Financial report
2010

Sol Meliá

HOTELS & RESORTS WORLDWIDE
LUXURY RESIDENTIAL OWNERSHIP
VACATION CLUB

Contents

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

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

We have audited the consolidated annual accounts of Sol Meliá, S.A. (the parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended. As explained in Note 2, the Directors of the Company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2010 present fairly, in all material respects, the consolidated financial position of Sol Meliá, S.A. and its subsidiaries at 31 December 2010 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated Directors' Report for 2010 contains the explanations which the Sol Meliá, S.A.'s Directors consider appropriate regarding the Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated Directors' Report is in agreement with that of the consolidated annual accounts for 2010.Our work as auditors is limited to checking the consolidated Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Sol Meliá, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

(originally signed by)

Stefan Mundorf
Audit Partner

12 April 2011

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Balance sheet – assets

(Thousand €)	31/12/2010	31/12/2009
INTANGIBLE ASSETS (Note 7)		
Computer software	14,855	15,865
Goodwill	19,221	19,144
Leaseholds	58,197	59,881
Other intangible assets	2,211	2,193
PROPERTY, PLANT AND EQUIPMENT (Note 8)		
Land	409,788	407,090
Buildings	1,118,313	1,144,505
Plant and machinery	201,806	214,636
Other fixed assets	156,411	165,745
Advances and property, plant and machinery under construction	175,647	15,363
INVESTMENT PROPERTY (Note 9)	135,505	137,852
OTHER NON-CURRENT ASSETS		
Investments in associates and joint ventures (Note 10.2)	32,507	30,039
Loans to associates and joint ventures (Note 10.3)	55,850	44,398
Available-for-sale financial assets (Note 10.1)	26,097	25,271
Derivative financial instruments (Note 14.3)	1,419	
Other non-current financial assets (Note 10.4)	32,329	25,984
Deferred tax assets (Note 18.2)	126,578	111,801
TOTAL NON-CURRENT ASSETS	**2,566,734**	**2,419,766**
CURRENT ASSETS		
Inventories (Note 11.1)	90,112	79,058
Trade and other receivables (Note 11.2)	146,631	122,055
Receivables with associates and joint ventures (Note 11.3)	45,347	27,200
Current income tax	12,924	12,852
Other current financial assets (Note 11.4)	65,513	53,455
Cash and other cash equivalents (Note 11.5)	462,511	423,987
TOTAL CURRENT ASSETS	**823,038**	**718,609**
TOTAL GENERAL ASSETS	**3,389,772**	**3,138,375**

Balance sheet – equity and liabilities

(Thousand €)	31/12/2010	31/12/2009
EQUITY		
Share capital (Note 12.1)	36,955	36,955
Share premium (Note 12.2)	758,180	755,517
Reserves of the parent company (Note 12.2)	263,846	215,423
Profit or loss brought forward	(398,835)	(382,874)
Reserves in fully consolidated companies (Note 12.3)	620,282	607,505
Reserves in associates and joint ventures (Note 12.4)	(30,354)	(16,677)
Translation differences (Note 12.5)	(158,967)	(166,269)
NET INCOME ATTRIBUTED TO THE PARENT COMPANY	50,136	38,116
Consolidated net income	51,996	43,507
Net income attributed to minority interest	(1,860)	(5,391)
TREASURY SHARES (Note 12.6)	(102,959)	(105,623)
MINORITY INTEREST (Note 13)	77,660	72,886
TOTAL NET EQUITY	**1,115,945**	**1,054,960**
NON-CURRENT LIABILITIES		
Capital grants and other deferred income (Note 15.1)	13,999	16,401
Provisions (Note 15.2)	30,574	23,881
Due to associates and joint ventures (Note 14.7)	6,469	6,469
Preference shares (Note 14.2)	104,969	103,673
Bonds and other negotiable securities (Note 14.1)	168,847	162,690
Derivative financial instruments (Note 14.3)	8,061	5,791
Bank loans (Note 14.4)	742,848	707,287
Bank loans for finance leases (Note 14.4)	22,416	36,827
Other finance lease payables (Note 14.5)	160,618	160,820
Other non-current financial liabilities (Note 14.9)	11,001	13,856
Deferred tax liabilities (Note 18.2)	179,921	176,330
TOTAL NON-CURRENT LIABILITIES	**1,449,723**	**1,414,022**
CURRENT LIABILITIES		
Due to associates and joint ventures (Note 14.7)	34,967	22,985
Bonds and other negotiable securities (Note 14.1)	384	384
Derivative financial instruments (Note 14.3)	352	1,755
Bank loans (Note 14.4)	352,082	237,616
Bank loans for finance leases (Note 14.4)	18,549	28,085
Other finance lease payables (Note 14.5)	202	189
Trade payables (Note 14.8)	171,039	157,479
Current tax liabilities	17,954	16,486
Other current liabilities (Note 14.10)	228,574	204,414
TOTAL CURRENT LIABILITIES	**824,104**	**669,392**
TOTAL GENERAL LIABILITIES AND NET EQUITY	**3,389,772**	**3,138,375**

Income statement

(Thousand €)	31/12/2010	31/12/2009
Operating income (Note 5)	**1,250,741**	**1,148,653**
Supplies (Note 5)	(145,551)	(137,995)
Staff costs (Note 5)	(396,477)	(390,768)
Other expenses (Note 5)	(381,451)	(338,421)
EBITDAR (*)	**327,262**	**281,468**
Leases (Note 5)	(91,924)	(79,380)
EBITDA (**)	**235,338**	**202,088**
Amortisation and depreciation (Notes 7 and 8)	(95,184)	(95,465)
Goodwill and negative consolidation difference	1,692	(1,463)
EBIT (***)	**141,847**	**105,160**
Exchange differences	(7,069)	1,096
Borrowings	(66,855)	(54,403)
Other financial expenses	(11,912)	(11,828)
Other financial income	19,115	26,677
Net financial income (expense)	**(66,720)**	**(38,458)**
Profit /(Loss) of associates and joint ventures (Note 10.2)	**(11,188)**	**(12,797)**
NET INCOME BEFORE TAX	**63,938**	**53,906**
Tax (Note 18.6)	(11,942)	(10,398)
NET INCOME	**51,996**	**43,507**
(Profit) / Loss minority interest	(1,860)	(5,391)
NET INCOME ATTRIBUTED TO PARENT COMPANY	**50,136**	**38,116**
BASIC EARNINGS PER SHARE IN EUROS (Note 6)	**0.28**	**0.21**
DILUTED EARNINGS PER SHARE IN EUROS (Note 6)	**0.33**	**0.19**

Notes:

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

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

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

Statement of comprehensive income

(Thousand €)	31/12/2010	31/12/2009
Net consolidated income	**51,996**	**43,507**
Restatements of property, plant and machinery and intangible assets	19,000	37,031
Cash flow hedges	(5,611)	(7,353)
Translation differences	7,786	8,612
Associates and joint ventures	(1,656)	(3,097)
Other income charged to net equity	(3)	(15)
Tax effect	1,707	(7,916)
Net income charged directly to net equity	**21.223**	**27.261**
Cash flow hedges	6,234	2,290
Associates and joint ventures	1,934	1,762
Other net income charged to equity	0	(671)
Tax effect	(1,870)	0
Releases to the income statement	**6,298**	**3,382**
TOTAL COMPREHENSIVE INCOME	**79,517**	**74,150**
Total comprehensive income attributed to minority interest	(2,407)	(5,185)
TOTAL COMPREHENSIVE INCOME ATTRIBUTED TO THE PARENT COMPANY	**77,110**	**68,966**

Statement of Changes in Equity

(Thousand €)	Capital	Other reserves	Translation differences	Net income of parent company	Treasury shares	Minority interest	Total NET EQUITY
BALANCE AT 31/12/2009	36,955	1,178,893	(166,269)	38,116	(105,623)	72,886	1,054,960
Total recognised income and expenses	**0**	**19,672**	**7,302**	**50,136**	**0**	**2,407**	**79,517**
Distribution of dividends		(7,737)				(451)	(8,188)
Operations with treasury shares					2,663		2,663
Variations in consolidation scope		(13,008)					(13,008)
Operations with shareholders or owners	**0**	**(20,745)**	**0**	**0**	**2,663**	**(451)**	**(18,532)**
Transfers between net equity items		(2,818)				2,818	0
Distribution 2009 net income		38,116		(38,116)			0
Other variations in net equity	**0**	**35,299**	**0**	**(38,116)**	**0**	**2,818**	**0**
BALANCE AT 31/12/2010	36,955	1,213,119	(158,967)	50,136	(102,959)	77,660	1,115,945

For purposes of comparison, movements relating to changes in equity in 2009 are presented below.

(Thousand €)	Capital	Other reserves	Translation differences	Net income of parent company	Treasury shares	Minority interest	Total NET EQUITY
BALANCE AT 31/12/2008	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)
Operations 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 31/12/2009	36,955	1,178,893	(166,269)	38,116	(105,623)	72,886	1,054,960

Cash Flow Statement

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

(Thousand €)	31/12/2010	31/12/2009
OPERATING ACTIVITIES		
Operating receipts	1,614,424	1,590,561
Payments to suppliers and staff for operating expenses	(1,508,898)	(1,503,994)
Receipts / (Payments) for income tax	(18,489)	(6,964)
Receipts for insurance indemnities		1,063
Other receipts / (payments) from operations	3,901	4,300
CASH FLOWS FROM OPERATIONS	**90,938**	**84,966**
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	1,627	65,321
Issue	52	68,184
Amortisation	(1,087)	
Acquisition		(2,863)
Disposal	2,663	
Receipts and (payments) for financial liability instruments:	119,906	65,493
Issue	323,183	300,254
Redemption and repayment	(203,277)	(234,761)
Payments for dividends and remuneration of other equity instruments	(8,170)	(11,262)
Other cash flows from financing	(65,882)	(64,635)
Interest paid	(57,561)	(58,225)
Other receipts / (payments) for cash flows from financing	(8,321)	(6,410)
CASH FLOWS FROM FINANCING	**47,481**	**54,917**
INVESTMENTS ACTIVITIES		
Payments on investments:	(240,599)	(99,883)
Group companies, associates and business units	(71,604)	(27,200)
Property, plant and equipment, intangible assets and investment property (*)	(164,631)	(71,311)
Other financial assets	(4,364)	(1,372)
Receipts for divestments:	154,541	129,095
Group companies, associates and business units	33,128	32,940
Property, plant and equipment, intangible assets and investment property	121,288	95,805
Other financial assets	124	350
Other cash flows from investment:	1,035	554
Dividends received	784	554
Interest received	251	0
CASH FLOWS FROM INVESTMENT	**(85,023)**	**29,766**
Variation in the exchange rate in cash and cash equivalents	(14,872)	(2,180)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**38,523**	**167,469**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 12.5)	423,987	256,518
CASH AND CASH EQUIVALENTS AT THE YEAR END (Note 12.5)	**462,511**	**423,987**

(*) In 2009 and 2010, there were acquisitions of assets under finance leases amounting to 4.8 million euros in both years, which are not considered cash movements.

1. Corporate information

The Parent Company, Sol Meliá, S.A. was formed in Madrid on June 24, 1986 under the registered name of Investman, S.A. In February 1996, the Company changed its official name to Sol Meliá, S.A., entered in the Mercantile Registry of the Balearic Islands, Corporate volume 1,335, sheet PM 22603, third entry, with its registered address at Calle Gremio Toneleros, 24, Palma de Mallorca, Baleares, Spain.

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

In any case, those activities, reserved under special laws for companies which fulfil certain requirements that are not met by the Group, are expressly excluded from its corporate purpose; in particular, those activities reserved by Law for Collective Investment Institutions or security brokers are excluded.

The Group's activities are carried out in Germany, Argentina, Brazil, Bulgaria, Chile, China, Costa Rica, Croatia, Cuba, Egypt, Spain, the United States, France, Greece, the Netherlands, Indonesia, the Cayman Islands, Italy, Luxembourg, Malaysia, Mexico, Panama, Peru, Portugal, Puerto Rico, the United Kingdom, the Dominican Republic, Singapore, Switzerland, Tunisia, Uruguay, Venezuela and Vietnam.

2. Basis of presentation of the Consolidated Annual Accounts

The Sol Meliá Group's consolidated annual accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at December 31, 2010, published by the International Accounting Standards 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 Shareholders' Meeting, and are expected to be approved without changes.

The figures on the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and the accompanying notes to the accounts, are stated in thousand euros, except where otherwise indicated.

The Group has adopted this year the standards approved by the European Union whose application was no obligatory in 2009. These standards do not have a significant impact on the Group's financial position:

- IFRS 3 (revised): Business combinations.
- IAS 27 (revised): Consolidated and Separate Financial Statements.
- IFRS 1 (revised): First-time Adoption of IFRS.
- Amendment to IFRS 1: Additional Exemptions for First-time Adopters.
- Amendment to IFRS 2: Group Cash-settled Share-based Payment Transactions.
- Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Activities.
- Amendment to IAS 39: Eligible Hedged Items.
- IFRIC 12: Service Concession Arrangements.
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation.
- IFRIC 17: Distribution of Non-Cash Assets to Owners.
- IFRIC 18: Transfers of Assets from Customers.
- IASB improvement project 2009, which includes the following amendments:
    - Amendment to IAS 1: Presentation of Financial Statements.
    - Amendment to IAS 7: Cash flow Statement.
    - Amendment to IAS 17: Leases.
    - Amendment to IAS 18: Revenues.
    - Amendment to IAS 36: Impairment of assets
    - Amendment to IAS 38: Intangible Assets.
    - Amendment to IAS 39: Financial instruments: Recognition and Measurement.
    - Amendment to IFRS 2: Share-based Payments.
    - Amendment to IFRS 5: Non-current Assets Held for Sale and Discontinued Activities.
    - Amendment to IFRS 8: Operating Segments.
    - Amendment to IFRIC 9: Reassessment of Embedded Derivatives.
    - Amendment to IFRIC 16: Hedges of a Net Investment in a Foreign Operation.

The accounting policies applied are consistent with those of the previous year, taking into account the adoption of the standards and interpretations discussed above, since they do not have a significant effect on the consolidated accounts or financial situation. Nonetheless, the adoption of IFRS 3 revised and IAS 27 revised have had an effect on the accounting for business combinations completed as from 1 January 2010.

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

- IFRS 9: Financial Instruments.
- IFRIC 19: Extinguishing financial liabilities with equity instruments.
- Amendment to IFRS 7: Disclosures – Transfers of financial instruments.
- Amendment to IFRS 1: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters.
- Amendment to IAS 12: Deferred tax: Recovery of Underlying Assets.
- Amendment to IAS 32: Classification of Rights Issues.
- Amendment to IAS 24: Related-Party Disclosures.
- Amendment to IFRIC 14: Prepayments of a Minimum Funding Requirement.
- IASB improvement project 2010, which includes the following amendments:
    - Amendment to IFRS 1: First-time Adoption of IFRS.
    - Amendment to IFRS 3: Business combinations.
    - Amendment to IFRS 7: Financial instruments: Disclosure.
    - Amendment to IAS 1: Presentation of Financial Statements.
    - Amendment to IAS 27: Consolidated and Separate Financial Statements.
    - Amendment to IAS 34: Interim Financial Reporting.
    - Amendment to IFRIC 13: Customer Loyalty Programmes.

These standards will not have a significant impact on the Group's financial position.

2.1 Fair view

The consolidated balance sheet and income statement have been prepared on the basis of the internal accounting records of the Parent Company, Sol Meliá, S.A., and the accounting records of the other companies included in the consolidation as detailed in Appendices 1 and 2, 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 Comparability

The balance sheet, income statement, statement of comprehensive income, statement of changes in equity and the cash flow statements for 2009 and 2010 presented are completely comparable.

Accordingly, comparative amounts are presented for 2009 and 2010 in relation to the quantitative information included in the Notes to the Accounts. With respect to the consolidation scope, the main changes in 2009 and 2010 compared to last year are discussed in Note 4.

2.3 Consolidation methodology

The 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 consolidation method for subsidiaries.
- The equity method for joint ventures.
- The equity method for associates.

Regarding interests in joint ventures, all of which are in jointly controlled companies, the Group has opted for the alternative method recognised in IAS 31, "Interests in Joint Ventures", on the understanding that it reflects more appropriately 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.

Consistency in terms of timing and valuation

All the companies included in the consolidation close their financial year as of December 31 and the respective 2009 and 2010 annual accounts have been used for consolidation purposes, following the pertinent valuation adjustments to ensure consistency with IFRS.

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 excess between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is presented under the "Intangible Assets" caption as "Goodwill".

Any excess between the acquirer's interest, after reassessing 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, subsequent operations in which the parent company has acquired more shares in minority interest, or sold shares without losing control, are reflected as equity transactions, from which we infer 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 intercompany transactions

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 regard to third parties has been reversed in order to present the corresponding assets at their cost price, adjusting the depreciation charged accordingly.

For transactions between subsidiaries and associates or joint ventures, only the proportional part of the result relating to minority shareholders 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 equity relating to third parties unrelated to the Group, calculated according to IAS 27, is recorded under this balance sheet caption.

Results attributed to minority interests

Results attributed to minority interests relate to their interest 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 translated to euro using the end of period exchange rate.

Income statement items have been translated at the exchange rates prevailing on the dates on which the corresponding operations occurred.

The difference between the amount of the foreign companies' equity, including the income statement balance calculated as explained in the section above and translated at the historical exchange rate, and the net equity situation arising from the translation 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 in equity under the heading "Translation differences", less the part of said difference relating to minority interests and recorded under the account "Minority Interests" in equity on the consolidated balance sheet.

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

Upon total or partial disposal or return of contributions of a foreign company, the translation 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 measurements and estimates

The directors have prepared the consolidated annual accounts using judgements, 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 the present consolidated annual accounts.

Such 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 such estimates and assumptions, the need may arise to make significant adjustments to the carrying amounts of assets and liabilities affected in future periods.

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

Estimated impairment loss on goodwill

The Group tests goodwill for impairment annually, as indicated in Note 3.3. Recoverable amounts of cash generating units are determined on the basis of value in use calculations. 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. A major degree of judgment is required to determine the provision for income tax worldwide. These are many transactions and calculations for which the final calculation of the tax is uncertain. The Group recognises the liabilities for possible tax claims based on estimates of whether additional taxes will be necessary. If the final tax results differ from the amounts that were initially recognised, these differences will have an effect on income tax and the provisions for deferred tax in the year in which the calculation is made.

Fair value of derivatives

The fair value of financial instruments that are not traded on an active 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 market conditions at the balance sheet date. Most of these valuations are normally obtained from studies carried out 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 discounting valuation techniques of the cash flows from these assets and restated on the basis of estimates that the Group revises annually, as indicated in Note 3.4.

Pension benefits

The present 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 carrying value of 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 present 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. Accounting policies

3.1 Intangible assets

Goodwill

Goodwill generated on consolidation represents the difference between the acquisition price of the subsidiaries consolidated by the full consolidation method and the Group's interest in the market value of the subsidiaries' identifiable assets and liabilities.

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

Goodwill is not amortised. Instead, goodwill is tested annually for impairment. Impairment losses are recognised if the recoverable value determined on the basis the present value of future expected cash flows of the cash generating units associated with 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.

Software applications are valued at their acquisition cost and are amortised on a straight-line basis over their useful lives 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 acquisition 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. The remaining items 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" caption 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 brought into use, less accumulated depreciation and any impairment losses.

Those lease contracts in which, according to the analysis of the nature of the agreement and its conditions, it is inferred that the risks and rewards inherent in the ownership of the asset in question have been substantially transferred to the Group, are 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 these cases, the contingent lease instalment is allocated as an increase in financial expenses in the income statement for the year.

In 1996 tangible fixed assets were revalued 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 charged directly to profit and loss. Costs which extend or improve the asset's useful life or can only be used with a specific fixed asset are capitalised as an increase in their value.

The Group's property, plant and equipment are depreciated on the straight-line method over the estimated useful lives 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 assets	4-8 years

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

3.3 Impairment of property, plant and equipment 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 market exit yields are used, applying weighted 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 each year end 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 income statement for the year. 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 a net gain and which generate cash flows which are independent from those deriving from the remainder of the Group's assets, are recorded under this caption.

Following the initial recognition made for the total amount of the costs related to the asset acquisition transaction, the Group has chosen the application of the fair value model. For this reason all investment properties are recognised at fair value and any variation in value which arises is included in the income statement. All the values were supported by appraisals calculated in 2007 by renowned independent experts who have experience in valuing various types of properties, and updated based on the Group's estimates. The variables used to calculate these estimates are indicated in Note 3.3.

3.5 Financial instruments

There is no difference between the fair values estimated for the financial instruments recorded in the Group's consolidated accounts and their corresponding carrying values, as explained in the following paragraphs.

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. In both cases, they are initially recognised at fair value, whenever an active market exists, plus the transaction costs which are directly allocable. The Group has no financial assets carried at fair value through profit or loss or held-to-maturity investments.

Loans and receivables

This classification includes the amounts recorded under the accounts "Loans to associates and joint ventures", "Other non-current financial assets", "Trade and other receivable", "Accounts receivable from associates and joint ventures" and all the collection rights included in "Other current financial assets".

Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are derecognised or are 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 immaterial.

Financial assets transfer operations

The Group derecognises a transferred financial asset when it assigns all the contractual rights to receive 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 consideration received, which is subsequently valued at its amortised cost. The financial asset continues to be valued using the same criteria as before the transfer. Both income from the transferred asset and the expenses of the associated financial liability are recognised, without netting, in the income statement.

Guarantee deposits

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

Current guarantee deposits are not discounted.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified under other financial assets captions. They relate in full to investments in the equity instruments of companies in which the Group does not have control or significant influence.

Since there is no market price of reference for available-for-sale financial assets and no other alternative methods exist in order to reliably determine this value, they are valued at cost less the corresponding impairment loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank 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.

"Available-for-sale financial assets" are carried at cost, since they are not quoted on an active market and their fair value cannot be reliably determined. The valuation of the impairment of said assets takes into account the equity of the investee company adjusted for any latent capital gains existing at the valuation date, unless there is other evidence of the recoverable amount of the investment.

The Group's accounting policy is to provide for 100% of receivables relating to the hotel business which have been outstanding for over one year, as well as for any balance pending for less than a year when there are reasonable doubts concerning its recoverability.

Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities carried at amortised cost. These financial liabilities are initially recognised at fair value, adjusted for directly attributable transaction costs. All the Group's non-derivative financial liabilities are included within the classification of financial liabilities carried at amortised cost.

