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AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

Translation of reports and consolidated annual accounts originally issued in Spanish.
In the event of a discrepancy, the Spanish-language version prevails.

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

We have audited the consolidated annual accounts of SOL MELIÁ, S.A. and Subsidiaries (the Group), which comprise the consolidated balance sheet at December 31, 2007, the consolidated income statement, the consolidated statement of changes in net equity, the consolidated cash flow statement and the notes thereto for the year then ended, the preparation of which is the responsibility of the Parent Company's directors. Our responsibility is to express an opinion on the aforementioned consolidated annual accounts taken as a whole, based upon work performed in accordance with generally accepted auditing standards in Spain, 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.

In accordance with mercantile law, for comparative purposes, the Parent Company's directors have included for each of the captions in the consolidated balance sheet, consolidated income statement, consolidated statement of changes in net equity, consolidated cash flow statement and the notes thereto, in addition to the figures of 2007, those of 2006. Our opinion refers only to the consolidated annual accounts for 2007. On April 2, 2007 we issued our audit report on the 2006 consolidated annual accounts, in which we expressed an unqualified opinion.

In our opinion, the accompanying 2007 consolidated annual accounts give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of SOL MELIÁ, S.A. and Subsidiaries at December 31, 2007 and of the consolidated results of their operations, changes in consolidated net equity and consolidated cash flow for the year then ended and contain the required information necessary for their adequate interpretation and comprehension, in conformity with the international financial reporting standards adopted by the European Union, applied on a basis consistent with that of the preceding year.

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ERNST & YOUNG

AUDITORS' REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS (CONTINUED)

To the shareholders of SOL MELIÁ, S.A.

The accompanying consolidated management report for the year ended December 31, 2007 contains such explanations as the Parent Company's directors consider appropriate concerning the situation of SOL MELIÁ, S.A. and subsidiaries, the evolution of their business and other matters and is not an integral part of the consolidated annual accounts. We have checked that the accounting information contained in the consolidated management report mentioned above agrees with the consolidated annual accounts for the year ended December 31, 2007. Our work as auditors is limited to verifying the consolidated management report in accordance with the scope mentioned in this paragraph, and does not include the review of information other than that obtained from the accounting records of the Sol Meliá, S.A. and subsidiaries.

ERNST & YOUNG, S.L.
Signed by Antonio Bosch Tugores

April 11, 2008

Consolidated Balance Sheet. Assets

(in thousands of euros)

	31/12/2007	31/12/2006
INTANGIBLE FIXED ASSETS (Note 7)		
Software	13,017	28,471
Goodwill	19,481	19,675
Leaseholds	71,380	57,388
Other intangibles	2,700	2,940
PROPERTY, PLANT AND EQUIPMENT (Note 8)		
Land	432,394	419,750
Constructions	1,095,849	1,096,655
Technical plant and machinery	232,443	221,269
Other assets	172,605	165,912
Prepayments and assets in progress	53,494	65,321
INVESTMENT PROPERTIES (Note 9)	118,722	97,355
OTHER NON-CURRENT ASSETS		
Investments in associates and joint ventures (Note 10.2)	34,443	36,637
Loans to associates (Note 10.3)	8,818	2,085
Available-for-sale investments (Note 10.1)	25,107	37,171
Other non-current financial assets (Note 10.4)	37,331	29,469
Deferred tax assets (Note 19.2)	96,197	106,149
NON-CURRENT ASSETS HELD FOR SALE (Note 11)		9,063
TOTAL NON-CURRENT ASSETS	***2,413,980***	***2,395,310***
CURRENT ASSETS		
Inventories (Note 12.1)	28,785	30,758
Trade and other receivables (Note 12.2)	85,788	97,290
Receivables from associates (Note 12.3)	12,481	9,859
Current Income Tax assets	2,569	6,104
Other current financial assets (Note 12.4)	87,512	93,944
Cash and cash equivalents (Note 12.5)	234,809	130,989
TOTAL CURRENT ASSETS	***451,945***	***368,944***
TOTAL ASSETS	***2,865,925***	***2,764,254***

Consolidated Balance Sheet. Equity and Liabilities

(in thousands of euros)

	31/12/2007	31/12/2006
EQUITY		
Issued capital (Note 13.1)	36,955	36,955
Share premium	764,795	767,196
Parent Company's reserves (Note 13.2)	169,882	182,957
Results from prior years	(377,253)	(380,853)
Reserves in companies integrated by the full consolidation method (Note 13.3)	395,272	278,045
Reserves in associates and joint ventures (Note 13.4)	1,883	(3,920)
Exchange differences (Note 13.5)	(132,341)	(43,121)
PROFIT AND LOSSES ATTRIBUTABLE TO THE GROUP	161,915	136,232
Consolidated profit & loss	164,620	137,979
Minority interests' profit & loss	(2,705)	(1,747)
TREASURY SHARES (Note 13.6)	(41,995)	(38,748)
MINORITY SHAREHOLDERS (Note 14)	47,916	32,578
TOTAL NET EQUITY	***1,027,030***	***967,322***
NON-CURRENT LIABILITIES		
Capital grants (Note 16.1)	3,746	5,873
Provisions (Note 16.2)	30,802	25,895
Debts with associates (Note 15.7)	1,000	
Issue of debentures and other marketable securities (Note 15.1)		149,445
Preference shares (Note 15.2)	101,287	100,202
Derivative financial instruments (Note 15.3)	3,400	8,288
Loan and credits with credit entities (Note 15.4)	673,068	541,770
Debts with credit entities for financial leases (Note 15.4)	71,177	43,686
Other debts for financial leases (Note 15.5)	161,187	161,354
Other non-current liabilities (Note 15.9)	18,226	16,958
Deferred tax liabilities (Note 19.2)	174,967	196,453
TOTAL NON-CURRENT LIABILITIES	***1,238,859***	***1,249,922***
CURRENT LIABILITIES		
Payables to associates (Note 15.7)	4,689	110
Issue of debentures and other marketable securities (Note 15.1)	150,498	448
Derivative financial instruments (Note 15.3)	9,044	5,082
Loan and credits with credit entities (Note 15.4)	85,581	240,496
Debts with credit entities for financial leases (Note 15.4)	29,823	21,996
Other debts for financial leases (Note 15.5)	167	157
Trade payables (Note 15.8)	196,470	184,008
Current tax liabilities	16,586	8,263
Other current liabilities (Note 15.10)	107,177	86,450
TOTAL CURRENT LIABILITIES	***600,036***	***547,009***
TOTAL EQUITY AND LIABILITIES	***2,865,925***	***2,764,254***

Consolidated Income Statement

(in thousands of euros)

	31/12/2007	31/12/2006
Operating income (Note 1)	**1,350,726**	**1,256,990**
Consumption of goods (Note 1)	(168,173)	(156,106)
Personnel expenses (Note 1)	(403,493)	(376,406)
Other expenses (Note 1)	(361,428)	(335,001)
EBITDAR (*)	**417,632**	**389,477**
Rentals (Note 1)	**(68,507)**	**(63,435)**
EBITDA (**)	**349,125**	**326,042**
Restructuring	(3,537)	
Amortisation/Depreciation charges	(109,082)	(111,718)
Impairment loss for goodwill	79	(546)
EBIT (***)	**236,584**	**213,778**
Exchange gains (losses)	(563)	1,690
Bank financing net results	(67,609)	(62,719)
Other financial expenses	(11,206)	(10,917)
Other financial income	13,591	10,450
Finance results	**(65,786)**	**(61,495)**
Profit/(Loss) in associates and joint ventures	**8,298**	**2,084**
PROFIT BEFORE TAXATION AND MINORITY INTERESTS	**179,096**	**154,367**
Taxes	(14,477)	(16,387)
NET RESULT	**164,620**	**137,979**
(Profit)/Loss minority interests	(2,705)	(1,747)
PROFIT/(LOSS) ATTRIBUTABLE TO THE PARENT COMPANY	**161,915**	**136,232**
BASIC EARNING PER SHARE (Note 2)	**0.91**	**0.76**
DILUTED EARNING PER SHARE (Note 2)	**0.88**	**0.73**

Explanatory notes:

(*) EBITDAR (Earnings Before Interest, Tax, Depreciation, Amortization & Rent)

(**) EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization)

(***) EBIT (Earnings Before Interest & Tax)

Consolidated Statement of Changes in Net Equity

(in thousands of euros)

	Parent Company	Full integrated companies	Reserves in associates	Exchange differences	Parent Company's results	Minority interest	Total NET EQUITY
BALANCE AT 31/12/2006	***567.508***	***278.045***	***(3.920)***	***(43.121)***	***136.232***	***32.578***	***967.322***
2007 results					161,915	2,705	164,620
Revaluation of assets transferred to investment properties		3,077				1,131	4,208
Deferred taxes recognised directly in equity	(1,335)	(1,009)				(340)	(2,683)
Total recognised revenues and expenses	*(1,335)*	*2,068*	*0*	*0*	*161,915*	*3,496*	*166,144*
Inter-group merger, provisions and dividend transactions	(5,511)	6,981	524	(575)		(1,420)	(0)
Distribution of 2006 dividends	(27,138)					(201)	(27,339)
Share capital increase						7,470	7,470
Treasury shares transactions	(3,162)						(3,162)
Changes in the consolidation perimeter in 2007		(3,947)	3,194			6,609	5,855
Transactions with shareholders or owners	*(35,811)*	*3,033*	*3,719*	*(575)*	*0*	*12,458*	*(17,176)*
Distribution of 2006 results	22,022	112,126	2,084		(136,232)		0
Evolution of the exchange rates in the year				(88,645)		(616)	(89,261)
Otras variaciones del patrimonio neto	*22,022*	*112,126*	*2,084*	*(88,645)*	*(136,232)*	*(616)*	*(89,260)*
BALANCE AT 31/12/2007	***552,384***	***395,272***	***1,883***	***(132,341)***	***161,915***	***47,916***	***1,027,030***

(See Note 13)

For comparison purposes, the movement of changes in net equity during 2006 is shown below:

(in thousands of euros)

	Parent Company	Full integrated companies	Reserves in associates	Exchange differences	Parent Company's results	Minority interest	Total NET EQUITY
BALANCE AT 31/12/2005	***542,643***	***233,084***	***128***	***32,781***	***90,095***	***45,273***	***944,004***
2006 results					136,232	1,747	137,979
Revaluation of assets transferred from tangible fixed assets to investment properties	1,958						1,958
Deferred tax adjustments		2,348					2,348
Total recognised revenues and expenses	*1,958*	*2,348*			*136,232*	*1,747*	*142,285*
Inter-group merger, provisions and dividend transactions	26,438	(27,116)	41			637	0
Distribution of 2005 dividends	(17,806)					(52)	(17,858)
Purchase of shares from minority interest		(3,834)	(2,713)			(13,622)	(20,169)
Treasury shares transactions	*(3,633)*						(3,633)
Transactions with shareholders or owners	4,999	(30,950)	(2,672)			(13,037)	(41,660)
Distribution 2005 results	17,908	73,563	(1,375)		(90,095)		0
Evolution of the exchange rates in the year				(75,902)		(1,405)	(77,307)
Other changes in net equity	*17,908*	*73,563*	*(1,375)*	*(75,902)*	*(90,095)*	*(1,405)*	*(77,307)*
BALANCE AT 31/12/2006	***567,508***	***278,045***	***(3,920)***	***(43,121)***	***136,232***	***32,578***	***967,322***

(See Note 13)

Consolidated Cash Flow Statement

The present Consolidated Cash Flow Statement has been prepared using the indirect method and correcting the non-monetary entries in the consolidated profit and loss account and the consolidated balance sheet.

(in thousands of euros)

	2007	2006
OPERATING ACTIVITIES		
PROFIT BEFORE TAXES AND MINORITY INTEREST	179,089	154,367
Adjustments for :		
- Profit/(Loss) in Associates (Note 10.2)	(8,298)	(2,084)
- Financial results (*)	65,786	61,495
- Amortisation/depreciation charges (Notes 7 y 8) (*)	109,082	111,718
- Impairment (*)	(79)	546
- Investing activities results and adjustments of fair value of investment properties (Notes 8 and 9)	(40,704)	(15,251)
- Effect of insurance indemnities on results (Note 8)	(4,299)	(40,824)
- Effect on results without generation of cash flows	11,133	3,962
+ Dividends from associates	5,298	1,176
+ Insurance indemnities collected	1,562	34,765
- Changes in receivables and other non-current accounts payable	(5,466)	(867)
- Corporation Tax	(14,848)	(15,977)
+/- Changes in receivables and other current accounts payable	49,762	31,102
TOTAL CASH FLOW FROM OPERATING ACTIVITIES	***348,019***	***324,128***
FINANCING ACTIVITIES		
- Dividends paid by Sol Meliá S.A. (****)	(27,138)	(17,806)
+ Collection for new bank financing (**)	201,933	427,008
- Payment of bank indebtedness	(266,350)	(493,050)
- Interest paid	(59,918)	(76,334)
- Payment for capital leases	(11,363)	(11,064)
- Payment of preference dividends	(8,337)	(8,337)
+ Other collections for financial results	7,842	8,447
+ Capital share increases of subsidiaries	7,470	0
+ Share capital decreases of associates	6,348	0
+/- Variations in treasury shares portfolios (Note 13.6)	(3,247)	(3,056)
TOTAL CASH FLOW FROM FINANCING ACTIVITIES	***(152,759)***	***(174,192)***
INVESTING ACTIVITIES		
- Acquisition of Intangible Fixed Assets (Note 7)	(1,660)	(4,597)
- Acquistion of property, plant and equipment (**) (Note 8)	(151,064)	(186,879)
- Acquisition of Financial Assets (***)	(22,184)	(38,574)
+ Proceeds from the sale of property, plant and equipment	37,842	89,273
+ Proceeds from the sale of financial investments	53,564	0
- Increase of credits to participated companies	(2,758)	(3,666)
TOTAL CASH FLOW FROM INVESTING ACTIVITIES	***(86,260)***	***(144,443)***
Exchange rate changes in cash and cash equivalents	(5,180)	(5,419)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	***103,820***	***74***
CASH AND CASH EQUIVALENTS AT JANUARY, 1 (Note 12.5)	130,989	130,915
CASH AND CASH EQUIVALENTS AT DECEMBER, 31 (Note 12.5)	***234,809***	***130,989***

(*) See consolidated Income Statement
(**) During 2006 and 2007, assets were acquired by means of leasing contracts for amounts of 24.6 and 64.9 million euros, respectively. These acquisitions are not considered cash movements.
(***) See Notes: 4.1 ; 7 ; 8 ; 10.3 ; 12.3 ; 12.5 ; 15.4 ; 15.7
(****) See Statement of Changes in Equity

Notes to the Consolidated Financial Statements

1. Segment Information

The business segments identified according to the nature of the Group's risks and revenues and which make up the organisation structure are the following:

- Hotel Business: this segment includes the results obtained from the operation of the Group's owned or rented hotel units.

- Real Estate Business: this segment includes the capital gains from sales through assets rotation, the real estate development activities and the sale of the Vacation Club units.

- Management and Structure: relates to the revenues for fees received from the operation of hotels under management or franchise agreements, structure costs and other operating activities related to leisure, recreation or amusement, as casinos or golf.

The segmentation of Sol Meliá arises from the Company's double business vision within the hotel trade and the real estate sector. The real estate component is the most recent, as it has its origin in the 2004-2006 Strategic Plan and entails a major move towards the crystallisation of the value of the Company's assets through the Vacation Club or the assets management. In addition, profits deriving from the Group's assets rotation are also included in the Real Estate Division.

The hotel segment includes all of the revenues and profits generated by the hotel units, including those in the restaurant sector, an activity considered to be a source of income which is fully integrated in the hotel operation, due to the wholesale of packages, the prices of which include food & lodging, thus complicating the performance of a true segmentation of the related assets and liabilities.

The Management and Structure Segment includes the fees for the management of hotels of third parties and other non-strategic Group businesses, and the Group's corporate costs which are not attributable to any of the two business divisions mentioned above.

Certain captions included in the business and geographical segmentation tables are presented aggregately, due to the impossibility of their separation in the different specified segments.

The transfer price fixing policies applied by the Company in the transactions between the various Group companies are established using a similar system to that used for operations with third parties.

1.1 Business segments

The segmentation of the profit and loss account and the balance-sheet lines regarding operation for the year 2007 is shown in the following table:

(in thousands of euros)

	HOTEL BUSINESS	REAL ESTATE BUSINESS	STRUCTURE AND MANAGEMENT	ELIMINATIONS	TOTAL 31/12/2007
STATEMENT OF INCOME					
Operating Income	1,061,346	152,041	275,409	(138,071)	1,350,726
Operating Expenses	(731,037)	(82,746)	(250,457)	131,147	(933,094)
EBITDAR	**330,309**	**69,295**	**24,952**	**(6,924)**	**417,632**
Rentals	(76,762)		1,331	6,924	(68,507)
EBITDA	***253,546***	***69,295***	***26,284***		***349,125***
Restructuring			(3,537)		(3,537)
Amortisation and impairments	(89,527)	(1,134)	(18,342)		(109,003)
EBIT	**164,019**	**68,161**	**4,405**		**236,584**
Financial result					(65,786)
Result in associates	3,231		5,067		8,298
EBT					**179,096**
Taxes					(14,477)
NET RESULT					***164,620***
Minority interests					(2,705)
RESULT ATTRIBUTED TO THE PARENT COMPANY					***161,915***
ASSETS AND LIABILITIES					
Intangibles and property, plant and equipment	1,795,576	138,803	277,705		2,212,085
Investments in associates	33,573		870		34,443
Available-for-sale non-current assets					0
Other non-current assets					167,453
Current operating assets	116,562	20,961	5,300		142,823
Other current assets					309,122
TOTAL ASSETS					***2,865,925***
Financial debt					1,123,878
Other non-current liabilities					389,928
Current operating liabilities	97,744	16,749	81,977		196,470
Other current liabilities					128,620
TOTAL LIABILITIES					***1,838,895***

The operating revenue from the real estate business includes capital gains from sales through asset turnover relating to the disposal, for an amount of 20.6 million euros, of four hotels located in Europe and a residential plot in the Dominican Republic.

The sales of the Vacation Club units included in the real estate segment in 2007 have amounted to 99 million euros.

The main movements recorded during the year in the fixed assets caption relate to the refurbishments and the sale of assets of the hotel business segment, which are detailed in Note 8.

The addition of assets as a result of new business combinations made during the year, amounting to 21.8 million euros, corresponds to the hotel business segment.

Disposals of fixed assets due to eliminations in the consolidation scope amount to 26.1 million euros of the hotel business segment.

The operating revenues detailed in the column of "Totals" relate to the sales made to third parties, except for an amount of 11.2 million euros which relates to sales to associates.

The intercompany transactions between the various segments relate to services rendered by the management and structure segment to the hotel and real estate segment, for amounts of 71.4 and 2.3 million euros, respectively.

For comparison purposes, the 2006 business segmentation is provided below:

(in thousands of euros)

	HOTEL BUSINESS	REAL ESTATE BUSINESS	STRUCTURE AND MANAGEMENT	ELIMINATIONS	TOTAL 31/12/2006
STATEMENT OF INCOME					
Operating Income	982,020	134,145	239,382	(98,557)	1,256,990
Operating Expenses	(659,981)	(69,879)	(236,265)	98,612	(867,513)
EBITDAR	**322,039**	**64,266**	**3,117**	**55**	**389,477**
Rentals	(63,380)			(55)	(63,435)
EBITDA	***258,659***	***64,266***	***3,117***	***0***	***326,042***
Amortisation and impairments	(81,630)	(1,405)	(29,229)		(112,264)
EBIT	**177,029**	**62,861**	**(26,112)**		**213,778**
Financial results					(61,495)
Result in associates	2,081		3		2,084
EBT					**154,367**
Taxes					(16,387)
NET RESULT					***137,979***
Minority interests					(1,747)
RESULT ATTRIBUTED TO THE PARENT COMPANY					***136,232***
ASSETS AND LIABILITIES					
Intangibles and property, plant and equipment	1,948,479	15,011	113,890		2,077,381
Investments in associates	36,454		183		36,637
Available-for-sale non-current assets		9,063			9,063
Other non-current assets					272,229
Current operating assets	131,695	40,148	23,844		195,687
Other current assets					173,257
TOTAL ASSETS					***2,764,254***
Financial debt					1,111,412
Other non-current liabilities					406,532
Current operating liabilities	105,121	13,092	65,795		184,008
Other current liabilities					94,979
TOTAL LIABILITIES					***1,796,931***

The real estate business operating revenues included capital gains from sales through assets rotation corresponding to the disposal of two hotels sited in Spain, for an amount of 21 million euros.

The sales of the Vacation Club units included in the real estate business segment in 2006 amounted to 86.7 million euros.

The addition of assets as a result of new business combinations made during the year, amounting to 23.3 million euros, correspond to the hotel business segment and the structure and management segment for 20.4 million euros and 2.9 million euros, respectively.

1.2 Geographical segments

Segmentation by business type constitutes the primary format which best represents the Group's financial information, facilitating comprehension of profitability and annual monitoring. The breakdown of the geographical segments, by volume of income and assets, and by the countries in which the Group carries out its activity, is as follows (see Note 3):

(in thousands of euros)

	EUROPE	AMERICA	AFRICA	ASIA	ELIMINATIONS	31/12/2007
Operating Income	1,002,980	479,069	6,642	1,716	(139,681)	1,350,726
Total Assets	1,968,544	892,237	4,006	1,138	0	2,865,925

The main additions of assets a as result of business combinations relate to fixed assets in Europe amounting to 21.8 million euros.

Disposals of assets resulting from eliminations in the consolidation scope relate to fixed assets in Europe for a total amount of 26.1 million euros.

The invoicing made between the various geographical segments amounts to 139.7 million euros, of which 96 million euros correspond to the European segment, 42.2 million euros to the American segment and 1.4 million euros to the Asian segment.

For purposes of comparison, the balances corresponding to the preceding year are shown below:

	EUROPE	AMERICA	AFRICA	ASIA	ELIMINATIONS	31/12/2006
Operating Income	908,010	439,215	6,365	1,957	(98,557)	1,256,990
Total Assets	1,883,694	875,263	3,649	1,649	0	2,764,254

The acquisition of assets made during the year amounted to 17.2 and 6.1 million euros in Europe and America, respectively.

1.3 Income and expenses

Operating income

The breakdown of the balance of this caption according to its nature in the profit and loss accounts for the years 2007 and 2006 is as follows:

(in thousands of euros)

	2007	2006
Room sales	640,223	588,215
Food and beverage sales	346,809	317,308
Revenue from other businesses	71,634	78,410
Assets management	43,191	47,425
Vacation Club sales	95,159	86,743
Other revenues	153,711	138,889
TOTAL	***1,350,726***	***1,256,990***

Income for Assets Management includes capital gains from sales through assets rotation for an amount of 20.6 million euros in 2007 and 21 million euros in 2006.

Consumption

The balance of this caption in the profit and loss accounts for the years 2007 and 2006 is detailed below:

(in thousands of euros)

	2007	2006
Food and beverage consumption	106,986	102,336
Ancillary articles consumption	30,875	20,247
Vacation Club sales consumption	9,942	10,285
Sundry consumption	20,371	23,238
TOTAL	***168,173***	***156,106***

Personnel Expenses

Consolidated personnel cost

The average number of employees during the last two years, distributed by category, is the following:

(in thousands of euros)

	2007			
	MALE	FEMALE	TOTAL 2007	TOTAL 2006
Executives	283	73	356	356
Heads of department	1,017	579	1,596	1,597
Technician	5,624	4,189	9,813	9,073
Auxiliary staff	3,552	3,020	6,572	5,458
TOTAL	***10,475***	***7,862***	***18,337***	***16,484***

The breakdown of the consolidated personnel cost is as follows:

(in thousands of euros)

	2007	2006
Wages, salaries and similar	317,604	298,862
Social security expenses	66,642	60,656
Other welfare expenses	19,247	16,888
TOTAL	***403,493***	***376,406***

The remunerations paid to the members of the Board of Directors of Sol Meliá, S.A. during 2007 are the following:

(in thousands of euros)

	2007	2006
Allowances for meetings attendance	983	528
Life insurance premiums	55	55
Remunerations	1,517	1,524
TOTAL	***2,555***	***2,107***

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

Other expenses

The breakdown of the balance of this caption in the profit and losses accounts for the years 2007 and 2006 is as follows:

(in thousands of euros)

	2007	2006
Sundry rentals	6,242	4,820
Maintenance and repair	30,603	28,157
External services	56,682	49,757
Transport and insurance	12,679	10,991
Bank charges	9,486	9,307
Advertising and promotion	41,082	45,174
Supplies	64,864	59,595
Travel expenses and tickets	10,478	9,678
Taxes on activities	26,011	22,355
Other expenses	103,301	95,167
TOTAL	***361,428***	***335,001***

Leasings

The Group operates a total of 80 hotels under leasing, 3 of which are five-star with 345 rooms, 53 are four-star with 8,822 rooms, 19 are three-star with 2,598 rooms, 2 are two-star with 90 rooms and 3 are three-key establishments with 700 apartments.

Of the 80 hotels operated by the Sol Meliá Group under leasing, 17 have been classified as financial leases, as explained in Note 15.5. The part corresponding to the plots of land where the 17 hotels classified as financial leases are located, is maintained as an operating lease.

Most of the leases held by the Group relate to hotels which are operated by Group companies. These leasing contracts, the average duration of which is 9 years, have a contingent component related to the Consumer Price Index (CPI) and, 13 hotels have an additional component related to the evolution of their results, which is not considered as it is directly related with the contribution of said hotels to the profit and loss account of the Group.

The total balance of minimum payments for operating leases, amounting to 1,183 million euros, includes 649 million euros corresponding to the portion of plots of land of the 17 hotels whose leasing contracts have been classified as financial leases.

(in thousands of euros)

	UNDER 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Minimum operating lease payments	66,299	218,749	898,691	1,183,739

2. Earnings per Share

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity by the weighted average number of ordinary shares in circulation during the year, adjusted by the dilutive effects inherent to potential ordinary shares.

The table below reflects the income and share data used in the earnings per share computations:

(units of euro)

	BASIC EARNINGS		DILUTED EARNINGS	
	31/12/2007	**31/12/2006**	**31/12/2007**	**31/12/2006**
Result attributed to the Parent Company	**161,915,095**	**136,232,358**	**161,915,095**	**136,232,358**
Correction of results			4,807,325	4,192,500
Adjusted result	**161,915,095**	**136,232,358**	**166,722,420**	**140,424,858**
Number of ordinary shares	184,776,777	184,776,777	184,776,777	184,776,777
Weighted average number of own shares	(7,280,888)	(5,581,029)	(7,280,888)	(5,581,029)
Number of potential ordinary shares			12,605,042	12,605,042
Total number of shares	**177,495,889**	**179,195,748**	**190,100,931**	**191,800,790**
EARNINGS PER SHARE	***0.91***	***0.76***	***0.88***	***0.73***

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.179 € per share (net dividend of 0.146 €). An amount of 32.3 million euros of said distribution will be charged to income for the year of the Parent Company, Sol Meliá, S.A.

3. Corporate Information

The Parent Company, Sol Meliá, 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 Meliá, 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, Balearic Islands, Spain.

The activities of Sol Meliá, S.A and its subsidiaries and associated companies (hereinafter “SOL MELIÁ” or the “Group”) basically consist of general tourist activities and, specifically, of the management and operation of owned or rented hotels under management or franchise agreements, as well as vacation club operations. The Group’s activities also consist of 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 businesses, 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 any case, those activities, reserved under special laws for companies which fulfill certain requirements that are not met 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, Chile, China, Costa Rica, Croatia, Cuba, Egypt, Spain, the United States, France, the Netherlands, Indonesia, the Cayman Islands, Italy, Luxembourg, Malaysia, Mexico, Panama, Peru, Portugal, Puerto Rico, the United Kingdom, the Dominican Republic, Singapore, Switzerland, Tunisia, Uruguay, Venezuela and Vietnam.

4. Consolidation Scope

The companies which comprise the Group present individual financial statements in accordance with the regulations applicable in the country in which they operate.

The breakdown of the participated companies at December 31, 2007, is presented in Appendices 1 and 2, classified in the following categories:

- Subsidiaries: Those companies controlled, directly or indirectly, by the Parent Company, in such a way that the latter can direct financial and operating policies with an aim to obtain profit for the company.

- Joint ventures: Those companies which are jointly controlled through contractual agreements with a third party in order to share control over the company's activity. Financial and operating strategic decisions relating to the activity require the unanimous consent of all controlling parties.

- Associates: Those companies, excluded from the other two categories, in which the Group has a significant influence and maintains a lasting relationship which favours influence on their activity.

Meliá Brasil Administraçao, whose corporate purpose is that of hotel management, operates one hotel on a leasing basis and the rest on a management basis. Since the hotels under management are of joint ownership and are not legally authorised to carry out operating activities, in view of the local requirements, Meliá Brasil Administraçao has assumed 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.

The company, Tryp Mediterranee, of which Sol Meliá, S.A. owns 85.4%, is in dissolution and is excluded from the consolidation scope since, at present, the Group has no control or significant influence in the abovementioned company during said process.

The Group's participation in Comunidad de Propietarios Meliá Costa del Sol, through its subsidiary, Apartotel, S.A. is of 19.02%. As Apartotel, S.A. acts as Administrator and Secretary of the Owners' Association and as the participations are highly dispersed, the Group has a significant influence. For this reason, the company is included in the consolidation scope applying the participation method, despite the participation held being less than 20%.

The Group has a 49.84% holding in Casino Paradisus, S.A. corresponding to a 50% holding through the subsidiary Meliá Inversiones Americanas, N.V. Due to the Group holding the majority of the voting rights, said company is considered to be controlled.

4.1 Changes in the consolidation scope

ADDITIONS IN 2007	DISPOSALS IN 2007
Turismo de Invierno, S.A.	Meliá Mérida, S.A.
Prodigios Interactivos, S.A.	Hotel de Boulogne, SAS
Travel Dynamic Solutions, S.A.	Sol Meliá Benelux, S.A.
Apartamentos Madrid Norte, S.L.	
Sol Meliá Funding, S.A.	
Hotel Colbert SAS.	
Tryp François SAS	
Royal Alma Boutique SAS	
Tryp Blanche Fontaine SAS	
Hotel de Saxe SAS	
Innside Hotel Gmbh	

On June 25, 2007, the Parent Company has acquired participations in the company Turismo de Invierno, S.A., reaching a significant influence in said company, which, for this reason, has been integrated in the consolidation perimeter by the participation method. The company's activity consists of the operation of a hotel in Andalusia (Spain) and upon integration the carrying value of its fixed assets amounted to 4.5 million euros, although, according to an independent appraisal, the value of said assets was 30.8 million euros.

In May, the company Prodigios Interactivos, S.A. has been integrated into the consolidation scope. This company is devoted to developing activities and rendering services related to technology, telecommunications, information technologies, communications and reservations management. The cost of the investment has amounted to 6.9 million euros.

In June, the company Travel Dynamic Solutions, S.A. was constituted by means of a Group contribution of 2 million euros. This company is a joint venture between the Sol Meliá Group and Talonotel, whose main purpose is the commercialisation and sale to third parties of the services provided by the distribution platform, the use of which has been exclusively granted by the Sol Meliá Group. The main assets of this company relate to software for an amount of 7.2 million euros and financial non-bank liabilities for acquiring said assets.

In October the Group acquired the control of Apartamentos Madrid Norte, S.L., whose main corporate purpose is the operation of tourist apartments. At year-end closing, said company had not initiated its activity.

Sol Meliá Funding, S.A. is a company of a financial nature, formed in October with a Group contribution of 50,000 dollars. The company's corporate purpose is the intermediation in the credit management of the Vacation Club business.

In December, six companies have been constituted in France at their face value. The purpose of said companies is the future transfer of the Group's hotel activity in this country. The companies constituted with this purpose are Hotel Colbert SAS, Tryp François SAS, Royal Alma Boutique SAS, Tryp Blanche Fontaine SAS and Hotel de Saxe SAS.

In September, the Group has acquired 100% of Innside Hotels GMBH, for an amount of 16.7 million euros. At the date of incorporation into the Group, this company, which manages hotels, operates 11 hotels on a lease basis. The lease contracts have been valued as lease holds for an amount of 21.8 milion euros and have generated deferred taxes of 5.7 million euros.

The result recorded corresponding to the companies integrated into the consolidation perimeter by the full method during 2007 is of 14.1 million euros, with total revenues amounting to 39.4 million euros.

In December, the Group has sold all the participations held in Meliá Mérida, S.L., Sol Meliá Benelux, S.A. and Hotel de Boulogne, S.A.S. These sales have caused a fixed assets decrease for the Group of 26.1 million euros and accounting surpluses of 13.5 million euros.

During the year, the Group has also acquired participations for a value of 633,000 euros in the company Sierra Parima, thus reaching 51% in the share capital and the control in said company, which has been consolidated by the full method.

