

ACCUMULATED AMORTISATION	Balance at 12/31/99	Balance at 12/31/00		Additions	Transfers	Disposals	Conv. Dif.	Balance at 12/31/01
Buildings	4,820	2,765	1,032	19	(417)	(315)	(5)	3,079
Installations	2,441	4,764	4,377	197	(1,656)	(23)	(20)	7,639
Machinery	260	450	440	3	(146)		(1)	747
Tools and fittings	194	191	5		(83)	(107)		5
Furniture	2,880	4,878	2,973	20	(1,974)	(5)		5,892
Data processing equip.	171	214	690	187	(123)			968
Vehicles	16	629	1,219		(8)			1,840
Ind.Prop.rights/R+D exp.	1	2,679	582	726		(373)	(3,255)	360
Goodwill	1,777	3,590	996	22		(270)	85	4,423
Transfer rights		3,275	2,109	159		(3,275)	3,412	5,680
Software	702	1,393	2,095	78			7	3,574
Provisions	914	914						914
TOTAL AMORT.	**14,177**	**25,742**	**16,519**	**1,412**	**(4,408)**	**(4,368)**	**223**	**35,121**
NET BOOK VALUE	**209,515**	**303,249**						**374,586**

There are 1,658 financial leasing contracts pending maturity as of December 31, 2001, of which 911 mature between 1 and 4 years, 744 in 5 years, and 3 between 6 and 11 years. The instalments pending payment as of

December 31, 2001 total €127 million, of which €51.6 million are short-term and the rest long-term. The total residual value of the contracts currently in effect amounts to €7.2 million (See Note 22).

The main additions recorded in the year relate to various refurbishments carried out by the Group in various hotels operated by Group companies as well as to the incorporation of software applications for several areas of the Company which will permit the integration of the different management areas of the hotels and facilitate the Group's growth and globalisation processes. Among these are the front office, point-of-sale, SAP and Internet applications.

The amount recorded for reclassified transfer rights relates to the leasehold contract of Lomondo Ltd.

SOL MELIA acquired the shares of the TRYP Group and formalised the acquisition contract on December 1, 2000, thereby concluding all the legal actions agreed upon in said contract.

In 2001, SOL MELIA has absorbed by takeover merger the companies of said group: TRYP, S.A. and TRIBENOL, S.A., which gave rise to a merger goodwill of €353 million.

Because the future profits arising from the business will derive from the structure and organisation of SOL MELIA, it was determined that the acquired goodwill arising from this transaction should be fully amortised in accordance with the accounting principle of prudence.

The equity accounts should be shown net of the goodwill on the purchase of the TRYP group in order to give a true and fair view of the company's shareholders' equity. This goodwill on first consolidation, generated on the acquisition date, June 30, 2000, is the difference between the acquisition price of the holding on the purchase date and its net book value on the mentioned acquisition date.

The criteria mentioned in the above paragraph was not applied to the individual accounts of SOL MELIA strictly due to tax reasons since, in order to be deductible the goodwill amortisation expense must be taken through the profit and loss account.

11 Tangible Fixed Assets

Movement in the different tangible fixed assets headings and the related accumulated depreciation during 2001, expressed in thousands of euros, is as follows:

(Thousands of Euros)

COST	**Balance at 12/31/99**	**Balance at 12/31/00**	**Additions**	**Transfers**	**Disposals**	**Conv. Dif.**	**Balance at 12/31/01**
Land	359,752	446,507	19,139	7,367	(797)	10,047	482,263
Buildings	997,391	1,223,569	73,117	8,171	(3,124)	57,603	1,359,336
Sub-Total	**1,357,142**	**1,670,076**	**92,256**	**15,538**	**(3,921)**	**67,650**	**1,841,599**
Installations	108,126	151,125	13,629	28,401	(9,257)	338	184,236
Machinery	26,053	30,548	2,827	727	(19)	12	34,095
Sub-Total	**134,179**	**181,674**	**16,456**	**29,127**	**(9,276)**	**350**	**218,331**
Furniture	207,771	219,026	19,206	12,542	(5,849)	5,014	249,938
Tools	2,888	14,772	3	863	(11,170)	104	4,572
Sub-Total	**210,659**	**233,798**	**19,209**	**13,405**	**(17,019)**	**5,118**	**254,510**
Vehicles	15,521	3,275	489	26	(75)	169	3,884
Data processing equip.	21,097	24,702	3,237	1,076	(56)	760	29,719
Other fixed assets	13,291	41,424	34,316	(23,326)	(33,743)	56	18,727
Sub-Total	**49,908**	**69,401**	**38,043**	**(22,224)**	**(33,874)**	**985**	**52,330**
Construction in progress	27,795	23,471	53,337	(9,447)	(28,889)	1,301	39,773
TOTAL COST	**1,779,702**	**2,178,421**	**219,300**	**26,398**	**(92,980)**	**75,405**	**2,406,543**

ACCUMULATED DEPRECIATION	**Balance at 12/31/99**	**Balance at 12/31/00**	**Charge for the year**	**Additions**	**Transfers**	**Disposals**	**Exchange Differences**	**Balance at 12/31/01**
Buildings	236,253	270,665	29,864	65	2,846	(5,459)	11,784	309,766
Installations	59,731	84,713	7,681	508	1,507	(8,864)	65	85,610
Machinery	12,867	17,970	5,289	1,617	(2,217)	(259)	5	22,404
Sub-Total	**308,850**	**373,348**	**42,833**	**2,190**	**2,136**	**(14,582)**	**11,855**	**417,780**
Furniture	82,664	120,337	17,802	2,037	4,409	(1,615)	4,590	147,559
Tools and fittings	42	868	20	16	(257)	(316)	12	342
Vehicles	1,694	3,267	576	21	(594)	(222)	70	3,118
Data processing equip.	13,540	18,861	2,516	133	79	(22)	396	21,963
Other fixed assets	4,566	5,438	7,808	813	(8,069)	(3,819)	(699)	1,472
Provisions	586	3,007	580	1,203	6,704	(8,694)	(129)	2,671
Sub-Total	**103,091**	**151,779**	**29,302**	**4,222**	**2,271**	**(14,688)**	**4,240**	**177,126**
TOTAL DEPREC.	**411,942**	**525,126**	**72,136**	**6,413**	**4,408**	**(29,270)**	**16,095**	**594,907**
NET BOOK VALUE	**1,367,760**	**1,653,294**						**1,811,636**

In case of merger, or non-monetary contributions of activities, in accordance with the norms on formulation of consolidated annual accounts, the difference between the book value of the participation in the absorbing company and the net book value of such participation according to the books of the absorbed company may be attributed to the corresponding assets and up to the limit of their market value. For this reason, SOL MELIA has recorded as additions the surplus recorded in several hotels as a result of the merger with Inmotel Inversiones, S.A., which corresponds to Meliá Lebreros (Euros 16.5 million), Meliá Sevilla (Euros 10.5 million) and Sol Elite Barbados (Euros 4.0 million).

The primary tangible fixed assets additions recorded in the year are as follows:

The incorporation to the consolidated group of Desarrolladora Hotelera del Norte, S. en C.S.E., owner of the hotel Paradisus Puerto Rico presently under construction, for €25 million.

The real estate developments carried out by Desarrollos Sol, S.A. in Santo Domingo for €12.5 million.

The incorporation of Hotel Melia Trujillo for €10 million.

Significant refurbishment works carried out during the year in the different hotels operated by the Group.

Some Group companies located in countries with high rates of inflation restate their financial statements in order to adjust the real value of their fixed assets. The accumulated amount included for this reason in the above tangible fixed assets table is as follows:

(Thousands of Euros)

	1999	2000	2001
Land	56,998	78,800	89,883
Buildings	228,721	303,132	355,313
Furniture	31,077	38,207	46,030
Data processing equip.	1,162	2,173	1,582
Vehicles	261	343	415
Accumulated depreciation	(75,906)	(101,585)	(130,936)
TOTAL	**242,313**	**321,071**	**362,287**

The depreciation charge referred to in the previous paragraph amounted to €10.5 million for the current year.

As of December 31, 2001, SOL MELIA has a purchase option right for Hotel Balmoral.

The directors of SOL MELIA consider that the insurance coverage of the tangible fixed assets is sufficient as of December 31, 2001.

The net capital gains derived from the revaluations of assets carried out prior to 1997, as permitted by various legal regulations and voluntary revaluations in order to correct the effects of inflation, are as follows:

(Thousands of Euros)

Revaluation Law 76/61	55
Revaluation Law 12/73	2,579
Revaluation Budget Law 1979	29,936
Revaluation Budget Law 1980	28,852
Revaluation Budget Law 1981	4,323
Revaluation Budget Law 1982	26,480
Revaluation Law 1983	1,437
Voluntary revaluation prior to 1990	3,146
Revaluation R.D.L. 796	58,408
TOTAL REVALUATIONS	**155,216**

Additionally, the balance sheet at December 31, 2001 includes revaluations of land and buildings for a total cost of €176.2 million that were recorded as allowed by Law 29/91.

Several owned buildings are mortgaged to guarantee various loans.

All the fixed assets investments, both in tangible and intangible fixed assets, relate to buildings and other assets related to operations.

12 | Investments

12.1 | Loans to subsidiaries

(Thousands of Euros)	1999	2000	2001
ARESOL CABOS, S.A. de C.V.	7,421	8,146	11,349
CARIBOTELS DE MEXICO S.A. de C.V.	9,346		
CORPORACION HOTELERA METOR	2,821	697	1,577
DETUR PANAMÁ		2,616	4,187
F.S.P. TURIZM	8,199		
HOTEL LAS AMÉRICAS, S.A.			394
MOGAN PROMOCIONES	2,263	2,356	2,506
MELIÁ MÉRIDA S.L.		781	
TOTAL	**30,050**	**14,596**	**20,014**

The balance of €11,349,000 of Aresol Cabos S.A de C.V. relates to a loan granted by Operadora Mesol, S.A. de C.V.

12.2 | Long-term securities portfolio

Detail of long-term securities, broken down by holding company, is as follows (amounts listed in thousands of euros):

INVESTMENTS	Ownership %	Balance 12/31/99	Balance 12/31/00	Additions	Disposals	Conv. Dif.	Balance 12/31/01
SOL MELIÁ S.A.		**85,127**	**55,023**				**53,548**
AOL Avant, S.A.	6.98%		18,810	1,098	(3,816)		16,091
Azafata S.A.	8.70%	270					
D.H. Guanacaste	15.00%	11,796	12,639	1,001			13,640
D.I.Guanacaste	15.00%	793	793				793
Detur Panamá S.A.	31.78%	4,406					
H. Sancti Petri	19.50%	1,172	1,172				1,172
Horotel S.A.	12.40%	301	301				301
Hotel Net B2B.com S.A.	24.50%		3.116		(3.116)		
I.H. Los Cabos	15.00%	3,306	3,306				3,306
I.H. Playa del Duque	5.00%	2,682	2,682				2,682
Inmobiliaria Conchal Pacífico	15.00%	276	276				276
Lanzarote 6 S.A.	5.56%		1,502				1,502
Orgesa Holding	14.17%	7	7				7
P.T. Surlaya Internacional	16.52%	9,015	9,015				9,015
Port Cambrils Inv.	15.00%		293	54			347
Propiedades en Arriendo. S.l.	100.00%	1					
Shanghai, S.A.	19.61%			453			453
Sol Meliá France S.A.	100.00%	49,801					
Sol Meliá Suisse S.A.	100.00%	32	32		(32)		
Tuoroperador Viva Tours, S.A.	21.98%			2,644			2,644
Turismo de Invierno S.A.	19.47%	1,079	1,079				1,079
Valle Yamury, S.A.	15.00%			238			238
Sundry	n/c	189					0

INVESTMENTS	Ownership %	Balance 12/31/99	Balance 12/31/00	Additions	Disposals	Conv. Dif.	Balance 12/31/01
INEXTUR S.A.		**2**	**2**				**2**
Deb. Club Marítimo Marbella	n/c	2	2				2
APARTOTEL S.A.		**426**	**426**				**426**
Plaza Puerta del Mar S.A.	7,10%	426	426		(0)		426
CASINO TAMARINDOS S.A.		**303**	**301**				**301**
Debentures Canary Islands Government	n/c	301	301				301
Properties on lease		2					
PARQUE SAN ANTONIO S.A.		**3**	**3**				**3**
Aguas Teide	n/c	3	3				3
TRYP, S.A.			**55**				
Gupe Inmobiliaria	99.99%		55		(55)		
RANDLESTOP CORP, N.V.		**6**	**6**				
Punta Cana Reservations N.V.	100.00%	6	6		(6)		
DES. TUR. CARIBE N.V.		**6**	**6**				
Caribooking & Reservations N.V.	100.00%	6	6		(6)		
D HOTELEROS SAN JUAN B.V.			**19,353**				
Desarrolladora Hot. Del Norte	47.50%		19,353		(19,353)		
SAN JUAN INVESTMENT B.V.			**19,353**				
Desarrolladora Hot. Del Norte	47.50%		19,353		(19,353)		
MARKSERV B.V.		**621**	**4,942**				**9,762**
Mogan Promociones	33.33%	2	2				2
Promociones Playa Blanca S.A.	33.00%	619	4,930	4,831			9,760
Sol Meliá Marruecos	100.00%		10		(10)		
MELIA INV AMERICANAS N.V.		**5,448**	**3,223**				**3,223**
Corporación H. Metor	19.97%	3,223	3,223				3,223
Controladora T. Cozumel	51.00%	2,225					
OPERADORA MESOL, S.A. DE C.V.		**329**					
Controladora T. Cozumel	51.00%	329					
MARMER S.A.			**1**				
Inversiones Guizá	50.00%		1		(1)		
MELIA INTNAL HOTELS S.A.		**2,039**	**50**				**53**
C.A.H.T. Puerto La Cruz	0.38%	18	19			1	20
Corp. Hotelera Halmel	1.07%	29	31			2	33
Detur Panamá S.A.	18.00%	1,993					
MARINA INTNAL HOLDING		**3,917**	**7,363**				**7,825**
Corporación H. Metor	40.03%	3,917	4,177			262	4,439
Hotel Las Américas	20.00%		3,186			200	3,386
DESARROLLOS SOL, S.A.							**7**
Golf del Cocotal, S.A.	100.00%			7			7
GRUPO SOL MELIÁ FRANCIA							**25**
French Public Debt				25			25
TOTAL		**98,227**	**110,107**	**10,351**	**(45,749)**	**465**	**75,175**

PROVISIONS	Ownership %	Balance 12/31/99	Balance 12/31/00	Additions	Disposals	Conv. Dif.	Balance 12/31/01
SOL MELIÁ S.A.			**(174)**				**(2,644)**
Sol Meliá Suisse S.A.	100.00%		(0)		0		
Hotel Net B2B.com S.A.	24.50%		(173)		173		
Tuoroperador Viva Tours, S.A.	21.98%			(2,644)			(2,644)
MARINA INTNAL HOLDING			**(1,593)**				**(2,616)**
Hotel Las Américas	20.00%		(1,593)			(100)	(1,693)
Corporación H. Metor	40.03%			(923)			(923)
MELIA INV AMERICANAS N.V.							**(458)**
Corporación H. Metor	19.97%			(458)			(458)
GRUPO SOL MELIÁ FRANCIA							**(1)**
French Public Debt				(1)			(1)
TOTAL		**0**	**(1,767)**	**(4,027)**	**174**	**(100)**	**(5,720)**
NET BOOK VALUE		**98,227**	**108,340**	**6,325**	**(45.575)**	**365**	**69,456**

In relation to investments in new technology companies, the directors have evaluated the provisions necessary to reduce the investment to its net book value. This provision was recorded in "Provisions for contingencies and expenses".