Preference shares

In order to determine whether preference shares are a financial liability or an equity instrument, the Group assesses in each case the specific rights carried by the share. If it is considered a financial liability, it is carried as such and measured at amortised cost at year end using the effective interest rate method and taking any issuance costs into account.

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.

Financial lease payables

This heading includes debts arising from the acquisition of assets financed through lease contracts and those debts arising from rental contracts in which all the risks and benefits inherent in 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 asset and the present value of the lessee's minimum payments.

Loans and credit facilities with credit institutions

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

Trade and other accounts payable

Accounts payable are recorded at fair value and are subsequently valued at amortised cost using the effective interest rate 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 of amortised cost through the effective interest method. Nevertheless, those maturing in the short-term which do not bear interest at a contractual rate are valued at their par value whenever the effect of not discounting cash flows is immaterial.

Combined financial instruments

These are non-derivative financial instruments that include liability and equity components simultaneously. Both 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 between the liability component and equity component in the same proportion resulting 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 marketable 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 through profit or loss or as accounting hedges. In both cases derivative financial instruments are initially recognised at fair value on the date on which they are arranged 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 which are specifically designated as such 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 hedged item is recognised. Fair value is accounted for depending on the negotiation date.

The fair value of interest rate swaps is determined through valuation techniques involving cash flow discounting using market interest rates. These values are normally obtained through studies conducted by independent experts.

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 the year end the Group has no derivative financial instruments at fair value through profit or loss.

3.6 Non-current assets held for sale

Non-current assets held for sale include 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 cost of sale. Losses on the impairment of the asset, or gains arising from subsequent revaluations up to the limit of the previously recognised impairment losses are recognised in profit and loss.

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

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

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 their realisable value. If their value is less than cost, the necessary adjustments are made in order to reflect the estimated realisable 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

Treasury shares are presented as a decrease in the Group's equity. They are carried at cost without any value adjustments.

Profits and losses obtained on the disposal of these shares are recorded under "Parent Company reserves" in Consolidated Equity.

3.9 Capital grants and other deferred income

Government grants are recognised at their fair value when 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 and is released to income over the expected useful life of the relevant asset.

The Company manages various customer loyalty programs comprising incentives to customers that use the 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 implicit) as a result of a past event.
- It is probable that an outflow of funds including 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 present value of the committed remuneration and the fair value of the future commitment assets used to settle the liabilities, less, where appropriate, the past service costs not yet recognised.

Certain Collective Wage Agreements prevailing and applicable to several Group companies establish that permanent staff who have been employed by the Company for a specified length of time and take voluntary retirement will be entitled to a cash premium equivalent to a number of monthly salary payments proportional to the number of years of service. During the exercise, an evaluation of these commitments has been performed in accordance with the actuarial assumptions contained in the Company's own rotation model, by applying the calculation method known as the "projected unit credit" method and the population assumptions corresponding to the ERM/F2000p tables. In addition, the payment of certain commitments has been externalised according to the particular technical conditions established in the Ministerial Order dated November 2, 2006. These payment schedules relate to Defined Benefit Plans.

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

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

With regard to commitments related to pensions and obligations established in the collective wage agreements, the companies concerned have performed the corresponding externalisation of the commitments with six managers, five of whom are not working.

3.11 Income and expenses

Income and expenses are recognised on an accruals basis irrespective of when actual payment or collection occurs.

Revenue from the sale of goods or services rendered is recognised at the fair value of the consideration received or to be received. Cash discounts, volume or other discounts, as well as interest included in the principal of loans, are recorded as a decrease in the same. Nonetheless, when the effect of not discounting the cash flows is insignificant, the Company includes interest included in trade receivables maturing in less than one year for which there is no contractual interest rate.

Revenue from the Vacation Club is recognised when the significant risks and rewards of ownership have transferred 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 gains arising from the 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

Finance leases

Leases, which substantially transfer to the Group all the risks and rewards of 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 lives.

Operating leases

Leases where the lesser substantially retains all the risks and rewards 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 Corporate income tax

The corporate income tax expense for the year is calculated as the sum of the current tax in each of the companies included in these consolidated annual accounts, except for the existing four consolidated tax groups whose parent companies are: Sol Meliá, S.A., Sol Meliá France SAS, Inmotel Inversiones Italia SRL and Meliá Inversiones Americanas N.V., that are taken as one unit each.

This calculation results from the application of the corresponding tax rate to the tax base for the year following the application of existing credits and deductions and the variation in the deferred tax assets and liabilities recorded. 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 current tax assets and liabilities at their net amount.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from goodwill whose amortisation is not deductible or taxable temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting result nor the tax 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, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits 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 concerning their realisation, which depends on market conditions and possible tax consequences depending on the nature of the transactions carried out.

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 Transactions in foreign currency

Debit and credit balances in foreign currency are valued at the exchange rate prevailing on the corresponding transaction date and are translated at the 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 and 2010 year end, the Venezuelan economy is classified as hyperinflationary, since it meets the conditions under IAS 29 "Financial Reporting in 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 on their non-monetary assets and liabilities.

The increase or decline in the purchasing power of these companies resulting from the application of the change in the price index to the net monetary position is similarly taken to profit and loss. The effect of the restatement on the current monetary unit of other items of the Venezuelan companies' income statement is also included in financial profit or loss.

None of the other companies included in the consolidation scope are considered to be in hyperinflationary economies at the 2009 and 2010 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, 2010, is presented in Appendices 1 and 2, classified in the following categories:

- Subsidiaries: Subsidiaries are 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: Joint ventures are 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: Associates are those companies, excluded from the other two categories, in which the Group has a significant influence and maintains a lasting relationship which favours influence over their activity.

Meliá Brasil Administraçao, whose corporate objects consist 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, of which Sol Meliá, S.A. owns 85.4%, is in dissolution and is excluded from the consolidation scope since, at present the Group has no control or significant influence in the abovementioned company during said process.

The Group's interest in Comunidad de Propietarios Meliá Costa del Sol, through its subsidiary, Apartotel, S.A. amounts to 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.

The table below sets out additions and disposals with respect to the consolidation scope in 2010:

Additions for 2010	Disposals for 2010
Adprotel Strand, S.L.	Bisol Investments Limited
Tradyso Argentina, S.A.	Desarrollos Turísticos del Caribe, N.V.
El Recreo Plaza, C.A. & CIA C.E.C.	Promociones Playa Blanca, S.A. de C.V.
El Recreo Plaza, C.A.	Marina International Holding
Sol Meliá Balkans EAD	Sol Hotels, U.K.
	Leoford Investment
	Punta Elena, S.L.
	Lifestar Hotels, LLC
	LH Miami Beach

Desarrollos Turísticos del Caribe, N.V., in which the Group had a 99.69% interest, was wound up in January 2010.

Sol Hotels UK, which was wholly owned by the Group, was wound up in March.

Similarly, Bisol Investments Limited, which was wholly owned by the Group, was wound up on June 25, 2010.

On April 30, 2010 the Group disposed of its interest in the Mexican company Promociones Playa Blanca, S.A. de C.V., which represented a 49.5% share in profits, for a total amount of €21.8 million, generating capital gains recognised in the consolidated income statement of €14.2 million.

In July 2010 Marina International Holding, which was wholly owned by Sol Meliá, S.A, was wound up.

On September 29 the Group's Parent Company acquired 100% of the shares in Adprotel Strand, S.L. for €24.4 million. This Spanish company owns a hotel which is under construction in London, valued at €131.3 million. At the time of purchase, the company had a bank liability in respect of that work amounting to €108.6 million.

During the year Tradyso Argentina, S.A., a subsidiary of the joint venture Travel Dynamic Solutions carrying out activities in Argentina, was added to the consolidation. The impact on the consolidated income statement for 2010 was not significant.

Leoford Investment, which was wholly owned by the Group, was wound up in September.

In November 2010 Punta Elena, S.L., which was wholly owned by the Group, and Lifestar Hotels, LLC and its subsidiary LH Miami Beach, which were 50% owned by the Group, were wound up.

The Bulgarian company Sol Meliá Balkans EAD, in which the Group acquired a 100% interest, was added to the Group in December.

Lastly, in December 2010 the Group acquired a 20% interest in El Recreo Plaza, C.A. & CIA C.E.C. and El Recreo Plaza, C.A., aimed at the development of a hotel and leisure complex in Venezuela, for €8.9 million. The balance sheet of these companies includes fixed assets amounting to €47.5 million.

For comparison, set out below are additions and disposals for 2009:

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. for €3,200, equivalent to the entire share capital of this company.

In April 2009 the shareholder agreement of Nyesa Meliá Zaragoza, S.L. in which the Group has a 50% interest was amended, making it since then a joint venture instead of a subsidiary. Accordingly, it was consolidated using the equity method.

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

During the year the Group purchased 50% of the shares that it did not hold in Punta Elena, S.L. and Havana Sol Restauración, S.L. for €1.4 million and €31 thousand, respectively, bringing both of them under its control and fully consolidating them, with no effect on the income statement and not giving rise to goodwill.

Effective January 2009, the following companies were 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 did not have an impact on the Group's consolidated accounts.

Also effective January 2009, the company Innside Hotel, GmbH was merged with its parent company Sol Meliá Deutschland, GmbH, and both companies being fully controlled. The merger had no impact on the Group's consolidated accounts.

In July 2009 Golf del Cocotal, S.A. which was fully owned by the Group, was wound up, without impacting the consolidated accounts.

In December 2009 the Group sold its interest in Sol Hotti Portugal Hoteis, Ltd., which was consolidated using the equity method, for €350 thousand, generating a loss of €6 thousand.

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

5. Segment reporting

The business segments identified based on the nature of the risks and yields of the Group and which constitute its 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: This relates to the revenues from fees received in respect of the operation of hotels under management or franchise arrangements, structural costs and other operating activities related to leisure, or recreation.

The segmentation of Sol Meliá arises from the Company's business diversification 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 sale on a wholesale basis of packages, the prices of which include food & lodging, making true segmentation of the related assets and liabilities impracticable.

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

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

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

The Company's transfer pricing policies 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 relating to operations for 2010 is shown in the following table:

(Thousand €)	Hotel Business	Asset Management	Vacation Club	Other business and corporate	Eliminations	TOTAL 31/12/2010
INCOME STATEMENT						
Operating income	935,596	78,880	100,946	217,910	(82,592)	1,250,741
Operating expenses	(669,409)	(11,171)	(90,481)	(235,010)	82,592	(923,479)
EBITDAR	**266,187**	**67,710**	**10,465**	**(17,100)**	**0**	**327,262**
Leases	(90,017)			(1,907)		(91,924)
EBITDA	**176,170**	**67,710**	**10,465**	**(19,007)**	**0**	**235,338**
Depreciation, amortisation and impairment	(83,564)	(397)	(2,040)	(7,490)		(93,491)
EBIT	**92,607**	**67,312**	**8,425**	**(26,497)**		**141,847**
Net financial income						(66,720)
Net income of associates	(11,232)			44		(11,188)
Profit before tax						63,938
Tax						(11,942)
NET INCOME						**51,996**
Minority interest						(1,860)
NET INCOME ATTRIBUTED TO PARENT COMPANY						**50,136**
ASSETS AND LIABILITIES						
Property, plant and equipment and intangible assets	1,957,166	16,572	2,288	180,422		2,156,448
Investments in associates	31,289			1,218		32,507
Other non-current assets						377,779
Current operating assets	106,321	9,299	91,097	44,041	54	250,812
Other current assets						572,226
TOTAL ASSETS						**3,389,772**
Borrowings						1,579,328
Other non-current liabilities						241,964
Current operating liabilities	96,723	1,536	12,650	60,990	(861)	171,039
Other current liabilities						281,496
TOTAL LIABILITIES						**2,273,827**

Operating revenues from the asset management segment include €66.2 million arising from asset disposals relating to two hotels in Spain and to other real estate developments in the Dominican Republic.

The Other business and corporate segment includes €34.7 million on the sale of the Tryp brand to the Wyndham Hotel Group, under an agreement through which both parties have agreed a strategic alliance to develop the brand.

Moreover, total operating revenue includes €9.1 million for services rendered to associates while 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 €25.5 million and €7.2 million, respectively.

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

Changes in consolidation have resulted in fixed asset additions amounting to €131.3 million in the hotel business segment as a result of the addition of Adprotel Strand, S.L. (see Note 4).

For comparison purposes the business segmentation for 2009 is shown below:

(Thousand €)	Hotel Business	Asset Management	Vacation Club	Other business and corporate	Eliminations	TOTAL 31/12/2009
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
Other operating liabilities	85,812	2,688	12,550	59,554	(1,169)	159,435
Other current liabilities						249,780
TOTAL LIABILITIES						**2,083,415**

Operating revenues from the asset management segment included €62.4 million arising from asset disposals relating to two hotels in Spain and to other real estate developments in the Dominican Republic.

Total operating revenue includes €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 2009 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 €25.8 million and €12.3 million, respectively.

The main movements recorded during 2009 in the fixed assets account relate to the extensions, refurbishments and sales of assets in the hotel business segment, which are detailed in Note 8.

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

5.2 Geographical segments

Segmentation by business type constitutes the primary format which best represents the Group's financial information, facilitating comprehension of profitability and annual monitoring. The breakdown of the geographical segments, by volume of income and assets, and by the countries in which the Group carries out its activity, is as follows (see Note 1):

(Thousand €)	EUROPE	AMERICA	AFRICA	ASIA	Eliminations	31/12/2010
Operating income	910,428	419,613	67	3,225	(82,592)	1,250,741
Total Assets	2,356,316	1,029,497	1,326	2,633	0	3,389,772

Invoicing between the various geographical segments amounts to €82.6 million, of which €50.1 million relates to the European segment, €30.4 million to the American segment and €2.1 million to the Asian segment.

Changes in consolidation have resulted in fixed asset additions in Europe amounting to €131.3 million as a result of the addition of Adprotel Strand, S.L. (see Note 4).

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

(Thousand €)	EUROPE	AMERICA	AFRICA	ASIA	Eliminations	31/12/2009
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

Invoicing between the various geographical segments amounts to €58.4 million, of which €49.6 million related to the European segment, €7.1 million to the American segment and €1.6 million to the Asian segment.

Disposals of assets during the year, mainly related to fixed assets in Europe for a total amount of €22 million, arising as a result of the change in the consolidation method used for Nyesa Meliá Zaragoza, SL.

5.3 Income and expenses

Operating income

The breakdown of the balance of this account in the income statement for 2010 and 2009 is as follows:

(Thousand €)	2010	2009
Room sales	561,121	511,287
Food and beverages	303,421	297,936
Income from other businesses	65,988	62,789
Real estate income	79,104	76,052
Sale of vacation club units	89,993	61,802
Other revenues	151,114	138,786
Total	**1,250,741**	**1,148,653**

Supplies

The breakdown of the balance of this caption in the income statement for 2010 and 2009 is as follows:

(Thousand €)	2010	2009
Consumption of food and beverages	90,894	87,340
Consumption of ancillary goods	25,407	24,796
Consumption of vacation club sales	7,781	9,148
Sundry consumption	21,469	16,711
Total	**145,551**	**137,995**

Staff costs

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

	2010			2009		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Management personnel	301	117	418	303	107	410
Department heads	929	615	1,544	974	691	1,664
Technicians	5,055	3,503	8,557	6,013	4,655	10,668
Auxilliary staff	3,493	2,811	6,304	2,720	2,905	5,625
Total	**9,778**	**7,046**	**16,824**	**10,009**	**8,358**	**18,367**

Staff costs are broken down as follows:

(Thousand €)	2010	2009
Wages, salaries and similar items	314,943	315,359
Social Security	64,383	61,278
Other social welfare expenses	17,151	14,132
Total	**396,477**	**390,768**

The remuneration paid to Senior Management and the Board of Directors of Sol Meliá, S.A. during 2010 and 2009 is as follows:

(Thousand €)	2010	2009
Per diets for attendance	466	772
Remuneration of Directors	1,697	1,562
Remuneration of Senior Management	2,785	2,414
Total	**4,948**	**4,748**

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

Other expenses

The breakdown of the balance of this caption in the income statements for 2010 and 2009 is as follows:

(Thousand €)	2010	2009
Sundry rentals	9,051	7,275
Maintenance and repairs	39,078	36,250
External services	55,832	48,288
Transport and insurance	12,207	11,421
Banking expenses	14,043	8,241
Advertising and promotions	32,489	28,260
Supplies	67,920	59,564
Travel and ticketing expenses	9,563	8,393
Tax	31,253	25,612
Other expenses	110,016	105,118
Total	**381,451**	**338,421**

Leases

At December 31, the Group operates a total of 83 hotels under leases, 4 of which are five-star with 596 rooms, 58 are four-star hotels with 9,556 rooms, 18 are three-star with 3,092 rooms, 1 is a two-star with 37 rooms and 2 are three-key establishments with 610 apartments.

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

(Thousand €)	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Minimum operating lease payments	85,026	333,243	1,185,465	1,603,734

Of the 83 hotels operated by the Sol Meliá Group under lease, 17 have been classified as finance leases, as explained in Note 14.5. This table includes a total of €699.4 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, 13 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 Group's profit and loss account.

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 lease contracts is 9.4 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 amounts 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 for both interest recognised in the income statement and the number of potential ordinary shares.

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

(€ units)	BASIC		DILUTED	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Net income attributed to the parent company	**50,135,668**	**38,116,328**	**50,135,668**	**38,116,328**
Correction of results			16,156,663	619,708
Adjusted results	**50,135,668**	**38,116,328**	**66,292,330**	**38,736,036**
Number of ordinary shares	184,776,777	184,776,777	184,776,777	184,776,777
Average weighted treasury shares	(7,379,826)	(7,256,886)	(7,379,826)	(7,256,886)
Nº of potential ordinary shares			25,212,732	25,212,732
Total number of shares	**177,396,951**	**177,519,891**	**202,609,683**	**202,732,623**
Earnings per share	**0.28**	**0.21**	**0.33**	**0.19**

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.0542 Euros per share (net dividend of €0.043902). An amount of €10.0 million of profits in 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 31/12/2009	Amort. 2010	Additions	Disposals	Perimeter changes	Exchange difference	BALANCE 31/12/2010
GROSS VALUE							
Goodwill	19,144			(2)		79	19,221
Leaseholds	81,772		3	(1,471)		2,823	83,127
Industrial property rights (R+I+D)	6,966		133			(7)	7,092
Computer software	65,256		2,609	(73)		50	67,842
Total COST	**173,138**		**2,745**	**(1,546)**	**0**	**2,945**	**177,282**
ACCUMULATED AMORTISATION							
Leaseholds	(21,891)	(3,528)		1,473		(983)	(24,929)
Industrial property rights (R+D+i)	(4,773)	(111)				3	(4,881)
Computer software	(49,391)	(3,510)	(51)	10		(45)	(52,987)
Total ACCUMULATED AMORTISATION	**(76,055)**	**(7,149)**	**(51)**	**1,483**	**0**	**(1,025)**	**(82,797)**
NET CARRYING VALUE	**97,082**	**(7,149)**	**2,694**	**(63)**	**0**	**1,920**	**94,484**

In 2010 leaseholds were included for cost and accumulated amortisation in respect of fully amortised assets at the year end, the balances of which amounting to €1.5 million were written off.

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.

The "Software" caption also includes €5.8 million relating to licenses which have an indefinite useful life.

For comparison purposes, the breakdown of these movements in 2009 was the following:

(Thousand €)	BALANCE 31/12/2008	Amort. 2009	Additions	Disposals	Perimeter changes	Exchange difference	BALANCE 31/12/2009
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 COST	**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+D+i)	(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 balance of leaseholds at year end mainly relates to the amounts paid for the acquisition of the operating rights of a hotel held on a rental basis in Spain totalling €0.7 million.

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

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

(Thousand €)	31/12/2010	31/12/2009
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.	5,306	5,229
Hotel Alexander, S.A.	8,496	8,496
Operadora Mesol, S.A. de C.V.	465	465
Tenerife Sol, S.A.	318	318
Sol Melia Croacia	886	886
Total	**19,221**	**19,144**

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

Goodwill recorded at year end has been tested for impairment based on the estimated future cash flows expected for the cash-generating units operated by each related company. 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 of between 6 and 11.4, depending on the various risks associated with each asset and their geographical location.

8. Property, plant and equipment

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

(Thousand €)	BALANCE 31/12/2009	Depreciation 2010	Additions	Disposals	Var. scope	Exchange difference	BALANCE 31/12/2010
GROSS VALUE							
Land	407,090		4,142	(7,894)		6,450	409,788
Buildings	1,566,906		22,197	(19,189)		347	1,570,261
Plant	359,321		8,401	(7,624)		2,933	363,031
Machinery	73,092		1,807	(196)		32	74,735
Subtotal	432,413		10,208	(7,820)		2,965	437,766
Furniture	343,626		15,766	(2,262)		(9,889)	347,241
Tooling	3,865		232	(21)		7	4,083
Vehicles	4,608		98	(214)		191	4,683
Computer hardware	45,728		1,613	(2,034)		1	45,308
Other fixed assets	40,453		12,555	(7,249)		512	46,271
Subtotal	438,280		30,264	(11,780)		(9,178)	447,586
Work in progress	15,363		27,375	(522)	131,306	2,126	175,648
Total GROSS VALUE	**2,860,051**		**94,186**	**(47,205)**	**131,306**	**2,710**	**3,041,048**
ACCUMULATED DEPRECIATION							
Buildings	(422,401)	(36,111)	(3,765)	9,421		909	(451,947)
Plant	(180,239)	(18,041)	(140)	4,628		(925)	(194,717)
Machinery	(37,538)	(3,807)	(318)	35		384	(41,244)
Subtotal	(217,777)	(21,848)	(458)	4,663		(541)	(235,961)
Furniture	(215,100)	(19,614)	(5,257)	950		11,793	(227,228)
Tooling	(3,242)	(171)	(32)	22		(6)	(3,429)
Vehicles	(3,436)	(407)	(11)	211		(128)	(3,771)
Comuter hardware	(38,715)	(2,180)	(266)	737		207	(40,217)
Other fixed assets	(12,042)	(7,702)	(2,804)	6,359		(341)	(16,530)
Subtotal	(272,535)	(30,074)	(8,370)	8,279		11,525	(291,175)
Total ACCUMULATED DEPRECIATION	**(912,713)**	**(88,033)**	**(12,593)**	**22,363**		**11,893**	**(979,083)**
NET CARRYING VALUE	**1,947,338**	**(88,033)**	**81,593**	**(24,842)**		**14,603**	**2,061,965**

The main asset addition in 2010 relates to work in progress on two tourist complexes in Brazil and Mexico amounting to €24.0 million. Refurbishment work has been carried out on several Group hotels in Spain, Germany, Mexico and the Dominican Republic amounting to €16.2 million.

