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Sol Meliá

HOTELS & RESORTS WORLDWIDE
LUXURY RESIDENTIAL OWNERSHIP
VACATION CLUB

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CONSOLIDATED ANNUAL ACCOUNTS

DIRECTORS' REPORT

PRICEWATERHOUSECOOPERS

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A free translation of the report on the consolidated annual accounts originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Sol Meliá, S.A.:

We have audited the annual consolidated accounts of Sol Meliá, S.A. (the parent Company) and its subsidiary companies consisting of the consolidated balance sheet as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows and the related notes to the consolidated annual accounts for the year then ended, the preparation of which is the responsibility of the Directors of the parent Company. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work carried out in accordance with auditing standards generally accepted in Spain which require the examination, on a test basis, of the evidence supporting the annual accounts and an evaluation of their overall presentation, the accounting principles applied and the estimates made.

In accordance with Spanish Corporate Law, the parent Company's Directors have presented, for comparative purposes only, for each item of the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in net equity, the consolidated statement of cash flows and the related notes to the consolidated annual accounts, the corresponding amounts for the previous year as well as the amounts for 2009. Our opinion refers exclusively to the consolidated annual accounts for 2009. On April 21 2009, other auditors issued their audit report on the 2008 consolidated annual accounts, in which they expressed a unqualified opinion.

In our opinion, the accompanying consolidated annual accounts for the year 2009 present fairly, in all material respects, the equity and financial position of Sol Meliá, S.A. and its subsidiary companies at 31 December 2009 and the consolidated results of its operations, changes in consolidated net equity and its consolidated cash flows for the year then ended, and contain all the information necessary for their interpretation and comprehension in accordance with International Financial Reporting Standards adopted by the European Union, applied on a basis consistent with those of the preceding year.

The accompanying consolidated Directors' Report for 2009 contains the information that the parent Company's Directors consider relevant to the position of Sol Meliá, S.A. and its subsidiary companies, the evolution of its business and of other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the aforementioned consolidated Directors' Report coincides with that of the consolidated annual accounts for 2009. Our work as auditors is limited to checking the consolidated Directors' Report within the scope already mentioned in this paragraph and it does not include a review of information other than that obtained from the accounting records of Sol Meliá, S.A. and its subsidiary companies.

PricewaterhouseCoopers Auditores, S.L.

(originally signed by)

Stefan Mundorf
Audit Partner

23 April 2010

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CONSOLIDATED BALANCE SHEET – ASSETS

(Thousand €)

	31/12/09	31/12/08
INTANGIBLE ASSETS (Note 7)		
Computer software	15,865	14,258
Goodwill	19,144	19,019
Leaseholds	59,881	59,502
Other intangible assets	2,193	2,459
PROPERTY, PLANT AND MACHINERY (Note 8)		
Land	407,090	405,970
Buildings	1,144,505	1,084,168
Plant and machinery	214,636	235,705
Other fixed assets	165,745	180,747
Advances and property, plant and machinery under construction	15,363	99,675
INVESTMENT PROPERTY (Note 9)	137,852	128,429
OTHER NON-CURRENT ASSETS		
Investments in associates and joint ventures (Note 10.2)	30,039	39,164
Loans to associates and joint ventures (Note 10.3)	44,398	26,189
Available-for-sale financial assets (Note 10.1)	25,271	25,179
Other non-current financial assets (Note 10.4)	25,984	21,798
Deferred tax assets (Note 18.2)	111,801	122,583
TOTAL NON-CURRENT ASSETS	**2,419,766**	**2,464,843**
CURRENT ASSETS		
Inventories (Note 11.1)	79,058	36,186
Trade and other receivables (Note 11.2)	122,055	96,663
Receivables with associates and joint ventures (Note 11.3)	27,200	19,017
Current income tax	12,852	9,045
Other current financial assets (Note 11.4)	53,455	53,457
Cash and other cash equivalents (Note 11.5)	423,987	256,518
TOTAL CURRENT ASSETS	**718,609**	**470,885**
TOTAL GENERAL ASSETS	**3,138,375**	**2,935,728**

CONSOLIDATED BALANCE SHEET - LIABILITIES

(Thousand €)

	31/12/09	31/12/08
EQUITY		
Share capital (Note 12.1)	36,955	36,955
Share premium (Note 12.2)	755,517	758,380
Reserves of the parent company (Note 12.2)	215,423	184,408
Profit or loss brought forward	(382,874)	(377,481)
Reserves in fully consolidated companies (Note 12.3)	607,505	512,373
Reserves in associates and joint ventures (Note 12.4)	(16,677)	1,859
Translation differences (Note 12.5)	(166,269)	(174,846)
NET INCOME ATTRIBUTED TO THE PARENT COMPANY	**38,116**	**51,215**
Consolidated net income	43,507	54,617
Net income attributed to minority interest	(5,391)	(3,402)
TREASURY SHARES (Note 12.6)	**(105,623)**	**(102,759)**
MINORITY INTEREST (Note 13)	**72,886**	**40,497**
TOTAL NET EQUITY	**1,054,960**	**930,602**
NON-CURRENT LIABILITIES		
Capital grants and other deferred income (Note 15.1)	16,401	2,449
Provisions (Note 15.2)	23,881	39,611
Due to associates and joint ventures (Note 14.7)	6,469	641
Preference shares (Note 14.2)	103,673	102,456
Issue of bonds and other negotiable securities (Note 14.1)	162,690	
Derivative financial instruments (Note 14.3)	5,791	2,417
Bank loans (Note 14.4)	707,287	758,700
Bank loans for finance leases (Note 14.4)	36,827	61,119
Other finance lease payables (Note 14.5)	160,820	161,009
Other non-current financial liabilities (Note 14.9)	13,856	97,956
Deferred tax liabilities (Note 18.2)	176,330	180,595
TOTAL NON-CURRENT LIABILITIES	**1,414,022**	**1,406,952**
CURRENT LIABILITIES		
Due to associates and joint ventures (Note 14.7)	22,985	2,283
Bonds and other negotiable securities (Note 14.1)	384	
Derivative financial instruments (Note 14.3)	1,755	
Bank loans (Note 14.4)	237,616	281,019
Bank loans for finance leases (Note 14.4)	28,085	33,132
Other finance lease payables (Note 14.5)	189	177
Trade payables (Note 14.8)	157,479	159,272
Current tax liabilities	16,486	15,562
Other current liabilities (Note 14.10)	204,414	106,728
TOTAL CURRENT LIABILITIES	**669,392**	**598,174**
TOTAL GENERAL LIABILITIES AND NET EQUITY	**3,138,375**	**2,935,728**

CONSOLIDATED INCOME STATEMENT

(Thousand €)

	31/12/09	31/12/08
OPERATING INCOME (NOTE 5)	**1,148,653**	**1,279,041**
Supplies (Note 5)	(137,995)	(155,808)
Staff costs (Note 5)	(390,768)	(414,344)
Other expenses (Note 5)	(338,421)	(374,974)
EBITDAR (*)	**281,468**	**333,916**
Leases (Note 5)	(79,380)	(77,217)
EBITDA (**)	**202,088**	**256,698**
Restructuring		(1,378)
Amortisation and depreciation	(95,465)	(97,484)
Goodwill and negative consolidation difference	(1,463)	1,400
EBIT (***)	**105,160**	**159,236**
Exchange differences	1,096	(9,134)
Borrowings	(54,403)	(83,979)
Other financial expenses	(11,828)	(11,673)
Other financial income	26,677	13,025
NET FINANCIAL INCOME (EXPENSE)	**(38,458)**	**(91,762)**
PROFIT / (LOSS) OF ASSOCIATES AND JOINT VENTURES	**(12,797)**	**(6,581)**
NET INCOME BEFORE TAX AND MINORITY INTEREST	**53,906**	**60,893**
Tax (Note 18.6)	(10,398)	(6,276)
NET INCOME	**43,507**	**54,617**
(Profit) / Loss minority interest	(5,391)	(3,402)
NET INCOME ATTRIBUTED TO PARENT COMPANY	**38,116**	**51,215**
BASIC EARNINGS PER SHARE IN EUROS (Note 6)	0.21	0.29
DILUTED EARNINGS PER SHARE IN EUROS (Note 6)	0.19	0.31

Notes:
(*) EBITDAR (Earnings Before Interest, Tax, Depreciation, Amortization & Rent)
(**) EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization)
(***) EBIT (Earnings Before Interest & Tax)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousand €)

	31/12/09	31/12/08
NET CONSOLIDATED INCOME	**43,507**	**54,617**
Restatements of property, plant and machinery and intangible assets	37,031	
Cash flow hedges	(7,353)	(2,417)
Translation differences	8,612	(42,282)
Associates and joint ventures	(3,097)	(3,148)
Other income charged to net equity	(15)	(97)
Tax effect	(7,916)	(2,844)
NET INCOME CHARGED DIRECTLY TO NET EQUITY	**27,261**	**(50,788)**
Cash flow hedges	2,290	
Associates and joint ventures	1,762	
Other net income charged to equity	(671)	
Tax effect		
RELEASES TO THE INCOME STATEMENT	**3,382**	**0**
TOTAL COMPREHENSIVE INCOME	**74,150**	**3,829**
Total comprehensive income attributed to minority interest	(5,185)	(2,600)
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO THE PARENT COMPANY	**68,966**	**1,229**

CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(Thousand €)

	CAPITAL	OTHER RESERVES	TRANSLATION DIFFERENCES	NET INCOME OF PARENT COMPANY	TREASURY SHARES	MINORITY INTEREST	TOTAL NET EQUITY
BALANCE AT 31/12/08	36,955	1,079,541	(174,846)	51,215	(102,759)	40,497	930,602
TOTAL RECOGNISED INCOME AND EXPENSES	**0**	**22,272**	**8,578**	**38,116**	**0**	**5,185**	**74,150**
Equity component of combined instrument		33,933					33,933
Distribution of dividends		(11,049)				(226)	(11,275)
Operaciones with treasury shares					(2,863)		(2,863)
Variations in consolidation scope		2,448				28,109	30,557
Other operations		(145)					(145)
OPERATIONS WITH SHAREHOLDERS OR OWNERS	**0**	**25,187**	**0**	**0**	**(2,863)**	**27,883**	**50,207**
Transfers between net equity items		679				(679)	0
Distribution 2008 net income		51,215		(51,215)			0
OTHER VARIATIONS IN NET EQUITY	**0**	**51,894**	**0**	**(51,215)**	**0**	**(679)**	**0**
BALANCE AT 31/12/09	**36,955**	**1,178,893**	**(166,269)**	**38,116**	**(105,623)**	**72,886**	**1,054,960**

(See Note 12)

For comparative purposes the movements relating to the variations in net equity in 2008 are presented.

(Thousand €)

	CAPITAL	OTHER RESERVES	TRANSLATION DIFFERENCES	NET INCOME OF PARENT COMPANY	TREASURY SHARES	MINORITY INTEREST	TOTAL NET EQUITY
BALANCE AT 31/12/07	36,955	954,579	(132,341)	161,915	(41,995)	47,916	1,027,030
TOTAL RECOGNISED INCOME AND EXPENSES	**0**	**(7,480)**	**(42,506)**	**51,215**	**0**	**2,600**	**3,829**
Capital increases / decreases							0
Distribution dividends for 2007		(32,206)				(266)	(32,472)
Operaciones with treasury shares					(60,764)		(60,764)
Variations in consolidation scope		(200)				(6,821)	(7,021)
OPERATIONS WITH SHAREHOLDERS OR OWNERS	**0**	**(32,406)**	**0**	**0**	**(60,764)**	**(7,086)**	**(100,257)**
Transfers between net equity items		2,933				(2,933)	0
Distribution of 2007 net income		161,915		(161,915)			0
OTHER VARIATIONS IN NET EQUITY	**0**	**164,848**	**0**	**(161,915)**	**0**	**(2,933)**	**0**
BALANCE AT 31/12/08	**36,955**	**1,079,541**	**(174,846)**	**51,215**	**(102,759)**	**40,497**	**930,602**

(See Note 12)

CONSOLIDATED CASH FLOW STATEMENT

The consolidated cash flow statement has been prepared using the direct method.

(Thousand €)

	31/12/09	31/12/08
OPERATING ACTIVITIES		
Operating receipts	1,590,561	1,746,134
Payments to suppliers and staff for operating expenses	(1,503,994)	(1,524,057)
Receipts / (Payments) for income tax	(6,964)	(12,073)
Receipts for insurance indemnities	1,063	5,365
Other receipts / (payments) from operations	4,300	5,677
CASH FLOWS FROM OPERATIONS	**84,966**	**221,045**
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	65,321	(6,323)
Issue	68,184	109
Acquisition	(2,863)	(6,433)
Receipts and (payments) for financial liability instruments:	65,493	119,861
Issue	300,254	377,478
Redemption and repayment	(234,761)	(257,616)
Payments for dividends and remuneration of other equity instruments	(11,262)	(31,927)
Other cash flows from financing	(64,635)	(74,961)
Interest paid	(58,225)	(70,957)
Other receipts / (payments) for cash flows from financing	(6,410)	(4,004)
CASH FLOWS FROM FINANCING	**54,917**	**6,649**
INVESTMENTS ACTIVITIES		
Payments on investments:	(99,883)	(222,310)
Group companies, associates and business units	(27,200)	(41,836)
Property, plant and equipment, intangible assets and investment property (*)	(71,311)	(180,382)
Other financial assets	(1,372)	(93)
Receipts for divestments:	129,095	19,657
Group companies, associates and business units	32,940	9,067
Property, plant and equipment, intangible assets and investment property	95,805	10,375
Other financial assets	350	215
Other cash flows from investment:	554	928
Dividends received	554	691
Interest received	0	236
CASH FLOWS FROM INVESTMENT	**29,766**	**(201,725)**
Variation in the exchange rate in cash and cash equivalents	(2,180)	(4,260)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**167,469**	**21,709**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 12.5)	256,518	234,809
CASH AND CASH EQUIVALENTS AT THE YEAR END (NOTE 12.5)	**423,987**	**256,518**

(*) In 2009 and 2008 there were acquisitions of assets under finance leases, amounting Euros 4.8 million and Euros 27.6 million, respectively, that are not considered movement in cash.

1. INFORMACIÓN DEL GRUPO

The Parent Company, Sol Meliá, S.A., is a public limited Spanish Company that was incorporated in Madrid on 24 June 1986 under the registered name of Investman, S.A. In February 1996 it modified its registered name to Sol Meliá, S.A., and is inscribed in the Mercantile Registry of the Balearic Islands in Volume 1335 for Companies Sheet nº PM 22603 inscription 3, and its registered office is in Gremio Toneleros, 24 de Palma de Mallorca, Baleares, Spain.

Sol Meliá, S.A. and its subsidiary companies and associates (hereon the “Group” or the “Company”) make up a Group made up of companies that are mainly engaged in general tourist activities and more specifically in the management and operation of its own hotels, rental under management of franchise, and of vacation club operations. The Group is engaged in the promotion of all types of businesses related to the tourist and hotel and leisure or recreational areas, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourist, hotel or any other recreational or leisure areas. Some of the companies in the Group also carry out real estate activities by taking advantage of the synergies obtained in the hotel development as a result of the stiff expansion process.

In any case, expressly excluded from its corporate purposes are activities that special legislation reserves for companies that meet certain requirements that the Group does not meet, in particular, all activities that legislation reserves for collective investment institutions or securities brokers.

The Group carries out its business in Germany, Argentina, Brazil, Bulgaria, Chile, China, Costa Rica, Croatia, Cuba, Egypt, Spain, USA, France, Greece, Holland, Indonesia, the Cayman Islands, Italy, Luxemburg, Malaysia, Mexico, Panama, Peru, Portugal, Puerto Rico, UK, Dominican Republic, Singapore, Switzerland, Uruguay, Venezuela and Vietnam.

2. PRESENTATION BASIS OF THE CONSOLIDATED ANNUAL ACCOUNT

The Sol Meliá Group presents its consolidated annual accounts in accordance with the International Financial Reporting Standards (IFRS) and their interpretations in force at 31 December 2009, published by the International Accounting Standard Board (IASB) and adopted by the European Union.

These consolidated annual accounts have been formulated by the Board of Directors of the parent company and are pending approval by the General Meeting of Shareholders, and are expected to be adopted without changes.

The aggregates on the balance sheet, income statement, statement of comprehensive income, statement of changes in net equity, statement of cash flows, and the accompanying notes to the accounts, are stated in Thousand Euros, except where indicated otherwise.

The Group has adopted this year the standards adopted by the European Union whose application was no obligatory in 2008. These standards have no significant impact on the financial position of the Group:

- IFRS 8: Operating Segments. Disclosure Requirements about Operating Segments and their products and services.
- The IFRIC 13: Customer Loyalty Programs.
- Revision of IAS 1: Presentation of Financial Statements. Greater disclosure of the information provided on variations in net equity.
- Modification of IFRS 2: Share-based Payments.
- Modification of IFRS 7: Financial instruments: Information to be disclosed.
- Modification of IAS 23: Borrowing Costs.
- Modification of IAS 32: Financial instruments: Presentation.
- Modification of IFRS 1: First-time Adoption of IFRS.
- Modification of IAS 27: Consolidated and Separate Financial Statements.
- Modification of IAS 19: Employee Benefits.
- Modification of IAS 28: Investments in Associates.
- Modification of IAS 36: Impairment of Assets.
- Modification of IAS 38: Intangible Assets.
- Modification of IAS 39: Financial instruments: Recognition and Measurement.
- Modification of IFRIC 9: Reassessment of Embedded Derivatives.
- Modification of IAS 16: Property, plant and equipment.
- Modification of IAS 29: Financial Reporting in Hyperinflationary Economies.
- Modification of IAS 31: Participations in Joint Ventures.
- Modification of IAS 40: Investment Property.
- Modification of IAS 20: Accounts for Grants and Information to be Disclosed on State Aid.

The accounting policies applied are consistent with last year's, bearing in mind the adoption of the standards and interpretations discussed in the preceding paragraph, given that they do not have a significant effect on the consolidated annual accounts, or on the financial position.

The standards issued prior to the date of formulate of these annual accounts and which will come into force at a later date are as follows:

- IFRS 9: Financial Instruments.
- IFRIC 12: Service Concession Agreements.
- IFRIC 15: Real Estate Construction Contracts.
- IFRIC 16: Hedging of a Net Foreign Investment.
- IFRIC 17: Distribution of Non-Cash Assets to Owners.
- IFRIC 18: Transfers of Assets from Customers.
- IFRIC 19: Extinguishing of a Financial Liability through Equity Instruments.
- Revision of IFRS 3: Business Combination. Heightening the importance of the comparability and reliability of the information in the financial statements on business combinations.

- **Revision of IAS 27:** Consolidated and Separate Financial Statements. Heightening awareness of the comparability and reliability of the financial statements in relation to the consolidated financial statements and subsidiary companies, consolidation methods and minority interest.
- **Modification of IFRS 1:** Additional Exemption for First Adopters.
- **Modification of IFRS 5:** Non-current Assets Held for Sale and Discontinued Activities.
- **Modification of IFRS 2:** Transactions with Share-based Payments of the Group Settled in Cash.
- **Modification of IAS 32:** Classification of Rights Issues.
- **Modification of IAS 39:** Hedging Items.
- **Modification of IAS 24:** Information to Be Disclosed on Related Parties.
- **Modification of IFRIC 14:** Prepayments of Minimum Funding Requirements.

These standards will not have a significant impact on the financial position of the Group, although the adoption of IFRS 3 revised and IAS 27 revised will have effects on the accounting for business combinations as from January 1, 2010.

2.1 Fair view

The consolidated balance sheet and profit and loss 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, and fairly present the equity, financial position and the results of operations of the Company.

2.2 Comparison of Information

The balance sheet, income statement, statement of comprehensive income, statement of changes in net equity and the statement of cash flows for 2008 and 2009 presented are completely comparable.

Accordingly, comparative amounts are presented for 2008 and 2009 in relation to the quantitative information included in the different Notes to the Accounts. With respect to the consolidation scope, the main changes in 2008 and 2009 compared to last year are discussed in Note 4.1.

2.3 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 interests in joint ventures, 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.

Standardisation of timing and valuation

All the companies included in the consolidation scope close their financial year as of December 31, having used the respective 2008 and 2009 annual accounts 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" account 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 income statement.

Acquisition of minority interests

Once control is obtained, the operations thereafter in which the parent company has acquired more participations from minority interest, or sold participations without losing control, they are booked as transactions with equity instruments, from which we deduce that:

- Any difference between the amounts by which the minority interest is adjusted and the fair value of the consideration paid or received is recognised directly in net equity and attributed to the equity holders of the parent company.
- No adjustment is made to the carrying value of the goodwill, and no gains or losses are recognised in the income statement.

Elimination of internal operations

The intercompany balances for intercompany transactions relating to loans, leases, 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.

2.4 Minority interests and attributable results

Minority interests

The proportional part of the equity relating to third parties unrelated to the Group, calculated according to IFRS 27, is recorded under this account 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.

2.5 Conversion of foreign companies´financial statements

All the assets, rights and obligations of foreign companies included in the consolidation scope are converted into Euros using the year-end exchange rate.

The income statement items have been converted at the exchange rates prevailing on the dates on which the corresponding transactions took place.

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 account "Minority Interests" on the liabilities side of the consolidated balance sheet.

Goodwill and adjustments to the fair value of the balance sheet items which arise on the acquisition of participations in a foreign company are considered to be assets and liabilities of the acquired company and are, therefore, converted using the exchange rate prevailing at year-end.

Upon total or partial disposal or return of contributions of a foreign company, the conversion differences accumulated since the IFRS transition date (January 1, 2004), relating to said company and recognised in equity, are proportionally released to the income statement as a component of the disposal's profit or loss.

2.6 Accounting valuations and estimates

The directors have prepared the annual accounts using assessments, estimates and assumptions which have an effect on the application of the accounting policies as well as on assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of these annual accounts.

The above-mentioned estimates and assumptions are based on historical experience and other factors considered reasonable under the circumstances. The carrying amount of assets and liabilities, which is not readily apparent from other sources, has been established on the basis of these estimates. The Company periodically reviews these estimates and assumptions; the effects of the reviews on the accounting estimates are recognised in the year in which they are realised, whether they have an effect solely on such period, or on the reviewing period and future periods, or both. However, given the uncertainty inherent in them, the need may arise to make significant adjustments to the carrying amounts of assets and liabilities affected in future periods should changes occur in the assumptions or circumstances on which the resulting values were based.

The estimates made are detailed, if applicable, in each of the explanatory notes of the balance-sheet accounts. We set out below the estimates and judgement that have a significant impact and will involve adjustments in future years:

Estimate impairment loss on goodwill

The Group annualy tests goodwills for impairment, as described in Note 3.3. The recoverable amounts of the cash generating units have been determined based on calculations of their value in use. These calculations require the use of the estimates that are described in Note 7.

Income tax provision

The Group is subject to income tax in many countries. An major degree of judgment is required to determine the provision for income tax internationally. These are many transactions and calculations for which the final determination of the tax is uncertain. The Group recognises the liabilities for tax claims based on the estimate of whether additional taxes will be necessary. If the final tax results of these matters is different from the amounts that were initially recognised, these differences will have an effect on the income tax and the provisions for deferred tax in the year in which the determination was made.

Fair value of derivatives

The fair value of financial instruments that are not traded on an official market is determined using valuation techniques, as indicated in Note 3.5. The Group uses its judgement to select a series of methods and form assumptions that are based mainly on the market conditions at the balance sheet date. Most of these valuations are normally obtained from studies made by independent experts.

Fair value of investment property

The Group has chosen to measure investment property using the fair value model. The estimate of this fair value is based on appraisals made by independent experts in 2007 using cash flow discount valuation techniques based on these assets and restated on the basis of estimates that the Group revises annually, as indicated in Note 3.4.

Pension benefits

The current value of retirement pension obligations depends on certain factors that are determined on an actuarial basis using a series of assumptions. The assumptions used to determine the net cost (income) for pensions include the discount rate. Any change in these assumptions will have an effect on the book value of the pension obligations.

The Group determines the appropriate discount rate at the year end. This rate is the interest rate that must be used to determine the current value of the cash flows that is expected will be required to settle the pension obligations. When determining the discount rate the Group uses the interest rates of high quality corporate bonds that are denominated in the currency in which the pensions will be paid, and which have maturities that approximate the terms of the respective pension liabilities.

Other key assumptions for retirement pension obligations are based in part on current market conditions. Note 15.2 include more information in this regard.

3.1 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 goodwills 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 to all goodwill and discounted at a rate which takes into account the specific risks of each asset, is less than the initial carrying amount. Once the impairment loss on goodwill is recognised, it does not reverse in future years.

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 use of software applications are considered to have an indefinite useful life.

Leaseholds relate mainly to the acquisitions costs of operating rights for various hotels and are written off on a straight-line basis over the duration of the agreements related to these operating rights.

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.

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

3.2 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.

For those leasing contracts in which, according to the analysis of the nature of the agreement and its conditions, it is deduced that the risks and benefits inherent to the ownership of the asset in question have been substantially transferred to the Group, said agreement is considered to be a finance lease. Therefore, due to their nature, said contracts are recorded for an amount equivalent to the lower of carrying value and the present value of the minimum repayments established at the beginning of the contract, less accumulated depreciation and any impairment loss.

In 1996 tangible fixed assets were restated in accordance with Royal Decree Law 7/1996 of June 7, (see Notes 8 and 12.2 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 income statement. 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	40-50 years
Plant	15-18 years
Machinery	10-18 years
Furniture	10-15 years
Computer software	3-8 years
Vehicles	5-10 years
Other fixed asset	4-8 years

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

3.3 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 of 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 RATE	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 income statement. 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.

3.4 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 account.

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 were supported by renowned independent experts' appraisals that have experience in valuing various types of properties, and updated based on the Group's estimates. The variables used for determining these estimates are indicated in Note 3.3.

3.5 Financial instruments

There is no difference between the fair 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 other receivables

This classification includes the amounts recorded under the accounts "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 account".

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 irrelevant.

Transfer of financial assets

The Group derecognises a financial asset when it transfers all the contractual rights to receive from the cash flows generated, or even when 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 associated 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 financial assets

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 accounts. It relates to investments in the equity instruments of companies in which the Group does not have significant influence.

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 make provision 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. These financial liabilities are initially recognised at fair value, less directly attributable transaction costs. All the Group's non-derivative financial liabilities are included within the classification of financial liabilities valued at amortised cost.

Preference shares

In order to determine whether preference shares are a financial liability or an equity instrument, the Group evaluates in each case the particular rights given to the share in order to determine if it is a financial liability or not. If so, it is considered as such and stated at the year end at its amortise 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.

Loans and bank loans

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 payables

Trade and other 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 14.7, 14.9 and 14.10. 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 immaterial.

Combined financial instruments

These are non-derivative financial instruments that include liability and equity components simultaneously. Both their components are presented separately.

At initial recognition the liability component is stated at the fair value of a similar liability that is not tied to an equity component, and the equity component is stated at the difference between the initial amount and the value assigned to the liability component. The costs for this operation are divided amongst the liability components and equity component in the same proportion arising from the assignment of the initial value.

After initial recognition the liability component is stated at its amortised cost, using the effective interest rate method. This account includes the balance of "Bonds and other negotiable securities".

Derivative financial instruments

Derivative financial instruments which are within the scope of IAS 39, are classified as financial assets or liabilities at fair value with changes in the income statement or as accounting hedges. In both cases the 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.

Accounting hedges

Accounting hedges are considered to be those derivative financial instruments for which there is a specific assignment, provided that said hedge is highly efficient.

The Group has various interest rate swaps which are classified as cash flow hedges. Variations in the fair value of said derivative financial instruments are recognised in equity and are only recognised in the income statement to the same extent as the covered item. The accounting of the fair value is undertaken depending on the negotiation date.

The fair value of interest rate Swap contracts is determined by the valuation of cash flow discount method using the market interest rates.

Other derivative financial instruments

Any profit or loss arising from changes in the fair value of those derivatives which do not fulfil the requirements to be considered as a hedging instrument are directly recognised in net profit and loss for the year. At year-end the Group has no derivative financial instruments at fair value through profit and loss.

3.6 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 acquisition cost 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 account and are maintained in the balance sheet according to their nature.

3.7 Inventories (trade, 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.

3.8 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" account in the Consolidated Net Equity.

3.9 Capital grants and other deferred income

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.

The Company manages various customer loyalty programs comprising incentives to customers that use hotels or services of related companies, through a series of points that can be exchanged for prizes such as free stays at hotels managed by the Group.

The Company makes an estimate of the part of the sale prices of the hotel stays that must be assigned as fair value for these exchangeable points, deferring their recognition in the income statement until the exchange of the points takes place.

3.10 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.

The estimated future results arising from rental contracts are reviewed on an annual basis depending on the expected cash flows of the related cash-generating units, applying an appropriate discount rate. Onerous contracts are considered to be those contracts in which the unavoidable costs for fulfilling the obligations established exceed the economic profits expected.

The Company recognises a provision on the balance sheet for defined benefit bonuses established in the collective bargaining agreements at the difference between the current value of the commitment remuneration and the fair value of the future commitment-related assets used to settle the liabilities, less, as the case may be, the costs for past services not yet recognised.

Certain Collective Bargaining 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. 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/F2000p tables. In addition, the payment of said commitments have been externalised according to the particular technical conditions established in the Ministerial Order dated 2 November 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 on their systematic incorporation to income statement, 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 respect to pension commitments and obligations stipulated in collective bargaining agreements, the companies affected have made their respective transfers to insurance companies along with the commitments with six executives of the Company, five of whom are no longer current employees.

3.11 Income and expenses

In accordance with the accruals principle, income and expenses are recognised when the goods or services represented by them take place, regardless of when actual payment or collection occurs.

Income from the sale of goods or services rendered is recognised at the fair value of the consideration received or to be received. Discounts for advance payments, volume or other discounts, as well as interest included in the principal of the credits, are recorded as a decrease in said credits. Nonetheless, when the effect of not updating the cash flows is insignificant, the Company includes interest associated to trade debt maturing in less than one year that does not have a contracted interest rate.

Revenue of 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.

3.12 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.