Additions and disposals for the year relate to changes in the consolidation scope, as explained in Note 2.

Shares of AOL Avant, formerly Prodigios Interactivos, S.A., were sold for €3.8 million.

The registered address, activity and accounting data (in thousands of euros) of the companies are indicated below, except for those with an insignificant participation:

COMPANY	ADDRESS	COUNTRY	ACTIVITY	CAPITAL	RESERVE	RESULT	%	NET BOOK VALUE	NET INVESTMENT VALUE
AOL AVANT S.A.	ParcBit. Camí ca'n Manuel s/n (Palma)	SPAIN	Internet portal	950	402,054	(261,123)	6.98%	9,898	16,091
CORP .HOTELERA METOR	Faustino Schez. Carrión s/n (Lima)	PERU	Owns hotels	10,881	(2,529)	(2,328)	60.00%	3,615	6,281
DES. HOT. GUANACASTE	Central y ocho C 33 (San José)	COSTA RICA	Developes hotel	31,422	33,016	(2,389)	15.00%	9,307	13,640
DES. INM. GUANACASTE	Central y ocho C 33 (San José)	COSTA RICA	Dev. golf and apartments	564	11,366		15.00%	1,790	793
HOROTEL, S.A.	Marqués Villanueva del Prado s/n	SPAIN	Owns hotels	3,780	1,841	455	12.40%	753	301
HOT. SANCTI PETRI, S.A.	G. Toneleros 24 (Palma de Mca.)	SPAIN	Owns hotels	6,010	(877)	14	19.50%	1,004	1,172
HOTEL LAS AMÉRICAS S.A.	Las Américas, 9 (Guatemala City)	GUATEMALA	Owns and oper.hotels	n/c	n/c	n/c	20.00%	n/c	1,693
INM. CONCHAL PACIFICO	Central y ocho C 33 (San José)	COSTA RICA	Owns land	1	3,599		15.00%	540	276
INV. HOT. LOS CABOS	Samuel Lewis C 33 (Panama City)	PANAMA	Holding	50,903	(2,797)	(252)	15.00%	7,178	3,306
INV. HOT. PYA. DEL DUQUE	Barrio Chamberrí s/n (Tenerife)	SPAIN	Owns hotels	2,599	19,197	13,885	5.00%	1,784	2,682
LANZAROTE 6 S.A. (*)	Av. Ansite 3-1° (Las Palmas de G.C.)	SPAIN	Owns hotels	n/c	n/c	n/c	5.56%	n/c	1,502
MOGAN PROMOCIONES (*)	Quintana Roo, Cancun	MEXICO	Hot. under construction	6	(176)		33.33%	(57)	2
ORGESA HOLDING (*)	Collomas de Chapultepec	MEXICO	Owns hotels	36	25,675		14.17%	3,643	7
P.T.S.A.I.	Jalan Taman Patra, XIV (Jakarta)	INDONESIA	Owns hotels	3,463	8,446	(8,495)	16.52%	564	9,015
PLAZA PUERTA DEL MAR S.A.	Pza. Puerta del Mar, 3 (Alicante)	SPAIN	Owns hotels	6,000	(502)	(449)	7.10%	359	426
PORT CAMBRILS INV. (*)	Undefined	SPAIN	Owns hotels	1,076	186	(0)	15.00%	189	347
PROM.PYA.BLANCA S.A.deC.V.(*)	Pza. San Ángel,15 (Cancun)	MEXICO	Hot. under construction	14,221			33.00%	4,693	9,760
SHANGHAI, S.A. (*)	Sin Definir (Havana)	CUBA	Undefined	n/c	n/c	n/c	19.61%	n/c	453
TURISMO DE INVIERNO	Plaza Pradollano s/n (Monachil)	SPAIN	Owns hotels	685	3,796	729	19.47%	1,014	1,079
VALLE YAMURY, S.A. (*)	General Antequera, 2 (Sta. Cruz de Tfe.)	SPAIN	Holding	n/c	n/c	n/c	15.00%	n/c	238
			TOTAL	**132,597**	**502,295**	**(259,952)**		**46,274**	**69,065**

(*) Data do not correspond to 2001 year-end closing.

No provision is booked for the participation in P.T.S.A.I., due to its stable level of activity resulting from earning the majority of its income in USD. The directors therefore consider that no loss will be incurred.

Likewise, no provision is booked for companies which present underlying capital gains due to the favourable forecast of results and to the value of their buildings.

12.3 | Other long-term receivables

(Thousands of Euros)	1999	2000	2001
BANCA DI ROMA		6,197	7,359
BANCA NAZIONALE DEL LAVORO		6,197	7,359
BANKINTER			7,513
TIME SHARING CUSTOMERS	7,292	11,832	10,629
GOLDEN ASSET COMPANY LTD.	2,490	2,655	2,822
HOTELES CIBELES S.A.	222	272	1,156
SAUCISSE	3,286		10,430
URINCASA S.A.	1,476	1,476	1,476
AURELIA CENTRO		1,607	1,607
MUNA TURIZM		923	
HOTELES REX, S.L.		636	
FUNDOSA			902
EDIFICACIONES GOBELAS, S.A.			1,535
HOTELERA SANCTI PETRI, S.A.			938
ATENCIÓN Y SERV. EN SEGURIDAD, S.A.			657
HOTEL REX, S.A. y DAELLOS, S.A.		465	839
INV. CUANEL,GOLF Y H. ARENA GORDA		1,178	1,208
GRAN CARIBE, S.A.			4,713
CUBANACAN			5,319
EKWAN			203
P.T.S.A.I.			2,511
PUDU SINAR SDN.DHD			414
OTHER	235	14	38
LONG-TERM LOANS	**15,001**	**33,453**	**69,629**
SOL MELIA S.A.	16,761		
HOTELES TURISTICOS S.A.	19		
MOTELES ANDALUCES S.A.	8		
TENERIFE SOL S.A.	618		
DEFERRED TAX ASSETS	**17,406**	**0**	**0**
SOL MELIA S.A.	605	360	1,560
DESARROLLOS TURISTICOS DEL CARIBE S.A.	996		
DOCK TELEMARKETING S.A.	1	1	1
INDUSTRIAS TURISTICAS S.A.	1	1	1
INVERSIONES Y EXPLOTACIONES TURISTICAS S.A.	1	3	1
LAV. INDUST.GUADALAJARA	2		
MESOL MANAGEMENT S.L.	60		
MOTELES ANDALUCES S.A.	1	1	1
TRYP S.A.		490	
INMOBILIARIA BULMES S.A.		102	102
AZAFATA S.A.		2	2
H.BOULOGNE ADAGIO		12	
CASINO TAMARINDOS S.A.			45
TRYP MEDITERRANEE			1,643
LONG-TERM GUARANTEE DEPOSITS	**1,667**	**972**	**3,357**
SOL MELIA S.A.	8,417	64	68
C.T.G.H.	4	8	3
HOTELES TURISTICOS S.A.	3	3	3
LOMONDO LTD.	1,064	1,048	
TENERIFE SOL S.A.	4	4	4
GRUPO SOL MELIÁ EN FRANCIA		301	411
IHLA BELA		10	2
TRYP MEDITERRANEE		1,594	1
INMOTEL INV. ITALIA S.L.		5	
PLAYA SALINAS			301
SOL MELIA MARRUECOS			3
LONG-TERM DEPOSITS	**9,491**	**3,036**	**795**
BILLS RECEIVABLE		**7,245**	
TOTAL OTHER LONG-TERM RECEIVABLES	**43,566**	**44,705**	**73,780**

SOL MELIA is the holder of two bank deposits amounting to €14.7 million, which guarantee credit transactions of the subsidiary Inmotel Inversiones Italia, S.R.L., in relation to the construction of a hotel in Milan.

Grupo Sol Asia Ltd. has granted a loan of USD 2.5 million to the hotel Sol Twin Towers (Golden Asset Company Ltd.) which bears interest at the rate of LIBOR plus 2 points. Steps are being taken to recover the loan, however, in case of non-payment, this balance would be covered by the provision for contingencies and expenses.

The loans granted to Aurelia Centro SRL. for €1.4 and 1.1 million, with a drawdown of €1.6 million are intended to finance its trading activities.

The loan to Hotel Cibeles, S.A. earns no interest.

The loan granted to Atención y Servicio en Seguridad, S.A. up to €657,000 is intended to finance the purchase of the furniture of the Hotel Comendador. This loan is guaranteed by Caja Duero.

The deposit in Bankinter is pledged in guarantee of a loan to Mirador del Duque, S.L. for the construction of a hotel in Tenerife. This deposit earns 3.12% interest.

The loan granted to Hotelera Sancti Petri, S.A. up to €938,000 is intended to finance its trading activities.

The loan granted to Edificaciones Gobelas, S.A. arises from the sale of the shares held by Sol Meliá, S.A. in this company.

The loan granted to Fundosa Lavanderías Industriales, S.A arises from the sale of the shares of Lavandería Industrial de Guadalajara, S.A.

The loan granted to P.T.S.A.I. (PT Suryalaya Anindita Internacional) is intended to finance its trading activities.

The loan granted to Saucisse relates to the sale of business premises of Gran Meliá Caracas.

The loan granted to Daellos, S.A and Hotel Rex, S.A. is intended to finance the refurbishment works of the hotels Rex, Capitol and Los Llanos.

The loans granted to Cubanacan and Gran Caribe are intended to finance the renovation of the hotels managed in Cuba.

The loan granted to Inversiones Cuanel and Arena Gorda finance a real estate development in Santo Domingo.

13 Deferred Expenses

(Thousands of Euros)

	Balance at 12/31/99	Additions	Disposals	Balance at 12/31/00	Additions	Disposals	Balance at 12/31/01
Arrangement of loans	1,011	711	(230)	1,493	923	(1,163)	1,253
Issue of convertible bonds	4,697	0	(1,012)	3,685	2,388	(1,010)	5,063
Interest on purchase of fixed assets	9,619	10,828	(3,802)	16,646	5,990	(6,894)	15,743
Other expenses					628	(101)	527
TOTAL	**15,328**	**11,540**	**(5,044)**	**21,824**	**9,929**	**(9,167)**	**22,587**

Interest on purchase of fixed assets mainly relates to leasings for the renovation of hotels and the construction of Hotel Meliá Milano.

14 Inventories

The Group has no firm purchase or sales commitments nor any other limitations affecting inventories.

The main supplier with a turnover figure higher than €25 million was Carma, a related company.

(Thousands of Euros)

	12/31/99	12/31/00	12/31/01
Goods	1,213	2,509	2,912
Raw materials	4,353	4,589	6,468
Fuel	321	496	742
Spare parts	960	3,259	1,796
Cleaning materials		2,074	731
Ancillary materials		643	2,936
Advertising and entertainment materials		287	221
Replacement articles		054	081
Sundry materials	3,218	050	
Magazines and newspapers			052
Office equipment	884	1,117	1,504
Packaging material			056
Real estate assets	9,320	10,667	13,412
Prepayments to suppliers	5,172	10,272	8,742
TOTAL	**25,441**	**36,016**	**39,653**

SOL MELIA includes within inventories ("real estate assets") certain buildings that have no touristic appeal which are for sale.

The real estate assets caption also includes a balance from Desarrollos Sol, S.A. relating to a significant real estate development in Santo Domingo which is not intended for tourist operations and is consequently for sale. Tacit capital gains totalling Euros 5.6 million relating to building sites for sale are also included in this caption.

15 Debtors

The breakdown of the short-term debts with subsidiaries is presented in Note 22.

Other increases to the debtors balance during the year are due to the business growth and the new acquisitions of the Group.

The Group has sold accounts receivable (via a factoring agreement) for a total amount of €11.5 million to the company Compas Sigma.

16 Short-term Investments

As of December 31, 2001, the breakdown of loans to subsidiaries is as follows, in thousands of euros:

(Thousands of Euros)

Corporación H. Metor	2.319
Detur Panama	23
Inversiones Guiza, S.A.	57
Melia Mérida, S.L.	781
Promociones Playa Blanca S.A. De C.V.	27
TOTAL	**3.207**

The "Other loans" balance relates to short-term deposits given by Group companies to various banks.

17 Treasury Shares

The breakdown and movement of treasury shares are as follows:

	SHARES	AVERAGE PRICE EUROS	AMOUNT EUROS
Balance at 12/31/1999	**600,000**	**12.29**	**7,374,037**
Acquisitions	630,362	10.22	6,439,415
Disposals	(195,425)	12.29	(2,401,783)
Balance at 31/12/2000	**1,034,937**	**11,03**	**11,411,669**
Acquisitions	193,604	10.39	2,248,489
Disposals			
Balance at 31/12/2001	**1,228,541**	**11.12**	**13,660,158**
Provisions			(3,880,972)
TOTAL TREASURY SHARES	**1,228,541**	**7.96**	**9,779,186**

As of December 31, 2001, total treasury shares represent 0.66% of share capital.

18 | Equity

The breakdown of equity at December 31, 1999, 2000 and 2001, and the movements of equity during 2001 are as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Distribution 2000 Results	Additions	Transfers	Disposals	Balance 12/31/01
Capital	34,311	36,955					36,955
Non-distributable reserves	11,046	17,753	529		(1,054)		17,228
Share premium	603,528	795,132		348	1,054	(362,741)	433,793
Reserves REV. R.D.I. 7/96	48,279	48,279		999			49,278
Reserve Investment Canary Islands	12,220	19,624	19,975				39,599
Voluntary reserves	4,361	30,608	29,115	120		(28,256)	31,586
Reserves Cos. full consolidation	156,652	229,493	62,093	41,076	(2,694)	(7,002)	322,966
Reserves Cos. by equity method	2,357	2,194	953	1,280	2,694	(1,255)	5,865
Conv. Dif. Cos. full consolidation	38,334	59,293		88,414		(59,292)	88,414
Conv. Dif. Cos. by equity method	(114)	(21)		140		21	140
Interim dividend							
Consolidated P/L	94,166	118,630	(118,630)	64,679			64,679
Minority interest P/L	(6,156)	(5,966)	5,966	(5,747)			(5,747)
TOTAL	**998,986**	**1,351,974**		**191,310**		**(458,526)**	**1,084,758**

18.1 | Share capital

The share capital of SOL MELIA at December 31, 2001 consists of 184,776,777 shares with a par value of €0.2 each, fully subscribed and paid up.

All shares have the same rights and are listed on the public stock exchange, with the exception of treasury shares.