Moreover, additions with a carrying value of €10.4 million (cost amounting to €19.2 million less €8.9 million in accumulated depreciation) are included due to the effect of the restatement of the assets located in the Venezuelan companies on the classification of Venezuela as a hyperinflation economy, as explained in Note 3.15.

Fixed asset disposals relate mainly to the sale of two hotels in Spain, resulting in asset write-offs with a carrying value of €17 million (cost of €30.5 million and accumulated depreciation of €13.5 million).

Changes resulting from variations in the consolidation scope included additions to work in progress amounting to €131.3 million in respect of the addition of Adprotel, S.L., as discussed in Note 4.

At the year end, the carrying value of the Group's assets which are being financed through bank leasing contracts amounts to €100 million, of which €70.3 million relates to buildings, €11.8 million to installations, €14.1 million to furnishings and €3.7 million to other fixed assets items. At the year end, the Group has 264 bank leasing contracts with an average maturity of 1.4 years. The 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 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 139.3 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 20 owned properties which are mortgaged in guarantee of various loans. The carrying value of said properties amounts to Euros 571 million (see Note 14.4).

The directors consider that the insurance coverage of the property, plant and equipment is sufficient at December 31, 2010.

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 latent gains on the majority of its properties, supported by independent expert appraisals dated June 30, 2007. On July 18, 2007, the Group provided information on the aforementioned external valuations to the National Securities Market Commission (Comisión Nacional del Mercado de Valores - Communication number 82285). During 2010, selective appraisals were performed and, 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 €)	31/12/2010
Restatement of budgets for 1979	24,848
Restatement 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 the breakdown of these movements in 2009 was the following:

(Thousand €)	BALANCE 31/12/2008	Depreciation 2009	Additions	Disposals	Var. scope	Exchange differences	BALANCE 31/12/2009
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)
Computer 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)**
NET CARRYING VALUE	**2,006,264**	**(89,136)**	**181,148**	**(135,534)**	**(22,038)**	**6,634**	**1,947,338**

Additions of property, plant and equipment included a total of €129.6 million relating to the building and extension of various hotels of the Group in Spain and America, €53.1 million of which was already accounted for as work in progress.

Additionally, net carrying value included €35.8 million (€81.6 million in cost less €45.8 million in accumulated depreciation) as a fixed asset 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.

With respect to disposals, in addition to the €53.1 million transferred from work in progress, mentioned above, €30.3 million was also transferred to inventories of the Vacation Club business.

With respect to asset sales, €38.3 million was derecognised for the sale of two hotels in Spain.

The variations due to a change in the consolidation scope included asset disposals totalling €22 million relating to the change to consolidation under the full consolidation method of Nyesa Meliá Zaragoza, S. L., as discussed in Note 4.

The carrying value of the Group's assets relating to finance leases (bank and non-bank) totalled €270.8 million at the 2009 year end.

There were 17 Group owned buildings that were mortgaged to secure various loans at the year end and their carrying value totalled €421 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 shopping centres in America and other properties in Spain. All valuations have been undertaken as explained in Note 3.4.

(Thousand €)	31/12/2009	Additions	Exchange difference	31/12/2010
Apartaments in Spain	80,480	140		80,620
Shopping centres in America	46,444	6,589	(9,075)	43,958
Other buildings in Spain	10,928			10,928
Total	**137,852**	**6,729**	**(9,075)**	**135,505**

Additions for the year include €0.1 million corresponding to the purchase of various apartments in Spain.

This account also includes additions arising from the adjustment of the fair value of shopping centres totalling € 6.6 million taken to the income statement for the year.

The breakdown of the results generated by 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		6,000	405	6,405
Operating expenses		(2,432)		(2,432)
EBITDA	0	3,569	405	3,973
Amortisation and depreciation				0
Net financial income	13	(354)		(341)
Net income of associates	40			40
Tax		(691)		(691)
Resultado Neto	53	2,524	405	2,982
Net income		(1,034)		(1,034)
Minority interest	**53**	**1,491**	**405**	**1,948**

The contribution of the apartments in Spain relates to dividends collected from companies in which the Group does not have significant influence and the proportion of results for the year of the companies which are carried under the equity method. Said apartments relate to establishments which are managed by the Group generating revenue amounting to €2.8 million.

The contribution of commercial premises in America relates to the part of the income statement of the operating companies relating to said investment properties.

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

For comparison purposes, the breakdown of movements in 2009 is as follows:

(Thousand €)	31/12/2008	Additions	Exchange difference	31/12/2009
Apartments 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 2009 include €0.66 million relating 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.

For comparison purposes, the contribution to results of the investment properties in 2009 is shown in the following table:

(Thousand €)	Apartments in Spain	Shopping Centres in America	Other buildings in 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 Net Income of Group	**(544)**	**1,601**	**402**	**1,459**

In 2009 revenues from the management of the hotel establishments, including the apartments in Spain which are considered to be investment properties amounted to €2.1 million.

10. Other non-current assets

10.1 Available-for-sale financial assets

Set out below, in thousand euros, are the movements in available-for-sale financial assets with the Group:

(Thousand €)	%	Balance 31/12/2009	Additions	Disposals	Balance 31/12/2010
Fundación Empresa y Crecimiento	4.2%	331			331
Horotel, S.A.	12.4%	301			301
Hotelera Sancti Petri, S.A.	19.5%	2,634			2,634
Inversiones Hoteleras Los Cabos	15.0%	3,306			3,306
Inversiones Hoteleras Playa del Duque, S.A.	5.0%	2,682			2,682
Inversiones Turísticas Casas Bellas, S.A.	8.4%	6,520			6,520
Lanzarote 6, S.A.	0.0%	1,982		(1,982)	0
P.T. Surylaya Anindita Internacional	16.5%	9,015			9,015
Port Cambrils Inversions, S.A.	10.0%	980			980
Valle Yamury, S.A.	8.0%	346			346
Plaza Puerta del Mar, S.A.	18.2%	795	1,702	(27)	2,470
O		48			48
Total investment		**28,939**	**1,702**	**(2,009)**	**28,631**
Impairment loss		(3,667)	1,134		(2,533)
Total net carrying value		**25,271**	**2,836**	**(2,009)**	**26,097**

The registered address, activity and accounting data (thousand euros) of the companies in which the Group holds an insignificant interest are as follows:

(Thousand €)	COUNTRY	ACTIVITY	Capital	Reserves	Net income	%	TBV	NBV
Fundación Empresa y Crecimiento (*)	Spain	Foundation	192	1,119		4.19%	55	331
Horotel, S.A. (*)	Spain	Hotel ownership and operation	3,780	(465)		12.40%	411	301
Hotelera Sancti Petri, S.A.	Spain	Hotel ownership and operation	13,510	(1,620)	(5,053)	19.50%	1,333	2,634
I.H. Los Cabos (*)	Mexico	Land ownership	15,155	(1,410)		15.00%	2,062	3,306
Inversiones Hoteleras Playa del Duque, S.A. (*)	Spain	Hotel ownership and operation	2,582	81,238		5.00%	4,191	2,682
Inversiones Turísticas Casas Bellas, S.A. (*)	Spain	Land ownership	77,464	2,682		8.42%	6,748	6,520
P.T. Surylaya Anindita Internacional (*)	Indonesia	Hotel ownership and operation	7,596	(873)	4,420	16.52%	1,841	9,015
Port Cambrils Inversions, S.A. (*)	Spain	Hotel ownership and operation	6,000	598	289	10.00%	689	980
Valle Yamury, S.A. (*)	Spain	Holding	4,329	(1,732)		8.00%	208	346
Plaza Puerta del Mar S.A. (*)	Spain	Hotel ownership and operation	9,000	3,938		18.20%	2,355	2,470
Total			**139,608**	**83,475**	**(344)**		**19,892**	**28,583**

(*) There are no Financial Statements at 31 December 2010 for these companies.

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

For comparison purposes, movements in 2009 were as follows:

(Thousand €)	%	Balance 31/12/2008	Additions	Disposals	Balance 31/12/2009
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
Inversiones Hoteleras Los Cabos	15.0%	3,306			3,306
Inversiones Hoteleras Playa del Duque, S.A.	5.0%	2,682			2,682
Inversiones Turísticas Casas Bellas, S.A.	8.4%	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 Inversions, S.A.	10.0%	980			980
Valle Yamury, S.A.	8.0%	346			346
Plaza Puerta del Mar, S.A.	8.0%	723	72		795
Otros		48			48
Total investment		**28,846**	**93**		**28,939**
Impairment loss		(3,667)			(3,667)
Total net carrying value		**25,179**	**93**		**25,271**

10.2 Investments in associates and joint ventures

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

(Thousand €)	Balance 31/12/2009	2010 net income	Additions	Disposals	Exchange diff.	Balance 31/12/2010
Turismo de Invierno, S.A.	4,810	(26)				4,784
C.P. Meliá Castilla	1,103	(33)		(25)		1,045
C.P.Meliá Costa del Sol	1,361	72				1,433
Aparthotel Bosque, S.A.	1,681	114		(51)		1,744
Nexprom/Promedro (1)	3,507	(11)		(80)		3,416
Hantinsol Resorts, S.A.	16	(0)				16
Nyesa Meliá Zaragoza, S.L. (JV)	(8,350)	(992)	5,730	(40)		(3,652)
Inversiones Hoteleras la Jaquita, S.A. (JV)	9,556	(6,233)	5,269			8,592
Colón Verona, S.A. (JV)	(5,414)	(1,563)		(45)		(7,021)
Travel Dynamic Solutions, S.A. (JV)	(637)	74	1,842			1,279
Altavista Hotelera, S.A.	12,633	(3,211)		(634)		8,788
Mongamenda S.L. (JV)	3,219	(206)				3,013
Tradyso Argentina, S.A. (JV)		1			0	1
Prom. Playa Blanca, S.A. De C.V.	6,702	(596)		(7,507)	1,400	
Inversiones Guiza, S.A.	(2)	(0)			(0)	(2)
Lifestar, Llc. (JV)	1,059	(30)		(1,903)	874	
Hellenic Hotel Management	(76)					(76)
Detur Panamá, S.A.	(1,130)	1,451			(90)	231
El Recreo Plaza, C.A. & CIA C.E.C.			8,470			8,470
El Recreo Plaza, C.A.			446			446
Total	**30,039**	**(11,188)**	**21,757**	**(10,284)**	**2,184**	**32,507**

(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. Noteworthy is the inclusion in the consolidation scope of El Recreo Plaza & CIA CEC and Recreo Plaza CA, as explained in Note 4.

The main disposals for the year also relate to the changes in the consolidation scope explained in Note 4 and specifically, the sale of the Group's interest in Promociones Playa Blanca, S.A. de C.V., and the winding up of Lifestar, LLC.

The aggregate amount of assets, liabilities, revenues and results for 2010 relating to each of the associates and joint ventures included in the consolidation scope and the results attributable to the Group on the basis of the percentage interest held in each, are 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%	38,475	3,899	42,374	22,968	16,582	2,824	42,374	3,278	(126)	(26)
C.P. Meliá Castilla	30.43%	19,288	3,582	22,870	3,476	7,980	11,414	22,870	30,328	(109)	(33)
C.P. Meliá Costa del Sol	19.03%	5,949	4,603	10,552	7,529	945	2,079	10,552	9,851	379	72
Aparthotel Bosque, S.A.	25.00%	5,549	2,252	7,801	6,315	582	903	7,801	4,065	456	114
Nexprom, S.A.	20.01%	19,862	4,186	24,048	17,010	3,481	3,556	24,048	15,406	(45)	(9)
Promedro, S.A.	20.00%	2,224	2	2,227	2,224		3	2,227		(9)	(2)
Hantinsol Resorts, S.A.	33.33%		60	60	47		13	60		(0)	(0)
Nyesa Meliá Zaragoza, S.L. (JV)	50.00%	26,148	111	26,259	(7,481)	31,226	2,514	26,259	4,736	(1,984)	(992)
Inv. Hoteleras la Jaquita, S.A. (JV)	49.07%	189,356	(4,720)	184,636	17,177	106,633	60,826	184,636	24,349	(12,465)	(6,233)
Colon Verona, S.A. (JV)	50.00%	53,056	956	54,012	(14,012)	62,192	5,832	54,012	5,526	(3,125)	(1,563)
Travel Dynamic Solutions, S.A (JV)	49.84%	9,457	48,755	58,212	2,558	3,330	52,323	58,212	16,312	148	74
Altavista Hotelera, S.A.	40.00%	110,456	1,818	112,274	21,970	82,682	7,623	112,274	11,097	(8,028)	(3,211)
Mongamenda, S.L. (JV)	50.00%	22,712	656	23,368	6,027	15,548	1,793	23,368	876	(412)	(206)
Tradyso Argentina S.A. (JV)	50.00%	8	34	42	13	17	12	42	68	1	1
Prom.Playa Blanca S.A. de C.V. (*)	0.00%										(596)
Inversiones Guiza, S.A.	49.85%	3	15	18	(4)	11	11	18	56	(0)	(0)
Lifestar LLC (*)	0.00%										(30)
Hellenic Hotel Management	40.00%	62	(237)	(176)	(190)	12	2	(176)			
Detur Panamá, S.A.	49.93%	11,973	1,358	13,331	463	9,177	3,691	13,331	2,483	2,906	1,451
El Recreo Plaza, C.A. & CIA C.E.C.	20.00%	47,505	253	47,757	44,578	710	2,469	47,757			
El Recreo Plaza, C.A.	20.00%	2,229		2,229	2,229			2,229			
		564,310	**67,584**	**631,894**	**132,897**	**341,109**	**157,887**	**631,894**	**128,433**	**(22,413)**	**(11,188)**

(JV) Joint ventures.
(*) Companies which at the year-and were no longer associates or joint ventures, either due to disposals, dissolution 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.

In 2009 movements in investments in associates were as follows:

(Thousand €)	Balance 31/12/2008	2009 net income	Additions	Disposals	Exchange diff.	Balance 31/12/2009
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. (JV)			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 in the same business line.
(JV) Joint ventures.

Additions and disposals mainly relate to the changes in the Group's consolidation scope, and the adjustments inherent in the accounting consolidation process between Group companies. Noteworthy are the changes in consolidation scope relating to Nyesa Meliá Zaragoza, S.L. and Mongamenda, S.L, as explained in Note 4.

Disposals included those relating to the distribution of dividends of various associates and joint ventures totalling €1.7 million and expenses charged to equity on the valuation of hedging instruments totalling €1.3 million.

Moreover, comparative information of the aggregate amounts of assets, liabilities, revenues and results for 2009 relating to each of the associates and joint ventures included in the consolidation scope and the results attributable to the Group on the basis of the percentage interest held in each of them, is provided below.

(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. (JV)	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-and 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.

10.3 Loans to associates and joint ventures

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

(Thousand €)	31/12/2010	31/12/2009
Nyesa Meliá Zaragoza, S.L. (JV)	4,205	7,449
Inversiones Hoteleras La Jaquita S.A. (JV)		2,756
Colon Verona, S.A. (JV)	29,021	24,439
Travel Dynamic Solutions, S.A. (JV)	3,303	3,880
Altavista Hotelera S.L.	17,692	3,602
Mongamenda, S.L. (JV)	1,603	1,603
Detur Panamá, S.A.	27	669
Total	**55,850**	**44,398**

(JV) Joint ventures.

The main movement for the year relates to the increase in the loan to Altvista Hotelera, S.L. amounting to €14.1 million.

10.4 Other non-current financial assets

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

(Thousand €)	31/12/2010	31/12/2009
Financing of properties	22,032	16,852
Real estate receivables	518	1,156
Other deposits	2,295	1,337
Guarantees	10,784	11,220
Impairment provisions	(3,300)	(4,581)
Total	**32,329**	**25,984**

Financing of properties 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 8.9 million arising from the execution of a pledge granted to Hoteles Nacionales del Este before Banco de Santander Central Hispano 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., the owners of three managed hotels, for a total amount of €3.4 million intended to finance their operations.

- Two loans granted to Aresol Cabos, S.A. and Líder Management Deportivo S.L, amounting to €5.7 million and €3.8 million, respectively, aimed at financing their business operations.

The amount of real estate receivables 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 rent 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 nominal value and not at present value.

11. Current assets

11.1 Inventories

(Thousand €)	31/12/2010	31/12/2009
Goods for resale	207	955
Food and beverages	7,225	7,172
Fuel	721	569
Spare parts and maintenance	2,961	2,684
Ancillary materials	4,532	4,609
Office materials	1,382	1,566
Hotel Business	**17,028**	**17,556**
Vacation Club Business	**63,281**	**56,384**
Real Estate Business	**5,842**	**4,011**
Advances to suppliers	**3,961**	**1,108**
Total	**90,112**	**79,058**

The Group does not have firm purchase or sale commitments and there are no limitations on inventories availability. The supplier accounting for the greatest volume of raw material purchases totalling €12.86 million is Carma SXXI, S.A., a related company. In 2009 purchases from Carma S.XXI, S.A. amounted to €12.92 million.

The real estate assets caption includes a balance of €4.1 million relating to Desarrollos Sol, S.A. with respect to a significant real estate development in the Dominican Republic which is in the process of being sold.

Movements in inventories in 2010 in the Vacation Club business include additions in respect of units purchased in Spain amounting to €8.6 million.

11.2 Trade and other receivables

The breakdown of the trade receivable balance by business line at the year end is as follows:

(Thousand €)	31/12/2010	31/12/2009
Management services	30,294	23,045
Hotel	84,024	72,035
Real Estate	4,114	5,083
Vacation Club	24,588	16,556
Other operating activities	3,611	5,337
Total profit	**146,631**	**122,055**

The Group has agreements in place for the assignment of the hotel business customer portfolio, through which part of the hotel units' trade receivables, which are transferred on a regular basis, are collected in advance. At December 31, 2010 the total portfolio assigned in this respect amounts to €4.9 million, €3.7 million of which has been collected in advance. At December 31, 2009, these balances totalled €44.4 million and €15.6 million, respectively.

At December 31, 2010, the Group also assigns receivables relating to the sale of vacation club units, amounting to €157 million, through agreements without recourse with banking institutions. In 2009 the balance amounted to €171 million.

Set out below are the main assignment operations relating to sales of vacation club units:

- On June 30, 2008, Sol Meliá, S.A subscribed a receivable assignment agreement in favour of Banco Bilbao Vizcaya Argentaria, S.A. with regard to Sol Meliá Funding, S.A. and Sol Meliá Vacation Club España S.L. The limit of this factoring transaction is €120 million. The price of the assignment is fixed on the basis of the nominal value of the receivables assigned, applying a variable monthly reviewable rate which is linked to LIBOR (for receivables in dollars) or to EURIBOR (for receivables in euro) plus a market spread, settled by the bank on a monthly basis until December 2020.

- On November 6, 2009, Sol Meliá, S.A subscribed a new receivable assignment agreement in favour of Bancaja for the receivables 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. At the 2010 year end the balance outstanding amounts to USD 22.3 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 above assignments of receivables are considered to be without recourse, the relevant customer balances are written off once they have been assigned.

At December 31, 2010, the provision for bad debts amounts to €39.2 million. At December 31, 2009, the balance amounted to €34.4 million.

11.3 Receivables with associates and joint ventures

The breakdown of the short-term receivables balance with associates and joint ventures is as follows:

(Thousand €)	31/12/2010	31/12/2009
Altavista Hotelera, S.A.		1,804
Apartotel Bosque, S.A.	310	205
Colón Verona, S.A. (JV)	1,093	1,780
Comunidad de Propietarios Meliá Castilla	2,220	2,678
Comunidad de Propietarios Meliá Costa del Sol	370	238
Detur Panamá, S.A.	3,897	2,905
Inversiones Hoteleras La Jaquita, S.A. (JV)	32,820	4,919
Nexprom, S.A.	404	371
Nyesa Meliá Zaragoza, S.L. (JV)		143
Promociones Playa Blanca S.A. de C.V.		6,899
Travel Dynamic Solutions, S.A. (JV)	3,940	4,897
Turismo de Invierno, S.A.	175	144
Others	117	218
Total	**45,347**	**27,200**

(JV) Joint ventures.

These balances mainly include commercial operations associated with the management of the hotels owned by associates and joint ventures.

With respect to the main movements for the year, noteworthy is an addition of €27.9 million with Inversiones Hoteleras La Jaquita, S.A., to finance its business operations and the write-off of €6.9 million relating to Promociones Playa Blanca, S.A. de C.V., due to its deconsolidation as indicated in Note 4.

11.4 Other current financial assets

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

(Thousand €)	31/12/2010	31/12/2009
Prepayments	4,451	5,896
Securities portfolio	773	105
Loans to third parties	1,203	1,147
Current accounts	17,959	1,052
Debtors	11,317	12,166
Doubtful debts	48	1,007
Trade bills receivable	2,703	2,715
Guarantee deposits	2,409	2,515
Tax payable	14,778	19,390
Purchase input VAT	8,258	6,433
Withholding and payments on accounts	335	252
Loans to personnel	710	673
Others	569	103
Total	**65,513**	**53,455**

11.5 Cash and other cash equivalents

(Thousand €)	31/12/2010	31/12/2009
Cash	193,985	145,137
Other cash equivalents	268,526	278,850
Total	**462,511**	**423,987**

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.

The main balances making up the Group’s treasury, on the basis of the currency in which they are denominated, are in US dollars, Euro, Venezuelan bolivars and GB pounds.

12. Equity

12.1 Share capital

At December 31, 2010 and 2009 Sol Meliá, S.A.'s share capital consists of 184,776,777 fully subscribed and paid up shares with a par value of €0.2 each.

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

At the Ordinary and Extraordinary General Shareholders' Meeting held on June 3, 2008, the Company Directors were authorised to agree an increase of up to eighteen million four hundred and seventy seven thousand six hundred and seventy seven euro (€ 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, 2010 the percentage of voting rights held by the main shareholders with direct or indirect ownership interests in Sol Meliá, S.A. are as follows:

Shareholder	Shareholding %
Hoteles Mallorquines Consolidados, S.A.	28.072%
Hoteles Mallorquines Asociados, S.L.	16.416%
Hoteles Mallorquines Agrupados, S.L.	12.334%
Majorcan Hotels Luxembourg, S.A.R.L.	6.247%
Caja de Ahorros del Mediterráneo, S.A.	6.007%
Others	30.923%
Total	**100.00%**

On the basis of the information set out in the table above, it may be inferred that Mr. Gabriel Escarrer Julià is the controlling shareholder of the Group.