3.13 Income tax

Income tax expense for the year is calculated as the sum of current tax of each of the companies included in these annual accounts resulting from applying the corresponding tax rate to taxable profit for the year, less any applicable rebates and tax credits, taking into account changes during the year in recognised deferred tax assets and liabilities. The corresponding tax expense is recognised in the income statement, except when it relates to transactions recognised directly in equity, in which case the corresponding tax expense is likewise recognised in equity.

Current tax assets and liabilities are valued at the amount expected to be payable or receivable. The tax rates used are those prevailing at the balance sheet date.

Deferred tax assets and liabilities are recorded using the balance sheet method, for all the temporary differences existing at the balance sheet date between the carrying value of the assets and liabilities and their tax bases.

Deferred tax assets and liabilities are offset if, and only if, there is a legally recognised right to offset the current tax assets with current tax liabilities and when the deferred tax assets and liabilities arise from income tax levied by the same tax authority, which affect the same company or taxpayer, or different companies or taxpayers, who wish to settle the current tax assets and liabilities in their net amount.

Deferred tax is 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 liabilities are also recognised for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except to the extent that both of 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: it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which said differences can be utilised.

The recovery 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.

3.14 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, with the exception of those arising from transactions financing foreign subsidiaries which have been considered to be an increase in the value of the net investment in said businesses as a result of not taking into consideration the settlement of the transactions. Bearing in mind the equity and financial situation of the subsidiaries, such a settlement is not probable, as considered in IAS 21. "The effects of changes in foreign exchange rates."

3.15 Functional currency and hyperinflationary economies

The Euro is the functional currency of the consolidated Group, and its parent company Sol Meliá, S.A.

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. At the 2009 year end, the Venezuelan economy is classified as hyperinflationary, since it meets the standards under IAS 29 "Financial information on hyperinflationary economies". As a result, the balances sheets of the Venezuelan companies in the consolidation scope have been restated using the current cost method, reflecting thus the effects of the changes in the price indices in their non-monetary assets and liabilities.

None of the other companies included in the consolidation scope are considered to be in hyperinflationary economies at the 2008 and 2009 closing.

4. CONSOLIDATION SCOPE

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

The breakdown of the participated companies at December 31, 2009, 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 various hotels 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 income statement 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, which Sol Meliá, S.A. owns 85.4%, is in dissolution, and is excluded from the consolidation scope since, during said process, the Group has no control or significant influence in the abovementioned company.

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 Variations in the consolidation scope

ADDITIONS FOR 2009	DISPOSALS FOR 2009
Cansilius, S.L.	Alcaján XXI, S.L.
Mongamenda, S.L.	Apartamentos Madrid Norte, S.L.
	Credit Control Riesgos, S.L.
	Dock Telemarketing, S.A.
	Golf del Cocotal, S.A.
	Hotel Bellver, S.A.
	Hotel Convento de Extremadura, S.A.
	Innside Hotel, GmbH
	Lifestar Hoteles España, S.L.
	Parque san Antonio, S.A.
	Playa Salinas, S.A.
	Sol Hotti Portugal Hoteis, Ltd.
	Sol Meliá Travel, S.A.

On June 30, 2009, the Group acquired all the shares of Cansilius, S.L. totalling Euros 3,200, equivalent to all the share capital of this company.

In December 2009, the Group purchases 50% of the shares of Mongamenda, S.L., owned of a hotel in Mallorca (Spain), totalling Euros 3.2 million. At the purchase date, this company had assets of Euros 24.5 million, of which Euros 22.8 million relate to property, plant and equipment, and liabilities of Euros 18.1 million.

During the year the Group purchased 50% of the shares that it did not hold in Punta Elena, S.L. and in Havana Sol Restauración, S.L. for Euros 1.4 million and Euros 31 thousand, respectively, bringing both of them under its control and fully consolidating them, without effect on the income statement, nor giving rise to the generation of any goodwill.

In the first quarter of 2009 the shareholder agreement of Nyesa Meliá Zaragoza, S.L. in which the Group has a 50% stake was modified, making it since then a joint venture instead of a subsidiary. Accordingly, the Company has consolidated it by equity accounting.

Effective January 2009, the following companies have merged with the parent company of the Group: Alcajan XXI, S.L., Apartamentos Madrid Norte, S.L., Credit Control Riesgos, S.L., Dock Telemarketing, S.A., Hotel Bellver, S.A., Lifestar Hoteles España, S.L., Parque San Antonio, S.A., Playa Salinas, S.A. and Sol Meliá Travel, S.A. This vertical merger has not had an impact on the consolidated accounts of the Group.

Also effective January 2009, the company Innside Hotel GmbH has merged with its parent company Sol Melia Deutschland GmbH, both companies being controlled fully and without impact on the consolidated accounts of the Group.

In July 2009 Golf del Cocotal, S.A. in which the Group held a 100% interest was wound up, without impacting the consolidated accounts.

In December 2009, the Group has sold its interest in Sol Hotti Portugal Hoteis, Ltd., which was consolidated by equity accounting, for Euros 350 thousand, generating a loss of Euros 6 thousand, recognised in the income statement.

In September 2009, Hotel Convento de Extremadura, S.A. in which the Group held a 77.63% stake was wound up, generating a profit of Euros 26 thousand, recognised in the income statement for the year.

For comparative purposes, please find below the additions and disposals for Fiscal year 2008:

ADDITIONS FOR 2008	DISPOSALS FOR 2008
Altavista Hotelera, S.L.	Hotel Abbaye de Theleme, S.A.S.
Sol Melia Greece Hotels and Touristic Enterprises, S.A.	Hotel Blanche Fontaine, S.A.S.
Sol Melia Bulgaria AD	Hotel François, S.A.S.
Sol Melia Luxembourg,S.A.R.L	Hotel Royal Alma, S.A.S.
	Luxury Lifestyle H&R
	Melsol Portugal, Ltd.

On June 12, 2008, the Group acquired 40% of the company Altavista Hotelera, S.L., for an amount of Euros 8.7 million. Said company is integrated by the equity method. The company's activity is based on the operation of the hotel ME Barcelona. On incorporation, said company had assets amounting to Euros 104.6 million, Euros 101 million of which relate to property, plant and machinery. The company's liabilities amounted to Euros 80.7 million. The cost of this holding is subject to certain adjustments due to future events estimated by the Company and taken into account on integration into the consolidation scope. An excess on the cost of the business combination has been generated as a result of the previous integration. Said excess has been temporarily recorded for an amount of Euros 1.7 million under the "Goodwill and Negative Consolidation Difference" heading in the income statement for the year.

On June 30, 2008, the company Sol Meliá Greece Hotels and Touristic Enterprises, S.A. was constituted, with an initial contribution of Euros 60,000, corresponding to 100% of the company's share capital. The company's activity is the management of hotel establishments in Greece.

During the second six months of 2008, the Group's Parent Company has constituted the companies Sol Meliá Bulgaria AD and Sol Meliá Luxembourg, S.R.L., which are subsidiaries in which the Group possesses 60% and 100% control, respectively. The corporate purpose of both companies is the operation of hotel units in Bulgaria and Luxembourg.

In February 2008, the group disposed of its participation in Luxury Lifestyle H&R, which was integrated by the equity method, generating a profit of Euros 61,000, which is recognised in the income statement for the year.

The company Melsol Portugal, Ltd., in which the Group held a participation of 80%, was dissolved in December.

During the year, the French companies "Hotel François SAS", "Hotel Royal Alma SAS", "Hotel Abbaye de téleme SAS" and "Hotel Blanche Fontaine SAS" have merged with their Parent company. Subsequently, the hotel businesses operated by each of them in favour of the companies created for this purpose in the prior year have been split off. This transaction has no effect on the consolidated annual accounts as it is accounted for at carrying value.

Since July 1, 2008, the company Colón Verona, S.A., where the Group has a participation of 50%, which to said date was integrated by the full method, is considered to be a joint venture and therefore it is integrated by the equity method. The change in the consolidation method takes place after the modification of the shareholders' agreement.

5. SEGMENT INFORMATION

The business segments identified based on the nature of the risks and yields of the Group and which constitute the organisation structure are the following:

- Hotel Business: This segment includes the results from leased or owned hotel units operated by the Group.
- Asset management: gains from turnover of assets, development and real estate operations
- Vacation Club Business: This segment includes the earnings from time-shares at vacation complexes.
- Management and structure: it corresponds to the revenues from fees received in concept of operation of managed or franchised hotels, structure costs and other operating activities related to leisure, or recreation.

The segmentation of Sol Meliá arises from the Company's diversification of businesses within the hotel, real estate and vacation club sectors.

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 Asset Management and Vacation Club businesses entail a major move towards the crystallisation of the value of the Company's assets.

Other business and corporate Segment includes the fees for the management of hotels of third parties and other nonstrategic Group businesses, and the Group's corporate costs which are not attributable to any of the two business divisions mentioned above.

Certain accounts 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.

5.1 Business segments

The segmentation of the income statement and the balance-sheet lines regarding operation for the year 2009 is shown in the following table:

(Thousand €)

	HOTEL BUSINESS	ASSET MANAGEMENT	VACATION CLUB	OTHER BUSINESS AND CORPORATE	ELIMINATIONS	TOTAL 31/12/09
INCOME STATEMENT						
Operating income	876,532	77,600	66,502	186,438	(58,419)	1,148,653
Operating expenses	(645,462)	(7,417)	(69,358)	(203,366)	58,419	(867,184)
EBITDAR	**231,071**	**70,183**	**(2,857)**	**(16,929)**	**0**	**281,468**
Leases	(79,070)			(310)		(79,380)
EBITDA	**152,000**	**70,183**	**(2,857)**	**(17,238)**	**0**	**202,088**
Restructuring						0
Amortisation and depreciation	(84,461)	(427)	(1,231)	(10,808)		(96,928)
EBIT	**67,539**	**69,756**	**(4,088)**	**(28,047)**		**105,160**
Net financial income						(38,458)
Net income of associates	(12,549)			(248)		(12,797)
Profit before tax						**53,906**
Tax					(10,398)	
NET INCOME						**43,507**
Minority interest						(5,391)
NET INCOME ATTRIBUTED TO PARENT COMPANY						**38,116**
ASSETS AND LIABILITIES						
Property, plant and equipment and intangible assets	1,837,937	14,896	2,856	188,731		2,044,421
Investments in associates	30,809			(769)		30,039
Other non-current assets						345,306
Current operating assets	92,852	8,612	83,626	32,486	(573)	217,002
Other current assets						501,606
TOTAL ASSETS						**3,138,375**
Borrowings						1,445,115
Other non-current liabilities						229,085
Current operating liabilities	85,812	2,688	12,550	59,554	(1,169)	159,435
Other current liabilities						249,780
TOTAL LIABILITIES						**2,083,415**

The operating income from the asset management segment includes Euros 62.4 million arising from asset turnover relating to 2 hotels in Spain and to other real estate developments in the Dominican Republic.

Moreover, the total operating revenue includes Euros 10.6 million for services rendered to associates and the remainder relates to transactions with third parties unrelated to the Group.

Intercompany transactions undertaken during the year between the various segments, relate to the rendering of services from the structure and management segment to the hotel and real estate segments for amounts of Euros 25.8 million and Euros 12.3 million, respectively.

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

Moreover, the disposal of assets as a result of withdrawals from the consolidation scope amounted to Euros 22 million, corresponding to the hotel business segment.

For comparative purposes the business segmentation for 2008 is shown below:

(Thousand €)

	HOTEL BUSINESS	ASSET MANAGEMENT	VACATION CLUB	OTHER BUSINESS AND CORPORATE	ELIMINATIONS	TOTAL 31/12/08
INCOME STATEMENT						
Operating income	1,034,026	17,063	97,385	214,808	(84,240)	1,279,041
Operating expenses	(720,681)	(12,807)	(70,740)	(225,208)	84,311	(945,125)
EBITDAR	**313,344**	**4,255**	**26,645**	**(10,400)**	**71**	**333,916**
Leases	(76,485)	0	0	(661)	(71)	(77,217)
EBITDA	**236,859**	**4,255**	**26,645**	**(11,061)**		**256,698**
Restructuring				(1,378)		(1,378)
Amortisation and depreciation	(87,323)	(404)	(1,235)	(7,122)		(96,084)
EBIT	**149,536**	**3,852**	**25,410**	**(19,562)**		**159,236**
Net financial income						(91,762)
Net income of associates	(6,090)			(491)		(6,581)
Profit before tax						**60,893**
Tax					(6,276)	
NET INCOME						**54,617**
Minority interest						(3,402)
NET INCOME ATTRIBUTED TO THE PARENT COMPANY						**51,215**
ASSETS AND LIABILITIES						
Property, plant and equipment and intangible assets	1,835,751	5,564	51,781	208,407		2,101,502
Investments in associates	42,887			(3,723)		39,164
Other non-current assets						324,178
Current operating assets	108,839	30,962	27,330	3,034		170,166
Other current assets						300,719
TOTAL ASSETS						**2,935,728**
Borrowings						1,238,843
Other non-current liabilities						483,484
Other operating liabilities	91,093	3,064	17,079	48,037		159,272
Other current liabilities						123,526
TOTAL LIABILITIES						**2,005,126**

The operating income from the real estate and vacation club businesses includes Euros 11.7 million arising from asset rotation relating to 1 hotel in Spain and to other real estate developments in the Dominican Republic and Euros 97.4 million relating to Vacation Club sales.

Moreover, the total operating revenue includes Euros 7.5 million for services rendered to associates and the remainder relates to transactions with third parties unrelated to the Group.

Intercompany transactions undertaken during the year between the various segments, relate to the rendering of services from the structure and management segment to the hotel and real estate segments for amounts of Euros 70.9 million and Euros 15.6 million, respectively.

The main movements recorded during the year in the fixed assets account relate to the extensions, refurbishments and sale of assets in the hotel business segment, which are detailed in Note 8.mas y ventas de activos del segmento hotelero, explicadas en las Nota 8.

Moreover, the disposal of assets as a result of withdrawals from the consolidation scope amounted to Euros 23.7 million, corresponding to the hotel business segment.

5.2 Geographic 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 1):

(Thousand €)

	EUROPE	AMERICA	AFRICA	ASIA	ELIMINATIONS	31/12/09
Operating income	816,074	383,014	5,537	2,447	(58,419)	1,148,653
Total Assets	2,087,856	1,047,306	1,670	1,542	0	3,138,375

The turnover between the various geographical segments amounts to Euros 58.4 million, of which Euros 49.6 million correspond to the European segment, Euros 7.1 million to the American segment and Euros 1.6 million to the Asian segment.

Disposals from the consolidation scope relate mainly to fixed assets in Europe for a total amount of Euros 22 million, arising as a result of the change in the consolidation method for Nyesa Melia Zaragoza, S.L.

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

(Thousand €)

	EUROPE	AMERICA	AFRICA	ASIA	ELIMINATIONS	31/12/08
Operating income	932,021	456,993	6,566	2,914	(119,452)	1,279,041
Total assets	1,997,277	933,022	3,920	1,510	0	2,935,728

Turnover between the various geographical segments amounts to Euros 119.5 million, of which Euros 77.2 million correspond to the European segment, Euros 40.3 million to the American segment and Euros 2 million to the Asian segment.

Disposals of assets during the year, mainly relate to fixed assets in Europe for a total amount of Euros 23.7 million, arising as a result of the change in the consolidation method for Colón Verona, S.A.

5.3 Income and expenses

Operating revenues

The breakdown of the balance of this account in the income statement for the years 2009 and 2008 is as follows:

(Thousand €)

	2009	2008
Room sales	511,287	624,634
Food and beverages	297,936	332,188
Income from other businesses	62,789	71,153
Real estate income	76,052	31,288
Sale of vacation club units	61,802	98,227
Other revenues	138,786	121,552
TOTAL	**1,148,653**	**1,279,041**

Consumables

The breakdown of the balance of this account in the income statement for the years 2009 and 2008 is as follows:

(Thousand €)

	2009	2008
Consumption of food and beverages	87,340	100,922
Consumption of ancillary goods	24,796	30,076
Consumption of vacation club sales	9,148	8,339
Sundry consumption	16,711	16,471
TOTAL	**137,995**	**155,808**

Staff costs

The average number of employees in the last two years by job category is as follows:

	2009			2008		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Management personnel	303	107	410	300	82	382
Department heads	974	691	1,664	1,001	634	1,635
Technicians	6,013	4,655	10,668	5,740	4,271	10,011
Auxilliary staff	2,720	2,905	5,625	3,633	3,150	6,783
TOTAL	**10,009**	**8,358**	**18,367**	**10,674**	**8,137**	**18,811**

Staff costs are broken down as follows:

(Thousand €)

	2009	2008
Wages, salaries and the like	315,359	330,954
Social Security	61,278	65,068
Other social welfare expenses	14,132	18,321
TOTAL	**390,768**	**414,344**

The remuneration paid to senior management and the Board of Directors of Sol Meliá, S.A. during the years 2009 and 2008 have been as follows:

(Thousand €)

	2009	2008
Per diems for attendance	772	940
Remuneration of directors	1,562	1,658
Remuneration of senior management	2,414	1,983
TOTAL	**4,748**	**4,581**

The Company has not assumed any obligations or paid any advances to loans to the directors.

Other expenses

The breakdown of the balance of this account in the income statement for the years 2009 and 2008 is as follows:

(Thousand €)

	2009	2008
Sundry rentals	7,275	7,492
Maintenance and repairs	36,250	31,848
External services	48,288	57,418
Transport and insurance	11,421	11,719
Banking expenses	8,241	8,625
Advertising and promotions	28,260	34,909
Supplies	59,564	65,592
Travel and ticketing expenses	8,393	10,711
Tax	25,612	27,892
Other expenses	105,118	118,767
TOTAL	**338,421**	**374,974**

Leases

The Group operates a total of 80 hotels under leasing, 4 of which are five-star with 588 rooms, 56 are four-star hotels with 9,220 rooms, 17 are three-star with 2,315 rooms, 1 is a two-star with 38 rooms and 2 are three-key establishments with 614 apartments.

The table below shows the distribution of the minimum payments of said leases by maturity:

	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum operating lease payments	80,427	287,136	1,032,941	**1,400,505**

Of the 80 hotels operated by the Sol Meliá Group under leases, 17 have been classified as financial leases, as explained in Note 14.5. This table includes a total of Euros 696.4 million relating to the part corresponding to the plots of land where the 17 hotels classified as financial leases are located.

Most of the leases held by the Group relate to hotels which are operated by Group companies.

The rental contracts of the hotels operated by the Group companies, have a contingent component related to the Consumer Price Index (CPI) and, 10 hotels have an additional component related to the evolution of their results, which is not considered as it is directly linked to the contribution of said hotels to the income statement of the Group.

With the exception of the part of the plots of land where the 17 hotels classified as financial leases are located, the average duration of these leasing contracts is of 9 years.

6. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing net profit attributable to ordinary equity by the average number of ordinary shares in circulation during the year. Both aggregates are adjusted by the dilutive effects inherent in convertible bond issues both for interest recognised in the income statement and for the number of potential ordinary shares.

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

(units €)

	BASIC		DILUTES	
	31/12/09	31/12/08	31/12/09	31/12/08
Net income attributed to the parent company	38,116,328	51,215,093	38,116,328	51,215,093
Correction of results			619,708	4,179,233
Adjusted results	38,116,328	51,215,093	38,736,036	55,394,326
Number of ordinary shares	184,776,777	184,776,777	184,776,777	184,776,777
Average weighted treasury shares	(7,256,886)	(6,413,333)	(7,256,886)	(6,413,333)
Nº of potential ordinary shares			25,212,732	
Total number of shares	177,519,891	178,363,444	202,732,623	178,363,444
EARNINGS PER SHARE	**0.21**	**0.29**	**0.19**	**0.31**

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.0418 € per share (net dividend of 0.0343 €). An amount of Euros 7.7 million of distributable reserves of the Parent Company, Sol Meliá, S.A. will be drawn down for said purpose.

7. INTANGIBLE ASSETS

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

(Thousand €)

	BALANCE 31/12/08	AMORT. 2009	ADDITIONS	DISPOSALS	PERIMETER CHANGES	EXCHANGE DIFFERENCE	BALANCE 31/12/09
GROSS VALUE							
Goodwill	19,019					125	19,144
Leaseholds	76,811		700			4,261	81,772
Industrial property rights (R+I+D)	6,982		1	(8)		(9)	6,966
Computer software	60,909		4,405	(88)		30	65,256
TOTAL VALUE	**163,721**		**5,106**	**(96)**	**0**	**4,407**	**173,138**
ACCUMULATED AMORTISATION							
Leaseholds	(17,309)	(3,394)				(1,188)	(21,891)
Industrial property rights (R+I+D)	(4,523)	(258)	(1)			9	(4,773)
Computer software	(46,651)	(2,677)	(38)	1		(26)	(49,391)
TOTAL ACCUMULATED AMORTISATION	**(68,483)**	**(6,329)**	**(39)**	**1**	**0**	**(1,205)**	**(76,055)**
NET CARRYING VALUE	**95,238**	**(6,329)**	**5,067**	**(95)**	**0**	**3,202**	**97,082**

The additions for the year, recorded on the leaseholds line, relate to the payments made for the acquisition of the operating rights of a hotel held on a rental basis in Spain, for an amount of Euros 0.7 million.

The "Software" additions relate to the development of software applications for several areas of the Company which will permit the continuous integration and improvement of the Group's management and facilitate growth and globalisation processes within the Group

"Software" also includes Euros 5.8 million for licenses that have an indefinite useful life.

For comparison purposes the breakdown of these movements in 2008 was the following.

(Thousand €)

	BALANCE 31/12/07	AMORT. 2008	ADDITIONS	DISPOSALS	PERIMETER CHANGES	EXCHANGE DIFFERENCE	BALANCE 31/12/08
GROSS VALUE							
Goodwill	19,481					(462)	19,019
Leaseholds	89,500		2,855			(15,544)	76,811
Industrial property rights (R+I+D)	6,962		35	(14)		(1)	6,982
Computer software	58,740		2,262	(41)	17	(69)	60,909
TOTAL VALUE	**174,683**		**5,152**	**(55)**	**17**	**(16,076)**	**163,721**
ACCUMULATED AMORTISATION							
Leaseholds	(18,120)	(3,386)				4,197	(17,309)
Industrial property rights (R+I+D)	(4,262)	(217)	(45)			1	(4,523)
Computer software	(45,723)	(1,982)		984		70	(46,651)
TOTAL ACCUMULATED AMORTISATION	**(68,105)**	**(5,585)**	**(45)**	**984**	**0**	**4,268**	**(68,483)**
NET CARRYING VALUE	**106,578**	**(5,585)**	**5,107**	**929**	**17**	**(11,808)**	**95,238**

The balance of the leaseholds at year-end mainly relate to the amounts paid for the acquisition of the operating rights of a hotel held on a rental basis in the United Kingdom for Euros 2.9 million.

The additions of software relate to the development of computer applications in different areas.

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

(Thousand €)

	31/12/09	31/12/08
Apartotel, S,A,	504	504
Hotel Metropolitan, S,A,S,	1,181	1,181
Cadstar France, S,A,S,	1,138	1,138
Ihla Bela de Gestao e Turismo, Ltd,	927	927
Lomondo, Ltd,	5,229	5,102
Hotel Alexander, S,A,	8,496	8,498
Operadora Mesol, S,A, De C,V,	465	465
Tenerife Sol, S,A,	318	318
Sol Melia Croacia	886	886
TOTAL	**19,144**	**19,019**

The main variations during the year are due to the exchange rate differences at both year ends.

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. The cash-generating units used for the calculation relate to operated or managed hotels, using the EBITDA generated in the last year as the basis for determining the expected cash flows. The method used is the EBITDA multiple, applying multiples between 6 and 11.4, depending on the various risks associated to each asset and their geographic location.

8. PROPERTY, PLANT AND EQUIPMENT

Movement in the different property, plant and equipment headings and the related accumulated depreciation during 2009 is as follows:

(Thousand €)

	BALANCE 31/12/08	DEPREC. 2009	ADDITIONS	DISPOSALS	VAR. SCOPE	EXCHANGE DIFFERENCE	BALANCE 31/12/09
GROSS VALUE							
Land	405,970		13,968	(12,837)	(7,420)	7,409	407,090
Buildings	1,460,037		157,623	(43,362)	(8,888)	1,496	1,566,906
Plant	366,290		12,743	(13,706)	(5,769)	(237)	359,321
Machinery	72,628		2,458	(1,150)	(478)	(366)	73,092
Subtotal	**438,918**		**15,201**	**(14,856)**	**(6,247)**	**(603)**	**432,413**
Furniture	318,631		33,590	(6,046)	(2,136)	(413)	343,626
Tooling	3,830		42	(17)		10	3,865
Vehicles	4,428		327	(73)		(74)	4,608
Computer hardware	43,393		2,648	(239)	(70)	(4)	45,728
Other fixed assets	39,905		3,852	(2,957)	(239)	(108)	40,453
Subtotal	**410,187**		**40,459**	**(9,332)**	**(2,445)**	**(589)**	**438,280**
Work in progress	99,675		3,392	(87,751)	(576)	623	15,363
TOTAL GROSS VALUE	**2,814,786**		**230,643**	**(168,138)**	**(25,576)**	**8,336**	**2,860,051**
ACCUMULATED DEPRECIATION							
Buildings	(375,869)	(35,339)	(19,805)	9,264	963	(1,615)	(422,401)
Plant	(169,346)	(17,994)	(12)	5,778	1,611	(276)	(180,239)
Machinery	(33,867)	(3,708)	(781)	626	101	91	(37,538)
Subtotal	**(203,213)**	**(21,702)**	**(793)**	**6,404**	**1,712**	**(185)**	**(217,777)**
Furniture	(177,308)	(19,957)	(24,201)	5,520	778	68	(215,100)
Tooling	(3,035)	(213)	(9)	23		(8)	(3,242)
Vehicles	(3,025)	(486)	(26)	58		43	(3,436)
Comuter hardware	(35,120)	(2,803)	(1,329)	504	53	(20)	(38,715)
Other fixed assets	(10,952)	(8,636)	(3,332)	10,831	32	15	(12,042)
Subtotal	**(229,440)**	**(32,095)**	**(28,897)**	**16,936**	**863**	**98**	**(272,535)**
TOTAL ACCUMULATED DEPRECIATION	**(808,522)**	**(89,136)**	**(49,495)**	**32,604**	**3,538**	**(1,702)**	**(912,713)**
VALOR NETO CONTABLE	**2,006,264**	**(89,136)**	**181,148**	**(135,534)**	**(22,038)**	**6,634**	**1,947,338**

Additionally, net book value includes Euros 35.8 million (Euros 81.6 million in gross value less Euros 45.8 million in accumulated depreciation) as addition in relation to the Venezuelan company Inversiones Inmobiliarias IAR, since this country is considered to be a hyperinflationary economy, as explained in Note 3.15. The impact on the income statement for 2009 as a result of the restatement of balance sheets has totalled Euros 14.7 million.

With regards to disposals, in addition to the Euros 53.1 million transferred from work in progress, mentioned above, Euros 30.3 million has also been transferred to inventories of the vacation club business.

Moreover, the main disposals relate to the sale of two hotels in Spain for Euros 38.3 million.

The variations due to modification of the consolidation scope include disposals of assets totalling Euros 22 million relating to the change to full consolidation of Nyesa Meliá Zaragoza, S. L., as discussed in Note 4.1.

At year-end, the net carrying value of the Group's assets which are being financed through bank leasing contracts amounts to Euros 128.3 million, of which Euros 85.7 million relate to buildings, 18.8 million to installations, 18.6 million to furniture and 5.2 million to other fixed assets items. At closing, the Group has 344 bank leasing contracts with an average maturity of 1.6 years. The normal market conditions of said contracts include a purchase contract and a contingent component, relating to the variable nature of the interest rate applied to the contracts as explained in Note 16.1.

Moreover, the consideration of a rental contract for 17 hotels signed in 1999 with a duration of 75 years as a financial lease and taking into account a contingent component related to the CPI, has resulted in an amount of Euros 142.5 million being recorded under this account. 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 14.5), maintaining as an operating lease the portion corresponding to the plots of land where said hotels are located, as detailed in Note 5.3.

At year-end, there are 17 owned properties which are mortgaged in guarantee of various loans. The carrying value of said properties amounts to Euros 421 million (see Note 14.4).

The directors consider that the insurance coverage of the property, plant and equipment is sufficient at December 31, 2009.

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). During 2009, selective appraisals have been performed and have, as in the previous year, resulted in very significant differences between the carrying value of these assets and their fair value according to the appraisals.

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:

(Thousand €)

	31/12/09
Restatemetn of budgets for 1979	24,848
Restatemetn of budgets for 1980	28,852
Restatement of budgets for 1981	1,197
Restatement of budgets for 1982	26,480
Voluntary restatement before 1990	3,146
Restatement under R.D.L. 7/96	53,213
TOTAL RESTATEMENT RESERVES	**137,736**

For comparison purposes, movements in 2008 were as follows:

(Thousand €)

	BALANCE 31/12/07	DEPREC. 2008	ADDITIONS	DISPOSALS	VAR. SCOPE	EXCHANGE DIFFERENCE	BALANCE 31/12/08
GROSS VALUE							
Land	432,394		89	(2,394)	(8,117)	(16,002)	405,970
Buildings	1,454,298		82,515	(28,278)	(10,834)	(37,664)	1,460,037
Plant	353,791		22,641	(7,615)	(77)	(2,450)	366,290
Machinery	65,061		8,542	(963)		(12)	72,628
Subtotal	**418,852**		**31,183**	**(8,578)**	**(77)**	**(2,462)**	**438,918**
Furniture	302,256		30,421	(5,385)	(31)	(8,630)	318,631
Tooling	3,810		272	(1,478)		1,226	3,830
Vehicles	3,983		507	(23)		(39)	4,428
Computer hardware	40,975		4,247	(1,375)	(1)	(453)	43,393
Other fixed assets	37,229		4,559	(1,560)	41	(364)	39,905
Subtotal	**388,253**		**40,006**	**(9,821)**	**9**	**(8,260)**	**410,187**
Work in progress	53,493		89,660	(38,542)	(4,854)	(82)	99,675
TOTAL GROSS VALUE	**2,747,290**		**243,453**	**(87,613)**	**(23,873)**	**(64,471)**	**2,814,786**
ACCUMULATED DEPRECIATION							
Buildings	(358,450)	(35,193)	(710)	4,330	170	13,984	(375,869)
Plant	(155,677)	(17,649)		2,749	8	1,223	(169,346)
Machinery	(30,732)	(3,525)	(8)	335		63	(33,867)
Subtotal	**(186,409)**	**(21,174)**	**(8)**	**3,084**	**8**	**1,286**	**(203,213)**
Furniture	(165,970)	(18,735)	(1)	3,003		4,395	(177,308)
Tooling	(2,871)	(255)		65		26	(3,035)
Vehicles	(2,621)	(439)		20		15	(3,025)
Computer hardware	(34,507)	(2,464)		1,470		381	(35,120)
Other fixed assets	(9,678)	(13,639)		12,120		245	(10,952)
Subtotal	**(215,647)**	**(35,532)**	**(1)**	**16,678**	**0**	**5,062**	**(229,440)**
TOTAL ACCUMULATED DEPRECIATION	**(760,506)**	**(91,899)**	**(719)**	**24,092**	**178**	**20,332**	**(808,522)**
NET CARRYING VALUE	**1,986,784**	**(91,899)**	**242,734**	**(63,521)**	**(23,695)**	**(44,139)**	**2,006,264**

Amongst the additions in 2008 Euros 113.5 million relate to the construction and expansion of various developments in the Caribbean, Euros 33.7 million of which were already booked last year as work in progress.

