

annual report · financial report
2004



CONTENTS ANNUAL REPORT 2004

1. Letter from the Chairman	3
2. Company profile	7
3. Sol Meliá: the story of a dream	13
4. Sol Meliá brands	19
5. Financial results	34
6. Milestones in 2004	40
6.1 Asset management	42
6.2 Hotel management	44
7. Sol Meliá and corporate social responsibility	46
7.1 Corporate governance	47
7.2 Human resources	48
7.3 Customers	57
7.4 Food service	64
7.5 Suppliers	70
7.6 Shareholders and investors	72
7.7 Community involvement	74
7.8 The environment	118
Regulatory notifications	122
Board of Directors	123
Corporate information	124

CONTENTS FINANCIAL REPORT & CORPORATE GOVERNANCE REPORT 2004

Financial Report	125
Management Report	194
Corporate Governance Report	203
1. Introduction	205
2. Company Ownership Structure	206
3. Company Management Structure	210
4. Associated Operations	228
5. Risk Control Systems	230
6. General Shareholders Meeting	234
7. Degree of Compliance with Corporate Governance Recommendations	239

1 LETTER FROM THE CHAIRMAN

Dear shareholders,

I am delighted to have the opportunity to report on the performance of Sol Meliá in 2004. This is, in fact, a double opportunity for me: on the one hand, it is a chance to describe the positive trends seen in the company and, on the other hand, to tell you about our most recent achievements and the innovations we have introduced throughout the year.

Throughout many years in the hotel business I have always aimed to open new doors, and I have learnt that innovation and adaptation to the needs of customers, anticipating trends in both the market and in customer service, is a key factor in satisfying increasingly knowledgeable and well-travelled guests. This line of thinking has led us to implement a new management structure in 2004, with a marketing function more focused on customer needs, our brands and their attributes, and with a research, development and innovation capability that allows us to create new products and services and more efficient and profitable operations thanks to a greater knowledge of our customers. We have been particularly busy in the food and beverage area of our hotels, well aware of its importance to guests, and, finally, we have begun to look at the business from two clear viewpoints: that of hotel management and that of real estate and asset management.

Soul and magic, customer experience, the different attributes of our brands, service quality, the creation of new activities and development of new concepts, the encouragement of suggestions from both guests and the staff that see their needs and preferences on a daily basis - these are all part of the strategic tasks that the new marketing department is involved in, assisted by the different operations departments with their vast experience in creating and implementing the most efficient processes. All of these factors are fundamentally important to achieving our ultimate aim of earning the loyalty of our customers.

In recent years we have seen an important change in customer behaviour which have become even more relevant in 2004 and had their impact on decision-making which affects reservations systems on a global basis. Internet is starting to emerge as the leading means by which travel is researched and booked. The flexibility generated by dynamic packaging, a capacity to launch marketing campaigns to specific market segments for specific products, and the increasing availability of access makes the Internet the fastest growing sales tool in the industry and is also beginning to deliver greater returns. Solmelia.com is sharing in the benefits that this is bringing to hotel sales and has continued to improve its functionality and the personalisation of its hotel offer for its different audiences. In 2004, solmelia.com generated 25% of all centralised bookings (in 2003 the figure was 15%) and 88% of all of the Sol Meliá sales through the Internet, the other 12% coming from different online partners.

Also in 2004 we have added two hotels to our portfolio as a result of the Joint Venture signed the previous year with the Rank Group. The Paramount Hotel in New York and the Reina Victoria in Madrid will be renovated in 2005 to be transformed into Hard Rock Hotels. Located in two of the most vibrant business and leisure travel destinations in the world, these hotels will provide guests with a unique travel experience while also bringing creativity and innovation to an exquisite food service and providing the state-of-the-art technology in meeting and event facilities.



The success of the Flintstones project in Sol hotels in 2003 has also led to the concept being extended to new resort hotels. The families that visit our Flintstones Land hotels enjoy special adventures, activities and meal options and share them with the Flintstones family and friends.

This drive to create a new brand and maintain market leadership was also the force behind the creation of Paradisus. Our Paradisus Resorts combine respectful architecture, true to local traditions and integrated with its natural environment, a varied and suggestive quality cuisine, highly personalised service and a wide range of activities designed to create the ideal atmosphere in which all different types of guests can savour the soul and the magic of the location. This is how our Paradisus Resorts have managed to become reference points for travellers to the Caribbean, none more so than the Paradisus Puerto Rico, the latest hotel to display the excellence of the brand, and the Paradisus Palma Real, currently under development in Punta Cana.

Conscious of the fundamental role of food and beverage service in hotel guest satisfaction, in 2004 the Sol Meliá corporate food and beverage department made major advances in brand standardisation. In Sol hotels, where fun is key to the hotel experience, Brontoburgers and Betty's Kitchen have joined the theme night dinner service. Tryp hotels made further advances in their cooperation with Telepizza in room service. Gran Meliá hotels contracted two famous Spanish chefs, Jacinto del Valle, who began by renewing the menu at the Gran Meliá Victoria, and Dani García in Marbella, famous for his innovative use of liquid nitrogen in his cooking.

In 2004 Sol Meliá opened 10 hotels in 6 different destinations. While Meliá Hotels was opening hotels in Switzerland (Meliá Rex Boutique hotel) and Portugal (Meliá Gaia Porto), 5 Tryp hotels were opened in Spain and abroad (San Lázaro in A Coruña; Almussafes in Valencia; Indalo in Almería; Nações Unidas in Sao Paulo, Brazil and Porto Centro in Porto, Portugal). Hard Rock Hotels added one hotel in New York and Paradisus Resorts opened one of its flagship properties, the Paradisus Puerto Rico. Sol Hotels also opened up a new holiday complex in Lanzarote in Spain, the Sol Morromar.

As far as financial results are concerned, Sol Meliá ended 2004 with revenues of 1,038.7 million euros, an increase of 5% over 2003. EBITDA rose to 233 million euros, also 5% up on 2003, while net profit reached 70.4 million euros, 43.4% above the figure for 2003.

At the end of 2004, net debt reached 988 million euros, a decrease of 116 million euros and 10.5% compared to 2003. Net investment reached 61.9 million euros, in line with the objective of 5% of total consolidated revenues. Applying the same financial discipline, our objective for 2005 is also that net investment should remain at 5% of revenues. Said objective must be understood within the framework of current financial policy based on an improvement in our ratios of leverage and coverage of fixed costs in an environment with increasing cash flow.

With regard to the performance of the share over the year, I am pleased to note that the stock market has valued the strengths and the positive expectations of our different business units, demonstrated by a 27.8% increase in our share value in 2004. In spite of the rise in the share

price, we believe that there is still margin for improvement given the positive trends in our main markets, as well as the hidden value of our important real estate assets.

The experience of more than 20 years of leadership by Sol Meliá in the Caribbean continues to generate important benefits for the company. 2004 witnessed the gradual recovery of its main feeder market, North America, affected by greater political stability and the appreciation of the euro. The same effect has been a perfect stimulus for European travellers anxious to discover the sun and spectacular beaches, carefully-preserved natural environment, personalised service, fun atmosphere and hotel brands that guarantee a superior experience. Greater demand has helped drive a RevPar increase of 29% in dollar terms.

The summer season was also positive for Sol Meliá's resort hotels in Spain. The Balearic Islands and Alicante saw RevPar increases of 4.8% and 10% respectively. The Canary Islands confirmed a strong fourth quarter performance with RevPar growth of 8.5%.

The investments made in previous years in European city hotels led to considerable increases in RevPar in 2004: London (+27%); Paris (+9,2%) and Germany (+12%). In Spain, however, the city hotel market has been affected by a number of factors: an increase in the hotel supply and the terrorist attacks of 11 March in Madrid. These factors led to a decrease in RevPar (-4.7%) felt more strongly in our limited service Tryp hotels (-7.6%) than in our full service Meliá hotels (-1.3%) with their meeting facilities and quality food and beverage service.

I believe a special mention is due for the work carried out by our asset management department, helping to reinforce the dual nature of our business: hotel management and asset and real estate management. The new department is responsible for optimising the use and assignment of floor space in hotels owned by the company and third parties and for structuring the rotation of company assets valued at 4,000 million euros. Within this framework, in 2004 Sol Meliá sold the Sol Aloha Playa and Tryp Caballo Blanco and 50% of the tour operator Meliatour for 20 million euros, generating capital gains of 15 million euros at an EBITDA multiple of 16.

As a part of asset management activities, Sol Meliá timeshare operations have increased revenues by 260%. The division has begun by offering timeshare units in Cancun, Puerto Vallarta and Punta Cana, and there will soon be new developments with improved design and services creating new functionalities and experiences. These projects include both the Caribbean and Spain. In 2004 we also created the new Sol Meliá Vacation Club, offering additional benefits to its members with regard to greater flexibility in the period in which they may enjoy their vacations and also with regard to the number of destinations, now extended to all company hotels. Benefits such as the award of the MaS Rewards Gold card, discounts with associated companies (airlines, cruises, car rental, etc.) are just some of the attractions of the new Sol Meliá Vacation Club.

Community Involvement at Sol Meliá in 2004 was achieved through 852 projects, with an investment of 1,203,476 euros, to which must be added 3,892,564 euros for the purchase of services from Special Employment Centres (companies with more than 70% of staff disabled). This important effort by Sol Meliá was recognised in April with the award of the "Business in

the Community” prize for strategy in recognition of the projects the company is developing as part of its Community Involvement Programme. In December the company was also a finalist in the eighth annual Codespa Awards for business solidarity, and in June we received the award for “Best Community Involvement” from the economics magazine “Actualidad Económica”.

The Community Involvement Programme approved in 2002 focuses on nine areas of activity including Training and Employment, cooperation with NGOs, purchases from Special Employment Centres and the promotion of community involvement amongst staff and guests.

Apart from these awards for community involvement, Sol Meliá has also received various other prizes: the “Excellent Award” from the Italian magazine Master Meeting and Hotel & Maisons, the “Protagonists” prize from the Spanish radio station Punto Radio, the “Best Company” award from the Spanish Chamber of Commerce, the “Best Equity-Linked Deal” award in Europe from the economics magazine Euromoney, the “Green Globe 21” prize for environmental protection in hotels in Asia; the “Best Spanish Restaurant outside Spain” for the Albufera Restaurant at the Meliá White House from the Ministry of Agriculture, Fisheries and Food; 5 gold medals for the cuisine at the Meliá Bali and the “4 Diamonds” award from the American Automobile Association for the Paradisus Riviera Cancún and Hard Rock Chicago, as well as numerous awards from British and German tour operators for hotel quality.

These positive results have been achieved thanks to the efforts day after day of all of us at Sol Meliá and those of the shareholders and investors that have displayed their confidence in our management. To all of you, many thanks, and my personal commitment to continue to innovate, create value and develop even better products so that the company will continue to generate benefits for all.

Kind regards,



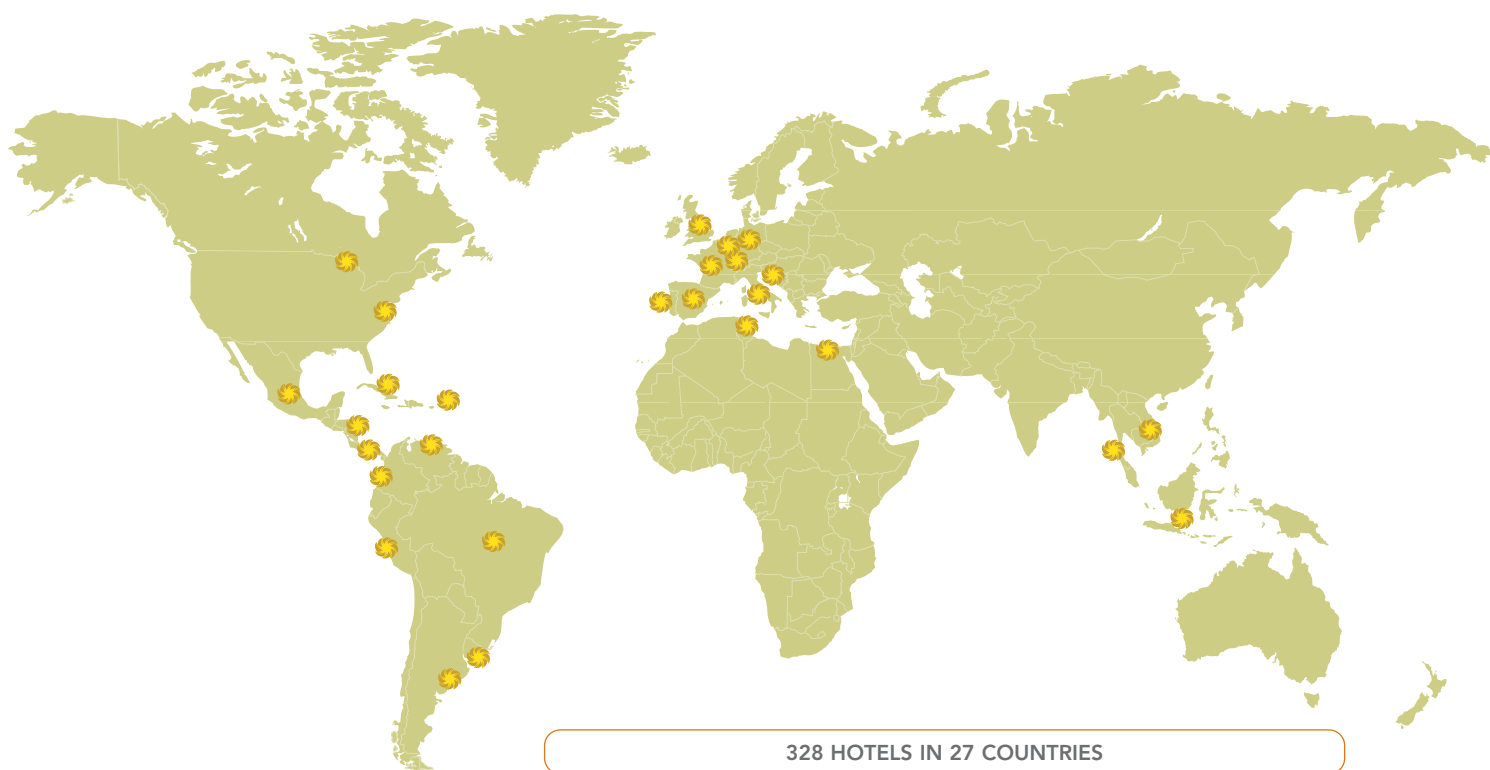
Gabriel Escarrer Juliá
Chairman



annual
report
2004

COMPANY
PROFILE

2 COMPANY PROFILE



328 HOTELS IN 27 COUNTRIES

ASIA

Indonesia	5
Malaysia	1
Vietnam	1

TOTAL 7

MEDITERRANEAN

Egypt	2
Tunisia	11

TOTAL 13

AMERICAS

Argentina	1
Brazil	26
Colombia	6
Costa Rica	3
Cuba	23
Dominican Republic	4
Mexico	10

Panama	1
Peru	1
Puerto Rico	1
Uruguay	1
United States	2
Venezuela	2

TOTAL 81

EUROPE

Belgium	1
Croatia	16
France	8
Germany	12
Italy	5
Portugal	10
Spain	171
Switzerland	3
United Kingdom	1

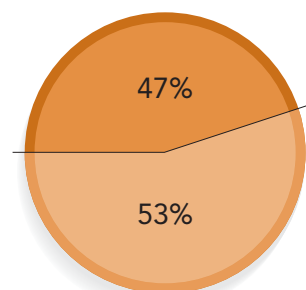
TOTAL 227

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.
- Twelfth largest hotel company in the world by room numbers.
- Presence in 27 countries.
- More than 29,600 employees.

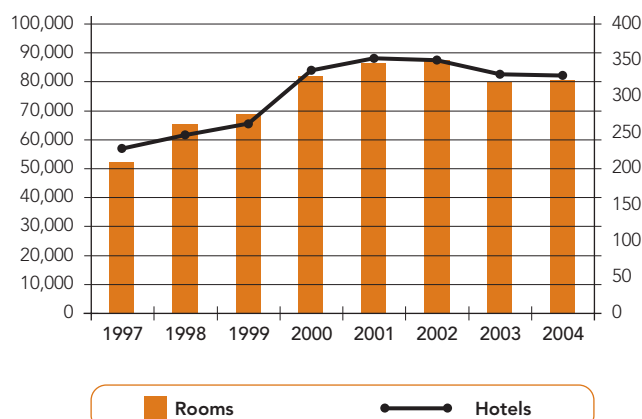
CITY AND RESORT HOTEL DISTRIBUTION

(by number of hotels)



Resort City

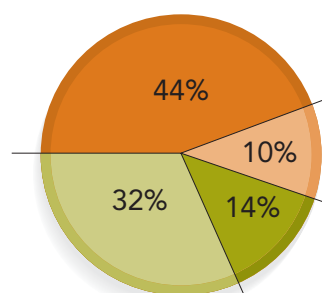
HOTEL, ROOM AND BEDNIGHT GROWTH



Rooms Hotels

DISTRIBUTION BY TYPE OF OPERATION

(% of rooms)



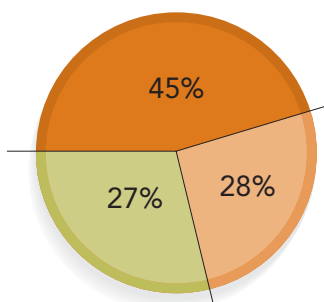
Owned Leased Managed Franchised

Years	Rooms	Hotels
1997	52,359	227
1998	65,597	246
1999	68,766	262
2000	81,942	335
2001	86,554	352
2002	87,717	350
2003	80,494	330
2004	80,834	328

Years	Bednights
1999	21.5 million
2000	23.0 million
2001	23.7 million
2002	24.3 million
2003	26.2 million
2004	27.3 million

DISTRIBUTION BY HOTEL CATEGORY

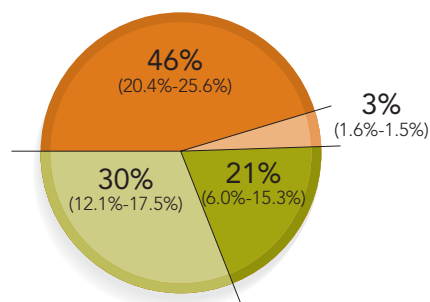
(number of hotels)



3 Star 4 Star 5 Star and 5 Star Deluxe

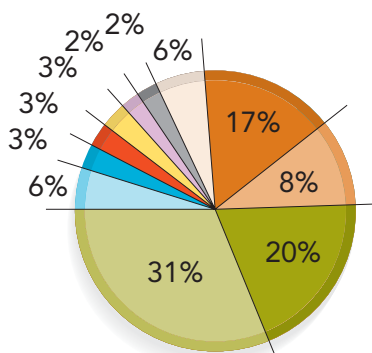
ROOMS BY LOCATION

(% city - % resort)



Spain Rest of Europe Asia Latin America and Caribbean

GUEST NATIONALITY



Spain G.B. USA and Canada Germany Italy Mexico Scandinavia Belgium France Brazil Others

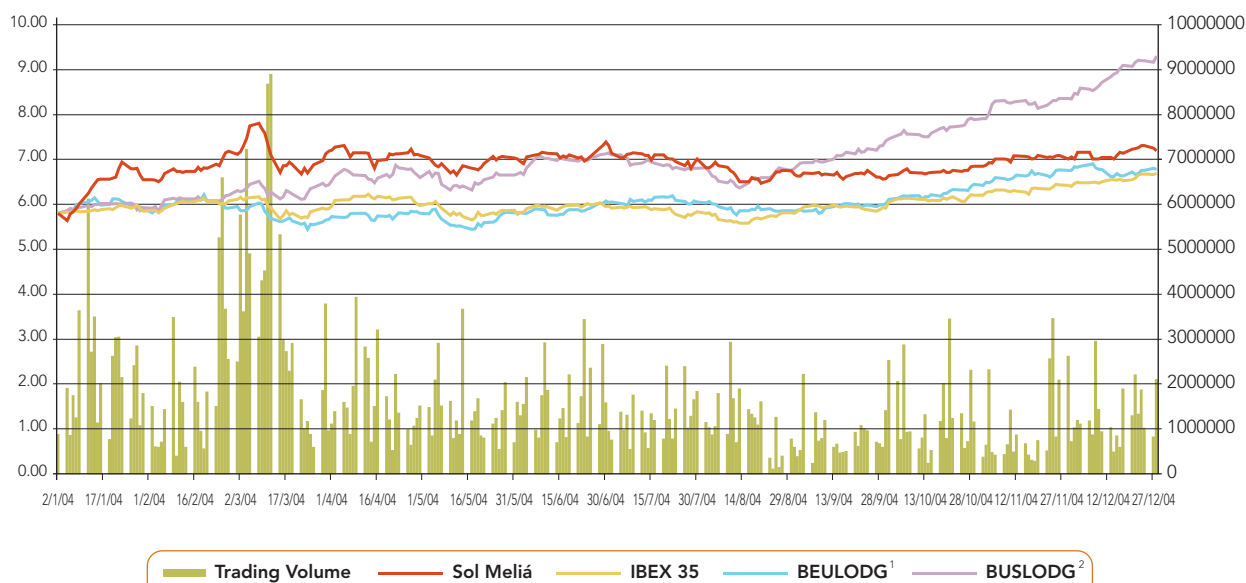
	TOTAL	CITY	RESORT		
Spain	37,192	16,468	20,724	20.4%	25.6%
Rest of Europe	17,187	4,857	12,330	6.0%	15.3%
Asia	2,518	1,315	1,203	1.6%	1.5%
Latin America & Caribbean	23,937	9,792	14,145	12.1%	17.5%
TOTAL	80.834				

SOL MELIÁ CURRENT POSITIONING

• Company founded:	1956
• Company IPO:	2 July 1996
• Initial share price:	5.41 €
• Ticker Symbol:	SOL.MC / SOL SM
• Stock market:	Continuous market (Spain)
• Number of shares:	184,776,777
• Share price at 31 Dec. 2004	7.30 €
• Share performance from 31 Dec 03 to 31 Dec 04:	27.8%
• Rating BBB - (stable) by Fitch IBCA	
• Rating BB+ (stable) by Standard & Poor's	

	2002	2003	2004
EBITDA / NET FINANCIAL COST	4.4 x	3.9 x	4.6 x
PER	166.7 X	27.7 x	22.4 x
MARKET CAP.	696.6 €	1,055.1 €	1,348.9 €
EV / EBITDA	7.8 X	9.7 x	10.0 x
NET DEBT (TOTAL DEBT – CASH – IFT)	1,132	1,105	988

SHARE PERFORMANCE 2004



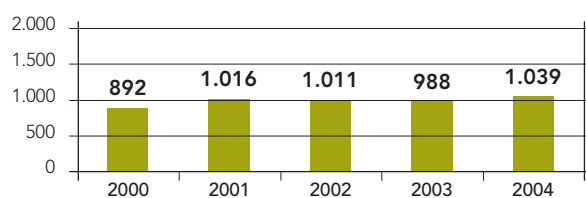
⁽¹⁾ BEULODG Bloomberg Index of European hotel companies
⁽²⁾ BUSLODG Bloomberg Index of North American hotel companies

	Share price in €	% Change	IBEX-35	Máx.	Min	Average daily volume		Dividend	B.P.A.	C.F.P.A.
						Shares	Million €			
31 Dec 04	7.30	27.85%	15.25%	7.80	5.63	1,606,874	6.87	0.05	0.33	0.76
31 Dec 03	5.71	49.09%	23.13%	6.77	2.82	406,542	4.83	0.04	0.21	0.70

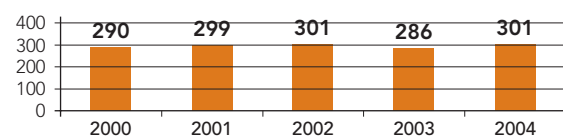
FINANCIAL PERFORMANCE

(Million euros)

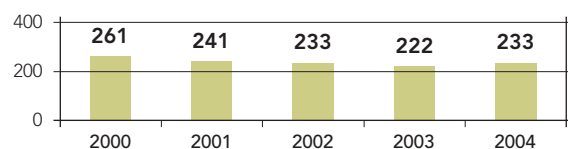
	2000	2001	2002	2003	2004	T.A.C.C. 04
REVENUES	892	1,016	1,011	988	1,039	8%
	35%	14%	-1%	-2%	5%	
EBITDAR	290	299	301	286	301	6%
	38%	3%	1%	-5%	5%	
EBITDA	261	241	233	222	233	3%
	31%	-7%	-3%	-5%	5%	
NET PROFIT	119	65	14	49	71	-5%
	27%	-46%	-79%	261%	44%	
RESULT PARENT COMPANY	113	59	4	38	60	-6%
	28%	-48%	-93%	812%	58%	



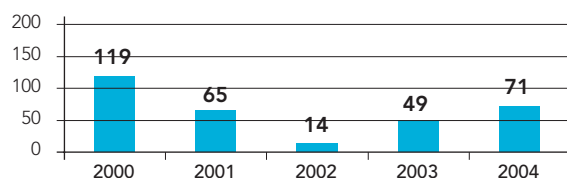
Revenues



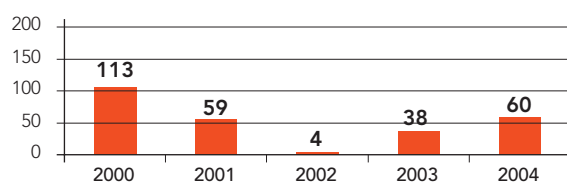
EBITDAR



EBITDA



Net Profit



Result Parent Company



annual
report
2004

SOL MELIÁ:
THE STORY
OF A DREAM

3 SOL MELIÁ: THE STORY OF A DREAM



Gran Meliá Victoria

THE BIRTH OF A DREAM...

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.

70's. 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.

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.

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. 27 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 Madrid Princesa



Meliá Galgos

Meliá Bali - The Garden Villas





Tryp Cibeles



Tryp Ambassador

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 Prince Felipe Award for excellence in tourism for its management and growth policies.

GOING PUBLIC...

1996. Once the new organization and management systems had been consolidated, on 2 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 30 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.

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 its merger with Sol Meliá, while also initiating an ambitious and highly successful plan for the renovation of the hotel portfolio.

1999. 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 nearly 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.

TRYP HOTELES, THE LATEST MAJOR DEAL...

2000. On 21 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.



Gran Meliá Cancún



Gran Meliá Fénix

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

NEW BUSINESS FOCUS

2004. The creation of the Asset Management Department has given Sol Meliá a double focus to the business: hotel management and asset management. The restructuring of the Marketing Department has also helped develop the brand standardisation strategy while also establishing new product research, development and innovation procedures. The development of the Food and Beverage Department has also strengthened this key area and standardisation.

A DREAM COME TRUE...

Sol Meliá ended 2004 with 328 hotels in 27 countries on 4 continents and with 29,600 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.



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2004

SOL MELIÁ
BRANDS

A NEW MARKETING FOCUS

The new management model in place at Sol Meliá has driven a reorganisation in the Marketing Department which has involved all of those factors which focus on customers and which generate satisfaction and loyalty. The new department is focused in the independent management of each of the hotel brands in such a way that each of the brands is valued for its own particular characteristics, attributes, image and activities.

Special attention has also been paid to quality control, developing new ways of generating customer feedback on their satisfaction and their product expectations. And bearing in mind that hotel staff are the company's most important assets, the new department has also created different programmes to collect feedback from staff not only on the creation of new activities, but also on ideas that can improve day-to-day operations.

One of the basic features of the new marketing focus at Sol Meliá is the Research, Development and Innovation Department responsible for the proposal of new activities, the analysis of their viability and the measurement of their profitability through comparative surveys before and after implementation.

Finally, as was also the case in 2003, the Marketing Department is charged with the objective of creating partnerships with strategic market-leading partners with which there are shared interests in the creation of new lines of products and activities under the "Soul and Magic" umbrella or the creation of new experiences for increasingly experienced business and leisure travellers.

QUALITY CONTROL

Quality control aims to provide useful information on standards and procedures in hotels in order to improve the satisfaction of guests and benefits for the company.

The tools used to measure quality are:

- **Mystery Guests:** An anonymous customer that follows a pre-defined methodology to evaluate both hotel services and facilities and the attitude of staff.
- **Surveys:** In every hotel room there is a guest satisfaction questionnaire that guests may fill in during their stay. There are also external surveys carried out by partner companies that obtain customer feedback during breakfast service.
- **Incidents registered by hotel staff or customers.**

These processes provide precise and up-to-date information which is then used to compare with internal and external benchmarks for each brand, define new brand attributes, adapt products and services to new market trends, modernise standards and procedures and earn the loyalty of customers by resolving their problems.

RESEARCH, DEVELOPMENT AND INNOVATION DEPARTMENT

The Research, Development and Innovation Department was created in 2004 in order to gain greater knowledge of customers and competitors through research and analysis. Its objective is to innovate and develop new sustainable experiences, new and differentiated products and services in which all of the organisation is involved and which satisfy guests, earn their loyalty and increase profitability.



MELIÁ HOTELS



MELIÁ

Meliá Hotels enjoy enormous international prestige for their highly personalised and friendly service. They are the perfect choice for business travellers to city hotels and leisure travellers to resort hotels. The prestigious Meliá name is enough in itself to guarantee the success of a product designed to satisfy the most discerning guests. Luxury, personalized service and magnificent locations in major cities and first class resort destinations. These are just some of the many attractions of Meliá Hotels.

Meliá hotel cuisine

Guidelines applied in 2004 have focused on highlighting and further improving the excellent cuisine served in the restaurants of Meliá hotels, a point of reference for many hotels both in Spain and abroad, promoting a fresh image and offering a modern choice of meals while not ignoring traditional regional favourites. One of the fruits of this work was the naming of the Spanish restaurant at the Meliá White House in London as the best Spanish restaurant outside Spain. To cater to the needs of all different types of guests, the company has also created a new bar – cafeteria menu based on a wide choice of dishes for guests seeking quality, but more flexible and speedy service.



GRAN MELIÁ

The very highest category of Meliá Hotels. Their design and location make them the hotel of choice for the most discerning guests. They provide superior luxury service in unique surroundings in privileged business and leisure travel destinations.

Gran Meliá hotel cuisine

In 2004 the Sol Meliá Food and Beverage Department focused on ensuring that Sol Meliá's highest quality hotels continued to provide the most excellent food and beverage service.

During the year the company signed prestigious chefs to work at Gran Meliá hotel restaurants, including the Spanish master chefs Dani García and Jacinto del Valle. Jacinto has also advised the Veritas Restaurant at the Gran Meliá Victoria in Palma de Mallorca and helped develop a modern Mediterranean menu with a distinct Mallorcan influence which has been extremely warmly received both by guests and



Meliá Sancti Petri

by local customers. In 2005 Dani García will open a new, top quality restaurant at the Gran Meliá Don Pepe on the Costa del Sol in which Dani will be serving a very personal and modern style of cuisine based around traditional Andalusian products. This policy of further enhancing the food and beverage service at Gran Meliá hotels has also led to the design of a new breakfast service based on the highest quality products and adapted to changing customer demand.

MELIÁ BOUTIQUE

Meliá Boutique Hotels are smaller hotels with their own special personality offering luxury and exclusive design from some of the top designers in the hotel world. Combining high tech with exclusive service, personalised down to the very finest details, this new range of hotels is located in outstanding buildings such as palaces, castles, or convents, in strategic locations.



Meliá hotels worldwide



Meliá hotel activities

2004 saw many new activities introduced in Meliá hotels. An astronomic observatory, spinning sessions, cybercafés and workshops have been added to hotel programmes along with climbing walls and camping in some Meliá hotels in the Americas. In December of this year the Meliá Caribe Tropical and Meliá Cozumel begin to create Flintstone theme areas for children. The Meliá All Inclusive hotels also host a theme day as part of the "Soul and Magic" programme, providing guests with extraordinary and memorable experiences by which to remember their vacations.

In 2005 the company will continue to develop and consolidate the "Descubra" programme as a leisure and entertainment option in city and resort hotels, primarily at the weekend, and the Flintstones family will also find a special place at children's play areas as a new Flintstones Land is developed at the Meliá Puerto Vallarta.



Meliá Mérida Boutique Hotel

Meliá hotel renovations

- **Meliá Marbella Dinamar**
Thorough renovation of the kitchens, restaurant and personnel areas with an investment of more than 1.5 million euros.
- **Meliá Barcelona**
In 2004 the first of the seven stages of the full renovation of guest rooms at the Meliá Barcelona was completed. While this was going on, the hotel also renovated general plumbing, electricity and temperature control installations. Investment so far has exceeded 2.5 million euros.

New Meliá hotels for 2005

- **Meliá Formigal** (Huesca - Spain)

December 2005 is the month that has been chosen by Sol Meliá to open the Meliá Formigal, a new hotel in the ski resort of the same name in Huesca in the Spanish region of Aragon. The hotel will provide 135 rooms, an "à la carte" restaurant and a buffet restaurant, cafeteria, bar and social club. The Meliá Formigal will also provide a covered car park for 90 vehicles and open-air car park for another 40, as well as a fitness centre, gardens and 350 square metres of meeting and conference facilities.

- **Meliá El Mouradi Gammarth** (Gammarth - Tunisia)

The Meliá El Mouradi Gammarth is located in the Tunisian city of Gammarth with direct access to the beach and only 10 kilometres from Tunis airport. The hotel provides 508 rooms with magnificent views over the beach, swimming pool or gardens, as well as a buffet restaurant for breakfast, lunch and dinner, an "à la carte" restaurant with terrace service, a pizzeria, a wet bar in the pool, and a wide range of additional services.

- **Meliá Angra Marina** (Angra dos Reis - Brazil)

This new hotel will open in 2005 at Canal do Pimenta Beach in Angra dos Reis (Brazil), 11 kilometres from the centre of the city, and providing 200 rooms, an extensive breakfast buffet, a lobby bar, pool bar, restaurants, fitness centre and sauna. Business travellers may also make use of meeting and banqueting rooms for up to 350 guests, a business centre and car park.



Meliá De Mar

TRYP HOTELS

Tryp Hotels is the most urban and dynamic of the Sol Meliá family of brands. With more than 100 Tryp hotels worldwide and massive expansion in recent years, the Tryp brand has rapidly become the preferred choice of business and leisure travellers seeking hotels with perfect locations in some of the world's major cities. Tryp hotels offer all of the services that ensure that guests enjoy their rest and their work and can also find a place in their demanding schedules for a little sport in the hotel or leisure in the city.

Tryp hotels worldwide



Tryp hotel cuisine

Tryp hotels have always been extremely proud of the extensive variety, quality and design of their breakfast service. Well aware of the importance of the service to guests, Tryp hotels have also implemented a process of innovation that will guarantee even further enhancements to quality.

In 2004 Tryp hotels have continued to focus on providing extensive and varied breakfast buffets using only the finest, natural ingredients as demanded by guests. Special attention has also been given to the health food corner including low-calorie products and a great choice of fresh fruit, cereals and dried fruit to provide the energy needed to face the new day. Tryp hotels have also seen the introduction of a newly-designed style of coffee lounge where guests may enjoy modern and innovative cuisine while they read, watch a little TV or surf the Internet.

To continue to guarantee that Tryp hotel guests may enjoy the latest, quality products in their rooms, Sol Meliá signed a strategic alliance in 2004 with Telepizza by which guests staying at Tryp hotels can request Telepizza products from room service just as they could if they were at home.

Tryp hotel activities

Sport and leisure are activities that are highly valued by Tryp hotel customers and more and more Tryp hotels are adding special areas for relaxation and for exercise.

In 2004 the company also launched the "Descubra" programme, including a wide range of activities designed to help guests enjoy their free time during their hotel stay. Culture, art, sports, nature, health ... including activities as diverse as canoeing, wine-tasting or historical tours.

A careful selection of leisure activities to be discovered in each of our destinations and growing in popularity in both our city and resort hotels.

Tryp hotel renovations

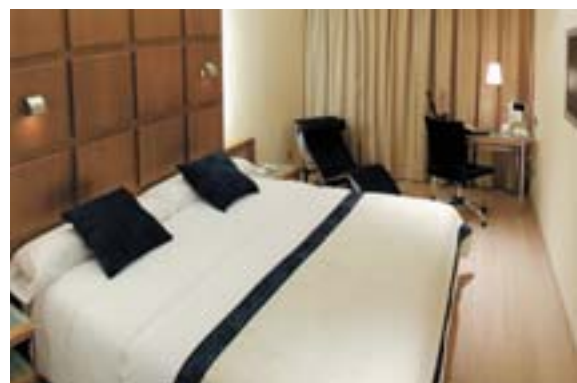
- **Tryp Menfis** (Madrid - Spain)

The Tryp Menfis hotel located on the Gran Vía in the very centre of Madrid has completely renovated its facilities to cater to the changing needs of guests. The renovation has affected all of the guestrooms, public areas and breakfast buffet service. The hotel will also open meeting space and new business centre to complete its new facilities. An amount of around 2 million euros has been invested on the renovation..

New Tryp hotels for 2005

- **Tryp Oviedo** (Asturias - Spain)

Located at the end of Uria Street, one of the most important streets in the city of Oviedo (Asturias), the Tryp Oviedo will open in 2005 with 115 fully-equipped rooms and all of the comforts and facilities expected of a four star Tryp hotel. The hotel will also provide a breakfast buffet, cafeteria and fitness centre, a meeting and banqueting room which can be subdivided to create three separate rooms and a car park.



Tryp Azafata



Tryp Palma



Tryp Frankfurt

SOL HOTELS



Sol hotels are ideal for an enjoyable family holiday. They are located in major Mediterranean and Caribbean tourist destinations and provide comfortable rooms, a wide range of restaurants and bars, swimming pools and an extensive programme of activities for guests of all ages, especially for children. Sol hotels are perfect for family fun.

Sol hotels worldwide



Sol hotel cuisine

In 2004 the Food and Beverage Department has focused on consolidating the buffet service at Sol Hotels as one that provides the finest quality products and a range of choice that caters to different types of customers and the specialities of the region. Special attention has also been paid to improving the range of buffets designed for children. 2004 has also been a year which has seen further growth in show-cooking in Sol Hotels with guests joining in and cutting their own ham, making their own salads or watching their fresh fish fried before them or their pasta and desserts prepared as they wait.

Sol hotel activities

Climbing walls, camping in the hotel gardens, cybercafés, spinning classes, and observatories have all seen further growth in Sol Hotels in 2004.

There have also been three more hotels added to the list of those that have adapted their facilities to the new Sol Flintstones concept along with the different children's clubs and all of the other activities that come with the world's favourite stone age family.

In 2005 the Flintstones will continue to be the stars of the show. Flintstones Land is a new way of spending your holidays enjoying a wide range of activities with your favourite cartoon stars. From the moment you reach the hotel, children join the Flintstones family and receive a gift at their own "mini check-in" as they sign

up for one of the children's clubs : Baby Rock for babies from 4 months to 4; Bam Bam Club for kids from 5 to 8 and Cool Club for youngster from 9 to 13 years old, all of them brimming with activities with the Flintstones, designed to stimulate the imagination, and for kids to have fun on holidays and make new friends in addition to Fred and Dino. At mealtimes there is also a healthy choice on offer at Betty's Kitchen: chicken wings, brontoburgers, macaroni, shakes, ice cream... Flintstones Land: fun for kids, relaxation for parents.

Sol hotel renovations

- **Sol Lanzarote** (Lanzarote - Spain)
The hotel has undergone a thorough renovation affecting all public areas and guest rooms and enabling the hotel to upgrade its official category to 4 stars. As well as the refurbishment and decoration, the hotel has also fitted new air-conditioning units and new electric cabling and plumbing. The total investment has reached more than 7.5 million euros.
- **Sol Antillas Barbados** (Mallorca - Spain)
The hotel has seen the renovation of the corridors and guest rooms on its lower floors involving a total investment of 1.5 million euros. The hotel has also developed the Flintstone theme areas at an additional cost of 360,000 euros to create the Flintstones welcome experience, Betty's Kitchen, the Brontoburger restaurant, the mini check-in area, the club-house, Baby Rock Club and club areas for older children.
- **Sol Príncipe Principito** (Torremolinos - Spain)
The hotel has modernised the major part of its bathrooms and has also improved its façades, with an investment of over 2 million euros. The hotel has also added the new Flintstone welcome experience and themed mini check-in, bazaar, Brontoburger, photo studio, Baby Rock Club, Bam Bam Club, Fun Park and pool after an investment of 780,000 euros.
- **Sol Falcó** (Menorca - Spain)
The hotel also invested more than 630,000 euros in 2004 adapting part of its facilities to welcome the Flintstones family. The hotel has also added the new Flintstone welcome experience and themed mini check-in, bazaar, Brontoburger, photo studio, Baby Rock Club, Bam Bam Club, Stone Lake pool and Betty's Kitchen.
- **Sol Sancti Petri** (Cádiz - Spain)
The hotel has fully renovated all of its 300 rooms with an investment of around 2 million euros.



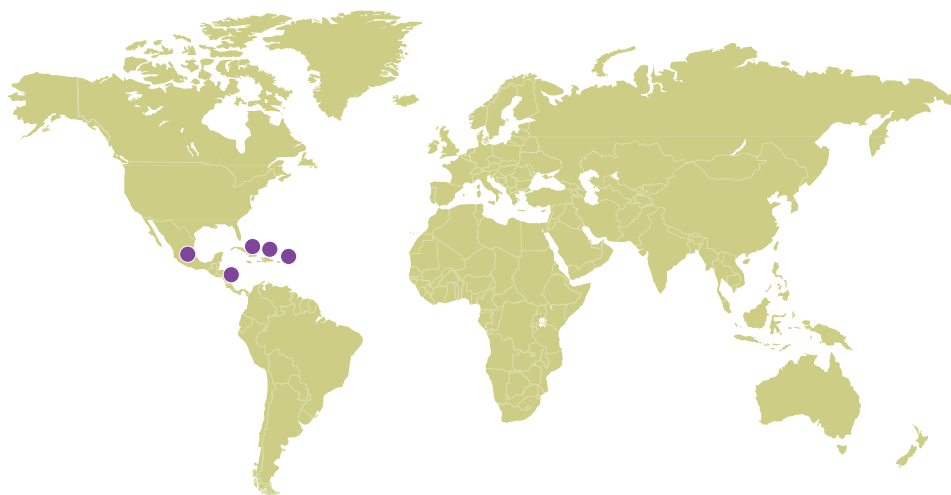
Sol Falcó

PARADISUS RESORTS



Located in exotic areas of outstanding natural beauty, where unspoilt beaches blend perfectly with the ruins of ancient civilisations, Paradisus Resorts are true "eco-resorts", and their unique architecture is fully integrated with their extraordinary surroundings. They are internationally renowned "all inclusive" resorts famous for the wide variety of cuisine on offer at their luxurious restaurants, their extensive entertainment programmes and their health and beauty centres. A simply unforgettable brand.

Paradisus resorts worldwide



Paradisus resort cuisine

Great work has been done in 2004 to consolidate the superior standards of the cuisine on offer at our exclusive luxury all inclusive resorts, one of the aspects most appreciated by our guests. The fare on offer at the restaurants and buffets is constantly being adjusted to cater to the preferences of guests.

Paradisus resort activities

Paradisus has also become one of the most prestigious brands in the Caribbean due to the extensive range of activities available for guests, including spinning, climbing walls, cybercafés, archery, Warner Bros products, and lots, lots more.

One of the most successful innovations has been a service by which children can camp out within the hotel or grounds. The kids' feelings of freedom and independence are matched by those of their parents; confident in the knowledge that their children are being taken care of by experienced, professional monitors.

In the paradise locations in which these luxury all inclusive resorts have been built, the “Soul and Magic” programme is further enhanced by theme days based on romance and on multicultural experiences which are reflected in events that take place throughout the hotels.

In 2005 some hotels will add the Flintstones Land services during the high season for families, with the world’s favourite Stone Age family joining the children for painting, photos, games and fun.

The implementation of “sensory architecture” projects is also on the agenda for 2005, encouraging guests to use their senses to experience the nature that has inspired the architecture of Paradisus resorts.



Paradisus Puerto Rico

New Paradisus Resorts for 2005

- **Paradisus Palma Real**

After a 150 million euro investment and the inauguration in 2004 of the Paradisus Puerto Rico, the first luxury all inclusive resort in the country, 2005 is the year chosen for the opening of the Paradisus Palma Real, a five star deluxe hotel with all of the services and facilities expected of the Paradisus Resorts brand. This magnificent project is being managed by the architect Alvaro Sans, and built on 500,000 square metres of land alongside the splendid beaches in Punta Cana in the Dominican Republic and the Meliá Caribe Tropical and its Cocotal golf course.



The Paradisus Palma Real comprises public areas and guest rooms distributed between the hotel and the Vacation Club. There will be 354 hotel rooms and 192 accommodation units for the Vacation Club (96 apartments and 96 studios), all of them found in three-storey buildings connected by walkways on each floor and also with the main lobby. After an investment of 60 million euros, the hotel will eventually occupy a surface area of around 100,000 metres squared.



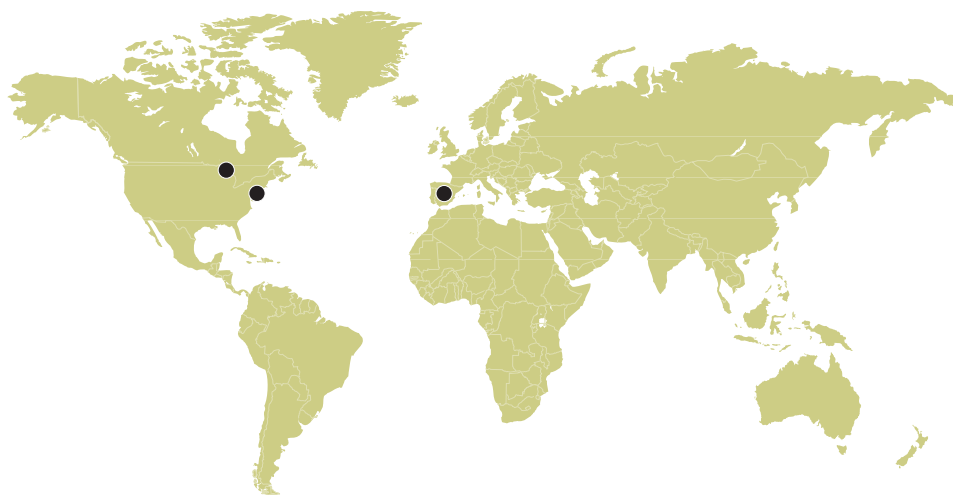
Paradisus Riviera Cancún

HARD ROCK HOTELS



Contemporary designs, the world of music and hotel know-how have come together to create the new Hard Rock Hotels. An original concept in the international hotel industry, where glamour and the latest technology combine with superior quality to create a most fascinating hotel experience. Located in exceptional buildings at the heart of the leisure and entertainment attractions in major cities, Hard Rock Hotels have an outstanding range of bars and restaurants as well as comfortable rooms for successful business meetings. The joint venture between Hard Rock and Sol Meliá has so far given rise to three new hotels.

Hard Rock hotels worldwide



Cuisine

In 2004 Sol Meliá signed a strategic alliance with Hard Rock Hotels and the Rank Group to develop the Hard Rock Hotels brand worldwide. With regard to the food and beverage on offer at the hotels, the company is outsourcing facilities, as witnessed by the opening at the Hard Rock Chicago of a "China Grill", a famous restaurant chain in the United States. Other Hard Rock hotels will continue to analyse similar agreements with leading food service companies to ensure that guests enjoy first class dining in a setting that is true to the Hard Rock experience.

New hotels

In 2004 Sol Meliá added two new hotels to the Hard Rock Hotels brand. In July the purchase of the Paramount New York was announced, and a few months later the rebranding of the Tryp Reina Victoria in Madrid as a Hard Rock hotel, making it the first Hard Rock hotel in Europe. Both hotels will undergo a full renovation before opening as Hard Rock hotels in 2005.





Paramount New York

- **Hard Rock Hotel in Madrid**

Located in the pedestrianised Plaza Santa Ana in the heart of the historical centre of Madrid, the Hard Rock hotel will provide luxury services and facilities for both business and leisure travellers, including sophisticated audio-visual equipment in soundproofed rooms allowing guests to enjoy their music at whatever volume they like without annoying their neighbours. First class food service, meeting rooms and an exclusive atmosphere. The renovation currently taking place involves an investment of 20 million euros.

- **Paramount New York, the future Hard Rock Hotel in the Big Apple**

Located in one of the most exciting parts of Manhattan, between Broadway and 8th Avenue, this hotel is currently being transformed by a multimillion euro renovation, after which it will be changing its name to Hard Rock Hotel New York. Built in 1947, the Paramount Hotel New York has 588 rooms and is a first choice for both leisure and business travellers. The hotel provides a Business Centre and boardroom as well as a great range of sports and entertainment options. As for its restaurants, there is a wide selection of tasty dishes on offer at the Dean & DeLuca Delicatessen, in the Mezzanine Restaurant or Paramount Bar.



Hard Rock Chicago



Paramount New York

SOL MELIÁ VACATION CLUB



Sol Meliá Vacation Club (SMVC) is a vacation club designed to offer its members a wide choice of exotic and spectacular holiday destinations year after year. It offers members the first class service so characteristic of Sol Meliá hotels all over the world together with a vacation club time-share formula which makes families feel completely at home.

Members of SMVC can divide their annual vacation time into several, shorter trips or add together various weeks to set out on the holiday of their dreams.

Being a member of SMVC offers all types of exclusive advantages:

Flexible vacations:

- Your annual holidays can be postponed for another year.
- They can also be broken up into shorter periods, of weeks or even days.
- They can also be accumulated, to be taken in one, single year.

Destinations on 4 continents:

- SMVC allows you to choose your holiday destination not just from amongst the more than 300 Sol Meliá hotels, but also from the 3,800 time-share developments all over the world, offered by RCI.

MaS Rewards:

- Members of SMVC automatically become MaS Rewards Gold members and enjoy all the Gold benefits of the Sol Meliá loyalty programme.
- Holiday options can also be converted to MaS Rewards points.



Gran Meliá Cancún



Paradisus Punta Cana

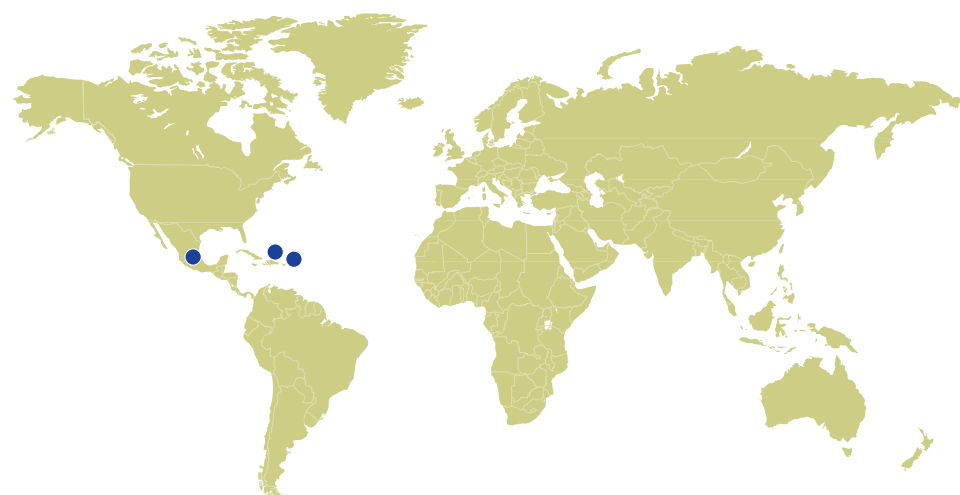


Paradisus Riviera Cancún

Access to the SMVC partner services::

- SMVC members have access to all of the special conditions that the club has agreed with partners including:
 - Airlines
 - Car hire
 - Cruises
 - Adventure packages

Sol Meliá Vacation Club hotels worldwide



- Gran Meliá Cancún (Mexico)
- Meliá Puerto Vallarta (Mexico)
- Meliá Caribe Tropical (Mexico)
- Paradisus Punta Cana (Dominican Rep.)
- Paradisus Riviera Cancún

New SMVC units opening in 2005

- Paradisus Palma Real (Punta Cana, R. Dominicana)
- Paradisus Puerto Rico
- Europe

The growth of the SMVC business since it was created after a strategic alliance signed in 2003 will continue in 2005. Objectives for the year include the inauguration of units with facilities designed to further increase guest satisfaction. Different marketing tools will also be used to create additional benefits for guests.



Meliá Caribe Tropical



annual
report
2004

FINANCIAL
RESULTS

5 FINANCIAL RESULTS

In 2004 revenues, EBITDA, Ordinary Profit and attributable Net Profit increased by 5%, 5%, 34% and 57%, respectively. These positive results are mainly explained by the robust performance of the Caribbean, the resilience of our Spanish resorts, the performance in European cities outside Spain and the launch of the Sol Meliá Vacation Club, our Timeshare Division. The difficulties seen in the Spanish urban segment have been largely offset by geographical and segment diversification.

RevPar for owned and leased hotels has increased by 0.5%. The decrease in the Spanish urban segment and the depreciation of the US dollar against the euro affecting the Americas Division has been offset by the positive performance of resorts in Spain and the Caribbean together with European cities outside of Spain. On a same currency basis, total RevPar increased by 4.1%.

"Total Revenues" increased by 5.1% due to the improvement at the operating level of Sol Meliá's hotel network, mainly in the Caribbean, Spanish resorts and European cities outside Spain, together with the contribution of the most recent hotel additions.

"Raw materials" increased by 11.4% due to the cost of product derived from an increase in sales of Sol Meliá Vacation Club and Sol Meliá Travel. On a same hotel basis the "Raw materials" item increased by 8.6% due to the 13% appreciation of the Dominican peso throughout 2004 which affected costs in the country.

"Personnel expenses" increased by 3.7% due to the latest hotel additions and the launch of Sol Meliá Vacation Club.

The increase in "Rental expenses" by 6.0% is due to the newest incorporations under lease agreements in the European City Division and the opening of the Gran Meliá Mofarrej, the first leased hotel in the Americas.

In 2004, the asset management team disposed of the Sol Aloha Playa (Malaga, Spain) and Tryp Caballo Blanco (Cadiz, Spain) hotels at an EBITDA multiple of 14.4 times. The newly created Asset Management Division will strengthen Real Estate assets as part of its core activity in the medium and long term through a more proactive rotation of company assets.

DOMESTIC MARKET AND DIRECT SALES CHANNELS; KEY FACTORS IN THE SPANISH RESORT SEGMENT

The positive performance of the domestic and UK feeder markets has enabled destinations like the Balearics and Alicante, together with the company's resorts on the Southern Spanish coast, to continue the positive trend seen throughout the year without jeopardising Average Daily Rate (A.D.R.). This largely explains the 4.1% increase in RevPAR for European resort hotels. The 5.8% A.D.R. increase in the division is largely explained by the limitation of special offers in the Canary Islands and, more importantly, due to the process of disintermediation seen throughout the year and sales increases through solmelia.com.

WEAK PERFORMANCE IN SPANISH CITIES OFFSET BY POSITIVE TRENDS IN OTHER EUROPEAN CITIES

RevPar in the European City Division decreased by 1.6% due to the sluggish performance of Sol Meliá's Spanish urban segment during the year and their RevPar decrease of -4.7%. The poor performance in Spain has been offset by a positive performance throughout the year in major European cities such as London and Paris, where RevPar increased by 27% and 9.2% respectively for the year. The better-than-average performance is related to the renovation and refurbishment processes carried out in these properties and their repositioning to focus on a more higher standard clientele and the corporate segment.

POSITIVE RESULTS IN LATIN AMERICA, WEAKENED BY DOLLAR EXCHANGE RATES

Regarding the Americas Division, RevPAR and A.D.R. figures have been negatively affected by the depreciation of the US dollar against the euro. On a same currency basis, RevPAR and A.D.R. increased by 25.5% and 27.7% respectively.

