2003 Annual Report





www.solmelia.com

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1. Letter from the Chairman



Dear shareholder,

The history of any company always contains certain moments when it seems that external factors are out to test the values and solidity the company has built up over the years. It is only then that the true entrepreneur is able to convert a crisis into an opportunity and come out of the period with renewed vigour and exciting new projects. This is what has happened at Sol Meliá in 2003.

After overcoming the initial obstacles of the war in Iraq and the SARS Asian flu virus, from the month of April onwards we have seen a recovery both in financial terms and in terms of the maturity of the company's consolidation strategies.

The efforts made to adapt the structure of Sol Meliá to the difficult market conditions since 2001 and the subsequent measures introduced in 2002 have generated positive results as the socio-economic situation has begun to show signs of improvement. Those measures have revived the innovative spirit of the company and its growth. The company is now committed to growth in the business through strategic partnerships with major companies in the travel industry and through the creation of new hotel products. Reductions in costs and the strengthening of the balance sheet have also been fundamental to this recovery. All of this has been done with one very clear objective: to create sustainable value for shareholders.

Sol Meliá understands that the key to future success in the hotel industry is to be found in achieving "hotels with soul and magic", hotels with their own personalities, not just in the originality of their design and decoration, but, more importantly, in the superior quality service they provide: from the friendliness of the staff to the ability to create atmosphere, in guest rooms, in meal service, in the scenery, in the activities organised for guests..., all encapsulated in the essence of each of the hotel brands. Another factor to bear in mind as we look to the future is the segmentation of travel products, promoting the creation of specific niche markets such as cultural, gastronomy, sports, family, health or business tourism, amongst many others.

For Sol Meliá 2003 has been a year for alliances. In pursuit of the objective of innovation a number of agreements have been reached which have produced and will continue to produce important results.

The partnership agreement between Sol Meliá and the Warner Bros. Consumer Products group aims to satisfy the increasing demand from families for theme hotels. Since April last year the famous Flintstones characters are the stars of several areas in the Sol Milanos Pingüinos (Menorca) and Sol Mirlos Tordos (Mallorca) Hotels. This initiative will be extended in 2004 to three more Sol hotels.

Through the joint venture with the Rank Group, Sol Meliá has achieved the objective of creating Hard Rock® hotels in America and Europe. The first of them, located in Chicago, opened at the end of 2003 and is the first step on a path to selective growth in the most important cities and resorts in the country. Our experience, the strength of the American brand and the financial support of Becker Ventures LLC will assist in satisfying market demand for innovative hotel experiences.

The agreement with Cendant Corporation marks the beginning of close cooperation in marketing and distribution programmes through a number of traditional and online channels, amongst them cheaptickets.com, lodging.com, Thor and Galileo. Through the Cendant loyalty programme, 12 million members will be able to exchange their points for free stays in selected Sol Meliá hotels. We will also be promoting the Timeshare business in which our partners are world market leaders, maximising the returns per metre squared of our properties while also ensuring the growth of Sol Meliá Vacation Club in Europe and Latin America.

The investment made in technology has strengthened the role of the central reservation system and increased the company's distribution capacity. Added to the agreements reached with the world's most important online distributors, this has also enhanced the magnificent development of solmelia.com. Sol Meliá and lastminute.com, the leading online travel company in Europe, have tightened our strategic alliance through an agreement by which Sol Meliá has become the preferred hotel chain for the lastminute.com network. Sol Meliá will also offer lastminute.com packages through its website.

Solmelia.com is the leading website in hotel bookings in the Spanish market. In 2003 sales grew by more than 180%. Revenues now stand at 5% of Sol Meliá sales and in 2003 the site received over 10 million visitors.

The creation of a Food and Beverage Division is the effective start of a plan that aims to produce improvements in profitability and in quality in all hotels. The standardisation of service levels by brand, the full integration of all operations, progress in the use of the latest technology and the promotion of theme restaurants are some of the programmes aimed at achieving those aims.

As a response to the demand for the highest quality in hotel service the company has created a new "Serviexpress" guarantee, a direct line of communication with guests which they may use to report any problems with their room and which the hotel promises to resolve in fifteen minutes or to provide the guest with a free stay. The Meliá branded hotels have become the first to introduce the new service.

In 2003 Sol Meliá has developed one of its most important projects: the Paradisus Puerto Rico, a luxury all inclusive resort scheduled to open in March, 2004. The 490 suites at this luxury hotel will immediately form part of the exclusive club of the "Leading Hotels of the World," a club in which Sol Meliá already has seven hotels. The Paradisus Puerto Rico will provide two 18-hole golf courses, a modern 2,700 square metre convention centre, a spa and a casino. The company has invested 150 million dollars in the hotel construction with the objective of profiting from the attraction of the Caribbean as a business and leisure destination for the North American market. The major investment in the hotel, together with the promotional assistance received from the Puerto Rico government, also aims to highlight the attractions of a region with enormous potential as a tourism destination. The Paradisus Puerto Rico is expected to become one of the finest hotels in the whole country.

In 2003, Sol Meliá has also opened 14 hotels in 7 different destinations. There are new Meliá hotels in Sardinia (Meliá Olbia), Brazil (Gran Meliá Mofarrej and Meliá Brasilia) and Cuba (Meliá Cayo Santa María). Tryp has added new hotels in Spain (Tryp León and Tryp Oceanic), Switzerland (Tryp Berne), Germany (Tryp Frankfurt) and Brazil (Tryp Berrini, Tryp Paulista, Tryp Jesuino Arruda and Tryp Campinas). Sol hotels have grown in Egypt (Sol Sharm), the first Sol hotel in the country.

There were 628 community involvement projects at Sol Meliá in 2003 involving investments of 1,153,043 euros, to be added to the 3,775,270 euros of purchases made from Special Employment Centres (companies with more than 70% disabled personnel). The Community Involvement Programme approved in 2002 focuses on nine areas including training and employment, cooperation with NGOs, purchases from Special Employment Centres and the promotion of community involvement amongst guests and employees.

In finance, Sol Meliá has fulfilled finance requirements for 2004-2005 with loans and with a 150 million euro exchangeable bond issue in October 2003, recipient of an award from the prestigious Euromoney magazine as the best deal of its type in Europe in 2003. The conversion premium of the bond after 5 years was set at 80%, the second highest in the history of the European exchangeable bond market.

Revenues for 2003 reached 987.8 million euros, 2.2% less than in 2002. Earnings before interest, tax, depreciation and amortisation (EBITDA) fell by 4.7% to 222.3 million euros, above market analysts' expectations. The reduction has been substantially less than that of the average for the industry, confirmed by financial analysts' reports that forecast an average double digit drop in EBITDA for European hotel companies in 2003. The appreciation of the euro with respect to the dollar also affected results. Without the currency effect EBITDA would have grown by 4.5%.

Earnings before taxes (EBT) were 51.1 million euros, up by 10.1% (+/- 56% without the euro appreciation). Net profits stood at 49.1 million euros, an increase of 260%. The net profit attributable to the group was over 9 times higher (+813%) than in 2002 at 38.1 million euros.

Forecasts for 2004 in our major markets remain favourable. The Spanish-speaking Caribbean is stronger thanks to the economic recovery in the United States and a greater confidence in flying to overseas resort destinations. Spain may also benefit from the positive trends in the European Union, especially the improvement in the economies of Germany and the United Kingdom, and the continuing growth in the Spanish economy. All of this is expected to ensure that the positive performance of resort hotels in Europe in 2003 is maintained in 2004 and that city hotels reach as stage of sustained recovery.

2004 promises to be a year full of challenges and opportunities as has been seen in the positive results of the first few months. The European Union is preparing its largest expansion in terms of territory and diversity. Ten new countries will join the Union in May 2004 creating an historical opportunity to improve investment and business conditions in a region that will consist of 25 countries and 450 million people. Sol Meliá believes that this will promote greater travel between member countries and a gradual economic convergence.

All of the work of recent years, with all of the alliances with Warner, the joint venture with the Rank Group, the agreement with Cendant Corporation, the investment made in techno-

logy and our website, allow us to approach the future with enormous optimism given that we have laid the foundations for growth; we have created a solid and professional structure to maintain our leadership.

Approaching its fiftieth anniversary, Sol Meliá maintains a way of doing business and corporate values that have made the company the leading hotel chain in Spain, Latin America and the Caribbean. Customers, partners, shareholders, hotel owners and employees look to the future with optimism. Because at Sol Meliá everything is possible.

Gabriel Escarrer Chairman Sol Meliá

2. Company profile



331 HOTELS IN 27 COUNTRIES

Indonesia	/
Malaysia	1
Vietnam	1
TOTAL	9

MEDITERRANEAN

Egypt	2
Tunisia	11
TOTAL	13

AMERICAS

Colombia Costa Rica Cuba Dominican Republic Mexico Panama	27 7 4
Costa Rica Cuba Dominican Republic Mexico Panama	•
Cuba Dominican Republic Mexico Panama	4
Dominican Republic Mexico Panama	
Mexico Panama	23
Panama	4
	11
D	1
Peru	1
United States	1
Uruguay	1
Venezuela	2
TOTAL	83

EUROPE

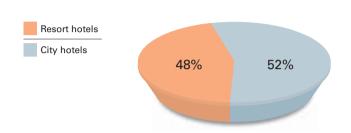
TOTAL	226
<u> </u>	
United Kingdom	1
Switzerland	2
Spain	171
Portugal	8
Malta	1
Italy	5
Germany	13
France	8
Croatia	16
Belgium	1

SOL MELIÁ CURRENT POSITIONING

- · Largest resort hotel company in the world.
- Largest hotel company in Spain in both the city and resort hotel markets.
- Largest hotel company in Latin America and the Caribbean.
- Third largest hotel company in Europe.
- Twelfth largest hotel company in the world by room numbers.
- Presence in 27 countries.
- More than 36,000 employees.

CITY AND RESORT HOTEL DISTRIBUTION

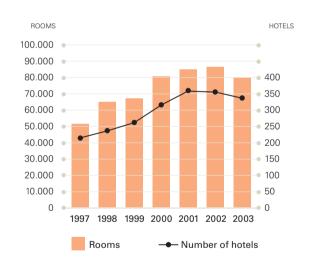
(by number of hotels)

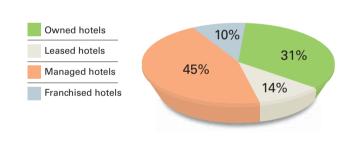


HOTEL AND ROOM GROWTH

DISTRIBUTION BY TYPE OF OPERATION (% of rooms)





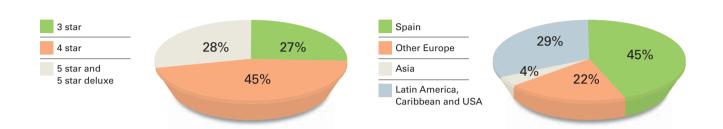


ROOMS	HOTELS
52,359	227
65,597	246
68,766	262
81,942	335
86,554	352
87,717	350
80,494	331
	52,359 65,597 68,766 81,942 86,554 87,717

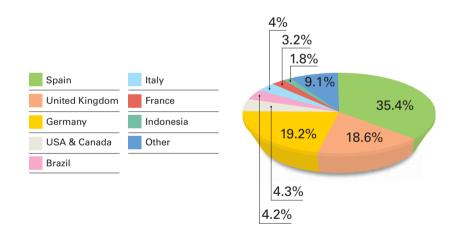
YEAR	BEDNIGHTS
1999	21 million
2000	23 million
2001	23.7 million
2002	24.6 million

DISTRIBUTION BY HOTEL CATEGORY (number of hotels)

ROOMS BY LOCATION



GUEST NATIONALITY















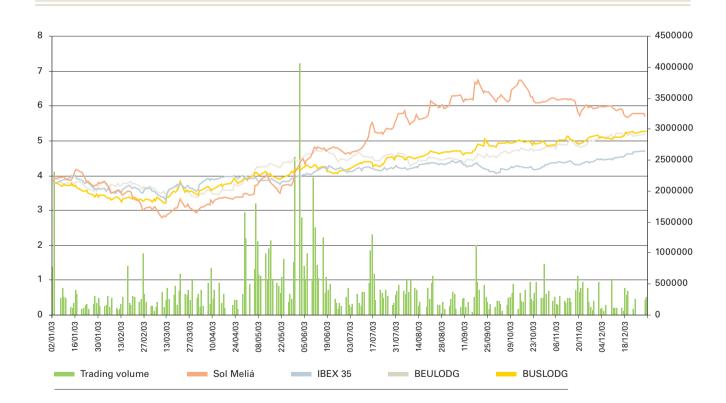
SOL MELIÁ CURRENT POSITIONING
Company founded: 1956
Company IPO: 2nd. July, 1996
• Initial share price: 5.41
Ticker symbol: SOL
Stock market: Continuous market (Spain)
Forms part of Madrid stock exchange index
• Number of shares: 184,776,777
• Share price at 31st. Dec., 2003: 5.71
Rating BBB - (stable) by Fitch IBCA
Rating BB+ (stable) by Standard & Poor's

• Share performance from IPO to 31st. Dec., 2003: 5.5% • Share performance from 31/12/2002 to 31/12/2003: 49.1%

SOL MELIÁ CURRENT POSITIONING	2003	2002	2001
EBITDA / NET FINANCIAL COST	3,9 x	4,4 x	3,7 x
PER	27,7 x	166,7 x	26,8 x
MARKET CAP. 1	055,08 €	696,61 €	1,577,99 €
EV / EBITDA	9,7 x	7,8 x	11,6 x
NET DEBT (TOTAL DEBT – CASH – IFT)	1,105 €	1,132 €	1,211 €

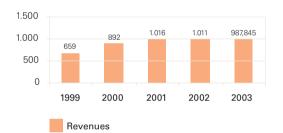
^{*} share price at 31st. Dec., 2003: 5.71 €

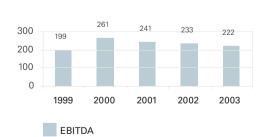
SOL MELIÁ SHARE PERFORMANCE

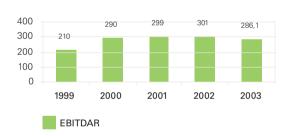


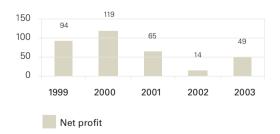
	Share price in	% Change	IBEX-35	Max.	Min.	Average dails Shares	y volume Million	Dividend	E.P.S.	C.F.P.S
31/12/03	5.71	49.1%	23.1%	6.77	2.82	406542	4.83	0.04	0.21	0.7
31/12/02	3.77	-55.90%	-28.10%	9.09	3.58	398569	2.53	0.01	0.02	0.95

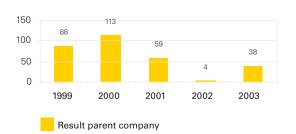
FINANCIAL PERFORMANCE	1999	2000	2001	2002	2003	C.A.G.R. 03
Million Euros						
REVENUES	659	892	1,016	1,011	987.845	11%
	-	35%	14%	-1%	-2%	
EBITDAR	210	290	299	301	286.1	8%
	-	38%	3%	1%	-5%	
EBITDA	199	261	241	233	222	3%
	-	31%	-7%	-3%	-5%	
NET PROFIT	94	119	65	14	49	-15%
	-	26%	-45%	-79%	260%	
RESULT PARENT COMPANY	88	113	59	4	38	-19%
	-	28%	-48%	-93%	812%	

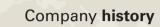














Almost half a century of history



Meliá De Mar

A DREAM IS BORN ...

1956

At only 21 years of age, a young and entrepreneurial Gabriel Escarrer Juliá begins to lease and operate his first hotel: the Altair Hotel located in the residential area of Son Armadams (Palma de Mallorca, Spain), the first 60 rooms of the future 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 and his team, led by Juan Vives, his charisma and innate flair for sales and marketing would do the rest.

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 to making his name in the hotel business, were key to growth.

Over a 20 year period, coinciding with the growth of Spain as a major travel destination, Escarrer built up a small hotel chain with a strong presence in the Balearic Islands named Hoteles Mallorquines until 1976, 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.



Paradisus Varadero

THE EMBRYO OF A MAJOR COMPANY ...

At the end of the 70's, Sol Meliá began to consolidate its expansion in Spain with a presence in most of the country's most popular travel 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 activities 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 company began its international expansion with its first hotel outside Spain: the Bali Sol. The business instincts of Gabriel Escarrer once again brought success as the company became the first international chain to build a hotel in the then-unknown destination of Bali. It seemed like a risky bet. Nowadays all of the major international hotel companies are there, but only one can proudly claim to have been a pioneer.



Meliá Bali

1986

Continuing with the 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 such as Sheraton, Wagon-Lits or Hilton. Arduous negotiations finally led to Gabriel Escarrer becoming the new Chairman of Hoteles Meliá.

Assisted by the international recognition of the Meliá brand, growth continued in Europe, the Americas, the Caribbean, South-east Asia and the Mediterranean. Globalisation and diversification became the watchwords of the times.



Meliá Avenue Louise Boutique Hotel

NEW MANAGERS ARRIVE ...

1993

The incorporation of Sebastián Escarrer Jaume brought a fresh air and new ways to the company as he began a revolution in Sol Meliá business strategy and implemented the organizational structure that is still in place today.

To favour continued growth, the management team was strengthened and changes were made in management procedures and systems (information technology, accounting, quality control, bonus systems, financial management, added values for the 5 key client types, 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 Príncipe (Prince) Felipe Award for excellence in tourism for its management and growth policies.

GOING PUBLIC ...

Once the new organization and management systems had been 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 in two: Inmotel Inversiones, the owner of hotels, and 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 added to the IBEX 35 index along with 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 much greater capacity to obtain financing on capital markets.



Meliá Juan Dolio

TIME FOR INTEGRATION: THE NEW SOL MELIÁ...

1998 - 1999

Due to the situation in the international travel industry at the time, characterized by major vertical and horizontal mergers, a strategic decision was made to reintegrate the hotel management and property businesses. The integration ended in 1999 with the take-over of Meliá Inversiones Americanas (MIA) and the merger with Inmotel Inversiones.

The operation provided a strong spur for company growth, and also laid the basis for 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 modernization and adaptation of the company to prepare for merger with Sol Meliá, while also initiating an ambitious and highly successful plan for the renovation of the hotel portfolio.

In 1999, the company added 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 605 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...

One of the pillars on which the international growth and development of Sol Meliá has been based has been the company's use at different times in its history of leading technologies. First came the creation of a pioneering Central Reservations System (SolRes) and connection with the world's leading GDS booking systems, followed by the launch of the first website and the incorporation of broadband connections in many hotels. In 1999, there was a further revolution.

At the height of the "new economy", Sol Meliá began to prepare for the twenty-first century by adapting all of its internal and external operations to the latest modern technology and carrying out a significant transformation in 3 specific areas named the Inside, the Sell Side and the Buy Side.

major partnerships with other leading travel companies (Cendant, Rank Group, Warner Bros. Consumer Products, lastminute.com) and the creation of new hotel products.

TRYP HOTELES, THE LATEST MAJOR DEAL ...

2000

On 21st August, 2000, Sol Meliá sealed its purchase of Tryp Hotels. With the addition of 60 hotels, Sol Meliá further consolidated its leadership position in both the business and leisure hotel markets in Spain, Latin America and the Caribbean, and its ranking as number 3 in Europe. At the same time, the company achieved a place amongst the Top Ten hotel companies in the world by number of rooms and became the undisputed leader of the Spanish city hotel market.

YEARS THAT HAVE LEFT THEIR MARK...

2001

A new year dawned with the optimism created by the launch of a new approach to brand innovation and the focus of the company on 4 major hotel brands: Meliá, Tryp, Sol and Paradisus. An ambitious project aimed at strengthening brand image and standardization. Near the end of the summer, however, there was a tragic event. 11th. September affected the entire planet, and especially the travel industry. The sudden halt and later slow-down in the world travel business was reflected in the annual results of a large number of companies, amongst them Sol Meliá.

2002

2002 was a difficult year in which political, financial and social instability were the dominant threads. Fortunately, it was not all bad news, and in some cases the crisis was transformed into an opportunity for progress and improvement. Sol Meliá used the year to consolidate achievements to date and the fruits of its labours are now excellent products, one of the best sales forces in the business, modern and fully-integrated distribution systems and a solid financial structure.

2003

2003 saw the beginnings of a recovery in the international travel industry after two years of major difficulties. At Sol Meliá, improvements were accompanied by the reactivation of innovation and growth. The company achieved growth through

A DREAM COME TRUE...

Sol Meliá ended 2003 with 331 hotels in 27 countries on 4 continents and with over 36,000 employees. Sol Meliá is the largest hotel company in Spain, Latin America and the Caribbean, the third largest in Europe and number twelve in the world ranking. Sol Meliá is also the largest resort hotel chain in the world.



Tryp Península Varadero



Meliá Royal Alma Boutique Hotel



Financial results

EBITDA reached 233.3 million euros in 2003. Earnings before tax increased from 16.8 million euros in 2002 to 63.2 million euros in 2003, thanks in part to reductions in costs and an increase in extraordinary profits. Without the effects of the appreciation of the euro with respect to the US dollar, EBITDA and ordinary profits would have grown by 4.5% and 56.3% respectively.

The improvement in results was achieved in spite of the difficulties that faced the hotel industry in 2003, especially in the first half of the year with the war in Iraq, the SARS virus and a slowdown in western economies.

The company was able to achieve superior results to the majority of its competitors thanks to the positive performance in summer in Spain and the buoyant situation in the Spanish-speaking Caribbean. As for competitors, EBITDA fell by 8.6% on average in the European hotel industry.

Revenues per available room (RevPar) in owned and leased hotels stood at 44.6 euros, 1.7% less than in 2002, partly due to the 16% increase in the value of the euro compared to the US dollar.

Operational expenses decreased by 1.5% thanks to the optimisation of purchasing prices and the centralisation of Food and Beverage processes.

The company achieved growth in productivity in personnel through the rationalisation of personnel functions and the optimisation of schedules to meet service requirements.

The decrease of 5.8% in rental costs was achieved through the disaffiliation process carried out in Tunisia, Spain and Portugal in 2002 and the first half of 2003.

As part of a policy designed to achieve a more dynamic management of assets, in September 2003, Sol Meliá sold the Sol Patos Hotel for 16.8 million euros, generating capital gains of 11.3 million euros assigned to extraordinary profits. The sale was made at an EBITDA multiple of 12.6.

POSITIVE PERFORMANCE IN THE SPANISH RESORT MARKET

Spanish resort destination witnessed a recovery in 2003, thanks in large part to a positive performance by hotels in the Canary Islands and Balearic Islands after the end of the war in Iraq and in spite of price discounts by competitors. The slowdown in the German market was compensated by the strength of the Spanish and British markets and the emergence of Eastern European feeder markets. Business in Tunisia remained poor, confirming the positive effect of the decision to disaffiliate hotels there in 2002 and the first half of 2003.

SLOWDOWN IN BUSINESS ACTIVITY IN MAJOR **EUROPEAN CITIES**

Results in major European cities were adversely affected by the slowdown in business activity throughout Europe in 2003. This situation was partially offset by special offers and promotions through solmelia.com, a growing competitive advantage for the company. Internet sales grew by 189% in 2003, while sales of corporate programmes and promotions grew by 33%.

Positive results in Latin America, diminis-HED BY THE APPRECIATION OF THE EURO

The results of the Americas Division were negatively affected by the appreciation of the euro with respect to the US dollar. This diminished the positive results obtained in resort hotels in the Dominican Republic and Mexico in 2003. Growth in resort hotels was due to growing demand for the Dominican Republic from the United States, a great quality product, and a major sales drive in the US in 2002. Amongst city hotels, the Gran Meliá Mexico Reform (Mexico City) showed important signs of recovery in business.

CONCEPT Million Euros	FIGURE 2003	FIGURE 2002	% CHANGE
Consolidated revenues	987,8	1,010.5	-2%
EBITDA	222,3	233,3	-5%
Net profit	49,1	13,6	260%
Result attributed to parent company	38,1	4,2	813%

INCOME STATEMENT

INCOME STATEMENT			
Million euros	DEC 2003	DEC 2002	DEC 2001
Hotel Revenues	869,1	899,1	902,2
Management Fees	39,0	40,4	40,1
Other revenues	79,7	71,0	73,8
TOTAL REVENUES	987,8	1,010,5	1,016,1
Raw Materials	(120)	(127,6)	(129,6)
Personnel expenses	(322,2)	(326,3)	(327,8)
Change in operating provisions	(8)	(5,3)	(5,1)
Rental expenses	(63,8)	(67,5)	(57,7)
Other operating expenses	(252,2)	(250,6)	(254,6)
TOTAL OPERATING EXPENSES	(765,5)	(777,2)	(774,8)
EBITDA	222,3	233,3	241,3
EBITDAR	286,1	300,8	299,0
Profit/(loss) from equity investments	(0,1)	(5,0)	(2,7)
Net Interest Expense	(57,3)	(53,4)	(65,9)
Exchange Rate Differences	0,2	(19,7)	0,7
Total financial profit/(loss)	(57,1)	(73,1)	(65,3)
Depreciation and amortisation	(111,1)	(105,8)	(94,9)
Consolidation Goodwill amortisation	(3,0)	(3,0)	(2,6)
Profit/(loss) from ordinary activities	51,1	46,4	75,9
Extraordinary profit/(loss)	12,1	(29,5)	4,8
Profit before taxes and minorities	63,2	16,8	80,7
Taxes	(14,1)	(3,2)	(16,0)
Group net profit/(loss)	49,1	13,6	64,7
Minorities (P)/L	(11,0)	(9,5)	(5,7)
Profit/(loss) of the parent company	38,1	4,2	58,9
OPERATIONAL CASH FLOW	128,6	167,5	176

CASH FLOW STATEMENT

CASH FLOW STATEMENT	
CASH FLOW FROM OPERATIONS	2003
TOTAL CASH FLOW FROM OPERATIONS	128,553
CHANGE IN WORKING CAPITAL	
LESS:	
ncr. Inventory	(5,227)
Incr. Holding of own shares	(12,897)
Incr. Current accounts with equity affiliates	(99)
PLUS:	(55)
Decr. Receivable	819
Decr. Prepaid expenses	3,710
Incr. Trade payable	7,180
CHANGE IN WORKING CAPITAL	(6,514)
STARGE IN WORKING OAI TIAL	(0,014)
CASH FLOW FROM INVESTING	
LESS:	
Deferred expenses	(1,868)
Increases of Tangible Assets	(162,253)
Increases of Intangible Assets	(5,369)
PLUS:	
Decrese Fixed Assets	24,800
DecreseFinancial Assets	6,000
TOTAL NET INVESTMENTS	(138,690)
CASH FLOW FROM FINANCING	
BANK DEBT	
LESS:	
Decr. Bank loans S/T	(84,596)
Decr. Bank loans L/T	(70,359)
PLUS:	
Incr. Bond issued S/T	206,223
Incr. Bank loans L/T	70,365
SUBTOTAL BANK DEBT	121,633
OTHER FINANCING	
SUBTOTAL OTHER FINANCING	11,982
TOTAL FINANCING	133,615
DIVIDENDS DAID	(2.420)
DIVIDENDS PAID	(2,138)
INCREASE IN CASH AND DEPOSITS	114,826
BEGINNING CASH & DEPOSITS	155,676
ENDING CASH & DEPOSITS	270,502
INCREASE IN NET DEBT (BANK DEBT)	6,807
	,

RATIOS

ATIOS			
NTEREST COVERAGE	2003	2002	2001
FFO/NET DEBT	11.6%	14.8%	14.5%
NET DEBT / EBITDA	5.0 x	4.8 x	5.0 x
EPS	0.21 €	0.02 €	0.32 €
SHARE PRICE	5.71 €	3.77 €	8.54 €
EBITDA / NET INTEREST EXPENSE	3.9 x	4.4 x	3.7 x
PER	27.7 x	166.7 x	26.8 x
MARKET CAP.	1.055.08 €	696.61 €	1.577.99 €
EV / EBITDA	9.7 x	7.8 x	11.6 x
LIQUIDITY	2003	2002	2001
FFO/CURRENT LIABILITIES	24%	40%	40%
CURRENT ASSETS / CURRENT LIABILITIES	0.9 x	1.0 x	1.1 x
FFO/TOTAL DEBT	9.5%	13%	13%
LEVERAGE	2003	2002	2001
AVERAGE COST OF DEBT	4.7%	4.8%	5.5%
NET DEBT / TOTAL ASSETS	41.6%	42.2%	41.3%
NET DEBT / MARKET CAP. (*)	105%	162.5%	76.7%
NET DEBT	1,105 €	1,132 €	1,211 €
NET DEBT/TOTAL SHAREHOLDERS EQUITY	117%	107%	105.4%

^{*} Shrare price at 31/12/2003 5,71 Euros

BALANCE SHEET 2003

Million Euros	Dec 2003	Dec 2002	Dec 2001
CASH	72,715	130,8	175,8
SHORT TERM INVESTMENTS	1,381	2,8	0,3
DEBTORS	165,114	139,0	143,7
INVENTORY	26,858	28,0	39,7
OTHER CURRENT ASSETS	224,117	114,0	123,8
CURRENT ASSET	490,2	414,6	483,3
GROSS FIXED ASSETS	2642,943	2,702,4	2,843,1
ACCUMULATED DEPRECIATION	-682,504	(652,3)	(630,0)
NET FIXED ASSETS	1960,439	2,050,1	2,213,1
FINANCIAL INVESTMENTS	160,581	163,4	187,6
OTHER FIXED ASSETS	45,09	52,0	46,9
TOTAL ASSETS	2,656,3	2,680,1	2,930,8

Million Euros	Dec 2003	Dec 2002	Dec 2001
TRADE ACCOUNTS PAYABLE	122,1254	126,4	137,4
SHORTTERM LOANS	342,4674	225,9	154,2
OTHER SHORTTERM LIABIL.	64,872	63,5	145,9
CURRENT LIABILITIES	529,5	415,7	437,6
LONG TERM LOANS	1010,438	1,036,8	1,162,9
OTHER LONG TERM LIABIL.	174,051	170,2	180,9
TOTAL LIABILITIES	1,184,5	1,207,0	1,343,8
MINORITY INTEREST	163,019	166,4	64.7
TOTAL COMMON EQUITY	779,322	890,9	1,084,8
SHAREHOLDERS EQUITY	942,341	1,057,3	1,149,5
TOTAL LIABILITIES & EQUIT	Y 2,656,3	2,680,1	2,930,8

Milestones in 2003



1. A year for major partnerships

2003 saw the beginnings of recovery after two years of difficult trading conditions for the international travel industry. For Sol Meliá, this improvement in the outlook for the business has also been accompanied by a new impulse to company growth and innovation. After two years focused on the consolidation of the hotel portfolio based on a strict application of brand standardisation and a much more selective, profitable and sustainable growth strategy, the company has now turned its attention to opportunities for development through strong alliances with major travel partners and the creation of new hotel products and services.

New distribution channels 1.1 and new markets

Growing the company can either be done by adding more hotels or by increasing revenues from existing hotels through the use of new sales techniques or reaching more potential customers. Sol Meliá has most recently opted for the second route to growth and hopes to achieve this in part thanks to agreements reached with two of the most important companies in the world of hotel distribution: lastminute.com, the European leader in the online travel market, and Cendant Corporation, the world's largest travel company and market leader in hospitality, car rental, time share and travel reservation processing. The partnerships will also allow Sol Meliá far greater access to new and important markets, particularly the United States.

1.2 Creation of new hotel products

After almost 50 years in business, Sol Meliá is still a very innovative company when it comes to the creation of new hotel products. To do so the company has been fortunate to work with some of the heavyweights in the travel and leisure business, such as Warner Bros. Consumer Products in the development of a new range of Sol Flintstones theme hotels, Cendant Corporation in the promotion and development of the Sol Meliá Vacation Club timeshare business,



Aerial view of the Carbide & Carbon building in 1929

and the Rank Group in the joint venture development of Hard Rock Hotels in America and Europe.

Cendant Corporation

The strategic alliance between Sol Meliá and Cendant Corporation, provides for close future co-operation in the areas of vacation ownership and travel marketing and distribution. Both companies will develop distribution and marketing programmes to offer consumers access to Sol Meliá hotel inventory through a variety of online and offline channels including CheapTickets.com, Lodging.com, Thor and Galileo. A cross-selling programme will also allow the promotion of Cendant hotel and travel products to Sol Meliá customers and







Sol Falcó

vice versa. The Cendant Timeshare Resort Group will also provide marketing support to assist in the growth of Sol Meliá Vacation Club. In a separate agreement, Cendant subsidiary RCI will provide consultancy, exchange and other networking services for the Sol Meliá Vacation Club, and will provide additional revenue and occupancy solutions to support Sol Meliá's hotel business to drive growth in Europe and Latin America. The new Sol Meliá Vacation Club will become a "meeting point" for all of the owners of Sol Meliá timeshare properties, giving them a right to one week's holiday every year for 30 years in any one of the hotels included in the Club.



Meliá Caribe Tropical

Warner Bros Consumer Products

In April, 2003, Sol Meliá signed an agreement with Warner Bros. Consumer Products to convert some Sol hotels in Spain into theme hotels inspired by the famous Flintstone cartoon characters . The first of these Sol Flintstone hotels were the Sol Milanos Pingüinos in Menorca and the Sol Mirlos Tordos in Mallorca. In 2004, the project will be extended to the Sol Antillas Barbados (Mallorca), Sol Falcó (Menorca) and Sol Príncipe Principito (Malaga).

Hotel areas such as the lobby and front desk, the swimming pool area, children's clubs, restaurants and bars are all decorated and use materials based on the famous cartoon series.

Rank Group

Improve, innovate and break the mould; three objectives achieved in one with the creation of a joint venture between Sol Meliá and the Rank Group, principally for the development of Hard Rock hotels in North America and Europe. The combination of the hospitality experience of Sol Meliá, the strength of the American brand and the financial support of Becker Ventures LLC will assist Sol Meliá in strengthening its presence and sales structure in 2004 in the US market, in addition to its well-established network in Latin America and the Caribbean, an area where the company is already market leader.

The joint venture specifies that Sol Meliá will be responsible for the management, marketing and distribution of the Hard Rock hotels developed henceforth, while Hard Rock Hotels will take charge of the concept, design and brand development of affiliated hotels, as well as of the addition of further properties.

Solmelia.com: market leaders





One way or another, the Internet is gradually changing the travel industry. And the way companies react to the changing behaviour of customers will become increasingly important in the future. Sol Meliá is fully aware of this and has made the development and optimisation of its website one of its primary objectives. The latest technology, a simple booking process, and innovative marketing programmes have helped make solmelia.com the most successful hotel website in Spain. Another important factor is a lowest online rate guarantee by which customers are guaranteed they will not find a better price online than the rate offered by solmelia.com and a commitment to match the price and provide an extra 10% off if they do so.

10,000,000 visitors in 2003, 79% individuals and 21% travel agent and corporate customers, brought with them a growth in sales over the year of 189%.

Solmelia.com celebrates its fifth birthday

2003 saw fifth anniversary celebrations at solmelia.com and the launch of a number of special promotions aiming to attract and keep a growing number of online customers. One of the programmes, "Wednesday Web Weekends" provides visitors with an innovative system where visitors can check real-time hotel availability for last minute weekend stays every Wednesday afternoon. The last minute promotion, the first of its kind in the international hotel industry, joins regular web offers and a secure booking environment to further Sol Melia's aims to diversify its distribution channels and promote the use of new technology, in line with the objectives pursued over recent years.

3. Brand consolidation

Part of the strength of a group such as Sol Meliá resides in its brand positioning and recognition. One of Sol Meliá's most important objectives is thus to make further advances in the standardisation of its 5 brands: Meliá, Tryp, Sol, Paradisus and the new Hard Rock. This includes actions designed to identify the attributes of each of the hotel brands and manage those brands accordingly, adjusting the distribution, promotion and operations of the hotels accordingly.

Hotels with a heart

Sol Meliá is a hotel chain with a highly differentiated hotel portfolio, both with regard to the locations of its hotels and their category and type (city and resort). The company is thus able to cater for the needs of a wide range of different types of travellers. This diversity, which was already recognised in 2002 when the company restructured its four brands (Meliá, Tryp, Sol and Paradisus), was further enhanced in 2003 to achieve what the company considers "hotels with a heart". The ability to create different atmospheres, innovative designs and decoration, the friendliness of staff or gourmet speciality or regional cuisine, are just some of the feature of hotels that have achieved their own particular personality. 2003 saw the birth of the new "Hard Rock" brand after the alliance with the Rank Group and also saw the conversion of two hotels to "Sol Flintstone" hotels after an agreement with Warner Bros. Consumer Products.

Hard Rock hotels are a new concept in top quality 4 and 5 star hotels characterised by a very different atmosphere and by the design of the well known Hard Rock brand, inspired by music and movie culture.

Sol Flintstone hotels have been designed to allow children to let their imaginations run wild while parents relax knowing the kids are in good hands. Flintmobiles, lunch at the Brontoburger, brontosaurus steaks and breakfast by the



Gran Meliá Bahía del Duque



Gran Meliá Volcán Lanzarote

pool with the popular Flintstones characters provide numerous attractions for one of Sol Meliá's most important customer segments.



Tryp Barcelona Aeropuerto

Meliá

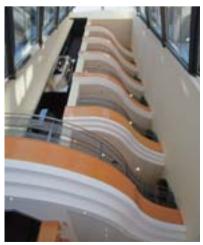
Hotels that enjoy enormous international prestige for their highly personalised service and magnificent locations in major cities and first class resort destinations. They are also famous for the wide range of services they provide, their exquisite and varied cuisine and their congress, convention and incentive facilities. Luxury, personalised service and great locations: a perfect trio.

Tryp

Of the 14 hotels opened in 2003, 10 of them fly the Tryp Hotels brand flag. Tryp Hotels have been opened in Brazil, Germany, Switzerland and Spain, contributing to the internationalisation of the brand, a company objective since it was added to the brand portfolio two years ago. The superior value for money provided by Tryp Hotels, their excellent locations in major city destinations, and the comfort of facilities especially designed for business travellers have spurred the growth of a brand which now includes 110 hotels world-wide.

Sol

Sol Hotels guarantee successful holidays full of fun. Sol Hotels enjoy grand prestige in the resort hotel business thanks to so many years of experience and an ability to create unforgettable vacations. Located in some of the most popular tourism destinations in the world and providing a wide choice of food and beverage options, excellent sports and entertainment programmes and the services of some of the finest professionals in the business.



Sol Pirámide Salou

Paradisus

There are times when we long to relax and get away from the daily routine. At such times, there is no safer bet than exceptional hotels accompanied by crystal clear waters and fantastic scenery. Paradisus Resorts are luxury All Inclusive hotels, built in traditional local architectural style and fully integrated with their natural environments. White sands and exotic scenery are a perfect backdrop for an exquisite range of services and facilities that melt away stress in an authentic "eco-resorts" with a great range of food and beverage options in the most luxurious restaurants and extensive sports and entertainment programmes.

In 1995, Sol Meliá opened its first Paradisus Resort: the Paradisus Punta Cana (Dominican Republic), the success of which later led to the creation of 5 additional resorts: the Paradisus Playa Conchal (Guanacaste, Costa Rica), the Paradisus Riviera Cancun (Mexico), the Paradisus Río de Oro (Holguín, Cuba), the Paradisus Varadero (Cuba) and, in March 2004, the Paradisus Puerto Rico.

Hard Rock

Contemporary hotels located in the heart of major cities and leisure destinations, with a modern design and ambience, spectacular bars and restaurants and superior quality service. Hotels with all of the spirit and glamour of "Hard Rock", splendidly combined with the "savoir faire" of traditional hospitality. A completely new hotel experience.

Sol Meliá Vacation Club

Sol Meliá Vacation Club is a meeting point for all of the company's timeshare owners and a place where they may enjoy special benefits for the exchange of their weeks of vacations, exclusive services for travel planning and a wide range of additional benefits for Club members.

The Club was created in 2003, drawing on almost 50 years of experience of a world leader in resort hotels, Sol Meliá, the experience of 10 years acquired by Meliá Vacation Club, and the valuable contribution of a world leader in vacation ownership, Cendant Corporation.



Paradisus Varadero

4. New travel forecasts

2001 was a year of enormous change in the international travel and tourism industry. 2002 was a year in which many companies, amongst them Sol Meliá, chose to review their strategies and consolidate their business. For the Spanish hotel company 2003 was a year of major alliances with leading travel partners, and 2004 promises to be the year in which all of these components reach maturity and, all being well, a year for recovery.

The factors that led to the crisis in the travel industry in recent years were, amongst others, the economic recession in major feeder markets, particularly Germany and the United States, and the international uncertainty and instability generated by the events of 11th. September, 2001 and the later terrorist attacks in various countries, as well as the war in Iraq and the SARS virus. The negative impact of all of these factors seem to have diminished in recent times and it seems that travel and tourism is likely to return to previous levels, demonstrating once again that it is one of the sectors of the economy that generates the greatest amount of wealth and employment.

This situation, however, does not mean that the travel industry may relax. Quite the contrary. The experience must be used to improve in areas where they may still be deficiencies such as, for example, the training of future generations. Other areas in which emphasis must be made are the promotion of tourism at all levels, the development of research and technology for the industry and new information systems, amongst others.

Optimistic forecasts from experts for 2004

All of the data seems to indicate that April 2003 marked a turning point and the beginning of a period in which results continue to improve. The World Travel Organisation (WTO) has published optimistic forecasts for 2004 based on the positive signs of economic progress in the United States, Japan and Western Europe and a certain moderation in geopolitical conflict. According to the Secretary General of the WTO, Francesco Frangialli, if the world is able to avoid further accidents and occasionally irrational fear does not raise its head, if the security measures governments feel obliged to implement remain reasonable and balanced, we may then be confident of the capacity of the travel industry to recover and progress.







Tryp Frankfurt

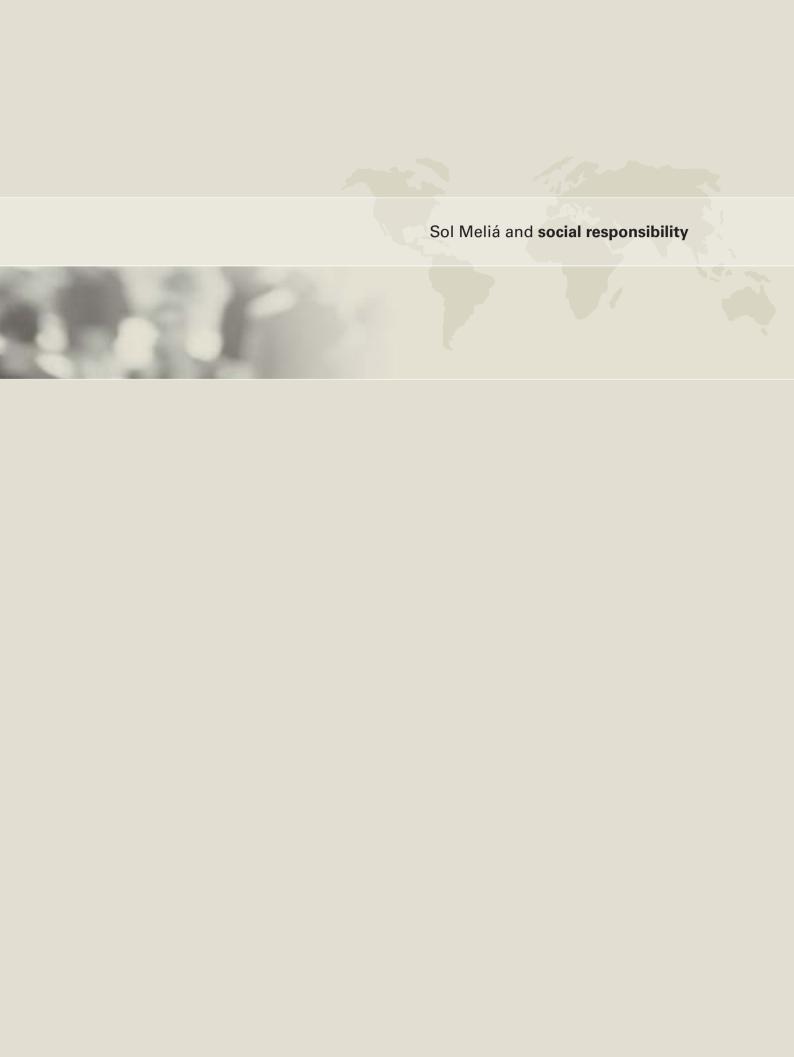
With regard to Spain, the Tourism Industry Business Climate Survey carried out by the Alliance for Tourism Excellence (Exceltur) shows that hotel operators approach the 2004 season with moderate optimism. 74.2% of them expect sales and profits to grow. This recovery will be spurred by expected growth in the domestic market and a presumable improvement in the international economic environment, especially in some of the major European markets such as Germany. In such a situation it is considered fundamental that tourism development focuses on "Total Quality" to allow business and leisure travellers to enjoy memorable experiences that fully meet their expectations and provide excellent value for money. This requires the public and private sector working together to improve the tourism product, from hotel facilities to transport and complementary facilities, beaches, city centres and monuments. Advances must be made both in facilities and in services, a factor that is normally one of the most highly valued by increasingly discerning travellers.



Gran Meliá Don Pepe



Meliá Benidorm



1. Corporate governance

On 30th. March, 2004, the Sol Meliá S.A. Board of Directors approved the Corporate Governance Report corresponding to the fiscal year ending 31st. December, 2003 in compliance with Law 26/2003 of 17th. July modifying Law 24/11998 of 28th. July on the Stock Market and the revised text of Company Law, approved by the Royal Decree 1564/1989 of 22nd. December to strengthen transparency in publicly quoted companies. The report is included in full in the Financial Report.

The Corporate Governance Report has been prepared in line with the requirements of Law 26/2003 as well as Ministerial Order ECO/3722/2003 of 26th. December on the annual report on corporate governance and other instruments of information in publicly quoted companies and other entities.

The regulation of corporate governance at Sol Meliá S.A. is contained in the company by-laws, in the Regulations of the Board of Directors and in the Internal Regulations on Good Conduct in relation to matters concerning the stock market, all available to shareholders and investors both at company headquarters and in the Corporate Governance section of the company website (www.solmelia.com).

The Board of Directors meeting of 30th. March, 2004, also approved proposals to modify company by-laws and the Regulations of the Board of Directors, as well as a proposal on the Regulations of the Annual General Meeting, all with the objective of reviewing company regulations so as to adapt them to the new principles and criteria on transparency for publicly quoted companies contained in the Special Commission Report on the promotion of transparency and security in the markets and in publicly quoted companies (Aldama Report), in Law 44/2002 of 2nd. November on reforms in the financial system and in the previously mentioned Law 26/2003. The proposals to modify the company by-laws and on new Regulations of the Annual General Meeting will be submitted for approval to the Annual General Meeting on 8th. June, 2004. The Annual General Meeting will also be informed of the contents of the new Regulations of the Board of Directors.

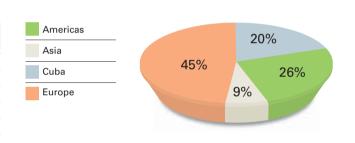
It must be mentioned that the company already carried out a review of the mentioned regulations in 2003, and that the Board of Directors meeting of 6th. May, 2003 approved Internal Regulations on good conduct in stock market related matters, and that the Ordinary and Extraordinary General Meeting of the same date also approved a new article 39 bis. for company by-laws regulating the Audit and Compliance Committee of the Board of Directors.

2. Human resources

2.1 COMPANY EMPLOYEES

NUMBER OF EMPLOYEES Cuba 7,500 Americas 9,500 3,500 Asia Europe 15,500 **TOTAL** 36,000

PERSONNEL DISTRIBUTION



PERSONNEL STRUCTURE	
TOTAL EMPLOYEES CORPORATE/HOTELS	2.63%
TOTAL EMPLOYEES/AVAILABLE ROOM	0.41%

- AVERAGE AGE: 35
- AVERAGE LEVEL OF VOLUNTARY ROTATION: 6%
- PERCENTAGE OF EMPLOYEES BY GENDER

Male: 60% Female: 40%

- EXECUTIVES WITH PERSONAL DEVELOPMENT PLANS: 250 General Managers and 50 Assistant General Managers
- EXECUTIVES WITH PERFORMANCE APPRAISAL: 100% All executives and heads of department (350 General Managers and 1.500 heads of department) are subject to an annual performance appraisal and are involved in personal training plans.
- TRAINING: 24 hours per year in business hours



behaviour that might offend their dignity or suppose discrimination for reasons of gender, race, age, religion, nationality or any other type of discrimination with respect to subordinates. The duty of loyalty and good faith of employees are

Personnel policies require the respectful treatment of colleagues and clients avoiding, in particular, any type of

supervised by the human resources department and the Appointments and Remuneration Committee based on an evaluation procedure for the policies mentioned previously.

POLICY AND STRATEGY

Equal opportunities

The company recognises full equality of opportunities for all employees and candidates regardless of their race, colour, religion, gender, sexual orientation, nationality, marital status, disabilities, age or any other element, in accordance with applicable international, national and local law.

The policy of equal employment opportunities at Sol Meliá is applied to all employment terms and conditions, including without limits the employment contract, contracting, promotion, termination, authorised absence, remuneration and training.

In particular, the company prohibits any conduct that represents harassment of or between employees.

Any conduct experienced by an employee which they believe to represent harassment or discrimination must be communicated immediately to their hierarchical superior given that the company is unable to investigate nor intervene in any case if it is not informed of its existence. Any complaints will remain confidential as far as is possible.

If the employee believes it would not be appropriate to report such an incident to their hierarchical superior, the matter should be reported to the superior on the next level of the hierarchy who must then carry out an investigation and report to the regional human resources department.

If the company considers that an employee is guilty of harassment or discrimination towards other employees, the most appropriate measures will be taken in each case within the limits of the law.

2.2 CODE OF ETHICS

Sol Meliá applies general criteria on good conduct for executives which are considered extremely important to the company. The code of ethics applies to subjects such as conflict of interest, the use of information or resources, policies on family relations, personnel policies and penalties.

The policies on conflict of interest and the use of information or resources limits the use of past, present and future company information for any other purpose other than in relation to the responsibilities of the position. They also prohibit Sol Meliá executives from simultaneously, either as an employee or shareholder, working with suppliers or companies operating in the same business. They also regulate the confidentiality of information and the use of company assets.

The policies on family relations regulate the incorporation of family members in the same division, department or business unit as executives.

Sol Meliá prohibits any form of reprisals against any employee presenting a complaint in good faith within the framework of this policy or as a result of an investigation of a complaint.

Nevertheless, if the company determines that no measures need to be taken after investigation, the company also reserves the right to take disciplinary measures against the person that registered the complaint or provided false information.

Employee conduct

Sol Meliá expects all employees, as members of the company team, to accept certain responsibilities and display a high degree of personal integrity.

Personnel integration and development

 Integration. All employees that join company hotels for an expected period of more than one month must attend an induction course of at least 4 hours before they take up their position. All employees that join company hotels for an expected period of more than one month must attend an induction course of two days to familiarise them with hotel operations.

New employees at Sol Meliá spend an average of one day on induction courses getting to know the structure and operations of the company. Executives may spend up to a month on initial training.

- Training. Every year, every department and work centre carries out a process aimed at detecting training needs to assist in developing training plans. As far as is possible, training should be grant-assisted and/or carried out by internal trainers.
 - · All employees attend a training campaign on service quality given by internal trainers so as to promote an exchange of experiences. This campaign was held for the fourth successive year in 2003 over a two day period. The course is attended by 25,000 people each year.
 - · Sol Meliá is a company that promotes hotel training and works together with different educational organisations to achieve this end (ESADE, Instituto de Empresa, etc.). In 2003, as in previous years, three company executives attended the Masters course in Hotel Management.



- · The agreement reached in 2002 between Sol Meliá and the Balearic Islands University led to the creation of the Gabriel Escarrer Chair funded by 60,000 euros, 12,000 euros for the International Tourism Research Award, the first winner of which was announced in 2003, and 48,000 euros for tourism research and projects.
- · In 2003, 15 Sol Meliá executives attended two individual development programmes and 25 high potential employees took part in individual programmes with the Instituto de Empresa.
- · 50% of the employees on management development programmes are women selected on merit. The company does not apply neither negative or positive discrimination.
- Through the agreement with Warner Bros. Consumer Products, Sol Meliá has converted two Sol hotels to theme hotels. This process has required specific training for staff to adapt them to the new needs of the hotels. This has led to the implementation in these hotels of a new service culture coherent with the Flintstones theme.