Moreover, the Group has sold 50% of its shareholding in Havana Sol Restauración XXI, S.A. For this reason, this company is currently consolidated by the participation method.

For comparison purposes, additions and disposals for the year 2006 are detailed below:

2006 ADDITIONS	**2006 DISPOSALS**
Colón Verona, S.A.	Desarrollos Turísticos del Caribe, S.A.
Dominios Compartidos, S.A.	Meliá Tour, S.L.
Guarajuba, S.A.	Mogan Promociones, S.A. de C.V.
Guarajuba Empreendimientos, S.A.	Operadora San Juan, S.E.
Havana Sol Restauración XXI, S.A.	Youth Journey, Ltd.
Hogares Batle, S.A.	
Inversiones Hoteleras La Jaquita, S.A.	
Sol Meliá Italia Srl.	

The company Colón Verona was formed on December 5, 2006 for undertaking the integral renovation and later operation of a hotel in Seville, for which the Group made a contribution of 30,000 euros.

In December 2006, the Group acquired 100% in the capital of Hogares Batle, S.A., for an amount of 2.4 million euros. Said company and its subsidiary Dominios Compartidos, S.A, are the owners of various assets which have been incorporated to the Group's activity. These assets are basically a building adjacent to the present corporate headquarters together with 122 parking places close to various hotels located in Palma de Mallorca and other minor assets, with a value of 5.9 million euros.

The company Guarajuba, S.A., acquired on December 29, 2006 for 6.1 million euros, and its subsidiary Guarajuba Empreendimientos, S.A. are the owners of 475 hectares of land in Salvador de Bahía, Brazil, valued at 6.1 million euros.

On October 19, 2006, the company Havana Sol Restauración XXI, S.A. was formed to operate a restaurant in Madrid, with a contribution of 61,000 euros made by the Group.

Inversiones Hoteleras La Jaquita, S.A., formed on February 28, 2006, with a 16.3 million euros contribution from the Group and in which it has a participation of 50%, is the owner of a future hotel complex located in the south of Tenerife. At 2006 year-end the value of the assets amounted to 50 million euros, with a debt of 18.6 million euros. These assets were acquired from other Group companies. This company is integrated by the equity method. Since the Group does not hold the majority of the voting rights in the governing bodies, said company is considered to be an associate.

On May 15, 2006, the company Sol Meliá Italia Srl. was constituted with a contribution of 20 million euros. This company links the three hotels operated by Sol Meliá in Italy.

On February 2, 2006, the Group formalised the acquisition of a participation of 70% corresponding to minority interest in Alcajan XXI, S.L., which is the owner of a hotel in the Dominican Republic, for an amount of 10.2 million euros. For this reason, the 2006 consolidation scope included 100% of the participation of this company. The Group exercised an effective control on this company since 2005.

On September 12, 2006, the Group's participation in the company Meliá Mérida, S.L. was increased from 41.76% to 82.52%. In the present consolidated financial statements this participation was changed from being integrated by the equity method as in previous years to being recorded by the full integration method. This integration, the cost of which amounted to 2 million euros, implied an increase in the Group's assets of 11.6 million euros and in the long-term debt of 6 million euros.

In addition, following the termination of the strategic alliance held with the Rank Group which was constituted for the joint development of the Hard Rock hotels, from August 1, 2006, the 100% participation held in Lifestar Hoteles España, S.L., the long-term debt of which was 13 million euros, was integrated by the full consolidation method.

In September 2006, the Group acquired a participation of 26.71%, for an amount of 0.8 million euros, from the minority interest of Convento de Extremadura, S.A. At 2006 year-end, the percentage of participation in said company was 77.63%.

In June 2006, the Group acquired a participation of 33.42%., for an amount of 3.2 million euros, from the minority interest of Hotel Bellver, S.A. At 2006 year-end, the percentage of participation held by the Group in said company was 100%.

Further to the 33% participation held by the Group in Promociones Playa Blanca, S.A. de C.V., which defines its influence on said company, in 2006 the Group acquired, for an amount of 4.9 million euros, 16.5% of the economic rights. For this reason, at 2006 year-end, a percentage of 49.5% of the economic rights of this company were integrated by the equity method into the consolidation perimeter.

On December 29, 2006 the Company sold its 50% participation held in the tour operator Melia Tour, S.L., for an amount of 1.7 million euros.

During November 2006, the participation of 33.33% held by the Group in the company Mogan Promociones, S.A. de C.V., owner of land plots in Mexico, was exchanged for other land plots valued at 2 million euros.

The disposals of the dormant companies Desarrollos Turísticos del Caribe, S.A., Operadora San Juan, S.E. and Youth Journey Ltd., were due to their dissolution in the months of October and February 2006.

5. Presentation Basis of the Consolidated Financial Statements

The Sol Meliá Group's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and its prevailing interpretations published by the International Accounting Standards Board (IASB) at December 31, 2007.

These consolidated financial statements have been formulated by the Board of Directors of the Parent Company and are pending approval at the Annual Shareholders' meeting. It is expected that they will be approved without changes.

The consolidated financial statements have been prepared on a historical cost basis, except for investment properties and derivative financial instruments, which have been measured at fair value.

In 2007, the Group has adopted the standards approved by the European Union, whose application was not compulsory during 2006. These standards have no effect on the Group's financial position and only the following standards imply additional disclosures:

IFRS 7 – Financial Instruments: Disclosures. Requires entities to provide disclosures that allow users to evaluate the importance of the Group's financial instruments and the nature and extent of risks arising from said instruments.

Modifications to IAS 1 – Presentation of Financial Statements, Requires new disclosures that enable users to evaluate the objectives, policies and procedures for capital management.

The accounting policies are consistent with those applied in the preceding year, considering the adoption of the standards and interpretations mentioned in the above paragraph, as they have no effect on the consolidated financial statements or the financial position.

The standards issued prior to the formulation date of the present financial statements and which will become effective in later dates are the following:

IFRS 8 – Operating segments: Requires entities to provide disclosures on their operating segments and on their products and services.

Modifications to IFRS 3 – Business Combination: Highlights the significance of the comparability and reliability of the information detailed in the financial statements regarding the business combinations made.

Modifications to IFRS 27 – Consolidated financial statements: Highlights the significance of the comparability and reliability of the information detailed in the financial statements regarding the consolidated financial statements and the subsidiaries, the integration methods and the minority interest.

These standards will have no effect on the Group's financial position.

5.1 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 and duly adjusted according to the accounting principles established in IFRS. 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.

5.2 Comparison of information

The 2007 balance sheet, income statement, cash flow, changes in equity statements and Notes, follow the same presentation basis used for the 2006 accounts and are therefore comparable between years.

In relation to the consolidation scope, the main changes in 2006 and 2007 with respect to the previous year are commented upon in Note 4.1.

5.3 Consolidation methodology

Consolidation methodology is described in the following sections:

Consolidation methods

The methods applied to obtain the consolidated financial statements have been, in general, as follows:

- The full integration method for subsidiaries.
- The equity method for joint ventures.
- The equity method for associates.

Regarding the participations in joint ventures, all of which are in jointly controlled companies, the Group has opted for the alternative method recognised in IAS 31, “Interests in Joint Ventures”, as the management considers said method to be the most suitable for the Group’s business situation and risk and investment structure. The Group’s objective is to avoid combining controlled and jointly controlled operations, a situation which would serve to hinder comprehension of the Group’s financial statements.

Calendar and valuation uniformity

All the companies included in the consolidation perimeter close their financial year as of December 31, having used the respective 2006 and 2007 financial statements for consolidation purposes, once the valuation uniformity adjustments for the corresponding IFRS have been made.

Business combinations

The Group has not retroactively applied IFRS 3 to business combinations which occurred before the transition date, taking advantage of the exemption included in IFRS 1 “First-time adoption of International Financial Reporting Standards”. Consequently, the goodwill existing under Spanish accounting policies as of December 31, 2003, net of accumulated amortisation, was presented as “Goodwill”, under the “Intangible assets” heading.

In the business combinations subsequent to the transition date, the surplus between the cost of the business combination and the participation of the acquirer in the net fair value of the identifiable assets, liabilities and contingent liabilities is presented under the “Intangible Assets” caption as “Goodwill”.

Any surplus between the acquirer’s participation, after reconsidering the identification and valuation of the identifiable assets, liabilities and contingent liabilities, and the cost of the business combination, is recognised in the results for the year. Irrespective of the above, this circumstance has not occurred in any of the business combinations made since the transition date.

Purchase of minority interest

The difference between the acquisition cost and the value of minority interest at said date has been recorded as changes in equity.

Elimination of intercompany operations

The intercompany balances for intercompany transactions relating to loans, leasing, dividends, financial assets and liabilities, sale and purchase of inventories and assets and rendering of services, have been eliminated. In relation to the sale and purchase operations, the unrealised profit margin with regards to third parties has been reversed in order to present the corresponding assets at their cost price, suitably adjusting the depreciation charged.

For transactions between controlled companies and associated companies or joint ventures, only the proportional part of the result relating to external participation is recognised. The remainder is deferred until the complete disposal of the asset in question.

5.4 Minority interests and result attributed to minority interests

Minority interests

The proportional part of the equity relating to third parties unrelated to the Group, calculated according to IFRS 3, is recorded under this caption of the balance sheet.

Results attributed to minority interests

Results attributed to minority interests correspond to their participation in the consolidated profit or loss for the year.

5.5 Conversion of foreign companies' financial statements

All the assets, rights and obligations of foreign companies included in the consolidation scope are converted to euros using the end of period exchange rate.

The income statement items have been converted at the exchange rates prevailing on the dates on which the corresponding operations occurred.

The difference between the amount of the foreign companies' equity, including the income statement balance calculated as explained in the section above and converted at the historical exchange rate, and the equity situation arising from the conversion of the assets, rights and obligations as described in the first paragraph, is recorded with a positive or negative sign, as applicable, in the consolidated balance sheet equity under the heading "Exchange differences", deducting the part of said difference relating to minority interests and recorded under the caption "Minority Interests" on the liabilities side of the balance sheet.

6. Accounting Policies

6.1 Intangible Assets

Goodwill

Goodwill generated on consolidation represents the difference between the acquisition price of the subsidiaries consolidated by the full integration method and the participation of the Group in the market value of items of identifiable assets and liabilities relating to the subsidiaries.

The goodwill generated in acquisitions prior to the transition date to IFRS are recorded in the balance-sheet at the net value recorded at December 31, 2003.

Rather than being amortised, goodwill is subject to annual reviews through studies to verify that the carrying amount has not been impaired. Impairment losses are recognised if the recoverable value determined using the present value of the future cash flows expected for the cash-generating units related all goodwill and discounted at a rate which takes into account the specific risks of each asset, is less than the initial carrying amount.

The discount rates used by the Group for these purposes range between 9% and 12% depending on the various risks related to each asset.

Other intangible assets

Other intangible assets relate to various software applications, leaseholds and industrial property.

The software applications are valued at their acquisition cost and are amortised on a straight-line basis throughout their useful life which is estimated to be between 5 and 10 years. Licenses for indefinite use and non-exclusive relating to various software applications are also included.

Investments made in trademarks are not amortised as their useful life is considered to be indefinite. Such intangible assets are subject to impairment testing. The remaining elements included in industrial property are amortised on a straight-line basis over a five-year period, while leaseholds are amortised according to the length of the contracts.

Amortisation of intangible assets is included under the “Amortisation” caption of the income statement

6.2 Property, plant and equipment

Property, plant and equipment is stated at cost, plus the financial expenses directly attributable to the acquisition, construction and renovations incurred until the asset is in conditions to be put into use, decreased by accumulated depreciation and any impairment losses.

In 1996 tangible fixed assets were revalued in accordance with Royal Decree Law 7/1996 of June 7, (see Notes 8 and 13.2 to the accounts). The amount of the fixed assets revaluation was established by applying certain coefficients, depending on 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 the regulation. Such values are considered to be equivalent to the assets' acquisition cost, as permitted in IFRS 1 "First-time adoption of International Financial Reporting Standards".

Repairs which do not represent an extension of the useful life, and maintenance expenses, are directly charged to the profit and loss account. Costs which prolong or improve useful life of the asset or can only be used with a specific element 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 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 assets	4-8 years

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

6.3 Impairment of tangible and intangible assets

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher the fair value less the asset or cash-generating unit's sale costs and its value in use. It is determined for each individual asset, unless the asset does not generate cash inflows that are independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. On assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For this purpose, the following discount rates and yields according to market are used, applying different pondered values depending on the geographical area in which the properties are located.

	DISCOUNT RATES	EXIT YIELDS
Spain	8.8% - 9.4%	6.1% - 7.0%
Europe	8.6% - 9.2%	6.3% - 7.0%
Latin America	11.0% - 15.0%	9.0% - 13.0%

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. This reversal is recognised in the period's profit and loss account. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

6.4 Investment properties

Those investments made by the Group in order to obtain rental income or net gain and which generate cash flows which are independent from those deriving from the remainder of the Group's assets, are recorded under this caption.

Following the initial recognition made for the total amount of the costs related to the asset acquisition transaction, the Group has chosen the application of the fair value model. For this reason all investment properties are recognised at fair value and any variation in value which arises is included in the income statement. In 2007, all the values have been supported by renowned independent experts' appraisals who have experience in valuing various types of properties, and updated based on the Group's estimations. The variables used for determining these estimations are indicated in Note 6.3.

6.5 Financial instruments

There is no difference between the reasonable values estimated for the investments and other financial assets recorded in the consolidated accounts of the Group and their corresponding accounting value, as explained in the following paragraphs.

Financial assets

Financial assets in the scope of IAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. In both cases, the financial assets are initially recognised at fair value, whenever an active market exists, adding the transaction costs which are directly chargeable. The Group has neither financial assets at fair value through profit and loss, nor held-to-maturity investments.

Loans and receivables

This classification includes the amounts recorded under the captions "Credits to associated entities", "Other non-current financial assets", "Clients and accounts receivable", "Accounts receivable from associated entities" and all the collection rights included in the "Other current financial assets" caption.

Such assets are carried at amortised cost using the effective interest rate. Gains and losses are recognised in income when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Except for the above, assets maturing in the short-term which do not have a contractual interest rate are valued at their face value, as long as the effects of not updating the cash flows are not relevant.

Financial assets transfer operations

The Group derecognises a transferred financial asset when it transfers all the contractual rights to receive from the cash flows generated, or still retaining said rights, it assumes a contractual obligation to pay them to the assignees and the risks and rewards related to the ownership of the asset are substantially transferred.

Where the Group has transferred assets in which the risks and rewards related to the ownership of the asset are substantially retained, the transferred financial asset is not derecognised in the balance sheet and is recognised as a related financial liability for an amount equal to the reward received, which is subsequently valued for its amortised cost. The financial asset continues to be valued with the same criteria used before the transfer. Both income from the transferred asset and expenses of the financial liability are recognised in the income statement.

Guarantee deposits

Non-current guarantee deposits are carried at amortised cost using the effective interest rate.

Current guarantee deposits are not discounted.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified under the other financial assets captions. It relates to invesments in the equity of companies in which the Group does not have relevant control.

Since available-for-sale investments do not have a market price of reference in an active market and no other alternative methods exist in order to fairly determine this value, said investments will be valued at cost less the corresponding impairment loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at banks as well as short-term deposits in banks and other financial institutions with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts, if applicable.

Impairment of financial assets

When the decrease in fair value of an available-for-sale financial asset has been directly recognised as equity and there is objective evidence that said asset is impaired, the accumulated losses that have been recognised in equity are transferred to the income statement. The amount of accumulated losses that has been recognised in profit or loss is the difference between its acquisition cost and its current fair value.

The recoverable amount of the receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term investments are not recognised at their discounted value.

The amounts recorded under “Available-for-sale investments” are valued at cost, since they do not quote in an active market and their reasonable value can not be reliably determined. The valuation of the impairment of said assets considers the net equity of the investee company adjusted by the tacit capital gains existing at the valuation date, when no other evidence of the recoverable amount of the investment exists.

The Group’s accounting policy is to provide for 100% of receivables relating to the hotel business which have been pending for over one year, as well as for any balance pending for less than a year which is considered unrecoverable.

Financial Liabilities

Financial liabilities in the scope of IAS 39 are classified as financial liabilities valued at the amortised cost or financial liabilities at the fair value with changes in the profit and loss account, as appropriate. In both cases, the financial liabilities are initially recognised at fair value, less directly attributable transaction costs, in the case of financial liabilities valued at amortised cost. All the Group liabilities are included within the classification of financial liabilities valued at the amortised cost, except for two derivatives which do not meet the conditions to be considered hedging investments.

Convertible debentures

The Group assessed the conditions of the convertible bonds issue on said date, determining that said financial instrument should be completely classified as a liability.

Convertible debentures are valued at year-end closing, at their amortised cost, using the effective interest method and taking into account any issuance costs.

Preference shares

Due to the character of the issuance of these preference shares detailed in Note 15.2, said issuance is considered as a financial liability and not equity and is valued at year-end closing at the amortised cost using the effective interest method and considering any issuance costs.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, which is the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method, and taking into account any transaction costs, discounts or premiums.

Debts for financial leases

This heading includes debts arising from the acquisition of assets financed through leasing contracts and those debts arising from rental contracts in which all the risks and benefits inherent to the ownership of the leased asset are substantially transferred. In the second case, the debt recorded relates to the lower of the fair value of the leased item and the present value of the lessee's minimum payments.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group has two derivatives (SWAP) which do not meet the requirements to be considered as hedging instruments. For this reason, they are assessed at fair value at closing and any changes in fair value are taken to the profit and loss accounts as financial revenue or expense, as appropriate.

Any gains or losses arising from the changes in fair value of derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of interest rate swap contracts is determined by valuation techniques such as the discount of cash flows using market interest rates.

The fair value of the Equity Swap contract on Sol Meliá's shares is determined by binomial valuation techniques.

Loans and credits with credit entities

Loans are initially recorded at the amount paid, net of transaction costs. After initial measurement, they are carried at amortised cost using the effective interest method.

Trade and other accounts payable

Trade payables are recorded at fair value and are subsequently valued at amortised cost using the effective interest method.

Other financial liabilities at amortised cost

The remaining financial liabilities relate to payment obligations detailed in Notes 15.7, 15.9 and 15.10. They are valued using the same criterion as that applied to the amortised cost through the effective interest method. Nevertheless, those maturing in the short-term which do not bear a contractual interest rate are valued at their par value whenever the effect of not updating the cash flows is not material.

6.6 Non-current assets held for sale

Non-current assets held for sale includes those assets whose carrying amount is expected to be recovered through sale rather than through continued use.

They are recorded at the lower of carrying amount and fair value less costs to sell. Losses for impairment of the asset, or gains arising from subsequent revaluations up to the limit of the previously recognised impairment losses are recognised in profit and loss.

Assets classified as held for sale are not depreciated/amortised.

Non-current assets held for sale but which are still operated by the Group until disposal are not reclassified to this caption and are maintained in the balance sheet according to their nature.

6.7 Inventory (merchandise, raw materials and other supplies)

Raw and ancillary materials are valued at their average acquisition cost which is generally lower than the realisable value. In the case that their value is less than cost, the necessary adjustments are made 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.

6.8 Treasury shares

Own shares are presented under "Treasury shares", decreasing the Group's equity. They are valued at cost without performing any adjustments.

Profits and losses obtained by the companies through the disposal of these shares are recorded under the "Reserves from the Parent Company" caption of the Net Consolidated Equity.

6.9 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all stated conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred income account and is carried to results over the expected useful life of the relevant asset.

6.10 Provisions

Provisions are recognised when the Group:

- has a present obligation (legal or constructive) as a result of a past event.
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- a reliable estimate can be made of the amount of the obligation.

In those cases where the time value of money is significant, the amount of the provision is determined as the present value of the expected future cash flows needed to settle the obligation.

A provision is made to cover the estimated future losses arising from onerous contracts, depending on the expected cash flows of the related cash-generating units, applying an appropriate discount rate. Onerous contracts are considered those contracts in which the unavoidable costs for fulfilling the obligations established exceed the economic profits expected.

Certain Collective Wage Agreements prevailing and applicable to several Group companies 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 2007, an evaluation of these commitments was performed in accordance with the actuarial assumptions contained in Sol Meliá's own rotation model, by applying the calculation method known as the "projected unit credit" and the population assumptions corresponding to the ERM/F200p tables. In addition, the payment of said commitments have been externalised according to the particular technical conditions established in the Ministerial Order dated November 2, 2006. These payment schedules relate to Defined Benefit Plans.

The provision for contingencies and expenses and the capitalisation of payments for future services cover these acquired commitments.

The accounting policy applied by the Company for the recognition of actuarial gains and losses consists is their systematic incorporation to results for the year, upon accrual. The Group applies the same policies for both gains and losses, and the valuation standards are applied on a consistent basis every year.

With regard to commitments related to pensions and obligations established in collective wage agreements, the companies concerned have performed the corresponding externalisation and the commitments with six management members, of which five are non-active.

6.11 Recognition of revenue and expenses

Revenue is recognised as soon as it is probable that the economic benefits corresponding to the transaction will flow to the Group and the revenue can be reliably measured.

Revenue from the Vacation Club is recognised when the significant risks and rewards corresponding to ownership have passed to the buyer and the amount of revenue can be reliably measured. This situation generally occurs on the effective delivery of the rights.

All net sales surpluses arising from turnover of assets are recognised as income, once the carrying amounts of the related assets have been discounted from the sale price.

6.12 Leases

Leases, which substantially transfer to the Group all the risks and benefits incidental to ownership of the leased item, are classified as financial leases and are recognised in the consolidated balance sheet by the leaseholder at the inception of the lease, recording an asset and a liability for the same amount, equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are charged directly against income.

Capitalised lease assets are depreciated over their useful life.

Leases where the lessor substantially retains all the risks and benefits of ownership of the asset are classified as operating leases. Rental payments under an operating lease are recognised as income over the lease term.

6.13 Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered or paid. The tax rates applied are those prevailing at the balance sheet date.

Deferred income tax assets and liabilities are recorded according to the balance sheet method, for all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred taxes are recognised for all taxable temporary differences, except those arising from goodwill whose amortisation is not deductible or taxable temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting result nor the taxable profit or loss.

Deferred tax is also recognised for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except to the extent that both the following conditions are satisfied: the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the carry-forward of unused tax credits and unused tax losses can be utilised, except in the case of deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, are only recognised when both the following conditions are satisfied: the temporary differences will reverse in the foreseeable future and taxable profit will be available against which said differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and adjusted to the extent that it is expected that sufficient taxable profit will be available, calculated according to prudence criteria and excluding the potential profits deriving from the disposal of properties, due to the uncertainty in respect of their realisation, which depends on the market conditions and the eventual tax consequences depending on the nature of the transactions made.

Deferred income tax assets and liabilities are measured based on their expected materialisation and on the tax legislation and tax rates approved, or on the point of being approved, at the balance sheet date.

6.14 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. Exchange differences are recorded as income or expenses when they occur.

6.15 Functional currency and hyperinflationary economies

The functional currency of each of the Group companies is the currency which corresponds to the economy of the country in which each company is based. None of the companies included in the consolidation perimeter are considered to be in hyperinflationary economies at 2006 and 2007 closing.

6.16 Accounting estimations

The preparation of the present Consolidated Financial Statements have required Sol Meliá to make estimations based on assumptions. The estimations made are detailed in the explanatory notes of the balance-sheet captions.

7. Intangible Assets

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

(in thousands of euros)

	BALANCE 31/12/2006	2007 AMORTISATION	ADDITIONS	DISPOSALS	PERIMETER CHANGES	CONVERSION DIFFERENCES	BALANCE 31/12/2007
GROSS VALUE							
Goodwill	19,675					(194)	19,481
Leaseholds	74,639				21,750	(6,889)	89,500
Industrial property (I+D+I)	6,950				22	(10)	6,962
Software	113,016		2,001	(56,643)	438	(72)	58,740
TOTAL VALUE	*214,280*		*2,001*	*(56,643)*	*22,210*	*(7,165)*	*174,683*
ACCUMULATED AMORTISATION							
Leaseholds	(17,251)	(2,644)				1,775	(18,120)
Industrial Property (I+D+I)	(4,010)	(262)				10	(4,262)
Software	(84,545)	(11,879)	(341)	52,177	(424)	(711)	(45,723)
TOTAL ACCUMULATED AMORT,	*(105,806)*	*(14,786)*	*(341)*	*52,177*	*(424)*	*1,075*	*(68,105)*
CARRYING VALUE	***108,474***	***(14,786)***	***1,660***	***(4,466)***	***21,786***	***(6,090)***	***106,578***

The additions for the year relate 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.

The disposals recorded in the year relate to the contract for transfer of use rights, which is considered a financial lease for accounting purposes, of software applications to Travel Dymamic Solutions, S.A. for a net accounting value of 4.5 million euros.

The "Software" caption also includes the gross value disposals and accumulated amortisation corresponding to assets which are fully amortised at year-end, the balances of which, amounting to 14.1 million euros have been eliminated from the balance-sheet.

Movements due to changes in the consolidation perimeter relate mainly to the incorporation of the company Innside Hotels GmbH. The rental contracts of hotels in Germany contributed by this company have been integrated into the Group in this business combination. Said contracts have been valued upon incorporation as lease holds for 21.8 million euros. The estimation of this value has been made by means of the updating of the expected cash flows of the rented hotels using a discount rate of 8.6%, which is the same rate used by independent experts to estimate the reasonable market value of the rental contracts that the Group holds in Germany.

The balance of the lease holds at year-end mainly relates to the valuation of the rental contracts mentioned in the above paragraph for an amount of 21.4 million euros and the amount paid for acquiring the operating rights of a hotel held on a rental basis in the United Kingdom, whose net accounting value at December 31 is of 48.3 million euros.

For purposes of comparison, the breakdown of these movements in 2006 was the following:

(in thousands of euros)

	BALANCE 31/12/2005	2006 AMORTISATION	ADDITIONS	DISPOSALS	PERIMETER CHANGES	CONVERSION DIFFERENCES	BALANCE 31/12/2006
GROSS VALUE							
Goodwill	20,150			(527)		52	19,675
Leaseholds	73,191					1,448	74,639
Industrial Property (I+D+I)	6,964					(14)	6,950
Software	108,440		4,869	(261)	30	(62)	113,016
TOTAL VALUE	*208,745*		*4,869*	*(788)*	*30*	*1,424*	*214,280*
ACCUMULATED AMORTISATION							
Leaseholds	(14,620)	(2,104)	(290)			(237)	(17,251)
Industrial Property (I+D+I)	(3,693)	(331)				14	(4,010)
Software	(65,900)	(18,873)		215	(12)	25	(84,545)
TOTAL ACCUMULATED AMORT,	*(84,213)*	*(21,308)*	*(290)*	*215*	*(12)*	*(198)*	*(105,806)*
CARRYING VALUE	***124,532***	***(21,308)***	***4,579***	***(573)***	***18***	***1,226***	***108,474***

The main additions recorded in 2006 related to the incorporation of software applications for several areas of the Company to permit the integration of the Group's management and facilitate growth and globalisation processes within the Group. Among these were the hotel applications Front Office, point-of-sale, SAP, reservations systems and Internet applications.

Differences in value arising from business combinations are recognised in the goodwill caption. The breakdown of the amount by company is as follows:

(in thousands of euros)

	31/12/2007	31/12/2006
Apartotel, S.A.	504	504
Cadlo France	1,181	1,181
Cadstar France	1,138	1,138
Ihla Bela de Gestao e Turismo	927	927
Lomondo Ltd.	5,563	5,758
Hotel Alexander, S.A.	8,498	8,499
Operadora Mesol, S.A. De C.V.	465	465
Tenerife Sol, S.A.	318	318
Sol Meliá Croacia	886	886
TOTAL	***19,481***	***19,675***

The sole changes recorded in the year were basically due to the exchange differences at the closing date of both years.

Goodwill recorded at year-end has been subject to impairment testing based on the estimated future cash flows expected for the cash-generating units operated by each of the related companies. Impairment testing is calculated using a discount rate based on the EBITDA of each of the cash-generating units and by applying a discount rate which ranges between 9% and 12% and a yield exit rate between 6% and 10%, depending on the various risks associated to each asset. The cash-generating units used for the calculation relate to operated or managed hotels. The budget and the strategic plan approved by the Group management are used for determining the expected cash-flows. Moreover, the company Hotel Alexander, S.A. is the owner of a hotel in Paris, the market value of which, according to appraisals performed by independent experts, is higher than the carrying value of the assets.

8. Property, Plant and Equipment

Movement in the different property, plant and equipment headings and the related accumulated depreciation during 2007 is as follows:

(in thousands of euros)

	BALANCE 31/12/2006	2007 AMORTISATION	ADDITIONS	DISPOSALS	PERIMETER CHANGES	CONVERSION DIFFERENCES	BALANCE 31/12/2007
GROSS VALUE							
Land	**419,750**		**28,737**	**(3,634)**	**(829)**	**(11,630)**	**432,394**
Constructions	**1,451,324**		**102,553**	**(27,713)**	**(24,419)**	**(47,447)**	**1,454,298**
Technical Plant	337,520		34,450	(12,959)	(885)	(4,335)	353,791
Machinery	64,549		5,143	(3,319)	33	(1,345)	65,061
Subtotal	**402,069**		**39,593**	**(16,278)**	**(852)**	**(5,680)**	**418,852**
Furniture	291,074		31,387	(8,693)	(2,400)	(9,112)	302,256
Tools	3,760		218	(145)	(6)	(17)	3,810
Vehicles	16,169		115	(12,670)	593	(224)	3,983
Computer equipment	39,930		4,656	(3,231)	337	(717)	40,975
Other assets	32,406		10,973	(5,250)		(900)	37,229
Subtotal	**383,339**		**47,349**	**(29,989)**	**(1,476)**	**(10,970)**	**388,253**
Works in progress	**65,321**		**77,101**	**(84,395)**	**13**	**(4,547)**	**53,493**
TOTAL GROSS VALUE	*2,721,803*		*295,333*	*(162,009)*	*(27,563)*	*(80,274)*	*2,747,290*
ACCUMULATED DEPRECIATION							
Constructions	**(354,669)**	**(38,182)**	**(155)**	**17,213**	**4,983**	**12,360**	**(358,450)**
Technical Plant	(149,693)	(19,857)	(3)	12,066	294	1,516	(155,677)
Machinery	(31,107)	(3,185)	(8)	3,164	64	340	(30,732)
Subtotal	**(180,800)**	**(23,042)**	**(11)**	**15,230**	**358**	**1,856**	**(186,409)**
Furniture	(160,634)	(19,395)	(175)	7,550	1,419	5,265	(165,970)
Tools	(2,820)	(251)		165	5	30	(2,871)
Vehicles	(11,733)	(2,109)	(4)	10,733		492	(2,621)
Computer equipment	(33,996)	(2,823)	(779)	2,868	(436)	659	(34,507)
Other assets	(8,244)	(8,493)	(51)	6,990	81	39	(9,678)
Subtotal	**(217,427)**	**(33,072)**	**(1,009)**	**28,306**	**1,069**	**6,486**	**(215,647)**
TOTAL ACCUM. DEPRECIATION	*(752,896)*	*(94,296)*	*(1,175)*	*60,749*	*6,410*	*20,702*	*(760,506)*
CARRYING VALUE	***1,968,907***	***(94,296)***	***294,158***	***(101,260)***	***(21,153)***	***(59,578)***	***1,986,784***

The most relevant movements occurred in the column of changes in the perimeter are the following:

Additions of 3.7 million euros, resulting from changing the consolidation method of Sierra Parima, S.A, corresponding to the value of the plots of land of said company.

Disposals of 26.1 million euros corresponding to the sale of the companies Sol Meliá Benelux, S.A, Hotel de Boulogne, S.A.S and Meliá Mérida, S.L.

Among the additions recorded in 2007, it is worth highlighting the purchase of certain plots of land in Salvador de Bahía (Brazil) for 26.5 million euros, of which 14 million euros were recorded in 2006 as prepayments to suppliers for works in-progress.

Furthermore, refurbishment works have been undertaken in various Group hotels located in Europe, for a total amount of 101.6 million euros.

The Group has also recorded additions for 8.3 million euros corresponding to 84 apartments in Puerto Rico, which were to be sold to property investors on a condo-hotel basis and which will finally be operated as a hotel, as detailed in Note 11.

In Mexico and the Dominican Republic, the Group has undertaken hotel refurbishment works amounting to 35.9 million euros and 74.2 million euros, respectively. Of said amounts, 60.6 million euros relate to prepayments made in prior years at the beginning of the refurbishment works and which were recorded as works in-progress.

Within the disposals for the year, it is worth mentioning the transfer to inventories of units, the value of which is 15.3 million euros, due to the transfer to the Vacation Club business.

In addition, sales of assets have been carried out. The most relevant are the sale of a hotel located in Spain, the carrying value of which is 4.5 million euros and a residential plot in the Dominican Republic valued at 2 million euros.