In spite of the negative impact of cancellations and postponement of travel plans caused by the hurricanes towards the end of the year, the strong upward trend seen throughout the year in our main destinations in the region led the company to increase total revenues by 29% in US dollar terms. The quality of our all inclusive product and the consolidation of Sol Meliá's presence in the US feeder market is largely behind this performance.

DEBT REDUCTION

At the close of 2004, net debt amounted to 988 million euros which represents a 10.5% decrease – 116 million euros – in comparison with 2003. Net investment reached 61.9 million euros, within the target range of 5% of consolidated revenues, an objective which will be extended to 2005 and which forms part of a financial policy based on improvements in leverage and fixed cost coverage ratios while generating greater cash flow.

In terms of future debt financing, in December 2004 Sol Meliá signed a syndicated loan for 175 million euros. The 5-year maturity loan holds an interest rate indexed to the Euribor with a spread that varies between 0.6% and 1.0% depending on a basket of financial ratios. The purpose is the partial refinancing of the 340 million euros bond issue due in February 2006. The remaining amount will be paid with free cash flow. No other major maturity will occur in the medium term.

INCREASE IN SHARE VALUE

With regard to the performance of the share price over the year, the company is pleased to confirm that investors have valued the strengths and positive outlook for our different business units, as reflected by the 27.8% increase in the share price over the year. In spite of this healthy increase, the company believes that there is margin for future growth given the positive trends in its major feeder markets and the unrealised potential value of the real estate asset base.

INCOME STATEMENT			
Million Euros	Dec 2002	Dec 2003	Dec 2004
Hotel Revenues	899.1	869.2	890.1
Management Fees	40.4	39.0	42.9
Other revenues	71.0	79.6	105.7
TOTAL REVENUES	1,010.5	987.8	1,038.7
Raw Materials	(127.6)	(119.5)	(133.2)
Personnel expenses	(326.3)	(322.2)	(334.3)
Change in operating provisions	(5.3)	(7.8)	(4.1)
Other operating expenses	(250.6)	(252.1)	(266.2)
TOTAL OPERATING EXPENSES	(777.2)	(765.5)	(805.4)
EBITDAR	300.8	286.1	300.9
Rental expenses	(67.5)	(63.8)	(67.6)
EBITDA	233.3	222.3	233.3
Depreciation and amortisation	(105.8)	(111.1)	(112.2)
EBIT	127.5	111.2	121.1
Profit/(loss) from equity investments	(5.0)	(0.1)	1.1
Net Interest Expense	(53.4)	(57.3)	(51.0)
Exchange Rate Differences	(19.7)	0.2	0.0
Total financial profit/(loss)	(73.1)	(57.1)	(51.0)
Consolidation Goodwill amortisation	(3.0)	(3.0)	(2.6)
Profit/(loss) from ordinary activities	46.4	51.1	68.6
Extraordinary profit/(loss)	(29.5)	12.1	5.9
Profit before taxes and minorities	16.8	63.2	74.4
Taxes	(3.2)	(14.1)	(3.9)
Group net profit/(loss)	13.6	49.1	70.5
Minorities (P)/L	(9.5)	(11.0)	(10.4)
Profit/(loss) of the parent company	4.2	38.1	60.1
OPERATING CASH FLOW	167.5	128.6	140.1

CASH FLOW		
CASH FLOW STATEMENT	(Data in thousands of Euros)	2004
TOTAL CASH FLOW FROM OPERATIONS		140,080
CHANGE IN WORKING CAPITAL		
LESS:		
Incr. Treasury Stock		(4,525)
PLUS:		
Decr. Inventory		0
Decr. Receivable		32,854
Decr. Prepaid expenses		11
Decr. Current accounts with equity affiliates		226
Incr. Trade payable		25,308
CHANGE IN WORKING CAPITAL		47,925
CASH FLOW FROM INVESTING		
LESS:		
Incr. Start-up expenses		(1,377)
Incr. of Tangible Assets		(70,749)
Incr. of Financial Assets		(15,205)
PLUS:		
Decr. of Tangible Assets		19,014
Decr. of Financial Assets		6,341
TOTAL NET INVESTMENTS		(61,976)
CASH FLOW FROM FINANCING		
INTEREST BEARING DEBT		
LESS:		
Decr. Bond Issued S/T		(221,163)
Decr. Bank Loans L/T		(50,875)
PLUS:		
Incr. Bank loans S/T		34,746
SUBTOTAL INTEREST BEARING DEBT		(237,291)
OTHER FINANCING		
LESS:		
Long-term creditors		(2,945)
SUBTOTAL OTHER FINANCING		(2,945)
TOTAL FINANCING		(240,236)
DIVIDENDS PAID		(8,915)
INCREASE IN CASH AND DEPOSITS		(123,122)
BEGINNING CASH & DEPOSITS		248,899
ENDING CASH & DEPOSITS		125,777
INCREASE IN NET DEBT (INTEREST BEARING DEBT)		(114,169)

RATIOS

INTEREST COVERAGE	2002	2003	2004
FFO/NET DEBT	14.8%	11.6%	14.2%
NET DEBT / EBITDA	4.8 x	5.0 x	4.2 x
EPS	0.02 €	0.21 €	0.33 €
SHARE PRICE	3.8 €	5.7 €	7.3 €
EBITDA / NET INTEREST EXPENSE	4.4 x	3.9 x	4.6 x
PER (PRICE EARNING RATIO)	166.7 x	27.7 x	22.4 x
MARKET CAP.	696.6 €	1,055.1 €	1,348.9 €
EV / EBITDA	7.7 x	9.7 x	10.0 x

LIQUIDITY	2002	2003	2004
FFO/CURRENT LIABILITIES	40.0%	24.3%	40.0%
CURRENT ASSETS / CURRENT LIABILITIES	1.0 x	0.9 x	0.9 x
FFO/ TOTAL DEBT	13.0%	9.5%	12.6%

LEVERAGE	2002	2003	2004
AVERAGE COST OF DEBT	4.8%	4.7%	5.2%
NET DEBT / TOTAL ASSETS	42.2%	41.6%	40.3%
NET DEBT / MARKET CAP. ⁽¹⁾	162.5%	105.0%	73.2%
NET DEBT	1,132.0 €	1,105.0 €	988.0 €

(1) Share price at 31/12/2004 7,30 Euros

BALANCE SHEET

Million Euros	Dec 2002	Dec 2003	Dec 2004
CASH	130.8	72.7	75.2
SHORT TERM INVESTMENTS	24.8	176.2	47.8
DEBTORS	139.0	165.1	108.0
INVENTORY	28.0	26.9	33.2
OTHER CURRENT ASSETS	90.0	49.3	59.8
CURRENT ASSETS	412.6	490.2	323.8
GROSS FIXED ASSETS	2,702.4	2,642.9	2,651.5
ACCUMULATED DEPRECIATION	(652.3)	(682.5)	(743.9)
NET FIXED ASSETS	2,050.1	1,960.4	1,907.6
FINANCIAL INVESTMENTS	165.3	160.6	171.5
OTHER FIXED ASSETS	52.0	45.1	47.4
TOTAL ASSETS	2,680.1	2,656.3	2,450.3

Million Euros	Dec 2002	Dec 2003	Dec 2004
TRADE ACCOUNTS PAYABLE	126.4	122.1	133.1
SHORT TERM LOANS	225.9	342.5	139.6
OTHER SHORT TERM LIABIL.	63.5	64.9	77.5
CURRENT LIABILITIES	415.7	529.5	350.3
LONG TERM LOANS	1,036.8	1,010.4	971.1
OTHER LONG TERM LIABIL.	170.2	174.1	176.5
TOTAL LIABILITIES	1,207.0	1,184.5	1,147.6
MINORITY INTEREST	166.4	163.0	165.2
TOTAL COMMON EQUITY	890.9	779.3	787.3
SHAREHOLDERS EQUITY	1,057.3	942.3	952.5
TOTAL LIABILITIES & EQUITY	2,680.1	2,656.3	2,450.3



annual
report
2004

MILESTONES
IN 2004

6 MILESTONES IN 2004

SOL MELIÁ INTRODUCES A NEW BUSINESS FOCUS

Implementation of the Sol Meliá Strategic Plan

In 2004 Sol Meliá has implemented its Strategic Plan 2004-2006 based around the following key pillars: innovation in the value proposition for customers, the profitability of real estate assets and the creation of greater company strength.

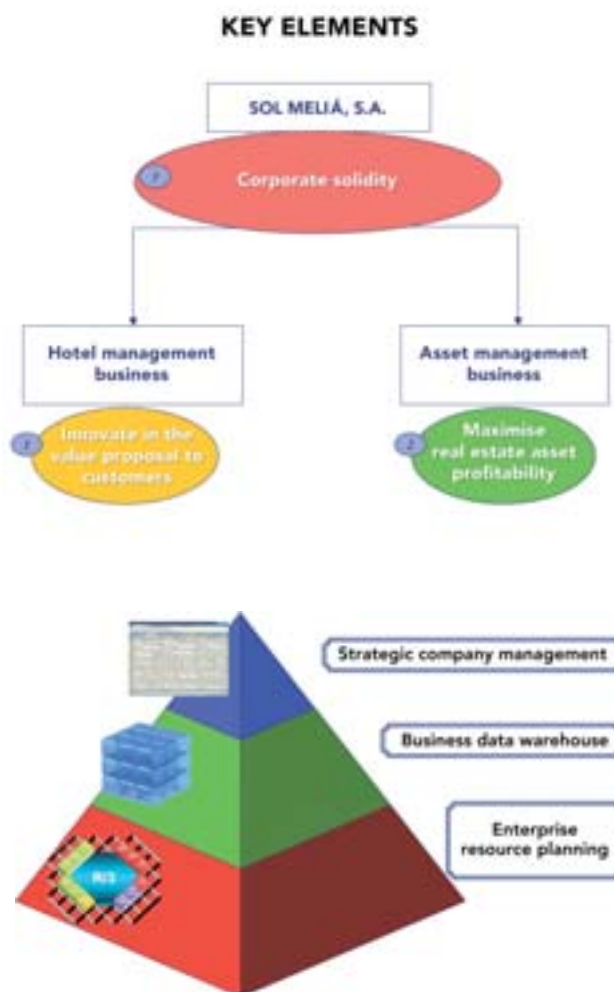
The global strategic business focus involves all levels of the company in an interdependent organisation in which projects and activities produce synergies which increase productivity and optimise processes leading to the achievement of objectives to increase awareness of the company and its brands; increase profitability through better management and distribution of goods and services; increase the yield of real estate assets; assign and distribute resources in the most appropriate way and elevate personnel as the company's most important asset.

Together with the development of the Strategic Plan, the company has also implemented a new management method aided by SAP technology which comprises the consolidation of a vertical flow of information within the company and defines three hierarchical levels for the conversion of data into relevant information.

The base of the pyramid is formed by short-term data operations within an Enterprise Resource Planning (ERP) system. This compiles data on internal and external accounts to obtain management data, logistical information for stock and purchasing management and hotel maintenance, and personnel administration data (recruitment and selection processes, training, and development).

In parallel, and at a higher level in the hierarchy, the company has developed a Business Warehouse for the analysis and consolidation of information from different sources, making it a basic tool for middle management for medium-term operations through the business intelligence it supplies.

At the tip of the pyramid is a tool which provides a more global and strategic view for senior managers which allows monitoring of the achievement of objectives and the position with regards to internal business processes, finance, customers, etc.



The analysis of this strategic enterprise management system allows close monitoring of the Strategic Plan and helps to convert strategy into specific actions to achieve defined objectives.

New business focus

With almost fifty years of successful experience in hotel management, 2004 saw the adoption of a new focus for the business. Sol Meliá's real estate assets and their management are key factors behind the versatility and profitability of the business and the strength of the company.

6.1 CREATION OF THE ASSET MANAGEMENT DEPARTMENT

In 2004, Sol Meliá created an Asset Management Department to pursue the objective of enhancing the real estate side of company business to complement the hotel business. Real estate asset management aims to maximise the 4,000 million euros of gross assets including 90 hotels and 25,600 rooms. These owned hotels cover 2 million square metres of land as well as 1.8 million square metres of construction. On a micro-management level, the company will manage its hotel portfolio based on the criteria of improving profitability per square metre through new concepts in food and beverage service and improvements in "other revenues" both through our own initiatives and through partnerships with market leaders in whatever business is undertaken, adding value to our brands through the development of car parks, spas, health and beauty centres, merchandising, rental of commercial space or management of residential services. On a macro-management level, the Asset Management Department will take a much more proactive approach to the hotel portfolio, analysing and implementing where appropriate alternative uses (timeshare, condo-hotels, etc.). The new department will also be responsible for the rotation of company assets, an activity which will benefit from existing tax credits.



Meliá Puerto Vallarta

Applying the strategy mentioned above, and considering the real estate business as a part of the main business, in 2004 the Asset Management Department helped dispose of the Sol Aloha Playa (Malaga, Spain) and Tryp Caballo Blanco (Cadiz, Spain) hotels at an aggregated EBITDA multiple of 14.4 times. In 2005, asset rotation will become an integral part of the company's real estate business, after the sale at the beginning of the year of the Tryp Macarena (329) in Seville and the Meliá Torremolinos (283) on the Costa del Sol. With regard to the Tryp Macarena, the sale was made for 42 million euros, a multiple of 19 times EBITDA for 2004, generating 24 million euros in capital gains at a premium of 56% over the evaluation made by American Appraisal. Sol Meliá will continue to operate the hotel under a long-term lease agreement. Lease costs include a fixed amount of 5.25% on sales in addition to a variable payment of 50% of remaining EBITDA after the first payment is made. The contract has a term of 25 years and may be extended by Sol Meliá for a further ten years. The Meliá Torremolinos has been sold for 23 million euros at a multiple of 62 times EBITDA 2004, generating capital gains of 17.4 million euros. The sale was made at a premium of 30% with respect to the valuation of American Appraisal and the hotel will be operated by Sol Meliá up to October. The real estate company Desarrollos Sol S.A., which owns almost 300,000 square metres of land in the Dominican Republic is also continuing to successfully sell portions of that land.

The timeshare business is an example of this new focus on the real estate business. Annual revenues from timeshare operations increased by 260% due to projects launched in Cancun (Mexico), Puerto Vallarta (Mexico) and Punta Cana (Dominican Republic) using accommodation units within existing hotels. In 2005, Sol Meliá Vacation Club will launch new projects in Cancun, Punta Cana and Puerto Rico also in existing hotels.



Paradisus Punta Cana

Two additional projects will also be launched in the Canary Islands in Europe. The recently created Sol Meliá Vacation Club Network has been designed to offer its members a wide range of resort destinations in which the company operates hotels, offering a high quality, personalised service. Benefits such as the use of a Sol Meliá loyalty programme MaS Rewards Gold card as well as special conditions from partner companies such as airlines, car rental firms, cruise lines, etc., form part of the appeal of the Sol Meliá Vacation Club.

Both in order to optimise the company's portfolio of assets and to optimise company growth and development in different regions with no capital investment by Sol Meliá, the company will also develop condo-hotels. The company already has experience in this field after the development of "apart-hotels" in Spain and Brazil over the last thirty years. The development of condo-hotels is based on the promotion and sale to private individuals of rooms in a hotel development. The investor acquires real estate property (the "condo") which may then be included in the hotel operation. The investor also acquires a right to enjoy the hotel services and facilities free of charge for a certain period of the year, as well as considerable discounts if they wish to stay at the hotel outside the agreed periods. The investor is also guaranteed the maintenance of their property in line with the standards expected of a superior quality hotel. In return, investors are expected to pay a premium with respect to the market value of similar properties thanks to the added value that the hotel brand brings to the property. Condo-hotels are located in resort areas or cities, but always at the luxury end of the market. The short and medium-term objective is to develop this business model in Spain, Europe, Latin America and the Caribbean, as well as the United States.

The Sol Meliá management team is focused on improving the hotel business, but at the same time creating value through strengthening the real estate side of the business by proactive rotation of the 4,000 million euros worth of company assets, optimisation of the use of space, timesharing and condo-hotels. The asset management business must be thought of as a business and at the same level as the hotel business, an important part of the company operations and a fundamental means of reducing the margin that exists between the net value of Sol Meliá's assets and its market capitalisation.

6.2 HOTEL MANAGEMENT: INNOVATION IN THE CUSTOMER VALUE PROPOSITION

A. A new structure for the Marketing Department

The sales and marketing structure at Sol Meliá was given new impulse in 2004 after being separated into two distinct and independent areas. The new focus for the Marketing Department is on objectives which aim to increase brand value in the medium and long-term through both strategic and real estate development. The department is also responsible for the creation of a Research, Development and Innovation Department focused on improving efficiency and the implementation of new ideas for each hotel brand. This involves all of the service areas within the hotel and aims to improve the bottom line of "other revenues". The department is also responsible for the differentiation and disintermediation of the brands to achieve greater cost control and customer satisfaction.

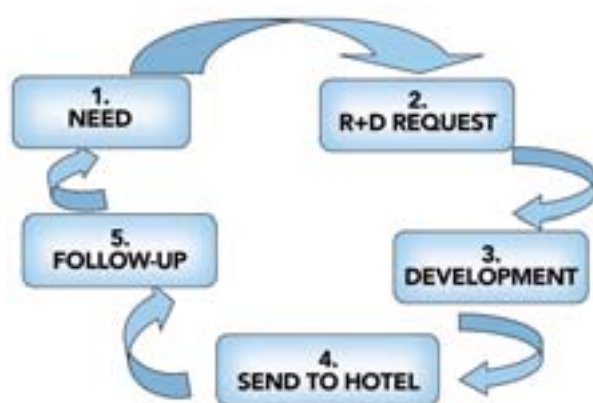
The function of the new Sales Department, on the other hand, is more tactical and based on the short-term performance of the hotel business.

B. Food and beverage, an essential hotel service

The Food and Beverage Department was created in 2003 to design and prepare products and systems to improve results in the different sales outlets in hotels, centred around three main areas of activity: culinary research, quality standardisation and product quality.

In 2004 the department created a Research and Development Kitchen, a copy of a hotel kitchen but on a smaller scale. The department is responsible for preparing fact sheets for each of the dishes that appear on restaurant and bar menus in company hotels and for testing new products, setting brand standards and researching and developing the particular needs of each brand in regard to products, recipes and promotion. The department is also responsible for the analysing opportunities and developing vending services and defining the appropriate content and suppliers.

To respond to increasing demand, the Sol Meliá Food and Beverage Department also plans four food festivals for 2005 based around fresh produce and to be held in several Tryp and Meliá hotels in Spain.



Research and development process



Paradisus Puerto Rico

C. Development of strategic alliances

Cendant Corporation

The alliance signed with the world travel market leader, Cendant Corporation, in 2003 led to the creation in 2004 of the Sol Meliá Vacation Club and the Sol Meliá Vacation Network. Sol Meliá Vacation Club is developing the timeshare business in some of the company's most exotic destinations.

The Sol Meliá Vacation Network allows members to enjoy additional benefits during their vacations including flexibility with regard to their vacation period, MaS Reward Gold card benefits, discounts with SMVC partner companies and free choice of over 300 Sol Meliá destinations.

Rank Group

The success of the alliance and the opening of the Hard Rock Chicago in 2003 has continued with the purchase of the Paramount Hotel in New York and confirmation of the first Hard Rock Hotel in Europe with the development in Madrid of the old Tryp Reina Victoria. Both of the new additions require a thorough renovation to transform their services and facilities to provide the quality they require to deliver an authentic Hard Rock experience.

Warner Bros. Consumer Products

The Flintstones have become even more familiar to hotel guests thanks to their appearance at five Sol hotels in Spain in 2004. The success of this initiative opened the way for its implementation in the Americas where both the activities and the merchandise were enthusiastically received.

Sol Meliá will extend the Flintstones Land concept in 2005 both in Spain and in Latin America to provide even more fun for kids of all ages and help guarantee memorable, activity-packed vacations for all the family.





annual
report
2004

SOL MELIÁ
AND CORPORATE
SOCIAL
RESPONSIBILITY



7.1 CORPORATE GOVERNANCE

On 30 March 2005 the Board of Directors approved and made available to company shareholders the Annual Report on Corporate Governance for the financial year ending 31 December 2004 in compliance with Law 26/2003 of 17 July, by which a modification was made to Stock Market Law 24/1998 of 28 July and the Revised Text of Company Law, approved by RDLeg.1564/1989 of 22 December, to promote transparency in publicly quoted companies.

The Corporate Governance report has been produced in accordance with the aforementioned Law 26/2003, as well as with the contents of Ministerial Order ECO/3722/2003 of 26 December on the annual report on corporate governance and other informational tools used by publicly quoted companies and other entities, and applying the model defined in Circular 1/2004 of 17 March from the Spanish Stock Exchange Commission.

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 Annual General Meeting of 8 June 2004 approved the proposals of the Board of Directors to modify Company By-laws and the Regulations of the Annual General Meeting. In compliance with article 115 of the Stock Market Law, the Annual General Meeting was also informed of the approval by the Board of Directors of the new Regulations of the Board of Directors in their meeting of 30 March 2004. All proposals mentioned have 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 Committee for the Promotion of Transparency and Security in Financial Markets and Public Companies ("Aldama Report"), in Law 44/2002 of 2 November on reforms in the financial system and in the aforementioned Law 26/2003.

The meeting of the Sol Meliá, S.A. Board of Directors held on 7 September 2004 also approved changes to the Internal Regulations on Good Conduct in matters relating to the stock market to reinforce the protection of shareholders and transparency valid until that date. Specifically, the Board agreed the following changes:

- a) Specific mention is made of the fact that relevant information on the company must be made immediately available to the markets.
- b) More detail is provided on the measures to be adopted in the negotiation or analysis of any operation involving company stock (section 4.2.).
- c) A more detailed regulation is added on conflicts of interest (between the interests of the company and those of the person subject to the Regulations) and the means by which they may be resolved (section 5.4.).
- d) Specific mention is made of the fact that lack of compliance with the Regulations will be considered a major disciplinary matter.



7.2 HUMAN RESOURCES

SOL MELIÁ PEOPLE

The team

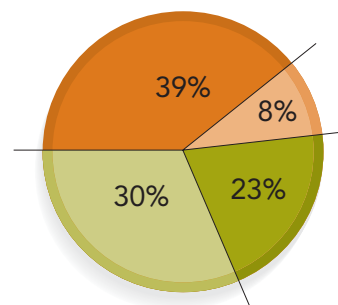


Sol Meliá has changed the criteria by which the company team is counted. The old system that counted staff regardless of the type of contract that they had created difficulties in comparison and did not take into account the diversity of contracts and the seasons in which the business operates. The new system transforms the total number of hours worked to a number of equivalent staff, meaning that the number of company employees in 2004 was 29,600.

The company employs a wide diversity of people from different cultures, not only thanks to the number of countries in which we operate, but also due to a cultural mix within countries. In Spain, for example, over 7% of employees are immigrants from more than 60 different countries.

Distribution of personnel

EUROPE	AMERICAS	CUBA	ASIA	TOTAL
11,357	8,893	6,850	2,500	29,600



■ Europe
 ■ Asia
 ■ Cuba
 ■ Americas

Other key figures:

- Average age: 35
- Average voluntary loss of permanent staff: 5.72%
- Gender: male 60%, female 40%
- All executives and department heads (350 executives and 1,500 department heads) are subject to an annual performance appraisal and are included in training plans.
- Average rate of voluntary loss of personnel at Sol Meliá worldwide is 5.72%.

Human Resources Strategy

In 2004 the Human Resources Department has focused on reinforcing a number of strategic factors to support the continued development and transformation of the company:

- Training
- Development
- Involvement of employees in business improvements
- Action plans to improve quality and workplace environment
- New technologies.

TRAINING

2004 was a key year for the implementation of the Corporate University and the institutionalisation of the figure of the Tutor (permanent internal trainer) in hotels, achieving a total of 446,880 hours of training, of which 69% was carried out by internal trainers, based around an annual process carried out in each department and hotel to detect training needs and define training plans.

The figure of the TUTOR was born of a need to spread the culture of customer focus, superior service and the achievement of hotel objectives.

The main duties of the Tutor are to ensure that new employees receive the most extensive and appropriate introduction to the company, to monitor their evolving performance, to help them obtain extensive knowledge of products and services, and to guarantee the standardisation of procedures and customer service.

The Tutor is normally a Head of Department, although the function may be assigned to another person if so approved by the Hotel General Manager. If another employee is designated Tutor, they may be considered a "model employee" and become candidates for a personal Career Development Plan.

Tutors receive special training and can take part in Tutor Assemblies held before the courses.



All of the new employees that join hotels for a period of greater than one month receive an two-day introductory training course to familiarise them with hotel operations.

All employees attend a two-day training course in quality service from internal trainers aimed at encouraging the sharing of experiences. 2004 was the fifth consecutive year courses have been held and 17,500 employees have now taken part.

Sol Meliá combines the Corporate University with numerous activities in cooperation with educational organisations to promote hotel training and staff development (Business Institute, University of the Balearic Islands, University of Seville, Granada Hotel School, etc.), and also encourages General Managers to forge their own relationships with universities and hotel schools where they are also encouraged to contribute as professors. In 2004, as has been the practise for a number of years, several company executives attended the Executive Masters in Management of Hotel Companies at the Business Institute.

The agreement signed in 2002 between Sol Meliá and the University of the Balearic Islands led to the creation of the Gabriel Escarrer Chair and an award of 60,000 euros: 12,000 euros for the International Tourism Research Award and 48,000 euros for tourism research projects.



Sol Meliá also continues to perform its social role as a "giant" training centre for young professionals. In 2004 more than 900 youngsters received on-the-job training with Sol Meliá with many of them going on to find a permanent position with the company.

All of these factors have been drivers of the reputation that Sol Meliá has earned as one of the most attractive employers in the international job market.

DEVELOPMENT

Every executive manager is responsible for identifying those people with greatest potential amongst their team and for supporting them in their development along with the Human Resources Department. Development is understood to mean an improvement of their performance in their position, preparation to occupy other positions at the same level in a different area (horizontal development) or at a superior level (vertical development). 95% of executive positions are covered by internal promotion and it is a Sol Meliá policy that all vacant positions must first be offered to company employees. In 2004 there were 470 career development plans under way in addition to the personal development plans of each Hotel General Manager.



In order to offer opportunities for growth and development in 2004 at different levels in the organisation entry-level personnel development plans have been created for each hotel department. Sol Meliá thus guarantees that there is an institutional programme for development for all of the members of our team that will encourage internal promotion.

Sol Meliá development in Europe is implemented through Horizontal Development Plans (HDP).

Horizontal Development Plans are tools designed to assist hotel management in the training of versatile employees, able to correctly perform all of the func-



tions of their department. The final objective of the HDP is to stimulate greater productivity, minimise risks and provide superior quality service.

For employees, an HDP creates greater self-confidence in their work and motivates them to aim for positions of greater responsibility.

HDP have focused on the development of entry-level personnel in the front desk, kitchens, restaurant, bars and engineering departments.

To define the programme from a training point of view, job descriptions have been prepared based on the classification of tasks containing shared processes. Training also has the advantage of discouraging employees from thinking of their position as a closed box and encouraging them to think more creatively and become more versatile.

INVOLVEMENT OF EMPLOYEES IN BUSINESS IMPROVEMENTS

Sol Meliá is immersed in a process of cultural change based on the belief that all employees possess information which is key to the business, our processes and our customers, and that their implication in the improvement of the business is thus a key factor behind innovation and improvement.

In 2004 the company developed and implemented tools that aim to increase employee participation as drivers of innovation and business improvements to satisfy the needs of increasingly discerning customers while also favouring the optimisation and profitability of our resources and financial performance.

The tools that have been used to bring about the cultural change are, on the one hand, the normalisation of the internal communication programme and recognition programmes in hotels, and, on the other hand, by the development of the “Sugiere” (Suggest) Programme.

The implementation of the internal communication plan, recognition programme and “Sugiere” programme forms part of the bonus scheme of Hotel General Managers and heads of department as defined by the Sol Meliá Human Resources Department.



Hotel internal communication plan

In Sol Meliá hotels this defines the channels, frequency and content of the different internal communication tools for each of the hotel audiences to ensure correct decision-making and the involvement of all of the required members of staff.

- **Briefing:** short daily meeting between hotel general management and heads of department to coordinate daily operations encouraging open communication and the analysis of guest comments and problems from the previous day and their solution.
- **General Assembly:** an annual event at which hotel management communicates to staff the strategy, objectives and results (financial, quality and competitive positioning) of the hotel compared to company benchmarks.
- **Operations Committee:** a regular meeting between hotel general management and heads of department (every two weeks or every month depending on the hotel) to analyse both quantitative and qualitative results and create action plans to achieve objectives in the forthcoming period.
- **Sol Meliá "Hablemos" (Let's Talk):** breakfast meetings between the Hotel General Manager and entry-level personnel from different departments to identify areas for improvement and propose solutions. All hotel staff attend at least one meeting each year. Proposals are published on the notice board along with the measures which are eventually approved and adopted.
- **Notice board:** a location for the publication of internal information and news and to help maintain fluid communications between departments and communication in general.

Recognition programme

Complementary to the internal communication plan, the internal recognition programme consists of the following awards:

On the one hand, there are awards for efforts to improve customer satisfaction:

- Award for the employee named most times by guests for their service and friendliness.
- Award for the department that achieves best results in service quality

On the other hand, there are also awards participation in business improvements and for team work:

- Award for the best suggestion.
- Award for the most cooperative department.

"Sugiere" (Suggest) Programme

The "Sugiere" programme was created to encourage participation and communication so that corporate departments and hotels would have an input of additional information to assist in decision-making aimed at improving customer satisfaction, staff efficiency and business profitability.

The programme has created a two-way communication between corporate offices and hotels ensuring that the information reaches all decision-making bodies and persons, and that information is returned to the front line without any distortion or delay.

The programme helps employees to transmit ideas that improve the financial profitability of the business and the efficiency of staff and satisfaction of customers.

Suggestions are analysed individually and the person that has made the suggestion receives a reply and any additional relevant information. An Evaluation Committee made up of executives from departments involved in operations regularly meets to decide the treatment to be received by each suggestion and select one particular suggestion based on the return on investment and volume of the gains it is expected to generate.

The employee that has provided the selected suggestion receives an award and the news is included in the Sol Meliá internal newsletter. All of the suggestions that promise greater efficiency or the development of new products or services are also transmitted to hotels and corporate offices.

The “Sugiere” programme is also backed up by the commitment of all of the departments within Sol Meliá to ensure that the implementation and monitoring of ideas receive the active cooperation of hotels and corporate departments.

ACTION PLANS TO IMPROVE QUALITY AND WORKPLACE ENVIRONMENT

- **Quality policies**

Sol Meliá operates a Quality Control Programme which integrates Quality Management to guarantee customer and employee satisfaction while also remaining loyal to the company philosophy and values, style and culture.

The programme provides senior managers with a number of tools which aim to:

- Measure and maximise information on customer satisfaction, their needs and their past and future expectations.
- Provide a common and efficient benchmark to avoid anomalies and adopt corrective measures whenever they may occur.
- Motivate staff to perform to the best of their abilities and provide excellent service.



- **Quality and workplace environment objectives**

Sol Meliá sets global annual objectives for the quality levels perceived by guests and workplace environment surveys in hotels. Hotel General Managers, assisted by regional quality coordinators and bearing in mind the quality policies defined, define more specific objectives for departments or in particular operational areas.

At least three months in advance, these objectives are reviewed by hotel management and heads of department to ensure that they are in line with global annual objectives and the appropriate action plans are defined. The monitoring of the results of the action plans and progress of objectives is registered and approved by the management of each hotel.

- **Quality and workplace environment action plans**

Hotel General Managers, assisted by regional quality coordinators, prepare an annual “Quality and workplace environment action plan” and update it every month in order to achieve objectives and guarantee that organisational changes are made in a controlled fashion and do not affect the Quality Control Programme. This is a global system for the analysis, planning, control and monitoring of actions aimed at improving customer satisfaction and the workplace environment. The plans include:

- a) The identification of real or potential areas for improvement through the different measuring tools included in the Quality Control Programme.
- b) The investigation of the causes of anomalies.
- c) The corrective and preventative actions defined to respond to anomalies and areas requiring improvement.
- d) The measuring parameters and the responsibilities associated with each action.

Internal quality audits. Sol Meliá hotels are regularly visited by the regional quality coordinators. The visits are treated as ongoing quality audits and an opportunity to exchange extensive information on quality and the workplace environment. They are also a factor taken into account in the annual performance review.

NEW TECHNOLOGIES

The Human Resources Department continues to adopt new management technologies:

- Improving the transactions that support human resources processes and creating new workflows that allow processes to be managed entirely online with different users making decisions at the appropriate time and thus making processes more flexible and keeping all information fully integrated. Information is more reliable, easier to control and to share, and also available in real-time in all of the countries where workflows have been implemented: Spain, Mexico and the United Kingdom.
- Making the Human Resources SAP platform the central pillar of our strategy to decentralise certain corporate functions and automate processes.
- Using new technology in recruitment, integrating Internet and SAP R/3.

The combination of these tools has allowed a simplification of the recruitment process. The personal information input by candidates in the website is stored directly in the SAP database. In 2004 a total of 4,085 candidates registered their details on the Sol Meliá website. The SAP database offers numerous ways of viewing and manipulating the data providing quick and easy analysis.



After having used the tools for some time now, many other advantages have also become apparent and have helped to optimise both human and economic resources. These advantages include:

- **Reduction of recruitment costs**
- **Reduction of selection process duration and costs**
- **Globalisation of the Human Resources Department**

ETHICAL CODE

Sol Meliá applies general global criteria to the behaviour of executives that are extremely important to the company. This ethical code also applies to conflicts of interest, use of information or resources, policies on family relations, personnel policies and sanctions.

Policies on conflicts of interest and the use of information or resources limits the use of past, current or future corporate information for any ends other than that of the development of company business activity. It also forbids a Sol Meliá executive from occupying at the same time a position as employee or shareholder of supplier companies or other companies that compete in the same business. Policies also regulate the confidentiality of the information and the use of real estate or other assets in company interests.

The policy on family relations deals with the possibility of executives employing direct family relations in the department or business unit they run.

Personnel policies demand the respectful treatment of colleagues and customers, particularly avoiding any behaviour that might offend the dignity of the person involved or any discrimination based on gender, race, age, religion, nationality or on any other such factor.

The duties of loyalty and good faith of employees are supervised by the Human Resources Department and by the Compensation and Appointments Committee based on evaluation procedures for each of the aforementioned policies.

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.

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.

As an integral part of the Sol Meliá team, the company expects each employee to accept certain responsibilities and maintain the highest levels of personal integrity.



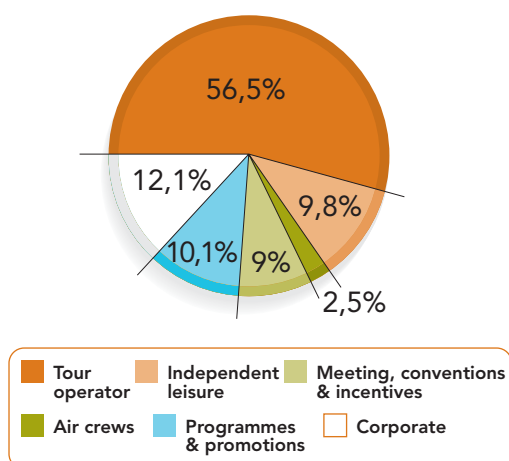


7.3 CUSTOMERS

SEGMENTATION BY NATIONALITY

Country	Bednights	%
SPAIN	8,406,134	30.8%
UNITED KINGDOM	5,341,603	19.6%
GERMANY	4,642,455	17.0%
USA / CANADA	2,180,534	8.0%
ITALY	1,495,501	5.5%
FRANCE	899,801	3.3%
BRAZIL	863,605	3.2%
BENELUX	797,005	2.9%
SCANDINAVIA	596,190	2.2%
MEXICO	464,480	1.7%
Others	1,621,251	5.9%
Total	27,308,559	100%

SEGMENTATION BY TYPE



CRM: CUSTOMER RELATIONSHIP MANAGEMENT

In recent years, Sol Meliá has focused heavily on CRM (Customer Relationship Management). CRM has been implemented in Spain, Europe and the Americas, with 100%, 60% and 40% respectively of the external sales force now using the system, together with the telemarketing team in Spain and the Tour Operation Department.

The system allows a more personalised treatment of clients and favours both the incoming and outgoing sales functions. The CRM system is named SMART (Sol Meliá Account Relationship Tool) and aims to gradually build up a major client database which assists in increasing efficiency in the sales force and the automation of certain sales functions. The system provides all of the information required to enable detailed customer profiling, thus allowing specific action plans to be developed on a global, regional and local basis. The system is valid both for individual clients and for corporate clients, travel agents and tour operators.

Sol Meliá has created a sales structure based around specialisation in certain market segments and account assignment and management. The model focuses on allowing the sales force to work more efficiently in line with strategic company objectives and 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.

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.

Sol Meliá uses the market-leading Siebel technology for its customer relationship management functions throughout the company sales organisation, allowing a greater coordination of corporate sales team and hotel-based sales personnel, and providing the Sol Meliá sales force with support in achieving global company sales objectives.



SOLMELIA.COM: MARKET LEADERS

In 2004, Sol Meliá continued to develop and optimise its website at www.solmelia.com and to focus on further adapting the site to the needs of its users. Constant innovation and increasing simplicity in functionality and usability combined with frequent creative and exciting sales promotions make www.solmelia.com the most successful hotel website in Spain. Sales for the year through the website grew by an impressive 84% to 63.4 million euros while the number of visits to the site increased by 72% to 17.2 million.



Apart from company-wide promotions such as a “2 nights for the price of 1” deal, early bird booking discounts, destination-focused promotions and others, sales were also boosted during the course of the year by the addition of and improvement to functionality. The new features introduced included the addition of French, Italian and Portuguese versions of the site and two international versions for Mexican and Brazilian users. The site also added dynamic packaging of flight and hotel products, destination microsites for a wide range of Sol Meliá products and new sections for travel agents, families and Flintstones hotels, amongst others.

The www.solmelia.com team were also active throughout the year in promoting subscriptions to the online special offer newsletter using innovative promotions and online games to encourage users to register with [solmelia.com](http://www.solmelia.com). The results were highly successful, with the number of users registered online for the MaS Rewards loyalty programme growing 119% to 154,000 and the number of subscribers to the newsletter up from 222,000 in 2003 to 630,000 at the close of 2004, a growth rate of 184%.



The company continues to promote its lowest online rate guarantee as a key factor in stimulating bookings through www.solmelia.com. Under the terms of the guarantee, customers may be sure that they will not find a better price anywhere online than the rate being offered by www.solmelia.com and a commitment to match the price and provide an extra 10% discount if they do so.

LOYALTY PROGRAMMES

Sol Meliá and its partners

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.

Sol Meliá currently participates in the loyalty programmes of:

- AAdvantage (American Airlines)
- AMC Miles (ANA)
- Club Ave (AVE_Renfe)
- Distancia (Grupo Taca)
- Eurobonus (SAS)
- Fidelitas (Air Europa)
- Fly Pass (Meridiana)
- Frecuenta (Mexicana de Aviacion)
- Hi-Fly (Meridiana)
- Iberia Plus (Iberia Lineas Aereas)
- Jal (Japan Airlines)
- Krisflyer (Singapore Airlines)
- Lanpass (Lan Chile)
- Navigator (Tap Air Portugal)
- Sky Miles (Delta Airlines)
- Spanair Plus (Spanair)
- Swiss Travel Club (Swiss Int.)
- Top Bonus (Air Berlin)
- Travel Club (Air Miles Spain)

The company has also entered negotiations to form part of the loyalty programmes run by:

- Alitalia
- Aeroméxico
- Binter Canarias

MaS Rewards

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 Rewards programme.

MaS Rewards was aimed at providing guests with a more personalised hotel experience and also generating points and 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 2004, 154,000 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 following up with a launch in Mexico in the year 2000.

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 “Nuevo Futuro”.

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 45 million international frequent travellers, almost 700,000 MaS members and 105,000 travel agent members of the "Club Amigos", the extraordinary influence of loyalty rewards programmes on Sol Meliá hotel sales is plain to see.

RESERVATION 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 1,064,327 calls in 2004 and made a total of 469,000 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 real time. One out of every four bookings made through company systems are made through the GDS.

In 2004 call centre services were implemented for Sweden, Norway, Finland and Denmark.

The technology that supports Sol Meliá reservations management is named Sirius and has been wholly developed by the company. In 2004 there has been greater stability and evolution of the Sirius sales and distribution platform, home to the functionality for the Central Reservation System, tour operator contracting, corporate clients, loyalty programmes and interfaces with intermediaries selling Sol Meliá hotels.

MEETING SOL MELIÁ

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 and 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.

- **Meeting Sol Meliá hotels and Selected Destinations**

Sol Meliá has created a selection of its Spanish and international hotels best suited to hosting events, meetings and incentives, the so-called "MSM Hotels". Customers may choose the destination or specific location, select their preferred characteristics and the meeting space they require from a total of 105 hotels worldwide.

The MSM "Selected Destinations" are included in a special catalogue and include the most relevant destinations in the world for major events both for their location and the quality of the hotels.



Auditorio Meliá Castilla



Centro de Convenciones Gran Meliá Victoria



Meliá Sancti Petri



- **MSM standardisation project**

Meeting and event customers are guaranteed professional attention. In 2003, MSM began a standardisation project with the objective of implementing processes and standards defined for group, convention and incentive sales and planning. The project has introduced a greater level of standardisation which has in turn increased the competitiveness of meeting and event services worldwide. In 2004 the company published the MSM Groups and Events Manual which defines in detail all of the procedures and standards. The "MSM >Perfectly" training courses have assisted in successfully implementing the manual in 44 MSM hotels in Spain with 225 people from MSM hotels, regional offices and group desks being trained all over Spain.

In 2005 implementation will be completed in the 61 remaining MSM hotels in Europe and the Americas, providing training to an additional 300 members of staff.



- **First International Meeting Sol Meliá Convention**

In 2004 the first International Meeting Sol Meliá Convention was held at the Meliá Olbia hotel in Sardinia (Italy) and attended by all of the MSM teams from regional offices worldwide as well as by sales directors from some of the Meeting Sol Meliá hotels. After the meeting a number of new internal procedures were created and documented with the objective of improving the speed and quality of all interactions with customers in the organisation of meetings and other events worldwide.

- **MSM participation in trade fairs 2004**

JANUARY

21 – 25	BTL, Bolsa de Turismo de Lisboa (Lisbon, Portugal)
26 – 27	FITUR CONGRESOS (Madrid, Spain)
28 – 1/2	FITUR, Feria Internacional de Turismo (Madrid, Spain)

FEBRUARY

14 – 17	BIT, Borza Internazionale de Turismo (Milan, Italy)
24 – 26	CONFEX, Conference Exchange (London, United Kingdom)

MARCH

12 – 16	ITB, Internationale Tourimus-Börse (Berlin, Germany)
24 – 27	MITT, Moscow Intl. Travel & Tourism Exhibition (Moscow, Russia)

MAY

12 – 14	IMEX, Worldwide Exhibition for Incentive Travel, Meetings & Events (Frankfurt)
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SEPTEMBER

24 – 26	TOP RESA (Deauville, France)
30 – 02/10	IT&ME, The Motivation Show (Chicago, United States)

OCTOBER

13 – 14	M&IT, Meetings & Incentives Travel Show (London, United Kingdom)
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NOVEMBER

2 – 4	BTC, International Congress and Incentive Bourse (Florence, Italy)
8 – 11	WTM, World Travel Market (London, United Kingdom)
30 – 2/12	EIBTM (Barcelona, Spain)

- **Newsletter MSM**

Better informed customers.

The MSM department publishes a newsletter every quarter in 5 languages which is distributed to European agencies and companies specialising in the meetings, conventions and incentives business. The objective of the newsletter is to promote hotels and destinations specialising in the same business and also to help provide information at trade fairs. 6,500 copies are published for each edition.





7.4 FOOD SERVICE

The Food and Beverage Department is guided by an extensive quality manual which defines the fundamental procedures related to food preparation in order to guarantee the highest standards of hygiene in dishes prepared in company kitchens.

DRINKING WATER SUPPLY PROGRAMME

This programme guarantees the delivery of drinking water supplies and defines the corresponding control mechanisms. At the beginning of every day, the Chief Engineer is responsible for measuring the residual free chlorine of the drinking water supply and for carrying out a more detailed chemical analysis twice each week.

The relevant sanitation authorities are then contacted if the results of the analysis indicate that the water being used might contaminate food preparation due to the fact that it does not comply with microbiological, chemical or physical standards.

CLEANING AND DISINFECTION PROGRAMME

This programme guarantees that the cleaning and disinfection of equipment, machinery and tools used in food preparation and service is carried out correctly and that staff behave accordingly to prevent contamination.

This is implemented through specific instructions regarding the daily cleaning of work surfaces, storage areas, kitchen equipment and utensils. Special attention is also paid and rigorous standards applied to the personal hygiene of staff handling food.



STAFF TRAINING PROGRAMME

This programme guarantees that all staff involved in food handling and preparation receive appropriate training in relevant food hygiene standards and apply what they have learned correctly.

The programme also ensures that staff are fully aware of the principal causes of food-related illnesses and the means by which they may be prevented.



FOOD HANDLING BEST PRACTISES

From the moment food is delivered until the time a meal is served from the kitchens there are a number of stages in which appropriate hygiene standards must be applied.

1. Purchase and delivery of products

Suppliers must provide products that comply with regulations and must be fully registered with the appropriate sanitation authorities. Retail goods must be acquired from local suppliers whenever possible and delivered in authorised vehicles. When the products are delivered they must be inspected and rejected if they do not comply with quality standards.

To ensure the application of rigorous quality standards, the person receiving the delivery must be fully aware of the product characteristics and of what is required of suppliers. These characteristics are defined in the Supply Specifications and Supplier Certification programme.

When goods are being purchased or delivered, staff must check their labels and packaging as well as their freshness.

Staff must also ensure that the delivery of goods does not coincide with the removal of waste materials from the hotel.

Food must be received in a location which provides appropriate standards of cleanliness and disinfection, avoiding the unloading of food in areas with significant environmental pollution.

2. Storage of food

2.1. Storage at room temperature

This category is for food products that do not require storage at any particular regulated temperature. Such products must be consumed before the date indicated by manufacturers or suppliers and must also be subject to appropriate storage procedures such as:



- Not exceeding storage capacity limits in storage areas.
- Not storing food products with non-food products and particularly not with dangerous substances such as detergents, bleach, etc.
- Not storing food products in contact with the floor. Food products must be stored at a height of around at least 10 cm. from the floor.
- Creating a system of product rotation (first in, first out).

2.2. Chilled or frozen storage

Chilled or frozen food products must be stored with a sufficient distance between them to ensure that they do not contaminate each other.

In refrigerators and freezers food products should also be stored in a way that guarantees that they remain at the required temperature. Food products that are stored for longer periods of time should be kept at lower temperatures.

When the temperature of equipment is checked care should also be taken to take into account that product temperatures are different, particularly for recently stored products and that temperatures are not uniform throughout the equipment.

3. Defrosting

Food products are not defrosted at room temperature, but rather in refrigerators where the products cannot be contaminated by other products.

Defrosted products may not be refrozen and must be prepared immediately as soon as they have defrosted.

4. Preparation of raw materials

Hotels must have an area, preferably air-conditioned, reserved exclusively for the preparation and cleaning of raw materials. When this is not viable, both the preparation of raw materials and the preparation of meals may take place in the same location provided they take place at different times, and also at a different time from the cleaning and disinfection of work surfaces and utensils used in food preparation.

It is important that different equipment and utensils are used for raw or cooked food products, particularly chopping boards, with different colours being used in many cases.

5. Preparation of unheated food

All food products to be consumed raw must be submerged in drinking water with an appropriate disinfectant solution for the amount of time recommended by suppliers and then rinsed in abundant drinking water to ensure that there is no trace of disinfectant.

6. Preparation of heated food

Time and temperature limits must be set for each type of food preparation, product and quantity.



PEST CONTROL PROGRAMME

This programme aims to control pests in hotels by:

- Applying preventative measures to avoid the appearance of pests.
- Applying corrective measures whenever anomalies are detected and monitoring subsequent improvements.
- Applying products appropriate for food preparation areas whenever preventative or more passive measures do not have the desired effect and when recommended by the diagnosis of expert suppliers.



FACILITY AND EQUIPMENT MAINTENANCE PROGRAMME

All facilities, equipment, machinery and utensils are subject to a maintenance programme.

This preventative programme aims to guarantee the correct state of maintenance of facilities, equipment, machinery and utensils over time and is carried out by hotel staff.



PRODUCT ORIGIN MONITORING

The tracing of products begins with the registration of raw materials delivered to the hotel. The PRODUCT DELIVERY SHEET is used to register the state and reference numbers of products received.

The kitchens department then uses a FOOD PREPARATION SHEET which defines the name of the dish, its ingredients, and the way it should be prepared and stored. Dishes are prepared fresh each day following a menu cycle. Food is not prepared one day to be consumed the next day.

To control the food preparation process the following procedures are applied:

1. Pre-defined menus are used which detail the dishes to be offered to customers each day.
2. Those products that are not consumed on the day they are prepared and which may be consumed the following day such as certain cakes, for example, are identified with a STICKER on their container indicating the name of the product and the date it was prepared.

Products prepared at the hotel are consumed within the hotel, thus eliminating the need for control over products consumed off site.

WASTE AND WATER DISPOSAL PROGRAMME

Waste products generated by the company include solid waste such as the remains of food, products past their expiry date, cooking oil and packaging. There is also waste water from cleaning operations to be disposed of.

Solid waste products are disposed of using hermetically sealed waste bins near the place of work which use disposable bin bags which are changed regularly. All waste products are removed at the end of the working day and never remain on site.

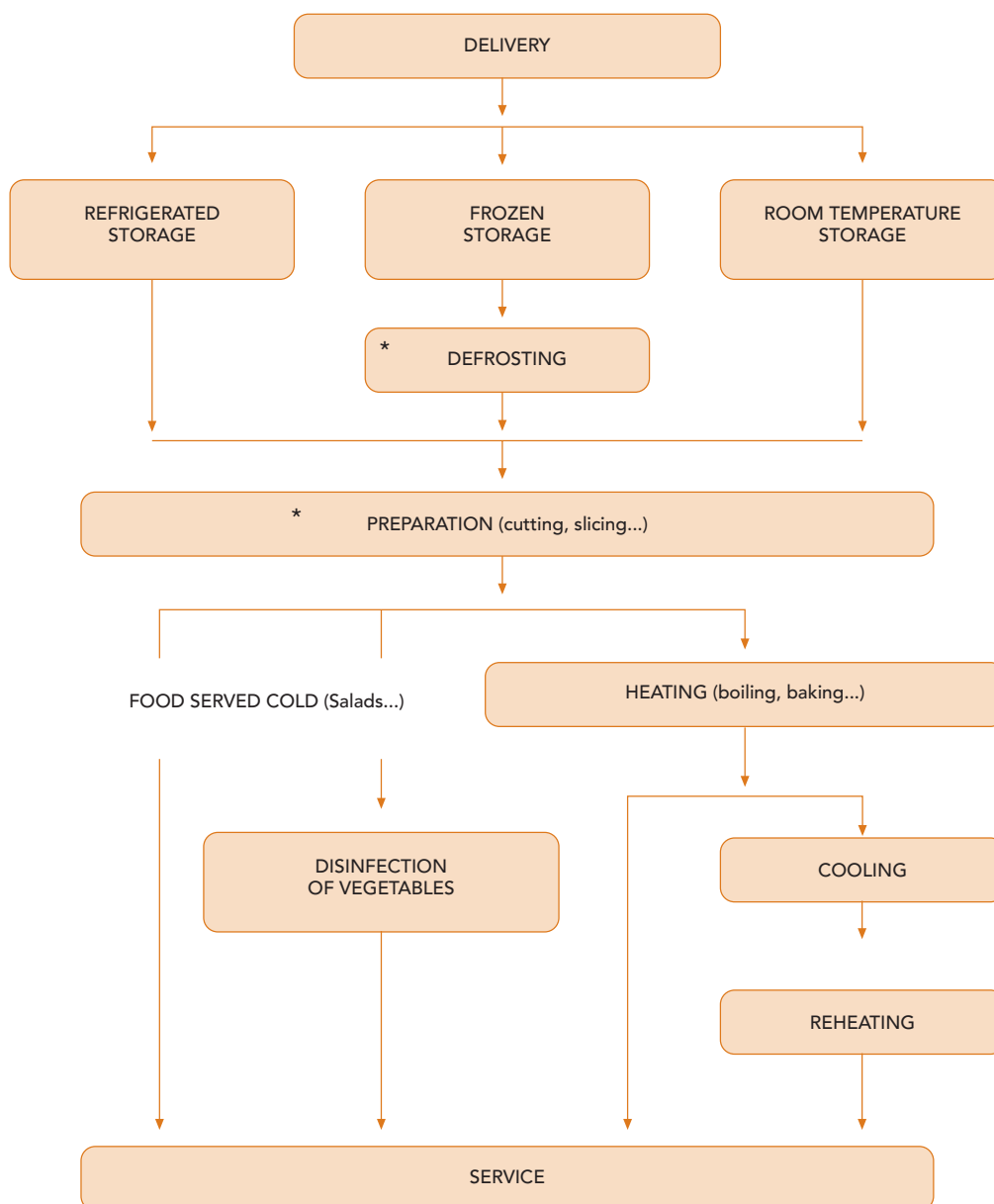
Cooking oil is removed by authorised companies after being stored in containers in the kitchen or general stores area. This area is also used to store food packaging waste.

Waste water from the cleaning of the facilities drains directly through to the municipal drainage network.



CRITICAL POINT ANALYSIS

Process Flow Diagram



* Indicates area of increased potential contamination

Registers of Critical Point Analysis System

- Register of good delivery.
- Register of storage temperatures.
- Register of daily inspections.
- Register of anomalies.
- Register of drinking water analysis.
- Register of disinfection of vegetables.
- Register of temperature at product core.



7.5 SUPPLIERS

PURCHASING AND SUPPLY MANAGEMENT POLICIES

The general Sol Meliá purchasing policy aims to “meet the operational needs of hotels and corporate offices that may be covered by acquisition or contracting in order to generate revenue increases or cost reductions at acceptable quality levels”. The mission of the Purchasing Department is thus to apply supplier management criteria that meet the needs of hotels and corporate offices in a balanced and sustainable way. The following criteria, however, are also taken into account:

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

Thanks to Sol Meliá technology, on the way to achieving objectives for 2004, the following activities have taken place:

- Implementation of IT systems for Purchasing and Warehouse Management in the following countries: Spain, France, Switzerland, United Kingdom, Italy, Germany, Belgium, Portugal, Mexico, Dominican Republic, Venezuela, Peru, Brazil, Puerto Rico and the United States.
- The introduction in the system of agreements for materials that cover 80% of expenditure in Spain (ABC materials).
- Thanks to the input of master agreements in the system, transparency is increased for the following reasons:
 1. Auditing of the agreed conditions is easier.
 2. The conditions are published and distributed internally.
 3. The roles of negotiator (designer of agreed conditions) and purchaser (issuer of orders based on those conditions) are separated.
- Optimisation of negotiations through prioritisation of negotiations with suppliers that represent 80% of expenditure (ABC suppliers).
- Management of needs by region, hotel category and brand – strong presence of brand image. Standardisation of products applying criteria set by company.
- Reduction in number of suppliers and materials with no reduction in quality / service / operations.