12.2 Reserves of the Parent Company

Share Premium

The decrease in the share premium reserve is due to the transfer of part of such reserve to the reserve for own treasury shares.

Legal reserves

Sol Meliá, S.A. and those subsidiaries incorporated according to Spanish legislation have the obligation to transfer 10% of profits for the year to the legal reserve until the balance of this reserve is equal to 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 Legislative Royal Decree 7/1996

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 €)	31/12/2010	31/12/2009
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 under the parent company's commitment to invest in new fixed assets in the Canary Islands, within three years, an amount equivalent to the balance of the Canary Island Investment reserve Law 19/94.

12.3 Reserves in fully consolidated companies

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

In 2010 the main movement recorded under this caption mainly relates to the distribution of 2009 results, for an amount of €92.1 million. It also includes an increase of €19 million for the restatement of the balance sheets of Venezuelan companies, as this country is classified as having a hyperinflationary economy, as per IAS 29, as indicated in Note 3.15.

There are disposals amounting to €87.7 million relating to transfers to other equity accounts, for business combinations, acquisitions or sale of minority interests and distributions of dividends.

In 2009 movements in fully consolidated companies were largely attributable, as in 2010, to the distribution of profits for the year and the restatement of the balance sheets of Venezuelan companies amounting to €92.3 and €36.9 million, respectively.

12.4 Reserves in associates and joint ventures

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

Movements for the year relate basically to the inclusion of the previous year's results totalling a negative amount of €12.8 million and to a lesser extent, transfers to other equity items amounting to €1.9 million, including business combinations, acquisitions or disposals of minority interests and the distribution of dividends.

In 2009 the main variations related largely to the inclusion of results for the preceding year for a negative amount of €6.6 million, and transfers of reserves arising from the consolidation process for a negative amount of €10.6 million.

12.5 Translation differences

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

(Thousand €)	31/12/2010	31/12/2009
Venezuelan Bolivar	(98,009)	(26,565)
Costa Rican Columbus	132	(3)
Morrocan Dinar	53	53
Tunisian Dinar	590	470
USD	21,245	(2,328)
Singapore Dollar	51	3
Swiss Franc	11,058	2,330
Croatian Crown	(241)	(172)
GBP	(13,300)	(15,116)
Turkish Lira	218	238
Colombian Peso	18	29
Dominican Peso	(41,065)	(50,480)
Mexican Peso	(41,602)	(74,375)
Guatemalan Quetzal	6	8
Brzilian Real	1,215	(129)
Chinese Renminmbi Yuan	(143)	(1)
Indonesian Rupee	(137)	(165)
Peruvian Sol	1,035	(64)
Uruguayan Peso	24	0
Argentinian Peso	(114)	0
Total	**(158,967)**	**(166,269)**

Of total exchange differences recognised in the Group's equity, €158.1 million relates to fully consolidated companies and €0.9 million to equity method companies. In 2009 the figures were €159.8 million and €6.5 million, respectively.

The main variation arising in translation differences in associates is largely due to the sale of the interest in the Mexican company Promociones Playa Blanca, S.A. de C.V.

As a result of having considered certain financing transactions with subsidiaries abroad as an increase in the value of the investment, this account reflects a total of €6.2 million in exchange gains while in 2009 the balance amounted to €8.9 million.

12.6 Treasury shares

The breakdown and movements in treasury shares are as follows:

(Thousand €)	Shares	Average price €	Balance
Balance at 31/12/2009	**12,598,094**	**8.38**	**105,623**
Additions 2010	968,450	6.41	6,204
Disposals 2010	(1,357,969)	6.53	(8,867)
Balance at 31/12/2010	**12,208,575**	**8.43**	**102,959**

At December 31, 2010, the treasury shares balance includes 5 million shares relating to a financial instrument (see Note 14.10) and 4.25 million shares relating to a securities loan with Deutsche Bank (see Note 14.1) in addition to the 2,958,575 shares deposited in diverse securities accounts. Furthermore, this does not include 2.9 million shares which the Company has taken by way of loan with the controlling shareholder. With all the above taken into account, the total number of shares held by the Company stands at 5,858,575.

At 31 December 2010 total treasury shares held by the company represent 3.17% of capital. At the 2009 year end they represented 4.11%. In any event, treasury shares will not exceed the 10% limit established in the Spanish Companies Act 2010.

The price of Sol Meliá, S.A.'s shares at the year end is €6.95. At the 2009 year end the share price amounted to €5.9.

For comparison purposes, the movements in 2009 are shown below:

(Thousand €)	Shares	Average price €	Balance
Balance at 31/12/2008	**12,152,868**	**8.46**	**102,759**
Additions 2009	1,737,542	5.34	9,275
Dispoals 2009	(1,292,316)	4.96	(6,412)
Balance at 31/12/2009	**12,598,094**	**8.38**	**105,623**

13. Minority interest

This heading reflects the equity interest relating to minority shareholders, including the corresponding portion of results.

The variation in 2010 was mainly due to transfers to other equity headings in respect of dividends and interest adjustments amounting to €2.8 million.

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

14. Financial liabilities

14.1 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:

Issue amount	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

This transaction was classified as a compound liability and equity instrument where the equity component at the time of issue was valued at €33.9 million. At the 2010 year end there are no variations in the valuation of this component of the compound instrument.

At the 2010 and 2009 year end liability balances are:

(Thousand €)	2010			2009		
	Short term	Long term	Total	Short term	Long term	Total
Convertible debentures	384	168,847	169,230	384	162,690	163,074
Total debit	**384**	**168,847**	**169,230**	**384**	**162,690**	**163,074**

Sol Meliá, S.A. has entered into a security loan agreement with Deutsche Bank AG of up to 10 million in treasury shares maturing on 9 January 2015, of which Deutsche Bank has used 4.25 million shares at December 31, 2010. This loan bears interest at 0.6%.

In order to complete the number of securities lent to Deutsche Bank AG, Sol Meliá, S.A. has entered into a securities loan agreement with the controlling shareholder under which that shareholder has lent 2.9 million shares in Sol Meliá, S.A. This loan bears interest at 0.6%.

14.2 Preference shares

Sol Meliá Finance, Ltd. issued preference shares, according to the Prospectus filed with the National Securities Market Commission (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 (Effective annual rate 8.03%)
Step-up (as from 2012)	Variable (Euribor 3m + 5% min. of 12.30%)
Date of issue	01.April.2002
Date of maturity	Issuer has cancellation option at 10 years
Corporate rating	BBB by S&P and BBB+ by Fitch Ibca.
Market price	AIAF
Placer and insurer	BBVA, S.A.

The balance at 31 December 2010 is as follows:

Net restated value at 31.12.10	105,508,342 €
Execution expenses	-538,973 €
Total L/T	**104,969,369** €

For comparative purposes, the balance at 31 December 2009 was as follows:

Net restated value at 31.12.2009	104,570,954 €
Execution expenses	-897,585 €
Total L/T	**103,673,369** €

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

14.3 Derivative financial instruments

At 2010 and 2009 year-end closing, the fair value by maturities of the derivative financial instruments recorded by the Group are the following:

(Thousand €)	2010			2009		
	Short term	Long term	Total	Short term	Long term	Total
Hedging derivative assets		1,419	1,419			0
Hedging derivative liabilities	352	8,061	8,413	1,755	5,791	7,546

As part of the interest rate risk management policies (16.1), the Company has contracted in 2010 several 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 are recorded under Bank loans and credit facilities. 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 2010 the positive impact on net equity of these derivative financial instruments, after charging the part relating to the hedged item to the income statement not taking into account the tax impact, has totalled €0.6 million. In 2009 the tax impact amounted to €5.1 million.

These fair values have been estimated using a cash flow discount valuation method, based on the implicit values determined by the interest rate chart in line with the market conditions at the valuation date. These valuations have been carried out by independent experts.

14.4 Bank loans and bank loans for finance leases

At December 31, 2010 and 2009, the balances held by the Group with bank entities, classified by nature and maturity, are the following:

(Thousand €)	2010			2009		
	Short term	Long term	Total	Short term	Long term	Total
Bank loans	139,191	489,823	629,014	139,331	506,978	646,309
Mortgage-backed loans	22,717	230,320	253,037	22,900	190,080	212,979
Credit facilities	180,493	15,115	195,608	65,821		65,821
Leases	18,549	22,416	40,965	28,085	36,827	64,912
Interest	9,681	7,591	17,272	7,763	10,230	17,993
Discounted promissory notes			0	1,802		1,802
Total bank debt	**370,632**	**765,265**	**1,135,897**	**265,701**	**744,114**	**1,009,816**

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

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

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

TYPE OF LOAN	AMOUNT	MATURITY
Syndicated (27 entities)	Euros 90 million	2014
Syndicated (14 entities)	Euros 150 million	2014
Club Deal (6 entities)	Euros 95 million	2014
Corporate guarantee	Euros 49 million	2011
Corporate guarantee	Euros 80 million	2013
Corporate guarantee	Euros 52.5 million	2014
Mortgage-backed loan	Euros 48.5 million	2026

The total credit facilities drawn down amount to €195.6 million, leaving an additional balance undrawn at the 2010 year end of €52.4 million. In 2009 the credit facilities drawn down totalled €65.8 million, with an additional undrawn balance of €154.7 million.

The increases in bank debt for the year owing to new financing amount to €323.2 million, as indicated in the statement of cash flows. In 2009 the amount involved totalled €300.2 million.

The Group's mortgage loans relate to guarantees on 20 hotels, the carrying value of which amounts to a total of €571 million, as indicated in Note 8.

The breakdown of maturities is as follows:

	2011	2012	2013	2014	2015	> 5 years	TOTAL
Bank loans	139,191	46,881	263,991	166,669	6,243	6,039	629,014
Mortgage-backed loans	22,717	17,906	19,218	19,439	19,763	153,994	253,037
Credit facilities	180,493	15,115	0	0	0	0	195,608
Leases	18,549	12,697	5,812	3,907	0	0	40,965
Interest	9,681	2,106	1,682	1,342	1,012	1,449	17,272
	370,632	**94,706**	**290,704**	**191,356**	**27,018**	**161,481**	**1,135,897**

14.5 Other finance lease payables

The Sol Meliá Group operates 83 hotels on a rental basis, 17 of which have been classified as finance leases in accordance with IAS 17, paragraph 10.c), which states that a lease is classified as a finance lease when the lease term is for most of the asset's economic life (even if ownership of the asset is not transferred at the end of the lease term).

The 17 hotels classified as finance leases derive from contracts signed in 1999, with 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 2010 of the financial expenses related to this financial lease is €11.9 million and is classified under "Other financial expenses" on the income statement. In 2009 the effect on net income was €11.8 million.

The minimum financial lease payments at the 2010 year end amount to €671.3 million, relating to 63 annual payments, the present value of which, applying a rate of 6.5%, is €160.8 million. This amount is recorded on 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	617,984	671,258
Current value of minimum finance lease payments	10,005	34,274	116,541	160,820

The present value of the minimum finance lease payments includes the present value of the interest on the finance leases that will accrue in 2011 totalling €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, 2010, based on nominal values by maturity:

(Thousand €)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	TOTAL
Preference shares	0	0	106,886	0	106,886
Convertible bonds	0	0	200,000	0	200,000
Loans and facilities	99,559	245,551	602,508	139,221	1,086,839
Leases	7,412	12,072	23,515	0	42,999
	106,971	**257,623**	**932,909**	**139,221**	**1,436,725**

The maturities of the financial liabilities included in "Other financial lease payables", 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 the liabilities acquired at December 31, 2010.

The average interest rate accrued by these financial liabilities during the year, excluding Swap transactions, is 3.92% (in 2009, 3.84%).

14.7 Due to associates and joint ventures

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

(Thousand €)	31/12/2010	31/12/2009
Travel Dynamic Solutions, S.A. (JV)	20,024	21,345
Detur Panama, S.A.	30	162
C.P. Meliá Castilla	83	53
Inversiones Hoteleras La Jaquita (JV)	20,433	6,101
Aparthotel Bosque, S.A.	5	1,011
Altavista Hotelera, S.L.	631	632
Other associates	230	150
Total	**41,436**	**29,454**

(JV) Joint ventures.

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

The main variations during the year are due to a purchase-sales operation with Inversiones Hoteleras La Jaquita, S.A.

14.8 Trade payables

The balance in this heading 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 €141.7 million (at the previous year end, €130.9 million).

Prepayments from customers, which at the 2010 year end amount to €29.4 million, are also included in this account (2009: €26.6 million).

The balance payable to suppliers and creditors of the Group's parent company and its Spanish subsidiaries which at year end reflect a deferral of more than the 85 day legal payment period, according to current Spanish legislation (Law 15/2010, amending Law 3/2004 of 29 December, establishing measures against doubtful on trade operations) amount to €4.3 million.

14.9 Other non-current financial liabilities

This caption includes:

(Thousand €)	31/12/2010	31/12/2009
Fixed asset suppliers	3,741	3,546
Non-bank loans	3,026	4,368
Trade bills payable	2,404	4,357
Guarantees received	1,288	969
Other payables	541	615
Total	**11,001**	**13,856**

14.10 Other current liabilities

The details of the main items recorded in this caption are as follows:

(Thousand €)	31/12/2010	31/12/2009
Third party payables	99,305	107,320
Tax payable	44,497	20,811
Accrued wages and salaries	37,944	32,507
Prepayments and Accruals	16,574	12,461
Sales output VAT	10,823	12,750
Social Security	6,699	7,075
Fixed asset suppliers	5,840	3,869
Trade bills payable	4,243	5,504
Deposits and guarantees received	2,303	1,778
Outstanding dividend payable	345	322
Other liabilities	0	17
Total	**228,574**	**204,414**

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

This financial instrument has been reclassified to Third party payables, and the Company is committed to physically settling it through the purchase at maturity of the underlying asset. On December 22, 2010, a novation contract was signed, amending the maturity date to February 23, 2011.

15. Other liabilities

15.1 Capital grants and other deferred income

The details of these balances are as follows:

(Thousand €)	31/12/2010	31/12/2009
Capital grants	2,408	2,598
Deferred income from customery loyalty prog.	11,590	13,803
Total	**13,999**	**16,401**

Capital grants basically relate to grants used to finance property, plant and equipment purchases. In 2010, the total amount recorded in the Income Statement for this item is €202 thousand. In 2009, income from grants amounted to €108 thousand.

Deferred income reflects the fair value assigned to points obtained by customers on the Company's loyalty programmes amounting to €11.6 million, under IFRIC 13.

15.2 Provisions

The balance sheet shows an amount of €30.6 million in non-current liabilities in respect of 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 against 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 lawsuits and possible liabilities deriving from the possible different interpretations that may be afforded to prevailing legal regulations.

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

(Thousand €)	31/12/2009	Additions	Disposals	Variations in scope	31/12/2010
Provision for retirement and seniority bonuses and personnel obligations	6,721	81	(1,098)		5,703
Provision for taxes	7,835	703			8,538
Provision for onerous contracts	3,664	4,831			8,495
Provision for liabilities	5,661	2,177			7,837
Total	**23,881**	**7,791**	**(1,098)**	**0**	**30,574**

Each year end, an actuarial study is undertaken to assess the past services corresponding to commitments established in supra-enterprise collective agreements. Said services have been estimated at €9.7 million for 2010, Euros 2.1 million of which has been charged to results. In 2009, the total amount accrued was €9.4 million, €2.8 million of which was charged to results.

In addition, said commitments have been externalised in order to comply with current legislation. In 2010, the balance for this item totalled €4 million, showing liabilities for its net amount. At the 2009 year end the balance externalised for this item amounted to €2.6 million.

These commitments were assessed in accordance with the actuarial assumptions contained in the specific turnover model of Sol Meliá, S.A. 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 4.78% and salary increases of 1.00% plus the assumption of foreseeable turnover of between 3.09% and 8.58% of employees with an average retirement age of 64 years.

During the year, the net amount applied and updated in respect of the provision for onerous contracts according to the established financial plan totals €4.8 million. Said provision covers the difference between the committed disbursements and the expected cash flows of 1 hotel in Italy and 4 hotels in Spain. In 2009, the net amount applied in this respect was €2.9 million.

Additions to provisions for liabilities mainly relate to expenses in respect of claims and litigations amounting to €2 million. In 2009, disposals of this provision were mainly due to the transfer of €12.6 million to Capital grants and other deferred income. This amount related 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 are treated as deferred income and not provisions (see Note 15.1).

For comparison purposes, set out below is the breakdown of this balance by nature at the 2009 year end:

(Thousand €)	31/12/2008	Additions	Disposals	Variations in scope	31/12/2009
Provision for retirement and seniority bonuses and personnel obligations	6,224	818	(319)	(3)	6,721
Provision for tax	7,984	1,436	(1,585)		7,835
Provisión 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**

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 consolidated annual accounts.

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

16.1 Interest rate risk

The Group's consolidated annual accounts present certain items subject to fixed and variable interest. The structure of the debt at December 31, 2010 is as follows (these amounts do not include interest payable):

(Thousand €)	Fixed interest	Floating interest	TOTAL
Preference shares	104,969		104,969
Convertible bonds	168,847		168,847
Bank loans	377,446	251,568	629,014
Mortgage-backed loans	147,057	105,980	253,037
Credit facilities		195,608	195,608
Leases	14,624	26,342	40,965
Total debt	**812,942**	**579,498**	**1,392,441**

The floating interest rate debt is basically referenced to the Euribor, USD Libor and GBP Libor rates.

At December 31, 2010, the Group has various interest rate swaps contracted, the notional value of which is €458.8 million, considered as cash flow hedging instruments, as explained in Note 14.3. At the 2009 year end the notional value of the swaps contracted was €302.9 million.

The information for 2009 is presented for comparative purposes:

(Thousand €)	Fixed interest	Floating interest	TOTAL
Preference shares	103,673		103,673
Convertible bonds	162,690		162,690
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	**662,259**	**595,926**	**1,258,186**

The sensitivity of 2010 and 2009 profits to changes (in base points) in interest rates, in thousand euro, is as follows:

% Variation	2010	2009
+ 25	(1,457)	(2,267)
- 25	1,457	2,267

This sensitivity analysis has been carried out considering an average increase/decrease throughout the year in the base points indicated in the table. The effect of the interest rate swaps mentioned in Note 14.3 has been taken into account in this calculation.

16.2 Foreign exchange risk

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

The following items could be affected by foreign exchange risks:

- Debt denominated in currencies other than the local or functional currency of the Sol Meliá Group.
- 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 on 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 subsidiaries 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 on its assets and liabilities denominated in foreign currency, with the aim of mitigating this potential risk.

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

The transactions of reference are the following:

(Thousand €)	2010 currencies		2009 currencies	
	GBP	UDS	GBP	UDS
Operating revenues	28,750	319,442	25,501	311,020
Operating expenses	(17,421)	(257,682)	(14,965)	(241,427)
Amortisation and depreciation	(2,056)	(26,818)	(3,630)	(25,440)
Net financial income	(685)	(639)	(243)	332
Profit before tax	**8,588**	**34,302**	**6,663**	**44,484**

The sensitivity of the profit 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 euro, of results before taxes to changes in the GBP/euro exchange rate:**

% Variation	2010	2009
+10%	859	666
+5%	429	333
-5%	(429)	(333)
-10%	(859)	(666)

2. **Sensitivity, in thousand euro, of results before taxes to changes in the USD/euro exchange rate:**

% Variation	2010	2009
+10%	3,430	4,448
+5%	1,715	2,224
-5%	(1,715)	(2,224)
-10%	(3,430)	(4,448)

94% of the Group's financial debt is denominated in euro and, therefore, the effect of exchange rate shifts 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 financing needs required for the adequate development of the 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 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, as in 2010.

On the other hand, in order to maintain adequate liquidity, the investments planned by the Group for 2011 do not exceed the figure of €90 million, as indicated in Note 17.

16.4 Credit risk

The credit risk arising from default of the counterparty (customer, supplier, or financial entity) is mitigated by the Group's policies regarding the diversification of customer portfolios, feeder markets, oversight of concentration and on-going in-depth debt control. 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 57 and 62 days in 2010 and 2009, respectively. The debt seniority profile at the year end is as follows:

(Thousand €)	2010	%	2009	%
Less than 90 days	119,849	84%	84,773	72%
Between 90 and 180	17,794	12%	22,875	20%
Between 180 and 360	4,875	3%	9,324	8%
Total	**142,518**	**100%**	**116,972**	**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 collection/payment schedule. A provision is booked for the receivables with balances that 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.A.'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, in order to maintain its liquidity and solvency position at the 2010 year end an optimum financial situation.

In terms of liquidity, the Group has an amount of €462.5 million in cash and short-term deposits, which means it can meet its payment commitments entered into for future years.

The financial position is also underpinned by the solid support given by the relation banks and Company's assets base. At present, only 17.17% of the debt total (16.65% at the 2009 year end) is secured 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 2011, the total investment will be under €90 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 legislation and maintaining brand equity.

Expansion will be focused on low capital developments, i.e., management and franchising, and to a lesser extent, rentals.

In 2009 and 2010, by leveraging the fact that the interest rate curve was at historically minimum levels, the Group changed its debt structure by increasing the fixed rate part, as indicated in Note 16.1.

18. Tax situation

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

18.1 Years open to inspection

In accordance with legal regulations, 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 located in countries where the Group presence is relevant 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	2006-2009		2007-2010	2007-2010	2007-2010		
France	2007-2009			2008-2010			
England	2004-2009		2005-2010	2005-2010			
Italy	2004-2009		2005-2010	2005-2010		2004-2009	
Germany	2000-2009		2001-2010	2001-2010			
Croatia	2005-2009		2006-2010	2006-2010			
Holland	2006-2009		2006-2010	2006-2010			
USA	2007-2009						
Mexico	2005-2009	2005-2007		2006-2010			
Dominican Republic	2007-2009			2008-2010			
Venezuela	2005-2009		2006-2010	2006-2010			
Brazil	2005-2009		2006-2010				2006-2010

The fiscal years open to inspection for some of the companies in those countries differ from those shown in the table above, because for certain taxes, some of them have already been inspected or are still being inspected. These companies are the following:

England:	Lomondo Ltd. is open for inspection for 2007, 2008, 2009 and 2010 for payroll tax.
Mexico:	Cala Formentor, S.A. de C.V. is open to inspection for 2001 and 2002 for I.M.P.A.C.