The carrying value of the assets of the Group which are financed through bank leasing contracts amounts, at year end, to 148.7 million euros. Said leases mainly relate to constructions and furniture.

Moreover, the consideration of a rental contract for 17 hotels signed in 1999 and with a duration of 75 years as a financial lease has resulted in an amount of 149 million euros being recorded under this caption. At the transition date, the value corresponding to the rented buildings was recognised in the Group's assets. This value corresponds to the present value of the minimum payments discounted applying a rate of 6.50% (See Note 15.5), mantaining as an operating lease the portion corresponding to the plots of land where said hotels are located, as detailed in Note 1.3.

At year-end, there are 22 owned properties which are mortgaged in guarantee of various loans. The carrying value of said properties amounts to 472 million euros.

During the current year, the Group has recorded a total of 4.3 million euros under "Operating Income" for compensation received from the insurance companies, for the damages suffered in two hotels located in Mexico due to the passage of Hurricanes Wilma and Dean, and the deterioration of a hotel located in Spain due to a fire.

The directors consider that the insurance coverage of the property, plant and equipment is sufficient at December 31, 2007.

The Company maintains a commitment with a bank entity, for an amount of 7 million dollars and a five-year period related to the purchase option of an aircraft in favor of said bank entity. This option can only be exercised in the case that the aircraft is not sold during the mentioned period.

There is a very significant difference between the carrying value of the Group's property, plant and equipment and its fair value, due to the tacit surpluses of the majority of its properties and supported by an independent expert's appraisals dated June 30, 2007. On July 18, 2007, the Group provided information on the aforementioned external valuations to the Securities and Investments Board (Comisión Nacional del Mercado de Valores - Communication number 82285).

Costs for interest capitalised by the Group during 2007 have amounted to 1.2 million euros, basically corresponding to the complete renovation of the Hotel Colon.

At the closing date of the financial statements, the Group has an agreement formalised for the sale of the Hotel Meliá Trujillo Boutique.

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:

(in thousands of euros)

	31/12/2007
1979 Budget updating	24.848
1980 Budget updating	28.852
1981 Budget updating	1.197
1982 Budget updating	26.480
Voluntary updating prior to 1990	3.146
Update of Royal Decree 7/96	53.213
TOTAL REVALUATION RESERVES	***137.736***

For comparison purposes, movements in 2006 were as follows:

(in thousands of euros)

	BALANCE 31/12/2005	2006 AMORTISATION	ADDITIONS	DISPOSALS	PERIMETER CHANGES	CONVERSION DIFFERENCES	BALANCE 31/12/2006
GROSS VALUE							
Land	**450,187**		**11,704**	**(37,369)**	**7,775**	**(12,547)**	**419,750**
Constructions	**1,460,275**		**39,288**	**(14,672)**	**14,666**	**(48,233)**	**1,451,324**
Technical Plant	320,015		29,384	(9,691)	386	(2,574)	337,520
Machinery	61,569		4,933	(901)	60	(1,112)	64,549
Subtotal	**381,584**		**34,317**	**(10,592)**	**446**	**(3,686)**	**402,069**
Furniture	268,666		36,454	(5,908)	1,373	(9,511)	291,074
Tools	3,463		408	(107)	3	(7)	3,760
Vehicles	16,063		1,326	(464)		(756)	16,169
Computer equipment	38,093		4,040	(769)	58	(1,492)	39,930
Other assets	28,669		10,188	(5,537)	166	(1,080)	32,406
Subtotal	**354,954**		**52,416**	**(12,785)**	**1,600**	**(12,846)**	**383,339**
Works in progress	**19,764**		**106,713**	**(58,130)**		**(3,026)**	**65,321**
TOTAL GROSS VALUE	*2,666,765*		*244,438*	*(133,548)*	*24,487*	*(80,339)*	*2,721,803*
ACCUMULATED DEPRECIATION							
Constructions	**(331,854)**	**(38,607)**	**(1,729)**	**6,996**	**(539)**	**11,064**	**(354,669)**
Technical Plant	(138,119)	(19,364)	(173)	7,761	(59)	261	(149,693)
Machinery	(28,655)	(2,882)	(208)	476	(10)	172	(31,107)
Subtotal	**(166,774)**	**(22,246)**	**(381)**	**8,237**	**(69)**	**433**	**(180,800)**
Furniture	(151,128)	(17,737)	(129)	4,104	(253)	4,509	(160,634)
Tools	(2,550)	(292)	(6)	26	(1)	3	(2,820)
Vehicles	(10,252)	(2,146)	(8)	243		430	(11,733)
Computer equipment	(31,372)	(3,275)	(463)	660	(28)	482	(33,996)
Other assets	(4,896)	(6,107)	(86)	2,558	(7)	294	(8,244)
Subtotal	**(200,198)**	**(29,557)**	**(692)**	**7,591**	**(289)**	**5,718**	**(217,427)**
TOTAL ACCUM. DEPRECIATION	*(698,826)*	*(90,410)*	*(2,802)*	*22,824*	*(897)*	*17,215*	*(752,896)*
CARRYING VALUE	***1,967,945***	***(90,410)***	***241,636***	***(110,724)***	***23,590***	***(63,130)***	***1,968,907***

Subsequent to the acquisition of a participation of 70% corresponding to minority interests in Alcajan XXI, S.L., the refurbishment works undertaken in the hotel were finalised in 2006 and, in addition, the development of time-sharing units was initiated. Additions for this concept amounted to 20.1 million euros.

The integration of the company Meliá Mérida, S.L., has resulted in additions amounting to 12.6 million euros corresponding to the value of the hotel.

During 2006, the Group undertook refurbishment and improvement works in the hotels located in the Cancun area for an amount of 62.4 million euros for the purpose of reopening said hotels after Hurricane Wilma in 2005. In addition, Sol Meliá, S.A. undertook major renovations in the hotels operated in Spain.

The Group acquired plots of land in Salvador de Bahía (Brazil), for an amount of 19.8 million euros, of which 13.6 million euros were recorded as prepayment to suppliers pending formalisation.

During the year, the Group sold urban land plots and constructions in-progress located in Guía de Isora (South of Tenerife) to Inversiones Hoteleras La Jaquita, S.A., for an amount of 48.5 million euros. This company has been consolidated by the equity method.

Disposals recorded in the year mainly relate to the sale of two hotels in Spain, the carrying value of which amounts to 28.6 million euros. The remaining amounts mainly related to the write-downs of property, plant and equipment undertaken during the renovations of the hotels.

The carrying value of plant and equipment held under financial leases amounted, at year-end 2006, to 110 million euros.

9. Investment Properties

The balance of this caption includes the net fair value of investments made by the Group to obtain income or capital gains, such as participations in apartments in three apartment owners' associations in Spain, as well as commercial premises in America and properties in Spain. All the valuations have been undertaken as explained in Note 6.4.

(in thousands of euros)

	31/12/2006	ADDITIONS	CONVERSION DIFFERENCE	31/12/2007
Apartments in Spain	73,028	6,663		79,691
Premises in America	19,927	9,885	(1,709)	28,103
Other properties Spain	4,400	6,528		10,928
TOTAL	***97,355***	***23,075***	***(1,709)***	***118,722***

Additions for the year include 14.7 million euros corresponding to the transfer of two assets to the "Investment Properties" caption: recently inaugurated commercial premises in the Dominican Republic and a property in Spain. Said assets have been revalued at their fair value and the difference has been charged directly to net equity.

This caption also includes additions arising from the adjustments of the fair value of the investment properties released to the profit and loss account and which amount to a total of 8.4 million euros.

The breakdown of the results generated by the investment properties in the Group's profit and loss account is shown in the following table:

(in thousands of euros)

	APARTMENTS SPAIN	COMMERCIAL PREMISES AMERICA	OTHER PROPERTIES SPAIN	TOTAL
Operating revenues		3,271	350	3,620
Operating expenses		(1,880)		(1,880)
EBITDA	**0**	**1,391**	**350**	**1,740**
Financial results	48	(261)		(213)
Results Associates	2,178			2,178
Taxes		(587)		(587)
Net Result	**2,226**	**543**	**350**	**3,118**
Minority Interest		(429)		(429)
CONTRIBUTION GROUP RESULT	***2,226***	***114***	***350***	***2,689***

The contribution of the apartments in Spain corresponds to dividends collected from companies in which the Group does not have a relevant influence and the proportion of results for the year of the companies which are integrated by the equity method.

The contribution of commercial premises in America relate to the proportion in the profit and loss accounts of the operating companies corresponding to said investment properties.

The contribution of other properties in Spain relates to the rental of said investment properties during the year.

For comparative reasons, the breakdown of the movements in 2006 is shown below:

(in thousands of euros)

	31/12/2005	ADDITIONS	CONVERSION DIFFERENCE	31/12/2006
Apartments in Spain	73,028			73,028
Premises in America	22,204		(2,277)	19,927
Other properties Spain		4,400		4,400
TOTAL	***95,232***	***4,400***	***(2,277)***	***97,355***

For comparative reasons, the contribution to results of the investment properties in 2006 is shown in the following table:

(in thousands of euros)

	APARTMENTS SPAIN	COMMERCIAL PREMISES AMERICA	OTHER PROPERTIES SPAIN	TOTAL
Operating revenues		969	138	1,107
Operating expenses		(507)		(507)
EBITDA	**0**	**462**	**138**	**600**
Financial results	48	(114)		(66)
Results Associates	1,387			1,387
Taxes		(136)		(136)
Net Result	**1,435**	**212**	**138**	**1,786**
Minority Interests		(60)		
CONTRIBUTION GROUP RESULT	***1,435***	***153***	***138***	***1,786***

The 2006 profit and loss account includes proceeds from operating leases of premises and offices for a total amount of 1.1 million euros.

There has been no material effect on income during the year due to changes in the fair value of the investment properties.

10. Other Non-current Assets

10.1 Available-for-sale investments

The Group's share portfolio is listed below, in thousands of euros:

(in thousands of euros)

	%	BALANCE 31/12/2006	ADDITIONS	DISPOSALS	CONVERSION DIFFERENCES	BALANCE 31/12/2007
D.H. Guanacaste		16,576		(16,576)		
D.I.Guanacaste		793		(793)		
Fundación Empresa y Crecimiento	4.2%	233	56			288
Horotel S.A.	12.4%	301				301
Hotelera Sancti Petri	19.5%	2,634				2,634
I.H. Los Cabos	15.0%		3,306			3,306
I.H. Playa del Duque	5.0%	2,682				2,682
Inmobiliaria Conchal Pacífico		276		(276)		
Inversiones Turísticas Casas Bellas	13.7%	6,519	1			6,520
Lanzarote 6 S.A.	5.4%	1,928	54			1,982
P.T. Surylaya Internacional	16.5%	9,015				9,015
Port Cambrils Inv.	10.0%	934	46			980
Turismo de Invierno S.A.	20.2%	1,079	45	(1,124)		
Valle Yamury, S.A.	15.0%	346				346
Plaza Puerta del Mar S.A.	7.5%	675				675
Others		47	2		(4)	45
TOTAL INVESTMENT		***44,038***	***3,509***	***(18,770)***	***(4)***	***28,774***
IMPAIRMENT LOSSES		*(6,867)*		*3,200*		*(3,667)*
TOTAL CARRYING VALUE		***37,171***	***3,509***	***(15,570)***	***(4)***	***25,107***

Disposals for the year mainly correspond to the sale of the participation held by the Group in the companies belonging to the business line related to the operation of a hotel in Costa Rica. The total sale price has amounted to 23.4 million euros, generating a surplus 5.7 million euros and resulting in the recognition in the profit and loss account of an excess of provision for impairment losses recorded until the date of the sale, for an amount of 3.2 million euros.

In addition, the Group has increased its participation in Turismo de Invierno, S.A., thus reaching a relevant influence in said company. For this reason, the participation has been transferred to equity investments in associates and the method used for integrating said company has been changed to the equity method.

With regard to the additions, it is worth highlighting the reclassification made from short-term of the participation held by the Group in Inversión Hotelera Los Cabos, due to the changes in the consideration of said participation.

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

(in thousands of euros)

	COUNTRY	ACTIVITY	CAPITAL	RESERVE	RESULT	%	BV	NBV
Fundación Empresa y Crecimiento (*)	Spain	Foundation	192	1,119		4.19%	55	288
Horotel, S.A. (*)	Spain	Hotel owner and operator	3,780	(631)		12.40%	390	301
Hotelera Sancti Petri, S.A.	Spain	Hotel owner and operator	13,510	(645)	260	19.50%	2,559	2,634
I.H. Los Cabos (*)	Mexico	Land owner	35,017	(1,248)		15.00%	5,065	3,306
Inv. Hotelera Playa del Duque, S.A. (*)	Spain	Hotel owner and operator	2,582	69,731		5.00%	3,616	2,682
Inv. Turísticas Casas Bellas, S.A. (*)	Spain	Land owner	47,464	1,075		13.74%	6,669	6,519
Lanzarote 6, S.A. (*)	Spain	Hotel owner and operator	35,771	(9,503)		5.40%	1,418	1,983
P.T.Surylaya Anindita (*)	Indonesia	Hotel owner and operator	6,647	(9,013)		16.52%	(391)	9,015
Plaza Puerta del Mar, S.A.	Spain	Hotel owner and operator	9,000	1,479	1,129	7.50%	871	675
Port Cambrils Inversions, S.A. (*)	Spain	Hotel owner and operator	5,540	11		10.00%	555	980
Valle Yamuri, S.A. (*)	Spain	Holding	4,329	(1,899)		15.00%	365	346
TOTAL			***163,832***	***50,476***	***1,389***		***21,173***	***28,729***

(*) The balance sheets for these companies are not available at December 31, 2007.

Adjustments for impairment losses are not performed in those companies which have an underlying surplus based on a favorable forecast of results and the realisable value of their net assets.

Comparative information regarding movement of available-for-sale investments in 2006 is as follows:

(in thousands of euros)

	%	BALANCE 31/12/2005	ADDITIONS	DISPOSALS	CONVERSION DIFFERENCES	BALANCE 31/12/2006
D.H. Guanacaste	15.0%	16,576				16,576
D.I.Guanacaste	15.0%	793				793
Fundación Empresa y Crecimiento	4.2%	213	20			233
Hotelera Sancti Petri	19.5%	1,172	1,462			2,634
Horotel S.A.	12.4%	301				301
I.H. Los Cabos	15.0%	3,306		(3,306)		(0)
I.H. Playa del Duque	5.0%	2,682				2,682
Inmobiliaria Conchal Pacífico	15.0%	276				276
Inversiones Turísticas Casas Bellas	13.7%	6,519				6,519
Lanzarote 6 S.A.	5.4%	1,696	232			1,928
P.T. Surylaya Internacional	16.5%	9,015				9,015
Port Cambrils Inv.	10.0%	792	142			934
Turismo de Invierno S.A.	19.5%	1,079				1,079
Valle Yamury, S.A.	15.0%	346				346
Plaza Puerta del Mar S.A.	7.1%	426	249			675
Others		520		(469)	(5)	47
TOTAL INVESTMENT		***45,712***	***2,105***	***(3,775)***	***(5)***	***44,038***
IMPAIRMENT LOSSES		*(4,716)*	*(2,151)*			*(6,867)*
TOTAL CARRYING VALUE		***40,996***	***(46)***	***(3.775)***	***(5)***	***37,171***

During 2006, the share capital increases undertaken in Port Cambrils Inversions, S.L. and Lanzarote 6, S.A. were subscribed and paid up, the account receivable from Hotelera Sancti Petri, S.A. was capitalised and contributions were made to Fundación Empresa y Crecimiento. Furthermore, the participation held in Inversiones Hoteleras Los Cabos, S.A. was reclassified to short-term, according to the Group's expectations with regard to the disposal of this investment.

10.2 Investments in associates and joint ventures

Investments corresponding to participations existing in associates and joint ventures have been accounted for by the equity method. The amounts obtained are as follows:

(in thousands of euros)

	BALANCE 31/12/2006	2007 RESULTS	ADDITIONS	DISPOSALS	CONVERSION DIFFERENCES	BALANCE 31/12/2007
Turismo de Invierno, S.A.		198	4,742			4,940
C.P. Meliá Castilla	2,347	1,897		(1,125)		3,118
C.P.Meliá Costa del Sol	1,573	280		(286)		1,568
Aparthotel Bosque, S.A.	1,408	219	20	(72)		1,575
Nexprom/Promedro (1)	3,816	460		(192)		4,084
Punta Elena S.L.	163	2				165
Hantinsol Resorts, S.A.	20	(0)				20
Luxury Lifestyle H&R (JV)	(194)	(67)				(261)
Inversiones Hoteleras la Jaquita, S.A.	11,605	(15)	76			11,666
Havana Sol Restauración (JV)		(962)	31			(931)
Travel Dynamic Solutions, S.A. (JV)		88	763			850
Prom. Playa Blanca, S.A. De C.V.	7,894	396			(1,439)	6,851
Inversiones Guiza, S.A.	(1)	(1)			(0)	(2)
Lifestar, Llc. (JV)	5,592	5,855		(10,075)	(563)	808
Sierra Parima, S.A. (JV)	2,295			(2,295)		
LH Miami Llc (JV)	(0)				0	
Hellenic Hotel Management	(76)				0	(76)
Sol Hoti Portugal Hoteis	244	152		(99)	0	297
Detur Panamá, S.A.	(48)	(204)			25	(228)
TOTAL	***36,637***	***8,298***	***5,631***	***(14,145)***	***(1,978)***	***34,443***

(1) Companies correponding to the same line of business
(JV) Correspond to joint ventures

The additions and disposals mainly relate to the changes in the Group's consolidation perimeter, as explained in Note 4.1 and the adjustments inherent to the accounting consolidation process between Group companies.

The additions corresponding to Turismo de Invierno, S.A., indicated in Note 10.1 are also included in the additions total.

The aggregate amount of assets, liabilities, ordinary income and results for 2007 corresponding to each of the associates and joint ventures integrated in the consolidation perimeter and the results attributable to the Group depending on the percentage of participation held in each, is as follows:

(in thousands of euros)

		Non-current assets	Current assets	Total ASSETS	EQUITY	Non-current liabilities	Current liabilities	Total LIABILITIES	Ordinary income	NET RESULTS	Net result attributable to the Group
Turismo de invierno, S.A.	20.20%	31,267	2,339	33,606	24,453	8,197	955	33,606	4,731	980	198
C.P. Meliá Castilla	29.39%	18,476	9,382	27,858	10,597	3,340	13,920	27,858	44,753	6,481	1,897
C.P. Meliá Costa del Sol	19.02%	5,384	4,514	9,898	8,237	449	1,212	9,898	11,593	1,470	280
Aparthotel Bosque, S.A.	25.00%	6,252	2,141	8,393	5,639	1,416	1,338	8,393	4,813	877	219
Nexprom, S.A.	20.00%	23,333	2,808	26,141	20,302	2,768	3,072	26,141	19,628	2,295	461
Promedro, S.A.	20.00%	2,332	6	2,338	2,332	0	6	2,338	7	145	(1)
Punta Elena, S.L.	50.00%	0	232	232	329	0	(98)	232	0	3	2
Hantisol Resorts, S.A.	33.33%	0	61	61	59	0	2	61	0	(0)	(0)
Luxury Lifestyle H&R (JV)	50.00%	57	419	476	(522)	(55)	1,054	476	1,147	(133)	(67)
Inv. Hoteleras la Jaquita, S.A.	49.76%	105,253	11,978	117,231	32,530	66,671	18,030	117,231	0	(30)	(15)
Havana Sol Restauracion, S.A.(JV)	50.00%	2	968	970	(1,862)	2,198	634	970	40	(1,924)	(962)
Travel Dynamic Solutions, S.A (JV)	36.56%	10,304	5,794	16,098	4,175	6,346	5,576	16,098	7,195	175	88
Prom.Playa Blanca S.A. De C.V.	49.50%	19,139	6,884	26,023	13,076	6,636	6,311	26,023	21,053	800	396
Inversiones Guiza, S.A.	49.84%	4	12	15	(5)	5	15	15	121	(2)	(1)
Lifestar LLC (JV)	50.00%	0	2,109	2,109	2,118	(9)	0	2,109	469	11,710	5,855
LH Miami LLC (JV)	50.00%	0	29	29	(0)	29	0	29		(0)	
Hellenic Hotel	40.00%	62	18	80	(190)	12	257	80			
Sol Hoti Portugal Hoteis, Ltd.	45.00%	4	791	795	659	81	55	795	779	337	152
Detur Panamá, S.A.	49.93%	13,112	1,181	14,292	(456)	12,764	1,984	14,292	4,626	(409)	(204)
		234,981	***51,665***	***286,646***	***121,473***	***110,850***	***54,324***	***286,646***	***120,956***	***22,774***	***8,298***

(JV) Corresponden a negocios conjuntos

In 2006, movement relating to investments in associates was as follows:

(in thousands of euros)

	BALANCE 31/12/2005	2006 RESULT	ADDITIONS	DISPOSALS	CONVERSION DIFFERENCES	BALANCE 31/12/2006
C.P. Meliá Castilla	2,355	1,144		(1,152)		2,347
C.P.Meliá Costa del Sol	1,539	243		(209)		1,573
Aparthotel Bosque, S.A.	1,408	186		(186)		1,408
Meliá Mérida, S.L.	376			(376)		0
Meliatour, S.L.	(340)	(215)	555			
Nexprom/Promedro (1)	3,533	420		(137)		3,816
Punta Elena S.L.	(55)	218				163
Lifestar Hoteles España, S.L. (JV)	(434)		434			
Hantinsol Resorts, S.A.	20	(0)				20
Luxury Lifestyle H&R (JV)	(68)	(186)	60	(1)		(194)
Inversiones Hoteleras la Jaquita, S.A.		(62)	16,266	(4,599)		11,605
Prom. Playa Blanca, S.A. De C.V.	5,741	1,304	3,478	(1,624)	(1,004)	7,894
Inversiones Guiza, S.A.	(2)	0			0	(1)
Lifestar, Llc. (JV)	6,658	(423)			(643)	5,592
Sierra Parima, S.A. (JV)	3,077	(412)			(369)	2,295
LH Miami Llc (JV)	(0)					(0)
Hellenic Hotel Management	(76)					(76)
Sol Hoti Portugal Hoteis	226	103		(86)		244
Mogan Promociones S.A. CV	(118)			118		
Detur Panamá, S.A.	196	(235)			(8)	(48)
TOTAL	***24,034***	***2,084***	***20,792***	***(8,251)***	***(2,024)***	***36,637***

(1) Companies correponding to the same line of business
(JV) Correspond to joint ventures

Moreover, comparative information of the aggregate amounts of assets, liabilities, ordinary income and results for 2006 relating to participations in associates and joint ventures integrated in the consolidation perimeter and the result attributable to the Group depending on the percentage of participation held in each of them, is offered.

(in thousands of euros)

		Non-current assets	Current assets	Total ASSETS	EQUITY	Non-current liabilities	Current liabilities	Total LIABILITIES	Ordinary income	NET RESULTS	Net result attributable to the Group
Aparthotel Bosque, S.A.	25.00%	6,441	1,562	8,003	4,986	1,437	1,581	8,003	5,072	748	187
C.P. Meliá Castilla	29.22%	20,681	5,356	26,037	8,651	3,520	13,866	26,037	44,322	3,914	1,144
C.P. Meliá Costa del Sol	19.02%	27,133	4,675	31,808	29,532	217	2,060	31,808	12,577	1,278	243
Detur Panamá, S.A.	49.93%	15,249	1,058	16,306	(96)	13,068	3,334	16,306	5,266	(472)	(235)
Hantisol Resorts, S.A.	33.33%		61	61	59		2	61		(0)	(0)
Hellenic Hotel	40.00%	62	18	80	(190)	12	257	80			
Inversiones Guiza, S.A.	49.84%	1	23	24	(3)		26	24	159	0	0
Inv. Hoteleras la Jaquita, S.A.	49.76%	51,521	1,726	53,247	32,560	18,666	2,021	53,247		(125)	(62)
LH Miami LLC (JV)	50.00%		109	109	(0)		109	109	47	(0)	(0)
Lifestar LLC (JV)	50.00%	11,944	2,703	14,648	11,183		3,464	14,648	3,142	(845)	(423)
Luxury Lifestyle H&R (JV)	50.00%	31	145	177	(367)		544	177	706	(372)	(186)
Nexprom, S.A.	20.00%	20,456	4,053	24,509	16,769	2,359	5,381	24,509	20,088	2,148	430
Promedro, S.A.	20.00%	3,260	(0)	3,260	1,513	240	1,507	3,260		(47)	(9)
Prom.Playa Blanca S.A. De C.V.	49.50%	23,110	7,730	30,840	15,184	10,887	4,769	30,840	31,613	2,634	1,304
Punta Elena, S.L.	50.00%		949	949	326	325	298	949		436	218
Sierra Parima, S.A. (JV)	49.00%	11,060	253	11,312	6,424	3,893	995	11,312	37	(842)	(412)
Sol Hoti Portugal Hoteis, Ltd.	45.00%	5	691	696	541		155	696	655	229	103
		190,954	***31,112***	***222,066***	***127,073***	***54,624***	***40,369***	***222,066***	***123,685***	***8,684***	***2,300***

(JV) Joint ventures

10.3 Loans to associates

Long-term balances for credits granted to associates are as follows:

(in thousands of euros)

	31/12/2007	31/12/2006
Havana Sol Restauracion XXI, S.A.	806	
Travel Dynamic Solutions, S.A.	6,952	
Sierra Parima, S.A.		1,938
Detur Panamá, S.A.	1,060	147
TOTAL	***8,818***	***2.085***

Additions for the year basically relate to the integration in the consolidation perimeter of the company Travel Dynamic Solutions, S.A., and the change in the consolidation method of Havana Sol Restauración XXI, S.A. Both processes are explained in Note 4.1 to the accounts.

Disposals for the year also relate to changes in the consolidation method applied to Sierra Parima, S.A., following its acquistion by the Group.

10.4 Other non-current financial assets

At year-end the amounts held on a long-term basis, classified by type, are as follows:

(in thousands of euros)

	31/12/2007	31/12/2006
Properties financing	18,457	14,624
Vacation Club clients	1,250	929
Real estate clients	4,537	10,953
Other deposits	11,693	2,217
Guarantees	9,486	9,793
Adjustments for impairment	(8,092)	(9,047)
TOTAL	***37,331***	***29,469***

Properties financing includes credits granted to various companies related to the Group through the management of hotel businesses. The most significant amounts are as follows:

A loan granted by the company Grupo Sol Asia of 2.5 million USD to the Hotel Sol Twin Towers (Golden Asset Company Ltd.), carrying interest at the LIBOR rate plus 2 points which, based on the principle of prudence, has not been recorded.

A loan granted to Hoteles Nacionales del Este of 8.3 million euros for the execution of a guarantee before Banco de Santander Central Hispano of the loans granted to this company (see Note 20).

The Group has granted loans to the companies Hoteles Cibeles, S.A. owner of a managed hotel, and Promociones Financieras Turísticas, S.A., for a total amount of 2.4 million euros, intended to finance the company's trading operations.

A loan granted by Operadora Mesol to Aresol Cabos, S.A. for 5.6 million euros intended to finance the company's trading operations.

The amount of real estate clients includes the sale of villas in a complex located in the Dominican Republic.

On December 28, 2007, Sol Melia, S.A suscribed a credit transfer agreement in favour of Banco Bilbao Vizcaya Argentaria, S.A. with regard to the credits acquired from Sol Melia Funding, S.A. and Sol Melia Vacation Club España S.L., amounting to 94.7 million dollars and 12 million euros, respectively. The price of the transfer is fixed on the basis of the nominal value of the credits transferred, applying a variable quarterly reviewable rate which is linked to LIBOR (for credits transferred in dollars) or to EURIBOR (for credits transferred in euros) plus a differential of 0.70 percentual points, which is settled by the bank on a monthly basis, from January 2008 to November 2017, for those credits in dollars and December 2017 for the credit portfolio in euros. During the validity period of both contracts, Sol Meliá, S.A. will maintain a deposit for 15% of the amount pending collection, to be adjusted every month. At year-end closing, said deposit amounts to 11.4 million euros, of which 1.9 million euros mature in the short-term.

In prior years, the Group had formalised credit transfer agreements with various credit entities for a total amount of 149 million dollars, the maturity of which was established between the years 2009 and 2011.

All these credit transfer agreements are considered non-recourse operations as the directors consider that risks and benefits inherent to the collection rights of the hotel and time-sharing customers are substantially transferred. Through the transfer of these credits, Sol Meliá transfers all of the following risks and rights:

- Collection rights
- Risk of insolvency
- Collection exchange differences

Given that all the mentioned credit transfers are considered to be non-recourse operations, the customers' balances are eliminated once they have been transferred, as mentioned in Note 6.5.

The long-term guarantees granted by Sol Meliá, S.A. basically relate to the rental of hotels leased by the Group through accepted promissory notes. As these guarantees are granted for the fulfillment of a liability related to said contracts, they are accounted for at their face value and not at present value.

11. Non-current Assets Held for Sale

The amount recorded under this caption in 2006 corresponding to 84 apartments in a hotel in Puerto Rico, which were to be sold to property investors on a condo-hotel basis, has been transferred in 2007 to "Property, plant and equipment", shown at cost value, since they will finally be directly operated by the Group.

12. Current Assets

12.1 Inventories

(in thousands of euros)

	31/12/2007	31/12/2006
Goods	906	1,079
Food and Beverage	8,018	7,289
Fuel	603	597
Spare parts and maintenance	2,375	2,003
Ancillary materials	4,448	3,973
Office material	1,661	1,413
Others	0	167
Hotel Business	**18,011**	**16,521**
Vacation Club Business	**6,927**	**9,376**
Real Estate Business	**1,833**	**3,106**
Prepayments to suppliers	**2,014**	**1,755**
TOTAL	***28,785***	***30,758***

The Group does not have firm purchase or sale commitments and there are no limitations on inventories availability. The supplier with the greatest raw material purchase volume has been Carma SXXI, S.A., a related company, with a total value of 18.9 million euros.

The real estate assets caption includes a balance arising from Desarrollos Sol, S.A. corresponding to a significant development in the real estate sector in the Dominican Republic which is in the process of being sold.

12.2 Trade and other receivables

At December 31, 2007, the total hotel business client portfolio discounted by the Group amounts to 67.2 million euros, 42.4 million euros of which have been collected in advance and the remainder is pending collection and is included in the trade balance. At December 31, 2006, these balances were of 72.3 million euros and 49.9 million euros, respectively.

At December 31, 2007, the Group also maintains credit transfer operations relating to the sale of vacation club units, amounting to 128.9 million euros, through non-recourse credit transfer agreements held with bank entities. In 2006, the amount of credits transferred for this concept was 73.7 million euros.

Both captions have been deducted from the trade and other receivables balance as it is considered that the risks and benefits inherent to the collection rights of hotel and time-sharing customers are substantially transferred (See Note 10.4).

At December 31, 2007, the provision for insolvencies amounts to 37.6 million euros. At December 31, 2006, this balance amounted to 37.8 million euros.

12.3 Receivables from associates

The breakdown the short-term receivables balance is as follows:

(in thousands of euros)

	31/12/2007	31/12/2006
Apartotel Bosque, S.A.	297	324
Comunidad de Propietarios Meliá Castilla	3,238	2,561
Comunidad de Propietarios Meliá Costa del Sol	383	608
Detur Panamá, S.A.	1,930	2,482
Habana Sol Restauración XXI, S.A.	1,255	
Hantinsol Resorts, S.A.	2	2
Helenic Hotel Management	39	43
Inversiones Hoteleras La Jaquita, S.A.	76	(66)
Lifestar LLC	21	1,711
Luxury Lifestyle	32	3
Nexprom, S.A.	611	637
Promociones Playa Blanca S.A. de C.V.	2,768	1,153
Punta Elena, S.L.	(98)	298
Sierra Parima, S.A.		48
Sol Hoti Portugal	81	56
Travel Dynamic Solutions, S.A.	1,583	
Turismo de Invierno, S.A.	264	
TOTAL	***12,481***	***9,859***

The main movements for the year relate to the changes occurred in the consolidation perimeter explained in Note 4.1 and in particular, to the companies Travel Dynamic Solutions, S.A. and Havana Sol Restauración XXI, S.A.

12.4 Other current financial assets

(in thousands of euros)

	31/12/2007	31/12/2006
Receivables	22,501	18,269
Bills of exchange receivable	4,722	621
Doubtful debts	1,026	1,139
Receivables from Public Treasury	32,885	12,099
Input VAT - Public Treasury	7,019	15,179
Withholding taxes	315	5,790
Prepayments and accruals	5,071	3,899
Credits to third parties	8,937	28,103
Securities portfolio	842	3,347
Other deposits	665	2,331
Guarantees	3,148	3,103
Others	380	64
TOTAL OTHER CURRENT FINANCIAL ASSETS	***87,512***	***93,944***

During 2007, the loan granted in 2006 in favour of Inversiones Hoteleras Toledo, for an amount of 12.2 million euros for the sale of a hotel in Spain has been cancelled. Moreover, the loan granted by Operadora Mesol to Aresol Cabos, S.A. amounting to 6.6 million euros has been reclassified to the long-term.