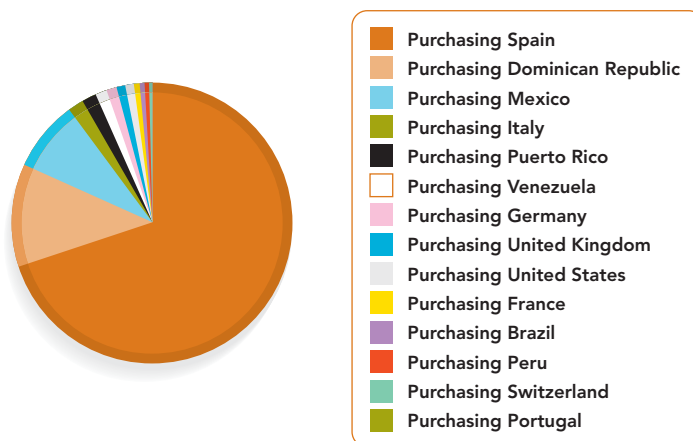
Together with the Operations and the Food and Beverage Departments, much work has been done to standardise the needs of each hotel brand. This allows the Purchasing Department to negotiate standards and obtain important cost reductions while also aligning the services offered by hotels of the same brand.

The volume of data processed by the system and from which the Purchasing Department receives information on buying patterns by region, hotel category and hotel brand in 2004 was:

- 532,651 purchase orders.
- 7,759 suppliers from 31 countries
- 61,170 purchase requirements
- The amount purchased through purchase orders in 2004 by hotels and corporate offices was 207,629,473.95 euros.

Hotels and corporate offices with purchasing data on the system are located in 12 different countries with the following distribution:

PURCHASES BY COUNTRY



Exchange rate applied for conversion of currencies as at 31 Dec 2004

Purchasing organisation	Purchases
Purchasing Spain	145,552,077.80
Purchasing Dominican Republic	24,680,783.98
Purchasing Mexico	17,279,113.24
Purchasing Italy	4,097,684.99
Purchasing Puerto Rico	3,846,206.75
Purchasing Venezuela	2,940,907.35
Purchasing Germany	2,666,903.94
Purchasing United Kingdom	1,977,603.01
Purchasing United States	1,295,415.18
Purchasing France	1,146,522.45
Purchasing Brazil	848,636.82
Purchasing Peru	506,945.87
Purchasing Switzerland	506,774.43
Purchasing Portugal	283,898.14
Total	207.629.473,95



7.6 SHAREHOLDERS AND INVESTORS



In 2004 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 (Madrid, London, Paris, Frankfurt, Cologne, Amsterdam, Rotterdam, The Hague, Zurich and Geneva) and the United States (New York, Chicago, Denver, San Diego, Los Angeles and San Francisco).

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 advances in distribution, strategic partnerships, the financial situation and the development of new hotels and new business units.

In 2004, 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 3 February 2004, at the "Spanish Travel & Tourism Conference" organised in London by the Santander Group.
- On 3, 4 and 5 March 2004, the company met 20 potential investors at a road show in Madrid organised by ING Financial Markets.
- On 22 and 23 April 2004, Sol Meliá met nine institutional investors at a road show in Frankfurt and Cologne (Germany) organised by Kepler Equities.
- On 4 May 2004, the company visited sixteen institutional investors at a road show in London organised by Cajamadrid Bolsa.
- On 17 May 2004, the company visited five institutional investors at a road show in Spain (Barcelona and Zaragoza) and Andorra organised by ING Financial Markets.
- On 16 and 17 June 2004, the company visited four institutional investors at a road show in London organised by Cazenove.
- On 23 and 24 June 2004, the company visited eight institutional investors at a road show in Holland (The Hague, Amsterdam and Rotterdam) and Switzerland (Zurich and Geneva) organised together with ING Financial Markets.
- On 30 June 2004, Sol Meliá took part in the "CSFB EUROPEAN LEISURE & HOTELS CONFERENCE" in London and also visited six institutional investors.
- On 12 July 2004, Sol Meliá visited four important institutional investors in Paris at a road show together with Cajamadrid Bolsa and CM-CIC Securities, as well as holding a conference with twenty fund managers.

- From 22 to 24 September, Sol Meliá took part in the “Southern Europe: The Resort Hotel Market” conference organised in the United Kingdom (London) by European Hotel Finance & Investment.
- From 30 September to 1 October 2004, the company took part in a second road show in the United Kingdom (London) organised together with Cazenove and visited eight important institutional investors.
- From 4 to 8 October 2004, Sol Meliá visited fifteen important institutional investors in the United States (New York, Chicago, Denver, San Diego, Los Angeles and San Francisco) at a road show organised together with Kepler Equities.
- On 19 November 2004, the Investor Relations team visited the stock market analysis department of five banks that monitor Sol Meliá shares from Madrid at a road show organised by the company.
- On 14 December 2004, the company returned to Madrid to meet once again with the stock market analysis department of three banks that monitor Sol Meliá shares at a road show organised by the company.

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, and also provides 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 2004, there were 107 MaS Gold Shareholders and 2,732 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.



7.7 COMMUNITY INVOLVEMENT

1. COMMUNITY INVOLVEMENT AT SOL MELIÁ

1.1 Origins

Since its foundation in 1956, Sol Meliá has carried out a large number of projects worldwide aimed at assisting in the promotion of 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 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.

1.2 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.



At the "Eighth Codespa Awards for Corporate Solidarity", H.R.H Prince of Asturias presents a finalist award to Sol Meliá represented by Jaime Puig de la Bellacasa, Vice President of Communication and Institutional Relations.

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.

1.3 Business and Society Award

In April 2004 Sol Meliá received the Business and Society Award for best strategy in recognition of the projects carried out as part of the company's Community Involvement programme.

The criteria defined by the panel of judges for the Business and Society Awards are based on the degree of innovation in the programme, the chances of generating multiplier effects in other companies, the compatibility of the programmes included in the candidature with other community involvement programmes in the company but not presented as part of the candidature and, finally, the quality of the management of the community involvement projects carried out.

1.4 Sol Meliá, finalist at the eighth annual Codespa Awards for Corporate Solidarity

In December 2004 Sol Meliá became a finalist at the eighth annual Codespa Awards for Corporate Solidarity. The panel of judges of the Codespa Foundation Awards announced that "the hotel chain, thanks to its presence in thirty countries, takes part in developing countries in activities which promote training and employment, involve staff and customers, and raise funds and provide infrastructure for NGO's".

1.5 Sol Meliá, award for "Best Community Involvement"

In mid-June, Sol Meliá received the "Best Community Involvement Award" in Palma de Mallorca at the Business Initiatives in the Balearic Islands ceremony organised by the prestigious economics magazine "Actualidad Económica".

2. COMMUNITY INVOLVEMENT PROGRAMME

2.1 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 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.



Sol Meliá assists after natural disasters. Floods in Kalimalang (Indonesia)



The Meliá Lima presents new desks at the King Juan Carlos School in Lima.



Celebration of Sol Meliá Solidarity Month with UNICEF (Sol S'Argamassa, Ibiza, Spain)



The Los Manantiales School often receives assistance from the Meliá Caribe Tropical, Dominican Republic.

2.2 Programmes

The programmes in the Community Involvement Plan are divided into five priority programmes and four complementary programmes. 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.

A. 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.
4. **NGOs:** To offer services to NGOs at special conditions (discounts, use of meeting rooms, free stays, etc.).
5. **Sports:** To support charity sports events related to community development.

B. Complementary 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: furnishings, 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.

3. COMMUNITY INVOLVEMENT IN FIGURES

3.1 Results in 2004

COMMUNITY INVOLVEMENT 2004	
Projects carried out:	852
NGOs, foundations and organisations benefited:	470
Investment in community involvement projects:	1,203,475.92 euros
Purchases from Special Employment Centres:	3,892,564.70 euros

COMMUNITY INVOLVEMENT SOL MELIÁ	2001	2002	2003	2004
Number of projects	131	205	628	852
NGO's and Foundations	71	145	360	470
Investment (euros)	78,232	384,859.74	1,153,043.30	1,203,475.92
Purchases from SECs	1,718,817	3,763,771.35	3,775,270.88	3,892,564.70

3.2 NGOs, foundations and organisations benefited

SPAIN

4K Association	Calviá Town Hall
Adaph de Marruecos	Campaner Foundation
AFAM	Campano School
Albergue Nazaret	Canary Islands Association of the Physically Disabled
Aldeas Infantiles SOS	Canary Islands Institute for blood donation and therapy
Alicante Association of Alzheimer Friends and Family	Cáritas
Alicante provincial residence	Caritas Diocesis de Chiclana
Amnistía Animal	Caritas Mestral.
Anamib	Caritas Tarragona
Andalusia Association of Victims of Terrorism	Cáritas Villa de Mazo
Andalusia Women's Institute	Carmelite nuns of San José
Ángel Martín Santos Foundation (Vilanova i la Geltrú) Barcelona	Carmen Ramírez Association
APSA Alicante	Cartagena City Hall
ARCA (Self-help and information group for alcohol dependence)	CEFAES
ASDown	Nuestra Señora del Carmen Centre
ASNIMO	Probosco la Orotava Therapy Centre
Asociació Per la Lluita Contra el Cancer	Valencia Transfusion Centre (Alicante)
Association for the Integration of Children with Down's Syndrome	Municipal Centre for the Homeless
Association of friends of Slav nations	Ciudad de la Alegría Foundation
Ayuda al Desarrollo	Club Elsa
Ayuda en Acción	Club Internacional de Marbella and Mensajeros de la Paz
Ayudemos a un niño	Cofradía Jesús
Balearic Islands Food Bank	CONCUBA Foundation Cubano Balear
Balearic Islands Red Cross	Congregación de María Inmaculada / C/. Ruiz Hernández -Valladolid-
Barcelona Parkinsons Association	Cooperación Internacional
British Association for Cancer Research	Córdoba Acoge
Brotherhood of blood donors	Cubano Balear Foundation
Cabildo Insular de Tenerife	Deixalles Foundation
	Deixalles Foundation - Calviá



The participation of customers in Sol Meliá projects creates greater bonds between them and their holiday destination. (Art workshops at *Sol Mirlos Tordos*, Spain).

Diócesis Palmesana
DISFAM
Doble Amor Foundation (association of parents of mentally ill children)
Down's Syndrome Association
EAS (committed Christian communities)
Educación Activa Foundation
El Cribó (group to defend the mentally ill)
El Refugi
El Temple children's residence
Elim Foundation
Entreculturas Foundation
Espanimur Internacional S.L. (partner of the Gota de Leche Foundation).
Estudio Hepatitis Virales Foundation
Fieles de Nuestra Señora de los Reyes y San Fernando Capilla Real (Regina Mundi) Association
Franciscan Brothers of the White Cross
Germandad de Donants de Sang
Gijon Charity Association
GoSahara
Gota de Leche Foundation
Group of Belgian disabled people
Hispalis Institute
Hyperactive Children with Attention Deficit Disorder Association
Infancia sin fronteras
Institution for aid to eastern bloc nations (led by Bernardi Vebija)
Intermón Oxfam
Intervida Foundation
luve Foundation
Jorge Alió Foundation
La Merced Church
La Rebotica Foundation
La Salle School
La Sapiencia
Le Bal des Papillons
Leukemia Association
Limbless Association / Tenerife Island Authorities
Make a Wish Foundation
Malaga City Hall
Mallorca Association of Alzheimer Families
Mano a Mano
Mano Amiga de Valencia
Manos Unidas
Maspalomas Rotary Club

Médicos del Mundo
Mediterránea
Mestral (Red Cross)
Nicaragua-Germany Culture Association
Nuestra Señora de las Marismas residence
Nuestra Señora del Carmen
Nuevo Futuro Association
Nuevos Caminos
ONCE
Parish of Nuestra Señora del Mar
Parish of San Amaro
Parish of San Isidro
Parish of Sant Alonso Rodríguez
Patio de la Cruz in la Orotava.
Patriarch of Moscow
Plan Internacional Foundation
Pontificia y Real Hermandad y Cofradía de Nazarenos del Stmo. Cristo del Calvario y Nuestra Señora de la Presentación
Proyecto Hombre
Pureza de María en los Realejos School
Raíces Paraguayas Foundation
Realiza Foundation
REMAR (rehabilitation of the poor).
Reto a la Esperanza
Reto Association
Reyes Magos Association
Rotary Club
Rotary Club Palma Almudaina
Rotary Club Madrid
Rotary Club Maspalomas
Rovinj University (Croatia)
Royal British Legion
Salesianos de la Orotava School
San Bartolomé de Tirjana Town Hall
San Juan Association
San Juan Bautista senior citizens' residence
San Juan de Dios
Santa Cruz de Tenerife Haemophilia Association
Santa Elena Alzheimer Association
Save the Children
Sempre Verd
Servei Català de la Salut (Generalitat de Catalunya)
Seville Autism Association
Seville Down's Syndrome Association
Seville Multiple Sclerosis Association
Sisters of the poor
Social Affairs Council of the Almuñecar Town Hall.
Spanish Amyotrophic Lateral Sclerosis Association
Spanish Association for Cancer Research
Spanish Confederation of hotels and apartments
Spanish Red Cross
UNICEF
UPACE
Vàlids Artesans
Valora Foundation
Viajeros Sin Fronteras
Vicaría General for Spain and Portugal
Yaiza Town Hall
Youths United S.L

FRANCE

PARAENAM Parents Adoptifs d'Enfants Nés en Algérie et au Maroc (Association of parents of adopted children born in Algeria and Morocco)

GREAT BRITAIN

Andromena Foundation
APM and MANO MANO
Bath Hospital Friends
Friends for Social Aid Charity
Friends of the Eldery (Belgravia Traders Association)
Icelandair Travel Fund
Les Bal de Papillon
ONDAZUL
Palma Rotary Club
San José School
Vàlids Artesans Foundation

ITALY

Istituto Bambin Gesu
Bambino Gesù
Italian Association of Down People
Corporate Challenge
NGOs in Verona and San Giovanni Lupatoto

ARGENTINA

Fundación Hospital Garrahan
Comedor Comunitario Los Angeles de Magdalena y su mama

BRAZIL

Ação da Cidadania
Agência Adventista de Desenvolvimento e Recursos Assistenciais.
Amigos da Vida (niños portadoras del virus SIDA)
APAE - Associação de Pais e Amigos dos Excepcionais de São Paulo
ASA - Associação Santo Agostinho
Assistência Vicentina de São Paulo
Associação Arte Sem Fronteira
Associação Beneficente Benedito Pacheco
Associação Casa de Apoio Amigos da Vida
Associação Comunitária Monte Azul
Associação Pró-Hope
Associação SOS Carentes
CAMP Pinheiros (Centro de Aprendizagem e Monitoramento Profissional)
Casa da Crianças de Sosas
Casa Hope
Casa Transitória Fabiano de Cristo
Centro de Reintegração de Pessoas à Sociedade "Serviço de Saúde Dr. Cândido Ferreira"
Centro Promocional Dino Bueno
Cores da Terra
Escola Infantil Frei Luis Amigó
Escolas Parque do Distrito Federal
Escola João Clímaco

Escuelas de Brasília y Senac
Feira da Torre dos Artesãos
Fundação FEAC (Federação das Entidades Assistenciais de Campinas)
Fundação Maria Carolina
Fundação Pró-Sangue
Fundação Rolando Boldrin
Fundo Social de Solidariedade de São Paulo
GRAACC
Grupo Chaverim
Grupo de Apoio Televida
Grupo Herekut
Grupo Santa's Goodwill - Adventure World do Brasil y Projeto PIVI - Projeto de Incentivo à Vida
IBCC - Instituto Brasileiro de Controle do Câncer
Instituição Paulista Adventista de Educação e Assistência Social
Lar Criança Feliz
Lar dos Velinhos Maria Madalena
LARAMARA
Moradores de las calles
NURAP
ONG "Teu sonho, meu sonho"
ONG Fala Preta
Projeto Âncora
Projeto Casulo
Projeto Felicidade: Hospitales de Brasil en pareja con la ABIH (Asociación Brasileña de la Industria Hotelera)
Projeto Florescer
Projeto Nós do Cinema
Proyectos Culturales
Recanto dos Avós
Rotaract Club
Setor de Doenças Neuromusculares do Hospital São Paulo
Sociedade Pestalozzi de São Paulo
SOS Mata Atlântica y WWF
Unibes - União Brasileiro- Israelita do Bem-Estar Social
UNICEF
VIA Escuela de formación de voluntarios
WWF

MEXICO

Bomberos PVR
73 pacientes
Albergue para niñas maltratadas
Asilo de ancianos
Asilo de ancianos DIF Municipal
Asociación de Golf de Quintana Roo, A.C.
Asociación de hoteles y secretaria de trabajo
Bahía de banderas AC y asociación de hoteles y moteles de PVD
Banco de alimentos



The donation of assets is a common feature of hotel community involvement (Melíá Cabo Real, Mexico)

Becas de Amor, A.C.
 Cal State Fullerton Foundation
 Cáritas Quintana Roo, A.C.
 Casa hogar refugio infantil Santa Esperanza
 Casa San Juan Diego
 Centro de atención al anciano
 Centro preventivo para menores de puerto Vallarta Jal.
 Childrens Wish Foundation
 Ciudad de la Alegría
 Clínica de rehabilitación Santa Bárbara
 Club de los Años Dorados de la Tercera Edad, A.C.
 Club internacional de la amistad
 Colegio Americano de Puerto Vallarta, A.C.
 Colegio Itzamna
 Colegio Roman Wilkes
 Comunidad Misionera de San Pablo Apóstol
 Concern Foundation
 Cruz Roja Española
 Cruz Roja Mexicana, Delegación Cancún.
 CTM
 Dentistry Canada Fund (niños)
 Desarrollo integral de la familia (DIF)
 DIF Municipal de Paurto Vallarta
 Dirección del H. Cuerpo de Bomberos del Municipio de Benito Juárez
 Dirección General de Seguridad Pública, Tránsito y Bomberos.
 DIVAC
 Dr. Kenneth Stein y su equipo
 Escuela de bajos recursos MVP
 Fundación Arturo
 Hijos de Dios
 Hogar de Cobija y Pan
 HOLA Heart of Los Angeles Youth
 Hospital General
 Hospital General de Occidente / Niños dando Amor.
 IEEA instituto estatal para la educación de los adultos
 IMSS Instituto Mexicano del Seguro Social
 Inspirings kids to achieve The athletics first classic
 Instituto Nacional de Educación para Adultos
 International Visitors Protocol Foundation
 Make a Wish Foundation
 Niños con síndrome de Down
 Oakwood School
 Organización Vallarta contra el SIDA
 Pasitos de Luz
 Pitillal busca un amigo
 Programas de atención a niños con discapacidad y de escasos recursos.
 Saint Monica Academic And Spiritual Hertage
 SHARE Inc.
 Sindicato de filarmónicos de puerto Vallarta Jal.
 Sindicato de trabajadores de empresas de hostelería del estado de Jalisco-CTM Sección 92.
 Sr. Edgar G. Arón Olvera
 TELEVISA
 Toys for tots
 UNICEF
 Univerisidad de Tijuana y Cruz Roja
 Universidad Estatal de Fresno
 USC Norris

PERU

Albergue Municipal Maria Rosa Araoz
 Asociación al Niño Peregrino Nstra. Señora del Prado
 Asociación Cristiana "El Refugio"



Show organised by the activities team at the **Meliá Puerto Vallarta** (Mexico) for the local senior citizens' residence.

Asociacion Peruana de los Caballeros de Malta
 Comedor E Maus
 Comisaría de Orrantia del Mar
 Cruz Roja Peruana
 Fundación Centro Victoria
 Fundación Ciudad del Papel
 Hogar Canevaro
 Hogar de Cristo
 Hogar Nuevo Amanecer
 Institución Albergue de María - Panamá
 Institución FUNDADES
 Movimiento de Educación Popular Integral Fé y Alegría
 ONG Tierra de Niños
 Remar Internacional.

DOMINICAN REPUBLIC

Asociación Dominicana de Alzheimer
 Casa de re-educación de adictos a drogas
 Comité Damas Asociación de Hoteles de Sto. Dgo
 Comunidad Haití Chiquito
 Destacamento de Policía del sector de Gazcue
 Escuela de optometría
 Escuela Los Manantiales
 Fundación Cristiana
 Fundación Hogares Crea
 Hogar Crea Monte Plata
 Hogar de ancianos
 Hogar de Ancianos San Francisco de Asís
 Hogar de niños
 Hogares Luby
 Jaycees'72
 Ministerio de Ayuda Comunitaria
 Operativo de oftalmología
 Patronato Nacional de Ciegos
 Sor Teresa

URUGUAY

Hospital Pereira Rossel
 REPAPEL Y Escuelas públicas
 Unidad de Apoyo del Ejército Nacional
 USA
 Red Cross

VENEZUELA

Asociación de vecinos de barrio Campo Rico
 Fundación Unamos al Mundo por la Vida
 Iglesia Parroquial de Montalban Nuestra Señora de la Paz



The **Meliá Caribe Tropical** in the Dominican Republic offered a Christmas party to children from the Los Manantiales School, the only school in the area.



Young girl undergoing treatment at the Hospital Oncológico Infantil near Havana where the NGO Mediterránea delivers medicine and medical equipment.



The least well defended, women and children, main recipients of community involvement assistance from Sol Meliá hotels.

CUBA

Organizadores de Fenilcetonuria.

Mediterránea

INDONESIA

Board of mosque Quwatul Islam

Forum Internasional Independiente de Juventud Hindú

Indonesian Veteran Legionnaires of Yogyakarta.

PT Nusantara Capital,

YPAC Jakarta(Yayasan Pendidikan Anak Cacat)

PT Dwimar

Al Barokah Mosque, Duren Jaya, East Bekasi

Asociación de Hoteles de Bali

Asociación Jóvenes Hindúes

Autoridad de Turismo de Bali

Baitur Rahman Mosque

Bali Hard Rock Hotel y Bali Kuta

Bali Tourism Authority

Bali Tourism Office

Batam Charity Bash

Board of mosque Quwatul Islam

Board of MUHAMMADIYAH

BRI Bank, branch of Yogyakarta

Brother Ephrem Training Centre, Tiga Raksa-Tangerang

Centro Social de Terora

Christian orphanage Rekso Putra

Colegio SLBB para niños sordos

Comité de Turismo de Bali

Consejo de Indonesia Hindu Dharma

Cruz Roja de Badung

Cruz Roja Española

Escuela de Turismo de Dwijendra Bualu

Escuela de turismo de Singajara

Escuela Elemental de Benoa

Fort de Vredeburg Museum

Foundation SOS Desa Taruna Orphanage

FSPSI (Federation of Indonesian's Union Workers Association) of Tourism Sector

Fundación An-Naziah

Fundación Kupu-kupu

Fundación Nurul Ishlah

Fundación Sumba

Fundación Tat Twam Asi

Gandhi Puri Asram

Gede Punarbawa

Gran Melia Jakarta Moslem Community "Al Hijraj"

Green Globe

Hotel Anyer

Hotel Grand Hyatt Bali

Iglesia de Puja Mandala Sakti

Iglesia Wichi Satya

Indonesian German Association

Indonesian Red Cross

Jamiyah Maulidiyah Rebana Group

Jogja Int'l School

Jogjakarta Christian Hoteliers Association

Kharisma Hotel School

KHARISMA PUROSANI Becak Driver Group.

Kuliner Dewata

LEMBAYA PEMBERDAYAAN MASYARAKAT

Librería Taman Bacaan

Melia Purosani Moslem Community

MERPATI PUTIH Martial Ar Club Jogjakarta

Mitra Netra Foundation

Moslem girl orphanage Putri Muhamadiyah

Municipal Office Yogyakarta

Muslim community surrounding hotel

Nurul Huda Mosque, East Jakarta

NURUL YASMIN (orfanato islámico de niñas)

Orfanato de Mujahidin Mosque

Orphanage PANTI ASUHAN PUTRI YATIM PUTRI MUHAMMADIYAH

Orphanage Putri Islam

Orphanage TUNAS HARAPAN

Pedes Village Youth club

Pedicab drivers club KHARISMA PUROSANI

PELMANI , association of traders at Malioboro & Ahmad Yani street.

Peradah Indonesia

Pos Keadilan Peduli Ummat

Pusat Penyelamatan Satwa Jogjakarta (Animal Rescue Center Jogjakarta)

Red Cross Indonesia

Red Cross Jogjakarta (PMI)

Rotary Club de Nusa Dua Branch

Rotary Club Yogyakarta

Santa Maria a Catholic Orphanage Girl

SAPU JAGAT

Sekolah Tinggi Pariwisata Bali

Sheraton Mustika Hotel Yogyakarta

Simpang tiga village

STIE PARIWISATA Triatna Mulya ,International Hospitality

TEGALPANGGUNG Elementary School

Templo de Delem Ped

Templo de Kancing Gumi

Tourism Cooperative of Muntilan, Central Java



Markets for clothes and other things is a popular way of raising funds from staff and customers (*Gran Meliá Jakarta*, Indonesia).



The large family of children at the Yayasan Khazanah orphanage and the team at the *Gran Meliá Jakarta* that often works with them.

Tourism Police Squad Jogjakarta

Tri Hita Karana

UNICEF

Universidad Hindú de Indonesia

Village Chief of Wirokerten – Bantul regency, province Yogyakarta, Indonesia., Mr. Suhadi

Widhi Asih II

WWF

YAKKUM a rehabilitation centre for disable people

YAKKUM Rehabilitation Center _ Bethesda Hospital Foundation

Yayasan Anak Bangsa Yogyakarta

Yayasan Ibu Suri

Yayasan Kesejahteraan Anak Indonesia (Foundation of Indonesian Children's Welfare)

Yayasan Khazanah Kebajikan

Yayasan Sosial Soegiyopranata (YSS)

Yayasan Usaha Mulya

MALAYSIA

Bukit Bintang Central KL

Cameron Highlands Orang Asli

Handicapped & Mentally Retarded Children Centre Selangor

Mohd Jeffri Bin Azanan (son of staff Azanan Basaruddin)

National Blood Centre (M'sia)

PAWS Animal Welfare Society

Pusat Jagaan Titian Kasih

Rumah Solehah - shelter for mothers & children diagnosed with AIDS

Sri Sathya Sai Baba Bhajan Unit - Edutrip 2004

To raise fund for WAO, Rumah Solehah (Shlter for mother & children dignosed with AIDS)

Woman's Aid Organisation (WAO) is a non-profit , non-religious & independent organisation

VIETNAM

The National Fund for Vietnamese Children

Cruz Roja Española

Hanoi Red Cross Society

Labour and Society Magazine

Labour Newspaper's Golden Heart Fund

National Hospital of Pediatrics

Vietnam Red Cross Society

4. AGREEMENTS WITH FOUNDATIONS

4.1 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.

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.



4.2 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 medium-sized 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.

4.3 Fundación Adecco

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 July 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.

4.4 "Lealtad" Foundation



To assist with project management in the 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".

4.5 Balearic "Proyecto Hombre" Association



Well aware of the problems caused by drug addiction and of the prestige earned by "Proyecto Hombre" in the Balearic Islands, as well as the "Proyecto Hombre" Association throughout Spain, Sol Meliá has signed a number of cooperation agreements with the association, including:

- To offer young residents at "Proyecto Joven" the chance of work experience and training with the engineering departments at several Sol Meliá hotels in the Balearic Islands.



The free use of hotel rooms or halls is another way of assisting NGOs, such as the cooperation between the **Meliá Galgos** (Madrid) and the "Ciudad de la Alegría" Foundation.



Regular cooperation with different NGOs for their events, in this case Intermón-Oxfam (**Meliá Palas Atenea**).

- To carry out workshops on the prevention of addictive behaviour at work as part of the Risk Prevention programme already in place at Sol Meliá.
- To provide "Proyecto Hombre" with products and services under special conditions at Sol Meliá hotels.

"Proyecto 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, "Proyecto 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.

In 2004 Sol Meliá sponsored the twenty-second Congress of the World Federation of Therapeutic Communities organised by the "Proyecto Hombre" Association and held in Palma de Mallorca from 13 to 18 April 2004. Within the framework of the "Training and Employment" programme of the overall Sol Meliá Community Involvement Programme, Sol Meliá offered on-the-job training in hotel maintenance departments in Palma de Mallorca to three "Proyecto Hombre" residents.

5. CORPORATE PROJECTS

5.1 Sol Meliá Solidarity Fund

In March Sol Meliá started a new project as part of the Community Involvement Programme: the Sol Meliá Solidarity Fund. All of those customers that made their bookings through solmelia.com were able to select a project run by one of four prestigious NGOs (UNICEF, Red Cross, Intermón-Oxfam and "Proyecto Hombre") for Sol Meliá to donate one euro to from its Solidarity Fund. The initiative raised 36,500 and helped to further increase the role of customers in the company's community involvement projects.



Through www.solmelia.com, Sol Meliá raised funds for 4 NGO projects chosen by customers.

5.2 "Solidarity Month" at Sol Meliá to raise funds for Unicef

In September Sol Meliá held a "Solidarity Month" with the objective of publicising the work of UNICEF and raising funds amongst customers and employees for a campaign to provide education for young girls run by the United Nations. The project forms part of the "Training and Employment" initiatives within the Sol Meliá Community Involvement Programme and focuses on education for young girls in developing countries where the company has hotels.

"Solidarity Month" at Sol Meliá was celebrated in more than 220 hotels and 13 corporate offices in 6 countries (Spain, UK, Brazil, Mexico, Dominican Republic and Indonesia). Sol Meliá and UNICEF were assisted by DHL Spain with logistics.

The 20,423 euros raised during the month were donated to education projects in the Dominican Republic, a country which suffered great losses recently due to the devastation caused by Hurricane Jeanne.



The team at the *Meliá White House*, UK, proudly display their contribution to Solidarity Month, the largest of all of the hotels that took part.

5.3 Tenth Anniversary of MaS Rewards

Sol Meliá also celebrated the tenth anniversary of the MaS Rewards loyalty programme with a community involvement project by which the company donated 0.60 cents to the Sol Meliá Solidarity Fund for every new member who signed up. In total more than 20,000 euros were raised for Unicef projects in the Dominican Republic.



Charity art workshop to raise funds for UNICEF. Children are the key to future solidarity. (Sol Mirlos Tordos, Spain)

5.4 Charity art workshops

In July, August and September, guests at twelve hotels in Mallorca, Menorca, Ibiza, Fuerteventura, Tenerife, Malaga, Benidorm and Cadiz helped UNICEF by organising charity art workshops. During their holidays, guests' children had the chance to take part in workshops organised by the Activities Department that helped teach them more about children's rights. Once a week the drawings and messages about a fairer world for children were auctioned in the hotel and presented to the highest bidders. 6,500 euros were raised and donated to the education projects run by Unicef in the Dominican Republic.

5.5 Assistance after natural disasters and terrorist attacks

• Madrid, 11 March

After the terrorist attack of 11 March in Madrid, Sol Meliá offered immediate assistance through public institutions such as the Madrid Hotel Federation and NGOs such as the Red Cross to channel aid to the victims and their families. As requested by the Madrid Hotel Federation the company donated 60 rooms at the Meliá Barajas, Tryp Alameda Aeropuerto and Tryp Diana hotels in Madrid for use by 124 volunteers from the Spanish Red Cross that came from all over Spain to help with counselling the survivors and families. Hotels also donated blankets, food and drinks for volunteers. At Corporate Central Headquarters in Palma de Mallorca and in all of the company's hotels and offices, there was a fifteen-minute silence in memory of the victims; a silence which was especially emotional given that there was a Sol Meliá employee amongst the victims.

• Bombing of the Australian embassy in Jakarta

The Gran Meliá Jakarta (Indonesia) showed its support for the community after the terrorist attack on 9 September on the Australian embassy in Jakarta. A number of hotel employees made their way to the area with more than 250 meals and numerous boxes of water for the local police and other volunteers attending the injured.

• Hurricane "Jeanne"

After the destruction caused by Hurricane Jeanne in the Dominican Republic, various members of staff from the Meliá Caribe Tropical went to Haiti Chiquito, a poor neighbourhood close to the hotel, to donate food to the families affected.

• Tsunami in Southeast Asia

2004 ended with an enormous natural disaster which once again struck some of the world's poorer regions. The tsunami that devastated the north-west of Sumatra was followed, however, by a massive response from people all over the world. Sol Meliá and its hotels worldwide got down to providing assistance for the victims right away, and particularly our hotels in Bali, Java, Kuala Lumpur and Hanoi, all of which reacted immediately and set up urgent aid campaigns including the donation of blood, food, water, linen, medicine and other essential materials.

The hotels also sent volunteer employees with cooking and maintenance skills to help out in the affected areas. All of the other Sol Meliá hotels



2004 was a year in which there were a number of natural disasters with devastating effects but which also brought out the best in the global Sol Meliá family, with aid coming from and getting to the four corners of the world. (Floods in Haiti after Hurricane Jeanne)



Presentation of donations to the Indonesian Red Cross by the **Meliá Kuala Lumpur**, Malaysia.



Assistance to those affected by the tsunami in Aceh continues to this day, focusing on the children. Hotels in Asia have prepared school sets to help to get students back to school which are being distributed by the Indonesian Red Cross.

and corporate offices also organised collections of hygiene products, medicines, clothes, toys, and educational materials, while also raising funds through prize draws, donations, and even the New Year's eve Gala Dinners. Sol Meliá also decided to start up the "Solidarity Fund" again, and in the months after the catastrophe allowed guests to donate 1 for every booking made through solmelia.com. The 13,000 raised in this way were added to the 13,500 raised through the donation of MaS Rewards points to the Red Cross Emergency Fund. The company also placed a banner on the home page of its website with direct access to the website of the Red Cross to encourage visitors to make a donation. Due to the sheer scale of the disaster, donations and assistance have not stopped there. One of the company's current objectives is to help bring back some sort of normality to the lives of the children of Aceh. In cooperation with the Indonesian Red Cross, Sol Meliá hotels in the country have prepared and donated school uniforms, text books and dictionaries for 600 children in Aceh to help them get back to school.

6. PROJECTS IN 2004

6.1 Training and Employment

BRAZIL

Meliá Brasília

- Training for 4 youngsters at the hotel as part of the "Projeto Menor Aprendiz".
- Art competition amongst students from schools in Brasília on the subject of conservation of the environment and donation of a computer to the winning group plus weekend stays for the other 19 finalists.

Meliá Jardim de Europa

- Sponsoring of Spanish classes for hotel employees.
- Training for 1 youngster at the hotel as part of the "Projeto Menor Aprendiz".

Meliá Confort Higienópolis / Meliá Confort Park / Meliá Confort Paulista /

Meliá Confort Tatuapé / Tryp Pamplona

- Training for 3 youngsters at the hotel as part of the "Projeto Menor Aprendiz".



Special Employment Centres supply many Sol Meliá hotels (*Meliá Atlanterra*, Spain)



Daniel Lozano, Vice President Asia Pacific Division, visits a centre for social integration to which the *Gran Meliá Jakarta* donated wheelchairs.



The *Meliá Purosani* (Indonesia) often helps the Santa Maria orphanage for girls on the island of Java by providing cooking classes.



Educational visit by the students of the Tat Twam Asi Foundation to the *Meliá Benoa*, Indonesia.

ESPAÑA

Sol Galúa

- Contracting of four housemaids as a contribution to the "Programme of assistance for social integration" promoted by the "Instituto Municipal de Cartagena".

Sol Pinet Playa

- Financial donation for the construction of a classroom in Potosí (Bolivia) through "Ayuda en Acción".

Tryp Guadamar

- Training for 5 hours every day for 2 months in different hotel departments for people in need through the "Jábega" project run by the Malaga City Hall.

Tryp Indalo

- Training for two women victims of domestic violence, as part of the "Cualifica" project run by the Employment Council and Andalusian Women's Institute.

Central Corporate Headquarters

- Coordination of training for three residents of "Proyecto Hombre" in the Maintenance Department of Sol Meliá hotels in Mallorca.

INDONESIA

Gran Meliá Jakarta

- Contracting of a girl with 70% vision as a telephonist in cooperation with the Mitra Netra Foundation which assists with training to help the disabled join the workplace.

Meliá Benoa

- Accommodation and maintenance of a young girl in training in the Administration Department for 10 months as a student of tourism activities at the CHN University.
- Cooperation with a familiarisation programme at the Tinggi Pariwisata Bali School with educational visits by students to the hotel.
- Training day in the hotel for 30 students from the Singajara Tourism School.
- Training day in the hotel for 45 students from the Dwijendra Bualu Tourism School.
- Sponsoring of the first World Conference of Hindu Youth in cooperation with the Hindu University of Indonesia.
- Participation by 2 employees in the Kuliner Dewata Cookery Competition to help them learn from their peers.
- Contracting of a local disabled worker.
- Educational hotel visit by students from the Tat Twam Asi Foundation.

Meliá Purosani

- Religious education days for the employees.
- Training days for the employees.
- Cookery classes for the orphans from the Nurul Yasmin Islamic Orphanage for Girls.
- Training days for students from Carisma Hotel School.
- Cookery classes for the orphans from Santa Maria Catholic Orphanage for Girls.
- Training days for groups of people from the Yakkum rehabilitation centre for disabled people.
- Organisation of various games of volleyball and badminton with youth clubs in the local area.

Sol Marbella

- Donation of books to a local library.

MALAYSIA

Meliá Kuala Lumpur

- Awareness days on recycling and saving amongst staff.

PERU

Meliá Lima

- Financing of English classes for hotel employees.

DOMINICAN REPUBLIC

Meliá Caribe Tropical

- Donation of furniture, school materials and funds for the "Los Manantiales" School.

VENEZUELA

Gran Meliá Caracas

- Contracting and training of 4 homeless youngsters as part of the "New Opportunity" campaign run by the "Montalban Nuestra Sra. De la Paz" Parish Church.



The *Gran Meliá Caracas* (Venezuela) provided materials and labour for the renovation of the house of a large local family.

6.2 Purchasing

In 2004, 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 2004, Sol Meliá increased purchases from Special Employment Centres, making purchases from 14 different companies for a total amount of 3,892,564.70 euros, making Sol Meliá one of the leading companies in Spain in its purchases from Special Employment Centres.

SPECIAL EMPLOYMENT CENTRE	TAX ID	PURCHASES 2004
Sempre-Verd	B-07489123	9,244.36
Amadip-Esment	G-07065709	197,669.77
Atam Cee Lavanderias	G-28456283	755,231.43
Artesa, S.L.	B-79415618	371,061.04
Flisa Las Palmas Lavan.	A-35565084	1,806.43
Fundosa Lavanderias Industriales S.A.	A-79475729	1,743,137.89
Lav. Ind. Flisa Sevilla, S.A.	A-41424219	666,972.13
Lavahotel, S.L. (Granada)	B-18294629	98,174.13
Pilsa (Ceepilsa)	A-79384525	4,276.21
A.E.I.P.M. Asoc. Emple. Iber. Padres Minus.	G-28641116	8,632.84
Soporte Informatico De Baleares, S.L.	B-07491160	661.90
A.I.P.S.D. Menorca (Asoc. Integracion Sindrome Down)	G-07726458	559.74
Donar Plast, S.A.	B-30561690	225.04
Valids Artesans	B-07559909	34,911.79
TOTAL AT 31 DECEMBER 2004		3,892,564.70

Amounts include tax

6.3 Employees

ARGENTINA

Meliá Buenos Aires BH

- Donation of clothes and shoes by employees for the people in need at the Los Angeles de Magdalena Community Kitchen.

BRAZIL

Gran Meliá Mofarrej

- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the “Associação Beneficente Benedito Pacheco” which provides support for the homeless.
- Collection of 1,000 food products to help with the “Campanha Natal Sem Fome” by “Ação da Cidadania” which provides support for communities in need.

Gran Meliá Sao Paulo

- Donation of school materials by employees for the “Frei Luis Amigó” children’s school.
- Donation of food and gifts by employees for the “Campanha arraiá das Vovós”, which provides support for senior citizens in need.
- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the “Associação Beneficente Benedito Pacheco” which provides support for the homeless.
- Donation of blood by employees.
- Secondary education classes for employees provided by a teacher that visits the hotel.
- Collection of 400 comics and 56 bags of sweets and gifts for the children at the “Frei Luis Amigó” children’s school.
- Donation of cleaning and personal hygiene products for the “Frei Luis Amigó” children’s school.
- Donation of school uniforms and food made by hotel employees for the children at the “Frei Luis Amigó” children’s school.
- Donation of books by employees for the “Campanha de Incentivo a Leitura”

Meliá Jardim de Europa

- Donation of food for the “Florescer” project.
- Classes in gym at work given by the staff from the hotel fitness centre for housekeeping staff.

Meliá Office Park

- Collection of books to support the “Incentivo a lectura infantil” campaign which opens libraries on the outskirts of the city promoted by the Rotaract Club.
- Collection of books to support the “Incentivo a lectura infantil” campaign promoted by the “Casulo” project which has created a library on the outskirts of the city.

Meliá Confort Berrini

- Donation of food and gifts by employees for the “Campanha arraiá das Vovós” providing assistance for senior citizens in need.
- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.
- Collection of clothes and toys for the “Associação casa de Apoio Amigos da Vida” which provides support for children affected by the AIDS virus.
- Collection of books to support the “Incentivo a lectura infantil” campaign promoted by the “Casulo” project which has created a library on the outskirts of the city.

Meliá Confort Campinas

- Collection of 685 litres of milk amongst staff to donate to “Lar Criança Feliz” which provides support for children and babies in need.
- Collection of clothes and shoes as part of the “Campanha del abrigo” which distributed clothing to the destitute.
- Donation of 113 books to the FEAC Foundation for the development of their “Campanha de Incentivo a lectura”.
- Collection of 124 kgs of food for the “Casa de Crianças de sotas”.
- Collection of 312 toys during the Christmas campaign run by the “Lar Criança Feliz”.

Meliá Confort Guarulhos

- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.
- Donation of books by employees for the “Campanha de Incentivo a Leitura”.
- Collection of 135 litres of milk and personal hygiene sets for the senior citizens in need at the “Recanto dos Avós”.

Meliá Confort Higienópolis

- Collection of clothes and shoes for the children from the “Associação Santo Agostinho” during the “Faça o seu proximo feliz” campaign.

- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.
- Collection of clothes and shoes for the children from the “Associação SOS Carentes” during the “Faça o seu proximo feliz” campaign.
- Donation of books by employees for the “Campanha de Incentivo a Leitura”.

Meliá Confort Itaim

- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.
- Donation of food and gifts by employees for the “Campanha arraiá das Vovós” providing assistance for senior citizens in need.
- Collection of clothes and toys for the children in need at the “Maria Carolina” Foundation.

Meliá Confort Jardins

- Donation of food and gifts by employees for the “Campanha arraiá das Vovós” providing assistance for senior citizens in need.
- Donation of books by employees for the “Campanha de Incentivo a Leitura”.

Meliá Confort Jesuino Arruda

- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.
- Donation of blood by employees.
- Donation of books by employees for the “Campanha de Incentivo a Leitura”.

Meliá Confort Paulista

- Donation of 1,194 items of school materials, 356 cleaning products and 28 kgs of biscuits cooked by employees for the children with cancer that attend the “GRAACC”.
- Donation of food and clothes to the children and senior citizens at the “Casa Transitoria Fabiano de Cristo”.
- Donation of 150 toys, 100 items of clothing and 30kgs of food for the “Centro Promocional Dino Bueno”.
- Donation of books by employees for the “Campanha de Incentivo a Leitura”.

Meliá Confort Tatuapé

- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.
- Donation of food and gifts by employees for the “Campanha arraiá das Vovós”, which provides support for senior citizens in need.
- Collection of funds to help the children with AIDS that attend the “Grupo de Apoio la vida”.
- Donation of food to the “LARAMARA” centre which attends to children with sight problems.
- Collection of food and clothes for the people in need from the “Instituição Paulista Adventista de Educação e Assistência Social”.
- Donation of books by employees for the “Campanha de Incentivo a Leitura”.

Meliá Confort WTC Brooklin

- Donation of food and gifts by employees for the “Campanha arraiá das Vovós” providing assistance for senior citizens in need.
- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.

Tryp Iguatemi

- Donation of clothes for the Sol Meliá “Campanha do Agasalho” in cooperation with the Associação Beneficente Benedito Pacheco which provides sup-



Employees at the **Meliá Cariari** (Costa Rica) donated toys given to children at a party held in the hotel.



The activities team at the **Sol Antillas Barbados** (Spain) entertaining the children at a party.

port for the homeless.

Tryp Nações Unidas

- Donation of books by employees for the "Campanha de Incentivo a Leitura".

Corporate Offices Brazil

- Donation of food and gifts by employees for the "Campanha arraiá das Vovós" providing assistance for senior citizens in need.
- Donation of clothes for the Sol Meliá "Campanha do Agasalho" in cooperation with the Associação Beneficente Benedito Pacheco which provides support for the homeless.
- Donation of books by employees for the "Campanha de Incentivo a Leitura".
- Donation at Christmas of toys, clothes, food and personal hygiene products collected by employees for the "Moradores de las Calles" Association which provides support for homeless children.
- Donation of 300 toys to the "Ancora" project providing assistance for orphaned children at Christmas.

SPAIN

Gran Meliá Bahia del Duque

- Donation of blood by hotel employees.
- Collection of clothes amongst staff for the immigrants attending the "Parroquia de San Isidro"

Gran Meliá Volcán Lanzarote

- Christmas cocktail party for employees, their children and children from the nurseries in Playa Blanca (near the hotel).

Meliá Atlanterra

- Collection by employees to assist the "Nuestra Señora del Carmen" employment centre for the mentally disabled.

Meliá Barcelona

- Donation of blood by employees for the Red Cross.
- Donation of cash to assist in the recovery of the daughter of an employee.

Meliá Castilla

- Christmas party for the children of employees.
- Contracting of a pension policy for employees.
- Contracting of a life insurance policy for employees.
- Contracting of an accident insurance policy for employees.
- Granting of interest-free loans for employees.
- Delivery of flower arrangements to congratulate the birth of a child or a wreath for the passing away of direct family.

Meliá Colón

- Special Christmas lunch for employees and residents at the "Centro de Acogida Regina Mundi" (San Juan de Aznalfarache).

Meliá Sancti Petri

- Donation of toys and table linen for children by employees to the "Albergue Nazaret".
- Donation of linen and material for recycling to "Cáritas de la Diócesis de Chiclana".

Meliá Sitges

- Donation of clothes, toys and other materials for children to the Foundation Elim.
- Sponsorship of a young Peruvian girl.

Meliá Sol y Nieve

- Collection amongst staff to assist those affected by the tsunami.

Meliá Tamarindos

- Donation of food, toys and sports materials for the local fiestas to San Bartolomé de Tirjana Town Hall.

Sol Antillas – Barbados

- Donation of blood to the "Hermandad de Donantes de Sangre de Mallorca".
- Collection of funds for the people affected by the tsunami.

- Cooperation by employees in the celebration of a children's party at the hotel "Flintstones Park" in honour of the Saharui children staying in the Calviá area.
- Donation of books by employees to the travelling library for rural communities in Nicaragua.
- Collection of clothes and toys to donate to the "El Temple" children's home.
- Collection of clothes (70 kgs) and toys (2 sacks) for the Deixalles Foundation.
- New Year's Eve party for the "El Temple" children's home.

Sol Cala Blanca

- Donation of blood to the "Hermandad de Donantes de Sangre de Mallorca".
- Sponsorship of 2 children in Latin America.

Sol Jandía Mar

- Donation for the people affected by the tsunami.

Sol Magalluf Park

- Donation of books by employees to the travelling library for rural communities in Nicaragua.

Sol Mirlos Tordos

- Donation of blood to the "Hermandad de Donantes de Sangre de Mallorca".
- Donation of clothes and toys for the Deixalles Foundation.
- Organisation of a prize draw for a TV with funds raised going to the victims of the tsunami.

Sol Pelicanos Ocas

- Donation of blood to the Red Cross.

Sol Pinet Playa

- Financial donation for the construction of a classroom in Potosí (Bolivia) through "Ayuda en Acción".
- Collection by employees to raise funds to cover the cost of an operation on the mother of an employee that lives in Colombia and cannot pay herself.

Sol Pirámide Salou

- Donations of clothes to Cáritas.

Tryp Port Cambrils

- Collection amongst staff to contribute to the treatment for malaria of the daughter of an employee.
- Collection amongst staff for the people affected by the tsunami in Southeast Asia.

Tryp Guadamar

- Collection of medicines to send to needy countries.

Central Corporate Headquarters

- Donation to UNICEF projects of the fee charged to take part in the Padel tournament organised by employees.
- Donation of cash to invest in essential materials required by two Russian orphanages.
- Donation of blood to the "Hermandad de Donantes de Sangre de Mallorca".

Corporate Headquarters Madrid

- Collection of funds for the 4K Association through a game of football organised by employees.

Marketing Office Andalusia

- Donation of toys for children in Iraq through the "Plus Ultra II" International Brigade.

INDONESIA

Gran Meliá Jakarta

- Donations of blood by staff.
- Organisation of Muslim religious ceremonies for employees and people in need in the local area.
- Organisation of religious ceremonies for the Christian community in the hotel and inviting people in need from the surrounding area.

Meliá Benoa

- Donations of blood by staff for the Red Cross.



Donation of food and clothes by employees at the *Gran Meliá Jakarta* (Indonesia).



Employees at the *Meliá Benoa* (Indonesia) ran 5 kms. in a charity run.



Very common in Asia, the hotels help out by cleaning up the hotel surroundings. (*Meliá Benoa*, Indonesia).



Employees from the maintenance department at the *Meliá Benoa* (Indonesia) cooperating in the renovation of the Kupu-Kupu Foundation.



Internal training courses are a common event at Sol Meliá (*Meliá Purosani*, Indonesia).



Regular blood donations are organised in almost all Sol Meliá hotels and corporate offices. (*Meliá Purosani*, Indonesia).



Members of the sales team in Italy organised a charity challenge with the participation of a professional rally driver to raise money for the children of poor families.



Employees from the *Meliá Kuala Lumpur* (Malaysia) enjoy a sports day to build team spirit.



Collections are one of the easiest ways of providing assistance for those in need. Here the *Meliá San Lucas* (Mexico) collects toys for several children's centres.

- Collection of cash for improvement projects for groups in need in the surrounding area.
- Cooperation by employees in the cleaning of beaches and gardens in the surrounding area.
- Holding of an anniversary party in the hotel for employees and their families.
- Celebration of "Kartini" day to which all employees are invited.
- Celebration of Indonesian Independence Day.
- Donation of funds by the hotel's Hindu community for the Community of Tanjung.
- Participation by three employees in the charity run organised by two hotels in the area.
- The hotel Muslim community helped with the organisation and celebration of "Idul Fitri" where funds were raised for the Mujahidin Mosque orphanage.
- Participation by employees in an event to raise funds for the Badung Red Cross.

Meliá Purosani

- Organisation of a game of volleyball between a team of employees and a team of government representatives.
- Organisation of a day of outdoor activities by employees with the objective of building team spirit.
- Holding of a mass for employees and residents in the area surrounding the hotel and catering afterwards.
- Donations of blood by staff.
- Holding of the annual party for all employees and their families.
- Cooperation by employees in cleaning up the hotel surroundings.
- Celebration of Indonesian Independence Day by inviting veterans from the war to a meeting in which employees took part.
- Holding of a family day for employees when their children can visit the hotel and join in the activities programme.
- Holding of prayers for the Muslim employees at the hotel.

Sol Marbella

- Cooperation by employees in cleaning up the hotel surroundings.
- Dispute of games of basketball and volleyball amongst staff and teams from another local hotel to encourage good relations.

ITALY

Meliá Milano

- Sponsorship of an African child with contributions by all employees.

Regional Sales and Marketing Office

- Cooperation by employees in the celebration of the Corporate Challenge with the objective of raising funds for children in need.

MALAYSIA

Meliá Kuala Lumpur

- Donations of blood by employees.
- Car washing to raise funds for the WAO, an organisation which assists mothers and children with AIDS.
- Cooperation by employees in the cleaning of public areas in the hotel surroundings.
- Donation of diapers for the child of an employee who has been left disabled.

MEXICO

Meliá Cozumel

- Donation of furniture to employees affected by the floods.

Meliá Puerto Vallarta

- Holding of a show by the hotel Activities and Human Resources teams in

which 670 US\$ was raised for the "Asilo de Ancianos DIF Municipal". At the same event tribute was paid to a recently deceased employee.

- Support by employees in the cleaning of public areas in Vallarta.
- Visit by some employees to some of the poorest regions of Puerto Vallarta to deliver clothes, toys, food and sweets donated by employees.

Meliá San Lucas

- Donation of toys to children from poor families.
- Donation of hotel table linen to poorer hotel employees.

Meliá Turquesa

- Organised medical treatment for a member of the family of an employee that did not have the money to pay.
- During Sol Meliá Solidarity Month staff were able to buy unclaimed lost property. Funds raised went to UNICEF.

Sol Cabañas del Caribe

- Donation of furniture to employees affected by the floods.

PERU

Meliá Lima

- Cooperation with the "Campaña del abrigo" by the "Hogar de Cristo", with a donation of clothes to two associations that assist senior citizens in need.
- Regular donation by departments of baskets of different products and medicine for the child of an employee with health problems.
- Holding of a big bingo session to raise funds for the medical treatment of the child of an employee.
- Donation of cash for the purchase of 50 desks for the Juan Carlos Borbón School with the assistance of the NGO "Tierra de Niños".
- Holding of a prize draw for home electrical equipment to raise funds for the improvements to the Juan Carlos Borbón School with the assistance of the NGO "Tierra de Niños".
- Collection of cleaning products and personal hygiene sets for the children at the "Hogar Nuevo Amanecer".
- Organisation by employees of a children's and adults' party in which the products donated by employees helped raise more funds for the Juan Carlos Borbón School with the assistance of the NGO "Tierra de Niños".
- Donation of clothes and toys by employees for the children at the "Asociación Cristiana El Refugio".
- Donation of files for the students at the Juan Carlos Borbón School.
- Several collections in different events to raise funds to finance the operation and recovery of Harold, child of a hotel employee.

PORTUGAL

Meliá Gaia Porto

- Collection of clothes, toys and cash to send to the people affected by the tsunami in Southeast Asia.

DOMINICAN REPUBLIC

Meliá Caribe Tropical

- Donation by employees for the purchase of toys for the children in need in Hato Viejo.
- Access for employees and local people to opticians from Puerto Rico for check-ups, treatment and prescription of glasses with the assistance of "Operativo de Oftalmología".
- With the cooperation of the Opticians School at the Interamerican University in Puerto Rico, full check-ups were made on hotel employees and contact lenses donated and surgery for cataracts needed by some employees.



The employees at the **Meliá Lima** (Peru) work with the "Ciudad de Papel" Foundation on recycling.



Harold was operated on and now leads a normal life thanks to the funds raised by his father's colleagues at the **Meliá Lima** (Peru).



To ensure that Christmas was a happy time for the children at the Juan Carlos Borbón School was the objective of the activities team at the **Meliá Lima** (Peru).



With the cooperation of the University Opticians School the **Meliá Caribe Tropical** (Dominican Republic) provided employees and local people with access to check-ups.



Cooperation with taxi drivers to raise funds for a children's hospital (*Tryp Dortmund*, Germany).

6.4 NGO's, Foundations, Social Organisations and Assistance Centres

GERMANY

Tryp Dortmund

- Holding of a charity gala to raise funds for a local pediatric hospital.
- Donation in cooperation with taxi drivers that work outside the hotel to raise funds for the children's cardiology hospital.

Corporate office

- Donation of free stays for a charity prize draw on the ZDF TV channel for children at risk in the Philippines.

ARGENTINA

Meliá Buenos Aires BH

- Donation of paper for recycling to the Hospital Garrahan Foundation.