- · Sol Meliá is also a training centre for young professionals. In 2003, more than 700 youngsters carried out workplace training, many of them going on to join the company on completion of their training.
- Development. Every executive is responsible for identifying the people with development potential in their teams and to support their development together with the human resources department. Development must focus on improving their performance in their existing position, preparing them for a position at the same level in another business area (horizontal development) or for a superior position (vertical development). 95% of executive positions are covered by internal promotion. 60% of heads of department positions are covered by internal promotion. Sol Meliá policy is that any vacant position must first be offered to all company employees.



Work environment

Every year, Sol Meliá carries out a survey of the work environment amongst employees. Results are analysed carefully in order to ascertain the level of satisfaction of employees with the performance of their duties, the management of the tools of their position and the management methods of the company. The areas that display greatest scope for improvement are added to departmental objectives. The average level of satisfaction of company employees with Sol Meliá is 7 out of 10.

The company is particularly proud of the data on the work environment which are reflected in competitive studies which show that the attitude of our staff is one of the most highly valued attributes of company hotels.

Health and safety

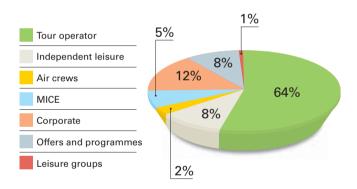
Sol Meliá General Managers and heads of department receive specific training in service and quality as well as in health and safety in the workplace. The company has legal medical coverage and a prevention and training plan for specific personnel. The company is also proactive in covering specific deficiencies in areas to adapt to the idiosyncrasies of the different countries in which the companies operate.



3. Customers

3.1 SOL MELIÁ GLOBAL CUSTOMERS

CUSTOMER SEGMENTATION



CUSTOMER NATIONALITY Country	Bednights	%
Spain	9,172,390	35.4%
Germany	4,969,370	19.2%
United Kingdom	4,825,783	18.6%
USA / Canada	1,122,487	4.3%
Brazil	1,078,753	4.2%
Italy	1,036,930	4.0%
France	836,224	3.2%
Indonesia	474,925	1.8%
Others	2,365,272	9.1%
TOTAL	25,882,134	100%

3.2 QUALITY MANAGEMENT

From the moment that customers transmit their desire to stay in a company hotel, the Guest Satisfaction Programme aims to ensure that their expectations are met or exceeded.

To be aware of the level of customer satisfaction in company hotels, guests are asked to respond to a questionnaire in which they may express their opinion and suggestions on the hotel product, services and facilities. The data collected from the questionnaires allows an analysis of areas for improvement and the design of corrective and preventative measures, as well as an opportunity to respond to guest comments.

The company also employs occasional external surveys carried out by independent personnel at breakfast and dinner service. These surveys provide immediate data which is then analysed with questionnaire data to gauge customer satisfaction.

GUEST SURVEYS IN 2003	
Meliá	53,664
Tryp	32,835
Sol	101,276
TOTAL	187.775

In addition to the previous two methods, hotels also carry out specific guest surveys in areas in which they wish to obtain greater information or on new services. There are also regular visits by Mystery Guests.

In all of its places of work, Sol Meliá organises regular training sessions for its personnel to improve guest services and optimise processes.

In the majority of the Meliá branded hotels a "Serviexpress Guarantee" service has been introduced to further enhance the level of personalised service given to increasingly experienced travellers. Guests at hotels providing the service may use a new telephone hotline to report any problem that arises in their room and are guaranteed to receive a reply from the hotel management in a maximum of fifteen minutes. The hotel also promises to find a solution to the problem within one hour or provide one free night's accommodation.

At the end of the year, the company evaluates the global performance of the Guest Satisfaction Programme in all hotels through the use of an internal audit.

CRM: CUSTOMER RELATIONSHIP MANAGEMENT

In recent years, Sol Meliá has focused heavily on CRM (Customer Relationship Management), a project which has consolidated gains in 2003. CRM has been implemented in Spain, Europe and the Americas, with 90%, 50% and 30% of the sales force now involved, respectively.

The system allows a more personalised treatment of clients and favours both the incoming and outgoing sales functions. CRM systems gradually build up a major client database which assists in increasing efficiency in the sales force and the automation of certain sales functions. The systems allow, for example, the registration of all of the bookings or requests that a customer has made to enable detailed customer profiling. The system is valid both for individual clients and for corporate clients.

Sol Meliá has created a sales structure based around specialisation in certain market segments and account assignment and management in line with the following concepts:

- The professionalisation and automation of sales.
- The globalisation of Sol Meliá sales.
- · Support for customer relations (corporate, travel agencies and individuals).
- · Improvements in internal and external sales force coordination and management.

Sol Meliá uses the system through a set of business, marketing and communications strategies combining with technology with the objective of building a long-lasting relationship with clients and identifying, understanding and satisfying their needs. The system also assists in improving competitive advantages thanks to the differentiation of brands, products, special offers and services.

The company has carried out external audits to validate compliance with Data Protection Legislation and internal regulations and security procedures assure compliance with these and other regulations.



3.4 SOLMELIA.COM: CUSTOMER INTERACTION

To ensure a direct and fluid relationship with clients the company has developed a website: solmelia.com. The site allows rapid publication and diffusion of special offers and promotions directly to potential customers.

At the end of 2002, solmelia.com was available in three languages: Spanish, English and German, and in 2003 this was extended to French, Italian and an American English version. Solmelia.com thus caters to the main language groups of company clients, as well as providing different services and offers to each group. Solmelia.com also provides access to special sections for travel agents and corporate clients adapted to their needs, allowing fast and secure online bookings.

Solmelia.com publishes two monthly newsletters in four languages to send to subscribers, one for special offers and another with greater hotel and travel content. There are also regular special communications and last minute offers for particular customer segments. At the end of 2003, there were more than 222,000 subscribers to the newsletter.



3.5 LOYALTY PROGRAMMES

MaS Programme

In 1993, Sol Meliá began its participation in loyalty programmes by forming part of the Iberia Plus programme. In subsequent years the company extended its participation to other programmes until reaching the current total of twenty airline loyalty partners.

In 1994, after witnessing the numerous benefits of loyalty programmes, including the creation of customer databases to allow regular communication of new hotels or special offers for specific customer types, Sol Meliá decided to create its own loyalty programme to reward frequent guests: the MaS programme.

The MaS card was aimed at providing guests with a more personalised hotel experience and also generate points which could be exchanged for free hotel stays. Guests were also to enjoy additional benefits whenever they stayed at company hotels: free newspapers, priority bookings, express check-in and late check-out, etc. Since then, the number of programme members has never stopped growing, and the programme has also added a long list of partners and additional benefits, amongst them the new VISA MaS card allowing guests to earn even greater numbers of points.

The Sol Meliá website provides a special section for MaS members allowing them to consult their accounts, statements, gift catalogue, etc., all in real time. The website also allows a more direct communication with members through e-mail newsletters announcing the latest offers available at solmelia.com. At the end of 2003, 61,000 members had signed up for the online service.

Club Amigos

The "Club Amigos" programme for travel agents was created by Sol Meliá in 1997 and launched in Germany and Switzerland. After the success of the programme launch, the company extended the programme to Spain, and in 1999 also launched the "Club Amigos" in Portugal, the USA and Canada. In the year 2000, the programme was also launched in Mexico.

In 2001, the Spanish airline Iberia joined as a partner for Club Amigos Spain and the programme was re-launched with a new image. In 2003, the programme became closely involved with the Sol Meliá Community Involvement programme providing members of the Club Amigos and also of the MaS programme the possibility of donating points to the NGOs Intermón Oxfam and New Future.

Sol Meliá loyalty in figures

More than two million people check in to company hotels thanks to a loyalty rewards programme and two out of every five individual guests staying at Sol Meliá hotels present a loyalty card when making their booking through the company central reservation systems. Since 1997, the SolRes central reservation system has seen an increase of 30% in revenues thanks to the booking requests from travel agents following the launch of "Club Amigos" Spain.

When these figures are added to a database of almost 40 million international frequent travellers, almost 550,000 MaS members and 85,000 travel agent members of the "Club Amigos", the extraordinary influence of loyalty rewards programmes on Sol Meliá hotel sales is plain to see.

RESERVATIONS MANAGEMENT: CALL CENTRES AND GDS

Sol Meliá operates four major reservations call centres which handle a major part of the bookings made by customers. The call centres are located in Madrid, Miami, Mexico City and Sao Paulo.

More than 90 staff answered a total of 1,126,000 calls in 2003 and made a total of 331,000 reservations.

The Sol Meliá booking system is also connected to the world's most important Global Distribution Systems (GDS) - Amadeus, Worldspan, Galileo and Sabre - allowing travel agencies all over the world to book a Sol Meliá hotel in realtime. One out of every four bookings made through company systems are made through the GDS.

Meliá Roma Aurelia Antica

MEETING SOL MELIÁ 3.7

Meeting Sol Meliá (MSM) is a new concept which comprises the products, services and company group, conventions, incentives and events sales teams.

Centralised group desks and regional Sales & Marketing teams provide advice on the most appropriate hotels and destinations according to customer requirements. A dynamic and highly-experienced team in the hotels provide personalised responses to each booking request under the most attractive conditions.

MSM develops products and services in the major countries in which Sol Meliá operates, guaranteeing the success of the widest range of different types of event and constantly adapting its operations to the needs of increasingly specialised and discerning clients.

Sol Meliá has selected a number of its Spanish and international hotels best suited to the hosting of events, meetings and incentives, known as the "MSM Hotels". Clients may select their destination, specific location and preferred characteristics and meeting space from a total of 116 hotels all over the world.

The company has also published an exclusive directory of MSM "Selected Destinations" including the most relevant international hotels for major events.

3 8 **ACTIVITIES FOR GUESTS**

In 2003, the Sol Meliá Hotel Activities Department has developed a new concept in hotel entertainment and activities based on current trends in leisure and incorporating the latest technology. An example of the latter are the new Interactive Information Stations, a multimedia information system on including a touch-screen audiovisual presentation of hotel activities. The system has been implemented in 29 hotels in Spain and 2 in the Americas.

The biggest innovation in the Activities Department was the inauguration of the Sol Flintstones hotels after an agreement between Sol Meliá and Warner Bros Consumer Products. In 2003, the Sol Milanos Pingüinos in Menorca and the Sol Mirlos Tordos in Mallorca became the first Sol Flintstones hotels



Gran Meliá Salinas

Some of the other activities and services introduced for guests include:

- Adventure Park: Environmental and camping activities in areas near the hotels including environmental education, mini farms, recycling information, etc., all with the objective of promoting greater contact with the environment for kids. Adventure Parks have been created in some Sol hotels in Spain and Meliá hotels in the Americas.
- Cibercafé: An area in the cafeteria or bar with Internet connection and bar service in more than 40 resort hotels in Spain and 20 resort hotels in the Americas.
- Sport Bar: In six Sol hotels in Spain there is now a service for sports fans in a specially-decorated bar with pool tables, darts, etc.
- Cine Club: Movies, sports events and other popular programmes in a cinema-like setting with Dolby Surround sound and giant screen. This has been set up in 10 Sol hotels in Spain and six Paradisus and Meliá hotels in the Americas.

- Observatory: A select activity with equipment for space observation. This has been implemented in four hotels in Spain: Gran Meliá Salinas, Meliá Tamarindos, Gran Meliá Bahía del Duque and Sol Gorriones.
- . Climbing wall: Three six metre-high walls for people of different levels of climbing ability. This activity is now available in five Sol hotels in Spain, five in the Americas and the Sol Cayo Largo in Cuba.
- . Spinning: In three Sol hotels in Spain and the Paradisus Punta Cana in the Americas.
- · Laser shooting: A type of clay-pigeon shooting by laser with an electronic scoreboard and audio. Up to four people may shoot at the same time. Currently available at the Paradisus Playa Conchal.
- 80 Play Station II units at hotels throughout Spain.

4. Shareholders and investors

In 2003, the Sol Meliá Investor Relations Department carried out a wide range of communication activities with shareholders and potential investors. A number of road shows were held in major European cities including Madrid, Frankfurt, Cologne, Amsterdam, Rotterdam, Brussels, London and Paris, and in major financial centres in the United States and Canada (Chicago, Boston, New York and Toronto).

The road shows are used to inform the market on company performance and provide a vision of how events may affect results. Information is also provided on the partnerships or agreements made during the year both in regard to marketing and distribution and in regard to new hotels and new business units. In 2003, visits were made to more than one hundred institutional investors in Europe and the USA during the following road shows organised by a wide range of financial institutions.

- On 6th. February, 2003 in the Credit Suisse First Boston Lodging Conference.
- On 25th. March, 2003 in the Small & Midcaps seminar organised by Deutsche Bank in Madrid.
- On 7th. and 8th. April, 2003, the company met a dozen Spanish institutional investors in Madrid in a road show organised by Julius Baer.
- On 4th. and 5th. June, 2003, the company took part in a second road show in Madrid organised by ING-Barings.
- On 12th. June, 2003 the company visited institutional investors in Frankfurt and Cologne in a road show organised by Julius Baër in Germany.
- On 19th. and 20th. June, Sol Meliá visited institutional investors in a number of meetings organised by Fortis in Amsterdam, Rotterdam and Brussels.
- · On 25th. and 26th. June, Sol Meliá met a dozen investors in London in a road show organised by Goldman Sachs.



- On 27th. June, 2003, Sol Meliá took part as a speaker in the "Private Placement" seminar organised by JP Morgan in Paris.
- On 16th. September, 2003, Sol Meliá took part in the Goldman Sachs Lodging Conference in which the Vice Chairman, Sebastián Escarrer made a speech before around fifty institutional investors.
- On 17th. September, 2003, a road show was organised with Cazenove in London.
 - The last road show of 2003 was held during the week of 6th. October in the United States and Canada and organised by Julius Bäer.
- On 6th. November, 2003, Sol Meliá took part in the Citigroup Lodging Conference.

INVESTORS' CLUB

In order to provide additional benefits for all of those investors that place their confidence in the company, in 2000 Sol Meliá set up the Sol Meliá Investors' Club.

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

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

Every shareholder member of the Club is also given a card which provides access to a series of benefits in company hotels such as discounts, free newspapers, second person stays free, priority reservations, guaranteed room, etc., depending on the shareholder type: Gold Shareholder, with more than 1,000 shares and holders of the MaS Gold card, and shareholders with less than 1,000 shares with the MaS Blue card

Shareholders with the cards can earn points during their hotel stays that they may later exchange for free hotel stays. At the end of 2003, there were 117 MaS Gold Shareholders and 2,723 MaS Blue Shareholders. Every month they receive a points account statement, every three months an exclusive newsletter with special offers and benefits, and twice a year a newsletter with news on company performance.

The Sol Meliá website at www.solmelia.com has a special Investor Relations section for shareholders which provides full and accessible information on finances and corporate governance. The section is in full compliance with the directives on financial information issued by the Spanish Stock Exchange Commission.

The section contains updated information on quarterly results, issues of securities, financial news, share price, and information from the Annual General Meeting, Board of Directors meeting, etc.

5.1 **PURCHASING POLICY**

The selection of suppliers is primarily dependant on the products or services required for the operation of the business. The first criteria is therefore the ability of suppliers to respond to company needs. The following criteria, however, are also taken into account:

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

In line with general Sol Meliá purchasing policies, the selection of suppliers must also ensure that the benefits for the company are sustainable in the long term, global, measurable and auditable. The Purchasing, Technology and Environment Department is thus responsible for reaching sales agreements with suppliers so that the different company departments and business units may then make their orders from authorised suppliers using the SAP-based purchasing system.

Sol Meliá purchasing procedures also provide another opportunity to analyse their impact on society. Before acquiring any product, a review is made of its origin, raw materials, labour used in its preparation and of whether its price is within accepted fair trade limits.

All products or items sourced from Special Employment Centres are of particular interest to the company, given that such centres provide jobs for disabled people or other people with difficulties in joining the labour market. The Sol Meliá Community Involvement programme is present in all of its activities.

5 2 PURCHASING DEPARTMENT

Sol Meliá manages its purchases through the SAP system in Spain, France, Switzerland, the United Kingdom, Italy, Germany, Belgium, Mexico, the Dominican Republic, Venezuela, and the United States. The data collected and processed in SAP covers 48,630 materials, 5,979 suppliers in 35 countries and 553,660 purchase orders in 2003.

In spite of the enormous amount of internal information, to allow the development of continuous improvement projects, information on new products and suppliers in the market must be constantly updated in the system. Sol Meliá carries out automatic database updates with some suppliers and also provides an e-mail address through which suppliers can contact the company.



6. Infrastructure

6.1 HOTEL NETWORK

ASIA Indonesia Malaysia Vietnam SUBTOTAL 9

Panama	1
Peru	1
United States	1
Uruguay	1
Venezuela	2
CLIBTOTAL	83

MEDITERRANEAN

Egypt	2
Tunisia	11
SUBTOTAL	13

AMERICAS

Argentina	1
Brazil	27
Colombia	7
Costa Rica	4
Cuba	23
Dominican Republic	4
Mexico	11

EUKUPE	

Germany	13
Belgium	1
Croatia	16
Spain	171
France	8
Italy	5
Malta	1
Portugal	8
United Kingdom	1
Switzerland	2
SUBTOTAL	226
TOTAL	331

Hotels opening soon (31.12.03): 12	343

HOTEL RENOVATION 6.2

Sol Meliá continues to invest in the maintenance of its real estate assets, well aware of the importance of such investments to maintain and enhance the competitiveness of hotels.

In 2003, Sol Meliá invested more than 73 million euros in improvements to its real asset portfolio.



Gran Meliá Don Pepe

Amongst the most important improvements were:

- · Renovation of the Gran Meliá Don Pepe with an investment of more than 10 million euros for the full refurbishment of guest rooms and other public areas.
- Full renovation of the Tryp Alameda Aeropuerto with an investment of 7 million euros.
- · An investment of 9 million euros in the renovation of the Meliá Barajas, financed in large part by funds for the project agreed within the purchase of the Tryp chain.
- · Approximate investment of 2.5 million euros in the renovation of the guest rooms, bars and restaurants and a large part of other public areas at the Paradisus Punta Cana.
- · Installation of air-conditioning at the Sol Tordos with an investment of 1.8 million euros.
- Sol Aloha Puerto and Sol Antillas have renovated guest rooms with an investment in both cases of over 1.2 million euros.
- Other important investments have been made at the Sol Príncipe Principito, Meliá Turquesa, Gran Meliá Mexico Reforma, Meliá Caribe Tropical and Gran Meliá Cancun to renovate guest rooms, public areas, restaurants, general facilities and activities areas.

6.3 HOTELS OPENED IN 2003



Meliá Olbia (Sardinia, Italy)

The second Sol Meliá in Sardinia, the Meliá Olbia is located in the Geovillage Resort, a few minutes from the centre of the city and the beaches. The hotel is set in a 14 hectare Mediterranean park with magnificent views over the Gulf of Olbia. A four star superior hotel with 219 rooms and five luxury "Garden Villas" with their own private garden and swimming pool.

Meliá Brasilia (Brasilia, Brazil)

The Meliá Brasilia is the first five star hotel in the Brazil XXI complex, strategically located in the Monumental region between the Television Tower and the City Park, fifty metres away. The hotel provides 270 rooms, a Business Centre, gym, solarium, sauna and outdoor heated swimming pool.

Meliá Cayo Santa María (Cayo Santa María, Cuba)

Sol Meliá has become the first hotel chain to run hotels in the new tourism resort of Cayo Santa María. The Meliá Cayo Santa María is an all inclusive hotel offering the widest range of services. A resort with 360 rooms set in 27 bungalows over 12 hectares of land alongside 387 metres of beach.

Gran Meliá Mofarrej (Sao Paulo, Brazil)

The Gran Meliá Mofarrej has a magnificent location in the heart of the Sao Paulo financial district, very near the most famous and most important avenue in the city and opposite the Siquiera Campos Park, better known as Trianón. 245 rooms and a Presidential Suite as well as 2 restaurants, a lobby bar, outdoor heated swimming pool, Health and Beauty Centre, Business Centre and meeting rooms.



Meliá Olbia



Meliá Cayo Santa María



Gran Meliá Mofarrej



Tryp Frankfurt



Trvp Berne



Tryp León (León, Spain)

Located alongside the new Castilla and León Contemporary Art Museum, the Tryp León offers the comfort of its facilities to all visitors eager to discover the monumental and cultural wealth of the city. 127 rooms and a private car park, meeting rooms for up to 220 guests, lobby and lounge with bar, breakfast buffet and restaurant, cafeteria, gym and sauna.

Tryp Oceanic (Valencia, Spain)

Built to merge its innovative design with that of the City of the Arts and Sciences, the Tryp Oceanic combines both business and leisure in a modern 194-room, four star hotel. An extensive breakfast buffet, an "à la carte" restaurant, a

lobby bar, outdoor swimming pool, Fitness Centre with sauna and sun terrace and a private car park. The hotel also provides more than 250 square metres of meeting space for up to 250 people.

Tryp Berne (Berne, Switzerland)

The Tryp Berne enjoys a magnificent location in the heart of Geneva and only two minutes on foot from Lake Leman. A tour around the picturesque streets of the city or a visit to the Jet d'Eau fountain, a symbol of the city, are ideal options for a day out in Switzerland. The Tryp Berne is a fully renovated hotel with 88 rooms and a breakfast buffet, bar and two meeting and banqueting rooms for up to 80 guests.

Tryp Frankfurt (Frankfurt, Germany)

Germany has also seen a new Sol Meliá added in November 2003. With 186 rooms, the new Tryp Frankfurt is located just a short distance from the city Trade Fair site and very near the A5 and A67 highways. The grand meeting area, Business Centre and excellent Spanish restaurant are a splendid addition to the Tryp hotels already established in Germany.

Tryp Berrini (Sao Paulo. Brazil)

The Tryp Berrini, located in the south of the city in the district of the same name, provides 200 rooms and excellent facilities for meetings in any of its 6 meeting rooms. The hotel also provides a Business Centre, sauna, massage facilities, jacuzzi and Italian restaurant.

Tryp Paulista (Sao Paulo, Brazil)

The Tryp Paulista is located in a new area on the Avenida Paulista, one of the biggest business districts in the whole of South America and also home to great leisure facilities. This four star hotel provides 154 rooms, a Business Centre and 6 meeting rooms.

Tryp Guarulhos (Sao Pualo, Brazil)

Near the Sao Paulo International Airport, the Tryp Guarulhos is an ideal hotel for meetings and conventions of all kinds. With 300 rooms, 2 restaurants, a fitness centre, indoor swimming pool, sauna, jacuzzi and beauty centre, the Tryp Guarulhos is a functional hotel and well-equipped for events in any of its 7 spacious meeting rooms, with capacity for up to 700 guests.

Tryp Jesuino Arruda (Sao Pualo, Brazil)

The four star, 151 roomTryp Jesuino Arruda is located in one of the most sophisticated parts of Sao Paulo, near a business district and shopping malls. The hotel provides several meeting rooms and a sauna, massage and jacuzzi service.

Tryp Campinas (Campinas, Brazil)

The Tryp Campinas is located in the pleasant residential and commercial district of the same name. With 308 rooms, the hotels provides modern, functional and comfortable facilities in the centre of Campinas.



Sol Sharm (Sharm el Sheik, Egypt)

Located in the south of the Egyptian Sinai peninsula, the region of Sharm el Sheikh has become famous worldwide thanks to the magnificent scenery displayed by its coral reefs, a must for scuba divers. In this region the company opened a new four star hotel, the Sol Sharm, with 243 rooms and suites, as well as bars, restaurants, meeting rooms and a wide range of leisure, sports and entertainment facilities for all the family.



Hard Rock Chicago (Chicago, United States)

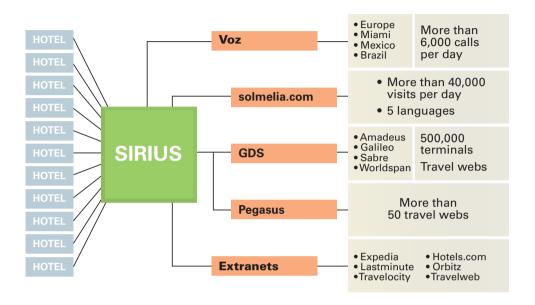
At the end of 2003, Sol Meliá opened the first hotel born of its alliance with the Rank Group, owner of the Hard Rock® brand. The Hard Rock Hotel Chicago, built within the emblematic "Carbide and Carbon Building", enjoys a magnificent location on central Michigan Avenue in Chicago and comprises 40 floors and 384 rooms. The hotel also provides Asian cuisine in its China Bar & Grill, and music in the welcoming Base Bar. The Hard Rock Hotel Chicago also provides 13 spacious meeting rooms for events for up to 320 guests.



Sol Sharm



Hard Rock Hotel Chicago



6.4 MAINTENANCE

The Sol Meliá Works and Maintenance Department is responsible for maintaining the value of the company's real estate assets and employs a team of engineers, architects and other professionals with long and successful careers in hotel maintenance. All maintenance projects are undertaken together with operations management including maintenance in personnel areas, energy systems and the standardisation of technical products and services.

The annual investment in maintenance and improvement of the assets is over 30 million euros. Total investment in renovation for the year reached approximately 73 million euros. All of these resources are used to preserve the company's real estate assets, valued at around 3,300 million euros.

Implementation of the SAP SGM system

In 2003, the SAP system was installed in the Balearic Islands, Canary Islands and Chicago, as well as in Andalusia and hotels on the Spanish east coast. In 2004, the system will be installed in 52 hotels in Spain, the UK, Italy, Venezuela, Puerto Rico, the Dominican Republic and Mexico.

The system allows the analysis of optimum parameters for the most efficient and standardised maintenance management. The efforts made by the company in implementing the system brings important savings in the short, medium and long term and will make it a world leader in the area.

Cost control

In the international energy market, Sol Meliá applies two fundamental principals: the diversification of primary energy sources and suppliers and a rigorous control of energy use on both sides of the Atlantic.

Free markets in electricity and natural gas has allowed energy cost reductions in Spain, thanks to the lower costs after price liberalisation. Sol Meliá is currently amongst the preferred clients of the most important energy suppliers.

Standardisation of maintenance service suppliers

In the area of standardisation of technical products and services several agreements have been signed with maintenance providers with proven technical ability in their fields and with a global presence that allows services to be standardised worldwide.

Technical cooperation with operations departments

Within the Ideal Sol Hotel and Ideal Tryp Hotel projects, benchmarks for energy consumption and energy costs have been established depending on the size and occupancy of each hotel. This has also brought a management system which provides operations managers with valuable data to ensure efficient and competitive management in all hotels and the subsequent optimisation of asset value.

6.5 **TECHNOLOGY**

In the IT field, both in hotels and in corporate offices, the Information Systems Department has made greatest headway in the implementation of SAP, especially in the areas of finance, logistics and human resources. Inter.-company invoicing and the automatic invoicing of MAS Programme points are just two examples of the integration of a range of applications and the automation of processes.

SAP Business Warehouse

The SAP Business Warehouse analytical application provides rapid access to management information, from general company-wide management ratios to operational ratios in each business unit. Operational data may thus be compared to standard ratios for each hotel brand.

Siebel

The Information Systems Department has installed Siebel throughout the company sales organisation, allowing a greater coordination of corporate sales team and hotel-based sales personnel. The system, the leading system in the Customer Relationship Management field, provides the Sol Meliá sales force with support in achieving global company sales objectives.

Sirius

In 2003 there has been greater stability and evolution of the Sol Meliá SIRIUS sales and distribution platform, home to the functionality for the Central Reservation System, tour operator contracting, corporate clients and loyalty programme management.

Technology platform

After a stage of technological renovation, Sol Meliá now enjoys the most advanced infrastructure and products in each field (IBM, SAP, SIEBEL, Advantage Gen, etc). In 2003, not only has the company finalised installation of state-of-the-art technologies, but it has also begun to work on the advanced integration of the different systems to provide a service-oriented information architecture in the medium term.

7. Community involvement

COMMUNITY INVOLVEMENT AT SOL MELIÁ 7 1

ORIGINS

Since its foundation in 1956, Sol Meliá has carried out a large number of projects aimed at assisting in promoting development, working together with NGOs, foundations and other organizations that aim to help people in need.

The main driver of these activities is the experience that the company has gained over many years in the tourism industry, generating wealth, values and employment in all of the countries in which it is present. During the early years, initiatives of this type generally came from Hotel General Managers, as they were the people that had the greatest knowledge about the needs in the areas where hotels were located.

Over time, the company saw that community involvement was more effective when project management was more systematic and projects were seen as an investment rather than an expense. Community involvement thus became a natural component of the value-creation process, integrated within the concept of a socially responsible company, a key factor for the future success of the company.

Sol Meliá therefore defends the idea that community involvement is a duty of the company, and that all companies must strive as best they are able to prevent the enormous inequality that exists in the world. All of the initiatives that Sol Meliá undertakes in this field are framed within the global nature of the business, as a key component of company organization, and as one of the most prominent features of company corporate culture.

In almost fifty years in business, the company has achieved a presence in thirty countries. Many of them are developing countries. As well as being a powerful driver of economic development, the tourism industry is also one of the best means of promoting greater tolerance and understanding



Business and Society Award ceremony 2003-2004. The photo shows, from left to right, the Chairman of Unión Fenosa, Antonio Basagoiti, the Chairman of Grupo Recoletos, Jaime Castellanos, the Vice Chairman of Sol Meliá, Sebastián Escarrer, His Royal Highness the Prince of Asturias, the Chairman of Ibermutuamur, Ramón Boixador, and the Chairman and Managing Director of the Business and Society Foundation, Felipe Oriol and Francisco Abad respectively.

amongst more and less developed nations. Sol Meliá also assists in creating a multiplier effect of tourism in creating greater wealth and development in many areas.

A NEW STIMULUS FOR COMMUNITY INVOLVEMENT

As a first step in reinforcing its community involvement activities, in 1999 Sol Meliá joined the Board of the Business and Society Foundation in order to share experiences in community involvement with other Spanish companies, promote community involvement in the private sector and enjoy the benefit of the consultancy services offered by the foundation to all of its members.

As a second important step in strengthening and improving the management of community involvement projects, in December, 2002 the company approved the Sol Meliá Community Involvement Plan, a document containing nine specific action programmes developed with the assistance of the opinion of more than one thousand company employees through questionnaires.

Finally, a "Monitoring Group" for Community Involvement was created formed by representatives of all of the company Business and Service Divisions. The group meets once a month and, as is the case for all of the company's community involvement activities, is coordinated by the Communication and Institutional Relations Department.

BUSINESS AND SOCIETY AWARD 2003-2004

Sol Meliá has been awarded the Business and Society Award 2003-2004 in recognition of the projects carried out as part the company Community Involvement programme.

The criteria defined by the jury for the Business and Society Awards are based on a number of aspects inspired by the European Foundation for Quality Management Excellence Model, such as management leadership in the design, execution and results of programmes; constant improvement to programme policies, strategies, objectives and plans; the way in which employees are motivated and involved in programmes; the optimisation of the management of resources, considering the possibilities of cooperation with other organisations; the processes which ensure effective management; and the results obtained in the community and in the company.

7.2 COMMUNITY INVOLVEMENT PLAN

PRINCIPLES

The Community Involvement Plan has been created using a method which involves an analysis of the priorities of the hotels and corporate offices, the community involvement projects carried out in the past, the environment, innovative projects, and the opinion of employees.

Community Involvement at Sol Meliá focuses on the principle of "supporting local sustainable development activities in the areas around company facilities, both hotels and corporate offices, attending to the assistance needs of individuals and groups".

The principle aims to emphasize that Sol Meliá community involvement is mainly carried out in those countries in which the company operates, to reinforce the tourism activity that the company helps to generate in thirty countries on four continents and, above all, with the intention of making the best possible use of the resources, services and infrastructure within the company hotel network.

PROGRAMMES

The program in the Community Involvement Plan are divided into five priority programs and four additional programs. All of these programs are also based on the support resources included in the Plan and include such actions as the use of hotel facilities, the donation of used assets and direct sponsorship.

Priority programmes

1. Training and employment:

To promote access to employment for disadvantaged people from the areas around company facilities. Immediate action includes the contracting of disabled people, women victims of domestic violence, as well as offering training around company facilities, preferably to people with educational needs.

2. Purchasing:

To favour purchases from Special Employment Centres (companies whose labour force is made up of at least 70% of disabled people), "Inclusion" Companies (companies whose labour force is made up of people from disadvantaged groups, with difficulties or at risk of exclusion) and from local suppliers. With regard to the latter, supply needs must be analysed with respect to the capacity of local suppliers. The use of local suppliers in a given country focuses on purchases of typical handicrafts, products that are difficult to transport and/or typical food and beverage products that are exclusive to the region.

3. Employees:

To promote community involvement amongst our employees. To create a register of volunteers from hotels and corporate offices willing to assist in development projects.



Community Involvement Monitoring Group meeting at Central Corporate Headquarters



Classroom at the Los Manantiales School, to which the hotel regularly supplies materials, furniture and money raised by collections (Meliá Caribe Tropical).



Contracting of 3 students from the SLBB school for deaf children (Meliá Bali)



Free rooms and sponsorship of the breakfast-conference with Rigoberta Menchu "Women in our times". In the photo, Ms. Menchu appears with the Hotel General Manager, Raul Petraglia (Meliá Los Cabos).

4. NGOs:

To offer services to NGOs at special conditions (discounts, use of meeting rooms, free stays, etc.).

To support charity sports events related to community development.

R Additional programmes

1. Customers:

To promote community involvement amongst our guests and customers. To create systems by which customers may provide funds to assist in company community involvement projects (% per invoice, coin collection, MaS Programme points...). Community involvement projects will be developed in which our guests can take part during their stay, mainly in resort hotels in Caribbean and Asian countries.

2. Accessibility:

To improve access to hotel services for people with mobility difficulties when carrying out renovation programmes.

3. Business forums:

To take part in the most important forums for debate and specialist working groups, defending the idea of tourism as a fundamental source of wealth and development in society.

4. Investors:

To attract investors interested in socially responsible companies through the communication of the activities carried out by the company.

C. Support resources

Defined as means of providing support to programmes to complement the time dedicated by company personnel either in project management or volunteer work. They include:

- 1. To support projects using the general infrastructure of Sol Meliá, analysing the enormous possibilities that exist for providing meeting rooms and other facilities, guest rooms, catering services or phone help lines for community involvement projects.
- 2. Donation of used assets: furnishing, computer equipment, linen, cutlery, bathroom amenities, entertainment materials, excess fresh foods and all unrequired office and hotel equipment.
- 3. To support activities through sponsorship and advertising. To support projects either by directly providing financing or through sponsorship or advertising. To support research, publications and events related with the other programmes.

7.3 COMMUNITY INVOLVEMENT IN FIGURES

RESULTS IN 2003

Projects carried out: 628 NGO's, foundations and organisations benefited: 360 Investment in community involvement projects: 1,153,043 euros Purchases from Special Employment Centres: 3,775,270 euros

NGOs, FOUNDATIONS AND ORGANISATIONS BENEFITED

SPAIN

Accessibility Without Frontiers

ACNUR

Active Education Foundation

Adecco Foundation

Adeje Volunteer Fire-fighters Association

AFIM Foundation (Assistance, training and integration for the disabled)

Alicante Transfusion Centre

Amnesty International

Andalusia Women's Institute

Andalusia Women's Institute (Cualifica 2003 Programme)

Andalusian Federation of Recovering Alcoholics

Andeni Canarias

Anesvad

Angel Santos Ruiz Foundation

APAS Galdós Federation

Ara Parseghian Medical Research Foundation (Arizona)

Arco Iris

Art Life Association for the Disabled

Asaenes Association (Association for relatives of schizophrenics)

ASNIMO (Balearic Islands Down's Syndrome Association)

Association for the Integration of People with Down's Syndrome (AIPSD)

Association of Women with Mastectomies

Balearic Islands Association of Parents of Children with Cancer (ASPANOB)

Balearic Islands Red Cross

Basilica of the Virgen de las Angustias

Beatriz de Suavia Association

Belgian Disabled Association

Benidorm Disabled Association (ASMIBE)

Betel Centre

Blas Infante Association

Brotherhood of Christ of Calvary

Brothers of the White Cross Centre for the Mentally Disabled

Business and Growth Foundation

Business and Society Foundation

Cadiz Multiple Sclerosis Association (AGDEM)

California Highway Patrol Foundation



Donation of free accommodation for children with cancer as part of the "Project Happiness" organised by Sol Meliá and the ABIH (Brazilian Hotel Industry Association) (**Gran Meliá WTC** São Paulo).

Calviá Town Hall

Canary Islands Institute for Blood donation and Chemotherapy

Challenge Association

Chambers of Commerce in Great Britain

Church of Los Mercedarios

City of Joy Foundation

Clarist Sisters of Carrión de los Condes

Club Elsa - New Paths Association

Cordoba Down's Syndrome Association

Council of Mallorca (Night Hospital)

Cuba Foundation

Deixalles Foundation

Doctors without Borders

Dominican Missionary Community of the Sacred Family (Cameroon)

Dominican Sisters of Alcobendas

Don Horione - Down's Syndrome

Double Love Association for the mentally disabled

Double Love Foundation

Down's Syndrome Association

El Temple Children's Refuge

EMAUS

Food Bank

Gijón Charity Association

Gil Gayarre Foundation

Hands Together

Heart & Soul Foundation

Help a Child

Help in Action

Intermón Oxfam

International Catholic Association Feminine Youth Service (ACISJF)

International Trinity Solidarity

Intervida Foundation

IUVE Foundation



Free accommodation for 25 children from Kosovo for 12 days, organised by Club Elsa, the Matthias Künn Foundation and the Bunyola Town Hall (**Sol Jamaica**).

La Familia Voluntary Mission

La Infanta Doña Cristina Integral Treatment Centre for People with Cerebral Paralysis (UPACE)

La Palma Association of Special Children

La Salle de Pon't d'Inca School

La Sapiencia

La Sapiencia Association for the Marginalized

Lanzarote Cultural Association for the Deaf

Le Bal des Papillons

Lions Club

Little Wish Foundation

Los Llanos de Aridane Day Centre

Loyalty Foundation

Make a Wish

Malaga Association Support for Children in Madagascar

Malaga Maternity Hospital

Mallorca Brotherhood of Blood Donors

María Inmaculada Residence

Martes Villena Association

Matthias Künn Foundation

Medicus Mundi

Menorca with Galicia Association

Messengers of Peace

Metropolitan Family Services and Chicago Tribune Charities

Movement for the survival of the disabled and immigrants

Muro Children's Refuge (Council of Mallorca)

National Multiple Sclerosis Association

Nazaret Home

New Future

NGO Benidorm in Action

NGO Land of Men

NGO Mediterránea

Novitiate of Piedras Vivas de Galapagar

ONCE

ONCE Valencia

Padre Damián Home

Pallapupas (Hospital Clowns) Sant Joan de Deu d' Esplugues de Llobregat Hospital

Palma de Mallorca Sisters of the Poor

Palomares del Rio Town Hall

Parish of Guadalmar

Parish of Nuestra Sra. del Mar

Parish of S' Idioteria

Parish of San Egidio

Parish of San Fernando de Maspalomas

Parish of San José de las Longueras

Parish of San Lorenzo (Palma Nova)

Parish of Villa Isabel

Probosco

Project Man - Horizonte (Trayamar Centre, Malaga)

Project Man Foundation

Pureza de María School

Ray Barnett Foundation - Music For Life

Realiza Foundation

Red Cross Blood Bank

Refuge and Intervention Centre for the Homeless (CAIPS-HO)

Regina Mundi Refuge

Rehabilitated Alcoholics Association

REMAR

San Alfonso Social Work School and Home

San José Home

San Pablo Apóstol Missionary Community

San Rafael Hospital Special Education School

Santa Elena Alzheimer Association

Santa Lucía Home

Santa Marca Foundation

Santo Domingo del Real Convent

Save The Children

Seville Association for the Defence of Life

Seville Down's Syndrome Association

Seville Multiple Sclerosis Association

Seville Parkinson's Association (AEPA)

Seville Rotary Club

Sisters of Charity

Sisters of Love Mission (Angola). Love of God School (Cadiz)

Sisters of San Juan de Dios



Free use of meeting room, free buffet and show for the Onlus Down's Syndrome Association (**Tryp Verona**).

Solidarity for Development

Sor Eusebia Charity Centre

South Tenerife Rotary Club

Spanish Anti-Cancer Association (AECC)

Spanish Red Cross

Spanish Wilson's Disease Association

Special Family Education Centre (CEFAES)

Steve Derty

Tenerife Haemophiliacs Association

The British Ladies Association

The Refuge

The Royal British Legion Warwickshire

The Thalians Mental Health Center (Los Angeles)

Three Kings Association

UNICEF

Unicef - Castilla and León Committee

Vicente Ferrer Foundation

Virgin Carmen Association

Vizcaya Multiple Sclerosis Association

White Cross Association

Women's Association for Solidarity with Single Mothers -Marisa Sendón Foundation

UNITED KINGDOM

Breakthrough Breast Cancer

Capital Radio

Children's Hospice Association Scotland

Institute for the Unemployed in Argentina

Irish Solicitors Bar Association

Medical and Defense Dental Union

Princess Alexandra Children's Ward

The Churchill Hospital

The Frank Ellis Unit

UNICEF



Free use of meeting room, free buffet and show for the Onlus Down's Syndrome Association (Tryp Verona).

ITALY

Caritas Ambrosiana

Clarist Missionaries

Fair Commerce "CTM Altromercato"

Italian Coeliacs Association

Italian Down's Syndrome Association

Mamma Rita Orphanage

Milan Spina Bifida Association - Tumour Institute

Onlus Down's Syndrome Association

Santa Rita Orphanage

Special Olympics Italy

ARGENTINA

Tzedaka Foundation

BRAZIL

"Happiness Project": Brazilian Hospitals and the Brazilian Hotel Industry Association

Asistencia Vicentina de Sao Paulo



Party for the children at the Neurology and Neuromuscular Department of the Federal University of Sao Paulo (Tryp Jardins)

_			
(Casa	dΩ	Menino	.lesus

Dinda Project

Dorina Nowill Foundation for the blind.

Dos Meninos Sao Judas Tadeo Institute

Fabiano de Cristo Halfway House

Fortaleza Children's Cancer Hospital

Frei Luis Amigó Infants School

Friends of Good

Friends of Life

Friends of Life Support House Institution

Hijas de Santa Maria de la Providencia Civil Society

Institute for the Development of Social Investment (IDIS)

Integra Foundation

Integrated Equotherapy Centre

Lar Benjamin Orphanage

Lar Torres de Melo

Las Ancianas de Campinas Home

Lyly School

Mão Branca Charity Society

Mão Branca Institution

Maria Carolina Foundation

Maria Madalena Senor Citizens' Home

Mother Teresa of Calcutta

Neurology and Neuromuscular Department of the Federal University of Sao Paulo.

NGO Your dream, my dream

NGO Night Angels

Nossa Senhora da Conceição Home

Paulo VI Project Esperanza- Butantã Association

Sao Vicente de Paula Refuge

Ten Yad

Training Centre for Professional Volunteers (CECIF)

Training for employees

Volunteers in Action (VIA)

COLOMBIA

Bucaramanga Police

Claret Femenino Homes

Cristo Redentor Foundation

Fundewilches

Jesús de Nazareth Home

Paraíso Otoñal Foundation

Parish San Laureano

Parish San Pedro Apóstol

Servir Colombia Foundation

Social Security Institute

Volar Foundation

MEXICO

American School of Puerto Vallarta

Arco Iris Women's Volunteer Association

Big brothers & Big sisters

British American Chamber of Commerce

Cancun Ladies International Club

CECYTE Public School



Donation of used hotel materials to social institutions (Meliá Chicamocha).

Centre for Juvenile Integration

Cerebral Paralysis Support Association (APAC)

Chicago Catholic Schools

City of Joy Foundation

Ciudad de la Alegría Home

Dodgers Dream Foundation

Esperanza Children's Home Foundation

FESAL - Cancun Anahuac University

Friends of the Children

Golden Years Senior Citizens' Club

Health Secretariat

Integral Family Development (DIF)

Julio Alfonso Cipriani Choreographer

La Casita Civil Association

Make a Wish

Mexican Red Cross

Mexican Social Security Institute

Ministries of Love

Motion Picture & Television Fund

National Adult Education Institute

National Civil Protection

Occidente General Hospital

Oscar de la Hoya Foundation

Pacífico Children's Home

Pro-Down's Syndrome Foundation

Pro-Street Kids Foundation

Puerto Vallarta Hotel and Motel Association

Quintana Roo State Health Services

Reach for the Rainbow

Rigoberta Menchu Foundation

San Pablo Apostol Missionary Community

Starkey Hearing Foundation

Subcalifornia Educational Association (Roman Wilkes School)

Teletón Centres for Integral Rehabilitation

UNICEF

Women in Action for Mexico Foundation

World Vision

PERU

Artisan and Cultural Workshop

Disabled Artisans of Lima

Faith and Happiness

Integral Village Development Foundation

International League of Women for Peace and Liberty

Kusi Warma Association

Lima Fire Brigade

Maltese Order (Ladies' Committee)

María Rosario Araoz de Lima Municipal Hostel

Messengers of Peace

Mother Teresa of Calcutta Home in Lima

National Development and Integration Association of Base Huancavelicana

Perez Anibar Orphanage

San Juan de Dios Clinic

San Pablo Missionary Community

Sisters of Charity Home in Lima

Traperos de Emaus



Day in the hotel for children cared for by the Love Foundation and Missionaries of Mother Teresa of Calcutta (Gran Meliá Caracas).



Donation of funds for the renovation of the hygiene facilities (bathrooms and showers) in the village of Kali Malang (Gran Meliá Jakarta).

DOMINICAN REPUBLIC

Club Elsa

Hogares Crea Foundation

Los Manantiales Public School

Meaux Foundation

Padre Billini Hospital

Peña Horeb Christian Ministry for Community Assistance

Senior Citizens' Home

URUGUAY

Repapel

VENEZUELA

Drug-Free Venezuela Alliance

Association of Parents of Exceptional Children (Avepane)

Bandesir (Wheelchair Bank)

Camusdos Home

Corazón de Jesús Home

Love Foundation and Missionaries of Mother Teresa of Calcutta

Unite the World Foundation

Fundana

Wednesday Group

Hospital J.M. de the Rios

National Training Institute (INCE)

INDONESIA

Al-Ikhlas Foundation

Badulu Foundation

Baitulmaal Muammalat(BMM)

Bali Casa Grande Association

Bali International Women's Association

Binasiwi Orphanage

Bremen Overseas Research and Development Association (BORDA)

Budi Bakti Orphanage

Cacat Ganda Orphanage

Canadian Women's Association

Church of Pantekosta Orphanage

Indonesia Red Cross

Jemaat Bukit Doa Church

Kali Malang Foundation

Kamasan Orphanage

Kupu Foundation

Lentera Ilmu School

Mappindo Tourism College

Nurul Ishlah Orphanage

Nurul Yasmin Orphanage

Raudhatul Ulum Orphanage

Rotary Club Bali

Sanglash Hospital

Santa Maria Orphanage

Sayap Ibu Orphanage

SDN 12 School

Sinar Melati Orphanage

SLBB School for deaf children

SMP Negeri Il Tanjung Benoa School

Terora Youth Association

Tunas Harapan Orphanage

Unicef Indonesia

Wiloso Projo Orphanage

Yayasan Khasanah Kebajikan Orphanage

MALAYSIA

Kelang Orphanage

Kiwanis Home

Malaysian AIDS Foundation (MAF)

Old Folk Home Bukit Nenas

Pure Life Society

Selangor Handicapped and Mentally Retarded Children Centre

VIETNAM

Canadian Embassy in Hanoi

Hoa Sua School

National Fund for Vietnamese Children



Fifty children from the Yayasan Khasanah Kebajikan orphanage sang carols for the guests, stayed for dinner and received school bags as a Christmas gift (Gran Meliá Jakarta).



Donation of food and medicine for the people at the Old Folks' Home in Bukit and a day with the residents playing games and singing songs (**Meliá Kuala Lumpur**).

Nguyen Dinh Chieu School

Swiss Embassy

Vietnam Red Cross

7 4 AGREEMENTS WITH FOUNDATIONS

BUSINESS AND SOCIETY FOUNDATION



The mission of the Business and Society Foundation (www.empresaysociedad.org), founded in 1995 and promoted by entrepreneurs and independent professionals, is to promote community involvement in Spanish companies. The Foundation provides advisory services and also carries out research and promotion activities to businesses and society in general.

Sol Meliá defends the idea that companies will play a greater role in society provided they are socially responsible and that, for example, their products and services are accepted by society and apply with all existing legislation, their executives behave with impeccable ethics, they place appropriate importance on the relations with their employees, they are respectful of the natural environment and support the most disadvantaged members of their community.

The Business and Society Foundation is currently formed by more than 65 member companies, leaders in community involvement. Sol Meliá has been a patron of the foundation since 1999 and the Sol Meliá Vice Chairman is also the Vice Chairman of the foundation.

As a patron of the Business and Society Foundation, Sol Meliá, is a company committed to:

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

BUSINESS AND GROWTH FOUNDATION



The mission of the Business and Growth Foundation, of which Sol Meliá is a patron and board member, is to contribute to the economic and social development of developing countries through the creation and growth of their small and mediumsized companies, as an effective contribution of Spanish companies with investments in such countries. The

foundation promotes, using private professional criteria, the constitution, provision and management of funds specifically for the development of small and medium-sized companies in Latin America.

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

ADECCO FOUNDATION



Sol Meliá has signed an agreement with the Adecco Foundation as part of the "Employment and Training" initiatives within the company's

Community Involvement Programme. Sol Meliá has committed to providing employment for disadvantaged groups assisted by the Adecco Foundation such as the disabled, people over 45, and mothers, amongst others. The Adecco Foundation will develop training plans for the people involved in the agreement in cooperation with the Sol Meliá Human Resources Department.

The Adecco Foundation was founded in 1999 with the objective of assisting the disadvantaged in finding employment. The Foundation is supported by the Adecco Group which comprises 7 different companies in Spain specialising in Human Resources with 300 offices all over Spain.



Signature of agreement with the Adecco Foundation for workplace integration projects for the disadvantaged (the disabled, people over 45, ex-sportsmen and women and

"LEALTAD" FOUNDATION



To assist with project management on Sol Meliá Community Involvement Programme, Sol Meliá has signed an agreement with the "Lealtad" Foundation by which the company is committed to promote the Principles of Transparency and

Good Practise amongst company employees and related companies, as well as the "Guide to Transparency and Good Practise in NGOs" edited by the Foundation. Sol Meliá will also cooperate every year with at least one of the organisations audited by the Foundation.

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

The "Lealtad" Foundation was founded in 2001 and is an independent charitable institution that aims to promote confidence in NGOs amongst individuals and corporations. The Foundation operates throughout Spain meeting objectives via a website and the publication of a "Guide to Transparency and Good Practise in NGOs".

BALEARICS PROJECT HOMBRE ASSOCIATION



Well aware of the problems caused by drug addiction and of the prestige earned by the Project Hombre in the

Balearic Islands, as well as the Project Hombre Association throughout Spain, Sol Meliá has signed a number of cooperation agreements with the Association, including:

- · To offer young residents at "Project Joven" the chance of work experience and training with the Engineering Departments at several Sol Meliá hotels in the Balearic Islands.
- · To carry out a workshop on the prevention of addictive behaviour at work as part of the Risk Prevention programme already in place at Sol Meliá.
- · To provide "Project Hombre" with products and services under special conditions at Sol Meliá hotels.

Project Hombre has been working to prevent drug abuse and assist addicts since 1984 and now operates 26 centres in 15 cities in Spain, attending to more than 12,000 addicts every year. In the last 17 years, "Project Hombre" in the Balearic Islands has assisted more than 4,000 people, of which around 25% are now completely recovered and living in the community.



Signature of agreement with Project Hombre in the Balearic Islands and the "Lealtad" Foundation. From left to right, the President of the "Lealtad" Foundation, Ignacio Garralda, the Vice Chairman of Sol Meliá, Sebastián Escarrer, and the Director of Project Hombre in the Balearics, Tomeu Catalá.

7.5 PROJECTS IN 2003

TRAINING AND EMPLOYMENT

SPAIN

Meliá Colón

· Donation of hairdressing material to the Palomares del Río Town Hall for a workshop for the unemployed.

Meliá Sancti Petri

Donation for basic education courses for adults and children of the Virgen del Carmen Association.