At December 31, 2001 the principal shareholders with direct or indirect ownership in SOL MELIA are as follows:

Shareholder	Holding %
Hoteles Mallorquines Consolidados, S.A.	27.92%
Hoteles Mallorquines Asociados S.A.	16.34%
Hoteles Mallorquines Agrupados S.A.	10.82%
Other control shareholders	12.77%
Others	32.15%
TOTAL	**100.00%**

18.2 | Reserves from parent company

18.2.1 Share premium

The increase in share premium during the year arises from the adjustment of treasury shares as explained previously. Disposals relate to the amortisation of goodwill generated as a result of the integration of the TRYP hotel business as explained in Note 10.

18.2.2 Non-distributable reserves

18.2.2.1 Legal reserves

SOL MELIA has the obligation of transferring 10% of the profits for the year to the legal reserve until this equals at least 20% of share capital. This reserve is not distributable to shareholders and may only be used to offset losses, should no other reserves be available.

18.2.2.1 Reserves for treasury shares

This reserve was set up for the acquisition of treasury shares (1,228,541 shares) and is unavailable until the disposal of said shares at acquisition cost, less the provision charge recorded at year-end. These shares are recorded within assets on the balance sheet of the accompanying annual accounts (See Note 17).

18.2.3 Reserve Law 19/94 Reinvestment in the Canary Islands

This reserve is unavailable as it was established under Canary Islands Law 19/94 for the purpose of new fixed assets investments in the Canary Islands. SOL MELIA is obligated to invest the total amount of the reserve within three years.

18.2.4 Revaluation reserve R.D.L. 7/1996 of June 7

This reserve, incorporated as a result of the merger with Inmotel Inversiones, S.A.'s December 31, 1996 balance sheet relates to the revaluation of intangible and tangible fixed assets permitted by law that year, reduced by 3% of the revaluation amount for the tax effect.

The breakdown of the Revaluation reserve is as follows:

(Thousands of Euros)

Revaluation of intangible fixed assets	1,456
Revaluation of tangible fixed assets	48,679
Addition for merger of C.I.Alcano, S.A.	619
Addition for merger of Tryp, S.A.	379
Taxation - 3% of revaluation	(1,856)
TOTAL REVALUATION RESERVE	**49,278**

This reserve may be applied to offset losses, to increase the Company's share capital and, after December 31, 2006 (10 years after the revaluation reserves were initially included on the balance sheet), this reserve will be freely distributable. The balance of the reserve cannot be distributed, directly or indirectly, unless the revaluation value has been realised via the sale or full depreciation of the revalued items.

18.2.5 Results from prior years

Results from prior years relate to retained earnings and are freely distributable.

18.3 | Reserves of companies consolidated by full consolidation method

The most significant movements in this consolidated balance sheet caption in 2001 relate to the distribution of the 2000 results. The breakdown, by company, is as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	2000 Results	Additions	Transfers	Disposals	Balance 12/31/01
Akuntra XXI S.A.		0	(210)				(210)
Apartotel, S.A.	(104)	496	173		201		869
Azafata, S.A.		0	319		(100)	(77)	142
Bear S.A. De C.V.	969	4,086	(94)	1,809			5,801
Bisol Vallarta S.A. De C.V.	8,198	12,297	(776)	2,791			14,313
C. Tamarindos, S.A.	1,009	263	349		(226)	(0)	386
C.H.H. Mexicana, S.A. De C.V.	14,222	17,713	(3,232)	2,923			17,404
C.I. Alcano, S.A.	1,383	1,392	8		(1,400)		
C.P. Sol y Nieve	1.360	1.415	(139)				1.276
C.T. Cozumel / Caribotels de Mexico (1)		489	(1,236)	660		(17)	(104)
C.Tunissienne de G.H.	51	53	(307)			(124)	(378)
Cala Formentor S.A. De C.V.	36,411	46,967	514	16,283			63,765
Casino Paradisus	121	276	212	4	(194)	(37)	262
Consorcio Europeo S.A.		0	184				184
D.H. San Juan	(1)	(0)	4,957	65		(894)	4,128
D.T.C. / Marmer (1)	703	8,543	984	444	(24,325)	(639)	(14,993)
D.T.Caribe N.V.	(10)	(5)	(187)		253	(3)	58
Darcuo XXI S.A.		0	(177)				(177)
Des.Sol/I.Guama/Irton/DMk.S/I.Coro (1)	538	174	(9,576)	271	0	(404)	(24,215)
Dock Telemarking, S.A.	8	17	54		(2)	(52)	18
Dominican Investment NV	(287)	(291)	(7)			(4)	(302)
Dorpan, S.L.	132	205	119	99	(41)		381
Farandole B.V.	(439)	(512)	(501)			(13)	(1,026)
G.H.T. Mesol, S.A.	(11)	22	15				37
Gesmesol, S.A.	9,996	15,526	6,322				21,848
Grupo Sol Asia Ltd.	1,292	1,591	139	1	(33)		1,697
Grupo Sol Melia Francia (1)		354	3,732	6,292	(3,976)	(1,078)	5,323
Grupo Sol Services	63	121	11				132
H.C. Extremadura, S.A.		1	4				5
H.Meliá Internacional de Colombia	(0)	4	(14)		(2)		(12)
Hotel Bellver, S.A.	3,525	3,525	128	21	(100)	(50)	3,525
Hoteles Sol Internacional	58,265	61,564	(532)	36			61,067
Hoteles Turísticos, S.A.	4	5	329		(332)	(0)	2
Ihla Bela de Gestao e Turismo			176				176
Impulse H. Development	103	2,600	(9)		(2,614)		(24)
Industrias Turísticas, S.A.		0	362		(362)		0
Inmobiliaria Bulmes S.A.		0	152				152
Inmotel Internacional	(1)	3	(139)	0			(135)
Inmotel Inversiones Italia, S.R.L.	(3)	(2)	(622)	134	4	(54)	(540)
Inmpulse Development Inc.	(21)	(2,667)	(25)		2,614		(78)
Inversiones Inmobiliarias IAR	20,329	23,174	(2,121)	6,566			27,619
Inversiones Jacuey			537	7			544
Inversiones Latinoamerica 2.000, S.L.	(17,634)	(17,662)	(20)				(17,681)
Inversiones Turísticas del Caribe	83	87	4		(12)		80
Inversiones y Explotaciones Tur. S.A.	16	19	2,498	0	(2,517)		1
Latin America Logistics Co.	52	(181)	(41)			(6)	(228)
Lavanderias Compartidas, S.A.	0	54	(76)	26	22		26
Lavanderias Ind. Guadalajara, S.A.	49						0
Lirax	13	(243)	0		(257)		(500)
Lomondo Ltd.		1,775	(1,853)		1,550		1,472

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	2000 Results	Additions	Transfers	Disposals	Balance 12/31/01
Londim France		(76)	567		(492)		0
LSO France Investiments		76	(227)	929	224		1,001
M.I.H. U.K. LTD	(14)	(16)	29		(2)		11
Marina International Holding	183	165	(1,636)				(1,471)
Markserv, B.V.	(123)	474	(879)	890	666		1,150
Marksol Turizm	343	532	(22)	0	(52)		458
Marktur Turizm	(128)	(281)	(9)		22		(268)
Meliá Brasil Administraçao.	499	913	550				1,463
Meliá Catering, S.A.		0	57			(20)	37
Meliá Europa Holding de Entidades, S.A.	74	(3,212)	1,356		1,856		0
Melia International Hotels, S.A	23,301	31,620	16,192		(93)		47,718
Melia Inversiones Americanas, N.V.	(38,707)	(31,205)	21,230		23,777	(1,208)	12,594
Melia Management Co.	641	817	(105)				712
Meliá Venezuela S.A.	(651)	(547)	49				(498)
Melsol Management B.V.	(308)	(330)	8		(1)		(323)
Melsol Portugal	26	195	106		(163)		138
Mesol Management, S.L.	13	(168)	(563)		730		0
Moteles Andaluces, S.A.	(0)	(0)	123		(123)	(7)	(7)
Moteles Grandes Rutas Españolas, S.A.	0	6	33		(32)		6
Neale / Inversiones Agara (1)	2,961	7,516	3,292	546	194	(402)	11,146
Operadora Costarisol	1,015	(1,076)	321				(754)
Operadora Mesol, S.A. De C.V.	4,751	8,273	(835)			(656)	6,782
Operadora Paseo de la Reforma, S.A. De C.V.	1	1	0	0			1
Parking Internacional S.A.		0	29				29
Parque San Antonio S.A.	3,622	3,635	338		(217)	(7)	3,748
Playa Salinas,S.A.		5					5
Punta Elena, S.L.	38	78	287			(5)	360
Randlestop	2	(4)	(5)			(0)	(9)
Realizaciones Turísticas, S.A.	161	665	525				1,190
San Juan Investment	(1)	(0)	4,957	65		(894)	4,128
Secade XXI S.A		0	(190)				(190)
Securi Sol , S.A.	(0)	(0)	19		(19)		(0)
Servicios Corporativos Mesol, S.A. De C.V.	28		0				0
Sol Finance	(201)	(207)	(7)				(214)
Sol Group B.V.	164	118	(10)		(26)		82
Sol Group Co.	(228)	11	(540)				(529)
Sol Holding Corporation	(2)						0
Sol Hotel Management Co.	(10)		0				0
Sol Hotel Miami Beach	(17)						0
Sol Hotel U.K. Ltd.	469	2,663	(119)		(136)		2,408
Sol Maninvest, B.V.	27	6	(449)		445		2
Sol Melià		139	(759)		9,806	(239)	8,947
Sol Meliá Benelux			(470)		1,443		973
Sol Meliá Croacia	30	(42)	325		(204)		79
Sol Meliá Deuchland Gmbh					(3,586)		(3,586)
Sol Melia Europe, B.V.		4	(193)		5		(183)
Sol Melia France			(4,533)		8,018		3,485
Sol Melia Guatemala	171	521	188			(51)	659
Sol Meliá Investment NV	(4)	(14)	(12)				(26)
Sol Meliá Perú S.A.			40				40
Sol Meliá Sevice	4,684	8,271	4,110	214			12,595
Talonario 5 Noches, S.L.	435	376	290		(349)		316
Tenerife Sol, S.A.	13,044	16,410	3,355				19,766
Tryp Meditérranée			2,396			(64)	2,332
Tryp S.A.		0	12,535		(12,535)		0
Urme Real, S.L.	(25)	(66)	(39)				(104)
TOTAL	**156,652**	**229,493**	**62,093**	**41,076**	**(2,694)**	**(7,002)**	**322,966**

The balances included in the table above are broken down by each Group subsidiary in which the parent company owns a direct or indirect share (See Note 2). Nevertheless, the companies (1), which have the same business line, given the shareholding structure of the subsidiaries, are presented jointly to facilitate comprehension of their contribution to the consolidated Group.

The additions in respect of the companies located in Mexico (Bear. S.A. de C.V., Bisol Vallarta, S.A. de C.V., Corporación Hotelera Hispano Mexicana, S.A. de C.V.,Controladora Turística Cozumel S.A. de C.V., Caribotels de México, S.A. de C.V., Cala Formentor, S.A. de C.V., and Operadora Mesol, S.A. de C.V.) and Venezuela (Inversiones Inmobiliarias IAR), countries with high inflation rates, are due mainly to these companies' obligation to restate their financial statements.

The merger process in France gave rise to a revaluation of assets of €6 million, resulting in an increase in reserves, which is accepted according to the local legislation.

The other movements relate mainly to the changes introduced in the consolidation scope as described in Note 2.3, and to the adjustments for the write-off of provisions and dividends made in the consolidation process.

18.4 | Reserves of companies consolidated by the equity method

Movements in this caption of the consolidated balance sheet relate to the distribution of the 2000 results in 2001. The breakdown, by company, is as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	2000 Results	Additions	Transfers	Disposals	Balance 12/31/01
Aparthotel Bosque, S.A.	216	137	86		(131)	(36)	56
C.P. Meliá Castilla	1,544	1,877	1,519	1,214	(1,380)	(21)	3,208
C.P.Meliá Costa del Sol	1,318	1,433	553		(420)	(4)	1,561
Hellenic Hotel Management	(52)	19	(109)		91		1
Hotel Campus, S.L.		0	(150)		142	(5)	(14)
Hotel Las Américas, S.A.	(433)						
I.Turísticas Casas Bellas, S.L.		(8)	(0)				(8)
Meliá Mérida, S.L.		0	(14)				(14)
Nexprom, S.A.	925	698	367			(53)	1,012
Promedro, S.A.	(17)	0	(24)				(24)
Sofía Hoteles, S.L.		0	(66)	66		(0)	
Sol Hoti Portugal Hoteis	30	96	(9)				87
Sol Meliá Deuchland Gmbh	(1,174)	(3,586)	(415)	0	4,001		
Sol Meliá Travel, S.A.		0	(392)		392		
Touroperador Viva Tours, S.A.		1,528	(392)			(1,136)	
TOTAL	**2,357**	**2,194**	**953**	**1,280**	**2,694**	**(1,255)**	**5,865**

The balances included in the table above are broken down by each Group subsidiary in which the parent company owns a direct or indirect share (See Note 2).

Additions and disposals mainly relate to the changes introduced in the consolidation scope as described in Note 2 and to the adjustments for write-off of provisions and dividends made in the consolidation process.