BRAZIL

Gran Meliá WTC São Paulo

- Donation of bread and flour to the "Mesa Brasil" programme.
- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Donation of hotel utensils to the "Frei Luis Amigo" school and the "Agência Adventista de Desenvolvimento e Recursos Assintenciais".
- Donation of food and serviettes to the "Frei Luis Amigo" school.
- Lunch for the children at the "Frei Luis Amigo" school.
- Chat and sale of products by the "Instituto Brasileiro de Controle do Câncer".
- Donation of food for the children's party for the "Frei Luis Amigo" school.
- Collection of powdered milk and diapers for the "Casa Hope".
- Party for the children at the "Frei Luis Amigo" school.
- Donation of diaries for the "Frei Luis Amigo" school.
- Christmas party and various donations for the "Frei Luis Amigo" school.

Gran Meliá Mofarrej

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Discounts on room rates for volunteers and breakfast for children in need in cooperation with the "Santa's Goodwill" group.

Meliá Brasília

- Donations to the "Lar dos Velhinhos Maria Madalena".
- Art exhibition from the "Feira da Torre dos Artesaos".
- Free stays for representatives of different NGO's attending the UNESCO awards and other cultural projects.

Meliá Jardim Europa

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Distribution of plant cuttings on the streets and at a school in cooperation with the NGO "Mata Atlântica" and the WWF.
- Free use of a meeting room for the "Associação Pro-Hope".
- Birthday party at the hotel for the "Florescer" project.
- Christmas party at the hotel for the "Florescer" project.

Meliá Office Park

- Donation of free stays for actors in cooperation with the "Nós do Cinema" project.
- Donation of free stays for an Angolan choir to assist the NGO "Fala Preta".
- Purchase of vases and flowers for the "Cores da Terra" centre.
- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.



Party with the children from the Frei Luis Amigo school, a school which receives a lot of help from the *Gran Meliá Sao Paulo* (Brazil).

Meliá Confort Berrini

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Free use of a meeting room for the "Sociedade Pestalozzi de Sao Paulo".

Meliá Confort WTC Brooklin

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association."

Meliá Confort Campinas

- Party for the children from the "Lar Criança Feliz".

Meliá Confort Guarulhos

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.

Meliá Confort Higienópolis

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Free use of a meeting room for the "Herekut" Group.
- Donation of free stays for a student from the "Rolando Boldrin" Foundation.
- Cooperation with publicising the event organised by the NGO "Grupo Chaverim".
- Donation of dinner for two people to "Unibes. Uniao Brasilerio-Israelita do Bem-Estar Social".

Meliá Confort Itaim

- Discount on room rates for volunteers from the VIA volunteer training school.
- Free use of a meeting room for the NGO "Teu sonho, meu sonho".

Meliá Confort Jardins

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Party on Children's Day for sick children in the "Setor de Doenças Neuromusculares" at Sao Paulo Hospital.
- Free use of a meeting room for the "Associação Comunitaria Monte Azul".

Meliá Confort Jesuino Arruda

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Free use of a meeting room and food for the NGO "Amigos da vida" which helps children infected with the AIDS virus.
- Discount on room rates for volunteers from the VIA volunteer training school.
- Free use of a meeting room for the NGO "Teu sonho, meu sonho".

Meliá Confort Park

- Donations for the "Lar dos Velhinhos Maria Madalena".

Meliá Confort Tatuapé

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Children's party in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.

Meliá Confort Paulista, Tryp Iguatemi, Tryp Nações Unidas Tryp Pamplona

- Donation of free stays for children with cancer in cooperation with the "Felicidade" project run by the Brazilian Hotel Association.
- Adventure World Brazil and the "PIVI" project ("Projeto de Incentivo à Vida").

Brazil Corporate Office

- Donation of baskets of products for "Assistência Vicentina de São Paulo".
- Donation of used print cartridges to the "APAE - Associação de Pais e Amigos dos Excepcionais" in São Paulo.
- Donation of products for a typical Brazilian party to the "Assistência Vicentina" in São Paulo.



The **Gran Meliá Sao Paulo** (Brazil) regularly donates materials for the children at the "Frei Luis Amigo" school.



Delivery of different materials to the "Candelaria" Centre in Cuba by the NGO "Mediterránea" which Corporate Headquarters helps by providing free accommodation for volunteers.

CUBA

Meliá Cohiba

- Donation of a meeting room for activities with children affected by fenilcetonuria.
- Donation of four free stays for the volunteers from the NGO "Mediterránea" that provide medicine and medical and other essential materials.

Meliá La Habana

- Donation of a free night's stay for the volunteers from the NGO "Mediterránea" that provide medicine and medical and other essential materials.

Meliá Santiago de Cuba

- Donation of two free stays for the volunteers from the NGO "Mediterránea" that provide medicine and medical and other essential materials.
- Donation of four free stays for the volunteers from the NGO "Mediterránea" that provide medicine and medical and other essential materials.

SPAIN

Gran Meliá Don Pepe

- Together with "Mensajeros de la Paz" and the "Club Internacional de Marbella" the hotel organised a party for 42 Iranian children that survived the earthquake in Bam and their godparents.

Gran Meliá Fénix

- Free use of a meeting room for the presentation of the new Internet portal of the AECC.
- Work with the "Pequeño deseo" Foundation to help Paloma see her wish come true.
- Free use of a meeting room for the press conference to present "Ayuda al Desarrollo".
- Intermón-Oxfam had free use of a meeting room for the presentation of a report on Palestine.
- Free use of a meeting room for the presentation of a report on Official Development Aid by Intermón-Oxfam.
- Free stay for the participants in the "Jóvenes Promesas" Awards organised by "Proyecto Hombre".

Gran Meliá Salinas

- Free use of a meeting room for the presentation of the new Internet portal of the AECC.
- Work with the "Pequeño deseo" Foundation to help Paloma see her wish come true.
- Free use of a meeting room for the press conference to present "Ayuda al Desarrollo".
- Intermón-Oxfam had free use of a meeting room for the presentation of a report on Palestine.
- Free use of a meeting room for the presentation of a report on Official Development Aid by Intermón-Oxfam.
- Free stay for the participants in the "Jóvenes Promesas" Awards organised by "Proyecto Hombre".

Gran Meliá Victoria

- Free use of meeting rooms and guestrooms in cooperation with the sports events organised by "ADAPH", an NGO which provides support for children and adults in need in the Sahara.
- Cooperation with "Youths United" in a charity event to raise funds for the purchase of wheelchairs by "ADAPH".
- Cooperation with the celebration of "Dash", a charity regatta to raise funds for "ADAPH".
- Cooperation with a prize draw of items signed by one of the members of Monty Python to raise funds for "ADAPH".



In cooperation with the Yaiza Town Hall (Lanzarote), the *Gran Meliá Volcán Lanzarote* (Spain) organised a day out for the senior citizens of the region.

- Free use of a meeting room and discount on dinner service for a charity gala by UNICEF.

Gran Meliá Volcán Lanzarote

- In cooperation with Yaiza Town Hall, the hotel organised a day out for local senior citizens with a guided tour of the hotel and a free weekend given away in a prize draw.
- Free use of two meeting rooms for the annual meeting of the Canary Islands Rotary Club.
- Donation of ten free stays for the charity dinner organised by Yaiza Town Hall to assist the Leukemia Association.
- Cooperation with the "Cribo" organisation which provides support for the mentally ill in Lanzarote.
- Annual purchase of UNICEF Christmas cards.

Meliá Alicante

- Collection of funds for the NGO "Remar" which assists in the rehabilitation of the disadvantaged.
- Donation of a free weekend's stay for the Christmas dinner of the APSA Association.
- Collection of funds for the Alicante Association of Family and Friends of Alzheimer Patients.
- Donation of bed and bath linen to the "Fiquita la Alegría" centre in Nicaragua which assists children through the NGO "Let's help a child".
- Free stays for a prize draw by the Jorge Alió Foundation.
- Donation of toys for children at the Alicante "Hogar Provincial".
- Free stays for people involved in the market organised by the NGO "Nuevo Futuro".

Meliá Atlánterra

- Donation of lunches every day for volunteers from the Red Cross working opposite the hotel.
- Prize draw to assist the "Nuestra Señora del Carmen" centre.

Meliá Barajas

- Cooperation with the "Make a Wish" Foundation to help young Sergio see his wish to visit the Warner Theme Park come true.
- Donation of 1,000 shower caps for a nursery in Chambo, Ecuador through the NGO "Mano a Mano".

Meliá Barcelona

- Donation of hotel material to the Angel Martín Santos Foundation to be distributed to the poor.
- Donation of a free stay to the founder of the Campaner Foundation during a visit to Barcelona for an event.
- Donation of a free night's stay for the charity dinner by the Spanish Association Against Cancer.
- Free use of hotel space for a stand to raise funds for "Aldeas Infantiles SOS".
- Donation of one euro for every brunch served in the days after the tsunami to support victims.
- Donation of food for the dining room run by "Las Hermanitas de los Pobres".

Meliá Castilla

- Donation of catering for 250 people at the gala dinner organised by the NGO "Nuevo Futuro".
- Free use of hotel space for a stand to raise funds for the Red Cross.
- Donation of lunches for the Red Cross.
- Donation of bed linen to the San Juan de Dios Hospital.
- Donation of linen, gel, soap and other materials to "Las Clarisas" for people in need.
- Donation of linen, gel, soap and other materials to the "Don Horione" centre which provides support for people with Down Syndrome.
- Donation of linen to different organisations such as a refuge for the aged, the "Hermanas de la Caridad", the "Hermanas Dominicas de Alcobendas", the "Hogar de Nazaret" and "Misioneras de la Caridad".
- Donation of 100 aperitifs for the Christmas charity concert organised by the "La Rebotica" Foundation.

Meliá Colón

- Free use of hotel space for a stand to raise funds for the Seville Multiple Sclerosis Association.
- Free use of hotel space for a stand to raise funds for World Alzheimer Day organised by the "Santa Elena" Alzheimer Association.
- Donation of food for the celebration of the charity gala of the Seville Autism Association.
- Donation of food to assist with the campaigns organised by the "Hermandad del Stmo. Cristo del Calvario".
- Free use of hotel space for a stand to raise funds for the AECC.
- Donation of food for the market organised by "Nuevo Futuro" and held in the Meliá Lebreros hotel.



An area donated by the **Meliá Galgos** (Spain) became a Hindu market thanks to the "Ciudad de la Alegría" Foundation.

Meliá Costa del Sol

- Donation of furniture to the NGO "Córdoba Acoge".
- Donation of mattresses and bed bases to the NGO "Juventud" with a centre for the Sahara.

Meliá de Mar

- Donation of a dinner at the hotel restaurant for the prize draw at the Gala dinner of the Mallorca Association of Alzheimer Families.
- Donation of food to the Balearic Islands food bank.
- Exhibition of handicrafts by the "Raíces Paraguayas" Foundation.
- Donation of a free night's stay for four poor couples promoted by the "Sant Alonso Rodríguez" Parish in Mallorca.
- Donation of hotel crockery to UNICEF.

Meliá Galgos

- Donation of a free weekend's stay for the prize draw at the fiftieth anniversary gala dinner for the Association Against Cancer.
- Free use of a meeting room and cocktail party for the charity event to raise funds for "Ayne Perú Trinitarias" organised by the Club Elsa.
- Free use of a meeting room and cocktail party for the charity event to raise funds to assist the "Nuevos Caminos" Association organised by Club Elsa.
- Free use of a meeting room and donation of aperitifs to assist the organisation of a market to raise funds for the "Ciudad de la Alegría" Foundation which aids women and children in India.
- Free use of a meeting room and hors d'oeuvres for the three days of the Christmas market organised by "Realiza" Foundation.
- Free use of a meeting room for the first assembly of members and donors of Intermón-Oxfam.

Meliá Horus Salamanca

- Collection and delivery of mobile phones for the "Donate your mobile" campaign carried out with the Red Cross and "Entreculturas" Foundation.

Meliá Horus Zamora B.H

- Donation of sandwiches for the "Operación Bocata" campaign organised by "Manos Unidas".

Meliá Las Palmas

- Donation of catering for the "Nuevo Futuro" market.
- Donation of 100 sandwiches for the bingo lunch organised by the "Hermanos Franciscanos de Cruz Blanca".

Meliá Lebreros

- Free use of a meeting room for the staging of the "Nuevo Futuro" Foundation market.
- Free use of a meeting room and donation of a free cocktail party for the integrated development of communities in Kenya organised with the Club Elsa and "Nuevos Caminos".
- Free use of meeting room and donation of free stays for a prize draw at the "Campanilleros" competition organised to raise funds for musical associations through the "Carmen Ramírez" Association.

Meliá Madrid Princesa

- Free use of a meeting room and audiovisual services and hors d'oeuvres for a presentation by the Spanish Association Against Cancer.
- Free stays for the "Make a Wish" Foundation for a little girl from Tarragona.
- Free use of a meeting room and discounts on services for the Spanish Association Against Cancer on presentation of their new website.
- Donation of the coffee break and discount on meeting rooms services for an event by the "Estudio Hepatitis Virales" Foundation.
- Donation of a free night's stay so that a little girl could see her dream of meeting the singer Raúl come true, all organised by the "Make a Wish" Foundation.
- Free use of a meeting room and discount on breakfast served at the meeting with journalists by Intermón-Oxfam.

- Donation of meals for people in need through the Rotary Club.

Meliá Marbella Dinamar

- Donation of cash to cover the travel costs of sick Kosovar children and their families.

Meliá Palas Atenea

- Donation of funds to the Club Elsa, providing assistance for people in need and the homeless.
- Donation of free weekend stays for the charity padel tournament sponsored by the "Make a Wish" Foundation.
- Donation of free stays for UNICEF personnel in Cuba.
- Donation of a free weekend's stay for a prize draw at the gala dinner for the fiftieth anniversary of the Spanish Association Against Cancer.
- Free use of a meeting room for the charity gala held by Club Elsa.
- Donation of free stays to "Anamib" for speakers at the Social Education Seminars.
- Donation of lunch to the Red Cross to thank the Chairman of the organisation for their work in supporting the Red Cross flag day.
- Donation of 85 picnics for a group of disabled Belgians.
- Free use of a meeting room and donation of hors d'oeuvres at the meeting of Intermón-Oxfam volunteers.
- Donation of crockery for the "Nuevo Futuro" Foundation market.
- Donation of a meeting room and services for the presentation of the "Sempre Verd" Association.

Meliá Puerto de la Cruz

- Donation of free stays for two children injured in the war in Iraq and their chaperones.
- Collection of funds for reception centre for the disabled "Centro de Atención Terapéutico Probosco de la Orotava".
- Collection of funds at the "Patio del Colegio Pureza de María".
- Dinner to raise funds for the improvements to facilities at local schools organised by the "Salesianos de la Orotava" school.
- Free use of meeting rooms for fund-raising events to finish off work on "San Amaro" Church.
- Donation of free stays for children wounded in the Iraq war in cooperation with the Tenerife Island Authorities and the Limbless Association.

Meliá Rey Don Jaime

- Donation of free stays for the auction organised by "Le Bal des Papillons".
- Donation of picnic meals for the Children's Day celebrations organised by the NGO "Mano Amiga" from Valencia.

Meliá Sancti Petri

- Donation of carpets to the "Campano" School.
- Collection of medicine to send to areas affected by the tsunami.

Meliá Sevilla

- Free use of a meeting room for the meeting of the Andalusian Association for the Victims of Terrorism.
- Free use of meeting rooms and discount on accommodation for participants in the Andalusian Congress on Infancy and Quality of Life organised by the "Gota de Leche" Foundation.
- Donation of bed bases for the fourth annual Peace day organised by the "Hispalis" Institute.
- Free use of meeting rooms for the staging of a fashion show to raise funds for the Down Syndrome Association and discount on services.
- Donation of dinner and a free stay for the prize draw at the presentation of the Seville Citizen of the Year Award by the Rotary Club.

Meliá Sitges

- Free use of a meeting room and services for the press conference and presentation of a theatre performance to raise funds for the Spanish Association Against Cancer.
- Donation of a free night's stay for a prize draw at the dinner for "Proyectos de Viajeros sin fronteras".
- Donation of hotel space for three days for a stand for "Aldeas Infantiles SOS".
- Donation of a free weekend's stay for the prize draw at the Charity Golf Tournament to raise funds to fight cancer organised by Red Cross.

Meliá Tamarindos

- Regular donation of lunches to "Cáritas".
- Cooperation with the Open golf tournament organised by the Maspalomas Rotary Club and donation of free stays for the prize draw.
- Donation of lunches to volunteers from the Red Cross that work opposite the hotel at the weekend.

Meliá Zaragoza

- Free use of several meeting rooms for UNICEF for various meetings.
- Free use of a meeting room for the meeting of the Board of UNICEF in Aragón.
- Free use of meeting rooms for press conferences for UNICEF.

Sol Aloha Puerto

- Donation of furniture after the hotel renovation to several local centres.

Sol Antillas-Barbados

- Donation of a free weekend's stay for a prize draw at a charity event to assist the "Asociación Española de Esclerosis Lateral Amiotrófica".
- Prize draw for a Christmas hamper with the funds raised donated to the people affected by the tsunami via UNICEF.
- Free use of facilities and donation of snacks for the "Vacaciones en Paz" programme organised by the Town Hall of the Municipality of Calviá, Mallorca for Saharan children that spend the summer in the area.
- Free use of meeting room and audio-visual services for the information sessions offered by the Town Hall of the Municipality of Calviá for families affected by Alzheimer and Parkinson.
- Donation of food to assist the charity gala organised by Club Elsa.
- One night stay for a family affected by a fire in their home on request from the Town Hall of the Municipality of Calviá.
- Purchase of Christmas table displays with photos for the gala dinner at the "Vàlids Artesans" centre for the disabled.

Sol Cala Blanca

- Donation of trays of food for the July charity gala organised by Club Elsa.
- Donation of food to assist the charity gala organised by Club Elsa.
- Donation of cash to UNICEF from the collection made at the cookery displays put on by the hotel.
- Donation of food for the lunch organised by the "Doble Amor" Foundation.

Sol Falcó

- Donation of costumes to "Cáritas Mestral".
- Donation of furniture to "Cáritas".
- Donation of cash to assist the "Asociación para la Integración con Síndrome de Down".
- Donation of clothes to the Red Cross.

Sol Guadalupe

- Donation of restaurant tables and chairs to the "Deixalles" Foundation.

Sol Jamaica

- Donation of beds to the "Deixalles" Foundation to be fixed up and sold..

Sol La Palma

- Donation of a free night's stay for the charity dinner for the Haemophiliac Association.
- Donation of a free night's stay for a prize draw at an event by the Canary Islands Association for the Disabled.
- Donation of a free night's stay to help in raising funds for "Cáritas Villa de Mazo".
- Donation of a free weekend's stay for a prize draw at a charity dinner for UNICEF.
- Donation of bed and bath linen for "Cáritas Villa de Mazo".
- Donation of uniforms, mattresses and bathrobes for "Cáritas Villa de Mazo".
- Donation of a free weekend's stay for the charity dinner held by "Manos Unidas".

Sol Los Fenicios

- Donation of furniture to the Association for Prevention and Assistance for Drug Dependency.

Sol Magalluf Park

- Donation for the charity dinner organised by Club Elsa.
- Donation of free lunches for the "La Sapiencia" Association to help the marginalised.

Sol Menorca

- Organisation of the annual lunch to raise funds for the orphaned children helped by Father Damián and Fraile Martín.

Sol Milanos Pingüinos

- Donation of free stays and a meeting room for the press conference to present the charity basketball match for "Proyecto Hombre" involving veterans from Real Madrid.



Visit by a group of senior citizens from "La Sapiencia" to a special day organised by the *Sol Magalluf Park*.

Sol Mirlos Tordos

- Auction of the drawings made by guests' children at the art workshops organised during the Sol Meliá Solidarity Month to raise funds for UNICEF.
- Donation of food for the market organised by Club Elsa.
- Donation of clothes and toys for the Deixalles Foundation.
- Donation of furniture for the Deixalles Foundation.

Sol Parque San Antonio

- Tribute to Ali Abbas, a child injured in the Iraq war.

Sol Pelicanos Ocas

- Donation of food for the party to raise funds for the "Doble Amor" Association which provides support for the mentally disabled.
- Donation of a free night's stay for a prize draw at the fundraising party for the British Association for Cancer Research.
- Donation of kitchen utensils to a "Cáritas" community dining room.
- Donation of kitchen utensils to the "Nuestra Señora del Mar" Parish.

Sol Pinet Playa

- Donation of cash raised from the drinks vending machine to UNICEF for a project to build classrooms in a Spanish-speaking country in which the company operates.
- Organisation of a dinner to raise funds for the homes in Bucaramanga, Colombia run by the "Terasas de San José" Carmelite Nuns who help abandoned young girls.
- Donation of a meeting room for a fashion show and auction to assist the Royal British Legión.

Sol Sanctipetri

- Donation of furniture to the "San Juan Bautista" Home for senior citizens.
- Donation of furniture to the "Nuestra Señora de las Marismas" Home for senior citizens.
- Donation of furniture to the "Cofradía de Jesús".

Sol Tenerife

- Donation of a free weekend's stay for a prize draw to raise for the "Educación Activa" Foundation.
- Donation of free stays for the prize draw for the "San Juan" Association for the mentally and physically disabled.

Sol Trinidad and Sol Jamaica

- Discounts for stays for the children from "San Ildefonso" and their monitors on an excursion organised by the Spanish Anti-Cancer Association.
- Donation of assets to the "Cubano Balear" Foundation.

Tryp Almussafes

- Donation of funds to the Red Cross for the people affected by the tsunami.
- Donation of a free night's stay for a child affected by Ewing's sarcoma in cooperation with the "Make a Wish" Foundation.

Tryp Alondras

- Free stays for the annual congress of the "luve" Foundation.

Tryp Ambassador

- Donation of a meeting room for a breakfast with the press at a presentation of activities by Intermón-Oxfam.
- Shelter for homeless cats in a backyard at an event organised by "Amnistía Animal".
- Free use of a meeting room for the press conference held by "Proyecto Hombre" to present the 22nd World Congress of the Therapeutic Centres Foundation.

Tryp Apolo

- Donation of a meeting room and audiovisual services for a meeting by "Ayuda en Acción".
- Donation of takings from the soft drinks vending machine to people affected by the tsunami via the Red Cross.
- Donation of a free night's stay for a prize draw at the party for the tenth anniversary of "Médicos del Mundo".



Veterans from the Real Madrid basketball team stayed free of charge at the *Sol Milanos Pingüinos* (Spain) and took part in a charity match to raise funds for "Proyecto Hombre".

Tryp Atocha

- Free use of meeting rooms and a discount on stays for events organised by the "Plan Internacional" Foundation.

Tryp Azafata

- Donation of school materials to be sent to a Mexican school through the "Cooperación Internacional" organisation.

Tryp Barcelona Aeropuerto

- Donation of table linen to "Cáritas".

Tryp Bellver

- Donation of cooked meals to the market organised by Club Elsa.
- Donation of 85 picnic meals to a group of Belgian disabled people.
- Free use of a meeting room, donation of hors d'oeuvres and of a free stay for the prize draw organised by the NGO "Nuevos Caminos".
- Free use of meeting rooms and audiovisual services for the 24th General Assembly of the Spanish Anti-Cancer Association in the Balearic Islands.
- Donation of a meeting room for the "ASNIMO" Family Forum.
- Donation of food for the charity event organised by Club Elsa.

Tryp Bosque

- Donation of cooked meals to the market organised by Club Elsa.
- Discounts on hotels stays for "ASNIMO".
- Donation of catering services to the market organised by Club Elsa.
- Donation of free stays and dinner for the participants in the first ever congress held by the Dyslexia and Family Association.

Tryp Centro Norte

- Free use of a meeting room for the press conference to announce the congress of the "Luve" Foundation.
- Donation of a free three-night stay for a child to assist the "Make a Wish" Foundation.

Tryp Cibeles

- Free use of a meeting room for the press conference by the "luve" Foundation to announce the the second international meeting on responsibility..

Tryp Indalo

- Discounts on the charity dinner organised by "Proyecto Hombre".

Tryp La Caleta

- Free use of a meeting room for the annual general assembly of "ARCA".
- Donation of soft drinks at the charity carnival party organised by "ASDown".
- Free use of meeting room and discounts on services for the course organised by the Spanish Anti-Cancer Association.
- Donation of the lunch before the charity football match to assist the "Reyes Magos" Association to raise funds for the purchase of toys for children in need.
- Donation of a gift cheque for a dinner for four people for a prize draw at the charity dinner organised by the "Reyes Magos" Association.
- Donation of gift cheque for a dinner for a prize draw at the market organised by "Nuevo Futuro".
- Donation of used hotel assets for the "Reto a la Esperanza" Association.
- Donation of gift cheque for a dinner for two people for a prize draw organised by "UPACE", a group providing assistance for the treatment of cerebral paralysis.

Tryp Macarena

- Free use of accommodation and meeting room services for the charity indoor football tournament to assist the Down Syndrome Association.
- Organisation of the charity indoor football tournament for the ex-pro and junior teams of Andalusia's leading clubs to raise funds for the Down Syndrome Association.

Tryp Port Cambrils

- Donation of registration holders for the training courses by the Red Cross.
- Free use of meeting rooms for the one-week training courses organised by the Red Cross.

Tryp Recoletos

- Donation of free stays for a prize draw at the charity dinner organised by the Association for Sufferers from Amyotrophic Lateral Sclerosis.
- Collection of bathroom amenities, toilet paper, etc. donated to the "María Inmaculada" congregation which provides support for the poor, especially immigrants.

Tryp Reina Victoria

- Donation of a free night's stay for a young girl with leukemia helped by the "Make a Wish" Foundation.
- Free use of a meeting room for the tribute to Javier Urra, discount on meals with the difference in price donated to the

Association of Hyperactive Children Attention Deficit Disorder.

- Donation of free stays for the speakers at the 15th Annual Congress of "Remar Internacional".
- Donation of a meeting room for the annual meeting of UNICEF members.
- Donation of a free stay for Pedro, a child with Down Syndrome that wanted to see a game of his favourite football team, Real Madrid, and meet some of the players, all organised by the "Make a Wish" Foundation.
- Donation of furniture to the "Valora" Foundation.

Tryp Rey Pelayo

- Donation of assets to the "Gota de Leche" Foundation.
- Donation of food to the "Gijonesa de Caridad" Association.
- Donation of 80 bath curtains to the "Gijonesa de Caridad" Association.

Tryp Sofía Parquesol

- Donation of free stays for the prize draw at the annual charity dinner for the Association for Sufferers from Amyotrophic Lateral Sclerosis.

Corporate Central Headquarters

- Organisation of a donation of furniture to the NGO "CONCUBA".
- Different collections of clothes, toys, furniture, electrical goods, sheets, mattresses and other domestic goods to the "Deixalles" Foundation to assist the disadvantaged.
- Donation of computers to the Rovinj Popular University, Croatia.
- Donation of different free stays in different destinations for the charity prize draw organised by "CEFAES".
- Donation of different free stays in different destinations for the charity prize draw organised by Club Elsa, an organisation providing assistance for the needy.
- Donation of free stays for the prize draw organised by the "La Salle" school.
- Donation of free stays for the prize draw organised by the "Comunidades Cristianas Comprometidas".
- Donation of free stays for the prize draw organised by "El Refugi" organisation to aid the homeless and poor.
- Donation of funds to the NGO Save the Children.
- Cooperation with Tryp Bosque to sponsor first congress on dyslexia organised by "DISFAM".
- Cooperation with the "Campaner" Foundation with a free stay for a prize winner.
- Cooperation with the "Campaner" Foundation with a free stay for a prize winner at the Codespa Awards.
- Cooperation with free stays for the NGO "Mediterránea" in the distribution of medical supplies and other essentials to the "Centro Oncológico Infantil de Santiago de Cuba" and the "Casa de Abuelos" in Candelaria, Cuba.
- Cooperation with the "Proyecto Hombre" Association for the organisation of the 22nd World Congress of the Therapeutic Centres Foundation.
- Organisation of "Solidarity Month".
- Coordination of the Sol Meliá Solidarity Fund.

Corporate Offices Madrid

- Collection of clothes and books for the "Reto" Association.
- Donation of computers and monitors to the "BIP-BIP" centre.

FRANCE

Tryp París Boulogne

- Free use of a meeting room and coffee break for the general assembly of the association of parents of adopted children from Algeria and Morocco "PARAENAM".

GREAT BRITAIN

Meliá White House

- Donation of a free night's stay for a disabled child organised by Icelandair Travel Foundation.



Training course given by the Red Cross to volunteers in the free meeting rooms provided by the **Tryp Port Cambrils** (Spain).

- Donation of a free weekend's stay for a charity event by the "Andromena" Foundation.
- Donation of a free weekend's stay for a charity event by the Colombian NGO "Friends for Social Aid Charity".
- Donation of a free weekend's stay for a charity event to help a child in London organised by Radio Capital.
- Donation of a free weekend's stay for a charity event for the "San José" School.
- Donation of a free weekend's stay for the prize draw to raise funds for "Friends of the Eldery".
- Donation of a free weekend's stay for the prize draw to raise funds for Bath hospital.
- Donation of a free weekend's stay for a charity event by "Les Bal de Papillon" to raise funds for children and women victims of violence.
- Donation of 9 free rooms for children and monitors from the "Vàlids artesans" Foundation.
- Donation of a free night's stay for the prize draw at the market organised by Iberia to raise funds for the NGO's "MANO MANO" and "APM".
- Donation of a free weekend's stay for the prize draw at the Gala Dinner for "Proyecto Hombre" organised by the Rotary Club.
- Cooperation with an "ONDAZUL" Foundation project to teach about the importance of water and natural resources in Brazil.



Free breakfast at the **Gran Meliá Jakarta** for the Yayasan Khazanah Kebajikan Orphanage, focus of much of the actions of the hotel team to assist local people in need.



Lastri, a young girl who has already suffered a number of operations to help rebuild her lips, poses happily with her mother during a visit by the team from the **Gran Meliá Jakarta** (Indonesia) after her latest operation.

INDONESIA

Gran Meliá Jakarta

- Free use of hotel space on the Executive Floor for the sale of teddy bears organised by UNICEF to raise funds for their projects.
- Organisation of a visit to Ragunan Zoo with children from an orphanage. The hotel public relations team accompanied them and the hotel provided the picnics.
- Donation of food for the local poor to help celebrate "Muslim Day".
- Donation of food and clothes for the victims of the floods in Kaimalang, east of Jakarta.
- Hosting of a grand party in the hotel with the cooperation of Radio One in honour of orphan children from the "Yayasan Khazanah Kebajikan" centre.
- Contracting of a partially-sighted young girl as a telephonist in cooperation with the "Mitra Netra" Foundation which assists with training the disabled.
- Organisation of a market to raise funds for the poor.
- Donation of wheelchairs for the "YPAC" centre for disabled children.
- Cooperation with UNICEF in the celebration of the "Indonesian Young Writer Competition" with 250 participants.
- Cooperation with three other companies in funding the operation to reconstruct the mouth of Lastri, a 2 year old girl who has already had two operations and now leads a normal life.
- Donation of funds and additional aid to the "YPAC" centre to rebuild a dental clinic at the centre.
- Cooperation with the authorities donating water and food to security personnel and the teams working to rescue and aid victims after the bomb blast outside the Australian embassy in Jakarta.
- Donation of ceiling fans and chairs to the "SDN Duren Jaya 7 Bekasi timur" school.
- Donation of clothes for the "Yayasan Khazanah Kebajikan" orphanage.
- Donation of linen for the "Yayasan Ibu Suri-Bekasi" orphanage.
- Purchase of Christmas cards from UNICEF.
- Donation of weighing scales to the "Brother Ephrem Training Centre" to be fixed in one of their classes.
- Breakfast with the children from the "Nurul Huda Mosque-East Jakarta" orphanage.

- Presentation of clothes and toys to the organisers of the charity market to raise funds for needy families from the tea plantations and various orphanages.
- Breakfast with the children from the "Yayasan Khazanah Kebajikan" orphanage.
- Donation of rice and funds for the NGO "Baitur Rahman Mosque".
- Organisation of a concert of Christmas songs for guests by a choir of 50 orphaned children that later enjoyed Christmas dinner and gifts.
- Christmas gifts for the children of guests consisting of a breakfast bowl made by the "Foundation of Indonesian Children's Welfare".
- Donation of sheets for the free medical check-up given to children between 1 month and 12 years of age from the local tea plantation thanks to a group of doctors.
- Regular donations of food, bed linen, clothes and other essential items to help the victims and rescue teams in Banda Aceh, an area devastated by the tsunami with the assistance of the Indonesian Red Cross.

Meliá Bali

- Organisation of a meeting between disabled children from a school in Sydney (Australia) and the "SLBB" school for the deaf in Bali.
- Donation of cash from guests and employees at New Year's Dinners to the people affected by the tsunami with the assistance of the Red Cross.
- Collection of 11 sacks of clothes for the people affected by the tsunami which devastated Banda Aceh.
- Donation of computers to the elementary school in Benoa (Bali).
- Hosting of a charity dinner for guests to raise funds to donate to the Red Cross for the people affected by the tsunami.

Meliá Benoa

- Free stays for a prize draw at a charity event organised by the hotel to raise funds for the Batam Charity Bash.
- Location of collection boxes in the hotel lobby to raise funds for the people affected by the tsunami.
- Participation with banners, flowers and candles at the "Voice of Peace" prayer session organised by the Bali Tourism Committee.
- Donation of a voucher for two meals for a prize draw at the Nusa Dua Rotary Club Branch meeting.
- Donation of a voucher for two meals for a prize draw at the charity fashion event organised by the Hu'u Restaurant to raise funds for the "A Bridge for the Disabled of Bali" project run by the "Kupu-Kupu" Foundation.
- Organisation of the annual Sol Meliá Asia Pacific Charity Conference at which funds were raised for the "Kupu-Kupu" Foundation.
- Donation of cash to aid in the construction of a dance hall at the Terora social centre near the hotel.
- Cooperation with the "Tri Hita Karana" Committee which supervises tourism facilities in Bali to increase the adaptation of facilities to Balinese concepts of religion, nature and community.
- Donation of an offering and prayers at the "Kancing Gumi" Temple for the conservation of the natural environment.
- Donation for medical treatment for Kadek Yoga, a 2 year old local orphan.
- Donation of clothes and educational materials for the "Widhi Asih II" children's home.
- In cooperation with Christian community of the "Wichi Satya" Church, a donation for the New Year's Eve celebrations at the orphanage and a local home.
- Donation to the "Sumba" Foundation for their social centre on the island of Sumba.
- Invitation to the New Year's Eve dinner for the children from the choir of the "Puja Mandala Sakti" Church.
- Donation of books for the annual party at a nearby hotel that makes donations for poor children.
- Purchase of UNICEF Christmas cards.
- Donation of funds for the publication of a poster to promote the Hindu Festival organised by the Young Hindus Association.
- Donation of funds for "Gede Punarbawa" which provides support for people in need of medical assistance.
- Cooperation with the improvement of facilities at the "Kupu-Kupu" Foundation, cleaning of the neighbourhood and gardens, and donation of food and writing materials.
- Annual sponsorship of a disabled child with the "Kupu-Kupu" Foundation.
- Donation of hotel materials and donations from employees for the aid campaign organised by the Bali Hotel Association.
- Donation and offering for the "Delem Ped" Temple.
- Donation of funds for the "Simpang Tiga" Village Orphanage.
- Sponsorship of Indonesian Independence Day in cooperation with the Bali Tourism Authority.
- Visit and delivery of 20 bags of food to the "Kupu-Kupu" Foundation.
- Donation of cash to the Mayor of Bualu to invest in security.
- Donation through a monthly subscription to the Environment Team, Tanjung Group in Sapu Jagat.
- Donation of funds raised at the thirteenth annual charity tennis tournament.



One of the classrooms at one of the schools helped by Sol Meliá hotels in Asia.

- Donation of materials to be used for the installation of permanent mooring points in the most popular diving areas to reduce the risk of accidents and help in the protection of the coral reef. The project has been led by the marine biologist Dr Helen Newman and supported by the Bali Tourism Office and the Gahawisri Water Sports Association.

Meliá Purosani

- Involvement of the hotel in the "Education Relief Fund" programme promoted by the NGO "Yayasan Anak Bangsa" that aims to open schools in areas in need in and around Jakarta.
- Cooperation with the presentation of a conference on labour rights organised by "FSPSI" tourism specialists.
- Free use of meeting rooms and sound equipment for the meeting of the Jogjakarta Christian Hoteliers Association.
- Free use of a meeting room for exams for security teams organised by "Merpati Putih-Meliá" martial arts.
- Free use of hotel space for a month and presentation party for the photography exhibition organised by "Animal Rescue Center Jogjakarta".
- Visit and delivery of food and money to the "Nurul Huda" orphanage in Jakarta.
- Hosting of an Easter party for children in need in cooperation with the Salvation Army.
- Organisation of various games of volleyball with the Tourism Police Squad, Jogjakarta, and supply of soft drinks.
- In cooperation with students at the International School of Yogyakarta, organisation of a charity car wash.
- Hosting of a game of football with the International School of Yogyakarta.
- Visit and delivery of bed linen and towels to the "Nurul Yasmin" orphanage for girls.
- Organisation of various games of volleyball with the Bank BRI Jogjakarta, and supply of soft drinks.
- Organisation of various games of volleyball with the Muhammadiyah council in Jogjakarta, and supply of soft drinks.
- Visit and donation of linen to the "Tunas Harapan" orphanage run by the Salvation Army.
- Donation of towels and other linen materials to the "YAKKUM" rehabilitation centre for the mentally disabled as well as visits and information on education projects being set up.
- Cooperation with the long and expensive cancer treatment required by a local resident, Miss Painem.
- Free use of hotel space for stands to sell toys made by students to raise funds at the "YAKKUM" centre.
- Free use of hotel space for a charity exhibition of artwork by students to raise funds at the "YAKKUM" centre.
- Donation of rubbish bins to the "Tegalpanggung" primary school near the hotel.
- Donation of rubbish bins, toys, books and clothes to the "Yayasan Social Soegiyopranata" Association which provides support for homeless people and families.
- Free use of hotel space and donation of dinner in the celebration of prayers by the Muslim community from the hotel and surrounding hotels.
- Visit to the Muslim "Putri Muhammadiyah" orphanage for girls in Purwobinangun.
- Free use of hotel space for a religious event attended by employees and poor families in the region.
- Organisation of the celebration of "Idul Fitri" in cooperation with the hotel Muslim community and a concert of a fusion of traditional and modern Muslim music.
- Hosting of a dinner and delivery of gifts to a group of orphaned children from the "Reksa Putra" Christian orphanage.

- Promotion of the donation of food, water, items of clothing and essential materials for the people affected by the tsunami with the installation of a stand providing information at the Jakarta Information Centre.

Sol Marbella

- Donation of ten goats to different charity organisations to help celebrate the "Idul Adha" festival.
- Collection of cash to donate to the Red Cross to help people affected by the tsunami.
- Collection of food, medicine, clothes, table linen... for the people affected by the tsunami in Banda Aceh.
- Donation of food and funds for the "Nurul Ishlah" Foundation.
- Donation of books to the "WWF" Foundation to assist in providing basic reading skills in poor villages.
- Acquisition of handicrafts made by "WWF" to raise funds to support the conservation of rhinoceroses in the National Park.
- Donation of clothes to the "An-Naziah" Foundation which provides support for poorer people in the local community.

Meliá Kuala Lumpur

- Donation of cash for the people affected by the tsunami in Banda Aceh.
- Organisation of an event to raise awareness and assist the "Selangor" centre providing aid for children with physical and mental disabilities.
- Donation of food for women and children to the NGO "Woman's Aid Organisation".
- Collection and sale of recycled materials to raise funds for charity.
- Entrance tickets for 40 children from a rural area for the Cosmo theme park as part of an educational project.
- Donation of table linen to the "Rumah Solea" Centre, a refuge for mothers and children affected by the AIDS virus.
- Donation of food for cats and dogs at the "PAWS" animal support centre.
- Free use of hotel outdoor area for a stand providing information on the protection of the Asli Orangutan, native to the Malaysian jungle, set up by "Cameron Highlands Orang Asli".
- Donation of food for the "Pusar Jagaan Titian Casi" Centre to provide assistance for single mothers and their children.

ITALY

Meliá Roma Aurelia Antica

- Celebration free of charge of the Christmas Party for children and family members of the Italian Association of Down People.

Tryp Verona

- Free use of a meeting room and donation of the buffet for the meeting of NGO's from Verona and San Giovanni Lupatoto.

MEXICO

Gran Meliá México Reforma

- Organisation of a cocktail party for the "San Pablo Apóstol" Missionary community.

Meliá Cabo Real

- Donation of 3 double beds for the General Hospital.

Meliá Cozumel and Sol Cabañas

- Dinner show to raise funds for the Adult National Education Institute for the purchase of computers.

Meliá Puerto Vallarta

- Donation of dinner for two people for the charity event "Caminata de la amistad" organised by the "Comité de Damas de Hoteles" in Puerto Vallarta to raise funds for "Pasitos de Luz", an institution dedicated to caring for disabled children.
- Golden Heart Gala with charity auction.
- Annual celebrations of Children's Day by the "Comité de Damas Hoteleras" at the school for the poor in Puerto Vallarta
- Celebration of Children's Day with the children of the community in the CTM.
- International altruism festival organised by the US consulate.

- Celebration of Mother's Day at the musicians union.
- Regional Security and Hygiene Week in cooperation with the hotel association and labour authorities.
- Anniversary of the senior citizen service centre.
- Donation to the Association for Integrated Family Development.
- Help for Marissa, a 13 year-old girl with leukemia from Chiapas, providing accommodation for her and her mother and younger sister at the Meliá Puerto Vallarta in cooperation with the "Make a Wish" Foundation.
- Mexican dance organised by the local "DIF" in Puerto Vallarta.
- Support on the 22nd anniversary of the philharmonic union in Puerto Vallarta Jal.
- Donation of a table tennis table to the young people's centre in Puerto Vallarta.

Meliá San Lucas

- Donation of a cake for Children's Day at the "Casa San Juan Diego" centre.
- Donation of a voucher for a 3-night stay to be auctioned to raise funds for the "International Visitors Protocol" Foundation.
- Donation of 2 vouchers for a 3-night stay to be auctioned to raise funds for the "Cal State Fullerton" Foundation.
- Placement of a collection box to raise funds for the Spanish Red Cross.
- Donation to the "Roman Wilkes" school.
- Donation of 40 lunches to the "IMSS" Mexican Social Security Institute.
- Donation of a voucher for a 3-night stay to be auctioned to raise funds at the Bid for the Bulldogs event organised by Fresno State University.
- Donation of a free 3-night stay in the hotel to be auctioned at the charity golf tournament organised by Raul Zarate.
- Breakfast and partnership agreement between the Meliá San Lucas and the State Institute for Adult Education.
- Collection to raise funds for UNICEF.
- Donation of a free 3-night stay in the hotel for Dr Kenneth Stein and his team. Dr Stein provides free operations for the poor in Los Cabos (Mexico).
- Collection of toys at the event held to celebrate the end of the collection.
- Donation of a free 3-night stay in the hotel to be auctioned at the Holiday of the Heart event.

Meliá Turquesa

- Donation of materials to the "Hospital General de Occidente" and to the NGO "Niños dando amor".
- Annual auction to assist the American School in Puerto Vallarta.
- Recycling programme in cooperation with "Cáritas" in Quintana Roo, "Hogar de Cobija y Pan" and "Ciudad de la Alegría".
- Cooperation with an event at the Hotel Le Meridien organised by the Mexican Red Cross.
- Participation in the "Adopt a Paramedic" programme in cooperation with the Mexican Red Cross.
- Cooperation with the "Médico Especial de Cirugías de Cataratas, Estrabismo and Pterigión" programme.
- Cooperation in the organisation of the tenth anniversary of the "Women in Action for Mexico" Association.
- Donation of a free stay to a young boy with terminal cancer in cooperation with the "Make a Wish" Foundation.
- Cooperation with the second amateur tournament organised by the Quintana Roo Golf Association to raise funds for charity.
- Participation in the celebration of National Firefighters' Day in cooperation with local authorities.
- 16th Easter egg basket competition. "The Olympics Return to Greece" one of the programmes to help poor disabled children.
- Celebration of Children's Day with children from the "Itzamna" school and firefighters' children from Benito Juárez.
- Celebration of Mothers' Day for the "Golden Years Club" for senior citizens.
- Celebration of Senior Citizens' Day for the "Golden Years Club" for senior citizens.
- Breakfast at the Hotel Le Meridien with the launch of a collection by the fashion designer Lázaro Morteo and funds raised donated to the "Becas de Amor" cultural association.
- American Express Canada golf tournament to assist the "Children's Wish" Foundation.

Paradisus Rivera Cancún

- Donation of material for disabled children to accompany the filming of a programme by the "Televisa" station.
- 5 free stays for a prize draw at the annual dinner organised by the "Saint Monica Academic and Spiritual Heritage Oakwood School, Dentistry Canada Fund".
- 5 free stays for a prize draw at the anniversary of "SHARE Inc.".
- 5 free stays for the "USC Norris" and "Concerní Foundation" cancer treatment centres.

PERU

Meliá Lima

- Donation to the Peruvian Red Cross, the NGO "Tierra de Niños" and the Peruvian Association of "Caballeros de Malta".
- Donation of glass bottles to the "FUNDADES" Institution.
- Donation of material for recycling to the "Ciudad del Papel" Foundation.
- Donation of telephone directories to the "Movimiento de Educación Popular Integral Fe and Alegría".

- Donation of food to the "Canevaro" residence.
- Donation of free stays for a prize draw at the "Hogar de Cristo" residence.
- Donation of clothing to the "Centro Victoria" Foundation.
- Donation of a basket of goods and invitations to the "Orrantia del Mar" Commissary.
- Donation of hotel utensils and food to the "E Maus" community kitchen.
- Donation of materials to build schools to the NGO "Tierra de Niños".
- Donation of slippers and white socks to the "Maria Rosa Araoz" residence.
- Donation of a paella to "Remar Internacional".
- Donation of clothing to "Nuestra Señora del Prado" Association for children.
- Donation of free stays for a prize draw at the "María-Panamá" Institution residence.
- Donation of towels and slippers to the "Hogar Canevaro" residence.
- Sale of lunches to raise funds for projects by the NGO "Tierra de Niños" and the "El Refuge" Christian Association.

DOMINICAN REPUBLIC

Meliá Caribe Tropical

- Donation of cash and carpets to the "Los Manantiales" school.
- Donation of towels, pillows, sheets and carpets to the "Hogares Crea" Foundation.
- Delivery of 70 toys to children in Haití Chiquito, some donated by hotel employees and others bought with money raised from selling handicrafts made by children staying at the hotel to other guests.
- Donation of crockery to the "Hogares Crea" Foundation.
- Donation of cash, furniture and school materials to the "Los Manantiales" school.
- Donation of food during Hurricane Jeanne to the community in Haití Chiquito (Bávaro).
- Organisation of a volleyball tournament with the funds raised from guest participation invested in improving the bathrooms at the "Los Manantiales" school.
- Organisation of an event to help educate a group of 25 children from the "Los Manantiales" school and collection of funds to help build classrooms.
- Collection of a donation by the Grupo Schering of 100 raincoats for the students at the "Los Manantiales" school.
- Collection of a donation by the "GSA" group of 510 notebooks made from recycled paper for the "Los Manantiales" school.
- Collection of cash at various events to raise funds to continue with construction of the school.
- Donation to help people affected in Jimani.
- Donation of confiscated materials.
- Raising of funds for the construction of extra classrooms at the "Los Manantiales" school and involvement of guests in the hotel Community Involvement Programme.
- Provide education for children, helping them save school, materials.
- Children in Haití Chiquito live in poverty and they were treated to an unforgettable day in the hotel.
- Donation by the Director of "El Corte Inglés", Miguel Martínez Iñiguez, to the hotel which is informally cooperating with "Nuestra Institución de Acción Social".
- Several regular donations to help charity organisations to help the needy and senior citizens.

URUGUAY

Meliá Confort Montevideo

- Donation of food to the "Pereira Rossel" Children's Hospital before Christmas Eve.
- Donation of recycled soap to the "Pereira Rossel" Children's Hospital.
- Cooperation with the recycling of paper for the "REPAPEL" project which converts recycled paper into posters, toilet paper, etc. for use by schools.
- Donation of leftover food to the Army Support Unit to feed army pigs.



Donation of material for recycling to "Fundades", an organisation that donates funds raised from recycling to help the poor in Perú (*Meliá Lima*).



Children in need are the focus of Sol Meliá's efforts to improve the quality of life, with actions such as the delivery of toys by the *Meliá Cariari* (Costa Rica).



Teams like the one at the *Meliá Lima* (Peru) help make the Sol Meliá Community Involvement Programme a reality. These teams create the actions and suggest ideas to raise funds for those in need.

USA

Hard Rock Chicago Hotel

- Donations to raise funds for the people affected by the tsunami in Southeast Asia run by the Red Cross.

VENEZUELA

Gran Meliá Caracas

- Donation of free stays for the artists taking part in the charity event-musical organised by the “Unamos al mundo por la vida” Foundation to raise funds for the construction of residences for homeless children.
- Participation in the renovation of the house in precarious conditions yet home to Ana Rengifo and her 13 family members.
- Cooperation with the Neighbourhood Association in the Campo Rico region to renovate the home of an extremely poor family with eight children.

VIETNAM

Meliá Hanoi

- Donation of clothes and food for the victims of Agent Orange through the Red Cross.
- Collection of funds amongst clients and employees for people affected by the tsunami in Southeast Asia.
- Donation of clothes and footwear to the Red Cross for people affected by the tsunami.
- A donation of funds to celebrate the lunar new year for people in need in cooperation with the Labour and Society Magazine Association.
- Acquisition of some paintings made by children in need as a donation to their centre at the annual “Rhythm of March” exhibition organised by the popular committee of Mr Tran Hon Quan.
- Free use of a meeting room for 200 people and buffet service for a fundraising event for the National Fund for Vietnamese Children.
- Donation to the National Pediatrics Hospital to help children in need of dialysis.
- Free use of a meeting room and services for 300 people for a fundraising event for the National Fund for Vietnamese Children.
- Donation of school materials and toys to the Hanoi Red Cross to help children from a local nursery.
- Donation of clothes, toys and pastries to the Hanoi Red Cross to help the primary school in Soc Son.
- Donation of writing material to the Labour Newspaper’s Golden Heart Fund for children in need in Thanh Tri.
- Donation of funds through the Red Cross to those affected by the tsunami in Southeast Asia.
- Donation of cash to the NGO “Labour and Society Magazine” to help poor families celebrate the lunar new year.
- Donation of food every month and two packages of clothes each year for the people affected by Agent Orange.



Presentation of a football tournament to raise funds for an association of Down Syndrome families sponsored by the *Tryp Macarena* (Spain).



Marathon organised to raise funds for the NGO “ADAPH” which helps disabled children in the Sahara. The *Gran Meliá Salinas* (Spain) provided accommodation for all of the participants, all of them elite athletes.

- Free use of a meeting room for 200 people for the conference held by the National Fund for Vietnamese Children to explain the therapies used with children to improve their quality of life after the "Operation Smile" and "For the Children's Eyes" experiences.
- Donation of funds to the National Pediatrics Hospital for children in need of blood transfusions after kidney operations.
- Donation of funds to poor communities in the mountain regions.
- Donation of cash through the sponsoring of the "National Fund for Vietnamese Children" at the "A wing to dream" event.

6.5 Sports

SPAIN

Gran Meliá Salinas

- Sponsorship of the "Three Islands" event to raise funds for the NGO "ADAPH" which helps disabled children and adults in the Sahara.

Meliá Alicante

- Donation for the fourth charity gold tournament to assist the Association of Family and Friends of Alzheimer Patients in Alicante.

Tryp Macarena

- Free use of a meeting room and services for the press conference announcing the charity football game to support the Down Syndrome Association.

6.6 Customers

BRAZIL

Gran Meliá WTC Sao Paulo

- Collection box to raise funds for UNICEF in the hotel lobby.

Meliá Brasília

- Sale of World Wildlife Fund merchandise in the hotel.

Meliá Confort Campinas

- Cooperation from clients in raising funds and delivery of Christmas toys to children from the "Lar de criança Feliz".

Meliá Confort Jardins

- Free use of hotel space for the sale of "O Boticario" perfumes with 10% of sales donated to "Projeto Felicidade" to help children with cancer.

Brazil Corporate Office

- Collection box to raise funds for "Projeto Felicidade" in the office reception area.
- Organisation of a dinner with the most important executives in the tourism industry in which 4 tonnes of food was donated to the "Fundo social de Solidariedade de Sao Paulo" which provides support for the poor.
- Organisation of the "Forum de Operadoras Hoteleiras do Brasil" and donation of 300 toys for the "Projeto Ancora".

SPAIN

Gran Meliá Bahía del Duque

- Guests are invited to donate one euro on check-out to sponsor children through the NGO "Ayuda en Acción".

Gran Meliá Volcán Lanzarote

- Collection amongst guests to raise funds for an educational project in Nicaragua run by "Infancia sin Fronteras".

Meliá Tamarindos

- Collection of the samples served at the finals of the "Una isla de mil sabores" cookery contest.



Younger guests also help to raise funds while they are having fun. **Sol S'Argamassa**, Spain



Market organised by Club Elsa at the **Meliá Galgos**, Spain to raise funds for people in need.

Sol Antillas Barbados

- Organisation of an auction of the drawings made by the children at the Mini Club to raise funds for a UNICEF project.

Sol Falcó

- Collection for the people affected by the terrorist attack of 11 March in Madrid through a handicrafts market for peace set up by the children in the Mini Club on "Hippy Day".
- Organisation of an auction of the drawings made by the children at the Mini Club to raise funds for a UNICEF project.

Sol Gorriones

- Collection of funds amongst guests to raise funds for people affected by the tsunami in Southeast Asia.

Sol Jandía Mar

- Collection of funds amongst guests to raise funds for people affected by the tsunami in Southeast Asia.

Sol Pelícanos Ocas

- Donation of blood.
- Collection amongst guests to raise funds for people affected by the tsunami in Southeast Asia.

Tryp Port Cambrils

- Collection amongst guests to raise funds for people affected by the tsunami in Southeast Asia.

Central Corporate Headquarters

- Charity art workshops in 12 resort hotels to raise funds for UNICEF.
- Solidarity campaign to commemorate the tenth anniversary of the MaS loyalty programme with members invited to donate their points to UNICEF.
- Creation of the "Sol Meliá Solidarity Fund" using the company website to invite guests to choose one of four NGO's to which Sol Meliá donated 1 euro for every booking made on the website.



Guests and staff donating blood at one of the events organised by the *Meliá Benoa* (Indonesia) on its anniversary.

INDONESIA

Gran Meliá Jakarta

- Collection amongst guests using envelopes placed in rooms to raise funds for poor children in the surrounding area.
- Collection of more than 6,500 dollars amongst guests at the New Year's Eve Dinner for those affected by the tsunami in Southeast Asia.

ITALY

Meliá Olbia

- Collection of funds at the New Year's Eve Dinner for the "Istituto Bambin Gesù" for the homeless.

Meliá Roma Aurelia Antica

- "1 € per un bambino" campaign to raise funds for the "Istituto Bambin Gesù" for the homeless.



Optimising facilities near the *Meliá Olbia* (Italy) and cooperating regularly with the mentally disabled.

MEXICO

Meliá Turquesa

- Donations collected as part of Sol Meliá Solidarity Month.

DOMINICAN REPUBLIC

Meliá Caribe Tropical

- Collection of funds for the "Los Manantiales" School from handicrafts made by the kids at the hotel Mini Club.
- Donation by a regular guest of a suitcase full of educational materials for the "Los Manantiales" School.

6.7 Accesibility

SPAIN

Gran Meliá Volcán Lanzarote

- Use of Braille for restaurant menus in 4 languages: Spanish, English, French and German.