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 Sheet		Income Statement	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009
Non-current deferred tax asset is as follows:				
Capitalised tax credits		16,133	(6,340)	(465)
Credits for capitalised tax losses		18,868	(3,462)	(607)
Temporary differences for:				
Tax value of Tryp goodwill	36,560	36,560		
Interest SWAP	2,516	2,235		
Reversal of adjusments for inflation in non-inflationary countries	10,271	7,615	(1,664)	(930)
Provisions that are tax deductible at the time of payment or when the liability is generated	18,358	16,604	(1,236)	(131)
Different criteria for tax and accounting amortisation	79	21	277	24
Reversal of capital gain from sale of a hotel between group companies	13,923	13,100	(1,147)	1,375
Other	167	665	(142)	(120)
Total	**126,578**	**111,801**		
Non-current deferred tax liability is as follows:				
Fair values in business combinations	20,671	20,943	(386)	(3,567)
Finance lease operations	43,469	47,891	(4,343)	(2,223)
Restatement and revaluation of land	43,614	41,899	2,133	(963)
Non-operating assets (investment property)	25,481	26,696	2,560	2,626
Difference in acccounting criteria between chart of accounts and IFRS - deferred income	3,167			
Differences in accounting and fiscal asset value in England	241	362	(137)	(699)
Revaluation and restatement of fixed assets (excluding land)	29,493	24,868	623	106
Accounting revaluation for merger	5,313	5,395	(82)	(117)
Sales under reinvestment deferral	6,096	6,260	(164)	(164)
Others	2,376	2,016	(352)	1,144
Total	**179,921**	**176,330**		
Total impact of deferred tax expense (income)			**(13,862)**	**(4,711)**

The balance of the variation of the amount of deferred tax liabilities, which has an effect on the Group's equity, amounts to €1.7 million, as indicated in the consolidated statement of changes in equity.

Deferred tax assets and liabilities are calculated considering the future amendments to the tax charges already approved in all geographical areas. In 2010 there were no impacts in the income statement in respect of this item.

18.3 Group tax losses

Tax losses to be offset, broken down by geographical area, are shown below:

(Thousand €)	2011	2012-2016	2017-2023	YEARS BEYOND	TOTAL 31/12/2010	TOTAL 31/12/2009
Spain	0	1	350,287	33,034	383,322	384,563
Europe	5,774	43,519	6,478	11,768	67,539	71,058
America and the rest of the world	524	16,843	34,837	17,979	70,183	56,066
Total	**6,298**	**60,363**	**391,602**	**62,781**	**521,044**	**511,687**

Within "Rest of Europe", noteworthy is the situation of the Netherlands (€37.8 million), Germany (€11.6 million) and Italy (12.1 million), as well as the situation of Mexico (€49.5 million) and Brazil (€16.8 million) within America.

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

Tax losses for which deferred tax assets have been recognised amount to €55.3 million in Spain, €14.8 million in the rest of Europe and €10.2 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, causing a tax benefit of €0.6 million. This benefit relates almost in full to America and the rest of the world.

With regard to the provisions for financial investments pending integration, it should be observed that the total amount is €46.9 million, which will be reversed through the tax base of Sol Meliá, S.A. provided that said investments generate enough profits to allow the discounting of said provisions.

18.4 Group's tax credits

The Group's available tax credits are detailed, by geographical areas, below:

(Thousand €)	2011	2012-2016	2017-2023	YEARS BEYOND	TOTAL 31/12/2010	TOTAL 31/12/2009
Spain	1,493	22,148	10,973	0	34,614	44,154
America and the rest of the world	1,453	11,290	8,428	3,477	24,648	14,920
Total	**2,946**	**33,438**	**19,401**	**3,477**	**59,262**	**59,074**

Accumulated tax credits at year end in America and rest of the world relate to Mexico and Venezuela and amount to €21.1 million and €3.5 million, respectively.

Deferred tax assets have been recognised in Spain amounting to €9.5 million, €9.1 million in Mexico and €3.5 million in Venezuela.

Tax credits which have been applied in the year had not been fully capitalised in prior years, generating a tax benefit of €1.5 million. This relates in full to Spain.

Tax credits in Spanish companies are set out in the following tables:

The breakdown of available tax deductions for export activities available for offset in Sol Meliá, S.A. as of December 31, 2010 is the following:

Year	Amount deduction	Year Maturity
2001	1,493	2011
2002	241	2012
2003	306	2013
2004	316	2014
2005	269	2015
2006	317	2016
2007	157	2017
2008	214	2018
2009	246	2019
2010	79	2020
Total	**3,638**	

This tax deduction have been partially capitalised for a total amount of €1.6 million, following the criteria indicated in Note 3.13.

The tax deductions for donations and gifts total €0.2 million. These deductions have been partially capitalised in the amount of €0.01 million.

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

Year	Amount sale	Profit on sale	To be reinvested	Year of Reinv.	Reinvested	Pending reinvestment	Year Mat.	Reinvestment deduction	Deductions applied	Pending applicat.	Year Mat.
2003	22,399	16,570	22,399	2003	22,399	-	2006	3,314	3,303	11	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	536		536	2018
2009					33,959	-					
2010	2,073	564	2,073	2009	25,129		2012	26		26	2020
Total	**301,558**	**176,911**	**301,558**		**454,662**	**65,841**		**31,480**	**3,303**	**28,177**	

Sol Meliá, S.A. has reinvested sales proceeds in new fixed assets for the refurbishment and renovation of hotels. Said tax deductions have been partially capitalised for a total amount of €7.8 million, following the criteria indicated in Note 3.13.

With regard to the reinvestment regime, the profits arising from the sale are included in the tax base on the basis of the depreciation period. For this purpose, a deferred tax liability has been recorded. The amount pending inclusion in the tax base is €20.3 million and will be included 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 €0.8 million. These deductions may be used until 2015 to 2020.

As of December 31, 2009 the Group has deductions available for new fixed assets in the Canary Islands, in accordance with Article 94 of the Corporate Income Tax Act, Law 20/91, totalling €1.8 million, of which €1 million prescribes in 2012 and €0.8 million in 2013. No deductions for investments in new fixed assets in the Canary Islands have been applied in 2010.

The Group is committed to undertaking investments in new fixed assets located in the Canary Islands during the next few years in accordance with Law 19/94 on Investments in the Canary Islands. The amount committed pending investment amounts to €3.7 million. Investments must be made by 2011.

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

In motel 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 tax base

(Thousand €)	31/12/2010	31/12/2009
Consolidated net income	51,996	43,507
Dividends from subsidiaries	95,595	104,454
Net income from companies consolidated by equity accounting	11,188	12,797
Translation difference on group operations	6,075	8,888
Recognition of net income of subsidiaires last year	205	(889)
Net income of business combinations	0	231
Participation method company portfolio	0	14
Capital gains from sales of intercompany fixed assets	0	(7,883)
Net income of companies before change in scope	(3,710)	1,369
Removal companies from scope	(10,101)	2,746
AGGREGATE NET INCOME	**151,249**	**165,234**
Adustments to accounting profit for tax adjustments		
Inflation adjustments	19,330	(15,829)
Finance lease operations	17,314	9,642
Non-deductibel expenses / income	13,365	8,923
Canary Islands investment reserve	7,698	0
Corporate income tax	5,687	10,933
Pension commitments	2,866	2,143
Corrections for tax accounting differences	572	(3,358)
Deferral for reinvestment	545	545
Tax effect for application of new chart of accounts	501	501
Amortization of leaseholds	269	275
Attributes and transparence	123	1,715
Others	(334)	(218)
Provisions	(933)	(8,266)
Exchange differences	(2,833)	(11,259)
Amortization of goodwill	(11,990)	(11,990)
Reversal of IAS adjustments	(19,868)	(13,893)
Dividends from subsidiaries	(91,104)	(98,745)
PREVIOUS TAXABLE INCOME	**92,457**	**36,353**
Offset of tax loss carryforwards	(8,812)	(7,717)
TAXABLE INCOME (AGGREGATE TAX PROFIT)	**83,645**	**28,636**

The difference between theoretical tax payable, which results from applying the tax rate corresponding to the parent company to results before taxes, and the income tax expense for the year mainly arises from the disparity of tax systems existing in the various countries in which the Group operates, and the variations in the tax rates explained in Note 18.2.

18.6 Income tax expense

The following table reflects the amount recorded as an expense for the year. The balances are detailed by item, differentiating between current and deferred tax:

(Thousand €)	31/12/2010 EXPENSE / (INCOME)	31/12/2009 EXPENSE / (INCOME)
Current tax		
Income tax for the year	15,212	12,056
Other taxes for the year	9,214	3,304
Adjustments to income tax of prior years	1,378	(251)
Deferred tax		
Net variation in credits for tax losses	(3,462)	(607)
Net variation in tax credits	(6,340)	(465)
Others	(4,060)	(3,639)
INCOME TAX EXPENSE	**11,942**	**10,398**

Other taxes for the year, amounting to €9.2 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 prior year adjustments to income tax mentioned above relate to adjustments between the final tax and the provision made in the preceding year.

19. Contingent assets and liabilities

The Group has commitments with third parties in respect of assets and liabilities not recognised on the balance sheet due to the limited probability that they will entail an outflow of funds in the future. Such contingent assets and liabilities are detailed below by amount and item:

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 claiming the amount owed. 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 concerning 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 bank. 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 sentenced 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 still take one year to issue a ruling. In the case that the appeal is denied, the judgment issued by the Court of Appeals can be executed and Sol Meliá, S.A. will be able to collect the amounts indicated. The High Court 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.

Corporación Hotelera Metor, S.A. is involved in a dispute with its minority shareholder, claiming that all agreements and transactions performed with it are void. The Company has carried out the necessary actions to ensure that the outcome of such litigations does not have a significant impact on the Group's financial statements.

Sol Meliá, S.A. has secured through a bank guarantee the taking of possession under rental arrangements of a building, intended for parking places and commercial premises located in Barcelona for an amount of €0.7 million.

Sol Meliá, S.A. has arranged bank guarantees in favour of Profitur, S.A. relating to the annual minimum operating results of a hotel owned by Profitur, S.A. for €3.9 million.

Sol Meliá, S.A. secures through bank guarantees payment of the tax settlements of various Group companies amounting to €27.9 million.

Sol Meliá, S.A. secures payment of lease instalments in favour of the owners of various hotels in Spain and Germany through bank guarantees amounting to €44.8 million and through a corporate guarantee amounting to €7 million.

Sol Meliá, S.A. is the guarantor of Detur Panamá, S.A., owner of Hotel Meliá Panamá Canal, in a percentage of 58.06% of a $9 million loan from Caja de Ahorros de Baleares. As of December 31, 2010 the guaranteed amount is USD 3.0 million.

Sol Meliá, S.A. has secured before La Caixa confirming operations of Altavista Hotelera, S.A. totalling €1.4 million.

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

Sol Meliá, S.A. secures several operations through bank guarantees and various items, amounting to €3.6 million.

20. Other information

Duty of loyalty of the directors

Mr. Escarrer Juliá and his sons Messrs Escarrer Juliá hold shareholdings and offices as directors in the companies Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Asociados, S.L., Majorcan Hotels Luxembourg, S.A.R.L. and Hoteles Mallorquines Agrupados, S.L., all major shareholders of Sol Meliá, S.A., as well as being directors of several subsidiaries and associates of the Group (see Appendix 3).

Mr. Juan Vives is a minority shareholder and jointly and severally liable director of Finca Los Naranjos, S.A. and Mr. Emilio Cuatrecasas is a minority shareholder and Executive Chairman of Areas, S.A.

All the aforementioned companies undertake similar or complementary activities to those of Sol Meliá, S.A. (see Appendix 3)

The persons related to the Directors, as indicated in Article 231 of the Spanish Companies Act 2010, and the other Directors hold no office or shares in companies carrying out analogous or complementary activities to those carried out by Sol Meliá, S.A.

The Directors and persons related to them, except for those already mentioned, or persons acting on their behalf, have undertaken no transactions with the Company or other Group companies, except for those inherent in ordinary business activity, except as indicated in Note 14.1.

Audit fees

Fees corresponding to the audit of the 2010 consolidated annual accounts of the parent and subsidiaries have amounted to €1,224 thousand, of which €513 thousand has been invoiced by PricewaterhouseCoopers España, €537 thousand by PricewaterhouseCoopers at an international level and the remaining €174 thousand by other audit firms. In addition, the fees invoiced during the year for other services rendered by the auditors of the consolidated annual accounts have amounted to €456 thousand.

In 2009 the fees for the audit of the consolidated annual accounts and the accounts of the subsidiary companies totalled €971 thousand, of which PricewaterhouseCoopers España invoiced €425 thousand, while PricewaterhouseCoopers internationally invoiced €295 thousand and the remaining €251 thousand related to other audit firms. In addition, the fees invoiced during the year for other services rendered by the auditors belonging to the same international network amounted to €320 thousand.

Environmental risks

No significant item to be included in the specific document relating to environmental information provided for by Order of the Ministry of Justice dated October 8, 2001, is included in the accompanying consolidated annual accounts.

21. Subsequent events

On January 14, 2011 Sol Meliá, S.A. sold the 437 room Hotel Meliá Lebreros located in Sevilla. The selling price amounted to €49.3 million, generating a gain of €16.7 million.

On February 23, 2011 the Company settled a derivative instrument signed on June 26, 2007, entailing the acquisition of 5 million shares. The acquisition of these shares was completed by the bank on September 25, 2007, at an average price of 16.39 euro per share. The economic and accounting impacts of this transaction are reflected in the Company's financial statements at December 31, 2010.

On March 18, 2011 the securities loan with the controlling shareholder mentioned in Note 14.1 under which 2,900,000 shares of Sol Meliá, S.A. were assigned, was settled. As a result, the controlling shareholder's interest increased from 63.069% to 64.639%.

There is no other significant event affecting the Company, its financial statements or its going-concern status.

Appendix 1. Subsidiaries

	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
(F)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Management Company	99.73%		99.73%	
	ADPROTEL STRAND, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Owner	100.00%		100.00%	
(A)	BEAR, S. A. de C. V.	Paseo de la Reforma,1 (Mexico D. F.)	Mexico	Hotel ownership and ops.	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		100.00%	100.00%	SOL MELIA FRANCE, S.A.
	CANSILIUS, S.L.	Calle Velázquez, 61 (Madrid)	Spain	Dormant	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	Calima Restaurant	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.		75.87%	75.87%	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		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		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		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	60.00%		60.00%	
(A)	GRUPO SOL SERVICES	80, Raffles Pplace,(Kuala Lumpur)	Singapure	Services		60.00%	60.00%	GRUPO SOL ASIA, Ltd.
	GUARAJUBA, S.A.	Elvira Méndez, 10 (Panamá)	Panama	Holding	100.00%		100.00%	
	GUARAJUBA EMPREENDIMIENTOS, S.A.	Avda. do Farol, Parte, Praia do forte (Bahia)	Brasil	Owner		100.00%	100.00%	GUARAJUBA, S.A.
	GUPE IMÔBILIARIA, S.A.	Estrada da Luz, 90 (Lisbon)	Portugal	Management Company	100.00%		100.00%	
	HAVANA SOL RESTAURACIÓN XXI, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	Operator		100.00%	100.00%	PRODIGIOS INTERACTIVOS, S.A.
(F)	HOGARES BATLE, S.A.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Holding	51.49%			
						48.07%	99.56%	REALTUR, S.A.
	HOT. MELIÁ INTNAL COLOMBIA, S. A.	Calle, 68 (Bogotá)	Colombia	Dormant		100.00%	100.00%	MELIÁ INTNAL. HOTELS, S. A.
	HOTELES SOL INTERNACIONAL	Edificio Banco do Brasil (Panamá)	Panama	Holding	100.00%		100.00%	
(A) (F)	HOTEL ALEXANDER, S. A. S.	12, Rue du Mont Thabor (Paris)	France	Hotel operations		100.00%	100.00%	SOL MELIA FRANCE,S.A.S.
(A) (F)	HOTEL COLBERT SAS	Rue du sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE, S.A.S.
(A) (F)	HOTEL DE SAXE SAS	Rue du sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE, S.A.S
(A) (F)	HOTEL METROPOLITAN, S. A.	8, Rue Cambon (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	SOL MELIÁ FRANCE, S.A.S.

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	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
(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	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	Shopping centre owner		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	100.00%		100.00%	
(A)	INVERS. EXP. TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel ownership and ops.	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.	64.54%			
						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%	MELIÁ INTNAL. HOTELS, S. A.
	IRTON COMPANY, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Asset Management Company		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A)	LOMONDO, Ltd.	Albany Street-Regents Park (London)	Great Britain	Hotel ownership and ops.	61.20%	38.80%	100.00%	HOTELES SOL INTNAL., S.A.
(A) (F)	MADELEINE PALACE, S.A.S.	8, Rue Cambon (Paris)	France	Hotel operations		100.00%	100.00%	HOTEL METROPOLITAN S.A.S.
	MARKSERV, B. V.	Parklaan, 81 (Amsterdam)	Holland	Management and Holding	51.00%	49.00%	100.00%	SOL MANINVEST B.V.
	MARKSOL TURIZM, Ltd.	Calakli Manavgat (Antalya)	Turkey	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 operations		20.00%		SOL MANINVEST B.V.
						80.00%	100.00%	MARKSERV B.V.
	MELIÁ INTNAL. HOTELS, S. A.	Edificio Fiducidario (Panamá)	Panama	Management and Holding	100.00%		100.00%	
	MELIÁ INV. AMERICANAS, N. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Holding	82.26%	17.43%	99.69%	SOL MELIÁ INVESTMENT N.V.
(A)	MELIÁ MANAGEMENT, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Management 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		100.00%	100.00%	SOL GROUP, B. V.
	OPERADORA COSTARISOL	Avenida Central, 8 (San José)	Costa Rica	Management Company		100.00%	100.00%	MELIÁ INTNAL. HOTELS, 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.	Gremio Toneleros, 22 (Palma de Mallorca)	Spain	Service centre	0.32%			
						99.68%	100.00%	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%	
(A) (F)	ROYAL ALMA BOUTIQUE SAS	Rue du Sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE SAS
	RANDLESTOP CORPORATION, N. V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A) (F)	REALTUR, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel ownership and ops.	95.97%			
						0.21%		HOGARES BATLE S.A.
						0.08%	96.26%	DOMINIOS COMPARTIDOS S.A.
(F)	SAN JUAN INVESTMENT, B. V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(F)	SECURISOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Security	100.00%		100.00%	
(A)	SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico	Management Company		100.00%	100.00%	SM VACATION CLUB CO.
(A)	SIERRA PARIMA, S.A.	Avda. John F. Kennedy,10 (Sto. Domingo)	Dom. Rep.	Shopping centre owner	51.00%		51.00%	
(A)	SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	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 Commercialisation		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
	SMVC NETWORK, S.A.R.L.	9, Rue Schiller	Luxembourg	Vacation Club Commercialisation		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.

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	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
(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	100.00%		100.00%	
	SOL GROUP CORPORATION	2100, Coral Way, suite 402 (Miami)	USA	Services		100.00%	100.00%	SOL GROUP B.V
	SOL MANINVEST, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Management and Holding	100.00%		100.00%	
(A)	SOL MELIÁ, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Owner and Management			100.00%	
	SOL MELIÁ BALKANS EAD	Golden-Sands-Varna	Bulgaria	Management Company	100.00%		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%	MELIÁ INTNAL. HOTELS, S. A.
	SOL MELIÁ COMMERCIAL	Regatta Office Park West Bay Road	Cayman Islands	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 operations	100.00%		100.00%	
	SOL MELIÁ EUROPE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Financial services	100.00%		100.00%	
(A)	SOL MELIÁ FINANCE, Ltd.	Ugland House South Church (Grand Cayman)	Cayman Islands	Financial services		100.00%	100.00%	SOL MELIA INVESMENT, N.V
	SOL MELIÁ FUNDING	Regatta Office Park West Bay Road	Cayman Islands	Financial services		100.00%	100.00%	SOL MELIA FRIBOURG S.A.
(A)	SOL MELIÁ FRANCE, S. A. S.	12, Rue du Mont Thabor (Paris)	France	Management and Holding	100.00%		100.00%	
(A)	SOL MELIÁ FRIBOURG, S.A.	Chemin des primeveres, 45 (Fribourg)	Switzerland	Commercialisation	100.00%		100.00%	
	SOL MELIÁ GREECE, HOTEL & TOURISTIC	Chalkokondili Str. (Athens)	Greece	Management Company	100.00%		100.00%	
	SOL MELIÁ GUATEMALA, S. A.	Primera Avenida, 8-24 (Guatemala)	Guatemala	Management Company		99.95%		MELIÁ INTNAL. HOTELS, S. A.
						0.05%	100.00%	MARKSERV B.V.
	SOL MELIÁ INVESTMENT, N. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Holding	100.00%		100.00%	
(F)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milán)	Italy	Hotel operations		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%	MELIÁ INTNAL. HOTELS, S. A.
(A)	SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Fribourg)	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 (Geneva)	Switzerland	Dormant	100.00%		100.00%	
	SOL MELIA VACATION CLUB CO.	Bickell Avenue, 800 (Miami)	USA	Holding		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A) (F)	TENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	50.00%			
						49.55%	99.55%	REALTUR, S.A.
(A) (F)	TRYP BLANCHE FONTAINE SAS	Rue du Sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE SAS
(A) (F)	TRYP FRANÇOIS SAS	Rue du Sentier (Paris)	France	Hotel ownership and ops.		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 which make up a consolidated tax group with their respective parent company.