Tryp Alameda

· Training and contracting of women victims of domestic violence in collaboration with the Andalusia Women's Institute. Four people received workplace training and two were employed on completion of their training.

Tryp Guadalmar

· Training and contracting of women victims of domestic violence in collaboration with the Andalusia Women's Institute. Four people received workplace training and two were employed on completion of their training.

Tryp Jerez

· Training of women victims of domestic violence in collaboration with the Andalusia Women's Institute (Cualifica Programme 2003).

Corporate Central Headquarters

- · Signature of agreement with the Adecco Foundation to promote the integration in the workplace of the disadvantaged (see section on "Agreements with foundations").
- · Signature of agreement with the Project Hombre Association of the Balearic Islands, including workplace training and integration projects for Association residents (see section on "Agreements with foundations").
- · Donation of ten IBM computers for the "Computer Education and Internet Access for Immigrants" facility set up by the Balearic Islands Red Cross.
- · Donation of three computers to the La Salle School in Pon't d'Inca (Mallorca).

BRAZIL

Gran Meliá WTC São Paulo

· Basic education courses for employees.

Tryp Barra

· Workplace training for youngsters..

INDONESIA

Gran Meliá Jakarta

- · Library and Internet access for employees.
- · Employment and purchase of materials for Mr. Amin, shoe cleaner. Mr. Amin is a 26 year old orphan, married with two children. He has worked in the hotel since 1997 with the permission of hotel management.



Donation of ten IBM computers for the "Computer Education and Internet Access for Immigrants" facility set up by the Balearic Islands Red Cross.



Project with the Calvia Town Hall (Mallorca) to assist women victims of domestic violence, donation of products and services for community involvement projects and workplace training for the disabled



Library and Internet access for employees (Gran Meliá Jakarta)



Grants for workplace training in the hotel for students from the SLBB school for deaf children (Meliá Bali).



Donation of funds for eight students from the SDN 12 school in Nusa Dua, Bali (Meliá Bali)



Free accommodation for a group of local policemer to give courses on road training to employees (Meliá Kuala Lumpur).

Meliá Bali

- · Donation of funds for an educational programme for young Balinese in their last term of university studies at the Casa Grande Bali Association.
- · Education and donation of material with the participation of employees and guests in the Sekolah Luar Biasa B. (SLB-B) School for deaf children. Since 1998, the hotel supervises the educational progress of the children, visiting them once a week, providing food and classes in aerobics, English and art. Guests donate money, clothing and games, and also make regular visits.
- · Donation of funds for eight students in a local school (SDN 12 in Nusa Dua, Bali).
- · Grants for workplace training in the hotel for four students from the SLBB school for deaf children.
- · Grants for workplace training in the hotel for six students from the SLBB school for deaf children.
- · Employment contracts for three students from the SLBB school for deaf children.
- · Grants for workplace training in the hotel for three students from the Mappindo Tourism College.
- · Donation of computer equipment to the SMP Negeri II Tanjung Benoa School.

Meliá Purosani

· English classes three times a week for 50 hotel employees.

Sol Marbella

- · Donation of books to one hundred children at the Raudhatul Ulum orphanage.
- · Donation of books to one hundred children at the Pantekosta Church.

MALAYSIA

Meliá Kuala Lumpur

- · Donation of three computers, educational material and furniture to the Pure Life Society School.
- · Free accommodation for a group of local policemen to give courses on road training to employees.

MÉXICO

Gran Meliá México Reforma

- · Employment for two disabled people through the APAC Association for people with Cerebral Paralysis.
- · Employment for three marginalized youngsters through the Pro Niños de la Calle Foundation.

Meliá Azul Ixtapa

· Purchase of school materials for 13 poor children. "Sponsor a Child" Programme of the DIF Municipal.



Donation of uniforms and toys by hotel employees to the Frei Luis Amigó School (Gran Meliá WTC São Paulo).



Free use of meeting room for the children's party for the Frei Luis Amigó School. The photo shows hotel employees with several of the children (Gran Meliá WTC São Paulo)



Entertainment staff from several Sol Meliá hotels who put on a show for 50 children from the El Temple Children's Refuge (Sol Antillas

Meliá Cozumel and Sol Cabañas del Caribe

· Basic primary and secondary education for hotel employees with the collaboration of the National Adult Education Institute.



Donation of linen by staff through the Deixalles Foundation (Sol Mirlos Tordos).



Entertainment staff from two Sol Meliá hotels visited the children at the Children's Hospital in Malaga to entertain them at Christmas (Sol Don Pedro and Sol Don Pablo).

Meliá Los Cabos

· Basic education courses for 50 employees from the Meliá Los Cabos that were unable to complete primary school for financial or family reasons.

Meliá Puerto Vallarta

· Primary and secondary education courses for 20 employees with the Secretary for Public Education (INEA). Two hours of classes every day.

Meliá Turquesa

· "Education For All" Programme providing basic education for employees wishing to study a range of subjects. Student groups at different levels. In 2003, 17 employees took part.

Paradisus Riviera Cancún

· Primary and secondary education courses for ten hotel employees with the collaboration of the IEAA (State Adult Education Institute).

DOMINICAN REPUBLIC

Meliá Caribe Tropical

- · Reading and writing courses for hotel employees together with the Education Ministry.
- · Donation of computer equipment to the Berón local police and training by hotel technical staff.

VENEZUELA

Gran Meliá Caracas

· Reading and writing courses for hotel employees in collaboration with the INCE (National Education Institute).

Purchasing



Sol Meliá Purchasing Department led by Angel Naveiras (in the centre), responsible for purchases from Special Employment Centres (3,775,270 euros), one of the main features of the Sol Meliá Community Involvement programme.

In 2003, as part of the "Purchasing Programme" contained in the Sol Meliá Community Involvement programme, a large number of products and services were purchased from several Special Employment Centres (companies in which at least 70% of employees are disabled).

The unemployment rate amongst the disabled in Spain currently stands at around 70%, reflecting the clear disadvantages suffered by the disabled in the labour market. Special Employment Centres create permanent positions for the disabled and enjoy a considerable reduction in Social Security expenses.

In 2003, Sol Meliá has increased purchases from Special Employment Centres, making purchases from 18 different companies for a total amount of 3,775,270 euros, making Sol Meliá one of the leading companies in Spain in its purchases from Special Employment Centres.

SPECIAL EMPLOYMENT CENTRE PU	JRCHASES 2003
SEMPRE-VERD	9,683,68
AMADIP-ESMENT	208,577,20
ATAM CEE LAVANDERIAS	898,471,25
ARTESA, S.L.	413,758,79
FLISA ALMERIA LAVANDERIAS	12,562,51
FLISA CATALUÑA LAVANDERIAS	28,612,81
FUNDOSA LAVANDERIAS INDUSTRIALES S.A.	1,634,957,62
LAV. IND. FLISA SEVILLA, S.A.	558,826,35
PILSA (CEEPILSA)	4,846,73
A.E.I.P.M. Iberia Employees Association for Parents of the Disabled	3,242,54
SOPORTE INFORMATICO DE BALEARES, S.L.	931,56
A.I.P.S.D. Menorca (Down's Syndrome Associati	on) 799,84
TOTAL	3,775,270,88

EMPLOYEES

ARGENTINA

Meliá Buenos Aires Boutique Hotel

Fundraising amongst employees for the family of an employee that died days after giving birth to twins. The hotel pays for all of the children's nappies.

BRAZIL

Gran Meliá Mofarrei

· Collection of clothing amongst employees for the Dos Meninos Sao Judas Tadeo Institute.

Gran Meliá WTC Sao Paulo

- · Donation of a basic basket of products every month to the Frei Luis Amigó Children's School.
- · Purchase for the Frei Luis Amigó Children's School of school material and cleaning products by employees with the money earned in bonuses by the housekeeping department.

- · Collection of clothing amongst employees for the Dos Meninos Sao Judas Tadeo Institute.
- · Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.
- · Donation of 40 kilos of food collected by employees at the hotel birthday party to the Frei Luis Amigó Children's School.
- · Donation of funds and books by hotel employees to the Frei Luis Amigó Children's School.
- · Donation of uniforms and toys by hotel employees to the Frei Luis Amigó Children's School.

Meliá Brasilia and Meliá Confort Park

· Collection of food and clothing by hotel employees for the Maria Magdalena Old People's Home.

Meliá Fortaleza

· Donation of blood for the Hospitals in Fortaleza.

Meliá Higienópolis

- · Collection of clothing by hotel employees for the Dos Meninos Sao Judas Tadeo Institute.
- · Collection of clothing and shoes and 10 kilos of food by hotel employees for the Hijas de Santa Maria de la Providencia Civic Society.

Meliá ITC Nova Faria

- · Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.
- · Collection of 135 kilos of food for the Mother Teresa Centre in Calcutta and Crê-Ser.
- · Donation of clothing and food to the Nossa Senhora da Conceição Home.

Meliá Jardim Europe

- · Donation of money by one of the hotel employees to the Dos Meninos Sao Judas Tadeu Institute.
- · Fundraising for the Meninos Sao Judas Tadeu Institute.
- · Donation of food and toys to the Meninos Sao Judas Tadeu Institute.



Entertainment staff from two Sol Meliá hotels visited the children at the Children's Hospital in Malaga to entertain them at Christmas (Sol Don Pedro and Sol Don Pablo)

Meliá Office Park

· Collection of 33 kilos of food, clothing and cleaning products for the Mão Branca Institute.

Tryp Campinas

· Collection of food and cleaning and hygiene products by hotel employees for the Campinas Old People's Home.

Tryp Iguatemi

· Donation of clothing and food for the Paulo VI Project Esperanza- Butantã Association.

Tryp Itaim

· Donation of food and clothing by hotel employees to the Maria Carolina Foundation.



Charity event organised by the Club Elsa. From left to right, Juana Walker, Club Elsa President, José Manuel Navarro, General Manager of the Meliá Galgos, and Carmen Gil, PR for Club Elsa (Meliá Galgos)



Donation of blood by hotel employees (Sol Cala



Donation of lunch and dance and games show performed by entertainment staff of several Sol Meliá hotels for 50 children from the El Temple Children's Refuge. The photo shows the children with the hotel General Manager Juan Cifre (Sol Antillas Barbados)

- · Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.
- · Collection of 2,475 kilos of food, clothing and toys by hotel employees for the Maria Carolina Foundation for Christmas.

Sol Jangada Fortaleza

· Collection of food, hygiene and cleaning products and clothing by hotel employees for the Torres de Melo Home.

Tryp Jardins

· Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.

Tryp Jesuíno Arruda

- · Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.
- · Collection of food, hygiene and cleaning products, clothing, shoes and toys for the Casa de Apoyo Amigos de la Vida Institution.

Tryp Pamplona

· Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.

Tryp Paulista

- · Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.
- · Christmas collection of food, clothing and shoes by hotel employees and donation of trousers to the NGO Ángeles de la Noche.

Tryp Tatuapé

- · Donation of food and clothing by hotel employees to the Lyly School.
- · Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.



Employees from Sol Meliá hotels in Sao Paulo and Brazil corporate headquarters during the performance of the play "Social Responsibility, an idea from another world". The Lyra de Mauá band took part in the play, aided by children from high risk groups.



Donation by employees of food and hygiene products to the Asistencia Vicentina de Sao Paulo Old People's Home (Corporate Headquarters Brazil)



Performance of the play "Social Responsibility, an idea from another world" at the Gran Meliá WTC Sao Paulo for all of the employees of Sol Meliá hotels in Sao Paulo and Brazil Corporate Headquarters.



Donation by employees of food and hygiene products to the Asistencia Vicentina de Sao Paulo Old People's Home (Corporate Headquarters Brazil)



Donation of blood by employees to the Mallorca Blood Donors Association (Sol Mirlos Tordos).

Tryp WTC Brooklin

- · Collection of food and hygiene and cleaning products by hotel employees for Asistencia Vicentina de Sao Paulo.
- · Donation of food and clothing by employees to the Mão Branca Charity Society.

Corporate Headquarters Brazil

- · Collection of clothing for the Dos Meninos Sao Judas Tadeu Institute.
- · Support for the "Toque de Areia" theatre group for their play "Social Responsibility, an idea from another world". The Lyra de Mauá band took part in the play, aided by children from high risk groups. The play was also performed at the Gran Meliá WTC Sao Paulo for all of the employees of Sol Meliá hotels in Sao Paulo and Brazil Corporate Headquarters.
- · Collection of food for the Dos Meninos Sao Judas Tadeu Institute amongst employees from corporate headquarters and hotels during the performance of "Social Responsibility, an idea from another world".
- · Christmas gifts for the Asistencia Vicentina de Sao Paulo Old People's Home organised by the employees at corporate headquarters.
- · Donation by employees of food and hygiene products to the Asistencia Vicentina de Sao Paulo Old People's Home.

COLOMBIA

Meliá Pereira

- · Donation of clothing and hygiene products by hotel employees to the Volar Foundation.
- · Donation of material from the hotel and clothing from

- employees to Hogares Claret Femenino.
- Donation of blood by employees through the Social Security Institute.

SPAIN

Gran Meliá Bahía del Duque

· Donation of blood by hotel employees through the Canary Islands Blood Donors and Chemotherapy Institute.

Gran Meliá Victoria

· Collection of clothing and toys amongst employees for the Deixalles Foundation.

Meliá Almuñecar

· Sale of 100 tickets for the Spanish Red Cross prize draw.

Meliá Barcelona

· Donation of blood by employees through the Red Cross Blood Bank.

Meliá Benidorm

· Sponsorship by hotel employees of three children in Lima (Peru) and Tegucigalpa (Honduras) through the NGO "Ayuda en Acción". A collection box is available in the staff dining room. Suppliers also take part.

Meliá Colón

- · Alcohol-free cocktail demonstration and tasting by hotel employees for members of the Ex-Alcoholics Association.
- Donation of Christmas lunch to the residents of the Regina Mundi Refuge served by hotel personnel.

Meliá de Mar

· Donation of blood by employees through the Mallorca Blood Donors Association.



Donation of computer equipment to the Llar de Menors de Muro Children's Refuge (Sol Antillas Barbados)



Entertainment staff from two Sol Meliá hotels visited the children at the Children's Hospital in Malaga to entertain them at Christmas (Sol Don Pedro and Sol Don Pablo)

· Sponsorship of two children through the Vicente Ferrer Foundation in Anantapur, India and purchase of Christmas cards from the Foundation.

Meliá Palas Atenea and Tryp Bosque

- · Donation of blood by employees and free use of a meeting room for the Mallorca Blood Donors Association.
- · Donation of clothing by employees for the Betel Charity Association.

Meliá Rey Don Jaime

· Sponsorship of two children from Peru by hotel employees through the NGO "Ayuda en Acción".

Meliá Sitges

· Employees sponsor a Peruvian girl through the NGO "Ayuda en Acción".

Sol Antillas Barbados

- · Donation of clothing by hotel employees to the Muro Children's Refuge (Counsel de Mallorca)
- · Donation of blood by employees through the Mallorca Blood Donors Association.
- · Donation by employees of clothing and shoes for the fundraising market organised by Club Elsa.
- · Donation by employees of clothing and toys for the El Temple Children's Refuge in Palma de Mallorca.

· Donation of lunch and dance and games show performed by entertainment staff of several Sol Meliá hotels for 50 children from the El Temple Children's Refuge.

Sol Cala Blanca

- · Donation of clothing by hotel employees to the Deixalles Foundation through the Parish of Palma Nova.
- · Donation of blood by employees through the Mallorca Blood Donors Association.

Sol Costa Blanca

· Sponsorship of two children in Latin America through the Intervida Foundation with the money raised from the coffee machine and private donations by employees.

Sol Don Pedro

· Sponsorship of 5 children by the Kitchens, Restaurant and Reception Departments through the Intervida Foundation.

Sol Don Pedro and Sol Don Pablo

· Entertainment staff from two Sol Meliá hotels visited the children at the Children's Hospital in Malaga to entertain them at Christmas.

Sol Magalluf Park

- · Donation of clothing and shoes by hotel employees to the Martes Villena Association to assist drug addicts.
- · Sale in the hotel of 200 Christmas lottery tickets to benefit the Spanish Anti-Cancer Association.

Sol Mirlos Tordos

- · Donation of linen by employees through the Deixalles Foundation.
- · Donation of blood by employees through the Mallorca Blood Donors Association.

Sol Pelícanos Ocas

- · Collection of clothing for Cáritas through the Parish of Nuestra Señora del Mar.
- · Donation of blood by employees through the Alicante Transfusion Centre.
- · Employees sponsor five children through the NGO "Ayuda en Acción".

Sol Tenerife

- · Remittal of business cards to the terminally ill child Steve Derty who aims to collect the largest number of business cards in the world and appear in the Guinness Book of Records.
- Donation by employees of linen for Senegal, as well as hotel uniforms to the movement for the survival of the disabled and immigrants.

Tryp Apolo and Tryp Presidente

· During the Sant Jordi party, the money used to purchase roses for female guests and employees in 2002 was donated to Intermón Oxfam for projects in Iraq.

Tryp Azafata

· Collection of mobile phones to improve the quality of life of a disabled child. A mobile phone recycling company then paid for the child's treatment.



Collection of clothing and toys amongst the more than 500 employees at Corporate Central Headquarters through the Deixalles Foundation.

Tryp Guadalmar

· Collection of medicine amongst hotel employees for developing countries.

Tryp Port Cambrils

· Sponsorship of 3 children in India by hotel employees through the Vicente Ferrer Foundation.

Tryp Rey Pelayo

- · Sponsorship of two children by hotel employees through the NGO Ayuda en Acción.
- · Delivery of toys by employees to the Hogar San José School.

Corporate Central Headquarters

- · Donation of blood by employees through the Mallorca Blood Donors Association.
- · Collection of clothing and toys amongst the more than 500 employees at Corporate Central Headquarters through the Deixalles Foundation.
- · Five training courses in Community Involvement Management for Quality Managers in Madrid, southern Spain, the Balearic Islands, the Canary Islands and human resources staff from Croatia, Germany, Italy and Switzerland.

Corporate Central Headquarters and Madrid Corporate Offices

· Donation of five computers and funds to the Hospital San Rafael Special School in Madrid. Employees made donations.

INDONESIA

Gran Meliá Jakarta

- · Donation of blood by employees through the Indonesia Red Cross.
- · Donation of clothing from employees and the hotel to the Parish of San Matías.
- · Fundraising for the Indonesia Red Cross by employees and their families.
- · Donations after the fire in Karet Tengsin organised by the "Al Hiirah" Muslim Committee in the hotel.
- · Assistance for the victims of the terrorist attack on 5th. August at the JW Marriott Hotel in Jakarta in which 12 people died and 147 were injured.
- · Breakfast and donation of funds and clothing for disadvantaged families in the Muslim community in Kampung Tengah. Project organise by employees on the hotel community involvement "Al Hijrah" Muslim Committee.

Meliá Purosani

- · Donation of funds by the hotel Muslim group for disadvantaged people in Nanggulan, Yogyakarta
- · Visits to seven different orphanages throughout the year in which employees donate hotel material and funds. The orphanages visited were Wiloso Projo, Binasiwi, Budi Bakti, Cacat Ganda, Sayap Ibu, Santa María and Sayap Ibu.



Hotel employees donate blood (Gran Meliá Jakarta)



Community Involvement Committee at the Meliá Purosani hotel in Indonesia



Cookery classes given by hotel employees at the SLBB School for deaf children (Meliá Bali)



Donation of computer equipment to the local police in Berón and training by hotel technical staff (Meliá Caribe Tropical).



Donation of clothing and toys by hotel employees to the Pro Desarrollo e Integración Nacional Association from Base Huancavelicana (Meliá Lima).

- · Donation of funds from the hotel Muslim group for the local Lentera Ilmu School.
- · Donation of blood by 10 employees through the Indonesia Red Cross.

Sol Marbella

· Donation of blood by employees through the Indonesia Red Cross.

ITALY

Meliá Milano

· Employees raise funds through a prize draw for the construction of the "Il Ponte" training centre at the Santa Rita Orphanage (Milan)

- · Employees receive a 15.50 euro voucher on their birthday to spend in "CTM Altromercato" Ethical Commerce stores selling products made in the developing world through "Botteghe del Mondo" shops.
- · Sponsorship of a little girl named Maaca from Eritrea through a collection organised by hotel employees. The funds will pay for the child's education in a Clarisas mission for 5 years. The hotel makes 50% of the donation.
- · Collection of clothing and shoes to donate to Caritas Ambrosiana amongst hotel employees and local companies, installing a collection point in the hotel.
- · Invitation to lunch for 70 children and tutors from the Mamma Rita orphanage. Hotel employees prepared Christmas decorations for the visit.

Tryp Verona

· Collection amongst employees during the Christmas dinner to raise funds for the family of an employee that died in December.



Sponsorship of a little girl named Maaca from Eritrea through a collection organised by hotel employees. The photo shows Donata Micolitty, Community Involvement Coordinator. (Meliá Milano)

MALAYSIA

Meliá Kuala Lumpur

- · Donation of food and medicine for the Old Folk Home in Bukit and a day of songs and games with the residents.
- · Donation of food for 150 people, school books, rucksacks and pencils for 60 children from the Orang Asli Community that lives off meagre resources in the jungle. The project and the transport of all the material was carried out by heads of department and several hotel employees, crossing the Pahang jungle mountains.
- · Donation for the Grand Duck Race, a fundraising sports event for the Kiwanis Home for mentally disabled children. Hotel executives cooked during the race and sold lunches to raise funds for the home.

MEXICO

Gran Meliá Cancun

· Collection of clothing by hotel employees for the Casa Hogar Ciudad de la Alegría.

Gran Meliá Mexico Reforma

· The members of the hotel Executive Committee sponsor a child through the NGO "Visión Mundial". For every employee or group of employees that sponsor a child, the hotel sponsors another child.

Meliá Los Cabos

- · Holding of a prize draw to buy toys for the children of poorer employees.
- · Donation of hotel items to employees whose houses were damaged by Hurricane Martín.

Meliá Puerto Vallarta

· Donation to the family of an employee that died and collection amongst employees.

Meliá San Lucas

· Donation of a mattress and sheets to a hotel employee whose home was damaged by a fire.

Meliá Turquesa

- · Participation by hotel entertainment staff in an event in the "Los Años Dorados" Old People's Home.
- · Collection of clothing and food amongst hotel employees to donate to the Casa Hogar Ciudad de La Alegría, Hogar de Cobija and Pan.
- · Collection of funds amongst employees and the company to pay for an operation to restore the sight of the son of a hotel employee.

PFRU

Meliá Lima

- · Donation of clothing and toys by hotel employees to the Pro Desarrollo e Integración Nacional Association in Base Huancavelicana (APDIN Peru).
- · Donation by every employee of a litre of milk, a bar of chocolate and a kilo of sugar for a fundraising event organised by the International League of Women for Peace and Freedom for the children in Huachipa.

DOMINICAN REPUBLIC

Meliá Caribe Tropical

· Sale of obsolete hotel materials amongst employees to raise funds for the construction of classrooms in the Los Manantiales Public School. Employees promote the event in all of the departments.

VENEZUELA

Gran Meliá Caracas

- · Donation of lunch for 25 volunteers from the NGO Alianza para una Venezuela Sin Drogas. A group of employees took part as volunteers in the fundraising day.
- · Collection by employees to buy a nebuliser for the children with respiratory problems at the Hospital J.M. de the Ríos. Employees from the hotel visited the hospital and donated toys.

VIETNAM

Meliá Hanoi

- · Party for employees' children.
- · Donation of food for the "Moon Festival" to the Nguyen Dinh Chieu School for blind children. Several hotel employees took part.
- · Participation of employees in a fundraising athletics event organised by the Canadian Embassy and donation of food.



Collection by employees to buy a nebuliser for the children with respiratory problems at the Hospital J.M. de the Ríos. Employees from the hotel visited the hospital and donated toys (Gran Meliá Caracas).



Donation of funds for children from Danang in the Xin Chao fundraising event (Meliá Hanoi).

NGOs, FOUNDATIONS, SOCIAL **ORGANISATIONS AND ASSISTANCE CENTRES**

ARGENTINA

Meliá Buenos Aires Boutique Hotel

· Donation to the Tzedaka Foundation.

BRAZIL

Gran Meliá Mofarrei

- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Party for 21 children from the Lar Benjamín orphanage.

Gran Meliá WTC Sao Paulo

- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Donation of carpets for the Frei Luis Amigó Children's School.
- · Free use of meeting room for two days for the NGO "Your dream, my dream"
- · Free use of meeting room for a party for the children from the Frei Luis Amigó Children's School.

Meliá Brasilia and Meliá Confort Park

· Free use of meeting room and food for children from the Integra Foundation School every Saturday of the year.

Meliá Fortaleza

· Donation of material to the Fortaleza Children's Cancer Hospital.

Meliá Higienópolis

- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Free use of meeting room for the NGO Ten Yad.
- · Free use of meeting room for the first State Meeting of Adoption Associations and Support Groups.
- · Free use of meeting room for CECIF, a training centre for training volunteers.
- · Free use of meeting room for the "Fabiano de Cristo" Halfway House.

Meliá ITC Nova Faria Lima

· Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).

Meliá Jardim Europe

· Donation of free accommodation for children with cancer

- for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Donation of free accommodation and meeting room to IDIS – Institute for the Development of Social Investment.
- · Party in the hotel for 35 children from the Meninos Sao Judas Tadeu Institute.

Meliá Office Park

· Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).

Trvp Barra

· Discount on accommodation for 115 volunteers from VIA (Volunteers in Action), a training school for voluntary workers.

Tryp Berrini

- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Donation of free accommodation for organisers of the fundraising event by the Centro Integrado de Equoterapia.

Tryp Iquatemi

 Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).

Tryp Itaim

· Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).

Sol Jangada Fortaleza

- · Donation of hotel utensils to the Casa do Menino Jesús.
- · Donation of material to the Fortaleza Children's Cancer Hospital.

Tryp Itaim

· Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).



Collection of clothing by employees for the Dos Meninos Sao Judas Tadeu Institute (Corporate Headquarters Brazil)).

Tryp Jardins

- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Party for the children in the Neurology and Neuromuscular Department at the Sao Paulo Federal University.

Tryp Jesuíno Arruda

- · Parties for the children from "Amigos de la Vida" (children with the AIDS virus).
- · Free use of meeting room for the NGO "Your dream, my dream".

Tryp Pamplona

- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Donation of telephone guides for the blind to the Dorina Nowill Foundation.
- · Donation of hotel utensils to the Sao Vicente de Paula Refuge.

Trvp Paulista

- · Donation of free accommodation for an employee of the company Transmissão Paulista for making the biggest contribution in a collection of clothing.
- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).

Tryp Tatuapé

- · Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).
- · Party for the children from the NGO Project Dinda.
- · Donation of 20 tickets to a theatre performance for the children from the Lyly School.
- · Free use of meeting room for the NGO Amigos do Bem.

Tryp WTC Brooklin

· Donation of free accommodation for children with cancer for the "Project Felicidad": Hospitals of Brazil with the ABIH (Brazilian Hotel Industry Association).

CUBA

Meliá Cohiba and Meliá Santiago de Cuba

· Donation of free accommodation for volunteers from the NGO Mediterránea.

SPAIN

Gran Meliá Bahía del Duque

· Donation of food once a month to the Centre for the Mentally Disabled of the Brothers of the White Cross



Free meeting room for the press conference of Intermón Oxfam. Presentation of the report "The Reality of Development Assistance". In the photo, the Managing Director of Intermón Oxfam, Ignasi Carreras (Meliá Madrid Princesa)

- · Donation of gym equipment to the youth group at the Parish of Villa Isabel.
- · Donation to humanitarian projects for the Tenerife South Rotary Club
- · Donation of food and drinks for the annual fundraising party for the Adeje Voluntary Fire-fighters Association.

Gran Meliá Don Pepe

- · Donation of three nights of free accommodation for the fundraising event organised by the NGO Heart & Soul Foundation.
- · Donation of two nights of free accommodation to the NGO California Highway Patrol Foundation.
- · Donation of one week of free accommodation for two people in a prize draw for Iraqi children organised by the British Chamber of Commerce.
- · Donation of free accommodation for two people to the NGO Ara Parseghian Medical Research Foundation (Arizona).
- · Donation of two nights of free accommodation to the NGOs Metropolitan Family Services and Chicago Tribune Charities
- · Donation of three nights free accommodation for a fundraising dinner at the Ritz Carlton Hotel in Laguna. Project for children and women victims of violence in Los Angeles.
- · Donation of five nights free accommodation for a prize draw at a fundraising golf tournament at the Club de Campo Laukariz to support the Vizcaya Multiple Sclerosis Association.
- · Donation of hotel material to the NGO Project Hombre -Horizonte (Trayamar Centre, Malaga).
- · Donation of three nights free accommodation for a prize draw at the fundraising dinner and dance held at the Century Plaza Hotel for the Thalians Mental Health Center (Los Angeles).
- · Discounts on a fundraising dinner for Solidaridad Internacional Trinitaria to raise funds for Sudan.

· Donation of two nights free accommodation for a prize draw at the fundraising dinner and dance Charlecot Park Poppy Ball to support the Royal British Legion Warwickshire.

Gran Meliá Fénix

- · Free use of hotel lobby space for a stand for the AECC (Spanish Anti-Cancer Association).
- · Donation of 50 meals per week and hotel personnel for the Madrid Rotary Club in support of the Santa Marca Foundation (to assist orphans and children from oneparent families).
- · Free use of meeting room and free dinner for the fundraising award ceremony for "Jóvenes Promesas" organised by Project Hombre.
- · Donation of food for volunteers at the fundraising market organised by the NGO Nuevo Futuro.

Gran Meliá Fénix, Meliá Galgos, Meliá Madrid Princesa, TRYP Cibeles, Tryp Ambassador and Tryp Atocha.

· Donation of soap for the African children that took part in the fundraising concert held in Madrid by the Foundation Ray Barnett - Music For Life.

Gran Meliá Victoria

· Donation of food to the social assistance programmes of the Mercedarios Church.

Meliá Alicante

- · Donation of free accommodation and hydrotherapy session in the hotel wellness centre for the fundraising dinner for the 50th. anniversary of the AECC.
- · Donation to the Vicente Ferrer Foundation.
- · Donation of furniture to the NGO Remar.
- · Sponsorship of a fundraising book by the NGO "Ayudemos a un niño".
- · Donation of free accommodation for guests at the fundraising market organised by Nuevo Futuro.

Meliá Almuñecar

· Discounts on cocktails and free use of meeting room for a fundraising event organised by the Women's Association for Solidarity with Single Mothers - Marisa Sendón Foundation.

Meliá Atlanterra

- · Donation of beds to the Spanish Red Cross for the centres for immigrants in Puerto Real, Puerto de Santa María, Jerez and Cadiz, as well as for the San Fernando Old People's Home.
- · Donation of food for Red Cross volunteers.

Meliá Barajas

· Free use of a triple room for the Pequeño Deseo Foundation for María, a child with leukaemia travelling with her family to Eurodisney as a guest of the Foundation.

Meliá Barcelona

- · Donation of clothing to Cáritas with the collaboration of the Barcelona Hotel Association.
- · Donation of free accommodation for a prize draw at a benefit dinner for the National Anti-Cancer Association.
- · Donation of funds to the NGO Pallapupas (Hospital Clowns). Hospital Sant Joan de Deu d' Esplugues de Llobregat.



Donation of X-ray equipment from hotel medical services to a rural hospital in Mlale (Malawi) through the NGO Arco Iris (Meliá Lebreros)

- · Donation of liquid soap from the hotel to Spanish Caritas.
- · Free meeting room for an internal meeting of the Vicente Ferrer Foundation.
- · Donation of 20 kilos of omelettes to the Food Bank of Las Hermanitas de the Caridad.
- · Free use of meeting room and discounts on cocktails for the NGO Malagasy Association to assist children in Madagascar.
- · Donation of 420 pillows a Caritas.

Meliá Benidorm

- · Donation of uniforms for developing countries through the NGO Benidorm en Marcha.
- · Free use of a triple room for the Pequeño Deseo Foundation for Lucía, a child with a degenerative illness of the nervous system, whose dream was to see dolphins at the Mundo Mar Park in Benidorm.
- · Free use of meeting room and donation of free accommodation for a prize draw and discounts on dinner for the Benidorm Disabled Association (ASMIBE).

Meliá Cáceres Boutique Hotel

· Donation of crockery and gel to social centres run by ACISJF (Asoc. Católica Internacional Servicio Juventud Femenina) and to the Hermanitas de los Pobres (Old People's Home).

Meliá Castilla

- · Free accommodation for the sixth Festival Flamenco for the NGO Solidarios para el Desarrollo.
- · Donation from the hotel and lunch for 250 people for the fundraising market organised by Nuevo Futuro.
- · Free use of hotel space for a collection stand for the Spanish Red Cross.
- · Lunch for a meeting of the Spanish Red Cross.
- · Donation of sheets and soap to the Hermanas Clarisas de Carrión de los Condes, Don Horione Down's Syndrome, Hermanas de San Juan de Dios, Hermanas de la Caridad, Hermanas Dominicas de Alcobendas and the Hogar de Nazaret.

Meliá Colón

- · Donation of food for the fundraising market organised by the NGO Nuevo Futuro.
- · Free use of hotel space for a stand for the AECC (Spanish Anti-Cancer Association).
- · Donation of food for the fundraising event organised by the Seville Autism Association.
- · Free use of hotel space for a stand for the Santa Elena Alzheimer Association.
- · Free use of hotel space for a stand for the Seville Association in defence of life.
- · Donation of televisions to Cáritas in Ecija.
- · Free use of hotel space for a stand for the Seville Multiple Sclerosis Association.
- · Donation of free accommodation for a prize draw for the Hermandad Cristo del Calvario.

Meliá Cordoba

- · Donation of food and meeting room for lunch for children with Down's Syndrome at Christmas.
- · Charity cocktail party for missions in Cochamba (Colombia) and Kenya, and donation of rooms for missionaries and organisers of the Mission Community of San Pablo (Nuevos Caminos Association). Club Elsa.
- · Free accommodation for bullfighters taking part in the Charity Bullfighting Event organised by the Spanish Anti-Cancer Association.
- · Discount for a benefit dinner for the Pluridiscapacitados Arte Vida Association to fund a centre for the disabled in Argamasilla (Cordoba).

Meliá de Mar

· Two days free accommodation for community involvement coordinators from the Parish of Sant Josep del Terme in Palma de Mallorca.

Meliá Galgos

· Donation of meals to the Albergue Obra Social de San Alfonso School through the Madrid Rotary Club and the Madrid Hotel Federation.

- · Donation of benefit cocktail party for the Club Elsa -Nuevos Caminos Association.
- · Donation of clothing to the San Isidro Refuge through the Madrid Rotary Club.
- · Donation of materials to the Santo Domingo del Real Convent.
- · Donation of material for the Mensajeros de la Paz Refuges in Fuenlabrada.
- · Donation of material for the San Isidro Refuge through the Rotary Club.
- · Donation of material to the Noviciado de Piedras Vivas de Galapagar, Hijas de Santa María del Corazón de Jesús (Madrid)
- · Free use of meeting room and six cocktails for the "Second Edition of the Indian Bazaar" organised by the Ciudad de La Alegría Foundation.
- · Donation of free accommodation for disabled children and their families visiting Madrid to see a Real Madrid match through the NGO Make a Wish.
- · Free meeting room for a fundraising market for the Realiza Foundation and donation of aperitifs for a fundraising event.

Meliá Horus Zamora Boutique Hotel

· Donation of sandwiches to the "Operación Bocata" organised by Manos Unidas in support of a project to equip a nursery for children of working mothers in Bolivia.

Meliá Las Claras

· Discount for a dinner for the Salamanca Rotary Club in support of the "Beatriz de Suavia" Association.

Meliá Lebreros

- · Free use of meeting rooms for one week for the "Seville Flea Market" organised by the Nuevo Futuro Foundation.
- · Donation of X-ray equipment from hotel medical services to a rural hospital in Mlale (Malawi) through the NGO Arco Iris.

Meliá Madrid Princesa

Donation of food to the Albergue Obra Social de San Alfonso School coordinated by the Madrid Hotel Federation and Madrid Rotary Club.



"Sol Meliá Menorca Solidarity Award" to the AIPSD (Association for the Integration of People with Down's Syndrome) and invitation to lunch for all members and their families (Sol Menorca, Sol Gavilanes, Sol Falco and Sol Milanos Pingüinos).



Free use of a meeting room for a meeting of 120 Red Cross volunteers for the "Fiesta de la banderita" (Tryp Ambassador).



Donation of meeting room and cocktail party for 150 people for a fundraising art exhibition for the "Holidays in Mallorca" project for children from Kosovo. Organised by the Club Elsa and the Matthias Künn Foundation (Tryp Bellver).

- · Free meeting room for the Intermón Oxfam press conference. Presentation of the report "The Reality of Development Assistance.
- · Donation of 20 paellas for the fundraising market for the NGO Nuevo Futuro.

Meliá Marbella Dinamar

- · Sponsorship of a child, Gul Bhar, from Pakistan through Ayuda en Acción.
- · Donation of mattress covers and blankets to Project Hombre.

Meliá María Pita

- · Donation of mattresses to the Reto de la Esperanza Centre, the Obra de la Señora, the Santa Lucía Home and to the Sor Eusebia Centre.
- · Free use of hotel space for fundraising event organised by the Antiquarian Association of La Coruña to raise funds for the AECC, Spanish Red Cross, UNICEF and Cáritas.

Meliá Olid

- · Free use of three meeting rooms for bathrobe fashion parade for women that had had breast cancer operations organised by the Association of Women with Mastectomies.
- · Free use of meeting rooms for the Annual Provincial Assembly of AECC.
- · Free use of meeting room a meeting of the board of the Red Cross (Valladolid delegation).

Meliá Palas Atenea

- · Free use of meeting room and cocktail buffet for 150 people from Club Elsa - Nuevos Caminos Association.
- · Donation of food to a disabled group from Belgium.

Meliá Puerto de la Cruz

- · Donation of food for fundraising dinner for ANDENI Canarias.
- · Donation of food for fundraising event for the Pureza de María School.
- · Donation of food for fundraising dinner for the Lions Club to raise funds for social work in the Orotava Valley.
- · Donation of food for the fundraising market for Probosco (Therapeutic Centre).
- · Donation of free accommodation for prize draw to raise funds for the Dominican Missionary Community of the Sagrada Familia in Cameroon.
- · Donation of food for fundraising dinner for the Lions Club and Red Cross.
- · Donation of food for fundraising dinner for Caritas to raise funds for the María Blanca Refuge.
- · Donation of food for the fundraising market for Nuevo Futuro.

Meliá Rey Don Jaime

· Free use of triple room for the Pequeño Deseo Foundation for Irati and her parents. Irati, recovering from leukaemia, went to the world motorcycling championships thanks to the foundation.



Free use of meeting room for press conference and cocktail for 30 people for the promotion of the programme "One kilo of help" by the luve Foundation (Tryp Cibeles).

- · Discount of 50% on aperitifs for an event by the Pequeño Deseo Foundation.
- · Discount on free accommodation for Foundation members.

Meliá Sancti Petri

- · Donation for the Blas Infante Association for the training of senior citizens by the Housekeeping Department.
- · Delivery of print cartridges to UNICEF humanitarian aid programmes.
- · Donation of food for Red Cross personnel and fire-fighters on duty on New Year's Eve.

Meliá Sevilla

- · Discount for dinner for 200 people for the Parkinson's Association of Seville.
- · Discount for fundraising dinner for 350 people from the Seville Rotary Club to raise funds for the "Cristo del Buen Fin" Centre.
- · Discount for fundraising dinner for 300 people to raise funds for the Seville Down's Syndrome Association.

Meliá Sitges

- · Donation of 50 chairs to the Ángel Santos Ruiz Foundation.
- · Daily donation of food for the public dining room run by the Ángel Santos Ruiz Foundation.

Meliá Tamarindos

- · Dining room service for CAIPSHO (Refuge for the homeless) for 2 weeks every year.
- · Donation for social projects by the Parish of San José de las Longueras.
- · Donation of food to the Parish de San Fernando for homeless people.



Free accommodation for performers at the fundraising concert for the 25th anniversary of the Spanish branch of Amnesty International (Trvp Barcelona Aeropuerto)

- · Donation to the Red Cross for Security and Safety Plan for the beach.
- · Donation of six free stays for people with disabilities for a project by the Villa de San Bartolomé de Tirajana Town Hall for European Year of the Disabled. In cooperation with Accesibilidad Sin Fronteras.

Meliá Zaragoza

- · Free use of meeting rooms for the board of UNICEF in Aragon.
- · Free meeting room for press conference by UNICEF
- · Donation of food for fundraising event by the Zaragoza Down's Syndrome Association.

Sol Antillas Barbados

- · Donation of mattresses to the Cuba Foundation.
- · Donation of computer material for the adolescents refuge Llar de Menors de Muro (Counsel de Mallorca).
- · Donation of food for fundraising dinner by Club Elsa.
- · Discount on lunch and free use of meeting room for ASNI-MO (Balearic Islands Downs Syndrome Association).

Sol Antillas Barbados and Sol Cala Blanca

· Refuge for women victims of domestic violence, donation of services and products for community involvement projects and workplace training for disabled people. Project covered by an agreement with the Calvia Town Hall (Mallorca).

Sol Balmoral

· Donation of furniture, mattresses and bed bases to the Cuba Foundation.

Sol Cala Blanca

- · Free use of the swimming pool, lunch and rooms for 10 abused children staying at a children's refuge.
- · Discount on lunch for the Parish of San Lorenzo (Palma
- · Donation of food for fundraising dinner by Club Elsa.

Sol Costa Blanca

- · Donation of food for lunch by the Doble Amor Foundation.
- · Collaboration with the Pequeño Deseo Foundation with Steve Derty, a child aiming to get into the Guinness Book of Records for collecting the most business cards.

Sol Don Pablo

- · Donation of 10 meals for the Gala Dinner by the Spanish Multiple Sclerosis Association.
- · Free use of meeting room and donation of 90 chickens for fundraising event by the Lions Club.
- · Free use of meeting rooms and discounts on accommodation for the Annual Assembly of the Andalusian Federation for recovering alcoholics.

Sol Jamaica

- · Donation of food for fundraising event for Club Elsa.
- · Free accommodation for 25 children from Kosovo for 12 days, organised by Club Elsa, the Matthias Künn Foundation and the Town Hall of Bunyola.

Sol Jamaica and Sol Trinidad

Donation of mattresses and dining tables to the Cuba Foundation.

Sol La Palma

- · Donation of hotel material to the Llanos de Aridane Day Centre.
- · Donation of free weekend accommodation for a prize draw at a fundraising dinner for the Tenerife Haemophiliacs Association.

Sol Lanzarote

- · Donation of clothing left by guests to Cáritas.
- · Day at the hotel and lunch for 40 people for the Lanzarote Cultural Association for the Deaf.

Sol Mastines Chihuahuas

· Donation of mattresses and bed bases for a senior citizens' home in Cuba through the Cuba Foundation.

Sol Menorca, Sol Gavilanes, Sol Falcó

and Sol Milanos Pingüinos

- · Donation of free accommodation for the "Menorca with Galicia" Association after the Prestige oil tanker catastrophe.
- · "Sol Meliá Menorca Solidarity Award" for AIPSD (Association for the Integration of People with Down's Syndrome) and invitation to lunch for all members and their families.

Sol Magalluf Park

- · Donation of beds and mattresses to the Balearic Islands Red Cross, the Counsel de Mallorca (Hospital Nit)and the Balearic Island Cuba Foundation.
- · Discount on lunch to the La Sapiencia Association (Hospital de Nit). Casa Ca'n Palerm.
- · Donation of food for fundraising market for Club Elsa.
- · Free use of meeting room for free bone tests for women over 40, coordinated by the Palmanova Magalluf Hotel Association.



Donation of free accommodation for a fundraising dinner organised by the Spanish Chamber of Commerce for the UNICEF Iraq fund (Meliá White House).

- · Donation of food for fundraising event for Club Elsa.
- · Free use of meeting room for donation of blood in the hotel district, organised by the Mallorca Blood Donors Association.

Sol Milanos Pingüinos

· Invitation to a day in the hotel for 19 children from the Padre Damián home.

Sol Mirlos Tordos

- · Donation of mattresses, chairs and bed bases to the Cuba Foundation.
- · Donation of food for fundraising event by Club Elsa.
- · Breakfast for a group of children from Kosovo with Fred Flintstone. Organised by Club Elsa and the Matthias Künn Foundation.

Sol Pelícanos Ocas

- · Donation of material a Meaux.
- · Donation of food for fundraising party for the "Doble Amor" Association for the mentally disabled.

Sol Princesa Dacil

· Daily lunch for 15 people at the Red Cross refuge.

Sol Tenerife

· Donation of lunch and dinner once a month for the centre for the mentally disabled of the Cruz Blanca Association.

Sol Trinidad

- · Donation of terrace tables and chairs to the Cuba Foundation.
- · Donation of food for fundraising event by Club Elsa.

Tryp Alameda Aeropuerto

· Donation of free accommodation for the artists assisting with the fundraising event for Nuevo Futuro.

Tryp Albayzin

· Sponsorship of the renovation of the Basilica of the Virgen de las Angustias.

Tryp Alcalá 611

· Donation of triple room to the Pequeño Deseo Foundation for Maialen, a 10 year old suffering from Crohn's Disease on a trip to Madrid to meet pop star Hugo thanks to the Foundation.

Tryp Ambassador

- · Free use of meeting rooms for Anesvad.
- · Free meeting room for press conference by Anesvad.
- · Free meeting room for meeting of 120 Red Cross volunteers for the "Banderita Party".

Tryp Alondras

· Free use of triple room for the Pequeño Deseo Foundation for Pedro, a 15 year old with cancer that had never been to Madrid. The foundation also gave him a computer as a gift.

Tryp Barcelona Aeropuerto

· Free accommodation for performers at the fundraising concert for the 25th anniversary of the Spanish branch of Amnesty International.

Tryp Bellver

- · Donation of meeting room and cocktail for 150 people for a fundraising art exhibition for the project "Vacations in Mallorca" for children from Kosovo. Organised by Club Elsa and the Matthias Künn Foundation.
- · Donation of food to a group of disabled guests from Belgium.
- · Donation of food for a fundraising market for Club Elsa.
- · Free use of three meeting rooms for the Convention of the Spanish Federation for Parents of Children with Cancer, organised by ASPANOB (Balearic Islands Association of Parents of Children with Cancer).

Tryp Bosque

· Donation of food for fundraising event for Club Elsa.

Tryp Cibeles

· Free use of meeting room for press conference and cocktail for 30 people for the promotion of the programme "One kilo of help" by the luve Foundation.

Tryp Centro Norte

- · Free use of meeting room and discount on 36 rooms for 65 people for the Spanish Red Cross Fundraising Days.
- · Discount on accommodation for 12 people for the UNICEF Cooperation Days.
- · Free use of meeting room and discount on accommodation for a meeting of regional representatives of UNICEF in Spain.
- · Free use of meeting room for the jury for the 2003 UNICEF journalism awards.
- · 20 free stays for the Flamenco group "La Perla de Cadiz" taking part in the fundraising market for Nuevo Futuro.
- · Free use of meeting rooms for fundraising event by the British Ladies Association.

Tryp Comendador

· Free accommodation for a prize draw amongst the volunteers from the Red Cross (sellers of "Sorteo del Oro" tickets).

Tryp Gran Sol

· Donation of free accommodation to the Pequeño Deseo Foundation for Elisabeth, a 14 year old girl with RETT syndrome visiting the Mundo Mar Park in Benidorm thanks to the Pequeño Deseo Foundation.

Tryp Guadalajara

· Donation of free accommodation and lunch to the Pequeño Deseo Foundation for José, a 15 year old boy with cerebral paralysis who went to see a concert by Camela in Guadalajara.

Tryp Guadalmar

- · Free use of hall for art exhibition to raise funds for the Guadalmar Neighbourhood Association and Parish of Guadalmar
- · Free use of meeting room and discount on lunch for a fundraising market and children's party by the Parish of Guadalmar
- · Donation of clothing, towels and sheets to the Spanish Red Cross.

Tryp Iberia

- · Free use of meeting room for 3 days and 2 lunches for the children taking part in training days organised by the APAS Galdós Federation.
- · Donation of free accommodation to missionaries during the days spent raising funds for their projects in Africa. La Familia Missionaries.

Tryp La Caleta

- · Donation of mattresses to Caritas and Reto de la Esperanza Association.
- · Donation of free weekend accommodation and restaurant dinner at "La Barquilla" for a fundraising event for UPACE (S.A.R. La Infanta Doña Cristina Treatment Centre for people with cerebral paralysis).
- · Donation of new towels and bathrobes for a fundraising event for Angola organised by the Hermanas del Amor Mission (Angola). Amor de Dios School (Cadiz).
- · Donation of dinner for two people for "El Martillazo" fundraiser for Nuevo Futuro at the San Felipe Neri School.
- · Donation of linen trolleys to the Reto Association.
- · Free use of meeting room for the Spanish Anti-Cancer Association.
- · Donation of dinner at the "La Barquilla" restaurant for a fundraising event for the Reyes Magos Association.

Tryp León

· Donation to a fundraising concert organised by Amnesty International for a project in defence of human rights in

Tryp Macarena

· Free use of meeting rooms for conferences by the Asaenes Association (Schizophrenic Association).

Tryp Oceanic

· Donation of free weekend accommodation for two people for a prize draw for Intermón Oxfam to raise funds for a project to rebuild schools in Goma (Congo).

Tryp Recoletos

· Free meeting room for press conference by UNICEF -Castilla and León Committee.

Tryp Reina Victoria

- · Donation of free accommodation and lunch to the Pequeño Deseo Foundation for Moisés, a 12 year old boy with Hodgkin's Disease visiting Madrid to see a Real Madrid match with his parents and sister.
- · Donation of free accommodation and lunch to the Pequeño Deseo Foundation for Carlos Jesús, a 14 year old with Leukaemia.
- · Donation to the AFIM Foundation (Assistance and training for the disabled).
- · Discount on six rooms and dinners for the AFIM Foundation (Assistance and training for the disabled).
- · Free use of meeting room for presentation of UNICEF products to companies and Spanish wine for 60 people.
- · Free use of meeting room for the exhibition of handicrafts products made in the Gil Gayarre Foundation centres, as well as lunch for organisers.
- · Donation of food for the homeless of Madrid through the Parish of San Egidio.

Tryp Rey Pelayo

- · Donation of 300 bars of soap to the Gijonesa de Caridad Association, Cocina Económica.
- · Delivery of a dryer to the NGO Reto.



Donation of furniture and uniforms to the Roman Wilkes School. The photo shows the Hotel Community Involvement Coordinator, Mayra Jacobo (Meliá Los Cabos)

- · Donation of table linen, sheets and serviettes to the Gijonesa de Caridad Association, Cocina Económica.
- Purchase of Christmas Cards from Unicef for guests.
- · Delivery of 300 packages of toast and pâté to the Gijonesa de Caridad Association, Cocina Económica.

Tryp Sancho Ramírez

· Donation of three Hewlett Packard computers for the Project Hombre Foundation.

Tryp Sofía Parquesol and Tryp Recoletos

- · Donation of 22 beds and hygiene products for poor immigrant women at the María Inmaculada Residence.
- · Discounts on meeting rooms, rooms and restaurant for UNICEF. Hotel space for fundraising for Iraq.

Tryp Sofia Parquesol

· Discounts on meeting rooms, rooms and restaurant for the Spanish Association for Wilson's Disease.

Corporate Central Headquarters

- · Signature of collaboration agreements with the NGOs Project Hombre, Adecco Foundation and Lealtad Foundation.
- · Patron of the Business and Society Foundation.
- · Patron of the Business and Growth Foundation.
- · Donation of 60 blankets to the Balearic Islands Red Cross.
- · Donation to Save The Children with the money raised by recycling company mobile phones.
- · BPRI survey with a donation of 140 euros by BPRI to the NGO chosen by the company.
- · Donation to the Hermanitas de los Pobres in Palma de Mallorca.
- · Donation of free accommodation in the Canary Islands and Mexico for a fundraising event by CEFAES, Centre for Special Family Education.
- · Donation of 35% of the cost of Christmas Cards from Intermón Oxfam for a training project for youngsters at high risk in Pernambuco (Brazil).
- · Donation of free accommodation for fundraising event for Es Refugi.