12.5 Cash and cash equivalents

(in thousands of euros)

	31/12/2007	31/12/2006
Cash	112,025	109,855
Other cash equivalents	122,783	21,134
TOTAL	***234,809***	***130,989***

The cash equivalents relate to short-term deposits, whose maturities may range from one day to three months depending on the Group's cash requirements.

13. Equity

13.1 Issued capital

At December 31, 2007 and 2006 Sol Meliá, S.A.'s share capital consists of 184,776,777 fully subscribed and paid up shares with a par value of 0.2 euros each.

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

At the Ordinary and Extraordinary General Meeting held on June 5, 2007, the Company Directors were authorised, 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 timing or appropriateness, but also the amount and conditions which they consider should apply within a period of five years following said Meeting.

At December 31, 2007 the main shareholders with direct or indirect ownership in Sol Meliá, S.A. are as follows:

SHAREHOLDER	% PARTICIPATION
Hoteles Mallorquines Consolidados, S.A.	28.07%
Hoteles Mallorquines Asociados S.L.	16.42%
Hoteles Mallorquines Agrupados S.L..	10.94%
Majorcan Hotels Luxemburg S.a.r.l.	5.83%
Caja de Ahorros del Mediterráneo	6.00%
Resto	32.74%
TOTAL	***100.00%***

13.2 Reserves of the Parent Company

Revaluation reserve R.D.L. 7/1996 dated June 7

This reserve relates to the revaluation of intangible assets and property, plant and equipment undertaken according to the legislation which governs these transactions, less a tax charge of 3% relating to revaluation.

The breakdown of this reserve is as follows:

(in thousands of euros)

	31/12/2007	31/12/2006
Revaluation of Intangible Fixed Assets	1,456	1,456
Revaluation of Property, Plant and Equipment	37,340	53,327
Tax rate of 3% on revaluation	(1,965)	(1,965)
TOTAL REVALUATION RESERVES	***36,831***	***52,818***

This reserve may be applied to offset losses, to increase the Company's share capital or, after December 31, 2006 (10 years after the revaluation reserves were initially included in the balance sheet) transferred to distributable reserves. The balance of this 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. During the year, the Company has transferred an amount of 15.9 million euros to freely distributable reserves, basically due to the surpluses materialised through the sale of certain assets subject to updating.

Legal reserves

Sol Meliá, S.A. and those subsidiaries formed according to the Spanish legislation have 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 of the Parent Company amounts to 7,391,071.09 euros.

Reserves for treasury shares of the Parent Company

This reserve is not distributable and was set up for the acquisition of treasury shares (6,017,581 shares). In accordance with Spanish legislation, this reserve is set up by the Parent Company for 35,864,782.71 euros.

Reserve Law 19/94 Reinvestment in the Canary Islands

This reserve is not distributable as it is created with the commitment of the Parent Company to invest in new fixed assets in the Canary Islands, within three years, an amount equivalent to the balance on the Reinvestment in the Canary Islands Reserve 19/94.

13.3 Reserves of companies consolidated by the full consolidation method

This caption includes the contributions to the Group's net equity made by the companies integrated in the consolidation perimeter by the full method.

In 2007, the main movements recorded under this caption basically correspond to the distribution of the 2006 results, for an amount of 112 million euros.

The disposals as a result of the purchases made by minority interest of Parque San Antonio, S.A. and Meliá Mérida, S.L., for a total amount of 3.8 million euros, have been also included in this caption.

The company Prodigios Interactivos, S.A. has recorded additions for 3 million euros arising from the revaluation of assets transferred to the "Investment properties" caption and disposals for the recording of deferred taxes for 0.9 million euros.

13.4 Reserves in associates and joint ventures

This caption includes the contributions to the Group's net equity made by the companies integrated in the consolidation perimeter by the equity method.

Changes in the year basically relate to the incorporation of results from the preceding year, of 2.1 million euros and the integration in the consolidation perimeter of Turismo de Invierno, S.A., for an amount of 3.6 million euros.

13.5 Exchange differences

Foreign currency gains/losses reflected in the balance sheet derived from the consolidated companies classified by currency are as follows:

(in thousands of euros)

	31/12/2007	31/12/2006
Venezuelan Bolivar	(27,293)	(19,957)
Costa Rican Colon	(3)	42
Singapore Dollar	(12)	27
Swiss Franc	(770)	(143)
Croatian Kuna	75	109
GB Pound	(3,704)	1,824
Moroccan Dirham	45	29
Colombian Peso	30	30
Dominican Peso	(50,553)	(7,929)
Mexican Peso	(38,585)	(6,229)
Guatemalan Quetzal	7	5
Brasilian Real	(412)	(609)
Indonesian Rupiah	(19)	(9)
Peruvian Nuevo Sol	(529)	(410)
Tunisian Dinar	294	115
Turkish Lira	149	172
US Dollar	(11,062)	(10,189)
TOTAL	***(132,341)***	***(43,121)***

An amount of 125.6 million euros of this total relates to companies integrated by the full consolidation method and 6.8 million euros to associates. In 2006, these figures were 40.4 and 2.7 million euros respectively.

13.6 Treasury shares

The breakdown and movement of the treasury shares is as follows:

(units of euro)

	SHARES	AVERAGE PRICE IN €	AMOUNT IN €
BALANCE AT 31/12/2006	***5,884,852***	***6.58***	***38,747,917***
2007 Acquisitions	10,242,159	15.56	159,409,911
2007 Disposals	(10,109,430)	15.45	(156,162,792)
BALANCE AT 31/12/2007	***6,017,581***	***6.98***	***41,995,035***

As of December 31, 2007, the treasury shares total represents 3.26% of the share capital. In any case, the treasury shares will not exceed the 5% limit established in the Public Limited Companies Law.

The quotation of Sol Meliá's shares at year-end is 10.42 €.

At year-end, the balance of shares includes those corresponding to the securities loan agreement with Barclays commented in Note 15.1.

For comparison purposes, the movements corresponding to 2006 are shown below:

(units of euro)

	SHARES	AVERAGE PRICE IN €	AMOUNT IN €
BALANCE AT 31/12/2005	***5,486,841***	***6.51***	***35,692,111***
2006 Acquisitions	8,406,852	11.74	98,688,570
2006 Disposals	(8,008,841)	11.94	(95,632,764)
BALANCE AT 31/12/2006	***5,884,852***	***6.58***	***38,747,917***

14. Minority Interests

The equity participation relating to minority interest rights, including the corresponding portion in results is recorded under this heading.

Variations in minority interest mainly relate to the full integration into the consolidation perimeter of the companies Colón Verona, S.A., Sierra Parima, S.A. and Prodigios Interactivos, S.A. for 7.5, 3.9 and 2.6 million euros, respectively.

15. Bank Financing

15.1 Issue of debentures and other marketable securities

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 euros under the following terms:

Amount of the issue	€ 150,000,000
Par value of bond:	*€ 10,000.00*
Maturity:	*5 years*
Debt status:	Senior (Exchangeable)
Issue price:	100.00%
Issue date:	November 14, 2003
Maturity date:	November 14, 2008
Coupon:	4.30%
Exchange price:	€ 11.90
Conversion premium:	80%
Conversion ratio:	840.336 shares per Bond
Redemption price:	100%
Bond yield upon maturity:	4.30%
Possibility of cancellation by issuer:	After the fourth year. (Subject to limit of 130% € 15.47)
Credit quality:	BB+ by S&P and BBB by Fitch Ibca.
Maximum of shares to be issued:	12,605,042

The balance as of December 31, 2007 is the following:

Issue principal	€	149,990,000			
Short-term formalisation expenses	€	(339,918)			
Accrued interest at 4.30%	€	848,184	***S/T TOTAL***	€	***150,498,266***

The balance as of December 31, 2006 was the following:

Issue principal	€	150,000,000			
Long-term formalisation expenses	€	(555,410)	***L/T TOTAL***	€	***149,444,590***
Short-term formalisation expenses	€	(399,895)			
Accrued interest at 4.30%	€	848,219	***S/T TOTAL***	€	***448,342***

Sol Meliá, S.A. has signed a securities loan agreement with Barclays for up to a maximum of 5,250,000 shares from the treasury shares maturing on October 20, 2008, of which 2,491,554 have been drawn down by Barclays at December 31, 2007. This figure represents 1.35% of the share capital, which guarantees the acquisition of Sol Meliá, S.A.'s shares to the investors as a part of the issuance of 150 million euros in convertible debentures. This loan is remunerated at 1%.

Furthermore, with the purpose of ensuring investors the successful financial transaction for the acquisition of Sol Meliá, S.A.'s shares, the shareholder Majorcan Hotels Luxembourg S.A.R.L. has put at the disposal of Barclays Bank, in concept of a loan, 5,250,000 shares of Sol Meliá, S.A. At December 31, 2007, none of these shares have been drawn down by Barclays.

15.2 Preference shares

Sol Meliá Finance, N.V. undertook a preference shares issue as stated in the Complete Informative Prospectus recorded in the Stock Exchange Commission's official register as of April 4, 2002, under the following conditions:

Amount of the issue	€ 106,886,300
Nominal:	€ 100
Dividend (2002 to 2012):	Fixed 7.80% per year payable quarterly (AER 8.03%)
Step-up (2012 onwards):	Variable (Euribor 3m + 5%, minimum 12.30%)
Issue date:	April 1, 2002
Maturity date:	The issuer has a redemption option after 10 years
Credit quality:	BBB by S&P and BBB+ by Fitch Ibca.

As of December 31, 2007 the balance is as follows:

Issue principal	€ 106,886,300		
Net value updated at 31/12/2007	€ 102,903,423		
Formalisation expenses	€ (1,616,919)	***L/T TOTAL***	€ ***101,286,504***

As of December 31, 2006 the balance was as follows:

Issue principal	€ 106,886,300		
Net value updated at 31/12/2006	€ 102,184,811		
Formalisation expenses	€ (1,983,014)	***L/T TOTAL***	€ ***100,201,797***

The Group's Preference Shares were issued under such conditions that the possibility that the Group will exercise the redemption right from April 2012 is very high. The differential between the dividend and the abovementioned "step-up" is such that the issue is considered as a Financial Liability.

15.3 Derivative financial instruments

At 2007 and 2006 year-end closing, the reasonable value by maturities of the derivative financial instruments recorded by the Group are the following:

(in thousands of euros)

	2007			2006		
	SHORT-TERM MATURITIES	LONG-TERM MATURITIES	TOTAL MAT.	SHORT-TERM MATURITIES	LONG-TERM MATURITIES	TOTAL MAT.
FINANCIAL INSTRUMENT (SWAP)	9,044		9,044	5,082	8,288	13,370
FINANCIAL INSTRUMENT (EQUITY LINK SWAP)		3,400	3,400			
TOTAL DEBT	***9,044***	***3,400***	***12,444***	***5,082***	***8,288***	***13,370***

On November 22, 2001 Sol Meliá, S.A. signed a Swap contract with a bank, by virtue of which the interest generated by a cash flow of 300 million euros with a six-month Euribor interest (receivable by Sol Meliá, S.A.) will be swapped the interest generated by the same amount using a dollar Libor basis. On January 13, 2003, Sol Meliá, S.A. 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 payable is over 8%, whose last maturity date is February 11, 2008.

This derivative does not meet the requirements to be considered a hedging instrument. For this reason, changes in its fair value are charged directly to the profit and loss account. The amount charged as a minor financial result in the 2007 profit and loss account is 1 million euros. At the date of formulation of the present financial statements, the present contract has been totally settled, with a positive effect in the 2008 profit and loss account amounting to 3.2 million euros.

The net fair value of this derivative has been calculated by the Company using generally accepted financial criteria, which have consisted in the discount of expected cash flows based on the forward rates upon settlement at December 31, 2007. The results coincide with those arising from the valuation made by the bank entity.

In addition, on June 26, 2007, Sol Meliá, S.A. signed an Equity Link Swap arrangement with a bank, by virtue of which, the bank has acquired 5 million shares from Sol Meliá, S.A. The Company will pay an interest linked at the Euribor rate plus 51 basic points on the amount of the acquired shares. The acquisition of these shares was completed by the bank on September 25, 2007.

Upon maturity, which is three years and three months following the termination of the acquisition period, Sol Meliá S.A. shall pay the difference between the average acquisition price of 16.39 euros per share, and the average settlement price upon the maturity date.

At December 31, 2007, an amount of 1.4 million euros has been accounted for in concept of expenses relating to the payment of Euribor plus 51 basic points.

The fair value of the derivative has been estimated using the binomial valuation method, obtaining a value of 3.4 million euros.

15.4 Bank debt

At December 31, 2007 and 2006, the balances held by the Group with bank ent ies, classified by nature and maturity, are the following:

(in thousands of euros)

	2007			2006		
	SHORT-TERM MATURITIES	LONG-TERM MATURITIES	TOTAL MAT.	SHORT-TERM MATURITIES	LONG-TERM MATURITIES	TOTAL MAT.
BANK LOANS	37,142	386,445	423,587	62,980	196,221	259,201
MORTGAGE LOANS	27,560	268,551	296,111	30,916	298,246	329,162
CREDIT FACILITIES	10,553	10,683	21,236	138,919	47,303	186,222
LEASING	29,823	71,176	100,999	21,996	43,686	65,682
INTEREST	9,965	7,390	17,355	6,321		6,321
PROMISSORY NOTES DISCOUNTED	360		360	1,360		1,360
TOTAL BANK DEBT	***115,404***	***744,245***	***859,649***	***262,492***	***585,456***	***847,948***

The amount of the bank loans includes mainly the following:

TYPE OF LOAN	AMOUNT	MATURITY
Syndicated loan (27 companies)	200 million euros	2012
Corporate guarantee	50 million euros	2013
Corporate guarantee	60 million euros	2014
Mortgage loan	53 million euros	2026

The total amount of drawn down credit facilities is 21.2 million euros. The Group has an amount of 275.7 million euros of undrawn facilities available at year-end.

Changes in the consolidation perimeter commented in Note 4.1 relating to the company Innside Hotel GmbH have caused an increase of the bank debt, for a total amount of 0.5 million euros which matures in 2008.

Increases in the bank debt for the year amount to 202 million euros, as indicated in the Cash-Flow Statement.

The Group's mortgage loans relate to guarantees on 22 hotels, the carrying value of which amounts to a total of 472 million euros, as indicated in Note 8.

The breakdown of bank debt maturities is as follows:

(in thousands of euros)

	2008	2009	2010	2011	2012	2013 AND SUBSEQUENT YEARS	TOTAL
BANK LOANS	37,144	85,602	103,464	108,687	27,586	61,104	423,587
MORTGAGE LOANS	27,560	24,182	23,976	18,781	15,026	186,587	296,111
CREDIT FACILITIES	10,553	4,814	2,867			3,002	21,236
LEASING	29,823	26,532	18,944	10,411	7,537	7,752	100,999
INTEREST	9,965	1,748	1,552	1,271	960	1,859	17,355
PROMISSORY NOTES DISCOUNTED	360						360
TOTAL BANK DEBT	***115,406***	***142,878***	***150,803***	***139,150***	***51,108***	***260,304***	***859,649***

15.5 Other debts for financial leases

The Sol Meliá Group operates 80 hotels on a rental basis, 17of which have been classified as financial leases according to IAS 17, paragraph 10.c), which states that a lease will be classified as a financial lease when the lease term is for the major part of the economic life of the asset (even if ownership of the asset is not transferred at the end of the lease term).

The 17 hotels classified as financial leases derive from contracts, with a duration of 75 years and signed in 1999, held between Sol Meliá, S.A. and Equity Inmuebles. As explained in Note 20 to the 2005 Financial Statements, the value corresponding to the leased hotels was recognised in the Assets side of the Group, while the portion corresponding to the plots of land where said hotels are located was maintained as an operating lease.

The minimum financial lease payments at year-end closing amount to 703.2 million euros, corresponding to 67 annual payments and the present value of which, applying a rate of 6.5%, is 161.3 million euros. This amount is recorded in the balance sheet in concept of debts for financial leases.

(in thousands of euros)

	UNDER 1 YEAR	BETWEEN 1 AND 5 YEARS	OVER 5 YEARS	TOTAL
Minimum lease payments	10,655	42,620	649,948	703,223
Actual value of minimum lease payments	10,005	34,274	117,075	161,354

15.6 Maturity of financial liabilities

The table below provides a summary of the maturities of the financial liabilities held by the Sol Meliá Group at December 31, 2007, based on nominal values by maturity:

(in thousands of euros)

	UNDER 3 MONTHS	3-12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
PREFERENCE SHARES			106,886		106,886
CONVERTIBLE BONDS		149,990			149,990
LOANS AND CREDIT FACILITIES	10,232	65,649	417,175	253,539	746,595
FINANCIAL INSTRUMENT (SWAP)	9,044				9,044
FINANCIAL INSTRUMENT (EQUITY LINK SWAP)			3,400		3,400
FINANCIAL LEASES (LEASING)	9,072	24,818	69,490	7,752	111,132
	28,348	***240,457***	***596,951***	***261,291***	***1,127,048***

The maturities of the financial liabilities included in “Other debts for financial leases”, explained in Note 15.5 are not included in the table above.

The Sol Meliá Group considers that the amount of cash flow generated, the indebtedness policies applied, the scheduled debt maturities, the cash position and the availability of credit facilities, guarantee its ability to soundly face liabilities acquired at December 31, 2007.

During 2007, the average interest rate accrued by these financial liabilities, excluding Swap transactions, is 5.29%.

15.7 Debts with associates

In 2007, this balance mainly relates to debts with Travel Dynamic Solutions, S.A. for an amount of 5.3 million euros and Detur Panamá, S.A. for an amount of 341,000 euros.

In 2006, the balance corresponded to Detur Panamá, S.A., for hotel operations generated during the year.

15.8 Trade payables

The balance in this caption includes the accounts payable to suppliers for goods or services and other services pending payment and/or receipt of the corresponding invoices at year-end for an amount of 161.8 million euros.

The prepayments from customers, which at year-end closing amount to 34.7 million euros, are also included in this caption.

15.9 Other non-current liabilities

This caption includes:

(in thousands of euros)

	31/12/2007	31/12/2006
Guarantees received	3,820	781
Non-bank loans	5,278	5,455
Suppliers		629
Pension externalisation	1,036	1,062
Bills of exchange payable	4,498	5,089
Payable to the Public Treasury	3,542	3,542
Other liabilities	52	400
TOTAL	***18,226***	***16,958***

15.10 Other current financial liabilities

The detail of the main concepts recorded in this caption is as follows:

(in thousands of euros)

	31/12/2007	31/12/2006
Remunerations pending payment	31,413	30,439
Payable to the Public Treasury	14,070	366
Payable to Social Security	7,276	6,411
Output VAT	8,859	22,671
Accruals	4,358	7,961
Current accounts	3,005	3,551
Bills of exchange payable	9,347	3,101
Other liabilities	17	388
Non-bank loans	963	963
Debt with third parties	12,844	8,585
Short-term suppliers	12,179	
Dividend payable	296	
Short-term guarantees and deposits received	2,550	2,013
TOTAL	***107,177***	***86,450***

16. Non-bank Liabilities

16.1 Capital grants and other deferred income

The details of these balances are as follows:

(in thousands of euros)

	31/12/2006	TRANSFERRED TO RESULTS	DISPOSALS THROUGH SALE	31/12/2007
Capital grants	5,873	(334)	(1,794)	3,746
TOTAL	***5,873***			***3,746***

Capital grants basically relate to grants used to finance property, plant and equipment purchases. In 2007, the total amount recorded in the Income Statement for this concept is 334,000 euros. In 2006, the amount recorded for this concept was of 617,000 euros.

The disposals for the year relate to the sale of the company Meliá Mérida, S.L.

16.2 Provisions

The balance sheet shows an amount of 30.8 million euros in long-term liabilities in concept of "Provisions for risks and expenses". As indicated in Note 6.10, this caption includes the Group's commitments with staff, provisions for taxes from prior years which have been appealed or are pending court resolution together with urban planning disputes, as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, commitments acquired and guarantees given to third parties, risks for legal claims and lawsuits and possible liabilities deriving from the possible different interpretations of prevailing legal regulations.

The breakdown of the balance, by type, is as follows:

(in thousands of euros)

	31/12/2006	ADDITIONS	ELIMINATIONS	PERIMETER CHANGES	31/12/2007
Provision for loyalty premiums and liabilities with staff members	5,309	2,181	(162)	108	7,436
Provision for taxes and Public Bodies	7,941	214	(40)		8,116
Provision for onerous contracts	6,590	2,475	(1,374)		7,691
Provision for liabilities	6,054	2,142	(636)		7,560
TOTAL	***25,895***	***7,013***	***(2,212)***	***108***	***30,802***

Each year-end, an actuarial study is undertaken to evaluate the past services corresponding to commitments established in supra-enterprise collective agreements. Said services have been estimated in 8.6 million euros for 2007, of which 1.9 million euros have been charged to results. In 2006, the total amount accrued was 8 million euros, of which 0.6 million were charged to results. In addition, commitments, amounting to 2.7 million euros, were externalised in 2006 in order to comply with the prevailing legislation, the liabilities having been recorded for their net amount. At 2007 year-end closing, the balance externalised for this concept amounts to 1.2 million euros, due to the application of the provisions in concept of retirement of personnel and those corresponding to hotels which the Group has ceased to operate during the year.

The evaluation of these commitments was performed in accordance with the actuarial assumptions contained in the specific turnover model of Sol Meliá, by applying the calculation method known as the “projected unit credit” and the population assumptions corresponding to the ERM/F200p tables, applying a capitalisation rate of 4.90% and salary increases of 2.50% plus the assumption of a foreseeable turnover of between 2.88% and 7.47% of employees with an average retirement age of 64 years.

The movement for the year relating to the application and updating of the provision for onerous contracts amounts to 1.1 million euros according to the established financial plan. Said provision covers the difference between the committed disbursements and the expected cash flows of 5 hotels in Germany, 2 hotels in Spain and 1 hotel in Tunisia. In 2006, the net amount applied for this concept was 0.5 million euros.

In 2007, the Group has booked provisions for taxes amounting to 0.2 million euros. In 2006, the Group recorded a provision for a tax assessment on the Mexican Assets Tax relating to a hotel located in Mexico for an amount to 1.6 million euros.

Provisions for liabilities deriving from legal claims relating to properties, which have been resolved in 2007, have been applied during the year for an amount of 0.6 million euros. In addition, a provision of 1.5 million euros has been accounted for in concept of the Group’s new restructuring. The provisions for liabilities applied in 2006 amounted to 1.3 million euros.

17. Financial Risk Management Objectives and Policies

The Group's activities are exposed to diverse financial risks: market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Sol Meliá Group's risk management policies are intended to minimise the adverse effects that said risks may cause on the financial statements of the Group.

The policies followed by the Group cover, among other, the following risks:

17.1 Interest rate risk

The financial statements of the Sol Meliá Group present certain items subject to fixed and variable interest. The debt structure at December 31, 2007 is detailed in the following table. Payable interest is not included in said amounts.

(in thousands of euros)

	FIXED INTEREST	VARIABLE INTEREST	TOTAL
CONVERTIBLE BONDS	149,650		149,650
PREFERENCE SHARES	101,287		101,287
BANK LOANS	22,174	401,413	423,587
MORTGAGE LOANS	101,825	194,286	296,111
CREDIT POLICIES		21,236	21,236
LEASINGS		100,999	100,999
PROMISSORY NOTES DISCOUNTED	360		360
FINANCIAL INSTRUMENT (SWAP)		9,044	9,044
TOTAL DEBT	***375,296***	***726,978***	***1,102,274***

The variable interest rate debt is basically referenced to the Euribor, USD Libor and GBP Libor rates. As of December 31, 2007, the Group has no interest rate hedging instruments.

The sensitivity of the 2007 results to changes (in basic points) in interest rates, in thousands of euros, is as follows:

VARIATION	2007
+ 25	(1,113)
- 25	1,113

This sensitivity analysis has been made considering an average increase/decrease throughout 2007 in the basis points indicated in the table. The effect of the interest rate Swap mentioned in Note 15.3 has been considered for making this estimation.

17.2 Foreign exchange risk

The fluctuations in items in the foreign currencies through which debts are instrumented and in which the purchases/sales are undertaken, against the accounting currency, may have an impact on the results for the year.

The following items could be affected by foreign exchange risks:

- Debt denominated in currencies other than the local or functional currency of the Sol Meliá Group.
- Collections and payments in concept of supplies, services or investments in currencies other than the functional currency.
- Income and expenses from certain foreign subsidiaries indexed to currencies other than the functional currency.
- Results in consolidation of foreign companies.
- Consolidated net equity of investments in foreign subsidiaries.

In this respect, the Sol Meliá Group is exposed to a risk which basically relates to debt operations denominated in foreign currency contracted by Group companies and associates and the transactions made in currencies other than the functional currencies of each country. In addition, despite the Group not having contracted any financial instruments (neither swaps nor exchange insurance in foreign currency), it is the Group's policy to maintain a balance between cash collections and cash payments of its assets and liabilities denominated in foreign currency, with the aim of mitigating this potential risk.

The sensitivity analysis undertaken relates to changes in the GBP and USD exchange rates., the latter being considered the reference currency as it is closely linked to the currency of the Latin American countries where the Group has a major volume of business.

The transactions of reference are the following:

(in thousands of euros)

	CURRENCIES 2007		CURRENCIES 2006	
	GB POUNDS	US DOLLARS	GB POUNDS	US DOLLARS
Operating Revenue	36,000	359,643	35,368	338,596
Operating expenses	(21,149)	(252,980)	(19,992)	(226,034)
Financial result	(2,879)	5,497	(2,524)	3,256
Result before taxation	7,351	91,704	4,952	97,464

The sensitivity of the result before taxes of the Sol Meliá Group to the changes in the GBP/euro and USD/euro exchange rates is as follows:

1. Sensitivity, in thousands of euros, of results before taxes to changes in the GBP/euros exchange rate:

VARIATION %	2007	2006
+10%	735	496
+5%	367	248
-5%	(367)	(248)
-10%	(735)	(496)

2. Sensitivity, in thousands of euros, of results before taxes to changes in the USD/euros exchange rate:

VARIATION %	2007	2006
+10%	9,171	9,746
+5%	4,586	4,873
-5%	(4,586)	(4,873)
-10%	(9,171)	(9,746)

97% of the Group's financial debt is denominated in euros and, for this reason, the effect of changes in the exchange rates is not significant.

17.3 Risk of changes in the quotation of the Sol Meliá shares and their effect on convertible debentures and treasury shares

As indicated in Note 15.1, on November 14, 2003, Sol Meliá Europe, B.V. placed debentures for a total of 150 million euros. The maturity date of this transaction is November 14, 2008, the exchange price is 11.90 € and the maximum of shares to be issued is 12,605,042.

At year-end, the quotation of Sol Meliá's shares is 10.42 euros per share. The Group's policies to mitigate the effect of the conversion of debentures on shares with prices higher to those established in the exchange ratio, are intended to have 6,000,000 treasury shares, with an average price of 6.98 euros each, at December 31, 2007.

The share should be increased by 58% regarding the 2007 closing price, in order to have an effect on the Net Equity deriving from the variation of the quotation of Sol Meliá's shares with regards to the conversion of the abovementioned bonds.

As mentioned in Note 15.3, the Group has signed an Equity Swap contract with a bank, by virtue of which the latter has acquired 5,000,000 shares of Sol Meliá, S.A. As the settlement of the contract upon maturity will be made by "Differences", any quotation other than the average acquisition price will have an effect on the profit and loss accounts.

17.4 Liquidity risk

The exposure to adverse situations experienced by the debt or capital markets may complicate or impede the coverage of the financial needs required for the adequate development of the Sol Meliá Group's activities.

It is the Group's liquidity policy to ensure the fulfillment of the payment commitments acquired, avoiding the obtaining of funds under onerous conditions. For this reason, the Group uses different management procedures, such as the maintenance of credit facilities committed for sufficient amounts and flexibility, the diversification of the coverage of the financing needs through the access to different markets and geographical areas, and the diversification of the issued debt maturities (Note 15).

In this respect, the Group considers that the negative working capital shown in the consolidated balance sheet is covered by the policies implemented and, specifically, by the renegotiation of a great number of the credit facilities maturing in the short and medium-term, for an amount of 297 million euros as well as the volume of cash flows generated by the Group.

17.5 Credit risk

The credit risk arising from default of the counterparty (customer, supplier, or bank entity) is mitigated by the Group policies regarding the diversification of customers' portfolios, feeder markets, surveillance of concentrations and permanent in-depth control of the debt. In addition, in some cases the Group uses other financial instruments which allow the reduction of credit risks, such as credit transfers (securitizations) and non-recourse factoring operations.

The breakdown of the balances of customers, by business line, at year-end is the following:

(millions of euros)

	2007
Management services	13.6
Hotel	55.4
Real estate	4.6
Vacation Club	4.5
Other Operating Activities	7.6
TOTAL RESULT	***85.8***

The credit periods established by the Group range between 21 and 90 days. The average collection period is approximately 51 days. The debt seniority profile at year-end is as follows:

(millions of euros)

	2007	%
Under 90 days	49.6	61%
Over 90 and under 180	19.0	23%
Over 180 and under 360	12.6	16%
Over 360	-	-
TOTAL	***81.1***	***100%***

Real estate clients are not included in the table above, since they relate to contracts made during the last two years and which have an established collection/payment schedule. A provision is booked for those clients whose balances are over 360 days.

18. Capital Management Policies

The main objective of the capital management policies of the Sol Meliá Group is to ensure the financial stability in the short and long-term, adequate profitability rates, the upward trend of Sol Meliá's shares, the satisfactory remuneration to the shareholders through the distribution of dividends, as well as sufficient financing of the investments and projects to be undertaken and the reduction of the Group's indebtedness levels.

During 2007, Sol Meliá's strategies have been intended to improve financial solidity in the Group's balance sheets, through the improvement of financial ratios by reducing the net debt, renegotiating the bank loans, through which the differentials and the average repayment period of the bank loans have been improved, as well as controlling the Company's capex, through which the Group has obtained and maintained throughout 2007 its credit rating with "investment grade" status.

19. Tax Situation

The companies integrated in the Group are subject to the tax legislation applicable in the various countries in which they carry out their activities. The tax legislation in force in some of these countries does not coincide with the Spanish legal system. Therefore, the information provided in this note should be interpreted according to the peculiarities of the various legislations applicable on income tax regarding the taxable basis, tax rates and deductions applicable.

19.1 Years open to inspection

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 inspection period, which may be extended due to tax inspection proceedings, has elapsed. In this respect, the Group companies are open to tax inspection for the following taxes and years:

	CORPORATE TAX	I.M.P.A.C. Mexican Assets Tax	INCOME TAX	VAT	I.G.I.C.	I.R.A.P. Regional Tax on Productive Activities	PIS/COFINS Brasilian Taxes
Spain	2003-2006		2004-2007	2004-2007	2004-2007		
France	2004-2006			2005-2007			
England	2001-2006		2002-2007	2002-2007			
Italy	2001-2006		2002-2007	2002-2007		2001-2006	
Germany	1997-2006		1998-2007	1998-2007			
Croatia	2002-2006		2003-2007	2003-2007			
Holland	2003-2006		2003-2007	2003-2007			
USA	2004-2006						
Mexico	2002-2006	2002-2006		2003-2007			
Dominican Republic	2004-2006			2005-2007			
Venezuela	2002-2006		2003-2007	2003-2007			
Brazil	2002-2006		2003-2007				2003-2007

The fiscal years open to inspection for a certain number of companies in said countries differ from those shown in the table above, due to the fact that some of them and for certain taxes have already been inspected or are still under inspection. These companies are the following:

France: Sol Melia France is only open to inspection for 2007 and Hotel Madeleine Palace for the years 2006 and 2007.

England: Lomondo Ltd. is open to inspection for Personal Income tax for 2007 and for VAT for the years 2005, 2006 and 2007.

Holland: Meliá Inversiones Americanas is open to inspection from 1998 onwards for Corporate Tax.

Mexico: Cala Formentor is open to inspection for I.M.P.A.C. for the year 2001.

Dominican Rep.: The only year open for inspection for the Dominican companies is 2007.