18.5 | Exchange differences of companies consolidated by full consolidation method

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Balance 12/31/01
Bear S.A. de C.V.	1,963	4,901	8,968
Bisol Vallarta S.A. de C.V.	(517)	(560)	387
C.H.H.M. S.A. de C.V.	5,908	9,720	14,209
C.T. Cozumel S.A. De C.V.		972	2,076
C.Tunissienne de G.H.	(14)	1	23
Cala Formentor S.A. de C.V.	19,544	29,290	30,414
Caribotels de México S.A. De C.V.		(127)	871
Casino Paradisus	(162)	(303)	(381)
D.H. San Juan	1	1	1
D.T.Caribe N.V.	3,160	5,983	8,716
Desarrolladora Hot. Del norte			2,461
Desarrollos Sol S.A.	27	120	(127)
Desarrollos Turísticos del Caribe	5,632	3,717	6,167
Dominican Investment NV	80	162	249
Dominican Mk. Services	296	443	1,448
Farandole B.V.	(1)	(1)	(1)
Gesmesol, S.A.	2,414	3,625	5,417
Grupo Sol Asia Ltd.	143	241	354
Grupo Sol Services	**21**	**12**	**84**
H.Meliá Intnal de Colombia	(6)	(14)	(16)
Hoteles Sol Internacional	6	6	6
I. Guama	**(26)**	**724**	
Ihla Bela de Gestao e Turismo		(4)	70
Impulse Development Inc.		2	2
Inmotel I. Italia		(224)	(133)
Inmotel Internacional	1	4	4
Inversiones Agara S.A.	(1,302)	(865)	(1,506)
Inversiones Coro S.A.	(1,268)	(801)	
Inversiones Inmobiliarias IAR	(849)	(1,344)	(2,640)
Inversiones Jacuey		(39)	(73)
Inversiones Turísticas del Caribe	(14)	(18)	(23)
Irton Company	15	(112)	288
Latin America Logistics Co.	(7)	(18)	(34)
Lirax	1	2	2
Lomondo Ltd.	580	971	1,084
M.I.H. U.K. LTD	(5)	(6)	(6)
Marina International Holding	(187)	(130)	(235)
Markserv, B.V.	6	17	18

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Balance 12/31/01
Marksol Turizm	(361)	(293)	(339)
Marktur Turizm	84	107	208
Marmer, S.A.	(5,970)	(10,984)	(15,284)
Meliá Brasil Administraçao.	(181)	(245)	(439)
Melia International Hotels, S.A	5,516	7,548	11,040
Melia Inversiones Americanas NV	1,148	1,153	1,766
Melia Management Co.	(306)	(523)	(532)
Meliá Venezuela S.A.	84	81	87
Melsol Management B.V.	(1)	(1)	(1)
Melsol Portugal	(86)	(86)	(86)
Neale, S.A.	2,993	4,759	7,817
O. Paseo de la Reforma S.A. de C.V.	0	1,022	3,941
Operadora Costarisol	(41)	(191)	(155)
Operadora Mesol, S.A. De C.V.	403	1,312	3,052
Punta Cana Reservations			(0)
Randlestop	716	1,324	1,972
San Juan Investment	1	1	1
Servicios Corp. Mesol, S.A. de C.V.	80		
Sol Caribe Tours S.A.			(0)
Sol Finance	(32)	(47)	(63)
Sol Group B.V.	(0)	(0)	(0)
Sol Group Co.	146	214	235
Sol Holding Co.	13		
Sol Hotel Management Co.	7		
Sol Hotel Miami Beach	(10)		
Sol Hotel U.K. Ltd	(320)	(1,738)	(1,755)
Sol Maninvest, B.V.	18	18	18
Sol Meliá Croacia	7	7	(27)
Sol Meliá China Ltd.			(1)
Sol Meliá Deuchland Gmbh			(0)
Sol Melia Guatemala	(8)	22	14
Sol Meliá Investment NV	(1,099)	(1,099)	(1,099)
Sol Meliá Marruecos			(2)
Sol Meliá Perú S.A.		(1)	(2)
Sol Meliá Sevice	90	632	279
Tryp Meditérranée		(44)	(374)
TOTAL	**38,334**	**59,293**	**88,414**

18.6 | Exchange differences of companies consolidated by the equity method

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Balance 12/31/01
Detur Panamá S.A.			161
Hellenic Hot Mgment Co.HB,.SA.	(19)	(21)	(21)
Hotel Las Américas, S.A.	(95)		
TOTAL	**(114)**	**(21)**	**140**

19 Minority Interest

Certain companies have minority shareholders, which represent the following amounts of the companies' equity and results:

(Thousands of Euros)	Balance 12/31/99	Balance 12/31/00	2001 Results	Additions	Transfers	Disposal	Exchange Difference	Balance 12/31/01
Apartotel, S.A.	9	10	1	1				12
Bisol Vallarta S.A. De C.V.	(7)	200	2	13		(144)	5	76
C.H.H. Mexicana, S.A. De C.V.	474	441	(2)	14		(318)	22	157
C.P. Sol y Nieve	200	177	68					245
C.T. Cozumel, S.A. De C.V.		13,524	(1)			(27)	1,145	14,639
Cala Formentor S.A. De C.V.	1,516	1,399	11	79		(982)	(23)	484
Caribotels de México S.A. De C.V.		(2,541)	43	1,782			(184)	(900)
Casino Paradisus	680	610	545	0		(4)	(89)	1,062
D.H. San Juan	0	90	(1)			(70)		20
D.T.Caribe N.V.	31	(336)	(0)	443		(78)	14	44
Desarrolladora Hot. Del Norte				2,217				2,217
Desarrollos Sol S.A.	43	6	(112)	404	(553)		(11)	(265)
Desarrollos Turísticos del Caribe	1,200	1,127	18			(936)	12	221
Dominican Investment NV	(7)	(2)	(0)	2			0	(0)
Dominican Mk. Services	143	272	60			(196)	5	141
Farandole B.V.	(13)	(18)	(5)	13				(10)
Grupo Sol Asia Ltd.	1,019	1,176	427	1			76	1,679
Grupo Sol Services	86	96	2				48	146
H.C. Extremadura, S.A.	1,113	1,117	(59)					1,058
Hotel Bellver, S.A.	2,184	2,248	(77)			(63)		2,107
Hoteles Turísticos, S.A.	297	315	11			(2)		324
I. Guama	(37)	(211)	0		211			0
Ihla Bela de Gestao e Turismo	0	617	202				40	859
Industrias Turísticas, S.A.	153	162	8					170
Inversiones Agara S.A.	(597)	(576)	(48)	414			(1)	(212)
Inversiones Coro S.A.	(229)	(341)	0		341			
Inversiones Inmobiliarias IAR	402	359	7	32		(259)	(6)	132
Inversiones Jacuey	0	9	5			(7)	(0)	8
Inversiones y Explotaciones Tur. S.A.	7,528	9,565	1,892			(2)		11,454
Irton Company	8	109	23			(79)	2	56
Latin America Logistics Co.	(5)	(4)	0	3			(0)	(1)
Lavanderias Ind. Guadalajara, S.A.	139	(3)	0	3				
Marmer, S.A.	(1,512)	(1,086)	1	783			(21)	(323)
Melia Inversiones Americanas NV	5,116	4,006	14	405		(3,169)		1,257
Meliá Mérida S.L.	1,202		0					
Melsol Portugal	25	32	31			(30)		33
Moteles Andaluces, S.A.	187	229	35	0		(2)		262
Moteles Grandes Rutas Españolas, S.A.	176	182	20	0	0	0	0	203
Neale, S.A.	815	844	59			(609)	15	310
Op. Paseo de la Reforma, S.A.	0	19	0			(13)	15	20
Parking Internacional S.A.	0	19	2					21
Parque San Antonio S.A.	1,563	1,609	62			(460)		1,212
Punta Elena, S.L.	981	1,268	(11)			(5)		1,251
Randlestop	7	24	(0)			(17)	3	10
Realizaciones Turísticas, S.A.	712	731	22			(2)		751
Safivic, S.A.	64	11	0			(11)		
San Juan Investment	0	90	(1)			(70)		20
Tenerife Sol, S.A.	17,796	21,151	3,093					24,244
Tryp Meditérranée		83	(596)			(11)	(56)	(580)
Urme Real, S.L.	112	90	(4)	0				87
TOTAL	**43,574**	**58,897**	**5,747**	**6,609**	**0**	**(7,564)**	**1,011**	**64,699**

20 Deferred Income

20.1 | Capital grants

The breakdown of the grants reflected in the balance sheet for each company and their accrual in the profit and loss account of the current year are as follows:

(Thousands of Euros)

	Balance 12/31/99		Balance 12/31/00		Balance 12/31/01		Additions
	B/S	P/L	B/S	P/L	B/S	P/L	2001
AZAFATA, S.A.			25	5	20	5	
DOCK TELEMARKETING, S.A.	15	3	12	3	9	3	
HOTELES TURISTICOS, S.A.	111	13	98	13	85	13	
INDUSTRIAS TURISTICAS, S.A.	44	3	41	3	38	3	
INV. y EXPLOTACIONES TURISTICAS, S.A.	351	18	376	21	379	22	25
MOT. GRANDES RUTAS DE ESPAÑA, S.A.	6	0	6	0	6	0	
SOL MELIA, S.A.	2,963	97	3,080	101	3,123	112	156
CASINO PARADISUS, S.A.					48		48
DESARROLLOS SOL, S.A.					72		72
TOTAL	**3,490**	**134**	**3,638**	**146**	**3,780**	**159**	**301**

These grants were mainly used to finance purchases of tangible fixed assets.

20.2 | Other deferred income

The breakdown of other deferred income reflected in the balance sheet for each company is as follows:

(Thousands of Euros)

	Balance 12/31/99	Balance 12/31/00	Balance 12/31/01
BEAR, S.A. De C.V.	550	550	
CALA FORMENTOR, S.A. De C.V.	2,055		
M.I.H. U.K. Ltd.	33		
M.I.H., S.A.			159
MARKSOL TURIZM	68		
MELIÁ INVERSIONES AMERICANAS, B.V.	3,374	1,816	
SOL MELIÁ CROATIA, S.A.	6	200	325
SOL MELIÁ, S.A.	3,335	4,071	4,766
Unrealised foreign currency gains	**9,420**	**6,637**	**5,249**
Deferred interest	**101**	**71**	**33**
Deferred time sharing income	**6,428**	**11,826**	**9,010**
TOTAL	**15,949**	**18,534**	**14,292**

21 Provisions for Contingencies and Expenses

The balance sheet reflects within long-term liabilities a balance of €56.7 million related to Provisions for contingencies and expenses. As indicated in Note 5 this caption includes the Group's commitments with its personnel as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, the commitments acquired and guarantees given to third parties, risks for legal claims and lawsuits and possible liabilities deriving from the different possible interpretations of prevailing legal regulations. It also includes the provisions for taxation from previous years, which are being appealed or are pending court resolution according to the following details, in thousands of euros:

Taxes	Years	12/31/2001
Tax on business location	1980, 1983 and 1987	39
Turnover tax	1977, 1978 and 1979	727
Urban land tax	1979, 1980, 1984, and 1986 to 1988	91
Luxury taxes	1975 to 1980, 1984 and 1985	103
Tax on real estate	1990	45
Appealed additional tax assessments		944
TOTAL		**1,949**

22 Non-Trade Debts

22.1 | Issue of debentures

On September 15, 1999, Sol Meliá, S.A. carried out the so-called "Issue of Convertible Debentures of Sol Meliá, S.A., September 1999", amounting to Euros 200 million, the main characteristics of which are as follows:

Amount of the issue	€ 200,000,000
Par value of bond:	€ 1,000.00
Maturity:	5 years
Debt status:	Senior (Not subordinate)
Issue price:	100.00%
Issue date:	September 15, 1999
Maturity date:	September 15, 2004
Coupon:	1.00% (€ 10,00) annual upon maturity
Maximum and minimum conversion price:	16.81 / 15.00 (35.54% / 21.00%)
Minimum conversion premium:	21.00%
Conversion ratio:	66.6489 shares per Bond
Redemption price:	112.02%
Bond yield upon maturity:	3.25%
Possibility of cancellation by issuer:	After the third year. (Subject to limit of 130% € 19.51)
Credit quality:	BBB+
Maximum of shares to be issued:	13,329,779

The balance at December 31, 2001 is as follows:

Issue principal	200,000,000		
Accrued interest at 2.25%	11,026,321	LONG-TERM TOTAL	211,026,321
Accrued interest at 1.00%	591,785	SHORT-TERM TOTAL	591,785

Sol Meliá, S.A. guarantees this issue of debentures amounting to Euros 200 million with the Total Equity of the Company.

On March 30, 2001, Sol Melia Europe, B.V. cancelled the December 7, 2000 issue of debentures of Euros 206 million.

On February 9, 2001 Sol Meliá Europe, B.V. carried out a private placing of debentures among investors of Deutsche Bank for a total of Euros 340 million under the following terms:

Amount of the issue	€ 340,000,000
Par value of bond:	€ 1,000.00
Issue price:	99.52%
Coupon:	6.25%
Issue date:	February 9, 2001
Maturity date:	February 9, 2006
Redemption price:	100%
Bond yield upon maturity:	6.455%

The balance at December 31, 2001 is as follows:

Issue principal	340,000,000	LONG-TERM TOTAL	340,000,000
Accrued interest at 6.25%	18,979,452	SHORT-TERM TOTAL	18,979,452

On June 14, 2001 Sol Meliá Europe, B.V. carried out a private placing of debentures among investors of Deutsche Bank for a total of Euros 25 million under the following terms:

Amount of the issue	€ 25,000,000
Par value of bond:	€ 100,000.00
Issue price:	95.379%
Coupon:	6.25%
Issue date:	June 14, 2001
Maturity date:	June 14, 2002
Redemption price:	100%
Bond yield upon maturity:	4.845%

The balance at December 31, 2001 is as follows:

Issue principal	25,000,000	SHORT-TERM TOTAL	25,000,000

On July 16, 2001 Sol Meliá Europe, B.V. carried out a private placing of debentures among investors of Deutsche Bank for a total of Euros 25 million under the following terms:

Amount of the issue	€ 25,000,000
Par value of bond:	€ 10,000.00
Issue price:	99.938%
Coupon:	4.70%
Issue date:	July 16, 2001
Maturity date:	July 16, 2002
Redemption price:	100%
Bond yield upon maturity:	4.765%

The balance at December 31, 2001 is as follows:

Issue principal	25,000,000		
Accrued interest at 4.70%	544,041	SHORT-TERM TOTAL	25,544,041

22.2 | Bank debt

The balances of this caption as of December 31, 2001 by company are detailed below:

The debt of Desarrolladora Hotelera del Norte, C. en S., S.E., relates to an issue of debentures of USD 68,290,000. A first portion of USD 8,510,000 matures between June 20, 2005 and December 20, 2011 with an interest rate ranging from 6.5% to 6.8% and a second portion of USD 59,780,000 matures between December 20, 2018 and December 20, 2030 with an interest rate ranging from 7.0% to 7.1%.