Meliá Alicante

- Publication of restaurant menus in Braille.



Event organised by the NGO "Nuevos Caminos" at the *Meliá Lebreros* in a meeting room provided free of charge.

6.8 Business forums

SPAIN

Corporate Central Headquarters

- Presentation of the Sol Meliá Community Involvement Programme at the second annual Corporate Community Involvement event held in Valencia.
- Presentation of the Sol Meliá Community Involvement Programme at the University of the Balearic Islands.
- Participation in the round table on Community Involvement and Corporate Social Responsibility organised by the Barcelona Forum.
- At the Bilbao Finance Club, Sol Meliá led a conference entitled "Tourism in the 21st century and its multiplying effect on the community".

6.9 Investors

In 2004 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 (Madrid, London, Paris, Frankfurt, Cologne, Amsterdam, Rotterdam, The Hague, Zurich and Geneva) and the United States (New York, Chicago, Denver, San Diego, Los Angeles and San Francisco).

Amongst other things, the road shows allowed the company to report to more than one hundred European and American institutional investors on the different Community Involvement programmes and projects carried out by the company. The company also took part in a large number of financial conferences at which efforts are also always made to provide updates on the work Sol Meliá is doing to improve the quality of life in local communities.

7. COMMUNITY INVOLVEMENT MANAGEMENT

7.1 General framework

The majority of the actions carried out by Sol Meliá arise as initiatives from the hotels in 30 countries on 4 continents whose assistance programmes for disadvantaged people and communities have been incorporated within the structure of a global Community Involvement Programme 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 e-mail address for exchanging suggestions and proposals.



Part of the Community Involvement Committee at the *Meliá Caribe Tropical* (Dominican Republic) presenting a donation.



Hana Hoed, one of the most active people in Sol Meliá in Community Involvement visits the Yayasan Ibu Suri orphanage (*Gran Meliá Yakarta*, Indonesia)

7.2 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 programmes 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.

7.3 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 project made by project coordinators upon its completion. This evaluation is one of the key factors analysed by the “Monitoring Group” to assess the quality of the projects carried out and to propose aspects in which improvements might be made.

7.4 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 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.



All of the team at the *Gran Meliá Jakarta* proudly display the award received for their excellent management of community involvement.



A group of children from the "Khazanah" Centre which will receive part of the prize money won by the *Gran Meliá Jakarta*.



Gabriel Escarrer, Chairman of Sol Meliá, presents a plaque for the "Best Community Involvement Project" to Mr. Schoebel, General Manager of the *Meliá Caribe Tropical*.

8. HOTEL SOLIDARITY AWARD

Community involvement has been further enhanced in 2004 and in recognition of the fact that one of the most pleasing things about community involvement is the satisfaction gained from helping others, we decided to create the Hotel Solidarity Awards to further encourage hotels and corporate offices to carry on with their good work. The first edition of the awards consisted of two prizes, one for "Best Community Involvement Management" received by the *Gran Meliá Jakarta*, and a second for "Best Community Involvement Project" which went to the *Meliá Caribe Tropical* in the Dominican Republic. These awards come with a cash prize to be donated to a community involvement project in which the hotel is involved. The 20,000 euro award for "Best Community Involvement Management" will go to two projects in South Jakarta which aim to encourage self-financing and also improve the facilities at the "YPAC" Foundation for the education of disabled children and the "YKK" Foundation for the education of the orphans at the Khazanah Kebajikan centre. Children will also benefit from the other 20,000 euro prize for the "Best Community Involvement Project", with funds helping to build basic facilities (library, bathrooms, classrooms...) at the "Los Manantiales" school in Punta Cana in the Dominican Republic.



The children from the "Los Manantiales" school will benefit from the "Best Community Involvement Project" Award.



Visit by Hana Hoed (*Gran Meliá Jakarta*, Indonesia) to the dental clinic at the YPAC Orphanage, rebuilt with funds raised by the hotel and will help to auto-finance the children's centre.

9. 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

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7.8 THE 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 Meliá'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.

ENERGY SAVING AND POLLUTION REDUCTION POLICIES

The emission of pollutants into the atmosphere in the tourism industry is closely related to the consumption of energy. These emissions may occur in the hotel through the use of combustible fuels or may occur in the locations in which electrical energy is generated.

Sol Meliá environmental policy is thus based on two basic premises: the first is that the cleanest energy is the energy you do not use, and the second is that the greatest energy efficiency comes from only using energy when and where it is needed and to the degree that it is needed.

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.

Energy in hotels is mainly used for lighting, heating and air-conditioning, the production of hot water and the preparation of food.

In Palma de Mallorca, the innovative DALI system (Digital Adressable Lighting Interface) installed in the new Convention Centre at the Gran Meliá Victoria allows the amount of artificial light provided by low-energy lamps to be regulated to provide the quality of light required based on a mixture of different tones from lamps, allowing old low-performance systems to gradually be replaced. Electricity savings with this system can reach up to 60%, of even greater importance when lighting normally represents in itself 40% of all energy consumption in a hotel. The Sol Galua is also using a new lighting system which has provided savings of 42% above original expectations.



Tryp Oceanic



Meliá Rey Don Jaime

After an analysis of results, more actions have been prioritised on lighting and hot water which together represent 47% of electricity consumption and 40% of energy consumption in hotels and allow emissions to be reduced without any effect on the comfort of the building.

Along these lines, Sol Meliá is taking part in the “AECO2” Project (inter-relation of water, energy and CO₂). This project is being carried out in the Tryp Oceanic and Meliá Rey Don Jaime and will allow us to quantify the double environmental benefit produced by mechanisms for reducing the consumption of hot water by simultaneously reducing the consumption of water and also the emissions produced by heating the water. The project is being coordinated by the Tehsa Consultancy and also involves the Institute for Energy Diversification and Savings, the Caja de Ahorros del Mediterráneo Savings Bank through their Community Works Foundation, Valencia Polytechnic University (through the GMMF and ITA departments) and Spanish national radio and television.

Another project has also been initiated to limit the lighting in hotels to the standards on intensity and quality set by international bodies, beginning with audits in 2004 in a number of different hotels with different types of guests. The project is expected to reduce emissions by 5%.

COOPERATION WITH ENERGY COMPANIES

The Works and Maintenance Department has created a network of contacts with the energy companies in 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 cooperation of Sol Meliá demonstrates to guests and the administration that the company shares this mission.

PERMANENT ACTIVITIES

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.
- 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.

HOTELS WITH INTERNATIONAL ENVIRONMENTAL CERTIFICATION



Meliá Bali



Sol Menorca

- **Meliá Bali Green Globe Commendation**
(Bali, Indonesia) (World Travel and Tourism Council) 1999 and 2000
Green Globe 21 –2004
- **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 –2000
- **Sol Falcó**
(Menorca, Spain) ISO 14001 and EMAS 2000
Star Product Certification "Menorca: biosphere reserve" – 2004
- **Sol Gavilanes**
(Menorca, Spain) EMAS - 2000 and ISO 14001 –2002
Marque of Excellence & Responsible Tourism Award –2004
Star Product Certification "Menorca: biosphere reserve" – 2004
EMAS Certification – 2004
ISO 14001 – 2004
- **Sol Pinet Playa**
(Ibiza, Spain) EMAS - 2000
- **Sol Magalluf Park**
(Magalluf, Spain) ISO 14001 - 2000
- **Sol Milanos-Pingüinos**
(Menorca, Spain) ISO 14001 – 2000
Star Product Certification "Menorca: biosphere reserve" – 2004

- **Meliá Barcelona**
(Barcelona, Spain) EMAS – 2001
- **Tryp Apolo**
(Barcelona, Spain) EMAS – 2001
- **Meliá Girona**
(Girona, Spain) EMAS – 2001
- **Meliá Sitges**
(Sitges, Spain) EMAS – 2001
- **Sol Pelícanos-Ocas**
(Benidorm, Spain) ISO 14001 – 2001
- **Gran Meliá Don Pepe**
(Marbella, Spain) ISO 14001 and EMAS – 2002
- **Sol Menorca**
(Menorca, Spain) ISO 14001– 2002
Star Product Certification “Menorca: biosphere reserve” – 2004
- **Gran Meliá Victoria**
(Mallorca, Spain) ISO 14001 and ISO 9001 – 2002
- **Sol Cala Blanca**
(Mallorca, Spain) ISO 14001 – 2003
- **Tryp Bellver**
(Mallorca, Spain) ISO 14001 – 2003
- **Meliá Purosani**
(Java, Indonesia) Green Globe 21 – 2004
- **Meliá Benoa**
(Tanjung Benoa, Indonesia) Green Globe 21 – 2004
Green Paradise-Tri Hita Karana – 2004
- **Gran Meliá Jakarta**
(Jakarta, Indonesia) Green Globe 21 – 2004
- **Meliá Hanoi**
(Hanoi, Vietnam) Green Globe 21 – 2004
- **Meliá Kuala Lumpur**
(Kuala Lumpur, Malaysia) Green Globe 21 – 2004
- **Meliá Costa del Sol**
(Malaga, Spain) EMAS – 2004
ISO 14001 – 2004

CONTACT

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

Felisa Marina (Environmental Coordinator)
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Tryp Bellver



Gran Meliá Jakarta



Meliá Kuala Lumpur



Meliá Benoa

REGULATORY NOTIFICATIONS

Date 23/03/04 (Notification number 16059)

Sol Meliá opens the Tryp San Lázaro, its third hotel in Santiago.

Date 31/03/04 (Notification number 48608)

The company announces that the Board of Directors calls the Ordinary and Extraordinary Annual General Shareholders Meeting for 08/06/04. At the same time it also announces changes in the Appointments and Remuneration Committee.

Date 12/04/04 (Notification number 48845)

The company issues the Annual Report of Corporate Governance.

Date 15/04/04 (Notification number 16159)

The company issues a press release in regard to the agreement between Sol Meliá and Mapfre Asistencia by which Sistema Mapfre becomes a shareholder in Meliatour, the tour wholesaler belonging to the hotel group.

Date 29/04/04 (Notification number 16236)

Sol Meliá distributes a gross dividend of 0.0471 euros per share.

Date 20/05/04 (Notification number 49894)

The company announces that the Board of Directors has called the Ordinary and Extraordinary Annual General Shareholders Meeting for 8 June 2004. The agenda and full text of the proposals to be submitted for approval to the meeting are attached.

Date 08/06/04 (Notification number 50742)

The Ordinary and Extraordinary Annual General Shareholders Meeting held on 8 June 2004 approved, amongst other things, the Annual Accounts of the company and its consolidated group for financial year ending 31 December 2003, as well as the distribution of a net dividend of 0.04 euros per share.

Date 14/06/04 (Notification number 16471)

The company announces the payment of a dividend for 2003 of a gross amount of 0.04668773 euros per share on 1/07/04.

Date 29/07/04 (Notification number 16753)

The company issues information on results for the first half of 2004.

Date 2/08/04 (Notification number 51862)

The company announces that it has taken a 25% share in the capital of the Spanish company ALCAJAN XXI, S.L. for the amount of 3,125,000 euros.

Date 21/12/04 (Notification number 54528)

Sol Meliá signs a syndicated loan for 175 million euros, oversubscribed 2.8 times. Structured and syndicated by BARCLAYS CAPITAL and BBVA and signed by a total of 30 banks, the loan has a duration of 5 years and bears an interest rate referenced to the Euribor, with a margin that varies between 0.70% and 1.00% depending on a basket of ratios. The loan will be used to partially refinance the bond that Sol Meliá issued in February 2001 for 340 million euros and which expires in February 2006.

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

OUTSIDE INSTITUTIONAL DIRECTORS

Name	Representative	Position	Shareholder represented
Juan Vives Cerdá		Vice Chairman	Hoteles Mallorquines Asociados S.L.
Hoteles Mallorquines Consolidados S.A.	María Antonia Escarrer Jaume	Director	Hoteles Mallorquines Consolidados S.A.
Ailemlos S.L.	Ariel Mazín Mor	Director	Ailemlos S.L.

OUTSIDE 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 OUTSIDE DIRECTORS

Name	Position
Oscar Ruiz del Río	Director

CORPORATE INFORMATION

CENTRAL CORPORATE HEADQUARTERS

Gremio Toneleros, 24
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Fax 34 971 22 44 08

MADRID CORPORATE HEADQUARTERS

Mauricio Legendre, 16
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Fax 34 91 315 62 31

CENTRAL AND NORTH AMERICA CORPORATE HEADQUARTERS

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33131 Miami-Florida-USA
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Fax (1) 305 350 99 60

SOUTH AMERICA CORPORATE HEADQUARTERS

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Fax (5511) 3043 8466

CUBA CORPORATE HEADQUARTERS

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Central Reservations (SolRes): 902 14 44 44

Sol Meliá GDS access codes:

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

SOL MELIÁ VACATION CLUB

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info@solmeliavc.com
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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



annual
report
2004

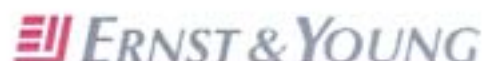
FINANCIAL
REPORT

AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Translation of reports and accounts 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, 2004, 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 2004, those of 2003. In addition, the directors include the figures of the 2002 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 2004. On April 14, 2004, we issued our audit report on the 2003 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 2004 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 2004. 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 1, 2005

CONSOLIDATED ASSETS

In thousands of Euros

	31/12/2002	31/12/2003	31/12/2004
A. UNCALLED SHARE CAPITAL			
B. FIXED ASSETS			
I. Start-up expenses	23,861	18,152	19,369
II. INTANGIBLE FIXED ASSETS			
1. Intangible assets and rights	420,401	410,160	371,568
2. Provisions and amortization	(52,385)	(75,717)	(94,943)
III. TANGIBLE FIXED ASSETS			
1. Land and buildings	1,669,213	1,533,194	1,603,959
2. Technical installations and machinery	243,979	277,443	336,143
3. Other fixed assets	314,089	302,467	320,690
4. Prepayments and tangible fixed assets in progress	33,132	101,649	3,270
5. Provisions and depreciation	(599,943)	(606,787)	(648,941)
IV. INVESTMENTS			
1. Participations by equity method	26,691	25,528	40,981
2. Loans to associated companies	15,358	5,513	5,222
3. Long-term securities portfolio	45,972	49,849	39,877
4. Other long-term receivables	79,835	79,418	77,844
5. Provisions	(4,505)	(5,686)	(648)
V. Treasury shares	1,970	5,959	8,250
TOTAL FIXED ASSETS	2,217,668	2,121,140	2,082,640
C. GOODWILL ON CONSOLIDATION			
1. From companies consolidated under full consolidation	18,765	16,685	15,360
2. From companies consolidated by equity method	2,848	1,346	492
TOTAL GOODWILL ON CONSOLIDATION	21,613	18,032	15,853
D. DEFERRED EXPENSES	28,180	26,938	28,002
E. CURRENT ASSETS			
II. INVENTORIES	27,962	26,858	33,169
III. DEBTORS			
1. Trade debtors	138,967	165,114	107,978
2. Investees	28,444	21,064	16,298
3. Other debtors	82,771	55,905	64,721
4. Provisions	(38,937)	(40,873)	(37,764)
IV. SHORT-TERM INVESTMENTS			
1. Short-term securities portfolio	2,815	1,381	510
2. Loans to investees	2	0	0
3. Other loans	22,013	174,803	47,258
4. Provisions	(2)	(2)	0
V. Treasury shares	9,445	7,298	11,823
VI. Cash and banks	130,849	72,715	75,153
VII. Prepayments and accruals	8,304	5,922	4,672
TOTAL CURRENT ASSETS	412,633	490,185	323,818
TOTAL ASSETS	2,680,094	2,656,295	2,450,313

CONSOLIDATED LIABILITIES

In thousands of Euros

	31/12/2002	31/12/2003	31/12/2004
A. EQUITY			
I. SHARE CAPITAL	36,955	36,955	36,955
II. SHARE PREMIUM	794,550	792,708	785,893
III. REVALUATION RESERVE R.D.L. 7/96	49,278	49,278	49,278
IV. RESERVES			
1. Distributable reserves	18,455	16,316	20,449
2. Reserve investments Canary Islands Law 19/94	39,599	39,599	27,379
3. Reserves in Cos. consolidated under full consolidation	335,839	357,444	404,681
4. Reserves in Cos. consolidated by equity method	2,280	4,437	4,433
5. Non-distributable reserves	17,720	21,186	27,464
6. Prior years results	(304,997)	(318,088)	(329,337)
VII. FOREIGN CURRENCY GAINS/(LOSSES)			
1. From Companies consolidated under full consolidation	(100,480)	(254,918)	(295,870)
2. From Companies consolidated by equity method	(2,460)	(3,734)	(4,176)
VIII. PROFIT AND LOSS FROM PARENT COMPANY	4,179	38,140	60,131
1. Consolidated profit and loss	13,649	49,089	70,505
2. Profit and loss attributed to minority interests	(9,470)	(10,950)	(10,374)
IX. INTERIM DIVIDEND PAID IN PREVIOUS YEAR			
TOTAL EQUITY	890,918	779,322	787,279
B. MINORITY SHAREHOLDERS	166,429	163,019	165,203
C. NEGATIVE CONSOLIDATION DIFFERENCE			
1. From companies consolidated under full consolidation	19,084	15,595	1,131
2. From companies consolidated by equity method	0	0	0
TOTAL NEGATIVE CONSOLIDATION DIFFERENCE	19,084	15,595	1,131
D. DEFERRED INCOME			
1. Capital grants	3,524	4,734	4,894
2. Other deferred income	10,347	13,252	9,221
TOTAL DEFERRED INCOME	13,870	17,986	14,115
E. PROVISIONS FOR CONTINGENCIES AND EXPENSES	54,593	53,799	61,862
F. LONG-TERM LIABILITIES			
I. Issue of debentures and other marketable securities	555,829	490,000	490,000
II. Bank debts	480,988	520,438	481,086
III. Debts with investees	305	305	305
IV. Other liabilities	82,350	86,366	99,061
TOTAL LONG-TERM LIABILITIES	1,119,472	1,097,109	1,070,452
G. SHORT-TERM LIABILITIES			
I. Issue of debentures and other marketable securities	34,827	241,051	19,889
II. Bank debts	191,030	101,416	119,725
III. Debts with investees	332	212	265
IV. Trade creditors	126,413	122,125	133,147
V. Other non-trade debts	58,776	60,176	73,905
VI. Trade provisions	0	0	16
VII. Accrued expenses	4,350	4,484	3,325
TOTAL SHORT-TERM LIABILITIES	415,729	529,465	350,271
TOTAL LIABILITIES	2,680,094	2,656,295	2,450,313

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In thousands of Euros

	31/12/2002	31/12/2003	31/12/2004
A EXPENSES			
1. Supplies and other external expenses	127,551	119,526	133,184
2. Personnel expenses			
a) Salaries, wages and related expenses	255,705	256,146	265,834
b) Social Security cost	70,598	66,059	68,430
3. Depreciation and amortisation	105,834	111,094	112,174
4. Changes in trade provisions	5,251	7,823	4,143
5. Other operating expenses	318,138	315,951	333,840
I. OPERATING PROFIT	127,463	111,246	121,100
6. Financial expenses	63,115	61,329	71,101
7. Variation of investments depreciation			
8. Foreign currency losses	79,333	38,217	20,091
II. FINANCIAL PROFIT	-	-	-
9. Amortization of consolidation goodwill	2,986	2,956	2,647
III. PROFIT FROM ORDINARY ACTIVITIES	46,392	51,094	68,554
10. Losses arising from sale of fixed assets	20,526	2,646	4,454
11. Changes in fixed asset provisions	1,212	3,382	9
12. Extraordinary expenses and losses	17,165	9,441	13,357
13. Expenses and losses from prior years	4,420	7,007	6,584
IV. EXTRAORDINARY PROFIT	---	12,134	5,873
V. CONSOLIDATED PROFIT BEFORE TAXATION	16,845	63,228	74,427
14. Corporate income tax	3,196	14,138	3,922
VI. CONSOLIDATED RESULT FOR THE YEAR (PROFIT)	13,649	49,089	70,505
15. Result attributed to minority shareholders	9,470	10,950	10,374
VII. RESULT FOR THE YEAR ATTRIBUTED TO PARENT COMPANY (PROFIT)	4,179	38,140	60,131

CONSOLIDATED PROFIT AND LOSS ACCOUNT

In thousands of Euros

	31/12/2002	31/12/2003	31/12/2004
B INCOME			
1. Net turnover	976,199	944,167	960,182
2. Other operating income	34,341	43,678	78,524
I. OPERATING LOSSES	-	-	-
3. Income from share capital investments	1,864	1,115	887
4. Other financial income	7,677	2,925	19,193
5. Foreign currency gains	59,816	38,387	20,123
II. FINANCIAL LOSSES	73,092	57,118	50,989
6. Particip. in profits from companies consolidated by equity method	(4,994)	(79)	1,089
III. LOSSES FROM ORDINARY ACTIVITIES	-	-	-
7. Gains on disposal of fixed assets	1,214	23,800	18,576
9. Capital grants transferred to results for the year	157	236	280
10. Extraordinary income or profits	10,955	6,847	8,779
11. Income or profit from previous years	1,451	3,727	2,641
IV. EXTRAORDINARY LOSSES	29,546	-	-
V. CONSOLIDATED LOSSES BEFORE TAXATION	-	-	-
VI. CONSOLIDATED RESULT FOR THE YEAR (LOSSES)	-	-	-
VII. RESULT FOR THE YEAR ATTRIBUTED TO PARENT COMPANY (LOSSES)	-	-	-

1 BUSINESS ACTIVITIES

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

The activities of SOL MELIA, S.A and its 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 agreements, as well as in time-share operations. The Group’s 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 tourism 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 hotel developments 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.

The Group’s activities are carried out in Germany, Argentina, Belgium, Brazil, Colombia, Costa Rica, Croatia, Cuba, Egypt, Spain, the United States, France, Indonesia, Italy, Malaysia, Mexico, Panama, Peru, Portugal, Puerto Rico, United Kingdom, Dominican Republic, Switzerland, Tunisia, 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
(F) AKUNTRA s. XXI, S. L.	Ronda de Sant Pere 17 (Barcelona)	Spain	Holding	100.00%		100.00%	
(F) APARTOTEL, S. A.	Orense 81 (Madrid)	Spain	Management	99.73%		99.73%	
(A) (F) AZAFATA, S.A.	Autopista Aeropuerto S/N (Valencia)	Spain	Hotel owner and operator	100.00%		100.00%	
(A) BEAR, S. A. de C. V.	Paseo de la Reforma, 1 (Mexico City)	Mexico	Hotel owner and operator	100.00%		100.00%	
(A) BISOL VALLARTA, S. A. de C. V.	Pº de la Marina Sur (Puerto Vallarta)	Mexico	Hotel owner and operator		99.68%		CALA FORMENTOR S.A. DE C.V.
					0.01%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A) (F) CADLO FRANCE, S. A.	12, Rue du Mont Thabor (Paris)	France	Management	100.00%	100.00%		SOL MELIA FRANCE, S.A.
(A) (F) CADSTAR FRANCE, S. A.	12, Rue du Mont Thabor (Paris)	France	Management	100.00%	100.00%		SOL MELIA FRANCE, S.A.
(A) CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancun)	Mexico	Hotel owner and operator	99.69%	99.69%		MELIÁ INV. AMERICANAS N.V.
(A) 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.
(A) CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dom. Rep.	Casino operator	49.84%	49.84%		INVERSIONES AGARA S.A.
(A) (F) CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	Casino owner and operator	100.00%		100.00%	
COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	Hotel owner and operator	88.42%		88.42%	
(A) COMP. TUNISIENNE GEST. HOTELIÈRE	Cite Mahrajene-Imm Chiaaar, 1 (Tunis)	Tunisia	Management		100.00%		SOL MANINVEST B.V.
(F) 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.
CONTROLADORA TUR. COZUMEL, S. A.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Holding	23.91%			OPERADORA MESOL
				27.00%	50.91%		MELIÁ INV. AMERICANAS N.V.
(A) CORPHOT.HISP.MEXICANA, S. A. de C. V.	Boulevard Kukulkan (Cancun)	Mexico	Hotel owner and operator	9.22%			CALA FORMENTOR S.A. DE C.V.
				90.47%	99.69%		MELIÁ INV. AMERICANAS N.V.
CORPHOTELERA 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.
CREDIT CONTROL CO.	Brickell Avenue, 800 (Miami)	USA	Collection Management	100.00%	100.00%		CREDIT CONTROL RIESGOS, S.L.
(F) CREDIT CONTROL RIESGOS, S.L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Collection Management	100.00%		100.00%	
(F) 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 (Curaçao)	Dutch Antilles	Marketing company	99.69%	99.69%		DES.TUR.DEL CARIBE N.V.
(A) (F) 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.
(F) 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 Antilles	Holding	99.69%	99.69%		MELIÁ INV. AMERICANAS N.V.
(A) DESARROLLOS SOL, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Holding	60.63%			MELIÁ INV. AMERICANAS N.V.
				20.87%			DOMINICAN INVESTMENT, N. V.
				18.19%	99.69%		DOMINICAN MKTING SERVICES
(A) (F) DOCK TELEMARKETING, S. A.	Orense 81 (Madrid)	Spain	Sales office	100.00%		100.00%	
DOMINICAN INVESTMENT, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Holding	99.69%	99.69%		MELIÁ INV. AMERICANAS N.V.
DOMINICAN MARKETING SERVICES	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Marketing company	99.69%	99.69%		DOMINICAN INVESTMENT NV
(F) DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Brand owner	100.00%		100.00%	
(F) 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 (Panama)	Panama	Management	100.00%		100.00%	
(F) GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Export company	100.00%		100.00%	

(*) 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.

Subsidiaries (Continued)

	COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR. P	IND. P	TOTAL	HOLDER IND.PART
(A)	GOLF COCOTAL, S. A.	Playas de Bávaro (Higüey)	Dom. Rep	Export company		99.69%	99.69%	DESARROLLOS SOL, S.A.
(A)	GRUPO SOL ASIA, Ltd.	1109/10 Admiralty Tower (Hong Kong)	Hong Kong	Holding	60.00%		60.00%	
(A)	GRUPO SOL SERVICES	80, Raffles Pplace, 25-01 UOB (Kuala Lumpur)	Singapore	Services		60.00%	60.00%	GRUPO SOL ASIA, Ltd.
	GUPE IMÓBILIARIA, S.A.	Estrada da Luz, 90 (Lisbon)	Portugal	Management	100.00%		100.00%	
	HOTELES MELIÁ INT. COLOMBIA, S. A.	Calle, 68 (Bogotá)	Colombia	Inactive		100.00%	100.00%	M.I.H. S.A.
	HOTELES SOL INTERNACIONAL	Edificio Banco do Brasil (Panama)	Panama	Holding	100.00%		100.00%	
(A) (F)	HOTEL ABBAYE DE THELEME, S. A.	9, Rue Ville de Saxe (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE S.A.
(A) (F)	HOTEL ALEXANDER, S. A. S.	12, Rue du Mont Thabor (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%	
(A) (F)	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%	
(A) (F)	HOTEL DE BOULOGNE, S. A. S.	12, Rue du Mont Thabor (Paris)	France	Hotel owner and operator		100.00%	100.00%	SOL MELIA FRANCE
(A) (F)	HOTEL FRANÇOIS, S. A.	3, Boulevard MontMarte (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE, S.A.
(A) (F)	HOTEL MADELEINE PALACE, S. A.	8, Rue Cambon (Paris)	France	Hotel operator		100.00%	100.00%	HOTEL METROPOLITAN S.A.
(A) (F)	HOTEL METROPOLITAN, S. A.	8, Rue Cambon (Paris)	France	Hotel owner		100.00%	100.00%	CADLO FRANCE S.A.
(A) (F)	HOTEL ROYAL ALMA, S. A.	35, Rue Jan de Goujon (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE, S.A.
	(F) HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Inactive	100.00%		100.00%	
	(F) HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Inactive	100.00%		100.00%	
	(F) HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Holding	100.00%		100.00%	
	(F) HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Inactive	100.00%		100.00%	
	(F) HOTELES TRY, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Inactive	100.00%		100.00%	
(A) (F)	HOTELES TURÍSTICOS, S. A.	Orense 81 (Madrid)	Spain	Hotel owner and operator	94.65%		94.65%	
	ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	Management	100.00%		100.00%	
	IMPULSE HOTEL DEVELOPEMENT	Strawinskylaan, 2001 (Amsterdam)	Holland	Inactive	100.00%		100.00%	
(A) (F)	INDUSTRIAS TURISTICAS, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner and operator	97.84%		97.84%	
	(F) 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.
	INMOBILIARIA DISTRITO CIAL, S. A.	Avda. Venezuela con Casanova (Caracas)	Venezuela	Premises owner		71.78%	71.78%	INVERS. IAR 1997, C. A.
(A)	INMOTEL INVERSIONES ITALIA, S. R. L.	Via Pietro Mascagni, 14 (Milan)	Italy	Hotel owner and operator	100.00%		100.00%	
	INVERS. TURISTICAS DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Holding	100.00%		100.00%	
(F)	INVERS. LATINOAMERICA 2000, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Holding	100.00%		100.00%	
(A)	INVERS. EXPLOTAC. TURISTICAS, S. A.	Orense 81 (Madrid)	Spain	Owner & operator of hotels	54.64%		54.64%	
(A)	INVERS. INMOBILIARIAS IAR 1997, C. A.	Avenida Casanova (Caracas)	Venezuela	Hotel owner and operator		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A)	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.
	IRTON COMPANY, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Assets management		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(F)	LAVANDERIAS COMPARTIDAS, S. A.	Paseo Colorado, 26 (Torremolinos-Málaga)	Spain	Launderette	100.00%		100.00%	
(A)	LOMONDO, Ltd.	Albany Street-Regents Park (London)	G. Britain	Hotel owner and operator	29.41%	70.59%	100.00%	HOTELES SOL INTNAL, S.A.
	MELIÁ INTERNACIONAL HOTELES, S. A.	Edificio Fiduciario (Panama)	Panama	Management and Holding	100.00%		100.00%	
	M.I.H. U.K., Ltd.	Cent House-Upper Woburn Place (London)	G. Britain	Holding		100.00%	100.00%	M.I.H. S.A.
	MARINA INTERNATIONAL HOLDING	Elvira Méndez, 10 (Panama)	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.
	MARKSOL TURIZM, Ltd.	Calakli Manavgat (Antalya)	Turkey	Inactive	10.00%	90.00%	100.00%	MARKSERV B.V.
	MARKTUR TURIZM, A. S.	Daire, 3 Gençlik Mahallesi (Antalya)	Turkey	Inactive	100.00%		100.00%	
(A)	MELIÁ BRASIL ADMINISTRAÇÃO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil	Operator of hotels		20.00%		SOL MANINVEST B.V.
						80.00%	100.00%	MARKSERV B.V.
(F)	MELIÁ CATERING, S. A.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Catering services	100.00%		100.00%	
	MELIÁ INV. AMERICANAS, N. V.	Strawinskylaan, 2001 (Amsterdam)	Holland	Holding	82.26%	17.43%	99.69%	SOL MELIÁ INVESTMENT N.V.
(A)	MELIÁ MANAGEMENT, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Management		100.00%	100.00%	INV TURIST DEL CARIBE SA
	MELSOL MANAGEMENT, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Management	100.00%		100.00%	
	MELSOL PORTUGAL, Ltd.	Avenida do Brasil, 43-8 (Lisbon)	Portugal	Management	80.00%		80.00%	
	MOTELES ANDALUCES, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner and operator	75.70%		75.70%	
	MOT. GRANDES RUTAS ESP, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner and operator	81.56%		81.56%	
	NEALE, S. A.	Edificio Arango Orillac (Panama)	Panama	Marketing Company		99.69%	99.69%	RANDESTOP CORP.N.V
	NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA	Holding		100.00%		SOL GROUP, B. V.
	OPERADORA COSTARISOL	Avenida Central, 8 (San José)	Costa Rica	Management		100.00%	100.00%	M.I.H. S.A.
(A)	OPERADORA MESOL, S. A. de C. V.	Bosque de Duraznos 69-b, (Mexico City)	Mexico	Management	75.21%	24.79%	100.00%	MARKSERV 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.
	PÁJARO, SARL.	Rue Schiller (Luxembourg)	Luxembourg	Time Sharing Club	100.00%		100.00%	

Subsidiaries (Continued)

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR. P	IND. P	TOTAL	HOLDER IND.PART
(F) PARKING INTERNACIONAL, S. A.	Darro, 22 (Madrid)	Spain	Carpark owner		100.00%	100.00%	INMOBILIARIA BULMES, S.A.
(A) (F) PARQUE SAN ANTONIO, S. A.	Rey, 1 (Puerto de la Cruz)	Spain	Hotel owner and operator	79.59%		79.59%	
(F) PLAYA SALINAS, S. A.	Avenida Marítima, 1 (Santiago del Teide)	Spain	Land owner	49.00%			
					47.94%		INDUSTRIAS TURISTICAS
					1.89%	98.83%	HOTELES TURISTICOS, S.A.
RANDLESTOP CORPORATION, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(F) REALTUR, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner	96.80%		96.80%	
(F) SAN JUAN INVESTMENT, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(F) SECADE s. XXI, S. L.	Ronda de Sant Pere, 17 (Barcelona)	Spain	Holding	100.00%		100.00%	
(F) SECURISOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Security	100.00%		100.00%	
SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico	Hotel owner		100.00%	100.00%	SM VACATION CLUB CO.
(F) SILVERBAY, S. L.	Rafael Salgado, 7-5º Izq. (Madrid)	Spain	Inactive	100.00%		100.00%	
(A) SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Time-share management		100.00%	100.00%	SM VACATION CLUB CO.
(A) SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancun)	Mexico	Time-share management		100.00%	100.00%	SM VACATION CLUB CO.
SMVC PUERTO RICO CO.	PMB 223, PO Box 43006, (Rio Grande)	P.Rico	Time-share management		100.00%	100.00%	SM VACATION CLUB CO.
SOL CARIBE TOURS, S. A.	Via Grecia - Edif. Alamanda 6B (Panama)	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)	USA	Services		100.00%	100.00%	SOL GROUP B.V
SOL HOTELES U.K., Ltd.	Cent House-Upper Woburn Place (London)	G. Britain	Inactive	100.00%		100.00%	
SOL MANINVEST, B. V.	Parklaan, 81 (Amsterdam)	Holland	Management and Holding	100.00%		100.00%	
(A) SOL MELIÁ, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Ownership and management			100.00%	
(A) SOL MELIÁ BENELUX, B. V.	4, Rue Blanche (Brussels)	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 (Rovinj)	Croatia	Management		100.00%	100.00%	SOL MANINVEST B.V.
(A) SOL MELIÁ DEUTSCHLAND, GmbH	Josef Haumann Strasse, 1 (Bochum)	Germany	Operator of hotels	100.00%		100.00%	
(A) SOL MELIÁ EUROPE, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Exchangeable bonds issuer	100.00%		100.00%	
(A) SOL MELIÁ FINANCE, Ltd.	Ugland House South Church (Gran Cayman)	Cayman Isl.	Financial services	0.56%		0.56%	SOL MELIA INVESTMENT, N.V
(A) SOL MELIÁ FRANCE, S. A. S.	12, Rue du Mont Thabor (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. LATINOAMÉRICA 2000 S.L.
SOL MELIÁ MARRUECOS, S. A.	Rue Idriss Al-Abkar, 4 - 1º Etage	Morocco	Management		100.00%	100.00%	MARKSERV B.V.
SOL MELIÁ Peru, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru	Management	100.00%		100.00%	
(A) SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Freiburg)	Switzerland	Management	100.00%		100.00%	
(A) SOL MELIÁ SUISSE, S. A.	Rue de Messe, 8-10 (Geneva)	Switzerland	Hotel operator	100.00%		100.00%	
(A) (F) SOL MELIÁ TRAVEL S.A.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Travel agency	100.00%		100.00%	
SOL MELIA VACATION CLUB CO.	Bickell Avenue, 800 (Miami)	USA	Holding		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A) TENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mca.))	Spain	Owner and operator of hotels	50.00%		50.00%	
(F) URME REAL, S. L.	Orense, 81 (Madrid)	Spain	Carpark owner		93.10%	93.10%	REALTUR S.A.
(A) VACATION CLUB SERVICES CO.	Bickell Avenue, 800 (Miami)	USA	Time-share management		100.00%	100.00%	SM VACATION CLUB CO.
YOUTH JOURNEY Ltd.	Mulcaster, 1 (St. Helier)	G. Britain	Holding		99.69%	99.69%	DESARROLLOS SOL, S.A

(A) Audited companies

(F) Companies which form consolidated tax groups with their respective parent company.

These companies have been consolidated under the full consolidation method.

Meliá Brasil Administração, 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 has 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
ALCAJAN XXI, S.L.	Avda. Oscar Esplá, 37 (Alicante)	Spain	Holding	30.04%		30.04%	
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	32.72%	17.21%	49.93%	M.I.H., S.A.
HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Athens)	Greece	Inactive	40.00%		40.00%	
INV.TUR.CASAS BELLAS, S. A.	Barrio de Chamberí s/n (Sta. Cruz Tenerife)	Spain	Land owner	23.75%		23.75%	
INVERSIONES AREITO, S.A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dominican Rep.	Hotel owner		9.01%		LEOFORD INVESTMENT CO.
					21.03%	30.04%	ALCAJAN XXI, S.L.
INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dominican Rep.	Owner and operator of water wells	49.84%		49.84%	MARMER, S.A.
LEOFORD INVESTMENT CO.	Elvira Méndez, 10 (Panama)	Panama	Holding		30.04%	30.04%	ALCAJAN XXI, S.L.
LIFESTAR HOTELES ESPAÑA, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel Management	50.00%		50.00%	
LIFESTAR, LLC	Brickell Avenue, 800 (Miami)	USA	Hotel Management		50.00%	50.00%	NEW CONTINENT VENTURES CO.
MELIÁ MÉRIDA, S. L.	Moreno de Vargas, 2 (Merida)	Spain	Hotel owner and operator	41.76%		41.76%	
MELIÁ TOUR, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Touroperator	50.00%		50.00%	
NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Owner and operator of hotels	14.39%	5.67%	20.06%	PROMEDRO
PROM. PLAYA BLANCA S.A. DE C.V.	Plaza de San Ángel, 15(Cancun)	Mexico	Hotel owner and operator		33.00%	33.00%	MARKSERV B.V.
PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Holding	20.00%		20.00%	
PUNTA CANA RESERVATIONS, N. V.	The Ruyterkade, 62 (Curaçao)	Curaçao	Inactive		30.04%	30.04%	ALCAJAN XXI, S.L.
SIERRA PARIMA, S.A.	Avda. John F. Kennedy, 10 (Sto. Domingo)	Dominican Rep.	Shopping centre owner	49.00%		49.00%	
SOL HOTTI PORTUGAL HOTEIS, Ltd.	Avda. da Republica, 85 1º Esq. (Lisbon)	Portugal	Management	45.00%		45.00%	
					21.03%	21.03%	ALCAJAN XXI, S.L.

(*) 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.

The abovementioned companies have been consolidated by the equity method.

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	HOLDING IND.PART.
M. I. H. EUROPE & M.	Cavendish Square, 6 (London)	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.
PUNTA ELENA, S. L.	San José, 33 (Tenerife)	Spain	Inactive	50.00%		50.00%	
TRYP MEDITERRANÉE	Hammamet Yasmine 8050, Tunisia	Tunisia	Inactive	85.40%		85.40%	

The companies excluded from the consolidation are inactive as of December 31, 2004.

The exclusion of these companies from the consolidation has no significant effect on the net equity, financial position or 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 2004 are indicated below:

ADDITIONS	RISE % PARTICIPATION	DISPOSALS % PARTICIPATION	DISPOSALS
ALCAJAN XXI, S.L.	DETUR PANAMÁ S. A.	MELIATOUR, S. L.	IMPULSE DEVELOPEMENT, Inc. (**)
CREDIT CONTROL CO.	HOTELES TURÍSTICOS, S.A.	PUNTA CANA RESERV, N. V.	INVERSIONES JACUEY, S. A. (*)
CREDIT CONTROL RIESGOS, S.L.	ILHA BELA GESTÃO E TURISMO, Ltd.	MELIÁ MÉRIDA, S. L.	MARMER, S. A. (*)
GOLF DEL COCOTAL, S.A.	INDUSTRIAS TURÍSTICAS, S. A.		TORRESOL DES. TURÍSTICOS, S. A. (**)
GUPE INMOBILIARIA, S.A.	MOT. GRANDES RUTAS ESPAÑOLAS, S. A.		
INMOBILIARIA DISTRITO COMERCIAL, S. A.	MOTELES ANDALUCES, S. A.		
INVERSIONES AREITO, S.A.	PARQUE SAN ANTONIO, S. A.		
LEOFORD INVESTMENT CO.	PLAYA SALINAS, S. A.		
LIFESTAR, LLC	REALTUR, S. A.		
LIFESTAR HOTELES ESPAÑA, S.L.	URME REAL, S. L.		
NEW CONTINENT VENTURES CO.			
PÁJARO, SARL.			
OPERADORA SAN JUAN, S. E.			
SEGUNDA FASE CORP.			
SIERRA PARIMA, S.A.			
SMVC DOMINICANA, S.A.			
SMVC MÉXICO, S.A de C.V.			
SMVC PUERTO RICO CO.			
SOL MELIA VACATION CLUB CO.			
VACATION CLUB SERVICES CO.			
YOUTH JOURNEY Ltd.			

(*) Company merger

(**) Dissolved company or in process of dissolution

The additions mainly relate to the incorporation of companies set up for the development of hotel projects, the new company structure for the time-share business, Sol Melia Vacation Club and also the Joint Venture with Hard Rock hotels.

The most significant rise in participation is the increase experienced in Ihla Bela de Gestao e Turismo. The Group has acquired the remaining 35% and now holds 100% of the share capital in said company.

The decrease in Meliatour, S.L. relates to the sale of the 50% participation in the company. The company's remaining 50% is now integrated by the equity method.

The activity of each of the Group companies is presented in Notes 2.1, 2.2 and 2.3 above.

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 2004 and 2003 and of the consolidated Notes thereto for the year 2004. 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 2002 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.

3.2 COMPARISON OF INFORMATION

The consolidated annual accounts at December 31, 2004 are presented following the structure established in the Royal Decree on Consolidation 1815/1991, and also include the comparative figures for the two preceding years.

In relation to the consolidation scope, the principal changes which took place in 2004 with respect to the preceding year are explained in Note 2.

3.3 CONSOLIDATION PRINCIPLES

The consolidated financial statements have been prepared according to the full consolidation method for the subsidiaries in which SOL MELIA directly or indirectly owns more than 50% of 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 separate headings on the liabilities side of the consolidated balance sheets and in the 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 of the participated companies 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 Euros)
Profit and Loss (2004 losses)	52,936

APPROPRIATION	
To losses from prior years	52,396

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.066 euros per share (net dividend of 0.054 euros). Said distribution will be charged to distributable reserves.

5 ACCOUNTING PRINCIPLES

The most significant accounting principles applied in the preparation of the 2004 consolidated annual accounts are as follows:

5.1 GOODWILL AND NEGATIVE DIFFERENCES ON CONSOLIDATION

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

Goodwill on consolidation

The differences between the acquisition price of subsidiaries or associated companies (Note 2) and their notional book 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 or the elimination of decreases present upon acquisition, to the extent that these forecasts are materialised.

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 corresponding 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 credit and debit 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 Brazil, Italy, Mexico and Puerto Rico, 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, 2004.

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, 2004.

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

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

5.6 START-UP EXPENSES

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

5.7 INTANGIBLE FIXED ASSETS

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

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

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

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 year of purchase 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	20-50 years
Installations	8-18 years
Machinery	8-18 years
Furniture	10-15 years
Computer hardware	3-8 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 fittings.

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 notional book value which is adjusted, when applicable, by the specific valuation made of their assets and liabilities (See Note 8). Results for the year obtained by these companies are reflected in the consolidated profit and loss accounts as "Participation in profit (losses) of companies consolidated by the equity method" (See Note 25.5).

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 on the assets side 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 2004 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 2004 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 4.76%. 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 Company executives.

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, 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 mainly relates 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 mainly relate 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' corporate purpose.

The tax criteria applied to financial leasing contracts signed after January 1, 1996 consist of applying amortisation rates which are double 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 Meliá, 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 shares 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 2004 consolidation scope are identified and explained in Note 2.

5.26 REVENUES FROM TIME-SHARING

During 2004 the Group's policy regarding the recording of income derived from time-share operations has changed. Until December 31, 2003, such income was accounted for in accordance with the Group's collection flow. As of 2004, said operations are recorded as a transfer of assets, recognising those revenues accrued to date for the sale of time-share units and the sale cost for the disposal of the accounting net value of the asset corresponding to the units sold in each operation.

5.27 WORKING CAPITAL

The Group's Directors believe that the negative working capital at closing in 2004 is temporary and not material.

5.28 INFORMATION RELATING TO THE TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In accordance with mercantile legislation, and in particular with Regulation (EC) n° 1606/2002 of the European Parliament and the Council, of July 19, 2002, relating to the application of international accounting standards, and with the final eleventh regulation of Law 62/2003, of December 30, 2003, on fiscal, administrative and social measures, the Group's consolidated annual accounts for accounting periods ending on or after January 1, 2005, must be prepared applying the International Financial Reporting Standards adopted by the European Union (adopted IFRS).

Consequently, the 2005 consolidated annual accounts will be the first which the Group will have prepared applying the International Financial Reporting Standards adopted.

Without including the exceptions described in the IFRS 1, the IFRS adopted require that the comparative information for 2004 included in the Group's 2005 consolidated annual accounts be prepared in accordance with the same standards. This will imply changes in the valuation, classification and presentation of certain items on the 2004 balance sheet and the profit and loss account which are presented in accordance with generally accepted Spanish accounting standards and principles. Moreover, the IFRS adopted require that the Group's 2005 consolidated accounts include certain reconciliations, reflecting the accounting impact of the changeover on consolidated equity at both the beginning and end of 2004 and on said year's consolidated result.

The Group is in the process of changing to the IFRS adopted and is studying the accounting impacts of their application as well as the impacts on the various processes affected, such as those related to the information systems. The final accounting impacts, which will depend on, among other aspects, the available options chosen by the Groups' directors and the new standards or interpretations finally adopted by the European Union, will be detailed in the 2005 consolidated annual accounts.

6 GOODWILL ON CONSOLIDATION

Goodwill on consolidation and its amortisation are detailed below:

6.1 COMPANIES CONSOLIDATED BY FULL INTEGRATION METHOD

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Amortisation 2004	Additions	Transfers	Disposals	Balance at 31/12/04
Apartotel, S.A.	720	504	(216)				288
Azafata, S.A. (1)	2,638	2,491	(147)				2,344
C. Tamarindos, S.A.	752	527	(226)				301
Cadlo France (1)	1,255	1,181	(74)				1,107
Dorpan, S.L.	138	97	(41)				55
Grupo Sol Asia Ltd. (1)	112	78	(33)				45
Ihla Bela de Gestao e Turismo (1)	245	232	(48)	694			879
Lirax	1,518						
Lomondo Ltd. (1)	3,890	3,656	(234)				3,422
Londim France (1)	3,287	3,094	(193)				2,900
Markserv, B.V.	258	181	(77)				103
Marksol Turizm	77	54	(23)				31
Melia Brasil Administracao (1)		1,403	(114)				1,289
Melia International Hotels, S.A	324	227	(97)				130
Meliatour, S.L.	198	138			(69)	(69)	
Operadora Mesol, S.A. De C.V.	665	465	(63)				402
Parque San Antonio, S.A. (1)	42	41	(2)	1			39
Sol Group B.V.	86	60	(26)				34
Sol Meliá Benelux (1)	1,335	1,259	(75)				1,184
Sol Meliá Croacia (1)	1,090	886	(204)				681
Sol Meliá Perú S.A. (1)	57	54	(3)				51
Others	79	56	(24)	41			74
Total	18,765	16,685	(1,922)	736	(69)	(69)	15,360

(1) The goodwill relating to long-term investments in management companies and businesses with revaluation prospects are amortised over a period of 20 years.

The additions in Ihla Bela de Gestao e Turismo relate to the increase in participation in said company from 65% to 100%.

The disposal of Meliatour, S.L. relates to the sale of 50% of the Group's holding in the company. The company is now included by the equity method for 50% in the consolidation scope.

All changes in the consolidation perimeter are described in Note 2.4.

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:

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Amortisation 2004	Additions	Transfers	Disposals	Balance at 31/12/04
Apartotel, S.A.	840	821	(19)				801
Casino Tamarindos, S.A.	2,389	2,290	(98)				2,192
Consortio Europeo S.A.	10,439	10,329	(110)				10,218
Desarrollos Sol	18,740	18,651				(11)	18,639
H. Metropolitan	18,234	18,046	(188)				17,858
Hotel de Boulogne S.A.S.	3,601	3,521	(80)				3,441
Inmobiliaria Bulmes S.A.	34,158	33,898	(260)				33,638
Parking Internacional S.A.	112	112					112
Playa Salinas, S.A.	6,654	6,662					6,662
Realizaciones Turísticas, S.A.	11,528	11,335	(210)	1			11,126
Silverbay S.L.	2,173						
Urme Real, S.L.	2,011	1,972	(47)				1,925
Total fixed assets	110,876	107,635	(1,013)	1		(11)	106,612

The amortisation of the tacit surplus attributed to inventories is recorded as a reduction in the profit on the sale based on the percentage of inventory sold in comparison to the initial value of these inventories. The originating company is indicated in the table below:

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Amortisation 2004	Additions	Transfers	Disposals	Balance at 31/12/04
Desarrollos Sol	5,942	5,393	(2,082)				3,311
Total Inventories	5,942	5,393	(2,082)				3,311

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 31/12/02	Balance at 31/12/03	Amortisation 2004	Additions	Transfers	Disposals	Balance at 31/12/04
Aparthotel Bosque, S.A.	236	165	(71)				95
Detur Panamá, S.A.	1,586	803	(604)			(199)	
Hotel NetB2B.com, S.A.	247						
Lastminute Network, S.A.	381						
Meliatour, S.L.			(30)		69		39
Promociones Playa Blanca, S.A. de C.V.	398	378	(20)				358
Total	2,848	1,346	(725)		69	(199)	492

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

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

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Amortisation 2004	Additions	Disposals	Balance at 31/12/04
Hotel Bosque, S.A.	18	18	(1)			17
Alcajan / Inv.Areito / Leoford / Punta Cana (1)				4.375		4.375
Nexprom, S.A.	1,110	1,077	(33)			1,044
Sierra Parima, S.A.				2,338		2,338
Total	1,128	1,095	(34)	6,713		7,774

(1) Companies relating to the same line of business

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 31/12/02	Balance at 31/12/03	Amortisation 2004	Additions	Transfers	Disposals	Balance at 31/12/04
Bear S.A. De C.V.	12,206	11,574	(11,574)				
C.T. Cozumel/Caribotels de México	4,767	1,744	(709)				1,035
C.Tunissienne de G.H.	2	2					2
Desarrolladora Hotelera del Norte, S.A.	703	2,156	(2,156)				
Gesmesol, S.A.	928						
Grupo Sol Services	192						
Inversiones Jacuey	12	12				(12)	
Meliá Brasil Administração	167						
Meliá Venezuela S.A.	75	75					75
Melsol Portugal	10	10					10
Sol Caribe Tours, S.A.	14	14				(14)	
Sol Group Co.	6	6					6
Sol Meliá Suisse, S.A.	3	3					3
Youth Journey, Ltd.			(221)	221			
Total	19,084	15,595	(14,659)	221		(26)	1,131

The negative difference on consolidation corresponding to Controladora Turística Cozumel / Caribotels de México, S.A. de C.V. and Desarrolladora Hotelera del Norte has been amortised to offset losses incurred by these companies during 2004. The negative difference on consolidation of Bear, S.A. de C.V. has been amortised since all the risks relating to the value of the company's assets on acquisition have been eliminated. Youth Journey, Ltd. is a newly constituted debt-free company. All the aforementioned items are recorded as financial income in the 2004 profit and loss account.

8 PARTICIPATIONS BY THE EQUITY METHOD

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

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Resultado 2004	Additions	Transfers	Disposals	Exchange Dif.	Balance at 31/12/04
Alcajan/Inv.Areito/Leoford/Punta Cana (1)			(108)	4,024		(5)	0	3,911
Aparthotel Bosque, S.A.	1,024	1,030	175			(126)		1,079
C.P. Meliá Castilla	3,072	2,439	833			(947)		2,326
C.P.Meliá Costa del Sol	1,462	1,589	230			(278)		1,540
Detur Panamá, S.A.	2,925	1,846	(667)	5			(74)	1,110
Hard Rock Hot. España, S.L.				2				2
Hellenic Hotel Management	(76)	(76)						(76)
Hotel NetB2B.com, S.A.	2,367							
I.Turísticas Casas Bellas, S.L.	9,007	9,007						9,007
Inversiones Guiza, S.A.	(1)	(1)	1				0	(0)
Lastminute Network, S.A.	(0)							
Lifestar, Llc.			(324)	6,856			31	6,563
Meliá Mérida, S.L.	1,097	799	(300)	23				522
Meliatour, S.L.			1	441				442
Nexprom/Promedro	2,793	3,136	215			(132)		3,219
Prom. Playa Blanca, S.A. De C.V.	7,540	5,619	1,009	230			(470)	6,388
Sierra Parima, S.A.				4,784				4,784
Sol Hoti Portugal Hoteis	166	138	25	1				165
Sol Meliá Travel, S.A.	(4,684)							
Total	26,691	25,528	1,089	16,365		(1,489)	(513)	40,981

(1) Companies relating to the same line of business

Additions and disposals mainly arise 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 2004 is as follows:

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Amortisation	Additions	Disposals	Conv. Dif.	Balance at 31/12/04
Formation expenses	719	340	(197)	512	(87)	(48)	521
Set-up expenses	14,237	10,910	(4,613)	8,145	(520)	(741)	13,182
Other deferred expenses	7,099	5,944	(1,037)	348	(4)	(81)	5,170
Share capital increase	1,805	957	(562)	101	(0)	0	497
Total	23,861	18,152	(6,409)	9,107	(611)	(870)	19,369

The additions recorded under set-up expenses in 2004 mainly relate to the completion of building work and the opening of the Hotel Paradisus Puerto Rico, together with the expenses derived from the opening of the Convention Centre in Hotel Meliá Victoria and Tryp Índalo, Tryp San Lázaro and Tryp Oviedo.