Additionally, renovations were made in several Group hotels in Spain totalling Euros 104.6 million.

On the other hand, the main disposals of assets relate to Euros 11.9 million derecognised due to renovations at Spanish hotels.

Furthermore, disposals of assets for transfers to inventories of units for the vacation club business were included totalling Euros 4 million.

As for asset sales, Euros 2 million were derecognised for the sale of a hotel in Spain.

The variations due to changes in the consolidation scope included disposals of assets of Euros 23.7 million relating to the change in the consolidation method of Colón Verona, S.A.

The net carrying value of the Group assets relating to finance leases (bank and non-bank) totalled Euros 310.8 million at the 2008 year end.

There were 20 Group owned buildings that were mortgaged to guarantee various loans at the year end and their net carrying value totalled Euros 403.3 million.

9. INVESTMENT PROPERTY

The balance of this account includes the net fair value of investments made by the Group to obtain rental income or capital gains, such as participations in apartments in three apartment owners' associations in Spain, as well as commercial premises in America and other properties in Spain. All the valuations have been undertaken as explained in Note 3.4.

(Thousand €)

	31/12/08	ADDITIONS	EXCHANGE DIFFERENCE	31/12/09
Apartaments in Spain	79,822	658		80,480
Shopping centres in America	37,679	9,694	(929)	46,444
Other buildings in Spain	10,928			10,928
TOTAL	**128,429**	**10,352**	**(929)**	**137,852**

Additions for the year include Euros 0.66 million corresponding to the purchase of various apartments in Spain.

This account also includes additions arising from the adjustments of the fair value of shopping malls totalling Euros 9.7 million released to the income statement for the year.

The breakdown of the results generated by the investment properties in the Group's income statement is shown in the following table:

(Thousand €)

	APARTMENTS SPAIN	SHOPPING CENTRES AMERICA	OTHER BUILDINGS SPAIN	TOTAL
Operating income		6,368	402	6,770
Operating expenses		(1,878)		(1,878)
EBITDA	**0**	**4,490**	**402**	**4,892**
Amortisation and depreciation		(28)		(28)
Net financial income	18	(94)		(76)
Net income of associates	(562)			(562)
Tax		(1,749)		(1,749)
Net income	**(544)**	**2,619**	**402**	**2,477**
Minority interest		(1,018)		(1,018)
CONTRIBUTION TO GROUP NET INCOME	**(544)**	**1,601**	**402**	**1,459**

The contribution of the apartments in Spain relates to dividends collected from companies in which the Group does not have a significant influence and the proportional part of net income for the year of companies consolidated by equity accounting. These apartments relate to establishments that the Group operates under management contract, generating income of Euros 2.1 million.

The contribution of the shopping centres in America relate to the part of the income statement of operating companies relating to this investment property.

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

For comparative reasons, the breakdown of the movements in 2008 is shown below:

(Thousand €)

	31/12/07	ADDITIONS	EXCHANGE DIFFERENCE	31/12/08
Apartments in Spain	79,691	131		79,822
Shopping Centres in America	28,103	8,929	647	37,679
Other buildings in Spain	10,928			10,928
TOTAL	**118,722**	**9,060**	**647**	**128,429**

Additions for the year 2008 included Euros 3.7 million corresponding to the transfer of assets under construction located at two shopping centres in America.

This account also included additions arising from the adjustments of the fair value of the shopping centres released to the income statement which amounted to a total of Euros 5.2 million.

For comparative reasons, the contribution to results of the investment properties in 2008 is shown in the following table:

(Thousand €)

	APARTMENTS IN SPAIN	SHOPPING CENTRES IN AMERICA	OTHER BUILDINGS IN SPAIN	TOTAL
Operating income		4,183	396	4,579
Operating expenses		(1,098)		(1,098)
EBITDA	**0**	**3,084**	**396**	**3,480**
Depreciation		(527)		(527)
Net financial income	44	417		461
Net income of associates	1,477			1,477
Tax		(108)		(108)
Net income	**1,520**	**2,867**	**396**	**4,783**
Minority interest		(1,254)		(1,254)
CONTRIBUTION TO NET INCOME OF GROUP	**1,520**	**1,613**	**396**	**3,529**

In 2008, proceeds from the management of hotel establishments, including the apartments in Spain which are considered to be investment properties, amounted to Euros 3.1 million.

10. OTHER NON-CURRENT ASSETS

10.1 Available-for-sale financial assets

Set out below, in Thousand Euros, the movements in available-for-sale assets with the group:

(Thousand €)

	%	BALANCE 31/12/08	ADDITIONS	BALANCE 31/12/09
Fundación Empresa y Crecimiento	4.2%	310	21	331
Horotel, S.A.	12.4%	301		301
Hotelera Sancti Petri, S.A.	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
Inversiones Turísticas Casas Bellas	13.7%	6,520		6,520
Lanzarote 6, S.A.	5.4%	1,982		1,982
P.T. Surylaya Anindita Internacional	16.5%	9,015		9,015
Port Cambrils Inv.	10.0%	980		980
Valle Yamury, S.A.	15.0%	346		346
Plaza Puerta del Mar, S.A.	8.0%	723	72	795
Others		48		48
TOTAL INVESTMENT		**28,846**	**93**	**28,939**
Impairment loss		(3,667)		(3,667)
TOTAL NET CARRYING VALUE		**25,179**	**93**	**25,271**

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

(Thousand €)

	COUNTRY	ACTIVITY	CAPITAL	RESERVES	NET INCOME	%	VTC	VNC
Fundación Empresa y Crecimiento (*)	Spain	Foundation	192	1,119		4,19%	55	331
Horotel, S.A. (*)	Spain	Hotel ownership and operation	3,780	70		12,40%	477	301
Hotelera Sancti Petri, S.A.	Spain	Hotel ownership and operation	13,510	(1,599)	(54)	19,50%	2,312	2,634
I,H, Los Cabos (*)	Mexico	Land ownership	39,093	(1,286)		15,00%	5,671	3,306
Inv, Hotelera Playa del Duque, S.A. (*)	Spain	Hotel ownership and operation	2,582	69,731		5,00%	3,616	2,682
Inv, Turísticas Casas Bellas, S.A. (*)	Spain	Land ownership	47,464	1,075		13,74%	6,669	6,520
Lanzarote 6, S.A. (*)	Spain	Hotel ownership and operation	38,271	(13,301)	(1,517)	5,40%	1,266	1,982
P,T,Surylaya Anindita Internacional (*)	Indonesia	Hotel ownership and operation	6,647	(5,867)	4,946	16,52%	946	9,015
Port Cambrils Inversions, S.A. (*)	Spain	Hotel ownership and operation	6,000	610	6	10,00%	662	980
Valle Yamuri, S.A. (*)	Spain	Holding	4,329	(1,654)		15,00%	401	346
Plaza Puerta del Mar S.A.	Spain	Hotel ownership and operation	9,000	2,988	891	8,00%	1,030	795
TOTAL			**170,868**	**51,886**	**4,272**		**23,106**	**28,891**

(*) There are no Financial Statements at 31 December 2009 of these companies.

Impairment provisions are not recorded for impairment of companies with latent capital gains in the realisable value of their net assets.

Comparative information regarding movement of available-for-sale investments in 2008 is as follows:

(Thousand €)

	%	BALANCE 31/12/07	ADDITIONS	BALANCE 31/12/08
Fundación Empresa y Crecimiento	4.19%	288	21	310
Horotel S.A.	12.40%	301		301
Hotelera Sancti Petri	19.50%	2,634		2,634
I.H. Los Cabos	15.00%	3,306		3,306
I.H. Playa del Duque	5.00%	2,682		2,682
Inversiones Turísticas Casas Bellas	13.74%	6,520		6,520
Lanzarote 6 S.A.	5.40%	1,982		1,982
P.T. Surylaya Internacional	16.52%	9,015		9,015
Plaza Puerta del Mar S.A.	7.70%	675	48	723
Port Cambrils Inv.	10.00%	980		980
Valle Yamury, S.A.	15.00%	346		346
Others		45	2	48
TOTAL INVESTMENT		**28,774**	**72**	**28,846**
Impairment loss		(3,667)		(3,667)
TOTAL NET CARRYING VALUE		**25,107**	**72**	**25,179**

10.2 Investments in associates and joint ventures

Investments corresponding to interests in associates and joint ventures have been accounted for by equity accounting. The amounts obtained are as follows:

(Thousand €)

	BALANCE 31/12/08	2009 INCOME NET	ADDITIONS	DISPOSALS	EXCHANGE DIFF.	BALANCE 31/12/09
Turismo de Invierno, S.A.	4,939	(27)		(102)		4,810
C.P. Meliá Castilla	2,493	(601)	15	(804)		1,103
C.P. Meliá Costa del Sol	1,479	39		(157)		1,361
Aparthotel Bosque, S.A.	1,677	60		(56)		1,681
Nexprom/Promedro (1)	4,254	(345)	50	(452)		3,507
Punta Elena S.L.	159	(0)		(159)		
Hantinsol Resorts, S.A.	16	(0)				16
Nyesa Meliá Zaragoza, S.L. (JV)		(928)		(7,422)		(8,350)
Inversiones Hoteleras la Jaquita, S.A. (JV)	8,009	(5,843)	7,846	(456)		9,556
Havana Sol Restauración (JV)	(1,063)	337	806	(80)		0
Colón Verona, S.A. (JV)	(4,525)	(2,446)	1,710	(153)		(5,414)
Travel Dynamic Solutions, S.A. (JV)	349	(575)	38	(449)		(637)
Altavista Hotelera, S.A.	15,348	(2,774)	1,056	(996)		12,633
Mongamenda S.L.			3,219			3,219
Prom. Playa Blanca, S.A. De C.V.	5,257	873			572	6,702
Inversiones Guiza, S.A.	(2)	0			(0)	(2)
Lifestar, Llc. (JV)	1,129	(60)			(9)	1,059
Hellenic Hotel Management	(76)					(76)
Sol Hoti Portugal Hoteis	307	49		(356)		0
Detur Panamá, S.A.	(584)	(558)			13	(1,130)
TOTAL	**39,164**	**(12,797)**	**14,740**	**(11,642)**	**576**	**30,039**

(1) Companies with same business line. (JV) Joint ventures.

The additions and disposals mainly relate to the changes in the Group's consolidation scope, and the adjustments inherent to the accounting consolidation process between Group companies, of special note being the changes in consolidation scope of Nyesa Melia Zaragoza, S.L. and Mongamenda, S.L, as explained in Note 4.1.

Disposals include those relating to the distribution of dividends of various associates and joint ventures totalling Euros 1.7 million and expenses charged to net equity for the valuation of hedging instruments totalling Euros 1.3 million.

The aggregate amount of assets, liabilities, ordinary income and results for 2009 corresponding to each of the associates and joint ventures integrated in the consolidation scope and the results attributable to the Group depending on the percentage of participation held in each, is as follows:

(Thousand €)

		NON-CURRENT ASSETS	CURRENT ASSETS	TOTAL ASSETS	EQUITY	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	TOTAL LIABILITIES	ORD. REVENUES	NET INCOME	NET INCOME ATTRIBUTED TO GROUP
Turismo de invierno, S.A.	20.82%	33,395	7,064	40,458	23,094	16,181	1,183	40,458	3,540	(130)	(27)
C.P. Meliá Castilla	30.01%	19,680	2,769	22,450	3,667	7,471	11,312	22,450	29,822	(2,077)	(601)
C.P. Meliá Costa del Sol	19.03%	4,732	4,868	9,600	7,149	959	1,492	9,600	9,956	206	39
Aparthotel Bosque, S.A.	25.00%	5,705	1,685	7,390	6,062	650	678	7,390	3,912	241	60
Nexprom, S.A.	20.01%	20,343	5,104	25,447	17,455	4,162	3,829	25,447	15,596	(1,704)	(343)
Promedro, S.A.	20.00%	2,256	2	2,258	2,243	0	16	2,258	0	(50)	(2)
Punta Elena, S.L. (*)	100.00%										(0)
Hantinsol Resorts, S.A.	33.33%	0	60	60	47	0	13	60	0	(0)	(0)
Nyesa Meliá Zaragoza, S.L. (JV)	50.00%	27,212	(976)	26,236	(16,876)	40,946	2,166	26,236	5,025	(2,542)	(928)
Havana Sol Restauración (*)	100.00%										337
Inv. Hoteleras la Jaquita, S.A. (JV)	49.78%	195,971	8,968	204,939	19,110	125,207	60,621	204,939	17,975	(11,686)	(5,843)
Colon Verona, S.A. (JV)	50.00%	53,909	3,126	57,035	(10,797)	60,573	7,260	57,035	4,437	(4,892)	(2,446)
Travel Dynamic Solutions, S.A (JV)	49.84%	9,853	47,594	57,447	(1,275)	3,943	54,779	57,447	22,467	(1,149)	(575)
Altavista Hotelera, S.A.	40.00%	112,720	3,036	115,756	31,584	9,246	74,926	115,756	10,014	(6,935)	(2,774)
Mongamenda, S.L.	50.00%	22,786	1,588	24,373	6,438	16,889	1,046	24,373	0	0	0
Prom.Playa Blanca S.A. De C.V.	49.50%	14,946	9,802	24,748	12,776	6,468	5,504	24,748	14,923	1,765	873
Inversiones Guiza, S.A.	49.85%	3	9	12	(4)	3	12	12	41	1	0
Lifestar LLC (JV)	50.00%	0	2,129	2,129	2,119	0	10	2,129	(11)	(120)	(60)
Hellenic Hotel	40.00%	62	(237)	(176)	(190)	12	2	(176)	0	0	0
Sol Hoti Portugal Hotels (*)	0.00%										49
Detur Panamá, S.A.	49.93%	13,150	1,075	14,225	(2,263)	13,561	2,927	14,225	2,708	(1,118)	(558)
		536,723	97,666	634,389	100,341	306,272	227,776	634,389	140,404	(30,192)	(12,797)

(JV) Joint ventures

(*) Companies which at the year end were no longer associates or joint ventures, either due to disposals or change in consolidation method. Includes their contribution to net income attributed to the Group as long as the requirements to be considered associates and joint ventures are met..

The movements in investments in associates in 2008 were as follows:

(Thousand €)

	BALANCE 31/12/07	2008 NET INCOME	ADDITIONS	DISPOSALS	EXCHANGE DIFF.	BALANCE 31/12/08
Turismo de Invierno, S.A.	4,939	71		(71)		4,939
C.P. Meliá Castilla	3,118	1,280		(1,906)		2,493
C.P.Meliá Costa del Sol	1,568	197		(285)		1,479
Aparthotel Bosque, S.A.	1,575	188		(87)		1,677
Nexprom/Promedro (1)	4,084	170				4,254
Punta Elena S.L.	165	(6)				159
Hantinsol Resorts, S.A.	20	(4)				16
Luxury Lifestyle H&R (JV)	(261)		261			
Inversiones Hoteleras la Jaquita, S.A. (JV)	11,666	(5,335)	3,400	(1,722)		8,009
Havana Sol Restauración (JV)	(931)	(132)				(1,063)
Colón Verona, S.A. (JV)		(738)		(3,787)		(4,525)
Travel Dynamic Solutions, S.A. (JV)	850	(502)				349
Altavista Hotelera, S.A.		(1,560)	17,882	(974)		15,348
Prom. Playa Blanca, S.A. De C.V.	6,851	(30)			(1,564)	5,257
Inversiones Guiza, S.A.	(2)	(0)			0	(2)
Lifestar, Llc. (JV)	808	23			297	1,129
Hellenic Hotel Management	(76)					(76)
Sol Hoti Portugal Hoteis	297	130		(119)		307
Detur Panamá, S.A.	(228)	(332)			(24)	(584)
TOTAL	**34,443**	**(6,581)**	**21,543**	**(8,950)**	**(1,291)**	**39,164**

(1) Companies in the same business line.
(JV) Joint ventures.

The additions and disposals are due mainly to the changes in consolidation scope and inter-Group accounting consolidation adjustments.

Total disposals include those of Inversiones Hoteleras la Jaquita, S.A. and Altavista Hotelera, S.A. totalling Euros 1.7 million and Euros 974 thousand, respectively, for the charge to net equity of results arising from the valuation of hedge-qualifying derivative financial instruments.

Moreover, comparative information of the aggregate amounts of assets, liabilities, ordinary income and results for 2008 relating to each of the associates and joint ventures integrated in the consolidation scope and the result attributable to the Group depending on the percentage of participation held in each of them, is offered.

(Thousand €)

		NON-CURRENT ASSETS	CURRENT ASSETS	TOTAL ASSETS	EQUITY	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	TOTAL LIABILITIES	ORD. REVENUES	NET INCOME	NET INCOME ATTRIBUTED TO GROUP
Turismo de invierno, S.A.	20.82%	31,351	1,442	32,793	23,715	7,848	1,230	32,793	4,109	359	71
C.P. Meliá Castilla	29.40%	20,775	5,686	26,461	8,469	4,523	13,469	26,461	41,411	4,352	1,280
C.P. Meliá Costa del Sol	19.03%	5,105	4,387	9,492	7,768	151	1,572	9,492	11,424	1,031	197
Aparthotel Bosque, S.A.	25.00%	6,044	2,086	8,130	6,046	782	1,302	8,130	4,520	752	188
Nexprom, S.A.	20.08%	22,732	3,728	26,460	21,159	2,175	3,126	26,460	18,655	858	172
Promedro, S.A.	20.00%	2,341	3	2,343	2,343	0	0	2,343	0	12	(2)
Punta Elena, S.L.	50.00%	0	334	334	318	0	16	334	0	(12)	(6)
Hantinsol Resorts, S.A.	33.33%	0	61	61	47	0	13	61	(11)	(11)	(4)
Inv. Hoteleras la Jaquita, S.A. (JV)	49.77%	198,569	(5,672)	192,896	25,215	130,173	37,509	192,896	17,396	(4,204)	(5,335)
Havana Sol Restauracion, S.A. (JV)	50.00%	2	406	408	(2,126)	1,612	922	408	46	(265)	(132)
Colon Verona, S.A. (JV)	50.00%	1,923	(6,137)	(4,214)	(1,737)	138	(2,615)	(4,214)	103	(1,997)	(738)
Travel Dynamic Solutions, S.A (JV)	49.84%	13,143	4,039	17,182	2,534	5,851	8,798	17,182	16,507	(1,726)	(502)
Altavista Hotelera, S.A.	40.00%	110,927	5,978	116,905	38,370	66,726	11,809	116,905	21,765	(3,900)	(1,560)
Prom.Playa Blanca S.A. De C.V.	49.50%	15,454	7,579	23,033	10,495	7,893	4,645	23,033	18,592	(60)	(30)
Inversiones Guiza, S.A.	49.85%	4	5	8	(5)	4	9	8	17	(0)	(0)
Lifestar LLC (JV)	50.00%	(0)	2,287	2,286	2,257	0	29	2,286	0	46	23
LH Miami LLC (JV)	50.00%	0	30	30	(1)	0	31	30	0	(0)	(0)
Hellenic Hotel	40.00%	62	(237)	(176)	(190)	12	2	(176)	0	0	0
Sol Hoti Portugal Hoteis, Ltd.	45.00%	21	927	948	682	0	266	948	762	288	130
Detur Panamá, S.A.	49.93%	13,462	1,174	14,636	(1,170)	12,704	3,102	14,636	4,918	(666)	(332)
		441,913	**28,103**	**470,016**	**144,190**	**240,592**	**85,235**	**470,016**	**160,214**	**(5,142)**	**(6,581)**

(JV) Joint ventures.

10.3 Loans to associates and joint ventures

Long-term balances for loans to associates and joint ventures are as follows:

(Thousand €)

	31/12/09	31/12/08
Nyesa Meliá Zaragoza, S.L. (JV)	7,449	
Inversiones Hoteleras La Jaquita S.A. (JV)	2,756	12,457
Havana Sol Restauracion XXI, S.A.		806
Colon Verona, S.A. (JV)	24,439	6,141
Travel Dynamic Solutions, S.A. (JV)	3,880	5,651
Altavista Hotelera S.L.	3,602	
Mongamenda, S.L.	1,603	
Detur Panamá, S.A.	669	1,134
TOTAL	**44,398**	**26,189**

(JV) Joint ventures.

The main movement for the year relates to the increase in the loan to Colón Verona, S.A. for Euros 18.8 million.

10.4 Other non-current financial assets

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

(Thousand €)

	31/12/09	31/12/08
Financing of properties	16,852	16,396
Real estate receivables	1,156	1,232
Other deposits	1,337	1,247
Guarantees	11,220	9,154
Impairment provisions	(4,581)	(6,231)
TOTAL	**25,984**	**21,798**

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

- A bank deposit for an amount of 8.5 million arising from the execution of a pledge granted to Hoteles Nacionales del Este before Banco Santander, S.A. in guarantee of the loans given to this company (See Note 19).

- Loans granted to the companies Hoteles Cibeles, S.A., Hotelera Sancti Petri, S.A. and Promociones Financieras Turísticas, S.A., owners of three managed hotels, for a total amount of 3.3 million intended to finance the company's trading operations.

- A loan granted by Operadora Mesol to Aresol Cabos, S.A. for Euros 4.9 million 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.

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 fulfilment of a liability related to said contracts, they are accounted for at their face value and not at present value.

11. CURRENT ASSETS

11.1 Inventories

(Thousand €)

	31/12/09	31/12/08
Goods for resale	955	1,834
Food and beverages	7,172	7,840
Fuel	569	655
Spare parts and maintenance	2,684	2,507
Ancillary materials	4,609	5,099
Office materials	1,566	1,789
Hotel Business	**17,556**	**19,725**
Vacation Club Business	**56,384**	**11,791**
Real Estate Business	**4,011**	**2,476**
Advances to suppliers	**1,108**	**2,193**
TOTAL	**79,058**	**36,186**

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 Euros 12.9 million.

The real estate assets account 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.

The increase in inventories in 2009 of the Vacation Club Business is mainly due to the completion of the works on Vacation Club units in America totalling Euros 30.3 million, and the purchase of units in Spain for Euros 14.1 million.

11.2 Trade and other receivables

The breakdown of this account by business line at year-end is as follows:

(millones de €)

	31/12/09	31/12/08
Management services	23,045	29,200
Hotel	72,035	51,279
Real Estate	5,083	5,638
Vacation Club	16,556	6,682
Other operating activities	5,337	3,865
TOTAL	**122,055**	**96,663**

The Group has credit transfer agreements for the hotel business client portfolio, through which part of the hotel units' trade receivables, which are transferred on a regular basis, are collected in advance. The maturity of this securitisation operation is 15 January 2010. At December 31, 2009 the total portfolio transferred for this concept amounts to Euros 44.4 million, Euros 15.6 million of which have been collected in advance. At December 31, 2008, these balances totalled Euros 64.3 million and Euros 46.1 million, respectively.

At December 31, 2009, the Group also maintains credit transfer operations relating to the sale of vacation club units, amounting to Euros 171 million, through non-recourse credit transfer agreements held with bank entities. In 2008, the amount of credits transferred for this concept was Euros 172 million.

Set out below are the main credit transfer operations for the sales of vacation club units:

- On June 30, 2008, Sol Meliá, S.A subscribed a credit transfer agreement in favour of Banco Bilbao Vizcaya Argentaria, S.A. with regard to the credits acquired from Sol Meliá Funding, S.A. and Sol Meliá Vacation Club España S.L. The limit of this factoring transaction is Euros 120 million. The price of the transfer is fixed on the basis of the nominal value of the debt claims transferred, applying a variable monthly reviewable rate which is linked to LIBOR (for credits transferred in dollars) or to EURIBOR (for credits transferred in Euros) plus a market spread, which is settled by the bank on a monthly basis until December 2019.

- On 6 November 2009, Sol Meliá, S.A subscribed a new credit transfer agreement in favour of Bancaja for the credits acquired from Sol Meliá Funding, S.A. and Sol Meliá Vacation Club España S.L. The limit of this factoring transaction is USD 30 million.

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, the Group 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 trade receivable balances are eliminated once they have been assigned.

At December 31, 2009, the provision for insolvencies amounts to Euros 34.4 million. At December 31, 2008, this balance amounted to Euros 30.7 million.

11.3 Receivables from associates and joint ventures

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

(Thousand €)

	31/12/09	31/12/08
Altavista Hotelera, S.A.	1,804	3,779
Apartotel Bosque, S.A.	205	279
Colón Verona, S.A. (JV)	1,780	119
Comunidad de Propietarios Meliá Castilla	2,678	3,112
Comunidad de Propietarios Meliá Costa del Sol	238	357
Detur Panamá, S.A.	2,905	2,498
Havana Sol Restauración XXI, S.A. (JV)		873
Hantinsol Resorts, S.A.	15	15
Hellenic Hotel Management	40	40
Inversiones Hoteleras La Jaquita, S.A. (JV)	4,919	1,715
Lifestar LLC (JV)	10	21
Mongamenda, S.L.	153	
Nexprom, S.A.	371	517
Nyesa Meliá Zaragoza, S.L. (JV)	143	
Promociones Playa Blanca S.A. de C.V.	6,899	2,233
Sol Hoti Portugal		51
Travel Dynamic Solutions, S.A. (JV)	4,897	3,140
Turismo de Invierno, S.A.	144	268
TOTAL	**27,200**	**19,017**

(JV) Joint ventures.

These balances mainly include management trading operations of the different hotels owned by associates and joint ventures.

As for additions for the year, of special note is the increase in the balance with Promociones Playa Blanca, S.A. de C.V., mainly as a result of a compensation received for the modification of contractual clauses for the management of a hotel in Mexico totalling Euros 3.8 million.

11.4 Other current financial assets

Set out below is a breakdown by item of the balances in this account:

(Thousand €)

	31/12/09	31/12/08
Prepayments	5,896	5,028
Securities portfolio	105	39
Loans to third parties	1,147	1,246
Current accounts	1,052	0
Debtors	12,166	13,847
Doubtful debts	1,007	986
Trade bills receivable	2,715	202
Guarantee deposits	2,515	3,526
Tax payable	19,390	20,932
Purchase input VAT	6,433	6,894
Withholding and payments on accounts	252	162
Loans to personnel	673	540
Others	103	56
TOTAL	**53,455**	**53,457**

11.5 Cash and other cash equivalents

(Thousand €)

	31/12/09	31/12/08
Cash	145,137	190,645
Other cash equivalents	278,850	65,873
TOTAL	**423,987**	**256,518**

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

12. EQUITY

12.1 Share capital

At December 31, 2009 and 2008 Sol Meliá, S.A.'s share capital consists of 184,776,777 fully subscribed and paid up shares with a par value of Euros 0.2 each.

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

At the Ordinary and Extraordinary General Meeting held on June 3, 2008, 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 maximum period of five years following said Meeting.

At December 31, 2009 the main shareholders with direct or indirect ownership in Sol Meliá, S.A. are as follows:

SHAREHOLDER	% SHAREHOLDING
Hoteles Mallorquines Consolidados. S.A.	26.50%
Hoteles Mallorquines Asociados. S.L.	16.42%
Hoteles Mallorquines Agrupados. S.L..	13.90%
Majorcan Hotels Luxembourg. S.A.R.L.	6.25%
Caja de Ahorros del Mediterráneo. S.A.	6.01%
Others	30.92%
TOTAL	100.00%

On the basis of the information set out in the table above, it is deduced that Mr. Gabriel Escarrer Julià is the controlling shareholding of the Group.

12.2 Reserves of the parent company

Share premium

The decrease of the share premium reserve is due to the transfer of part of this reserve to the treasury share reserve.

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.

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:

(Thousand €)

	31/12/09	31/12/08
Restatement of PPE	36,570	36,570
3% tax on restatement	(1,097)	(1,097)
TOTAL REVALUATION RESERVE	**35,473**	**35,473**

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 restated items.

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.

12.3 Reserves in fully consolidated companies

This account includes the contributions to the Group's net equity made by the fully consolidated companies (see Appendix 1).

The main movements in 2009 recorded under this account correspond to the distribution of the 2008 results, totalling Euros 92.3 million. It also includes an increase of Euros 36.9 million for the restatement of the balance sheets of Venezuelan companies, due to the fact that at the year end this country is classified as having a hyperinflationary economy, as per IAS 29, and as indicated in Note 3.15.

On the other hand, there are disposals of Euros 37.1 million relating to the transfers to other net equity accounts, for business combinations, acquisition or sale of minority interests and distribution of dividends.

In 2008 the movements mainly related to the distribution of 2008 net income totalling Euros 134 million.

12.4 Reserves in associates and joint ventures

This account includes the contributions to the Group's net equity made by the companies consolidated by equity accounting (see Appendix 2).

The variations for the year related basically to the inclusion net income for last year which was negative by Euros 6.6 million, and transfers to other net equity accounts, for business combinations, acquisition or sale of minority interests and distribution of dividends for a negative amount of Euros 10.6 million.