(Thousands of Euros)

	LOANS AND CREDIT LINES				DETAILS OF CREDIT LINES			
	SHORT-TERM MATUR.	LONG TERM MATUR.	TOTAL MATUR.	LAST MATUR.	MAXIMUM BALANCE	BALANCE AVAILABLE	BALANCE DRAWN DOWN	CURRENCY
AZAFATA, S.A.								
LEASING	73	62	135					EUR
CALA FORMENTOR, S.A. de C.V.								
B.B.V.	7,910	43,505	51,415	06/30/08				USD
COM. PROP. SOL y NIEVE								
BANKINTER	751	1,503	2,254	09/17/04				EUR
LEASING	451	1,135	1,586					EUR
INTEREST PAYABLE	4		4					EUR
SUB-TOTAL	**1,207**	**2,638**	**3,844**					
CONSORCIO EUROPEO, S.A.								
EUROHYPO	980	15,443	16,423	12/15/19				EUR
LEASING	41	78	119					EUR
INTEREST PAYABLE	7		7					EUR
SUB-TOTAL	**1,028**	**15,522**	**16,550**					
DESARROLLADORA DEL NORTE								
DEBENTURES		77,077	77,077	12/20/30				USD
INTEREST PAYABLE	166		166					USD
SUB-TOTAL	**166**	**77,077**	**77,243**					
DESARROLLOS SOL, S.A.								
BANCAJA	3,610	14,950	18,560	08/27/06				USD
INTEREST PAYABLE	498		498					USD
SUB-TOTAL	**4,109**	**14,950**	**19,058**					
DOCK TELEMARKETING, S.A.								
LEASING	39	59	99					EUR
HOTEL BELLVER, S.A.								
CAJA MADRID		1,112	1,112	08/14/11				EUR
LEASING	132	110	242					EUR
INTEREST PAYABLE	21		21					EUR
SUB-TOTAL	**153**	**1,222**	**1,375**					
HOTEL CONVENTO DE EXTREMADURA, S.A.								
BCO. DE EXTREMADURA	301		301			301	301	EUR
BCO. DE EXTREMADURA	301		301			301	301	EUR
BCO. DE EXTREMADURA	100	2,496	2,595	05/19/15				EUR
LEASING	55	119	174					EUR
INTEREST PAYABLE	16		16					EUR
SUB-TOTAL	**772**	**2,615**	**3,387**			**601**	**601**	

(Thousands of Euros)

	LOANS AND CREDIT LINES				DETAILS OF CREDIT LINES			
	SHORT-TERM MATUR.	LONG TERM MATUR.	TOTAL MATUR.	LAST MATUR.	MAXIMUM BALANCE	BALANCE AVAILABLE	BALANCE DRAWN DOWN	CURRENCY
HOTELES TURÍSTICOS, S.A.								
LEASING	1,283	1,863	3,147					EUR
INDUSTRIAS TURISTICAS, S.A.								
LEASING	140	215	356					EUR
INMOBILIARIA BULMES, S.A.								
EUROHYPO	1,820	28,680	30,500	12/15/19				EUR
LEASING	1,969	4,852	6,821					EUR
INTEREST PAYABLE	14		14					EUR
SUB-TOTAL	**3,803**	**33,533**	**37,335**					
INMOTEL INVERSIONES ITALIA S.R.L.								
LEASING	5,720	53,241	58,961					EUR
INVERSIONES AGARA, S.A.								
BANCAJA	2,242	8,409	10,652	07/16/06				USD
INTEREST PAYABLE	71		71					USD
SUB-TOTAL	**2,313**	**8,409**	**10,722**					
INVERSIONES INMOBILIARIAS IAR 1997 CA								
B.S.C.H.	4,229	12,664	16,893	11/03/05				USD
BCO. SABADELL	3,644	11,822	15,466	02/12/06				USD
INTEREST PAYABLE	216		216					
SUB-TOTAL	**8,088**	**24,486**	**32,575**					
INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.								
HIPOTECARIO	661	10,099	10,760	05/15/09				EUR
C.A.M.	601	5,409	6,010	04/12/11				EUR
LEASING	888	933	1,820					EUR
INTEREST PAYABLE	109		109					EUR
SUB-TOTAL	**2,259**	**16,441**	**18,700**					
LOMONDO LTD.								
B.B.V.	3,403	58,377	61,780	01/20/16				LUK
BARCLAYS	2,620	2,702	5,322	07/14/03				LUK
INTEREST PAYABLE	2,177		2,177					LUK
SUB-TOTAL	**8,200**	**61,079**	**69,279**					
MOTELES ANDALUCES, S.A.								
LEASING	57	86	143					EUR
MOTELES GRANDES RUTAS DE ESPAÑA, S.A.								
LEASING	98	78	176					EUR
PARQUE SAN ANTONIO, S.A.								
LEASING	38	0	39					EUR

(miles de euros)

	PRÉSTAMOS y PÓLIZAS DE CRÉDITO				DETALLE PÓLIZAS DE CRÉDITO			
	VTOS. A CORTO PLAZO	VTOS. A LARGO PLAZO	TOTAL VTOS.	ULTIMO VTO.	SALDO LIMITE	SALDO DISPONIBLE	SALDO DISPUESTO	DIVISA
SOL MELIA, S.A.								
B.B.V.	1,196	10,766	11,962	12/01/11				EUR
B.N.L.	1,503	3,005	4,508	10/30/04				EUR
B.S.C.H.	962	8,655	9,616	12/28/11				EUR
C.A.M.	421	521	942	02/19/04				EUR
C.A.M.	197	262	459	03/24/04				EUR
C.A.M.	609	1,032	1,641	07/26/04				EUR
CAJA CANARIAS	530	2,435	2,965	03/30/07				EUR
CAJA CANARIAS	228	850	1,078	03/30/07				EUR
EXTERIOR	1,362	12,261	13,623	12/19/11				EUR
EXTERIOR	499	173	672	04/30/03				EUR
EXTERIOR	469	203	672	05/31/03				EUR
LA CAIXA	559	5,030	5,589	06/30/11				EUR
LA CAIXA	661	4,628	5,289	01/01/09				EUR
LA CAIXA	624		624	08/27/02				YEN
MARCH	1,873	7,506	9,379	06/01/06				EUR
RHEINHYP	3,439	10,316	13,754	06/27/05				EUR
RHEINHYP	1,202	58,899	60,101	07/04/26				EUR
B.B.V.		21,277	21,277	06/19/05	34,859	13,581	21,277	EUR
B.N.L.	2,923		2,923	07/19/02	3,005	82	2,923	EUR
B.S.C.H.	1,876		1,876	07/17/02	6,010	4,134	1,876	EUR
B.S.C.H.	187		187	11/26/02	6,010	5,823	187	EUR
BANCA DI ROMA				05/20/02	376	376		EUR
BANESTO	11,032		11,032	06/29/02	21,035	10,003	11,032	EUR
BANKINTER		3,525	3,525	09/19/11	3,005	(520)	3,525	EUR
BANKINTER		5,709	5,709	04/21/11	6,010	301	5,709	EUR
BARCLAYS	5,295		5,295	07/28/02	6,010	716	5,295	EUR
C.A.M.				12/17/03	6,010	6,010		EUR
CAIXA CATALUNYA	2,189		2,189	07/31/02	3,005	816	2,189	EUR
CAJA MADRID	1,828		1,828	10/01/02	9,015	7,187	1,828	EUR
DEUTSCHE BANK	3,099		3,099	09/08/02	6,010	2,911	3,099	EUR
DRESDNER				01/30/02	6,010	6,010		EUR
HERRERO	476		476	03/28/02	2,404	1,928	476	EUR
IBERCAJA				12/15/02	3,005	3,005		EUR
LA CAIXA		15,221	15,221	04/30/03	18,030	2,809	15,221	EUR
MARCH		589	589	10/15/06	1,503	913	589	EUR
MARCH		226	226	10/15/06	1,503	1,276	226	EUR
POPULAR		1,001	1,001	04/31/03	1,503	501	1,001	EUR
SA NOSTRA	3,613		3,613	09/30/02	4,508	894	3,613	EUR
SOLBANK		4,230	4,230	09/04/03	6,010	1,780	4,230	EUR
LEASINGS	48,486	70,794	119,280					EUR
INTEREST PAYABLE	1,730		1,730					EUR
OTHER	7,329		7,329					EUR
SUB-TOTAL	**106,397**	**249,114**	**355,511**		**154,836**	**70,538**	**84,298**	
SOL MELIA BENELUX								
SA NOSTRA		5,637	5,637	04/30/11				EUR
SOL MELIA CROACIA								
LEASING		1	1					KUNA
TENERIFE SOL, S.A.								
LEASING	14	(0)	14					EUR
TOTAL	**153,867**	**611,833**	**765,700**			**155,437**	**70,538**	**84,899**

Most of the loans are backed by mortgage guarantee.

The breakdown of maturities is as follows:

(miles de euros)

2002	153.867
2003	116.993
2004	77.964
2005	81.425
2006 y siguientes	335.451
TOTAL	**765.700**

The average interest rate accrued by the aforementioned loans plus the issue of bonds during the current year was 5.32%.

22.3 | Balances with subsidiaries

The Group's short-term balances with subsidiaries are detailed below:

(miles de euros)

	SALDO 12/31/99		SALDO 12/31/00		SALDO 12/31/01	
	Deudor	Acreedor	Deudor	Acreedor	Deudor	Acreedor
Apartotel Bosque, S.A.	368		360		1.282	0
Bisol Investment, N.V.			70		134	
C.P. Meliá Castilla			2.034	0	1.784	7
C.P. Meliá Costa del Sol			438		150	1
Caribotels de Mexico, S.A. de C.V.	63					
Casino Tamarindos, S.A.						
Corporación H. Metor			1.149		251	
Deserrolladora H. Del Norte			1.867			
Detur Panama	17		183		289	
F.S.P. Tourizm	153					
Gupe-Inmobiliária, S.A.			1.068			
Hellenic Hotel Management	56		204		118	
Hotel Campus, S.L.					75	8
Hotel las Américas S.A.			417		0	
Melia Inversiones Americanas						
Melia Mérida, S.L.			767			
Mogan Promociones, S.A. De C.V.						
Nexprom, S.A.	4		597		563	7
Promociones Playa Blanca S.A. De C.V.					4	
Santo Domingo Logistics			104			
Sofía Hoteles, S.L.				159		
Sol Hoti Portugal Hotels	3	45	0	48	73	60
Sol Meliá Deuchland, Gmbh				3.315		
Sol Melia France, S.A.	2					
Sol Melia Marruecos, S.A.			1			
Sol Melia Travel, S.A.			9	1.166	18.624	274
Touroperador Vivatours, S.A.						2
TOTAL	**665**	**45**	**9.268**	**4.688**	**23.346**	**364**

The volume of operations with subsidiaries is not detailed since it is not significant.

22.4 | Other non-trade debts

The breakdown of other non-trade debts as of December 31, 2001 is as follows:

(miles de euros)

	CORTO PLAZO	LARGO PLAZO
IMPUESTOS S/B° DIFERIDOS	9.487	80.946
FIANZAS RECIBIDAS	703	2.068
REMUNERACIONES PDTES. DE PAGO	17.259	
HACIENDA PÚBLICA	30.354	
ORGANISMOS DE LA SEGURIDAD SOCIAL	6.036	
HACIENDA PÚBLICA I.V.A. REPERCUTIDO	5.425	
PROVEEDORES DE INMOVILIZADO		
EFECTOS A PAGAR	27	57
OTROS	2.089	1.090
TOTAL OTROS ACREEDORES	**71.379**	**84.160**

23 | Tax Situation

23.1 | Taxable income

In accordance with the prevailing legal regulations, tax returns cannot be considered final until they have been inspected by the tax authorities or the 4-year inspection period has elapsed, which may be extended due to tax inspection proceedings. In this regard the Group companies are open to tax inspection for the following taxes and years:

CORPORATION TAX	YEARS	1997 to 2000
PAYROLL WITHHOLDINGS	YEARS	1998 to 2001
V.A.T.	YEARS	1998 to 2001
CANARY ISLANDS GENERAL TAX	YEARS	1998 to 2001

Inmotel Inversiones, S.A. (company absorbed in 1999) has been inspected for individual and consolidated corporation tax for 1994 to 1997, V.A.T. and withholdings on interest for 1995 to 1997 and for salary withholdings for income tax for 1995 to 1998. For this reason, the statute of limitations for inspection of Inmotel Inversiones, S.A. (absorbed company) is only 1998 for corporation tax, V.A.T. and withholdings on interest and 1997 and 1998 for the Canary Islands general tax.

Tryp, S.A. (company absorbed in 2001) has been inspected for individual and consolidated corporation tax for 1996 to 1999, V.A.T. and withholdings on interest for 1997 to 2000 and salary withholdings for income tax for 1997 to 2000. For this reason, the statute of limitations for inspection of Tryp, S.A. (absorbed company) is only 2000 for corporation tax.

The tax credits derived from net operating loss carryforwards are recorded up to the amount of the deferred tax liabilities existing at year-end.

23.2 | Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities, is as follows:

(Thousands of Euros)

	DEBIT		CREDIT	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
Deferred tax assets	4,421			
Deferred tax liabilities			9,487	80,946
TOTAL	**4,421**		**9,487**	**80,946**

23.3 | Tax credits

In accordance with Law 19/94 on investments in the Canary Islands, Sol Meliá, S.A. is required to invest in new fixed assets located in the Canary Islands during the following three years, as per the following details, in thousands of euros:

(Thousands of Euros)

YEAR OF ORIGIN	AMOUNT TO BE REINVESTED	REINVESTED AMOUNT	PENDING REINVESTMENT	REINVESTMENT EXPIRATION
1996	2,385	2,385		12/31/00
1997	3,331	3,331		12/31/01
1998	6,504	6,504		12/31/02
1999	7,403	7,403		12/31/03
2000	19,975	6,709	13,266	12/31/03
TOTAL	**39,598**	**26,332**	**13,266**	

The breakdown of pending net operating loss tax carryforwards of SOL MELIA and its consolidated tax group, is as follows:

(Thousands of Euros)

YEAR	AVAILABLE UNTIL	
1997	2012	1,309

The breakdown of the tax deductions for export activities pending application by SOL MELIA at December 31, 2001 and deducted for tax purposes during the year are as follows, in thousands of euros:

PORTFOLIO INVESTMENTS	INVESTMENT AMOUNT	DEDUCTION AMOUNT	DEDUCTIONS		PENDING DEDUCTIONS
			2000	2001	
Sol Meliá France, SAS	49,801	12,450	2,591	1,578	8,281
Agotel, GMBH	4,244	1,061			1,061
Sol Meliá Benelux, S.A.	7,545	1,886			1,886
TOTAL	**61,590**	**15,397**	**2,591**	**1,578**	**11,228**

The tax benefits of SOL MELIA, arising from the sale of assets and tax exemptions resulting from reinvestments, as well as the disposal amounts to be reinvested, in thousands of euros, are as follows:

YEAR	SALE	AMOUNT OF SALE	PROFIT ON SALE	REINVESTED	PENDING REINVESTMENT	EXPIRATION YEAR
1996	Miscellaneous assets	31,440	24,403	31,440		1999
1997	H. Don Manolo	3,474	1,557	3,474		2000
1998	Miscellaneous assets	8,834	5,873	8,834		2001
1999	H. Sol Canarios	4,958	2,222	4,958		2002
2000	Lav. Industrial de Guadalajara	1,294	1,039	1,294		2003
2001	Shares of Sofía Hoteles	1,468	820	1,468		2004
TOTAL		**51,468**	**35,914**	**51,468**		

As indicated in Note 5 above, the tax criteria applied to financial leasing contracts signed after January 1, 1996 were modified in 1999.