10 INTANGIBLE FIXED ASSETS

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

(thousands of €)

COST	Balance at 31/12/02	Balance at 31/12/03		Additions	Transfers	Disposals	Exchange dif.	Balance at 31/12/04
Land	1,202	1,202						1,202
Buildings	107,792	96,343	6,979		(17,917)	(427)	8	84,986
Instalations	76,465	62,383	5,682		(31,973)	(179)		35,913
Machinery	10,243	9,958	1,122		(3,591)	(290)		7,199
Tools	394	671	165		(21)			815
Furniture	36,770	31,004	6,865		(9,347)	(198)		28,323
Data processing equip.	9,130	9,801	225		(2,480)	(85)		7,461
Vehicles	12,184	12,268						12,268
Ind.Prop.rights/R+D exp.	4,478	4,492	986		(90)	(39)	(7)	5,342
Goodwill	11,972	11,512	0			(247)	5	11,271
Transfer rights	77,394	70,957	0				(120)	70,837
Software	72,376	99,560	6,648		39	(160)	(137)	105,951
Total COST	420,401	410,160		28,672	(65,380)	(1,625)	(250)	371,568
ACCUMULATED AMORTISATION	Balance at 31/12/02	Balance at 31/12/03	Charge for the year	Additions	Transfers	Disposals	Exchange dif.	Balance at 31/12/04
Buildings	3,402	5,860	1,599	331	(1,285)	(497)	8	6,015
Instalations	9,256	11,021	2,839	5	(6,798)	(924)		6,143
Machinery	1,136	1,421	485	0	(752)	(37)		1,118
Tools and fittings	51	131	50		(10)	(35)		137
Furniture	5,619	5,323	2,135	1	(2,401)	(34)		5,024
Data processing equip.	2,231	5,045	1,534	1	(1,433)	(821)		4,325
Vehicles	3,037	4,293	1,238		859	(6)		6,384
Ind.Prop.rights/R+D exp.	1,435	1,618	1,468	388	(830)	(60)	(7)	2,576
Goodwill	2,558	2,732	615	0			(6)	3,341
Transfer rights	7,872	9,526	2,409	3		(3)	(145)	11,790
Software	14,875	27,825	18,542	1,880	19	(95)	(83)	48,089
Provisions	914	914				(914)		
Total AMORTISATION	52,385	75,717	32,914	2,610	(12,632)	(3,425)	(233)	94,943
NET BOOK VALUE	368,016	334,442						276,625

There are 1,091 financial leasing contracts pending maturity as of December 31, 2004, of which 489 mature in 1 year, 598 between 2 and 5 years, and 4 in 10 years. The instalments pending payment as of December 31, 2004 total € 91.9 million, of which € 32.9 million are short-term and the rest long-term. The total residual value of the contracts currently in effect amounts to € 5.07 million (See Note 22).

The main additions recorded in the year relate to sundry repairs and refurbishment work 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, point-of-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.

11 TANGIBLE FIXED ASSETS

Movement in the different tangible fixed assets headings and the related accumulated depreciation during 2004, expressed in thousands of euros, is as follows:

(thousands of €)

COST	Balance at 31/12/02	Balance at 31/12/03	Additions	Transfers	Disposals	Exchange at dif.	Balance at 31/12/04	
Land	453,344	432,753	5,975		(50)	(5,704)	432,973	
Buildings	1,215,869	1,100,441	36,257	116,930	(48,613)	(34,028)	1,170,986	
Sub-Total	1,669,213	1,533,194	42,232	116,930	(48,663)	(39,733)	1,603,959	
Installations	205,202	235,705	20,069	33,088	(2,537)	(1,700)	284,624	
Machinery	38,777	41,738	7,816	3,661	(1,046)	(650)	51,519	
Sub-Total	243,979	277,443	27,885	36,749	(3,583)	(2,351)	336,143	
Furniture	252,641	243,670	19,232	9,338	(8,821)	(6,185)	257,234	
Tools	2,864	3,089	126	98	(162)	0	3,150	
Sub-Total	255,506	246,759	19,358	9,436	(8,984)	(6,185)	260,384	
Vehicles	3,417	2,483	367		(52)	(29)	2,770	
Data processing equip.	29,659	29,126	999	2,439	(542)	(425)	31,597	
Other fixed assets	25,507	24,098	9,571	301	(7,752)	(278)	25,940	
Sub-Total	58,584	55,708	10,937	2,740	(8,347)	(732)	60,307	
Works in progress	33,132	101,648	7,005	(100,475)	(6,820)	1,912	3,270	
Total COST	2,260,414	2,214,751	107,417	65,380	(76,396)	(47,087)	2,264,062	
ACCUMULATED AMORTIZATION	Balance at 31/12/02	Balance at 31/12/03	Charge for the year	Additions	Transfers	Disposals	Exchange dif.	Balance at 31/12/04
Buildings	309,781	305,093	29,526	5,545	1,237	(18,844)	(7,188)	315,369
Instalations	94,501	104,204	12,778	972	6,809	(3,231)	(493)	121,039
Machinery	21,833	23,260	2,284	371	760	(866)	(49)	25,760
Sub-Total	426,115	432,556	44,588	6,888	8,806	(22,941)	(7,730)	462,168
Furniture	142,140	143,215	15,709	2,844	2,402	(5,893)	(5,390)	152,887
Tools and fittings	2,966	2,008	280	4	12	(75)	(2)	2,227
Vehicles	2,443	2,080	203	117		(177)	(25)	2,198
Data processing equip.	21,597	22,668	2,449	448	1,409	(646)	(506)	25,822
Other fixed assets	3,333	4,006	7,708	252	3	(8,543)	(144)	3,281
Provisions	1,349	254	1,914	7		(1,815)	(0)	359
Sub-Total	173,828	174,231	28,263	3,671	3,826	(17,149)	(6,068)	186,774
TOTAL AMORTISATION	599,943	606,787	72,851	10,559	12,632	(40,090)	(13,798)	648,941
NET BOOK VALUE	1,660,471	1,607,965						1,615,121

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 said 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 the completion of the construction of the Hotel Paradisus Puerto Rico, amounting to € 31.3 million, as well as to refurbishments in Group-owned hotels and purchases of hotel equipment.

Disposals include the sale of the hotels Aloha Playa and Caballo Blanco, whose net book value, at December 31, 2004, amounted to € 2.5 million and € 1.2 million respectively, the sale of time-share units in Mexico amounting to € 44.2 million and the hotel equipment disposals.

The Group operates a total of 75 hotels under leasing, of which 2 are five-star with 256 rooms, 47 are four-star with 7,125 rooms, 19 are three-star with 2,396 rooms, 2 are two-star with 92 rooms, 2 are 4-key establishments with 336 apartments, and 3 are three-key with 726 apartments. In addition, the Company has subscribed one leasing contract for the year 2005 with approximately 115 rooms.

The Group companies located in countries with high inflation rates re-state their financial statements in order to adjust the real value of their fixed assets. Since Spanish regulations no longer consider the Mexican economy to be hyperinflationary, from 2001 onwards, the adjustments performed in the local books of the Group companies in Mexico have not been included in the consolidated annual accounts. The 2004 consolidated annual accounts solely include the updated value of the investments made in Venezuela and Peru.

The accumulated amount included for this reason in the above tangible fixed assets table is as follows:

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Balance at 31/12/04
Land	66,483	51,412	48,129
Buildings	267,008	212,091	171,743
Furniture	35,787	31,189	29,121
Data processing equip.	1,279	1,061	1,617
Vehicles	313	219	204
Accumulated depreciation	(98,027)	(94,915)	(86,340)
Total	272,843	201,057	164,474

The depreciation charge for the re-statement of the fixed assets recorded to date, amounted to € 8.4 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, 2004.

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 €)

	31/12/04
Revaluation Law 76/61	55
Revaluation Law 12/73	2,579
Revaluation Budget Law 1979	29,936
Revaluation Budget Law 1980	28,852
Revaluation Budget Law 1981	4,323
Revaluation Budget Law 1982	26,480
Revaluation Law 1983	1,437
Voluntary revaluation prior to 1990	3,146
Revaluation R.D.L. 7/96	58,408
Total Revaluation Reserve	155,216

Additionally, the balance sheet at December 31, 2004 includes revaluations of land and buildings for a total cost of € 174.4 million that were recorded according to 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 31/12/02	Balance at 31/12/03	Balance at 31/12/04
ARESOL CABOS, S.A. de C.V.	9,170		
DETUR PANAMÁ	4,065	3,753	3,594
MOGAN PROMOCIONES	2,123	1,760	1,628
Total	15,358	5,513	5,222

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):

(thousands of €)

INVESTMENTS	% Ownership	Balance at 31/12/02	Balance at 31/12/03	Additions	Disposals	Conv. dif.	Balance at 31/12/04
SOL MELIÁ S.A.		42,299	48,841				39,386
D.H. Guanacaste	15.00%	14,472	15,346	1,230			16,576
D.I. Guanacaste	15.00%	793	793				793
Fundación Empresa y Crecimiento				176			176
Gupe Inmobiliaria, S.A.	100.00%	425	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	1,696		(0)		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.	10.00%	651	651				651
Punta Elena, S. L.	50.00%		903				903
Shanghai, S.A.	19.61%	2,842	3,502		(3,502)		
Tryp Mediterrenée	85.40%		407				407
Tuoroperador Viva Tours, S.A.	19.00%	3,537	3,531		(3,531)		
Turismo de Invierno S.A.	19.47%	1,079	1,079				1,079
Valle Yamury, S.A.	15.00%	238	346				346
Several	n/c	0	13		(13)		0

Long-term securities portfolio(continued)

(thousands of €)

INVESTMENTS	% Ownership	Balance at 31/12/02	Balance at 31/12/03	Additions	Disposals	Conv. dif.	Balance at 31/12/04
INEXTUR S.A.		2	2				0
Club Marítimo Marbella debentures	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				0
Government of the Canary Islands debentures	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.		2	2				2
Mogan Promociones	33.33%	2	2				2
Operadora San Juan, S. E.	10.00%		0		(0)		
MELIA INTNAL HOTELS S.A.		45	37				35
C.A.H.T. Puerto La Cruz	0.38%	17	14			(1)	13
Corp. Hotelera Halmel	1.07%	28	23			(2)	22
MARINA INTNAL HOLDING		2,869	0				0
Hotel Las Américas	20.00%	2,869	0				
DESARROLLOS SOL, S.A.		5	203				0
Golf del Cocotal, S.A.	100.00%	5	2		(2)		
Inversiones Cuanel, S. A.	n/c		201		(201)		
SOL GROUP, B. V.							
New Continenrt Ventures, Inc.	100.00%	0	9		(9)		
GRUPO SOL MELIÁ FRANCIA		22	25				25
French Public debt		22	25				25
Total		45,972	49,849	1,406	(11,377)	(3)	39,877

(thousands of €)

PROVISIONS	% Ownership	Balance at 31/12/02	Balance at 31/12/03	Additions	Disposals	Conv. dif.	Balance at 31/12/04
SOL MELIÁ S.A.		(3,070)	(5,685)				(647)
Gupe Inmobiliaria, S.A.	100.00%	(425)	(425)		425		
Hotel Net B2B.com S.A.	26.50%		(1,979)		1,979		
Punta Elena, S. L.	50.00%		(229)	(11)			(240)
Touropedor Viva Tours, S.A.	19.00%	(2,644)	(2,644)		2,644		
Tryp Mediterranée	85.40%		(407)				(407)
MARINA INTNAL HOLDING		(1,435)	0				0
Hotel Las Américas	20.00%	(1,435)					
GRUPO SOL MELIÁ FRANCIA		(1)	(1)				(1)
Deuda Pública Francesa		(1)	(1)				(1)
Total		(4,505)	(5,686)				(648)
NET VALUE		41,467	44,163				39,229

In 2003, participative contributions to the share capital of Desarrollos Hoteleros Guanacaste, S.A. have been undertaken.

The most significant disposals during 2004 relate to the write-off of shares in the companies Shanghai, S.A. and Touroperador Viva Tours, S.A., as well as the dissolution of the company Hotel Net B2B.com, S.A.

No provision has been charged for the holdings of Desarrollos Hoteleros Guanacaste, S.A., Desarrollos Inmobiliarios 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:

(thousands of €)

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	13,689	3,959	1,854	15,00%	2,925	16,576
DES. INM. GUANACASTE, S. A.	Central y ocho C 33 (San José)	C. RICA	Hotel owner and operator	2,265			15,00%	340	793
H. SANCTI PETRI, S.A.	G. Toneleros 24 (Palma de Mca.)	SPAIN	Hotel owner and operator	6,010	219	33	19,50%	1,221	1,172
HOROTEL, S.A.	Marqués Villanueva del Prado s/n	SPAIN	Hotel owner and operator	4	1,601	(264)	12,40%	166	301
INM. CONCHAL PACIFICO	Central y ocho C 33 (San José)	C. RICA	Land owner	0	780		15,00%	117	276
INV. HOT. LOS CABOS	Samuel Lewis C 33 (Panamá)	PANAMA	Holding	34,718	(2,450)	(20)	15,00%	4,837	3,306
INV. HOT. PYA. DEL DUQUE	Barrio Chamberri s/n (Tenerife)	SPAIN	Hotel owner and operator	2,582	48,067	10,010	5,00%	3,033	2,682
LANZAROTE 6 S.A.	Av. Ansite 3-1° (Las Palmas de G.C.)	SPAIN	Hotel owner and operator	31,471	(4,882)	(1,928)	5,56%	1,371	1,696
MOGAN PROMOCIONES (*)	Quintana Roo, Cancún	MEXICO	Hotel under construction	5			33,33%	2	2
ORGESA HOLDING (*)	Collomas de Chapultepec	MEXICO	Holding	280	(1,057)		14,17%	(110)	7
P.T.S.A.I.	Jalan Taman Patra, XIV (Jakarta)	INDONESIA	Hotel owner and operator	2,547	2,013	(7,256)	16,52%	(445)	9,015
PLAZA PUERTA DEL MAR S.A.	Pza. Puerta del Mar, 3 (Alicante)	SPAIN	Hotel owner and operator	6,000	(132)	995	7,10%	487	426
PORT CAMBRILS INVERSIONS, S.A.	Rambla Nova, 2 (Tarragona)	SPAIN	Hotel owner and operator	2,708	(9)	(3)	10,00%	270	651
PUNTA ELENA, S. L.	San José, 33 (Tenerife)	SPAIN	Idle	1,806	(606)	(22)	50,00%	589	663
TRYP MEDITERRANÉE	Hammamet Yasmine, 8050 (Túnez)	TUNISIA	In process of dissolution	368	(11,407)	(6,346)	85,40%	(14,847)	0
TURISMO DE INVIERNO	Plaza Pradollano s/n (Monachil)	SPAIN	Hotel owner and operator	685	4,348	1,047	19,47%	1,184	1,079
VALLE YAMURY, S.A.	General Antequera, 2 (Sta. Cruz de Tfe.)	SPAIN	Holding	4,329	(1,527)	(314)	15,00%	373	346
TOTAL				109,467	38,918	(2,214)		1,513	38,991

(*) Data corresponding to 2003 year-end closing.

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

12.3 OTHER LONG-TERM RECEIVABLES

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Balance at 31/12/04
ARESOL CABOS, S.A. De C.V.		7,009	6,339
ATENCIÓN Y SERV. EN SEGURIDAD, S.A.	359	120	
AURELIA CENTRO	2,276	378	
BANCA DI ROMA	7,359		
BANCA NAZIONALE DEL LAVORO	7,359		
BANCO DE LA REPÚBLICA DOMINICANA		6,140	5,694
BANKINTER	6,311	2,406	1,806
BARCLAYS		15,016	13,683
REAL STATE CLIENTS	3,009	2,673	
TIME-SHARING CLIENTS	4,626	4,707	664
CUBANACAN	4,919	1,455	1,703
DEPOSIT LA CAIXA		567	560
DEPOSIT SWAP DEUTSCHE BANK		6,056	10,039
EDIFICACIONES GOBELAS, S.A.	1,535		
GOLDEN ASSET COMPANY LTD.	2,391	1,982	1,834
GOVERNMENT DEVELOPMENT BANK OF PRICO	2,869		
GRAN CARIBE, S.A.	5,159		
HOTELERA SANCTI PETRI, S.A.	1,055	1,055	1,055
HOTELES CIBELES S.A.	1,006	886	765
I. CAUNEL, GOLF Y H. ARENA GORDA	1,007	395	366
P.T.S.A.I.	1,339	1,110	1,027
PROMOCIONES FINANCIERAS TURÍSTICAS, S.A.	288		
SAUCISSE	8,323	7,363	
URINCASA S.A.	1,476	1,412	706
OTHERS	1,180	723	196
LONG-TERM LOANS	63,844	61,452	46,436
BISOL VALLARTA, S.A. De C.V.			6,000
C.H.HISPANO MEXICANA, S.A. De C.V.			1,690
CALA FORMENTOR, S.A. De C.V.			2,685
CARIBOTELS DE MÉXICO, S.A. De C.V.			2,972
CONSORCIO EUROPEO, S.A.	3,819	3,855	3,855
OPERADORA MESOL, S.A. De C.V.			1,057
SOL MELIÁ VACATION CLUB MÉXICO, S.A. De C.V.			2,957
PREPAID TAXES	3,819	3,855	21,216
SOL MELIA S.A.	8,503	8,219	8,121
DESARROLLADORA HOTELERA DEL NORTE	1,891	3,808	
INMOBILIARIA BULMES S.A.	102	102	102
OTHERS	135	165	84
LONG-TERM GUARANTEE DEPOSITS	10,632	12,295	8,307
SOL MELIA S.A.	64	606	611
SOL MELIÁ GROUP IN FRANCE	648	437	496
LOMONDO LTD.	815	750	751
OTHERS	13	23	26
LONG-TERM GUARANTEES	1,540	1,816	1,885
TOTAL OTHER LONG-TERM RECEIVABLES	79,835	79,418	77,844

Aresol Cabos, S.A. de C.V.'s balance of € 6.3 million relates to a loan granted by Operadora Mesol, S.A. de C.V.

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 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.

In 2003, Sol Meliá 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, 2004, Barclays has drawn down 2,329,695 securities which represent 1.26% 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, S.A. in La Caixa, guarantees the balance pledged for the second debt instalment for the Tax on Hotel Stays (Ecotax).

Sol Meliá, S.A.'s deposit in Deutsche Bank, amounting to € 10 million, guarantees the liquidation amount or Swap risk exposure.

The company Grupo Sol Asia 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., owners of hotels under management, are to finance investments in assets.

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 International) is to finance its trading activities.

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

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 31/12/02	Additions	Disposals	Balance at 31/12/03	Additions	Disposals	Balance at 31/12/04
Loans arrangement	1,406	5,385	(1,737)	5,055	6,801	(2,429)	9,427
Issue of exchangeable bonds	3,473	2,089	(2,535)	3,027	0	(990)	2,037
Interest on purchase of fixed assets	12,635	2,326	(5,694)	9,267	109	(2,982)	6,394
Other expenses	10,666	443	(1,519)	9,589	1,716	(1,161)	10,144
Total	28,180	10,243	(11,486)	26,938	8,626	(7,562)	28,002

The expenses for loan arrangements and the issue of convertible bonds include opening and arrangement charges of various loans. The main additions in 2004 relate to credit assignments arranged with various Group companies.

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

The "Other expenses" balance relates to the amounts paid by Sol Meliá Finance, B.V. for the issue of preference shares made in 2002. The additions in 2004 relate to the contract for right of use of "The Flintstones" image by several Group hotels.

14 INVENTORIES

The Group has no firm purchase or sales commitments nor any other limitations affecting inventories. The main supplier with a turnover figure of € 24.7 million has been Carma SXXI, S.A., a related company.

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Balance at 31/12/04
Goods	1,279	1,399	1,236
Raw materials, food and beverages	6,163	5,651	6,217
Fuel	446	403	461
Spare parts	1,181	1,462	629
Cleaning material	629	677	750
Ancillary materials	2,055	1,971	2,417
Advertising and entertainment materials	256	249	381
Replacement articles	37	14	71
Sundry materials			
Tobacco	22	15	13
Magazines and press	3	2	2
Office materials	1,658	1,433	1,554
Packages	17	24	20
Uniforms		30	41
Quality material		14	37
Maintenance items		957	831
Hotel business	13,745	14,301	14,661
Time-share business			9,336
Real Estate business	11,107	9,520	6,009
Prepayments to suppliers	3,109	3,037	3,163
Total	27,962	26,858	33,169

The more detailed breakdown of food and beverages in 2004 is comparable with the inventories figures for previous years.

The Group includes within inventories ("real estate assets") certain buildings which are for sale and have no strategic interest.

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 € 3.3 million relating to plots of land for sale are also included in this caption (See Note 6.1).

15 DEBTORS

The decrease in the clients balance is due to the assets securitization agreement subscribed by the Group together with the companies Explorer Funding Limited and Bank of America. In virtue of this agreement, the hotel clients' accounts receivable are transferred periodically and a part of these accounts is collected in advance. As of December 31, 2004, the total balance transferred by the Group amounts to € 66 million, of which € 45.5 million have been collected in advance. The remainder is still pending collection and is included in the clients balance.

Moreover, an agreement has been signed with Deutsche Bank for the transfer of part of the accounts receivable, up to a limit of \$ 25 million, corresponding to the time-share operation. At closing, accounts receivable have been transferred for an amount of € 15.8 million.

Finally, a credit transfer contract amounting to € 17.8 million has been signed with Bancaja, corresponding to the credits for the sales portfolio relating to the Palma Real complex in the Dominican Republic.

In the two abovementioned credit transfers, the ownership of the assets and rights transferred by Sol Meliá would be recovered in case of non-payment. Consequently, the operation implies no risk for the Group, since the recovered units can be resold, covering the insolvency assumed before the financial institutions.

The breakdown of the short-term debts with associated companies is presented in Note 22.3.

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 deposits for a total of € 29.3 million.

17 TREASURY SHARES

The breakdown and movement of treasury shares are as follows:

(In €)

	Shares	Average price	Amount €	Short-term	Long-term
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
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
Short-term	7,222,521	5,44	39,318,639		
Long-term	1,100,000	5,88	6,468,000		
Acquisitions	8,322,521	5,50	45,786,639		
Short-term	(6,727,020)	5,35	(35,966,356)		
Long-term	(800,000)	7,31	(5,850,581)		
Disposals	(7,527,020)	5,56	(41,816,938)		
Short-term	1,043,652	1,60	1,673,791		
Long-term	1,278,166	0,92	1,171,911		
Variation provisions	2,321,818	1,23	2,845,702		
Acquisition value	3,117,319	6,44	20,072,881		
Provisions	0		0		
Balance at 31/12/2004	3,117,319	6,44	20,072,881	11,822,521	8,250,359
Total treasury shares	3,117,319	6,44	20,072,881	11,822,521	8,250,359

As of December 31, 2004, total treasury shares represent 1.69% of share capital. In any case, the treasury shares will not surpass the 5% limit established in the Public Limited Companies Law.

18 EQUITY

The breakdown of equity is as follows:

(thousands of €)

	Balance at 31/12/2002	Balance at 31/12/2003	Distribution 2003 results	Additions	Transfers	Decreases	Balance at 31/12/2004
Capital	36,955	36,955					36,955
Non-distributable reserves	17,720	21,186			6,278		27,464
Share premium	794,550	792,708			(6,815)		785,893
Reserves REV. R.D.I. 7/96	49,278	49,278					49,278
Reserve Canary Islands Investments	39,599	39,599			(12,220)		27,379
Negative results previous years	(304,997)	(318,088)		915	(11,764)	(399)	(329,337)
Voluntary reserves	18,455	16,316			12,758	(8,625)	20,449
Reserve Cos. Full consolidation	335,839	357,444	38,218	11,632	11,820	(14,433)	404,681
Reserve Cos. by equity method	2,280	4,437	(79)	274	(56)	(144)	4,433
Conv. Dif. Cos. Full consolidation	(100,480)	(254,918)				(40,952)	(295,870)
Conv. Dif. Cos. By equity method	(2,460)	(3,734)				(442)	(4,176)
Interim dividend							
Consolidated profit and loss	13,649	49,089	(49,089)	70,505			70,505
Minority interest profit and loss	(9,470)	(10,950)	10,950	(10,374)			(10,374)
Total	890,918	779,322		72,952		(64,996)	787,279

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, 2004 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 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, 2004 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%
Ailemlos, S.A.	6.94%
Majorcan Hotels Luxemburg S.a.r.l.	5.83%
Caja de Ahorros del Mediterráneo	5.00%
Other	27.15%
TOTAL	100.00%

18.2 RESERVES FROM PARENT COMPANY

18.2.1 Share premium

The decrease in the share premium during 2004 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 Meliá 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 (3,117,319 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 € 20,072,881.50.

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 obliged 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, less a tax charge of 3% relating to revaluation.

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	49.277

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 surplus is realised by means of the sale or full depreciation of the revalued items.

18.2.5 Voluntary reserves

After offsetting losses these reserves are freely distributable.

18.3 RESERVES OF COMPANIES CONSOLIDATED BY FULL CONSOLIDATION METHOD

The most significant movements in this consolidated balance sheet caption in 2004 relate to the distribution of the 2003 results.

The breakdown, by company, is as follows:

(thousands of €)

	Balance at 31/12/2002	Balance at 31/12/2003	2003 results	Additions	Transfers	Disposals	Balance at 31/12/2004
Akuntra XXI S.L.	452	451	(1)				451
Apartotel, S.A.	1,320	1,958	256		57		2,272
Azafata, S.A.	443	646	486		(147)		986
Bear S.A. De C.V.	7,196	7,477	(632)		1,482		8,327
Bisol Vallarta S.A. De C.V.	14,697	18,491	950		(5,653)	(1,778)	12,011
C. Tamarindos, S.A.	760	1,679	703		(226)		2,157
C.H.H. Mexicana, S.A. De C.V.	16,800	19,002	42			(185)	18,859
C.P. Sol y Nieve	1,781	2,454	967				3,421
C.T. Cozumel / Caribotels de México (1)	(59)	250	(1,912)		3,270		1,608
C. Tunissienne de G.H.	(1,127)	(2,958)	(153)				(3,111)
Cala Formentor S.A. De C.V.	65,968	61,554	(4,424)		5,175	(12,108)	50,196
Caribooking & Reservations, N.V.	(20)						
Casino Paradisus	351	332	630	64	(249)	(270)	507
Consortio Europeo S.A.	124	99	131				230
Corporación Hotelera Metor S.A.	(3,485)	(3,309)	(488)	165			(3,631)
D.H. San Juan	3,998	3,313	(616)				2,697
D.Mk.Services / Desarrollos Sol (1)	(26,032)	(26,495)	17,330		(52,817)		(61,982)
D.T.C. / Marmer (1)	(11,257)	(18,155)	45		46,362		28,252
D.T.Caribe N.V.	50	(1,999)	(25)		(20)		(2,044)
Darcuo XXI S.L.	(771)	(771)	(456)		455		(772)
Desarrolladora Hot. Del Norte	(1)	(1)					(1)
Dock Telemarking, S.A.	918	181	1,775		(361)		1,595
Dominican Investment NV	(309)	(393)	(49)		77		(365)
Dorpan, S.L.	470	564	139		(41)		662
Farandole B.V.	(1,928)	(2,515)	(492)				(3,008)
G.H.T. Mesol, S.A.	43	44	2				46
Gesmesol, S.A.	27,027	31,664	6,856		928		39,448
Grupo Sol Asia Ltd.	2,304	2,657	(211)		(149)		2,298
Grupo Sol Francia (1)	7,320	5,924	(4,087)		(2,106)		(268)
Grupo Sol Services	135	200	43		115		358
Gupe Inmobiliaria					(1,307)		(1,307)
H.C. Extremadura, S.A.	5	6	(186)		182		1
H.Meliá Internacional de Colombia	(6)	(10)	5		(2)		(8)
Hotel Bellver, S.A.	3,369	3,221	(26)		(81)		3,114
Hoteles Sol Internacional	60,657	60,638	2,135			(17)	62,755
Hoteles Turísticos, S.A.	2	258	64		(63)		259
Ihla Bela de Gestao e Turismo	549	1,214	1,084		(13)		2,285
Impulse H. Development	(24)	(23)	9		(140)		(154)
Industrias Turísticas, S.A.	0	33	163		(162)		34
Inmobiliaria Bulmes S.A.	(181)	796	978				1,773
Inmotel Internacional	1,658						
Inmotel Inversiones Italia, S.R.L.	(1,665)	(984)	(3,354)	185	5,070		917
Inmpulse Development Inc.	(109)	(131)	(8)		140		

Reserves of companies consolidated by full consolidation method (continued)

(thousands of €)

	Balance at 31/12/2002	Balance at 31/12/2003	2003 results	Additions	Transfers	Disposals	Balance at 31/12/2004
Inversiones Inmobiliarias IAR	41,754	55,137	(4,336)	10,999	7,073		68,873
Inversiones Jacuey	1,585	3,014	2,387		(5,402)		
Inversiones Latinoamerica 2.000, S.L.	(17,681)	(17,681)	(5)		5		(17,681)
Inversiones Turísticas del Caribe	68	(100)	(80)		(12)		(192)
Inversiones y Explotaciones Tur. S.A.	1,598	3,630	809	218			4,657
Irton Company	10,847	9,843	(659)		2,643		11,826
Lavanderías Compartidas, S.A.	(33)	(33)	(200)		147		(87)
Lirax	(756)						
Lomondo Ltd.	(4,014)	(9,760)	(2,958)		616		(12,102)
M.I.H. U.K. LTD	9	8			(2)		6
Marina International Holding	(2,391)	(2,393)	(850)				(3,243)
Markserv, B.V.	1,065	(138)	662		(222)	(3)	299
Marksol Turizm	486	(8)	(55)		(23)		(87)
Marktur Turizm	(396)	(408)	52				(355)
Meliá Brasil Administração.	1,748	892	(1,798)	1	53		(853)
Meliá Catering, S.A.	(8)	(74)	(147)		147		(74)
Melia International Hotels, S.A	56,474	70,165	13,377		245		83,787
Melia Inversiones Americanas, N.V.	15,125	19,389	6,311		871	(56)	26,514
Melia Management Co.	719	960	173				1,133
Meliá Venezuela S.A.	(504)	(504)					(504)
Meliatour, S.L.	257	223	(274)		51		
Melsol Management B.V.	(352)	(439)	(19)		(1)		(459)
Melsol Portugal	144	48	52		(114)		(14)
Moteles Andaluces, S.A.	(7)	(7)	151		(143)		1
Moteles Grandes Rutas Españolas, S.A.	37	133	73		(0)		205
Neale / Inversiones Agara (1)	13,208	16,367	7,340		249		23,955
Operadora Costarisol	(650)	(856)	40				(816)
Operadora Mesol, S.A. De C.V.	7,217	7,209	4,095		(2,415)		8,888
Parking Internacional S.A.	201	345	148				493
Parque San Antonio S.A.	3,763	3,643	260		(2)		3,900
Playa Salinas, S.A.	5	5	303				308
Punta Cana Reservations	(20)	(25)	(7)		32		
Punta Elena, S.L.	348						
Randlestop	(14)	(471)	(6)		(22)		(500)
Realizaciones Turísticas, S.A.	1,788	2,307	641				2,948
San Juan Investment	3,998	3,313	(616)				2,697
Secade XXI S.L.	161	3	(138)				(135)
Securi Sol, S.A.	57	57	10		(10)		57
Silverbay S.L.	(0)	1,310	2,953				4,263
Sol Caribe Tours, S.A.	(82)	(178)	21				(158)
Sol Finance	(219)						
Sol Group B.V.	47	7	(6)		(20)		(18)
Sol Group Co.	(564)	(576)	(1,055)				(1,631)
Sol Hotel U.K. Ltd.	2,268	1,678					1,678
Sol Maninvest, B.V.	(2)	34	(259)		262		37
Sol Meliä	(1,330)	(131)	(5,903)		7,333		1,299
Sol Meliä Benelux	884	808	(690)		608		726
Sol Meliä China Ltd.	(218)	(513)	(136)				(649)
Sol Meliä Croacia	1,101	2,092	1,057		(204)	(3)	2,942
Sol Meliä Deuchland GmbH	(3,586)	(5,153)	(3,917)		3,498		(5,572)
Sol Melia Europe, B.V.	(85)	30	194				223
Sol Meliä Finance Ltd.	0	3	5			(8)	0
Sol Melia Guatemala	617	175	(46)				129
Sol Meliä Investment NV	(40)	(1,149)	7				(1,142)
Sol Meliä Marruecos	126	(340)	(343)		10		(672)
Sol Meliä Perú S.A.	84	209	156		(3)		361
Sol Meliä Sevice	6,912	7,982	874		(3,118)	(5)	5,734
Sol Meliä Suisse	(0)	(409)	(1,402)				(1,811)
Sol Meliä Travel		(1,477)	1,563		(85)		1
Tenerife Sol, S.A.	22,818	22,087	2,791				24,878
Urme Real, S.L.	(151)	(198)	(48)				(246)
Total	335,839	357,444	38,218	11,632	11,820	(14,433)	404,681

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, those companies (1), which have the same line of business, 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 disposals recorded for Bisol Vallarta, S.A. de C.V. and Cala Formentor, S.A. de C.V. relate to the sale of time-share units for the value of the amounts readjusted in previous years.

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 inherent to the consolidation process.

18.4 RESERVES OF COMPANIES CONSOLIDATED BY THE EQUITY METHOD

Movements in this caption of the consolidated balance sheet relate to the distribution of the 2003 results in 2004.

The breakdown, by company, is as follows:

(thousands of €)

	Balance at 31/12/2002	Balance at 31/12/2003	2003 results	Additions	Transfers	Disposals	Balance at 31/12/2004
Alcajan/Inv. Areito/Leoford/ Punta Cana (1)					(9)		(9)
Aparthotel Bosque	(103)	(125)	84		(161)	(6)	(208)
C.P. Meliá Castilla	3,153	3,066	888		(1,514)	(4)	2,436
C.P. Meliá Costa del Sol	1,614	1,524	342		(277)	(2)	1,586
Detur Panamá, S.A.	(1,228)	(1,750)	(649)		941		(1,458)
Hellenic H.M.	(55)	(76)					(76)
Hotel NetB2B.com, S.L.	(177)						
I.T. Casas Bellas	(8)	(8)					(8)
Inversiones Guiza	(1)	(2)	(1)				(3)
Meliá Mérida	(31)	(31)	(297)	23	297		(8)
Meliatour, S.L.					82		82
Nexprom	1,272	1,395	528			(132)	1,791
Promedro	(52)	(52)	(104)	0	104		(51)
Promociones Playa Blanca	0	831	(841)	250	(20)		220
Sol Hoti	97	157	(30)	1	11		139
Sol Meliá S.A.	(294)	(491)			491		
Sol Meliá Travel	(1,907)						
Total	2,280	4,437	(79)	274	(56)	(144)	4,433

(1) Companies relating to the same line of business

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:

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Balance at 31/12/04
VENEZUELAN BOLIVAR	(54,019)	(72,735)	(86,931)
COSTA RICAN COLON	28	221	277
SINGAPORE DOLLAR	49	(8)	(18)
EURO	373	0	0
SWISS FRANC	408	(81)	(49)
CROATIAN KUNA	12	(58)	(41)
POUND STERLING	(1,716)	(4,058)	(3,958)
MOROCCAN DINAR	4	25	33
COLOMBIAN PESO	(12)	(7)	(20)
DOMINICAN PESO	(1,880)	(8,913)	6,254
MEXICAN PESO	(30,629)	(97,510)	(112,196)
GUATEMALAN QUETZAL	(11)	(40)	(40)
BRASILIAN REAL	(1,121)	(1,026)	(1,047)
PERUVIAN SOL	(17)	119	245
TUNISIAN DINAR	315	571	682
TURKISH LIRA	(168)	(168)	127
US DOLLAR	(12,094)	(71,250)	(99,188)
Total	(100,480)	(254,918)	(295,870)

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 31/12/02	Balance at 31/12/03	Balance at 31/12/04
ENTORNO EURO	(21)		
DOMINICAN PESO	0	2	2
MEXICAN PESO	(2,453)	(3,734)	(4,224)
US DOLLAR	13	(1)	46
Total	(2,460)	(3,734)	(4,176)

19 MINORITY INTEREST

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

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	2004 results	Additions	Transfers	Disposals	Conversion differences	Balance at 31/12/04
Apartotel, S.A.	15	16	2	1				19
Bisol Vallarta S.A. De C.V.	44	37	23		(1)	(17)	(0)	42
C.H.H. Mexicana, S.A. De C.V.	57	24	8			(1)	(8)	23
C.P. Sol y Nieve	321	448	123					571
C.T. Cozumel / Caribotels de México (1)	9,106	5,226	(899)				(322)	4,006
Cala Formentor S.A. De C.V.	159	46	32			(23)	(24)	30
Casino Paradisus	653	618	124		1	(427)	40	356
Corporación Hotelera Metor, S.A.	1,496	1,062	114	99			(25)	1,250
D.H. San Juan	10	8	4					13
D.Mk.Services / Desarrollos Sol (1)	(90)	(113)	95		(147)	(29)	27	(167)
D.T.C. / Marmer (1)	(57)	(75)	1		156		(13)	68
D.T.Caribe N.V.	3	(16)	(0)				(8)	(24)
Desarrolladora Hot. Del Norte	1,856	(36)	(37)			(4)	(10)	(86)
Dominican Investment NV	(1)	(3)	0				0	(3)
Farandole B.V.	(8)	(9)	(1)					(11)
Grupo Sol Asia Ltd.	1,654	1,255	(368)		(77)		(53)	758
Grupo Sol Services	166	156	(11)		77		(7)	216
H.C. Extremadura, S.A.	963	786	(70)					716
Hotel Bellver, S.A.	1,706	1,507	11	31				1,549
Hoteles Turísticos, S.A.	338	342	6			(1)		347
Ihla Bela de Gestao e Turismo	1,054	1,392				(1,392)		
Industrias Turísticas, S.A.	178	163	(1)			(1)		161
Inmob. Distrito Comercial				2,204				2,204
Inversiones Inmobiliarias IAR	(51)	(69)	(7)	30			(18)	(64)
Inversiones Jacuey	7	9			(9)			
Inversiones y Explotaciones Tur. S.A.	13,214	14,051	891	181				15,123
Irton Company	27	20	(1)		7		(2)	24
Melia Inversiones Americanas NV	780	807	7	1	1			816
Melsol Portugal	31	15	0					16
Moteles Andaluces, S.A.	309	361	903			(18)		1,245
Moteles Grandes Rutas Españolas, S.A.	236	260	10			(72)		199
Neale / Inversiones Agara (1)	62	64	46	1			(1)	110
Parque San Antonio S.A.	1,203	1,237	(32)			(16)		1,188
Playa Salinas, S.A.		4	(0)					3
Punta Elena, S.L.	880							
Randlestop	1	(4)	(1)				(2)	(6)
Realizaciones Turísticas, S.A.	336	340	37	10		(1)		386
San Juan Investment	10	8	4					13
Sol Meliá Finance, N.V.	106,869	106,887	8,341			(8,329)		106,899
Tenerife Sol, S.A.	23,472	26,264	1,005					27,269
Tryp Méditerranée	(510)							
Urme Real, S.L.	(71)	(69)	9	3				(57)
Youth Journey Ltd.			1			(0)		1
Total	166,429	163,019	10,373	2,561	7	(10,331)	(427)	165,203

(1) Companies dedicated to the same type of business.

Sol Meliá Finance, N.V. includes the movements derived from the issuing of preference shares as stated in the Complete Informative Brochure recorded in the Stock Exchange Commission's official register as of April 4, 2002.

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:

(in thousands of €)

	Balance at 31/12/02		Balance at 31/12/03		Additions 2004	Disposals 2004	Balance at 31/12/04	
	B/S	P/L	B/S	P/L			B/S	P/L
AZAFATA, S.A.	15	5	10	5			7	3
CASINO PARADISUS, S.A.			38			(38)		
DESARROLLOS SOL, S.A.								
DOCK TELEMARKETING, S.A.	6	3	3	3				3
HOTEL CONVENTO DE EXTREMADURA, S.A.			1,270	23	477		1,625	122
HOTELES TURISTICOS, S.A.	72	13	65	7			59	5
INDUSTRIAS TURISTICAS, S.A.	36	3	33	3			30	3
INV. y EXPLOTACIONES TURISTICAS, S.A.	357	22	335	22			312	22
MOT. GRANDES RUTAS DE ESPAÑA, S.A.	6	0	5	0			5	0
SOL MELIA, S.A.	3,033	111	2,976	173	2		2,855	122
Total	3,524	157	4,734	236	479	(38)	4,894	280

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

20.2 OTHER DEFERRED INCOME

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

(thousands of €)

	Balance at 31/12/02	Balance at 31/12/03	Balance at 31/12/04
M.I.H., S.A.	3,121	7,052	6,447
SOL MELIÁ CROATIA, S.A.	607	487	
SOL MELIÁ, S.A.	2,093	1,754	2,644
SOL MELIÁ SERVICE, S.A.	3		0
SOL MELIÁ SUISSE, S.A.		7	6
Unrealised foreign currency gains	5,824	9,299	9,097
Deferred interest	351		
Deferred time-sharing income	4,044	3,953	123
Other deferred income	128		
Total	10,347	13,252	9,221

21 PROVISIONS FOR CONTINGENCIES AND EXPENSES

The balance sheet reflects within long-term liabilities a balance of € 61.9 million related to Provisions for contingencies and expenses. As indicated in Note 5 this caption includes the Group's commitments with its personnel as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, reversion funds, futures transactions, 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 2004 amount to € 99,000 and € 503,000 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 € 17.8 million at year-end.

Contingencies and expenses also include the provisions for taxation from previous years, which are being appealed or are pending court resolution according to the following details:

Taxes	Concept	(thousands of €)
Turnover tax	Tax assessment: 1977-78-79	727
Tax on Real Estate	Year 1990	67
Appealed additional tax assessments		1,156
Total		1,950

22 NON-TRADE DEBTS

22.1 ISSUE OF DEBENTURES

The "Issue of Convertible and/or Exchangeable Debentures of Sol Meliá S.A., September 1999", carried out on September 15, 1999, amounting to € 200 million, with maturity of 5 years, has been cancelled in 2004, as intended.

On February 9, 2001, Sol Meliá Europe, B.V. carried out a private placing of debentures among Deutsche Bank investors 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%	€ 19,040,284	SHORT-TERM TOTAL	€ 19,040,284

On November 14, 2003 Sol Meliá Europe, B.V. carried out a private placing of debentures among Barclays investors 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 Ibc.
Maximum of shares to be issued:	12,605,042

The balance at December 31, 2004 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, 2004 by company are detailed below:

(thousands of €)

LOANS AND CREDIT LINES					BREAKDOWN OF CREDIT LINES			
	SHORT-TERM MATUR.	LONG-TERM MATUR.	TOTAL MATUR.	LAST MATUR.	MAXIMUM BALANCE	AVAILABLE BALANCE	BALANCE DRAW-DOWN	CURRENCY
AZAFATA, S.A.								
LEASING	16	7	23		0	0	0	EUR
CADSTAR FRANCE, S.A.S.								
EUROHYPO (1)	630	19,425	20,055	10/4/28				EUR
INTEREST PAYABLE	206	0	206					EUR
SUB-TOTAL	836	19,425	20,261		0	0	0	
CALA FORMENTOR, S.A. DE C.V.								
B.B.V.A. (1)	5,184	12,960	18,143	30/6/08	0	0	0	USD
COM. PROP. SOL Y NIEVE, S.A.								
LEASING	200	16	216					EUR
CONSORCIO EUROPEO, S.A.								
EUROHYPO (1)	1,225	12,031	13,256	15/12/19				EUR
LEASING	32	21	53					EUR
INTEREST PAYABLE	34		34					EUR
SUB-TOTAL	1,291	12,052	13,343		0	0	0	
CORPORACIÓN HOTELERA METOR								
BANESTO (1)	779	3,312	4,091	28/3/10				USD
INTEREST PAYABLE			0					USD
SUB-TOTAL	779	3,312	4,091		0	0	0	
DESARROLLADORA DEL NORTE,								
BONOS TDF (1)	730	49,365	50,095	20/12/30	0	0	0	USD
DOCK TELEMARKETING								
LEASING	57	47	104		0	0	0	EUR
HOTEL BELLVER, S.A.								
CAJA MADRID (1)	129	856	985	14/8/11				EUR
INTEREST PAYABLE	11		11					EUR
SUB-TOTAL	140	856	996		0	0	0	

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 between 6.5% and 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 between 7.0% and 7.1%.

Bank debt (continued)

(thousands of €)

	LOANS AND CREDIT LINES				BREAKDOWN OF CREDIT LINES			
	SHORT-TERM MATUR.	LONG-TERM MATUR.	TOTAL MATUR.	LAST MATUR.	MAXIMUM BALANCE	AVAILABLE BALANCE	BALANCE DRAW-DOWN	CURRENCY
HOTEL CONVENTO EXTREMADURA								
BCO.EXTREMADURA (1)	95	1,076	1,171	15/2/17				EUR
BCO.EXTREMADURA (1)	63	597	660	19/5/15				EUR
LEASING	21	1	22					EUR
INTEREST PAYABLE	7		7					EUR
SUB-TOTAL	186	1,674	1,860		0	0	0	
HOTEL METROPOLITAIN, S.A.S.								
EUROHYPO (1)	150	4,625	4,775	10/4/28				EUR
INTEREST PAYABLE	49		49					EUR
SUB-TOTAL	199	4,625	4,824		0	0	0	
HOTELES TURISTICOS, S.A.								
LEASING	243	70	313		0	0	0	EUR
INDUSTRIAS TURÍSTICAS, S.A.								
LEASING	283	62	345		0	0	0	EUR
INMOBILIARIA BULMES, S.A.								
EUROHYPO (1)	2,271	22,347	24,618	15/12/19				EUR
LEASING	3,380	673	4,053					EUR
INTEREST PAYABLE	63		63					EUR
SUB-TOTAL	5,714	23,020	28,734			0	0	0
INMOTEL INVERSIONES ITALIA S.R.L.								
LEASING	5,854	38,366	44,220		0	0	0	EUR
INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.								
C.A.M. (1)	601	3,606	4,207	12/4/11				EUR
BBVA / CAM / SABADELL (1)	1,442	6,433	7,875	15/5/09				EUR
BBVA	2,139		2,139	6/4/05	2,500	361	2,139	
LEASING	17		17					EUR
INTEREST PAYABLE	50		50					EUR
SUB-TOTAL	4,249	10,039	14,288		2,500	361	2,139	
LOMONDO LTD.								
BBVA/CAM/CREDIT L/BARCLAYS (1)	2,031	33,767	35,798	20/1/16				GBP
INTEREST PAYABLE	1,112		1,112					GBP
SUB-TOTAL	3,143	33,767	36,910		0	0	0	
MELIA INVERSIONES AMERICANAS, N.V.								
S.C.H. (1)	2,758		2,758	3/11/05				USD
SABADELL (1)	2,377	594	2,971	12/2/06				USD
B.B.V.A./ C.A.M. (1)	4,129	21,675	25,804	12/3/11				EUR
INTEREST PAYABLE	71		71					EUR / USD
SUB-TOTAL	9,335	22,269	31,604		0	0	0	
MOTELES ANDALUCES, S.A.								
LEASING	12	0	12		0	0	0	EUR
MOTELES GRANDES RUTAS ESPAÑOLAS, S.A.								
LEASING	12	0	12		0	0	0	EUR

Bank debt (continued)

(thousands of €)

	LOANS AND CREDIT LINES				BREAKDOWN OF CREDIT LINES			
	SHORT-TERM MATUR.	LONG-TERM MATUR.	TOTAL MATUR.	LAST MATUR.	MAXIMUM BALANCE	AVAILABLE BALANCE	BALANCE DRAW-DOWN	CURRENCY
SOL MELIÁ, S.A.								
B.B.V.A. (1)	1,196	7,177	8,373	19/12/11				EUR
B.B.V.A. (1)	1,362	8,174	9,536	1/12/11				EUR
BANCA MARCH (1)	2,183	1,115	3,298	1/6/06				EUR
BANCAJA	3,418	870	4,288	3/2/06				EUR
BANCAJA (1)	1,761	21,791	23,552	11/7/13				EUR
BANCAJA	2,829	11,478	14,307	22/7/09				EUR
CAJA CANARIAS (1)	581	748	1,329	30/3/07				EUR
CAJA CANARIAS (1)	203	261	464	30/3/07				EUR
EUROHYPO (1)	741	30,805	31,546	28/6/23				EUR
LA CAIXA (1)	1,481	23,791	25,272	1/7/18				EUR
LA CAIXA	1,178	18,972	20,150	1/8/18				EUR
EUROHYPO (1)	159	6,595	6,754	28/6/23				EUR
EUROHYPO (1)	1,202	55,293	56,495	4/7/26				EUR
S.C.H. (1)	962	5,769	6,731	28/12/11				EUR
SABADELL	4,122	1,057	5,179	28/1/06				EUR
ATLANTICO	1,395	0	1,395	11/3/05	3,000	1,605	1,395	EUR
B.B.V.A.	0	0	0	19/6/06	30,051	30,051	0	EUR
B.B.V.A.	0	832	832	19/6/06	4,808	3,976	832	EUR
B.N.L.		349	349	31/7/06	3,500	3,151	349	EUR
BANCAJA	8,957	0	8,957	22/7/05	15,000	6,043	8,957	EUR
BANK OF AMERICA	99	0	99	3/1/05	20,000	19,901	99	EUR
POPULAR	1,012	0	1,012	2/12/05	2,000	988	1,012	EUR
BANKINTER	0	2,931	2,931	21/4/11	9,015	6,084	2,931	EUR
BARCLAYS	11,363	0	11,363	14/12/05	20,000	8,637	11,363	EUR
C.A.M.	0	9,327	9,327	11/12/06	15,000	5,673	9,327	EUR
CAIXA DE CATALUYA	6,010	0	6,010	4/8/05	9,000	2,990	6,010	EUR
CREDITO BALEAR	0	1,020	1,020	3/8/06	1,500	480	1,020	EUR
DEUTSCHE BANK	0	4,924	4,924	7/3/06	6,010	1,086	4,924	EUR
IBERCAJA	0	2,019	2,019	14/2/06	3,005	986	2,019	EUR
MARCH	0	696	696	15/10/06	1,503	807	696	EUR
MARCH	0	0	0	15/10/06	601	601	0	EUR
SA NOSTRA	2,837	0	2,837	30/9/05	5,000	2,163	2,837	EUR
SABADELL	0	654	654	1/10/06	3,000	2,346	654	EUR
VALENCIA	537	0	537	8/7/05	600	63	537	EUR
HSBC	0	8,998	8,998	11/6/06	18,000	9,002	8,998	EUR
LEASING	22,821	19,748	42,569					EUR
INTEREST PAYABLE	2,008		2,008					EUR
SUB-TOTAL	80,417	245,394	325,811		170,593	106,633	63,960	
SOL MELIA BENELUX, S.A.								
SA NOSTRA (1)	626	3,758	4,384	30/4/11				EUR
INTEREST PAYABLE	21		21					EUR
SUB-TOTAL	647	3,758	4,405		0	0	0	
SOL MELIÁ TRAVEL, S.A.								
LEASING	20		20		0	0	0	EUR
MELIA BRASIL A.H.								
ABN	1	1	2					EUR
BANCO REAL	83		83					EUR
BANCO REAL	93		93					EUR
SUB-TOTAL	177	1	178		0	0	0	
Total	119,725	481,086	600,808		173,093	106,994	66,099	

(1) Loans backed by mortgage guarantee

In terms of future financing of the debt, Sol Meliá signed a syndicated loan amounting to € 175 million in December 2004. Said loan, maturing in 5 years, maintains an interest rate linked to the Euribor with a margin varying between 0.6% and 1.0% depending on a matrix of financial ratio. The reason for arranging said loan was the partial refinancing of the € 340.000 relating to the debenture maturing in February 2006. The remainder will be paid through the generation of cash flow. There are no other significant medium-term maturities.

The breakdown of maturities is as follows:

(thousands of €)

2005	119,725
2006	86,939
2007	47,311
2008	38,353
2009 onwards	308,480
Total	600,808

The average interest rate accrued by the aforementioned loans plus the issue of bonds during the current year was 4.74%.

22.3 BALANCES WITH ASSOCIATED COMPANIES

The Group's short-term balances with associated companies are detailed below

(thousands of €)

	BALANCE AT 31/12/02		BALANCE AT 31/12/03		BALANCE AT 31/12/04	
	Debit	Credit	Debit	Credit	Debit	Credit
Alcajan XXI, S.L.					15	
AOL Avant	18				0	
Apartotel Bosque, S.A.	1,613	8	1,827	7	374	14
Aresol Cabos, S.A. De C.V.	768					
Bisol Investment, N.V.	101		188		191	
C.P. Meliá Castilla	3,376	51	2,011	2	931	18
C.P. Meliá Costa del Sol	512	2	330	101	396	1
Detur Panama	326	0	382	3	860	
Gupe-Inmobiliária, S.A.	272		1,360			
Junta Compensación UE1	11		12		13	
Hellenic Hotel Management	179		200		42	
Hotel las Américas S.A.	17	1				
Hotel Net B2B.com, S.A.			15			
Inversiones Areito, S.A.					144	132
Inversiones Guiza, S.A.	35					
Lastminute Network, S.A.	2					
Lifestar, Ltd.					644	
Melia Mérida, S.L.	505	0	4,527		3,401	
Meliá Tour, S.L.					752	100
Mogan Promociones, S.A. De C.V.	23		17		16	
Nexprom, S.A.	727	0	1,034	1	648	1
Promociones Playa Blanca S.A. De C.V.	799	89	1,033		587	
Punta Cana Reservations, N.V.					24	
Punta Elena, S.A.			1,271		1,291	
Sierra Parima, S.A.					92	
Sol Hoti Portugal Hotels	65	70	112	99	73	
Sol Melia Travel, S.A.	19,095	106				
Tryp Méditerranée		4	6,742		5,805	
Total	28,444	332	21,064	212	16,298	265

The balances relating to Punta Elena, S.A. and Tryp Méditerranée, companies in dissolution, are completely provided for.

The totality of the "Long-term debts with associated companies" caption relates to a balance with Tryp Méditerranée (€ 305,205).

22.4 OTHER NON-TRADE DEBTS

The breakdown by concepts of other non-trade debts is as follows:

(thousands of €)

	2002		2003		2004	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
TAXES PAYABLE ON DEFERRED PROFIT	7,658	67,504	5,994	70,199	8,080	84,211
GUARANTEES RECEIVED	971	422	2,724	163	3,402	900
REMUNERATIONS PENDING PAYMENT	19,647		20,170		21,567	
OTHER LOANS	12	6,070	2,620	4,856	1,042	3,752
SHARE CAPITAL NOT PAID UP				224		
ACCOUNTS PAYABLE TO THE TREASURY	15,988		15,964		13,631	
SOCIAL SECURITY WITHHOLDINGS PAYABLE	6,050		6,393		6,317	
VAT PAYABLE	7,830		5,633		13,450	
FIXED ASSETS SUPPLIERS		30		11	3,733	2
EXTERNALISATION OF PENSIONS				3,931		2,725
PAYABLE DIVIDEND			239		285	
BILLS OF EXCHANGE PAYABLE		8,324	356	6,981	2,372	7,445
OTHERS	620		82		26	28
Total other liabilities	58,776	82,350	60,176	86,366	73,905	99,061

The "Taxes payable to the Treasury" balance includes the appealed and endorsed debt for the Tax on Hotel Stays (Ecotax), which amounts to € 3.5 million.

23 TAX SITUATION

23.1 PARENT COMPANY'S TAXABLE INCOME

In accordance with the legal regulations prevailing in Spain, 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	2000 to 2003
PAYROLL WITHHOLDINGS	YEARS	2001 to 2004
V.A.T.	YEARS	2001 to 2004
CANARY ISLANDS GENERAL TAX	YEARS	2001 to 2004

At present, Sol Meliá S.A.'s consolidated tax group is under inspection for the years 1999 to 2002.

Tryp, S.A. (company absorbed in 2001) is open to inspection for Corporation Tax relating to the year 2000.

The tax credits derived from net operating loss carryforwards are recorded in accordance with the prudence criteria.

23.2 PARENT COMPANY TAX BENEFITS

In accordance with Law 19/94 on investments in the Canary Islands, Sol Meliá, S.A., Tenerife Sol, S.A., Casino Tamarindos, S.A. and Parque San Antonio, S.A., all included in the consolidation scope, are required to invest in new fixed assets located in the Canary Islands over the forthcoming years, as per the following details, in thousands of euros:

Year of origin	Amount to be reinvested	Reinvested amount	Adjusted amount	Pending reinvestment	Reinvestment expiration
2000	25,951	20,326	5,625		31-dec-2004
2001	6,339	1,219		5,120	31-dec-2005
2002	6,427			6,427	31-dec-2006
2003	5,258	234		5,024	31-dec-2007
2004	1,770			1,770	31-dec-2008
Total	45,745	21,779	5,625	18,341	

Of the € 6.9 million which the Company is required to invest in the Canary Islands, € 1.3 million have been reinvested during 2004. The appropriate adjustments have been made in the Corporation Tax.