In 2008, the main variations related to the inclusion of net income for the preceding year of Euros 8.2 million, and transfers of reserves arising from the consolidation process for a negative amount of Euros 5.4 million.

12.5 Exchange differences

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

(Thousand €)

	31/12/09	31/12/08
Venezuelan Bolivar	(26,565)	(23,545)
Costa Rican Columbus	(3)	69
Morrocan Dinar	53	53
Tunisian Dinar	470	420
United States Dollar	(2,328)	(3,221)
Singapore Dollar	3	1
Swiss Franc	2,330	1,975
Croatian Crown	(172)	(19)
Great Britain Pound	(15,116)	(17,122)
Turkish Lira	238	234
Colombian Peso	29	33
Dominican Peso	(50,480)	(42,436)
Mexican Peso	(74,375)	(83,268)
Guatemalan Quetzal	8	6
Brzilian Real	(129)	(7,408)
Chinese Renminmbi Yuan	(1)	
Indonesian Rupee	(165)	(28)
Peruvian Sol	(64)	(590)
TOTAL	**(166,269)**	**(174,846)**

Of the total exchange differences recognised in net equity of the Group, Euros 159.8 million relates to fully consolidated companies and Euros 6.5 million to companies consolidated by equity accounting. In 2008 the aggregates were Euros 167.7 and Euros 7.1, respectively.

As a result of having considered certain financing transactions with subsidiaries abroad as part of the investment, this account carries a creditor balance of Euros 8.9 million while in 2008 a debtor balance was carried for Euros 8.9 million.

12.6 Treasury shares

The breakdown and movement in treasury shares is as follows:

(Thousand €)

	SHARES	AVERAGE PRICE €	BALANCE
BALANCE AT 31/12/08	**12,152,868**	**8.46**	**102,759**
Acquisitions 2009	1,737,542	5.34	9,275
Disposals 2009	(1,292,316)	4.96	(6,412)
BALANCE AT 31/12/09	**12,598,094**	**8.38**	**105,623**

As of December 31, 2009, the treasury shares include 5 million shares corresponding to a financial instrument (see note 14.10) and a loan of 7.1 million shares with Deutsche Bank (see note 14.1, and, accordingly the number of treasury shares held by the company is 498,094.

At December 31, 2009, the treasury shares total represents 4.11% of the share capital. At 2008 year-end closing, they represented 3.87%. In any case, the treasury shares will not exceed the 10% limit established in the Public Limited Companies Act.

The quotation price of the shares of Sol Meliá at the year end is Euro 5.90. At the 2008 year end the quotation price totalled Euros 4.26

For comparison purposes, the movements corresponding to 2008 are shown below:

(Thousand €)

	SHARES	AVERAGE PRICE €	BALANCE
BALANCE AT 31/12/07	**6,017,581**	**6,98**	**41,995**
Acquisitions 2008	8,866,374	8,77	77,760
Disposals 2008	(2,731,087)	6,22	(16,996)
BALANCE AT 31/12/08	**12,152,868**	**8,46**	**102,759**

The acquisitions for 2008 included the shares linked to the Equity Link Swap contract maturing on 25 December 2010, which the Company has committed to physically settle through the purchase upon maturity of the subjacent asset, as explained in Note 14.10. These shares are not considered in the calculation of the percentage of treasury shares held by the Parent Company.

13. MINORITY INTEREST

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

The main movement in 2009 is the sale of 30% of Desarrolladora Hotelera del Norte, S. en C. through the capital increase through the issue of preference shares. This operation is classified as an equity operation and has increased equity by Euros 27.6 million.

The variation in 2008 is mainly related to the change of the integration method applied to the company Colón Verona, S.A., in which the Group holds a 50% participation, which is now integrated by the equity method as it is considered a joint venture. The decrease generated for this reason has amounted to Euros 6.4 million.

14. FINANCIAL LIABILITIES

14.1 Issue of bonds and other negotiable securities

On December 18, 2009, Sol Meliá, S.A., placed private bonds amongst the following investors: Deutsche Bank, Calyon and Natixis, totalling Euros 200 million, with the following characteristics:

Amounts of the issue	€ 200,000,000
Nominal of the bond	€ 50,000
Maturity	5 years
Range of debt	Senior Unsecured convertible Notes
Price of issue	100%
Date of issue	18 December 2009
Date of maturity	18 December 2014
Coupon	5%
Swap price	€ 7.93
Conversion premium	30%
Conversion ratio	6,303.18 shares per bond
Amortisation price	100%
Yield on bond at maturity ..	5,00%
Possibility of cancellation to issuer	As from 2 January 2013 (subject to cap of 130%--€10.31)
Maximum shares to be issued	25,212,732

The balance at 31 December 2009 is as follows:

Principal of the issue	€ 200,000,000
Equity component	€ 33,933,080
Net restated value of the liability component	**Total L/T € 162,689,948**
Interest accrued	**Total S/T € 383,562**

Sol Meliá, S.A. has entered into a share loan agreement with Deutsche Bank AG of up to Euros 10 million in treasury shares maturing on 9 January 2015, of which Deutsche Bank has drawn down the total amount at 31 December 2009. This loan is remunerated at 0.6%.

In order to complete the Euros 10 million in treasury shares, Meliá, S.A. has entered into an agreement with the controlling shareholder for a shares loan under which this shareholder lends Euros 2.9 million in shares of Sol Meliá, S.A. This loan is remunerated at 0.6%.

14.2 Preference shares

Sol Melia Finance, N.V. issued preference shares, according to the Prospectus filed with the Comisión Nacional del Mercado de Valores (Spanish SEC) on April 4, 2002 under the following conditions:

Issuer	Sol Meliá Finance Ltd.
Country	Cayman Islands
Guarantor	Sol Meliá, S.A.
Issue and redemption	106,886,300 €
Nominal	100 €
Dividend (2002 to 2012)	Fixed 7.8% p.a. payable quarterly (TAE 8.03%)
Step-up (as from 2012)	Variable (Euribor 3m + 5% min. of 12.30%)
Date of issue	1 April 2002
Date of maturity	Issuer has cancellation option at 10 years
Corporate rating	BBB by S&P and BBB+ by Fitch Ibca.
Quotation	AIAF
Placer and insurer	BBVA,S.A.

The balance at 31 December 2009 is as follows:

Net restated value at 31/12/2009	€104.570,954
Execution expenses	€-897,585
Total L/T	€103,673,369

For comparative purposes, the balance at 31 December 2008 was as follows:

Net restated value at 31/12/2008	€103,713,386
Execution expenses	€-1,257,603
Total L/T	€102,455,783

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 spread between the dividend and the abovementioned "step-up" is such that the entire issue is classified as a Financial Liability.

14.3 Derivative financial instruments

At 2009 and 2008 year-end closing, the fair value by maturities of the derivative financial instruments recorded by the Group are the following:

(Thousand €)

	2009			2008		
	SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
Hedging derivatives	1,755	5,791	7,546		2,417	2,417
TOTAL DEBIT	1,755	5,791	7,546	0	2,417	2,417

As part of the interest rate risk management policies, the Company has contracted in 2009 three interest rate swaps whose conditions meet the requirements to be qualified as cash flow hedges, and, accordingly, the variations in their fair value are charged directly to net equity of the Group.

The hedged items under these hedges are recorded under Loans and bank loans. Through these financial instruments, the interest rates are exchanged so that the Company receives from the bank a floating interest rate in exchange for a fixed interest payment for the same nominal amount. The floating rate received for the derivative offsets the interest payment on the financing hedged. The final result is a fixed interest payment for the financing hedged.

During 2009 the negative impact on net equity of these derivative financial instruments, after charging the part relating to the hedged item to the income statement, has totalled Euros 5.1 million.

In order to determine these fair values, cash flow discounting valuation techniques have been used, based on the implicit flows determined by the interest rate curve, under market conditions on the valuation date. These valuations have been made by independent experts.

14.4 Loans and bank loans

At the 2009 and 2008 year ends, the balances that the Group has with banks, classified by nature and maturity, are as follows:

(Thousand €)

	2009			2008		
	SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
Bank loans	139,331	506,978	646,309	115,840	504,163	620,003
Mortgage-backed loans	22,900	190,080	212,979	21,370	222,833	244,203
Credit facilities	65,821	0	65,821	128,468	22,234	150,702
Leases	28,085	36,827	64,912	33,132	61,119	94,251
Interest	7,763	10,230	17,993	14,006	9,471	23,477
Discounted promissory notes	1,802	0	1,802	1,335		1,335
TOTAL BANK DEBT	**265,701**	**744,114**	**1,009,815**	**314,152**	**819,819**	**1,133,971**

The carrying value of the payables approximates their fair value, given that the discounting effect is not significant.

The Group is committed to maintain certain financial ratios for certain bank loans, which are met at the year end.

The bank loans and mortgage-backed loans include the following of special note:

TYPE OF LOAN	AMOUNT	MATURITY
Syndicated (27 entities)	Euros 140 million	2012
Syndicated (14 entities)	Euros 180 million	2013
Club Deal (6 entities)	Euros 95 million	2012
Corporate guarantee	Euros 100 million	2013
Corporate guarantee	Euros 60 million	2014
Mortgage-backed loan	Euros 49 million	2026

The total credit facilities drawn down come to Euros 65.8 million, leaving an additional balance undrawn at the 2009 year end of Euros 154.7 million. In 2008 the credit facilities drawn down totalled Euros 150.7 million, with an additional undrawn balance of Euros 39.7 million.

The transfer of Nyesa Meliá Zaragoza, S.A. to consolidation by equity accounting discussed in Note 4.1, has led to a reduction in bank debt of Euros 30 million.

The increases in bank debt for the year totals Euros 300 million, as indicated in the statement of cash flows.

The mortgage-backed loans of the Group relate to pledges on 17 hotels whose net carrying value totals Euros 421 million, as indicated in Note 8.

The breakdown of maturities of bank debt is as follows:

	2010	2011	2012	2013	2014	> 5 AÑOS	TOTAL
Bank loans	139,331	212,252	150,471	103,034	36,031	5,189	646,309
Mortgage-backed loans	22,900	17,655	13,944	14,176	14,130	130,174	212,979
Credit facilities	65,821	0	0	0	0	0	65,821
Leases	28,085	17,215	10,896	4,807	3,909	0	64,911
Interest	7,763	2,112	2,398	1,999	1,510	2,210	17,993
Discounted promissory notes	1,802	0	0	0	0	0	1,802
TOTAL	265,702	249,234	177,709	124,017	55,580	137,573	1,009,815

14.5 Other finance lease payables

The Sol Meliá Group operates 80 hotels on a rental basis, 17 of 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 signed in 1999, with a duration of 75 years, between Sol Meliá, S.A. and Equity Inmuebles. At the transition date, as explained in Note 20 to the 2005 Financial Statements, the value corresponding to the leased hotels was recognised in the Group's Assets, while the portion corresponding to the plots of land where said hotels are located was maintained as an operating lease.

The impact on the income statement for 2009 of the financial expenses related to this financial lease is Euros 11.8 million and is classified under "Other financial expenses" on the income statement. In 2008 the effect on net income was Euros 11.6 million.

The minimum financial lease payments at year-end closing amount to Euros 682 million, corresponding to 64 annual payments and the present value of which, applying a rate of 6.5%, is Euros 161 million. This amount is recorded in the balance sheet under finance lease payables. The breakdown is as follows:

(Thousand €)

	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum finance lease payments	10,655	42,620	628,639	681,913
Current value of minimum finance ease payments	10,005	34,274	116,731	161,009

The current value of the minimum finance lease payments includes the current value of the interest on the finance leases that will accrue in 2010 totalling Euros 9,8 million.

14.6 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, 2009, based on nominal values by maturity:

(Thousand €)

	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
Preference shares			106,886		106,886
Convertible bonds			200,000		200,000
Loans and facilities	64,083	167,304	564,862	137,263	933,512
Leases	8,204	19,881	36,827		64,911
TOTAL	**72,287**	**187,185**	**908,575**	**137,263**	**1,305,310**

The maturities of the financial liabilities included in "Other debts for financial leases", explained in Note 14.5 are not included in the table above.

The Sol Meliá Group considers that the amount of cash flow generated, the borrowing 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, 2009.

The average interest rate accrued by these financial liabilities, excluding Swap transactions, is 3.84%

14.7 Amounts swing to associates and joint ventures

The balance of debits with associates included both in current liabilities and non-current liabilities, by company, are as follows:

(Thousand €)

	31/12/09	31/12/08
Travel Dynamic Solutions, S.A. (JV)	21,345	2,566
Detur Panama	162	77
C.P. Meliá Castilla	53	73
Inversiones Hoteleras La Jaquita (JV)	6,101	28
Aparthotel Bosque, S.A.	1,011	15
Altavista Hotelera, S.L.	632	9
Other associates	150	157
TOTAL	**29,454**	**2,924**

(JV) Joint ventures.

These balances include trading and financing operations with subsidiaries, associates and joint ventures.

The main variations for the year are due to a financing transaction with Travel Dynamic Solutions, S.A. maturing in the short-term and a purchase and sale of assets with Inversiones Hoteleras La Jaquita, S.A.

14.8 Trade payables

The balance in this account 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 Euros 130.9 million. At 2008 year-end closing, this amounted to Euros 128.3 million.

The prepayments from customers, which at year-end closing amount to Euros 26.6 million, are also included in this account. At 2008 year-end closing, this amounted to Euros 31 million.

14.9 Other non-current financial liabilities

This balance under non-current financial liabilities includes:

(Thousand €)

	31/12/09	31/12/08
Trade bills payable	4,357	3,894
Equity Linked Swap		81,950
Fixed asset suppliers	3,546	682
Guarantees received	969	952
Tax payable		4,444
Other payables	615	52
Non-bank loans	4,368	5,982
TOTAL	**13,856**	**97,956**

As explained in Note 14.10, the main movement for the year refers to the transfer to short-term of the balance of Euros 81.95 million from the Equity Linked Swap maturing on December 25, 2010.

14.10 Other current financial liabilities

The breakdown of the main items recorded in this account is as follows:

(Thousand €)

	31/12/09	31/12/08
Prepaiments and Accruals	12,461	7,757
Current accounts		750
Third party payables	107,320	19,656
Outstanding dividend payable	322	312
Trade bills payable	5,504	7,692
Deposits and guarantees received	1,778	3,360
Tax payable	20,811	5,730
Sales output VAT	12,750	11,144
Social Security	7,075	6,975
Other liabilities	17	17
Fixed asset suppliers	3,869	10,771
Accrued wages and salaries	32,507	32,563
TOTAL	**204,414**	**106,728**

On June 26, 2007 Sol Meliá, S.A. entered into an Equity Linked Swap with a banking entity, through which the bank acquired 5 million shares of Sol Meliá, S.A. The company will pay Euribor plus 51 basis points on the amount of the shares acquired. The acquisition of these shares was completed by the banking entity on September 25, 2007 at a price of Euros 16.39 per share.

This financial instrument has been reclassified to Third party debits, and the Company is committed to physically settling it through the purchase at maturity of the underlying asset. The maturity of this transaction is December 25, 2010.

15. OTHER LIABILITIES

15.1 Capital grants and other deferred income

The breakdown of the balances in this account is as follows:

(Thousand €)

	31/12/09	31/12/08
Capital grants	2,598	2,449
Deferred income from customery loyalty prog.	13,803	
TOTAL	**16,401**	**2,449**

Capital grants basically relate to grants used to finance property, plant and equipment purchases. In 2009, the total amount recorded in the Income Statement for this concept is Euros 108 thousand. In 2008, the amount recorded for this concept was of Euros 1.3 million.

Deferred income includes the fair value for the points obtained by customers in the customer royalty programs totalling Euros 13.8 million, as per Interpretation 13 of the Interpretation Committee on International Financial Reporting Standards (IFRIC 13), which came into force in 2009. In spite of the change at the presentation level, the coming into force of this standard has not led to a change in the measurement method for this liability, since the Group already measured it under the same criteria as those of IFRIC 13 (see note 3.9).

15.2 Provisions

The balance sheet shows an amount of Euros 23.9 million in long-term liabilities for "Provisions for liabilities and charges". As indicated in Note 3.10, this account 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 for third parties, risks for legal claims and law-suits and possible liabilities deriving from the possible different interpretations of prevailing legal regulations.

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

(Thousand €)

	31/12/08	ADDITIONS	DISPOSALS	VARIATIONS IN SCOPE	31/12/09
Provision for retirement and seniority bonuses and personnel obligations	6,224	818	(319)	(3)	6,721
Provision for taxes	7,984	1,436	(1,585)		7,835
Provision for onerous contracts	6,530	673	(3,538)		3,664
Provision for liabilities	18,873	886	(14,099)		5,661
TOTAL	**39,611**	**3,813**	**(19,540)**	**(3)**	**23,881**

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 at Euros 9.4 million for 2009, Euros 2.8 million of which have been charged to results. In 2008, the total amount accrued was Euros 8.3 million, Euros 0.9 million were of which charged to results.

In addition, said commitments have been externalised in order to comply with the prevailing legislation. In 2009, the balance for this concept totalled Euros 2.6 million, which has been recorded under the liabilities side for its net amount. At 2008 year-end the balance externalised for this item amounted to Euros 2.1 million.

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/F2000p tables, applying a capitalisation rate of 5.04% and salary increases of 1.00% plus the assumption of a foreseeable turnover of between 3.26% and 8.37% of employees with an average retirement age of 64 years.

During the year, the net amount applied and updated in concept of provision for onerous contracts according to the established financial plan is of Euros 2.9 million. Said provision covers the difference between the committed disbursements and the expected cash flows of 1 hotel in Italy, and 2 hotels in Spain. In 2008, the net amount applied for this concept was Euros 1.2 million.

In 2009, the Group has booked a provision for taxes in American countries of Euros 1.4 million, while it has utilised provisions in European countries totalling Euros 1.5 million. In 2008, the provision recorded was Euros 0.2 million.

The disposals of the provision for liabilities and charges reflects mainly the reclassification to long-term of Euros 12.6 million to Capital grants and other deferred income (see Note 15.1). This amount relates to the outstanding balance at the 2008 year end for commitments acquired by the Company in favour of the holders of the Group's loyalty programmes, and which, after the coming into force of IFRIC 13 "Customer loyalty programs" are treated as deferred income and not provisions.

In 2008 the additions to this account were mainly due to the reclassification to long-term of the Euros 12.6 million for the balance discussed in the preceding paragraph.

During 2008, the provision for liabilities was reduced by Euros 1.5 million, due to the fact that the provision for restructuring was used.

For comparative purposes set out below is the breakdown of this balance by nature at the 2008 year end:

(Thousand €)

	31/12/07	ADDITIONS	DISPOSALS	VARIATIONS IN SCOPE	31/12/08
Provision for retirement and seniority bonuses and personnel obligations	7,436	256	(1,358)	(111)	6,224
Provision for tax	8,116	97	(228)		7,984
Provisión onerous contracts	7,691	500	(1,661)		6,530
Provision for liabilities	7,560	13,447	(2,243)	109	18,873
TOTAL	**30,802**	**14,300**	**(5,489)**	**(2)**	**39,611**

16. FINANCIAL RISK MANAGEMENT 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 Group's annual accounts.

The policies followed by the Sol Meliá Group cover, among others, the following risks:

16.1 Interest rate risk

The annual accounts of the Sol Meliá Group present certain items subject to fixed and variable interest. The debt structure at December 31, 2009 is broken down in the following table. Payable interest is not included in said amounts.

(Thousand €)

	FIXED INTEREST	FLOATING INTEREST	TOTAL
Preference shares	103,673		103,673
Convertible bonds	163,074		163,074
Bank loans	285,557	360,751	646,309
Mortgage-backed loans	108,537	104,442	212,979
Credit facilities		65,821	65,821
Leases		64,912	64,912
Discounted promissory notes	1,802		1,802
TOTAL DEBT AT 31/12/09	**662,643**	**595,926**	**1,258,570**

The floating interest rate debt is basically indexed to the Euribor and GBP Libor rates.

At December 31, 2009, the Group has various interest rate swaps contracted, the total value of which is Euros 302.9 million, considered as cash flow hedging instruments, as explained in Note 14.3. At the 2008 year end the total value of the swaps contracted was Euros 115.3 million.

The information for 2008 is presented for comparative purposes:

(Thousand €)

	FIXED INTEREST	FLOATING INTEREST	TOTAL
Preference shares	102.456		102.456
Bank loans	16.750	603.253	620.003
Mortgage-backed loans	97.002	147.201	244.203
Credit facilities		150.702	150.702
Finance leases		94.250	94.250
Discounted promissory notes	1.335		1.335
Derivative financial instruments		2.417	2.417
TOTAL DEBT AT 31/12/08	**217.543**	**997.823**	**1.215.366**

The sensitivity of the 2009 and 2008 net income to changes (in basis points) in interest rates, in Thousand Euros, is as follows:

% VARIATION	2009	2008
+ 25 %	(2,267)	(1,957)
- 25 %	2,267	1,957

This sensitivity analysis has been made considering an average increase/decrease throughout the year in the basis points indicated in the table. The effect of the interest rate Swap mentioned in Note 14.3 has been used in this estimate.

16.2 Exchange rate 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 income statement.

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.
- Receipts and payments for 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 key transactions have been as follows:

(Thousand €)

	2009 CURRENCIES		2008 CURRENCIES	
	GBP	USD	GBP	USD
Operating revenues	25,501	311,020	31,659	335,826
Operating expenses	(14,965)	(241,427)	(18,915)	(251,665)
Amortisation and depreciation	(3,630)	(25,440)	(3,966)	(26,198)
Net financial income	(243)	332	(2,342)	(175)
Profit before tax	6,663	44,484	6,436	57,788

The sensitivity of the net income before tax of the Sol Meliá Group to the changes in the GBP/Euro and USD/Euro exchange rates is as follows:

1. Sensitivity, in Thousand Euros, of net income before tax to changes in the GBP/Euro exchange rate:

% VARIATION	2009	2008
+10%	666	643
+5%	333	321
-5%	(333)	(321)
-10%	(666)	(643)

2. Sensitivity, in Thousand Euros, of net income before tax to changes in the USD/Euro exchange rate:

% VARIATION	2009	2008
+10%	4,448	5,779
+5%	2,224	2,890
-5%	(2,224)	(2,890)
-10%	(4,448)	(5,779)

98% of the Group's borrowings is denominated in Euros and, for this reason the effect of changes in the exchange rates is not significant.

16.3 Liquidity risk

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 Sol Meliá Group's activities.

It is the Group's liquidity policy to ensure the fulfilment of the payment commitments acquired, avoiding borrowing 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 14).

The Group is also negotiating with different lending institutions agreements to extend the average maturities of its borrowings and renegotiate its credit facilities that mature in the short- and medium-term.

On the other hand, with the aim of maintaining an adequate liquidity, the investments expected for the Group for the year 2010 do not exceed the figure of 50 million, as indicated in Note 17.

16.4 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 credit periods established by the Group range between 21 and 90 days. The DSO ratio is approximately 62 and 54 days in 2009 and 2008, respectively. The ageing of the debt at year-end is as follows:

(Thousand €)

	2009	%	2008	%
Less than 90 days	84,773	72%	57,411	62%
Between 90 and 180	22,875	20%	26,656	29%
Between 180 and 360	9,324	8%	8,568	9%
TOTAL	**116,972**	**100%**	**92,635**	**100%**

Real estate receivables are not included in the table above, since they relate to contracts made during the last two years and which have an established DSO schedules. A provision is booked for the receivables whose balances are more than 360 days old, as indicated in Note 3.5.

17. CAPITAL MANAGEMENT POLICY

The main objective of the capital management policies of the Sol Meliá Group is to ensure financial stability in the short and long term, adequate profitability rates, the upward trend of Sol Meliá's shares, a satisfactory remuneration to the shareholders through the distribution of dividends, as well as ensuring the correct and adequate financing of the investments and projects to be undertaken and maintaining an optimal capital structure.

Given the difficult position of the economic and financial framework at a global level, the Company has increased its financial discipline levels, with the purpose of maintaining its liquidity and solvency position at the 2009 year end.

In terms of liquidity, the Group has an amount of Euros 424 million in cash and short-term deposits, which means it can meet its payment commitments acquire for future years.

The financial position is also underpinned by the solid support given by the banks and Company's assets base. At present, solely 16.65% of the debt total is supported by the Group's assets, which allows a significant margin for obtaining financing, even in a medium loan-to-value ratio or significant discounts on the assets base according to the last valuation by an independent expert in July 2007.

In 2010, the total investment will be under 50 million and it will mainly include the investments necessary for replacing and restocking the fixed assets items for the Group's recurrent operation, complying with the legislation and maintaining the brand equity.

Expansion will centre on developments that are not capital intensive, i.e., on management and franchising, and rental, to a lesser extent.

In 2009, by taking advantage of the fact that the interest rate curve was at historically minimum levels, the Group changes its debt structure by increasing the fixed part, as indicated in Note 16.1.

18. 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.

18.1 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:

	CORP. INC. TAX	I.M.P.A.C.	PAYROLL TAX	VAT	I.G.I.C.	I.R.A.P.	PIS/COFINS
Spain	2005-2008		2006-2009	2006-2009	2006-2009		
France	2006-2008			2007-2009			
England	2003-2008		2004-2009	2004-2009			
Italy 2003-2008		2004-2009	2004-2009		2003-2008		
Germany	1999-2008		2000-2009	2000-2009			
Croatia	2004-2008		2005-2009	2005-2009			
Holland	2005-2008		2005-2009	2005-2009			
USA 2006-2008							
Mexico	2004-2008	2004-2007		2005-2009			
Dominican Republic	2006-2008			2007-2009			
Venezuela	2004-2008		2005-2009	2005-2009			
Brazil	2004-2008		2005-2009				2005-2009

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 for certain taxes some of them have already been inspected or are still under inspection. These companies are the following:

- **France:** Corporate income tax: Sol Melia France and Hotel Madeleine Palace only open to inspection for the years 2007 and 2008.
- **England:** Lomondo Ltd. is open to inspection for the years 2007, 2008 and 2009 for payroll tax and the years 2005, 2006, 2007, 2008 and 2009 for VAT.
- **Mexico:** Cala Formentor is open to inspection for 2001 and 2002 for I.M.P.A.C.
- **Dominican Republic:** Corporate income tax, the only years open to inspection in all the companies in this country are 2007 and 2008.

18.2 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:

(Thousand €)

	BALANCE		INCOME STATEMENT	
	31/12/09	**31/12/08**	**31/12/09**	**31/12/08**
Non-current deferred tax asset is as follows:				
Capitalised tax credits	16,133	16,025	(465)	(3,229)
Credits for capitalised tax losses	18,868	18,075	(607)	(5,181)
Temporary differences for:				
Tax value of Tryp goodwill	36,560	36,560		
Long-term rentals				2,973
Interest SWAP	2,235	10,096		6,369
Reversal of adjusments for inflation in non-inflationary countries	7,615	6,429	(930)	(1,328)
Provisions that are tax deductible at the time of payment or when the liability is generated	16,604	18,062	(131)	(7,455)
Tax restatements off-books				
Different criteria for tax and accounting amortisation	21	46	24	34
Reversal of capital gain from sale of a hotel between group companies	13,100	16,796	1,375	(3,245)
Difference in accounting criteria between chart of accounts and IFRS - debt formalisation expenses and formation expenses				743
Monetary adjustment				1,053
Other	665	494	(120)	(717)
TOTAL	**111,801**	**122,583**		
Non-current deferred tax liability is as follows:				
Fair values in business combinations	20,943	24,683	(3,567)	(2,722)
Finance lease operations	47,891	50,114	(2,223)	(20)
Restatement and revaluation of land	41,899	42,808	(963)	957
Non-operating assets (investment property)	26,696	24,139	2,626	1,172
Difference in acccounting criteria between chart of accounts and IFRS - deferred income			(10,253)	
Differences in accounting and fiscal value of assets in England	362	924	(699)	(295)
Revaluation and restatement of fixed assets (excluding land)	24,868	23,929	106	15,647
Accounting revaluation for merger	5,395	5,511	(117)	(48)
Sales under reinvestment deferral	6,260	6,423	(164)	(164)
Others	2,016	2,064	1,144	(1,398)
TOTAL	**176,330**	**180,595**		
TOTAL IMPACT OF DEFERRED TAX EXPENSE (INCOME)			**(4,711)**	**(7,107)**

The balance of the variation in deferred tax impacting net equity of the Group totals Euros 7.9 million, as indicated in the Consolidated Statement of changes in et equity.

The deferred tax assets and liabilities are calculated considering the future amendments to the tax charges already approved in all the geographical areas. The impact of said modifications on the Income Statement is the following:

(Thousand €)

	EXPENSE	INCOME
Spain		
Europe		
America and the rest of the world	947	275
TOTAL	**947**	**275**

18.3 Tax Loss Carryforwards of the Group

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

(Thousand €)

	2010	2011-2015	2016-2022	YEARS BEYOND	TOTAL 31/12/09	TOTAL 31/12/08
Spain	3	1	88,592	295,967	384,563	365,709
Rest of Europe	8,768	43,848	1,136	17,306	71,058	63,986
America and rest of world	1,962	16,497	20,996	16,611	56,066	53,938
TOTAL	**10,733**	**60,346**	**110,724**	**329,884**	**511,687**	**483,633**

Within "Rest of Europe", the situation of the Netherlands (33.7 million), Germany (17.3 million) and Italy (13.6 million) should be highlighted, as well as the situation of Mexico (35.3 million) and Brazil (15.3 million) within the American area.

The increase in the year is mainly due to the effects of the global economic crisis, having a significant influence around the world.

Tax losses for which deferred tax assets have been recognised amount to Euros 49.9 million in Spain, Euros 7.7 million in the rest of Europe and Euros 8.1 million 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, generating a tax profit of Euros 2.1 million. This profit, broken down by geographical area, totals Euros 1.6 million for Spain, Euros 0.5 million for the rest of Europe and the rest of the world.

With regard to the allowances for financial investments pending integration, it should be observed that the total amount is Euros 51.4 million, which will revert to the tax income Sol Meliá S.A. as long as said investments generate enough profits to allow the discounting of said provisions.