COLOMBIA

Meliá Chicamocha

- · Donation of beds, cushions, dresses, shirts ... to the people of Cienaga de Paredes through the NGO Fundewilches.
- · Donation of beds, curtains, mattresses, etc, to the Jesús de Nazareth Home for victims of anti-personnel mines.
- · Donation of tables, mattresses, water heaters, bed bases, etc to the Bucaramanga Police.
- · Donation of tables, chairs, bed bases, mattresses, curtains, electric heaters, etc to the Servir Colombia Foundation.
- Donation of mattresses and curtains to the Cristo Redentor Foundation.



Christmas gifts for the Vicentina old people's home in Sao Paulo organised by employees (Brazil Corporate Headquarters)

- · Donation of mattresses and mats to the Parish of San Pedro Apóstol.
- · Donation of bed bases, heaters, curtains and mats to the Parish of San Laureano.

Meliá Pereira

· Donation of furniture and kitchen material to the Paraíso Otoñal Foundation.

INDONESIA

Gran Meliá Jakarta

- · Donation and food for people in need near the hotel.
- · Free use of meeting room for a fundraising event by the Canadian Women's Association to raise funds for different foundations in Indonesia helping children.
- · Donation of food and clothing from the hotel for the people in Kemang, in the south of Jakarta, home to families living near a rubbish dump.
- · Donation of funds for three orphaned children through the Kali Malang Foundation.
- · Donation of funds for the renovation of bathrooms and showers in the village of Kali Malang.
- · Fundraising dinner and art exhibition by Unicef Indonesia.
- · A day in the hotel with a hundred children from the Yayasan Khasanah Kebajikan orphanage for with dinner and a show, as well as rucksacks and books as gifts.
- · Purchase of Ramadan and New Year cards from UNICEF
- · A day in the hotel with 50 children from the Yayasan Khasanah Kebajikan orphanage singing Christmas carols for guests. Dinner and rucksacks as gifts.

Meliá Bali

- · Purchase of shoes for two children with polio through the Foundation.
- · Free use of meeting room and rooms for fundraising concert by the pianist Carlo Pari for projects against Polio. Organised by the Rotary Club Bali.

Meliá Benoa

- · Donation of funds for a prize draw organised by the Terora Youth Association.
- · Donation of funds to the fundraising event by the Bali Association of International Women.
- · Invitation to a group of children to spend a day in the hotel for the Christmas party. The children sang carols in the lobby and received gifts and donations. Organised with the Jemaat Bukit Doa Church.

Meliá Purosani

- · Donation of food to 39 local taxi drivers and people from poor areas for the Idul Fitri Festival.
- · Donation of funds, towels and food to 30 children from the Sinar Melati orphanage.
- · Donation of funds, towels and food to 25 children from the Nurul Yasmin orphanage.
- · Donation of funds and towels to the Tunas Harapan orphanage.
- · Discount on accommodation for Bremen Overseas Research and Development Association.
- · Invitation to a group of 20 children to spend a day in the hotel for the Christmas party. The children sang carols in the lobby and received lunch and donations.

Sol Marbella

- · Donation of food to two religious foundations: Al-Ikhlas Foundation and Badulu Foundation.
- · Donation of clothing and school bags for the Nurul Ishlah orphanage.
- · Donation of funds for two orphanages: Kamasan and Nurul Ishlah.
- · Donation of funds for people in need living near the hotel.

- Donation of free accommodation for a prize draw by Capital Radio in London to raise funds for the poor children of London.
- · Donation of free accommodation for two people for a prize draw by Pearson Education Limited to raise funds for the purchase of medical equipment for Princess Alexandra Children's Ward.
- · Donation of free accommodation for two people for a prize draw and fashion parade at the Hilton in London to raise funds for medical equipment for detecting cancer for Breakthrough Breast Cancer.
- · Donation of free accommodation and dinner for a prize draw to raise funds for the poor children in Scotland. Medical and Defense Dental Union.
- · Donation of lunch for a prize draw at the dinner to raise funds for children in the Asian republic of Georgia held at the London Savoy Hotel. Irish Solicitors Bar Association.

ITALY

Meliá Milano

· Free accommodation for children with cancer and their families during visits to Milan for medical treatment. Organised by the Milan Spina Bifida Association, Tumour Institute.

Meliá Roma Aurelia Antica

- · Discount on accommodation for meetings by the Italian Association for coeliac sufferers. The hotel restaurant menu provides gluten-free food for coeliacs.
- · Free use of meeting room and free buffet for an event by the Italian Down's Syndrome Association.

Tryp Verona

· Free use of meeting room, buffet and show for the Onlus Down's Syndrome Association.

UNITED KINGDOM

Meliá White House

- · Donation of free accommodation for two people in the Convention of the Tour Operators Association in Edinburgh to raise funds for the Children's Hospice Association Scotland.
- · Donation of free accommodation in a fundraising dinner at the home of Richard Branson to raise funds for the Churchill Hospital for terminally ill cancer patients.
- · Donation of free accommodation for a dinner organised by the Spanish Chamber of Commerce to raise funds for the UNICEF Iraq fund.



Party for the children from the NGO Project Dinda (Tryp Tatuapé).



Hotel employees with children from the "Happiness Project": free accommodation for children with cancer and their families (Meliá Confort Itaim)

MALAYSIA

Meliá Kuala Lumpur

- · Donation of 300 boxes of nappies to the Handicapped and Mentally Retarded Children Centre.
- · Donation of linen carpets for the rooms at the orphanage at the Kelang mosque.
- · Invitation to a group of children from the Pure Life Society orphanage to Christmas lunch and the day in the hotel.

MEXICO

Gran Meliá Cancun

- · Donation of free accommodation for fundraising dinner for children through the Patronato Pro-Casa Hogar for Esperanza, A.C.
- · Two bicycles for the DIF centre (Integrated Family Development) for Kings' Day.
- Donation of clothing, food and crockery for the "La Casita" Civil Association.
- · Donation of food for the employees of Mexican Social Security Institute for the anti-polio vaccination campaign.
- · Donation of linen from the hotel for the Patronato Pro
- · Donation of a bicycle for the fundraising event for the construction of the old people's home at Ciudad de la Alegría.
- · Donation of clothing and toys for the Patronato Pro Casa Hogar Niños Esperanza, A.C.

Gran Meliá Mexico Reforma

Casa Hogar Niños Esperanza, A.C.

· Donation of four free stays and two dinners for the celebration of the 20th. anniversary of the Pro Niños

- Foundation for street children.
- · Invitation to lunch for the representatives of the Pro Niños Foundation for street children.
- · Donation of cocktail for an auction and sale of items to raise funds for San Pablo Apóstol Mission.
- · Donation of clothing for the Pro Niños Foundation for street children.
- · Donation of Christmas lunch for 25 children from the Pro Niños Foundation for street children.

Meliá Azul Ixtapa

- · Donation of sheets to the Municipal DIF.
- · Donation of food and clothing for the Pacific children's home
- · Donation of free accommodation for a fundraising auction in support of disabled people from DIF Municipal.
- · Donation of 50 lunches to medical personnel visiting rural communities during "National Health Week".
- · Donation of free accommodation for fundraising event by the Patronato de Apoyo Social AC.

Meliá Cabo Real

- · Fundraising concert with the soprano Demetrea George and the pianist Martha Lledó to raise funds for the DIF for the project to give more than 1,000 hot breakfasts from Monday to Friday for malnourished children in the region.
- · Sponsorship of a conference on human rights by Rigoberta Menchu.

Meliá Los Cabos

- · Donation of free accommodation for a fundraising auction by the Dodgers Dream Foundation.
- · Donation of food to the Educational Association of Subcalifornia A.C. (Roman Wilkes School).
- · Donation of towels, sheets, covers, curtains, bathrobes and pillows to the Roman Wilkes School.
- Donation of free accommodation for a prize draw in a fundraising event for "Reach for the Rainbow".
- · Free accommodation and sponsorship of the breakfast conference by Rigoberta Menchu "Women in our times ".
- · Donation of furniture and uniforms to the Roman Wilkes School

Meliá Los Cabos and Meliá San Lucas

- · Donation of free accommodation for a fundraising dinner for the NGOs "Big brothers & Big sisters" and "Amigos de los Niños ".
- · Donation of food for volunteers on the vaccination campaign by the Mexican Social Security Institute.
- Donation of free accommodation for a fundraising concert Cabo Jazz Festival organised by "Amigos de los Niños".
- · Donation of free accommodation for a fundraising dinner at the Beverly Hilton en Los Angeles organised by Motion Picture & Television Fund.
- · Donation of free accommodation for a prize draw in a fundraising event for "Communities in Schools" organised by the British American Chamber of Commerce.

Meliá Puerto Vallarta

- · Donation of free accommodation for the annual fundraising auction for the American School in Puerto Vallarta.
- · Donation of free accommodation for fundraising auction for the Catholic Schools of Chicago.
- · Donation for the national fundraising campaign for the Mexican Red Cross.
- · Loan of fancy dress and donation of a cake for 80 people for the "Día del Niño" event in poor communities in Puerto Vallarta. Organised by the Puerto Vallarta Hotel and Motel Association.
- · Donation of free accommodation for fundraising event by the NGO Make a Wish.
- · Donation of dinner for fundraising event by DIF (Integral Family Development).

Meliá San Lucas

- · Donation of free accommodation for fundraising concert by the "Nova Sinaloa" quartet to raise funds for the Mexican Red Cross.
- · Donation of free accommodation for a conference organised by the Mexican Red Cross.
- · Donation of free accommodation for the social organisation Ministerios de Amor.

Meliá Turquesa

- · Donation of free accommodation for the fundraising event 15th. Easter Egg Basket competition organised by the Damas Voluntarias Arcoiris, A.C. group.
- · Donation of breakfast for a fundraising event in support of poor children organised by the Cancun Damas Hoteleras group.

Collaboration with the party to deliver Kings' Day gifts to the children from the Down's Syndrome Association (Meliá Córdoba).

- · Donation of food to volunteers on the Infant and Adolescent Health Programme by the Health Services in the State of Q. Roo.
- · Donation of free accommodation for fundraising event in support of the Down's Syndrome Foundation.
- · Free use of 10 rooms for children with terminal cancer from the Occidente General Hospital.
- · Donation of a buffet meal for 20 people for the National Civil Protection and Self-Protection in Emergencies Day. Organised by the National Civil Protection System, municipality of Benito Juárez.
- · Free use of meeting room for the conference "Employability of people with disabilities" during the Health and Safety, Training and Work Productivity Week. Organised by the Federal Labour Delegation, Department of Support Programmes of the Labour and Social Prevision Secretariat in coordination with the DIF Municipal in Benito Juárez.
- · Donation of free accommodation for a child with severe leukaemia through the NGO Make a Wish.
- · Donation of 10 breakfasts for a fundraising event organised by the Cancun Club de Damas to raise funds for the Ciudad de la Alegría Foundation.
- · Donation to Unicef.
- · Donation of free accommodation to FESAL (Student Society Federation) at the Anahuac University.
- · Donation of 5 free stays for the tenth anniversary of the Women in Action for Mexico Foundation in Q. Roo, A.C.

Meliá Turquesa, Gran Meliá Cancun

and Paradisus Riviera Cancun

· Donation of 30 free rooms for the fundraising event "Teletón" organised by Televisa for the Teletón Rehabilitation Centres assisting disabled children.

Paradisus Riviera Cancun

- · Free use of meeting rooms and discount on lunch for 120 children and their families to hand over hearing equipment for deaf children. Organised by the Starkey Hearing Foundation and DIF Cancun.
- · Donation of free accommodation for fundraising event for the Children's Down's Syndrome Association organised by the Damas de Cancun Association.
- · Collaboration on renovation of the "CECYTE" public school.

PERU

Meliá Lima

- · Donation of free accommodation all year to Commander Santos Toledano from Iberia Airlines, director of the Integral Development Foundation for villages and promoter of the Callao Catholic University.
- · Free rooms for the San Pablo Mission.

- · Donation of empty salt bags for recycling through Traperos de Meaux. Funds raised were donated to the NGO homes in Callao.
- · Donation of hotel telephone guides for recycling to raise funds for the Lima Fire Service.
- · Donation of toilet paper for the Pérez Anibar, orphanage, home to 600 children. Organised by the Maltese Order.
- · Donation of material from the Food and Beverage Department for the Kusi Warma Association.
- · Donation of two restaurant vouchers for the "Solidaridad Turística" fundraising event organised by tourism companies to raise funds for children with Down's Syndrome.
- · Donation of 80 paellas for lunch to raise funds for Mensajeros de la Paz.
- · Donation of hygiene products and clothing from the hotel to the Hermanitas de la Caridad home in Lima.
- · Donation of free accommodation for the artists performing in the "Teleton" fundraising event for children with polio at the San Juan de Dios Clinic.
- · Donation of free accommodation for fundraising event to raise funds for the Mother Teresa of Calcutta home.
- · Donation of a cocktail for 500 people for the inauguration of a workshop for disabled artists and artisans in Lima.
- · Donation of clothing and hygiene products for the María Rosario Araoz de Lima municipal home.

DOMINICAN REPUBLIC

Meliá Caribe Tropical

- · Donation of towels and pillows to "Hogar Crea" and the Meaux Foundation.
- · Donation of furniture to the Los Manantiales School.
- · Stay for two people for one week for a fundraising prize draw by Club Elsa.

URUGUAY

Tryp Montevideo

· Paper recycling project to raise funds for the distribution of notebooks to schools through the NGO Repapel.

VENEZUELA

Gran Meliá Caracas

· Donation of printer and photocopier cartridges for the "Hasta el último cartucho" campaign to raise funds for Fundana, an institution that cares for 120 children in high-

- risk situations.
- · Free use of meeting room for press conference and free accommodation for the artists that took part in the Telecorazón event organised to raise funds for the Unamos the Mundo Foundation.
- · Donation of linen, mattresses and uniforms to the Hogar de Jesús home caring for 20 children.
- · Donation of dinner for two people for a fundraising event by Bandesir (Wheelchair Bank).
- · Donation of three dinners and free weekend accommodation for the fundraising association Grupo de los Miércoles.
- · Free use of meeting room for fundraising event and donation of lunch for the 40th. anniversary of Avepane (Association of Parents and Friends of Exceptional Children).
- · Lunch for children from the Camusdos home.
- · Donation of lunch and gifts for children cared for by the Amor Foundation and Mother Teresa of Calcutta Mission.

VIETNAM

Meliá Hanoi

- · Free use of meeting room for a meeting with 120 poor children that receive assistance for their studies through the National Fund for Vietnamese Children.
- · Free use of meeting room for a meeting with 50 disabled children and delivery of wheelchairs organised by the National Fund for Vietnamese Children.
- · Donation of free accommodation for fundraising piano concert to raise funds for the Hoa Sua School, organised by the Swiss Embassy.
- · Visit and donation of clothing to the Vietnam Red Cross.
- · Donation of funds for children from Danang in the Xin Chao fundraising event. Organised by the Swiss Embassy.
- · Donation of funds in a fundraising event organised by Vietnam Television.

SPORTS

SPAIN

Meliá Atlanterra

- · Donation of free accommodation for a fundraising sports event: "Tierra de Hombres Charity GolfTournament".
- · Donation of free accommodation for a fundraising paddle tournament for the Pequeño Deseo Foundation organised in the Club de Campo in Madrid.
- · Donation of free accommodation for a prize draw at the third AGDEM Charity Golf Tournament (Benalup Golf) to raise funds for the Cadiz Multiple Sclerosis Association.

Meliá Balneario Mondáriz

· Donation of free accommodation for a prize draw at the Charity Golf Tournament to raise funds for the Balearic Islands Red Cross.

Meliá Palas Atenea

· Free use of rooms for the Cabrera to Mallorca charity swim by the Paraolympics athlete XaviTorres.

Meliá Sitges

· Donation of free accommodation for two people for a prize draw for the 8th. fundraising Golf Tournament for the Red Cross.

Meliá Trujillo Boutique Hotel

· Weekend stay for the ACNUR Corporate Golf Tournament held at the Club de Campo Villa in Madrid.

Sol La Palma

· Free meeting room for a press conference after a charity football match for the La Palma Special Children's Association organised by the Real Madrid Veterans Association. Invitation to lunch and discount on rooms.



Free use of meeting room for a Special Olympics Italy event (Meliá Roma Aurelia Antica)

Tryp Bosque

· Donation of free accommodation for the Second Basketball 3x3 Open to raise funds for ASPANOB (Balearic Islands Association of Parents of Children with Cancer).

Tryp Cibeles, Tryp Reina Victoria and Tryp Rex

· Discount on free accommodation for the organising committee of the 12th. annual "Drugs No" football match organised by Project Hombre.

Tryp La Caleta

· Free meeting room for press conference to present the football match to show solidarity with Galicia (Prestige).

Corporate Central Headquarters

· Free accommodation for a prize draw at the first Agatha Ruiz de the Prada charity paddle tournament organised by the Active Education Foundation.



Free use of rooms for the Cabrera to Mallorca charity swim by the Paraolympics athlete Xavi Torres. On the left of the photo the Hotel General Manager, Gonzalo Echevarria (Meliá Palas Atenea).



Free meeting room for a press conference after a charity football match for the La Palma Special Children's Association organised by the Real Madrid Veterans Association. Invitation to lunch and discount on rooms (Sol La Palma).



Donation of food and drinks at a fundraising polo match organised by the Argentinean Embassy in London. On the right, the Hotel General Manager, Alvaro Tejeda, shown with the match winner (**Meliá White House**).

INDONESIA

Meliá Benoa

· Donation of funds for sports events in the local community to celebrate Indonesian Independence Day.

UNITED KINGDOM

Meliá White House

· Donation of food and drinks at a fundraising polo match organised by the Argentinean Embassy in London in support of the Institute for the Unemployed in Argentina.

ITALY

Meliá Milano

· Sponsorship of the "derby of the heart" in the San Siro football stadium on 26th. May (with sports stars, actors, singers, etc.) to raise funds for 60 local NGOs.

Meliá Roma Aurelia Antica

· Free use of meeting room and discount on a buffet for 200 people for a Special Olympics Italy event.

MEXICO

Meliá Los Cabos

· Donation of free accommodation for a charity golf tournament by the Oscar de la Hoya Foundation in the Wilshire Club in Los Angeles.

Meliá Turquesa

· Donation of free accommodation for a charity golf tournament organised by Make a Wish.

CUSTOMERS

SPAIN

Gran Meliá Bahía del Duque

· Guests are invited to donate one euro on their bill to sponsor children through the NGO Ayuda en Acción.

Meliá Almuñecar

· Collection box in the hotel hall to raise funds for the NGO Medicus Mundi

Meliá Benidorm

· Donations from guests for project of NGO Ayuda en Acción to build six classrooms in the primary education centres in the districts of Paijan and Razuri in Peru.

Sol Falcó and Sol Menorca

 Donation in the Sol Falcó of 25% of the sales of fruit juice and coffee at the bar. Donation of 1 euro for every paella sold and donation of 10% of the sales from the boutique at the Sol Menorca. All to raise funds for the Association for the integration of people with Down's Syndrome (AIPSD).

Corporate Central Headquarters

- · Free use of space for a campaign by Intermón Oxfam in the "Titular" newsletter for members of the Sol Meliá MaS Loyalty Programme, encouraging members to donate points to community involvement projects.
- · Free use of space for a campaign by Nuevo Futuro in Sol Meliá Club Amigos newsletter encouraging members to donate points to community involvement projects.

INDONESIA

Gran Meliá Jakarta

- · Collection of medicine from guests, employees and the hotel clinic to deliver to children's foundations.
- · Sale to guests of teddy bears from Unicef for humanitarian aid campaigns.

Meliá Bali

- · Collection of medicine from guests for local communities
- · Blood donation campaign. Employees and guests take part. Organised by the Indonesian Red Cross Blood Bank and the Sanglash Hospital.
- Celebration of the 19th. anniversary of the SLBB School for deaf children with the participation of employees and guests. Games were played and toys handed out to the children.
- · Repairs on the dining room ceiling at the SLBB School for deaf children thanks to donations from guests.

MALAYSIA

Meliá Kuala Lumpur

· Anti-AIDS information campaign in the hotel and a month of fundraising for the Malaysian AIDS Foundation (MAF).

MEXICO

Meliá Puerto Vallarta

· Collection of funds amongst guests for the NGO Make a Wish.

PERU

Meliá Lima

· Collection amongst employees and quests for the NGO Fé and Alegría.

Sale to guests of teddy bears from Unicef for humanitarian aid campaigns (Gran Meliá Jakarta).



Celebration of the 19th, anniversary of the SLBB School for deaf children with the participation of employees and guests. Games were played and toys handed out to the children (Meliá Bali)

DOMINICAN REPUBLIC

Meliá Caribe Tropical

· Day in the hotel for 25 children from the Los Manantiales School. Children took part with the entertainment team in a show for the guests and had lunch and dinner in the hotel. Guests were invited to take part through a letter in their rooms. Guests made donations for the construction of classrooms at the school.

VIETNAM, INDONESIA and MALAYSIA

The eight Sol Meliá hotels in Asia set up the "Small Change" Project, inviting guests to make donations with local currency coins left over at the end of their stays. The funds raised went to community involvement projects in the hotels that took part.

ACCESSIBILITY

SPAIN

Meliá Alicante

· Renovation of two lifts and adaptation to Braille as well as using speakers to announce the floor number.

Meliá Almuñecar

· Agreement with the Red Cross to provide wheelchairs for beach access for disabled guests.

Meliá Las Palmas

· Access ramps in the main entrance and pool.

Meliá Rey Don Jaime

· Restaurant menus in Braille in collaboration with the Valencia ONCE Foundation.

Meliá Sevilla

· Purchase of special clothes hangers for rooms for the disabled. Menus in Braille in the cafeteria, bar, restaurant and room service in collaboration with the ONCE Foundation.

Sol Cala Blanca

· Access ramp in the main entrance.

DOMINICAN REPUBLIC

Meliá Caribe Tropical

· Seven access ramps for the disabled in several hotel areas.



In 2003 the hotel has installed seven access ramps for the disabled in several hotel areas (Meliá Caribe Tropical).



The Sol Meliá Executive Vice President of Communication and Institutional Relations. Jaime Puig de la Bellacasa, during the 'International Forum on Corporate Social Responsibility," held in October and organised by the IUVE Foundation.



Sponsorship and participation in the "Strategic Management of Corporate Social Responsibility" workshop organised by Dircom in October in Barcelona (Meliá Barcelona).

BUSINESS FORUMS

SPAIN

Meliá Barcelona

· Sponsorship and participation in the "Strategic Management of Corporate Social Responsibility" workshop organised by Dircom in October in Barcelona

Tryp Apolo

· Attendance of the "Community Involvement in Business Strategy" forum organised by the Intereconomía Group at the Catalonia Congress Centre in October 2003.

Corporate Central Headquarters

· Sponsorship and participation in the "International Forum on Corporate Social Responsibility", held in October and organised by the IUVE Foundation.

MEXICO

Meliá Cozumel

· Attendance on the "How to prevent addiction at work" courses organised in July by the Juvenile Integration Centre.

INVESTORS

In 2003 the Investor Relations Department carried out a number of "road shows" in major European cities such as Madrid, Frankfurt, Cologne, Amsterdam, Rotterdam, Brussels, London or Paris, and in major financial markets in the USA and Canada (Chicago, Boston, New York and Toronto). These meetings gave the company an opportunity to show the different projects and programmes in the Sol Meliá Community Involvement Plan to almost one hundred institutional investors from Europe, the USA and Canada.

In Spain, the Spanish Investor Relations Association (AERI) and the Business and Society Foundation invited Sol Meliá and Telefonica to describe their community involvement and corporate social responsibility programmes at the forum on "Social responsibility and the preparation of Social Reports" held in October at the headquarters of Ferrovial in Madrid.

COMMUNITY INVOLVEMENT MANAGEMENT 7 6

GENERAL FRAMEWORK

The majority of the actions carried out by Sol Meliá are initiatives from the more than 350 hotels in 30 countries on 4 continents, whose assistance programs for disadvantaged people and communities have been given structure by a Community Involvement Plan which aims to better focus our efforts and plan and coordinate activities.

Our previous efforts and this new initiative in relation to community involvement are the result of:

- · The defence and application in Sol Meliá of the concept of "a socially responsible company" in our day-to-day business and as a key part of our wider Corporate Culture.
- Our experience as a company that has generated progress in countries in which we operate; experience which we are also able to make use of to ensure our community involvement activities are agile and productive.
- · The professionalism and expertise of those people that coordinate our community involvement activities, including representatives of all departments and all of the company's international divisions.
- · The company's desire that community involvement is something in which all of our employees feel encouraged to take part. To promote participation the company provides regular updates on the activities of hotels and corporate offices in internal newsletters and has created an email address for exchanging suggestions and proposals.



Community Involvement Committee at the Gran Meliá Jakarta



Community Involvement Committee at the Meliá Lima



Community Involvement Committee at the Gran Meliá Caracas

PROJECT SELECTION CRITERIA

Community Involvement project selection must comply with all of the requirements described in the Community Involvement Plan, including the definition of objectives and benchmarks, the analysis of NGOs, foundations or organizations with which we carry out projects, the verification, control and economic impact of projects or the final analysis from the point of view of constant improvement.

Deciding whether a project may be carried out with the assistance of Sol Meliá depends on two priority selection criteria. The first is to ensure that the NGO, foundation or organization is able to demonstrate transparency and good practice as organizations dedicated to social improvement (professionalism, philosophy and defined objectives and a correct use of funds). The second selection criteria is to analyse whether the project is compatible with the specific programs in the Sol Meliá Community Involvement Plan.

Sol Meliá is also proactive in community involvement and makes direct contact with the organizations that it considers appropriate for the development of projects, as well as analysing in detail all of the proposals that are occasionally received from them to determine whether the requests are compatible with the objectives of the Community Involvement Plan.

MONITORING GROUP

A "Community Involvement Monitoring Group" has been set up to coordinate company activities. All of the projects approved are subject to constant supervision to ensure that they meet their objectives and achieve the expected results, regardless of whether they are projects that are the direct responsibility of an NGO or whether they require coordination with the hotel corporate office.

The success of projects carried out at company hotels is the direct responsibility of the Hotel General Manager, as is the presentation of information on subjects such as the type of activity, locations in which it is to be carried out, schedule, beneficiaries, participants, economic impact and any other additional information that is thought relevant. All of this information is drawn up at the hotel and then submitted to the Communications & Institutional Relations Department at Corporate Headquarters.

A dossier is then put together containing the information mentioned above along with a final evaluation of the proiect made by project coordinators upon its completion. This evaluation is one of the key factors analysed by the "Monitoring Group" to asses the quality of the projects carried out and to propose aspects in which improvements might be made.

PROJECT MANAGEMENT IN HOTELS

Although Sol Meliá coordinates and supervises the development of the Community Involvement Plan from Corporate Headquarters (from which there also arise numerous projects to help the disadvantaged), the majority of community involvement projects at Sol Meliá involve hotels, their guests and their employees.

To ensure appropriate management of community involvement projects in each hotel, the Hotel General Manager is directly responsible for all projects as well as for compliance with any guidelines applied to those projects. In some hotels, if the General Manager considers it appropriate, responsibility for project management is delegated to a "Community Involvement Coordinator".

The Coordinator maintains constant contact with hotel management, presents project proposals, assesses and responds to all proposals received from hotel employees, from guests and from Corporate Headquarters, and is also



Community Involvement Committee at the Sol Antillas Barbados. In the centre of the photo, the Hotel General Manager, Juan Cifre, and Community Involvement Coordinator, Dolores Díaz.

proactive in analysing initiatives that might be applicable in the hotel. The Community Involvement Coordinator is also responsible for relations with NGO's or other organizations involved in any project that receives support from the hotel.

7.7 CONTACT

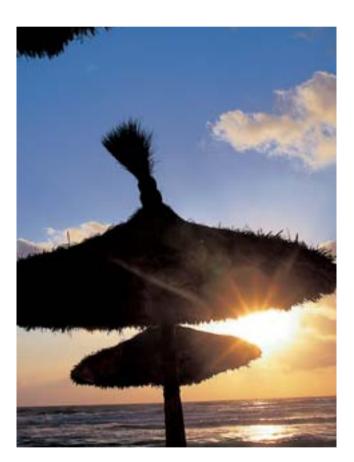
If you, your company, NGO, foundation or public or private institution would like more information on Sol Meliá community involvement projects, please contact us.

SOL MELIÁ Community Involvement

Gremio de Toneleros, 24. 07009 Palma de Mallorca, Spain Telephone: +34 971.224464 Fax: +34 971.224496 accion.social@solmelia.com community.involvement@solmelia.com www.solmelia.com (community involvement section)



8. Environment



ENVIRONMENTAL POLICY

The commitment of Sol Meliá to social responsibility also includes environmental protection and the running of the company on principles of sustainable development. Sol Melia's commitment to the environment made it the first Spanish hotel company to create an Environmental Protection Manual back in 1995, the guidelines of which have been implemented gradually in all of the company's hotels.

Amongst many other things done by Sol Meliá to protect the environment, many company hotels have taken measures that range from the more rational use of resources (energy, water, toxic substances, etc.), the reduction and separation of waste products to the greatest respect for the flora, fauna and culture of each location in which Sol Meliá has hotels.

The preservation of the environment is the basis of tourism. The environmental situation in travel destinations has a direct influence on the success of the destination. The development of sustainable tourism, from an economic, social, cultural and environmental point of view, will help maintain a balance and to conserve natural wealth and thus improve the economic and socio-cultural well-being of local populations. In the light of this, Sol Meliá has based its management policies on the following principles:

- · General commitment: a most respectful attitude towards the natural environment must be assumed by all employees. Sol Meliá pursues a commitment to the environment and maximum respect for nature and culture from its partners, employees, and customers.
- · Co-responsibility: that everyone feels responsible for the environment at all levels of the company. Sol Meliá will promote a sense of shared responsibility for the environment to both its employees and its customers.



- · Cooperation: to permanently encourage the exchange of information and experiences as well as the cooperation required in the development of programmes and projects within the company and with the different local, regional, national and international institutions. Sol Meliá will promote an effective exchange of environmental experiences in each and every location where it operates.
- Effective communication: permanent, up-to-date information at all levels of the company is essential to create a more respectful attitude towards the environment. Sol Meliá will promote the communication of goals, decisions, results, etc., through the different media available to the company.
- Constant improvement: environmental management is a permanent process and requires appropriate control to ensure that hotels achieve constant improvement. Sol Meliá is committed to permanent review of objectives and goals with the aim of introducing improvements and innovations.
- Optimisation and respect for resources: the objective being the optimum consumption (moderate and efficient) of natural resources and respect for the cultural resources (local community, employees, way of life) of each location where Sol operates hotels. It is a commitment supported by all and which transmits the essence of the company's business philosophy.

ENERGY SAVING

Sol Meliá has created a system for automatic monitoring and analysis of energy and water consumption so as to assist in identifying opportunities for improvement in hotels in Spain. This control system has been integrated with the SAP application.

Last year, there were also energy audits in the Tryp Apolo, Meliá Sitges, Meliá Barcelona and Tryp Barcelona Aeropuerto. These audits led to a more efficient use of energy in these hotels and also contributed valuable knowhow to continue with the process in other hotels. Audits were also performed in the Dominican Republic, at the Paradisus Punta Cana and Meliá Caribe Tropical. A study was also carried out at the Gran Meliá Salinas aimed at optimising energy consumption.

In Palma de Mallorca, the innovative DALI system (Digital Adressable Lighting Interface) was installed at the new Convention Centre at the Gran Meliá Victoria, allowing the level of artificial light to be adjusted to provide the quality of light required by mixing different tones of low-energy lighting and the elimination of the older lighting. The energy saving produced by this system can reach up to 60%, and lighting can sometimes represent 40% of the total electricity consumption of a hotel. The Sol Galúa has also installed a lighting system that brings savings 42% above initial forecasts.



Sol Lanzarote



Meliá Lebreros



Meliá Varadero

DEVELOPMENT OF ALTERNATIVE ENERGY

Sol Meliá is fully aware of the important environmental benefits of alternative energy sources and has analysed the viability of their application. In 2003 the company created a solar energy plant at the Sol Lanzarote. This plant will avoid the combustion of 90,000 litres of diesel oil and the emission of 222 tonnes of CO2, the gas that causes the greenhouse effect.

SAVING WATER

At the Meliá Lebreros in Seville a pilot project has been carried out in new systems that have provided savings of approximately 60% in cold water consumption and 50% in hot water use. The reduction in the use of water also reduces the use of fuel in the boilers.



Meliá Bali



Meliá Sitges

COOPERATION WITH ENERGY AGENCIES

The Works and Maintenance Department has created a network of contacts with the Energy Agencies of the autonomous communities of Andalusia, the Canary Islands, the Balearic Islands and Catalonia. The mission of these agencies is to promote the efficient use of energy and the close contact of Sol Meliá demonstrates to guests and the administration that the company shares this mission.

CONSTANT ACTION

Within the company's Environmental Policy and the commitment to the environment, both in hotels and in corporate offices, Sol Meliá constantly promotes the following activities:

- · Use of low-energy lighting.
- · Recycling of paper.
- · Recycling of printer cartridges, etc.
- · Priority use of recycled paper for internal consumption.
- · Priority use of recycled office equipment.
- · Priority purchase of products in bulk or with packaging which may be recycled.
- · Priority purchase of concentrated products.
- · Priority use of products that do not harm the natural environment.
- · Gradual substitution of basic hygiene products such as bleach, etc.



Tryp Montevideo

- · Priority purchase of artificial Christmas trees.
- · Separation of waste products in areas where local authorities process separately.
- · Priority purchase of bathroom fittings with water-saving devices in cisterns.
- · Minibars with ISO 7371 certification (low-energy).
- · Inclusion in hotel activities of trips to view the local environment and participation of guests in environmental activities, promoting hiking, biking and horse riding.
- · Information for hotel guests on company and hotel environmental policy, inviting them to help with sensible use of water and electricity.



Gran Meliá Victoria



Sol Falcó



Meliá Barcelona

HOTELS WITH ENVIRONMENTAL CERTIFICATION

· Meliá Bali Green Globe Commendation

(Bali, Indonesia) (World Travel and Tourism Council) 1999 and 2000

· Tryp Montevideo

(Montevideo, Uruguay) ISO 14001 - 2000

Meliá Varadero, Cuban National Environmental Award (Varadero, Cuba) (based on ISO 14001) –2000

· Sol Cala d'Or

(Mallorca, Spain) EMAS - Spain 2000

· Sol Falcó

(Menorca, Spain) ISO 14001 and EMAS Spain 2000

· Sol Gavilanes

(Menorca, Spain) EMAS - Spain 2000 and ISO 14001 - Spain 2002

· Sol Pinet Playa

(Menorca, Spain) EMAS - Spain 2000

· Sol Magalluf Park

(Magalluf, Spain) ISO 14001 - Spain 2000

· Sol Milanos-Pingüinos

(Menorca, Spain) ISO 14001 - Spain 2000

· Meliá Barcelona

(Barcelona, Spain) EMAS - Spain 2001

· Tryp Apolo

(Barcelona, Spain) EMAS - Spain 2001

· Meliá Girona

(Girona, Spain) EMAS - Spain 2001

· Meliá Sitges

(Sitges, Spain) EMAS - Spain 2001

· Sol Pelícanos-Ocas

(Benidorm, Spain) ISO 14001 - Spain 2001

· Gran Meliá Don Pepe

(Marbella, Spain) ISO 14001 and EMAS - Spain 2002

· Sol Menorca

(Menorca, Spain) ISO 14001- Spain 2002

· Gran Meliá Victoria

(Mallorca, Spain) ISO 14001 and ISO 9001 - Spain 2002

· Sol Cala Blanca

(Mallorca, Spain) ISO 14001 - Spain 2003

· Tryp Bellver

(Mallorca, Spain) ISO 14001 - Spain 2003

CONTACT

If you or your company deal with environmental products or processes, please contact our Environment Department.

Felisa Marina (Environmental Coordinator) Gremio de Toneleros, 24. 07009 Palma de Mallorca, Spain Telephone: +34 971.224400

fax: +34 971.224569

medio.ambiente@solmelia.com

www.solmelia.com

Regulatory Notifications

Date: 11/04/2003 (Notification number 41291) Auditing committee Law 44/2002.

Date: 15/04/2003 (Notification number 41347)

Announcement of Annual General Meeting and agreements.

Date: 07/05/2003 (Notification number 41648) Increases and decreases in capital.

Modifications to company by-laws. Announcement of Annual General Meeting and agreements.

Date: 20/05/2003 (Notification number 42103)
Good governance code.

Date: 16/09/2003 (Notification number 44496)

Sol Meliá and lastminute.com have reached a new agreement which strengthens the alliance between both companies to maximise synergies to optimise operational results in the online business.

Date: 02/10/2003 (Notification number 44741)
Other increases or decreases in fixed assets.

Date: 20/10/2003 (Notification number 45047)
Issues, reimbursements or cancellations of loans.

Date: 20/10/2003 (Notification number 45043) Issues, reimbursements or cancellations of loans.

Date: 20/10/2003 (Notification number 45048) Issues, reimbursements or cancellations of loans.

Date: 11/11/2003 (Notification number 45737) Auditing commission Law 44/2002.

Board of Directors

EXECUTIVE DIRECTORS	
Name	Position
Gabriel Escarrer Juliá	Chairman
Sebastián Escarrer Jaume	Deputy Vice Chairman and Chief Executive Officer
Gabriel Juan Escarrer Jaume	Chief Executive Officer

Position Name Representative Major shareholder which they represent Hoteles mallorquines Asociados S.L. Juan Vives Cerdá Vice Chairman Hoteles Mallorquines Consolidados S.A. Hoteles Mallorquines Consolidados S.A. María Antonia Director Escarrer Jaume Ailemlos S.L. Ariel Mazín Mor Director Ailemlos S.L.

INDEPENDENT DIRECTORS	
Name	Position
José María Lafuente López	Secretary
Alfredo Pastor Bodmer	Director
Eduardo Punset Casals	Director
José Joaquín Puig de la Bellacasa Urdampilleta	Director
Emilio Cuatrecasas Figueras	Director

OTHER EXTERNAL DIRECTORS		
Name	Position	
Oscar Ruiz del Rio	Director	

Corporate information

CENTRAL CORPORATE HEADQUARTERS

Gremio Toneleros, 24 07009 Palma de Mallorca, España Tel. 34 971 22 44 00 Fax 34 971 22 44 08

MADRID CORPORATE HEADQUARTERS

Mauricio Legendre, 16 28046 Madrid, España Tel. 34 91 31 53 246 Fax 34 91 315 62 31

CENTRAL AND NORTH AMERICA CORPORATE HEADQUARTERS

1000 Brickell Avenue, Suite 500 33131 Miami-Florida-USA Tel. (1) 305 350 98 28 Fax (1) 305 350 99 60

SOUTH AMERICA CORPORATE HEADQUARTERS

Av. Naçoes Unidas, 12551, 7ª 04578-903 Sao Paulo SP, Brasil Tel. (5511) 30438484 Fax (5511) 3043 8466

CUBA CORPORATE HEADQUARTERS

Ave. 3ra entre 76 y 80 Miramar, La Habana, Cuba Tel. (53-7) 248 500 Fax (53-7) 248 505

ASIA CORPORATE HEADQUARTERS

6 Battery Road # 18-07 (049909) Singapore Tel. (65) 6.3343332 Fax (65) 6.3342065 www.solmelia.com info@solmelia.com

Central Reservations (SolRes): 902 14 44 44

Sol Meliá GDS access codes:

· AMADEUS: SM · GALILEO: SM · SABRE: ME · WORLDSPAN: SM

COMMUNITY INVOLVEMENT AND THE ENVIRONMENT

accion.social@solmelia.com medio.ambiente@solmelia.com

ANNUAL GENERAL MEETING

Palma de Mallorca Date: 8th. June, 2004

Location: Hotel Gran Meliá Victoria Dividend payment: 0.04 euros per share

INVESTOR RELATIONS DEPARTMENT: 971.22.45.43

investors.relations@solmelia.com

SHAREHOLDER HOTLINE: 971,22,45,54

club.accionista@solmelia.com

AUDITING FIRM

Ernst & Young
Palma de Mallorca





www.solmelia.com

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 Assurance & Advisory Business Services (AABS) Avda. Jaime III, 18 07012 Palma de Mallorca ■ Tel.: 971 21 32 32 Fax: 971 71 87 48 www.ey.com/es

AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Translation of reports originally issued in Spanish and prepared in accordance with generally accepted accounting principles in Spain (See Note 28). In the event of a discrepancy, the Spanish-language version prevails.

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, 2003, 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 2003, those of 2002. In addition, the directors include the figures of the 2001 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 2003. On April, 1 2003, we issued our audit report on the 2002 consolidated annual accounts, in which we expressed a favourable opinion.
- 3. In our opinion, the accompanying 2003 consolidated annual accounts 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, 2003 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.



AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS (CONTINUED)

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

4. The accompanying consolidated management report for the year 2003 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 2003. 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 Bosch Tugores

April 14, 2004

	31/12/2001	31/12/2002	31/12/2003
A. UNCALLED SHARE CAPITAL			
B. FIXED ASSETS			
I. START-UP EXPENSES	24,291	23,861	18,152
II. INTANGIBLE FIXED ASSETS			
1. Intangible assets and rights	409,707	420,401	410,160
2. Provisions and amortization	(35,121)	(52,385)	(75,717
III. TANGIBLE FIXED ASSETS			
1. Land and buildings	1,841,599	1,669,213	1,533,19
2. Technical installations and machinery	218,331	243,979	277,44
3. Other fixed assets	306,840	314,089	302,46
4. Prepayments and tangible fixed assets in progress	39.773	33.132	101.64
5. Provisions and depreciation	(594.907)	(599.943)	(606.787
IV. INVESTMENTS			
1. Participations by equity method	24,353	26,691	25,52
2. Loans to associated companies	20,014	15,358	5,51
3. Long-term securities portfolio	75,175	45,972	49,84
4. Other long-term receivables	73,780	79,835	79,41
5. Provisions	(5,720)	(4,505)	(5,686
V. TREASURY SHARES		1,970	5,95
TOTAL FIXED ASSETS	2,398,115	2,217,668	2,121,14
C. GOODWILL ON CONSOLIDATION			
1. From companies consolidated under full consolidation	23,924	18,765	16,68
2. From companies consolidated by equity method	2,904	2,848	1,34
TOTAL GOODWILL ON CONSOLIDATION	26,829	21,613	18,03
D. DEFERRED EXPENSES	22,587	28,180	26,93
E. CURRENT ASSETS			
II. INVENTORIES	39,653	27,962	26,85
III. DEBTORS	33,033	27,302	20,03
1. Trade debtors	143,681	138,967	165,11
Associated companies	23,346	28,444	21,06
3. Other debtors	95,929	82,771	55,90
4. Provisions	(26,126)	(38,937)	(40,873
IV. SHORT-TERM INVESTMENTS	(20,120)	(50,557)	(40,070
Short-term securities portfolio	302	2,815	1,38
Loans to associated companies	3,207	2,015	1,30
3. Other loans			
	8,988	22,013	174,80
4. Provisions	(3)	(2)	720
V. TREASURY SHARES	9,779	9,445	7,29
VI. CASH AND BANKS	175,832	130,849	72,71
VII.PREPAYMENTS AND ACCRUALS	8,672	8,304	5,92
TOTAL CURRENT ASSETS	483,260	412,633	490,18
TOTAL ASSETS	2,930,791	2,680,094	2,656,29
	.,,	, ,	-, - 3 -, - 0

	31/12/2001	31/12/2002	31/12/2003
A. EQUITY			
I. SHARE CAPITAL	36,955	36,955	36,955
II. SHARE PREMIUM	433,793	794,550	792,708
III. REVALUATION RESERVE R.D.L. 7/96	49,278	49,278	49,278
IV. RESERVES			
1. Distributable reserves	31,586	18,455	16,316
2. Reserve investments Canary Islands Law 19/94	39,599	39,599	39,599
3. Reserves in Cos. consolidated under full consolidation	322,966	335,839	357,444
4. Reserves in Cos. consolidated by equity method	5,865	2,280	4,437
5. Non-distributable reserves	17,228	17,720	21,186
6. Prior years results		(304,997)	(318,088
VII. FOREIGN CURRENCY GAINS/(LOSSES)			
1. From Companies consolidated under full consolidation	88,414	(100,480)	(254,918
2. From Companies consolidated by equity method	140	(2,460)	(3,734)
VIII. PROFIT AND LOSS FROM PARENT COMPANY	58,932	4,179	38,139
1. Consolidated profit and loss	64,679	13,649	49,089
2. Profit and loss attributed to minority interests	(5,747)	(9,470)	(10,950)
IX. INTERIM DIVIDEND PAID IN PREVIOUS YEAR			
TOTAL EQUITY	1,084,758	890,918	779,322
B. MINORITY SHAREHOLDERS	C4 C00	400 420	102.010
C. NEGATIVE CONSOLIDATION DIFFERENCE	64,699	166,429	163,019
From companies consolidated under full consolidation	21,918	19,084	15,595
From companies consolidated by equity method	0	0	(
TOTAL NEGATIVE CONSOLIDATION DIFFERENCE	21,918	19,084	15,595
D. DEFERRED INCOME			
1. Capital grants	3,780	3,524	4,734
2. Other deferred income	14,292	10,347	13,252
TOTAL DEFERRED INCOME	18,072	13,870	17,986
TOTAL DEFENDED INCOME	10,072	13,070	17,900
E. PROVISIONS FOR CONTINGENCIES AND EXPENSES	56,756	54,593	53,799
F. LONG-TERM LIABILITIES			
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES	551,026	555,829	490,000
II. BANK DEBTS	611,833	480,988	520,438
III. DEBTS WITH ASSOCIATED COMPANIES	(0)	305	30!
IV. OTHER LIABILITIES	84,160	82,350	86,366
TOTAL LONG-TERM LIABILITIES	1,247,020	1,119,472	1,097,109
O OLIOPETERMA LIA DILITICO			0.44.05
G. SHORT-TERM LIABILITIES	70 445	04.007	
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES	70,115	34,827	
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES II. BANK DEBTS	153,867	191,030	101,41
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES II. BANK DEBTS III. DEBTS WITH ASSOCIATED COMPANIES	153,867 364	191,030 332	101,410 21:
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES III. BANK DEBTS III. DEBTS WITH ASSOCIATED COMPANIES IV. TRADE CREDITORS	153,867 364 137,436	191,030 332 126,413	101,410 21: 122,12
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES II. BANK DEBTS III. DEBTS WITH ASSOCIATED COMPANIES IV. TRADE CREDITORS V. OTHER NON-TRADE DEBTS	153,867 364 137,436 71,379	191,030 332 126,413 58,776	101,410 21: 122,129 60,170
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES II. BANK DEBTS III. DEBTS WITH ASSOCIATED COMPANIES IV. TRADE CREDITORS	153,867 364 137,436	191,030 332 126,413	101,416 212 122,129 60,176
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES II. BANK DEBTS III. DEBTS WITH ASSOCIATED COMPANIES IV. TRADE CREDITORS V. OTHER NON-TRADE DEBTS VI. TRADE PROVISION VII. ACCRUED EXPENSES	153,867 364 137,436 71,379 454 3,954	191,030 332 126,413 58,776 0 4,350	241,051 101,416 212 122,125 60,176 (4,484
I. ISSUE OF DEBENTURES AND OTHER MARKETABLE SECURITIES II. BANK DEBTS III. DEBTS WITH ASSOCIATED COMPANIES IV. TRADE CREDITORS V. OTHER NON-TRADE DEBTS VI. TRADE PROVISION	153,867 364 137,436 71,379 454	191,030 332 126,413 58,776	101,410 21: 122,12! 60,170

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In thousands of Euros

A	EXPENSES	31/12/2001	31/12/2002	31/12/2003
	Supplies and other external expenses	129,610	127,551	119,526
	Personnel expenses	120/212	,	,
	a) Salaries, wages and related expenses	257,045	255,705	256,146
	b) Social Security cost	70,776	70,598	66,059
	Depreciation and amortisation	94,881	105,834	111,094
	Changes in trade provisions	5,076	5,251	7,823
	5. Other operating expense	312,274	318,138	315,951
I.	OPERATING PROFIT	146,408	127,463	111,246
	6. Financial expenses	74,718	63,115	61,329
	8. Foreign currency losses	32,992	79,333	38,217
II.	FINANCIAL PROFIT			
	9. Amortization of consolidation goodwill	2,555	2,986	2,956
Ш	PROFIT FROM ORDINARY ACTIVITIES	75,916	46,392	51,094
	10. Losses arising from sale of fixed assets	487	20,526	2,646
	11. Changes in fixed asset provisions	6,034	1,212	3,382
	12. Extraordinary expenses and losses	3,429	17,165	9,441
	13. Expenses and losses from prior years	3,932	4,420	7,007
IV.	EXTRAORDINARY PROFIT	4,786		12,134
V.	CONSOLIDATED PROFIT BEFORE TAXATION	80,701	16,845	63,228
	14. Corporate income tax	16,022	3,196	14,138
VI	.CONSOLIDATED RESULT FOR THE YEAR (PROFIT)	64,679	13,649	49,089
	15. Result attributed to minority shareholders	5,747	9,470	10,950
	I. RESULT FOR THE YEAR ATTRIBUTED TO			

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In thousands of Euros

В	INCOME	31/12/2001	31/12/2002	31/12/2003
	Net turnover	953,964	976,199	944,167
	2. Other operating income	62,105	34,341	43,678
I.	OPERATING LOSSES			
	Income from share capital investments	1,136	1,864	1,115
	4. Other financial income	7,636	7,677	2,925
	5. Foreign currency gains	33,656	59,816	38,387
11.	. FINANCIAL LOSSES	65,283	73,092	57,118
	6. Particip. in profits from companies consolidated by equity method	(2,655)	(4,994)	(79)
III	I. LOSSES FROM ORDINARY ACTIVITIES			
	7. Gains on disposal of fixed assets	8,805	1,214	23,800
	9. Capital grants transferred to results for the year	159	157	236
	10. Extraordinary income or profits	8,476	10,955	6,847
	11. Income or profit from previous years	1,229	1,451	3,727
IV	/. EXTRAORDINARY LOSSES		29,546	
V.	CONSOLIDATED LOSSES BEFORE TAXATION			
V	I. CONSOLIDATED RESULT FOR THE YEAR (LOSSES)			
V	II. 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 associated companies (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.

In all events, those activities, reserved by the special laws for companies who fulfil certain requirements that are not fulfilled by the Group, are expressly excluded from its corporate purpose; in particular, those activities reserved by the laws for Collective Investment Institutions or money market dealers are excluded.