Appendix 2. Associates and Joint Ventures

	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
(A)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 242 (Barcelona)	Spain	Hotel ownership and ops.	40.00%		40.00%	
(A)	APARTHOTEL BOSQUE, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	25.00%		25.00%	
(A)	C. P. COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	Horizontal property owners	0.33%	18.69%	19.02%	APARTOTEL S.A.
(A)	COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Seville)	Spain	Hotel ownership and ops.	50.00%		50.00%	
(A)	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.
	EL RECREO PLAZA, C.A.	Avenida Francisco de Miranda (Caracas)	Venezuela	Owner		20.00%	20.00%	INVERS. INMOB. IAR 1997, C. A.
	EL RECREO PLAZA, C.A. & CIA C.E.C.	Avenida Francisco de Miranda (Caracas)	Venezuela	Owner		1.00%		EL RECREO PLAZA, C.A.
						19.00%	20.00%	INVERS. INMOB. IAR 1997, C. A.
	HANTINSOL RESORTS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Dormant	33.33%		33.33%	
	HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Athens)	Greece	Dormant	40.00%		40.00%	
	INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Aquifer ownership and ops.		49.84%	49.84%	DESARROLLOS SOL, S.A.
(A)	INV. HOTELERAS LA JAQUITA, S.A. (JV)	Carretera Arenas 1 (Pto. De La Cruz)	Spain	Hotel ownership and ops.		49.78%	49.78%	TENERIFE SOL, S.A.
	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain	Owner	50.00%		50.00%	
(A)	NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Hotel ownership and ops.	17.50%	2.50%	20.00%	PROMEDRO
(A)	NYESA MELIÁ ZARAGOZA S.L. (JV)	Avenida César Augusto, 13 (Zaragoza)	Spain	Hotel ownership and ops.	50.00%		50.00%	
(A)	PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Holding	20.00%		20.00%	
	TRADYSO ARGENTINA, S.A. (JV)	Cabello, 3682 (Buenos Aires)	Argentina	Sales Office		2.27%		PRODIGIOS INTERACTIVOS,S.A.
						47.72%	50.00%	TRAVEL DYNAMIC SOLUTIONS, SA
(A)	TRAVEL DYNAMIC SOLUTIONS, S.A. (JV)	Paseo Club Deportivo, 1 (Madrid)	Spain	Sales Office		49.84%	49.84%	PRODIGIOS INTERACTIVOS,S.A.
(A)	TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n (Granada)	Spain	Hotel ownership and ops.	20.82%		20.82%	

(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 held by 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, S.A. 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
Gest. Hot. Turística Mesol S.A. (Soc. Unip)	Administrator

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

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

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

REGISTERED NAME OF COMPANY	POSITION
Adprotel Strand S.L.	Chairman
Altavista Hotelera S.L.	Director
Apartotel S.A.	CEO
Calimarest S.L.	Chairman
Casino Tamarindos S.A.	Chairman
Dominios Compartidos. S.A.	Chairman and CEO
Dorpan S.L.	Chairman
Gest. Hot. Turística Mesol S.A. (Soc. Unip)	Administrator
Hogares Batle S.A.	Chairman and CEO
Hoteles Sol Meliá S.L	Chairman and CEO
Inversiones Hoteleras La Jaquita S.A.	Chairman
Inversiones y Explotaciones Turísticas S.A.	CEO
Moteles Andaluces S.A.	CEO
Nexprom S.A.	Director
Nyesa Melia Zaragoza S.L.	Chairman
Promedro S.A.	Chairman
Realizaciones Turísticas S.A.	Spokesperson and CEO
Securisol S.A.	Chairman and CEO
Sol Melia Vacation Club España S.L.	Chairman and CEO
Sol Melia Vacation Network España S.L.	Chairman and CEO
Tenerife Sol S.A.	Chairman
Mongamenda S.L.	Director
Cansilius S.L.	Director

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
Bisol Vallarta S.A. de C.V.	Mexico	Chairman
Cala Formentor S.A. de C.V.	Mexico	Chairman
Caribotels de México S.A. de C.V.	Mexico	Director
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Chairman
Corporación Hotelera Metor S.A.	Peru	Chairman
Detur Panamá S.A.	Panama	Manager. Treasurer
Grupo Sol Asia Ltd.	Hong Kong	Administrator
Hoteles Meliá Internacional De Colombia S.A.	Colombia	Manager
Lomondo Limited	Great Britain	Administrator
Marktur Turizm Isletmecilik A.S.	Turkey	Administrator
Operadora Costa Risol S.A.	Costa Rica	Chairman
Operadora Mesol S.A. de C.V.	Mexico	Chairman
Sol Melia VC Dominicana	Dominican Rep.	Chairman
Sol Melia VC México S.A. de C.V.	Mexico	Chairman
Sol Melia VC Puerto Rico Corporation	Puerto Rico	Manager
Sol Meliá Guatemala S.A.	Guatemala	Chairman
Sol Melia VC Panamá S.A.	Panama	Manager

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

REGISTERED NAME OF COMPANY	COUNTRY	OFFICE
Bear S.A. de C.V.	Mexico	Spokesperson
Bisol Vallarta S.A. de C.V.	Mexico	Spokesperson
Cadstar France S.A.S.	France	Manager
Cala Formentor S.A de C.V.	Mexico	Spokesperson
Caribotels de México S.A. de C.V.	Mexico	Spokesperson
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Spokesperson
Corporación Hotelera Metor S.A.	Peru	Vice Chairman
Desarrollos Sol S.A.	Dominican Rep.	Chairman and Treasurer
Detur Panamá S.A.	Panama	Manager / Secretary
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator Chairman
Helenic Hotel Management Hotel & Commercial	Greece	Chairman
Hotel Alexander S.A.S.	France	Manager
Ilha Bela Gestao e Turismo Limitada	Portugal	Managing Director
Inmotel Inversiones Italia S.R.L.	Italy	Sole Administrator
Inversiones Agara S.A.	Domnican Rep.	Chairman and Treasurer
Inversiones Inmobiliarias IAR 1997 C.A.	Venezuela	Joint and Several Administrator
Lomondo Limited	Great Britain	Manager
Melia Inversiones Americanas N.V.	Holland	Administrator
Meliá Management S.A.	Dominican Rep.	Chairman and Treasurer
Operadora Costa Risol S.A.	Costa Rica	Vice Chairman
Operadora Mesol S.A. de C.V.	Mexico	Spokesperson
PTt Sol Melia Indonesia	Indonesia	Secretary
Sol Melia China Limited	R.P. China	Manager
Sol Melia Commercial	Cayman Islands	Manager
Sol Melia Deutschland GMBH	Germany	Joint and Several Administrator
Sol Melia Europe	Holland	Manager
Sol Melia Finance Limited	Cayman Islands	Authorised Director
Sol Melia Fribourg S.A.	Switzerland	Chairman / Administrator

REGISTERED NAME OF COMPANY	COUNTRY	OFFICE
Sol Melia Hotel Management (Shanghai) Company Ltd.	China	Director
Sol Melia VC Dominicana	Dominican Rep.	Vice Chairman
Sol Melia VC México. S.A. De C.V.	Mexico	Vice Chairman
Sol Melia VC Puerto Rico Corporation	Puerto Rico	Manager
Sol Melia Bulgaria Ad	Bulgaria	Chairman
Sol Melia Croatia L.L.C.	Croatia	Managing Manager
Sol Melia Funding	Cayman Islands	Manager
Sol Meliá Guatemala S.A.	Guatemala	Vice Chairman
Sol Melia Services S.A.	Switzerland	Chairman
Sol Melia VC Panamá S.A.	Panama	Manager

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

REGISTERED NAME OF COMPANY	COUNTRY	POSITION
Bear S.A. de C.V.	Mexico	Director
Bisol Vallarta S.A. de C.V.	Mexico	Director
Cadstar France S.A.S.	France	Chairman
Cala Formentor S.A. de C.V.	Mexico	Director
Caribotels de México S.A. de C.V.	Mexico	Director
Compagnie Tunisienne de Gestion Hoteleire S.A.	Tunisia	Chairman
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Director
Corporación Hotelera Metor S.A.	Peru	Manager
Desarrollos Hoteleros San Juan	Holland	Manager
Desarrollos Sol S.A.	Dominican Rep.	Vice Chairman and Secretary
Farandole B.V.	Holland	Administrator
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator
Hotel Alexander S.A.S.	France	Chairman
Hotel Blanche Fontaine S.A.S.	France	Chairman
Hotel Colbert S.A.S.	France	Chairman
Hotel De Saxe S.A.S.	France	Chairman
Hotel François S.A.S.	France	Chairman
Hotel Metropolitain S.A.S.	France	Chairman
Hotel Royal Alma S.A.S.	France	Chairman
Ilha Bela Gestao e Turismo Limitada	Portugal	Manager
Impulse Hotel Development B.V.	Holland	Administrator
Inmobiliaria Distrito Comercial C.A.	Venezuela	Chairman
Inversiones Agara S.A.	Dominican Rep.	Vice Chairman and Secretary
Inversiones Areito S.A.	Dominican Rep.	Chairman
Inversiones Inmobiliarias IAR 1997 C.A.	Venezuela	Administrator
Lomondo Limited	Great Britain	Manager
Madeleine Palace S.A.S.	France	Chairman
Markserv B.V.	Holland	Administrator
Meliá Inversiones Americanas	Holland	Joint Administrator
Meliá Management S.A.	Dominican Rep.	Vice Chairman and Secretary
Melsol Management B.V.	Holland	Administrator
Operadora Costa Risol S.A.	Costa Rica	Secretary / Manager
Operadora Mesol S.A. de C.V.	Mexico	Director
PT Sol Meliá Indonesia	Indonesia	Chairman
San Juan Investment B.V.	Holland	Administrator
Sol Group B.V.	Holland	Administrator
Sol Group Corporation	USA	Manager
Sol Melia China Limited	R.P. China	Director
Sol Melia Deutschland GMBH	Germany	Joint and Several Administrator
Sol Melia France S.A.S.	France	Board Chairman

REGISTERED NAME OF COMPANY	COUNTRY	POSITION
Sol Melia Hotel Management (Shanghai) Company Ltd.	China	Chairman
Sol Melia Italia S.R.L.	Italy	Joint and Several Administrator
Sol Melia Maroc - S.A.R.L. D'associé Unique	Morocco	Managing Director
Sol Maninvest B.V.	Holland	Administrator
Sol Melia VC Dominicana	Dominican Rep.	Secretary
Sol Melia VC México S.A. De C.V.	Mexico	Treasurer
Sol Melia VC Puerto Rico Corporation	Puerto Rico	Manager
Sol Melia Balkans	Bulgaria	Chairman
Sol Melia Greece S.A.	Greece	Manager and Chairman
Sol Meliá Guatemala S.A.	Guatemala	Secretary
Sol Melia Investment N.V.	Holland	Administrator
Sol Melia Luxembourg S.À.R.L.	Luxembourg	Director
Sol Melia Suisse S.A.	Switzerland	Chairman
Sol Melia VC Panamá S.A.	Panama	Manager

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

Shareholder/Board Member	No direct and indirect voting rights	% of total voting rights	Position in the Board
Mr. Gabriel Escarrer Juliá			Chairman
Mr. Sebastián Escarrer Jaume	116,537,747	63.069% (*)	Vice Chairman
Mr. Gabriel Escarrer Jaume			Vice Chairman and CEO
Hoteles Mallorquines Consolidados, S.A.	51,871,167	28.072% (**)	Director with representative
Caja de Ahorros del Mediterráneo	11,099,999	6.007%	Director with representative
Ms. Amparo Moraleda Martínez	2,975	0.002%	Independent director
Mr. Juan Arena de La Mora	1,000	0.002%	Independent director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0.000%	Secretary and independent director

(*) 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 sons (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 in turn 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, S.A. and do not form part of the Group:

DIRECTOR	COMPANY	SHAREHOLDING	OFFICE
Mr. Emilio Cuatrecasas Figueras	Areas, S.A.	30.000%	Executive Chairman
Mr. Juan Vives Cerda	Finca Los Naranjos, S.A.	27.880%	Joint and Several Administrator
Caja de Ahorros del Mediterráneo	Terra Mítica, Parque Temático de Benidorm, S.A.	24.230%	Director
Caja de Ahorros del Mediterráneo	Touristik Union International, A.G.	0.000%	Director

FORMULATION OF THE ACCOUNTS

On March 31, 2011 these consolidated annual accounts were approved by the Board of Directors for verification by the auditors and subsequent adoption by the General Shareholders' Meeting.

The undersigned Directors represent that to the best of their knowledge the consolidated 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 93 pages, all of which are signed by the Secretary to the Board, and the last page of which has been signed by all the Directors.

Signed Mr. Gabriel Escarrer Juliá
Chairman

Signed Mr. Juan Vives Cerdá
Director

Signed Mr. Sebastián Escarrer Jaume
Vice Chairman

Signed Mr. Gabriel Escarrer Jaume
Vice Chairman and Chief Executive Officer

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

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

Signed Mr. Juan Arena de la Mora
Independent Director

Signed Mr. Emilio Cuatrecasas Figueras
Independent Director

Signed Ms. Amparo Moraleda Martínez
Independent Director

Signed Mr. Alfredo Pastor Bodmer
Independent Director

Signed Mr. Luis Mª Díaz de Bustamante y Terminel
Secretary and Independent Director

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 also engaged in the promotion of all types of business 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 engage in real estate activities by taking advantage of the synergies obtained in hotel development, as a result of the robust expansion process.

In any case, expressly excluded from its corporate purposes are activities that special legislation reserves for companies which 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 2010, as this is not part of its corporate purposes.

2. Treasury Shares

At December 31, 2010, the treasury shares balance includes 5 million shares relating to a financial instrument and 4.25 million shares relating to a securities loan with Deutsche Bank in addition to the 2,958,575 shares deposited in diverse securities accounts. Furthermore, this does not include 2.9 million shares which the Company has taken by way of loan with the controlling shareholder. With all the above taken into account, the total number of shares held by the Company stands at 5,858,575.

On 31st December 2010, the total number of shares held by the Company accounted for 3.17% of overall share capital. At the end of the 2009 financial year, this total was 4.11%. In any case treasury holdings do not exceed the 10% limit established in the Law on Public Limited Companies.

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.

3.1 Hotel Evolution

In 2010, RevPAR (Revenue per available room) within the company-owned and rented hotels increased by 8.9%, given a rise in the rate of occupation and in the ARR (Average Room Rate) of 4.2% and 4.5% respectively. The increases in ARR occurred in 84 hotels, representing 53.5% of the total.

The income for Food and Drink (F&D) rose by 2.0%, below the increase of 9.8% in revenue per room. The explanation for this lies in the level of resistance to consumption by hotel clients and visitors and in Sol Meliá F&D offers, such as breakfast promotions, in order to maximise overall revenue. The effect of this combination is reflected in a small decrease in the F&D departmental profits, which have gone from 31.3% in 2009 to 30.1% in 2010, compensated by an improvement in Rooming departmental profits which went from 67.1% in 2009 to 68.6% in 2010. Overall, the effect is positive, as regards the trend in EBITDA (Earnings before interest, taxes, depreciation and amortization) which over the year, increased by 149 basic points.

There follows an analysis in hotel trends, according to the Group's different brands.

Sol

The Sol brand is made up entirely of vacation hotels in Spain.

In 2010 its RevPAR grew positively by 2.7%, due to an increase in ARR of 4.5%, thus making up for volume of occupation. The trend in the Balearic Islands and Canary Islands, where RevPAR increased by 7.3% and 5.1% respectively, is the main explanation behind these figures. Over the year, the brand saw a rise in ARR in 19 of its 41 hotels.

The decrease of 1.7% in occupancy can be explained by the trend seen during the first half of the year. The Icelandic volcano eruption in April and May had a negative effect on tourist hotels in Spain, given the closure of the air space in some parts of Europe, leading to an increase in the number of cancellations and no-shows from Northern European groups.

As regards issuing markets, the decrease in the number of stays in the United Kingdom and, to a lesser extent, the Spanish issuing markets, have been made up for by the increased number of stays in Central Europe, Benelux, Italy, Portugal and Eastern European countries.

Operational costs (excluding rental costs) increased by 1.0% in 2010, whilst total spending per stay increased by 3.5%. The reason behind this increase is related to the volume of the brand's fixed costs, since the number of room stays fell by 2.4% over the period.

Regarding available rooms, the decrease is related to the delay in opening 2 seasonal hotels: Sol Antillas Barbados and Sol Magalluf Park, both in the Balearic Islands.

Tryp by Wyndham

The Tryp by Wyndham brand is made up exclusively of urban hotels, with 75% of all rooms located in Spain.

In 2010, RevPAR rose by 7.5% as a result of an increase in occupation of 4.8% and to a lesser extent, of ARR by 2.6%. Increased ARR occurred in 29 of the 55 hotels.

Hotels in Spain experienced an increase in RevPAR of 5.1% thanks to the positive trends in hotels in Madrid and Barcelona. In Spain, revenue per room in the segments of "Individual Leisure" (representing 32% of the brand's rooming income) and "Business Groups" (which accounts for 12%) rose by 10% and 23% respectively.

Operational costs (excluding rental costs) rose by 3.8% in 2010, whilst total cost per stay fell by 0.4%, given the fall in personal spending per stay of 1.3%, the result of staff adjustments in response to business volume.

The fall in the number of available rooms is down to the termination of the rental periods for 4 contracted establishments (Tryp Rex, Tryp Burlada, Tryp San Lázaro and Tryp Centro Norte Apartments), all of them in Spain.

Meliá and Innside

Some 48% of the rooms of the Meliá and Innside Brands are in Spain, 20% in Latin America and the other 32% are divided between Europe, the Middle East and Africa.

In 2010, RevPAR increased by 14.5%, due to increased occupation of 5.7% and ARR by 8.4%. The trends for Hotels in European cities and Meliá vacation hotels, with increases in RevPAR of 9.9% and 20.8% respectively, explain these figures. Over the year, ARR grew positively in 31 of the 48 hotels.

With regards to Meliá vacation hotels, the increase in RevPAR by 20.8% for the year was due mainly to the trends at Spanish vacation hotels, especially those in the Balearic Islands and the Canaries, where RevPAR increased by 25.5% and 28.5% respectively. It is worth noting the trends in the American vacation complexes, where RevPAR grew by 3.4%, a turnaround from the negative trend seen over the first half of the year, when it fell by 0.7%.

The pattern seen in European city hotels in 2010, with increased RevPAR of 9.9%, is due to the positive trends in United Kingdom, France, Germany and to a lesser extent, Spain, with increases in RevPAR of 17%, 14.4%, 17.6% and 8.9%, respectively.

In Spain, the positive tendency observed over the year can be explained by the segments of "Individual Leisure" (accounting for 28% of the brand's income) and "Business Groups" (representing 24%) with increases of 31% and 37% respectively. The "Individual Business" segment grew by 5%.

In 2010, operational costs (excluding rental costs) increased by 9.7% whilst the total cost per stay grew by 4.8%. Excluding perimeter changes, the total cost per stay increased by 0.7%

In terms of available rooms, the increase can be explained by the incorporation of the Meliá Luxemburg hotel in May 2009, the Innside Düsseldorf Derendorf and the Meliá Valencia hotels, both in October 2009, the Meliá Bilbao hotel in September 2009 and the Innside Dresden in January 2010, partially compensated for by the release of the Meliá Palm Azur in November 2009 and the Meliá Boutique Flora Park in December 2009, both of these in Tunisia.

Premium

The Premium brands have 77% of their rooms in America.

In 2010, RevPAR rose by 2.7%, due basically to the rise in occupation of 10.7%. The trends in European city hotels and worldwide vacation hotels explain these figures.

Over the year, vacation hotels have enjoyed a mean increase in RevPAR of 9.7%, which is mainly down to the trends in hotels in Spain, such as in the Canary Islands; and in Mexico, based on the comparative improvements due to Avian Flu. In this area, RevPAR rose by 20.8% helped by the recovery in occupation rates. Increased ARR was seen at 5 of the 13 hotels over the year.

Operational costs (excluding rental costs) have fallen in 2010 by 3.1% whilst the total cost per stay has fallen by 10.4%, given the decrease in F&D and in staff costs per stay, which were 10.5% and 11.1% respectively.

The following table below shows a summary of the main statistics for company-owned hotels and rented hotels for the years 2010 and 2009.

		% Occupation	RevPar (euros)	A.R.R. (euros)	Available Rooms (thousands)
Sol	2010	59.7%	31.6	53.0	3,129
	% 10/09	-1.7%	2.7%	4.5%	-0.5%
	2009	60.7%	30.8	50.7	3,145
Tryp by Wyndham	2010	62.6%	42.6	68.1	2,867
	% 10/09	4.8%	7.5%	2.6%	-1.1%
	2009	59.7%	39.7	66.4	2,898
Meliá	2010	67.9%	60.5	89.2	3,953
	% 10/09	5.7%	14.5%	8.4%	3.7%
	2009	64.2%	52.9	82.3	3,811
Premium	2010	58.3%	58.8	100.8	1,700
	% 10/09	10.7%	2.7%	-7.2%	0.2%
	2009	52.7%	57.3	108.7	1,698
Total	**2010**	**63,0%**	**48.1**	**76.4**	**11,648**
	% 10/09	4.2%	8.9%	4.5%	0.8%
	2009	60.4%	44.2	73.1	11,551

The following table shows a breakdown of hotel income for the years 2010 and 2009 for company-owned and rental hotels:

(million euros)		Revenue per Room	Food & Drink / Other	Total Revenue	Total Expenditure (*)	EBITDA
Sol	2010	99.0	59.3	158.3	128.2	30.0
	% 10/09	2.2%	-5.2%	-0.7%	1.6%	-9.3%
	2009	96.8	62.5	159.4	126.2	33.1
Tryp by Wyndham	2010	122.2	47.4	169.6	164.1	5.5
	% 10/09	6.3%	2.0%	5.1%	4.2%	39.3%
	2009	115.0	46.4	161.4	157.4	4.0
Meliá	2010	239.2	151.7	390.9	301.5	89.5
	% 10/09	18.8%	7.9%	14.3%	11.7%	24.4%
	2009	201.4	140.5	341.9	270.0	71.9
Premium	2010	100.0	116.9	216.8	165.7	51.1
	% 10/09	2.9%	0.2%	1.4%	-3.0%	19.0%
	2009	97.2	116.6	213.8	170.9	43.0
Total	**2010**	**560.4**	**375.2**	**935.6**	**759.4**	**176.2**
	% 10/09	9.8%	2.5%	6.7%	4.8%	15.9%
	2009	510.4	366.2	876.5	724.5	152.0

(*) Including rental costs.

Management Fees

Management fees obtained from third parties in 2010 rose by 10.9%.

Management fees of Sol brand hotels grew by 9.2% thanks to the performance of the 7 vacation hotels in Cuba, where fees rose by 16.8%.

The management fees of the Meliá brand hotels increased by 8.1% thanks to the evolution of management contracts for hotels in Spain and Latin America, where those fees saw an increase of 6% and 10.33%, respectively.

Fees from the Tryp by Wyndham brand grew 24.8%, thanks to the evolution of hotels in Brazil, where fees rose by 57.8% and to a lesser extent, to hotels in Spain where fees rose by 20.7%.

With respect of the Premium brands, the management fees grew by 8.2%, given the progress of hotels in Spain where fees increased by 26%. The progressive improvement by the hotels ME Barcelona and Gran Meliá Colon, in Seville, explains this effect. The fall in incentive-based fees is due to the scale system established on the gross operating balance system for the management agreements in Cuba.