The breakdown of the tax deductions for export activities pending application by SOL MELIA at December 31, 2004 and deducted for tax purposes during the year are as follows, in thousands of euros:

Portfolio investments	Investment amount	Deduction amount	Accumulated deductions	2004 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
Fairs and Congresses 2002	921	230			230	2012
Fairs and Congresses 2003	1,155	289			289	2013
Fairs and Congresses 2004	1,224	306			306	2014
Total	64,890	16,222	4,471		11,751	

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 on 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
2004	10,250	7,671	10,250		2007
Total	88,753	61,956	88,753		

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

The information stipulated in Article 98 of Law 43/95, of December 27, on Corporation Tax, relating to mergers and spin-offs 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
Sol Meliá, S.A.:	1999 and 2001

23.3 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:

(thousands of €)

2004	DEBIT		CREDIT	
	SHORT-TERM	LONG-TERM	SHORT-TERM	LONG-TERM
Deferred tax assets	8,395	21,216		
Deferred tax liabilities			8,080	84,211
Total	8,395	21,216	8,080	84,211

23.4 GROUP TAX LOSSES

The breakdown of the main Group tax losses to be offset, by country, is as follows:

(thousands of €)

COUNTRY	2005	2006-2010	2011-2017	successive years	TOTAL
Spain		9,079	6,449	116,032	131,560
Europe	91	25,313	2,137	58,657	86,198
America		28,645	7,174	4,489	40,308
Total	91	63,037	15,760	179,178	258,066

23.5 RECONCILIATION BETWEEN TAXABLE INCOME AND ACCOUNTING RESULTS OF THE CONSOLIDATED GROUP

The reconciliation and liquidation of the consolidated group's taxable base, is as follows:

(thousands of €)

	31/12/04
Consolidated result before taxation	74,427
Result companies consolidated by the equity method	(1,089)
Accounting Corporation Tax	(3,922)
Amortisation Goodwill consolidation by the full method	1,922
Amortisation allocation in companies consolidated by the full method	3,094
Dividends from subsidiaries	99,544
Result portfolio provisions	(20,923)
Adjustment impact B-10 in Mexico	(18,756)
Adjustment exchange gains	(6,433)
Adjustment Consolidation losses	(14,659)
Uniformity accounting policies	(5,261)
Aggregated accounting result	107,943
Permanent differences	(76,906)
Corporation Tax	7,336
Treasury shares	(6,361)
Pension commitments	(433)
Provisions	4,232
Non-deductible expenses and revenues	4,679
Intergroup transactions	2,211
Goodwill amortisation Tryp merger	(15,233)
Dividends from subsidiaries	(90,780)
Attributions and fiscal transparencies	7,309
Amortisation transfer rights	2,331
Sale of business premises	1,729
Adjustments for inflation	2,219
Investments reserve in the Canary Islands	3,854
Temporary differences	16,410
Provisions	6,537
Financial leasing operations	(12,893)
Deferment for reinvestment	545
Adjustment difference accounting/tax results	(3,490)
Exchange differences	13,745
Accounting cost of fixed assets disposal	11,967
Preliminary tax base	47,447
Tax losses set-off	(41,587)
Tax base (aggregated tax result)	5,860

24 GUARANTEES, COMMITMENTS AND CONTINGENCIES

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

(thousands of €)

	2004
Guarantee deposits in favour of third parties on behalf of Sol Meliá Deutschland, S.A.	1,802
Ministry of Science and Technology	5,378
Guarantee deposits for tax settlements	7,036
Guarantee deposits of sundry subsidiaries	2,199
Bankinter pledged deposit in favour of Mirador del Duque, S.L.	2,406
Guarantee deposits in favour of third parties for leasing operations realting to Inmotel Inversiones Italia	14,000
Security deposits for rentals	20,966
Guarantee deposits in favour of third parties for leasing and factoring (subsidiaries)	9,183
Other	7,466
Total	70,436

Sol Meliá 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, 2004 the guaranteed amount was USD 6.6 million.

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

Sol Meliá, S.A. has rental commitments ranging between 1 and 15 years. These include documented commitments amounting to € 157.8 million in accordance with the maturity dates of the corresponding rentals.

Sol Meliá, S.A. holds bank guarantees in favour of Profitur, S.A. on the annual minimum operating results of its hotel for € 3.9 million.

Sol Meliá, S.A., together with other companies, is joint guarantor, of the syndicated loan arranged between Alcajan Xxi, S.A. and various banks, which, as of December 31, 2004, amounts to € 23 million, having as compensation a 20 year management contract on a hotel under construction in the Dominican Republic.

Sol Meliá, S.A. has a corporate guarantee in favour of on the annual minimum operating results of a hotel under leasing, for € 2.1 million. The annual increase of said guarantee is endorsed by a second guarantee in favour of Isla Bella, S.A.

Sol Meliá holds a bank guarantee in favour of Hoteles y Edificios, S.A., relating to the payment of two promissory notes amounting to € 1.2 million.

Sol Meliá, S.A., as the guarantor of Hoteles Nacionales del Este for two loans amounting to USD 10 million and USD 5 million respectively, 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 bidders) 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.

With respect to the municipal 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 corresponding town hall.

On November 22, 2001 SOL MELIA signed a Swap contract with a 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 which mature in 2006 (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%. 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 2004, the Company pledged a deposit, in favour of the bank, which, at December 31, 2004, amounts to € 10 million and is recorded under the "Other long-term receivables" caption (See Note 12.3). The bank has estimated at year-end a negative difference amounting to € 28.4 million, which includes both potential and unmatured losses up to the complete maturity of the operation. Of said amount, € 16 million correspond to 2004 year-end. A provision for this amount has been recorded under the "Contingencies for risks and expenses" caption, and €9.4 million have been recognised as expenses for the year.

Arbitration proceedings initiated by two Omani companies exist, claiming alleged damages caused by the alleged unilateral termination of a management contract. To date the proceedings are still pending the final ruling.

Corporación Hotelera Metor has several disputes open with its minority shareholder, claiming the cessation of all the agreements and transactions between the two parties. The Company foresees that said lawsuits will be favourably resolved, without causing a significant impact on the Group.

At the Extraordinary General Meeting held on June 8, 2004, a new share price-linked retribution system was approved for top management. The maximum amount assigned to this retribution system is of € 3.6 million. Moreover, there is also a variable retribution programme linked to the main management economic indicators, to be valued at year-end 2006. In order to ensure against the risk entailed by the aforementioned commitments, Sol Meliá has signed a non-genuine rate hedging contract with BBVA, through which BBVA will acquire Sol Meliá, S.A. shares (up to a maximum of 1,800,000 shares). The company will pay the Euribor plus 70 basic points on the amount of shares acquired by BBVA. As of June 30, 2006, the maturity date of said operation, Sol Meliá has the option of acquiring the shares from BBVA or settling the difference between the average acquisition price, which for the aforementioned shares was of 6.9386, and the average selling price at maturity. At December 31, 2004, expenses relating to the payment of the Euribor plus 70 points are recorded for an amount of € 48,000.

25 REVENUES AND EXPENSES

25.1 CONSOLIDATED REVENUES DISTRIBUTED ACCORDING TO TYPE OF REVENUES

A breakdown of operating revenues by concepts, is as follows:

(thousands of €)

	2002	2003	2004
Net turnover	976,199	944,167	960,182
Hotels revenues	907,433	883,045	884,580
Casinos revenues	14,295	12,074	12,097
Time-sharing revenues	13,526	9,575	21,239
Operating and administration revenues	25,438	24,421	25,206
Management revenues	12,836	12,626	14,095
Franchise revenues	2,669	2,425	2,964
Other operating revenues	34,341	43,678	78,524
TOTAL OPERATING INCOME	1,010,539	987,845	1,038,705
Financial income	69,357	42,428	40,203
Extraordinary income	13,777	34,610	30,277
TOTAL CONSOLIDATED INCOME	1,093,674	1,064,883	1,109,185

The breakdown of operating revenues by market area is as follows:

(thousands of €)

	2002	2003	2004
Spanish market	686,142	687,336	697,921
International market	324,397	300,509	340,784
Total	1,010,539	987,845	1,038,705

25.2 CONSOLIDATED AVERAGE NUMBER OF EMPLOYEES IN THE YEAR

The consolidated average number of people employed during 2002, 2003 and 2004, distributed by job category, is as follows:

	2002	2003	2004
EXECUTIVES	315	297	311
HEADS OF DEPARTMENT	885	1,107	1,267
TECHNICIANS	6,047	5,905	8,244
AUXILIARY STAFF	6,231	6,798	5,094
TOTAL	13,478	14,107	14,916

The difference in the average number of technicians and auxiliary staff in comparison with previous years is due to the reclassification of the labour categories during 2004.

25.3 CONSOLIDATED PERSONNEL EXPENSES

The breakdown of the consolidated personnel expenses is as follows:

(thousands of €)

	2002	2003	2004
WAGES, SALARIES AND RELATED EXPENSES	255,705	256,145	265,834
SOCIAL SECURITY	60,087	55,005	56,517
OTHER PERSONNEL EXPENSES	10,511	11,054	11,912
Total	326,303	322,204	334,264

25.4 FINANCIAL REVENUES

"Other financial income" includes the reversion of the negative consolidation difference amounting to € 14.7 million, as described in Note 7.1.

25.5 EXTRAORDINARY RESULTS

The breakdown of extraordinary results is as follows:

(thousands of €)

	2002	2003	2004
Profit on disposal of fixed assets	1,214	23,800	18,576
Capital grants released to results	157	236	280
Extraordinary income	10,955	6,847	8,779
Income and profit from prior years	1,451	3,727	2,641
TOTAL INCOME	13,777	34,610	30,276
Losses on disposal of fixed assets	20,526	2,646	4,454
Changes in fixed assets provisions	1,212	3,382	9
Extraordinary expenses	17,165	9,441	13,357
Expenses and losses from prior years	4,420	7,007	6,584
TOTAL EXPENSES	43,323	22,476	24,404
TOTAL EXTRAORDINARY RESULTS	(29,546)	12,134	5,873

Profit on disposal of fixed assets for the year relates mainly to realisation of surpluses resulting from the sale of Hotel Aloha Playa for an amount of € 11.5 million which generated a surplus of € 8.9 million and from the sale of Hotel Caballo Blanco for an amount of € 7.1 million, which generated a surplus of € 4.5 million. Moreover, the recovery of the treasury shares value amounting to € 2.4 million is also included under this heading.

Extraordinary income includes the recovery of tax credits in Puerto Rico amounting to € 3.5 million, the compensation costs for the termination of the Hotel Tryp Escultor contract, amounting to € 1.5 million and the results deriving from the restatement of the financial statements in Venezuela, amounting to € 1.5 million.

The losses on disposal of fixed assets mainly relate to the disposal of assets for renovations recorded in Group-owned hotels.

Extraordinary expenses include items deriving from adjustments and termination of contracts, amounting to € 5.5 million, as well as write-offs and expenses resulting from the restatement of the financial statements in hyperinflationary countries, amounting to € 3.2 million.

Expenses and losses from prior years include the results corresponding to the change of the accounting policy relating to the sales operation of time-share units.

25.6 CONTRIBUTION OF EACH COMPANY TO CONSOLIDATED RESULTS FOR THE YEAR

(thousands of €)

	2002			2003			2004		
	Cons. P/L	Minority interest	P/L Parent Company	Cons. P/L	Minority interest	P/L Parent Company	Cons. P/L	Minority interest	P/L Parent Company
SOL MELIA S.A.	7,478		7,478	(5,903)		(5,903)	(24,296)		(24,296)
AKUNTRA XXI,S.L.	(1)		(1)	(1)		(1)	(0)		(0)
APARTOTEL S.A.	411	1	410	257	1	256	726	2	725
AZAFATA, S.A.				486		486	730		730
BEAR S.A. DE C.V.	(1,191)		(1,191)	(632)		(632)	1,740		1,740
BISOL VALLARTA S.A. DE C.V.	3,229	10	3,219	953	3	950	7,362	23	7,339
C.T. COZUMEL / CARIBOTELS (1)	(2,629)	(1,290)	(1,338)	(3,755)	(1,843)	(1,912)	(1,831)	(899)	(932)
CALA FORMENTOR S.A. DE C.V.	(4,419)	(14)	(4,405)	(4,438)	(14)	(4,424)	10,369	32	10,336
CARIBOOKINK & RESERVATIONS	(6)	(0)	(6)						
CASINO PARADISUS S.A.	1,102	553	549	1,264	634	630	248	124	123
CASINO TAMARINDOS S.A.	1,145		1,145	703		703	706		706
COM. PROP. MELIA SOL Y NIEVE	761	88	673	1,093	127	967	1,064	123	941
COMP.TUN.GESTION HOTEL.	(1,889)		(1,889)	(153)		(153)	(219)		(219)
CONS. INMOB. ALCANO, S.A.	351		351						
CONSORCIO EUROPEO, S.A.	(24)		(24)	131		131	282		282
CORP. HOT. HISPANO-MEXICANA	2,204	7	2,197	42		42	2,661	8	2,653
CORPORACIÓN HOTELERA METOR, S.A.				(814)	(326)	(488)	285	114	171
CREDIT CONTROL Corp							77		77
CREDIT CONTROL RIESGOS							519		519
D.Mkt.SERVICES/D.SOL/I.GUAMÁ (1)	1,363	4	1,359	17,384	54	17,330	30,726	95	30,631
D.T.C./ MARMER (1)	109	0	108	46	0	45	196	1	196
DARCUO XXI, S.L.	(160)		(160)	(138)		(138)	(623)		(623)
DES. HOT. SAN JUAN B.V.	(689)	(2)	(686)	(618)	(2)	(616)	1,403	4	1,399
DES. TUR. DEL CARIBE N.V	(59)	(0)	(59)	(25)	(0)	(25)	(13)	(0)	(13)
DESARROLLADORA DEL NORTE							(11,667)	(36)	(11,631)
DOCK TELEMARKETING S.A.	(1,094)		(1,094)	1,775		1,775	4,122		4,122
DOMINICAN INVESTMENT N.V.	(7)	(0)	(7)	(50)	(0)	(49)	34	0	34
DORPAN S.L.	197		197	139		139	212		212
FARANDOLE N.V.	(589)	(2)	(587)	(494)	(2)	(492)	(447)	(1)	(445)
GESMESOL	4,637		4,637	6,856		6,856	8,580		8,580
GEST. HOT. TURISTICA MESOL	1		1	2		2	(49)		(49)
GOLF DEL COCOTAL							37	0	37
GRUPO SOL ASIA Ltd.	645	258	387	(352)	(141)	(211)	(919)	(368)	(551)
GRUPO SOL FRANCIA (1)	(1,279)		(1,279)	(4,087)		(4,087)	(228)		(228)
GRUPO SOL SERVICES	107	43	64	72	29	43	(27)	(11)	(16)
GUPE INMOBILIARIA							29		29
H. CONVENTO DE EXTREMADURA S.L.	(195)	(95)	(100)	(363)	(177)	(186)	(145)	(70)	(74)
H.MELIA INT. de COLOMBIA	(6)		(6)	5		5			
HOSTERIAS DE CASTILLA									
HOTEL BELLVER S.A.	(213)	(70)	(143)	(39)	(13)	(26)	34	11	23
HOTELES SOL INTNAL. S.A.	(94)		(94)	2,135		2,135	(35)		(35)
HOTELES SOL MELIÁ, S.L.	(0)		(0)	(0)		(0)	(7)		(7)
HOTELES SOL, S.L.	(0)		(0)	(0)		(0)	(1)		(1)
HOTELES TURISTICOS S.A.	390	21	369	67	4	64	120	6	114
IHLA BELA DE GESTAO E TURISMO	1,043	365	678	1,668	584	1,084	1,737		1,737
IMPULSE HOT. DEVELOPMENT	(11)		(11)	9		9	3		3
IMPULSE HOT. DEVELOPMENT B.V.	(25)		(25)	(8)		(8)			
INDUSTRIAS TURISTICAS S.A.	336	8	327	167	4	163	(62)	(1)	(61)
INMOBILIARIA BULMES, S.A.	976		976	978		978	1,461		1,461
INMOTEL INTERNACIONAL, S.A.	942		942						
INMOTEL INV. ITALIA, S.R.L.	(7,095)		(7,095)	(3,354)		(3,354)	(6,055)		(6,055)
INV. EXPLOT. TURISTICAS S.A.	3,981	1,784	2,198	1,480	671	809	1,965	891	1,073
INV. INMOBILIARIAS I.A.R. 1997	(3,986)	(12)	(3,973)	(4,349)	(13)	(4,336)	(2,160)	(7)	(2,153)

Contribution of each company to consolidated results for the year (continued)

(thousands of €)

	2002			2003			2004		
	Cons. P/L	Minority interest	P/L Parent Company	Cons. P/L	Minority interest	P/L Parent Company	Cons. P/L	Minority interest	P/L Parent Company
INV.LATINOAMERICA 2000 S.L.	(20)		(20)	(5)		(5)	(0)		(0)
INV.TUR. del CARIBE	(36)		(36)	(80)		(80)	109		109
INVERSIONES JACUEY	1,434	4	1,429	2,395	7	2,387			
IRTON COMPANY/ I. GUAMA (1)	(866)	(3)	(863)	(662)	(2)	(659)	(189)	(1)	(189)
LAVANDERIAS COMPARTIDAS S.A.	(105)		(105)	(200)		(200)	(231)		(231)
LOMONDO Ltd.	(7,700)		(7,700)	(2,958)		(2,958)	(1,275)		(1,275)
M.I.H.	11,144		11,144	13,377		13,377	13,797		13,797
MARINA INT. HOLDING	(2)		(2)	(850)		(850)	(1)		(1)
MARKSERV B.V.	(396)		(396)	662		662	(86)		(86)
MARKSOL TURIZM	(481)		(481)	(55)		(55)	(316)		(316)
MARKTUR TURIZM	(11)		(11)	52		52	13		13
MELIA BRASIL ADMINIST.	157		157	(1,798)		(1,798)	(2,156)		(2,156)
MELIÁ CATERING, S.A.	(171)		(171)	(147)		(147)	(2)		(2)
MELIA INV. AMERICANAS N.V.	363	1	362	6,330	20	6,311	2,331	7	2,324
MELIA MANAGEMENT	241		241	173		173	298		298
MELSOL MANAGEMENT	(85)		(85)	(19)		(19)	(113)		(113)
MELSOL PORTUGAL	142	28	114	65	13	52	1	0	1
MOT. ANDALUCES S.A.	184	47	137	203	52	151	3,714	903	2,812
MOT. GRANDES RUTAS ESP.,S.A.	129	33	96	97	25	73	57	10	46
NEALE/ I. AGARA (1)	2,913	9	2,904	7,362	23	7,340	14,980	46	14,934
NEW CONTINENT VENTURES							(184)		(184)
OPERADORA COSTARISOL	(144)		(144)	40		40	274		274
OPERADORA MESOL	1,491		1,491	4,095		4,095	2,916		2,916
OPERADORA SAN JUAN BV							650		650
PARKING INTERNACIONAL, S.A.	144		144	148		148	229		229
PARQUE SAN ANTONIO S.A.	(39)	(8)	(31)	327	68	260	(159)	(32)	(127)
PLAYA SALINAS S.A.	(0)		(0)	306	4	303	(10)	(0)	(10)
PUNTA CANA RESERVATIONS N.V.	(5)	(0)	(5)	(7)	(0)	(7)			
PUNTA ELENA S.L.	(743)	(371)	(371)						
RANDLESTOP CORP.	(7)	(0)	(7)	(6)	(0)	(6)	(173)	(1)	(172)
REALTUR S.A.	537	18	519	662	21	641	1,166	37	1,128
SAN JUAN INVESTMENT B.V.	(689)	(2)	(686)	(618)	(2)	(616)	1,404	4	1,399
SECADE, XXI, S.L.	(150)		(150)	(456)		(456)	(188)		(188)
SECURISOL, S.A.	(26)		(26)	10		10	35		35
SILVERBAY, S.L.	1,439		1,439	2,953		2,953	1		1
SMVC DOMINICANA							(143)		(143)
SMVC MEXICO							426		426
SMVC PUERTO RICO							14		14
SOL CARIBE TOURS	(97)		(97)	21		21			
SOL FINANCE	(5)		(5)						
SOL GROUP B.V.	(14)		(14)	(6)		(6)	(19)		(19)
SOL GROUP CORP.	(11)		(11)	(1,055)		(1,055)	1,058		1,058
SOL MANINVEST B.V.	(500)		(500)	(259)		(259)	(351)		(351)
SOL MELIA BENELUX	(606)		(606)	(690)		(690)	(360)		(360)
SOL MELIA CHINA Ltd.	(296)		(296)	(136)		(136)	(20)		(20)
SOL MELIA CROACIA	1,195		1,195	1,057		1,057	1,535		1,535
SOL MELIÁ DEUHLAND GMBH	(3,124)		(3,124)	(3,917)		(3,917)	(2,467)		(2,467)
SOL MELIÁ EUROPE N.V.	134		134	194		194	419		419
SOL MELIÁ FINANCE NV	5,647	5,644	3	8,360	8,355	5	8,346	8,341	5
SOL MELIA GUATEMALA	(443)		(443)	(46)		(46)	(62)		(62)
SOL MELIA INVESTMENT	(11)		(11)	7		7	(3)		(3)
SOL MELIÁ MARRUECOS, S.A.	(466)		(466)	(343)		(343)	(79)		(79)
SOL MELIA PERÚ, S.A.	127		127	156		156	189		189
SOL MELIA SERVICE	1,070		1,070	874		874	1,906		1,906
SOL MELIÁ SUISSE, S.A.	(578)		(578)	(1,402)		(1,402)	(2,711)		(2,711)
SOL MELIÁ TRAVEL, S.A.				1,563		1,563	(4,332)		(4,332)
SOL MELIA VACATION CLUB							(26)		(26)
TALONARIO 5N S.L.	25		25	(274)		(274)			
TENERIFE SOL, S.A.	5,898	2,949	2,949	5,582	2,791	2,791	2,011	1,005	1,005
TRYP MEDITERRANEE	(3,645)	(532)	(3,113)						
URME REAL S.A.	(51)	(4)	(48)	(51)	(4)	(48)	127	9	118
VACATION CLUB SERVICES							(1,934)		(1,934)
YOUTH JOURNEY Ltd							358	1	357
RESULTS BY FULL CONSOLIDATION	18,643	9,470	9,173	49,168	10,950	38,218	69,415	10,374	59,042

Contribution of each company to consolidated results for the year (continued)

(thousands of €)

	2002			2003			2004		
	Cons. P/L	Minority interest	P/L Parent Company	Cons. P/L	Minority interest	P/L Parent Company	Cons. P/L	Minority interest	P/L Parent Company
ALCAJAN/INV. AREITO/LEOFORD/PTA. CANA (1)							(108)		(108)
APART.BOSQUE	127		127	84		84	175		175
C.P.COSTA DEL SOL	292		292	342		342	230		230
COM. DE PROP. MELIA CASTILLA	1,412		1,412	888		888	833		833
DETUR PANAMÁ, S.A.	(1,003)		(1,003)	(649)		(649)	(667)		(667)
HOTEL NETB2B.COM, S.L.	(300)		(300)						
INVERSIONES GUIZA, S.A.	(1)		(1)	(1)		(1)	1		1
LASTMINUTE NETWORK, S.A.	(29)		(29)						
LIFESTAR, LLC							(324)		(324)
MELIA MERIDA, S.L.	(104)		(104)	(297)		(297)	(300)		(300)
MELIATOUR, S.L							1		1
NEXPROM, S.A.	204		204	528		528	27		27
PROM.PLAYA BLANCA S.A. De C.V.	630		630	(841)		(841)	1,009		1,009
PROMEDRO, S.A.	(24)		(24)	(104)		(104)	187		187
SOL HOTTI PORTUGAL	58		58	(30)		(30)	25		25
SOL MELIÁ TRAVEL, S.A.	(6,255)		(6,255)						
RESULTS BY EQUITY METHOD	(4,994)		(4,994)	(79)		(79)	1,089		1,089
CONSOLIDATED TOTAL	13,649	9,470	4,179	49,089	10,950	38,140	70,505	10,374	60,131

(1) Companies corresponding to 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 2004 was as follows:

(thousands of €)

	2004
Allowances for meetings attendance	547
Civil liability insurance	55
Remuneration	995
Total	1,597

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:

The members of the Escarrer Jaume family 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 major 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. Mr. Juan Vives is a minority shareholder and Sole Director 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 2004, 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 2004 consolidated annual accounts and subsidiaries have been as follows:

(thousands of €)

	2004
E&Y Spain	464
E&Y International	577
Others	
Total	1.041

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.

27 POST-BALANCE SHEET EVENTS

On January 24, 2004, Sol Meliá and The Stein Group set up a 50/50 joint venture (Luxury Lifestyle Hotels & Resorts) to cooperate in the distribution, sales, marketing and management of outstanding luxury hotels. The Stein Group is a company specialised in the acquisition and development of small luxurious and leisure properties. The joint venture will initially include 57 hotels in 10 European countries, amongst them 12 Meliá Boutique hotels. Additionally, Sol Meliá, together with The Stein Group, is developing a new concept known as Boutique Hotels, as well as new "Soul and Magic" experiences, converting the hotel into the clients' meeting place.

On February 18, 2005, the Hotel Tryp Macarena was sold for an amount of € 42 million (€ 127,660 per room), generating a surplus of € 24 million. Sol Meliá will continue to operate the hotel under a leasing contract. The contract's duration is of 25 years and Sol Meliá has the possibility of extending said duration for a further 10-year period.

On February 22, 2005, the Hotel Meliá Torremolinos was sold for an amount of € 23 million (€ 81,272 per room) generating a surplus of € 17.4 million. Sol Meliá will continue operating the hotel until October, when the sale will be registered in the accounting records. The new owner of said property will operate it as a condominium hotel.

On March 17, 2005, Sol Meliá signed a purchase option on the Hotel Meliá Las Palmas in favour of a third party.

28 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 2004 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, 2005, 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 70 pages, all of which have been signed by the Secretary of the Board. The last page is signed by all the members of the Board.

Signed Gabriel Escarrer Julià
Chairman

Signed Juan Vives Cerdá
Vice Chairman

Signed Sebastián Escarrer Jaume
Vicepresident and Managing Director

Signed, Gabriel Escarrer Jaume
Managing Director

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

Signed Ariel Mazin Mor
(representing Ailemlos S.A.)
Director

Signed Oscar Ruiz del Río
Director

Signed Alfredo Pastor Bodmer
Independent Director

Signed, Eduardo Punset Casal
Independent Director

Signed Emilio Cuatrecasas Figueras
Independent Director

Signed, José Joaquín Puig de la Bellacasa Urdampilleta
Independent Director

Signed: José M^a Lafuente López
Secretary of the Board

MANAGEMENT REPORT

This report analyses trends experienced during 2004 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, 2004, the Company has a total of 3,117,319 treasury shares with a par value of € 0.2 each, which represent 1.69% of the Company's share capital.

The movement in treasury shares is explained in Note 17 to the 2004 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 increased by 0.5%. The drop in the Spanish city hotels sector and the depreciation of the US Dollar against the Euro, which has had a negative impact on the Americas Division, have been compensated by the positive trend experienced in both the resort hotels in Spain and the Caribbean, and the European city hotels outside Spain.

The European Resort Division, 98% of whose income derives from Spain, has experienced a RevPar increase of 3.9%. The positive performance of the domestic and UK markets has allowed destinations such as the Balearic Islands and the Levante coast, together with the vacation hotels located on the Southern coast of Spain, to continue the trend experienced throughout the year without negatively affecting the ADR (Average Daily Room Rate). The Canary Islands have suffered due to direct competition from the Caribbean as a tourist destination, although thanks to the domestic market the area has seen a recovery. The 5.8% increase in the Division's ADR is a result of the limitation of special offers for the Canary Islands, and, more importantly, the process of eliminating intermediaries throughout the year and the increase of sales through solmelia.com. Another contributing factor has been the new concept of "Flintstones" hotels in the Balearic Islands and the Costa del Sol.

Regarding the European City Division, the RevPAR has dropped by 1.6% due to the weak trend in the Spanish city hotels sector, whose RevPar dropped by 4.7% in 2004. During the final quarter of 2004, the Group experienced a slight improvement in the fourth quarter with a 2.7% decrease in the RevPar in comparison with decreases of 8.2% and 4.8% in the second and third quarters respectively, following the terrorist attack in Madrid on March 11. The poor performance of the Spanish cities has been compensated by the upward trend experienced in the major European cities such as London and Paris, where the RevPar has increased by 27% and 9.2 % respectively. The better performance of the Group hotels in these cities in comparison with the average was mainly due to the refurbishment of said hotels and their change of marketing strategy to attract a better quality client as well as business clients. In Germany, the RevPar increased by 12%.

The depreciation of the Dollar against the Euro has negatively affected the RevPar and ADR figures in the Americas Division. If we did not bear in mind the exchange rate, the RevPar and ADR would have risen by 25.5% and 27.7%, respectively.

Table 1: Hotel statistics 04/03 (RevPar & ADR. in Euros)

Owned and leased hotels (Dec. 04/03)		Occupancy	RevPar	A.D.R.
EUROPEAN RESORT	2004	71.1%	38.3	53.9
	% o/ 2003	(1.8%)	3.9%	5.8%
	2003	72.4%	36.9	50.9
EUROPEAN CITY	2004	63.5%	52.4	82.6
	% o/ 2003	1.1%	(1.6%)	(2.6%)
	2003	62.8%	53.2	84.8
AMERICAS	2004	64.2%	38.2	59.5
	% o/ 2003	(1.8%)	1.0%	2.8%
	2003	65.3%	37.8	57.9
TOTAL	2004	66.4%	44.8	67.5
	% o/ 2003	(0.8%)	0.5%	1.4%
	2003	67.0%	44.6	66.6

Table 2, below, is a breakdown of the components of growth in room revenues for hotels owned and leased by the Group.

The 0.9% increase in the number of rooms available in the European City Division is due to the incorporation, under rental agreements, of new Tryp hotels in Spain during the first half of 2004 and the new incorporation of the Tryp Frankfurt.

The decrease in rooms available in the European Resort Division is derived from the sale of the hotels Sol Aloha Playa and Sol Patos in the Costa del Sol and the disaffiliation of the Sol Brisamar in Fuerteventura (Canary Islands).

In the Americas Division, the increase in rooms available is due to the opening of the Paradisus Puerto Rico, a Group-owned hotel and to the Gran Meliá Mofarrej Hotel, in Sao Paolo, Brazil, a leased hotel.

Table 2: Breakdown of total room revenues owned/leased 04/03

% Increase Dec 04/03	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPAR	3.9%	(1.6%)	1.0%	0.5%
Available Rooms	(5.6%)	0.9%	18.4%	0.8%
Room Revenues	(1.9%)	(0.7%)	19.6%	1.3%

Table 3 shows that, as a whole, the volume of 2004's revenue has been positive.

In the European Resort Division, the decrease in food and beverage is due to the 5.6% decrease in rooms available and the 1.8% drop in occupancy.

In the European City Division, the 4.1% increase in food and beverage is due to the standardisation of services by brand.

The 7.4% increase in "Other Revenues" is basically due to the increase in the cost of hiring meeting rooms for business groups in hotels in Madrid, Seville and Germany. The recent inauguration of the Gran Meliá Victoria's Convention Centre in Palma de Mallorca, has also contributed to said increase.

The increase in food and beverage revenues in the Americas Division was due to the gradual commercialising of all-inclusive packages in Group hotels in Mexico in 2004.

In the food and beverage area the Group has undertaken various marketing and development measures, depending on the most adequate for each brand. These measures include introducing themes in Sol hotels, diversifying and introducing new technology in Tryp hotels through commercial contracts with specialised operators and developing haute cuisine in Gran Meliá hotels by employing chefs who are highly renowned in Spain.

Table 3: Hotel revenues 04/03 for owned/leased hotels

(millions of €)

Dec. 04/03	EUROPEAN RESORT			EUROPEAN CITY			AMERICAS			TOTAL		
	04	%o/03	03	04	%o/03	03	04	%o/03	03	04	%o/03	03
ROOMS	171	(1.9%)	175	291	(0.7%)	293	75	19.6%	63	538	1.3%	531
FOOD AND BEVERAGE	99	(8.4%)	108	107	4.1%	103	88	18.6%	74	294	3.1%	285
OTHER REVENUES	11	(3.1%)	12	28	7.4%	26	19	20.1%	16	59	8.9%	54
TOTAL REVENUES	282	(4.3%)	295	426	1.0%	421	183	19.2%	153	890	2.4%	869

2.2 HOTEL MANAGEMENT BUSINESS

The profits generated by the Group's vacation hotels under management, especially in the Caribbean, have increased management fees by 10%.

The 4.8% increase in fees in the European Resort Division is due to the favourable Summer season experienced by Sol Meliá's vacation hotels in Spain. Other contributing factors are the upward trend in Croatia and the increase in revenue from hotels in Egypt.

The 14.7% decrease in the European City Division is mainly due to the disaffiliation of two hotels in Portugal (Lisbon and Coimbra) and four unbranded hotels in Morocco as well as the results of one of the main hotels under management, the Meliá Castilla in Madrid, due to the difficulties experienced in 2004.

The fees obtained in the Americas Division increased by 27.5%. 2004 has been positive for hotels under the Group's management in the Americas Division, due to the fees from Costa Rica and Brazil, as well as the recent incorporation of the Hard Rock Hotel Chicago and the Paramount New York in the United States. The United States operations headed the recovery in the first semester of 2004, while the second semester was marked by the weak Dollar, which is still a positive factor for European tourists.

Revenues from management fees in the Cuban Division have increased by 15.8% as a result of the 8% increase in occupancy caused by the continued growth of the European and Canadian feeder markets.

The management fees proceeding from the Asian-Pacific Division have risen by 52.7%. Said rise is mainly due to the favourable results obtained in the Group's hotels in Vietnam, Malaysia and especially Indonesia. The recovery of the world economy and particularly in the main feeder markets, both European and American, together with the strengthening of the North-East Asian economies, have contributed to the division's profits during 2004. The tsunami which occurred in December 2004 has had no impact on either the Group hotels or their clients.

Table 4: Management fees

(Millions €)

FEE REVENUES		Dec-04	Incr. 04/03	Dec -03
EUROPEAN RESORT	Over sales	6.6	8.4%	6.1
	Over G.O.P.	4.2	0.2%	4.2
		10.8	4.8%	10.3
EUROPEAN CITY	Over sales	5.5	(9.9%)	6.1
	Over G.O.P.	1.2	(30.9%)	1.8
		6.7	(14.7%)	7.9
AMERICAS	Over sales	4.9	29.6%	3.8
	Over G.O.P.	3.0	24.2%	2.4
		7.9	27.5%	6.2
ASIA-PACIFIC	Over sales	1.3	27.9%	1.0
	Over G.O.P.	1.0	102.3%	0.5
		2.3	52.7%	1.5
CUBA	Over sales	10.3	6.6%	9.7
	Over G.O.P.	4.8	42.0%	3.4
		15.2	15.8%	13.1
Total over sales		28.7	7.3%	26.7
Total over G.O.P.		14.2	15.8%	12.3
TOTAL		42.9	10.0%	39.0

3 POST-BALANCE SHEET EVENTS

Note 27 of the Group's annual accounts details the significant post-balance sheet events which have occurred.

4 FORESEEABLE OUTLOOK

The outlook for the Spanish vacation hotels sector is positive. The Group is noting a positive trend in bookings from Germany and the UK. Destinations such as the Balearic Islands, Southern Spain, and to a lesser extent, the Canary Islands, will reap the benefits of said trend. Moreover, Sol Meliá will continue to benefit from the industry's present tendency to eliminate intermediaries. This is being noted in the performance of online tour operators and, more importantly, in reservations through the Group's website, solmelia.com. The World Tourism Organisation estimates a growth of approximately 5% in the tourist industry in 2005.

Despite none of the Group hotels in the Caribbean having suffered major damage to their facilities as a consequence of the hurricanes in the area, the delaying of holidays and business trips affected the Caribbean hotels in the months of October and November. Nonetheless, the upward trend evident throughout 2004 in our main destinations in the region has increased the Group's revenue in dollars by 29%. The quality of the "all-inclusive" product, as well as the group's consolidation as a feeder market in the United States, are factors which have positively influenced said trend.

Given the Group's performance so far in 2005, the forecast for the year indicates that expectations will be fulfilled, in view of the price rises negotiated with US tour operators and in spite of the negative impact on costs of the 70% appreciation of the Dominican Peso. It is expected that the contribution of the Hotel Paradisus, a 490-room luxury all-inclusive holiday hotel, will have an impact on the division's performance given that the Caribbean is presently a popular destination for both business and pleasure. The hotel also offers an alternative for European clients, who comprise the majority of the area's visitors thanks to their increase in purchase power as a result of the appreciation of the Euro.

The Group believes that if there is a slowdown in the offer available in 2005, there will be a recovery by the end of the year. The Group is also of the opinion that the increase in hotel capacity has been the result of decisions made three or four years ago at a time when the Spanish real estate and city hotel sectors were experiencing major growth in a prosperous market. Due to the present climate of high property prices, a competitive market and low profits in new establishments, several hotel projects have been delayed or reconverted into houses.

Regarding cost control and brand standardisation, Sol Meliá will continue to concentrate on the rationalisation process relating to the tasks and working hours of employees in the hotel and corporate sectors. With regards to food and beverage costs, the Group has strictly adapted related services to the brand's standards. The material management programme, SAP, has improved the centralisation of the purchase of products relating to entertainment, equipment, gardening, decoration, energy and cleaning purposes, as well as office equipment, the effect of which will be noted in the future.

The Marketing and Sales Departments have separated their tasks. Following said separation, the Group has appointed a new Head of Marketing. The new Marketing division will concentrate on increasing the value of the Group's brands in the medium and long-term, dealing with both strategic and property related matters. On the other hand, the task of the new Sales division is more tactical, concentrating on the short-term development of the hotel business.

The strategic alliances signed in 2003, including the time-share operation and distribution with Cendant, on-line distribution with lastminute.com, the development of Hard Rock Hotels and Flintstones-themed hotels in association with the Rank Group and Warner Bros., respectively, have resulted, to varying extents, in profits during 2004 and will continue their consolidation throughout 2005.

In 2005, a major part of the medium and long-term activity of the Assets Management division will be that of reinforcing the real estate business through a more proactive turnover of the Group's assets. In 2004, the assets management team has sold the hotels Sol Aloha Playa (Malaga, Spain) and Tryp Caballo Blanco (Cadiz, Spain). Asset turnover will be an integral part of the Group's real estate business.

The time-share business is an example of the Group's greater emphasis on the real estate industry. The annual revenue proceeding from time-share has increase significantly due to projects being initiated in Cancun, Puerto Vallarta (Mexico) and Punta Cana (Dominican Republic). This has been achieved through the use of locations and units within the already existing hotels. In 2005, Sol Melia Vacation Club will launch new projects in Cancun, Punta Cana and Puerto Rico in already existing hotels in America. Two more projects will also be launched in the Canary Islands during 2005. The recently created "Sol Melia Vacation Club Network" has been designed to present its members with a wide range of holiday destinations where the Group has hotels, offering a luxury service. The additional advantages offered are the inclusion as a Gold member in the Group's loyalty programme and special conditions when using services offered by companies with which the Group has agreements, such as airlines, carhire companies, cruises etc. Sol Meliá is making a great effort to strengthen, in the short-term, the presence of Vacation Club in Europe.

Moreover, through both the optimisation of the Group's portfolio and the future expansion and development of hotels in various regions without investment from Sol Meliá, the Group will develop condo hotels, an alternative business model. Sol Meliá has thirty years of experience in this area through the development of the "apartotel" system in Spain and Brazil. The condominium hotels business consists in the promotion and sale of hotel rooms to private individuals. The investor acquires a property ("condo") which can then be included in the Group's hotel operating programme. Consequently, said investor will be able to take advantage of the hotel's services and facilities free of charge during a certain period each year, as well as receiving discounts for periods outside the agreed dates. The property owner has the guarantee of maintenance standards in accordance with those of a high level establishment and in return, said owner must pay a premium relating to market value, due to the added value which the brand name confers to this property. The Group's short and medium-term objective is to develop this business model in Spain, Europe, Latin America, the Caribbean and the United States.

The assets management team is also working to maximise the "Other Revenues" of Group's hotels' through both their own initiatives and also through agreements with the leaders of the sectors in which they wish to operate, adding value to the brands through the development of car parks, spas, business premises rental or the management of residential services.

Finally, Sol Meliá's management team is committed to creating value through the improvement of the hotel business, while, at the same time, strengthening the real estate business through assets turnover and maximisation of use of space, time-share and condo hotels. The assets management business should be considered in the same way as the hotel business, an important part of the Group's operations and an essential way of reducing the margin between the net value of the assets and Sol Meliá's market capitalisation.

5 RESEARCH AND DEVELOPMENT

Sol Meliá continues to investigate its clients' needs in order to offer the products and services best adapted thereto. Said investigation includes, among other methods, internal and external quality audits, etc.

Furthermore, the Group endeavours to optimise capital and costs variables relating to the hotel operations and procedures. Sol Meliá has a 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 new technology and the possible application thereof.

The investments made in technology over recent years have allowed the Group to perform 25% of their sales through solmelia.com, through the central reservations system (15% in 2003) and 88% of the total internet sales. The increase in sales is a result of various recently introduced measures based on optimising the search engine, the expansion of solmelia.com's client base and marketing campaigns through the sending of personalised e-mails. Sales through solmelia.com have increased for all brands, especially for the Sol brand (a rise of 120%).

Following the separation of tasks between the marketing and sales divisions, the marketing division is also responsible for the creation of an Investigation, Development and Innovation department (I+D+I). Said department will concentrate on increasing efficiency and implementing new ideas for each of the brands. All areas of the hotel will be kept in mind, food and beverages, entertainment, spas, etc. in order to increase the "Other revenues" entry. The division will also be responsible for the differentiation and disintermediation of the brands, allowing greater profitability and customer satisfaction.



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, 2005. 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 Gabriel Escarrer Juliá
Chairman

Signed Juan Vives Cerdà
Vice Chairman

Signed Sebastián Escarrer Jaume
Vicepresident and Managing Director

Signed, Gabriel Escarrer Jaume
Managing Director

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

Signed Ariel Mazin Mor
(representing Altemlos S.A.)
Director

Signed Oscar Ruiz del Río
Director

Signed Alfredo Pastor Bodmer
Independent Director

Signed, Eduardo Punset Casal
Independent Director

Signed Emilio Cuatrecasas Figueras
Independent Director

Signed, José Joaquín Paig de la Bellacasa Urdampilleta
Independent Director

Signed: José M^a Lafuente López
Secretary of the Board



annual
report
2004

**CORPORATE
GOVERNANCE
REPORT**

1 INTRODUCTION

This report is provided by the Board of Directors to company shareholders in compliance with Law 26/2003 of 17 July, by which a modification was made to Stock Market Law 24/1998 of 28 July and the Revised Text of Company Law, approved by RDLeg.1564/1989 of 22 December, to promote transparency in publicly quoted companies.

This report has been produced in accordance with the aforementioned Law 26/2003, as well as with the contents of Ministerial Order ECO/3722/2003 of 26 December on the annual report on corporate governance and other informational tools used by publicly quoted companies and other entities, and applying the model defined in Circular 1/2004 of 17 March from the Spanish Stock Exchange Commission.

This report on Corporate Governance from SOL MELIÁ S.A. refers to the financial year ending 31 December 2004 and was approved by the Board of Directors on 30 March 2005.

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 Annual General Meeting of 8 June 2004 approved the proposals of the Board of Directors to modify company by-laws and the Regulations of the Annual General Meeting. In compliance with article 115 of the Stock Market Law, the Annual General Meeting was also informed of the approval by the Board of Directors of the new Regulations of the Board of Directors in their meeting of 30 March 2004. All proposals mentioned have 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 Committee for the Promotion of Transparency and Security in Financial Markets and Public Companies ("Aldama Report"), in Law 44/2002 of 2 November on reforms in the financial system and in the aforementioned Law 26/2003.

2 COMPANY OWNERSHIP STRUCTURE

1. CAPITAL STOCK

The Capital Stock of SOL MELIÁ S.A. is thirty-six million, nine hundred and fifty-five thousand, three hundred 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 par value of twenty cents (0.2 euros).

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 14 February relating to the representation of shares through account entries and the clearing and settlement of stock exchange trading.

The latest modification in share capital was approved by the Board of Directors on 20 November 2000 by means of the delegation of faculties by the Annual General Meeting of 23 October 2000.

2. DIRECT OR INDIRECT SIGNIFICANT SHAREHOLDERS AT CLOSE OF YEAR 2004, EXCLUDING MEMBERS OF THE BOARD OF DIRECTORS

The significant shareholders in SOL MELIÁ S.A. at 31 December 2004, 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 31 December 2003 this shareholding was less than 5%. Caja de Ahorros del Mediterráneo increased its shareholding to 5.006% by purchasing shares on 25 February 2004.

With the exception of the mentioned increase in the shareholding of Caja de Ahorros del Mediterráneo, there have been no other significant changes in the company ownership structure in 2004.

3. SHAREHOLDINGS OF MEMBERS OF THE BOARD OF DIRECTORS

The following table shows the direct or indirect shareholdings of the members of the company Board of Directors as well as the first and most recent dates of their appointment:

ID number	Name or company name	Date first appointed	Date last appointed	Number of direct shares	Number of indirect shares	% of share capital
41.160.706 K	Gabriel Escarrer Juliá (*)	7.02.96	8.06.04	--	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	8.06.04	--	--	--
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	1,380	--	0,0007
41.067.519 F	Alfredo Pastor Bodmer	31.05.96	8.06.04	--	--	--
39.829.380-G	Eduardo Punset Casals	31.05.96	8.06.04	--	1,200	0,0006
1.950.856 L	José Joaquín 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 the following point A.4.

4. FAMILY, BUSINESS, CONTRACTUAL OR CORPORATE RELATIONSHIPS EXISTING BETWEEN STOCKHOLDERS WITH A SIGNIFICANT INTEREST AS FAR AS THEY ARE KNOWN TO THE COMPANY, EXCEPT WHEN OF LIMITED RELEVANCE OR WHEN DERIVED FROM ORDINARY COMPANY BUSINESS

It must be stated that the indirect shareholding indicated in table A.3. are based on the shares directly or indirectly controlled by Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Juan Escarrer Jaume) in the share capital of the companies HOTELES MALLORQUINES CONSOLIDADOS S.A., HOTELES MALLORQUINES AGRUPADOS S.L., HOTELES MALLORQUINES ASOCIADOS S.L., and MALLORCAN HOTELS LUXEMBOURG S.A.R.L. The share capital of SOL MELIÁ S.A. held by each of these companies is given in section A.2.

5. BUSINESS, CONTRACTUAL OR CORPORATE RELATIONSHIPS EXISTING BETWEEN STOCKHOLDERS WITH A SIGNIFICANT INTEREST AND THE COMPANY, EXCEPT WHEN OF LIMITED RELEVANCE OR WHEN DERIVED FROM ORDINARY COMPANY BUSINESS

At 31 December 2004 the company held credit line and loan contracts with the CAJA DE AHORROS DEL MEDITERRÁNEO to a value of 40 million euros with due dates between 2006 and 2016, representing 5.54% of the total financial risk of the SOL MELIA Group. The detail of these operations is as follows:

Concept	euro amount	Holder	Contracted	Due date
Loan	1,968,860.02	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	15/08/1998	15/05/2009
Loan	12,901,785.71	MELIA INVERSIONES AMERICANAS, N.V.	12/03/2003	12/03/2011
Loan	6,264,616.55	LOMONDO LTD.	20/07/2000	20/01/2016
Loan	4,207,084.75	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	12/04/1999	12/04/2011
Policy	15,000,000.00	SOL MELIA, S.A.	17/12/2001	11/12/2006

It must also be stated that the company GI CARTERA S.A., which belongs to the CAJA DE AHORROS DEL MEDITERRÁNEO group has a 70% share of the Spanish company ALCAJAN XXI S.L., with the rest of that company's share capital owned by SOL MELIÁ, S.A. Directly or indirectly, ALCAJAN XXI S.L. is also a shareholder in the Dominican company INVERSIONES AREITO S.A., the owner of land in the Dominican Republic on which the PARADISUS PALMA REAL hotel project is being built. The project has been financed via a syndicated loan of 50 million euros in which the mentioned Caja has acted as the agent bank, while at the same time a 25-year management contract has been signed for the hotel project.

There are no other relevant commercial, contractual or shareholding relations between other significant shareholders and the company.

6. QUASI-CORPORATE AGREEMENTS AND CONCERTED ACTIONS

The company is unaware of the existence of quasi-corporate agreements or concerted actions amongst its stockholders as they relate to the company.

7. PERSON OR ENTITY WHICH EXERCISES OR MAY EXERCISE CONTROL OVER THE COMPANY ACCORDING TO ARTICLE 4 OF STOCK MARKET LAW

ID number	Name
41160706K	Gabriel Escarrer Juliá

8. TREASURY STOCK

At close of year 2004:

Number of direct shares	Number of indirect shares (*)	% of share capital
3,117,319		1.69%

Detail of the significant changes as expressed in Royal Decree 377/1991 made during the year:

Date	Number of direct shares	Number of indirect shares	% of share capital
26.02.04 to 04.05.04	2,178,243	-	1.179%
04.05.04 to 14.09.04	2,014,868	-	1.090%
14.09.04 to 17.12.04	2,212,053	-	1.20%

Results obtained in the year on treasury stock operations	2,443,050
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(en miles de euros)

9. 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 8 June 2004 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.

10. 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 registered in their name with the Accounts Register and, whenever appropriate, with the Shareholders Register, at least FIVE (5) days before the day on which the Annual General Meeting is held and have paid up any passive dividends and maintain ownership of said shares until the Annual General Meeting is held.

Shareholders that possess a smaller number of shares than mentioned above may group their shareholdings in order to attend the Annual General Meeting, delegating representation to one shareholder within the group. If this is not done in this manner, any such shareholder may delegate representation at the Annual General Meeting to another shareholder entitled by law to attend and to represent another shareholder, grouping their shareholding with that of the mentioned representative.

Article 17 of 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.

3 COMPANY MANAGEMENT STRUCTURE

1. BOARD OF DIRECTORS

1.1. Maximum and minimum number foreseen in company by-laws:

Maximum number of Directors	15
Minimum number of Directors	5

1.2. Members of the Board of Directors

ID number	Name or company name	Date first appointed	Date last appointed	Position	Method of election
41.160.706 K	Gabriel Escarrer Juliá	7.02.96	7.04.99	Chairman	At General Meeting
43.040.129 E	Sebastián Escarrer Jaume	7.02.96	28.05.01	Deputy Vice Chairman and CEO	At General Meeting
43.070.810 K	Gabriel Juan Escarrer Jaume	7.04.99	29.04.02	CEO	At General Meeting
41.222.172 P	Juan Vives Cerdá	7.02.96	7.04.99	Vice Chairman	At General Meeting
A-07332794	Hoteles Mallorquines Consolidados S.A.	23.10.00			At General Meeting
B-82861618	Ailemlos S.L.	15.01.01			At General Meeting
41.301.057 A	Jose María Lafuente López	2.07.96	28.05.01	Secretary	At General Meeting
41.067.519 F	Alfredo Pastor Bodmer	31.05.96	10.05.99		At General Meeting
39.829.380 G	Eduardo Punset Casals	31.05.96	10.05.99		At General Meeting
1.950.856 L	José Joaquín Puig de la Bellacasa Urdampilleta	14.06.96	28.05.01		At General Meeting
37.667.252 Z	Emilio Cuatrecasas Figueras	31.05.96	28.05.01		At General Meeting
50.308.593 A	Oscar Ruiz del Río	23.10.00			At General Meeting

1.3. Members of the Board of Directors by status

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

OUTSIDE INSTITUTIONAL DIRECTORS

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

OUTSIDE INDEPENDENT DIRECTORS

ID number	Name	Position	Committee
41.301.057 A	José María Lafuente López	Secretary	Chairman of the Auditing Committee
41.067.519 F	Alfredo Pastor Bodmer	Director	
39.829.380-G	Eduardo Punset Casals	Director	Auditing and Compliance Committee
1.950.856 L	José Joaquín Puig de la Bellacasa Urdampilleta	Director	Appointments and Remuneration Committee
37.667.252-Z	Emilio Cuatrecasas Figueras	Director	

OTHER OUTSIDE DIRECTORS

ID number	Name	Position
50.308.593-A	Oscar Ruiz del Rio	Director

In 2004 there have been no variations in the status of any of the Directors.

1.4 Qualification of Directors in relation to the Regulations of the Board of Directors

Article 7 of the Regulations of the Board of Directors foresee that the Board, with the objective of guaranteeing its independence and objectivity while best defending the interests of the company, when exercising its duty to propose to the Annual General Meeting the coverage of any vacancies, will ensure that the majority of members of the Board of Directors are Outside Directors and that these must include a significant number of Independent Outside Directors, bearing in mind the shareholding structure of the company and the shareholding represented on the Board.

The company understands that the recommendation can be understood to have been applied as the company currently has nine Outside Directors, of which five are Independent Directors.

1.5 Authority delegated to 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 the 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.

1.6. Members of the Board of Directors that hold directorship or management positions in other Sol Meliá group companies

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

D. GABRIEL ESCARRER JULIA (ID NUMBER 41.160.706 K)

COMPANY NAME	COMPANY ID NUMBER	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 and 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
Ralizaciones 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
Credit Control de Riesgos S.L. (soc.unip.)	B-57278293	Chairman

D. SEBASTIÁN ESCARRER JAUME (ID NUMBER 43.040.129 E)

COMPANY NAME	COMPANY ID NUMBER	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
Credit Control de Riesgos S.L. (soc.unip.)	B-57278293	Chairman

D. GABRIEL JUAN ESCARRER JAUME (ID NUMBER 43.070.810 K)

COMPANY NAME	COMPANY ID	NUMBER 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
Consortio Europeo S.A.	A-78889383	Representative of Sole Administrator (SOL MELIÁ 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 MELIÁ 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 MELIÁ S.A.
Inversiones and Explotaciones Turísticas S.A.	A-28103182	Spokesperson and Chief Executive Officer
Inversiones Inmobiliarias Silverbay S.L.	B-81631434	Sole Administrator representing SOL MELIÁ 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 MELIÁ 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
Credit Control de Riesgos S.L. (soc.unip.)	B-57278293	Chairman

INTERNATIONAL COMPANIES

D. 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
Segunda Fase Corporación	Puerto Rico	Chairman
Sol Meliá Vacation Club Dominicana S.A.	Dom. Republic	Chairman

D. 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
Irtón 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
Marmar 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
Segunda Fase Corporación	Puerto Rico	Vice Chairman
Sol Meliá Vacation Club Dominicana S.A.	Dom. Republic	Vice Chairman
Sierra Parima S.A.	Dom. Republic	Chairman

D. GABRIEL JUAN ESCARRER JAUME (ID NUMBER 43.070.810 K)

COMPANY NAME	NATIONALITY	POSITION
Abbayé de Téléme 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 Turistica 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 Turisticos 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
Irtón 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
Marmar 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
Segunda Fase Corporación	Puerto Rico	Executive Officer
Inmobiliaria Distrito Comercial CA	Venezuela	Chairman
Sol Meliá Vacation Club Dominicana S.A.	Dom. Republic	Secretary

1.7. Members of the Board of Directors that are members of the Board of Directors of other companies quoted on official Spanish stock exchanges

ID number	Name	Company	Position
37.667.252-Z	Emilio Cuatrecasas Figueras	RECOLETOS GRUPO DE COMUNICACIÓN S.A.	Director

1.8. Aggregate compensation of the Board of Directors for 2004

The following is the aggregate amounts pertaining to the remuneration of company Directors:

A) IN SOL MELIÁ, S.A.