18.4 Tax credits of the Group

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

(Thousand €)

	2010	2011-2015	2016-2022	YEARS BEYOND	TOTAL 31/12/09	TOTAL 31/12/08
Spain	130	17,710	26,314		44,154	35,056
American and rest of world	1,016	8,556	5,348		14,920	12,468
TOTAL	**1,146**	**26,266**	**31,662**		**59,074**	**47,524**

The accumulated tax credits at the year end in America and the rest of the world relate entirely to Mexico.

Deferred tax assets in Spain and Mexico totalling Euros 9.2 and 6.7 million, respectively, have been recognised.

Tax credits which have been offset in the year had not been fully capitalised in prior years, generating a tax profit of Euros 2 million. All this profit relates to “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 available for offset in Sol Meliá, S.A. as of December 31, 2009, and deducted in the year is the following:

YEAR	AMOUNT DEDUCTION	YEAR MATURITY
2000	130	2010
2001	1,891	2011
2002	241	2012
2003	306	2013
2004	316	2014
2005	269	2015
2006	317	2016
2007	157	2017
2008	213	2018
2009	243	2019
TOTAL	**4,083**	

These tax deductions have been partially capitalised for a total amount of Euros 1.5 million, following the criteria indicated in Note 3.13.

The tax deductions for donations and gifts total Euros 0.09 million. These deduction have been partially capitalised in the amount of Euros 0.01 million.

The tax benefits of Sol Meliá, S.A. deriving from asset disposals and which are tax exempt for reinvestment and the amounts to be reinvested, in Thousand Euros, are as follows:

YEAR	AMOUNT SALE	PROFIT ON SALE	TO BE REINVESTED	YEAR OF REINV.	REINVESTED	PENDING REINVESTMENT	YEAR MAT.	REINVESTMEN DEDUCTION	DEDUCTIONS APPLIED	PENDING APPLICAT.	YEAR MAT.
2003	22,399	16,570	22,399	2003	22,399	-	2006	3,314	2,324	990	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	82,521	-	2008	9,698		9,698	2015
2006	52,768	33,683	52,768	2005/06	76,840	-	2009	6,737		6,737	2016
2007	105,110	63,384	105,110	2006/07	97,825	-	2010	9,190		9,190	2017
2008	5,972	4,471	5,972	2008	88,773	-	2011	537		537	2018
2009	99,800	72,209	99,800	2009	33,959	65,841	2012	8,665		8,665	2019
TOTAL	**399,285**	**248,556**	**399,285**		**429,533**	**65,841**		**40,120**	**2,324**	**37,796**	

Sol Meliá, S.A. has reinvested the proceeds from the sales in new fixed assets for refurbishment and renovation of the hotels. These deductions have been partially capitalised in an amount of Euros 7.6 million, following the criteria explained in Note 3.13.

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 Euros 20.9 million and will be integrated on a straight line basis up to the year 2048.

Deductions for double taxation deriving from domestic and international dividends recorded by Sol Meliá, S.A., have amounted to Euros 0.5 million and the last years for utilisation are between 2015 and 2019.

As of December 31, 2009, the Group has deductions available for offset for new fixed assets in the Canary Islands, in accordance with art. 94 of the Corporate Income Tax Act, Law 20/91, totalling Euros 1.8 million, of which Euros 1 million prescribes in 2012 and Euros 0.8 million in 2013. No deductions for investments in new fixed assets in the Canary Islands have been applied in 2009.

The Group has the commitment of undertaking investments in new fixed assets located in the Canary Islands during the forthcoming years under the Canary Islands Investment Act, Law 19/94 . The total amount committed available for offset totals Euros 12.7 million, of which Euros 9 million must be applied before 2010, and Euros 3.7 million before 2011.

The information stipulated under Article 84 Corporate Income Tax Act, Law 20/91 relating to demergers and mergers of business lines 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

18.5 Reconciliation between the consolidated accounting profit and the aggregate taxable income

(Thousand €)

	31/12/09	31/12/08
Consolidated net income	43.507	54.617
Results of provisions for Group operations	104.454	55.608
Dividends from subsidiaries	12.797	40.935
Net income from companies consolidated by equity accounting	8.888	6.581
Recognition of net income of subsidiaires last year	2.746	1.697
Net income of companies before change in scope	1.369	591
Liquidation of Group companies	231	(276)
Net income of business combinations	14	(1.693)
Translation difference on group operations	(889)	(8.882)
Capital gains from sales of intercompany fixed assets	(7.883)	(14.356)
AGGREGATE NET INCOME	**165.234**	**134.822**
Adustments to accounting profit for tax adjustments		
Corporate income tax	10.933	22.738
Finance lease operations	9.642	(706)
Non-deductibel expenses / income	8.923	6.587
Pension commitments	2.143	(43)
Attributes and transparence	1.715	393
Deferral for reinvestment	545	545
Tax effect for application of new chart of accounts	501	34.033
Amortizaton of leaseholds	275	238
Adjustment for accounting restatement of buildings sold		
Treasury share operations	0	(5.361)
Canary Islands investment reserve	0	(3.741)
Others	(218)	13.635
Corrections for tax accounting differences	(3.358)	2.599
Provisions	(8.266)	(5.219)
Exchange differences	(11.259)	10.713
Amortisation of goodwill	(11.990)	(15.233)
Reversal of IAS adjustments	(13.893)	(87.220)
Inflation adjustments	(15.829)	(9.882)
Dividends from subsidiaries	(98.745)	(33.653)
PREVIOUS TAXABLE INCOME	**36.353**	**65.245**
Offset of tax loss carryforwards	(7.717)	(17.608)
TAXABLE INCOME	**28.636**	**47.637**

The difference between the theoretical tax payable, which results from applying the tax rate corresponding to the Parent Company to net income before tax, and the income tax expense for the year mainly arises from the disparity of the tax systems of the various countries in which the Group operates, and the variations in the tax rates explained in Note18.2.

18.6 Corporate income tax expense

The following table reflects the amounts recorded as expense for the year. The balances are broken down by items. Current and deferred tax are shown separately:

	31/12/09 EXPENSE / (INCOME)	31/12/08 EXPENSE / (INCOME)
Current tax		
Income tax for the year	12,056	14,684
Other taxes for the year	3,304	764
Adjustments to income tax of prior years	(251)	(2,065)
Deferred tax		
Net variation in credits for tax losses	(607)	(5,181)
Net variation in tax credits	(465)	(3,229)
Others	(3,639)	1,304
INCOME TAX EXPENSE	**10,398**	**6,277**

Other taxes for the year, amounting to Euros 3.3 million relate to taxes similar to income tax as well as other taxes in developing countries, the calculation of which is based on revenues or assets.

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

19. CONTINGENT ASSETS AND LIABILITIES

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

Sol Meliá, S.A. is the guarantor of Detur Panamá, S.A., owner of Hotel Meliá Panamá Canal, for 58.06% of a USD 9 million loan from Caja de Ahorros de Baleares. As of December 31, 2009 the guaranteed amount is USD 4.6 million.

Sol Meliá, S.A., as the guarantor of Hoteles Nacionales del Este for two loans amounting to USD 10 million and USD 5 million respectively, granted by Banco Santander Central Hispano, began, together with said bank, the process 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) 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 sentence to a payment in Dominican pesos equivalent to USD 10 million indexed to the 2001 exchange rate, plus 12% per year for arrears interest starting August 1, 2001. This judgment was 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 set a guarantee of Dominican Pesos 167 million, which has been already deposited by the banks.

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

Corporación Hotelera Metor, S.A. 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 favourably resolved, without causing a significant impact on the Group.

Sol Meliá, S.A. has a bank guarantee in favour of Profitur, S.A. on the annual minimum operating results of a hotel under leasing for Euros 3.1 million.

Sol Meliá, S.A. has a bank guarantee before La Caixa for confirming operations for Altavista Hotelera, S.A. totalling Euros 1.4 million.

Sol Meliá, S.A. guarantees a credit facility of Travel Dynamic Solutions, S.A. with La Caixa, totalling Euros 0.8 million.

20. OTHER INFORMATION

Additional disclosures of the Directors under Law 26/2003 of July17, 2003.

Mr. Escarrer Juliá and his sons, Messrs. Escarrer Jaume hold shareholdings and offices as administrators 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 3).

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 3).

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

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, except as indicated in Note 14.1.

Fees corresponding to the audit of the 2009 consolidated annual accounts and subsidiaries have amounted to Euros 971 thousand, of which Euros 425 thousand have been invoiced by PricewaterhouseCoopers España, Euros 295 thousand by PricewaterhouseCoopers at an international level and the remaining Euros 251 thousand 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 Euros 320 thousand.

In 2008, the fees for the audit of the consolidated annual accounts and the accounts of the subsidiary companies totalled Euros 1,157 thousand, of which Ernst & Young invoiced Euros 520 thousand, while Ernst & Young internationally invoiced Euros 552 and Euros 85 thousand.

Environmental risks

No significant items relating to information on environment provided for by Order of the Ministry of Justice of October 8, 2001 are included in the accompanying Annual Accounts.

21. SUBSEQUENT EVENTS

In January 2010, the Government of Venezuela devalued its currency, the Bolivar, the result of which will mean that the consolidated balance of the Sol Meliá Group from its Venezuela subsidiaries will be subject to major variations in 2010. Taking as a reference the figure for 2009, the impact on assets would total Euros 77.8 million, with the corresponding impact on net equity of the Group due to the recognition of translation differences generated by the devaluation.

APPENDIX 1. SUBSIDIARY COMPANIES

	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR.	IND.	TOTAL	IND.HOLDER
(F)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Management company	99.73%		99.73%	
(A)	BEAR, S. A. de C. V.	Paseo de la Reforma,1 (México D. F.)	Mexico	Hotel ownership and ops.	100.00%		100.00%	
	BISOL INVESTMENT LTD.	Augres House, Damareq Street	Jersey	Dormant	100.00%		100.00%	
(A)	BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico	Hotel ownership and ops.		99.68%		CALA FORMENTOR S.A. DE C.V.
						0.01%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A) (F)	CADSTAR FRANCE, S. A.	12, Rue du Mont Thabor (Paris)	France	Holding co.		100.00%	100.00%	SOL MELIA FRANCE, S.A.
	CANSILIUS, S.L.	Calle Velázquez, 61 (Madrid)	Spain	Hotel ownership and ops.	100.00%		100.00%	
(A)	CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico	Hotel ownership and ops.		92.40%		MELIÁ INV. AMERICANAS N.V.
						7.29%	99.69%	FARANDOLE, B.V.
(F)	CALIMAREST, S.A.	José Meliá s/n (Málaga)	Spain	Restaurant Calima	100.00%		100.00%	
(A)	CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Hotel ownership and ops.		16.41%		OPERADORA MESOL S.A. DE C.V.
						53.70%	70.11%	MELIÁ INV. AMERICANAS N.V.
(A)	CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dom. Rep.	Dormant		49.85%	49.85%	INVERSIONES AGARA S.A.
(A) (F)	CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	Casino ownership and ops.	100.00%		100.00%	
	COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	Hotel ownership and ops.	91.25%		91.25%	
(A)	COMP. TUNISIENNE GEST. HOTELIÉRE	Cite Mahrajene-Imm Chiaaar, 1 (Tunis)	Tunisia	Management company		100.00%	100.00%	SOL MANINVEST B.V.
(A)	CORP.HOT.HISP.MEX., S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico	Hotel ownership and ops.		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 ownership and ops.		76.11%	76.11%	MELIÁ INV. AMERICANAS N.V.
	CREDIT CONTROL CO.	Brickell Avenue, 800 (Miami)	USA	Collection risk management	100.00%		100.00%	
(A)	DESARR. HOTELERA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico	Hotel ownership and ops.		34.89%		DES.HOT.SAN JUAN B.V
						34.89%	69.78%	SAN JUAN INVESTMENT B.V
(F)	DESARR.HOTEL. SAN JUAN, B.V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding co.		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
	DESARR. TURIST. DEL CARIBE, N. V.	The Ruyterkade, 62 (Curaçao)	Antillas Hol.	Holding co.		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A)	DESARROLLOS SOL, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Hotel ownership and ops.		61.79%		MELIÁ INV. AMERICANAS N.V.
						20.25%		DOMINICAN INVESTMENT, N. V.
						17.65%	99.69%	DOMINICAN MKTING SERVICES
	DOMINICAN INVESTMENT, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Holding co.		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
	DOMINICAN MARKETING SERVICES	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Commercialisation		65.73%		DOMINICAN INVESTMENT NV
						33.96%	99.69%	IRTON COMPANY, N.V.
(F)	DOMINIOS COMPARTIDOS S.A.	Calle Nuredduna, 10 3A	Spain	Owner		99.56%	99.56%	HOGARES BATLE, S.A.
(F)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Brand owner	100.00%		100.00%	
(F)	FARANDOLE, B. V.	World Trade Center 17b (Amsterdam)	Holland	Holding co.		99.69%	99,69%	MELIÁ INV. AMERICANAS N.V.
	GESMESOL, S. A.	Elvira Méndez, 10 (Panamá)	Panama	Management company	100.00%		100.00%	
(F)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Export co.	100.00%		100.00%	
	GRUPO SOL ASIA, Ltd.	1109/10 Admiralty Tower (Hong Kong)	Hong Kong	Holding co.	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 (Panamá)	Panama	Holding co.	100.00%		100.00%	
	GUARAJUBA EMPREENDIMIENTOS, S.A.	Avda. do Farol, Parte, Praia do forte (Bahia)	Brazil	Land owner		100.00%	100.00%	GUARAJUBA, S.A.
	GUPE IMÔBILIARIA, S.A.	Estrada da Luz, 90 (Lisboa)	Portugal	Management company	100.00%		100.00%	
	HAVANA SOL RESTAURACIÓN XXI, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	Operator	100.00%		100.00%	
(F)	HOGARES BATLE, S.A.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Holding co.	51.49%			
						48.07%	99.56%	REALTUR, S.A.
	HOT. MELIÁ INTNAL COLOMBIA, S. A.	Calle, 68 (Bogotá)	Colombia	Dormant		100.00%	100.00%	M.I.H. S.A.
	HOTELES SOL INTERNACIONAL	Edificio Banco do Brasil (Panamá)	Panama	Holding co.	100.00%		100.00%	
(A) (F)	HOTEL ALEXANDER, S. A. S.	12, Rue du Mont Thabor (Paris)	France	Hotel ops.		100.00%	100.00%	SOL MELIA FRANCE,S.A.S.

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COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR.	IND.	TOTAL	IND.HOLDER
(A) (F) HOTEL COLBERT SAS	Rue du sentier (Paris)	France	Ownership and ops.		100,00%	100,00%	CADSTAR FRANCE, S.A.S.
(A) (F) HOTEL DE SAXE SAS	Rue du sentier (Paris)	France	Ownership and ops.		100.00%	100.00%	CADSTAR FRANCE, S.A.S
(A) (F) HOTEL METROPOLITAN, S. A.	8, Rue Cambon (Paris)	France	Hotel owner		100.00%	100.00%	SOL MELIÁ FRANCE, S.A.S.
(F) HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
(F) HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
(F) HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Holding co.	100.00%		100.00%	
(F) HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
(F) HOTELES TRYP, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Dormant	100.00%		100.00%	
ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	Management company	100.00%		100.00%	
IMPULSE HOTEL DEVELOPEMENT	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Commercialisation	100.00%		100.00%	
(A) INMOBILIARIA DISTRITO CIAL. , S. A.	Avda. venezuela con Casanova (Caracas)	Venezuela	Owner of premises		89.26%	89.26%	MELIÁ INV. AMERICANAS N.V.
INMOTEL INVERS. ITALIA, S. R. L.	Via Pietro Mascagni, 14 (Milán)	Italy	Hotel ownership and ops.	100.00%		100.00%	
INVERS. TURIST. DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Holding co.	100.00%		100.00%	
(A) INVERS. EXP. TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel ownership and ops.es	54.90%			
					0.01%		HOGARES BATLE, S.A.
					0.02%	54.93%	DOMINIOS COMPARTIDOS, S.A.
(A) INVERS. INMOB. IAR 1997, C. A.	Avenida Casanova (Caracas)	Venezuela	Hotel ownership and ops.		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A) INVERSIONES AGARA, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Hotel ownership and ops.		99.69%	99.69%	NEALE S.A.
(A) INVERSIONES AREITO, S.A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Hotel ownership and ops.	45.18%			
					19.36%		LEOFORD INVESTMENTS CO.
					35.46%	100.00%	PUNTA CANA RESERVATIONS N.V.
INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela	Dormant		100.00%	100.00%	M.I.H. S.A.
IRTON COMPANY, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Asset management company		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
LEOFORD INVESTMENT CO.	Elvira Méndez, 10 (Panamá)	Panama	Holding co.	100.00%		100.00%	
(A) LOMONDO, Ltd.	Albany Street-Regents Park (Londres)	UK	Hotel ownership and ops.	61.20%	38.80%	100.00%	HOTELES SOL INTNAL., S.A.
MELIÁ INTNAL. HOTELES, S. A.	Edificio Fiducidario (Panamá)	Panama	Management company & Holding co.	100.00%		100.00%	
(A) (F) MADELEINE PALACE, S.A.S.	8, Rue Cambon (Paris)	France	Hotel operator		100.00%	100.00%	HOTEL METROPOLITAN S.A.S.
MARINA INTERNATIONAL HOLDING	Elvira Méndez, 10 (Panamá)	Panama	Holding co.		100.00%	100.00%	M.I.H. S.A.
MARKSERV, B. V.	Parklaan, 81 (Amsterdam)	Holland	Management company & Holding co.	51.00%	49.00%	100.00%	SOL MANINVEST B.V.
MARKSOL TURIZM, Ltd.	Calakli Manavgat (Antalya)	Turkey	Dormant	10.00%	90.00%	100.00%	MARKSERV B.V.
MARKTUR TURIZM, A. S.	Daire, 3 Gençlik Mahallesi (Antalya)	Turkey	Dormant	100.00%		100.00%	
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 co.	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 company		100.00%	100.00%	INV TURIST DEL CARIBE SA
MELSOL MANAGEMENT, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Management company	100.00%		100.00%	
(F) MOTELES ANDALUCES, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel ownership and ops.	99.38%		99.38%	
NEALE, S. A.	Edificio Arango Orillac (Panamá)	Panama	Commercialisation		99.69%	99.69%	RANDLESTOP CORP.N.V
NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA	Holding co.		100.00%	100.00%	SOL GROUP, B. V.
OPERADORA COSTARISOL	Avenida Central, 8 (San José)	Costa Rica	Management company		100.00%	100.00%	M.I.H. S.A.
(A) OPERADORA MESOL, S. A. de C. V.	Bosque de Duraznos 69-b, (México D.F.)	Mexico	Management company	75.21%	24.79%	100.00%	MARKSERV B.V.
(A) PRODIGIOS INTERACTIVOS, S.A.	Camino Ca´n Mannel (Palma de Mallorca)	Spain	Service centre		99.68%	99,68%	IMPULSE HOTEL DEVELOPMENT, BV
PT SOL MELIÁ INDONESIA	Jalan H. R. Jasuna Said KAV X-0 (Jakarta)	Indonesia	Management company	90.00%	10.00%	100.00%	MARKSERV B.V.
PUNTA CANA RESERVATIONS, N. V.	The Ruyterkade, 62 (Curaçao)	Curaçao	Commercialisation	100.00%		100.00%	
PUNTA ELENA, S.L.	San José, 33 (Tenerife)	Spain	Dormant	100.00%		100.00%	
(A) (F) ROYAL ALMA BOUTIQUE SAS	Rue du Sentier (Paris)	France	Ownership and ops.		100.00%	100.00%	CADSTAR FRANCE SAS
RANDLESTOP CORPORATION, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Holding co.		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A) (F) REALTUR, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel owner	98.81%			
					0.08%		HOGARES BATLE S.A.
					0.21%	99.10%	DOMINIOS COMPARTIDOS S.A.
(F) SAN JUAN INVESTMENT, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding co.		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	Management company		100.00%	100.00%	SM VACATION CLUB CO.
(A) SIERRA PARIMA, S.A.	Avda. John F. Kennedy,10 (Sto. Domingo)	Rep.Dom.	Shopping centre owner	51.00%		51.00%	
(A) SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Vacation club management		100.00%	100.00%	SM VACATION CLUB CO.
(A) (F) SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain	Vacation club management		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A) SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancún)	Mexico	Vacation club management		100.00%	100.00%	SM VACATION CLUB CO.
(F) SMVC NETWORK ESPAÑA, S.L.	Provenza 112 (Barcelona)	Spain	Vacation club sales		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.

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	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR.	IND.	TOTAL	IND.HOLDER
	SMVC NETWORK, S.A.R.L.	9, Rue Schiller	Luxembourg	Vacation club sales		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A)	SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama	Vacation club management		100.00%	100.00%	SM VACATION CLUB CO.
(A)	SMVC PUERTO RICO CO.	PMB 223, PO Box 43006, (Rio Grande)	P.Rico	Vacation club management	100.00%		100.00%	
	SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama	Incoming		100.00%	100.00%	GESMESOL, S.A
	SOL GROUP, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Holding co.	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 (Londres)	UK	Dormant	100.00%		100.00%	
	SOL MANINVEST, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Management company & Holding co.	100.00%		100.00%	
(A)	SOL MELIÁ, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Ownership and Management company			100.00%	
(A)	SOL MELIÁ BULGARIA	Kempinsky Alley, Golden Sands	Bulgaria	Management company	60.00%		60,00%	
	SOL MELIÁ CHINA, Ltd.	1318 Two Pacific Place, 88 (Hong Kong)	China	Dormant		100.00%	100.00%	M.I.H. S.A.
	SOL MELIÁ COMMERCIAL	Regatta Office Park West Bay Road	Cayman Is.	Management company		100.00%	100.00%	SOL MELIA FRIBOURG S.A.
	SOL MELIÁ CROACIA	Vladimira Nazora, 6 (Rovijn)	Croatia	Management company		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%	
	SOL MELIÁ EUROPE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Convertible bond issuer	100.00%		100.00%	
(A)	SOL MELIÁ FINANCE, Ltd.	Ugland House South Church (Gran Caymán)	Cayman Is.	Financial services		100.00%	100.00%	SOL MELIA INVESMENT, N.V
	SOL MELIÁ FUNDING	Regatta Office Park West Bay Road	Cayman Is.	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 company & Holding co.	100.00%		100.00%	
(A)	SOL MELIÁ FRIBOURG, S.A.	Chemin des primeveres, 45 (Fribourg)	Switzerland	Commercialisation	100.00%		100.00%	
	SOL MELIÁ GREECE, HOTEL & TOURISTIC	Chalkokondili Str. (Atenas)	Greece	Management company	100.00%		100.00%	
	SOL MELIÁ GUATEMALA, S. A.	Primera Avenida, 8-24 (Guatemala)	Guatemala	Management company		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 co.	100.00%		100.00%	
(F)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milán)	Italy	Operator		100.00%	100.00%	INMOTEL INV. ITALIA S.R.L.
	SOL MELIÁ LUXEMBURG, S.A.R.L.	Bulev. Prince Henri Rue du Fort Place Europe	Luxembourg	Management company	100.00%		100.00%	
	SOL MELIÁ MAROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1º Etage	Morocco	Management company		100.00%	100.00%	MARKSERV B.V.
	SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru	Management company		100.00%	100.00%	M.I.H. S.A.
(A)	SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Switzerland	Management company		100.00%	100.00%	SOL MANINVEST B.V.
(A)	SOL MELIÁ HOTEL SANGHAI CO, LTD.	Room 501- 5F Tower King 28 Xim Jin Qiao	China	Management company	100.00%		100.00%	
(A)	SOL MELIÁ SUISSE, S. A.	Rue de Messe, 8-10 (Ginebra)	Switzerland	Dormant	100.00%		100.00%	
	SOL MELIA VACATION CLUB CO.	Bickell Avenue, 800 (Miami)	USA	Holding co.		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A) (F)	TENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.es	50.00%			
						49.55%	99.55%	REALTUR, S.A.
(A) (F)	TRYP BLANCHE FONTAINE SAS	Rue du Sentier (Paris)	France	Owner and operator		100.00%	100.00%	CADSTAR FRANCE SAS
(A) (F)	TRYP FRANÇOIS SAS	Rue du Sentier (Paris)	France	Owner and operator		100.00%	100.00%	CADSTAR FRANCE SAS
	VACATION CLUB SERVICES CO.	Bickell Avenue, 800 (Miami)	USA	Vacation club management		100.00%	100.00%	SM VACATION CLUB CO.

(A) Audited companies
(F) Companies that constitute a consolidated tax group with their respective parent companies

APPENDIX 2. ASSOCIATES AND JOINT VENTURES

COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR.	IND.	TOTAL	IND.HOLDER
ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 242 (Barcelona)	Spain	Hotel ownership and ops.	40.00%		40.00%	
APARTHOTEL BOSQUE, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	25.00%		25.00%	
C. P. COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	Horizontal property owners	0.33%	18.69%	19.02%	APARTOTEL S.A.
COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Sevilla)	Spain	Hotel ownership and ops.	50.00%		50.00%	
COM. PROP. MELIÁ CASTILLA	Capitán Haya, 43 (Madrid)	Spain	Horizontal property owners	29.82%	0.18%	30.00%	DOMINIOS COMPARTIDOS, S.A.
DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	Hotel ownership and ops.	32.72%	17.21%	49.93%	M.I.H., S.A.
HANTINSOL RESORTS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Dormant	33.33%		33.33%	
HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	Dormant	40.00%		40.00%	
INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Aquifer owner and ops.		49.84%	49.84%	DESARROLLOS SOL, S.A.
INV. HOTELERAS LA JAQUITA, S.A. (JV)	Carretera Arenas 1 (Pto. De La Cruz)	Spain	Hotel owner and ops.l		49.78%	49.78%	TENERIFE SOL, S.A.
LH MIAMI LLC. (JV)	Brickell Avenue, 800 (Miami)	USA	Hotel ops.		50.00%	50.00%	LIFESTAR, LLC
LIFESTAR, LLC (JV)	Brickell Avenue, 800 (Miami)	USA	Management company Hotels		50.00%	50.00%	NEW CONTINENT VENTURES CO.
MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain	Owner	50.00%		50.00%	
NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Hotel ownership and ops.es	17.50%	2.50%	20.00%	PROMEDRO
NYESA MELIÁ ZARAGOZA S.L. (JV)	Avenida César Augusto, 13 (Zaragoza)	Spain	Hotel developer and ops.l	50.00%		50.00%	
TRAVEL DYNAMIC SOLUTIONS, S.A. (JV)	Paseo Club Deportivo, 1 (Madrid)	Spain	Sales office		49.84%	49.84%	PRODIGIOS INTERACTIVOS,S.A.
TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n (Granada)	Spain	Hotel ownership and ops.es	20.82%		20.82%	
PROMOCIONES PLAYA BLANCA S.A. de C.V.	Plaza de San Ángel, 15(Cancún)	Mexico	Hotel ownership and ops.		33.00%	33.00%	MARKSERV B.V.
PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Holding co.	20.00%		20.00%	

(JV) Joint ventures.

(*) The interest in these companies is through the ownership of apartments that represent 19.02% and 30.00% of the total, respectively, and which are recorded under investment property.

APPENDIX 3. OFFICES OF DIRECTORS IN OTHER COMPANIES

This appendix includes the disclosures of the members of the Board of Directors who are also members of the Board of Directors or executives of companies that carry out activities analogous to those of Sol Meliá either in Group companies or associates or unrelated companies.