19.2 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities and the movement recorded in each year in the Income Statement are as follows:

(in thousands of euros)

	ASSETS / LIABILITIES		PROFIT AND LOSS	
	31/12/2007	**31/12/2006**	**31/12/2007**	**31/12/2006**
The balance of the non-current deferred tax assets is as follows:				
Tax credits capitalised	15,338	19,064	2,120	2,135
Credits for tax loss carryforwards	13,474	14,543	9,894	11,268
Temporary differences for:				
Tax value of goodwill from Tryp	36,560	36,560		6,094
Long-term rentals	3,715	3,233	(792)	(895)
Interest rate SWAP	904	1,761	1,096	4,573
Reversal of inflation adjustments in non-inflationary economies	6,277	5,653	(1,788)	(1,690)
Tax deductible provisions upon payment or when a liability is generated	10,451	16,228	5,472	(2,306)
Unrecorded tax revaluations				4,633
Difference in accounting and tax amortisation criteria	79	270	214	464
Reversal of capital gains arising from the sale of a hotel between Group companies	7,117	4,251	(2,865)	708
Difference in criteria between the General Accounting Plan and IFRS - Debt formalisation expenses and constitution expenses	1	1,382	1,468	(237)
Conversion adjustments	1,819	2,362	592	
Other	462	842	(140)	4,587
TOTAL	***96,197***	***106,149***		
The balance of the non-current deferred tax liabilities is as follows:				
Hurricane Wilma's effect				(5,625)
Fair value in business combinations	28,158	24,884	(686)	(1,996)
Financial leases transactions	50,133	54,614	(4,651)	(6,368)
Updating and revaluation of land plots	43,006	49,600	(8,994)	(15,722)
Non-operational assets (property)	21,868	18,205	1,829	(2,478)
Difference in criteria between the General Accounting Plan and IFRS - Deferred income	10,253	4,717	5,537	2,134
Differences between accounting value and tax value in England	1,626	1,981	(171)	(1,202)
Revaluation and updating of fixed assets (excluding plots)	3,894	22,711	(16,274)	4,065
Accounting revaluation for merger	5,559	5,722	(82)	(86)
Deferred sales due to reinvestment	6,587	6,764		(1,112)
Others	3,881	7,255	(363)	(306)
TOTAL	***174,967***	***196,453***		
TOTAL IMPACT DUE TO DEFERRED TAXES EXPENSE / (INCOME)			***(8,584)***	***638***

The balance of the variation of the amount of deferred tax liabilities, which has an effect on the Group's net equity, generated by business combinations from prior years, amounts to 2.7 million euros, as indicated in the Consolidated Statement of Changes in Equity.

Moreover, it is worth highlighting the acquisition of Prodigios Interactivos S.A., a Spanish company, for which the Group has incorporated 10 million euros in concept of deferred tax assets from the capitalisation of tax credits for tax losses and the purchase of the German company Innside Hotel GMBH, for which the Group has incorporated 5.7 million euros in concept of deferred tax liabilities for fair value in business combination.

The deferred tax assets and liabilities are calculated considering the future amendments to the tax charges already approved in Spain and the Dominican Republic, as well as the new tax approved in Mexico. The impact of said amendments on the Income Statement is the following:

(in thousands of euros)

	EXPENSE	INCOME
Spain	1,094	604
Mexico	1,121	9,346
Dominican Republic	29	
TOTAL	***2,244***	***9,950***

The case of Mexico is especially noteworthy, as a tax reform has been approved, eliminating the Mexican Assets Tax (IMPAC) and creating the flat tax rate (IETU) is created. This reform comes into effect on January 1, 2008 and obliges all the Mexican companies to evaluate whether in the forthcoming years they will pay IETU or income tax (ISR). All the companies whose projections indicate the payment of IETU have undertaken the reversion of the deferred taxes calculated according to the ISR standards for making a subsequent recalculation based on the IETU standards.

19.3 Group Tax losses

Tax losses to be off-set, detailed by geographical area, are shown below:

(in thousands of euros)

	2008	2009-2013	2014-2020	FOLLOWING YEARS	TOTAL 31/12/2007	TOTAL 31/12/2006
Spain		3	88,484	250,897	339,384	94,786
Rest of Europe	1,151	39,504	23,276	16,753	80,685	76,095
America and the rest of the world	155	9,438	18,727	7,780	36,100	44,305
TOTAL	***1,307***	***48,945***	***130,487***	***275,430***	***456,168***	***215,186***

Within “Rest of Europe”, the situations of the Netherlands (47.3 million euros) and Germany (16.7 million euros) are noteworthy and within the American area, the situation in Mexico (27.6 million euros).

The increase during the year mainly relates to the incorporation into the consolidation perimeter of Prodigios Interactivos, S.A., as explained in Note 4.1.

Tax losses for which deferred tax assets have been recognised amount to 35 million euros in Spain and 9.3 million euros in America and the rest of the world.

Tax losses which have been offset in the year had not been fully capitalised in prior years, causing a tax benefit of 1.1 million euros. This benefit, detailed by geographical area, is of 0.4 million euros for the rest of Europe and 0.7 million euros for America and the rest of the world.

19.4 Group's tax credits

The tax credits of the Group that may be offset are detailed, by geographical areas, below:

(in thousands of euros)

	2008	2009-2013	2014-2020	FOLLOWING YEARS	TOTAL 31/12/2007	TOTAL 31/12/2006
Spain		7,078	27,601		34,679	30,044
Rest of Europe						
America and the rest of the world	235	4,236	6,549	154	11,175	15,073
TOTAL	***235***	***11,314***	***34,150***	***154***	***45,854***	***45,117***

The tax credits accumulated at year-end in America and the rest of the world relate to the payments made for the Mexican Asset Tax.

The deferred tax assets in Spain and Mexico which have been recognised in the year amount to 9.2 and 6.1 million euros, respectively.

Tax credits which have been offset in the year had not been fully capitalised in prior years, causing a tax benefit of 9.3 million euros. This benefit relates to 5.8 million euros for Spain and 3.5 million euros for America and the rest of the world.

Tax credits in Spanish companies are explained in the following tables.

The breakdown of tax deductions for export activities pending application in Sol Meliá, S.A. as of December 31, 2007, and deducted in the year is the following (in thousands of euros):

(in thousands of euros)

	REINVESTMENT AMOUNT	DEDUCTION AMOUNT	ACCUMULATED DEDUCTIONS	DEDUCTIONS FOR THE YEAR	PENDING DEDUCTIONS	MATURITY DATE
Shares Sol Melia France, S.A.	79,358	19,839	16,812	2,085	942	2010
Shares Sol Melia Benelux, S.A.	7,545	1,886			1,886	2011
Fairs & Congresses 2001 - 2007	7,122	1,610			1,610	2011/17
TOTAL	***94,025***	***23,335***	***16,812***	***2,085***	***4,438***	

Said tax deductions have been partially capitalised for a total amount of 0.1 million euros, following the criteria indicated in Note 6.13.

Taxable profits of Sol Meliá, S.A. deriving from asset disposals and which are tax exempt for reinvestment and the amounts to be reinvested, in thousands of euros are the following:

YEAR	SALE AMOUNT	PROFIT FROM SALE	AMOUNT TO BE REINVESTED	YEAR OF REINV.	REINVESTED AMOUNT	MAT. DATE	REINVESTMENT DEDUCTION	DEDUCTIONS APPLIED	PENDING DEDUCTIONS	MAT. DATE
2003	22,399	16,570	22,399	2003	22,399	2006	3,314	1,873	1,441	2013
2004	10,036	9,749	10,036	2004	27,216	2007	1,979		1,979	2014
2005	103,200	48,490	103,200	2004/05	82,522	2008	9,698		9,698	2015
2006	52,768	33,683	52,768	2006	76,840	2009	6,736		6,736	2016
2007	108,650	55,965	108,650	2006/07	97,825	2010	8,115		8,115	2017
TOTAL	***297,053***	***164,457***	***297,053***		***306,802***		***29,842***	***1,873***	***27,969***	

Sol Meliá, S.A. has reinvested the proceeds from the sales in new fixed assets for refurbishment and renovation of the hotels. Said deductions have been partially capitalised for a total of 1.8 million euros, following the criteria explained in Note 6.13,

With regard to the reinvestment regime, the profits arising from the sale are integrated into the taxable basis depending on the depreciation period. For this purpose, a deferred tax has been created. The amount pending integration to the taxable basis is 22 million euros and will be integrated on a straight line basis up to the year 2051.

During 2007, the deductions for double taxation deriving from domestic and international dividends recorded by Sol Meliá, S.A., for an amount of 0.2 million euros, have been applied. At year-end, there are no deductions pending application for this concept.

As of December 31, 2007, the Group has deductions pending application for new fixed assets in the Canary Islands, in accordance with art. 94 of Law 20/91 on Corporation Tax, for an amount of 2.3 million euros, of which 0.3 million euros prescribe in 2011 and 2 million euros in 2012. The deductions for investments in new fixed assets in the Canary Islands applied in 2007 have amounted to 3 million euros.

The Group has the commitment of undertaking investments in new fixed assets located in the Canary Islands during the forthcoming years and according to Law 19/94 on Investments in the Canary Islands. The total amount committed pending application is of 18 million euros, of which 14.3 million euros shall be applied before 2010 and 3.7 million euros before 2011.

The information stipulated in Article 84 of Royal Decree 4/2004 on Corporation Tax, relating to split-offs and mergers of lines of business made in prior years, is included in the first annual accounts approved after each transaction. The breakdown is as follows:

Inmotel Inversiones, S.A.:	1993, 1996, 1997 and 1998
Sol Meliá, S.A.:	1999, 2001 and 2005

19.5 Reconciliation between the consolidated accounting results and the aggregated tax basis

(in thousands of euros)

	31/12/2007	31/12/2006
Consolidated Net Result	164,613	137,979
Dividends from subsidiaries	54,840	139,978
Surpluses deriving from intercompany sales of assets	47,325	33,622
Participation method companies portfolio	4,684	846
Surpluses eliminated through sale of assets	516	1,433
Treasury shares transactions results	63	22
Recognition of 2006 results from subsidiaries	(808)	2,704
Conversion differences for intergroup transactions	(2,336)	(452)
Result of companies integrated by the equity method	(8,298)	(2,084)
Dissolution of Group companies	(11,911)	(492)
Results of Group transactions provisions	(38,395)	(48,056)
Goodwill impairment losses		546
Hurricane Wilma's effects on revaluated assets		(10,425)
AGGREGATED ACCOUNTING RESULT	***210,292***	***255,621***
Tax adjustment to accounting result		
Corporation Tax	14,267	16,387
Non-deductible income and expenses	37,031	12,400
Financial leases transactions	15,717	(2,840)
Adjustment for accounting revaluation of properties sold	10,487	14,216
Treasury shares transactions	9,376	1,095
Adjustments for accounting and tax differences	6,480	(208)
Attributions and transparency	1,044	627
Deferral for reinvestment	545	545
Leasehold amortisation	275	
Pension commitments	(108)	(918)
Exchange differences	(1,186)	2,994
Provisions	(2,062)	56,707
Inflation adjustments	(2,528)	(3,923)
Reserve for investments in the Canary Islands	(3,706)	(14,707)
Goodwill amortisation - Merger of Tryp	(15,233)	(15,233)
Reversal of IAS adjustments	(35,167)	(14,997)
Dividends from subsidiaries	(80,562)	(124,824)
Others	(5,028)	(5,686)
PREVIOUS TAXABLE BASIS	***159,933***	***177,256***
TAX LOSSES SET OFF	***(24,571)***	***(70,540)***
TAXABLE BASIS (AGGREGATED TAX RESULT)	***135,362***	***106,716***

The difference between the theoretical tax rate, which results from applying the tax rate corresponding to the Parent Company to results before taxation, and the income tax expense for the year mainly arises form the disparity of tax systems existing in the various countries in which the Group operates, and the variations in the tax rates explained in Note 19.2.

19.6 Income Tax expense

The following table reflects the amount recorded as expense for the year. The balances are detailed by concepts. Current tax and deferred tax are shown separately.

	31/12/2007 EXPENSE/(INCOME)	31/12/2006 EXPENSE/(INCOME)
CURRENT TAX		
Income tax for the year	21,233	9,239
Other taxes for the year	439	2,767
Adjustments for prior years' current income tax	1,381	3,743
DEFERRED TAX		
Net variation in credits for tax losses	9,894	11,267
Net variation in tax credits	2,120	2,135
Other deferred taxes	(20,590)	(12,764)
INCOME TAX EXPENSES	***14,477***	***16,387***

Other taxes for the year, amounting to 0.4 million euros, relate to taxes similar to income tax as well as other taxes in developing countries, whose calculations are based on revenues.

Most of the adjustments to the income tax of prior years mentioned above relate to modifications between the final tax and the provision made in the preceding year.

20. Contingent Assets and Liabilities

The Group has guarantees committed in favor of third parties and other contingent liabilities, which are not recognised in the balance sheet, for the following concepts and amount:

Sol Meliá, S.A. has a purchase option for acquiring a participation of 5.25% in Inversiones Turísticas Casasbellas, S.A., executable from March 1, 2009 onwards, and with which the Group's participation in said company will reach 18.99%.

Sol Meliá, S.A. is the guarantor of Detur Panamá, S.A., owner of Hotel Meliá Panamá Canal, for 58.06% of a 9 million dollars loan from Caja de Ahorros de Baleares. As of December 31, 2007 the guaranteed amount is 4.9 million dollars.

Certain top managers have an insurance upon retirement contract with Sol Meliá, S.A., by virtue of which, from the age of 65 onwards, they are entitled to receive a life annuity. The insurance premium amounts to 545,000 euros in 2007.

SOL MELIA, S.A. is the guarantor of Lifestar Hoteles España, S.L. (an associate) for a loan granted by BBVA. At December 31, 2007 the debt amounts to 12 million euros.

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 of reclaiming the indebted amount. This process was 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 Banco de Santander Central Hispano with said bidders (Banco de Reservas and Banco del Progreso) (the bidders) and Dominican Republic legislation. The two entities subject to the claim are solvent, (one of them is Banco Nacional de Reservas). Together with the claim, precautionary measures were requested asking for the seizure of double the total amount owed by each of the banks. Sol Meliá, S.A. and Banco de Santander obtained a favourable judgement from the National District Court of Appeals on February 22, 2007, for which Banco del Progreso and Banco de Reservas were condemned to a payment in Dominican pesos equivalent to 10 million dollars referenced to the 2001 exchange rate, plus 12% per year in concept of arrears interest starting August 1, 2001. This judgment has been appealed by the banks and at present is pending resolution by the Civil Chamber of the High Court of Justice. The High Court, according to the information received from the local attorneys, will issue a ruling within a period between two and four years. In the case that the appeal is denied, the judgment issued by the Court of Appeals can be executed and Sol Meliá will be able to collect the amounts indicated. The High Court has ordered the suspension of enforcement of the judgment issued by the Court of Appeals and at the same time has fixed a guarantee of 167 million Dominican pesos, which has been already deposited by the banks.

Sol Meliá, S.A., together with another company guarantees joint and severally as well as in proportion, up to the operations startup of a project, a percentage of 50%, held indirectly on Inversiones Hoteleras La Jaquita, S.A., of a syndicated loan contract formalised by Inversiones Hoteleras La Jaquita, S.A. with several banking entities. As of December 31, 2007, the debt amounts to 68.6 million euros. With regard to this guarantee, Sol Melia, S.A. shall not transfer or sell the shares held in Inversiones Hotelera La Jaquita, S.A., without the express consent of the guaranteed creditors.

Sol Meliá is the guarantor of 50% of the liabilities deriving from the credit facilities of 75,000 euros and 225,000 euros granted by La Caixa to Luxury Lifestar Hoteles, S.L.

Sol Meliá, S.A. has a corporate guarantee in favor of Isla Bella, S.A. on the annual minimum operating results of a hotel under leasing for 2.4 million euros. The annual increase of said guarantee is endorsed by a second guarantee in favor of Isla Bella, S.A.

Sol Meliá, S.A. has a corporate guarantee in favor of a hotel under leasing in Germany for 7 million euros.

Sol Meliá, S.A. has a bank guarantee, to take possession of a building, intended for parking places and commercial premises located in Barcelona for an amount of 0.7 million euros.

Corporación Hotelera Metor has several disputes open against its minority shareholder, claiming the cessation of all the agreements and transactions between the two parties. The Company foresees that said lawsuits will be favorably resolved, without causing a significant impact on the Group.

21. Other Information

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 positions as directors in the companies Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Asociados, S.L., Majorcan Hotels Luxembourg, S.A.R.L. and Hoteles Mallorquines Agrupados, S.L., all major shareholders in Sol Meliá, S.A., as well as being directors of several subsidiaries and associates of the Group. (See Appendix II).

Mr. José María Lafuente has a minority holding in the companies Niamey, S.A., Inivisa S.L., Conta 96 S.L., Fontsalada 96 S.L., Calamita 96 S.L., and Canamunt S.L. Mr. Juan Vives is a minority shareholder and jointly liable administrator of Finca Los Naranjos, S.A. Mr. Emilio Cuatrecasas is a minority shareholder and Chief Executive of Áreas, S.A. Mr. Eduardo Punset is a member of the Board of Directors of Telvent Git S.A.. All the aforementioned companies undertake similar or complementary activities to that of Sol Meliá, S.A. (See Appendix III)

The remaining Directors neither hold positions nor possess shares in companies with similar or complementary activities to that of Sol Meliá, S.A.

With the aim of ensuring investors, the successful financial transaction for the acquisition of Sol Meliá, S.A.'s shares, as a part of the exchangeable debentures issuance of 150 million euros undertaken by a Group company, the shareholder Majorcan Hotels Luxembourg S.A.R.L. put at the disposal of Barclays Bank, in 2003, in concept of a loan, 6,826,653 shares of Sol Meliá, S.A. In 2006, this amount was reduced to 5,250,000 shares. At December 31, 2007, no shares have been drawn down by Barclays Bank.

Except for those already mentioned, none of the Directors or their representatives has undertaken any other kind of transaction with the Company or Group companies, except those inherent to the ordinary business activity.

Fees corresponding to the audit of the 2007 consolidated annual accounts and subsidiaries have amounted to 1,100,000 euros, of which 501,000 euros have been invoiced by Ernst & Young Spain, 510,000 euros by Ernst & Young at an international level and the remaining 89,000 by other audit firms. In addition, the fees invoiced during the year for other services rendered by the auditors belonging to the same international network have amounted to 139,000 euros.

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 Financial Statements.

22. Post Balance-sheet Events

On February 11, 2008 the Group has cancelled the Swap contract, by means of the payment of 5.7 million euros (See Note 15.3).

On February 28, 2008, analysts and stock market investors were called to a meeting in Madrid by Sol Meliá to hold an Investor Day. The event included the presentation of the 2007 Annual Results and the Strategic Plan 2008-2010. On February 29, the same event was repeated for the bank sector.

On February 28, 2008, the Parent Company of the Group has arranged a loan of 50 million euros with the bank Natixis.

On March 4, 2007 Moody's announced that the Sol Meliá's credit rating was under review, remaining as Baa3 under review.

Subsequent to 2007 year-end, the Group's controlling shareholder has increased his participation in the share capital of the Parent Company, reaching 62.818%.

23. 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.

Appendix 1. Companies Integrated by the Full Method

		COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR. STK	IND. STK	TOTAL	IND. STAKE HOLDER.
	(F)	ALCAJAN XXI, S.L.	Avda. Oscar Esplá, 37 (Alicante)	Spain	Holding	100.00%		100.00%	
	(F)	APTOS. MADRID NORTE, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	Management	99.97%		99.97%	
	(F)	APARTOTEL, S. A.	Orense 81 (Madrid)	Spain	Management	99.73%		99.73%	
(A)		BEAR, S. A. de C. V.	Paseo de la Reforma,1 (Mexico D. F.)	Mexico	Hotel owner and operator	100.00%		100.00%	
		BISOL INVESTMENT LTD.	Augres House, Damareq Street	Jersey	Idle	100.00%		100.00%	
(A)		BISOL VALLARTA, S. A. de C. V.	Paseo 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		92.40%		MELIÁ INV. AMERICANAS N.V.
							7.29%	99.69%	FARANDOLE, B.V.
	(F)	CALIMAREST, S.A.	José Meliá s/n (Malaga)	Spain	Restaurant Calima	100.00%		100.00%	
(A)		CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Hotel owner and operator		15.13%		OPERADORA MESOL S.A. DE C.V.
							53.70%	68.83%	MELIÁ INV. AMERICANAS N.V.
(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%	
		COLÓN VERONA S.A.	Canalejas, 1 (Seville)	Spain	Hotel management	50.00%		50.00%	
		COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	Hotel owner and operator	90.71%		90.71%	
(A)		COMP. TUNISIENNE GEST. HOTELIÉRE	Cite Mahrajene-Imm Chiaaar, 1 (Tunisia)	Tunisia	Management		100.00%	100.00%	SOL MANINVEST B.V.
(A)		CORP.HOT.HISP.MEX., 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.
		CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru	Hotel owner and operator		59.81%	59.81%	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%	
(A)		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. TURIST. DEL CARIBE, N. V.	The Ruyterkade, 62 (Curaçao)	Neth. 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		61.79%		MELIÁ INV. AMERICANAS N.V.
							20.25%		DOMINICAN INVESTMENT, N. V.
							17.65%	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)	Neth. Antilles	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
		DOMINICAN MARKETING SERVICES	The Ruyterkade, 62 (Curaçao)	Neth. Antilles	Marketing co.		65.73%		DOMINICAN INVESTMENT NV
							33.96%	99.69%	IRTON COMPANY, N.V.
	(F)	DOMINIOS COMPARTIDOS S.A.	Calle Nuredduna, 10 3A	Spain	Owner		98.79%	98.79%	HOGARES BATLE, S.A.
	(F)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Brand owner	100.00%		100.00%	
	(F)	FARANDOLE, B. V.	World Trade Center 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 co.	100.00%		100.00%	
(A)		GOLF COCOTAL, S. A.	Playas de Bávaro (Higüey)	Dom. Rep.	Operator		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,(Kuala Lumpur)	Singapore	Services		60.00%	60.00%	GRUPO SOL ASIA, Ltd.
		GUARAJUBA, S.A.	Elvira Méndez, 10 (Panama)	Panama	Holding	100.00%		100.00%	
		GUARAJUBA EMPREENDIMIENTOS, S.A.	Avda. do Farol, Parte, Praia do forte (Bahia)	Brazil	Owner		100.00%	100.00%	GUARAJUBA, S.A.
		GUPE IMÔBILIARIA, S.A.	Estrada da Luz, 90 (Lisboa)	Portugal	Management	100.00%		100.00%	
	(F)	HOGARES BATLE, S.A.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Operator		48.28%		PLAYA SALINAS, S.A.
							48.05%		REALTUR, S.A.
							2.98%	99.31%	LIFESTAR HOTELES ESPAÑA S.L.
		HOT. MELIÁ INTNAL COLOMBIA, S. A.	Calle, 68 (Bogotá)	Colombia	Idle		100.00%	100.00%	M.I.H. S.A.
		HOTELES SOL INTERNACIONAL	Edificio Banco do Brasil (Panamá)	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
	(F)	HOTEL BELLVER, S. A.	Av Ingeniero Gabriel Roca (Palma de Mca.)	España	Hotel owner	100.00%		100.00%	
(A)	(F)	HOTEL BLANCHE FONTAINE, S. A.	34, Rue Fontaine (Paris)	France	Hotel operator		100.00%	100.00%	CADSTAR FRANCE S.A.
(A)		HOTEL COLBERT SAS	Rue du sentier (Paris)	France	Management		100.00%	100.00%	CADSTAR FRANCE, S.A.
	(F)	HOTEL CONVENTO de EXTREMADURA, S.A.	Plaza de San Juan 11-13 (Cáceres)	Spain	Hotel owner and operator	77.63%		77.63%	
(A)		HOTEL DE SAXE SAS	Rue du sentier (Paris)	France	Management		100.00%	100.00%	CADSTAR FRANCE, S.A.
(A)	(F)	HOTEL FRANÇOIS, S. A.	3, Boulevard MontMartre (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	Idle	100.00%		100.00%	
	(F)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Idle	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	Idle	100.00%		100.00%	
	(F)	HOTELES TRYP, S. L.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Idle	100.00%		100.00%	
		ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	Management	100.00%		100.00%	
		IMPULSE HOTEL DEVELOPEMENT	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Marketing co.	100.00%		100.00%	
(A)		INMOBILIARIA DISTRITO CIAL. , S. A.	Avda. venezuela con Casanova (Caracas)	Venezuela	Owner of premises		71.78%	71.78%	INV. INMOB. IAR 1997, C. A.
		INMOTEL INVERS. ITALIA, S. R. L.	Via Pietro Mascagni, 14 (Milán)	Italy	Hotel owner and operator	100.00%		100.00%	
(A)		INNSIDE HOTEL GMBH	Graf Recke Strasse (Dusseldorf)	Germany	Hotel operator		100.00%	100.00%	SOL MELIA DEUTCHLAND GMBH
		INVERS. TURIST. DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Holding	100.00%		100.00%	
(A)		INVERS. EXP.. TURISTICAS, S. A.	Orense 81 (Madrid)	Spain	Hotels owner and operator	54.64%		54.64%	

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		COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR. STK	IND. STK	TOTAL	IND. STAKE HOLDER.
(A)		INVERS. INMOB. 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.
(A)		INVERSIONES AREITO, S.A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Hotel owner		30.00%		LEOFORD INVESTMENT CO.
							70.00%	100.00%	ALCAJAN XXI, S.L.
		INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela	Idle		100.00%	100.00%	M.I.H. S.A.
		IRTON COMPANY, N. V.	The Ruyterkade, 62 (Curaçao)	Neth. Antilles	Assets management		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
		LEOFORD INVESTMENT CO.	Elvira Méndez, 10 (Panama)	Panama	Holding		100.00%	100.00%	ALCAJAN XXI, S.L.
	(F)	LIFESTAR HOTELES ESPAÑA, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	Idle	100.00%		100.00%	
(A)		LOMONDO, Ltd.	Albany Street-Regents Park (London)	Great Britain	Hotel owner and operator	61.20%	38.80%	100.00%	HOTELES SOL INTNAL., S.A.
		MELIÁ INTNAL. HOTELES, S. A.	Edificio Fiduciario (Panama)	Panama	Management and Holding	100.00%		100.00%	
		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	Idle	10.00%	90.00%	100.00%	MARKSERV B.V.
		MARKTUR TURIZM, A. S.	Daire, 3 Gençlik Mahallesi (Antalya)	Turkey	Idle	100.00%		100.00%	
(A)		MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil	Hotel operator		20.00%		SOL MANINVEST B.V.
							80.00%	100.00%	MARKSERV B.V.
		MELIÁ INV. AMERICANAS, N. V.	Strawinskylaan, 915 WTC (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, 915 WTC (Amsterdam)	Holland	Management	100.00%		100.00%	
		MELSOL PORTUGAL, Ltd.	Avenida do Brasil, 43-8 (Lisbon)	Portugal	Management	80.00%		80.00%	
	(F)	MOTELES ANDALUCES, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner and operator	99.38%		99.38%	
		NEALE, S. A.	Edificio Arango Orillac (Panama)	Panama	Marketing co.		99.69%	99.69%	RANDLESTOP CORP.N.V
		NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA	Holding		100.00%	100.00%	SOL GROUP, B. V.
(A)		NYESA MELIÁ ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	Hotel operator and promotor	50.00%		50.00%	
		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 D.F.)	Mexico	Management	75.21%	24.79%	100.00%	MARKSERV B.V.
(A)	(F)	PARQUE SAN ANTONIO, S. A.	Rey, 1 (Puerto de la Cruz)	Spain	Hotel owner and operator	100.00%		100.00%	
	(F)	PLAYA SALINAS, S. A.	Avenida Marítima, 1 (Santiago del Teide)	Spain	Land owner	49.00%			
							50.52%	99.52%	REALTUR, S.A.
(A)		PRODIGIOS INTERACTIVOS, S.A.	Camino Ca´n Mannel (Palma de Mallorca)	Spain	Service centre		73.12%	73.12%	IMPULSE HOTEL DEVELOPMENT, BV
		PT SOL MELIÁ INDONESIA	Jalan H. R. Jasuna Said KAV X-0 (Jakarta)	Indonesia	Management	90.00%	10.00%	100.00%	MARKSERV B.V.
		PUNTA CANA RESERVATIONS, N. V.	The Ruyterkade, 62 (Curaçao)	Curaçao	Marketing co.		100.00%	100.00%	ALCAJAN XXI, S.L.
(A)		ROYAL ALMA BOUTIQUE SAS	Rue du Sentier (Paris)	France	Management		100.00%	100.00%	CADSTAR FRANCE SAS
		RANDLESTOP CORPORATION, N. V.	The Ruyterkade, 62 (Curaçao)	Neth. Antilles	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A)	(F)	REALTUR, S. A.	Orense, 81 (Madrid)	Spain	Hotel owner	98.77%			
							0.08%		HOGARES BATLE S.A.
							0.21%	99.06%	DOMINIOS COMPARTIDOS S.A.
	(F)	SAN JUAN INVESTMENT, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
	(F)	SECURISOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Security	100.00%		100.00%	
(A)		SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico	Hotel owner		100.00%	100.00%	SM VACATION CLUB CO.
(A)		SIERRA PARIMA, S.A.	Avda. John F. Kennedy,10 (Sto. Domingo)	Dom. Rep.	Shopping centre owner	51.00%		51.00%	
(A)		SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Time-sharing management		100.00%	100.00%	SM VACATION CLUB CO.
(A)	(F)	SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain	Time-sharing management		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A)		SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancun)	Mexico	Time-sharing management		100.00%	100.00%	SM VACATION CLUB CO.
	(F)	SMVC NETWORK ESPAÑA, S.L.	Provenza 112 (Barcelona)	Spain	Time-sharing marketing co.	100.00%		100.00%	
		SMVC NETWORK, S.A.R.L.	9, Rue Schiller	Luxembourg	Time-sharing marketing co.		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A)		SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama	Time-sharing management		100.00%	100.00%	SM VACATION CLUB CO.
(A)		SMVC PUERTO RICO CO.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico	Time-sharing management		100.00%	100.00%	SM VACATION CLUB CO.
		SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panama)	Panama	Incoming services		100.00%	100.00%	GESMESOL, S.A
		SOL GROUP, B. V.	Strawinskylaan, 915 WTC (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)	Great Britain	Idle	100.00%		100.00%	
		SOL MANINVEST, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Management and Holding	100.00%		100.00%	
(A)		SOL MELIÁ, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Owner and Management			100.00%	
							0.01%	100.00%	MARKSERV B.V.
		SOL MELIÁ CHINA, Ltd.	1318 Two Pacific Place, 88 (Hong Kong)	China	Idle		100.00%	100.00%	M.I.H. S.A.
		SOL MELIÁ COMMERCIAL	Regatta Office Park West Bay Road	Cayman Isl.	Management		100.00%	100.00%	SOL MELIA FRIBOURG S.A.
		SOL MELIÁ CROACIA	Vladimira Nazora, 6 (Rovijn)	Croatia	Management		100.00%	100.00%	SOL MANINVEST B.V.
(A)		SOL MELIÁ DEUTSCHLAND, gmbh	Josef Haumann Strasse, 1 (Bochum)	Germany	Hotel operator	100.00%		100.00%	
(A)		SOL MELIÁ EUROPE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Convertible bonds issuer	100.00%		100.00%	
(A)		SOL MELIÁ FINANCE, Ltd.	Ugland House South Church (Grand Cayman)	Cayman Isl.	Financial services		100.00%	100.00%	SOL MELIA INVESMENT, N.V
		SOL MELIÁ FUNDING	Regatta Office Park West Bay Road	Cayman Isl.	Financial services		100.00%	100.00%	SOL MELIA FRIBOURG S.A.
(A)		SOL MELIÁ FRANCE, S. A. S.	12, Rue du Mont Thabor (Paris)	France	Management and Holding	100.00%		100.00%	
(A)		SOL MELIÁ FRIBOURG, S.A.	Chemin des primeveres, 45 (Fribourg)	Switzerland	Marketing co.	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, 915 WTC (Amsterdam)	Holland	Holding	100.00%		100.00%	
	(F)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milan)	Italy	Operator		100.00%	100.00%	INMOTEL INV. ITALIA S.R.L.
		SOL MELIÁ MARRUECOS, S. A.	Rue Idriss Al-Abkar, 4 - 1º Etage	Morocco	Management		100.00%	100.00%	MARKSERV B.V.
		SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru	Management		100.00%	100.00%	M.I.H. S.A.
(A)		SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Fribourg)	Switzerland	Management		100.00%	100.00%	SOL MANINVEST B.V.
(A)		SOL MELIÁ SUISSE, S. A.	Rue de Messe, 8-10 (Geneva)	Switzerland	Hotel operator	100.00%		100.00%	
	(F)	SOL MELIÁ TRAVEL S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Idle	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)	(F)	TENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotels owner and operator	50.00%	49.53%	99.53%	REALTUR, S.A.
(A)		TRYP BLANCHE FONTAINE	Rue du Sentier (Paris)	France	Management		100.00%	100.00%	CADSTAR FRANCE SAS
(A)		TRYP FRANÇOIS SAS	Rue du Sentier (Paris)	France	Management		100.00%	100.00%	CADSTAR FRANCE SAS
		VACATION CLUB SERVICES CO.	Bickell Avenue, 800 (Miami)	USA	Time-sharing management		100.00%	100.00%	SM VACATION CLUB CO.