These activities are carried out in Germany, Argentina, Belgium, Brazil, Colombia, Costa Rica, Croatia, Cuba, Egypt, Spain, France, Indonesia, Italy, Malaysia, Malta, Morocco, Mexico, Panama, Peru, Portugal, Puerto Rico, United Kingdom, Dominican Republic, Switzerland, Tunisia, Turkey, Uruguay, Venezuela and Vietnam

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	Management	99.73%		99.73%	
AZAFATA, S.A.	Autopista Aeropuerto S/N (Valencia)	Spain	Hotel owner and operator	100.00%		100.00%	
BEAR, S. A. de C. V.	Paseo de la Reforma,1 (Mexico D. F.)	Mexico	Hotel owner and operator	100.00%		100.00%	
BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico	Hotel owner and operator		96.47%		CALA FORMENTOR S.A. DE C.V.
					3.22%	99.69%	MELIÁ INV. AMERICANAS N.V.
CADLO FRANCE, S. A.	12, Rue du MontThabor (Paris)	France	Management		100.00%	100.00%	SOL MELIA FRANCE, S.A.
CADSTAR FRANCE, S. A.	12, Rue du MontThabor (Paris)	France	Management		100.00%	100.00%	SOL MELIA FRANCE, S.A.
CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico	Hotel owner and operator		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Hotel owner and operator		50.91%	50.91%	CONT. TUR. COZUMEL, S.A.
CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dom. Rep.	Casino operator		49.84%	49.84%	INVERSIONES AGARA S.A.
CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	Casino owner and operator	r 100.00%		100.00%	
COM.PROP. SOLY NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	Hotel owner and operator	88.42%		88.42%	
COMP. TUNISIENNE GEST. HOTELIÉRE	Cite Mahrajene-Imm Chiaaar, 1 (Tunis)	Tunisia	Management		100.00%		SOL MANINVEST B.V.
CONSORCIO EUROPEO, S. A.	Darro, 22 (Madrid)	Spain	Hotel owner		27.00%		AKUNTRA s. XXI S.L.
					33.00%		SECADE s. XXI S.L.
					40.00%	100.00%	DARCUO S. XXI S.L.
CONTROLADORATUR. COZUMEL, S. A.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Holding		23.91%		OPERADORA MESOL
					27.00%	50.91%	MELIA INV. AMERICANAS N.V.
CORP. HOT. HISP. MEXICANA, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico	Hotel owner and operator		9.22%		CALA FORMENTOR S.A. DE C.V.
					90.47%	99.69%	MELIÁ INV. AMERICANAS N.V.
CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru	Hotel owner and operator		40.03%		MARINA INTERNAT. HOLDING
					19.90%	59.93%	MELIÁ INV. AMERICANAS N.V.
DARCUO S. XXI, S. L.	Ronda de Sant Pere, 17 (Barcelona)	Spain	Holding	100.00%		100.00%	
DESARR. TURISTICOS DEL CARIBE, S. A.	The Ruyterkade, 62 (Curação)	Dutch Antille	s Marketing company		99.69%	99.69%	DES.TUR.DEL CARIBE N.V
DESARR. HOTELERA DEL NORTE, S. A.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico	Hotel owner		49.85%		DES.HOT.SAN JUAN B.V
					49.85%	99.69%	SAN JUAN INVESTMENT B.V
DESARR.HOTEL. SAN JUAN, B.V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
DESARR.TURISTICOS DEL CARIBE, N. V	. The Ruyterkade, 62 (Curaçao)	Dutch Antille	s Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
DESARROLLOS SOL, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
DOCK TELEMARKETING, S. A.	Orense 81 (Madrid)	Spain	Sales office	100.00%		100.00%	
DOMINICAN INVESTMENT, N. V.	The Ruyterkade, 62 (Curação)	Dutch Antille	s Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
DOMINICAN MARKETING SERVICES	The Ruyterkade, 62 (Curação)	Dutch Antille	s Marketing company		99.69%	99.69%	DOMINICAN INVESTMENT NV
DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Brand owner	100.00%		100.00%	

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR. P	IND. P	TOTAL	HOLDER IND. PART
FARANDOLE, B. V.	World Trade Center-Tower 17b (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
GESMESOL, S. A.	Elvira Méndez, 10 (Panamá)	Panama	Management	100.00%		100.00%	
GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Export company	100.00%		100.00%	
GRUPO SOL ASIA, Ltd.	1109/10 Admiralty CentreTower (Hong Kong)	Hong Kong	Holding	60.00%		60.00%	
GRUPO SOL SERVICES	80, Raffles Place, 25-01 UOB Pza. (Kuala Lumpur)	Singapore	Services		60.00%	60.00%	GRUPO SOL ASIA, Ltd.
HOTELES MELIÁ INTNAL. COLOMBIA, S. A	. Calle, 68 (Bogotá)	Colombia	Management		100.00%	100.00%	M.I.H. S.A.
HOTELES SOL INTERNACIONAL	Edificio Banco do Brasil (Panamá)	Panama	Holding	100.00%		100.00%	
HOTEL ABBAYE DE THELEME, S. A.	9, Rue Ville de Saxe (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE S.A.
HOTEL ALEXANDER, S. A. S.	12, Rue du MontThabor (Paris)	France	Hotel owner and operator		100.00%	100.00%	SOL MELIA FRANCE
HOTEL BELLVER, S. A.	Av Ingeniero Gabriel Roca (Palma de Mca.)	Spain	Hotel owner	66.95%		66.95%	
HOTEL BLANCHE FONTAINE, S. A.	34. Rue Fontaine (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE S.A.
HOTEL CONV. DE EXTREMADURA, S. A.	Plaza de San Juan 11-13 (Cáceres)	Spain	Hotel owner and operator	51.32%		51.32%	
HOTEL DE BOULOGNE, S. A. S.	12, Rue du MontThabor (Paris)	France	Hotel owner and operator		100.00%	100.00%	SOL MELIA FRANCE
HOTEL FRANÇOIS, S. A.	3, Boulevard MontMartre (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE, S.A.
HOTEL MADELEINE PALACE, S. A.	8, Rue Cambon (Paris)	France	Hotel operator		100.00%	100.00%	HOTEL METROPOLITAN S.A.
HOTEL METROPOLITAN, S. A.	8, Rue Cambon (Paris)	France	Hotel owner		100.00%	100.00%	CADLO FRANCE S.A.
HOTEL ROYAL ALMA, S. A.	35, Rue Jan de Goujon (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE, S.A.
HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100.00%	100.0070	100.00%	CADOTAIT HAIVEL, S.A.
HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100.00%		100.00%	
HOTELES SOL MELIÁ, S. L.		•	Inactive	100.00%		100.00%	
HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100.00%			
·	Gremio Toneleros, 24 (Palma de Mallorca)	Spain				100.00%	
HOTELESTRYP, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100.00%		100.00%	
HOTELES TURÍSTICOS, S. A.	Orense 81 (Madrid)	Spain	Hotel owner and operator			94.63%	
ILHA BELA GESTAÔ ETURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	Management	65.00%	400.000/	65.00%	IMPLIES LIGHT DEVELOPEMENT
IMPULSE DEVELOPEMENT, Inc.	Strawinskylaan, 2001 (Amsterdam)	Holland	Inactive		100.00%	100.00%	IMPULSE HOT.DEVELOPEMENT
IMPULSE HOTEL DEVELOPEMENT	Strawinskylaan, 2001 (Amsterdam)	Holland	Inactive	100.00%		100.00%	
INDUSTRIAS TURISTICAS, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner and operator	97.83%	40.000/	97.83%	AMUNITRA VIVI O I
INMOBILIARIA BULMES, S. A.	Darro, 22 (Madrid)	Spain	Hotel owner		40.00%		AKUNTRA s. XXI S.L.
					33.00%		SECADE s. XXI S.L.
					27.00%	100.00%	DARCUO S. XXI S.L.
INMOTEL INVERSIONES ITALIA, S. R. L.	-	Italy	Hotel owner and operator			100.00%	
INVERS.TURISTICAS DEL CARIBE, S. A.	· · · · · · · · · · · · · · · · · · ·	Dom. Rep.	Holding	100.00%		100.00%	
INVERS. LATINOAMERICA 2000, S. L.	Gremio Toneleros, 24 (Palma de Mallorca		Holding	100.00%		100.00%	
INVERS. EXPLOTAC. TURISTICAS, S. A.		Spain	Hotel owner and operator	54.64%		54.64%	
INVERS. INMOBILIARIAS IAR 1997, C. A.	Avenida Casanova (Caracas)	Venezuela	Hotel owner and operator		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
INVERSIONES AGARA, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Hotel owner and operator		99.69%	99.69%	NEALE S.A.
INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela	Inactive		100.00%	100.00%	M.I.H. S.A.
INVERSIONES JACUEY, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Casino owner and operator	r	99.69%	99.69%	DESARROLLOS SOL S.A
IRTON COMPANY, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Marketing company		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
LAVANDERIAS COMPARTIDAS, S. A.	P° Colorado, 26 (Torremolinos-Málaga)	Spain	Dry Cleaners/Laundrette	100.00%		100.00%	
LOMONDO, Ltd.	Albany Street-Regents Park (Londres)	U.K.	Hotel owner and operator	29.41%	70.59%	100.00%	HOTELES SOL INTNAL., S.A.
MELIÁ INTERNACIONAL HOTELES, S. A.	Edificio Fiducidario (Panamá)	Panama	Management and Holding	100.00%		100.00%	
M.I.H. U.K., Ltd.	Cent House-Upper Woburn Place (Londres)	U.K.	Holding		100.00%	100.00%	M.I.H. S.A.
MARINA INTERNATIONAL HOLDING	Elvira Méndez, 10 (Panamá)	Panama	Holding		100.00%	100.00%	M.I.H. S.A.
MARKSERV, B. V.	Parklaan, 81 (Amsterdam)	Holland	Management and Holding	51.00%	49.00%	100.00%	SOL MANINVEST B.V.
MARKSOLTURIZM, Ltd.	Calakli Manavgat (Antalya)	Turkey	Inactive	10.00%	90.00%	100.00%	MARKSERV B.V.
MARKTURTURIZM, A. S.	Daire, 3 Gençlik Mahallesi (Antalya)	Turkey	Inactive	100.00%		100.00%	
MARMER, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Hotel owner and operator		99.69%	99.69%	DES. TURÍST. DEL CARIBE S.A.
MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil	Hotel operator		20.00%		SOL MANINVEST B.V.
					80.00%	100.00%	MARKSERV B.V.
MELIÁ CATERING, S. A.	Gremiio Toneleros, 24 (Palma de Mallorca)	Spain	Catering services	100.00%		100.00%	
MELIÁ INVERSIONES AMERICANAS, N. V.		Holland	Holding	82.26%	17.43%	99.69%	SOL MELIÁ INVESTMENT N.V.
MELIÁ MANAGEMENT, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Management		100.00%	100.00%	INVTURIST DEL CARIBE SA
MELIÁTOUR, S. L.	Gremio Toneleros, 24 (Palma de Mallorca		Tour operator	99.94%	0.06%	100.00%	DORPAN S.L.
MELSOL MANAGEMENT, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Management	100.00%		100.00%	

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR. P	IND. P	TOTAL	HOLDER IND. PART
MELSOL PORTUGAL, Ltd.	Avenida do Brasil, 43-8 (Lisboa)	Portugal	Management	80.00%		80.00%	
MOTELES ANDALUCES, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner and operator	74.42%		74.42%	
MOT. GRANDES RUTAS ESPAÑOLAS, S. A	A. Orense, 81 (Madrid)	Spain	Hotel owner and operator	74.54%		74.54%	
NEALE, S. A.	Edificio Arango Orillac (Panamá)	Panama	Marketing company		99.69%	99.69%	RANDLESTOP CORP.N.V
OPERADORA COSTARISOL	Avenida Central, 8 (San José)	Costa Rica	Management		100.00%	100.00%	M.I.H. S.A.
OPERADORA MESOL, S. A. de C. V.	Bosque de Duraznos 69-b, (Mexico D.F.)	Mexico	Management	75.21%	24.79%	100.00%	MARKSERV B.V.
PARKING INTERNACIONAL, S. A.	Darro, 22 (Madrid)	Spain	Carpark owner		100.00%	100.00%	INMOBILIARIA BULMES, S.A.
PARQUE SAN ANTONIO, S. A.	Rey, 1 (Puerto de la Cruz)	Spain	Hotel owner and operator	79.32%		79.32%	
PLAYA SALINAS, S. A.	Avenida Marítima, 1 (Santiago del Teide)	Spain	Land owner	49.00%			
					47.93%		INDUSTRIASTURISTICAS
					1.89%	98.82%	HOTELES TURISTICOS, S.A.
PUNTA CANA RESERVATIONS, N. V.	The Ruyterkade, 62 (Curação)	Curação	Inactive		99.69%	99.69%	RANDLESTOP CORP.N.V
RANDLESTOP CORPORATION, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	s Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
REALTUR, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner	96.79%		96.79%	
SAN JUAN INVESTMENT, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding		99.69%	99.69%	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, 24 (Palma de Mallorca)	Spain	Security	100.00%		100.00%	
SILVERBAY, S. L.	Rafael Salgado, 7-5° Izq. (Madrid)	Spain	Inactive	100.00%		100.00%	
SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama	Incoming services		100.00%	100.00%	GESMESOL, S.A
SOL GROUP, B. V.	Parklaan, 81 (Amsterdam)	Holland	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 HOTELES U.K., Ltd.	Cent House-Upper Woburn Place (Londres)	U.K.	Inactive	100.00%		100.00%	
SOL MANINVEST, B. V.	Parklaan, 81 (Amsterdam)	Holland	Management and Holding	100.00%		100.00%	
SOL MELIÁ BENELUX, B. V.	4, Rue Blanche (Bruselas)	Belgium	Hotel owner and operator	99.99%			
					0.01%	100.00%	MARKSERV B.V.
SOL MELIÁ CHINA, Ltd.	1318 Two Pacific Place, 88 (Hong Kong)	China	Services		100.00%	100.00%	M.I.H. S.A.
SOL MELIÁ CROACIA	Vladimira Nazora, 6 (Rovijn)	Croatia	Management		100.00%	100.00%	SOL MANINVEST B.V.
SOL MELIÁ DEUTSCHLAND, gmbh	Josef Haumann Strasse, 1 (Bochum)	Germany	Hotel operator	100.00%		100.00%	
SOL MELIÁ EUROPE, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Issuer of convertible vouchers	100.00%		100.00%	
SOL MELIÁ FINANCE, Ltd.	Ugland House South Church (Gran Caymán)	Cayman Isl.	Financial services	0.56%		0.56%	SOL MELIA INVESMENT, N.V
SOL MELIÁ FRANCE, S. A. S.	12, Rue du MontThabor (Paris)	France	Management and Holding	100.00%		100.00%	
SOL MELIÁ GUATEMALA, S. A.	Primera Avenida, 8-24 (Guatemala)	Guatemala	Management		99.95%		M.I.H. S.A.
					0.05%	100.00%	MARKSERV B.V.
SOL MELIÁ INVESTMENT, N. V.	Strawinskylaan, 2001 (Amsterdam)	Holland	Holding		100.00%	100.00%	INV. LATINOÁMERICA 2000 S.L.
SOL MELIÁ MARRUECOS, S. A.	Rue Idriss Al-Abkar, 4 - 1° Etage	Morocco	Management		100.00%	100.00%	MARKSERV B.V.
SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru	Management	100.00%		100.00%	
SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburg)	Switzerland	Management	100.00%		100.00%	
SOL MELIÁ SUISSE, S. A.	Rue de Messe, 8-10 (Ginebra)	Switzerland	Hotel operator	100.00%		100.00%	
SOL MELIÁ TRAVEL S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Travel agency	100.00%		100.00%	
ΓENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel owner and operator	50.00%		50.00%	
TORRESOL DES. TURÍSTICOS, S. A.	GremioToneleros, 24 (Palma de Mallorca)	Spain	Inactive	80.00%		80.00%	
URME REAL, S. L.	Orense, 81 (Madrid)	Spain	Carpark owner		93.09%	93.09%	REALTUR S.A.

(*) The holding in this company is through the ownership of apartments which represents 88.42% of the total and has been recorded under the relevant captions of the "Tangible Fixed Assets" heading.

These companies have been consolidated under the full consolidation method.

Meliá Brasil Administraçao, whose corporate purpose is that of hotel management, operates one hotel on a leasing basis and the rest on a management basis. Since the hotels under management are of joint ownership and are not legally authorised to carry out operating activities, in view of the local requirements, Meliá Brasil Administração had to assume the operations of the hotels in Brazil on behalf of the joint owners. Since all risks and revenues will be returned to the joint owners, the consolidated profit and loss account only reflects the remuneration from the management of the hotels received by the Group and does not include income and expenses relating to their operation.

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, 24 (Palma de Mallorca	Spain	Hotel owner and operator	25.00%		25.00%	
C. P. COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	Apartment owners' association	0.33%	18.69%	19.02%	APARTOTEL S.A.
COM. PROP. MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	Apartment owners' association	29.22%		29.22%	
DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	Hotel owner and operator	31.78%	18.00%	49.78%	M.I.H., S.A.
HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	Inactive	40.00%		40.00%	
INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Owner and operator Pozos de Agu	а	49.84%	49.84%	MARMER, S.A.
INV.TUR.CASAS BELLAS, S. A.	Barrio de Chamberí s/n (Sta. CruzTenerife)	Spain	Land owner	23.75%		23.75%	
MELIÁ MÉRIDA, S. L.	Moreno de Vargas, 2 (Mérida)	Spain	Hotel owner and operator	44.14%		44.14%	
NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Hotel owner and operator	14.39%	5.67%	20.06%	PROMEDRO
PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Holding	20.00%		20.00%	
PROM. PLAYA BLANCA S.A. DE C.V.	Plaza de San Ángel, 15(Cancún)	Mexico	Hotel owner and operator		33.00%	33.00%	MARKSERV B.V.
SOL HOTTI PORTUGAL HOTEIS, Ltd.	Avda. da Republica, 85 1º Esq. (Lisboa)	Portugal	Management	45.00%		45.00%	

^(*) The holding in these companies is through the ownership of apartments which represents 19.02% and 29.22% of the total respectively and has been recorded under the relevant captions of the "Tangible Fixed Assets" heading.

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
GOLF COCOTAL, S. A.	Republica Dominicana	Dom. Rep.	Land owner		100.00%	100.00%	DESARROLLOS SOL, S.A.
GUPE IMÔBILIARIA, S.A.	Estrada da Luz, 90 (Lisboa)	Portugal	Inactive	99.99%		99.99%	
HOTEL NET B2B.COM, S.L.	Gremio Tejedores 5 (Palma de Mca.)	Spain	Inactive	40.00%		40.00%	
M. I. H. EUROPE & M.	Cavendish Square, 6 (Londres)	U.K.	Inactive		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.
NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	U.S.A.	Holding		100.00%		SOL GROUP, B. V.
OPERADORA SAN JUAN, S. E.	Ponce de León, 279 (San Juan)	Puerto Rico	Management	90,00%	10.00%	100.00%	MARKSERV B.V.
PUNTA ELENA, S. L.	San José, 33 (Tenerife)	Spain	Inactive	50.00%		50.00%	

Hotel Net B2B.COM, S.L. and Gupe Inmobiliaria, S.A. are in liquidation. The investment made has been duly provided for.

The other companies excluded from the consolidation are inactive as of December 31, 2003.

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 and in case of a decrease in value the corresponding provision is booked.

2.4 CHANGES IN THE CONSOLIDATION SCOPE

The changes that have taken place in the consolidation scope during 2003 are indicated below:

RISE % PARTICIPACION	DISPOSALS % PARTICIPATION	DISPOSALS
INDUSTRIAS TURÍSTICAS, S. A.	INV. EXPLOT.TURISTICAS,S.A.	CARIBOOKING & RESERV., N. V. (***)
REALTUR, S. A.		PUNTA ELENA, S. L. (***)
PARQUE SAN ANTONIO, S. A.		HOTEL LAS AMÉRICAS (**)
URME REAL, S. L.		HOTEL NET B2B.COM, S. L. (***)
PLAYA SALINAS, S. A.		LASTMINUTE SPAIN, S. A. (**)
DESARROLLADORA. HOTELERA DEL NORTE, S.A.		LIRAX, Ltd. (*)
		TRYP MEDITERRANÉE (***)
		SOL FINANCE, N. V. (***)
		INMOTEL INTERNACIONAL, S. A. (*)

^(*) COMPANY MERGER. (**) COMPANY SOLD. (***) DISSOLVED COMPANY OR IN PROCESS OF DISSOLUTION

Sol Meliá Travel, S.A. has changed from being included by the equity method in the 2002 consolidation scope to being included by the full integration method in 2003.

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 2003 and 2002 and of the consolidated Notes thereto for the year 2003. 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 2001 are also included.

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.

COMPARISON OF INFORMATION

The consolidated annual accounts at December 31, 2003 are presented following the structure established in the Spanish General Chart of Accounts, and also include the comparative figures for the two preceding years.

In relation to the consolidation scope, the principal changes which took place in 2003 with respect to the preceding year are explained in Note 2.

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 the 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 liabilities caption of 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 exercises significant control despite ownership of less than 20%, are presented in the consolidated balance sheets under the Investments heading, "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 the equity method".

"Significant control" is considered existent when ownership exceeds 3% in companies that are listed on a public stock exchange. For companies whose stock is not publicly traded, significant control is considered when an important part is played in 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 Thousands of €	
Profit and Loss (2003 losses)	11,801
APPROPRIATION	
To legal reserve	
To reserves for investments in the Canary Islands	
To voluntary reserves	
To dividends	
To losses from prior years	11,801

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.049 euros per share (net dividend of 0.04 euros).

5. Accounting principles

The most significant accounting principles applied in the preparation of the 2003 consolidated annual accounts are as follows:

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 notional value, whenever these are not attributable to a higher value of specific fixed assets of the acquired companies, are recorded as goodwill, and are 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 note 6).

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.

The application to results of the negative consolidation differences is carried out according to the adverse trend of the subsidiary's profit and loss account, and to proportion in which these forecasts materialise.

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 operations in Italy, Puerto Rico and Mexico, 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, 2003.

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, 2003.

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 said 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).

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).

INTANGIBLE FIXED ASSETS 5.7

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)

Assets acquired by financial leasing contracts are valued at cost and do not include future financing charges which are recorded in the "Deferred Expenses" caption in the assets side of the balance sheet.

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
Computer hardware and software	5-8 years
Vehicles	5-10 years
Industrial Property	5 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 mentioned 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
Computer hardware	4-8 years
Vehicles	5-10 years
Other fixed assets	4-8 years

The net book value of "Other fixed assets" corresponds to the value as per stocktaking carried out in the different centres at year-end. Breakages and losses are recorded as "Disposals". These assets relate to glassware, crockery, hardware, cutlery, linen, tools and other household items.

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 notional 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 25.5).

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 necessary adjustments are made, when applicable, in order to reflect the estimated realisation 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 are 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.

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 20.1).

5.15 Provisions for pensions and similar obligations

Certain Collective Wage Agreements prevailing and applicable in 2003 establish that permanent staff who have been employed by the Company for a specified length of time and take voluntary retirement will be entitled to a cash premium equivalent to a number of monthly salaries proportional to the number of years of service. In 2003 an evaluation of these commitments was performed in accordance with the actuarial assumptions contained in the Externalisation Regulations, by applying the calculation method known as the "projected unit credit" and the population assumptions corresponding to the PERM2000 and PERF2000 tables, applying a capitalisation rate of 5%. The provision for contingencies and expenses covers these commitments.

The Company has carried out the corresponding externalisations for this concept. The provision for contingencies and expenses covers these commitments as well as the commitments acquired with six executives of the Company.

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 in the assets side of the consolidated balance sheet. The difference between said value and the amount received is recorded in the "Deferred Expenses" caption and charged to results for the year according to financial criteria (See Notes 22 and 13).

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 by the Parent Company, from an accounting viewpoint, in 2001, for an amount of € 353 million, is amortised, starting in 2002, on the straight-line method over 20 years for tax purposes. Following the criteria of accounting prudence, no prepaid taxes have been recognised.

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 prepaid taxes in the balance sheet relate mainly to the capitalisation of tax credits deriving from tax losses of several Group companies, which will be applied in the forthcoming years.

The eventual deferred taxation relating 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 Group companies' 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 an 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 PARENT COMPANY SHARES

The treasury shares held by SOL MELIA, S.A. are valued at their acquisition price, less the difference between the acquisition value and the lower value of the average quotation of the last quarter of the current year and their closing quotation at year-end. The Company charges a non-distributable reserve, equalling the amount of the treasury reserves recorded in the assets, under the liabilities heading of the balance sheet. This reserve, included under the caption "Non-distributable reserves", should be maintained as long as the shares are not disposed of or amortised, in accordance with Article 79 of the Public Limited Companies Law (See Note 18).

5.23 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.

5.24 SUBSIDIARIES AND ASSOCIATED COMPANIES

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

5.25 Modifications to the consolidation scope

Modifications to the 2003 consolidation scope are identified and explained in Note 2.

5.26 REVENUES FROM TIME-SHARING

Revenues from time-sharing are accounted for in accordance with the Company's collection flow. The effect of applying the aforementioned criteria on the Company's results would not be significantly different from that which would arise if said operations were recorded as a transfer of assets. The criteria applied by the Company is more prudent than the aforementioned alternative.

5.27 WORKING CAPITAL

In view of the Group's potential to transfer the entitlement of loans granted to clients and the disposable amount of credit lines, the Group's Directors believe that the negative working capital at close in 2003 is temporary and not material.

6. Goodwill on consolidation

Goodwill on consolidation and its amortisation are detailed below:

6.1 COMPANIES CONSOLIDATED BY FULL INTEGRATION METHOD

	Balance at 31/12/01	Balance at 31/12/02	Amort. 2003	Additions	Transfers	Disposals	Balance at 31/12/03
(thousands of €)							
Anastatal C A	935	720	(210)				504
Apartotel, S.A. Azafata, S.A. (1)	2,744	2,638	(216) (147)				2,491
	•		· '				
C. Tamarindos, S.A.	978	752	(226)				527
Cadlo France, S.A. (1)	1,329	1,255	(74)				1,181
Dorpan, S.L.	180	138	(41)				97
Grupo Sol Asia Ltd. (1)	145	112	(33)				78
Gupe Inmobiliaria, S.A.	214						
Ihla Bela de Gestao e Turismo, Ltd. (1)	258	245	(13)				232
Lirax Ltd.	1,774	1,518			(1,518)		
Lomondo Ltd. (1)	4,124	3,890	(234)				3,656
Londim France, S.A. (1)	3,480	3,287	(193)				3,094
Markserv, B.V.	335	258	(77)				181
Marksol Turizm, Ltd.	100	77	(23)				54
Melia Brasil Administração (1)			(114)		1,518		1,403
Melia International Hotels, S.A	421	324	(97)				227
Operadora Mesol, S.A. De C.V.	864	665	(199)				465
Parque San Antonio, S.A. (1)	45	42	(2)	1			41
Sol Group B.V.	111	86	(26)				60
Sol Hotel U.K. LTD (1)	590						
Sol Meliá Benelux (1)	1,410	1,335	(75)				1,259
Sol Meliá Croacia (1)	1,295	1,090	(204)				886
Sol Meliá Perú S.A. (1)	60	57	(3)				54
Talonario 5 Noches, S.L.	257	198	(59)				138
Tryp Meditérranée	2,172						
Others	100	79	(22)				56
Total	23,924	18,765	(2,081)	1			16,685

The transfers balance is due to the merging of Lirax by Meliá Brasil Administração.

⁽¹⁾ The goodwill relating to long-term investments in management companies and in properties which have a long economic useful life and revaluation prospects, is amortised over a period of 20 years

Likewise, tacit surpluses existing on the acquisition date of the related holding 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:

(the count of C)	Balance at 31/12/01	Balance at 31/12/02	Amort. 2002	Additions	Transfers	Disposals	Balance at 31/12/03
(thousands of €)							
Apartotel, S.A.	859	840	(19)				821
Casino Tamarindos, S.A.	2,487	2,389	(98)				2,290
Consorcio Europeo S.A.	10,549	10,439	(110)				10,329
Desarrollos Sol	19,302	18,740				(89)	18,651
H. Metropolitan	18,422	18,234	(188)				18,046
Hotel de Boulogne S.A.S.	3,680	3,601	(80)				3,521
Inmobiliaria Bulmes S.A.	34,419	34,158	(260)				33,898
Parking Internacional S.A.	110	112					112
Playa Salinas, S.A.	6,653	6,654		8			6,662
Realizaciones Turísticas, S.A.	11,730	11,528	(203)	10			11,335
Silverbay S.L.	2,173	2,173				(2,173)	
Urme Real, S.L.	2,053	2,011	(44)	5			1,972
Total fixed assets	112,438	110,876	(1,002)	23		(2,262)	107,635

The disposal relating to Silverbay, S.L. corresponds to the sale of a plot in Zahara de los Atunes.

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. Amortisation in 2003 relates to the aforementioned sales.

(thousands of €)		Balance at 31/12/02	Amort. 2002	Additions	Transfers	Disposals	Balance at 31/12/03
Desarrollos Sol	5,606	5,942	(531)			(18)	5,393
Total Inventories	5,606	5,942	(531)			(18)	5,393

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 €)	Balance at 31/12/01	Balance at 31/12/02	Amort. 2003	Additions	Transfers	Disposals	Balance at 31/12/03
Aparthotel Bosque, S.A.	307	236	(71)				165
Detur Panamá, S.A.	1,674	1,586	(783)				803
Hotel Campus, S.L.	663						
Hotel NetB2B.com, S.A.	260	247				(247)	
Lastminute Network, S.A.		381				(381)	
Promociones Playa Blanca, S.A. de C.V. (1)		398	(20)				378
Total	2,904	2,848	(874)			(628)	1,346

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

During 2003, in accordance with the principle of prudence, 50% of the goodwill on consolidation amortization relating to Detur Panamá, S.A. has been accelerated.

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 €)	Balance at 31/12/01	Balance at 31/12/02	Amort. 2003	Additions	Disposals	Balance at 31/12/03
Aparthotel Bosque, S.A.	19	18	(0)			18
Nexprom, S.A.	1,143	1,110	(33)			1,077
Total	1,162	1,128	(33)			1,095

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 €)	Balance at 31/12/01	Balance at 31/12/02	Amort. 2003	Additions	Disposals	Balance at 31/12/03
Bear S.A. De C.V.	13,720	12,206	(632)			11,574
C.T. Cozumel/Caribotels de México, S.A. de C.V.	6,096	4,767	(3,023)			1,744
C.Tunissienne de G.H.	2	2				2
Desarrolladora Hotelera del Norte, S.A.	703	703		1,453		2,156
Gesmesol, S.A.	928	928	(928)			
Grupo Sol Services	192	192	(192)			
Inversiones Jacuey, S.A.	12	12				12
Meliá Brasil Adminitração	167	167	(167)			
Meliá Venezuela S.A.	75	75				75
Melsol Portugal, Ltd.	10	10				10
Sol Caribe Tours, S.A.	5	14				14
Sol Group Co.	6	6				6
Sol Meliá Suisse, S.A.	3	3				3
Total	21,918	19,084	(4,942)	1,453		15,595

The negative difference on consolidation corresponding to Bear, S.A. de C.V., Controladora Turística Cozumel / Caribotels de México, S.A. de C.V. and Meliá Brasil Administração has been amortised to offset losses incurred by these companies over recent years. The balances relating to Gesmesol and Grupo Sol Services are registered as income for the year as they are management companies with no pending underlying or tacit capital losses.

The additions relate to the increase in the holding of Desarrolladora Hotelera del Norte, S.A.

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:

	Balance at 31/12/01	Balance at 31/12/02	2003 results	Additions	Transfers	Disposals	Exchange dif.	Balance at 31/12/03
(thousands of €)								
Aparthotel Bosque, S.A.	960	1,024	84		(45)	(33)		1,030
C.P. Meliá Castilla	3,155	3,072	888			(1,520)		2,439
C.P.Meliá Costa del Sol	1,621	1,462	342	64		(278)		1,589
Detur Panamá, S.A.	4,510	2,925	(649)			(4)	(427)	1,846
Hellenic Hotel Management	(76)	(76)						(76)
Hotel Campus S.L.	59							
Hotel NetB2B.com, S.A.	2,822	2,367				(2,367)		
I.Turísticas Casas Bellas, S.L.	9,007	9,007						9,007
Inversiones Guiza, S.A.	0	(1)	(1)				1	(1)
Meliá Mérida, S.L.	1,191	1,097	(297)					799
Nexprom/Promedro	2,762	2,793	425			(81)		3,136
Prom. Playa Blanca, S.A. De C.V.		7,540	(841)	575			(1,655)	5,619
Sofía Hoteles S.L.	139							
Sol Hoti Portugal Hoteis	108	166	(30)	2				138
Sol Meliá Travel, S.A.	(1,907)	(4,684)				4,684		
Total	24,353	26,691	(79)	640	(45)	401	(2,081)	25,527

Additions and disposals arise mainly from the changes introduced in the Group's consolidation scope, as explained in Note 2 and the adjustments made, through the elimination of provisions and dividends, which are inherent to the consolidation process.

The value of the participations includes tacit surpluses relating to buildings not recorded by the associated companies. 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 and its movement in 2003 is as follows:

(thousands of €)	Balance at 31/12/01	Balance at 31/12/02	Amort.	Additions	Disposals	Conv. Dif.	Balance at 31/12/03
Formation expenses	176	719	(183)	83	(280)	1	340
Set up expenses	15,910	14,237	(3,221)	3,835	(2,986)	(955)	10,910
Other deferred expenses	5,325	7,099	(953)	539	(170)	(570)	5,944
Share capital increase	2,879	1,805	(860)	12		0	957
Total	24,291	23,861	(5,218)	4,469	(3,436)	(1,525)	18,152

The most significant additions recorded in 2003 relate to set-up expenses of the hotels Tryp Indalo, Tryp Oceanic, Tryp Barcelona Aeropuerto and Sol Vielha in Spain, as well as the Gran Meliá Mofarrej in Sao Paolo. Moreover the additions also relate to the change of Sol Meliá Travel, S.A. to the full consolidation method.

The disposals balance includes the reclassification, according to accounting uniformity criteria, of set-up expenses amounting to € 2.5 million, relating to the construction of a hotel in Puerto Rico, as major value of works in progress in the "Tangible Fixed Assets" table.

10. Intangible fixed assets

The breakdown of the cost and accumulated amortisation of intangible fixed assets is as follows (in thousands of euros):

COST	Balance at 31/12/01	Balance at 31/12/02	Additions	Transfers	Disposals	Exchange dif.	Balance at 31/12/03
(thousands of €)							
Land	1,218	1,202					1,202
Buildings	108,247	107,792	6,461	(15,989)	(1,911)	(9)	96,343
Instalations	81,439	76,465	5,875	(19,659)	(299)	0	62,383
Machinery	9,174	10,243	612	(883)	(15)	1	9,958
Tools	75	394	259	19		(0)	671
Furniture	43,572	36,770	2,859	(8,559)	(66)	0	31,004
Data processing equip.	8,409	9,130	488	329	(145)	(0)	9,801
Vehicles	12,179	12,184	30	54			12,268
Ind.Prop.rights/R+D exp.	4,715	4,478	14			0	4,492
Goodwill	15,723	11,972			(131)	(329)	11,512
Transfer rights	82,623	77,394				(6,437)	70,957
Software	42,335	72,376	30,904	(58)	(3,472)	(189)	99,560
Total COST	409,707	420,401	47,501	(44,746)	(6,039)	(6,964)	410,160

ACCUMULATED AMORTISATION (thousands of €)	Balance at 31/12/01	Balance at 31/12/02	Charges for the year	Additions	Transfers	Disposals	Exchange dif.	Balance at 31/12/03
Buildings	3,079	3,402	1,989		479	(3)	(9)	5,860
Instalations	7,639	9,256	3,937	4	(2,177)	(1)	0	11,021
Machinery	747	1,136	591		(307)	(1)	1	1,421
Tools and fittings	5	51	79		1		0	131
Furniture	5,892	5,619	2,460		(2,751)	(7)	0	5,323
Data processing equip.	968	2,231	1,674	3	1,192	(59)	2	5,045
Vehicles	1,840	3,037	1,246		8		0	4,293
Ind.Prop.rights/R+D exp.	359	1,435	606		(142)	(280)	(1)	1,618
Goodwill	4,423	2,558	772		83	(537)	(145)	2,732
Transfer rights	5,680	7,872	2,396				(742)	9,526
Software	3,574	14,875	18,258	2,900	(4,709)	(3,466)	(30)	27,825
Provisions	914	914						914
Total AMORTISATION	35,121	52,385	34,008	2,907	(8,323)	(4,354)	(922)	75,717
NET BOOK VALUE	374,586	368,016						334,442

There are 1,484 financial leasing contracts pending maturity as of December 31, 2003, of which 786 mature in 1 year, 694 between 2 and 5 years, and 4 in 11 years. The instalments pending payment as of December 31, 2003 total € 117.8 million, of which € 44.69 million are short-term and the rest long-term. The total residual value of the contracts currently in effect amounts to € 6.69 million (See Note 22).

The main additions recorded in the year relate to sundry repairs and refurbishment works carried out in various hotels operated by the Group and financed through financial leasing contracts, as well as to the incorporation of software applications for several areas of the Company which will permit the integration of the Group's management and facilitate growth and globalisation processes within the Group. Among these are the hotel applications Front Office, pointof-sale, SAP, reservations systems and Internet applications. The transfers mainly relate to the incorporation of assets whose leasing period has come to an end and the ownership of which is recorded under the "Tangible Fixed Assets heading" (See Note 11). The amount recorded for reclassified transfer rights relates to the long-term leasing contract of a hotel in the United Kingdom, depreciable over a period of 33 years.

COST

NET BOOK VALUE

11. Tangible fixed assets

Movement in the different tangible fixed assets headings and the related accumulated depreciation during 2003, expressed in thousands of euros, is as follows:

Additions Transfers Disposals Exchange

Balance at

1,607,965

Balance at Balance at

1,811,635 1,660,471

	31/12/01	31/12/02		Additions	Hullololo	Disposuis	dif.	31/12/03
(thousands of €)								
Land	482,263	453,344		21,504	(1,254)	(2,767)	(38,074)	432,753
Buildings	1,359,336	1,215,869		24,311	3,326	(5,818)	(137,247)	1,100,441
Sub-Total	1,841,599	1,669,213		45,815	2,072	(8,585)	(175,320)	1,533,194
Instalations	184,236	205,202		14,048	22,944	(5,391)	(1,100)	235,705
Machinery	34,095	38,777		2,211	1,820	(967)	(104)	41,738
Sub-Total	218,331	243,979		16,259	24,764	(6,358)	(1,204)	277,443
Furniture	249,938	252,641		16,145	9,560	(6,298)	(28,379)	243,670
Tools	4,572	2,864		234	37	(48)	(0)	3,089
Sub-Total	254,510	255,506		16,379	9,598	(6,346)	(28,379)	246,759
Vehicles	3,884	3,417		116	12	(320)	(746)	2,483
Data processing equip.	29,719	29,659		1,770	601	(879)	(2,028)	29,126
Other fixed assets	18,727	25,507		7,569	(65)	(8,324)	(593)	24,098
Sub-Total	52,330	58,584		9,455	548	(9,523)	(3,367)	55,708
Works in progress	39,773	33,132		102,334	7,766	(26,393)	(15,190)	101,648
TOTAL COST	2,406,543	2,260,414		190,243	44,747	(57,205)	(223,460)	2,214,751
ACCUMULATED AMORTISATION			Charge for	Additions	Transfers	Disposals	Exchange	Balance a
(thousands of €)	31/12/01	31/12/02	the year				dif.	31/12/03
Buildings	309,767	309,781	34,203	403	(1,225)	(6,542)	(31,527)	305,093
Instalations	85,610	94,501	11,682	32	4,006	(5,734)	(283)	104,204
Machinery	22,404	21,833	2,411	18	368	(1,361)	(10)	23,260
Sub-Total	417,781	426,115	48,296	453	3,149	(13,637)	(31,821)	432,556
Furniture	147,559	142,140	15,568	3,120	6,007	(5,989)	(17,631)	143,215
Tools and fittings	342	2,966	288	4	(1,000)	(90)	(161)	2,008
Vehicles	3,118	2,443	500	21	58	(443)	(500)	2,080
Data processing equip.	21,963	21,597	2,894	443	230	(1,064)	(1,432)	22,668
Other fixed assets	1,472	3,333	4,310	73	(120)	(3,480)	(108)	4,006
Provisions	2,671	1,349	3,022	915	(5)	(4,980)	(46)	254
Sub-Total	177,126	173,828	26,582	4,577	5,170	(16,047)	(19,878)	174,231
TOTAL AMORT.	594,907	599,943	74,878	5,030	8,319	(29,684)	(51,698)	606,787
	3- 4- 5		,	-,	-,	,,	, , , , , , , , ,	

In case of merger, or non-monetary contributions of activities, in accordance with the rulings on formulation of consolidated annual accounts, the difference between the book value of the participation in the absorbing company and the theoretical 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, the Parent Company has recorded as additions capital gains in several hotels derived from the merger with Inmotel Inversiones, S.A., which corresponds to Meliá Lebreros (€ 16.5 million), Meliá Sevilla (€ 10.5 million) and Sol Barbados (€ 4.0 million) and also as a result of the consolidation differences detailed in Note 6.

The main tangible fixed assets additions recorded in the year relate to significant refurbishment works carried out during the year in the different hotels operated by the Group, the execution of a purchase option amounting to € 6.2 million for the Hotel Balmoral, real estate developments of villas and golf courses in Santo Domingo and the construction of a hotel in Puerto Rico undertaken by Desarrolladora Hotelera del Norte.

Disposals include that of the Hotel Sol Patos in Benalmádena (Málaga), whose net book value, at December 31, 2003, amounted to € 5.4 million, the withdrawal of equipment necessary for the running of various hotels, amounting to € 8.4 million and the assets of hotels which no longer operate.

The Group operates a total of 71 hotels under leasing, of which 2 are five stars with 257 rooms, 44 are four stars with 6,752 rooms, 23 are three stars with 2,925 rooms, 2 are two stars with 91 rooms, 4 are three-key establishments with 841 apartments and 1 is a two-key establishment with 296 apartments. In addition, the Company has subscribed leasing contracts for four hotels (with approximately 576 rooms) which will begin to operate in 2004.

Some Group companies located in countries with high rates of inflation re-state 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 €)	Balance at 31/12/01	Balance at 31/12/02	Balance at 31/12/03
Land	89,883	66,483	51,412
Buildings	355,313	267,008	212,091
Furniture	46,030	35,787	31,189
Data processing equip.	1,582	1,279	1,061
Vehicles	415	313	219
Accumulated amortisation	(130,936)	(98,027)	(94,915)
TOTAL	362,287	272,843	201,057

The re-statement which includes the adjustment of the fixed assets value recorded in Mexico is not reflected in the 2003 Consolidated Annual Accounts, since the economy of this country does not show high inflation rates according to Spanish policies. The 2003 Consolidated Annual Accounts include solely the updated value of the investments made in Venezuela and Peru.

The depreciation charge for the re-statement of the fixed assets recorded to date, amounted to € 9.4 million for the current year.

The directors of SOL MELIA consider that the insurance coverage of the tangible fixed assets is sufficient as of December 31, 2003.

The net surplus 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 €)	31/12/2003
(Modelande of G)	
Revaluation Law 76/61	55
Revaluation Law 12/73	2,579
Revaluation Budget Law 1979	29,936
Realuation Budget Law 1980	28,852
Realuation Budget Law 1981	4,323
Realuation Budget Law 1982	26,480
Revaluation Law 1983	1,437
Voluntary revaluation prior to 1990	3,146
Revaluation R.D.L. 7/96	58,408
TOTAL REVALUATION RESERVE	155,216

Additionally, the balance sheet at December 31, 2003 includes revaluations of land and buildings for a total cost of € 174.4 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 ASSOCIATED COMPANIES

(thousands of €)	Balance at 31/12/01	Balance at 31/12/02	Balance at 31/12/03
ARESOL CABOS, S.A. de C.V.	11,349	9,170	0
CORPORACION HOTELERA METOR	1,577	0	0
DETUR PANAMÁ	4,187	4,065	3,753
HOTEL LAS AMÉRICAS, S.A.	394	0	0
MOGAN PROMOCIONES	2,506	2,123	1,760
TOTAL	20,014	15,358	5,513

The Group has a 15% participation in the company Aresol Cabos, S.A de C.V. through its subsidiary Inversiones Hoteleras Los Cabos (See Note 12.2). The former is not included in the consolidation scope as an associated company. Consequently, the Company's balance with Aresol Cabos, S.A. de C.V. is registered under the caption "Other long-term receivables" (See Note 12.3).

12.2 LONG-TERM SECURITIES PORTFOLIO

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

INVESTMENTS	% Ownership	Balance at 31/12/01	Balance at 31/12/02	Additions	Disposals	Exchange dif.	Balance at 31/12/03
(thousands of €)							
SOL MELIÁ S.A.		53,548	42,299				48,841
AOL Avant, S.A.	-	16,091	,				.,.
D.H. Guanacaste	15.00%	13,640	14,472	874			15,346
D.I.Guanacaste	15.00%	793	793	-			793
Gupe Inmobiliaria, S.A.	100.00%		425				425
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.	26.50%			3,388			3,388
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	194			1,696
Operadora San Juan, S. E.	90.00%	.,	.,	1			1
Orgesa Holding	14.17%	7	7				7
P.T. Surlaya Internacional	16.52%	9,015	9,015				9,015
Port Cambrils Inv.	15.00%	347	651				651
Punta Elena, S. L.	50.00%	0		903			903
Shanghai, S.A.	19.61%	453	2,842	660			3,502
Tryp Mediterrenée	85.40%			407			407
Tuoroperador Viva Tours, S.A.	19.00%	2,644	3,537		(6)		3,531
Turismo de Invierno S.A.	19.47%	1,079	1,079		(0)		1,079
Valle Yamury, S.A.	15.00%	238	238	108			346
Varios	n/c	0	0	12			13
INEXTUR S.A.		2	2				2
Oblig. Club Marítimo Marbella	n/c	2	2				2
APARTOTEL S.A.		426	426				426
Plaza Puerta del Mar S.A.	7.10%	426	426				426
CASINO TAMARINDOS S.A.		301	301				301
Obligaciones del Gobierno de Canarias	n/c	301	301				301
Propiedades en Arriendo							
PARQUE SAN ANTONIO S.A.		3	3				3
Aguas Teide	n/c	3	3				3
MARKSERV B.V.		9,762	2				2
Mogan Promociones	33.33%	2	2				2
Operadora San Juan, S. E.	10.00%			0			0
Promociones Playa Blanca S.A.	33.00%	9,760					
MELIA INV AMERICANAS N.V.		3,223					
Corporación H. Metor	19.97%	3,223					
MELIA INTNAL HOTELS S.A.		53	45				37
C.A.H.T. Puerto La Cruz	0.38%	20	17			(3)	14
Corp. Hotelera Halmel	1.07%	33	28			(5)	23
Corp. Hotolora Haimor	1.07 /0		20			(0)	20

INVESTMENTS	% Ownership	Balance at 31/12/01	Balance at 31/12/02	Additions	Disposals	Exchange dif.	Balance at 31/12/03
(thousands of €)	·						
MARINA INTNAL HOLDING		7,825	2,869				0
Corporación H. Metor	40.03%	4,439					
Hotel Las Américas	20.00%	3,386	2,869		(2,869)		0
DESARROLLOS SOL, S.A.		7	5				203
Golf del Cocotal, S.A.	100.00%	7	5			(3)	2
Inversiones Cuanel, S. A.	n/c			201			201
SOL GROUP, B. V.							9
New Continenrt Ventures, Inc.	100.00%		0	9			9
GRUPO SOL MELIÁ FRANCIA		25	22				24
Deuda Pública Francesa		25	22	2			24
TOTAL		75,175	45,972	6,760	(2,875)	(11)	49,849

PROVISIONS	% Ownership	Balance at 31/12/01	Balance at 31/12/02	Additions	Disposals	Exchange dif.	Balance at 31/12/03
(thousands of €)	C	0	0, 0_				0 11 12/00
SOL MELIÁ S.A.		(2,644)	(3,070)				(5,685)
Gupe Inmobiliaria, S.A.	100.00%		(425)				(425)
Hotel Net B2B.com S.A.	26.50%			(1,979)			(1,979)
Punta Elena, S. L.	50.00%			(229)			(229)
Touroperador Viva Tours, S.A.	19.00%	(2,644)	(2,644)				(2,644)
Tryp Mediterranée	85.40%			(407)			(407)
MARINA INTNAL HOLDING		(2,616)	(1,435)				0
Hotel Las Américas	20.00%	(1,693)	(1,435)		1,435		0
Corporación H. Metor	40.03%	(923)					
MELIA INV AMERICANAS N.V.		(458)					
Corporación H. Metor	19.97%	(458)					
GRUPO SOL MELIÁ FRANCIA		(1)	(1)				(1)
Deuda Pública Francesa		(1)	(1)				(1)
TOTAL		(5,720)	(4,505)				(5,686)
NET VALUE		69,455	41,466				44,163

In 2003, participative contributions to the share capital of Desarrollos Hoteleros Guanacaste, S.A. have been undertaken. Moreover, the share capital increases of Lanzarote 6, S.A., Shangai, S.A. and Valle Yamuri, S.A. have been subscribed and fully paid up.

No provision has been charged for the holdings of Desarrollos Hoteleros Guanacaste, S.A., Inversiones Hoteleras Playa del Duque, S.A., P.T.S.A.I., Inversiones Hoteleras Los Cabos, S.A. and Lanzarote 6, S.A., as unregistered tacit surpluses exist.

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

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	%	BOOK VALUE	INVEST. VALUE
DES. HOT. GUANACASTE, S. A.	Central y ocho C 33 (San José)	C. RICA	Land owner	62.090	4.240	(9,480)	15.00%	8.528	15.346
DES. INM. GUANACASTE, S. A.	Central y ocho C 33 (San José)	C. RICA	Hotel owner and operator	. ,	730	286	15.00%	1,266	793
GOLF DEL COCOTAL, S. A.	Avda. John F. Kennedy, 10 (Sto.Domingo)	DOMINICAN REP.	· · · · · · · · · · · · · · · · · · ·	2	730	(7)	100.00%	(5)	2
GUPE INMOBILIARIA, S.A.	Estrada da Luz, 90 (Lisboa)	SPAIN	Inactive	n/c	n/c	n/c	100.00%	n/c	0
H. SANCTI PETRI, S.A. (*)	G. Toneleros 24 (Palma de Mca.)	SPAIN	Hotel owner and operator		2	466	19.50%	1,263	1,172
HOROTEL, S.A.	Margués Villanueva del Prado s/n	SPAIN	Hotel owner and operato		1.591	(422)	12.40%	614	301
HOTEL NET B2B.COM, S. A.	Gremio Tejedores, 5 (Palma de Mallorca)	SPAIN	Internet website	109	11,348	(1.134)	26.50%	2,736	1,409
INM. CONCHAL PACIFICO	Central y ocho C 33 (San José)	C. RICA	Land owner	1	2,483	(1/101/	15.00%	373	276
INV. HOT. LOS CABOS	Samuel Lewis C 33 (Panama)	PANAMA	Holding	36.732	(2,397)	(184)	15.00%	5.123	3,306
INV. HOT. PYA. DEL DUQUE	Barrio Chamberrí s/n (Tenerife)	SPAIN	Hotels owner and operate	,	31,577	9.865	5.00%	2,201	2,682
LANZAROTE 6 S.A.	Av. Ansite 3-1° (Las Palmas de G.C.)	SPAIN	Hotels owner and operate		(3,117)	(2,443)	5.56%	1,441	1,696
MOGAN PROMOCIONES (*)	Quintana Roo, Cancun	MEXICO	Hotel under construction		(4),	(=)	33.33%	2	2
NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	U.S.A.	Holding	8			100.00%	8	9
OPERADORA SAN JUAN, S. E.	Ponce de León, 279 (San Juan)	PUERTO RICO	Management/Inactive	n/c			100.00%	n/c	1
ORGESA HOLDING (*)	Collomas de Chapultepec	MEXICO	Holding	301	2	(1,137)	14.17%	(118)	7
P.T.S.A.I. (*)	Jalan Taman Patra, XIV (Jakarta)	INDONESIA	Hotels owner and operate	or 3,320	8,097	(4,477)	16.52%	1,146	9,015
PLAZA PUERTA DEL MAR S.A.	Pza. Puerta del Mar, 3 (Alicante)	SPAIN	Hotels owner and operate	or 6,000	(1,102)	970	7.10%	417	426
PORT CAMBRILS INVERSIONS, S. A	A.Rambla Nova, 2 (Tarragona)	SPAIN	Hotels owner and operate	or 2,707	48	(298)	10.00%	246	651
PUNTA ELENA, S. L.	San José, 33 (Tenerife)	SPAIN	Inactive	1,806	322	(781)	50.00%	674	674
SHANGHAI, S.A.	Unknown (La Habana)	CUBA	Management	19,408			19.62%	3,808	3,502
TRYP MEDITERRANÉE	Hammamet Yasmine, 8050 (Tunisia)	TUNISIA	In liquidation	393	(5,845)	(6,346)	85.40%	(10,075)	0
TURISMO DE INVIERNO	Plaza Pradollano s/n (Monachil)	SPAIN	Hotels owner and operate	or 685	4,108	1,201	19.47%	1,167	1,079
TT.00. VIVATOURS, S.A. (*)	Trespaderne, 29 (Madrid)	SPAIN	Tour operator	2,760		20	19.00%	528	887
VALLE YAMURY, S.A.	General Antequera, 2 (Sta. Cruz de Tfe.)	SPAIN	Holding	4,329	(845)	(682)	15.00%	420	346
			TOTAL	191,927	51,242	(14,584)		21,760	43,583

^(*) Data corresponding to 2002 year-end closing.