Set out below are the members of the Board of Directors who hold offices of directors or managers in other companies in the Group:

SPANISH COMPANIES

MR. GABRIEL ESCARRER JULIA (TAXPAYER ID NO. 41.160.706 K)

REGISTERED NAME OF COMPANY	OFFICE
Apartotel S.A.	Chairman and Chief Executive Officer
Gest.Hot.Turística Mesol S.A. (Sociedad Unipersonal)	Several Administrator
Inversiones y Explotaciones Turísticas S.A.	Chairman and Chief Executive Officer
Moteles Andaluces S.A.	Chairman and Chief Executive Officer
Realizaciones Turísticas S.A.	Chairman and Chief Executive Officer

MR. SEBASTIÁN ESCARRER JAUME (TAXPAYER ID NO. 43.040.129 E)

REGISTERED NAME OF COMPANY	OFFICE
Hantinsol Resort, S.A.	Chairman
Havana Sol Restauración, S.A.	Chairman

MR. GABRIEL JUAN ESCARRER JAUME (TAXPAYER ID NO. 43.070.810 K)

REGISTERED NAME OF COMPANY	OFFICE
Altavista Hotelera, S.L.	Member
Apartotel S.A.	Chief Executive Officer
Calimarest S.L.	Chairman
Casino Tamarindos S.A. (soc. unip.)	Chairman
Dominios Compartidos S.A.	Chairman and Chief Executive Officer
Dorpan, S.L.	Chairman
Gest.Hot.Turística Mesol S.A. (soc. unip)	Several Administrator
Hogares Batle, S.A.	Chairman and Chief Executive Officer
Hoteles Sol Meliá S.L.	Chairman and Chief Executive Officer
Inversiones Hoteleras La Jaquita S.A	Chairman
Inversiones y Explotaciones Turísticas S.A.	Member and Chief Executive Officer
Moteles Andaluces S.A.	Member and Chief Executive Officer
Nexprom S.A.	Director
Nyesa Meliá Zaragoza S.L.	Chairman
Promedro S.A.	Chairman
Realizaciones Turísticas S.A.	Several Chief Executive Officer
Securisol S.A.	Chairman and Chief Executive Officer
Sol Meliá Vacation Club España S.L.	Chairman and Chief Executive Officer
Sol Meliá Vacation Network España S.L.	Chairman and Chief Executive Officer
Tenerife Sol S.A.	Chairman
Travel Dynamic Solutions S.A.	Member

INTERNATIONAL COMPANIES

MR. GABRIEL ESCARRER JULIA (TAXPAYER ID NO. 41.160.706 K)

REGISTERED NAME OF COMPANY	COUNTRY	OFFICE
Bear S.A. de C.V.	Mexico	Chairman of the Board
Bisol Vallarta S.A. de C.V.	Mexico	Chairman of the Board
Cala Formentor S.A. de CV	Mexico	Chairman
Caribotels de México S.A. de CV	Mexico	Director
Corporación Hotelera Hispano Mexinaca S.A.	Mexico	Chairman
Corporación Hotelera Metor S.A.	Peru	Chairman
Detur Panamá S.A.	Panama	Director Treasurer
Gesmesol S.A.	Panama	Chairman
Grupo Sol Asia Ltd.	Hong Kong	Administrator
Hoteles Meliá Internacional de Colombia S.A.	Colombia	Member of the Board
Lomondo Limited	Gran Bretaña	Director
Marina Internacional Holding S.A.	Panama	Chairman
Marktur Turizm Isletmecilik A.S.	Turkey	Administrator
MIH S.A.	Panama	Chairman
Operadora Costa Risol S.A.	Costa Rica	Chairman
Operadora Mesol S.A. de CV	Mexico	Chairman
Promociones Playa Blanca, S.A. de C.V.	Mexico	Vice-Chairman
Sol Hotels UK Ltd.	Gran Bretaña	Director
Sol Meliá Guatemala	Guatemala	Chairman
Sol Meliá Vacation Club Dominicana S.A.	Dominican Republic	Chairman
Sol Meliá VC México, S.A. de C.V.	Mexico	Chairman
Sol Melia VC Panamá S.A.	Panama	Director
Sol Meliá VC Puerto Rico Corporation	Puerto Rico	Director

MR. SEBASTIÁN ESCARRER JAUME (TAXPAYER ID NO. 43.040.129 E)

REGISTERED NAME OF COMPANY	COUNTRY	OFFICE
Bear, S.A. de C.V.	Mexico	Member
Bisol Vallarta S.A. de CV	Mexico	Member
Cadstar France SAS	France	Director
Cala Formentor S.A. de CV	Mexico	Member
Caribotels de México S.A. de CV	Mexico	Member
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Member
Corporación Hotelera Metor S.A.	Peru	Vice-Chairman
Desarrollos Sol S.A.	Rep. Dominicana	Chairman & Treasurer
Detur Panamá S.A.	Panama	Director Secretary
Gesmesol S.A.	Panama	Treasurer
Guarajuba S.A.	Panama	Director/Chairman
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator Chairman
Hellenic Hotel Management Hotel and Commercial S.A.	Greece	Chairman
Hotel Alexander SAS	France	Director
Ilha Bela Gestao e Turismo Limitada	Portugal	Manager
Inmotel Inversiones Italia, S.R.L.	Italy	Sole Administrator
Inversiones Agara S.A.	Rep. Dominicana	Chairman & Treasurer
Inversiones Inmobiliarias IAR, C.A.	Venezuela	Several Administrator
Irton Company N.V.	Antillas Holandesas	Director
Lifestar Hotels LLC	USA	Chairman
Lomondo Limited	Gran Bretaña	Director
Marina Internacional Holding S.A.	Panama	Secretary
Meliá Inversiones Americanas N.V.	Holland	Administrator
Melia Management S.A.	Rep. Dominicana	Chairman Treasurer
MIH S.A.	Panama	Secretary
Neale S.A.	Panama	Treasurer
Operadora Costa Risol S.A.	Costa Rica	Vice-Chairman
Operadora Mesol S.A. de CV	Mexico	Member
PT Sol Meliá Indonesia	Indonesia	Secretary
Sol Meliá Bulgaria, AD	Bulgaria	Chairman
Sol Melia China Limited	R.P. China	Director
Sol Melia Commercial	Islas Caiman	Director
Sol Melia Croacia	Croatia	Director Manager
Sol Melia Deutschland GmbH	Germany	Several Administrator
Sol Melia Europe BV	Holland	Director
Sol Melia Finance Limited	Islas Cayman	Authorised Director
Sol Melia Fribourg S.A.	Suiza	Chairman/Administrator
Sol Meliá Funding	Islas Caiman	Director
Sol Meliá Guatemala	Guatemala	Vice-Chairman
Sol Melia Hotel Management (Shanghai) Company LTD	China	Director
Sol Melia Services S.A.	Suiza	Chairman
Sol Melia Vacation Club Dominicana S.A.	Rep. Dominicana	Vice-Chairman
Sol Meliá VC México, S.A. de C.V.	Mexico	Vice-Chairman
Sol Melia VC Panamá S.A.	Panama	Director
Sol Meliá VC Puerto Rico Corporation	Puerto Rico	Director

MR. GABRIEL JUAN ESCARRER JAUME (TAXPAYER ID NO. 43.070.810 K)

REGISTERED NAME OF COMPANY	COUNTRY	OFFICE
Bear, S.A. de C.V.	Mexico	Member
Bisol Vallarta S.A. de C.V.	Mexico	Member
Cadstar France SAS	France	Chairman of the Board
Cala Formentor S.A. de CV	Mexico	Member
Caribotels de México S.A. de CV	Mexico	Member
Compagnie Tunisienne de Gestion Hoteliere S.A.	Túnez	Chairman
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Member
Corporación Hotelera Metor S.A.	Peru	Director
Desarrollos Hoteleros San Juan B.V.	Holland	Director
Desarrollos Sol S.A.	Rep. Dominicana	Vice-Chairman and secretary
Dominican Investment NV	Antillas Holand.	Administrator
Dominican Marketing & Services N.V.	Antillas Holand.	Several Administrator
Farandole B.V.	Holland	Several Administrator
Gesmesol S.A.	Panama	Member
Guarajuba S.A	Panama	Director/Secretary
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator
Hotel Alexander SAS	France	Chairman of the Board
Hotel Blanche Fontaine, SAS	France	Chairman
Hotel Colbert, SAS	France	Chairman
Hotel De Saxe, SAS	France	Chairman
Hotel François SAS	France	Chairman of the Board
Hotel Metropolitain SAS	France	Chairman of the Board
Hotel Royal Alma SAS	France	Chairman
Ilha Bela Gestao e Turismo Limitada	Portugal	Manager
Impulse Hotel Development BV	Holland	Administrator
Inmobiliaria Distrito Comercial CA	Venezuela	Chairman
Inversiones Agara S.A.	Rep. Dominicana	Vice-Chairman and secretary
Inversiones Areito, S.A.	Rep. Dominicana	Chairman Administrator
Inversiones Inmobiliarias IAR 1997 C.A.	Venezuela	Several Administrator
Irton Company N.V.	Antillas Holand.	Chairman
Lomondo Limited	Gran Bretaña	Director
Madeleine Palace SAS	France	Chairman
Marina Internacional Holding S.A.	Panama	Treasurer
Markserv B.V.	Holland	Administrator
Meliá Inversiones Americanas N.V.	Holland	Joint Administrator
Melia Management S.A.	Rep. Dominicana	Vice-Chairman and Secretary
Melsol Management BV	Holland	Administrator
MIH S.A.	Panama	Treasurer
Neale S.A.	Panama	Chairman
Operadora Costa Risol S.A.	Costa Rica	Director and Secretary
Operadora Mesol S.A. de CV	Mexico	Member
PT Sol Meliá Indonesia	Indonesia	Chairman
Punta Cana Reservation NV	Antillas Holandesas	Administrator
San Juan Investment BV	Holland	Administrator
Sol Group BV	Holland	Administrator
Sol Group Corporation	USA	Director
Sol Maninvest BV	Holland	Administrator
Sol Melia China Limited	R.P. China	Director
Sol Melia Deutschland GmbH	Germany	Several Administrator
Sol Melia France SAS	France	Chairman of the Board
Sol Meliá Greece, S.A.	Greece	Director and Chairman
Sol Meliá Guatemala	Guatemala	Secretary
Sol Melia Hotel Management (Shanghai) Company LTD	China	Chairman
Sol Melia Investment NV	Holland	Administrator
Sol Melia Italia S.R.L.	Italy	Several Administrator
Sol Meliá Luxembourg, S.A.R.L.	Luxemburgo	Director
Sol Melia Maroc, S.A.R.L.	Marruecos	Manager
Sol Melia Suisse S.A.	Suiza	Chairman
Sol Melia Vacation Club Dominicana S.A.	Rep. Dominicana	Secretary
Sol Meliá VC México, S.A. de C.V.	Mexico	Treasurer
Sol Meliá VC Panamá S.A.	Panama	Director
Sol Meliá VC Puerto Rico Corporation	Puerto Rico	Director

The direct and indirect shareholdings controlled by members of the Board of Directors of the Company are as follows:

SHAREHOLDER	SHAREHOLDING	OFFICE
Mr. Gabriel Escarrer Juliá	63.069% (*)	Chairman
Mr. Sebastián Escarrer Jaume		Vice-Chairman
Mr. Gabriel Escarrer Jaume.		Vice-Chairman and Chief Executive Officer
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

(*) Please note that this shareholding has been calculated on the basis of the direct or indirect interests controlled by Mr. Gabriel Escarrer Juliá, his spouse and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Juan Escarrer Jaume) in the 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 aforementioned 63.069%.

Set out below are the interests in the capital and offices held by other members of the Board of Directors of the parent company in companies with the same, analogous or complementary activity as that of Sol Meliá and do not form part of the Group:

DIRECTOR	COMPANY	SHAREHOLDING	OFFICE
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	Fontsalada 96, S.L.	1%	-
José Mª Lafuente López	Conta 96, S.L.	1%	-
José Mª Lafuente López	Calamata 96, S.L.	1%	-
José Mª Lafuente López	Canamunt, S.L.	1%	-
Juan Vives Cerdá	Finca Los Naranjos, S.A.	27.88 %	Several Administrator

FORMULATION OF THE ACCOUNTS

On 26 March 2010 these annual accounts have been formulated by the Board of Directors and will be submitted to the General Meeting of Shareholders for adoption.

The undersigned Directors represent that to the best of their knowledge the annual accounts have been prepared in accordance with the accounting principles applicable and present a fair view of the equity, financial position and results of the operations of the Sol Meliá Group.

These accounts are set out on 92 pages, all of which are signed by the Secretary of the Board, and the last page of which has been signed by all the Directors.

Original in Spanish signed by: Mr. Gabriel Escarrer Juliá
Chairman

Original in Spanish signed by: Mr. Juan Vives Cerdá
Director

Original in Spanish signed by: Mr. Sebastián Escarrer Jaume
Vice-Chairman

Original in Spanish signed by: Mr. Gabriel Escarrer Jaume
Vice-Chairman and Chief Executive Officer

Original in Spanish signed by: Hoteles Mallorquines Consolidados, S.A.
(Represented by Ms. María Antonia Escarrer Jaume)
Director

Original in Spanish signed by: Caja de Ahorros del Mediterráneo
(Represented by Mr. Armando Sala Lloret)
Director

Original in Spanish signed by: Mr. Eduardo Punset Casal
Independent Director

Original in Spanish signed by: Mr. Alfredo Pastor Bodmer
Independent Director

Original in Spanish signed by: Mr. Emilio Cuatrecasas Figueras
Independent Director

Original in Spanish signed by: Ms. Amparo Moraleda Martínez
Independent Director

Original in Spanish signed by: Mr. Juan Arena de la Mora
Independent Director

Original in Spanish signed by: Mr. José María Lafuente López
Secretary and Independent Director

DIRECTORS' REPORT 2009

1. GROUP ACTIVITY

Sol Meliá, S.A. and its subsidiary companies (hereon the "Group" or the "Company") form a group made up of companies that are mainly engaged in tourist activities in general and more specifically in the management and operation of company-owned hotels, rental under management or franchise, and all types of vacation club operations. The Group is engaged in the promotion of all types of businesses related to the tourist and hotel and leisure or recreational areas, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourist, hotel or any other recreational or leisure areas. Some of the companies in the Group also carry out real estate activities by taking advantage of the synergies obtained in the hotel developments as a result of the stiff expansion process.

In any case, expressly excluded from its corporate purposes are activities that special legislation reserves for companies that meet certain requirements that the Group does not meet, in particular, all activities that legislation reserves for collective investment institutions or securities brokers.

Furthermore, the Group has not carried out any research and development activities in 2009 as this is not part of its corporate purposes.

2. EVOLUTION OF THE BUSINESS

2.1 Evolution of the hotel business

In 2009, RevPAR (Income per available room) of company-owned hotels or rentals decreased by 16.7%.

We set out below an analysis of the evolution of the hotel business, differentiating between the Group's brands:

Sol Brand

The Sol brand is made up entirely of vacation hotels in Spain. In 2009 its RevPAR fell by 15.8%, mainly due to the decrease in occupancy by 11%.

The Company, in the face of the decline in business which it has had to face, implemented a series of offsetting measures in order to decrease operating expenses, excluding rental costs, by 13.2%, in line with the number of stays, which fell by 13%. The rationalisation of personnel management. Adapting them to the opening of seasonal hotels and occupancy levels, the renegotiation with raw material suppliers and menu changes have been key factors in achieving these efficiencies.

Tryp Brand

The Tryp brand is made up entirely of urban hotels, 77% of whose rooms are located in Spain. In 2009 the RevPAR of this brand fell by 18.9% due to the decrease in occupancy and ARR (average price per room) by 8.2% and 11.6%, respectively.

The brand has steadily declined less during the year in terms of RevPAR, mainly due the good performance of hotels in Germany and France. This mitigation of the decline has occurred both in the individual business segment and in the individual leisure segment, due in part to the measures launched in order to increase business demand, which suffered tremendously in 2009 due to the cost saving measures implemented by companies.

The decrease in commissions and the renegotiations with suppliers of raw materials have led to a decrease of 14% in operating costs, excluding rental expenses.

Meliá Brand

46% of the Meliá brand rooms are in Spain, 21% in Latin America, and 33% across the rest of Europe, the Middle East and Africa. In 2009 the brand's RevPAR fell by 15.5% due to decreases in ARR by 10.9% and, to a lesser extend, occupancy, by 5.2%.

The urban hotels have declined steadily less in 2009 in terms of RevPAR due to the improvements across all markets (Urban Spain, Germany, the UK and to a lesser extent, France). The individual leisure segment has performed better due to promotions launched to stimulate demand, while the decline in tour operations has been offset by the On Line Travel Agencies and solmelia.com.

With respect to vacation hotels, there has also been a progressive improvement during 2009 in terms of RevPAR as a result of improvements in the performance of hotels in Tunisia, Spain and Mexico.

In 2009 operating expenses, excluding rental cost, have decreased by 8.1%, while the total costs per stay dropped by 4%. The rationalisation of personnel management has led to a reduction in staff costs per stay of 10%, while the renegotiation of contracts with suppliers of raw materials has led to a decrease in the cost of food and beverages per stay by 10%.

The number of available rooms has increased with the addition of the hotels Meliá Arenas, Meliá Luxembourg, Innside Düsseldorf Derendorf, Meliá Valencia and Meliá Bilbao; the reopening of some floors of the Meliá Madrid Princesa and the disaffiliation of Hotel Meliá Trujillo.

Premium Brand

In 2009 the RevPAR of the Premium brands decreased by 18.8%, due to decreases in occupancy and ARR by 10% and 9.9%, respectively. This decrease is due to the evolution of the Gran Meliá brand, affected by the performance of urban hotels in Spain.

Operating expenses, excluding rentals, have decreased by 9.4%, due to the reduction in energy costs as well as service outsourcing. The total costs per stay have been affected by the inflation rate in Venezuela.

The table below shows a summary of the main statistics for the company-owned and rental hotels for the years 2009 and 2008.

		OCCUPANCY %	REVPAR (EUROS)	A.R.R. (EUROS)	AVAILABLE ROOMS (THOUSANDS)
Sol Brand	2009	60.72%	30.79	50.71	3,145
	% 09/08	-11.0%	-15.8%	-5.3%	-3.1%
	2008	68.25%	36.55	53.56	3,246
Tryp Brand	2009	59.73%	39.67	66.41	2,898
	% 09/08	-8.2%	-18.9%	-11.6%	-4.2%
	2008	65.07%	48.90	75.15	3,026
Meliá Brand	2009	64.20%	52.85	82.32	3,810
	% 09/08	-5.2%	-15.5%	-10.9%	-0.8%
	2008	67.69%	62.56	92.42	3,839
Meliá Brand	2009	52.68%	57.25	108.69	1,698
	% 09/08	-10.0%	-18.8%	-9.9%	-0.3%
	2008	58.50%	70.54	120.58	1,703
TOTAL	**2009**	**60.44%**	**44.19**	**73.11**	**11,551**
	% 09/08	**-8.2%**	**-16.7%**	**-9.3%**	**-2.2%**
	2008	**65.85%**	**53.07**	**80.59**	**11,814**

We set out below a breakdown of hotel income for the years 2009 and 2008 for company-owned and rental hotels:

(millones de €)

		HOTEL REVENUES	FOOD AND BEVERAGES / OTHERS	TOTAL REVENUES	TOTAL (*) EXPENSES	EBITDA
Sol Brand	2009	96.8	62.5	159.4	126.2	33.1
	% 09/08	-18.4%	-15.2%	-17.2%	-12.7%	-30.8%
	2008	118.6	73.8	192.4	144.5	47.9
Tryp Brand	2009	115.0	46.4	161.4	157.4	4.0
	% 09/08	-22.3%	-15.8%	-20.5%	-11.0%	-84.9%
	2008	148.0	55.2	203.1	176.8	26.3
Meliá Brand	2009	201.4	140.5	341.9	270.0	71.9
	% 09/08	-16.2%	-11.0%	-14.1%	-5.8%	-35.4%
	2008	240.2	157.9	398.1	286.7	111.4
Meliá Brand	2009	97.2	116.6	213.8	170.9	43.0
	% 09/08	-19.1%	-3.0%	-11.1%	-9.7%	-16.2%
	2008	120.1	120.3	240.4	189.1	51.3
TOTAL	**2009**	**510.4**	**366.2**	**876.5**	**724.5**	**152.0**
	% 09/08	**-18.6%**	**-10.1%**	**-15.2%**	**-9.1%**	**-35.8%**
	2008	**626.9**	**407.1**	**1.034.0**	**797.2**	**236.9**

(*) Includes rental expenses.

Management Fees

Management fees obtained in 2009 fell by 11.8%.

Management fees of Sol brand hotels decreased by 14.1% due to the evolution of vacation complexes in Cuba and Spain.

As for the Tryp brand, the management fees fell by 17.8%, due to the performance of the hotels in Spain. This evolution could not be offset by the better performance of hotels in Brazil, where fees rose by 4.8%.

The management fees of the Meliá brand hotels decreased by 12.7% as a result of the performance of the urban hotels in Spain. This was partially offset by the evolution of the hotels in Brazil, where fees rose by 29.0%, and also because of the addition of two new hotels.

With respect of the Premium brands, the management fees fell by 1.0% due to two opposite effects: on the one hand, the addition of 2 hotels, the reopening of the Gran Meliá Colon in Seville (Spain), and the positive results in Costa Rica, offset by the negative performance of the hotels in Cuba.

Set out below is a breakdown by brand of the management fees for the years 2009 and 2008:

(million €)

		2009	% 09/08	2008
Sol brand	Basic	4.1	-11.8%	4.6
	Incentive	3.2	-16.8%	3.9
	Total	**7.3**	**-14.1%**	**8.5**
Tryp brand	Basic	4.0	-10.3%	4.4
	Incentive	2.0	-29.2%	2.9
	Total	**6.0**	**-17.8%**	**7.3**
Meliá brand	Basic	14.2	-12.3%	16.2
	Incentive	4.6	-14.0%	5.4
	Total	**18.8**	**-12.7%**	**21.5**
Premium brand	Basic	5.5	5.4%	5.3
	Incentive	2.2	-14.2%	2.5
	Total	**7.7**	**-1.0%**	**7.8**
TOTAL	**Basic**	**27.7**	**-8.9%**	**30.4**
	Incentive	**12.1**	**-17.8%**	**14.7**
	Total	**39.8**	**-11.8%**	**45.1**

2.2 Evolution of asset management

Throughout 2009 the Group has generated capital gains of Euros 56.6 million from the sale of the Meliá Madrid Princesa and Tryp Alondras (Madrid, Spain) hotels, against Euros 3.8 million generated in 2008 from the sale of Hotel Tryp Los Bracos (Logroño, Spain).

With respect to the other businesses related to estate management in the Asset Management Division, of special note are the following:

In the Dominican Republic income fell by 21.6% due to the decrease in the sale of plots at the Desarrollos Sol complex.

In Venezuela, income from the collection of rent in the commercial areas near the Hotel Gran Meliá Caracas increased by 49.9%, generating revenues of approximately Euros 2.9 million.

2.3 Evolution of Sol Meliá Vacation Club

In 2009 the income from the Sol Meliá Vacation Club fell by 31.7% (Euros -30.9 million). The income not only included the sale of units, but also, amongst others, the financial income, maintenance and management fees and Network Fees.

In 2009 the total weeks sold fell by 15.5%, although we should note that in the last few months of the year there was an upturn in the number of weeks sold.

The following table shows the evolution of sales of weeks and equivalent units, and the corresponding effect on the income statement of the Group, excluding the turnover from financial interest and maintenance fees:

	NUMBER OF WEEKS SOLD			NUMBER OF EQUIVALENT UNITS			VACATION CLUB SALES (THOUSAND €)		
	2009	% 09/08	2008	2009	% 09/08	2008	2009	% 09/08	2008
Premium	1,942	-14.4%	2,269	37	(14.5%)	44	39,522	(10.2%)	44,006
Meliá	1,033	-17.4%	1,251	20	(17.6%)	24	12,775	(18.5%)	15,672
TOTAL	2,975	(15.5%)	3,519	57	(16.2%)	68	52,297	(12.4%)	59,678

2.4 Foreseeable evolution of the Group

The forecast of the Group is that 2010 will basically be a transitional year, in which a progressive recovery of the business is expected.

By geographic areas, for 2010 it is estimated that a gradual stabilisation will continue in terms of urban hotel occupancy levels in Spain, in spite of the continued downward pressuer on prices. Spain's rotating Presidency of the European Union is expected to favour occupancy in the major Spanish cities during the first half of the year. In order to compensate for the decrease in corporate business, the Company is balancing its customer segmentation and reinforcing alternative segments, such as leisure. The trend in urban hotels in the rest of Europe has already been positive during the first quarter of 2010.

With regards to the supply of hotel rooms in Spain and the rest of Europe, stability is expected, without major increases in inventories.

The Company expects a slight improvement in vacation hotels in Spain, both in the domestic and international outgoing market.

In Latin America and the Caribbean, the Company is optimistic thanks to the recovery of the outgoing North American market which will be partially offset by the devaluation of the Venezuelan Bolivar, the slow recovery in the Mexican area and the seasonal effects of the earthquakes in Haiti.

In brief, moderate growth in terms of RevPAR is expected globally, mainly on the basis of improvements in occupancy levels.

2.5 Other information on the evolution of the business

Stock exchange information

The average volume weighted price per share of Sol Meliá, S.A. (VWAP) for 2009 was Euros 4.574.

Staff Evolutionf

See Note 5.3 to the Consolidated Annual Accounts.

Environment Risks

The annual accounts of the Group do not include any items that must be taken into account in the specific environmental disclosures document, as per the Order of the Ministry of Justice of October 8, 2001.

3. TREASURY SHARES

At December 31, 2009 the total number of treasury shares is 7,598,094 with a par value of Euros 0.2 each, which represent 4.11% of share capital. These shares do not include a financial instrument by virtue of which 5 million shares will be acquired in the future.

The movements in treasury shares and the relevant explanations of the same are set out in Note 12.6 to the Consolidated Annual Accounts.

The voting rights and other rights inherent in the treasury shares have been suspended. The economic rights inherent thereto, except for the free assignment of new shares, are portioned out evenly to the other shares.

These shares are used in capital computation in order to calculate the votes necessary for the constitution of the General Meeting of Shareholders and adopt its resolutions.

4. FINANCIAL INSTRUMENTS

The Company uses the different financial instruments that are described in Note 14 to the Consolidated Annual Accounts.

The activities of the Group are exposed to various financial risks; market risk (exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Sol Meliá Group through its risk management, tries to minimise the adverse effects that these risks could cause on its annual accounts (See Note 16 to the Consolidated Annual Accounts).

5. OTHER INFORMATION

Below please find information in compliance with article 116 bis of the Securities Exchange Act.

Share capital

DATE OF LAST MODIFICATION	SHARE CAPITAL (EUROS)	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS
November 20, 2000	36,955,355.40	184,776,777	184,776,777

There are no other types of shares with different rights.

Legal and statutory restrictions on voting rights and restrictions on the acquisition or transfer of shares

There are no legal or statutory restrictions on voting rights or acquisition of shares. Each share has a voting right, and there is no maximum limit on the exercising of that right, although in order to attend the General Meeting of Shareholders one must hold three hundred shares or more inscribed in one's name in the Accounting Register, and when necessary, in the Shareholders' Register, five days prior to the day on which the General Meeting of Shareholders is to be held, and which are up to date in terms of their liability dividends and where at least the aforementioned number of shares are held up to the date of the General Meeting.

Those holding fewer than the number of shares mentioned above are entitled to group them in order to attend the General Meeting of Shareholders, and can grant representation to a single Shareholder in the group. If they do not, any of them can grant representation at the General Meeting to another shareholder having the right of attendance, who can bear such proxy under law, by grouping his shares with those of the former.

Direct and indirect significant shareholders at the 2009 year end, excluding Directors

The significant shareholders of the share capital of Sol Meliá at December 31, 2009 are as follows:

REGISTERED NAME OF SHAREHOLDER	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS	% OF TOTAL DIRECT VOTING RIGHTS
Hoteles Mallorquines Agrupados, S.A.	25,690,989		13.904%
Hoteles Mallorquines Asociados, S.A.	30,333,066		16.416%
Majorcan Hotel Luxembourg, S.A.R.L.	11,542,525		6.247%
Inversiones Cotizadas del Mediterráneo, S.L.	11,099,999		6.010%

There have not been any significant movements during the year.

Shareholdings of the members of the Board of Directors

The direct and indirect shareholdings controlled by the members of the Board of Directors of the Company break down as follows:

NAME OR REGISTERED NAME	NUMBER OF DIRECT VOTING RIGHTS	NUMBER OF INDIRECT VOTING RIGHTS	% OF TOTAL DIRECT VOTING RIGHTS
Gabriel Escarrer Juliá (*)	--	116,537,747	63.069%
Sebastián Escarrer Jaume (*)	--	--	--
Gabriel Escarrer Jaume (*)	--	--	--
Juan Vives Cerdá	--	--	--
Hoteles Mallorquines Consolidados, S.A. (*)	--	--	--
José María Lafuente López	1,380	--	0.001%
Alfredo Pastor Bodmer	--	--	--
Eduardo Punset Casals	--	--	--
Emilio Cuatrecasas Figueras	--	--	--
Caja de Ahorros del Mediterráneo	--	11,099,999	6.010%
Amparo Moraleda Martínez	--	2,975	0.002%
Juan Arena de la Mora	1,000	--	0.001%

(*) Please note that the indirect shareholdings that are included in the preceding table are computed on the basis of the direct or indirect shareholdings controlled by Mr. Gabriel Escarrer Juliá, his spouse 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.

NAME OR REGISTERED NAME OF INDIRECT SHAREHOLDER	THROUGH: NAME OR REGISTERED NAME OF DIRECT SHAREHOLDER	NUMBER OF VOTING RIGHTS	% OF TOTAL VOTING RIGHTS
Gabriel Escarrer Juliá	Hoteles Mallorquines Consolidados, S.A.	48,971,167	26.503%
Gabriel Escarrer Juliá	Hoteles Mallorquines Asociados, S.A.	30,333,066	16.416%
Gabriel Escarrer Juliá	Hoteles Mallorquines Agrupados, S.A.	25,690,989	13.904%
Gabriel Escarrer Juliá	Majorcan Hotel Luxembourg, S.A.R.L.	11,542,525	6.247%

No member of the Board holds rights on shares of the Company other than voting rights.

At the date of issue of this report, the number of indirect shares held by Mr. Gabriel Escarrer Juliá totals 116,537,747 shares, 63.069% of share capital.

Shareholder agreements filed with the CNMV and share groupings amongst shareholders of the company known by the Company

The Company has no knowledge of the existence of shareholder agreements or of groupings of shares amongst company Shareholders.

Procedures for appointment, re-election and removal of Directors. Description of competent bodies, procedures and criteria to be used in each procedure

The Appointments and Remuneration Committee, as per article 15 of the Regulations of the Board of Directors, must formulate and review the criteria used for the composition of the Board of Directors and the selection of candidates, by bringing its proposals forward to the Board.

Natural or legal person exercising, or who can exercise, control over the Company as per article 4 of the Securities Exchange Law

Mr. Gabriel Escarrer Juliá

Term and conditions of the mandate in force of the General Meeting of Shareholders for the Board of Directors to carry out the acquisitions and transfers of treasury shares

The Extraordinary and Ordinary General Shareholders´ Meeting of June 3, 2008 authorised the Board of Directors to, in turn, delegate and empower its Directors, as it deems suitable, to acquire and sell treasury shares of the Company through purchase and sale, swap, adjudication in payment, or any other form permitted by Law, up to the limit legally permitted, at a price no lower than Euro 1 and no higher than Euros 30, and for a period of 18 months as from the date of adoption of the resolution, all of which is subject to the limits and requirements of the Spanish Public Limited Companies Act and the Internal Regulations of Conduct of the Company in the area of the securities exchanges.

Guarantee or golden parachute clauses in the event of dismissal or changes in control for members of senior management, including Executive Officers of the Company or its group

There are no golden parachute clauses beneficial to any members of senior management of the Company.

6. SUBSEQUENT EVENTS

In January 2010, the Government of Venezuela has approved the devaluation of its currency, the Bolivar, the result of which will mean that the contribution to the consolidated balance of the Sol Meliá Group from its Venezuela subsidiaries will be subject to major variations in 2010. Taking as a reference the figure for 2009, the impact on assets would total Euros 77.8 million, mainly offset by an impact on net equity of the Group due to the recognition of translation differences generated by the devaluation.

7. STANDARD FORMAT FOR THE ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

A. COMPANY OWNERSHIP STRUCTURE

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

DATE OF LAST MODIFICATION	CAPITAL STOCK (EUROS)	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS
20/11/2000	36.955.355,40.-	184.776.777	184.776.777

Indicate if there are different types of shares with any different associated rights:

No.