(A) Audited companies

(F) Companies which form part of a consolidated tax group together with their respective parent companies

Appendix 2. Associates

COMPANY	ADDRESS	COUNTRY	ACTIVITY	DIR. STK	IND. STK	TOTAL	IND. STAKE HOLDER
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	Apartament owners' association	0.33%	18.69%	19.02%	APARTOTEL S.A.
COM. PROP. MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	Apartament owners' association	29.39%		29.39%	
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.
HANTINSOL RESORTS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Idle	33.33%		33.33%	
HAVANA SOL RESTAURACIÓN XXI, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	Operator	50.00%		50.00%	
HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Athens)	Greece	Idle	40.00%		40.00%	
INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Water wells owner and operator		49.84%	49.84%	DESARROLLOS SOL, S.A.
INVERSIONES HOTELERAS LA JAQUITA, S.A.	Carretera Arenas 1 (Pto. De La Cruz)	Spain	Hotel owner and operator		49.76%	49.76%	TENERIFE SOL, S.A.
LH MIAMI LLC. (JV)	Brickell Avenue, 800 (Miami)	USA	Hotel operator		50.00%	50.00%	LIFESTAR, LLC
LIFESTAR, LLC (JV)	Brickell Avenue, 800 (Miami)	USA	Hotel management		50.00%	50.00%	NEW CONTINENT VENTURES CO.
LUXURY LIFESTYLE H&R (JV)	Rambla Cataluña, 89 (Barcelona)	Spain	Marketing co.	50.00%		50.00%	
NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Hotels owner and operator	17.57%	2.51%	20.08%	PROMEDRO
TRAVEL DYNAMIC SOLUTIONS, S.A.	Paseo Club Deportivo, 1 (Madrid)	Spain	Sales Office		36.56%	36.56%	PRODIGIOS INTERACTIVOS,S.A.
TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n (Granada)	Spain	Hotels owner and operator	20.20%		20.20%	
PUNTA ELENA, S.L.	San José, 33 (Tenerife)	Spain	Idle	50.00%		50.00%	
PROMOCIONES 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%	
SOL HOTTI PORTUGAL HOTEIS, Ltd.	Avda. da Republica, 85 1º Esq. (Lisbon)	Portugal	Management	45.00%		45.00%	

(JV) Relates to joint ventures.

(*) The participation in these companies is through the ownership of apartments, which represent 19.02% and 29.39% of the total, respectively and which are recorded under the "Investment Properties" caption.

Appendix 3. Director's Positions in other Companies

This appendix includes the information regarding the members of the Board who hold positions as Board members or directors in other Group, associated or non-related companies that undertake similar activities to those of Sol Meliá, S.A.

Details of the Board members who hold positions in companies with a similar activity are shown below:

SPANISH COMPANIES

MR. GABRIEL ESCARRER JULIA (NIF 41.160.706 K)

COMPANY	POSITION
Apartotel S.A.	Chairman
Apartotel Bosque S.A.	Board member representing Sol Meliá S.A.
Casino Tamarindos S.A. (Sociedad Unipersonal)	Chairman and managing director
Dorpan S.L.	Sole administrator
Gest.Hot.Turística Mesol S.A. (Sociedad Unipersonal)	Directly liable administrator
Hotel Bellver S.A.	Chairman
Hoteles Sol Meliá S.L.	Chairman
Hoteles Sol S.L.	Chairman
Hoteles Meliá S.L.	Chairman
Hoteles Paradisus XXI S.L.	Chairman
Hoteles Tryp XXI, S.L.	Chairman
Inversiones y Explotaciones Turísticas S.A.	Chairman
Moteles Andaluces S.A.	Chairman
Parque San Antonio S.A.	Chairman and managing director
Realizaciones Turísticas S.A.	Chairman and managing director
Securisol S.A.	Chairman and managing director
Tenerife Sol S.A.	Chairman and managing director
Credit Control de Riesgos S.L.(Sociedad Unipersonal)	Chairman
Hogares Batle, S.A.	Chairman and managing director

MR. SEBASTIÁN ESCARRER JAUME (NIF 43.040.129 E)

COMPANY	POSITION
Casino Tamarindos S.A. (soc. unip.)	Secretary
Hantinsol Resort, S.A.	Board member and managing director
Hotel Bellver S.A.	Board member
Hotel Convento de Extremadura S.A.	Chairman representing Sol
Hoteles Sol Meliá S.L.	Secretary
Hoteles Sol S.L.	Secretary
Hoteles Meliá S.L.	Secretary
Hoteles Paradisus XXI S.L.	Secretary
Hoteles Tryp XXI, S.L.	Secretary
Lifestar Hoteles España, S.L.	Chairman
Parque San Antonio S.A.	Secretary
Sol Melia Travel S.A.	Chairman and managing director
Tenerife Sol S.A.	Board member and Secretary
Credit Control de Riesgos S.L. (soc. unip.)	Secretary
Sol Meliá Vacation Club España S.L.	Chairman and managing director
Sol Meliá Vacation Network España S.L.	Chairman
Colón Verona S.A.	Chairman
Nyesa Meliá Zaragoza S.L.	Chairman
Calimarest S.L.	Chairman
Inversiones Hoteleras La Jaquita S.A	Chairman
Havana Sol Restauración, S.A.	Chairman
Hogares Batle, S.A.	Secretary
Dominios Compartidos, S.A.	Chairman and managing director

MR. GABRIEL JUAN ESCARRER JAUME (NIF. 43.070.810 K)

COMPANY	POSITION
Apartotel S.A.	Board member and managing director
Casino Tamarindos S.A. (soc. unip.)	Vicechairman and managing director
Gest.Hot.Turística Mesol S.A. (soc. unip)	Directly liable administrator
Hotel Bellver S.A.	Chairman
Hotel Convento de Extremadura S.A.	Vicechairman
Hoteles Sol Meliá S.L.	Board member and managing director
Hoteles Sol S.L.	Board member and managing director
Hoteles Meliá S.L.	Board member and managing director
Hoteles Paradisus XXI S.L.	Board member and managing director
Hoteles Tryp XXI, S.L.	Board member and managing director
Inversiones y Explotaciones Turísticas S.A.	Board member and managing director
Lifestar Hoteles España, S.L.	Vocal
Moteles Andaluces S.A.	Board member and managing director
Parque San Antonio S.A.	Vicesecretary and managing director
Playa Salinas S.A.	Sole administrator
Promedro S.A.	Chairman
Realizaciones Turísticas S.A.	Board member and managing director
Securisol S.A.	Board member and managing director
Sol Melia Travel S.A.	Secretary
Tenerife Sol S.A.	Board member and managing director
Credit Control de Riesgos S.L. (soc. unip.)	Board member
Sol Meliá Vacation Club España S.L.	Secretary and managing director
Sol Meliá Vacation Network S.L.	Secretary
Calimarest S.L.	Secretary
Travel Dynamic Solutions S.A.	Board member
Hogares Batle, S.A.	Board member
Dominios Compartidos S.A.	Chairman and managing director
Nexprom S.A.	Chairman

INTERNATIONAL COMPANIES

MR. GABRIEL ESCARRER JULIA (NIF 41.160.706 K)

COMPANY	COUNTRY	POSITION
Bear S.A. de C.V.	Mexico	Vicechairman of the Board
Bisol Vallarta S.A. de C.V.	Mexico	Chairman of the Board
Cala Formentor S.A. de CV	Mexico	Chairman
Caribohotels de México S.A. de CV	Mexico	Board member
Corporación Hotelera Hispano Mexinaca S.A.	Mexico	Chairman
Corporación Hotelera Metor S.A.	Peru	Chairman
Detur Panamá S.A.	Panama	Chairman Director
Gesmesol S.A.	Panama	Chairman
Grupo Sol Asia Ltd.	Hong Kong	Directly liable administrator
Hoteles Meliá Internacional de Colombia S.A.	Colombia	Directly liable administrator
Inversiones Turísticas del Caribe S.A..	Panama	Chairman
Lomondo Limited	Great Britain	Directly liable administrator
MIH S.A.	Panama	Chairman
Marina Internacional Holding S.A.	Panama	Chairman
Marktur Turizm Isletmecilik A.S.	Turkey	Administrator
Melsol Management BV	Holland	Directly liable 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.	Dominican Republic	Chairman
Sol Melia VC Panamá S.A.	Panama	Director

MR. SEBASTIÁN ESCARRER JAUME (NIF 43.040.129 E)

COMPANY	COUNTRY	POSITION
Bisol Vallarta S.A. de CV	Mexico	Board member
Cadlo France SAS	France	Board member
Cadstar France SAS	France	Board member
Cala Formentor S.A. de CV	Mexico	Board member
Compagnie Tunisienne de Gestion Hoteliere S.A.	Tunisia	Board member
Caribohotels de México S.A. de CV	Mexico	Director
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Board member
Corporación Hotelera Metor S.A.	Peru	Vicechairman
Desarrollos Sol S.A.	Dominican Republic	Chairman and treasurer
Detur Panamá S.A.	Panama	Director Secretary
Gesmesol S.A.	Panama	Treasurer
Hotel Alexander SAS	France	Board member
Hotel François SAS	France	Board member
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator Chairman
Inversiones Agara S.A.	Dominican Republic	Chairmand and treasurer
Inversiones Inmobiliarias IAR, C.A.	Venezuela	Directly liable administrator
Irton Company N.V.	Netherland Antilles	Administrator
Lomondo Limited	Great Britain	Directly liable administrator
MIH S.A.	Panama	Secretary
Marina Internacional Holding S.A.	Panama	Secretary
Meliá Inversiones Americanas N.V.	Holland	Jointly liable administrator
Melia Management S.A.	Dominican Republic	Chairman treasurer
Melsol Portugal Gestao Hoteleira Limitada	Portugal	Directly liable administrator
Neale S.A.	Panama	Treasurer
Operadora Costa Risol S.A.	Costa Rica	Vicechairman and treasurer
Operadora Mesol S.A. de CV	Mexico	Board member
PT Sol Meliá Indonesia	Indonesia	Commissioner
Sol Melia Commercial	Cayman Islands	Director
Sol Melia China Limited	P.R. China	Administrator
Sol Melia Croacia	Croatia	Administrator
Sol Melia Deutschland GmbH	Germany	Directly liable administrator
Sol Melia Europe BV	Holland	Directly liable administrator
Sol Melia Finance Limited	Cayman Islands	Authorised director
Sol Melia Services S.A.	Switzerland	Administrator chairman
Segunda Fase Corporación	Puerto Rico	Vicechairman
Sol Melia Fribourg S.A.	Switzerland	Chairman/Administrator
Sol Melia Vacation Club Dominicana S.A.	Dominican Republic	Vicechairman
Sol Melia VC Panamá S.A.	Panama	Director
Sierra Parima S.A.	Dominican Republic	Chairman
Guarajuba S.A.	Panama	Director/Chairman
Hellenic Hotel Management Hotel and Commercial S.A.	Greece	Chairman
Sol Meliá Funding	Cayman Islands	Director

MR. GABRIEL JUAN ESCARRER JAUME (NIF. 43.070.810 K)

COMPANY	COUNTRY	POSITION
Bisol Vallarta S.A. de C.V.	Mexico	Board member
Abbayé de Téleme SAS	France	Chairman of the Board
Cadlo France SAS	France	Chairman of the Board
Cadstar France SAS	France	Chairman of the Board
Cala Formentor S.A. de CV	Mexico	Board member
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Board member
Corporación Hotelera Metor S.A.	Peru	Director
Desarrollos Hoteleros San Juan B.V.	Holland	Directly liable administrator
Desarrollos Sol S.A.	Dominican Republic	Vicechairman and secretary
Dominican Investment NV	Netherland Antilles	Administrator
Dominican Marketing & Services N.V.	Netherland Antilles	Directly liable administrator
Farandole B.V.	Holland	Directly liable administrator

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COMPANY	COUNTRY	POSITION
Gesmesol S.A.	Panama	Board member
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	Directly liable administrator
Inmotel Inversiones Italia S.r.L.	Italy	Sole Administrator
Inversiones Agara S.A.	Dominican Republic	Vicechairman and secretary
Inversiones Inmobiliarias IAR 1997 C.A.	Venezuela	Directly liable administrator
Irton Company N.V.	Netherland Antilles	Administrator
Lomondo Limited	Great Britain	Directly liable administrator
Hotel Madeleine Palace SAS	France	Chairman of the Board
MIH S.A.	Panama	Treasurer
Marina Internacional Holding S.A.	Panama	Treasurer
Markserv B.V.	Holland	Directly liable administrator
Meliá Inversiones Americanas N.V.	Holland	Jointly liable administrator
Melia Management S.A.	Dominican Republic	Vicechairman and secretary
Melsol Management BV	Holland	Directly liable administrator
Melsol Portugal Gestao Hoteleira Limitada	Portugal	Directly liable administrator
Neale S.A.	Panama	Chairman
Operadora Mesol S.A. de CV	Mexico	Board member
PT Sol Meliá Indonesia	Indonesia	Chairman
Punta Cana Reservation NV	Netherland Antilles	Administrator
San Juan Investment BV	Holland	Administrator
Segunda Fase Corporation	Puerto Rico	Administrator
Sol Melia France SAS	France	Chairman of the Board
Sol Group BV	Holland	Directly liable administrator
Sol Maninvest BV	Holland	Directly liable administrator
Sol Melia China Limited	P.R. China	Administrator
Sol Melia Deutschland GmbH	Germany	Directly liable administrator
Sol Melia Investment NV	Holland	Directly liable administrator
Sol Melia Italia S.R.L.	Italy	Sole administrator
Sol Melia Suisse S.A.	Switzerland	Administrator chairman
Inmobiliaria Distrito Comercial CA	Venezuela	Chairman
Sol Melia Vacation Club Dominicana S.A.	Dominican Republic	Secretary
Sol Meliá VC Panamá S.A.	Panama	Director
Guarajuba S.A	Panama	Director/Secretary

The direct or indirect shareholding controlled by members of the Board is the following:

SHAREHOLDER	PARTICIPATION	POSITION
Mr. Gabriel Escarrer Juliá Mr. Sebastián Escarrer Jaume Mr. Gabriel Escarrer Jaume	61.25% (*)	Chairman 2nd Vice-Chairman Managing Director
Hoteles Mallorquines Consolidados, S.A:	28.07% (**)	Director with representative
Caja de Ahorros del Mediterráneo:	6.01%	Director with representative
Mr. Jose Maria Lafuente Lopez:	0.001%	Secretary

(*) *It should be noted that the calculation of this percentage is based on the participation, both direct and indirect, controlled by Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Juan Escarrer Jaume) in the share capital of Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Agrupados, S.L., Hoteles Mallorquines Asociados, S.L. and Majorcan Hotels Luxembourg, S.A.R.L.*

(**) *This percentage is also included in the participation of 61.25% mentioned above.*

The participation and positions held by other members of the Board in companies not belonging to the Group that undertake the same, similar or complementary activities to that of Sol Meliá, S.A. is as follows:

ADMINISTRATOR	COMPANY	PARTICIPATION	POSITION
Emilio Cuatrecasas Figueras	Areas, S.A.	30%	Executive Chairman
José Mª Lafuente López	Niamey, S.A.	1%	
José Mª Lafuente López	Inivisa, S.L.	1%	-
José Mª Lafuente López	Conta 96, S.L.	1%	-
José Mª Lafuente López	Fontsalada 96,S.L.	1%	-
José Mª Lafuente López	Calamita 96, S.L.	1%	-
José Mª Lafuente López	Canamunt, S.L.	1%	-
Juan Vives Cerdá	Finca Los Naranjos, S.A.	27.88 %	Directly liable administrator

Sol Meliá

NOTES TO THE 2007 CONSOLIDATED ANNUAL ACCOUNTS

FORMULATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The formulation of the accompanying financial statements has been approved by the Board of Directors, in its meeting of March 31, 2008, with the assumption that the auditors will verify these accounts and that they will subsequently be approved at the General Shareholders' Meeting.

The undersigned administrators confirm that, to the best of their knowledge, the financial statements have been prepared according to the accounting standards applicable and they give a true and fair view of the Sol Meliá Group's equity, financial position and results.

These accounts are comprised of 90 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 by: Mr. Gabriel Escarrer Juliá
Chairman

Signed by: Mr. Juan Vives Cerdá
Vice- chairman

Signed by: Mr. Sebastián Escarrer Jaume
2nd Vice-chairman and managing director

Fdo. D. Gabriel Escarrer Jaume
Managing director

Signed by Hoteles Mallorquines Consolidados, S.A.
(Rep. by Mrs. María Antonia Escarrer Jaume)
Director

Signed by Caja de Ahorros del Mediterráneo
(Rep. by Mr. Armando Sala Lloret)
Director

Signed by: Mr. Eduardo Punset Casal
Independent director

Signed by: Mr. Alfredo Pastor Bodmer
Independent director

Signed by: Mr. Emilio Cuatrecasas Figueras
Independent director

Signed by: Mr. José María Lafuente López
Secretary and independent director

Mr. José Mª Lafuente López
Secretary

Management Report

This report analyses trends experienced in 2007 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

As of December 31, 2007, Sol Meliá has a total of 6,017,581 treasury shares with a par value of 0.2 euros each, which represent 3.26% of the Company's share capital.

2. Business Trend

2.1 Hotel Trend

The income ratio per room available (RevPAR) in the owned and rented hotels has increased by 6.0% during 2007, due to the upward trend experienced in the European cities and in the Americas Division.

With regard to the European Resort Division, RevPAR has increased by 4.4% during the year. The regions which have experienced the best results have been the Balearic Islands, Alicante and the Costa del Sol. The company's main challenge has been the Canary Islands, although the trend has begun to change there in the last quarter of 2007.

The RevPAR of the European City Division has increased by 8.6% due to the positive trend in Spain and the main European cities (London, Berlin, Paris and Milan). The growth of the RevPAR in the Spanish cities has arisen due to the positive trend in Madrid and Barcelona together with that of the Balearic Islands, Valencia and Seville. Regarding brand segmentation, the Premium achieved the best results, followed by Tryp and Meliá. The greatest increases for the year, outside Spain, have been in Berlin, London, Milan and Paris.

In the Americas Division, the RevPAR increased by 3.5% taking the euro as a basis currency (14.9% taking the US dollar as a basis currency), mainly due to the positive evolution of the hotels in the Dominican Republic. The hotels in Puerto Rico and Cancun are undergoing a positive evolution and are aiming to achieve their market niche and to consolidate their recent change of brand name.

Hotels Statistics 07/06 (RevPAR and A.R.R. in Euros)

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

(1) The RevPar trend using the US dollar as a basis has been 14.9%.
(2) Without taking the effect of the exchange rate into account, the RevPar would have increased by 8.1%.

The breakdown of the growth components in room revenues for hotels owned and leased by the Group is shown in the table below:

Breakdown of total revenues per owned/leased room 07/06

% INCREMENTO DIC.07/DIC.06	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
Revpar	4.4%	8.6%	3.5%	6.0%
Available rooms	(1.7%)	2.1%	14.5%	2.7%
Revenues per room	0.3%	10.6%	18.4%	8.8%

In the European Resort Division the drop in available rooms has been due to the renovations taking place in the Magalluf Park and the sale of the Hotel Vista Sol.

The 2% increase in the European Cities Division is mainly due to the incorporation of the Innside hotel chain in Germany during the last quarter of the year and the incorporation of the hotels Meliá Berlín and ME Madrid Reina Victoria. These openings have been compensated by the sale of the Hotel Meliá Rey Don Jaime and the refurbishment process in the Hotel Meliá Madrid Princesa, the Hotel Meliá Sevilla and the Hotel Gran Meliá Colón.

In the Americas Division, the rise in rooms available is due to the increase in the capacity of the Hotel ME Cancún and Hotel Gran Meliá Cancún, after the renovations undertaken following Hurricane Wilma in Cancun.

Revenues by Divisions 07/06. Owned and rented hotels.

(in thousands of euros)

% Dec.07/Dec.06	EUROPEAN RESORT			EUROPEAN CITY			AMERICAS			TOTAL		
	2007	% 07/06	2006	2007	% 07/06	2006	2007	% 07/06	2006	2007	% 07/06	2006
Rooms	176.7	0.3%	176.2	348.8	10.6%	315.2	114.7	18.4%	96.8	640.2	8.8%	588.2
Food & Beverage	103.0	3.5%	99.5	110.3	3.0%	107.1	127.1	14.7%	110.8	340.4	7.3%	317.3
Other Revenues	14.0	9.3%	12.8	31.7	6.3%	29.8	31.6	(11.8%)	35.8	77.3	(1.5%)	78.4
TOTAL REVENUES	***293.7***	***1.8%***	***288.5***	***490.8***	***8.5%***	***452.1***	***273.4***	***12.3%***	***243.4***	***1,057.9***	***7.5%***	***984.0***

2.2 Assets management evolution

The trend of the Assets Management Division includes both asset rotation and the Sol Meliá Vacation Club business.

2.2.1 Asset Rotation

Throughout 2007, the Sol Meliá companies have sold assets amounting to 124 million euros.

Regarding investments, during the third quarter of the year the Company has acquired the hotel chain Innside. As a result of this acquisition, Sol Meliá increases its presence in the main German cities: Munich, Frankfurt, Bremen and Dusseldorf. To date, Innside operates 8 hotels and 1,072 rooms and plans to open three more hotels on a rental basis between 2008 and 2010.

2.2.2 Sol Meliá Vacation Club (SMVC)

The total revenues of Sol Meliá Vacation Club (SMVC) have amounted to 109.3 million euros (+26%). These sales are mainly due to the positive trend in the Dominican Republic (40.7% on total sales), Puerto Rico (17.4%), the Hotel Gran Meliá Cancún (12.3%) and the Hotel Gran Meliá Salinas (12%). During 2007, the number of weeks sold has increased by 25.4%, while the average price has fallen by 3.1% mainly due to the strength of the euro with respect to the dollar (taking the dollar as a basis currency, the average price would have increased by 5.6%). This amount includes, in addition to the Vacation Club sales, the revenues from the interest arising from the purchase, maintenance quotas, management fees and exchange network fees, among others. The reduction in the average price is due to the movement of the exchange rates and the sale of more medium/low season contracts in 2007.

Sol Melia Vacation Club (SMVC)

(in thousands of euros)

	NUMBER OF WEEKS SOLD			EQUIVALENT NUMBER OF CLUB UNITS			AVERAGE PRICE (IN UNITS OF €)			VACATION CLUB SALES (IN THOUSANDS OF €)		
	2007	% 07/06	2006	2007	% 07/06	2006	2007	% 07/06	2006	2007	% 07/06	2006
Europe	507.0	24.0%	409.0	9.9	23.8%	8.0	19,334	(0.0%)	19,335	9,803	24.0%	7,908
America	3,784.5	25.6%	3,012.0	72.8	25.7%	57.9	14,857	(3.6%)	15,418	56,226	21.1%	46,438
TOTAL	***4,291.5***	***25.4%***	***3,421.0***	***82.7***	***25.4%***	***65.9***	***15,386***	***(3.1%)***	***15,886***	***66,028***	***21.5%***	***54,346***

3. Post Balance-sheet Events

On February 11, 2008, the Group cancelled the Equity Swap contract through the payment of 5.7 million euros (see Note 15.3 of the accompanying Notes).

On February 28, 2008, in order to celebrate Investor Day, Sol Meliá called a meeting with Stock Exchange analysts and investors. During said event the 2007 Annual Results and the 2008-2010 Strategic Plan were presented. On February 29, the same event was repeated with the banking sector.

On February 28, 2008, the Parent Company of the Group has arranged a loan for 50 million euros with the bank entity Natixis.

On March 4, 2008, the rating agency Moody's announced that Sol Meliá's Baa3 credit rating is being maintained but is under review.

Following closing for the year 2007, the Group's controlling shareholder has increased his participation in the Parent company to 62.818%.

4. Foreseeable Outlook

Despite the recession in the real estate market and the negative trend in the euro-dollar exchange rate, within the framework of the 2008-2010 Strategic Plan and the new Organisational Model, Sol Meliá is undertaking a series of initiatives and investments in order to boost the Company's improvement and growth.

The evolution of the European Resort Division will, foreseeably, be linked to the favourable results achieved following negotiations with the four main tour-operators and the favourable development of the on-line tour operators, which compensates the decline of the traditional tour operators. Moreover, in 2008 the Company will have as a positive aspect the increase in diversification of clientele by geographic area, which is mainly due to the opening up of the Eastern European markets.

Regarding the European City Division, the Company has noted stability in the main European cities and expects that in 2008 the trend will respond to the increase in negotiated prices with the Company's main Key Accounts. On the other hand, with regards to hotel supply, the deceleration in the creation of new hotels will foreseeably benefit Sol Meliá. Finally, we would like to highlight the favourable evolution expected to arise from sales aimed at the corporate sector, especially with the development of the Meeting Sol Meliá programme.

Forecasts for America are based on the favourable evolution of the hotels in the Dominican Republic. It is expected that the hotels located in Cancun in the area affected by Hurricane Wilma , the Hotel Gran Meliá Cancún and the Hotel ME Cancún, will continue to recover following their renovations and the brand changing process.

With regards to the Sol Melia Vacation Club, as we advanced in 2004 when the product was launched on the market, the Vacation Club business is much more resistant than the real estate market in general, as well as being less cyclical than the traditional hotel sector. For this reason, the company expects growth in the future.

From a financial point of view, Sol Meliá has closed the year in a stable financial position. With regard to the years to come, the business has a sufficient margin to deal with the Group's strategy for the next three years and the maturity of the convertible bond valued at 150 million euros in November 2008 as well as refinancing the debt.

Moreover, the Notes to the Consolidated Financial Statements contain more information on the risks and uncertainties to which the Group is exposed while undertaking its activities. The Company strives to minimise the adverse effects of said risks and uncertainties through risk management.

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 31, 2008.

The Board Members who have signed this sheet state that, to their knowledge, the management report includes a true analysis of the evolution and the business results, as well as the Group's position, together with a description of the main risks and uncertainties to which the Group is exposed.

This management report comprises 6 pages, all of them signed by the Secretary of the Board. This last page is signed by all the members of the Board.

Signed by: Mr. Gabriel Escarrer Juliá
Chairman

Signed by: Mr. Juan Vives Cerdá
Vice-Chairman

Signed by: Mr. Sebastián Escarrer Jaume
2nd Vice-chairman and Managing director

Signed by: Mr. Gabriel Escarrer Jaume
Managing Director

Signed by Hoteles Mallorquines Consolidados, S.A.
(Rep. by Mrs. María Antonia Escarrer Jaume)
Director

Signed by Caja de Ahorros del Mediterráneo
(Rep. by Mr. Armando Sala Lloret)
Director

Signed by: Mr. Eduardo Punset Casal
Independent Director

Signed by: Mr. Alfredo Pastor Bodmer
Independent Director

Signed by: Mr. Emilio Cuatrecasas Figueras
Independent Director

Signed by: Mr. José María Lafuente López
Secretary and Independent Director

Corporate Governance Annual Report for financial year ending 31 december 2007 for Sol Meliá S.A.

Palma de Mallorca, 31 March 2008

CONTENTS

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 2007 and was approved by the Board of Directors on 31 March 2008.

The regulation of Corporate Governance at SOL MELIÁ S.A. is contained within Company Bylaws, in the Regulations of the Board of Directors and in the Internal Code of 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 General Shareholders Meeting of 8 June 2004 approved the proposals of the Board of Directors to modify Company Bylaws and the Regulations of the General Shareholders Meeting. In compliance with article 115 of the Stock Market Law, the General Shareholders 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.

A. Company Ownership Structure

A.1 Complete the following table on company capital stock:

Date of last modification	Capital stock	Number of shares	Number of voting rights
20 November 2000	36,955,355.40.-	184,776,777	184,776,777

There are no different types of shares with any different associated rights.

A.2 Detail of Direct or indirect significant shareholders at close of year 2007, excluding members of the Board of Directors

Name	Number of voting right	Number of indirect voting rights	% of voting rights
HOTELES MALLORQUINES CONSOLIDADOS S.A.	51,871,167		28.07%
HOTELES MALLORQUINES AGRUPADOS S.L.	20,214,382		10.94%
HOTELES MALLORQUINES ASOCIADOS S.L.	30,333,066		16.42 %
MAJORCAN HOTELS LUXEMBOURG S.A.R.L.	10,766,007		5.83%

In 2007 there were no significant changes in share ownership structure.

On 17 January 2008 Fidelity International Limited reported to the Spanish Stock Exchange Commission the reduction in its significant participation, and at this time holds 3,365,909 shares, and thus 1.822% of the total voting rights.

A.3 Complete the following tables on the members of the Board of Directors with shares and voting rights: :

Name	Number of voting right	Number of indirect voting rights	% of voting rights
Gabriel Escarrer Juliá (*)	–	113,184,622	61.25(**)
Sebastián Escarrer Jaume (*)	–	–	–
Gabriel Juan Escarrer Jaume (*)	–	–	–
Juan Vives Cerdá	–	–	–
Hoteles Mallorquines Consolidados S.A.(***)	51,871,167	–	28.07
José María Lafuente López	1,380	–	0.0001
Alfredo Pastor Bodmer	–	–	–
Eduardo Punset Casals	–	–	–
Emilio Cuatrecasas Figueras	–	–	–
CAJA DE AHORROS DEL MEDITERRÁNO (****)	–	11,099,999	6.01

(*) See point A.4
(**) At the date of issue of this report, the number of indirect shares held by Gabriel Escarrer Juliá based on the criteria described in section A.4 was 116,073,450, 62.818%, of capital stock
No member of the Board has any rights in regard to company shares other than voting rights.
(***) The shares held by Hoteles Mallorquines Consolidados, S.A. are also included in the indirect percentage attributed to Gabriel Escarrer Juliá.
(****) Through:

Name	Number of direct voting rights	% of total direct voting rights
Inversiones Cotizadas del Mediterráneo S.L.	11,099,999	6.007

A.4 Indicate any 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.

Name	Type of relation	Brief description
Hoteles Mallorquines Consolidados S.A.	Family	The indirect shareholdings indicated in the previous table 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 indicated
Hoteles Mallorquines Agrupados S.L.		
Hoteles Mallorquines Asociados S.L.		
Majorcan Hotels Luxembourg S.A.R.L.		
		The shares these companies hold in SOL MELIA S.A. is indicated in point A.2.

A.5 Indicate any 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 2007 the Company held credit lines and loan contracts with the CAJA DE AHORROS DEL MEDITERRÁNEO to a value of 81.4 million euros with due dates between 2009 and 2016, representing 7.3% 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	517,306.71	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	15.08.1998	15.05.2009
Loan	6,708,928.55	MELIA INVERSIONES AMERICANAS, N.V.	12.03.2003	12.03.2011
Loan	4,893,403.07	LOMONDO LTD.	20.07.2000	20.01.2016
Loan	2,404,048.45	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	12.04.1999	12.04.2011
Loan	60,000,000.00	SOL MELIA, S.A.	19.01.2007	16.01.2014
Syndicated	6,857,142.86	SOL MELIA, S.A.	20.12.2004	20/07/2012

There are no other relevant commercial, contractual or shareholding relations between other significant shareholders and the Company.

A.6 Indicate if any quasi-corporate agreements between shareholders have been reported to the Company and which affect the company according to the criteria of article 112 of Stock Market Law. if any such exists, briefly describe them and name the shareholders affected by the agreements.

The Company is unaware of the existence of quasi-corporate agreements or concerted actions amongst its stockholders as they relate to the Company.

Indicate if the company is aware of concerted actions between Company shareholders.

No

A.7 Indicate if there is any person or entity which exercises or may exercise control over the Company according to article 4 of Stock Market Law.

Yes, Gabriel Escarrer Juliá (under the terms already mentioned in sections A.3. and A.4.).

A.8 Complete the following tables on treasury stock

At close of year 2007:

Number of direct shares	Number of indirect shares (*)	% of share capital
6,017,581	–	3.3%

Detail of the significant changes as expressed in Royal Decree 377/1991 made during the year:

Date of communication	Number of direct shares acquired	Number of indirect shares acquired (*)	% of share capital
23/01/2007	1,887,599		1.022
21/02/2007	1,850,288		1.001
13/04/2007	1,872,919		1.014
01/06/2007	1,917,287		1.038
10/08/2007	1,896,644		1.026
31/01/2007	1,877,580		1.016

Results obtained in the year on treasury stock operations	(in thousands of euros)
	63,155.46 euros

A.9 Describe the term and conditions of the existing mandate of the General Shareholders Meeting to the Board of Directors to acquire or transfer treasury stock.

The Ordinary and Extraordinary General Shareholders Meeting held on 5 June 2007 authorised the Board of Directors, who in turn may delegate and empower the Directors considered appropriate, to acquire and sell 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.