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

12.3 OTHER LONG-TERM RECEIVABLES

(thousands of €)	Balance at 31/12/01	Balance at 31/12/02	Balance at 31/12/03
(triousarius or €)			
ARESOL CABOS, S.A. De C.V.			7.009
ATENCIÓN Y SERV. EN SEGURIDAD, S.A.	657	359	120
AURELIA CENTRO	1,607	2,276	378
BANCA DI ROMA	7,359	7,359	370
BANCA NAZIONALE DEL LAVORO	7,359	7,359	
BANKINTER	7,513	6,311	2,406
BARCLAYS	7,513	0,311	
CLIENTES INMOBILIARIOS		2.000	15,016
CLIENTES TIMMOBILIARIOS CLIENTES TIEMPO COMPARTIDO	10.620	3,009	2,673 4,707
CUBANACAN	10,629	4,626 4,919	1,455
	5,319		1,455
DAELLOS, S.A.	839	155	F.0.7
DEPOSITO LA CAIXA			567
DEPOSITO SWAP DEUTCHE BANK	1 505	4 505	6,056
EDIFICACIONES GOBELAS, S.A.	1,535	1,535	
EKWAN	203	124	63
FUNDOSA	902	413	
GOLDEN ASSET COMPANY LTD.	2,822	2,391	1,982
GOVERNEMENT DEVELOPMENT BANK OF P.RI		2,869	
GRAN CARIBE, S.A.	4,713	5,159	
HOTELERA SANCTI PETRI, S.A.	938	1,055	1,055
HOTELES CIBELES S.A.	1,156	1,006	886
BANCO RESERVA REPUBLICA DOMINICANA			6,140
HOTELES REX, S.L.		366	214
I. CAUNEL,GOLFY H. ARENA GORDA	1,208	1,007	395
INMOBILIARIA PICASO, S.A.		48	26
P.T.S.A.I.	2,511	1,339	1,110
SAUCISSE	10,430	8,323	7,363
URINCASA S.A.	1,476	1,476	1,412
OTHERS	452	361	420
LONG-TERM LOANS	69,629	63,844	61,452
CONSORCIO EUROPEO, S.A.		3,819	3,855
DDEDAID TA VEO		0.010	0.0==
PREPAID TAXES		3,819	3,855
DESARROLLADORA HOTELERA DEL NORTE		1,891	3,808
INMOBILIARIA BULMES S.A.	102	102	102
SOL MELIA S.A.	1,560	8,503	8,219
TRYP MEDITERRANEE	1,643	•	•
OTHERS	51	134	165
LONG-TERM GUARANTEE DEPOSITS	3,357	10,632	12,295
GRUPO SOL MELIÁ EN FRANCIA	411	648	437
LOMONDO LTD.		815	750
PLAYA SALINAS	301		
SOL MELIA S.A.	68	64	606
OTHERS	15	13	23
LONG-TERM GUARANTEES	795	1,540	1,816
TOTAL OTHER LONG-TERM RECEIVABLES	73,780	79,835	79,418

Aresol Cabos, S.A. de C.V's balance of € 7 million relates to a loan granted by Operadora Mesol, S.A. de C.V.

The loan granted to Atención y Servicio en Seguridad, S.A. for € 119,000 to finance the purchase of furniture for the Hotel Comendador. This loan is guaranteed by Caja Duero.

Sol Meliá, S.A. holds two bank deposits amounting to € 14.7 million as a guarantee for the credit transactions undertaken for the investment in a hotel in Milan by its subsidiary, Inmotel Inversiones Italia. Said deposits have been transferred to short-term as they are due to be realised in 2004.

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.

Sol Meliá has signed a securities loan contract with Barclays of up to 3,673,347 treasury shares with a maturity date of October 20, 2008. As of December 31, 2003, Barclays has drawn down 2,629,695 securities which represent 1.42% of the share capital and therefore guarantee the acquisition of Sol Meliá, S.A. stocks as part of the issuing of € 150 million of exchangeable bonds at a remuneration rate of 1%.

The loan granted to Cubanacan was to finance the refurbishment of the hotels managed in Cuba.

The deposit held by Sol Meliá in La Caixa, guarantees the balance pledged for the second debt instalment for the Tax on Hotel Stays (Ecotax).

The Group Sol Asia Ltd. has granted a loan of USD 2.5 million to the hotel Sol Twin Towers (Golden Asset Company Ltd.) bearing interest at the LIBOR rate plus 2 points, which according to the principle of prudence is not accrued by accounting methods. However, in case of non-payment, this balance would be covered by the provision for contingencies and expenses.

The loans granted to Hotelera Sancti Petri, S.A., Hotel Cibeles, S.A., Hotel Rex, S.L. and Inmobiliaria Picasso, S.A., all owners of hotels in operation, are to finance investments in assets.

The loan with Banco de Reserva República Dominicana, originated from a guarantee given to Hoteles Nacionales del Este before the entity Banco Santander Central Hispano (See Note 24)

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

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

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

The balance of Urincasa, S.A. relates to the financing granted for the sale of a plot made by Casino Tamarindos.

The guarantees of Desarrolladora Hotelera del Norte basically relate to the payments made to Tourism Development Fund as guarantor of the construction project of the hotel in Puerto Rico.

Sol Meliá, S.A.'s deposit in Deutsche Bank, amounting to € 6 million, guarantees the liquidation amount or Swap risk exposure.

Sol Meliá S.A's long-term guarantees basically relate to the rental of the hotels leased by the Group through promissory notes.

13. Deferred expenses

(thousands of €)	Balance at 31/12/01	Additions	Disposals	Balance at 31/12/02	Additions	Disposals	Balance at 31/12/03
Arrangement of loans	1,253	1,384	(1,231)	1,406	5,385	(1,737)	5,055
Issue of convertible bonds	5,063	0	(1,590)	3,473	2,089	(2,535)	3,027
Interest on purchase of fixed assets	15,743	2,179	(5,284)	12,637	2,326	(5,694)	9,267
Other expenses	527	12,693	(2,554)	10,666	443	(1,519)	9,589
TOTAL	22,587	16,256	(10,660)	28,180	10,243	(11,486)	26,938

The expenses for loan arrangements and the issue of convertible bonds relate to the opening and arrangement charges of various loans.

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

The balance of "Other expenses" relates to the amounts paid by Sol Meliá Finance, B.V. for the issue of preference shares made in 2002.

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 SXXI, S.A., a related company.

	Balance at 31/12/01	Balance at 31/12/02	Balance at 31/12/03
(thousands of €)			- 11 1-11
Real estate assets	13,412	11,107	9,520
Prepayments to suppliers	8,742	3,109	3,037
Replacement articles	81	37	14
Fuel	742	446	403
Maintenance items			957
Packages	56	17	24
Advertising and entertainment materials	221	256	249
Quality material			14
Office stationery	1,504	1,658	1,433
Cleaning material	731	629	677
Ancillary materials	2,936	2,055	1,971
Raw materials	6,468	6,163	5,651
Goods	2,912	1,279	1,399
Spare parts	1,796	1,181	1,462
Press	52	3	2
Tobacco		22	15
Uniforms	-		30
TOTAL	39,653	27,962	26,858

The Group includes within inventories ("real estate assets") certain buildings which are for sale and have no strategic interest. During 2003, a plot of land was sold in Cádiz, generating a sales surplus of € 3.8 million.

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 € 5.4 million relating to plots of land for sale are also included in this caption (See Note 6.1).

Debens (Charters in a transfer Cal Malife Fire and Decart 2002)
Debtors / Short-term investments. Sol Meliá Financial Report 2003 45
15. Debtors
The breakdown of the short-term debts with associated companies is presented in Note 22.3.
The increase in the clients balance is mainly due to the termination of the Compas Sigma contract. This company received credits amounting to € 40.02 million in 2002.
16. Short-term investments

The balance of this account relates to short-term deposits pledged to various banks by Group companies. It includes bank account balances and certain very short-term time deposits with immediate liquidity, for a total of € 125 million, all of which aim to achieve the greatest return on the Group's cash and banks surplus without damaging its liquidity.

17. Treasury shares

The breakdown and movement of treasury shares are as follows:

	Shares	Average price	Amount	Short-term	Long-term
(In €)	Onures	Average price	Amount	Onort term	Long term
Acquisition value	1,228,541	11.12	13,660,158		
Provisions	1,228,541	(3.16)	(3,880,972)		
Balance at 31/12/2001	1,228,541	7.96	9,779,186	9,779,186	
Acquisition value	3,027,903	8.06	24,414,104		
Provisions	3,027,903	(4.29)	(12,998,909)		
Balance at 31/12/2002	3,027,903	3.77	11,415,195	9,445,136	1,970,059
Acquisitions	7,919,804	5.34	42,291,753		
Disposals	(8,625.889)	5.87	(50.602.677)		
Variation provisions	3.027.903	3.35	10.153.207		
Acquisition value	2.321.818	6.94	16.103.180		
Provisions	2.321.818	(1.23)	(2.845.702)		
Balance at 31/12/2003	2.321.818	5.71	13.257.478	7.298.328	5.959.149
TOTAL TREASURY SHARES	2,321,818	5.71	13,257,478	7,298,328	5,959,149

As of December 31, 2003, total treasury shares represent 1.25% of share capital. In any case, the treasury shares will not surpass the 5% limit established in the Public Limited Companies Law.

The breakdown of equity at December 31, 2003, 2002, and 2001 is as follows:

(thousands of €)	Balance at 31/12/01		Distribution 2002 results	Additions	Transfers	Decreases	Balance at 31/12/03
Capital	36,955	36,955					36,955
Non-distributable reserves	17,228	17,720			3,466		21,186
Share premium	433,793	794,550			(1,842)		792,708
Reserves REV. R.D.I. 7/96	49,278	49,278					49,278
Reserve Canary Islands Investments	39,599	39,599					39,599
Negative results previous years		(304,997)	(13,048)	1,581	(1,623)		(318,088)
Voluntary reserves	31,586	18,455				(2,138)	16,316
Reserve Cos. Full consolidation	322,966	335,839	22,221	11,207	(7,031)	(4,793)	357,444
Reserve Cos. by equity method	5,865	2,280	(4,994)	266	7,031	(146)	4,437
Conv. Dif. Cos. Full consolidation	88,414	(100,480)				(154,439)	(254,918)
Conv. Dif. Cos. By equity method	140	(2,460)				(1,273)	(3,734)
Interim dividend							
Consolidated profit and loss	64,679	13,649	(13,649)	49,089			49,089
Minority interest profit and loss	(5,747)	(9,470)	9,470	(10,950)			(10,950)
TOTAL	1,084,758	890,918		51,193	(162,790)	779,322

Decreases in "Conversion differences" correspond to the difference generated during the consolidation process between the historical cost of the consolidated companies' equity and the accounting value at year-end closing exchange rate.

18.1 SHARE CAPITAL

The share capital of SOL MELIA at December 31, 2003 consists of 184,776,777 fully subscribed and paid up shares with a par value of € 0.2 each.

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

At the Ordinary and Extraordinary General Meeting held on May 6, 2003 the Company Directors were authorised, for a period of five years following said Meeting, to agree on an increase of up to eighteen million four hundred and seventy seven thousand six hundred and seventy seven euros (€ 18,477,677) in the share capital of the Company without previously consulting the Shareholders at the General Meeting. Consequently, the Directors can exercise this right, on either one or various occasions, for the specified amount or less, deciding in each case, not only the degree of suitability or appropriateness, but also the amount and conditions which they consider should apply.

At December 31, 2003 the main 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.L.	16.34%
Hoteles Mallorquines Agrupados S.L.	10.82%
Other control shareholders (less than 10% per person)	12.77%
Other (less than 10% per person)	32.15%
TOTAL	100.00%

18.2 RESERVES FROM PARENT COMPANY

18.2.1 Share premium

The decrease in the share premium during 2003 is the result of the treasury shares valuation changes (See Note 17).

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. The legal reserves balance amounts to € 7,391,071.09.

• 18.2.2.2 Reserves for treasury shares

This reserve was set up for the acquisition of treasury shares (2,321,818 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). The balance of this reserve at year-end amounts to € 13,257,476.99.

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. The corresponding Group companies are obligated to invest the total amount of the reserve within three years.

The charges relating to 1996, 1997 and 1998, which amount, in total, to € 12.2 million, are distributable reserves due to the fact that since their materialisation the five-year period set by law has elapsed.

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

This reserve, included in Inmotel Inversiones, S.A.'s 1996 balance sheet as a result of a merger, 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 €)	
Revaluation of intangible fixed assets	1,456
Revaluation of tangible fixed assets	49,677
Taxation 3% on 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 before the abovementioned date, unless the revaluation value has been realised via the sale or full depreciation of the revalued items.

18.2.5 Voluntary reserves

After offsetting losses these reserves are freely distributable. The € 2.1 million decrease relates to the distribution of dividends of € 0.01 per share, as was agreed in the General Shareholders' Meeting held on May 6, 2003.

18.3 Reserves of companies consolidated by full consolidation method

The most significant movements in this consolidated balance sheet caption in 2003 relate to the distribution of the 2002 results.

The breakdown, by company, is as follows:

(the support of C)	Balance at 31/12/01	Balance at 31/12/02	2002 Results	Additions	Transfers	Disposals	Conv. Diff.	Balance at 31/12/03
(thousands of €)								
Akuntra XXI S.L.	(210)	452	(1)					451
Apartotel, S.A.	869	1,320	410		228			1,958
Azafata, S.A.	142	443	351		(147)			646
Bear S.A. De C.V.	5,801	7,196	(1,191)	281	1,191			7,477
Bisol Vallarta S.A. De C.V.	14,313	14,697	3,219	576	1,131			18,491
C. Tamarindos, S.A.	386	760	1,145	370	(226)			1,679
C.H.H. Mexicana, S.A. De C.V.	17.404	16,800	2,197	5	(220)			19,002
· · · · · · · · · · · · · · · · · · ·	1,276	-		5				2,454
C.P. Sol y Nieve		1,781 (59)	673		1,652	(4)		2,454
C.T. Cozumel / Caribotels de Mexico (C.Tunissienne de G.H.			(1,338)		1,002	(4)		
Cala Formentor S.A. De C.V.	(378)	(1,127)	(1,889)			58	(0)	(2,958)
	63,765	65,968	(4,405)		20		(9)	61,554
Caribooking & Reservations, N.V.	000	(20)	(6)		28	(040)	(2)	200
Casino Paradisus	262	351	549		(254)	(313)		332
Consorcio Europeo S.A.	184	124	(24)	4=0				99
Corporación Hotelera Metor S.A.		(3,485)		176				(3,309)
D.H. San Juan	4,128	3,998	(686)				1	3,313
D.Mk.Services / Desarrollos Sol (1)	(15,735)	(26,032)	1,359				(1,823)	(26,495)
D.T.C. / Marmer (1)	(14,993)	(11,257)	108		(7,006)			(18,155)
D.T.Caribe N.V.	58	50	(59)				(1,990)	(1,999)
Darcuo XXI S.L.	(177)	(771)	(150)		150			(771)
Desarrolladora Hot. Del Norte		(1)						(1)
Dock Telemarking, S.A.	18	918	(1,094)		357			181
Dominican Investment NV	(302)	(309)	(7)				(77)	(393)
Dorpan, S.L.	381	470	197		(41)	(62)		564
Farandole B.V.	(1,026)	(1,928)	(587)				(1)	(2,515)
G.H.T. Mesol, S.A.	37	43	1					44
Gesmesol, S.A.	21,848	27,027	4,637					31,664
Grupo Sol Asia Ltd.	1,697	2,304	387		(33)			2,657
Grupo Sol Francia (1)	9,809	7,320	(1,279)		(0)	(116)		5,924
Grupo Sol Services	132	135	64					200
H.C. Extremadura, S.A.	5	5	(100)		100			6
H.Meliá Internacional de Colombia	(12)	(6)	(6)	4	(2)			(10)
Hotel Bellver, S.A.	3,525	3,369	(143)		143	(148)		3,221
Hoteles Sol Internacional	61,067	60,657	(94)		(159)	(/	233	60,638
Hoteles Turísticos, S.A.	2	2	369		(112)			258
Ihla Bela de Gestao e Turismo	176	549	678		(13)			1,214
Impulse H. Development	(24)	(24)	(11)		12		(0)	(23)
Industrias Turísticas, S.A.	0	0	327	4	(298)		(0)	33
Inmobiliaria Bulmes S.A.	152	(181)	976		(230)			796
Inmotel Internacional	(135)	1,658	942		(2,599)			730
Inmotel Inversiones Italia, S.R.L.	(540)	(1,665)	(7,095)		7,668		108	(984)
· · · · · · · · · · · · · · · · · · ·	(=0)		(0=)		7,000			(404)
Inmpulse Development Inc. Inversiones Inmobiliarias IAR	27,619	(109) 41,754	(25)	10,131	7,238		(13)	55,137
				10,131	1,230		(13)	
Inversiones Jacuey	544	1,585	1,429		20			3,014
Inversiones Latinoamerica 2.000, S.L Inversiones Turísticas del Caribe		(17,681)	(20)		20			(17,681)
	80	68	(36)		(132)	/105\		(100)
Inversiones y Explotaciones Tur. S.A.	1	1,598	2,198			(165)	(4.55)	3,630
Irton Company	6,200	10,847	(863)				(141)	9,843
Latin America Logistics Co.	(228)	(00)	(40=)					105;
Lavanderias Compartidas, S.A.	26	(33)	(105)		105			(33)
Lirax	(500)	(756)			756			
Lomondo Ltd.	1,472	(4,014)	(7,700)		1,954			(9,760)
M.I.H. U.K. LTD	11	9			(2)			8

(thousands of €)	Balance at 31/12/01	Balance at 31/12/02	2002 Results	Additions	Transfers	Disposals	Conv. Diff.	Balance at 31/12/03
Marina International Holding	(1,471)	(2,391)	(2)					(2,393)
Markserv, B.V.	1,150	1,065	(396)		(826)		18	(138)
Marksol Turizm	458	486	(481)		(14)			(8)
Marktur Turizm	(268)	(396)	(11)					(408)
Meliá Brasil Administraçao.	1,463	1,748	157		(1,013)			892
Meliá Catering, S.A.	37	(8)	(171)		105			(74)
Melia International Hotels, S.A	47,718	56,474	11,144		2,547			70,165
Melia Inversiones Americanas, N.V.	12,594	15,125	362		2,373		1,529	19,389
Melia Management Co.	712	719	241					960
Meliá Venezuela S.A.	(498)	(504)						(504)
Melsol Management B.V.	(323)	(352)	(85)		(1)		(1)	(439)
Melsol Portugal	138	144	114		(124)		(86)	48
Moteles Andaluces, S.A.	(7)	(7)	137		(137)		(,	(7)
Moteles Grandes Rutas Españolas, S		37	96		, , ,			133
Neale / Inversiones Agara (1)	11,146	13,208	2,904		254			16,367
Operadora Costarisol	(754)	(650)	(144)			(63)		(856)
Operadora Mesol, S.A. De C.V.	6,782	7,217	1,814	29	(1,851)	(00)		7,209
Operadora P° de la Reforma, S.A. De		1,411	1,017	20	(1,001)			1,200
Parking Internacional S.A.	29	201	144					345
Parque San Antonio S.A.	3,748	3,763	(31)		(2)	(87)		3,643
Playa Salinas,S.A.	5,746	5,703	(0)		(2)	(07)		5,043
Punta Cana Reservations	5	(20)	(5)					
	260				22			(25)
Punta Elena, S.L.	360	348	(371)		23		(450)	(471)
Randlestop	(9)	(14)	(7)				(450)	(471)
Realizaciones Turísticas, S.A.	1,190	1,788	519				- 4	2,307
San Juan Investment	4,128	3,998	(686)				1	3,313
Secade XXI S.L	(190)	161	(160)		3			3
Securi Sol , S.A.	(0)	57	(26)		26	(400)		57
Silverbay S.L.	0	(0)	1,439			(129)		1,310
Sol Caribe Tours, S.A.		(82)	(97)					(178)
Sol Finance	(214)	(219)	(5)		205		18	
Sol Group B.V.	82	47	(14)		(26)		(0)	7
Sol Group Co.	(529)	(564)	(11)					(576)
Sol Hotel U.K. Ltd.	2,408	2,268			(590)			1,678
Sol Maninvest, B.V.	2	(2)	(500)		518		18	34
Sol Melià	8,947	(1,330)	20,204		(19,005)			(131)
Sol Meliá Benelux	973	884	(606)		531			808
Sol Meliá China Ltd.		(218)	(296)					(513)
Sol Meliá Croacia	79	1,101	1,195		(204)			2,092
Sol Meliá Deuchland Gmbh	(3,586)	(3,586)	(3,124)		1,557		(0)	(5,153)
Sol Melia Europe, B.V.	(183)	(85)	134		(20)			30
Sol Meliá Finance Ltd.		0	3					3
Sol Melia Guatemala	659	617	(443)					175
Sol Meliá Investment NV	(26)	(40)	(11)				(1,098)	(1,149)
Sol Meliá Marruecos	, ,,	126	(466)				() /	(340)
Sol Meliá Perú S.A.	40	84	127		(3)			209
Sol Meliá Sevice	12,595	6,912	1,070		1-7			7,982
Sol Meliá Suisse	,500	(0)	(578)		169			(409)
Sol Meliá Travel		(0)	(0/0)		(1,477)			(1,477)
Talonario 5 Noches, S.L.	316	257	25		(59)			223
Tenerife Sol, S.A.	19,766		2,949		(3,680)			22,087
Tryp Meditérranée	2,332	22,818	(3,113)					22,007
Urme Real, S.L.	(104)	(151)	(48)		3,113			(198)
Office Real, S.L.	(104)	(151)	(40)					(190)
TOTAL	322,966	335,839	22,221	11,207	(7,031)	(1,029)	(3,764)	357,444

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 basically relate to the re-statement of the financial statements which is undertaken in those countries with high inflation rates according to the local legislation.

The transfers basically relate to the disposal of provisions and dividends, inherent to the consolidation process, between the portfolio-holding companies and their subsidiaries.

The other movements mainly relate to the changes introduced in the consolidation scope as described in Note 2.4, and to the adjustments for the write-off of provisions and dividends made in the consolidation process.

The conversion differences column relates to the fixing of the exchange rate of the companies in the Eurozone.

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 2002 results in 2003.

The breakdown, by company, is as follows:

(thousands of €)	Balance at 31/12/01	Balance at 31/12/02	2002 Results	Additions	Transfers	Disposals	Conv. Diff.	Balance at 31/12/03
Castilla	3,208	3,153	1,412		(1,492)	(6)		3,066
Costa del Sol	1,561	1,614	292	64	(444)	(1)		1,524
Detur Panamá, S.A.	,	(1,228)	(1,003)		484	(4)		(1,750)
Hellenic H.M.	1	(55)					(21)	(76)
Hotel Bosque	56	(103)	127		(116)	(33)		(125)
Hotel Campus	(14)							
Hotel NetB2B.com, S.L.		(177)	(300)		478			
I.T. Casas Bellas	(10)	(8)						(8)
Inversiones Guiza		(1)	(1)					(2)
Lastminute Network			(29)		29			
Meliá Mérida	(14)	(31)	(104)		104			(31)
Nexprom	1,012	1,272	204			(81)		1,395
Promedro	(24)	(52)	(24)		24			(52)
Promociones Playa Blanca		0	630	201				831
Sol Hoti	87	97	58	2			0	157
Sol Meliá S.A.		(294)			(197)			(491)
Sol Meliá Travel	0	(1,907)	(6,255)		8,162			
TOTAL	5,865	2,280	(4,994)	266	7,031	(125)	(21)	4,437

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.

The transfers basically relate to the disposal of provisions and dividends, inherent to the consolidation process, between the portfolio-holding companies and their subsidiaries.

18.5 CONVERSION DIFFERENCES OF COMPANIES CONSOLIDATED BY FULL CONSOLIDATION METHOD

The foreign currency gains/losses reflected in the balance sheet derived from the companies consolidated by the full consolidation method and classified by currency are as follows:

	Balance at 31/12/01	Balance at 31/12/02	Balance at 31/12/03
(thousands of €)			
VENEZUELAN BOLIVAR	(2,554)	(54,019)	(72,735)
COSTA RICAN COLON	(155)	28	221
MORROCCAN DINAR	(2)	4	25
TUNISIAN DINAR	(350)	315	571
US DOLLAR	45,907	(12,445)	(71,250)
SINGAPORE DOLLAR	84	49	(8)
EURO	492	724	0
SWISS FRANC	279	408	(81)
CROATIAN KUNA	(27)	12	(58)
STERLING POUND	(677)	(1,716)	(4,058)
TURKISH LIRA	(132)	(168)	(168)
COLOMBIAN PESO	(16)	(12)	(7)
DOMINICAN PESO	(17,924)	(1,880)	(8,913)
MEXICAN PESO	63,918	(30,629)	(97,510)
GUATEMALAN QUETZAL	14	(11)	(40)
BRASILIAN REAL	(439)	(1,121)	(1,026)
PERUVIAN SOL	(2)	(17)	119
TOTAL	88,414	(100,480)	(254,918)

18.6 CONVERSION DIFFERENCES OF COMPANIES CONSOLIDATED BY THE EQUITY METHOD

The foreign currency gains/losses reflected in the balance sheet derived from the companies consolidated by the equity method and classified by currency are as follows:

(thousands of €)	Balance at 31/12/01	Balance at 31/12/02	Balance at 31/12/03
US DOLLAR	161	13	(1)
EURO	(21)	(21)	
DOMINICAN PESO	0	0	2
MEXICAN PESO		(2,453)	(3,734)
GUATEMALAN QUETZAL			
TOTAL	140	(2,460)	(3,734)

19. Minority interest

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

(thousands of €)	Balance at 31/12/01	Balance at 31/12/02	2003 Results	Additions	Transfers	Disposals	Conv. Diff.	Balance at 31/12/03
(tilousarius of €)								
Apartotel, S.A.	12	15	1					16
Bisol Vallarta S.A. De C.V.	76	44	3	2			(11)	37
C.H.H. Mexicana, S.A. De C.V.	157	57	0				(33)	24
C.P. Sol y Nieve	245	321	127					448
C.T. Cozumel / Caribotesl de México (1) 13,739	9,106	(1,843)			(3)	(2,033)	5,226
Cala Formentor S.A. De C.V.	484	159	(14)				(100)	46
Casino Paradisus	1,062	653	634			(315)	(353)	618
Corporación Hotelera Metor, S.A.		1,496	(326)	107			(214)	1,062
D.H. San Juan	20	10	(2)					8
D.Mk. Services / Desarrollos Sol (1)	(124)	(90)	54				(77)	(113)
D.T.C. / Marmer (1)	(279)	(172)	0				(1)	(173)
Desarrolladora Hot. Del Norte	2,217	1,856				(1,862)	(29)	(36)
Desarrollos Turísticos del Caribe	221	118	(0)				(37)	81
Dominican Investment NV	(0)	(1)	(0)				(2)	(3)
Farandole B.V.	(10)	(8)	(2)					(9)
Grupo Sol Asia Ltd.	1,679	1,654	(141)				(258)	1,255
Grupo Sol Services	146	166	29				(38)	156
H.C. Extremadura, S.A.	1,058	963	(177)					786
Hotel Bellver, S.A.	2,107	1,706	(13)			(186)		1,507
Hoteles Turísticos, S.A.	324	338	4					342
Ihla Bela de Gestao e Turismo	859	1,054	584				(246)	1,392
Industrias Turísticas, S.A.	170	178	4			(18)		163
Inversiones Inmobiliarias IAR	132	(51)	(13)	53			(57)	(69)
Inversiones Jacuey	8	7	7				(5)	9
Inversiones y Explotaciones Tur. S.A.	11,454	13,214	671	165				14,051
Irton Company	56	27	(2)				(5)	20
Latin America Logistics Co.	(1)							
Melia Inversiones Americanas NV	1,257	780	20				7	807
Melsol Portugal	33	31	13			(28)		15
Moteles Andaluces, S.A.	262	309	52					361
Moteles Grandes Rutas Españolas, S.	A. 203	236	25					260

(thousands of €)	Balance 31/12/0		2003 Results	Additions	Transfers	Disposals	Conv. Diff.	Balance at 31/12/03
Neale / Inversiones Agara (1)	98	62	23				(21)	64
Op. Paseo de la Reforma, S.A.	20							
Parking Internacional S.A.	21							
Parque San Antonio S.A.	1,212	1,203	68			(34)		1,237
Playa Salinas,S.A.			4					4
Punta Elena, S.L.	1,251	880				(880)		
Randlestop	10	1	(0)				(5)	(4)
Realizaciones Turísticas, S.A.	751	336	21			(17)		340
San Juan Investment	20	10	(2)					8
Sol Meliá Finance, N.V.		106,869	8,355			(8,337)		106,887
Tenerife Sol, S.A.	24,244	23,472	2,791					26,264
Tryp Meditérranée	(580)	(510)				510		
Urme Real, S.L.	87	(71)	(4)	5				(69)
TOTAL	64,699	166,429	10,950	331		(11,172)	(3,518)	163,019

⁽¹⁾ Companies dedicated to the same type of business.

20. Deferred income

20.1 CAPITAL GRANTS

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

(thousands of €)	Balance a B/S	t 31/12/01 P/L	Balance a B/S	t 31/12/02 P/L	Additions 2003	Disposals 2003	Balance at 3 B/S	81/12/03 P/L
AZAFATA, S.A.	20	5	15	5			10	5
CASINO PARADISUS, S.A.	48		10		38		38	
DESARROLLOS SOL, S.A.	72							
DOCK TELEMARKETING, S.A.	9	3	6	3			3	3
HOTEL CONVENTO DE EXTREMADURA, S.A.					1,293		1,270	23
HOTELES TURISTICOS, S.A.	85	13	72	13			65	7
INDUSTRIAS TURISTICAS, S.A.	38	3	36	3			33	3
INV. y EXPLOTACIONES TURISTICAS, S.A.	379	22	357	22			335	22
MOT. GRANDES RUTAS DE ESPAÑA, S.A.	6	0	6	0			5	0
SOL MELIA, S.A.	3,123	112	3,033	111	115		2,976	173
TOTAL	3,780	159	3,524	157	1,446		4,734	236

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:

	Balance at 31/12/01	Balance at 31/12/02	Balance at 31/12/03
(thousands of €)			
M.I.H., S.A.	159	3,121	7,052
SOL MELIÁ CROATIA, S.A.	325	607	487
SOL MELIÁ, S.A.	4,766	2,093	1,754
SOL MELIÁ SERVICE, S.A.		3	
SOL MELIÁ SUISSE, S.A.			7
Unrealised foreign currency gains:	5,249	5,824	9,299
Deferred interest:	33	351	
Deferred time-sharing income:	9,010	4,044	3,953
Other deferred income:	128		
TOTAL	14,292	10,347	13,252

21. Provisions for contingencies and expenses

The balance sheet reflects within long-term liabilities a balance of € 53.8 million related to Provisions for contingencies and expenses, which is € 0.8 million lower than the preceding year. On the other hand, the balance of trade provisions has increased by € 2 million. 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.

With regard to the commitments for pensions and other liabilities established in company agreements, the various Group companies have made the corresponding externalisations, by making ten annual contributions since 2002. Contributions made in 2003 amount to € 80,000 and € 801,000 are still pending payment.

In relation to the commitments established in Collective Agreements, past services, which have been evaluated by an actuarial study as explained in Note 5.15, amount to approximately € 19.3 million at year-end.

Contingencies and expenses also includes the provisions for taxation from previous years, which are being appealed or are pending court resolution according to the following details:

Taxes (thousands of €)	Concept	
Turnover tax	Tax assessment: 1977-78-79	727
Tax on Real Estate	Year 1990	67
Appealed additional tax as	1,155	
	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 and/or Exchangeable Debentures of Sol Meliá, S.A., September 1999", amounting to € 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 shares to be issued:	13,329,779

The balance at December 31, 2003 is as follows:

Issue principal	€ 200,000,000		
Accrued interest at 2.25%	€ 20,631,584		
Accrued interest at 1.00%	€ 591,785	SHORT-TERM TOTAL	€ 221,223,369

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

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 € 340 million under the following terms:

Amount of the issue	€ 340,000,000	
Par value of bond:	€ 1,000.00	
Maturity:	5 years	
Issue price:	99.52%	
Issue date:	February 9, 2001	
Maturity date:	February 9, 2006	
Coupon:	6.25%	
Redemption price:	100%	
Bond yield upon maturity:	6.455%	

The balance at December 31, 2003 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 January 24, 2003 Sol Meliá Europe, B.V. cancelled the issues of debentures issued on July 24, 2002, for a total of € 15 million, as indicated at their maturity.

On November 14, 2003 Sol Meliá Europe, B.V. carried out a private placing of debentures among investors of Barclays for a total of € 150 million under the following terms:

Amount of the issue	€ 150,000,000
Par value of bond:	€ 10,000.00
Maturity:	5 years
Debt status:	Senior (Exchangeable)
Issue price:	100.00%
Issue date:	November 14, 2003
Maturity date:	November 14, 2008
Coupon:	4.30%
Exchange price:	€ 11.90
Conversion premium:	80%
Conversion ratio:	840.336 shares per Bond
Redemption price:	100%
Bond yield upon maturity:	4.30%
Possibility of cancellation by issuer:	After the fourth year. (Subject to limit of 130% € 15.47)
Credit quality:	BB+ by S&P and BBB by Fitch Ibca.
Maximum of shares to be issued:	12,605,042

The balance at December 31, 2003 is as follows:

Issue principal	€ 150,000,000	LONG-TERM TOTAL	€ 150,000,000
Accrued interest at 4.70%	€ 848,219	SHORT-TERM TOTAL	€ 848,219

22.2 BANK DEBT

The balances of this caption as of December 31, 2003 by company are detailed below:

	l l	OANS AND	CREDIT LIN	IES	BREAKDOWN OF CREDIT LINES			
	SHORT-TERM MATUR.	/I LONG-TERM MATUR.	TOTAL MATUR.	LAST MATUR.		AVAILABLE BALANCE		
(thousands of €)	WAI OIL	WATON.	WAI OII.	WATON.	DALAIVOL	DALANOL	DIAW-DOW	
AZAFATA, S.A.								
LEASING	47	23	71		0	0	0	EUR
CADSTAR FRANCE, S.A.S.								
EUROHYPO (1)	630	20,055	20,685	10/04/28				EUR
INTEREST PAYABLE	204	0	204					EUR
SUB-TOTAL	834	20,055	20,889		0	0	0	
CALA FORMENTOR, S.A. DE C.V.								
B.B.V.A. (1)	5,555	19,444	24,999	30/06/08	0	0	0	USD
COM. PROP. SOL Y NIEVE, S.A.								
BANKINTER	751	0	751	17/09/04				EUR
LEASING	453	217	669					EUR
INTEREST PAYABLE	1		1					EUR
SUB-TOTAL	1,205	217	1,422		0	0	0	
CONSORCIO EUROPEO, S.A.								
EUROHYPO (1)	1,138	13,256	14,393	15/12/19				EUR
LEASING	75	54	128					EUR
INTEREST PAYABLE	37		37					EUR
SUB-TOTAL	1,249	13,309	14,558		0	0	0	
CORPORACIÓN HOTELERA METOR								
BANESTO (1)	842	4,422	5,265	28/03/10				USD
INTEREST PAYABLE	414		414					USD
SUB-TOTAL	1,256	4,422	5,678		0	0	0	
DESARROLLADORA DEL NORTE,								
BONOSTDF	0	54,147	54,147	20/12/30	0	0	0	USD
DESARROLLOS SOL, S.A.								
BANCAJA	2,643	5,286	7,929	27/08/06				USD
INTEREST PAYABLE	70	0	70					USD
SUB-TOTAL	2,713	5,286	7,999		0	0	0	
DOCK TELEMARKETING								
LEASING	17	73	89		0	0	0	EUR

The debt of Desarrolladora Hotelera del Norte, C. in S., S.E., relates to an issue of debentures amounting to 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 June 20, 2012 and December 20, 2030 with an interest rate ranging from 7.0% to 7.1%.

	L	OANS AND	CREDIT LIN	IES	BRE/	F CREDIT LINES		
	SHORT-TERM	I LONG-TERM	TOTAL	LAST	MAXIMUM	AVAILABLE	BALANCE	CURRENCY
	MATUR.	MATUR.	MATUR.	MATUR.	BALANCE	BALANCE	DRAW-DOW	/N
(thousands of €)								
HOTEL BELLVER, S.A.								
CAJA MADRID (1)	117	995	1,112	14/08/11				EUR
INTEREST PAYABLE	19		19					EUR
SUB-TOTAL	135	995	1,130		0	0	0	
HOTEL CONVENTO EXTREMADURA				4=/00/4=				
BCO.EXTREMADURA (1)	83	1,360	1,443	15/02/17				EUR
BCO.EXTREMADURA (1)	89	937	1,026	19/05/15				EUR
LEASING	61	22	84					EUR
INTEREST PAYABLE	9	0.000	9			•		EUR
SUB-TOTAL	243	2,320	2,562		0	0	0	
HOTEL METROPOLITAIN, S.A.S.								
EUROHYPO (1)	150	4,775	4,925	10/04/28				EUR
INTEREST PAYABLE	49	.,	49					EUR
SUB-TOTAL	199	4,775	4,974		0	0	0	LOIT
HOTELES TURISTICOS, S.A.								
LEASING	1,009	271	1,280		0	0	0	EUR
INDUSTRIAS TURÍSTICAS, S.A.								
LEASING	453	325	779		0	0	0	EUR
		020						
INMOBILIARIA BULMES, S.A.								
EUROHYPO (1)	2,113	24,618	26,730	15/12/19				EUR
LEASING	5,419	4,019	9,438					EUR
INTEREST PAYABLE	68	0	68					EUR
SUB-TOTAL	7,600	28,637	36,236		0	0	0	
INMOTEL INVERSIONES ITALIA S.R.L.								
LEASING	6,039	42,873	48,912		0	0	0	EUR
	5,555	12/010	10/01=		•	-		
INVERSIONES AGARA, S.A.								
BANCAJA	1,586	2,775	4,361	16/07/06				USD
INTEREST PAYABLE	18	0	18					USD
SUB-TOTAL	1,604	2,775	4,379		0	0	0	
INVERSIONES Y EXPLOTACIONES TURÍSTI	CAS S A							
C.A.M. (1)	601	4,207	4,808	12/04/11				EUR
BCO. HIPOTECARIO (1)	1,322	7,875	9,198	15/05/09				EUR
LEASING	201	17	218	10/00/00				EUR
INTEREST PAYABLE	61		61					EUR
SUB-TOTAL	2,186	12,100	14,285		0	0	0	LOIT
LOMONDO LTD.	2 24 4	40.050	47.070	20/04/40				CDC
B.B.V.A. (1)	3,314	43,959	47,273	20/01/16				GBP
INTEREST PAYABLE SUB-TOTAL	1,219 4,533	43,959	1,219 48,492		0	0	0	GBP
OOD-TOTAL	4,000	40,303	40,432		U	U	U	
MELIA INVERSIONES AMERICANAS, N.V.								
S.C.H. (1)	2,981	2,981	5,963	3/11/05				USD
SABADELL (1)	2,569	3,211	5,780	12/02/06				USD
B.B.V.A./ C.A.M. (1)	3,096	25,804	28,900	12/03/11				EUR
INTEREST PAYABLE	314		314				EU	R / USD
SUB-TOTAL	8,961	31,996	40,957		0	0	0	
MOTELEO ANDALLIOSO O A								
MOTELES ANDALUCES, S.A. LEASING	52	12	64		0	0	0	EUR
LLAGING	52	IZ	04		U	U	U	EUR

		LOANS ANI	CREDIT LIN	NES	BREAKDOWN OF CREDIT			LINES
	SHORT-TEF MATUR.	RM LONG-TERI MATUR.	M TOTAL MATUR.	LAST MATUR.		JM AVAILABLE CE BALANCE		E CURRENCY VN
(thousands of €)								
MOTELES GRANDES RUTAS ESPA	ÑOLAS, S.A.							
LEASING	31	12	42		0	0	0	EUR
SOL MELIÁ, S.A.	4.000	0.500	10.000	40/40/44				FLID
B.B.V.A. (1)	1,362	9,536	10,898	19/12/11				EUR
B.B.V.A. (1)	1,196	8,373	9,570	1/12/11				EUR
B.N.L. BANCA MARCH (1)	1,503	0	1,503	30/10/04				EUR
BANCAJA	2,126 3,301	3,296 4,300	5,422 7,602	1/06/06 3/02/06				EUR EUR
BANCAJA (1)	1,761	23,552	25,313	11/07/13				EUR
C.A.M.	75		75	19/02/04				EUR
C.A.M.	53	0	53	24/03/04				EUR
C.A.M.	384	1 220	384	26/07/04				EUR
CAJA CANARIAS (1)	566	1,330	1,896	30/03/07				EUR
CAJA CANARIAS (1)	197	464	662	30/03/07				EUR
EUROHYPO (1)	577	31,546	32,123	29/07/23				EUR
LA CAIXA (1)	1,444	25,272	26,716	1/07/18				EUR
LA CAIXA (1)	1,154	20,150	21,304	1/08/18				EUR
RHEINHYP (1)	123	6,754	6,877	29/07/23				EUR
RHEINHYP (1)	1,202	56,495	57,697	4/07/26				EUR
S.C.H. (1)	962	6,731	7,693	28/12/11				EUR
SABADELL	3,957	5,179	9,136	28/01/06				EUR
ATLANTICO	0	0	0	11/03/04	3,000	3,000	0	EUR
B.B.V.A.	0	0	0	19/06/04	30,051	30,051	0	EUR
B.B.V.A.	15	0	15	19/06/04	4,808	4,793	15	EUR
B.N.L.	0	0	0	31/07/04	3,500	3,500	0	EUR
BANCAJA	0	0	0	17/03/04	12,000	12,000	0	EUR
BANESTO	0	0	0	27/06/04	12,000	12,000	0	EUR
BANKINTER	0	0	0	19/09/11	3,005	3,005	0	EUR
BANKINTER	0	0	0	21/04/11	6,010	6,010	0	EUR
BARCLAYS	0	0	0	14/12/04	6,000	6,000	0	EUR
C.A.M.	0	0	0	11/12/04	15,000	15,000	0	EUR
CAIXA DE CATALUYA	0	0	0	30/07/04	3,000	3,000	0	EUR
CREDITO BALEAR	0	0	0	15/07/04	1,500	1,500	0	EUR
DEUTSCHE BANK	0	0	0	8/09/04	6,010	6,010	0	EUR
IBERCAJA	0	0	0	15/12/04	3,005	3,005	0	EUR
MARCH	0	0	0	15/10/06	1,503	1,503	0	EUR
MARCH	0	0	0	15/10/06	902	902	0	EUR
SA NOSTRA	0	0	0	30/09/05	5,000	5,000	0	EUR
SABADELL	0	48	48	1/10/06	3,000	2,952	48	EUR
VALENCIA	0	0	0	8/07/05	600	600	0	EUR
LEASING	31,024	24,981	56,005	2. 31. 00				EUR
INTEREST PAYABLE	1,817	_ 1,001	1,817					EUR
SUB-TOTAL	54,800	228,007	282,807		119,894	119,831	63	
SOL MELIA BENELUX, S.A.								
SA NOSTRA (1)	626	4,385	5,011	30/04/11				EUR
INTEREST PAYABLE	26		26					EUR
SUB-TOTAL	653	4,385	5,038		0	0	0	
SOL MELIÁ TRAVEL, S.A.								
LEASING	44	20	64		0	0	0	EUR
			004.075		440.00	440.651		
TOTAL	101,416	520,438	621,854		119,894	119,831	63	

The breakdown of maturities is as follows:

(thousands of €)	
2004	101,416
2005	77,260
2006	52,408
2007	40,321
2008 onwards	350,449
TOTAL	621,854

The average interest rate accrued by the aforementioned loans plus the issue of bonds during the current year was 4.6%.

22.3 BALANCES WITH ASSOCIATED COMPANIES

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

(thousands of €)	BALANCE A Debit	T 31/12/01 Credit	BALANCE A Debit	T 31/12/02 Credit	BALANCE A Debit	T 31/12/03 Credit
AOL Avant			18			
Apartotel Bosque, S.A.	1,282	0	1,613	8	1,827	7
Aresol Cabos, S.A. De C.V.			768			
Bisol Investment, N.V.	134		101		188	
C.P. Meliá Castilla	1,784	7	3,376	51	2,011	2
C.P. Meliá Costa del Sol	150	1	512	2	330	101
Corporación H. Metor	251					
Detur Panama	289		326	0	382	3
Gupe-Inmobiliária, S.A.			272		1,360	
Junta Compensación UE1			11		12	
Hellenic Hotel Management	118		179		200	
Hotel Campus, S.L.	75	8				0
Hotel las Américas S.A.	0		17	1		
Hotel Net B2B.com, S.A.					15	
Inversiones Guiza, S.A.			35			
Lastminute Network, S.A.			2			
Melia Mérida, S.L.			505	0	4,527	
Mogan Promociones, S.A. De C.V.			23		17	
Nexprom, S.A.	563	7	727	0	1,034	1
Promociones Playa Blanca S.A. De C.V.	4		799	89	1,033	
Punta Elena, S.A.					1,271	
Sol Hoti Portugal Hotels	73	60	65	70	112	99
Sol Melia Travel, S.A.	18,624	274	19,095	106		
Touroperador Vivatours, S.A.		2				
Tryp Mediterranée				4	6,742	
TOTAL	23,346	364	28,444	332	21,064	212

The totality of the "Long-term debts with associated companies" caption relates to a balance with the company Tryp Meditéranée (€ 305,205).

22.4 OTHER NON-TRADE DEBTS

The breakdown by concepts of other non-trade debts is as follows:

	200	2002		2003		
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM		
(thousands of €)						
SHARE CAPITAL NOT PAID UP				224		
PAYABLE DIVIDEND			239			
BILLS PAYABLE		8,324	356	6,981		
EXTERNALISATION OF PENSIONS				3,931		
GUARANTEES RECEIVED	971	422	2,724	163		
ACCOUNTS PAYABLE TO THE TREASURY	15,988		15,964			
VAT PAYABLE	7,830		5,633			
TAXES PAYABLE ON DEFERRED PROFIT	7,658	67,504	5,994	70,199		
SOCIAL SECURITY WITHHOLDINGS PAYABLE	6,050		6,393			
OTHER LOANS	12	6,070	2,620	4,856		
FIXED ASSETS SUPPLIERS		30		11		
REMUNERATIONS PENDING PAYMENT	19,647		20,170			
OTHER	620		82			
TOTAL OTHER LIABILITIES	58,776	82,350	60,176	86,366		

The "Taxes payable to the Treasury" balance includes the appealed and endorsed debt for the Tax on Hotel Stays (Ecotax), which amounts to € 3.7 million.

23. Tax situation

23.1 PARENT COMPANY'S 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	1999 to 2002
PAYROLL WITHHOLDINGS	YEARS	2000 to 2003
V.A.T.	YEARS	2000 to 2003
CANARY ISLANDS GENERALTAX	YEARS	2000 to 2003

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.

The tax credits derived from net operating loss carryforwards are recorded in accordance with the prudence criteria.

23.2 PARENT COMPANY 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:

YEAR OF ORIGIN	AMOUNT TO BE REINVESTED	REINVESTED AMOUNT	PENDING REINVESTMENT	REINVESTMENT EXPIRATION
1996	2,385	2,385	0	31-Dec-2000
1997	3,331	3,331	0	31-Dec-2001
1998	6,504	6,504	0	31-Dec-2002
1999	7,403	7,403	0	31-Dec-2003
2000	19,975	13,009	6,966	31-Dec-2004
TOTAL	39,598	32,632	6,966	

The breakdown of the tax deductions for export activities pending application by SOL MELIA at December 31, 2003 and deducted for tax purposes during the year are as follows, in thousands of euros:

PORTFOLIO INVESTMENTS	INVESTMENT AMOUNT	DEDUCTION AMOUNT	ACCUMULATED DEDUCTIONS	2003 DEDUCTIONS	PENDING DEDUCTIONS	EXPIRY YEAR
Sol Meliá France, S.A.S.	49,801	12,450	4,471		7,979	2010
Sol Meliá Deutschland, GMBH	4,244	1,061			1,061	2011
Sol Meliá Benelux, S.A.	7,545	1,886			1,886	2011
TOTAL	61,590	15,397	4,471		10,926	

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	AMOUNT OF SALE	PROFIT ON SALE	REINVESTED	PENDING REINVESTMENT	EXPIRATION YEAR
1996	31,440	24,403	31,440		1999
1997	3,474	1,557	3,474		2000
1998	8,834	5,873	8,834		2001
1999	4,958	2,222	4,958		2002
2000	1,294	1,039	1,294		2003
2001	1,468	820	1,468		2004
2002	1,793	902	1,793		2005
2003	25,242	17,469	25,242		2006
TOTAL	78,503	54,285	78,503		

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 CorporationTax, relating to mergers and spinoffs of activities carried out in previous years is included in the first consolidated annual accounts approved after each transaction. These transactions are summarised as follows:

Inmotel Inversiones, S.A.: 1993, 1996, 1997 and 1998

1999 and 2001 Sol Meliá, S.A.:

23.3 THE GROUP'S DEFERRED TAX ASSETS AND LIABILITIES

The breakdown of the Group's aggregated deferred tax assets and liabilities, in thousands of euros, is as follows:

2003	DEI	DEBIT		CREDIT	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM	
(thousands of €)					
B ()	0.005	0.055			
Deferred tax assets	8,395	3,855			
Deferred tax liabilities			5,994	70,199	
TOTAL	8,395	3,855	5,994	70,199	

23.4 GROUP TAX LOSSES

The breakdown of the main Group tax losses to be offset, by country, is as follows:

COUNTRY (thousands of €)	2004	2005-2009	2010-2016	AÑOS SUCESIVOS
Spain		8,582	7,095	72,824
Europe		22,030	1,259	48,021
America	7,880	49,317	19,080	
TOTAL	7,880	79,929	27,434	120,845

The reconciliation and liquidation of the consolidated group's taxable base according to the consolidated tax system and indicating the Group companies involved, is as follows:

23.5 RECONCILIATION BETWEEN TAXABLE INCOME AND ACCOUNTING RESULTS OF THE CONSOLIDATED GROUP

RESULTS FOR THE YEAR (LOSS)	(19
PERMANENT DIFFERENCES	
Corporation Tax	6,399
Treasury shares	(6,535
Unrealised operations (other corrections and exchange differences)	1,158
Pension committments	(1,010
Provision for liability	(6,482
Recorded non-deductible expenses	744
Provisions for shareholdings	3,102
Attributions and fiscal transparencies	704
Dividend exemption and other income	(345
Monetary adjustments	766
Operations and results through mergers	(15,233
Investments reserve in the Canary Islands	(234
Other adjustments (accounting differences v tax differences)	27!
TEMPORARY DIFFERENCES	
Positive adjustment financial leasing	1,983
Negative adjustment financial leasing	(20,012
Deferrment for reinvestment	549
PRELIMINARY TAXABLE INCOME	(34,195
TAX RATE (35%)	(
EFFECTIVE QUOTA FOR THE YEAR	(
Withholdings on investment yield	(580
Rent withholdings	(5
Payments on account and withholdings	(86
PAYMENTS ON ACCOUNT AND WITHHOLDINGS	(671

2003 CONSOLIDATED CORPORATION TAX

INDIVIDUAL PRELIMINARY TAXABLE INCOME (thousands of €)	
Akuntra XXI, S.L.	(1)
Apartotel, S.A.	1,073
Azafata, S.A.	803
Casino Tamarindos, S.A.	758
Consorcio Europeo SA	361
Darcuo XXI, S.L.	(701)
Dock Telemarketing, S.A.	2,734
Dorpan, S.L.	215
Gestión Hotelera Turística Mesol, S.A.	3
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.	(518)
Industrias Turísticas, S.A.	134
Imobiliaria Bulmes, S.A.	285
Inversiones Latinoamérica 2.000, S.L.	(8)
Lavanderías Compartidas, S.A.	(224)
Meliá Catering, S.A.	(227)
Parking Internacional. S.A.	228
Playa Salinas, S.A.	345
Realizaciones Turísticas, S.A	1,421
Secade XXI, S.L.	(213)
Securisol, S.A.	35
Silberbay, S.L.	5,996
Sol Meliá, S.A.	(47,018)
Sol Meliá Travel. S.A.	752
Talonario Cinco Noches, S.L.	(422)
Urme Real, S.A.	(6)
Parque San Antonio S.A.	0
PRELIMINARY TAXABLE INCOME	(34,195)
CONSOLIDATED TAXABLE INCOME	(34,195)
Tax rate 35%	0
Withholdings and payments on account	671
TAX RECEIVABLE	671

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 the 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 €)	2003
(
Guarantee deposits in favour of third parties on behalf of Sol Meliá Deutschland, S.A.	2,130
Ministry of Science and Technology	5,378
Guarantee deposits in favour of third parties on behalf of Casino Tamarindos, S.A.	304
Guarantee deposits for tax settlements	7,363
Guarantee deposits of sundry subsidiaries	2,379
Bankinter pledged deposit in favour of Mirador del Duque, S.L.	3,006
Pledged deposits in favour of third parties for loans received by Inmotel Inversiones Italia	14,719
Security deposits for rentals	23,092
Guarantee deposits in favour of third parties for leasing and factoring (subsidiaries)	15,104
Other	5,550
TOTAL	79,025

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 November 14, 2003, € 150 million in bonds maturing on November 13, 2008

Sol Meliá, S.A. guarantees an annual fixed dividend of 7.80% for the issue of the preference shares of € 106 million carried out by its subsidiary Sol Meliá Finance, Ltd.