The information stipulated in Article 98 of Law 43/95, of December 27, on Corporation Tax, and on mergers and spin-offs of activities carried out in previous years is included in the first Notes to the consolidated annual accounts approved after each transaction. These transactions are summarised as follows:

Inmotel Inversiones, S.A.:	1993, 1996, 1997 and 1998
Sol Meliá, S.A.:	1999 and 2001

The breakdown of tax deductions applicable for new fixed assets acquired in the Canary Islands by Sol Meliá, S.A. is:

(Thousands of Euros)

YEAR	INVESTMENT	DEDUCTION (QUOTA)	APPLICATION	PENDING
1999	14,770	3,693	3,693	
2000	3,754	938	938	
TOTAL	**18,524**	**4,631**	**4,631**	

23.4 | Reconciliation between taxable income and accounting results of the parent company

(Thousands of Euros)

	INCREASE	DECREASE	TAX EFFECT
Accounting results for the year (Profit before taxation)	---	---	(304,997)
Temporary differences			
Amortisation of residual value of financial leasing contracts		150	
Deductible financial leasing instalments		398	
Amortisation of intangible fixed assets	1,978		
Double amortisation of financial leasing	686	17,475	
Indemnities to personnel			
Permanent differences			
Amortisation of goodwill	353,346	30,466	
Miscellaneous Community property owners	94	139	
Adjustment for tax inspection		267	
Tribenol adjustment	333		
Fiscal transparency released to results	146	100	
Current account interest of business Group	1,877		
Disallowable expenses - Fines and Sanctions	133		
Reinvestment of extraordinary profits	529	820	
Inclusion of fixed assets sales	7,102		
Indemnities to personnel	274		
Provisions	3,903	205	
Provision - Group companies	1,128		
Dividends		10,501	
Preliminary taxable income	**371,529**	**60,521**	**6,011**
Tax rate (35 %)			**2,104**
- Deduction National double taxation			128
- Deduction International double taxation			
Adjusted taxable income			**1,976**
Deductions for the year			
- Export activities			690
- 17% deduction for reinvestment			361
- Fixed assets Canary Islands			925
Taxable income for the year			**(0)**
- On-account payments and withholdings			(1,529)
TAX RECEIVABLE			**(1,529)**

2001 Consolidated Corporation Tax

(Thousands of Euros)

Individual preliminary taxable income	
Akuntra XXI. S.L.	630
Apartotel, S.A.	1,241
Azafata, S.A.	720
Casino Tamarindos, S.A.	117
Darcuo XXI, S.L.	487
Dock Telemarketing, S.A.	1,558
Dorpan, S.L.	264
Gestión Hotelera Turística Mesol, S.A.	9
Hoteles Meliá, S.L.	0
Hoteles Paradisus XXI, S.L.	0
Hoteles Sol Meliá, S.L.	0
Hoteles Sol, S.L.	0
Hoteles Tryp, S.L.	0
Hoteles Turísticos, S.A.	9
Industrias Turísticas, S.A.	499
Inmobiliaria Bulmes, S.A.	2,626
Inversiones Latinoamérica 2.000, S.L.	(29)
Lavanderías Compartidas, S.A.	(92)
Meliá Catering, S.A.	(161)
Parking Internacional, S.A.	235
Playa Salinas, S.A.	0
Realizaciones Turísticas, S.A	1,356
Secade XXI, S.L.	219
Securisol, S.A.	83
Silverbay. S.L.	0
Sol Meliá, S.A.	6,011
Sol Meliá Travel. S.A.	(603)
Talonario Cinco Noches, S.L.	(6)
Urme Real, S.A.	(5)
AGGREGATED PRELIMINARY TAXABLE IMCOME	**15,168**
Write-offs for dividends and intergroup sales	1,902
CONSOLIDATED TAXABLE INCOME	**13,266**
Tax rate 35%	**4.643**
Deductions	
Double taxation	135
Adjusted taxable income	**4.508**
Deductions	
Export activities	1.578
Fixed assets	1.207
Fixed assets in Canary Islands	1.025
Taxable income	**698**
- On-account payments and withholdings	(1.657)
TAX RECEIVABLE	**(959)**

24 Guarantees, Commitments and Contingencies

The parent company has not booked any specific provision to cover the possible contingencies derived from Egeda's claims since management does not consider that such claims will succeed. In any case, it is assumed that the general provision for contingencies and expenses would cover such contingency.

The guarantee deposits maintained as guarantees given to third parties and other contingent liabilities are detailed below:

(Thousands of Euros)

	AMOUNT
Ministry of Science and Technology	6,250
Guarantee deposits in favour of third parties on behalf of Sol Melia Deutschland	1,849
Guarantee deposits in favour of third parties on behalf of Casino Tamarindos	1,979
Guarantee deposits for tax settlements	9,246
Community property owners Melia Castilla	2,253
Bankinter pledged deposit in favour of Mirador del Duque, S.L.	8,414
BBV sundry subsidiaries	32,914
Pledged deposit in favour of third parties for contracts Inmotel Inv. Italia	14,718
Security deposits for rentals	19,613
Other	3,214
Credit line to guarantee factoring	11,549
TOTAL	**111,999**

SOL MELIA guarantees with the Company's Total Equity the debenture issues of its Dutch subsidiary, Sol Meliá Europe, B.V., which are as follows:

February 9, 2001, €340 million in bonds maturing on February 9, 2006
June 14, 2001, €25 million in bonds maturing on June 14, 2002
July 16, 2001, €25 million in bonds maturing on July 16, 2002

The three bond issues listed above are part of the "Euro Medium-Term Note Programme". At the end of February 2002, Sol Melia Europe, B.V. issued new bonds for €32.5 million with a six-month maturity.

SOL MELIA is the guarantor of Touroperador Viva Tours, S.A. for a credit line of up to €306,000 subscribed by the latter.

SOL MELIA is the guarantor of Detur Panamá, S.A., owner of Hotel Meliá Panamá Canal, in regards to 60% of a credit line of USD 10 million from Banca March. As of December 31, 2001 USD 8.9 million were drawn down, such that the guaranteed amount on that date was USD 5.34 million.

SOL MELIA is the guarantor, by deposit pledged in favour of Mirador del Duque, S.L., for a loan granted to the latter to build a hotel.

The shares of Inversiones Hoteleras Los Cabos are pledged to guarantee a loan to this company's subsidiary, Aresol Cabos, S.A. de C.V., granted by Bancomex. The loan matures in 2004.

The shares of Desarrollos Inmobiliarios Guanacaste and Desarrollos Hoteleros Guanacaste are deposited as guarantee for a loan received by Desarrollos Hoteleros Guanacaste.

SOL MELIA has committed itself to financing up to €12 million of the construction of one of the hotels it will rent, if necessary, with a mortgage guarantee of other owned assets.

SOL MELIA is the guarantor of Lomondo Ltd. (a Group company) and Promociones Playa Blanca, S.A. for loans formalised with banks, the debts of which as of December 31, 2001 amount to Sterling Pounds 37.7 million and USD 26 million, respectively.

SOL MELIA, Meliá Inversiones Americanas, N.V. and Inmotel Inversiones, S.A. (absorbed company) signed a Global Agreement in March 1998 in order to regulate certain aspects of the intercompany relationship. The main terms of the Global Agreement are:

- **Non-competition Covenant**: Inmotel Inversiones, S.A. and Sol Meliá, S.A agreed not to compete in the tourist business in the Latin American and Caribbean areas unless otherwise authorized by Meliá Inversiones Americanas, N.V.

- **First refusal right**: Meliá Inversiones Americanas, N.V. has granted to Sol Meliá, S.A. the first refusal right of operating any hotel owned by Meliá Inversiones Americanas. N.V. that the latter may acquire or use.

- **Management contracts**: The following standard terms will be applied to any management contract signed by Meliá Inversiones Americanas, N.V. regarding hotel management by Sol Meliá, S.A. or by any of its subsidiaries:

Initial period for the management contract	20 years
Sales fees	4% on gross income
Fees on G.O.P.	10%

- **Market price**: All transactions between Meliá Inversiones Americanas, N.V. and Sol Meliá, S.A. which might imply a conflict of interests will be carried out at market price.

The rescission agreement of said contract was signed on November 19, 2001, upon approval by the Boards of Directors of Sol Meliá, S.A. and Meliá Inversiones Americanas, N.V. at the meetings held on October 1 and October 25, respectively, and with the required majority in each case, including the vote of their Independent Directors.

SOL MELIA has firm rental commitments, which range between one and eighteen years, including written commitments for approximately €90 million, in accordance with the maturity of the corresponding rentals.

With respect to the partial review of the "Plan La Jaquita", Sol Meliá has commitments for the full payment of the urbanisation expenses, processing and management costs of the project or projects that might be necessary, fees of technicians, (architects, engineers or any other professional taking part in the development and execution of the urbanisation works)as well as all taxes payable to the town hall of Guía de Isora.

On November 28, 2001 SOL MELIA signed a Swap contract with Barclays Bank, according to which a cash flow of €300 million with a six-month Euribor interest (receivable by SOL MELIA) will be swapped for another cash flow of €300 million with a dollar libor in arrears interest (payable by SOL MELIA) plus 9 points. The operation will take effect on February 11, 2002 and its purpose is the hedge of interest rates.

SOL MELIA has the commitment of delivering the certificate of compliance with fire regulations for Hotel Club Las Olas. Until such licence is delivered, an amount of €2.7 million is withheld from the total receivable as an execution guarantee.

A claim was filed by a tour-operator against the TRYP Group for LUK 1.3 million concerning the loss of profits arising from the rescission by Hotel Atlántico (operated by Gupe Inmobiliaria) of the contract signed with this company. The suit is filed against ESTELLAMARE, the owner of the hotel, and the operating company, which is at present Gupe Inmobiliaria, a Group subsidiary due to the purchase of Tryp, S.A. The contract rescission took place when Tryp was the operating company. This liability is considered as included in the provisions since this claim is explicitly excluded in the purchase deed of Tryp and can therefore not be recovered from the sellers of Tryp.

25 | Revenues and Expenses

25.1 | Consolidated revenues distributed according to type of revenues

A breakdown of operating revenues by geographical markets is as follows:

(Thousands of Euros)

	1999	2000	2001
Spanish market	474,387	597,562	670,825
International market	184,227	294,335	345,244
TOTAL	**658,615**	**891,897**	**1,016,069**

The breakdown of operating revenues by type of service is as follows:

(Thousands of Euros)

	1999	2000	2001
Net turnover	**628,451**	**847,220**	**953,964**
Hotels revenues	570,031	779,725	887,987
Casinos revenues	12,356	12,405	15,212
Time sharing revenues	11,604	14,581	10,685
Operating and administration revenues	19,541	22,968	23,824
Management revenues	12,591	14,912	13,224
Franchise revenues	2,328	2,629	3,032
Other operating revenues	**30,164**	**44,677**	**62,105**
TOTAL OPERATING REVENUES	**658,615**	**891,897**	**1,016,069**
Financial revenues	**37,179**	**47,352**	**42,428**
Extraordinary revenues	**12,983**	**40,529**	**18,669**
TOTAL CONSOLIDATED REVENUES	**708,777**	**979,778**	**1,077,166**

25.2 | Consolidated average number of employees in 2001

The consolidated average number of persons employed in the year is 16,270, distributed by job category as follows:

	1999	2000	2001
EXECUTIVES	282	318	370
HEADS OF DEPARTMENT	818	843	945
TECHNICIANS	5,220	5,584	6,523
AUXILIARY STAFF	4,871	7,288	8,432
TOTAL	**11,191**	**14,033**	**16,270**

25.3 | Consolidated personnel expenses

The breakdown of the consolidated personnel expenses is as follows:

(Thousands of Euros)

	1999	2000	2001
SALARIES, WAGES AND RELATED EXPENSES	155,327	206,277	257,045
SOCIAL SECURITY	43,697	53,852	54,541
INDEMNITIES	275	1,273	4,157
OTHER PERSONNEL EXPENSES	9,145	10,992	12,079
TOTAL	**208,444**	**272,394**	**327,821**

25.4 | Extraordinary results

The breakdown of extraordinary results is as follows:

(Thousands of Euros)

	1999	2000	2001
Profit on disposal of fixed assets	1,512	19,849	8,805
Capital grants released to results	134	146	159
Extraordinary revenues	9,955	19,818	8,476
Revenues and profits from prior years	1,383	717	1,229
TOTAL	**12,983**	**40,529**	**18,669**
Losses on disposal of fixed assets	738	493	487
Changes in fixed assets provisions	(287)	1,733	6,034
Extraordinary expenses	2,098	8,423	3,429
Expenses and losses from prior years	5,118	9,096	3,932
TOTAL	**7,667**	**19,746**	**13,882**
TOTAL EXTRAORDINARY RESULTS	**5,316**	**20,783**	**4,786**

"Extraordinary revenues and expenses" for the year include gains or losses arising from the restatement of financial statements in countries with high inflation rates. For the current year the net extraordinary profit arising therefrom amounted to €6.9 million.

The balance of "Changes in fixed assets provisions" includes the adjustment to the value of treasury shares for €3.3 million.

The balance of "Profit on disposal of fixed assets" mainly relates to the sale of shares of AOL Avant, S.A. for €7.5 million.

25.5 | Contribution of each company to consolidated results for the year

(Thousands of Euros)

	1999			2000			2001		
	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.
SOL MELIA S.A.	54.151		54.151	48.838		48.838	44.114		44.114
ABBAYE DE THELEME				430		430	122		122
AKUNTRA XXI,S.L.				(210)		(210)	(60)		(60)
APARTOTEL S.A.	441	(1)	440	173	(0)	173	223	(1)	222
AZAFATA, S.A.				319		319	446		446
BEAR S.A. DE C.V.	(224)		(224)	(94)		(94)	1.054		1.054
BISOL VALLARTA S.A. DE C.V.	(1.494)	37	(1.457)	(790)	14	(776)	359	(2)	357
C.T. COZUMEL S.A. De C.V.				(9)	5	(5)	(3)	1	(1)
CADLO FRANCE				(7)		(7)	(284)		(284)
CADSTAR FRANCE				(9)		(9)	(1.283)		(1.283)
CALA FORMENTOR S.A. DE C.V.	1.468	(88)	1.380	524	(9)	514	2.207	(11)	2.196
CARIBOOKINK & RESERVATIONS							(20)	0	(20)
CARIBOTELS S.A. De C.V.				(2.438)	1.206	(1.231)	88	(43)	45
CASINO PARADISUS S.A.	1.072	(549)	523	433	(220)	212	1.084	(545)	539
CASINO TAMARINDOS S.A.	(317)		(317)	349		349	650		650
COM. PROP. MELIA SOL Y NIEVE	360	(44)	315	(158)	19	(139)	561	(68)	493
COMP.TUN.GESTION HOTEL.	129		129	(307)		(307)	(751)		(751)
CONS. INMOB. ALCANO, S.A.	9		9	8		8	0		
CONSORCIO EUROPEO, S.A.				184		184	(34)		(34)
CORBEIL HOTEL PARIS-COLOMBES				410		410	0		
CORP. HOT. HISPANO-MEXICANA	(1.207)	30	(1.177)	(3.291)	59	(3.232)	(465)	2	(463)
CROATIAN HOTELS&RESORTS	133		133	325		325	1.227		1.227
D.Mkt.SERVICES/D.SOL/I.GUAMÁ (1)	(2.822)	70	(2.752)	(2.852)	51	(2.801)	(5.648)	28	(5.620)
D.T.C./ MARMER (1)	958	(24)	934	1.002	(18)	984	3.778	(19)	3.759
DARCUO XXI, S.L.				(190)	(190)		(244)		(244)
DES. HOT. SAN JUAN B.V.	0	(0)	0	5.047	(90)	4.957	(138)	1	(137)
DES. TUR. DEL CARIBE N.V	(5)	0	(4)	(191)	3	(187)	(7)	0	(7)
DESARROLLOS SOL	1.687	(42)	1.645	(1.761)	32	(1.730)	0		
DOCK TELEMARKETING S.A.	12		12	54		54	1.018		1.018
DOMINICAN INVESTMENT N.V.	(3)	0	(2)	(7)	0	(7)	(6)	0	(6)
DORPAN S.L.	114		114	119		119	73		73
FARANDOLE N.V.	(71)	2	(69)	(510)	9	(501)	(903)	5	(898)
GESMESOL	5.530		5.530	6.322		6.322	5.180		5.180
GEST. HOT. TURISTICA MESOL	33		33	15		15	6		6
GRUPO SOL ASIA Ltd.	554	(222)	332	231	(93)	139	1.066	(427)	640
GRUPO SOL SERVICES	76	(30)	45	18	(7)	11	6	(2)	4
GUPE INMOBILIARIA							(176)	0	(176)
H. ALEXANDER				710		710	0		
H. BLANCHE FONTAINE				421		421	10		10
H. BOULOGNE ADAGIO				567		567	0		
H. CONVENTO DE EXTREMADURA S.L.	3	(1)	1	8	(4)	4	(121)	59	(62)
H. FRANÇOIS				531		531	121		121
H. MADELEINE PALACE				335		335	404		404
H. METROPOLITAN				(47)		(47)	50		50
H. ROYAL ALMA				1.211		1.211	110		110
H.MELIA INT. de COLOMBIA	3		3	(14)		(14)	8		8
HOSTERIAS DE CASTILLA	847		847				0		
HOTEL BELLVER S.A.	181	(60)	121	191	(63)	128	(234)	77	(157)