The following table shows a breakdown by brand of the management fees for the years 2010 and 2009:

(million euros)		2010	% 10/09	2009
Sol	Basic	4.0	4.7%	3.9
	Incentive	3.5	14.9%	3.0
	Total	**7.5**	**9.2%**	**6.9**
Tryp by Wyndham	Basic	4.7	19.0%	4.0
	Incentive	2.8	36.0%	2.0
	Total	**7.5**	**24.8%**	**6.0**
Meliá	Basic	15.2	6.0%	14.4
	Incentive	5.3	14.7%	4.6
	Total	**20.6**	**8.1%**	**19.0**
Premium	Basic	6.4	14.9%	5.5
	Incentive	2.0	-8.6%	2.2
	Total	**8.4**	**8.2%**	**7.7**
Total	Basic	30.4	9.5%	27.7
	Incentive	13.6	14.1%	11.9
	Total	**44.0**	**10.9%**	**39.7**

3.2 Evolution of Sol Meliá Vacation Club

In 2010, the total number of weeks sold directly by the Club came to 2,053 units, a fall of 15.9% over the previous year, whilst the average price in Euros rose by 10.5% due to upgrade activity and biannual sales, reflecting a decrease in the Club's net sales of 7.0%.

In general, the trend in 2010 can be explained basically by the low occupancy rates, which affected the complexes that Vacation Club sells and especially those in the Dominican Republic and Puerto Rico. Furthermore, there was a significant change at some hotels, as regards the mix of clients between groups and visitors, which affected the number of fulfilled bookings. With the aim of ensuring a steady customer flow, alternative measures were taken, such as the launch of an in-house marketing programme to increase the rate of efficiency when closing deals.

The following table shows the evolution of sales of weeks and average price, and the corresponding effect on the Group's income statement, excluding the earnings from financial interest and maintenance fees:

	Number of weeks sold			Average Price			Sales Vacation Club (thousands €)		
	2010	% 10/09	2009	2010	% 10/09	2009	2010	% 10/09	2009
Premium	1,615	(16.9%)	1,942	22,433	10.2%	20,351	36,219	(8.4%)	39,522
Meliá	888	(14.0%)	1,033	13,978	13.0%	12,373	12,412	(2.8%)	12,775
Total	**2,503**	**(15.9%)**	**2,975**	**19,433**	**10.5%**	**17,582**	**48,631**	**(7.0%)**	**52,297**

3.3 Evolution of the Asset Management division

The EBITDA result of 67.7 million Euros is mainly due to the sales of the hotels Tryp by Wyndham Los Gallos (Córdoba -Spain) and Sol Pelícanos - Ocas (Alicante - Spain), which generated a capital gain of 59.7 million Euros, as part of the Company's policy of asset rotation.

The following table shows the details of the main asset rotation activity in 2010 and 2009 and the impact on EBITDA:

Assets	Rooms		Price		Earnings (EBITDA)	
	2010	2009	2010	2009	2010	2009
Meliá Madrid Princesa	-	274	-	87.8	-	48.6
Tryp by Wyndham Alondras	-	72	-	12	-	8
Sol Pelícanos Ocas	794	-	73.8	-	54.2	-
Tryp by Wyndham Gallos	119	-	10.1	-	5.5	-
TOTAL	**913**	**346**	**83.8**	**99.8**	**59.7**	**56.6**

Note: the capital gains generated by sales of the Tryp brand are not included in the division of Asset Management. These are included in Other Business and Corporate Activity and contribute 33.5 Million Euros as regards EBITDA.

As regards other business related to real estate management within this division, of special note by country, are:

In the Dominican Republic total income was 7.4 million Euros, a decrease of 15.9%, due to:

- The fall in revenue from golf-course management and from the management of the villas in the Desarrollos Sol complex of 11.7%, representing a decrease of 0.5 Million Euros.

- Management of the Sierra Parima shopping centre, where income rose by 12.3% (0.4 Million Euros) partially compensating the decrease in revenue from land sales.

In Venezuela, income from the collection of rent for the commercial premises at the Hotel Gran Meliá Caracas decreased by 25.0% (-0.7 Million Euros), due to the effects of the devaluation of the Venezuelan Bolivar.

3.4 Forecast evolution of the Group

Sol Meliá approaches 2011 as a year of consolidation of the achievements so far and for the preparation of the Strategic plan for the period 2012-2014. Of major priority among the product lines is the consistency and personality of the brands and internal talent management, the consolidation of Sol Meliá as an "excellent manager" of hotels and improvements in the management of the Group's real estate holdings. The Company will increase its emphasis and presence in markets such as Asia, Latin America and some major cities in Europe and the USA.

Sector forecasts are also improving: 2011 has kicked off with increases in both volume and price (January RevPAR grew by 11.3%) both in Europe and in Latin America and the ongoing uncertainty as regards the Spanish market has less incidence as Sol Meliá continues to increase the geographical diversity of its products. In any case, its Spanish vacation Hotels, as can be seen in the Canary Islands, will improve results in 2011 due to the instability in competing North African destinations, where Sol Meliá's exposure is very limited.

For 2011 as a whole, a rise in RevPAR of between 5%-9% is forecast, with a consolidation in the positive trend in both volume and the improvement in prices, together with the limited new hotel availability as forecast.

3.5 Other Information on the evolution of the Business

Stock market information

The average volume weighted price per share of Sol Meliá, S.A. (VWAP) for 2010 was Euros 6.077.

Staff Evolution

See Note 5.3 to the Consolidated Annual Accounts.

Environmental Risks

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

4. Subsequent events

On 14th January 2011 Sol Meliá, S.A. sold the 437 room Hotel Meliá Lebreros in Seville. The sale price came to 49.3 million Euros, generating a capital gain of 16.7 million Euros.

On 23rd February 2011, the Company settled a derivative instrument signed on 26th June 2007, which supposed the acquisition of 5 million shares. The bank completed the acquisition of these shares on 25th September 2007 at an average price of 16.39 Euros per share. The economic and accounting impact of this operation are reflected in the Company financial statement of 31st December 2010.

On 18th March 2011, the securities loan with the controlling shareholder was settled, as specified in Note 14.1, which supposed the loan of 2,900,000 Sol Meliá, S.A shares. For this reason, the controlling shareholder's holding in the share capital increased from 63.069% to 64.639%.

There are no other significant events affecting the Company, the financial statements, nor the going concern premise.

5. 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, attempts to minimise the adverse effects that these risks may have on its annual accounts (See Note 16 to the Consolidated Annual Accounts).

6. Other information

Below please find information in compliance with article 61 bis of the Law on the Stock Market:

a. Information on stocks which are not traded on a regulated EU market, with mention as corresponds, to the different types of shares and for each type of share, the relevant rights and obligations, as well as the percentage of share capital represented by the Company's treasury stock and significant variations.

The Board of Directors of Sol Meliá, at its meetings of 4th and 25th November 2009, in accordance with the authorisation granted by the Extraordinary and Ordinary General Meeting of Shareholders, held on 2nd June 2009, approved the issue of Convertible Bonds, linked to Company shares.

On 18th December 2009, application was made at Palma de Mallorca Register for the issue of Convertible Bonds to the value of Two Hundred Million Euros (€200,000,000). Furthermore, on the same date, Bonds were admitted for trading on the unofficial, non-regulated Euro MTF market at the Luxembourg Stock Exchange.

The main Terms and Conditions of the Sol Meliá S.A. Convertible Bond Issue are available to shareholders on the Company website (http://inversores.solmelia.com).

b. Information related to the applicable legislation on the modification of Company Articles of Association.

Article 30.1.f of the Articles of Association establish that it is the General Shareholders' Meeting which may transform, merge, separate or wind up the Company and in general, agree to any other change to the Articles of Association.

By virtue of Article 24 of the Articles of Association, the General Shareholders' Meetings shall be properly constituted when, in the first or second round, there are present or properly represented, the minimum percentage of share capital required in each case and for the different matters included in the Order of the Day, by the applicable legislation at that same moment.

Notwithstanding the above, in order for the General Shareholders' Meeting to make a valid decision to substitute the corporate purpose, at the first round, fifty-five per cent (55%) of the share capital with voting rights must be present. In the second round, it would be sufficient forty per cent (40%) of the share capital with voting rights to be present.

In accordance with Article 28 of the Articles of Association, decisions taken by the General Shareholders' Meeting shall be adopted by the majority of the share capital present or represented at the same, except in those cases in which the Law, or the Articles stipulate a higher majority. In order for the General Shareholders' Meeting to properly agree to substitute the corporate purpose, votes in favour of sixty per cent (60%) of the share capital present, or represented, at the General Meeting, shall be required, both in the first and the second round. Nevertheless, when in the second round, the shareholders present represent less than fifty per cent (50%) of the share capital with voting rights, the agreements mentioned in the current section, may only be adopted with votes in favour of two-thirds (2/3) of the share capital present or represented at the Meeting.

Notwithstanding the above, agreements modifying Articles 3 (Registered Offices), 7 (Share Accounts Registry and Shareholders Registry), 8 (Legitimation of Shareholders), 24.3 (Quorum for Constitution), 24.4 (Reinforced Quorum for Constitution), 28 (Majority for the Adoption of Agreements), 33 (Designation of posts on the Board of Directors) and 38 (Delegation of Responsibilities) of the Articles, shall require the votes in favour of at least sixty per cent (60%) of the share capital present or represented at the General Shareholders' Meeting, both in the first and the second round.

c. Any restriction on the transmission of shares and any restriction on voting rights.

There are no legal or statutory restrictions to the acquisition or transmission of shares in the share capital, or to exercising the right to vote.

d. Information on the power of the members of the Board of Directors and especially, those relating to the possibility of issuing or buying back shares.

Article 34 of the Articles of Association establishes, to non-limiting informative effects, the powers of the Board as well as the Laws which bestow the same.

In accordance with Article 5 of the Regulations of the Board of Directors, except those matters reserved for the General Shareholders' Meeting, the Board of Directors is the supreme decision-making body within the Company, with the brief to manage, run and represent the same.

The policy of the Board is to delegate the day-to-day running of the Company to the Executive bodies and to the team of Managers and focus their activity on general supervisory functions.

Those legally or statutorily reserved functions which are reserved for the direct knowledge of the Board and those others which necessarily require responsible exercise of general supervisory functions, may not be object of delegation. To these latter effects, the Board shall specifically oblige the direct exercise of the following responsibilities, with the help, in those cases where necessary, to the Committees or Commissions composed of Board members:

- Approval of overall Company strategy.
- Appointment, remuneration and where required, the dismissal of Company Managers.
- Approval of policy regarding treasury shares, in accordance with the terms of the Internal Code of Conduct.
- Control of the management activity and evaluation of Managers.
- Identification of the main risks to the Company and especially, those risks which arise from operations using derivatives and the implementation and monitoring of internal control and suitable information systems.
- Determination of the policy of information and communication with shareholders, markets and public opinion.
- Operations which involve significant Company assets and major corporate operations.
- Those specifically contained in the Regulations of the Board of Directors.

Mr. Gabriel Escarrer Jaume, as CEO, in accordance with Article 38 of the Articles of Association, is empowered with all the functions of the Board of Directors, except those which cannot be delegated for legal or statutory reasons. In no circumstances may the following be delegated: (a) presenting Accounts and explaining Balance Sheets to the General Shareholders' Meeting and (b) the duties which the General Shareholders' Meeting confers on the Board, except those which are expressly authorised by the same. To the extent that these may not be legally permitted by Law affecting third parties, the aforementioned limitations to the delegation of powers, shall be of an internal nature.

Furthermore, Mr. Gabriel Escarrer Juliá possesses the general powers for the administration of the Company.

As regards the acquisition of treasury stock, the Company Board of Directors was authorised, by the General Shareholders' Meeting of 1st June 2010, to acquire or transfer Company held treasury stock in the following terms:

> *"To Authorise 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 the purchase and sale, swap, adjudication in payment, or any other form permitted by Law, up to the legally permitted limit, at a price no lower than One Euro and no higher than Thirty Euros and for a period of Eighteen months, counting from the date of adoption of the current Agreement. All the above in observance of the limits and requirements of the Spanish Law on Public Limited Companies and the Company Internal Code of Conduct, concerning the Stock Market.*
>
> *To the effects as required, it is declared that all Company shares are correctly accounted for and that the shares for which purchase is authorised, added to those already held by the Company and its subsidiaries, do not exceed the limit authorised by the Law on Spanish Act.*
>
> *The present authorisation implies the nullification of the earlier authorisation conferred on the Board of Directors and subsidiaries as refers to the acquisition of treasury stock, passed by the General Shareholders' Meeting of 2nd June 2009."*

Transactions for the acquisition or swap of treasury shares should be carried out with the authorisation of the respective General Shareholders' Meeting and the determination of policy actions regarding treasury stock, decided by the Board of Directors and shall comply with the minimum conditions laid down in the Company Internal Code of Conduct.

e. Information on significant agreements taken by the Company and which take effect, are modified or which terminate in case of a change in the control of the Company due to a takeover bid, and its effects, except when disclosure of the same may seriously prejudice the Company. This exception shall not apply when the Company is legally obliged to make this information public.

There currently exists no agreement with these characteristics.

f. Information on agreements between the Company and its Board members and management or employees who are due compensation when the same resign or are wrongfully dismissed or when their employment ceases due to a takeover bid.

There are no agreements as mentioned in favour of any of the members of the Board of Directors, senior management or Company employees.

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.	22,790,989	0	12,334
MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	11,542,525	0	6,247
INVERSIONES COTIZADAS DEL MEDITERRANEO, S.L	11,099,999	0	6,007

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
MS. AMPARO MORALEDA MARTÍNEZ	0	2,975	0.002
CAJA DE AHORROS DEL MEDITERRANEO	0	11,099,999	6.007
MR. EMILIO CUATRECASAS FIGUERAS	0	0	0.000
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	0	0	0.000
MR. JUAN ARENA DE LA MORA	1,000	0	0.001
MR. JUAN VIVES CERDA	0	0	0.000
MR. LUIS M DIAZ DE BUSTAMANTE TERMINEL	300	0	0.000

Name of indirect shareholder	Through: Name of direct shareholder	Number of voting rights directly	% of total voting rights
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	51,871,167	28.072
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	16.416
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS, S.L.	22,790,989	12.334
MR. GABRIEL ESCARRER JULIA	MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	11,542,525	6.247
CAJA DE AHORROS DEL MEDITERRANEO	INVERSIONES COTIZADAS DEL MEDITERRÁNEO, S.L.	11,099,999	6.007
MS. AMPARO MORALEDA MARTINEZ	MR. SALVADOR MARTÍNEZ VIDAL	2,975	0.002
% of total voting rights held by the Board of Directors			**69.079**

Complete the following tables on the members of the Board of Directors with stock options:

A.4 Indicate any family, business, contractual or corporate relationships existing between stock-holders 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 Mr. Gabriel Escarrer Juliá, his wife and children.

Related name
HOTELES MALLORQUINES CONSOLIDADOS, S.A.
MAJORCAN HOTELS LUXEMBOUR, S.A.R.L
HOTELES MALLORQUINES AGRUPADOS, S.L.
HOTELES MALLORQUINES ASOCIADOS, S.L.

A.5 Indicate any business, contractual or corporate relationships existing between stockholders with a significant interest and the Company and / or its group, 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

In the event of any changes or breaking-off of those pacts or agreements or concerted actions, indicate this expressly:

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 JULIA

A.8 Complete the following tables on treasury stock:

At close of year:

Number of direct shares	Number of indirect shares (*)	% total share capital
5,858,575	0	3.170

Through:

Total	**0**

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
18/01/2010	2,010,136	0	1.090
24/06/2010	2,234,614	0	1.210
05/07/2010	3,911,400	0	2.120

Results obtained in the year on treasury stock operations (thousand Euros)	**682,656**

A.9 Describe the terms 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 1 June 2010, authorized the Board of Directors, which, in turn, could delegate and empower Directors, as required, to acquire and sell treasury shares of the Company through purchases 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 1 Euro or higher than 30 Euros, 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 Code 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 legal restrictions on the acquisition or transfer of holdings in the share capital. Indicate whether there are legal restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that can be exercised by a shareholder due to legal restrictions	**0**

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

NO

Maximum percentage of voting rights that can be exercised by a shareholder due to statutory restrictions	**0**

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-take-over measures in accordance with the provisions of Law 6/2007.

NO

If so, explain the measures approved and the terms under which the restrictions will be rendered ineffective:

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 JULIA		CHAIRMAN	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR. SEBASTIAN ESCARRER JAUME		VICE CHAIRMAN	07/02/1996	06/06/2006	VOTE AT SHAREHOLDERS' MEETING
MR. GABRIEL ESCARRER JAUME		VICE CHAIRMAN -CEO	07/04/1999	05/06/2007	VOTE AT SHAREHOLDERS' MEETING
MR. ALFREDO PASTOR BODMER		DIRECTOR	31/05/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MS. AMPARO MORALEDA MARTÍNEZ		DIRECTOR	09/02/2009	09/02/2009	CO-OPTATION
CAJA DE AHORROS DEL MEDITERRÁNEO	MR. ARMANDO SALA LLORET	DIRECTOR	30/03/2005	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR. EMILIO CUATRECASAS FIGUERAS		DIRECTOR	31/05/1996	06/06/2006	VOTE AT SHAREHOLDERS' MEETING
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MS. Mª ANTONIA ESCARRER JAUME	DIRECTOR	23/10/2000	06/06/2006	VOTE AT SHAREHOLDERS' MEETING
MR. JUAN ARENA DE LA MORA		DIRECTOR	31/03/2009	31/03/2009	CO-OPTATION
MR. JUAN VIVES CERDA		DIRECTOR	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL		SECRETARY DIRECTOR	30/11/2010	30/11/2010	CO-OPTATION
Total number of board members					**11**

Resignations from the Board of Directors occurred during the period:

Name or corporate name of the Director	Director's position at the company when resigning	Date of resignation
MR. EDUARDO PUNSET CASALS	INDEPENDENT	31/03/2010
MR. JOSE MARIA LAFUENTE LOPEZ	INDEPENDENT	31/07/2010

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 organization
MR. GABRIEL ESCARRER JULIA	--	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	--	VICE CHAIRMAN
MR. GABRIEL ESCARRER JAUME	--	VICE CHAIRMAN AND CEO

Total number of executive directors	**3**
Total % of the Board	**27.273**

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
CAJA DE AHORROS DEL MEDITERRÁNEO	--	INVERSIONES COTIZADAS DEL MEDITERRÁNEO, S.L.
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	--	HOTELES MALLORQUINES CONSOLIDADOS, S.A.
DON JUAN VIVES CERDA	--	HOTELES MALLORQUINES ASOCIADOS, S.L.

Total number of proprietary & external directors	**3**
Total % of Board	**27.273**

INDEPENDENT NON EXECUTIVE DIRECTORS

Name or corporate name of the Director

MR. ALFREDO PASTOR BODMER

Profile

Graduate in Economics from the University of Barcelona, PhD in Economics from the Massachusetts Institute of Technology and Doctorate in Economics 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 held the Spanish Chair at the China-Europe International Business School. He has been 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. He is currently a member of the Board of Directors of Bansabadell Inversión S.A., S.G.I.I.C.

Name or corporate name of the Director

MS. AMPARO MORALEDA MARTÍNEZ

Profile

Amparo Moraleda studied Industrial Engineering at the ICAI and received a Master's degree in Business Administration from IESE. Her professional career 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 1999, 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 company, with special attention paid to Europe, Latin America and Asia-Pacific.

In July 2001, she was appointed Chairwoman 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 Operations Manager of the Iberdrola Group for the international area.

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

Amongst the awards and recognition that she has received are: the award for Excellence of the Spanish Federation of Women Directors, 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, and the 2nd Values Leadership Award 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. EMILIO CUATRECASAS FIGUERAS

Profile

Graduate in Law from the University of Navarra, he has shone as a financial and mercantile adviser. He is 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 Honor of the Order of San Raimundo de Peñafort and is an Honorary member of the Fòrum Carlemany association.

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 Manager 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 bank.

In 2009, he gave classes in Financial Reporting and Control in the Master's program of the Commerce Department of the Harvard Business School. He is also a director and member of the Appointment and Remuneration Committee of Ferrovial, director and Chairman of the Audit Committee of Laboratorios Almirall, director and member of the Audit and Appointments Committee of Dinamia, director and president of the Appointments and Remuneration Committee of Everis, Chairman of the Advisory Board 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 of the Board of Directors of the Deusto Business School and director and Chairman of the Audit Committee of Prisa.

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").

Name or corporate name of the Director
MR. LUIS Mª DIAZ DE BUSTAMANTE Y TERMINEL

Profile

Born in Torrelavega (Cantabria, Spain), he is a Law graduate from the Complutense University of Madrid and has been practicing law since 1975. He is a partner of the Isidro D. Bustamante law firm (1942). His professional activity has focused mainly on civil, mercantile, civil procedural and international law.

In 1977, he moved to the United States where he worked at Southeast Banking Corp. (Miami, Florida) in the areas of sovereign and private public debt rating (mainly Brazil and Argentina), legal advice and secretary general to the CEO, as well as at the Roberts Holland law firm, which specializes in tax law.

He collaborates with the Board of the Bar Association of Madrid and he gives lectures on matters related to international relations. He is legal adviser at various companies and forms part of several Boards of Directors and Management Boards.

He is the co-author of the dictionary "Diccionario de derecho, Economía y Política español-inglés / inglés-español" (EDERSA, 1st edition 1980 and thereafter).

Total number of independent non-executive directors	**5**
Total % of the Board	**45.455**

OTHER EXTERNAL DIRECTORS

Detail of the reasons why these are not considered to be proprietary or independent directors and their relationships, with the company, its managers or its shareholders.

Indicate any changes that may have occurred in the period regarding each type of director:

B.1.4 Explain, where applicable, the reasons why proprietary directors 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 proprietary 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:

YES

Name of director
MR. EDUARDO PUNSET CASALS

Reason for leaving the post
Personal reasons

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 bylaws.