A.2 Detail of direct or indirect significant shareholders at the close of the financial year, excluding members of the Board of Directors:

NAME OR CORPORATE NAME OF SHAREHOLDER	NUMBER OF VOTING RIGHTS DIRECTLY	NUMBER OF VOTING RIGHTS INDIRECTLY	% OF TOTAL VOTING RIGHTS
HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	0	16.416
HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989	0	13.904
MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	11,542,525	0	6.247
INVERSIONES COTIZADAS DEL MEDITERRANEO, S.L.	11,099,999	0	6.01

Indicate the most significant changes in share ownership structure during the year.

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

NAME OR CORPORATE NAME OF SHAREHOLDER	NUMBER OF VOTING RIGHTS DIRECTLY	NUMBER OF VOTING RIGHTS INDIRECTLY	% OF TOTAL VOTING RIGHTS
Mr GABRIEL ESCARRER JULIA	0	116,537,747	63.069
Mr GABRIEL ESCARRER JAUME	0	0	0.000
Mr SEBASTIAN ESCARRER JAUME	0	0	0.000
Mr ALFREDO PASTOR BODMER	0	0	0.000
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	0	0	0.000
Mr JOSE MARIA LAFUENTE LOPEZ	1,380	0	0.001
Mr JUAN VIVES CERDA	0	0	0.000
Mr EDUARDO PUNSET CASALS	0	0	0.000
Mr EMILIO CUATRECASAS FIGUERAS	0	0	0.000
CAJA DE AHORROS DEL MEDITERRANEO	0	11,099,999	6.01
Ms. AMPARO MORALEDA MARTÍNEZ	0	2,975	0,002
Mr. JUAN ARENA DE LA MORA	1,000	0	0,001

NAME OF INDIRECT SHAREHOLDER	THROUGH: NAME OF DIRECT SHAREHOLDER	NUMBER OF VOTING RIGHTS DIRECTLY	% OF TOTAL VOTING RIGHTS
Mr Gabriel Escarrer Juliá	Hoteles Mallorquines Consolidados S.A.	48,971,167	26.503
Mr Gabriel Escarrer Juliá	Hoteles Mallorquines Asociados S.L.	30,333,066	16.416
Mr Gabriel Escarrer Juliá	Hoteles Mallorquines Agrupados S.L.	25,690,989	13.904
Mr Gabriel Escarrer Juliá	Majorcan Hotel Lixembourg S.A.R.L.	11,542,525	6.247
Caja de Ahorros del Mediterráneo	Inversiones Cotizadas Del Mediterráneo, S.L.	11,099,999	6.01
Ms. Amparo Moraleda Martínez	Salvador Martínez Vidal	2,975	0.002

% OF TOTAL VOTING RIGHTS HELD BY THE BOARD OF DIRECTORS	69.080

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

.

TYPE OF RELATION:

Family

BRIEF DESCRIPTION:

The indirect shareholdings indicated in the previous table A.3. are based on the shares directly or indirectly controlled by Gabriel Escarrer Juliá, his wife and children.

RELATED NAME

Hoteles Mallorquines Consolidados S.A.
Hoteles Mallorquines Agrupados S.L.
Hoteles Mallorquines Asociados S.L.
Majorcan Hotels Luxembourg S.A.R.L.

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:

TYPE OF RELATION:

Inter-company

BRIEF DESCRIPTION:

CAM and Sol Meliá, S.A. are shareholders of Altavista Hotelera, S.L.

RELATED NAME

CAJA DE AHORROS DEL MEDITERRANEO

TYPE OF RELATION:

Inter-company

BRIEF DESCRIPTION:

CAM and Tenerife Sol, S.A. are shareholders of Inversiones Hoteleras La Jaquita, S.L.

RELATED NAME

CAJA DE AHORROS DEL MEDITERRANEO

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.**

No

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. If so, identify that person or entity:**

Yes

NAME OR CORPORATE NAME
Mr Gabriel Escarrer Julià

A.8 **Complete the following tables on treasury stock:**

At close of year:

NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES	% TOTAL SHARE CAPITAL
498,094	0	0.260

Detail of the significant changes as expressed in Royal Decree 1362/2007 made during the year:

DATE OF COMMUNICATION	NUMBER OF DIRECT SHARES ACQUIRED	NUMBER OF INDIRECT SHARES ACQUIRED	% OF SHARE CAPITAL SOCIAL
13/10/2009	7,175,476	0	3.930
20/11/2009	487,958	0	0.264

RESULTS OBTAINED IN THE YEAR ON TREASURY STOCK OPERATIONS (THOUSAND EUROS)	-2.120

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 General and Extraordinary Meeting of Shareholders, which met on 2 June 2009, authorised the Board of Directors, which, in turn, could delegate and empower Directors, as required, to acquire and sell treasury shares of the Company through purchase and sales, swaps, adjudications on payment or any other means permitted by Law, up to the legal limit, for a price that cannot be lower than Euro 1 or higher than Euros 30, and for a period of 18 months as from the date of adoption of the Resolution, all of which is subject to the limits and requirements of the Spanish Public Limited Companies Act and the Internal Regulations of Conduct of the Company in securities exchange matters.

A.10 **Indicate whether there are 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:**

No

Indicate whether there are statutory restrictions on the exercise of voting rights:

No

Indicate whether there are legal restrictions on the acquisition or transfer of shares in the capital stock:

No

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 Define 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 DIRECTOR	REPRESENTATIVE	POSITION	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	SELECTION PROCEDURE
Mr Gabriel Escarrer Juliá		Chairman	7.02.96	8.06.04	Vote at shareholders meeting
Mr Sebastián Escarrer Jaume		Vice Chairman	7.02.96	6.06.06	Vote at shareholders meeting
Mr Gabriel Escarrer Jaume		Vice Chairman and Ceo	7.04.99	5.06.07	Vote at shareholders meetings
Mr Juan Vives Cerdá		Director	7.02.96	8.06.04	Vote at shareholders meeting
Hoteles Mallorquines Consolidados S.A.	Ms. María Antonia Escarrer Jaume	Director	23.10.00	6.06.06	Vote at shareholders meeting
Mr José María Lafuente López		Secretary	2.07.96	6.06.06	Vote at shareholders meeting
Mr Alfredo Pastor Bodmer		Director	31.05.96	8.06.04	Vote at shareholders meeting
Mr Eduardo Punset Casals		Director	31.05.96	8.06.04	Vote at shareholders meeting
Mr Emilio Cuatrecasas Figueras		Director	31.05.96	06.06.06	Vote at shareholders meeting
Caja de Ahorros del Mediterráneo,	Mr Armando Sala Lloret	Director	30.03.05	30.03.05	Vote at shareholders meeting
Ms Amparo Moraleda Martínez		Director	09.02.09		Cooptation
Mr Juan Arena de la Mora		Director	31.03.09		Cooptation

TOTAL NUMBER OF BOARD MEMBERS	12

Resignations from the Board of Directors occurred during the period:

There have been no removals in 2009.

B.1.3 Board Members and their positions:

EXECUTIVE DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR	COMMITTEE WHICH PROPOSED THE APPOINTMENT	POSITION IN THE COMPANY ORGANISATION
Mr Gabriel Escarrer Juliá	Chairman	
Mr Sebastián Escarrer Jaume	Vice Chairman	
Mr Gabriel Escarrer Jaume	Vice Chairman and Ceo	

Total number of executive directors	3
Total % of the Board	25.000

PROPRIETARY & EXTERNAL DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR	COMMITTEE WHICH PROPOSED THE APPOINTMENT	NAME OR CORPORATE NAME OF THE SIGNIFICANT SHAREHOLDER THEY REPRESENT OR WHICH PROPOSED THEIR APPOINTMENT
Mr Juan Vives Cerdá		Hoteles Mallorquines Asociados S.L.
Hoteles Mallorquines Consolidados S.A.		Hoteles Mallorquines Consolidados S.A.
Caja de Ahorros del Mediterraneo		Inversiones Cotizadas del Mediterráneo S.L.

Total number of proprietary directors	3
Total % of Board	25.000

INDEPENDENT NON EXECUTIVE DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR

Mr José María Lafuente López

Profile

Graduate in Law and retired Professor at the University of Illes Balears. In 1947 he founded the law office Lafuente Abogados, one of the most prestigious law firms in the Balearic Islands. He is a prestigious lawyer who has advised many tourist and financial companies in the area, especially in national and international expansion processes.

He has exercised many public offices, inlcuding Parliamentary Deputy in the Balearic Islands in its first legislature, Senator of Spain in the second legislature of the Senate and Deputy in the European Parliament from 1986 to 1994. Amongst other awards, he has received the Cross of the Order of Alfonso X the Wise and the Cross of Honour of San Raimundo de Peñafort.

NAME OR CORPORATE NAME OF THE DIRECTOR

Mr Alfredo Pastor Bodmer

Profile

Graduate in Economic Science from the University of Barcelona, PhD in Economics from the Massachusetts Institute of Technology and Doctor in Economic Science from the Autonomous University of Barcelona.

Chair in Economic Theory since 1976, he has been a professor of economics at Boston University and in 2000 and 2001 he was held the Spanish Chair at the China-Europe Internacional Business School. He has been the director of the Instituto de la Empresa Familiar (1992-93), Professor at the Instituto de Estudios Superiores de la Empresa (IESE) and Chair of Emerging Markets (Banco de Sabadell, 2009).

In 1993 he was appointed Secretary of State for the Economy, a post that he held for the period from 1993 to 1995. He has worked as an Economist at the World Bank and has been Director of Planning and Director General of INI and Chairman of ENHER.

Alfredo Pastor has formed part of several Boards of Directors including the Bank of Spain (1990-93), Hidroeléctrica del Cantábrico (1999-2000), COPCISA or Abertis.

NAME OR CORPORATE NAME OF THE DIRECTOR

Mr Eduardo Punset Casals

Profile

Graduate in Law from the Complutense University Madrid and Master of Economic Science from the London School of Economics. He has been a writer on economics for the BBC, Economics Director of the Latin American edition of The Economist and economist for the International Monetary Fund in the United States and Haiti.

As a specialist on the impact of new technologies, he has been an adviser for COTEC, Professor of International Marketing at ESADE, Chairman of the Bull Technology Institute, Professor of Innovation and Technology at the Instituto de Empresa (Madrid), Chairman of Enher, Deputy Director General of Economic and Financial Studies at the Banco Hispanoamericano and Coordinator of the Strategic Plan for the Information Society in Catalonia.

Professor in several institutions and Director of the TV programme REDES, on scientific publications. Chairman of multimedia production company AGENCIA PLANETARIA.

Deputy Director General of Economic and Financial Studies at the Banco Hispanoamericano. From 1980 to 1981 he was Minister for Relations with European Communities.

He is the author of several books on economic analysis and social issues. He has been Professor of Science, Technology and Society at the Economics Faculty at the Chemical Institute of Sarriá (Ramón Llull University). Director and presenter of the TV science programme Redes and Chairman of the audiovisual producer Smartplanet. Founder and President of the Fundación REDES for Public Understanding of Science since March 2009.

He has received numerous awards, amongst them the Mention of Honour from the SEN (Spanish Neurology Association) 2008, Asociación Profesional Española de Informadores de Prensa, radio y televisión award (APEI-Catalunya, 2008), Journalism award Rey Jaime I - 2007 from the Fundación Premios Rey Jaime I, José Manuel Porquet Digital Journalism Award - 2006 from the Aragon Press Association, Honour Plaque 2001 from the Spanish Association of Scientists.

In 2009 he received the Premio Humano awarded by TVE at the Zapping Awards.

NAME OR CORPORATE NAME OF THE DIRECTOR

Mr Emilio Cuatrecasas Figueras

Profile

Prestigious lawyer specialising in commercial and financial law. He forms part of the Board of Directors of several companies.

Graduate in Law from the University of Navarra, he is also Chairman of CUATRECASAS ABOGADOS, and holds the following positions: Chairman of AREAS: Chairman of the Consultative Board of FOMENTO DEL TRABAJO NACIONAL, Chairman of the FUNDACIÓN CUATRECASAS, Chairman of FUNDACIÓN SAINT PAUL´S, Chairman of APD ZONA MEDITERRÁNEA, Vice Chairman of the APD, Patron of the FUNDACIÓN SENY, Patron of the FUNDACIÓN DE ESTUDIOS FINANCIEROS, Patron of the INSTITUT D´EDUCACIÓ CONTINUA and member of the Social Board of the UIC.

He has received the Cross of Honour of the Order of San Raimundo de Peñafort and is an Honorary member of the association Fòrum Carlemany.

NAME OR CORPORATE NAME OF THE DIRECTOR

Ms Amparo Moraleda Martínez

Profile

Amparo Moraleda studied Industrial Engineering at the ICAI and received a Masters degree in Bussiness Administration from IESE.

Since 1988 the professional career of Amparo Moraleda has been linked to the world of information technologies and to IBM, the company in which she held various management posts in North America, Europe and Spain.

In June 199 she was assigned to the head office of IBM in New York as assistant executive to Louis. V. Gerstner (President of IBM Corporation). From that post she participated in the strategic decision-making of the copany, with special attention paid to Europe, Latin America and Asia-Pacific.

In July 2001 she was appointed President of IBM Spain and Portugal, and in July 2005 she was given charge of executive leadership of a new IBM unit for Spain, Portugal, Greece, Israel and Turkey.

In January 2009 she was appointed as Director of Operations of the Iberdrola Group for the international area.

Amparo Moraleda is a member of various boards of different institutions and bodies, including: Member of the Academy of Social Science and Environment of Andalusia; Member of the jury for the Príncipe de Asturias Awards, in the Science and Technology category; Member of the Board of the Comillas Foundation and Membre of the International Advisory Board of Instituto de Empresa.

Amongst the awards and recognition that she has received are: the award for Excellence of the Spanish Federation of Women Executives, Professionals and Entrepreneurs (Federación Española de Mujeres Directivas, Ejecutivas, Profesionales y Empresarias - Fedepe), in 2002; the 9th Javier Benjumea Prize, awarded in 2003 by the Engineering Association of the ICAI, in order to recognise engineers that have stood out for their prestigue and professional careers, and the 2nd Values Leadership Aware given in 2008 by the FIGEVA Foundation.

In 2005 she became a member of the Hall of Fame of Women in International Technology (WITI), an award given by this institution to distinguish people in the world of business and technology that have contributed most around the world to the inclusion and contribution of women to technological development.

In 2009, Amparo Moraleda was once again ranked amongst the top 10 most highly valued leading Spanish entrepreneurs (the first woman in the ranking), according to the annual report of MERCO.

NAME OR CORPORATE NAME OF THE DIRECTOR

Mr Juan Arena de la Mora

Profile

He has a doctorate in electro-mechanical engineering from the ICAI, and is graduate in Business Administration from ICADE, a graduate in Tax Studies, a graduate in Child Evolutionary Psychology and a graduate in AMP from the Harvard Business School. He has been a professor of Cultural Anthropology at the Instituto Americano.

He joined Bankinter in 1970, exercising since then various posts. In 1982 he was appointed Assistant General Manager and Director of the International Division. In 1985 he was made General Manager and in 1987 he became a member of the Board, and in 1993 he was appointed Chief Executive Officer and from March 2002 until April 2007 he was the Chairman of the company.

In 2009 he gave classes in Financial Reporting and Control in the Masters program of the Commerce Department of the Harvard Business School. He also is a director and member of the Audit Committee of Ferrovial, director and president of the Audit Committee of Laboratorios Almirall, member of the Board and Audit Committee and Appointments Committee of Dinamia, member of the Board of Directors and president of the Appointments and Remuneration Committee of Everis, and Chairman and Advisory Director of Unience and Chairman of Fundación Empresa y Sociedad. He is also a member of the Advisory Board of Spencer Stuart, member of the Board of Mentors of CMi, chairman of the Professional Council of ESADE, and member of the European Advisory Council of the Harvard Business School and Board of Directors of the Deusto Business School.

He has also been distinguished with the Grand Cross of the Order of Civil Merit for his collaboration as a member of the Special commission for Studies on the Development of the Information Society ("Soto Commission").

Total number of independent non-executive directors	6
Total % of the Board	50.000

B.1.4 Explain, where applicable, the reasons why directors representing significant shareholders have been appointed at the request of shareholders whose stake amounts to less than 5% in the share capital.

Indicate any failure to address formal requests for presence on the Board of Directors made by shareholders whose stake is equal to or higher than that of others at whose request directors have been appointed. Where applicable, explain the reasons why the request was not addressed.

No.

B.1.5 Indicate whether any director has left the post before the end of his/her term of office, whether they have explained their reasons to the Board and by which means and, if this was made in writing to the entire Board, explain at least the reasons given:

No.

B.1.6 Indicate, if applicable, the powers vested in any Chief Executive Officers:

NAME OR CORPORATE NAME OF CHIEF EXECUTIVE OFFICER:
Mr Gabriel Escarrer Jaume

BRIEF DESCRIPTION:
The Board has delegated all of the powers that may be delegated as specified by the law and Company By-laws.

B.1.7 Identify, where applicable, any Board members who occupy administrative or executive posts in other companies which belong to the same business group as the listed company:

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
Mr GABRIEL ESCARRER JULIA	APARTOTEL S.A.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JULIA	BEAR S.A.DE C.V.	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JULIA	BISOL VALLARTA S.A.DE C.V.	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JULIA	CALA FORMENTOR S.A. DE C.V.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	CARIBOTELS DE MÉXICO S.A.DE C.V.	DIRECTOR
Mr GABRIEL ESCARRER JULIA	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	CORPORACIÓN HOTELERA METOR S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	DETUR PANAMÁ. S.A.	DIRECTOR AND TREASURER
Mr GABRIEL ESCARRER JULIA	GESMESOL S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	GEST.HOT.TURÍSTICA MESOL S.A. (SOC. UNIP)	JOINT ADMINISTRATOR
Mr GABRIEL ESCARRER JULIA	GRUPO SOL ASIA LTD.	ADMINISTRATOR
Mr GABRIEL ESCARRER JULIA	HOTELES MELIÁ INTERNACIONAL DE COLOMBIA S.A.	MEMBER OF THE BOARD
Mr GABRIEL ESCARRER JULIA	INVERSIONES AND EXPLOTACIONES TURÍSTICAS S.A.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JULIA	LOMONDO LIMITED	DIRECTOR
Mr GABRIEL ESCARRER JULIA	M.I.H.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	MARINA INTERNATIONAL HOLDING	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	MARKTUR TURIZM ISLETMECILIK A.S.	ADMINISTRATOR
Mr GABRIEL ESCARRER JULIA	MOTELES ANDALUCES S.A.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JULIA	OPERADORA COSTA RISOL S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	OPERADORA MESOL S.A. DE C.V.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	PROMOCIONES PLAYA BLANCA. S.A. DE C.V.	VICE CHAIRMAN
Mr GABRIEL ESCARRER JULIA	REALIZACIONES TURÍSTICAS S.A.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JULIA	SOL HOTELS UK LIMITED	DIRECTOR
Mr GABRIEL ESCARRER JULIA	SOL MELIA GUATEMALA S.A.	CHAIRMAN

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
Mr GABRIEL ESCARRER JULIA	SOL MELIA VC DOMINICANA	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN
Mr GABRIEL ESCARRER JULIA	SOL MELIA VC PANAMA	DIRECTOR
Mr GABRIEL ESCARRER JULIA	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
Mr GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA. S.L.	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	APARTOTEL S.A.	CEO
Mr GABRIEL ESCARRER JAUME	BEAR S.A.DE C.V.	SPOKESPERSON / PROPRIETARY DIRECTOR
Mr GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A.DE C.V.	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	CADLO FRANCE SAS	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JAUME	CADSTAR FRANCE SAS	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	CALIMAREST S.L.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	CASINO TAMARINDOS. S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	COMPAGNIE TUNISIENNE DE GESTION HOTELIERE, S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	DIRECTOR
Mr GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	DIRECTOR
Mr GABRIEL ESCARRER JAUME	DESARROLLOS SOL S.A.	VICE CHAIRMAN AND SECRETARY
Mr GABRIEL ESCARRER JAUME	DOMINICAN INVESTMENT NV	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	DOMINICAN MARKETING & SERVICES N.V.	JOINT ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	DOMINIOS COMPARTIDOS. S.A.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JAUME	DORPAN, S.L.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	FARANDOLE B.V.	JOINT ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	GESMESOL S.A.	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	GEST.HOT.TURÍSTICA MESOL S.A. (SOC. UNIP)	JOINT ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	GUARAJUBA S.A.	DIRECTOR / SECRETARY
Mr GABRIEL ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	HOGARES BATLE S.A.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JAUME	HOTEL ALEXANDER SAS	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JAUME	HOTEL BLANCHE FONTAINE, SAS	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	HOTEL COLBERT, S.A.S.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	HOTEL DE SAXE, S.A.S.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	HOTEL FRANÇOIS SAS	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN S.A.S.	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	HOTELES SOL MELIÁ S.L.	SPOKESPERSON AND CEO
Mr GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGING DIRECTOR
Mr GABRIEL ESCARRER JAUME	IMPULSE HOTEL DEVELOPMENT B.V.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	INMOBILIARIA DISTRITO COMERCIAL C.A.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	INVERSIONES AGARA S.A.	VICE CHAIRMAN AND SECRETARY
Mr GABRIEL ESCARRER JAUME	INVERSIONES AREITO. S.A.	CHAIRMAN ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	JOINT ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	INVERSIONES AND EXPLOTACIONES TURÍSTICAS S.A.	SPOKESPERSON AND CEO
Mr GABRIEL ESCARRER JAUME	INVERSIONES HOTELERAS LA JAQUITA, S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	IRTON COMPANY N.V.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	LOMONDO LIMITED	DIRECTOR
Mr GABRIEL ESCARRER JAUME	M.I.H.	TREASURER
Mr GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	MARINA INTERNATIONAL HOLDING	TREASURER
Mr GABRIEL ESCARRER JAUME	MARKSERV	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	JOINT ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	MELIÁ MANAGEMENT S.A.	VICE CHAIRMAN AND SECRETARY
Mr GABRIEL ESCARRER JAUME	MELSOL MANAGEMENT B.V.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	MOTELES ANDALUCES S.A.	SPOKESPERSON AND CEO
Mr GABRIEL ESCARRER JAUME	NEALE S.A.	CHAIRMAN

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
Mr GABRIEL ESCARRER JAUME	NEXPROM. S.A.	DIRECTOR
Mr GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGORA, S.L.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	OPERADORA COSTA RISOL S.A.	DIRECTOR AND SECRETARY
Mr GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	PROMEDRO. S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	PT SOL MELIÁ IN DONESIA	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	PUNTA CANA RESERVATION N.V.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	REALIZACIONES TURÍSTICAS S.A.	JOINT CEO
Mr GABRIEL ESCARRER JAUME	SAN JUAN INVESTMENT B.V.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	SECURISOL S.A.	DIRECTOR AND CEO
Mr GABRIEL ESCARRER JAUME	SOL GROUP B.V.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	SOL MANINVEST B.V.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR
Mr GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	JOINT ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	CHAIRMAN OF THE BOARD
Mr GABRIEL ESCARRER JAUME	SOL GROUP CORPORATION	DIRECTOR
Mr GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	SOL MELIA MAROC, S.A.R.L	MANAGING DIRECTOR
Mr GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB ESPAÑA S.L.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JAUME	SOL MELIA VACATION NETWORK ESPAÑA S.L.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JAUME	SOL MELIA VC MÉXICO. S.A. DE C.V.	TREASURER
Mr GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
Mr GABRIEL ESCARRER JAUME	SOL MELIÁ GREECE. S.A.	DIRECTOR AND CHAIRMAN
Mr GABRIEL ESCARRER JAUME	SOL MELIÁ GUATEMALA. S.A.	SECRETARY
Mr GABRIEL ESCARRER JAUME	SOL MELIÁ INVESTMENT N.V.	ADMINISTRATOR
Mr GABRIEL ESCARRER JAUME	SOL MELIÁ LUXEMBOURG. S.À.R.L	DIRECTOR
Mr GABRIEL ESCARRER JAUME	SOL MELIÁ SUISSE S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR
Mr GABRIEL ESCARRER JAUME	TENERIFE SOL S.A.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	TRAVEL DINAMIC SOLUTIONS. S.A.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	BEAR S.A.DE C.V.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	BISOL VALLARTA S.A.DE C.V.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	CADSTAR FRANCE SAS	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	CALA FORMENTOR S.A DE C.V.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	VICE CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	DESARROLLOS SOL S.A.	CHAIRMAN AND TREASURER
Mr SEBASTIAN ESCARRER JAUME	DETUR PANAMÁ. S.A.	DIRECTOR SECRETARY
Mr SEBASTIAN ESCARRER JAUME	GESMESOL S.A.	TREASURER
Mr SEBASTIAN ESCARRER JAUME	GUARAJUBA S.A.	DIRECTOR / CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	ADMINISTRATOR CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	HANTINSOL RESORT. S.A.	CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	HAVANA SOL RESTAURACION. S.A.	CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	HELENIC HOTEL MANAGEMENT HOTEL & COMMERCIAL	CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	HOTEL ALEXANDER SAS	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGING DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	INMOTEL INVERSIONES ITALIA S.R.L.	SOLE ADMINISTRATOR
Mr SEBASTIAN ESCARRER JAUME	INVERSIONES AGARA S.A.	CHAIRMAN AND TREASURER
Mr SEBASTIAN ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	JOINT ADMINISTRATOR
Mr SEBASTIAN ESCARRER JAUME	IRTON COMPANY N.V.	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	LIFESTAR HOTELS LLC	CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	LOMONDO LIMITED	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	M.I.H.	SECRETARY
Mr SEBASTIAN ESCARRER JAUME	MARINA INTERNATIONAL HOLDING	SECRETARY
Mr SEBASTIAN ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	ADMINISTRATOR

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
Mr SEBASTIAN ESCARRER JAUME	MELIÁ MANAGEMENT S.A.	CHAIRMAN TREASURER
Mr SEBASTIAN ESCARRER JAUME	NEALE S.A.	TREASURER
Mr SEBASTIAN ESCARRER JAUME	OPERADORA COSTA RISOL S.A.	VICE CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	PT SOL MELIÁ INDONESIA	SECRETARY
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA COMMERCIAL	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	JOINT ADMINISTRATOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA EUROPE	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA FINANCE LIMITED	AUTHORISED DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN / ADMINISTRATOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA MANAGEMENT (Shanghai) COMPANY, Ltd	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	MELIA VC DOMINICANA	VICE CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA VC MÉXICO. S.A. DE C.V.	VICE CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIÁ BULGARIA. AD	CHAIRMAN
Mr SEBASTIAN ESCARRER JAUME	SOL MELIA CROATIA LLC	MANAGEMENT DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIÁ FUNDING	DIRECTOR
Mr SEBASTIAN ESCARRER JAUME	SOL MELIÁ GUATEMALA. S.A.	VICE CHAIRMAN

B.1.8 Give details, where applicable, of any company Board members who also sit on the Boards of other entities that do not belong to the Group and which are listed on official securities markets in Spain, insofar as these are known by the Company:

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
Mr EDUARDO PUNSET CASALS	TELVENT GIT. S.A.	DIRECTOR
Mr ALFREDO PASTOR BODMER	BANSABADELL INVERSIONES	DIRECTOR
Mr JUAN ARENA DE LA MORA	FERROVIAL	DIRECTOR
Mr JUAN ARENA DE LA MORA	LABORATORIOS ALMIRALL	DIRECTOR
Mr JUAN ARENA DE LA MORA	DINAMIA	DIRECTOR
Ms AMPARO MORALEDA MARTINEZ	ACERINOX, SA	DIRECTOR

B.1.9 Indicate whether the company has established rules on the number of Boards on which its own Board members may sit. If so, explain:

No

B.1.10 In relation to recommendation number 8 of the Unified Code, indicate the company's general strategies and policies which must be approved by plenary session of the Board of Directors:

Investment and financing policy.	NO
Definition of the structure of the corporate group.	NO
Corporate governance policy.	NO
Corporate social responsibility policy.	NO
Strategic or business plan, as well as the annual management and budget objectives.	NO
Senior executive management evaluation and remuneration policies.	YES
Risk control and management policy, and the periodic monitoring of internal information and control systems.	YES
Policy on dividends (not laid down) and on treasury shares, and the limits to be applied.	YES

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

a) In the company covered by this report:

NATURE OF REMUNERATION	THOUSAND EUROS
Fixed remuneration	839
Variable remuneration	481
Expenses	772
Statutory Dues	0
Stock options and/or other financial instruments	0
Others	0
TOTAL	**2,092**

OTHER BENEFITS	THOUSAND EUROS
Advances	0
Loans	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations assumed	0
Life insurance premiums	5
Guarantees arranged by the Company in favour of Board Members	0

b) Due to positions held on other Boards of Directors and/or within the senior management of other Group companies:

NATURE OF REMUNERATION	THOUSAND EUROS
Fixed remuneration	237
Variable remuneration	0
Expenses	0
Statutory Dues	0
Stock options and/or other financial instruments	0
Others	0
TOTAL	**237**

OTHER BENEFITS	THOUSAND EUROS
Advances	0
Loans	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations assumed	0
Life insurance premiums	0
Guarantees arranged by the Company in favour of Board Members	0

c) Total remuneration by type of director:

TYPE OF DIRECTOR	BY COMPANY (THOUSAND EUROS)	BY GROUP (THOUSAND EUROS)
Executive Directors	1,479	237
Proprietary & External Directors	255	0
Independent Non Executive Directors	358	0
Other Non Executive Directors	0	0
TOTAL	**2,092**	**237**

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

TOTAL BOARD MEMBER REMUNERATION (THOUSANDS OF EUROS)	2,329
TOTAL BOARD MEMBER REMUNERATION/ PROFIT DUE TO PARENT COMPANY (AS %)	6.11 %

B.1.12 Total remuneration accrued during the year payable to any senior management members that are not in turn executive directors:

NAME OR CORPORATE NAME	POSITION
Mr MARK MAURICE HODDINOTT	HOSPITALITY BUSINESS SOLUTIONS E.V.P.
Mr LUIS DEL OLMO PINERO	GROUP MARKETING E.V.P.
Mr ANDRE GERANDEAU	HOTELS E.V.P.
Mr LUIS MIGUEL MARTÍN ORTIZ	REAL ESTATE E.V.P.
Mr ONOFRE SERVERA ANDREU	GROUP FINANCE E.V.P.
Mr FERNANDO DE CEVALLOS AGUARÓN	HUMAN RESOURCES E.V.P.
Mr GABRIEL CÁNAVES PICORNELL	HUMAN RESOURCES E.V.P.