SOL MELIA is the guarantor of Detur Panamá, S.A., owner of Hotel Meliá Panamá Canal, in regards to 58.06% of a credit line of USD 9 million from Caja de Ahorros de Baleares. As of December 31, 2003 the guaranteed amount was USD 5.23 million.

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, if necessary, up to € 12 million for the construction of one of the hotels it will rent, with a mortgage guarantee of other owned assets.

Sol Meliá, S.A., as the guarantor of Hoteles Nacionales del Este for a loan of USD 10 million granted by Banco Santander Central Hispano, began, together with said bank, the process to reclaim the indebted amount. This process initiated against the entities which were the successful bidders in the auction of the former Meliá Juan Dolio properties. The legal action is based on the judgement on the properties' adjudication, the agreements subscribed by BSCH and Banco de Reservas and Banco de Progreso (the binders) and the Dominican Republic legislation. The entities subject to reclamation are solvent (Banco Nacional de Reservas is the Dominican equivalent to Banco de España). Together with the claim, precautionary measures were requested asking for the seizure of double the total amount owed by each of the banks. Although, initially, the judge in charge of the case consented, following an appeal from the other party the total amount seized was reduced to double the indebted amount. The decision to limit the amount seized has, in turn, been appealed by the Company. Due to the complex nature and specific nature of the country, this process is advancing very slowly.

Moreover, Sol Meliá, is guarantor of Hoteles Nacionales, S.A. for an amount of 5 million US Dollars, relating to the management of a hotel in Santo Domingo.

Sol Meliá, S.A. has rental commitments ranging between 1 and 15 years. These include documented commitments amounting to € 105.3 million in accordance with the maturity dates of the corresponding rentals.

With respect to the partial review of a plot in the Canary Islands, 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, technicians' fees, (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.

On November 22, 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. The purpose of the operation is the hedge of interest rates of the debentures by Sol Meliá Europe, B.V (See Note 22.1). On January 13, 2003 the Company decided to change the Swap structure, which was transferred to Deutsche Bank, under the following terms: the six-month Euribor interest is swapped for a twelve-month dollar libor plus 70 points for the first two years and dollar libor plus 140 points for the remaining period, at a minimum rate of 2.3% during the first two years. For the remaining years, rates applicable to the total payable by Sol Meliá range between a minimum of 3.15% and a maximum of 5.4%. The maximum rate will not be applied if the total is over 8%. Sol Meliá considers that these conditions in relation to the debt will be satisfactory in the future. This new operation is intended to hedge interest rates and it is not genuine until the debentures issued by Sol Meliá Europe, B.V. mature. As of June 5, 2003, Sol Meliá, S.A. signed a swap guarantee contract with Barclays Bank, which means that both parties must guarantee the settlement or exposure amount that the bank will calculate on a monthly basis and that exceeds € 15 million. Consequently, in 2003, the Company pledged a deposit, in favour of the bank, which amounted to € 10.5 million and is recorded under the "Other long-term receivables" caption. As the bank has estimated potential, unmatured losses of € 25.5 million at year-end, a provision amounting to € 7.1 million, of which € 3 million is registered as expenses for 2003, has been recorded under the "Contingencies for risks and expenses" caption.

Sol Meliá, S.A. holds bank guarantees in favour of Profitur, S.A. on the annual minimum operating results of its hotel for € 3.1 million.

Sol Meliá, S.A. has a corporate guarantee in favour of Isla Bella, S.A. on the annual minimum operating results of a hotel under leasing, for € 2.1 million. Through a second guarantee, the Company also guarantees the annual increase of the initial guarantee.

Sol Meliá, S.A. is the guarantor of Desarrolladora Hotelera del Norte for USD 25 million for the construction of a hotel, which, according to estimations, will be finished, in the first six-month period of 2004.

Arbitration proceedings initiated by two Omani companies exist, claiming alleged damages caused by supposed unilateral termination of a management contract. To date the proceedings are still pending the arbitrators' decision regarding their own authority, as Sol Meliá has alleged that they have no jurisdiction in the matter.

25. Revenues and expenses

25.1 CONSOLIDATED REVENUES DISTRIBUTED ACCORDING TO TYPE OF REVENUES

A breakdown of operating revenues by concepts, is as follows:

	2001	2002	2003
(thousands of €)			
Net turnover	953,964	976,199	944,167
Hotels revenues	887,987	907,433	883,045
Casinos revenues	15,212	14,295	12,074
Time-sharing revenues	10,685	13,526	9,575
Operating and administration revenues	23,824	25,438	24,421
Management revenues	13,224	12,836	12,626
Franchise revenues	3,032	2,669	2,425
Other operating revenues	62,105	34,341	43,678
TOTAL OPERATING INCOME	1,016,069	1,010,539	987,845
Financial income	42,428	69,357	42,428
Extraordinary income	18,668	13,777	34,610
TOTAL CONSOLIDATED INCOME	1,077,165	1,093,674	1,064,883

The breakdown of operating revenues by concept, is as follows:

(thousands of €)	2001	2002	2003
Spanish market	670,825	686,142	687,336
International market	345,244	324,397	300,509
TOTAL	1,016,069	1,010,539	987,845

25.2 CONSOLIDATED AVERAGE NUMBER OF EMPLOYEES IN 2003

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

	2001	2002	2003
EXECUTIVES	370	315	297
HEADS OF DEPARTMENT	945	885	1.107
TECHNICIANS	6,523	6,047	5,905
AUXILIARY STAFF	8,432	6,231	6,798
TOTAL	16,270	13,478	14,107

25.3 CONSOLIDATED PERSONNEL EXPENSES

The breakdown of the consolidated personnel expenses is as follows:

(thousands of €)	2001	2002	2003
WAGES, SALARIES AND RELATED EXPENSES	257,045	255,705	246,312
SOCIAL SECURITY INDEMNITIES	54,541 4,157	55,803 4,284	55,005 9,833
OTHER PERSONNEL EXPENSES	12,079	10,511	11,054
TOTAL	327,822	326,303	322,204

25.4 EXTRAORDINARY RESULTS

The breakdown of extraordinary results is as follows:

(thousands of €)	2001	2002	2003
, modernae or cy			
Profit on disposal of fixed assets	8,805	1,214	23,800
Capital grants released to results	159	157	236
Extraordinary income	8,476	10,955	6,847
Income and profit from prior years	1,229	1,451	3,727
TOTAL INCOME	18,669	13,777	34,610
Losses on disposal of fixed assets	487	20,526	2,646
Changes in fixed assets provisions	6,034	1,212	3,382
Extraordinary expenses	3,429	17,165	9,441
Expenses and losses from prior years	3,932	4,420	7,007
TOTAL EXPENSES	13,882	43,323	22,476
TOTAL EXTRAORDINARY RESULTS	4,787	(29,546)	12,134

Profit on disposal of fixed assets for the year relates mainly to surpluses generated by the sale of the Hotel Los Patos for an amount of € 11.4 million (See Note 11) and the disposal of the shares portfolio of Last Minute for a total of € 6.3 million, as well as the recovery of the treasury shares for € 5.9 million. Moreover, the application of the negative consolidation differences mentioned in Note 7.1 are included in "Extraordinary Income".

Extraordinary expenses includes a claim from Aspro Ocio amounting to € 1 million, expenses of € 533,000 to terminate the Hotel Tryp Capitol contract and compensation costs of € 2.4 million for the termination of operating contracts of permanent establishment hotels in Tunisia.

25.5 CONTRIBUTION OF EACH COMPANY TO CONSOLIDATED RESULTS FOR THE YEAR

		2001			2002			2003	
			P/L Parent			P/L Parent			P/L Parent
(thousands of €)	P/L	Interest	Company	P/L	Interest	Company	P/L	Interest	Company
SOL MELIA S.A.	44,114		44,114	7,478		7,478	(5,903)		(5,903)
AKUNTRA XXI,S.L.	(60)		(60)	(1)		(1)	(1)		(1)
APARTOTEL S.A.	223	(1)	222	411	1	410	257	1	256
AZAFATA, S.A.	446		446				486		486
BEAR S.A. DE C.V.	1,054		1,054	(1,191)		(1,191)	(632)		(632)
BISOL VALLARTA S.A. DE C.V.	359	(2)	357	3,229	10	3,219	953	3	950
C.T. COZUMEL / CARIBOTELS (1)	86	(42)	44	(2,629)	(1,290)	(1,338)	(3,755)	(1,843)	(1,912)
CALA FORMENTOR S.A. DE C.V.	2,207	(11)	2,196	(4,419)	(14)	(4,405)	(4,438)	(14)	(4,424)
CARIBOOKINK & RESERVATIONS	(20)	0	(20)	(6)	(0)	(6)			
CASINO PARADISUS S.A.	1,084	(545)	539	1,102	553	549	1,264	634	630
CASINO TAMARINDOS S.A.	650		650	1,145		1,145	703		703
COM. PROP. MELIA SOLY NIEVE	561	(68)	493	761	88	673	1,093	127	967
COMP.TUN.GESTION HOTEL.	(751)		(751)	(1,889)		(1,889)	(153)		(153)
CONSORCIO EUROPEO, S.A.	(34)		(34)	(24)		(24)	131		131
CORP. HOT. HISPANO-MEXICANA	(465)	2	(463)	2,204	7	2,197	42		42
CORP. HOTELERA METOR, S.A.							(814)	(326)	(488)
D.Mkt.SERVICES / DES. SOL (1)	(5,648)	28	(5,620)	1,363	4	1,359	17,384	54	17,330
D.T.C./ MARMER (1)	3,778	(19)	3,759	109	0	108	46	0	45
DARCUO XXI, S.L.	(244)		(244)	(160)		(160)	(138)		(138)
DES. HOT. SAN JUAN B.V.	(138)	1	(137)	(689)	(2)	(686)	(618)	(2)	(616)
DES.TUR. DEL CARIBE N.V	(7)	0	(7)	(59)	(0)	(59)	(25)	(0)	(25)
DOCKTELEMARKETING S.A.	1,018		1,018	(1,094)		(1,094)	1,775		1,775
DOMINICAN INVESTMENT N.V.	(6)	0	(6)	(7)	(0)	(7)	(50)	(0)	(49)
DORPAN S.L.	73		73	197		197	139		139
FARANDOLE N.V.	(903)	5	(898)	(589)	(2)	(587)	(494)	(2)	(492)
GESMESOL	5,180		5,180	4,637		4,637	6,856		6,856
GEST. HOT. TURISTICA MESOL	6		6	1		1	2		2
GRUPO SOL ASIA Ltd.	1,066	(427)	640	645	258	387	(352)	(141)	(211)
GRUPO SOL FRANCIA (1)	(1,703)		(1,703)	1,559		1,559	(6,527)		(6,527)
GRUPO SOL SERVICES	6	(2)	4	107	43	64	72	29	43
GUPE INMOBILIARIA	(176)		(176)						
H. CONVENTO DE EXTREMADURA S.L.	(121)	59	(62)	(195)	(95)	(100)	(363)	(177)	(186)
H.MELIA INT. de COLOMBIA	8		8	(6)		(6)	5		5
HOTEL BELLVER S.A.	(234)	77	(157)	(213)	(70)	(143)	(39)	(13)	(26)
HOTELES SOL INTNAL. S.A.	(146)		(146)	(94)		(94)	2,135		2,135
HOTELES TURISTICOS S.A.	208	(11)	196	390	21	369	67	4	64
IHLA BELA DE GESTAO ETURISMO	577	(202)	375	1,043	365	678	1,668	584	1,084
IMPULSE HOT. DEVELOPMENT	(6)		(6)	(11)		(11)	9		9
IMPULSE HOT. DEVELOPMENT B.V.	(31)		(31)	(25)		(25)	(8)		(8)
INDUSTRIAS TURISTICAS S.A.	345	(8)	336	336	8	327	167	4	163
INMOBILIARIA BULMES, S.A.	1,472		1,472	976		976	978		978
INMOTEL INTERNACIONAL, S.A.	1,800		1,800	942		942			
INMOTEL INV, ITALIA, S,R,L,	(4,294)		(4,294)	(7,095)		(7,095)	(3,354)		(3,354)
INV. EXPLOT. TURISTICAS S.A.	4,215	(1,892)	2,323	3,981	1,784	2,198	1,480	671	809
INV. INMOBILIARIAS I.A.R. 1997	1,351	(7)	1,344	(3,986)	(12)	(3,973)	(4,349)	(13)	(4,336)
INV.LATINOAMERICA 2000 S.L.	(19)		(19)	(20)		(20)	(5)		(5)
INV.TUR. del CARIBE				(36)		(36)	(80)		(80)
INVERSIONES JACUEY	1,043	(5)	1,038	1,434	4	1,429	2,395	7	2,387
IRTON COMPANY/ I. GUAMA (1)				(866)	(3)	(863)	(662)	(2)	(659)
LATIN AMERICA LOGÍSTICS CO.	12	(0)	12						
LAVANDERIAS COMPARTIDAS S.A.	(92)	. /	(92)	(105)		(105)	(200)		(200)
LOMONDO Ltd.	(7,480)		(7,480)	(7,700)		(7,700)	(2,958)		(2,958)
	. ,,		. , ,	.,,		. ,,	. , ,		. , ,

	Cons. P/L		P/L Parent Company	Cons. P/L	-	P/L Parent Company	Cons. P/L	-	P/L Parent Company
(thousands of €)									
M.I.H.	8,807		8,807	11,144		11,144	13,377		13,377
MARINA INT. HOLDING	(920)		(920)	(2)		(2)	(850)		(850)
MARKSERV B.V.	(136)		(136)	(396)		(396)	662		662
MARKSOLTURIZM	43		43	(481)		(481)	(55)		(55)
MARKTURTURIZM	(128)		(128)	(11)		(11)	52		52
MELIA BRASIL ADMINIST.	286		286	157		157	(1,798)		(1,798)
MELIÁ CATERING, S.A.	(105)		(105)	(171)		(171)	(147)		(147)
MELIA INV. AMERICANAS N.V.	2,749	(14)	2,735	363	1	362	6,330	20	6,311
MELIA MANAGEMENT	7		7	241		241	173		173
MELIA VENEZUELA	(6)		(6)						
MELSOL MANAGEMENT	(29)		(29)	(85)		(85)	(19)		(19)
MELSOL PORTUGAL	155	(31)	124	142	28	114	65	13	52
MOT. ANDALUCES S.A.	137	(35)	102	184	47	137	203	52	151
MOT. GRANDES RUTAS ESP.,S.A.	80	(20)	60	129	33	96	97	25	73
NEALE/ I. AGARA (1)	2,047	(10)	2,037	2,913	9	2,904	7,362	23	7,340
OPERADORA COSTARISOL	105		105	(144)		(144)	40		40
OPERADORA MESOL	634		634	1,491		1,491	4,095		4,095
PARKING INTERNACIONAL. S.A.	153	(2)	151	144	(0)	144	148		148
PARQUE SAN ANTONIO S.A.	299	(62)	237	(39)	(8)	(31)	327	68	260
PLAYA SALINAS S.A.	(0)	0	(0)	(0)	(0)	(0)	306	4	303
PUNTA CANA RESERVATIONS N.V.	(20)	0	(20)	(5)	(0)	(5)	(7)	(0)	(7)
PUNTA ELENA S.L.	(23)	11	(11)	(743)	(371)	(371)	(C)	(0)	(0)
RANDLESTOP CORP.	(5)	(22)	(5)	(7)	(0)	(7) 519	(6)	(0)	(6)
REALTUR S.A. SAN JUAN INVESTMENT B.V.	619	(22)	598 (137)	537 (689)	(2)		662	(2)	641
SECADE, XXI, S.L.	(138)	I	(1,081)	(150)	(2)	(686) (150)	(618) (456)	(2)	(616) (456)
SECURISOL, S.A.	66		66	(26)		(26)	10		10
SILVERBAY, S.L.	(0)		(0)	1,439		1,439	2,953		2,953
SOL CARIBETOURS	(82)		(82)	(97)		(97)	2,955		2,955
SOL FINANCE	(5)		(5)	(5)		(5)	21		
SOL GROUP B.V.	(10)		(10)	(14)		(14)	(6)		(6)
SOL GROUP CORP.	(35)		(35)	(11)		(11)	(1,055)		(1,055)
SOL HOTEL U.K. Ltd.	(4)		(4)	(11)		(11)	(1,033)		(1,033)
SOL MANINVEST B.V.	(424)		(424)	(500)		(500)	(259)		(259)
SOL MELIA BENELUX	(523)		(523)	(606)		(606)	(690)		(690)
SOL MELIA CHINA Ltd.	(215)		(215)	(296)		(296)	(136)		(136)
SOL MELIA CROACIA	1,227		1,227	1,195		1,195	1,057		1,057
SOL MELIÁ DEUCHLAND GMBH	(2,621)		(2,621)	(3,124)		(3,124)	(3,917)		(3,917)
SOL MELIÁ EUROPE N.V.	98		98	134		134	194		194
SOL MELIÁ FINANCE NV	(7)		(7)	5,647	5,644	3	8,360	8,355	5
SOL MELIA FRANCE, S.A.S.	(895)		(895)	(2,838)	-,	(2,838)	2,440	-,	2,440
SOL MELIA GUATEMALA	(41)		(41)	(443)		(443)	(46)		(46)
SOL MELIA INVESTMENT	(13)		(13)	(11)		(11)	7		7
SOL MELIÁ MARRUECOS, S.A.	127		127	(466)		(466)	(343)		(343)
SOL MELIA PERÚ, S.A.	48		48	127		127	156		156
SOL MELIA SERVICE	4,700		4,700	1,070		1,070	874		874
SOL MELIÁ SUÏSSE, S.A.				(578)		(578)	(1,402)		(1,402)
SOL MELIÁ TRAVEL, S.A.							1,563		1,563
TALONARIO 5N S.L.	(4)		(4)	25		25	(274)		(274)
TENERIFE SOL, S.A.	6,186	(3,093)	3,093	5,898	2,949	2,949	5,582	2,791	2,791
TORRESOL DES. TURISTICOS	(0)	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)
TRYP MEDITEERRANEE	(4,083)	596	(3,486)		(3,645)	(532)	(3,113)		
URME REAL S.A.	(50)	4	(46)	(51)	(4)	(48)	(51)	(4)	(48)
RESULTS BY FULL CONSOLIDATION	67,333	(5,747)	61,587	18,643	9,470	9,173	49,168	10,950	38,218

	2001			2002	2003		
	CONS. P/L	P/L PARENT COMPANY	CONS. P/L	P/L PARENT COMPANY	CONS.	P/L PARENT COMPANY	
(thousands of €)							
APART.BOSQUE	(11)	(11)	127	127	84	84	
C.P.COSTA DEL SOL	508	508	292	292	342	342	
COM. DE PROP. MELIA CASTILLA	1,435	1,435	1,412	1,412	888	888	
DETUR PANAMÁ, S.A.	(1,139)	(1,139)	(1,003)	(1,003)	(649)	(649)	
HELLENIC HOT.MANAG.	(56)	(56)					
HOTEL CAMPUS, S.L.	(280)	(280)					
HOTEL NETB2B.COM, S.L.	(119)	(119)	(300)	(300)			
INVERSIONES GUIZA, S.A.	(1)	(1)	(1)	(1)	(1)	(1)	
LASTMINUTE NETWORK, S.A.			(29)	(29)			
MELIA MERIDA, S.L.	(26)	(26)	(104)	(104)	(297)	(297)	
NEXPROM, S.A.	409	409	204	204	528	528	
PROM.PLAYA BLANCA S.A. De C.V.			630	630	(841)	(841)	
PROMEDRO, S.A.	(28)	(28)	(24)	(24)	(104)	(104)	
SOFIA HOTELES, S.L.	139	139					
SOL HOTTI PORTUGAL	10	10	58	58	(30)	(30)	
SOL MELIÁ TRAVEL, S.A.	(3,496)	(3,496)	(6,255)	(6,255)			
RESULTS BY FULL CONSOLIDATION	(2,655)	(2,655)	(4,994)	(4,994)	(79)	(79)	
CONSOLIDATED TOTAL	64,679	(5,747) 58,932	13,649	9,470 4,179	49,089	10,950 38,139	

⁽¹⁾ Companies in the same line of business.

26. Other information

The remuneration paid to the members of the Board of Directors of Sol Meliá, S.A. in 2003 was as follows:

(thousands of €)	2003
Allowances for meetings attendance	540
Civil liability insurance	54
Remuneration	918
TOTAL	1,512

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

Additional information regarding the Directors in accordance with Law 26/2003 of July 17, 2003:

Mr. Escarrer Juliá and his sons, Messieurs Escarrer Jaume, own participations in the share capital and hold posts as directors in the companies Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Asociados, S.L. and Hoteles Mallorquines Agrupados, S.L., all main shareholders in Sol Meliá, S.A., as well as being directors of several subsidiaries and associated companies of the Group.

Mr. José María Lafuente has a small holding in the companies Niamey, S.A. and Sa Coma, C.B.D. Juan Vives is a minority shareholder and Sole Administrator of Finca Los Naranjos, S.A. Mr. Emilio Cuatrecasas is a minority shareholder and Chief Executive of Areas, S.A. All the aforementioned companies undertake similar or complementary activities to that of Sol Meliá, S.A.

The remaining Directors neither hold posts nor possess shares in companies with similar or complementary activities to that of Sol Meliá, S.A.

In 2003, none of the Directors or their representatives have undertaken any kind of transaction with the Company or Group companies, except those inherent to the ordinary business activity.

Fees corresponding to the audit of the 2003 consolidated annual accounts and subsidiaries have amounted to € 1,032,069.92. The breakdown is as follows:

(thousands of €)	2003
E&Y Spain	465,051.61
E&Y International	567,018.31
TOTAL	1,032,069.92

Environmental risks: No significant item relating to information on environment, provided for by Order of the Ministry of Justice dated October 8, 2001, is included in the accompanying annual accounts.

Post-balance sheet events

On January 9, 2004 the Hard Rock Chicago opened. This is not only the Group's first establishment in the United States, but is also the first one operated by Sol Meliá in virtue of the joint venture between Sol Meliá and the Rank Group for the development of Hard Rock hotels. The agreement states that Sol Meliá will be responsible for the management, marketing and distribution of the Hard Rock hotels and that Hard Rock Hotels will be responsible for the concept, design and development of the brand of the affiliated establishments as well as capturing of new contracts. One of the biggest investment companies in the United States, Becker Ventures LLC, is financing the initiative with up to one billion Dollars available for future projects.

As of January 22, 2004, Sol Meliá, S.A. disposed of the Hotel Aloha Playa in Benalmádena (Málaga) for an amount of € 11.5 million, generating a surplus of € 8.9 million.

As of February 16, 2004, Sol Meliá, S.A. disposed of its Tour Operator Viva Tours' shares for an amount of € 2 million, generating a surplus of € 1.4 million.

28. Explanation added for translation to English

These annual accounts are presented on the basis of accounting principles generally accepted in Spain. Certain accounting practices applied by the Company that conform with generally accepted accounting principles in Spain may not conform with generally accepted accounting principles in other countries.



NOTES TO THE 2003 CONSOLIDATED ANNUAL ACCOUNTS

FORMULATION OF ACCOUNTS

The formulation of the accompanying annual accounts has been approved by the Board of Directors, in its meeting of March 30, 2004, with the assumption that the auditors will verify these accounts and that they will subsequently be approved at the General Shareholders' Meeting. These accounts are comprised of 68 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 Juan Vives Cerdá Vice Chairman
Signed, Gabriel Escarrer Jaume
Managing Director
Signed Ariel Mazin Mor (representing Ailemlos S.A.) Director
Signed Alfredo Pastor Bodmer
Independent Director
Signed Emilio Cuatrecasas Figueras Independent Director

"Although he is not present to sign this document due to being on a trip outside Spain, Mr Alfredo Pastor Bodmer has approved the formulation of the Annual Accounts and is represented by another of the Company's Independent Directors, Mr. Emilio Cuatrecases Figueras. This complies with Article 171.2 of the Public Limited Companies Law."

MANAGEMENT REPORT

This report analyses trends experienced during 2003 in the business activity and the consolidated results of Sol Meliá, S.A. and its subsidiaries (hereinafter "SOL MELIÁ" or the "GROUP").

1. Treasury Shares

At December 31, 2003, the Company has a total of 2,321,818 treasury shares with a par value of € 0.2 each, which represent 1.25% of the Company's share capital.

The movement in treasury shares is explained in Note 17 to the 2003 annual accounts.

2. Business Trends

2 1 OWNED AND LEASED HOTELS

The income ratio per room available (RevPAR) in the owned and rented hotels has been reduced by 1.7% in 2003 in comparison with 2002. To some extent this is due to the effect of the 16% rise of the Euro against the US Dollar, which has had an important impact on the Americas Division whose prices are mainly established with reference to the Dollar.

With respect to the European Resort Division, the accumulated RevPAR has increased by 5% due to the recovery of Spanish holiday resorts in 2003. The positive trend of the Balearic and Canary Islands following the war in Iraq explains great part of this improvement in spite of the discounted prices offered by competitors. Although there has been a slow-down in the German market, the strengthening of the Spanish and British markets together with the gradual increase in the importance of the Eastern European market have been enough to compensate the aforementioned slow-down. It should be noted that the evolution of Tunisia is still disappointing, showing that the disaffiliation, which took place throughout 2002 and the first six months of 2003, was a positive decision for the Company.

Taking into account the present level of UK and German reservations, the prospects for Spanish holiday resorts are positive. As happened in 2003, the domestic market will help the evolution of these markets. Given the foreseen decrease in the amount of offers available in 2004 in comparison with 2003, the impact of the slight price increases agreed with the tour operators for 2004 may be greater.

Regarding the European City Division, the RevPAR has dropped by 3.6%. The situation of this division has been damaged by the slow-down in business activities in the major European capitals. The evolution in Sol Meliá's RevPAR compares favourably to the downturn suffered by the European tourist industry in 2003.

Solmelia.com's offers and sales programmes, a growing competitive advantage for the Company, have partly compensated for the slow-down in business activities. During 2003, internet sales have increased up to 189%, while the company's own programmes grew by 33%.

A progressive recovery of the industry is expected in the European cities as was reflected in December 2003 in the RevPAR's 3.3% increase, in comparison to the previous year for the entire market, showing the first growth in 13 months.

Regarding the Americas Division, the accumulated RevPar in Euros has decreased by 16.5%, negatively affected by the rise of the Euro against the Dollar and by the scarce improvement in the performance of the Gran Meliá Caracas. Excluding the aforementioned effects, the RevPAR would have increased by 9.1% due to the positive situation in Dominican Republic and Mexican resorts in 2003. The growth experienced in the hotels located in holiday resorts is due to the increase in popularity of the Dominican Republic among the US market together with the quality of the product and the efforts to increase North American sales in 2002. In the urban hotels, mainly the Hotel GM México Reforma (Mexico City), the business sector has shown a very important recovery as well as an increase in business trips.

The area will benefit from several indicators in 2004 including the improvement in the US economy. Moreover, the rise of the Euro against the dollar attracts a greater number of European tourists. Since tourists have begun to feel more confident about flying and spending their holidays abroad, the Company has experienced an increase in the number of tourists in their holiday destinations.

Table 1: Hotel statistics 03/02 (RevPar & A.D.R. in Euros)

OWNED AND LEASED HOTELS	Occupancy	%	RevPar	A.D.R.
EUROPEAN RESORT	2003	72.4%	36.9	50.9
	% o/ 2002	1.6%	5.0%	3.4%
	2002	71.3%	35.1	49.3
EUROPEAN CITY	2003	62.8%	53.2	84.8
	% o/ 2002	(1.0%)	(3.6%)	(2.7%)
	2002	63.4%	55.2	87.1
AMERICAS	2003	65.3%	37.8	57.9
	% o/ 2002	5.6%	(16.5%)	(20.9%)
	2002	61.9%	45.3	73.2
TOTAL	2003	67.0%	44.6	66.6
	% o/ 2002	0.6%	(1.7%)	(2.3%)
	2002	66.5%	45.4	68.2

Table 2, below, is a breakdown of the components of growth in room revenues for owned and leased hotels. The decrease in the number of rooms available in the European Resort Division is partly due to the disaffiliation of leased hotels in Tunisia, which was carried out in 2002 and the first six months of 2003. The increase in the number of rooms available in the European City Division is due to the incorporation, under rental agreements, of Tryp Hotels in Spain, Switzerland and Germany. These incorporations compensate the disaffiliation process carried out in 2002. In the Americas Division, the 14.7% decrease in room revenues could become a 2% increase if the exchange rate differences are excluded. The increase in the number of rooms available is due to the incorporation of the Gran Meliá Mofarrej Hotel.

Table 2: Breakdown of total room revenues owned/leased 03/02

% Increase Dec 03/02	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPAR	5.0%	(3.6%)	(16.5%)	(1.7%)
Available Rooms	(8.1%)	3.1%	2.1%	(1.8%)
Room Revenues	(3.5%)	(0.7%)	(14.7%)	(3.5%)

Table 3 shows the breakdown of revenues for owned and leased hotels. The 10% increase in the "Other Revenues" heading of the European Urban Division is due to the increase in revenues derived from the recent commercialisation of the Meliá White House Apartments.

Table 3: Hotel revenues 03/02 for owned/leased hotels

2003/2002	EURO 2003	PEAN RE		EUR 2003	OPEAN 0 %o/02		2003	MERICAS %o/02		2003	TOTAL %o/02	2002
(millions of €)												
ROOMS	175	(3.5%)	181	293	(0.7%)	295	63	(14.7%)	74	531	(3.5%)	550
FOOD AND BEVERAGE	108	(5.9%)	115	103	(0.1%)	103	74	(2.3%)	76	285	(2.9%)	294
OTHER REVENUES	12	(9.8%)	13	25.8	10.0%	23.5	16	(16.5%)	19	54	(3.8%)	56
TOTAL REVENUES	295	(4.6%)	309	421	0.1%	421	153	(9.4%)	169	869	(3.3%)	899

In the Americas division, the "Rooms Revenue," "Food and Beverage," "Other Revenues" and "Total Revenues" sections varied by 2.2%. Omitting the exchange rate differences, they varied by 16.2%, (6.2%) and 7.4% respectively. The increase in the "Food and Beverage" section is due to the commercialisation of "all-inclusive" packages in the Mexican hotels. The decrease in the "Other Revenues" section is due to a slow-down in the situation of the Gran Meliá Caracas Apartments.

2.2 MANAGEMENT BUSINESS

Management fees have fallen by 4% due to a 13% decrease in the number of rooms under management/franchise. This fall is due to the disaffiliation process carried out in the hotels which did not fulfil the brand's quality levels together with the fall in popularity of Middle Eastern holiday resorts.

The 17% decrease in the European Resort Division is due to the disaffiliation, in the first quarter, of 4 hotels (970 rooms) which did not fulfil the brand's standards, as well as 3 campsites and 4 hotels (6,064 rooms), both unbranded, in Croatia. The disaffiliation in Croatia was due to the unilateral termination of the management contract by Jadran-Turist Rovinj d.d., a tobacco corporation in Croatia. Sol Meliá is expecting a favourable resolution from the International Chamber of Commerce's Arbitration Court, with the corresponding compensation as stated in the management contract. 4 unbranded hotels (608 rooms) in Morocco were disaffiliated in the third quarter as they did not reach the brand's quality standards.

The cancellation of Congresses and Conventions, together with the reduction in business trips and the general slowdown in reservations, resulted in a 9% fall in management fees in the European City Division.

The Americas Division decreased its management fees by 3%. This is a significant recovery in comparison with the results of the second and third guarters, (16%) and (6%) respectively. The 9% fall in the fees over G.O.P. is the result of a weak economy in local feeder markets and a steady fall in management fees in Brazil and Mexico, for example in the Hotel Gran Meliá WTC Sao Paolo. Both Cuba and the rest of the Spanish-speaking Caribbean continue with excellent results and offer good value for money. In Cuba, the Company has management contracts linked to the G.O.P, thus explaining the increase of 212%. The Asia-Pacific Division is still effected by the war in Iraq and the SARS outbreak (49%).

Table 4: Management fees

FEE REVENUES € Mn		2003	Incr. 03/02	2002
EUROPEAN RESORT	Over sales	6.1	(18%)	7.5
	Over G.O.P.	4.2	(16%)	5.0
		10.3	(17%)	12.5
EUROPEAN CITY	Over sales	6.1	(1%)	6.2
	Over G.O.P.	1.8	(29%)	2.5
		7.9	(9%)	8.7
AMERICAS	Over sales	3.8	2%	3.7
	Over G.O.P.	2.4	(9%)	2.6
		6.2	(3%)	6.4
ASIA-PACIFIC	Over sales	1.0	(37%)	1.6
	Over G.O.P.	0.5	(63%)	1.4
		1.5	(49%)	3.0
CUBA	Over sales	9.7	10%	8.7
	Over G.O.P.	3.4	212%	1.1
		13.0	33%	9.8
Total over sales		26.7	(4%)	27.7
Total over G.O.P.		12.3	(3%)	12.7
TOTAL		39.0	(4%)	40.4

3. Post-balance sheet events

On January 9, 2004 the Hard Rock Chicago opened. This is not only the Group's first establishment in the United States, but is also the first one operated by Sol Meliá in virtue of the joint venture between Sol Meliá and the Rank Group for the development of Hard Rock® hotels. The agreement states that Sol Meliá will be responsible for the management, marketing and distribution of the Hard Rock® hotels and that Hard Rock® Hotels will be responsible for the concept, design and development of the brand of the affiliated establishments as well as capturing of new contracts. One of the biggest investment companies in the United States, Becker Ventures LLC, is financing the initiative with up to one billion Dollars available for future projects.

As of January 22, 2004, Sol Meliá, S.A. sold the Hotel Aloha Playa in Benalmádena (Málaga) for an amount of € 11.5 million, generating a surplus of € 8.9 million.

As of February 16, 2004, Sol Meliá, S.A. disposed of its Tour Operator Viva Tours' shares for an amount of € 2 million.

4. Foreseeable outlook

Sol Meliá closed 2003 with an increase, at constant exchange rates, of the accumulated EBITDA and the ordinary profit, amounting to 4.5% and 56.3% respectively. Given the difficulties experienced in the hotel industry during 2003, especially in the first six months, due to the war in Iraq, the SARS outbreak and the slow-down in the western economies, the aforementioned increases are commendable.

Even within this difficult framework, the Company has been able to maintain a strong position in comparison with the majority of its competitors. This is mainly due to the positive Summer trend in Spain, the healthy position of the Spanish-speaking Caribbean resorts and the positive effects of having left non-strategic businesses.

This restructuring process involved the provision of joint ventures in losses such as that of AOL España, the disaffiliation of loss-producing hotels, a cost cutting programme and the reinforcement of brand standardisation. These results, together with the recently signed alliances in the distribution and time-share areas, the contribution of new incorporations and the positioning of recently acquired or renovated hotels, constitute the basis for the future consolidation of the Company.

The Company wants to emphasise the change that has occurred in the tourist and leisure industry in terms of distribution - already confirmed by the evolution of solmelia.com - which will develop within a growing process of disintermediation over the years to come. For this reason, Sol Meliá has taken major steps, in strategic terms, by reaching agreements with two of the most important distributors in the industry, both in Europe and in the United States.

In Europe, the Company and lastminute.com (European on-line leader for travelling) strengthened their alliance through an agreement in which Sol Meliá is the Preferred Hotel Supplier in lastminute.com, while solmelia.com is adding the "Dynamic Packaging" which gives users the possibility of purchasing both their hotel and their flights on the Company's own website.

During the fourth quarter, in the United States, Sol Meliá signed a strategic alliance, based on two agreements, with the Cendant Corporation, through which the company will widen the range of its hotel distribution, while at the same time increasing the Company's time-share business. Cendant Corporation is a world leader in both the aforementioned areas.

The development of the time-share business is part of a strategy to maximise the revenues gained per square metre of land and property. The new entity Sol Melia Vacation Club intends to take advantage of the Company's leading position in the worldwide holiday industry and the recognition of the Sol Meliá brands in its main markets, launching new projects in South America and Europe with the help of Cendant.

Sol Meliá will continue rotating its assets (€ 30 - € 40 million a year until 2005), which, among other things, involves the sale of several Company-owned hotels as long as they are situated in resorts in which the Company operates other hotels meeting the needs of its clients and the sale creates sufficient profit. An example of this process is the sale of the Aparthotel Sol Aloha Playa in Benalmadena in Malaga, Spain.

2003 has been a year of forming alliances with the main representatives of the entertainment and leisure industry. Sol Meliá has advanced in its purpose of defining and differentiating its product through a joint venture with the Rank Group in order to exclusively develop Hard Rock® Hotels with financial support amounting to 1 billion US dollars from Becker Ventures LLC. As a result of this joint venture, Sol Meliá has recently opened their first hotel in the United States, the hotel Hard Rock Chicago (381 rooms). Following the hotel in Chicago, the hotel Hard Rock San Diego will open in 2006, adding 250 rooms to the joint venture. Moreover, the opening of new Hard Rock® hotels in other American cities and in several European capitals is foreseen. In April 2003, Sol Meliá and Warner Bros. Consumer Product signed an agreement to offer thematic hotels with the Flintstones characters in five Sol hotels - 3,265 rooms - in Spain.

During the final quarter of 2003, Sol Meliá embarked on a new and ambitious project that will result in the Company's introduction into the Chinese market through a management contract in the Gran Meliá Shanghai, in which the Company will have a 10% holding. The total foreseen investment for the hotel's construction amounts to approximately 200 million US Dollars. The 5 star Superior Luxury hotel will be the leading hotel in the commercial area in which it is located, Pudong.

In March 2004, Sol Meliá will also open its first hotel in Puerto Rico, a 490-suite establishment under the Paradisus brand, which will automatically enter into the exclusive "The Leading Hotels of the World" club. Sol Meliá hotels are already members of the Club. The property, which is the first all-inclusive holiday hotel in the country, will also offer two exclusive 18-hole golf courses and a modern 2,700m2 Convention Centre containing 13 meeting rooms with a capacity of 1,100 people. The Company has invested 140 million US Dollars in its construction.

In the financial field, the Company fulfilled its financial requirements for 2004 and 2005 through mortgages and an exchangeable bond, amounting to € 150 million, maturing in 5 years and issued in October, 2003. With a conversion premium of 80%, a target price of € 11.90 was established and the coupon has an annual interest rate for the holder of 4.3%. Following this operation, the prestigious magazine, Euromoney, awarded Sol Meliá a prize for the best issue of convertible bonds in the European market among 70 issues totalling € 40,000 million.

As future net investments will be limited, the generation of cash flow will mainly be dedicated to reducing debt and consequently recovering the Company's investment ranking with the rating agencies.

In the Company's main markets the forecast for 2004 is positive. The strength of the Spanish-speaking Caribbean resorts is due to the recovery of the US economy, the opening of the Hotel Paradisus Puerto Rico and the gradual increase of tourists as confidence in international air travel returns. The Spanish resorts have benefited from the important recovery of the German market and the continued upward trend of the British market. The European Cities, affected in 2003 by the slow-down of long distance travelling, Congresses and Conventions, have probably benefited from the foreseen European economic recovery. Regarding costs, the Company has made a greater effort to give each brand the corresponding cost structure in accordance with the clients' expectations, as is described in this document. The Company should benefit from this in the future, meeting the level of operating leverage since the revenues level is recovering.

At present, the European Union is preparing for its greatest increase in size to date. 10 countries are ready to join it on May 1, 2004. This enlargement will create a historic opportunity for Spain and the tourist industry in the economic area by increasing the exchange and base of potential clients due to the gradual economic convergence in these countries and in the whole of the European Union. The enlargement means an increase in population of 105 million people and, therefore, opens more commercial possibilities for the Spanish tourist sector.

In conclusion, the management of Sol Meliá considers that, with costs being cut, the focus of the maximisation of the alliances signed in 2003 in terms of distribution and time-sharing, the contribution of the new incorporations, the disaffiliation of loss-making hotels and the positioning of recently renovated hotels, the Company has established the base for the gradual increase of the cash flow generation with a view to the recovery of the revenue levels beginning.

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.

The investments that have been made in recent years have reinforced the central reservations system, while the Company's distribution capacity has been intensified. This, together with the agreements reached with the main on-line travel agencies and the rapid development of solmelia.com, complement the good relationships with the major tour operators and the 28 international sales offices which the Company has throughout 18 countries.

As regards solmelia.com, the increased actions to attract new custom through advertising on various web sites, personalised marketing, own travel programmes and last minute offers through "El Puntazo" and an efficient reservation process, have allowed the Company to increase sales by 188%. This figure represents 5% of total sales and 17% of centralised sales, that is, the central reservations system "SolRes", GDS and Internet.

The translation of solmelia.com into five languages - it is now also available in German, French and Italian - together with the technical development of the web, the cooperation of airlines, the reinforcement of the family offers section and the future development of the Brazilian / Portuguese version, will stimulate the migration from the traditional reservation methods to on-line bookings - with the corresponding saving on commissions - as well as the use of the web as an important yield management tool.

In virtue of the reinforcement of the strategic alliance with lastminute.com, Sol Meliá is incorporating the "Dynamic Packaging" application which gives users the possibility of purchasing both their hotel and their flights on the Company's own website. This tool will be available on solmelia.com by the first quarter of 2004.

Sol Meliá has also created a new Food and Beverage division to increase the revenue in the square metres dedicated to this business. Among other aims, the Plan will include improvements in productivity and in quality levels in all the Company's Food and Beverage operations, advances in the industrialisation of certain processes and the promotion of the Company's restaurants.



MANAGEMENT REPORT

FORMULATION OF THE MANAGEMENT REPORT

The formulation of this management report has been approved by the Board of Directors, in its meeting of March 30, 2004. This management report comprises 9 pages, all of them signed by the Secretary of the Board. This last page is signed by all the members of the Board.

Signed Juan Vives Cerdá Vice Chairman
Signed. Gabriel Escarrer Jaume Managing Director
Signed Ariel Mazin Mor (representing Allemlos S.A.) Director
Signed Alfredo Paster Bodmer Independent Director

"Although he is not present to sign this document due to being on a trip outside Spain, Mr Alfredo Pastor Bodmer has approved the formulation of the Annual Accounts and is represented by another of the Company's Independent Directors, Mr. Emilio Cuatrecases Figueras. This complies with Article 171.2 of the Public Limited Companies Law."



Introduction

The Board of Directors provides company shareholders with this report in compliance with Law 26/2003 of 17th. July, by which a modification was made to Stock Market Law 24/1998 of 28th. July and the Revised Text of Company Law, approved by RDLeg.1564/1989 of 22nd. December, to reinforce transparency in publicly quoted companies.

This report has been produced in accordance with aforementioned Law 26/2003, as well as with Ministerial Order ECO/3722/2003 of 26th. December on the annual report on corporate governance and other instruments of information of publicly quoted companies and other entities.

This annual report on Corporate Governance by SOL MELIÁ S.A. refers to the financial year ending 31st. December, 2003 and was approved by the Board of Directors on 30th. March, 2004.

The regulation of Corporate Governance at SOL MELIÁ S.A. is contained within Company By-laws, in the Regulations of the Board of Directors and in the Internal Regulations on Good Conduct in matters relating to the stock market, available to shareholders and investors both at company headquarters and through the company website (www.solmelia.com) in the section on Corporate Governance.

The Board of Directors meeting of 30th. March, 2004 approved proposals to modify the Company By-laws and Regulations of the Board of Directors, as well as a proposal relating to the Regulations of the Annual General Meeting, all with the objective of reviewing company regulations and adapting those regulations to the criteria on transparency for publicly quoted companies contained within the report by the Special Commission for the Promotion of Transparency and Security in Financial Markets and Public Companies ("Aldama Report"), in Law 44/2002 of 2nd. November on reforms in the financial system and in the aforementioned Law 26/2003.

It must also be mentioned that the company had already reviewed the said regulations in 2003, with the Board of Directors approving on 6th. May, 2003 Internal Regulations on Good Conduct on matters relating to the stock market and the Ordinary and Extraordinary Annual General Shareholders Meeting of the same date approving a new Article 39 bis of Company By-laws regulating the Auditing and Compliance Commission of the Board of Directors.

1. Company Ownership Structure

1.1 SHARE CAPITAL

The share capital of SOL MELIÁ S.A. is THIRTY-SIX MILLION, NINE HUNDRED AND FIFTY-FIVE THOUSAND, THREE HUN-DRED AND FIFTY-FIVE EUROS AND FORTY CENTS (36,955,355.40.-), represented by ONE HUNDRED AND EIGHTY-FOUR MILLION, SEVEN HUNDRED AND SEVENTY-SIX THOUSAND, SEVEN HUNDRED AND SEVENTY-SEVEN (184,776,777) SHARES, each with a nominal value of TWENTY CENTS (0.2.-e).

The shares are fully subscribed and paid up, of a single class and series and represented through account entries, as governed by Law 24/1988, relating to the Stock Market; Royal Decree 116/1992 of 14th. February relating to the representation of shares through account entries and the clearing and settlement of stock exchange trading.

1.2 SIGNIFICANT SHAREHOLDERS

The significant shareholders in SOL MELIÁ S.A. at 31st. December, 2003, are as follows:

ID number	Name	Number of direct shares	% of share capital
A-07332794	HOTELES MALLORQUINES CONSOLIDADOS S.A.	51,580,509	27.920
A-07000343	HOTELES MALLORQUINES AGRUPADOS S.L.	19,985,988	10.820
B-07802531	HOTELES MALLORQUINES ASOCIADOS S.L.	30,188,433	16.340
	MAJORCAN HOTELS LUXEMBOURG S.A.R.L.	10,766,007	5.830
G-03046562	CAJA DE AHORROS DEL MEDITERRÁNEO (*)	9,249,999	5.006
B-82861618	AILEMLOS S.L.	12,825,505	6.940

^(*) At 31st. December, 2003 the shareholding was less than 5%. The number of shares and percentage displayed refer to the amounts which the shareholder had on the date this report was approved.

1.3 RELATIONS WITH SIGNIFICANT SHAREHOLDERS

It must be stated that Gabriel Escarrer Juliá, together with his wife and children, has a significant shareholding in the following companies: HOTELES MALLORQUINES CONSOLIDADOS S.A., HOTELES MALLORQUINES AGRUPADOS S.L. and HOTELES MALLORQUINES ASOCIADOS S.L., as reflected in the table in section 1.4.

SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS

The following table shows the shareholdings of the members of the company Board of Directors as well as the dates they were appointed:

ID number	Name or company name	Date first named	Date last named	Number of direct shares	Number of indirect shares	% of share capital
41.160.706 K	Gabriel Escarrer Juliá (*)	7.02.96	7.04.99		112,520,937	60.91
43.040.129 E	Sebastián Escarrer Jaume	7.02.96	28.05.01			
43.070.810 K	Gabriel Juan Escarrer Jaume	7.04.99	29.04.02			
41.222.172 P	Juan Vives Cerdá	7.02.96	7.04.99			
A-07332794	Hoteles Mallorquines Consolidados S.A.	23.10.00		51,580,509		27.920
B-82861618	Ailemlos S.L.	15.01.01		12,825,505		6.940
41.301.057 A	Jose María Lafuente López	2.07.96	28.05.01			
41.067.519 F	Alfredo Pastor Bodmer	31.05.96	10.05.99			
39.829.380-G	Eduardo Punset Casals	31.05.96	10.05.99			
1.950.856 L	José J. Puig de la Bellacasa Urdampilleta	14.06.96	28.05.01			
37.667.252-Z	Emilio Cuatrecasas Figueras	31.05.96	28.05.01			
50.308.593-A	Oscar Ruiz del Rio	23.10.00				

^(*) See section 1.3.

1.5 INTERCOMPANY PACTS AMONGST SHAREHOLDERS COMMUNICATED TO THE COMPANY

The company is unaware of the existence of any such pacts.

1.6 TREASURY STOCK

At 31st. December, 2002 the company had a balance of 3,027,903 shares held as treasury stock. In 2003 the company has bought 7,919,804 shares and sold 8,625,889 shares, meaning that the balance of shares held as treasury stock at 31st. December, 2003 is 2,321,818 shares. Note 17 to the Company Annual Accounts provides details on purchase and sales prices.

TERM AND CONDITIONS OF THE EXISTING MANDATE OF THE AGM TO THE BOARD OF DIRECTORS TO ACQUIRE OR TRANSMIT OWN SHARES

The Ordinary and Extraordinary Annual General Shareholders Meeting held on 6th. May, 2003 authorised the Board of Directors, who in turn may delegate and empower the Directors considered appropriate, to acquire shares in the company through any of the methods allowed by the law, up to the limit allowed by the law and at a price that may not be less than one Euro, nor greater than thirty Euros, and within a period of eighteen months from the date of approval. All subject to the limits and requirements demanded by Company Law and the Internal Regulations on Good Conduct in Stock Markets.

LEGAL AND BY-LAW RESTRICTIONS TO THE EXERCISE OF THE RIGHT TO VOTE AND RESTRICTIONS ON THE ACQUISITION OR TRANSMISSION OF SHAREHOLDINGS

There are no legal nor by-law restrictions on the exercise of the right to vote. Every share has a right to vote with no maximum limit with regard to the exercise of this right, although to attend the Annual General Meeting shareholders must possess at least 300 shares, with shareholders also able to group their shareholdings or delegate representation to another shareholder.

Company by-laws foresee the possibility that the company may issue shares without voting rights within legal limits, or preferred shares that enjoy some form of privilege over ordinary shares. Up to the present, the company has issued neither shares with no voting rights nor preferred shares.

The transmission of company shares is free and will be made by account transfer.

2. Company Administration Structure

2.1 BOARD OF DIRECTORS

The following table provides a list of the twelve (12) members of the company Board according to their type. The different types of Directors has been defined in accordance with the report by the Special Commission for the Promotion of Transparency and Security in Financial Markets and Public Companies, and has also been incorporated within the Regulations of the Board of Directors approved by the company Board of Directors on 30th. March, 2003.

EXECUTIVE DIRECTORS

ID number	Name	Position
41.160.706 K	Gabriel Escarrer Juliá	Chairman
43.040.129 E	Sebastián Escarrer Jaume	Deputy Vice Chairman and Chief Executive Officer
43.070.810 K	Gabriel Juan Escarrer Jaume	Chief Executive Officer

EXTERNAL DIRECTORS - REPRESENTATIVES

ID number	Name	Representative	Position	Shareholder represented	ID number of shareholder
41.222.172 P	Juan Vives Cerdá		Vice Chairman	Hoteles Mallorquines Asociados S.L.	B-07802531
A-07332794	Hoteles Mallorquines Consolidados S.A.	María Antonia Escarrer Jaume	Director	Hoteles Mallorquines Consolidados S.A.	A-07332794
B-82861618	Ailemlos S.L.	Ariel Mazín Mor	Director	Ailemlos S.L.	B-82861618

INDEPENDENT EXTERNAL DIRECTORS

ID number	Name	Position	Commission
41.301.057 A	José María Lafuente López	Secretary	Chairman of the Auditing and Compliance Commission
41.067.519 F	Alfredo Pastor Bodmer	Director	
39.829.380-G	Eduardo Punset Casals	Director	Auditing and Compliance Commission
1.950.856 L	José Joaquín Puig de la Bellacasa Urdampilleta	Director	Appointments and Remuneration Commission
37.667.252-Z	Emilio Cuatrecasas Figueras	Director	

OTHER EXTERNAL DIRECTORS

ID number	Name	Position
50.308.593-A	Oscar Ruiz del Rio	Director

2.2 AUTHORITY DELEGATED TO MEMBERS OF THE BOARD OF DIRECTORS

The circumstances required by Article 38 of Company By-laws to be designated Chief Executive Officer are as follows:

- (i) To have formed part of the Board of Directors during at least the THREE (3) years prior to the said designation; or,
- (ii) To have previously occupied the position of Chairman or Vice Chairman of the company Board of Directors, or the position of Chief Executive Officer, regardless of the period of time spent as a Director.
- (iii) Neither of the previous conditions will be required to be met whenever the designated Director is supported by SEVENTY-FIVE PERCENT (75%) or more of the members of the Board of Directors.