(Thousands of Euros)

	1999			2000			2001		
	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.
HOTELES MELIÁ, S.L.							(0)		(0)
HOTELES TURISTICOS S.A.	234	(13)	221	348	(19)	329	208	(11)	196
IHLA BELA DE GESTAO E TURISMO				271	(95)	176	577	(202)	375
IMPULSE HOT. DEVELOPMENT	(33)		(33)	(25)		(25)	(6)		(6)
IMPULSE HOT. DEVELOPMENT B.V.	(118)		(118)	(9)		(9)	(31)		(31)
INDUSTRIAS TURISTICAS S.A.	263	(6)	257	371	(9)	362	345	(8)	336
INMOBILIARIA BULMES, S.A.				152		152	1.472		1.472
INMOTEL INTERNACIONAL, S.A.	(5)		(5)	(139)		(139)	1.800		1.800
INMOTEL INV. ITALIA, S.R.L.	(134)		(134)	(622)		(622)	(4.294)		(4.294)
INV. EXPLOT. TURISTICAS S.A.	2.899	(1.302)	1.598	4.533	(2.036)	2.498	4.215	(1.892)	2.323
INV. INMOBILIARIAS I.A.R. 1997	(3.828)	95	(3.733)	(2.159)	39	(2.121)	1.351	(7)	1.344
INV.LATINOAMERICA 2000 S.L.	(27)		(27)	(20)		(20)	(19)		(19)
INV.TUR. del CARIBE	16		16	4		4	0		
INVERSIONES JACUEY				547	(10)	537	1.043	(5)	1.038
IRTON COMPANY/ I. GUAMA (1)	(1.181)	29	(1.152)	(5.138)	92	(5.046)	0		
LATIN AMERICA LOGÍSTICS CO.	(237)	6	(231)	(42)	1	(41)	12	(0)	12
LAV. IND. GUADALAJARA, S.A.	14	(4)	11	(14)	3	(10)	0		
LAVANDERIAS COMPARTIDAS S.A.	54		54	(76)		(76)	(92)		(92)
LOMONDO Ltd.	1.861		1.861	(1.853)		(1.853)	(7.480)		(7.480)
LONDIM FRANCE				(253)		(253)	(917)		(917)
LSO FRANCE INVESTIMENTS				(227)		(227)	(36)		(36)
M.I.H.	8.412		8.412	16.192		16.192	8.807		8.807
M.I.H. U.K. Ltd.	(0)		(0)	29		29	0		0
MARINA INT. HOLDING	(2)		(2)	(1.636)		(1.636)	(920)		(920)
MARKSERV B.V.	(1.260)		(1.260)	(879)		(879)	(136)		(136)
MARKSOL TURIZM	(136)		(136)	(22)		(22)	43		43
MARKTUR TURIZM	(132)		(132)	(9)		(9)	(128)		(128)
MELIA BRASIL ADMINIST.	415		415	550		550	286	0	286
MELIÁ CATERING, S.A.				57		57	(105)		(105)
MELIA E. HOLDING de ENT., S.A.	1.204		1.204	1.356		1.356	0		
MELIA INV. AMERICANAS N.V.	7.984	(283)	7.702	21.617	(387)	21.230	2.749	(14)	2.735
MELIA MANAGEMENT	177		177	(105)		(105)	7		7
MELIA VENEZUELA	100		100	49		49	(6)		(6)
MELSOL MANAGEMENT	(22)		(22)	8		8	(29)		(29)
MELSOL PORTUGAL	103	(21)	82	133	(27)	106	155	(31)	124
MESOL MANAGEMENT S.L.	(191)		(191)	(563)		(563)	0		
MOT. ANDALUCES S.A.	63	(16)	47	166	(42)	123	137	(35)	102
MOT. GRANDES RUTAS ESP.,S.A.	107	(28)	79	44	(11)	33	80	(20)	60
NEALE/ I. AGARA (1)	5.163	(129)	5.035	3.352	(60)	3.292	2.047	(10)	2.037
OPERADORA COSTARISOL	(2.093)		(2.093)	321		321	105		105
OPERADORA MESOL	1.044		1.044	(835)		(835)	634		634
PARKING INTERNACIONAL, S.A.				29	(0)	29	153	(2)	151
PARQUE SAN ANTONIO S.A.	409	(113)	296	467	(129)	338	299	(62)	237
PLAYA SALINAS S.A.	5	(0)	5				(0)	0	(0)
PUNTA CANA RESERVATIONS N.V.							(20)	0	(20)
PUNTA ELENA S.L.	80	(40)	40	574	(287)	287	(23)	11	(11)
RANDLESTOP CORP.	(8)	0	(8)	(5)	0	(5)	(5)	0	(5)
REALTUR S.A.	521	(18)	503	545	(19)	525	619	(22)	598
SAFIVIC, S.A.	119	(30)	89	43	(11)	32	0		
SAN JUAN INVESTMENT B.V.	0	(0)	0	5.047	(90)	4.957	(138)	1	(137)
SECADE, XXI, S.L.				(177)		(177)	(1.081)		(1.081)
SECURISOL, S.A.	(5)		(5)	19		19	66		66

(Thousands of Euros)

	1999			2000			2001		
	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.	CONSOL. P/L	MINOR. INT.	P/L PARENT CO.
SERV. CORP. MESOL	(82)		(82)				0		
SOL CARIBE TOURS							(82)		(82)
SOL FINANCE	(6)		(6)	(7)		(7)	(5)		(5)
SOL GROUP B.V.	(27)		(27)	(10)		(10)	(10)		(10)
SOL GROUP CORP.	238		238	(540)		(540)	(35)		(35)
SOL H.MANAG. CO.	(0)		(0)				0		
SOL HOLDING CORP.	(3)		(3)				0		
SOL HOTEL MIAMI BEACH	(1)		(1)				0		
SOL HOTEL U.K. Ltd.	(155)		(155)	(119)		(119)	(4)		(4)
SOL MANINVEST B.V.	(414)		(414)	(449)		(449)	(424)		(424)
SOL MELIA BENELUX				(470)		(470)	(523)		(523)
SOL MELIA CHINA Ltd.							(215)		(215)
SOL MELIÁ DEUCHLAND GMBH							(2.621)		(2.621)
SOL MELIÁ EUROPE N.V.	(10)		(10)	(193)		(193)	98		98
SOL MELIÁ FINANCE NV							(7)		(7)
SOL MELIA FRANCE, S.A.S.				(4.533)		(4.533)	(895)		(895)
SOL MELIA GUATEMALA	350		350	188		188	(41)		(41)
SOL MELIA INVESTMENT	(11)		(11)	(12)		(12)	(13)		(13)
SOL MELIÁ MARRUECOS, S.A.							127		127
SOL MELIA PERÚ, S.A.				40		40	48		48
SOL MELIA SERVICE	4.154		4.154	4.110		4.110	4.700		4.700
TALONARIO 5N S.L.	93		93	290		290	(4)		(4)
TENERIFE SOL, S.A.	6.732	(3.366)	3.366	6.710	(3.355)	3.355	6.186	(3.093)	3.093
TORRESOL DES. TURISTICOS	(0)	0	(0)	(0)	0	(0)	(0)	0	(0)
TRYP MEDITEERRANEE				2.806	(410)	2.396	(4.083)	596	(3.486)
TRYP, S.A.				12.535		12.535	0		
URME REAL S.A.	(44)	3	(40)	(42)	3	(39)	(50)	4	(46)
RESULT BY FULL CONSOLIDATION	**93.197**	**(6.156)**	**87.042**	**117.678**	**(5.966)**	**111.712**	**67.334**	**(5.747)**	**61.587**
SOL MELIÁ DEUCHLAND GMBH	(791)		(791)	(415)		(415)	0		
APART.BOSQUE	103		103	86		86	(11)		(11)
C.P.COSTA DEL SOL	497		497	553		553	508		508
COM. DE PROP. MELIA CASTILLA	1.412		1.412	1.519		1.519	1.435		1.435
DETUR PANAMÁ, S.A.							(1.139)		(1.139)
HELLENIC HOT.MANAG.	(82)		(82)	(109)		(109)	(56)		(56)
HOTEL CAMPUS, S.L.			0	(150)		(150)	(280)		(280)
HOTEL LAS AMERICAS	(156)		(156)						
HOTEL NETB2B.COM, S.L.							(119)		(119)
INVERSIONES GUIZA, S.A.							(1)		(1)
MELIA INVERSIONES AMERICANAS			0						
MELIA MERIDA, S.L.			0	(14)		(14)	(26)		(26)
NEXPROM, S.A.	205		205	367		367	409		409
PROMEDRO, S.A.	35		35	(24)		(24)	(28)		(28)
SOFIA HOTELES, S.L.			0	(66)		(66)	139		139
SOL HOTTI PORTUGAL	66		66	(9)		(9)	10		10
SOL MELIÁ TRAVEL, S.A.			0	(392)		(392)	(3.496)		(3.496)
TOUROPERADOR VIVA TOURS S.A.	(320)		(320)	(392)		(392)			
RESULT BY EQUITY METHOD	**969**		**969**	**953**		**953**	**(2.655)**		**(2.655)**
CONSOLIDATED TOTAL	**94.166**	**(6.156)**	**88.011**	**118.630**	**(5.966)**	**112.664**	**64.679**	**(5.747)**	**58.932**

26 Remuneration and Other Benefits to the Board of Directors

The remuneration paid to the members of the Board of Directors of Sol Meliá, S.A. in 2001 was as follows:

(Thousands of Euros)

	12/31/99	12/31/00	12/31/01
Allowances for meetings attendance	264	376	424
Civil liability insurance	11	42	47
Remuneration	684	571	571
TOTAL	**960**	**988**	**1,042**

None of the directors has received any type of loan or advance and the Company has not assumed any obligations with Board members.

27 Post-balance Sheet Events

On February 9, 2001, the subsidiary Sol Meliá Europe B.V. proceeded to issue Bonds of the "Euro Medium-Term Note Programme" for €32.4 million. Sol Meliá, S.A. secures the fulfilment by the subsidiary of any assumed obligation in relation to the mentioned issue (See Note 21). This amount has been handed over to Sol Meliá, S.A. by virtue of a loan contract formalised on February 25, 2002 with a maturity date of August 20, 2002, at an annual interest rate of 3.85275 per cent.

No other significant event that might affect the Group's financial statements has occurred.

Formulation of Accounts

The formulation of the accompanying annual accounts has been approved by the Board of Directors, in its meeting of March 25, 2002, with the assumption that the auditors will verify these accounts and that they will subsequently be approved at the General Shareholders' Meeting. These accounts comprise 69 pages, all of which have been signed by the Secretary of the Board. The last page is signed by all the members of the Board.

Signed: Gabriel Escarrer Juliá
Chairman

Signed: Juan Vives Cerdá
Vice chairman

Signed: Sebastián Escarrer Jaume
2nd Vice chairman and Managing director

Signed: Gabriel Escarrer Jaume
Managing director

Signed: María Antonia Escarrer Jaume
(rep. Hoteles Mallorquines Consolidados S.A.)
Director

Signed: Ariel Mazín Mor
(representing Ailemlos S.A.)
Director

Signed: Oscar Ruíz del Río
Director

Signed: Alfredo Pastor Bodmer
(rep. by Emilio Cuatrecasas Figueres)
Independent Director

Signed: Eduardo Punset Casal
Independent Director

Signed: Emilio Cuatrecasas Figueres
Independent Director

Signed: José Joaquín Puig de la Bellacasa Urdampilleta
Independent Director

Signed: José Mª Lafuente López
Secretary of the Board

Management Report

This report analyses trends in the business activity and the consolidated results of Sol Meliá, S.A. and its subsidiaries (hereinafter "SOL MELIÁ" or the "GROUP") for 2001.

1 Purchase of Treasury Shares

At December 31, 2001, the Company has a total of 1,228,541 treasury shares with a par value of €0.2, which represent 0.66% of the Company's share capital.

The movement in treasury shares is explained in Note 17 to the 2001 annual accounts.

2 | Business Trends

2.1 | Property business

Tryp figures are consolidated according to the full consolidation method in 2001. In 2000, Sol Meliá incorporated the Profit and Loss Account as from July 1. For better comparison, the companies are presented separately.

2.1.1 Sol Meliá

RevPar in the Property business – including owned and leased hotels – has increased by 2.1%. The poor performance in the last quarter which lead to a 16% decrease of RevPar has diluted the positive cumulative growth up to September 11. The better performance in Spain in comparison with other regions has enabled the Company to report positive growth.

With a 2.1% RevPar increase, the European City Division has performed satisfactorily, thanks to the positive results from the Spanish city hotels, where we have a leadership position with 15,661 rooms (43% more than its closest competitor, NH Hoteles), that have seen a cumulative RevPar increase of 6.1%. Total Average Daily Rate is 14%. Nevertheless, the poor performance in the London and Paris markets, specially during the third and fourth quarter following the slowdown after September 11th, where we have reported a 24% RevPar decrease, has diluted this improved performance in Spain. Apart from the significant decrease in occupancies in September, London has been greatly affected by the hotel refurbishment process and the foot-and-mouth disease during the whole year. Additionally, the Paris refurbishments have taken longer than expected. Work has been completed at these properties and the improved performance of these two regions together with the refurbishment and upgrade of the Gran Meliá Mexico Reforma (Mexico City) and Gran Meliá Fenix (Madrid) and the new hotels in Italy will make a difference in 2002 and provide a strong contribution compared to 2001. The refurbishment of 70 owned properties during the last five years has enabled the company to have a 75% of the current hotel portfolio in prime condition.

In the Americas Division, the 1.9% RevPar decrease is explained by the poor performance of the resorts in Mexico and the Dominican Republic during the last quarter, causing a 32% RevPar decrease. The positive performance of the region up to September (9.1% RevPar increase) was completely overturned due to the strong impact on the resorts in the area, far more dependant on US travellers, and because they are long-haul destinations with difficult access via means of transportation other than air.

Nevertheless we are pleased to report a significant recovery in the occupancy levels especially in the Mexican and Dominican resorts in February 2002, reporting an average of 76% in occupancy, only 10 points off last year and far better than its competitors in the region. Despite the doubts that arise from a trend to delay bookings until nearer the date of departure, the Company believes that the worst period is behind and that leisure travel from the US is beginning to recover, as is also indicated by the recovery of employment in American airlines, and we see an upward trend from the occupancy levels reported in the last quarter of 2001 and January 2002.