A.10 Indicate the legal and statutory restrictions on the exercise of voting rights, as well as the statutory restrictions on the acquisition or sale of holdings in the share capital.

There are no legal nor bylaw 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 General Shareholders 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 General Shareholders Meeting is held and have paid up any passive dividends and maintain ownership of said shares until the General Shareholders Meeting is held

Shareholders that possess a smaller number of shares than mentioned above may Group their shareholdings in order to attend the General Shareholders 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 General Shareholders Meeting to another shareholder entitled by law to attend and to represent another shareholder, grouping their shareholding with that of the mentioned representative.

A.11 Indicate whether or not the General Shareholders' Meeting has resolved to adopt anti-takeover measures in accordance with the provisions of Law 6/2007.

No

B. Structure of the Company Administration

B.1 Board of Directors

B.1.1 Outline the maximum and minimum number of Board Members provided for in the Company By-laws:

Maximum number of Board Members	15
Minimum number of Board Members	5

B.1.2 Complete the following table with the Board Members

Name or corporate name of the Board Member	Representative	Position	Date first appointment	Date last appointment	Election procedure
Gabriel Escarrer Juliá		Chairman	07.02.96	08.07.04	General Meeting
Sebastián Escarrer Jaume		Deputy Vice Chairman and CEO	07.02.96	06.06.06	General Meeting
Gabriel Juan Escarrer Jaume		CEO	07.04.99	05.06.07	General Meeting
Juan Vives Cerdá		Vice Chairman	07.02.96	08.07.04	General Meeting
Hoteles Mallorquines Consolidados S.A.	María Antonia Escarrer Jaume		23.10.00	06.06.06	General Meeting
José María Lafuente López		Secretary	02.07.96	06.06.06	General Meeting
Alfredo Pastor Bodmer			31.05.96	08.07.04	General Meeting
Eduardo Punset Casals			31.05.96	08.07.04	General Meeting
Emilio Cuatrecasas Figueras			31.05.96	06.06.06	General Meeting
CAJA DE AHORROS DEL MEDITERRÁNEO,	Armando Sala Lloret		30.03.05	30.03.05	By Board with ratification by General Meeting

Total number of Board Members	***10***

Resignations from the Board of Directors occurred during the period:

Name of Board Member	Position at resignation	Date of resignation
José Joaquín Puig de la Bellacasa Urdampilleta	Independent director	27 March 2007

B.1.3 Complete the following tables on the Board Members and their positions

EXECUTIVE DIRECTORS

Name	Committee which proposed the appointment	Position in the Company's organisation chart
Gabriel Escarrer Juliá	Appointed before creation of Committees	Chairman
Sebastián Escarrer Jaume	Appointed before creation of Committees	Deputy Vice Chairman and CEO
Gabriel Juan Escarrer Jaume	Appointed before creation of Committees	CEO

Total number of executive directors	***3***
Total % of the Board	***30%***

PROPRIETARY & EXTERNAL DIRECTORS

Name or corporate name	Committee which proposed appointment	Name or corporate name of significant shareholder represented or that proposed his appointment
Juan Vives Cerdá	Appointed before creation of Committees	Hoteles Mallorquines Asociados S.L.
Hoteles Mallorquines Consolidados S.A.	Appointed before creation of Committees	Hoteles Mallorquines Consolidados S.A.
Caja de Ahorros del Mediterraneo	Appointed before creation of Committees	Inversiones Cotizadas del Mediterráneo S.L.
Total number of proprietary directors	***3***	
Total % of Board	***30%***	

INDEPENDENT NON EXECUTIVE DIRECTORS

Name or corporate name	Profile
José María Lafuente López	Doctor of Law Professor of Commercial Law at the Universitat de les Illes Balears Retired State Inspector of Finance Director of Lafuente Abogados
Alfredo Pastor Bodmer	Quantity Surveyor graduate at Escuela Técnica de Aparejadores de Barcelona. Seminar in Financial Analysis for Senior Management (Centro de Estudios Superiores de Alicante) Entrepreneurial management for Construction Companies (Centro de Estudios Superiores de Alicante and Colegio Oficial de Aparejadores y Arquitectos Técnicos de Alicante) Senior Management Programme for Chairmen and Senior Executives at Fundesem Business School Director of the EDI Grupo Inmobiliario Group Vice Chairman of the Board of Directors of Caja de Ahorros del Mediterráneo Chairman of the Territorial Board of the CAM in Alicante. Vice Chairman of the CAM Foundation Vice Chairman of the Board of Directors of GRUPOMED S.A. Chairman of the Board of Directors of ABBEY INTERNATIONAL BANK S.A. 1998-1999. Chairman of the Board of Directors of GESFINMED S.A. 1999-2007, as Vice Chairman. Chairman of the Investment Committee of Inversiones de Caja Mediterráneo Vice Chairman of the Board of Directors of INCOMED. Member of the following foundations and organisations: Alicante Archaeological Museum, Ibi Toy Museum, Foundation for business development, Business and University Foundation, Noray Foundation.
Eduardo Punset Casals	Graduate in Law at the Universidad de Madrid y Masters in Science at London University. Professor at various institutions and director of the TV programme REDES on scientific publications. Chairman of the multimedia production company AGENCIA PLANETARIA. Assistant Director of Economic and Financial Studies at the Banco Hispano Americano From 1980 to 1981 he was Minister of European Union Relations
Emilio Cuatrecasas Figueras	Graduate in Law from Universidad de Navarra. Chairman of CUATRECASAS ABOGADOS. Chairman of AREAS Member of the Consultative Board of FOMENTO DEL TRABAJO NACIONAL. Chairman of the Cuatrecasas Foundation. Chairman of the Saint Pauls Foundation Chairman of APD ZONA MEDITERRANEA Vice Chairman of APD Patron of FUNDACIO SENY Patron of FUNDACION DE ESTUDIOS FINANCIEROS Patron of INSTITUT D'EDUCACIO CONTINUA Member of the Social Board of UIC
Total number of independent non-executive directors ***4***	
Total % of the Board ***40%***	

OTHER NON EXECUTIVE DIRECTORS

Name or corporate name	Committee which proposed appointment

Indicate the reasons why they cannot be considered proprietary or independent and their relations, either to the company, its management or its shareholders:

B.1.4 If applicable, explain the reasons for appointing a proprietary director at the request of shareholders who have a holding of less than 5% of the share capital:

This case has not arisen at Sol Meliá.

B.1.5 Indicate whether any Board Member resigned from office before the end of his term, whether he gave reasons to the Board for doing so, and by what means, and in the case that these reasons were not given to the whole of the Board in writing, provide an explanation of at least the reasons he gave for resigning:

Name of Board Member	Reason for resigning
José Joaquín Puig de la Bellacasa Urdampilleta	Personal reasons

B.1.6. If applicable, indicate any powers delegated to the Chief Executive Officers:

Name of Board Member	Brief description
Sebastián Escarrer Jaume	All powers corresponding to the Board in accordance with the Law and Company By-laws
Gabriel Escarrer Jaume	All powers corresponding to the Board in accordance with the Law and Company By-laws

Article 38 of Company Bylaws state that all of the powers corresponding to the Board may be delegated, except:

(a) The presentation of Company accounts and balance sheet to the General Shareholders Meeting.
(b) The powers that the General Shareholders 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.

B.1.7 If applicable, identify the Board Members who hold the position of director or other executive positions at companies in the same group as the SOL MELIA Group.

SPANISH COMPANIES

Board Member: GABRIEL ESCARRER JULIA

COMPANY NAME	POSITION
Apartotel S.A.	Chairman
Apartotel Bosque S.A.	Spokesperson representing Sol Meliá S.A.
Casino Tamarindos S.A. (Sociedad Unipersonal)	Chairman and CEO
Dorpan S.L.	Sole Administrator
Gest.Hot.Turística Mesol S.A. (Sociedad Unipersonal)	Joint Administrator
Hotel Bellver S.A.	Chairman
Hoteles Sol Meliá S.L.	Chairman
Hoteles Sol S.L.	Chairman
Hoteles Meliá S.L.	Chairman
Hoteles Paradisus XXI S.L.	Chairman
Hoteles Tryp XXI, S.L.	Chairman
Inversiones y Explotaciones Turísticas S.A.	Chairman
Moteles Andaluces S.A.	Chairman
Parque San Antonio S.A.	Chairman and CEO
Realizaciones Turísticas S.A.	Chairman and CEO
Securisol S.A.	Chairman and CEO
Tenerife Sol S.A.	Chairman and CEO
Credit Control de Riesgos S.L.(Sociedad Unipersonal)	Chairman
Hogares Batle, S.A.	Chairman and CEO

Board member: SEBASTIÁN ESCARRER JAUME

COMPANY NAME	POSITION
Casino Tamarindos S.A. (soc. unip.)	Secretary
Hantinsol Resort, S.A.	Spokesperson and CEO
Hotel Bellver S.A.	Spokesperson
Hotel Convento de Extremadura S.A.	Chairman representing Sol Meliá S.A.
Hoteles Sol Meliá S.L.	Secretary
Hoteles Sol S.L.	Secretary
Hoteles Meliá S.L.	Secretary
Hoteles Paradisus XXI S.L.	Secretary
Hoteles Tryp XXI, S.L.	Secretary
Lifestar Hoteles España, S.L.	Chairman
Parque San Antonio S.A.	Secretary
Sol Melia Travel S.A.	Chairman and CEO
Tenerife Sol S.A.	Spokesperson and Secretary
Credit Control de Riesgos S.L. (soc. unip.)	Secretary
Sol Meliá Vacation Club España S.L.	Chairman and CEO
Sol Meliá Vacation Network España S.L.	Chairman
Colón Verona S.A.	Chairman
Nyesa Meliá Zaragoza S.L.	Chairman
Calimarest S.L.	Chairman
Inversiones Hoteleras La Jaquita S.A	Chairman
Havana Sol Restauración, S.A.	Chairman
Hogares Batle, S.A.	Secretary
Dominios Compartidos, S.A.	Chairman and CEO

Board member: GABRIEL JUAN ESCARRER JAUME

COMPANY NAME	POSITION
Apartotel S.A.	Spokesperson and CEO
Casino Tamarindos S.A. (soc. unip.)	Vice Chairman and CEO
Gest.Hot.Turística Mesol S.A. (soc. unip)	Joint Administrator
Hotel Bellver S.A.	Chairman
Hotel Convento de Extremadura S.A.	Vice Chairman
Hoteles Sol Meliá S.L.	Spokesperson and CEO
Hoteles Sol S.L.	Spokesperson and CEO
Hoteles Meliá S.L.	Spokesperson and CEO
Hoteles Paradisus XXI S.L.	Spokesperson and CEO
Hoteles Tryp XXI, S.L.	Spokesperson and CEO
Inversiones y Explotaciones Turísticas S.A.	Spokesperson and CEO
Lifestar Hoteles España, S.L.	Spokesperson
Moteles Andaluces S.A.	Spokesperson and CEO
Parque San Antonio S.A.	Vice Secretary and CEO
Playa Salinas S.A.	Sole Administrator
Promedro S.A.	Chairman
Realizaciones Turísticas S.A.	Spokesperson and CEO
Securisol S.A.	Spokesperson and CEO
Sol Melia Travel S.A.	Secretary
Tenerife Sol S.A.	Spokesperson and CEO
Credit Control de Riesgos S.L. (soc. unip.)	Spokesperson
Sol Meliá Vacation Club España S.L.	Secretary CEO
Sol Meliá Vacation Network S.L.	Secretary
Calimarest S.L.	Secretary
Travel Dynamic Solutions S.A.	Spokesperson
Hogares Batle, S.A.	Spokesperson
Dominios Compartidos S.A.	Chairman and CEO
Nexprom S.A.	Chairman

INTERNATIONAL COMPANIES

Board member: GABRIEL ESCARRER JULIA

COMPANY NAME	NATIONALITY	POSITION
Bear S.A. de C.V.	Mexico	Vice Chairman of the Board
Bisol Vallarta S.A. de C.V.	Mexico	Chairman of the Board
Cala Formentor S.A. de CV	Mexico	Chairman
Caribohotels de Mexico S.A. de CV	Mexico	Director
Corporación Hotelera Hispano Mexinaca S.A.	Mexico	Chairman
Corporación Hotelera Metor S.A.	Peru	Chairman
Detur Panama S.A.	Panama	Director Chairman
Gesmesol S.A.	Panama	Chairman
Grupo Sol Asia Ltd.	Hong Kong	Joint Administrator
Hoteles Meliá International de Colombia S.A.	Colombia	Joint Administrator
Inversiones Turísticas del Caribe S.A..	Panama	Chairman
Lomondo Limited	Great Britain	Joint Administrator
MIH S.A.	Panama	Chairman
Marina International 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.	Dominican Rep.	Chairman
Sol Melia VC Panama S.A.	Panama	Director

Board member: SEBASTIÁN ESCARRER JAUME

COMPANY NAME	NATIONALITY	POSITION
Bisol Vallarta S.A. de CV	Mexico	Spokesperson
Cadlo France SAS	France	Spokesperson
Cadstar France SAS	France	Spokesperson
Cala Formentor S.A. de CV	Mexico	Spokesperson
Compagnie Tunisienne de Gestion Hoteliere S.A.	Tunisia	Spokesperson
Caribohotels de Mexico S.A. de CV	Mexico	Director
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Spokesperson
Corporación Hotelera Metor S.A.	Peru	Vice Chairman
Desarrollos Sol S.A.	Dominican Rep.	Chairman and Treasurer
Detur Panama S.A.	Panama	Director Secretary
Gesmesol S.A.	Panama	Treasurer
Hotel Alexander SAS	France	Spokesperson
Hotel François SAS	France	Spokesperson
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator Chairman
Inversiones Agara S.A.	Dominican Rep.	Chairman and Treasurer
Inversiones Inmobiliarias IAR, C.A.	Venezuela	Joint Administrator
Irton Company N.V.	Dutch Antilles	Administrator
Lomondo Limited	Great Britain	Joint Administrator
MIH S.A.	Panama	Secretary
Marina International Holding S.A.	Panama	Secretary
Meliá Inversiones Americanas N.V.	Holland	Joint Administrator
Melia Management S.A.	Dominican Rep.	Chairman Treasurer
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
PT Sol Meliá Indonesia	Indonesia	Commissar
Sol Melia Commercial	Cayman Islands	Director
Sol Melia China Limited	China	Administrator
Sol Melia Croacia	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 Fribourg S.A.	Switzerland	Chairman/Administrator
Sol Melia Vacation Club Dominicana S.A.	Dominican Rep.	Vice Chairman
Sol Melia VC Panama S.A.	Panama	Director
Sierra Parima S.A.	Dominican Rep.	Chairman
Guarajuba S.A.	Panama	Director/Chairman
Hellenic Hotel Management Hotel and Commercial S.A.	Greece	Chairman
Sol Meliá Funding	Cayman Islands	Director

Board member: GABRIEL JUAN ESCARRER JAUME

COMPANY NAME	NATIONALITY	POSITION
Bisol Vallarta S.A. de C.V.	Mexico	Spokesperson
Abbayé de Téleme SAS	France	Chairman of the Board
Cadlo France SAS	France	Chairman of the Board
Cadstar France SAS	France	Chairman of the Board
Cala Formentor S.A. de CV	Mexico	Spokesperson
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Spokesperson
Corporación Hotelera Metor S.A.	Peru	Director
Desarrollos Hoteleros San Juan B.V.	Holland	Joint Administrator
Desarrollos Sol S.A.	Dominican Rep.	Vice Chairman and secretary
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 Inversiones Italy 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
Irton Company N.V.	Dutch Antilles	Administrator
Lomondo Limited	Great Britain	Joint Administrator
Hotel Madeleine Palace SAS	France	Chairman of the Board
MIH S.A.	Panama	Treasurer
Marina International Holding S.A.	Panama	Treasurer
Markserv B.V.	Holland	Joint Administrator
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
Operadora Mesol S.A. de CV	Mexico	Spokesperson
PT Sol Meliá Indonesia	Indonesia	Chairman
Punta Cana Reservation NV	Dutch Antilles	Administrator
San Juan Investment BV	Holland	Administrator
Segunda Fase Corporation	Puerto Rico	Administrator
Sol Melia France SAS	France	Chairman of the Board
Sol Group BV	Holland	Joint Administrator
Sol Maninvest BV	Holland	Joint Administrator
Sol Melia China Limited	China	Administrator
Sol Melia Deutschland GmbH	Germany	Joint Administrator
Sol Melia Investment NV	Holland	Joint Administrator
Sol Melia Italy S.R.L.	Italy	Sole Administrator
Sol Melia Suisse S.A.	Switzerland	Administrator Chairman
Inmobiliaria Distrito Comercial CA	Venezuela	Chairman
Sol Melia Vacation Club Dominicana S.A.	Dominican Rep.	Secretary
Sol Meliá VC Panama S.A.	Panama	Director
Guarajuba S.A	Panama	Director/Secretary

B.1.8 List, if applicable, of the Board Members of the Company who are members of the Board of Directors of other companies that are listed on official stock exchanges in Spain and which do not form part of the Company's Group and of which the Company is aware::

NAME OF BOARD MEMBER	LISTED COMPANY	POSITION
Eduardo Punset	TELVENT S.A.	Spokesperson of the Board of Directors and member of the Remuneration Committee

B.1.9 Indicate, and if applicable, explain whether the company has set rules regarding the number of Boards on which its Board Members may also be a member.

The company has set no such rules.

B.1.10 In relation to recommendation number 8 of the Unified Code, mark the Company's general policies and strategies which shall be approved by the Board in full:

	YES	NO
Investment and financing policy		X
Definition of the structure of the corporate group		X
Corporate governance policy		X
Corporate social responsibility policy		X
Strategic or business plan, as well as the annual management and budget objectives		X
Senior executive management evaluation and remuneration policies	X	
Risk control and management policy, and the periodic monitoring of internal information and control systems	X	
Policy on dividends and on treasury shares, and the limits to be applied	X	

B.1.11. Complete the following tables showing the total remuneration of the Board Members accrued during the financial year

The following is the aggregate amounts pertaining to the remuneration of Company Directors:

a) In SOL MELIA S.A.

NATURE OF REMUNERATION	FIGURES IN THOUSAND OF EUROS
Fixed remuneration	1,316.5 *
Variable remuneration	
Expenses	982.6
Statutory dues	-
Stock options and/or other financial instruments	-
Others	-
TOTAL	***2,299.1***

(*) Corresponds to salaries received by directors as company executives

OTHER BENEFITS	FIGURES IN THOUSAND OF EUROS
Advances	-
Loans	-
Pension funds and plans: Contributions	-
Pension funds and plans: Obligations assumed	-
Life insurance premiums	55
Guarantees arranged by the Company in favour of Board Members	-

b) Received by Board Members of the Company for belonging to other Boards of Directors and/or senior management of companies of the Group

NATURE OF REMUNERATION	FIGURES IN THOUSAND OF EUROS
Fixed remuneration	200.5
Variable remuneration	-
Expenses	-
Statutory dues	-
Stock options and/or other financial instruments	-
Others	-
TOTAL	***200.5***

OTHER BENEFITS	FIGURES IN THOUSAND OF EUROS
Advances	-
Loans	-
Pension funds and plans: Contributions	-
Pension funds and plans: Obligations assumed	-
Life insurance premiums	-
Guarantees arranged by the Company in favour of Board Members	-

c) Total compensation per type of Board Member

TYPE OF BOARD MEMBER	BY GROUP (THOUSAND OF EUROS)
Executive Directors	1,880.6
Proprietary & External Directors	264.4
Independent Non Executive Directors	354.6
Other Non Executive Directors	
TOTAL	***2,499.6***

d) In relation to profit attributed to the parent company:

Total Board Member remuneration (thousands of euros)	*2,499.6*
Total Board Member remuneration/ profit due to parent company (as %)	*1.54%*

B.1.12. Total remuneration accrued to the members of senior management during the financial year

NAME	POSITION
Hoddinott, Mark Maurice	PRODIGIOS-HBS E.V.P.
Del Olmo Piñero, Luis	GROUP MARKETING E.V.P.
Gerandeau Andre	HOTELS E.V.P.
Horno Octavio, Carlos	REAL ESTATE E.V.P.
Servera Andreu, Onofre	GROUP FINANCE E.V.P.
Total remuneration of senior management (thousand of euros)	***1.706,3***

Asimismo cabe reseñar que en el mes de Febrero 2007, se procedió al pago de la retribución variable dineraria, aprobada en la Junta Ordinaria y Extraordinaria de Accionistas de la Compañía de fecha 8 de Junio de 2004, la cual estaba referenciada al cumplimiento de los objetivos del Plan Director 2004-2006, y cuyo importe ascendió a 2.513.394,25 , para un total de 55 Directivos de la compañía.

B.1.13 Indicate on an aggregate basis if there are guarantee or protection clauses, in the case of dismissal or changes of control in favour of members of senior management, including the executive Board Members, of the Company or its Group.

There are no protection clauses in favour of any members of senior management.

B.1.14 Indicate the process for establishing the remuneration of the members of the Board of Directors and the statutory clauses relevant in this respect.

Article 37 of the Company Bylaws establishes 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 General Shareholders Meeting , without prejudice to the payment of the fees or remuneration that they may receive from the Company for professional services provided or derived from their own work, as is the case.

The Board of Directors may temporarily decide on its own remuneration, without prejudice to the subsequent required ratification by the General Shareholders Meeting , either explicitly or implicitly via the general approval of Company Accounts.

The Board of Directors may also unilaterally set in each fiscal year the specific amount to be received by 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) 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 General Shareholders 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.

Mark whether the Board in full shall take these decisions:

	YES	NO
At the request of the senior company executive, the appointment and eventual stepping down of senior executives and related compensation clauses;	x	Not with respect to compensation clauses
The remuneration of the Board Members and if applicable, extra remuneration for executive and other functions that the contracts should respect.	x	

B. 1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the issues it deals with.

Yes.

	YES	NO
The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to.	x	
Variable pay items	x	
Main characteristics of provision systems, and estimate of its equivalent annual cost	x	
The conditions to be respected in the contracts of executive directors exercising senior management functions	x	

B.1.16 Indicate whether the Board submits a consultative report on the Board Members' remuneration policy to the vote of the General Shareholders' Meeting, as a separate point on the Agenda. If appropriate, explain the parts of the report relating to the remuneration policy approved by the Board for future years, the most significant changes in remuneration policy with respect to the previous year and an overall summary of how the remuneration policy was applied in the year. Detail the role of the Remuneration Committee and the identity of any external advisors retained.

The Board does not submit a consultative report on the Board Members' remuneration policy to the vote of the General Shareholders' Meeting.

Role of the 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.

In 2007 the Committee has not used any external advisors.

B.1.17 Indicate the identity of any Board Members that are, at the same time, Board Members or executives at companies who hold significant shareholdings in the SOL MELIA and/or entities in the Group.

NAME OR CORPORATE NAME OF THE BOARD MEMBER	CORPORATE NAME OF THE SIGNIFICANT SHAREHOLDER (POSITION)
Hoteles Mallorquines Consolidados S.A.	Gabriel Escarrer Juliá (Chairman and CEO)
	Gabriel Escarrer Jaume (spokesperson)
	Sebastián Escarrer Jaume (Secretary)
	María Antonia Escarrer Jaume (spokesperson)
Hoteles Mallorquines Agrupados S.L.	Gabriel Escarrer Juliá (Chairman)
	Gabriel Escarrer Jaume (Secretary)
	Sebastián Escarrer Jaume (spokesperson and CEO)
	María Antonia Escarrer Jaume (spokesperson)
Hoteles Mallorquines Asociados S.L.	Gabriel Escarrer Juliá (Chairman)
	Gabriel Escarrer Jaume (Secretary and CEO)
	Sebastián Escarrer Jaume (spokesperson and CEO)
	María Antonia Escarrer Jaume (spokesperson)
Majorcan Hotels Luxembourg S.A.R.L.	Gabriel Escarrer Jaume (Joint Administrator)

Detail of any relevant relationships, other than those contemplated in the chart above, which could bind any board members with significant shareholders and/or their group companies:

NAME OR CORPORATE NAME OF THE RELATED BOARD MEMBER	NAME OR CORPORATE NAME OF THE RELATED SIGNIFICANT SHAREHOLDER	DESCRIPTION OF RELATIONSHIP
Gabriel Escarrer Juliá	Hoteles Mallorquines Consolidados S.A.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Juan Escarrer Jaume) have shares in the capital of the companies named, and are majority shareholders of all of them.
Gabriel Escarrer Jaume	Hoteles Mallorquines Agrupados S.L.	
Sebastián Escarrer Jaume	Hoteles Mallorquines Agrupados S.L.	
María Antonia Escarrer Jaume	Majorcan Hotels Luxembourg S.A.R.L.	

B.1.18 Indicate whether any amendments have been made to the Rules of the Board of Directors during the financial year

The current Rules were approved by the Board on 18 September 2007. The full text of the Rules may be viewed on the company website.

Description of Amendments

In the Board meeting of 18 September 2007 an Amendment was made to include in the Regulations of the Board a new article 16 Bis which regulates the constitution and operation of the Strategy Committee.

B.1.19 Indicate the procedures for appointment, re-election, evaluation and removal of Board Members. Detail the competent bodies, the steps to follow and the criteria to use in each of the procedures.

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 with reports (depending on the type of director) or to the General Meeting if they must be selected by the latter.

.1.20 Indicate the events in which Board Members 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 all Board members.

B.1.21 State whether the function of the Chief Executive Officer of the company rests with the Chairman of the Board. If this is the case, indicate the measures that have been taken to limit the risks of accumulation of powers in a single person.

The Chairman of the Board is not the senior executive in the company.

Indicate if any rules have been stipulated empowering any of the independent Board Members to request the calling of Board meetings or the inclusion of new items on the agenda, to coordinate and voice the concern of external Board Members and to direct an evaluation by the Board of Directors.

No.

Article 17.1 of the Regulations of the Board only foresees a request for a calling of Board meetings from at least one third of the Directors.

B.1.22 Are higher majorities required, different from the legal majority, in any type of decision?

No.

Indicate how resolutions are adopted by the Board of Directors, identifying at least, the minimum quorum of attendance and the type of majority to adopt resolutions:

ADOPTION OF RESOLUTIONS		
DESCRIPTION OF RESOLUTION	QUORUM	TYPE OF MAJORITY
	The Board will be validly constituted when the Meeting is attended, directly or represented by another, director, by the majority of its members, amongst which there must at least be one independent director.	Resolutions are adopted by an absolute majority of the directors present or represented at the Meetings. In the case of a tie, the Chairman will have the casting vote.

B.1.23 State whether there are specific requisites, different from those related to Board Members, to be nominated Chairman.

Yes.

Description of the requirements: Article 33.2. of Company Bylaws 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.

B.1.24 Indicate if the Chairman has a casting vote.

Yes.

B.1.25 Indicate if the Company By-laws or the Rules of the Board of Directors establish any limit on the age of Board Members.

No.

B.1.26 Indicate if the Company By-laws or the Rules of the Board of Directors establish a limited mandate for independent Board Members.

No.

B.1.27 In the event that there are few or no women Board Members, explain the reasons and initiatives adopted to correct this situation.

All of the members of the company Board of Directors were named before the passing of the Law on Parity, meaning that at the time that they were appointed there were no rules that regulated female access to Boards of Directors.

Specifically, indicate whether the Appointment and Remuneration Committee has established procedures to assure that recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members, and that candidates filling the required profile are deliberately sought.

No.

B.1.28 Indicate if there are formal processes for the delegation of votes in the Board of Directors.

Yes.

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.

B.1.29 Indicate the number of meetings that the Board of Directors has held during the year. In addition, indicate the number of times the Board has met without the presence of the Chairman, if applicable.

Number of Board meetings	Five meetings have been held (6 February, 27 March, 5 June, 18 September and 3 December)
Number of Board meetings without the presence of the Chairman	None

Indicate the number of meetings held during the year by the different Board committees:

Audit and Compliance Committee	Five meetings
Appointments and Remuneration Committee	Five meetings

B.1.30 Indicate the number of meetings that the Board of Directors has held during the year without all Members present.

Number of Board Member absences in the year	At the Meeting of 03/12/2007 two Directors were absent
% of absences in comparison to the total number of votes in the year	4%

B.1.31 Certification of the individual and consolidated financial statements.

The financial statements for financial year 2007 were certified by:

Sebastián Escarrer Jaume, Vice Chairman and CEO
Mark Hoddinott, PRODIGIOS-HBS E.V.P.

B.1.32 Explain the mechanisms established by the Board of Directors, if any, to prevent the individual and consolidated financial statements which it prepares from being presented at the General Shareholders' Meeting with a qualified auditor's 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.

B.1.33 Is the Secretary of the Board of Directors a board member?

Yes.

B.1.34 Explain the procedures relating to the appointment and stepping down of the Board Secretary, indicating whether the Secretary's appointment and dismissal were reported by the Appointment Committee and approved by the Board in full.

Procedure for appointment and dismissal:	**The Secretary of the Board will be designated by the Board itself, after studying the report by the Appointments and Remuneration Committee.**

	YES	NO
Does the Appointment Committee report the appointment?	x	
Does the Appointment Committee report the dismissal?	x	
Does the Board in full approve the appointment?	x	
Does the Board in full approve the dismissal?	x	

Is the Secretary of the Board specifically responsible for ensuring that good governance recommendations are complied with?

Yes. Article 12.3 of the Regulations of the Board states that, amongst other obligations, the Secretary must oversee compliance with the rules made by regulatory bodies, and consider, where appropriate, their recommendations, as well as the principles and criteria of company corporate governance.

B.1.35 Indicate the mechanisms established by the company, if any, to preserve the independence of the auditor, of the financial analysts, of the investment banks and the 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.

With regard to the mechanisms in place to ensure the independence of financial analysts, mention must be made that the company provides information requested by any analysts with no restrictions and also always aims to ensure the company does not influence the opinion of point of view of any analyst when providing this information.

Until financial year 2006 the company was covered by two ratings agencies, Standard & Poor's and Fitch IBCA, In 2006 the company changed the latter for Moodys Corporation. In 2008 the company has ceased to work with Standard & Poor's, working only since then with Moodys Corporation.

B.1.36 Indicate whether the Company changed its external auditor in the year.

No.

B.1.37 Indicate if the auditing firm undertook other work for the Company and/or its Group other than the audit and in this case indicate the amount paid in fees for said work and the percentage that it represents of the total fees invoiced to the Company and/or Group.

Yes.

	COMPANY	GROUP	TOTAL
Amount from work other than the audit (thousands of euros)	13	126	139
Amount from work other than audit / Total amount invoiced by auditing firm (in %)	3.56%	15.93%	12.07%

B.1.38 Indicate whether the Auditors' report on the financial statements for the previous year had any reservations or qualifications.

No

B.1.39 Indicate the number of uninterrupted years that the current auditing firm has carried out the audit of the financial statements of the Company and/or its Group. Also indicate the percentage that the number of years audited by the current auditing firm represents of the total number of years which the financial statements have been audited:

	COMPANY	GROUP
Number of uninterrupted years	Since 1996	Since 1996

	COMPANY	GROUP
Number of years audited by current auditing firm / Number of years that the Company has been audited in %	100%	100%

B.1.40 Indicate the shareholdings of members of the Company's Board of Directors in entities that have the same, analogous or complementary kinds of activities to the business purpose of both the Company and its Group, which have been notified to the Company. Also indicate the positions or duties that they perform in these companies.

NAME OR CORPORATE NAME OF THE BOARD MEMBER	NAME OF THE OBJECT COMPANY	% OF OWNERSHIP	POSITION / FUNCTION
D. José María Lafuente López	INIVISA S.L.	1%	
	NIAMEY S.A.	1%	
	CONTA 96, S.L.	1%	
	CALAMATA 96, S.L.	1%	
	CANAMUNT S.L.	1%	
Juan Vives Cerdá	FINCA LOS NARANJOS S.A.	27.88%	Joint Administrator
Emilio Cuatrecasas	AREAS S.A.	30%	Executive Chairman

B.1.41 Indicate and detail, if applicable, if there is any procedure for the Board Members to obtain external advice.

Yes.

Article 23 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.

B.1.42 Indicate and if applicable provide details of any procedure for Board Members to obtain the information required to prepare for the meetings of the management bodies with sufficient time.

Yes.

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 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.

B.1.43. Indicate and if applicable detail whether the Company has set rules requiring Board Members to report, and if necessary, resign in cases where they may harm the Company's credit and reputation.

There are no such specific rules. Nevertheless, both the Regulations of the Board and the company bylaws state that Directors must perform their duties with the diligence and loyalty demanded by the applicable legislation.

B.1.44 Indicate whether any member of the Board of Directors has informed the Company that legal action has been taken or that a lawsuit has been filed against him for any of the crimes set forth in Article 124 of the Spanish Corporations' Law.

No.

B.2 Committees of the Board of Directors

B.2.1 Detail of all the Committees of the Board of Directors and their members.