The same Article indicates that all powers may be delegated to the Board, with the exception of:

- (a) The presentation of company accounts and balance sheet to the Annual General Meeting.
- (b) The powers that the Annual General Meeting confers upon the Board of Directors, save when it were explicitly authorised by the Meeting.

Whenever such is not admissible by law with effects before third parties, the previous limitations to the delegation of powers will be of an internal nature.

Currently, the Board of Directors has delegated in the Directors Sebastián Escarrer Jaume and Gabriel Escarrer Jaume all powers in relation to the law and Company By-laws.

2.3 Members of the Board of Directors that hold administrative or executive positions in other companies that form part of the Sol Meliá Group

The following tables indicate the members of the company Board of Directors that also hold positions in other dependant companies, understanding that such companies are those in which the direct or indirect shareholding of SOL MELIÁ is greater than 50% or in which the company has a controlling stake:

SPANISH COMPANIES

GABRIEL ESCARRER JULIA (ID NUMBER 41.160.706 K)

COMPANY NAME	COMPANY ID NUM.	POSITION
Azafata S.A.	A-46059580	Chairman of the Board of Directors
Apartotel S.A.	A-28111664	Chairman
Casino Tamarindos S.A. (soc. unip.)	A-35039643	Chairman and Chief Executive Officer
Dorpan S.L.	B-80099807	Sole Administrator
Gest.Hot.Turística Mesol S.A. (soc. unip)	A-7434731	Joint Administrator
Hotel Bellver S.A.	A-07025604	Chairman
Hoteles Sol Meliá S.L.	B-57033730	Chairman
Hoteles Sol S.L.	B-57033748	Chairman
Hoteles Meliá S.L.	B-57028482	Chairman
Hoteles Paradisus XXI S.L.	B-57095929	Chairman
Hoteles Tryp XXI, S.L.	B-57095937	Chairman
Hoteles Turísticos S.A.	A-46009932	Chairman and Chief Executive Officer
Industrias Turísticas S.A.	A-28095933	Chairman
Inversiones Latinoamérica 2000 S.L.	B-61557591	Sole Administrator
Inversiones y Explotaciones Turísticas S.A.	A-28103182	Chairman
Melia Tour S.L.	B-07605397	Joint Administrator
Moteles Andaluces S.A.	A-28097582	Chairman
Moteles de las Grandes Rutas Españolas S.A.	A-28090017	Chairman
Parque San Antonio S.A.	A-38003885	Chairman and Chief Executive Officer
Realizaciones Turísticas S.A.	A-28128254	Chairman and Chief Executive Officer
Securisol S.A.	A-07739337	Chairman and Chief Executive Officer
Tenerife Sol S.A.	A-07161821	Chairman and Chief Executive Officer
Urmereal S.L.	B-81316002	Chairman

SEBASTIÁN ESCARRER JAUME (ID NUMBER 43.040.129 E)

COMPANY NAME	COMPANY ID NUM.	POSITION
Anmacava S.L.	B-06222996	Chairman of the Board of Directors
Azafata S.A.	A-46059580	Chairman of the Board of Directors
Casino Tamarindos S.A. (soc. unip.)	A-35039643	Secretary
Hotel Bellver S.A.	A-07025604	Spokesperson
Hotel Convento de Extremadura S.A.	A-10247328	Chairman representing SOL MELIÁ S.A.
Hoteles Sol Meliá S.L.	B-57033730	Secretary
Hoteles Sol S.L.	B-57033748	Secretary
Hoteles Meliá S.L.	B-57028482	Secretary
Hoteles Paradisus XXI S.L.	B-57095929	Secretary
Hoteles Tryp XXI, S.L.	B-57095937	Secretary
Meliá Catering S.A.	A-57004616	Joint Administrator
Melia Mérida S.L.	B-06318091	Chairman
Parque San Antonio S.A.	A-38003885	Secretary
Sol Melia Travel S.A.	A-57009029	Chairman and Chief Executive Officer
Tenerife Sol S.A.	A-07161821	Spokesperson and Secretary

GABRIEL ESCARRER JAUME (ID NUMBER 43.070.810 K)

COMPANY NAME	COMPANY ID NUM.	POSITION
Akuntra XXI S.L.	B-62286075	Sole Administrator
Anmacava S.L.	B-06222996	Secretary to the Board and Chief Executive Officer
Azafata S.A.	A-46059580	Chief Executive Officer
Apartotel S.A.	A-28111664	Spokesperson and Chief Executive Officer
Casino Tamarindos S.A. (soc. unip.)	A-35039643	Vice Chairman and Chief Executive Officer
Consorcio Europeo S.A.	A-78889383	Representative of Sole Administrator (SOL MELIA S.A.)
Darcuo XXI, S.L. (soc. unip.)	B-62308804	Sole Administrator
Gest.Hot.Turística Mesol S.A. (soc. unip)	A-7434731	Joint Administrator
Hotel Bellver S.A.	A-07025604	Spokesperson representing SOL MELIA S.A.
Hotel Convento de Extremadura S.A.	A-10247328	Vice Chairman
Hoteles Sol Meliá S.L.	B-57033730	Spokesperson and Chief Executive Officer
Hoteles Sol S.L.	B-57033748	Spokesperson and Chief Executive Officer
Hoteles Meliá S.L.	B-57028482	Spokesperson and Chief Executive Officer
Hoteles Paradisus XXI S.L.	B-57095929	Spokesperson and Chief Executive Officer
Hoteles Tryp XXI, S.L.	B-57095937	Spokesperson and Chief Executive Officer
Hoteles Turísticos S.A.	A-46009932	Spokesperson and Chief Executive Officer
Industrias Turísticas S.A.	A-28095933	Spokesperson
Inmobiliaria Bulmes S.A.	A-28324846	Sole Administrator representing SOL MELIA S.A.
Inversiones y Explotaciones Turísticas S.A.	A-28103182	Spokesperson and Chief Executive Officer
Inversiones Inmobiliarias Silverbay S.L.	B-81631434	Sole Administrator representing SOL MELIA S.A.
Meliá Catering S.A.	A-57004616	Joint Administrator
Melia Mérida S.L.	B-06318091	Vice chairman
Melia Tour S.L.	B-07605397	Joint Administrator
Moteles Andaluces S.A.	A-28097582	Spokesperson and Chief Executive Officer
Moteles de las Grandes Rutas Españolas S.A.	A-28090017	Chairman
Parking Internacional S.A.	A-78671708	Sole Administrator representing SOL MELIA S.A.
Parque San Antonio S.A.	A-38003885	Vice Secretary and Chief Executive Officer
Playa Salinas S.A.	A-38043154	Sole Administrator
Realizaciones Turísticas S.A.	A-28128254	Spokesperson and Chief Executive Officer
Secade XXI S.L.	B-62312749	Sole Administrator
Securisol S.A.	A-07739337	Spokesperson and Chief Executive Officer
Sol Melia Travel S.A.	A-57009029	Secretary
Tenerife Sol S.A.	A-07161821	Spokesperson and Chief Executive Officer
Urmereal S.L.	B-81316002	Chairman

INTERNATIONAL COMPANIES

GABRIEL ESCARRER JULIA (ID NUMBER 41.160.706 K)

COMPANY NAME	Nationality	POSITION
Bear S.A.de C.V.	Mexico	Vice Chairman of the Board
Bisol Vallarta S.A.de C.V.	Mexico	Vice Chairman of the Board
Cala Formentor S.A.de CV	Mexico	Chairman
Controladora Turística Cozumel S.A.de CV	Mexico	Spokesperson
Corporación Hotelera Hispano Mexicana S.A.de CV	Mexico	Chairman
Corporación Hotelera Metor S.A.	Peru	Chairman
Desarrollos Turísticos del Caribe S.A.	Panama	Chairman
Gesmesol S.A.	Panama	Chairman
Grupo Sol Asia Ltd.	Hong Kong	Joint Administrator
Hoteles Meliá Internacional de Colombia S.A.	Colombia	Joint Administrator
Inmotel Internacional S.A.	Panama	Chairman
Inversiones Inmobiliarias IAR 1997 C.A.	Venezuela	Joint Administrator
Inversiones Turísticas del Caribe S.A.	Panama	Chairman
Lomondo Limited	Great Britain	Joint Administrator
MIH S.A.	Panama	Chairman
MIH UK Ltd.	Great Britain	Chairman
Marina Internacional Holding S.A.	Panama	Chairman
Marktur Turizm Isletmecilik A.S.	Turkey	Administrator
Melsol Management BV	Holland	Joint Administrator
Operadora Costa Risol S.A.	Costa Rica	Chairman
Operadora Mesol S.A.de CV	Mexico	Chairman
Sol Hotels UK Ltd.	Great Britain	Administrator

SEBASTIÁN ESCARRER JAUME (ID NUMBER 43.040.129 E)

COMPANY NAME	Nationality	POSITION
Cadlo France SAS	Mexico	Spokesperson
Cadstar France SAS	Mexico	Spokesperson
Cala Formentor S.A.de CV	Mexico	Spokesperson
Compagnie Tunisienne de Gestion Hoteliere S.A.	Tunisia	Spokesperson
Controladora Turística Cozumel S.A.de CV	Mexico	Spokesperson
Corporación Hotelera Metor S.A.	Peru	Vice Chairman
Desarrollos Sol S.A.	Dominican Rep.	Chairman and Treasurer
Gesmesol S.A.	Panama	Treasurer
Hotel Alexander SAS	France	Spokesperson
Hotel François SAS	France	Spokesperson
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator Chairman
Cala Formentor S.A.de CV	Mexico	Chairman
Inversiones Agara S.A.	Dominican Rep.	Chairman and Treasurer
Inversiones Jacuey S.A.	Dominican Rep.	Chairman and Treasurer
Irton Company N.V.	Dutch Antilles	Administrator

Lomondo Limited	Great Britain	Joint Administrator
Majorcan Hotels NV	Holland	Joint Administrator
Majorcan Hotels Holding BV	Holland	Joint Administrator
MIH S.A.	Panama	Secretary
Marina Internacional Holding S.A.	Panama	Secretary
Marmer S.A.	Dominican Rep.	Chairman and Treasurer
Meliá Inversiones Americanas N.V.	Holland	Joint Administrator
Melia Management S.A.	Dominican Rep.	Vice Chairman and Secretary
Melsol Management BV	Holland	Joint Administrator
Melsol Portugal Gestao Hoteleira Limitada	Portugal	Joint Administrator
Neale S.A.	Panama	Treasurer
Operadora Costa Risol S.A.	Costa Rica	Vice Chairman and Treasurer
Operadora Mesol S.A.de CV	Mexico	Spokesperson
Sol Melia Benelux S.A.	Belgium	Chairman and Chief Executive Officer
Sol Melia China Limited	China	Administrator
Sol Melia Hrvatska	Croatia	Administrator
Sol Melia Deutschland GmbH	Germany	Joint Administrator
Sol Melia Europe BV	Holland	Joint Administrator
Sol Melia Finance Limited	Cayman Islands	Authorised Director
Sol Melia Services S.A.	Switzerland	Administrator Chairman

GABRIEL ESCARRER JAUME (ID NUMBER 43.070.810 K)

COMPANY NAME	Nationality	POSITION
Abbayé de Téleme SAS	France	Chairman of the Board
Cadlo France SAS	France	Chairman of the Board
Cadstar France SAS	France	Chairman of the Board
Cala Formentor S.A.de CV	Mexico	Spokesperson
Controladora Turística Cozumel S.A.de CV	Mexico	Spokesperson
Desarrollos Hoteleros San Juan B.V.	Holland	Joint Administrator
Desarrollos Sol S.A.	Dominican Rep.	Vice Chairman and Secretary
Desarrollos Turísticos del Caribe NV	Dutch Antilles.	Administrator
Dominican Investment NV	Dutch Antilles	Administrator
Dominican Marketing &Services N.V.	Dutch Antilles	Joint Administrator
Farandole B.V.	Holland	Joint Administrator
Gesmesol S.A.	Panama	Spokesperson
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator
Hotel Alexander SAS	France	Chairman of the Board
Hotel Blanche Fontaine SAS.	France	Chairman of the Board
Hotel Boulogne SAS	France	Chairman of the Board
Hotel François SAS	France	Chairman of the Board
Hotel Metropolitain SAS	France	Chairman of the Board
Hotel Royal Alma SAS	France	Chairman of the Board
Impulse Hotel Development BV	Holland	Joint Administrator
Inmotel Internacional S.A.	Panama	Secretary
Inmotel Inversiones Italia S.r.L.	Italy	Sole Administrator
Inversiones Agara S.A.	Dominican Rep.	Vice Chairman and Secretary

Inversiones Inmobiliarias IAR 1997 C.A.	Venezuela	Joint Administrator
Inversiones Jacuey S.A.	Dominican Rep.	Vice Chairman and Secretary
Irton Company N.V.	Dutch Antilles	Administrator
Lomondo Limited	Great Britain	Joint Administrator
Madeleine Palace SAS	France	Chairman of the Board
Majorcan Hotels Luxembourg SARL	Luxembourg	Joint Administrator
MIH S.A.	Panama	Treasurer
Marina Internacional Holding S.A.	Panama	Treasurer
Markserv B.V.	Holland	Joint Administrator
Marmer S.A.	Dominican Rep.	Vice Chairman and Secretary
Meliá Inversiones Americanas N.V.	Holland	Joint Administrator
Melia Management S.A.	Dominican Rep.	Vice Chairman and Secretary
Melsol Management BV	Holland	Joint Administrator
Melsol Portugal Gestao Hoteleira Limitada	Portugal	Joint Administrator
Neale S.A.	Panama	Chairman
Punta Cana Reservation NV	Dutch Antilles	Administrator
San Juan Investment BV	Holland	Administrator
Sol Melia France SAS	France	Chairman of the Board
Sol Group BV	Holland	Joint Administrator
Sol Maninvest BV	Holland	Joint Administrator
Sol Melia Benelux S.A.	Belgium	Spokesperson
Sol Melia China Limited	China	Administrator
Sol Melia Deutschland GmbH	Germany	Joint Administrator
Sol Melia Investment NV	Holland	Joint Administrator
Sol Melia Suisse S.A.	Switzerland	Administrator Chairman

2.4 Members of the Board of Directors that are members of the Board of Directors of other companies quoted on official spanish stock exchanges

The company is aware that Emilio Cuatrecasas Figueras is a member of the Board of Directors of the following quoted companies: RECOLETOS GRUPO DE COMUNICACIÓN S.A. and DINAMIA CAPITAL PRIVADO S.A.SCR.

2.5 Aggregate remuneration of Directors in 2003

The following is the aggregate amounts pertaining to the remuneration of Company Directors:

a) In SOL MELIA S.A.

Concept	Amount (thousand euros)
Salaries	718 (1)
Expense allowance	540
Statutory amounts	-
Share options	-
Others	
Total	1,258

⁽¹⁾ Corresponds to the amount received by Directors as company executives.

Other benefits	Amount (thousand euros)	
Advances	-	
Loans	-	
Investment funds and pension plan contributions	-	
Investment funds and pension plan liabilities	-	
Life insurance premiums	54 (2)	
Guarantees taken out by the company for Directors		

⁽²⁾ Non-executive Directors do not receive nor have they received in 2003 any remuneration with respect to pension plans, nor life insurance, nor do they take part in remuneration systems based on the share price.

b) For membership of the Boards of other Group companies

Concept	Amount (thousand euros)
Salaries	200
Expense allowance	-
Statutory amounts	-
Share options	-
Others	-
Total	200

c) Total remuneration by type of Director

Type of Director	Total group (thousand euros)
Executives	870
External representatives	108
External independents	270
Other external	54
Total	1,302

2.6 TOTAL REMUNERATION OF SENIOR COMPANY EXECUTIVES

ID number	Name	Position
42945637Z	Servera Andreu, Onofre	EVP FINANCE
41393330T	Canaves Picornell, Gabriel	EVP LABOUR RELATIONS
30041663Y	Palomino Del Moral, Angel	EVP HOTEL DEVELOPMENT
03411896F	Encinas Garcia, Andres	EVP EUROPEAN DIVISION
43138373X	Del Olmo Piñero, Luis	EVP SALES & MARKETING
X1108278T	Hoddinott, Mark Maurice	EVP ADMINISTRATION
00812326N	Puig De La Bellacasa Aznar, Jaime	EVP COMMUNICATION AND INSTITUTIONAL RELATIONS.
	Gerandeau Andre	EVP NORTH & CENTRAL AMERICA
	Oliveira, Rui Manuel	EVP SOUTH AMERICA
Total remuneration senior management		(thousand euros)

1,527.2

2.7 EXTRAORDINARY REMUNERATION CLAUSES IN CASES OF DISMISSAL OR CHANGE OF CONTROL FOR SENIOR EXECUTIVES OF THE COMPANY OR GROUP

There are no extraordinary remuneration clauses in cases of dismissal or change of control for senior executives of the company or group.

2.8 PROCESS TO SET THE REMUNERATION OF BOARD MEMBERS AND RELEVANT COMPANY BY-LAWS

Article 37 of the Company by-laws establishes the following remuneration system:

- a) Remuneration of Independent Directors. Each of the Independent Directors will receive expenses for their attendance of each Board of Directors meeting in the amount of NINETHOUSAND AND FIFTEEN EUROS AND EIGHTE-EN CENTS (9,015.18). This amount may be increased on agreement by the Board itself in proportion with the increase in consolidated profits of the company and its group, without prejudice to the subsequent required ratification of the Annual General Shareholders Meeting, either explicitly or implicitly via the general approval of Company Accounts.
- b) Remuneration of Non-Independent Directors. The remuneration of Non-Independent Directors consists of an annual fixed amount, global for each of them, which will be determined or ratified by the Annual General Shareholders Meeting, without prejudice to the payment of the fees or remuneration that they may receive from the company for professional services provided or derived from their own work, as is the case.

The Board of Directors may temporarily decide on its own remuneration, without prejudice to the subsequent required ratification by the Annual General Shareholders Meeting, either explicitly or implicitly via the general approval of Company Accounts.

The Board of Directors may also unilaterally set in each fiscal year the specific amount to be received by the Non-Independent Directors, adjusting the amount to be received by each of them with regards to the position they hold on the Board, as well as to their effective dedication to the company.

Remuneration becomes payable at the end of each month, meaning that the remuneration of each Director will be proportional to the time that they have held their position during the year to which the remuneration applies.

c) Other retribution systems. In addition, and independent of the remuneration described in the previous paragraphs, the company also foresees remuneration systems related to the share price or which involve the granting of shares or share options for Directors. The application of any such system must be approved by the Annual General Shareholders Meeting which must also determine the reference value of the shares, the number of shares to be granted to each Director, the price of share options, the period of duration of the remuneration system, and any other conditions considered appropriate.

After compliance with legal requirements, similar remuneration systems may be established for company personnel (executives or non-executives).

The Appointments and Remuneration Commission of the Board is responsible for reviewing remuneration systems and making the proposals deemed appropriate to the Board of Directors.

2.9 Members of the Board that are also members of the Board of Directors or executives of companies with significant shareholdings in Sol Meliá

The following are company Directors that also hold positions in companies that are significant shareholders of Sol Meliá:

ID NUMBER	Company	Sol Meliá Directors holding positions in companies with significant shareholdings
A-07332794	Hoteles Mallorquines Consolidados S.A.	Gabriel Escarrer Juliá (Chairman and Chief Executive Officer) Gabriel Escarrer Jaume (Spokesperson) Sebastián Escarrer Jaume (Secretary) María Antonia Escarrer Jaume (Spokesperson)
A-07000343	Hoteles Mallorquines Agrupados S.L.	Gabriel Escarrer Juliá (Chairman) Gabriel Escarrer Jaume (Secretary) Sebastián Escarrer Jaume (Spokesperson and Chief Executive Officer) María Antonia Escarrer Jaume (Spokesperson)
A-07802531	Hoteles Mallorquines Asociados S.L.	Gabriel Escarrer Juliá (Chairman) Gabriel Escarrer Jaume (Secretary and Chief Executive Officer) Sebastián Escarrer Jaume (Spokesperson and Chief Executive Officer) María Antonia Escarrer Jaume (Spokesperson)
	Majorcan Hotels Luxembourg S.A.R.L.	Gabriel Escarrer Jaume (Joint Administrator)

2.10 Modifications made during the year to Board Regulations

The Board of Directors is subject to Regulations approved by the Board of Directors on 22nd. January, 1999. In 2003 there have been no modifications to the Regulations of the Board.

On 30th. March, 2004, the Board of Directors approved new Regulations of the Board of Directors, as mentioned in the introduction to this report.

2.11 APPOINTMENT, RE-ELECTION AND DISMISSAL PROCEDURES FOR DIRECTORS

To guarantee the criteria of independence of Directors and the better defence of the interests of the company and its minority shareholders, Article 31 of Company By-laws establish that at least ONE THIRD (1/3) of the members of the Board of Directors must be Independent Directors. Independent Directors must be persons of recognised prestige that are not connected to the executive team or significant shareholders. The company currently has four (4) Independent Directors.

The Company By-laws also stipulate that the Board of Directors, making use of the powers of proposal to the Annual General Shareholders Meeting and with regard to appointments to cover vacant positions, will ensure that the relationship between Independent Directors and Non-Independent Directors should reflect the company shareholding structure and the relation that exists between majority and minority shareholders.

Article 31.5 of Company By-laws regulates the requirements to become a Director of the Board as follows:

- (i) To have held for a period greater than THREE (3) years before the date of appointment a number of shares in the company with a nominal value of at least TEN THOUSAND (10,000) Euros, and that such shares may not be transmitted during the time they occupy their position; or,
- (ii) to be an Executive of the company at the time of the appointment. As far as the By-laws are concerned, "Executive" is understood to mean the Executive Vice Presidents and similar that perform their management functions under the direct supervision of the Board of Directors, of the Chairman, of the Vice Chairmen, of the Executive Committee, or of the Chief Executive Officers; or,
- (iii) to have been an Executive or Director of the company for at least THREE (3) of the FIVE (5) years prior to appointment.

The previous requirements will not need to be met whenever at least TWO THIRDS (2/3) of the members of the Board of Directors approve the appointment on making the designation or ratification proposal of the Director to the Annual General Shareholders Meeting whenever they consider this advisable; or whenever the designation or ratification of the Director is supported by at least SEVENTY-FIVE PERCENT (75%) of the company equity present or represented at the Annual General Shareholders Meeting.

Directors are named for a period of FIVE (5) years, although they must only be renewed by halves, meaning that THREE (3) years after the first appointment of Directors in accordance with Company By-laws, HALF (1/2) of them, or the figure closest to half, of each different type of Director (Independent and Non-Independent) must stand down, with the rest standing down after FIVE (5) years.

The order for their renovation will be determined by the seniority of members of the Board, according to the date and order of their appointments, all without prejudice to their re-election nor to the power of the Annual General Shareholders Meeting, at any time, to proceed to dismiss said members in compliance with the relevant regulations in law and Company By-laws.

If any vacancies occur during the period for which Directors have been appointed, the Board may designate from amongst shareholders those persons that will occupy those vacant positions until the next Annual General Shareholders Meeting.

Agreements relating to the designation of new members may be adopted with a favourable vote from at least TWO THIRDS (2/3) of the members of the Board of Directors.

2.12 Maximum and minimum number of Directors foreseen in company by-laws

Article 31.2 of the Company By-laws states that Board of Directors should consist of a minimum of FIVE (5) and a maximum of TWENTY (20) members chosen by the Annual General Shareholders Meeting.

The Board of Directors currently comprises TWELVE (12) members.

2.13 MEASURES TO LIMIT THE RISK OF CONCENTRATION OF POWER IN ONE PERSON

The Chairman of the Board of Directors has not been delegated all of the powers of the Board, although his powers as a representative of the company are vast. It must also be mentioned that the Board has named an Executive Vice Chairman and two Chief Executive Officers with different functions within the company.

2.14 BOARD MAJORITIES TO ADOPT AGREEMENTS

Agreements are adopted by a simple majority of the Directors attending or represented at the meeting. If there is no simple majority, the Chairman has a casting vote.

2.15 Specific requirements to be named Chairman or Vice Chairman

Article 33.2. of Company By-laws establishes that for a Director to become Chairman or Vice Chairman of the Board of Directors at least one of the following circumstances must occur:

- a) To have been a member of the Board of Directors for at least THREE (3) years prior to the appointment; or,
- b) to have previously been Chairman of the Board of Directors, whatever the period during which they may have been a Director.

Neither of the previous circumstances will be necessary for a Director to become Chairman or Vice Chairman whenever such a designation receives the support of at least SEVENTY-FIVE PERCENT (75%) of the members of the Board of Directors.

The re-election as Director of those occupying the positions of Chairman and Vice Chairman will imply automatic continuity in the mentioned positions.

Company By-laws do not establish any age limits.

2.16 LIMITATION OF THE MANDATE OF INDEPENDENT DIRECTORS

None such exist.

2.17 Procedures for delegation of votes in the Board of Directors

The representation or delegation of votes within the Board of Directors may be conferred by means of a letter to the Chairman and may only be conferred to another Director. In particular, Independent Directors may only delegate to another Independent Director.

Representation must be conferred in writing and specifically for each meeting.

2.18 Number of meetings of the Board of Directors each year

In 2003 there have been 6 meetings. The Chairman of the Board of Directors has attended all of them.

2.19 CERTIFICATION OF INDIVIDUAL AND CONSOLIDATED ANNUAL ACCOUNTS

Annual accounts for fiscal year 2003 have been certified by the following people:

Sebastián Escarrer Jaume, Vice Chairman and Chief Executive Officer Mark Hoddinott, Executive Vice President of Administration.

2.20 BOARD MECHANISMS TO AVOID EXCEPTIONS WITHIN INDIVIDUAL AND CONSOLIDATED ACCOUNTS

The Auditing and Compliance Commission is responsible for relations with external auditors in charge of the performance of the financial audit. In compliance with this duty, the Commission has held several meetings over the year with auditors in order to analyse any possible exceptions that may arise.

2.21 Relevant shareholdings of members of the Board of Directors in companies that have the same, similar or complementary business activity

The following is a list of the shareholdings and positions held by members of the Board of Directors in companies that have the same, similar or complementary business activity and which do not form part of the Group:

Administrator	Company	% share	Position / Function
Emilio Cuatrecasas Figueras	Areas,S.A.	30%	Executive Chairman
José Mª Lafuente López	Niamey,S.A.	1%	-
José Mª Lafuente López	Sa Coma C.B.	1%	-
Juan Vives Cerdá	Finca Los Naranjos,S.A.	27.88 %	Joint Administrator

The Appointments and Remuneration Commission is aware of the shareholdings and positions mentioned and, after their analysis, does not consider that the activity of the said companies will affect their position as company Directors, nor give rise to a conflict of interest.

2.22 BOARD OF DIRECTORS COMMISSIONS

The company currently operates two commissions, whose members in 2003 were as follows:

Auditing and Compliance Commission

ID number	Name	Position
41.301.057A	José María Lafuente López	Independent Director and Secretary of the Board of Administration. Chairman of the Commission
39.829.380G	Eduardo Punset Casals	Independent Director
43.040.129E	Sebastián Escarrer Jaume	Executive Director
X1108278T	Mark Hoddinott	Secretary, non-member of the Commission

Appointments and Remuneration Commission

ID number	Name	Position
A-07332794	Hoteles Mallorquines Consolidados S.A.	External Director. Chairman of the Commission.
1.950.856L	José Joaquín Puig de la Bellacasa Urdampilleta	Independent Director
43.040.129E	Sebastián Escarrer Jaume	Executive Director
43.070.810K	Gabriel Escarrer Jaume	Executive Director

2.23 Rules on committee organisation

Auditing and Compliance Commission

Article 31 bis of Company By-laws establishes that the Auditing and Compliance Commission will meet at least once per quarter, and as many times as is deemed appropriate with regard to the needs of the company, as proposed by the Chairman of the Commission or on request from the majority of its members or from the Board of Directors.

The Commission meeting will be considered valid on attendance, directly or via representatives, of at least half of its members, and will adopt agreements approved by a majority of participants. Company by-laws on the constitution and adoption of agreements will be applied to the Auditing Commission. The Commission must report on all such agreements and decisions to the Board of Directors. If there is no majority, the Chairman will wield a casting vote.

The Auditing and Compliance Commission held four meetings in 2003.

Appointments and Remuneration Commission

As foreseen in Article 16 of the Regulations of the Board of Directors, the Appointments and Remuneration Commission will meet whenever the Board or its Chairman requests a report or the approval of proposals and, in any case, whenever it may be suitable so as to appropriately perform its duties.

The Appointments and Remuneration Commission held two meetings in 2003.

2.24 AUTHORITY DELEGATED TO THE COMMISSIONS

Auditing and Compliance Commission

Responsibilities of the Auditing and Compliance Commission, none of which may be delegated, regulated by Article 39 bis of the Company by-laws, are as follows, without prejudice to any others that the Board of Directors may specifically assign to the Commission in accordance with the law and Company by-laws:

- a) To report to the Annual General Shareholders Meeting with regard to matters raised by shareholders in the meeting regarding the competence of the Commission.
- b) To propose to the Board of Directors for submission to the Annual General Shareholders Meeting the appointment of external auditors. The Auditing and Compliance Commission must inform the Board of Directors with regard to the conditions under which the external auditor will be employed, the scope of its activities and, whenever appropriate, whether the appointment is revoked or not renewed.
- c) To supervise the services of the internal audit.
- d) To be aware of the financial information process and the company internal control systems and to review the designation or situation of the people responsible for said matters.
- e) To maintain a relationship with external auditors so as to receive information on those matters that may endanger their independence and any other matters related to the performance of the Audit of Accounts, as well as any other communications foreseen in legislation on the Audit of Accounts and technical aspects of the Audit.
- f) To review company accounts and oversee compliance with legal requirements and the appropriate application of generally accepted accounting principles, receiving the direct cooperation of the both internal and external auditors.

- g) To ensure that the financial information provided to the markets is produced in line with the same principles, criteria and professional practises used to produce the Annual Accounts.
- h) To examine compliance with the Internal Regulations on Good Conduct in Stock Markets, the Regulations of the Board of Directors and, in general, with the company Corporate Governance Regulations, and to formulate appropriate proposals for their improvement.

Appointments and Remuneration Commission

The responsibilities of the Appointments and Remuneration Commission as defined in Article 16 of the Regulations of the Board of Directors are as follows:

- a) To formulate and review the criteria to be applied with regard to the composition of the Board of Directors and the selection of candidates.
- b) To submit to the Board any proposals on the appointment of Directors so that the Board may directly designate such Directors (Co-opt) or adopt the proposals for their submission to the Annual General Shareholders Meeting for approval.
- c) To propose members of Commissions to the Board.
- d) To regularly review remuneration policies, assessing their appropriateness and return.
- e) To ensure transparency in remuneration.
- f) To report on any transactions that imply or may imply conflict of interest and, in general, on the matters contained in chapter VIII of the Regulations pertaining to the duties of Directors.

3. Related operations

3.1 DETAIL OF OPERATIONS THAT INVOLVE A TRANSFER OF RESOURCES OR OBLIGATIONS BETWEEN THE COMPANY AND/OR THE GROUP AND MAJOR SHAREHOLDERS

Above all, it should be stated that the Regulations of the Board of Directors contains certain control measures that ensure that the Appointments and Remuneration Commission and the Auditing and Compliance Committee analyse and evaluate any operations from the point of view of the equal treatment applied to shareholders and the market competitiveness of the conditions applied.

Amongst the operations analysed and controlled in 2003 are those made by the company or by group companies with Carma Siglo XXI S.A. and Credit Consult S.A., the total amount invoiced for which was 24,883,231.37 Euros and 1,308,810.66 Euros, respectively. These two companies are entirely owned by three of the company's major shareholders (Hoteles Mallorquines Consolidados S.A., Hoteles Mallorquines Agrupados S.L. and Hoteles Mallorquines Asociados S.L.). The operations were reported to the Appointments and Remuneration Commission from the point of view of the equal treatment applied to shareholders and the market competitiveness of the conditions applied. 70% of the amount invoiced for Carma Siglo XXI S.A. to Sol Meliá S.A. corresponded to the supply distribution services provided to hotels, in that Carma Siglo XXI S.A. centralises the purchasing of products from different suppliers under the supervision and control of the Sol Meliá Purchasing Department and primarily focuses on distribution.

3.2 DETAIL OF OPERATIONS THAT INVOLVE A TRANSFER OF RESOURCES OR OBLIGATIONS BETWEEN THE COMPANY AND/OR THE GROUP AND ITS ADMINISTRATORS

The company FINCA LOS NARANJOS S.A., in which the Director Juan Vives Cerdá is a shareholder, as seen in section 2.21, is the owner of three hotels currently managed by SOL MELIÁ S.A.; the Hotel Meliá Cala d'Or (Mallorca), the Hotel Sol Cala d'Or (Mallorca) and the Meliá Girona (Girona). SOL MELIÁ S.A. has invoiced hotel management services to the company in 2003 to a value of 531,227.95 Euros.

In 2003, the architect Alvaro Sans, who is a family relation of the company Chairman, has taken part in several company projects and has invoiced a total amount of 27,270 Euros.

The legal firm CUATRECASAS Abogados, of which the Director Emilio Cuatrecasas Figueras is a partner, provides legal advice services to the company. The amount invoiced by the firm in 2003 is 707,302.95 Euros. In all cases services are provided by other partners in the firm.

4. Risk management systems

SOL MELIÁ is fundamentally involved in businesses related to tourism and hotels or with other leisure-related businesses, as well as participating in the creation, development and operation of new businesses, establishments or entities in the tourism and hotel business and leisure-related businesses.

The control of risks to the company and the Group in the development of its activities is a basic function of the Board of Directors and the company Management Committee. The Auditing and Control Commission has, amongst other responsibilities, responsibility for supervising internal audits, awareness of both the process of the production of financial information and internal control systems, and the review of the designation and replacement of its members. Section 2.26 of this report provides greater detail on the responsibilities of the Commission.

In order to establish appropriate control systems, the company prepares and regularly reviews rules which aim to regulate the basic aspects of the system, as well as the implementation of the said control systems. Company executives participate actively in the preparation of the proposals of the said rules through specific internal committees. The day-to-day verification of the implementation of said rules, as well as of the level of compliance and of the processes that they require, is a responsibility of the Internal Auditing section of the Administration Department.

Within corporate offices, the Internal Auditing team has a specific section named "Corporate Control" which supervises compliance as well as control of the application of funds, travel and representation expenses, the implementation of basic controls on corporate operations, etc., all without prejudice to the fact that different departments possess specific responsibilities with regard to specific risks for the company: Insurance, Personnel Management, Quality and Human Resources.

4.1 Types of RISK

Sol Meliá has identified the risks associated to its business and has established an internal control system for each of them. The main types of risk identified and managed by Sol Meliá are summarised as follows:

Material Risk: The risk of damage to goods owned or under the control of the company.

Civil liability: Responsibility that may be derived from personal or material damage, as well as direct damages caused to third parties in accordance with existing legislation in each country due to events related to company activity.

Loss of profits: Losses as a consequence of an interruption and/or disturbance in activity or as a result of material damage, extraordinary or catastrophic risks or attributable to suppliers.

Financial risk: Risks caused by variations in exchange rates or generated by credit-related risks which may affect the liquidity of a business unit.

Political risk: The probability that an act or omission of a governing body, economic crisis or war or social disturbances (terrorism) may damage the success of a project in a developing country.

4.2 RISK MANAGEMENT DEPENDING ON THE CONTRACTUAL RELATIONSHIP OF SOL MELIÁ WITH THE ASSET (HOTEL) OR ACTIVITY CARRIED OUT BY THE ASSET

The perception of the existence of the previously described risks together with the different ways which Sol Meliá manages the assets at its disposal make it necessary to apply different approaches in the evaluation of associated risks, depending on each particular case. These approaches are fundamentally based on the type of contractual agreement that supports the activity performed by Sol Meliá and the means by which Sol Meliá uses the asset (hotel) in which the said activity is carried out.

In summary, these different approaches may be classified as follows:

Owned hotels and service centres: Sol Meliá manages all of the risks that may affect the building, content and activity.

Leased hotels: The owner of the hotel manages risks related to the building and Sol Meliá as leasee manages those related to the contents (generally) and Civil Liability.

Managed hotels: Sol Meliá manages risks related to Civil Liability derived from the activity.

Franchised hotels: Risk management is the responsibility of the franchisee.

4.3 OPERATIONAL RISKS

Group companies are covered by insurance against possible risks. Such policies also include certain franchises. The management of insurance is centralised at a group level by the Insurance section within the Finance Department.

Related to hotel and service centre operations: Insured risks are those related to Civil Liability, Loyalty Risks, Comprehensive policies, Loss of Profits and other additional risks.

Related to accidents at work: Covers all of the aspects related to work and the people that perform that work, following the relevant guidelines given in the Manual on the Prevention of Accidents in the Workplace.

Related to construction: For the performance of major construction work, contracting by the hotel owner is verified. For repair work, maintenance and installations carried out in the insured building, verification is made of the coverage of existing policies.

All works or construction must be in possession of the appropriate insurance required by law. Whenever other firms are contracted to carry out renovation, reform or construction, a check is made to ensure that the said firm is in compliance with all of the legal requirements for the performance of their function.

Other activities such as Transport, Vehicles and Installations which by their nature may represent a potential risk. Checks are made to ensure that they are covered by appropriate policies and risk management procedures.

5. Annual General Meeting

5.1 QUORUM FOR ANNUAL GENERAL MEETINGS CONTAINED IN BY-LAWS

Article 24 of the By-laws establishes that Annual General Meetings, Ordinary or Extraordinary, are valid when in their first or second meeting there is a percentage of the share capital either present or represented which satisfies existing legislation on minimum levels in each case and for each matter included in the Order of the Day.

Nevertheless, in order that the Annual General Meeting may validly approve a change in the object of the company, a request for the withdrawal from negotiation of company shares, or the transformation or liquidation of the company, the first meeting must be attended by FIFTY FIVE PERCENT (55%) of capital stock with voting rights. In a second meeting, a quorum of FORTY PERCENT (40%) of the capital stock with voting rights would be sufficient.

Any type of merger or split, either total or partial, of the company requires the quorum indicated in the previous paragraph, unless the mentioned merger or split is carried out with companies in which SOL MELIÁ, S.A. is a majority shareholder either directly or indirectly. In the latter case normal quorum conditions will apply.

5.2 MOTION APPROVAL REQUIREMENTS

Article 28 of the Company By-laws establishes that motions at the Annual General Shareholders Meeting must be approved by a majority of the share capital present or represented at the meeting, except in cases where the law or Company By-laws require a greater majority.

The same Article 28 requires a greater majority for the Annual General Shareholders Meeting to validly approve a change in the object of the company, a request for the withdrawal from negotiation of company shares, or the transformation or liquidation of the company, requiring a vote in favour by SIXTY PERCENT (60%) of the share capital present or represented at the meeting, both in a first or second meeting. Nevertheless, whenever in a second meeting there are shareholders that represent less than FIFTY PERCENT (50%) of the capital stock with voting rights, the motions mentioned in this section may only be approved with a vote in favour by TWO THIRDS (2/3) of the share capital present or represented at the meeting.

Any type of merger or split, either total or partial, of the company requires the quorum indicated in the previous paragraph, unless the mentioned merger or split is carried out with companies in which SOL MELIÁ, S.A. is a majority shareholder either directly or indirectly. In the latter case normal quorum conditions as described in section 28.1 will apply.

Motions to modify Articles 3, 7, 8, 24.6, 24.7, 28, 31, 32, 33, 35, and 38 of Company By-laws require a vote in favour by at least SEVENTY-FIVE PERCENT (75%) of the share capital present or represented at the meeting, both in a first or second meeting.

5.3 ATTENDANCE AT THE LAST ORDINARY AND EXTRAORDINARY ANNUAL GENERAL SHAREHOLDERS MEETING

The Ordinary and Extraordinary Annual General Shareholders Meeting held on 6th. May, 2003 was attended by 136 shareholders, of which 20 attended in person and 116 were represented by others. Together they hold 138,045,043 company shares, 74.71% of the total and all with voting rights.

5.4 AGREEMENTS ADOPTED IN THE ORDINARY AND EXTRAORDINARY ANNUAL GENERAL SHAREHOLDERS MEETING

In Summary, the Ordinary and Extraordinary Annual General Meeting held on 6th. May, 2003 approved the following:

- 1. Approval of the Annual Accounts (Balance Sheet, Profit and Loss Account, Annual Report) both of Sol Meliá S.A. and of the Consolidated Group for the fiscal year ending 31st. December, 2002, verified by the company account auditor, ERNST &YOUNG, S.L.
- 2. Approval of a negative result of THIRTEEN MILLION SIX HUNDRED AND TWENTY-ONE THOUSAND, EIGHT HUNDRED AND ELEVEN EUROS AND FIFTEEN CENTS (13,621,811.15), which was applied in full to Losses of Previous Years.
- 3. In the light of the Management Reports presented by the Board of Directors, the management of the company by the Board of Directors for 2002 was approved without reserve of any type.
- 4. Approval of an extraordinary dividend of 0.01 euros per share, to be charged to the freely available voluntary reserves of the company, effective 1st. July, 2003.
- 5. Approval of a modification to Company By-laws to add a new Article 39 bis related to the Auditing and Compliance Commission of the Board of Directors.
- 6. Authorisation of the Board of Directors to agree a capital increase, without prior approval from the Annual General Shareholders Meeting, up to a maximum amount of EIGHTEEN MILLION, FOUR HUNDRED AND SEVENTY-SEVENTHOUSAND, SIX HUNDRED AND SEVENTY-SEVEN EUROS (18,477,677), and a right to exercise this power, up to the indicated amount, in one or several steps, deciding in each case its suitability or convenience as well as the amount and conditions considered most appropriate.
- 7 Authorisation of the Board of Directors, as stated in Article 319 of the Regulations of the Company Register and in accordance with general regulations on the issue of securities, and applying by analogy the conditions stated in 153.1 b) and 159.2 of Company Law, the ability to issue fixed, convertible and/or exchangeable securities, in line with certain conditions.
- 8. Authorisation of the Board of Directors to acquire shares in the company through any of the methods allowed by the law, up to the limit allowed by the law and at a price that may not be less than one Euro, nor greater than thirty Euros, and within a period of eighteen months from the date of approval. All subject to the limits and requirements demanded by Company Law and the Internal Regulations on Good Conduct in Stock Markets.
- 9. As far as the law allows, in the name of and as representative of the company, and in relation to the preceding points, any and all of the members of the Board of Directors were authorised to make said points public and carry out all of the actions required to make them effective.

5.5 Url and means of access to corporate governance information on the website

The company website is located at www.solmelia.com. Users should then click on the "About Sol Melia" section in the upper part of the screen and then on the "Corporate Governance" section. This section provides access to all of the company corporate governance information.

5.6 MEASURES ADOPTED TO ENSURE THAT INFORMATION PROVIDED TO MARKETS IS TRANSMITTED EVENLY AND SYMMETRICALLY

In compliance with applicable legislation, the company informs the Spanish Stock Exchange Commission on any significant events related to its business using the corresponding communication of relevant facts and other communications.

The company also regularly provides full financial and company information for investors and shareholders through informational brochures. This information is also available through the company website.

6. Degree of compliance with Good Corporate Governance recommendations

The following section presents a review of the degree of compliance with the good governance recommendations used by the company in previous years and based on the recommendations in the Report on Corporate Governance in publicly quoted companies produced by the Commission presided by Manuel Olivencia Ruiz, designated by the Ministerial Order of 24th. March, 1997. Given that some of the said recommendations have been reviewed by the Commission presided by Enrique Aldama y Miñón, reference is also made to the same.

 "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 Company By-laws 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 Company By-laws, as well as those activities required by Law and the Company By-laws, 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.

Article 5 of the Regulations for the Board of Directors clearly defines the general supervision function of the Board of Directors, specifying as matters within their competence:

- a) The approval of general company strategy.
- b) The appointment, compensation and, if appropriate, dismissal of senior company managers.
- c) The approval of policies on holding of company shares.
- d) The control of senior management performance and evaluation.
- e) The identification of risk factors, especially those that are generated by operations involving financial derivatives, and the implementation and monitoring of appropriate internal control and information systems.
- f) The definition of policies on the communication of information to shareholders, markets and the public.
- g) The policies that require the availability of substantial company assets and major transactions.

Article 6 of the Regulations for the Board of Directors establishes the maximization of the value of the company as the priority criteria for the Board, indicating the guidelines to be followed by the Board to define and review company business and financial strategies. The same Article also establishes the responsibility of the Board to adopt appropriate measures to ensure that company management pursues the creation of value for shareholders and provides appropriate incentives to achieve this end, under the effective supervision of the Board, as well as that no person or small group of people acquire a level of decision-making authority that is not subject to appropriate control, and that no shareholder receives preferential treatment above any other.

"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 Company By-laws 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 minority shareholders, at least one third (1/3) of the members of the Board of Directors must be Independent Directors.

This recommendation is followed in that, of the twelve Directors, five of them are Independent Directors. The Independent Directors were designated bearing in mind their significant professional qualifications and prestige and their lack of relations with the management team and controlling shareholders.

3. "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 Aldama Report has reviewed this recommendation and established that the criteria should be that there must be a large majority of External Directors and that these must include a significant number of Independent Directors, bearing in mind the shareholding structure of the company and the shareholding represented on the Board.

As indicated in section 2.1., the company currently has nine External Directors out of a total of 12 members, thus forming a large majority. Of the nine, five are Independent Directors, and we thus understand that the recommendation can be understood to have been applied.

4. "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 Company By-laws, 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".

As has already been mentioned, at 31st. December, 2003, the Board of Directors comprised 12 members in compliance with the Good Governance Code.

5. "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 Meliá S.A. has also adopted this recommendation given that the Chairman of the Board of Directors has not been delegated all of the powers of the Board of Directors, although he has significant powers of representation, and, at the same time, a number of additional measures are in place to ensure compliance: appointment of two Vice Chairmen, two Chief Executive Officers, and creation of two delegate commissions (Audit and Compliance Commission and Appointments and Remuneration Commission), as described in other sections in this report.

6. "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 Company By-laws, as well as the Regulations of the Board of Directors, in its Article 12, highlight the figure of the Secretary of the 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, thus complying with the recommendation.

7. "That the Executive Commission, wherever such exists, should reflect the same balance as the Board between different types of Directors and 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 called whenever it has been required.

8. "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 (Appointments); remuneration policies and reviews (Remuneration); and the evaluation of governance (Compliance)".

On 23rd. February, 1999, the Board of Directors agreed to create, in line with Article 14 of the Regulations of the Board, Delegate Commissions whose composition, functions and organisation have been fully explained in points 2.22,2.23 and 2.24. of this report.

With regard to the Auditing and Compliance Commission, on 31st. March, 2003, the Board of Directors of Sol Meliá S.A. approved a proposal to modify Company By-laws, incorporating a new Article 39 bis. which was approved at the Annual General Shareholders' Meeting on 6th. May, 2003. The new Article regulates the Auditing Commission of the Board of Directors in company Statutes as required by Law 44/2002.

9. "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 authorized 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 Company By-laws, 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 ten days in advance.

10. "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 per year ".

The Board of Directors, as stated in Article 35.1 of the Company By-laws, 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 2003, a total of six Meetings of the Board were held.

11. "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 of the Board of Directors states 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.

12. "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 ".

Chapter VIII of the Regulations of the Board of Directors establishes the general duties and obligations of Directors, as described in Recommendation 16 later in this section, and for which lack of compliance is sufficient reason for dismissal.

13. "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 the Regulations of the Board nor the Company By-laws include maximum limits on the age of Directors. Nevertheless, the Aldama Report has reviewed this recommendation and does not establish any age limit.

14. "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 Company By-laws, 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 a 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 shareholders with voting rights, as expressed in the General Shareholders' Meeting.

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

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

As stated in Article 37 of the Company By-laws, as described in section 2.8 and section 2.5 of this Report, details are provided on the remuneration of members of the Board in 2003. The Appointments and Remuneration Commission has taken into account at all times the mentioned criteria of moderation when defining remuneration in relation to company performance.

16. "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:

- 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.
- The Director may not occupy management positions in companies whose mission or nature 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 may abstain from attending or intervening in deliberations that may affect matters in which they may be personally involved. Personal involvement is also understood to include matters which may affect a member of their family or a company in which they may perform an executive function or has a significant shareholding.
- 4. The Director may not carry out, neither directly nor indirectly, commercial transactions with the company, except when the Board of Directors, after a report from the Appointments and Remuneration Commission, authorizes such a 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. Such declarations will be noted in the Register of Declarations of members of the Board of Directors. The Auditors Report will expressly refer to the relevant relations declared and registered by Independent Directors.
- 6. Directors may not make use of company assets nor their position to obtain private advantage other than when there is an appropriate corresponding advantage for the company.
- 7. The private use by a Director of company information that is not public information will only be permitted whenever such information is not used in connection with the purchase or sale of company shares, its use does not cause any damage to the company, and that the company does not hold a right to exclusivity or similar right on such information.
- 8. The Director may not use a company business opportunity for their private benefit or benefit of associates, unless the opportunity is first offered to the company and then rejected by the company and its use authorized by the Board after a Report by the Appointments and Remuneration Commission.
- 9. The Director infringes his duties of loyalty to the company if, in his knowledge, they allow or do not reveal transactions or operations by family members or companies in which he performs an executive function or has a significant shareholding.
- 10. The Director must inform the company about the shares in the company which they hold personally or through companies in which they have a significant shareholding. He must also inform about any shareholdings directly or indirectly held by close family members. He must also inform the company about all of the positions held and activities carried out in other companies whenever relevant.
- 17. "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. Specifically, the Board of Directors will not authorize any transactions that are not the subject of a report by the Appointments and Remuneration Commission, evaluating the transaction from the point of view of the equality of treatment of shareholders and market conditions.

The Board of Directors must also summarize in its annual public communications any transactions carried out by the company with Directors and major shareholders. This information is given in section 4 of this report.

18. "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 Company By-laws, 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 two 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.

During 2003, the Sol Meliá Investor Relations Department has carried out a number of activities focused on communication with company shareholders and potential investors.

As is becoming customary, a number of road shows were held in major European cities including Madrid, Frankfurt, Cologne, Amsterdam, Rotterdam, Brussels, London or Paris, and in major financial centres in the United States and Canada (Chicago, Boston, New York and Toronto). The road shows are used to inform the market on company performance and provide a vision of how events may affect results. Information is also provided on the partnerships or agreements made during the year both in regard to marketing and distribution and in regard to new hotels and new business units.

In 2003, the following visits are highlighted:

- On 6th. February, 2003, Sol Meliá took part in the Credit Suisse First Boston Lodging Conference, making a presentation to around fifty institutional investors. Individual meetings were also held with potential shareholders.
- On 25th. March, 2003, Sol Meliá took part in the Small & Midcaps seminar organised by Deutsche Bank in Madrid with institutional investors.
- On 7th. and 8th. April, 2003, Sol Meliá met a dozen Spanish institutional investors in Madrid in a road show organised by Julius Baer.
- On 4th. and 5th. June, 2003, the company took part in a second road show in Madrid organised by ING-Barings, holding meetings with a dozen institutional investors.
- On 12th. June, 2003 the company visited the five most important institutional investors in Frankfurt and Cologne in a road show organised by Julius Baër in Germany.
- On 19th. and 20th. June, Sol Meliá visited institutional investors in a number of meetings organised by Fortis in Amsterdam, Rotterdam and Brussels.

Solmelia.com also provides shareholders with easy and comfortable access to company financial information, including all of the information made available to the market: financial results, share price, etc.

All of 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 publication.

Sol Meliá also operates an "Investors Club" to provide regular financial information to those shareholders that request such information, as well as other benefits including an investors "Hotline", regular information bulletins and other relevant company information.

19. "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 detail and through the appropriate channels (Statements to CMNV, 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. "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 practices 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 practices 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. "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 on fees paid for services other than audits ".

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

That total amount paid for the audit of annual consolidated accounts and subsidiaries reached 1,032,069.92 in 2003.

22. "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, in particular, the Auditing and Compliance Commission, ensure that Auditors have access to all of the documentation and information that may be relevant for the performance of their duties, as well as that the Annual Accounts are drawn up in such a way that exceptions and reservations are not required.