With a 4% RevPar increase, the Company makes a positive assessment of the European Resort Division, confirming the forecasts made one year ago. The Iberia airline and coach drivers' strikes in the Balearic Islands in the high season, as well as the negative impact on the image of the Islands of the "ecotasa" – green tax –, have had a negative impact on occupancy rates. Nevertheless, as far as ADR is concerned, the Company has been able to maintain the rates negotiated with tour operators, with a 7.6% increase.

During the last quarter, Spanish resorts have suffered a decrease in bookings and an increase in flight cancellations due to uncertainty: Tour Operators reduced the number of routes and Sol Meliá, and other companies, brought forward their winter closure period in some resorts in the Balearic Islands and Costa del Sol.

Regarding the outlook in this division, there will be a benefit from the perception of the Canary Islands and mainland Spain as a "safe harbour" versus alternative destinations in the Mediterranean, i.e. Middle East and Africa. The company remains cautious about the evolution and the impact of the "ecotasa" in the Balearic Islands.

The hotel room statistics for the owned/leased hotels are as follows:

Table 1: Hotel statistics 01/00 without Tryp (RevPar & A.D.R. in Euros)

OWNED & LEASED HOTELS	Dec.-01/00	% OCCUPANCY	RevPar	A.D.R.
EUROPEAN RESORT	2001	77.4%	38.0	49.1
	%o/2000	-2.6%	4.0%	7.6%
	2000	80.1%	36.6	45.7
EUROPEAN CITY	2001	63.5%	56.13	88.39
	%o/2000	-6.1%	2.1%	11.9%
	2000	69.6%	55.0	79.0
AMERICAS	2001	63.5%	53.6	84.4
	%o/2000	-0.3%	-1.9%	-1.5%
	2000	63.7%	54.6%	85.7
TOTAL	2001	70%	47.2	67.3
	%o/2000	-3.4%	2.1%	7.0%
	2000	73.5%	46.2	62.9

2.1.2 Tryp hotels

The impact of September 11th in some areas has diluted the aggregate 8.4% RevPar growth of Tryp hotels as of September 2001 to 1.6% for the whole year.

The negative RevPar performance of the Gran Via area in Madrid hotels – largely dependant on US leisure travellers - during the last quarter has significantly diluted the accumulated growth in RevPar as of September in the European City Division. Nevertheless, the company is pleased with the overall performance of these hotels and continues the process of changing the market segmentation from leisure to corporate business in order to achieve higher A.D.R.s.

The poor performance of the resorts in Tunisia which represent 60% of the Tryp portfolio in the Resort division has also had a negative impact on the results of the Division. Occupancy levels dropped significantly during the last quarter due to the cancellation of bookings to the region after the terrorists attacks which caused operating losses of € 4.1 Million.

The current occupancy rates have yet to reach 40% rate with no signs of a quick recovery. Sol Meliá is currently negotiating the lease agreements and does not rule out the rescission of some of the lease contracts in Tunisia.

Table2: Hotel statistics 01/00. Tryp Hotels (RevPar & A.D.R. in Euros)

OWNED & LEASED HOTELS	Dec.-01/00	% OCCUPANCY	RevPar	A.D.R.
EUROPEAN RESORT VACACIONAL	2001	71.1%	30.8	43.4
	%o/ 2000	-0.9%	1.0%	4.5%
	2000	72.1%	30.5	41.5
EUROPEAN CITY	2001	65.2%	56.3	86.2
	%o/ 2000	-5.2%	2%	7.1%
	2000	68.8%	55.4	80.5
TOTAL	2001	67.5%	46.6	69.0
	%o/ 2000	-3.3%	1.6%	6.6%
	2000	70.8%	45.9	64.8

Please find on Table 3 the hotel statistics of the total Group (Sol Meliá plus Tryp) which will be comparable to the statistics for 2002. The Tryp figures for 2000 include the second half-year. Please notice how lower RevPar in Tryp hotels dilute the consolidated figures of the whole Group.

Table 3: Hotel statistics 01/00. Sol Meliá and Tryp. (RevPar & A.D.R. in Euros)

OWNED & LEASED HOTELS	Dec.-01/00	% OCCUPANCY	RevPar	A.D.R.
EUROPEAN RESORT	2001	76.3%	36.7	48.1
	%o/2000	-3.5%	-0.3%	4.2%
	2000	79.8%	36.8	46.2
EUROPEAN CITY	2001	64.1%	56.17	87.68
	%o/2000	-5.3%	2.2%	10.7%
	2000	69.4%	55.0	79.2
AMERICAS	2001	63.5%	53.6	84.4
	%o/2000	-0.3%	-1.9%	-1.5%
2000	63.7%	54.6	85.7	
TOTAL	2001	69%	47.0	67.7
	%o/2000	-3.7%	0.9%	6.3%
	2000	73.2%	46.6	63.7

Please find below a 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. The increases in RevPar and available rooms, derived from the Tryp acquisition, explain the increase in Room Revenues in both European Divisions. The drop in Room Revenues in the Americas Division is explained by a 32% RevPar decrease during the last quarter, which has significantly diluted the reported growth as of September.

Table 4: Breakdown of room revenues in owned/leased hotels 01/00 (Sol Meliá and Tryp)

% Increase Dec.-01/00	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPar	-0.3%	2.2%	-1.9%	0.9%
Available rooms	13.7%	41.7%	-6.4%	20.2%
Room revenues	13.3%	37.7%	-8.2%	19.6%

The impact of Tryp is more evident in the European City Division due to the numerous city locations of Tryp hotels, representing 70% of Tryp's total portfolio. The incorporation of hotels in Germany also explains this effect.

The contribution of revenues from the German hotels at the Room, Food &Beverage and Other revenues level is of €14.7, 6.6 and 0.9 million, respectively.

Table 5: Hotel revenues split 01/00 for owned/leased hotels (Sol Meliá and Tryp)

Dec..-01/00	E.RESORT			E.CITY			AMERICAS			TOTAL		
(Millions of Euros)	**01**	**%o/00**	**00**	**01**	**%o/00**	**00**	**01**	**%o/00**	**00**	**01**	**%o/00**	**00**
ROOMS	194	13%	172	274	38%	199	83	-8%	91	552	20%	461
F&B	114	5%	109	83	10%	75	82	3%	79	278	6%	263
OTHER REVENUES	16	12%	15	35	64%	21	21	5%	20	72	29%	56
TOTAL REVENUES	**325**	**10%**	**295**	**391**	**33%**	**295**	**186**	**-2%**	**190**	**902**	**16%**	**780**

2.1 I Management business

Management fees have decreased by 1.1% as of December 2001 in comparison to September's 13.1% growth due to the poor evolution of the hotels and resorts in Latin America and the Caribbean. The main affected areas have been the Los Cabos area in Mexico and Cuba.

The negative effect of September 11th in Cuba has been unfortunately reinforced by the impact of Hurricane Michelle in November 2001 that affected the Cayos region where seven hotels are operated and Varadero where other seven hotels are operated under management contracts. In this country we have step-up Incentive fees in management contracts for which we have not collected fees. The increase in Basic fees in Cuba is explained by new management contracts.

Less impact has been seen in the European Resort Division where management fees have increased at double digit level while the average number of managed rooms has increased by 6.1%. The performance of the resorts in Croatia are, in large part, behind the 11.3% increase in the Division. In the European City Division the 0.9% increase in relation with the 5.4% as of September is explained by the full consolidation of German hotels, previously managed. On the same September basis, fees would have increased by 11.6%.

The Asia-Pacific Division has seen a decrease in management fees due to the loss of one hotel in Thailand from the company's portfolio.

Table 6: Management fees of hotels managed for third parties.

Fee revenues (millions of Euros)		Dec-01	Incr. 01/00	Dec.-00
EUROPEAN RESORT	On Sales	7.0	12.4%	6.2
	On G.O.P	4.9	9.9%	4.5
		11.9	11.3%	10.7
EUROPEAN CITY	On Sales	6.0	-0.7%	6.0
	On G.O.P	2.1	5.8%	1.9
		8.0	0.9%	7.9
AMERICAS	On Sales	3.6	-10.8%	4.0
	On G.O.P	3.4	-19.2%	4.3
		7.0	-15.1%	8.3
ASIA-PACIFIC	On Sales	1.8	-6.7%	1.9
	On G.O.P	1.8	-2.7%	1.9
		3.6	-4.7%	3.8
CUBA	On Sales	9.0	20.6%	7.5
	On G.O.P	0.6	-76.5%	2.4
		9.6	-2.9%	9.9
TOTAL BASIC		**27.3**	**6.7%**	**25.6**
TOTAL INCENTIVE		**12.8**	**-14.3%**	**14.9**
TOTAL		**40.1**	**-1.1%**	**40.5**

3 Post-balance Sheet Events

On February 22, 2002 bonds were issued for €32.5 million at a fixed interest rate of 3.709% with six-month maturity in order to refinance the existing debt. This issue is part of the EMTN's program (European Medium-Term Notes) of €1,500 million carried out in 2000.

4 Foreseeable Outlook

On the closing date of the accompanying annual accounts, a recovery of the trading figures is observed in February as compared with January as well as an upward trend as from the last quarter of 2001. Even though we expect a weak first quarter in 2002 in comparison to the same period in 2001, we are optimistic and expect the recovery of the aforementioned markets and that results will reflect a strong EBITDA growth.

We believe that the toughest period in the Americas Division is behind. The impact of the extraordinary events affecting the last quarter have been mitigated and we are now detecting the return of the North American market both for holidays and for business travel, congresses and conventions. As a consequence, the resort destinations in Latin America and the Caribbean are beginning to improve their performance and profitability as reflected in the encouraging 76 % occupancy rate during the month of February 2002. This effect, together with the refurbishment and upgrade of the Gran Meliá Mexico Reforma (Mexico City), is expected to generate a significant EBITDA increase in 2002 compared to 2001.

In the European city hotels, as mentioned above, the refurbishments have already been successfully concluded in London and Paris and the performance of these hotels has improved significantly. This effect, together with the recently added Meliá Milano and the refurbishment of the Gran Meliá Fénix in Madrid, will make a strong contribution in 2002. With regard to Spanish city hotels, the quality of the properties and a leading presence in major cities will allow to outperform competitors.

The perception of Spain as a safe-harbour in moments of uncertainty, as well as current trading in the Canary Islands and mainland Spain, make us confident of future good performance in these markets. Quite the opposite is true, however, of Tunisia where we see little signs of recovery. Due to the negative effect of the "ecotasa" – green tax – and the slow pick-up in demand due, we believe, to delayed bookings, we have concerns about the outlook for the Balearic Islands. The sturdiness of Spain as a tourist destination is reflected in its second position – after France – in the ranking of world tourist destinations, with 49.5 million tourists, which implies a 3.4% - 5% growth as of August -. The reaction of the Spanish government providing a substantial increase in available funds for the promotion of Spain and the marketing campaign being carried out, specially in UK and Germany, is also very satisfactory.

A 61% of the Company's consolidated EBITDA for 2002 will be generated in Spain, one of the few markets in Europe with prospects for growth. Sol Meliá is the leading hotel company in Spain in both the resort and city hotel markets with 175 hotels and 37,086 rooms (58% resorts / 42% city) in the country. Including signed projects, the Company will soon provide 204 hotels and 41,955 rooms in Spain.

The new brand structure of the Company has been successfully implemented with the Meliá, Sol, Tryp and Paradisus brands representing 42%, 32% 22% and 4%, respectively, of the total room portfolio.

Regarding the e-transformation process, all European hotels have now been interconnected via the SAP system while in the Americas, interconnectivity will be completed during the first half 2002.

Sol Meliá is also proud to communicate that after having successfully complied with the rigorous standards required for membership, and having demonstrated the superior quality of their services, five of its establishments have been named members of"The Leading Hotels of the World".

Regarding the debt structure of the Company, continuing to strengthen the Balance Sheet is one of the main objectives in 2002. Sol Meliá maintains its credit ratings of BBB (Stable Outlook) from Standard & Poor's and BBB+ from Fitch IBCA.

Contracts were signed for 65 new hotels to be incorporated within the next two years. Sol Meliá has reduced its capital expansion plan as new additions are predominantly management contracts and some lease agreements, which represent 63% and 22% of the new rooms, respectively.

The current crisis in Argentina is having a negligible impact on Sol Meliá. The relatively small demand from this country is being substituted by Canadian and Mexican demand in the resorts in the Dominican Republic and Mexico, respectively. In terms of hotel exposure, the managed Meliá Buenos Aires Boutique Hotel is the only Sol Meliá operated hotel in the country.

In addition, the Company is undertaking an ambitious cost-reduction program at the corporate and hotel level. Total savings for 2002 will represent €30 million. After five years of continuous growth, during which Sol Meliá has doubled its capacity in terms of number of rooms, and after a thorough analysis of its operations, the Company believes that there is room for streamlining hotel performance in all divisions.

We are confident that the measures taken, together with the underlying performance of the hotels will enable to achieve the double digit EBITDA increase goal for 2002.

5 | Research and Development

Sol Meliá is constantly investigating its clients' needs so as to offer them the products and services best adapted thereto. Such investigation includes clients' questionnaires, opinion inquiries, quality audits, etc.

Furthermore, it endeavours to optimise quality and costs relating to the hotel operations and procedures. Sol Meliá has a hotel technology department that investigates each one of these operations and procedures, setting up optimum working methods and keeping up to date with the latest innovations in hotel technology and the possible application thereof.

In 2001, Sol Meliá continued with its "e-transformation", with an investment of more than €25 million in technological infrastructure. In August 2001, a strategic alliance agreement was signed with the British travel portal lastminute.com, according to which lastminute.es was integrated into meliaviajes.com, Sol Meliá's multichannel travel agency.

In addition, in 2001, the connection process to the Global Net of Sol Meliá has progressed very satisfactorily. This will permit the interconnection in real time of all the Company's hotels. This process is already extended to all the European hotels and it is expected to culminate during the first six months of 2002.

The introduction of the new information and communication technologies in the industry will not only mean cost savings, but is also essential to developing and maintaining competitive advantages in the future.

Formulation of the Management Report

The formulation of this management report has been approved by the Board of Directors, in its meeting of March 25, 2002. This management report comprises 10 pages, all of them signed by the Secretary of the Board. This last page is signed by all the members of the Board.

Signed: Gabriel Escarrer Juliá
Chairman

Signed: Juan Vives Cerdá
Vice chairman

Signed: Sebastián Escarrer Jaume
2nd Vice chairman and Managing director

Signed: Gabriel Escarrer Jaume
Managing director

Signed: María Antonia Escarrer Jaume
(rep. Hoteles Mallorquines Consolidados S.A.)
Director

Signed: Ariel Mazín Mor
(representing Ailemlos S.A.)
Director

Signed: Oscar Ruíz del Río
Director

Signed: Alfredo Pastor Bodmer
(rep. by Emilio Cuatrecasas Figueres)
Independent Director

Signed: Eduardo Punset Casal
Independent Director

Signed: Emilio Cuatrecasas Figueres
Independent Director

Signed: José Joaquín Puig de la Bellacasa Urdampilleta
Independent Director

Signed: José Mª Lafuente López
Secretary of the Board

Corporate Information

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

GENERAL SHAREHOLDERS' MEETING
Palma de Mallorca
Date: 29th April, 2002
Location: Hotel Meliá Palas Atenea
Dividend payment: 0,07 Euros per share

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