AUDIT COMMITTEE

NAME	POSITION	TYPE
José María Lafuente López		Independent Director and Secretary of the Board
Eduardo Punset Casals	Chairman	Independent Director
Sebastián Escarrer Jaume		Executive Director
Mark Hoddinott	Secretary non-member of the Committee	

APPOINTMENTS AND REMUNERATION COMMITTEE

NAME	POSITION	TYPE
Hoteles Mallorquines Asociados S.A.	Chairman	Proprietary Director
Gabriel Escarrer Jaume		Executive Director
Miguel Angel Aller and Antonio Ruiz	Secretary and Vice Secretary non-members of the Committee	

B.2.2 Mark whether the Audit Committee has the following duties:

	YES	NO
Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles;	x	
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed;		x
Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports;	x	
Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially.		x
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement;	x	
Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation.	x	
Oversee the independence of the external auditor.	x	
In the case of groups, encourage the group auditor to assume responsibility for the audits of all the group companies.	x	

B.2.3 Provide a description of the organization and operating rules, as well as the responsibilities attributed to each of the Board committees.

The Audit and Compliance Committee

Number of members and structure: article 39 bis of Company Bylaws 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 responsibilities of the Auditing and Compliance Committee, none of which may be delegated, regulated in article 39 bis of the company bylaws, and without prejudice to any others that the Board of Directors may specifically assign to the Committee, are as follows: 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; to propose to the Board of Directors the appointment of external auditors; to supervise the services of the internal audit; to be aware of the financial information process and Company internal control systems; to maintain relations with external auditors; to review Company accounts; 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 and; 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.

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 Bylaws 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.

The Appointment 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 responsibilities of the Appointments and Remuneration Committee defined in article 15 of the Regulations of the Board are: to define and review the criteria to be applied with regard to the composition of the Board of Directors; to submit to the Board any proposals on the appointment of Directors; to propose members of Committees to the Board; to regularly review remuneration policies; to ensure transparency in remuneration; to report on any transactions that imply or may imply conflict of interest.

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.

B.2.4 Indicate the powers of advice, consultation and, if applicable, delegations held by each of the committees..

The committees do not have any powers of advice nor consultation. Nor is there foreseen any delegation.

B.2.5 Indicate, if applicable, if there are regulations of the Board Committees, where they can be consulted, and amendments made during the year. In addition, indicate on a voluntary basis if any annual report has been prepared on the activities of each committee..

Board Committees are regulated by Company Bylaws and the Regulations of the Board of Directors which may be viewed on the Company website.

No annual reports have been prepared, although each session of Board reports on the main aspects and most relevant conclusions dealt with in each Board Committee.

B.2.6 Indicate if the members of the executive committee reflect the shareholding in the Board of the different Board Members based on their status.

Although the constitution of the executive committee is foreseen in article 16.1 of the Regulations of the Board, it has not been formally constituted.

C. Related-party Transactions

C.1 Mark whether, following a favourable report from the Audit Committee or any other committee assigned this task, the Board in full is responsible for approving the Company's transactions with Board Members, significant shareholders or shareholders represented on the Board, or individuals related thereto.

Yes.

C.2 Detail the relevant operations that involved a transfer of resources or obligations between the SOL MELIÁ or entities of the Group and significant shareholders of the Company:

Name or corporate name of the significant shareholder	Name or corporate name of the Company or its Group Entity	Nature of Relationship	Description of the operation	Amount (thousands of euros)
Hoteles Mallorquines Consolidados S.A.	CARMA SIGLO XXI, S.A.	SUPPLIES TO HOTELS	PURCHASE OF FOODS	18,980
Hoteles Mallorquines Agrupados S.L.				
Hoteles Mallorquines Asociados S.L.				

C.3 Detail of the relevant operations that involved a transfer of resources or obligations between the Company and entities of its Group and the administrators or executives of the Company

Name or corporate name of the significant shareholder	Name or corporate name of the Company or its Group Entity	Nature of Relationship	Description of the operation	Amount (thousands of euros)
Juan Vives Cerdá	FINCA LOS NARANJOS, S.L.	HOTEL MANAGEMENT (*)	HOTEL FEES AND SERVICES	620
Emilio Cuatrecasas Figueras	CUATRECASAS ABOGADOS, SRL	LEGAL AND FISCAL SERVICES	SERVICE FEES	257
Gabriel Escarrer Juliá	ARQUITECTURA HOTELERA, SL (**)	ARCHITECTURAL SERVICE	HOTEL PROJECTS	105

(*) *Refers to the fees received by the company for the management of the Meliá Cala d´Or (Mallorca), Sol Cala d´Or (Mallorca) and Meliá Girona hotels, owned by the company FINCA LOS NARANJOS S.A.*

(**) *This company is controlled by Álvaro Sans, who has a family relationship with Gabriel Escarrer Juliá.*

C.4 Detail the relevant operations made by the Company with other companies belonging to the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the normal business of the Company in terms of its business purpose and conditions.

All of the operations made with other companies of the Group form part of the normal business of the company in terms of its business purpose and conditions.

C.5 Indicate whether the members of the Board of Directors have had any conflicts of interest in the year, pursuant to the provision of Spanish Corporations Law127 ter.

No.

C.6 Mechanisms established to detect and regulate possible conflicts of interest between the Company and/or the Group, and its Board Members, Executives or significant shareholders.

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 28 of the Regulations of the Board.

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.

C.7 Is more than one Group company listed in Spain?

No.

D. Risk Control Systems

D.1 General description of the risk policies of the Company and/or its Group, detailing and evaluating the risks covered by the system, along with the justification of the appropriateness of these systems for 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, which in turn directly informs the Auditing and Compliance Committee of the Board of Directors and also the Control Committee.

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. 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.

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.

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.

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.

D.2 Indicate whether any of the different risks that may affect the Company and/or its Group have occurred over the year.

No.

D.3 Indicate whether there are any committees or other governing bodies in charge of establishing and supervising control systems.

Yes.

If so, describe 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 each month. 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.

D.4 Identification and description of the processes for compliance with the different regulations which affect the company and its group.

The company complies with all of the regulations that affect it directly and its group.

E. General Shareholders' Meeting

E.1 Indicate whether there are any differences between the minimum quorum required by Company Law and by Company Bylaws.

	% quorum differing from the one provided by CL 102 for general cases	% quorum differing from the one provided by CL 103 for the special cases included under art. 103
Quorum required on the first call	Required by applicable law	55%
Quorum required on the second call	Required by applicable law	40%

E.2 Indicate whether there is difference between the Board's system for adapting resolutions and the system provided under Spanish Corporations Law.

	Reinforced majority other than that provided by Art. 103.2 of the CA for cases of 103.1	Other cases of reinforced majority
% required by the entity for the adoption of resolutions	To validly approve a change in the object of the Company, a request for the withdrawal from trading 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.	Motions to modify Articles 3, 7, 8, 24.6, 24.7, 28, 31, 32, 33, 35, and 38 of Company Bylaws require a vote in favour by at least SEVENTY-FIVE PERCENT (75%) of the share capital present or represented at the meeting, both at a first or second calling.

E.3 Detail the rights of shareholders with respect to Shareholders' meetings that are different from those established in the Corporations Law.

None.

E.4 Indicate, if applicable, the measures adopted to encourage the participation of shareholders in the general meetings.

The company has several means of direct communication with shareholders to keep them informed about news as well as to receive suggestions.

The company provides a telephone hotline for shareholders and also has a Shareholders' Club which provides shareholders with a direct means of communication with company management.

Shareholders are also sent a quarterly e-mail newsletter which contains financial reports.

With regard to the calling of the General Meeting, in addition to the announcement on the Official Bulletin of the Commercial Register and in one of the biggest selling newspapers in the province of the date, time, location and agenda, the Meeting is also announced in advance on the company website.

Another way of encouraging participation, although not attendance, is the transmission of the General Meeting live on the company website to allow shareholders and others to follow the event from anywhere in the world over the Internet.

People attending the meeting receive a copy of the company annual report as well as a gift to thank them for their stay.

The company is also analysing the possibility of implementing electronic voting in the future.

E.5 IIndicate if the position of Chairman of the Shareholders' Meeting coincides with the Chairman of the Board of Directors. Detail, in this event, the measures adopted to guarantee the independence of the Shareholders' Meeting and that it functions correctly

Both positions are occupied by the same person.

As foreseen in article 14.7 of the Regulations of the General Shareholders Meeting , the exercise of al of the powers required to ensure the correct organisation and development of the General Shareholders Meeting is the responsibility of the Chairman of the General Shareholders Meeting , and in particular the following duties:

(a) to declare whether the General Shareholders 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 General Shareholders 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 General Shareholders Meeting and must assist the Chairman in the application of the Regulations of the General Shareholders Meeting during the meeting itself and in the interpretation of its spirit and objectives.

The General Shareholders 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 General Shareholders Meeting states that the Board of Directors may require the presence of a Notary to take the Minutes of the meeting and will 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 General Shareholders Meeting is held. In both cases the Notary's Minutes will be considered the Minutes of the General Shareholders Meeting as defined by law and in the Regulations of the Commercial Register.

E.6 Changes introduced during the year in the regulations of the General Shareholders Meeting.

No changes were made in 2007.

E.7 Attendance at the most recent Ordinary and Extraordinary General Shareholders Meeting.

Attendance

Meeting date	% attendance	% represented	% electronic vote	% other distance votes	TOTAL
05 June 2007	1.81%	77.14%	-	-	78.954%

E.8 Resolutions adopted by the General Shareholders Meetings held during the year of this report and percentage of votes by which they were approved.

In summary, the resolutions adopted are as follows:

1. Approve the Annual Accounts (Balance Sheet, Profit and Loss Account, and Annual Report) both Individually for SOL MELIÁ S.A. and also for the Consolidated Group for the financial year ended 31 December 2006 and verified by the Company auditor, ERNST & YOUNG, S.L.

   Approved by 78.950% of the capital.

2. With regard to the Individual Accounts there is a positive result of TEN MILLION FIVE HUNDRED AND THIRTY ONE THOUSAND ONE HUNDRED AND SIXTY FIVE EUROS AND THIRTY SEVEN CENTS (10,531,165.37), proposed be applied in full to the distribution of dividends.

   The distribution of a net dividend of 0.122 per share is approved, to be charged to results for the amount mentioned previously and to the Company voluntary reserves with regard to the remaining amount.

   Dividends will be paid out on 3 July 2007 by the entity designated by the Company Board of Directors in accordance with the regulations defined by the Management Company for Registration, Compensation and Liquidation of Securities ("Iberclear").

   Approved by 78.949% of the capital.

3. In view of the Management Report presented by the Board, to approve without any type of reserve, the management by the Board of Directors during financial year 2006.

   Approved by 78.844% of the capital.

4. To renew for one further year the appointment of ERNST & YOUNG S.L. as external auditor so that they may examine and review the annual accounts and management report of SOL MELIÁ S.A. and of the consolidated group for the financial year 2007.

   Approved by 78.949% of the capital.

5. Renew the position of the Director Mr Gabriel Escarrer Jaume, whose position expired on 29 April 2007, for the statutory period of five years from that date. It is noted that Gabriel Escarrer Jaume will be considered an Executive Director.

   Approved by 74.430% of the capital.

6. 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 tranches, 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 resolution includes the conditions under which such capital increases may be performed.

Approved by 78.533% of the capital.

7. Authorise 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 power to issue fixed, rate, convertible and/or exchangeable securities, in line with the conditions described in the resolution.

   Approved by 78.433% of the capital.

8. Authorise the Board of Directors, which in turn may delegate or empower whosoever is considered appropriate amongst the Directors, to buy and sell Company treasury shares by any means allowed by Law, up to the limits allowed by the Law, for a price which may not be less than one Euro, nor greater than thirty Euros, and for a period of eighteen months from the date of approval of the current resolution, all in accordance with the limits and requirements defined by Company Law and the Company Code of Conduct on matters related to the Securities Market.

   Approved by 78.776% of the capital.

9. Express approval of the widest powers provided by Law for all members of the Company Board of Directors so that any of their rank may, in the name of and as representatives of the Company, and in relation to the previous items, may appear before a Notary and in his presence to declare the approval of the previous resolutions and their corresponding registration, the issue of the corresponding deed, after resolution of any pertinent matter derived directly or indirectly from the preceding resolutions and carry out as many actions as are required or convenient to achieve full completion and registration.

   Approved by 78.949% of the capital.

10. Reading and approval of the minutes of the General Meeting.

    Approved by 78.950% of the capital.

E.9 Indicate if there are any Company Bylaw restrictions on the minimum number of shares required to attend the General Shareholders Meeting.

Yes.

Number of shares needed to attend the General Shareholders' Meeting	300

E.10 Policies applied by the Company in reference to proxy voting at the General Shareholders Meeting.

Shareholders may exercise their right to vote without any need to attend the General Shareholders 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 regular mail:
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

E.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.

E.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 the “Investor relations” link at the foot of the page which contains full documentation on Company corporate governance.

F. Degree of Compliance with Good Governance Recommendations

Indicate the degree of compliance of the Company with respect to the recommendations made by the Unified Code of Good Governance. If the Company does not comply with any recommendations, explain the recommendations, rules, practises or criteria applied by the Company.

Recommendation 1: The bylaws of listed companies may not limit the number of votes held by a single shareholder, or impose other restrictions on the company's takeover via the market acquisition of its shares.

Compliance: Yes.

Recommendation 2: In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:

a) The respective activity areas and any business dealings between them, as well as the listed subsidiary's dealings with the other Group companies;
b) The mechanisms in place to resolve possible conflicts of interest.

Compliance: Not applicable to Sol Meliá.

Recommendation 3: Even if not expressly required under company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:

a) The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;
b) The acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
c) Operations that effectively add up to the company's liquidation.

Compliance: Yes.

Recommendation 4: That the proposed resolutions to be adopted at the General Shareholders' Meeting including the information referred to in recommendation 28, be made public on the date on which the call of the meeting is published.

Compliance: Yes.

Recommendation 5: Separate votes are to be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule particularly applies to the following:

a) Appointment or ratification of directors, with separate voting on each candidate;
b) Changes to the bylaws, with votes taken on all articles or groups of articles that are materially different.

Compliance: Yes.

Recommendation 6: Companies shall allow split votes, so that financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.

Compliance: Yes.

Recommendation 7: The Board of Directors shall perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as maximizing the company´ s value over time. It shall ensure that the company abides by the laws and regulations in its relations with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Compliance: Yes.

Recommendation 8: The core components of the Board's mission shall be to approve the company's strategy, authorise the organisational resources to carry it forward, and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full shall approve:

a) The company's general policies and strategies, and specifically:
   i) The strategic or business plan, management targets and annual budgets.
   ii) Investment and financing policy.
   iii) Definition of the structure of the corporate group.
   iv) Corporate governance policy.
   v) Corporate social responsibility policy.
   vi) Senior management remuneration and performance evaluation policy.
   vii) Risk control and management policy, and the periodic monitoring of internal information and control systems.
   viii) Policy on dividends and on treasury shares, and the limits to apply.

b) The following decisions:
   i) On the proposal of the company's chief executive, the appointment and removal of senior executives and their termination clauses.
   ii) The remuneration of the Board Members and in the case of executive directors, additional consideration for their management duties and other conditions that should be respected under their contracts.
   iii) The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange.
   iv) Investments or operations considered strategic by virtue of their amount or special characteristics; unless their ratification requires approval by the General Shareholders' Meeting;
   v) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

c) Transactions conducted by the Company with directors, significant shareholders, shareholders with Board representation or other persons related thereto ("related-party transactions"). It is understood, however, that said authorisation from the Board shall not be necessary in those linked operations in which the follow three conditions are simultaneously fulfilled:
   1ª. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
   2ª. They are performed at the general prices or rates set by the supplier of the good or service at issue: and
   3ª. The transaction amount does not exceed 1% of the company's annual revenues.
   It is recommended that Related-party transactions only be approved by the Board on the basis of a favourable report from the Audit Committee, or other committee to which this task was assigned. Directors related to the transaction may neither exercise nor delegate their votes, and shall be absent from the meeting room while the Board deliberates and votes.
   It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c),which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.

Compliance: Partial.

Comment: Although the Board approves general company policies and strategies, it is not specifically responsible for approving each and every one of the items in the Recommendation.

The Board is also not involved at the degree of detail stated in the Recommendation with regard to decisions relating to compensation clauses for senior executives, although it is foreseen that this should be handled by the Appointment and Remuneration Committee.

Recommendation 9: In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.

Compliance: Yes.

Recommendation 10: A broad majority of the Board shall be external proprietary and independent directors and the number of executive directors should be the minimum necessary, taking into account the complexity of the group of companies as well as each executive shareholders' holding in the share capital of the company.

Compliance: Yes.

Recommendation 11: Where an external director cannot be considered either proprietary or independent, the company shall explain this circumstance and disclose his ties to the company, management or shareholders.

Compliance: Not applicable.

Recommendation 12: Among external directors, the relation between proprietary members and independents should reflect the proportion between the capital represented on the Board and the remainder of the company's capital.

This criterion of strict proportionality may be relaxed, so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent, in the following cases:

1º En sociedades de elevada capitalización en las que sean escasas o nulas las participaciones accionariales que tengan legalmente la consideración de significativas, pero existan accionistas con paquetes accionariales de elevado valor absoluto;

2º Cuando se trate de sociedades en las que exista una pluralidad de accionistas representados en el Consejo, y no tengan vínculos entre sí.

Compliance: Yes.

Recommendation 13: The number of independent directors shall represent at least a third of all Board Members.

Compliance: Yes.

Recommendation 14: The nature of each director must be explained to the General Shareholders' Meeting, which shall make or ratify his or her appointment. Such determination shall subsequently be reviewed in each year's Annual Corporate Governance Report following verification by the Appointment Committee. This report shall also explain the reasons for having appointed a proprietary director at the proposal of shareholders holding less than 5% of the share capital, as well as the reasons for any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others at whose request proprietary directors were appointed.

Compliance: No.

Comment: No proprietary directors have been appointed at the proposal of shareholders holding less than 5% of the share capital.

Recommendation 15: When women Board Members are few or non existent, the Board should state the reasons for this situation and the initiatives taken to correct it. In particular, in the event of new vacancies, the Appointment Committee should take steps to ensure that:

a) Recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members;
b) The company makes a conscious effort to include women with the target profile among potential candidates.

Compliance: No.

Comment: No Board Members have been appointed since the approval of the Law on Parity.

Recommendation 16: The chairman shall be responsible for the proper operation of the Board of Directors. He or she will ensure that Board Members are supplied with sufficient information in advance of board meetings, and will work to ensure a good level of debate. He or she will organise and coordinate regular evaluations of the Board and, when different from the chairman of the Board, the company's chief or top executive.

Compliance: Partial.

Comment: Regular evaluations exist for senior executives, but not for members of the Board.

Recommendation 17: When chairman and chief executive are one and the same, one of the company's independent directors shall be empowered to request the calling of Board meetings or the inclusion of new business on the agenda, in order to coordinate and voice the concerns of external directors and will take charge of the chairman's evaluation.

Compliance: Not applicable.

Recommendation 18: The Secretary of the Board of Directors shall take steps to assure that the Board's actions:

a) Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
b) Comply with the company Bylaws, General Shareholders' Meeting Bylaws, Rules of the Board of Directors and any other related rules;
c) Take into account the good governance recommendations of this Unified Code accepted by the company.

To safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal must be proposed by the Appointment Committee and approved by a full Board meeting. This appointment and removal procedure must be detailed in the Rules of the Board of Directors.

Compliance: Yes.

Recommendation 19: The Board of Directors shall meet as often as required to properly carry out its duties, following the timetable of dates and issues agreed at the beginning of the year, Board Members may propose that business not initially foreseen be included on the agenda of these meetings.

Compliance: Yes.

Recommendation 20: Board Member absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. In the event that Board Members' votes must be delegated, proxies shall be provided with proper instructions.

Compliance: Yes.

Recommendation 21: When Board Members or the Secretary express concerns about some proposal or, in the case of Board Members, about the company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the minute book.

Compliance: Yes.

Recommendation 22: The full Board shall evaluate the following points on a yearly basis:

a) The quality and efficiency of the Board's stewardship;
b) Based on the report issued by the Appointment Committee, how well the chairman and chief executive officer have carried out their duties;
c) The performance of the Board's Committees, on the basis of the reports furnished thereby.

Compliance: No.

Comment: The current Regulations of the Board of Directors do not include an evaluation of the Board.

Recommendation 23: All Board Members shall be entitled to exercise their right to receive additional information they may consider necessary on matters within the scope of the Board's power. Any such requests should be made to the chairman or the secretary to the Board unless the company bylaws or regulations of the Board of Directors indicate otherwise.

Compliance: Yes.

Recommendation 24: All Board Members shall be entitled to call on the company for the advice they need to carry out their duties. The company shall establish suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense.

Compliance: Yes.

Recommendation 25: Companies shall organise induction courses for new Board Members to supply them rapidly with the information they need on the company and its corporate governance rules. Board Members shall also be offered refresher courses when circumstances so advise.

Compliance: Partially complies.

Comment: Although not specifically stated, Board Members are provided with the most extensive powers to obtain information on any aspect of the company.

Recommendation 26: The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively. As such:

a) Board Members shall apprise the Appointment Committee of their other professional obligations which might detract from the necessary dedication;
b) The companies shall set rules regarding the number of Board positions their Board Members may hold.

Compliance: Partial.

Comment: The company has not set rules regarding the number of Board positions the Board Members may hold.

Recommendation 27: The proposal for the appointment or renewal of Board Members which the Board submits to the General Shareholder's Meeting, as well as provisional appointments through cooptation, shall be approved by the Board:

a) At the proposal of the Appointment Committee, in the case of independent directors.
b) Subject to a report from the Appointment Committee in the case of all other Board Members.

Compliance: Yes.

Recommendation 28: Companies shall post the following information regarding the Board Members on their websites, and keep them permanently updated:

a) Professional experience and background;
b) Other Boards of Directors of which they are a member, regardless of whether or not the related companies are listed on the stock exchange;
c) Indication of the Board Member's classification as executive, proprietary or independent, as the case may be. In the case of proprietary directors, the shareholder they represent or to whom they are affiliated shall be stated.
d) The date of their first and subsequent appointments as a company Board Member; and;
e) Shares held in the company and any options on the same.

Compliance: Yes.

Comment: The website does not include information on the professional experience and background of Board Members nor other Boards of Directors of which they are a member.

Recomendación 29: Independent directors may not hold this office for over an uninterrupted period of 12 years.

Explanation: To date this case has not arisen.

The current independent directors were named in 1996, meaning that none of them have held office for a period greater than 12 years.

Recommendation 30: Proprietary directors shall resign when the shareholders they represent dispose of the shares owned in their entirety. The corresponding number of proprietary directors shall also resign, when the shareholders they represent reduce their ownership interest to a level requiring a reduction in the number of proprietary directors.

Compliance: This has never arisen.

Recommendation 31: The Board of Directors may not propose the removal of independent directors before the expiry of the statutory term for which they were appointed, as mandated by the bylaws, except where just cause is found by the Board based on a report of the Appointment Committee. In particular, just cause will be presumed when a Board Member is in breach of the duties inherent to his position or comes under one of the disqualifying grounds enumerated in section 5 of chapter III on the definitions of this Code.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation causes changes in the capital structure of the company, in order to meet the proportionality criterion set out in Recommendation 12.

Compliance: Yes.

Recommendation 32: The companies shall lay down rules requiring Board Members to inform the Board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular, Board Members shall be required to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.

If a Board Member is indicted or brought to trial for any of the crimes stated in article 124 of the Spanish Corporations law, the Board will examine and, in view of the particular circumstances, determine whether or not the Board Member shall continue in his position. The Board shall provide a reasonable explanation of all determinations made in the Annual Corporate Governance Report.

Explanation: Although not specifically stated, the Regulations of the Board determine the obligations of Board Members as well as compliance with applicable regulations.

Recommendation 33: All Board Members should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, independent directors, and other Board Members not subject to a potential conflict of inter should strenuously challenge any decision that might unjustifiably harm the interests of shareholders lacking board representation. When the Board makes material or reiterated decisions about which a Board Member has expressed serious reservations, then he or she must draw the pertinent conclusions. Board Members resigning for such causes should set out their reasons in the letter referred to in the next Recommendation.

The term of this Recommendation will also apply to the Board Secretary in the discharge of his or her duties.

Compliance: Yes.

Recommendation 34: Board Members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all the Board Members. Notwithstanding whether it is reported as a relevant fact, the removal of any director and the motives for the same must be explained in the Annual Corporate Governance Report.

Compliance: Yes.

Recommendation 35: The company's remuneration policy, as approved by its Board of Directors, will specify at least the following points:

a) The amount of the fixed components, itemised where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to.
b) Variable remuneration items, including specifically:

i) The types of Board Members they apply to, with an explanation of the relative weight of variable to fixed remuneration items.
ii) Performance evaluation criteria used to calculate entitlement to the award of shares or stock options or any variable remuneration;
iii) The main parameters and justification for any system of annual bonuses or other, non cash benefits; and
iv) An estimate of the total variable pay resulting from the proposed remuneration plan based on the extent to which the applicable benchmarks are complied with.

c) Main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), and an estimate of the equivalent amount or cost.

d) The conditions to apply to the contracts of executive directors exercising senior management functions, including:
i) Term;
ii) Notice periods; and
iii) Any other clauses covering hiring bonuses, as well as indemnities or 'golden parachutes' in the event of early termination of the contractual relation between company and executive director.

Compliance: Yes.

Recommendation 36: Remuneration comprising the delivery of shares in the company or other companies in the group, stock options or other share-based incentives, or incentive payments linked to the company's performance or membership of pension schemes shall be confined to executive directors.
The delivery of shares is excluded from this limitation, when such delivery is contingent on Board Members retaining the shares till the end of their term.

Compliance: Yes.

Recommendation 37: Board Member remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the position entails, but should not be so high as to jeopardise their independence.

Compliance: Yes.

Recommendation 38: In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

Compliance: Yes.

Recommendation 39: In the case of variable pay, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Compliance: Yes.

Recommendation 40: The Board shall submit a consultative report on the Board Members' remuneration policy to the vote of the General Shareholders' Meeting, as a separate point on the Agenda. The said report shall be provided to shareholders separately or in any form deemed appropriate by the company.

The report will focus on the remuneration policy the Board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the questions referred to in Recommendation 35, except points potentially involving the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year referred to the General Shareholders' Meeting. It shall also provide a general summary of how remuneration policy was implemented in the prior year.

The role of the Remuneration Committee in designing the policy and, if external advisors have been retained, their identity shall also be reported.

Compliance: No.

Comment: The remuneration policy is subject to approval by the General Shareholders' Meeting although there is no consultative report.

Recommendation 41: This report shall include a detail of the payments made in the period to individual directors, including:

a) A breakdown of the remuneration obtained by each company director, to include where appropriate:
   i) Participation and attendance fees and other fixed Board Member payments;
   ii) Additional compensation for acting as chairman or member of a Board committee;
   iii) Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
   iv) Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
   v) Any indemnities agreed or paid on the termination of their functions;
   vi) Any compensation they receive as Board Members of other companies in the group;;
   vii) The remuneration executive directors receive in respect of their senior management positions;
   viii) Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be considered a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the Board Member.
b) An individual breakdown of deliveries to directors of shares, stock options or other share-based incentives, itemised by:
   i) Number of shares or options awarded in the year, and the terms set for their execution;
   ii) Number of options exercised in the year, specifying the number of shares involved and the exercise price;
   iii) Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
   iv) Any change in the year in the exercise terms of previously awarded options.
c) Information on the relation in the year between the remuneration obtained by executive directors and the company's profits or some other measure of enterprise results.

Compliance: Partially complies.

Comment: The annual report includes the aggregate remuneration of Board Members for the financial year but not the individual amounts.

Recommendation 42: When the company has a Delegate or Executive Committee (hereafter, "Executive Committee"), the breakdown of its Board Members by category should roughly mirror that of the Board itself and that the Secretary should be a member of the Board.

Compliance: Not applicable.

Recommendation 43: The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board members will receive a copy of the Committee's minutes.

Compliance: Not applicable.

Recommendation 44: In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors shall form a Committee, or two separate committees, of Appointment and Remuneration.

The rules governing the make-up and operation of the Audit Committee and the Committee or committees of Appointment and Remuneration will be set forth in the Rules of the Board of Directors, and shall include at least the following:

a) The Board of Directors shall appoint the members of these committees with regard to the knowledge, skills and experience of its Board Members and the duties each committee; shall discuss their proposals and reports; and at the first meeting of the Board following their meetings, the committee members shall report on and take responsibility for the work performed.
b) These committees shall be composed exclusively of external directors and shall have a minimum of three members. This is without prejudice to executive directors or senior managers attending meetings, for informational purposes, at the committees' invitation.

c) Their chairmen shall be independent directors.
d) They may engage external advisors, when they feel this is necessary for the discharge of their duties.
e) Meeting proceedings shall be recorded in minutes, a copy of which is to be sent to all Board members.

Compliance: Partial.

Comment: There is an Audit Committee and an Appointments and Remuneration Committee, but they are not composed exclusively of external directors.

Recommendation 45: The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointment Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Compliance: Yes.

Recommendation 46: All members of the Audit Committee, particularly its chairman, will be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters.

Compliance: Yes.

Recommendation 47: Listed companies will have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal information and control systems.

Compliance: Yes.

Recommendation 48: The head of internal audit shall present an annual work programme to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Compliance: Yes.

Recommendation 49: Control and risk management policy shall specify at least:
a) The different types of risk (operational, technological, financial, legal, reputational...) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;
b) The determination of the risk level the company sees as acceptable;
c) The measures provided to mitigate the impact of the risks identified, in the event that they were to materialise;
d) The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliance: Yes.

Recommendation 50: The Audit Committee's role will be as follows:
1º In relation to internal control and reporting systems:
a) Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles.
b) Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed
c) Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports
d) Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially.

2º In relation to the external auditor:
a) Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement

b) Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation
c) Oversee the independence of the external auditor, to which end:
    i) The company will notify any change of auditor to the Spanish Stock Market Commission in the form of a relevant fact, stating the reasons for its decision.
    ii) The Committee will ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;
    iii) The Committee will investigate the issues giving rise to the resignation of any external auditor.
d) In the case of groups, the group auditor shall be encouraged to assume responsibility for the audits of all the group companies.

Compliance: Yes.

Recommendation 51: The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior manager.

Compliance: Yes.

Recommendation 52: The Audit Committee will report on the following points from Recommendation 8 before any decisions are taken by the Board:
a) The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange. The Committee shall ensure that intermediate statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.
b) The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.
c) Related-party transactions, unless this responsibility has been another supervision and control Committee.

Compliance: Yes.

Recommendation 53: The Board of Directors shall present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Committee chairman and the auditors will give a clear account to shareholders of their scope and content.

Compliance: Yes.

Recommendation 54: The majority of the members of the Appointment Committee or of the Appointment and Remuneration Committee, in the case that there is only one, of independent directors.

Compliance: No.

Comment: Article 15.1 of the Regulations of the Board of Directors state that the majority should be external directors, including at least one independent director.

Recommendation 55: The Appointment Committee shall have the following functions in addition to those stated in earlier Recommendations:
a) Evaluate the skills, knowledge and experience of the Board, define the roles and abilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
b) Examine or organise, in appropriate form, the succession of the chairman and chief executive officer, making the pertinent recommendations to the Board so the handover proceeds in a planned and orderly manner.
c) Report on the senior management appointments and removals which the chief executive officer proposes to the Board.
d) Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

Compliance: Yes.

Recommendation 56: The Remuneration Committee will consult with the chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Any Board Member may request that the Appointment Committee take into consideration potential candidates considered to be appropriate to fill Board Member vacancies.

Compliance: Yes.

Recommendation 57: The Remuneration Committee shall have the following functions in addition to those stated in earlier Recommendations:

a) Make proposals to the Board of Directors regarding:
    i) The remuneration policy for Board Members and senior executives;
    ii) The individual remuneration of Board Members and other contract conditions;
    iii) The basic conditions of the contracts of senior executives.
b) Oversee compliance with the remuneration policy set by the company.

Compliance: Yes.

Recommendation 58: The Remuneration Committee will consult with the chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Compliance: Yes.

G. Other Information of Interest

If it is considered that there is some principle or matter that is relevant with respect to the practices of corporate governance applied by the Company that has not been covered by the present report, include it below and explain its content.

D. Gabriel Escarrer Juliá

D. Juan Vives Cerdá

D. Sebastián Escarrer Jaume

D. Gabriel Escarrer Jaume

D. José Mª Lafuente López

D. Eduardo Punset Casal

D. Alfredo Pastor Bodmer

D. Emilio Cuatrecasas Figueras

CAJA DE AHORROS DEL MEDITERRÁNEO
D. Armando Sala Lloret

HOTELES MALLORQUINES
CONSOLIDADOS S.A.
María Antonia Escarrer Jaume