TOTAL SENIOR MANAGEMENT REMUNERATION (IN THOUSAND EUROS)	1,850

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:

No

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:

37.1 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.

37.2 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.

Indicate whether the following decisions must be approved by plenary session of the Board.

	YES	No
Following the proposal of the company's Chief Executive, the appointment and cessation of senior executives, as well as their compensation clauses.	x	Not in relation to the indemnity clauses
The remuneration of Board members and, in the case of executive ones, the additional remuneration for their executive functions and other conditions set forth in their contracts.	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 report on Director remuneration policy to the General Meeting of Shareholders for a vote.

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 2009 the Committee has not used external advisors.

B.1.17 Indicate, if applicable, the identity of the Board members who are also members of the Board of Directors, executives or employees of companies that hold significant shareholdings in the listed company and/or in entities belonging to its Group:

NAME OR CORPORATE NAME SOCIAL OF THE DIRECTOR	CORPORATE NAME OF THE SIGNIFICANT SHAREHOLDER	POSITION
Mr GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN AND CEO
Mr GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS S.A.	SPOKESPERSON
Mr SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY
Ms Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON
Mr GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L..	SECRETARY
Mr SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.,	SPOKESPERSON AND CEO
Ms Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L..	SPOKESPERSON
Mr GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L..	CHAIRMAN
Mr GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L..	SECRETARY AND CEO
Mr SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SPOKESPERSON
Ms Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L..	SPOKESPERSON
Mr GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	JOINT ADMIINISTRATOR

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 DIRECTOR	NAME OR CORPORATE NAME OF THE RELATED SIGNIFICANT SHAREHOLDER	DESCRIPTION OF RELATIONSHIP
MR GABRIEL ESCARRER JULIÁ	HOTELES MALLORQUINES CONSOLIDADOS S.A.	Mr. Gabriel Escarrer Juliá, Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume have interests in the capital of the companies indicated above and are majority shareholders in all of them.
MR GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	
MR SEBASTIÁN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS S.L. 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:

Yes.

Description of Amendments

At the meeting of the Board of June 2,2009 it was agreed to modify article 11 of the Regulations of the Board of Directors in relation to the number of Vice-Chairman so as to eliminate the requirement that these be correlatively numbered. The final version of this Regulation can be seen at the Company's website at (www.solmelia.es).

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.

B.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 is sufficient cause for the resignation of any Board member.

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:

No.

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.

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:

DESCRIPTION OF RESOLUTION:	QUORUM	TYPE OF MAJORITY
All resolutions	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.

Matters on which there is a casting vote .

In the case of a tie.

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:

Explanation of the reasons and initiatives adopted.

The Board of Directors of Sol Meliá has two female members. Amparo Moraleda is an Independent Director and Maria Antonia Escarrer is a representative of Hoteles Mallorquines Consolidados, S.A.

In particular, indicate whether the Appointments and Remuneration Committee has established procedures so that the selection processes do not suffer from implicit biases which hamper the selection of female Board members and whether female candidates who meet the required profile are deliberately sought:

Yes.

Indicate the main procedures.

Procedures have been established, and of the last two independent directors appointed, one of them is a woman.

B.1.28 Indicate whether there are formal processes in place for votes on the Board of Directors to be delegated. Where applicable, briefly describe them.

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	8
Number of Board meetings without the presence of the Chairman	1

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

Number of meetings of the Audit Committee	7
Number of meetings of the appointments and remuneration committee	4

B.1.30 Indicate the number of Board meetings held during the year without the attendance of all its members. Proxies granted without specific instructions for the meeting will be considered non-attendance's:

Number of Board Member absences in the year	2
% of absences in comparison to the total number of votes in the year	2.080

B.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval are previously certified:

Yes.

Identify, where applicable, the people who certified the company's individual and consolidated accounts for approval by the Board:

Mr GABRIEL ESCARRER JAUME	CHIEF EXECUTIVE OFFICER
Mr MARK MAURICE HODDINOTT	HOSPITALITY BUSINESS SOLUTIONS 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.

Does the Appointment Committee report the appointment?	YES
Does the Appointment Committee report the dismissal?	YES
Does the Board in full approve the appointment?	YES
Does the Board in full approve the dismissal?	YES

Is the Secretary of the Board specifically responsible for ensuring compliance with good governance recommendations?

Yes.

Remarks

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.

The external Auditor of the company has participated in all the meetings of the Audit and Compliance Committee.

B.1.36 Indicate whether during the financial year the company has changed its external auditor. If so, identify the incoming and outgoing auditors:

Yes.

Outgoing auditor: Ernst & Young

Incoming auditor: PricewaterhouseCoopers

If there were disagreements with the outgoing auditor, explain the content of these:

There were no disagreements.

B.1.37 Indicate whether the audit firm carries out other work for the company and/or its group different from that of auditing and, in such case, state the total fees paid for this work and the percentage this represents of the fees billed to the company and/or its group:

Yes.

	COMPANY	GROUP	TOTAL
Fees for work other than that of auditing (thousand euros)	276	44	320
Fees for work other than that of auditing/ Total amount invoiced by the audit company (in %)	39.420	12.960	30.780

B.1.38 Indicate whether the audit report of the annual accounts for the previous financial year contains reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of these reservations or qualifications.

No

B.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate the percentage represented by the years audited by the current audit firm of the total number of years in which the annual accounts have been audited:

	COMPANY	GROUP
Number of consecutive years	1	1

	COMPANY	GROUP
Nº of years audited by the current audit firm/ Nº of years that the company has been audited (in %)	7.1	7.1

B.1.40 Indicate any equity holdings of company Board members in the share capital of entities which have the same, or an analogous or complementary type of activity as that which comprises the corporate purpose of both the company and its group, insofar as these have been communicated to the company. Likewise, indicate the positions or functions they exercise in these companies:

NAME OR CORPORATE NAME OF THE DIRECTOR	NAME OF THE OBJECT COMPANY	% PARTICIPATION	POSITION OR FUNCTIONS
Mr JOSE MARIA LAFUENTE LOPEZ	INIVISA, S.L..	1 %	-
Mr JOSE MARIA LAFUENTE LOPEZ	NIAMEY S.A.	1 %	-
Mr JOSE MARIA LAFUENTE LOPEZ	CONTA 96, S.L.	1 %	-
Mr JOSE MARIA LAFUENTE LOPEZ	CALAMATA 96, S.L.	1 %	-
Mr JOSE MARIA LAFUENTE LOPEZ	CANAMUNT, S.L.	1 %	-
Mr JOSE MARIA LAFUENTE LOPEZ	FONTSALADA 96, S.L.	1 %	

NAME OR CORPORATE NAME OF THE DIRECTOR	NAME OF THE OBJECT COMPANY	% PARTICIPATION	POSITION OR FUNCTIONS
Mr JUAN VIVES CERDA	FINCA LOS NARANJOS. S.A.	27.88 %	JOINT ADMINISTRATOR

NAME OR CORPORATE NAME OF THE DIRECTOR	NAME OF THE OBJECT COMPANY	% PARTICIPATION	POSITION OR FUNCTIONS
Mr EMILIO CUATRECASAS FIGUERAS	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.

Details of procedures

Article 23 of the Regulations of the Board states that in order to be aided in the exersising of their remits, the External Directors can requests the hiring of legal, accounting and financial advisors or other experts, to be paid by the Company.

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 External 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.

Details of procedures

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 Regulations that require the directors to disclose, and, as the case may be, resign in those cases that could damage the credit and reputation of the company.

Yes.

Explain the rules.

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 Company 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
Mr JOSE MARIA LAFUENTE LOPEZ	SPOKESPERSON	INDEPENDENT
Mr EDUARDO PUNSET CASALS	CHAIRMAN	INDEPENDENT
Mr JUAN VIVES CERDA	SPOKESPERSON	PROPRIETARY SHAREHOLDER

APPOINTMENTS AND REMUNERATION COMMITTEE

NAME	POSITION	TYPE
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON	PROPRIETARY SHAREHOLDER
Mr SEBASTIAN ESCARRER JAUME	SPOKESPERSON	EXECUTIVE
Mr GABRIEL ESCARRER JAUME	SPOKESPERSON	EXECUTIVE
Mr ALFREDO PASTOR BODMER	CHAIRMAN	INDEPENDENT
Ms AMPARO MORALEDA MARTINEZ	SPOKESPERSON	INDEPENDENT

STRATEGY COMMITTEE

NAME	POSITION	TYPE
Mr JUAN VIVES CERDA	CHAIRMAN	PROPRIETARY SHAREHOLDER
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY	PROPRIETARY SHAREHOLDER
Mr SEBASTIAN ESCARRER JAUME	SPOKESPERSON	EXECUTIVE
Mr GABRIEL ESCARRER JAUME	SPOKESPERSON	EXECUTIVE
Mr ALFREDO PASTOR BODMER	SPOKESPERSON	INDEPENDENT

B.2.2 Indicate whether the Audit Committee has the following duties.

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	YES	
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed	YES	
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	YES	
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		NO
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement	YES	
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	YES	
Oversee the independence of the external auditor	YES	
In the case of groups, encourage the group auditor to assume responsibility for the audits of all the group companies	YES	

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

AUDIT 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 External 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 External 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 14 of the Regulations of the Board of Directors, and without prejudice to any others that the Board of Directors may specifically assign to the Committee, within applicable law and Company Bylaws 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.

APPOINTMENTS AND REMUNERATION COMMITTEE

Number of members and structure: the Committee will be formed by at least THREE (3) and at most FIVE (5) members, with a majority of External Directors, including at least one External 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 External 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.

STRATEGY COMMITTEE

Number of members and composition: The Strategy Committee is formed by a minimum of three (3) and a maximum of five (5) members, with a majority of non-executive Directors, including at least one External 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 External 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 Strategy Committee will meet as many times as its Chairman deems appropriate or on request from the majority of its members or from the Board of Directors.

Functions: The responsibilities of the Strategy Committee, none of which may be delegated, and without prejudice to any others that the Board of Directors may specifically assign to the Committee within the applicable Law, Company By-laws and the Regulations of the Board, are as follows: to inform and propose to the Board of Directors medium and long term strategic plans for the company, as well as any relevant strategic decisions, actively taking part in the definition and review of company and group strategy; to inform and advise the Board on the most important milestones in the current Strategic Plan; establish the development of new lines of domestic and international business; investments and divestments that should be known by the Board of Directors due to their amount; to supervise the implementation of the organisational model, guaranteeing the transmission of the company culture and values and cooperating in the communication process both Internally and externally with regard to that model, culture and values.

Quorum and approval of resolutions. The Committee meeting will be considered valid on attendance, directly or via proxy, 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.

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

Art. 13 of the Regulations of the Board of Directors lays down the possibility of creating specialised committees to best carry out their remits, with powers to report, consultant, propose and others which are within their competency, and granted by law, or by the Articles of Association and the Regulations themselves.

B.2.5 Indicate, where applicable, the existence of regulations governing the Committees attached to the Board, the place where they are available for consultation and any amendments that may have been made during the financial year. Likewise indicate whether an annual report on the activities of each Committee has been voluntarily prepared.

The Appointments and Remuneration Committee is regulated by article 15 of the Regulations of the Board of Directors. These Regulations can be seen on the Company's website.

No annual reports have been prepared, although at each meeting of the Board of Directors reports are given on the major aspects and conclusions dealt with at the meetings of the Committee.

The Audit and Compliance Committee is regulated by articles 39b of the Articles of Associaton and article 14 of the Regulations of the Board of Directors.

Both documenat can be seen on the Company's website.

No annual reports have been prepared, although at each meeting of the Board of Directors reports are given on the major aspects and conclusions dealt with at the meetings of the Committee.

The Strategy Committee is regulated by article 15 of the Regulations of the Board of Directors. These Regulations can be seen on the Company's website. No annual reports have been prepared, although at each meeting of the Board of Directors reports are given on the major aspects and conclusions dealt with at the meetings of the Committee.

B.2.6 Indicate whether the composition of the Executive Committee reflects the participation on the Board of the different categories of directors:

No.

Although the constitution of an 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	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT (THOUSAND €)
Hoteles Mallorquines Agrupados S.L.	Carma Siglo XXI, S.A.	Leasing	Leases of installations	401
Hoteles Mallorquines Asociados S.L.	Carma Siglo XXI, S.A.	Sundry services	Services	57

C.3 Detalle de las operaciones relevantes que supongan una transferencia de recursos u obligaciones entre la sociedad o entidades de su grupo y los administradores o directivos de la sociedad

NAME OR CORPORATE NAME OF THE SIGNIFICANT SHAREHOLDER	NAME OR CORPORATE NAME OF THE COMPANY OR ITS GROUP	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT (THOUSAND €)
Mr Juan Vives Cerdá	Sol Meliá, S.A.	Hotel management	Fees and hotel services	297
Mr Emilio Cuatrecasas Figueras	Sol Meliá, S.A.	Fiscal and legal services	Fees for services	372
Mr Gabriel Escarrer Juliá	Desarrollos Sol, S.A.	Architectural services	Hotel services	119
Caja De Ahorros Del Mediterráneo	Inversiones Y Explotaciones Turisticas S.A.	Contractual	Loan	1,202
Caja De Ahorros Del Mediterráneo	Melia Inversiones Americanas N.V.	Contractual	Loan	2,580
Caja De Ahorros Del Mediterráneo	Lomondo, Ltd.	Contractual	Loan	3,303
Caja De Ahorros Del Mediterráneo	Inversiones Hoteleras La Jaquita S.A.	Contractual	Loan	47,065
Caja De Ahorros Del Mediterráneo	Carma Siglo XXI, S.A.	Contractual	Loan	574
Caja De Ahorros Del Mediterráneo	Sol Melia S.A.	Contractual	Loan	78,724
Hoteles Mallorquines Consolidados S.A.	Carma Siglo XXI, S.A.	Hotel supplies	Food purchases	12,924
Mr Juan Vives Cerdá	Prodigios Interactivos, S.A.	Hotel management	Fees and hotel services	113

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:

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 Describe any 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.**

Due to the different countries, sectors and markets in which Sol Melía operates, the Company is exposed to different risks, which, together with the current situation in the international markets, and the scarce visibility of the evolution of the different economies, has led Sol Meliá to permanently monitor the most significant risks that could hinder it from achieving its objectives and successfully carry out its strategies.

To do so, and as part of one of the 4 Action Lines set by Senior Management, relating to "Ensuring the responsibility of risk management as a determining element of company activity", last year the first steps were taken in the implementation of the Integral risk Management Function, forming part of Legal and Compliance Management and fully independent of Internal Audit. This Integral Risk Management Model is based on the COSO II report (Committee of Sponsoring Organizations of the Tradeway Commission's), in which an integrated Internal control and Risk Management framework is established. The model was born out of the need to be applied periodically and uniformly across different business units and Group support.

This model used by Sol Meliá in order to identify and manage risk, can be summarised in the following stages:

1. Identification of events that affect the achievement of objectives.
2. Evaluation and quantification of risks.
3. Design and implementation of the response to risk.
4. Systematic monitoring / updating.
5. Reporting to Governing Bodies and the Audit and Compliance Committee.

As a result of this Integral Risk Management Model, Sol Meliá has an update of the High Level Business Risk Map in which there is an evaluation of both the probability of occurrence and the impact of the risk identified. In this process the company has used the advice of PricewaterhouseCoopers, which has collaborated by providing its experience and ensuring the adaptation of the risk Map to the current conditions and best practices in the market in Risk Manager matters.

The inherent risks identified have been classified in four categories, based on the type of objective that can be impacted:

- Strategic risks. These would impact the high level objectives, aligned with the mission of the Company. They would include, amongst others, political, financial, economic and natural catastrophe risk, and war and epidemic risk.
- Operational risks. These would affect the objectives related to the effective and efficient use of resources. It would include the risks related to maladjustment or failures of processes, equipment and systems.
- Information risk. those that have a direct effect on the objectives of reliability of the information supplied.
- Compliance risk. These would impact the objectives relating to compliance with legislation and standards (internal and external).

The Audit and Compliance Committee has reviewed and adopted the updating of the Risk Map prepared by the Company, and has submitted it to the approval of the Board.

There are also different Areas or Departments in the Organisation with specific remits in the area of risk management, to wit:

- Internal Audit. Part of Legal and Compliance Management and depends functionally on the Audit and Compliance Committee; it is in charge of verifying the correct functioning of the internal control systems, guaranteeing that the risks are identified, quantified and controlled and verifying compliance with legislation.
- Integral Risk Management. Forms part of Legal and Compliance Management; this function is in charge, amongst other things, of supporting the Group in the development of the capacities necessary to identify, evaluate and manage any risks that could affect the Company.
- Risk Management. Belongs to the Finance Group, and is in charge mainly of credit risk management and contracting suretyship policies at the corporate level to cover certain risk.
- Personnel Administration. Centralising procedures and controls on the administrative management of personnel.
- Management Control. Area in charge of Budget control and monthly analysis of the deviations and follow up of the different Group activities.
- Occupational Health. Belongs to the Human Resources Group, this area has responsibilities in the area of occupational risk prevention, based on different legislation.

Furthermore, for the establishment of adequate control Systems, Sol Melía prepares and periodically reviews a series of standards that seek to regulate the basic aspects of this system, as well as the implementation of controls systems.

Under Corporate Office auspices, and in relation to the use of the Company's funds, the Internal Audit department has a specific section called "Corporate Intervention" whose remits include, amongst others, the control of the spending of funds, the control of travel and gift and entertainment expenses, the implementation of basic controls on corporate operations, etc.

D.2 Indicate whether any of the different types of risk affecting the company and/or its group (operating, technological, financial, legal, image-related, tax, etc.) materialised during the financial year.

Yes

Risk materialising during the year
Slow down in the British market and depreciation of the GBP.

Circumstances that have led to it
Decrease in the capacity contracted by Tour Operators and the international economic recessiona.

Functioning of the control systems
Once the evolution of the risks has been detected, a series of measures are set in motion to reduce the impact of this risk, such as actions in collaboration with Tour Operators and traditional and on-line travel agencies, boosting campaigns through Solmelia.com, implementation of CRM tools (Customer Relationship Management) in order to personalise offerings, direct incentive campaigns for agents, etc.

Risk materialising during the year
Swine flu pandemic.

Circumstances that have led to it
Swift spreading of swine flu (H1N1) around the world.

Functioning of the control systems
An Action Protocol was developed for health and safety so that the company can oversee the protection of its customers and employees, as well as the continuity of the business. The Company has proven experience in the handling of these situations, based on its management of the Bird Flu at its hotels in Asia.

Risk materialising during the year
Financial risks (liquidity, interest rates, etc).

Circumstances that have led to it
International recession.

Functioning of the control systems
Sol Meliá has renewed all its credit facilities expiring in the first half of 2009 and has achieved a greater balance between fixed and floating borrowings. This together with liquidity operations such as the sale and rental with a preferred acquisition right of the Hotel Meliá Madrid Princess to BBVA Renting (maintaining the operations of the Establishment) and the factoring operations related to the debt of Sol Melía Vacation Club, ensure a high degree of liquidity.

D.3 Indicate whether there is a committee or other governing body responsible for establishing and supervising these control devices.

Yes.

If so, give details of its functions.

Name of committee: Audit Committee.
Description of functions: Amongst the functions of the Audit and Compliance Committee are the supervision of the internal audit services and awareness of the Company financial information process and internal control systems.

Name of committee: Internal Audit Department
Description of functions: The Internal Auditing Department is responsible for examining and evaluating Group activities as a service to the organisation to assist in the performance of its duties. The objectives of the audit include the promotion of effective control at a reasonable cost. 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 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.

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.

Name of committee: Senior Executive Team (SET)
Description of functions: The Senior Executive Team (SET) is formed by all of the EVPs from each of the areas.

The SET meets weekly although any of its members may request an urgent meeting of the SET at any time, provided there is sufficient reason to do so.

The SET 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 SET also has the following objectives:

1. To create a climate of discipline and control which reduces the chance of fraud.
2. To allow employees to contribute an independent criteria to control and develop a positive role.
3. To assist the organisation by providing a forum to air matters of concern.

The SET is authorised to investigate any activity within its remit and to request the information it requires from any employee, who are obligated to cooperate with any requests from the SET.

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.

No.

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

No.

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

As for the call for the General Meeting, in addition to the announcement in the Official Gazette of the Mercantile Registry and in one of the major circulation dailies in the province, of the date, time, place and agenda of the General Meeting, an announcement is also posted on the website of the company, in the Investor Relations link, sufficiently in advance in order to inform the shareholders of the meeting.
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 attendance.

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

E.5 **Indicate 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:**

Yes.

Details of measures

As foreseen in article 14.7 of the Regulations of the General Shareholders Meeting , the exercise of all 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. o 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.**

In 2009 no modifications were made to the Regulations of the General Meeting of Shareholders.

E.7 **Attendance at all of the Shareholders' Meetings held in the financial year:**

ATTENDANCE					
DATE	% ATTENDANCE	% REPRESENTED	% DISTANT VOTE		TOTAL
			ELECTRONIC VOTE	OTHERS	
02/06/2009	6.029	78.676	-	-	84.705

E.8 Briefly indicate the 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:

FIRST

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 December 31, 2008 and verified by the Company auditor, ERNST & YOUNG, S.L.

Approved with 84.660% of votes in favour.

SECOND

As for the Individual Accounts, it is agreed to apply the amount of Euros twenty-two thousand one hundred and sixty-nine eight hundred and two and sixty-eight cents (€ 22,169,802.68) to loss brought forward, and the amount of Euros eleven thousand five hundred and twenty (€ 11,520,000) to freely distributable voluntary reserves.

It is agreed to distribute a net dividend of € 0.051 per share.

Votes in favour: 84.637%.

THIRD

In light of the Management Reports presented by the Administration, to adopt without reservations of any type, the Management of the Board of Directors for the year 2008.

Votes in favour: 84.637%.

FOURTH

To appoint the auditing firm PricewaterhouseCoopers, S.L., with registered office in Madrid, Calle Torrelaguna 75, as the external auditor to examine and review the annual accounts and directors' report of Sol Meliá, S.A. and its Consolidated Group for a period of five years, in accordance with article 204.1 of the Spanish Public Limited Companies Act.

Votes in favour: 84.687%.

FIFTH

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.

The resolution includes the conditions under which this power may be applied.

Approved with 83,852% of votes in favour.

SIXTH

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 with 84,033% of votes in favour.

SEVENTH

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 with 84,672% of votes in favour.

EIGHTH

To ratify the appointment of Ms. Amparo Moraleda Martínez as Independent Director of the Board of Directors of Sol Meliá S.A., by virtue of cooptation at the meeting of the Board of Directors of February 10, 2009.

Approved with 84.663% of votes in favour.

NINTH

To ratify the appointment of Mr. Juan Arena as Independent Director of the Board of Directors of Sol Meliá S.A., by virtue of cooptation at the meeting of the Board of Directors of March 31,2009.

Approved with 84.663% of votes in favour.

TENTH

To adopt the merger balance sheet of Sol Meliá, S.A., as at December 31, 2008, verified by the Accounts Auditor of the company Ernst & Young SL, as per art. 239 of the Spanish Public Limited Companies Act.

Approved with 84.624% of votes in favour.

ELEVENTH

To adopte the merger proposal drafted and signed by all the Directors of Sol Meliá S.A., merging company, and Hotel Bellver S.A., Dock Telemarketing S.A., Parque San Antonio S.A., Lifestar Hoteles España S.L., Apartamentos Madrid Norte S.L., Credit Control Riesgos S.L., Sol Meliá Travel S.A. and Playa Salinas S. A, on March 31, 2009.

Approved with 80.673% of votes in favour.

TWELFTH

After adoption of the Balance Sheet and Merger Proposal, it is agreed to adopt the Takeover Merger of the aforementioned merged companies, by the merging company Sol Meliá, S.A.

Approved with 84.619% of votes in favour.

THIRTEENTH

To adopt the modificaiton of paragraph 1 of article 33 (“Apppointment of officers of the Board of Directors”) of the Articles of Assocaiton in order to introduce the age preference and eliminate the reference to the fact that two Vice-Chairmen be named jointly as Co-Vice-Chairmen and having the same powers.

Approved with 84.687% of votes in favour.

FOURTEENTH

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 with 84.691% of votes in favour.

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 Indicate and justify the 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:

Ordinary post:
To the Department of Investor Relations
Calle Gremio Toneleros 24, Polígono Son Castelló
07009 Palma de Mallorca (Balearic Islands)

By fax:
To the Department of Investor Relations
Fax: + 34 971224498

By e-mail:
Including a scanned image of the vote delegation attendance card.
Address: atencion.accionista@solmelia.com

E.11 **Indicate whether the company has any possible knowledge of the policies of institutional investors regarding taking part in Company decisions:**

No.

E.12 **Indicate the address and route to corporate governance information on Company website.**

One can access the website of the Company at: www.solmelia.com. Then click on "About Sol Melia" at the top of the page, and then click on "Investor Relations". This section in "Shareholder Information", gives access to all the documentation on corporate governance of the Company.

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.

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.

Complies

2

In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:

a. The appointment or ratification of Directors, with votes being made on an individual basis;
b. In the case of any modification in the Bylaws, to each article or group of articles which are substantially independent. See section: E.8.

Not applicable

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.

Complies

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.

Complies

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.

Complies

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.

Complies

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.

Complies

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:

   1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
   2. They are performed at the general prices or rates set by the supplier of the good or service at issue;
   3. 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.

Complies partially

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.

9

In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.

Complies

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.

Complies

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.

Not applicable

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:

1 In large cap companies where few or no equity stakes attain the legal threshold or significant shareholdings, despite the considerable sums actually invested.

2° In companies with a plurality of shareholders represented on the Board but not otherwise related.

Complies

13
The number of independent directors shall represent at least a third of all Board Members.

Complies

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.

Explain

No proprietary directors have been appointed at the proposal of shareholders holding isless than 5% of the share capital.

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.

Complies

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 (art. 10.2.d), and will work to ensure a good level of debate (10.2.b- d y 18.3). 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.

Complies

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.

Not applicable

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.

Complies

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.

Complies

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.

Complies

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.

Complies

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.

Complies partially

The Board evaluates the quality and efficiency of the Board itself, but not those of the Chairman or senior executive.

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.

Complies

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.

Complies

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.

Complies

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.

Complies partially

The company has not set rules regarding the number of Board positions the Board Members may hold.

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.

Complies

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.

Complies partially

The website does not have the personal profile and biography of all the Directors nor in all cases does it make reference to other boards of directors on which they sit.

29
Independent directors may not hold this office for over an uninterrupted period of 12 years.

Complies

Only two of all the Indepdent Directors have remained as such for a period less than 12 years.

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.

This has never arisen

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.

Complies

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.

Explain

Although not specifically stated, the Regulations of the Board determine the obligations of Board Members as well as compliance with applicable regulations.

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 even if they are not themselves directors.

Complies

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.

Not applicable

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.

Complies

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.

Complies

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.

Complies

38

In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

Complies

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.

Complies

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.

Explain

The remuneration policy is subject to approval by the General Shareholders' Meeting although there is no consultative report.

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.

Complies partially

The annual report includes the aggregate remuneration of Board Members for the financial year but not the individual amounts.

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.

Not applicable

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.

Not applicable

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.

Complies partially

There is an Audit Committee and an Appointments and Remuneration Committee, but they are not composed exclusively of external directors.

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.

Complies

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.

Complies

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.

Complies

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.

Complies

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.

Complies

50

The Audit Committee's role will be as follows:

1. 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.

2. 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 relevanfact, 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.

Complies partially

There is no mechanism for employees to report irregularities that they see in the company.

51
The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior manager.

Complies

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.

Complies

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.

Complies

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.

Explain

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.

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.

Complies

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.

Complies

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.

Complies

58

The Remuneration Committee will consult with the chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Complies

G. OTHER INFORMATION OF INTEREST

G.1 **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.**

G.2 **Binding definition of independent director: Indicate whether any of the independent directors have or have had any relation with the company, its significant shareholders or its executives which, had it been sufficiently significant or important, would have meant that the director could not be considered independent in accordance with the definition given in section 5 of the Unified Good Governance Code.**

No

G.3 **Date and signature: This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on.**

26/03/2010

Indicate whether there were any directors who voted against or abstained in relation to the approval of this report.

No

FORMULATION OF THE DIRECTORS' REPORT

On March 26, 2010 the Board of Directors formulated the directors' report.

The undersigned Directors represent that, to the best of their knowledge, the Directors' Report includes a true and fair analysis of the evolution and results of operations and the position of the Group, together with a description of the main risks and uncertainties that it faces.

This report is set out on 59 pages, all of which are signed by the Secretary of the Board, and the last page of which has been signed by all the Directors.

Original in Spanish signed by: Mr. Gabriel Escarrer Juliá
Chairman

Original in Spanish signed by: Mr. Juan Vives Cerdá
Director

Original in Spanish signed by: Mr. Sebastián Escarrer Jaume
Vicechairman

Original in Spanish signed by: Mr. Gabriel Escarrer Jaume
Vicechairman and Director

Original in Spanish signed by: Hoteles Mallorquines Consolidados, S.A.
(Represented by Dña. María Antonia Escarrer Jaume)
Director

Original in Spanish signed by: Caja de Ahorros del Mediterráneo
(Represented by D. Armando Sala Lloret)
Director

Original in Spanish signed by: Mr. Eduardo Punset Casal
Independent Director

Original in Spanish signed by: Mr. Alfredo Pastor Bodmer
Independent Director

Original in Spanish signed by: Mr. Emilio Cuatrecasas Figueras

Independent Director

Original in Spanish signed by: Ms. Amparo Moraleda Martínez
Independent Director

Original in Spanish signed by: Mr. Juan Arena de la Mora

Independent Director

Original in Spanish signed by: Mr. José María Lafuente López
Secretary and Independent Director

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