Concept	Amount (thousand euros)
Salaries	795 (*)
Expense allowance	546.9
Statutory amounts	-
Share options	-
Others	-
Total	1.341,9

(*) 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	55
Guarantees taken out by the company for Directors	-

B) FOR MEMBERSHIP OF THE BOARDS AND/OR SENIOR MANAGEMENT OF OTHER GROUP COMPANIES

Concept	Amount (thousand euros)
Base salaries	200
Bonus salaries	-
Expense allowance	-
Statutory amounts	-
Share options and/or other financial instruments	-
Others	-
Total	200

Other benefits	Amount (thousand euros)
Advances	-
Loans	-
Investment funds and pension plan contributions	-
Investment funds and pension plan liabilities	-
Life insurance premiums	-
Guarantees taken out by the company for Directors	-

C) TOTAL REMUNERATION BY TYPE OF DIRECTOR

Type of Director	Total group (thousand euros)
Executives	1,121.2
Outside Institutional	144.2
Outside Independent	231.4
Other outside	45.1
Total	1,541.9

D) WITH RESPECT TO THE RESULTS ATTRIBUTABLE TO THE PARENT COMPANY

Total remuneration of Directors (in thousand euros)	1,541.9
Total remuneration of Directors/result attributable to the parent company (in %)	2.56%

1.9. Total remuneration of senior company executives

ID number	Name	Position
42945637Z	Servera Andreu, Onofre	EVP FINANCE
41393330T	Canaves Picornell, Gabriel	EVP CUBAN DIVISION
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.
8TRE83229	Gerandau, Andre	EVP NORTH & CENTRAL AMERICA
AN31151	Oliveira, Rui Manuel	EVP SOUTH AMERICA
Total remuneration senior management		2,111

(in thousands of euros)

It must also be stated that with the aim of increasing the share price, making the success of the company the responsibility of company executives, and allowing them to share the benefits and risks of shareholders, as foreseen in article 130 and in the fourth amendment to Company Law, and in article 37.2 of company by-laws, the Ordinary and Extraordinary Shareholders Meeting held on 8 June 2004 approved a bonus system consisting of a monetary remuneration linked to the share price of SOL MELIÁ, S.A. for a maximum of sixty-five (65) company executives, including amongst them the three company Executive Directors, and supposing a maximum payout of 160,000 euros depending on the executive's degree of responsibility in the company if the weighted average price of SOL MELIÁ, S.A. shares in any of the stock market sessions in May and June of 2006 is equal to or greater than 10 euros. If the price were equal to or greater than 9.25 euros but below 10 euros, executives would receive two thirds (2/3) of the said amount. If the price were equal to or greater than 8.50 euros but below 9.25 euros, executives would receive one third (1/3) of the said amount. The maximum total amount that would be paid out by this bonus system is 3,650,000 euros.

1.10. 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.

1.11. Process to set the remuneration of board members and relevant company by-laws

Article 37 of the Company by-laws establish the following remuneration system:

a) Remuneration of Directors consists of an annual fixed amount, global for each of them, which will be determined or ratified by the Annual General 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 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 each of the 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.

b) In addition, and regardless of the remuneration considered in the previous section, remuneration systems based on the share price of related to the provision of stock or stock options are foreseen. The application of such systems must be approved by the Annual General Meeting which will also decide the share price to be taken as a reference, the number of shares to be given to each Director, the price at which stock options may be exercised, the duration of such remuneration systems and any other conditions considered appropriate.

After compliance with legal requirements, similar remuneration systems may also be established for company personnel (executive or otherwise).

The functions of the Appointments and Remuneration Committee of the Board of Directors include the review of remuneration and the formulation of the proposals it considers appropriate to the Board of Directors.

1.12. Members of the Board that are also members of the Board of Directors or executives of companies with significant shareholdings in Sol Meliá and/or in group companies

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)

1.13. Modifications made during the year to Board regulations

On 30 March 2004, the Board of Directors approved new Regulations of the Board of Directors which, as required by article 115 of Stock Market Law was presented to shareholders at the Annual General Meeting on 8 June 2004. The full text of the Regulations may be found on the company website.

1.14. Appointment, re-election and dismissal procedures for Directors. List the competent bodies, procedures to be followed and criteria to be applied in each of the procedures

As mentioned in section B.1.4., article 7 of the Regulations of the Board of Directors foresee that the Board, with the objective of guaranteeing its independence and objectivity while best defending the interests of the company, when exercising its duty to propose to the Annual General Meeting the coverage of any vacancies, will ensure that the majority of members of the Board of Directors are Outside Directors and that these must include a significant number of Independent Outside Directors, bearing in mind the shareholding structure of the company and the shareholding represented on the Board.

The same article also regulates the requirements for each type of Director as follows:

- 1) **Executive Directors:** Executive Directors are understood to include the Chief Executive Officers and any other Directors that, under whatever title, perform executive or managerial functions within the company or in any of the associated companies.

Executive Directors also include those that assume managerial responsibilities or have decision-making power in relation to certain aspects of the business of the company or Group due to their delegation or empowerment by the Annual General Meeting or Board of Directors.

Executive Directors do not include those that receive special permission from the Annual General Meeting or Board of Directors, by authorisation, delegation or empowerment, to perform specific tasks.

- 2) **Outside Independent Directors:** Outside Independent Directors are those designated due to their prestige and professional qualifications and their availability to contribute their experience and knowledge to the Corporate Governance of the company. They must meet conditions that ensure their impartiality and objectivity, including at least the following:
 - (a) To not have nor have had in the recent past any direct and significant labour, trade or contractual relationship with the company, its Directors, the Outside Institutional Directors or companies of the Group, whose shareholding interest they represent, credit institutions with a significant participation in company finance, or other organisations that receive significant subventions from the company;
 - (b) To not be a Director of another company whose shares trade on an official secondary market that has Outside Institutional Directors in the company;
 - (c) To not have any close family relationship with Executive Directors, Outside Institutional Directors or other members of the company Board of Directors.

The Outside Independent Directors must inform the Board of Directors of any of the above-mentioned circumstances should they arise so that said circumstances may be evaluated after receiving the pertinent report from the Appointments and Remuneration Committee. Any such circumstance must also be included in the Annual Report on Corporate Governance.

- 3) **Outside Institutional Directors:** Outside Institutional Directors are those proposed by individual shareholders or groups of shareholders due to their stable participation in company ownership which, regardless of whether it confers a right or not to a place on the Board of Directors, has been considered sufficiently significant by the Board of Directors, also bearing in mind the proportion of company capital floated on the market, to propose their appointment to the Annual General Meeting.

On accepting appointment, all Directors must confirm that they comply with the requirements of the law, company by-laws and these Regulations.

As stated in article 15 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must define and review the criteria to be applied for the composition of the Board of Directors and selection of candidates which must then be proposed to the Board.

1.15. Circumstances in which Directors are obliged to resign

Lack of compliance with any of the duties and obligations of the Board established in Chapter 8 of the Regulations of the Board of Directors are sufficient cause for the resignation of any Board members.

1.16. 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.

1.17. Majorities required for approval of resolutions by the Board. Means of approving such resolutions. Minimum required quorum.

Approval of resolutions: Resolutions are passed by an absolute majority of the Directors attending or represented at the meeting. If the vote is tied, the Chairman will have a casting vote. Board meetings will normally take place at company headquarters, but may be held at any other location as decided by the Chairman and indicated in the invitation to attend.

Means of approving resolutions: Directors may also participate in meetings from locations other than that of the meeting itself provided they do so using audiovisual telephonic or other means that sufficiently and appropriately guarantee (both in the opinion of the Director in question and in the opinion of the Chairman of the Board) the confidentiality of the business and reciprocal communication in real time and, as a consequence, the unity of the event. In such circumstances, Directors will be considered to have attended the meeting.

Directors will do all within their means to attend meetings and, whenever they cannot attend in person, will aim to be represented at the meeting. Representation or delegation of votes within the Board of Directors must be made in writing and specifically for each meeting by means of a letter to the Chairman including any necessary instructions and may only be conferred to another Director. In particular, Outside Independent Directors may only delegate to other Outside Independent Directors.

The Chairman must organise the debate to favour the participation of all of the Directors in the deliberations of the Board.

Minimum required quorum: A sufficient quorum of the Board of Directors is achieved when the meeting is attended by a majority of the Directors or their representatives, including at least one Outside Independent Director.

1.18. Specific requirements, different from those related to directors, for appointment as 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.

1.19. Chairman's casting vote

If a vote by the Board of Directors does not achieve an overall majority, the vote of the Chairman is final.

1.20. Age limit for Directors

Company by-laws do not include any such age limits.

1.21. Limits on the term of office for Independent Directors

Company by-laws do not include any such limits on the term of office.

1.22. Processes for proxy voting for 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.

1.23. Number of meetings of the Board of Directors in 2004

In 2004 there were five (5) meetings on the following dates:

- 1. 3 February 2004.
- 2. 30 March 2004.
- 3. 8 June 2004.
- 4. 7 September 2004.
- 5. 23 November 2004.

The Chairman of the Board of Directors attended all of the meetings.

The Auditing and Compliance Committee held four meetings and the Appointments and Remuneration Committee held three meetings.

1.24. Certification of the individual and consolidated annual accounts

The annual accounts for 2004 have been certified by the following people:

Sebastián Escarrer Jaume, Vice Chairman and Chief Executive Officer

Mark Hoddinott, Executive Vice President Administration.

1.25. Mechanisms defined by the Board to avoid individual and consolidated accounts being presented to the Annual General Meeting with exceptions noted in the auditors' report

The Auditing and Compliance Committee is responsible for relations with external auditors in charge of the performance of the financial audit and to hold all of the communications foreseen in audit legislation and technical standards. In compliance with this duty, the Committee has held several meetings over the year with auditors in order to analyse any possible exceptions that may arise.

1.26. 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 with regard to 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.

Article 37 of the Regulations of the Board of Directors specifically states that the responsibilities of the Board of Directors include that of establishing the mechanisms required to ensure that the company complies with its obligations to provide information to the markets.

In particular, the Board of Directors must provide regular information on the regulations of corporate governance and also ensure that the half-yearly, quarterly and any other financial information required by the law or considered prudent to be presented to the markets is prepared with the same principles, criteria, professionalism and rigour as the annual accounts, and is as reliable as those accounts.

Section 3 of the Internal Regulations on Good Conduct in matters related to the stock market approved by the Board of Directors on 7 September 2004 defines the policies and procedures adopted by the company in relation to the handling of the relevant information and its communication to the *Comisión Nacional del Mercado de Valores* ("CNMV" – Spanish Stock Exchange Commission) and the markets.

Policies may be summarised as follows:

- **Distribution of the information:** the relevant information must be distributed immediately to the markets via communication to the CNMV before being distributed via any other means and as soon as the pertinent facts are known, decision has been made or agreement or contract has been signed with third parties. Whenever the company believes that information should not be made public due to an adverse impact this might have on its legitimate interests, the company will immediately inform the CNMV, and will request exemption from distribution as foreseen in article 91 of Stock Market Law.
After the relevant information has been sent to the CNMV, the company must immediately make the same information available through the company website in line with legally defined procedures.
- **Contents of the information:** the contents of the communication must be truthful, clear, complete and, when required by the nature of the information, quantified to a degree that it may not generate confusion or deceit. If false, inexact or incomplete information is presented which may have a noticeable impact on shares, it must be clarified or refuted.
- **Attitude of discretion:** during the period of preparing, planning or researching a transaction or other activity that may be considered relevant information, an attitude of secrecy and discretion will be adopted regarding that transaction or activity (except in the normal course of the work or other activities of the persons subject to these Regulations that may be aware of the transaction or activity) to ensure that no distortion or false expectations are created in the markets.

- **Timing of the communication:** the relevant information must be communicated whenever possible at a time when the market is closed so as to avoid any distortion in trading.
- If there is any doubt about whether certain information should be considered relevant information it may be communicated to the CNMV and then the company may work together with the CNMV to avoid the distribution of irrelevant, false, inexact or incomplete information that may have a noticeable effect on the value of any share issued by the company or the Group.

The contents of said Regulations are published on the company website.

1.27. Director status of the Secretary of the Board of Directors

The Secretary of the Board of Directors, José María Lafuente López, is also a member of the Board of Directors.

1.28. Mechanisms established by the company to ensure the independence of auditors, financial analysts, investment banks and rating agencies

One of the functions of the Auditing and Compliance Committee is to maintain relations with external auditors so as to receive information from the auditors with regard to matters which may endanger their independence and any other matters related to the performance of the accounts audit as well as any other communications included in legislation on the accounts audit or technical audit requirements.

1.29. Other jobs the external auditors perform for the company and/or Group other than the audit and the amount received for those jobs and the amount expressed as a percentage of the total amount billed to the company and/or Group

	Company	Group	Total
Amount for jobs other than the audit (thousand euros)	3	233	236
Amount for jobs other than the audit / Total amount billed (%)	0.57%	20.23%	14.11%

It should be mentioned that in several countries, especially in Europe, Mexico and Puerto Rico, it is the same company that advises the Group in the preparation of financial reports required to comply with tax obligations and other tax inspections.

1.30. Number of consecutive years that the current auditors have audited annual accounts for the company and/or group and percentage that that number of years represents over the total number of years that the accounts have been audited

	Company	Group
Number of consecutive years (since)	1996	1996
Number of years audited by current auditors / Number of years audited (%)	100%	100%

Fees for the audit of consolidated annual accounts and those of subsidiaries in 2004 reached 1,041,000 euros, detailed as follows:

Ernst & Young Spain	464
Ernst & Young International	577
Total in thousand euros	1,041

1.31. Relevant shareholdings of members of the Board of Directors in companies that have the same, similar or complementary business activity to that of the company or the group and which have been communicated to the company

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
Emilio Cuatrecasas Figueras	Elior, S.A.	2.17%	Spokesperson
José M ^a Lafuente López	Niamey, S.A.	1%	-
José M ^a Lafuente López	Sa Coma C.B.	1%	-
José M ^a Lafuente López	Tenedora Aguamarina, S.A.	1%	-
Juan Vives Cerdá	Finca Los Naranjos, S.A.	27.88%	Joint Administrator

The Appointments and Remuneration Committee 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.

1.32. Procedures by which Directors may receive external assistance

Article 23 of the Regulations of the Board of Directors allows that Directors have the right to request the professional assistance of legal, accounts or financial advisors or other experts at company expense to assist them in the exercise of their functions.

The request must be with regard to specific problems of a certain degree of importance or complexity that arise in the performance of their duties.

The request must be made to the company Chairman and may be refused by the Board of Directors if it is considered that any of the following circumstances apply:

- (a) it is not required for the performance of the duties assigned to Outside Directors;
- (b) its cost is not reasonable in relation to the importance of the problem and the assets and revenues of the company; or
- (c) the help requested from outside experts may be provided satisfactorily by experts employed by the company.

1.33. Procedures by which Directors receive the information required to prepare meetings of the Board and others sufficiently in advance

As stated in article 22 of the Regulations of the Board of Directors, in the performance of their duties Directors must have full access to information on any aspect of the company, to review all of the company's books and files, and any other registers of company activities and to inspect all facilities. This right to access to information is extended to both domestic and international company subsidiaries.

In order not to interrupt normal company business, the exercise of the rights to access such information will be channelled through the Chairman or Secretary of the Board of Directors whom will either provide the information directly to the Director, provide access to the most appropriate person in the organisation to provide such information or organise any measures required so that the Director may examine or inspect whatever they may require.

2. BOARD OF DIRECTORS COMMITTEES

2.1. Administrative bodies and their functions

The company currently operates two committees, whose members in 2004 were as follows:

Name of committee	Number of members
Auditing and Compliance	3
Appointments and Remuneration	3

Functions of the Auditing and Compliance Committee

The responsibilities of the Auditing and Compliance Committee, none of which may be delegated, and without prejudice to any others that the Board of Directors may specifically assign to the Committee, are as follows:

- (a) To report to the Annual General Shareholders Meeting with regard to matters raised by shareholders in the meeting that are within the competence of the Committee.
- (b) To propose to the Board of Directors for submission to the Annual General Meeting the appointment of external auditors. The Auditing and Compliance Committee 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 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.

Functions of the Appointments and Remuneration Committee

The responsibilities of the Appointments and Remuneration Committee, none of which may be delegated, and without prejudice to any others that the Board of Directors may specifically assign to the Committee, are as follows:

- (a) To define 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 Committees 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.

The Committee must consider the suggestions made by the Chairman, the members of the Board, company executives or shareholders.

2.2. Details of the members of the Committees of the Board of Directors

Auditing and Compliance Committee

ID number	Name	Position
41.301.057*	José María Lafuente López	Independent Director and Secretary of the Board of Directors. Chairman of the Committee
39.829.380G	Eduardo Punset Casals	Independent Director
43.040.129E	Sebastián Escarrer Jaume	Executive Director
X1108278T	Mark Hoddinott	Secretary, non-member of the Committee

Appointments and Remuneration Committee

ID number	Name	Position
A-07332794	Hoteles Mallorquines Consolidados S.A.	Outside Institutional Director. Chairman of the Committee.
1.950.856L	José Joaquín Puig de la Bellacasa Urdampilleta	Independent Director
43.070.810K	Gabriel Escarrer Jaume	Executive Director
	Antonio Ruiz and Delfín Pérez	Secretary and Vice Secretary, non-members of the Committee

2.3. Rules on Committee organisation and operations and responsibilities attributed to each of them

Auditing and Compliance Committee

- Number of members and structure: article 39 bis of company by-laws state that the Auditing and Compliance Committee will be formed by at least THREE (3) and at most FIVE (5) members, with a majority of non-executive Directors, including at least one Outside Independent Director, all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions.
- Chairman and Secretary: the Chairman of the Committee must be one of the Outside Directors. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. Both the Chairman and the rest of the members of the Committee will be automatically replaced if they resign or are dismissed from their positions as members of the company Board of Directors and are not reinstated.
A Committee Secretary may be appointed, a position which may be held by the Secretary of the Board of Directors, a Director that may or may not be a member of the Committee itself, or even one of the company executives.
- Meetings: the Auditing and Compliance Committee 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 Committee or on request from the majority of its members or from the Board of Directors.
- Functions: the functions of the Auditing and Compliance Committee are described in section B.2.1.
- Quorum and approval of resolutions: the Committee meeting will be considered valid on attendance, directly or via representatives, of at least half of its members, and will adopt resolutions approved by a majority of participants. Company by-laws on the constitution and approval of resolutions will be applied to the Auditing and Compliance Committee with regard to any matters not covered in this article. The Committee must report on all such resolutions and decisions to the Board of Directors. If there is no majority, the Chairman will wield a casting vote.

Appointments and Remuneration Committee

- Number of members and structure: the Appointments and Remuneration Committee will be formed by at least THREE (3) and at most FIVE (5) members, with a majority of Outside Directors, including at least one Outside Independent Director, all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions.
- Chairman and Secretary: the Chairman of the Committee must be one of the Outside Directors. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. Both the Chairman and the rest of the members of the Committee will be automatically replaced if they resign or are dismissed from their positions as members of the company Board of Directors and are not reinstated.
A Committee Secretary may be appointed, a position which may be held by the Secretary of the Board of Directors, a Director that may or may not be a member of the Committee itself, or even one of the company executives.
- Meetings: the Appointments and Remuneration Committee will meet whenever the Board or its Chairman requests a report or the approval of proposals and, in any case, whenever it may be appropriately according to the needs of the company.
- Functions: the functions of the Appointments and Remuneration Committee are described in section B.2.1.

- Quorum and approval of resolutions. the Committee meeting will be considered valid on attendance, directly or via representatives, of at least half of its members, and will adopt resolutions approved by a majority of participants. The Committee must report on all resolutions and decisions to the Board of Directors. If there is no majority, the Chairman will wield a casting vote.

As foreseen in Article 16 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee 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.

2.4. Advisory and consultancy powers and, where applicable, proxies assigned to each Committee

Auditing and Compliance Committee

The responsibilities of the Auditing and Compliance Committee, none of which may be delegated, regulated by article 39 bis of company by-laws and without prejudice to any others that the Board of Directors may specifically assign to the Committee, according to law and company by-laws are described in section B.2.1.

Appointments and Remuneration Committee

The responsibilities of the Appointments and Remuneration Committee as regulated by article 16 of the Regulations of the Board of Directors are described in section B.2.1.

2.5. Regulations of Board Committees, location where they may be reviewed, and changes made to them during the year. Annual reports on Committee activities

Board Committees are regulated by company by-laws and the Regulations of the Board of Directors and may be viewed on the company website.

2.6. and 2.7. Executive Committee

The company does not have an Executive Committee.

2.8. Structure of the Appointments and Remuneration Committee

The Appointments and Remuneration Committee comprises two Outside Directors, one of them Independent and an executive as described in section B.2.2.

4 ASSOCIATED OPERATIONS

1. DETAIL OF OPERATIONS THAT INVOLVE A TRANSFER OF RESOURCES OR OBLIGATIONS BETWEEN THE COMPANY AND/OR THE GROUP AND MAJOR SHAREHOLDERS

Tax ID of significant shareholder	Name of significant shareholder	Tax ID of company or group company	Name of company or group company	Nature of relation	Type of operation	Amount (thousand euros)
A-07332794	Hoteles Mallorquines Consolidados S.A.	A07905573	CARMA SIGLO XXI, S.A.	SUPPLIES TO HOTELES	PURCHASE OF FOODS	24,650.11
A-07000343	Hoteles Mallorquines Agrupados S.L.					
A-07802531	Hoteles Mallorquines Asociados S.L.					
A-07332794	Hoteles Mallorquines Consolidados S.A.	A07842586	CREDIT CONSULT, S.A.	MANAGEMENT CONSULTANCY	CREDIT MANAGEMENT	503
A-07000343	Hoteles Mallorquines Agrupados S.L.					
A-07802531	Hoteles Mallorquines Asociados S.L.					
A-07332794	Hoteles Mallorquines Consolidados S.A.		CREDIT CONSULT, Corp.	MANAGEMENT CONSULTANCY	CREDIT MANAGEMENT	1,059
A-07000343	Hoteles Mallorquines Agrupados S.L.					
A-07802531	Hoteles Mallorquines Asociados S.L.					

70% of the amount billed by Carma Siglo XXI S.A. to SOL MELIÁ S.A. pertains to the provision of supply distribution services to hotels. Carma centralises the purchasing of products from different suppliers, supervised and controlled by the SOL MELIÁ Purchasing Department, meaning that its main activity is distribution.

2. DETAIL OF OPERATIONS THAT INVOLVE A TRANSFER OF RESOURCES OR OBLIGATIONS BETWEEN THE COMPANY AND/OR THE GROUP AND ITS DIRECTORS

Tax ID of Director	Name of Director significant shareholder	Tax ID of company or group company	Name of company or group company	Nature of relation	Type of operation	Amount (thousand euros)
41.222.172P	Juan Vives Cerdá	A07232861	FINCA LOS NARANJOS, S.L.	HOTEL MANAGEMENT	FEES AND HOTEL (*) SERVICES	580
37.667.252-Z	Emilio Cuatrecasas Figueras	B59942110	CUATRECAAS ABOGADOS, SRL	LEGAL AND FISCAL SERVICES	SERVICE FEES	673
41.160.706 K	Gabriel Escarrer Juliá	B57279366	ARQUITECTURA HOTELERA, SL (**)	ARCHITECTURAL SERVICES	HOTEL PROJECTS	446

(*) Refers to the management fees for the Meliá Cala d'Or (Mallorca), Sol Cala d'Or (Mallorca) and Meliá Girona hotels, all owned by the company FINCA LOS NARANJOS S.A.

(**) This company is controlled by Alvaro Sans, who is a family relation of Gabriel Escarrer Juliá

3. RELEVANT OPERATIONS MADE BY THE COMPANY WITH OTHER GROUP COMPANIES THAT ARE NOT ELIMINATED IN THE PROCESS OF DRAWING UP CONSOLIDATED FINANCIAL STATEMENTS AND WHOSE OBJECT AND CONDITIONS SET THEM APART FROM THE NORMAL TRADING OF THE COMPANY

The object and conditions of all operations made with other Group companies form part of the company's normal trading.

4. POSSIBLE CONFLICTS OF INTEREST AFFECTING COMPANY DIRECTORS PURSUANT TO ARTICLE 127 OF COMPANY LAW

The company is currently unaware that any of the Directors of the company are affected by possible conflicts of interest.

Article 28 of the Regulations of the Board of Directors states that members of the Board of Directors must communicate to the company any direct or indirect potential conflict of interest with the company in compliance with the applicable legislation. Directors must also abstain from attending or intervening in deliberations that may affect matters in which they may be personally involved or which may affect persons related to them.

Any member of the Board of Directors that requests and obtains public representation may not exercise a right to vote in those decisions affected by the conflict of interest, in compliance with the applicable legislation.

Members of the Board of Directors must also communicate any participation they may have in the share capital of companies with the same or similar or complimentary business activity, as well as the positions or responsibilities they may perform for such companies, or any other direct or indirect employment in regard to said activity. This information is included in section B.1.31. of this report.

Members of the Board of Directors 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, authorises such a transaction. Neither may they, for their own benefit or for the benefit of persons related to them, make investments or other similar operations related to company assets of which they have received information thanks to the performance of their functions, without prejudice to other provisions of the law, company by-laws and company regulations.

Members of the Board of Directors may not use the name of the company nor the mention of their status as company directors to influence the commission of operations on their own behalf or on behalf of persons related to them.

5. MECHANISMS ESTABLISHED TO DETECT, DETERMINE AND RESOLVE POSSIBLE CONFLICTS OF INTEREST BETWEEN THE COMPANY AND/OR ITS GROUP, AND ITS DIRECTORS, MANAGERS AND/OR SIGNIFICANT SHAREHOLDERS.

As seen in the previous section, Directors must inform the company whenever a situation of direct or indirect conflict of interest may arise with the interests of the company. As foreseen in article 15.2. of the Regulations of the Board of Directors, the Appointments and Remuneration Committee, must report such situations to the Board and propose the measures which should be taken to avoid such situations..

5 RISK CONTROL SYSTEMS

1. GENERAL DESCRIPTION OF RISK POLICY IN THE COMPANY AND/OR ITS GROUP, LISTING AND EVALUATING THE RISKS COVERED BY THE SYSTEM, ALONG WITH AN EXPLANATION OF HOW FAR THESE SYSTEMS MATCH THE PROFILE OF EACH TYPE OF RISK

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 Compliance Committee is, amongst other responsibilities, responsible 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.

1.1. 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.

1.2. Risk management depending on the contractual relationship of the company 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 the leasee of the property 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.

1.3. 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..

2. CONTROL SYSTEMS ESTABLISHED TO ASSESS, MITIGATE AND REDUCE THE MAIN RISKS OF THE COMPANY AND ITS GROUP

The company has an Internal Auditing Department responsible for examining and evaluating Group activities as a service to the organisation. The objective of the internal audit is to assist the organisation in the performance of its duties. The department provides analysis, valuations, recommendations, advice and information on the activities reviewed, both to members of company management and to the Board of Directors. The Internal Auditing Department provides regular reports on its activity to the Auditing and Compliance Committee and the Control Committee. The objectives of the audit include the promotion of effective control at a reasonable cost.

The internal audit includes the examination and evaluation of the appropriateness of internal organisation and control systems and the quality of performance of the assigned tasks.

The responsibilities of internal auditors include:

- To review the reliability and integrity of financial and operational information and the means used to identify, evaluate, classify and communicate that information.
- To review the systems used to ensure that they are in line with policies, plans, procedures, laws and regulations that might have a significant effect on operations and reports, determining whether the organisation is applying them.

- To review asset safety measures and, where appropriate, verify their existence.
- To evaluate the economy and efficiency with which resources are employed.
- To review operations or programmes to verify that they are in line with set objectives and goals, and whether operations or programmes are carried out as planned.

The Internal Auditing Department is an integral part of the organisation and operates subject to the policies established by senior management and the Board of Directors.

Internal auditors are independent of the activities which they audit and free to perform their work objectively. Their independence allows them to issue impartial judgements. Objectivity is a basic principle of their activity and under no circumstances must they subordinate their auditing judgement to that of others.

3. RISKS THAT HAVE AFFECTED THE COMPANY AND/OR ITS GROUP, CIRCUMSTANCES SURROUNDING THEM AND FUNCTIONING OF CONTROL SYSTEMS

In 2004 there has been no relevant risk other than that derived from normal company operations.

4. COMMITTEES OR OTHER GOVERNING BODIES IN CHARGE OF ESTABLISHING AND SUPERVISING CONTROL SYSTEMS AND THEIR DUTIES

The company operates an Internal Control Committee for all of the SOL MELIÁ Group.

The Control Committee comprises the following members: Executive Vice Chairman, a Chief Executive Officer, the Chief Financial Officer, the Executive Vice President Administration and a Legal Director.

The Control Committee meets once a month, although any of its members may request the urgent meeting of the Committee whenever it is considered appropriate to do so.

The Control Committee is authorised to investigate any matter within its sphere of activity. It is authorised to request information from any employee and such employees are obliged to cooperate with any Committee request.

The Control Committee is subject to the supervision of the Board of Directors, and particularly to its Auditing and Compliance Committee, to which they must report. The Committee must develop and promote control so as to improve the quality of Corporate Governance and risk control management within the Group, seeking to integrate control within the processes of planning, budgeting management, accounting, presentation of accounts and audits performed within the Group.

The Committee also has the following objectives:

1. To improve the quality of the information on Group finances.
2. To create a climate of discipline and control which reduces the chance of fraud.
3. To allow employees to contribute an independent criteria to control and develop a positive role.
4. To assist the organisation by providing a forum to air matters of concern.
5. To strengthen the position of both internal and external auditors and provide them with an additional channel for communication.
6. To establish a framework within which auditors may demonstrate their independence whenever there may be a dispute with company management.
7. To improve confidence in the credibility and objectivity of financial reports and internal decision-making processes.

The functions and responsibilities of the Control Committee are:

1. To supervise risk management and control within the Group, reviewing processes with inherent risk and control of governance, researching and proposing best practises. The identification of risks must be accompanied by an evaluation of their impact upon strategic and financial objectives.
2. In particular, to evaluate:
 - a. The acquisition and disposal of relevant Group assets.
 - b. To constantly review investments, important projects, levels of authority, treasury policies and risk management policies.
3. To authorise any corrective measures which may be required.
4. To monitor the application of the Integrated Control Plan to be implemented within the Group, supervising and promoting the implementation of best practises and registering them appropriately.
5. To develop the guidelines, procedures and materials relevant to risk management and control. To define performance rules, rather than descriptive models: to define how things should work.
6. To occasionally establish teams and tasks to carry out specific research or activities. Such teams will only exist for the time required to perform their job and report to the Committee.
7. To prepare a report on company risk management every year. The annual report must evaluate the level of security that exists and whether controls meet the objectives defined, helping to identify flaws and improvements required in controls.
8. To publish guidelines and materials for all of the organisation. Ethical codes and other guidelines must receive appropriate internal and external publicity.
9. To propose the appointment of the external auditor.
10. To review the group financial reports in order to:
 - a. Propose changes in accounting policies and practises.
 - b. Identify areas of potential contingencies.
 - c. To comply with accounting standards.
 - d. To comply with the requirements defined by stock market authorities and other legal requirements to which the Group may be subject.
11. To review the reports of external auditors. At least once a year they must debate any questions or systems pending resolution and the procedures to be applied.
12. To review the degree of compliance in the Group with internal control systems.
13. To ensure coordination between external and internal auditors.
14. To ensure that the necessary resources are in place for internal audits.
15. To evaluate the relevant information of which they are made aware and coordinate the response of company management.
16. To prepare the annual Committee budget and submit it to the Board of Directors for approval.

6 GENERAL SHAREHOLDERS' MEETING

1. QUORUM FOR ANNUAL GENERAL MEETINGS CONTAINED IN BY-LAWS. DIFFERENCES WITH RESPECT TO THE REQUIREMENTS OF COMPANY LAW

Article 24 of company 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.

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.

3. RIGHTS OF SHAREHOLDERS IN RELATION TO ANNUAL GENERAL MEETINGS DIFFERENT FROM THOSE CONTAINED IN COMPANY LAW

The company provides shareholders with all of the rights foreseen in company law.

4. MEASURES ADOPTED TO ENCOURAGE PARTICIPATION BY SHAREHOLDERS IN ANNUAL GENERAL MEETINGS

The Regulations of the Annual General Meeting aim to regulate the way in which the Annual General Meeting is prepared, the way information is distributed, attendance coordinated, and the meeting is organised and occurs. They also aim to regulate the way in which shareholders may exercise their rights in regard to the announcement and celebration of the event, as specified in company law, stock market law and company by-laws.

As stated in article 112 of company law and article 7 of the SOL MELIÁ, S.A. Regulations of the Annual General Meeting, up to seven days before the event is held, shareholders may request from company administrators the agenda for the meeting or the information that the company may have made available to the public and communicated to the stock exchange commission since the celebration of the last Annual General Meeting Junta General. They may also request any information or explanations considered appropriate or put any questions they feel relevant in writing.

Information requests may be made within the period mentioned above by post, fax or e-mail to the following addresses:

1. Post
SOL MELIÁ, S.A.
Investor Relations Department
Postal address: C/ Gremio de Toneleros, 24 - Polígono Son Castelló, 07009 Palma de Mallorca (Balearic Islands) Spain
2. Fax
SOL MELIÁ, S.A.
Investor Relations Department
Fax number: (34) 971224498).
3. E-mail
SOL MELIÁ, S.A.
Investor Relations Department
E-mail address: atencion.accionista@solmelia.com

Such requests may be answered by any member of the Board of Directors, or by the Director of the Investor Relations Department after authorisation by the Board of Directors, up until the day on which the Annual General Meeting is held, using the same means of communication as that through which the request has been received after validation of the identity of the shareholder.

5. SIMULTANEOUS OCCUPATION OF POSITIONS AS CHAIRMAN OF THE ANNUAL GENERAL MEETING AND CHAIRMAN OF THE BOARD OF DIRECTORS. DETAIL OF MEASURES TAKEN TO GUARANTEE INDEPENDENCE AND CORRECT OPERATION OF THE ANNUAL GENERAL MEETING

As foreseen in article 14.7 of the Regulations of the Annual General Meeting, the exercise of all of the powers required to ensure the correct organisation and development of the Annual General Meeting is the responsibility of the Chairman of the Annual General Meeting, and in particular the following duties:

- (a) to declare whether the Annual General Meeting is validly constituted and to determine the number of shareholders that attend, either personally or via representatives, as well as defining the participation in share capital and number of votes which they possess;
- (b) to resolve any doubts, explanations or claims related to the list of attendees, proxies or representatives;
- (c) to resolve any doubts raised with respect to the matters included on the agenda as well as to examine, accept or reject new proposals in relation to the agenda;
- (d) to lead the debate, scheduling, ordering, limiting and ending debates whenever the matter is considered to have been discussed sufficiently;
- (e) to delegate leadership of the debate to the member of the Board of Directors consider appropriate, or to the Secretary, whom shall perform this function on behalf of the Chairman. This function may be revoked by the Chairman at any time;
- (f) to announce the result of votes taken;
- (g) to close the Annual General Meeting; and,
- (h) in general, to resolve any doubts or incidents that may arise.

All of the members of the Board of Director must attend the Annual General Meeting and must assist the Chairman in the application of the Regulations of the Annual General Meeting during the meeting itself and in the interpretation of its spirit and objectives.

The Annual General Meeting is always attended by a Notary responsible for writing the minutes of the meeting as required by Company Law and to assist the members of the Board of Directors in performing their duties. Article 20.3 of the Regulations of the Annual General Meeting states that the Board of Directors may require the presence of a Notary to take the minutes of the meeting and will be obliged to request such presence whenever requested by shareholders that represent at least ONE PER CENT (1%) of the company share capital at least FIVE (5) days before the Annual General Meeting is held. In both cases the Notary's minutes will be considered the minutes of the Annual General Meeting as defined by law and in the Regulations of the Commercial Register.

6. CHANGES INTRODUCED DURING THE YEAR IN THE REGULATIONS OF THE ANNUAL GENERAL MEETING

In line with article 113 of Stock Market Law, the Ordinary and Extraordinary Annual General Shareholders Meeting held on 8 June 2004 approved new Regulations of the Annual General Meeting, the full text of which may be found on the company website. The same Annual General Meeting approved changes to articles 22, 24, 25, 27, 28, and 30 of company by-laws relating to the celebration of the Annual General Meeting to make them consistent with the approval of the new Regulations of the Annual General Meeting.

7. ATTENDANCE AT THE MOST RECENT ORDINARY AND EXTRAORDINARY ANNUAL GENERAL SHAREHOLDERS' MEETING

From the list of attendees at the Ordinary and Extraordinary Annual General Shareholders' Meeting held on 8 June 2004 it may be seen that 329 shareholders attended the event, of which 18 attended personally and 311 by proxy, together representing ownership of 147,995,941 company shares, or 80.09% of share capital wholly made up of shares with voting rights.

8. AGREEMENTS ADOPTED IN THE ORDINARY AND EXTRAORDINARY GENERAL SHAREHOLDERS' MEETING

In summary, the Ordinary and Extraordinary Annual General Meeting held on 8 June 2004 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 31 December 2003, verified by the company auditor, ERNST & YOUNG, S.L.
2. Approval of the distribution of a dividend of 0.04 euros per share to be charged to free company reserves and to be made effective on 1 July 2004 through the payment body designated by the company Board of Directors in line with the regulations of "Iberclear" (company that manages registration, compensation, and liquidation of stocks on the Spanish stock market). Receipt of the above-mentioned amount may be claimed by those persons legitimised to do so at said date by the Account Registers of Iberclear.
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 2003 was approved without reserve of any type.
4. In line with article 32.1. of the company by-laws, the following Directors were re-elected to their positions on the Board of Directors for a further period of five years: Gabriel Escarrer Juliá, Juan Vives Cerdá, Eduardo Punset Casals and Alfredo Pastor Bodmer.

5. ERNST & YOUNG S.L. was confirmed for an additional year as external auditor to inspect and review the annual accounts and management reports of SOL MELIÁ, S.A. and its consolidated group companies for financial year 2004.
6. Approval of the modification of articles 4 ("Company Objective"), 12 ("Use of Shares"), 22 ("Annual General Meeting"), 24 ("Announcement and Constitution of Annual General Meeting"), 25 ("Representation at Annual General Meeting"), 27 ("Functioning of the Annual General Meeting"), 28 ("Majority for Approval of Resolutions"), 30 ("Powers of the Annual General Meeting"), 31 ("Structure and Appointment of the Board of Directors"), 32 ("Duration of Positions"), 33 ("Assignment of Positions on the Board of Directors"), 35 ("Functioning of the Board of Directors"), 36 ("Exercise of Responsibilities"), 37 ("Remuneration of Management"), 39 bis ("Auditing and Compliance Committee"), 42 ("Annual Accounts"), 44 ("Application of Annual Results") and the Additional Item 1^a ("Resolution of Conflicts") of company by-laws.
7. In line with article 113 of Stock Market Law, new Regulations of the Annual General Meeting were approved.
8. In line with article 115 of Stock Market Law, the Annual General Meeting noted the information supplied to the Annual General Meeting regarding the existence and content of the Regulations of the Board of Directors of the company, approved by the Board of Directors on 30 March 2004 and made available to shareholders and communicated to the CNMV when the Annual General Meeting was called.
9. With the aim of increasing the share price, making the success of the company the responsibility of company executives, and allowing them to share the benefits and risks of shareholders, as foreseen in article 130 and in the fourth amendment to Company Law, and in article 37.2 of company by-laws, the meeting approved a bonus system consisting of a monetary remuneration linked to the share price of SOL MELIÁ, S.A. for a maximum of sixty-five (65) company executives, including amongst them the three company Executive Directors, and supposing a maximum payout of 160,000 euros depending on the executive's degree of responsibility in the company if the weighted average price of SOL MELIÁ, S.A. shares in any of the stock market sessions in May and June of 2006 is equal to or greater than 10 euros. If the price were equal to or greater than 9.25 euros but below 10 euros, executives would receive two thirds (2/3) of the said amount. If the price were equal to or greater than 8.50 euros but below 9.25 euros, executives would receive one third (1/3) of the said amount. The maximum total amount that would be paid out by this bonus system is 3,650,000 euros.

The meeting specifically approved, and to the degree that the law allows the company Board of Directors, the faculty to replace any of its non-executive members for the application, development, execution and implementation of the agreement.
10. In virtue of the capacity conferred by article 153.1.b) of Company Law, the Board of Directors is authorised to agree a capital increase, without prior approval from the Annual General Meeting, up to a maximum amount of EIGHTEEN MILLION, FOUR HUNDRED AND SEVENTY-SEVEN THOUSAND, SIX HUNDRED AND SEVENTY-SEVEN EUROS (18,477,677 euros), 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. Whatever capital increase may be approved, it must be made within a period of five years from the date of approval. The agreement also contains the conditions in which such capital increases may be carried out.
11. 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 issues fixed, convertible and/or exchangeable securities, in line with the conditions contained within the agreement.
12. Authorisation of the Board of Directors and any Directors empowered or delegated by them 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.
13. 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.

9. NUMBER OF SHARES REQUIRED TO ATTEND THE ANNUAL GENERAL MEETING AND POSSIBLE BY-LAW RESTRICTIONS

To attend the Annual General Meeting shareholders must possess at least 300 shares registered in their name with the Accounts Register and, whenever appropriate, with the Shareholders' Register, at least FIVE (5) days before the day on which the Annual General Meeting is held and have paid up any passive dividends and maintain ownership of said shares until the Annual General Meeting is held.

There are no legal nor by-law restrictions on the exercise of the right to vote.

10. POLICIES APPLIED BY THE COMPANY IN REFERENCE TO DELEGATION OF VOTES IN THE ANNUAL GENERAL MEETING

Shareholders may exercise their right to vote without any need to attend the Annual General Meeting by sending the attendance card received from their bank to SOL MELIÁ at least one (1) day before the meeting is held by any of the following means:

By post:

To the Department of Investor Relations
Calle Gremio Toneleros 24, Polígono Son Castelló
07009 Palma de Mallorca (Balearic Islands)

By fax:

To the Department of Investor Relations
Fax: + 34 971224498

By e-mail:

Including a scanned image of the vote delegation attendance card.
Address: atención.accionista@solmelia.com

11. POSSIBLE KNOWLEDGE OF THE POLICIES OF INSTITUTIONAL INVESTORS REGARDING TAKING PART IN COMPANY DECISIONS

The company has no knowledge of any policies applied by institutional investors.

12. ADDRESS AND ROUTE TO CORPORATE GOVERNANCE INFORMATION ON COMPANY WEBSITE

The company website is found at www.solmelia.com. Users must then click on "About Sol Meliá" at the top left of the page and then on "Investor relations". The "Information for Shareholders" section contains full documentation on company corporate governance.

7 DEGREE OF COMPLIANCE WITH GOOD 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 24 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.

1. *"That the Board of Directors should explicitly assume as its core 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 activities 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 treasury stock.
- 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.

2. *"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 7 of the Regulations of the Board of Directors states that in order to guarantee its independence and the objectivity of the criteria it applies to best defend the interests of the company, said Board should ensure that the majority of its members are Outside Directors and that amongst these Outside Directors there must be a significant number of Independent Outside Directors taking into account the company shareholding structure and the shareholdings represented on the Board.

This recommendation is followed in that, of the twelve Directors, nine of them are Outside Directors, of which five are Independent Outside Directors, designated bearing in mind their significant professional qualifications and prestige and their lack of relations with the management team or controlling shareholders.

3. *"That Outside 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 Outside Directors and that these must include a significant number of Independent Outside Directors, bearing in mind the shareholding structure of the company and the shareholding represented on the Board.

As indicated in section 2 above, the company currently has nine Outside Directors out of a total of 12 members, thus forming a large majority. Of the nine, five are Independent Outside 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 be more efficient and participative. 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 fifteen members chosen by the General Shareholders' Meeting".

As has already been mentioned, at 31 December 2004, 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 Committee and Appointments and Remuneration Committee), as described in a later section of this report.

6. *"That the figure of Secretary of the Board be given 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 Board of Directors naming amongst his functions those of supporting the Chairman in his labours and providing 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 Outside Director, thus complying with the recommendation.

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

Article 13 of the Regulations of the Board of Directors 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 committees, made up exclusively of Outside 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 23 February 1999, the Board of Directors agreed to create Delegate Committees for Auditing and Compliance and for Appointments and Remuneration whose composition, functions and organisation have been fully explained in sections B.2.1. of this report.

With regard to the Auditing and Compliance Committee, on 31 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 6 May, 2003. The new article regulates the Auditing Committee of the Board of Directors in company by-laws 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 17 foresees that Board meetings are convened by letter, fax, telegram or e-mail sent to the most recent address of each Director as registered in company records in a way which ensures its receipt by the Director sufficiently in advance and authorised by the signature of the Chairman or the Secretary or Vice Secretary on behalf of the Chairman. The Regulations also foresee the possibility that extraordinary sessions of the Board are convened by telephone with no regard for the required advance warning and other requirements whenever the Chairman may feel that circumstances make this appropriate.

The 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 17 of the Regulations of the Board of Directors, 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 2004, a total of five (5) 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 detailed proposal by the Appointments Committee".*

Article 15.2. of the Regulations of the Board of Directors states that the Appointments and Remuneration Committee should define and revise the criteria to be applied to the composition of the Board of Directors and the selection of candidates.

The Committee 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 on 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 22 of the Regulations of the Board of Directors, in the performance of their duties, Directors must have full access to information on any aspect of the company, to review all of the company's books and files, and any other registers of company activities and to inspect all facilities. This right to access to information is extended to both domestic and international company subsidiaries. Article 23 of the same Regulations also allows that Directors have the right to request the professional assistance of legal, accounts or financial advisors or other experts at company expense to assist them in the exercise of their functions. The request must be with regard to specific problems of a certain degree of importance or complexity that arise in the performance of their duties. The request must be made to the company Chairman and may be refused by the Board of Directors if it is considered that any of the following circumstances apply:

- (a) it is not required for the performance of the duties assigned to Outside Directors;
- (b) its cost is not reasonable in relation to the importance of the problem and the assets and revenues of the company; or
- (c) the help requested from outside experts may be provided satisfactorily by experts employed by the company.

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

Article 24 of the Regulations of the Board of Directors refers to this matter and provides that Directors have a right to pertain the remuneration set by the Annual General Meeting or Board of Directors as foreseen in company by-laws and after having received a report from the Appointments and Remuneration Committee. In all cases, Outside Directors will receive expenses payments for attendance at each meeting of the Board of Directors.

The Board of Directors will ensure that the remuneration of Directors is related to their effective dedication, is moderate in comparison to market trends, and, at least in as far as it concerns Executive Directors, is partially related to company and group performance. The Board will also ensure that the amount received by Independent Outside Directors provides incentives to encourage dedication but does not hinder their independence.

The remuneration of the Board of Directors will be transparent, the total amount being reported in the Annual Report on Corporate Governance.

The amounts received should be compatible with and independent of salaries, other remuneration, compensation, pension, share options or any other form of payments established in general for all Executive Directors or in particular for any one of them, whatever the nature of their relationship with the company, whether it be through employment – general or senior management –, commercial or on a service basis, relationships that will be compatible with their condition as members of the Board of Directors.

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 ".*

Chapter VIII of the Regulations of the Board of Directors indicates the obligations of Directors. The most relevant obligations are:

1. **Duty of diligence:** while performing their functions, Directors must work with the diligence of an organised business-person and a loyal representative, and in accordance with any other legally required standard of diligence, and in particular to:
 - (a) Remain diligently informed about company performance.
 - (b) Appropriately prepare Board meetings and those of other delegate committees of which they form part.
 - (c) Attend the meeting of the bodies of which they form part and to actively take part in decision-making to ensure that their criteria makes an effective contribution to such decision-making. If Directors are justifiably unable to attend a meeting to which they have been called, they must provide instructions to the Director who is to represent them. Independent Outside Directors may only be represented by Independent Outside Directors.
 - (d) Carry out any specific task delegated by the Board of Directors and reasonably within the bounds of their commitment to the Board.
 - (e) Investigate any irregularities in company management that they may discover and monitor any risk situations.
 - (f) Encourage the appropriate persons to call extraordinary Board meetings or include within the Agenda of Board Meetings the measures that they consider appropriate.
2. **Duty of confidentiality and loyalty:** while performing their functions diligently, Directors must maintain confidentiality regarding the deliberations of the Board and the delegate Committees of which they may form part and, in general, must abstain from revealing information to which they have had access due to their position in accordance with existing law and company by-laws. The aforementioned confidentiality must be maintained even after such persons cease to be Directors in accordance with existing law and company by-laws.

If the member of the Board of Directors is an institution, the duty of confidentiality will fall upon the representative of that institution without prejudice to the duties of information that the representative must provide to the institution.
3. **Duty not to compete:** members of the Board of Directors 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 Committee.
4. **Conflicts of interest:** members of the Board of Directors must communicate to the company any direct or indirect potential conflict of interest with the company in compliance with the applicable legislation. Directors must also abstain from attending or intervening in deliberations that may affect matters in which they may be personally involved or which may affect persons related to them. The conflict of interest situations in which members of the Board of Directors may be involved should be reported in the Annual Report on Corporate Governance. Any member of the Board of Directors that requests and obtains public representation may not exercise a right to vote in those decisions affected by the conflict of interest, in compliance with the applicable legislation. Members of the Board of Directors must also communicate any participation they may have in the share capital of companies with the same or similar or complimentary business activity, as well as the positions or responsibilities they may perform for such companies, or any other direct or indirect employment in regard to said activity. This information will be included in the Annual Report and in the Annual Report on Corporate Governance. Members of the Board of Directors 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, authorises such a transaction. Neither may they, for their own benefit or for the benefit of persons related to them, make investments or other similar operations related to company assets of which they have received information thanks to the performance of their functions, without prejudice to other provisions of the law, company by-laws and company regulations. Members of the Board of Directors may not use the name of the company nor the mention of their status as company directors to influence the commission of operations on their own behalf or on behalf of persons related to them.
5. **Use of assets:** 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. Exceptionally, if the law and company by-laws allow, the Board may, after receiving the appropriate report from the Appointments and Remuneration Committee, relieve Directors of the obligation to provide a corresponding advantage. In such cases, any increase in the assets of Directors will be considered indirect remuneration. If the advantage is received due to their condition as shareholders, this will only be appropriate if the principle of parity in the treatment of shareholders is respected.
6. **Regulations on behaviour:** Directors must observe all regulations on behaviour established in stock market legislation and, particularly, those contained in the Internal Regulations on Good Conduct.
7. **Business opportunities:** Directors 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 with no influence exercised by the Director, and that its use is then authorised by the Board after a Report by the Appointments and

Remuneration Committee. A business opportunity is understood to include any opportunity to make an investment or carry out a commercial transaction that may arise within the realms of the performance of their duties by Directors, or through the use of company facilities or information, or under circumstances in which it may be reasonable to assume that an offer from a third party was in fact made in the first instance to the company.

8. **Indirect operations:** Directors infringe their duties of loyalty to the company if, in their knowledge, they allow or do not reveal transactions or operations by people related to them that in some way do not comply with the conditions and controls defined in previous articles.
9. **Information required from Directors:** as well as all of the other obligations contained within the Regulations, Directors must inform the company about the shares in the company which they hold personally or through companies in which they have a significant shareholding. They must also provide information on any shareholdings directly or indirectly held by close family members as foreseen in the Internal Regulations on Good Conduct. They must also inform the company about all of the positions held and activities carried out in other companies whenever relevant.
10. **Related operations:** the Board of Directors must be aware of and authorise any transaction made by the company with its principal shareholders and Directors and Executives. Under no circumstances must the transaction be authorised unless a report has been received from the Appointments and Remuneration Committee evaluating the operation from the point of view of equality in the treatment of shareholders and of market conditions. The Board of Directors must also ensure compliance with legal and information requirements and transparency in the communication of such operations.

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 34 of the Regulations of the Board concerning hypothetical relevant transactions that may occur between major shareholders. Specifically, the Board of Directors will not authorise any transactions that are not the subject of a report by the Appointments and Remuneration Committee, evaluating the transaction from the point of view of the equality of treatment of shareholders and market conditions.

The Board of Directors must also summarise in its annual public communications any transactions carried out by the company with Directors and major shareholders. This information is given in section D 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 one day 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.

In 2004, the Sol Meliá Investor Relations Department has carried out a number of activities focused on communication with company shareholders and potential investors. Specifically, a number of road shows were held in major European cities including Madrid, London, Paris, Frankfurt, Cologne, Amsterdam, Rotterdam, the Hague, Zurich and Geneva, and in major financial centres in the United States (New York, Chicago, Denver, San Diego, Los Angeles and San Francisco).

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 2004, 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 3 February 2004, at the "Spanish Travel & Tourism Conference" organised in London by the Santander Group.
- On 3, 4 and 5 March 2004, the company met 20 potential investors at a road show in Madrid organised by ING Financial Markets.
- On 22 and 23 April 2004, Sol Meliá met nine institutional investors at a road show in Frankfurt and Cologne (Germany) organised by Kepler Equities.
- On 4 May 2004, the company visited sixteen institutional investors at a road show in London organised by Cajamadrid Bolsa.
- On 17 May 2004, the company visited five institutional investors at a road show in Spain (Barcelona and Zaragoza) and Andorra organised by ING Financial Markets.
- On 16 and 17 June 2004, the company visited four institutional investors at a road show in London organised by Cazenove.
- On 23 and 24 June 2004, the company visited eight institutional investors at a road show in Holland (The Hague, Amsterdam and Rotterdam) and Switzerland (Zurich and Geneva) organised together with ING Financial Markets.
- On 30 June 2004, Sol Meliá took part in the "CSFB EUROPEAN LEISURE & HOTELS CONFERENCE" in London and also visited six institutional investors.
- On 12 July 2004, Sol Meliá visited four important institutional investors in Paris at a road show together with Cajamadrid Bolsa and CM-CIC Securities, as well as holding a conference with twenty fund managers.
- From 22 to 24 September, Sol Meliá took part in the "Southern Europe: The Resort Hotel Market" conference organised in the United Kingdom (London) by European Hotel Finance & Investment.
- From 30 September to 1 October 2004, the company took part in a second road show in the United Kingdom (London) organised together with Cazenove and visited eight important institutional investors.
- From 4 to 8 October 2004, Sol Meliá visited fifteen important institutional investors in the United States (New York, Chicago, Denver, San Diego, Los Angeles and San Francisco) at a road show organised together with Kepler Equities.
- On 19 November 2004, the Investor Relations team visited the stock market analysis department of five banks that monitor Sol Meliá shares from Madrid at a road show organised by the company.
- On 14 December 2004, the company returned to Madrid to meet once again with the stock market analysis department of three banks that monitor Sol Meliá shares at a road show organised by the company.

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

This direct communications channel between shareholders and the company is provided through the website (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 2004, there were 107 MaS Gold Shareholders and 2,732 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.

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".

The company has followed recommendations as indicated in Chapter IX of the Regulations of the Board of Directors. The company has provided information considered to be of sufficient detail and through the appropriate channels (Statements to the Spanish Stock Exchange Commission, 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 Committee".

Amongst their duties, the Board of Directors, along with the Audit and Compliance Committee 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 Spanish Stock Exchange Commission.

21. "That the Board of Directors and the Audit Committee 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 Committee 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 1,041,000 euros in 2004 with the following breakdown:

Ernst & Young Spain	464
Ernst& Young International	577
Total in thousands of euros	1.041

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 of Directors, establishing that the Board of Directors and, in particular, the Auditing and Compliance Committee, 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.