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:

Nombre o denominación social consejero	Denominación social de la entidad del grupo	Cargo
MR. GABRIEL ESCARRER JULIA	BEAR S.A.DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	BISOL VALLARTA S.A. DE C.V.	CHAIRMAN
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.	MANAGER. TREASURER
MR. GABRIEL ESCARRER JULIA	GEST. HOT. TURÍSTICA MESOL S.A. (SOC. UNIP)	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	GRUPO SOL ASIA LTD.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	HOTELES MELIÁ INTERNACIONAL DE COLOMBIA S.A.	MANAGER
MR. GABRIEL ESCARRER JULIA	LOMONDO LIMITED	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	MARKTUR TURIZM ISLETMECILIK A.S.	ADMINISTRATOR
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	SOL MELIA VC DOMINICANA	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC MÉXICO S.A. DE C.V.	CHAIRMAN

Nombre o denominación social consejero	Denominación social de la entidad del grupo	Cargo
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC PUERTO RICO CORPORATION	MANAGER
MR. GABRIEL ESCARRER JULIA	SOL MELIÁ GUATEMALA S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	SOL MELIÁ VC PANAMÁ S.A.	MANAGER
MR. GABRIEL ESCARRER JAUME	ADPROTEL STRAND S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA S.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	APARTOTEL S.A.	CEO
MR. GABRIEL ESCARRER JAUME	BEAR S.A. DE C.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A. DE C.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	CADSTAR FRANCE S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	CALIMAREST S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CANSILIUS S.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	CASINO TAMARINDOS S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	COMPAGNIE TUNISIENNE DE GESTION HOTELEIRE S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	MANAGER
MR. GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	MANAGER
MR. GABRIEL ESCARRER JAUME	DESARROLLOS SOL S.A.	VICE CHAIRMAN AND SECRETARY
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.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	GEST. HOT. TURÍSTICA MESOL S.A. (SOC. UNIP)	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	HOGARES BATLE S.A.	CHAIRMAN / CEO
MR. GABRIEL ESCARRER JAUME	HOTEL ALEXANDER SAS	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL BLANCHE FONTAINE S.A.S.	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 FRANCOIS S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTELES SOL MELIÁ S.L	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGER
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
MR. GABRIEL ESCARRER JAUME	INVERSIONES HOTELERAS LA JAQUITA S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	INVERSIONES Y EXPLOTACIONES TURÍSTICAS S.A.	CEO
MR. GABRIEL ESCARRER JAUME	LOMONDO LIMITED	MANAGER
MR. GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	MARKSERV	ADMINISTRATOR

Nombre o denominación social consejero	Denominación social de la entidad del grupo	Cargo
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	MOGAMENDA S.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	MOTELES ANDALUCES S.A.	CEO
MR. GABRIEL ESCARRER JAUME	NEXPROM S.A.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGOZA S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	OPERADORA COSTA RISOL S.A.	SECRETARY / MANAGER
MR. GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	PROMEDRO S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	PT SOL MELIÁ INDONESIA	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	REALIZACIONES TURÍSTICAS S.A.	SPOKERPERSON AND CEO
MR. GABRIEL ESCARRER JAUME	SAN JUAN INVESTMENT B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SECURISOL S.A.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	SOL GROUP B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL GROUP CORPORATION	MANAGER
MR. GABRIEL ESCARRER JAUME	SOL MANINVEST B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA BALKANS EAD	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	JOINT AND SEVERAL ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	BOARD CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA ITALIA S.R.L.	JOINT AND SEVERAL ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA MAROC - S.A.R.L. D'ASSOCIÉ UNIQUE	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 DOMINICANA	SECRETARY
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC MÉXICO S.A. DE C.V.	TREASURER
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	MANAGER
MR. GABRIEL ESCARRER JAUME	SOL MELIÁ GREECE S.A.	MANAGER 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.	MANAGER
MR. GABRIEL ESCARRER JAUME	TENERIFE SOL S.A.	CHAIRMAN
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 S.A.S.	MANAGER
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

Nombre o denominación social consejero	Denominación social de la entidad del grupo	Cargo
MR. SEBASTIAN ESCARRER JAUME	DETUR PANAMÁ S.A.	MANAGER SECRETARY
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 S.A.S.	MANAGER
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 AND SEVERAL ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	LOMONDO LIMITED	MANAGER
MR. SEBASTIAN ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	MELIÁ MANAGEMENT S.A.	CHAIRMAN 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	MANAGER
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA COMMERCIAL	MANAGER
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	JOINT AND SEVERAL ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA EUROPE	MANAGER
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA FINANCE LIMITED	AUTHORIZED DIRECTOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN / ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	DIRECTOR
MR. SEBASTIAN ESCARRER JAUME	SOL 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	MANAGER
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ BULGARIA AD	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ CROATIA L.L.C.	MANAGING MANAGER
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ FUNDING	MANAGER
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ GUATEMALA S.A.	VICE CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ SERVICES S.A.	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ VC PANAMÁ S.A.	MANAGER

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. ALFREDO PASTOR BODMER	BANSABADELL INVERSION S.A. S.G.I.I.C	DIRECTOR
MR. JUAN ARENA DE LA MORA	LABORATORIOS ALMIRALL	DIRECTOR
MR. JUAN ARENA DE LA MORA	FERROVIAL	DIRECTOR
MR. JUAN ARENA DE LA MORA	PRISA	DIRECTOR
MR. JUAN ARENA DE LA MORA	DINAMIA	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	**YES**
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	861
Variable remuneration	589
Per diets	466
Staturory dues	0
Stock options and / or other financial instruments	0
Other	0
Total	**1,916**

Other benefits	Thousand euros
Advances	0
Loans	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations assumed	0
Life insurance premiums	6
Guarantees arranged by the Company in favor 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	241

Nature of remuneration	Thousand euros
Variable remuneration	0
Per diets	0
Statutory dues	0
Stock options and / or other financial instruments	0
Other	0
Total	**241**

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 favor of Board Members	0

c) Total remuneration by type of director

Type of Director	By company (Thousand euros)	By group (Thousand euros)
Executive Directors	1,580	241
Proprietary & External Directors	93	0
Independent Non Executive Directors	243	0
Other Non Executive Directors	0	0
Total	**1,916**	**241**

d) In relation to profit attributed to the parent company

Total Board Member remuneration (thousands of euros)	**2,157**
Total Board Member remuneration / profit due to parent company (as %)	**4.3**

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. GABRIEL CÁNAVES PICORNELL	GROUP HUMAN RESOURCES E.V.P.
MR. ONOFRE SERVERA ANDREU	GROUP FINANCE E.V.P.
MR. LUIS DEL OLMO PINERO	GROUP MARKETING E.V.P.
MR. ANDRE PHILIPPE GERONDEAU	HOTELS E.V.P.
MR. MARK MAURICE HODDINOTT	HOSPITALITY BUSINESS SOLUTIONS E.V.P.
MR. JUAN IGNACIO PARDO GARCIA	LEGAL COMPLIANCE E.V.P.

Total senior management remuneration (in thousand euros)	**1,856**

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 favor of members of senior management, including the executive Board Members, of the Company or its Group. Indicate whether or not those contracts must be communicated and / or approved by the company or group bodies:

Number of beneficiaries	**0**

	Board of Directors	General Shareholders' Meeting
Body that authorizes the clauses	NO	NO

Is the General Shareholders' Meeting informed about the clauses?	**NO**

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

Process for establishing the remuneration of the members of the Board of Directors and the bylaw clauses

Article 37 of the Company Bylaws establishes the following:

Remuneration of Directors consists of an annual fixed amount, overall 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. 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.

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

Following the proposal of the company's Chief Executive, the appointment and cessation of senior executives, as well as their compensation clauses	**YES**
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	**YES**

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

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

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:

Matters relating to the remuneration policy

The Board's remuneration policy report states in favor of the aim of the remuneration, the principles applied to it and the remuneration structure. It also includes the detail of the amounts accrued in 2010.

Role of the Remuneration Committee

The responsibilities of the Remuneration Committee, 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 pertaining to the duties of Directors.

Has it used external advice?

Identity of external advisers

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 of the Director	Corporate name of the significant shareholder	Position
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS, S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SECRETARY AND CEO
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SECRETARY
MR. GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SPOKESPERSON AND CEO
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY
MS. Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SPOKESPERSON
MS. Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SPOKESPERSON
MS. Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON

Detail of any relevant relationships, other than those shown 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

MR. GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES ASOCIADOS, S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES AGRUPADOS S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder

MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES ASOCIADOS, S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES AGRUPADOS S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder

MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES ASOCIADOS, S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES AGRUPADOS S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

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

NO

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 are 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 convening 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:

All resolutions

Quorum	%
The Board will be quorate 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 external director.	51.00

Type of majority	%
Resolutions are adopted by an absolute majority of the directors present or represented at the Meetings. In the event of a tie, the Chairman will have the casting vote.	0

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

YES

Description of the requirements

EArticle 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 Chairpman 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 event of a tie

B.1.25 Indicate if the Company bylaws or the Regulations of the Board of Directors establish any limit on the age of Board Members:

NO

Limit on the age of Chairman	Limit on the age of CEO	Limit on the age of Director
0	0	0

B.1.26 Indicate if the Company Bylaws or the Regulations of the Board of Directors establish a limited mandate for independent Board Members:

NO

Years of mandate	**0**

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, S.A, has two female members. Ms. Amparo Moraleda is an Independent Director and Ms. M. Antonia Escarrer is a representative of the proprietary director 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
In the Board member selection process, the candidate's profile is evaluated, including the women potential candidates whose profile conforms to the professional that is being sought.

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	**5**
Number of Board meetings without the presence of the Chairman	**0**

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

Number of meetings of the executive or delegate committee	**0**
Number of meetings of the audit committee	**5**
Number of meetings of the appointments and remuneration committee	**3**
Number of meetings of the appointments committee	**0**
Number of meetings of the remuneration committee	**0**

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	**0.040**

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:

Name	Position
MR. MARK MAURICE HODDINOTT	HOSPITALITY BUSINESS SOLUTIONS E.V.P.
MR. GABRIEL ESCARRER JAUME	CEO

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 auditing technical standards. In compliance with this duty, the Committee has held several meetings over the year with auditors in order to analyze any possible exceptions that may arise in the annual accounts.

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

Comments
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.

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

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 or point of view of any analyst when providing this information.

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

NO

Outgoing auditor	Incoming auditor

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

NO

B.1.37 Indicate whether the audit firm carries out other work for the company and / or its group different to 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)	247	209	456
Fees for work other than that of auditing / Total amount invoiced by the audit company (in %)	54.167	19.905	30.280

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	2	2

	Company	Group
Number of years audited by the current audit firm / Number of years that the company has been audited (in %)	13.3	13.3

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	% stake	Position or functions
CAJA DE AHORROS DEL MEDITERRÁNEO	TERRA MÍTICA, PARQUE TEMÁTICO DE BENIDORM, S.A.	24.230	DIRECTOR
MR. EMILIO CUATRECASAS FIGUERAS	AREAS, S.A.	30.000	EXECUTIVE CHAIRMAN
MR. JUAN VIVES CERDA	FINCA LOS NARANJOS, S.A.	27.880	JOINT AND SEVERAL ADMINISTRATOR

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

YES

Detail of procedure

Article 23 of the Regulations of the Board states that, in order to be aided in the exercising of their functions, the External Directors can request 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

Detail of procedure

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 channeled 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 organization to provide such information or organize any measures required so that the Director may examine or inspect whatever they may require.

B.1.43 Indicate and, in which case, detail if the company has established rules 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 at any given.

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 / her for any of the crimes set forth in Article 124 of the Spanish Company Law:

NO

Indicate whether the Board of Directors has analyzed the case. If the answer is yes, explain in a reasoned manner the decision made regarding whether or not the director should continue in his / her post.

NO

Decision made	Reasoned explanation

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. ALFREDO PASTOR BODMER	CHAIRMAN	INDEPENDENT
MR. JUAN ARENA DE LA MORA	SPOKESPERSON	INDEPENDENT
MR. JUAN VIVES CERDA	SPOKESPERSON	PROPRIETARY

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
MR. ALFREDO PASTOR BODMER	CHAIRMAN	INDEPENDENT
MS. AMPARO MORALEDA MARTÍNEZ	SPOKESPERSON	INDEPENDENT
MR. GABRIEL ESCARRER JAUME	SPOKESPERSON	EXECUTIVE
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON	PROPRIETARY
MR. SEBASTIAN ESCARRER JAUME	SPOKESPERSON	EXECUTIVE

STRATEGY COMMITTEE

Name	Position	Type
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN	PROPRIETARY
MR. ALFREDO PASTOR BODMER	SPOKESPERSON	INDEPENDENT
MR. JUAN VIVES CERDA	SECRETARY - SPOKESPERSON	PROPRIETARY

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.

Name of committee

STRATEGY COMMITTEE

Brief description

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.

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 organizational 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 have the casting vote.

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

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 its Chairman or a majority of its members or at the request of the Board of Directors, whenever it is required 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 have the casting vote.

Name of committee

AUDIT COMMITTEE

Brief description

Number of members and structure: article 39 bis of the 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 39 bis of the Company Bylaws, 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 practices 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 have the casting vote.

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

Name of committee

STRATEGY COMMITTEE

Brief description

Art. 13 of the Regulations of the Board of Directors lays down the possibility of creating specialized committees to best carry out their remits, with powers to report, advice, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves.

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Art. 13 of the Regulations of the Board of Directors lays down the possibility of creating specialized committees to best carry out their remits, with powers to report, advice, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves.

Name of committee

AUDIT COMMITTEE

Brief description

Art. 13 of the Regulations of the Board of Directors lays down the possibility of creating specialized committees to best carry out their remits, with powers to report, advice, propose and other powers which are within their competency, and granted by law, or by the Bylaws 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.

Name of committee

STRATEGY COMMITTEE

Brief description

The Strategy Committee is regulated by article 16 bis 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.

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

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.

Name of committee

AUDIT COMMITTEE

Brief description

The Audit Committee is regulated by articles 39 bis of the Company Bylaws and article 14 of the Regulations of the Board of Directors.

Both documents 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

If no, explain the composition of the executive committee
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 favorable 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 Company or the 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 euros)
HOTELES MALLORQUINES ASOCIADOS, S.L.	CASINO TAMARINDOS, S.A.	Hotel supplies Food)	Sale of goods (finished or in process)	4
HOTELES MALLORQUINES ASOCIADOS, S.L.	COMUNIDAD DE PROPIETARIOS MELIA SOL Y NIEVE	Hotel supplies (Food)	Sale of goods (finished or in process)	99
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	213
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Facility maintenance expenses	Leases	287
HOTELES MALLORQUINES ASOCIADOS, S.L.	REALIZACIONES TURÍSTICAS, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	47
HOTELES MALLORQUINES ASOCIADOS, S.L.	SOL MELIÁ, S.A.	Sundry services	Service provision	39
HOTELES MALLORQUINES ASOCIADOS, S.L.	SOL MELIÁ, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	12,027
HOTELES MALLORQUINES ASOCIADOS, S.L.	TENERIFE SOL, S.A.	Hotel supplies (Food)	Sale of goods finished or in process)	1.298
HOTELES MALLORQUINES AGRUPADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Leasing of facilities	Leases	405

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

Name or corporate name of the administrators or executives	Name or corporate name of the company or its group	Nature of relationship	Type of operation	Amount (thousand euros)
CAJA DE AHORROS DEL MEDITERRÁNEO	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	Contractual	Financial expenses	17
CAJA DE AHORROS DEL MEDITERRÁNEO	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	601
CAJA DE AHORROS DEL MEDITERRÁNEO	LOMONDO LIMITED	Contractual	Financial expenses	62
CAJA DE AHORROS DEL MEDITERRÁNEO	LOMONDO LIMITED	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	430
CAJA DE AHORROS DEL MEDITERRÁNEO	MELIÁ INVERSIONES AMERICANAS	Contractual	Financial expenses	28
CAJA DE AHORROS DEL MEDITERRÁNEO	MELIÁ INVERSIONES AMERICANAS	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	2.064
CAJA DE AHORROS DEL MEDITERRÁNEO	SOL MELIÁ, S.A.	Contractual	Financial expenses	935
CAJA DE AHORROS DEL MEDITERRÁNEO	SOL MELIÁ, S.A.	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	17,830
CAJA DE AHORROS DEL MEDITERRÁNEO	SOL MELIÁ, S.A.	Contractual	Loan financing agreements and capital contributions (lending)	9,000
MR. EMILIO CUATRECASAS FIGUERAS	SOL MELIÁ, S.A.	Legal services	Service provision	39
MR. DON GABRIEL ESCARRER JULIA	DESARROLLOS SOL, S.A.	Architectural services	Service provision	63
MR. JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	Hotel management	Service provision	96
MR. JUAN VIVES CERDA	SOL MELIÁ, S.A.	Hotel management	Service provision	238

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:

NO

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 article 127 ter of the Spanish Corporations Law.

NO

C.6 Describe any mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and / or the Group, and its directors, 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 of Directors and propose the measures which should be taken to avoid such situations.

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

NO

Identify the subsidiaries that are listed:

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 Meliá operates, the Company is exposed to different risks, which has led Sol Meliá to establish a global permanent process for evaluation, analyzing and controlling risks, enabling it to monitor the most significant risks that could prevent it from meeting its objectives and successfully carry out its strategies.

To develop that model, the Organization created the Risk Control, Analysis and Evaluation Department, within the Legal & Compliance Section.

This Integral Risk Management Model established by Sol Meliá is based on the COSO II report (Committee of Sponsoring Organizations of the Tradeway Commission), in which an integrated Internal control and Risk Management framework is established, which enables the Group to apply periodically and uniformly across different business units and Group support.

One of the characteristics of this model is that enables the company to obtain the Group's Risk Map through the consolidation of the Individual Risk Maps of the various Departments and Business Areas. In that way, the company can identify the risks that require specific control and monitoring at a consolidated Group level and at an individual level by Department and Business Area.

Risks are considered to be any event that can potentially prevent the Company from meeting its business objectives or successfully carry out its strategies.

The various risks that could be faced by Sol Meliá during its activities are shown in the following categories:

A. **Overall risks**. These arise from events beyond the economic players' acting capacity.

B. **Financial risks**. These are related to the financial variables and those arising from the company's difficulty in meeting its commitments or making its assets liquid.

C. **Business risks**. These arise from the performance of the business intrinsic variables, such as demand, competition and market, strategic uncertainty and changes in scenarios.

D. **Operating risks**. These are related to faults in internal processes, human resources, the physical equipment and the computer systems or the fact that they are not appropriate.

E. **Compliance risks**. These arise from changes in regulations established by the various regulators and / or non-compliance with the applicable legislation, and the internal policies and regulations.

F. **Information risks**. These are related to events caused by inappropriate use, generation and communication of information.

The evaluation of the events in the risks catalog that Sol Meliá managed in 2010 was performed at residual risk level, i.e. taking into account, or discounting, the effect of the controls implemented at the Company to mitigate the inherent risk.

The Comprehensive Risk Management model ensures a standardized and common work structure, through the following stages or processes:

1. Identification of events.

The aim of identifying events is to have an updated catalog of the possible risks that can affect the strategic objectives established by Management or which prevent it from successfully carrying out the strategies.

The identification of events is a process that is periodically and continually updated so that the catalog can detect and include new relevant risks that can impact Sol Meliá and / or any of its Group Companies. Likewise, the characteristics and description of the identified risks are also updated periodically.

2. Evaluation of risks.

In this process, the people responsible for the Group's Departments and Business Areas evaluate the risks that theoretically affect their areas of responsibility.

Two variables are taken into account in that evaluation:

- The potential impact that the risk may have.
- The probability that the risk will materialize.

The evaluation scale that is used is common to all the Departments and areas affected in order to ensure the consistency of the results obtained.

3. Control and management.

The objective is to define or establish the necessary actions, processes or flows of information with respect to the risks considered to be a priority by Sol Meliá's management so that the impact of those risks are mitigated in the event that they are materialized.

4. Reporting.

The objective of this stage is the periodic communication in both directions between the Organization's Departments or Areas and the Company's governing and decision-making bodies as well as the Auditing and Compliance Committee. There are two main types of reporting:

- Ordinary reporting: the flow of information and communication made periodically to the various Departments or Areas.

- Extraordinary reporting: due to extraordinary reasons that are especially important for the Organization.

This model is rounded out with a fifth stage, i.e. the monitoring and updating of results so that the process becomes a closed cycle that is updated periodically and systematically.

There are also different Areas or Departments in the Organization with specific remits in the area of risk management, namely:

- Internal Audit
  Within the Legal & Compliance Department and dependent functionally on the Auditing and Compliance Committee, it is in charge of verifying the correct functioning of the internal control systems, ensuring that the risks are identified, quantified and controlled and verifying compliance with the legislation.

- Risk Control, Analysis and Evaluation
  Within the Legal & Compliance Department, it is in charge, among other things, of providing support to the Group in the development of the abilities necessary to identify, evaluate and manage any risks that may affect the Company.

- Corporate Governance
  Also within the Legal & Compliance Department, one of the corporate governance tasks is to oversee the updates of the Company's internal regulations so that they are constantly adapted to the needs at any given time.

- Risk Management
  This belongs to the Finance Group and is in charge mainly of credit risk management and arranging insurance policies at a corporate level to cover certain risks.

- **Personnel Administration**
  This department centralizes procedures and controls regarding the administrative management of personnel.

- **Management Control**
  This area is in charge of budget control and monthly analysis of the deviations and follow up of the different Group activities.

- **Occupational Health**
  This belongs to the Human Resources Group and it has responsibilities in the area of occupational safety, based on the various legislations.

On the other hand, Sol Meliá has a group of internal regulations that must be fully complied with which seek to regulate the basic aspects of certain processes or functions and serve as the basis for implementing control mechanisms and systems.

In the Corporate Offices section, and in relation to the control of 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.) materialized during the financial year.

YES

If so, indicate the circumstances that caused them and whether the control systems established worked.

Risk materializing during the year

Health crisis

Circumstances that have led to it

Outbreak of cholera in the Dominican Republic

Functioning of the control systems

An Action Protocol for the cholera outbreak was developed for health and safety which was implemented in the hotels affected and notified to the tour operators. This protocol enables the company to oversee the protection of its customers and employees. The Company has proven experience in the handling of these situations, based on its management of the bird flu epidemic at its hotels in Asia and the swine flu epidemic that affected mainly Mexico in 2009.

Risk materializing during the year

Financial risks (liquidity, interest rates, etc.)

Circumstances that have led to it

World economic crisis

Functioning of the control systems

In 2010, to maintain its liquidity level, Sol Meliá signed new bank loans amounting to 214 million euros. The total limit of its credit policies increased by 19 million euros in 2010. In August 2010, Sol Meliá SA signed a Forward Start Facility through which it deferred by 2 years most of its maturities corresponding to 2012 and 2013 of the syndicated loans signed in 2004, 2008 and 2009. The total amount deferred in this operation was 234.2 million euros, out of a total of 275 million euros. The Group's liquidity will also be maintained as a result of having sold some assets such as Hotel Sol Pelícanos Ocas (Benidorm) which continues to be operated by the Company under a leasing scheme.

Risk materializing during the year

Other risks: natural disasters and customer insolvencies.

Circumstances that have led to it

An ash cloud resulting from an eruption of a volcano in Iceland. Economic crisis.

Functioning of the control systems

We verified that the prevention, control and information mechanisms worked effectively, so we consider that the risk management system worked satisfactorily.

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 or body

Auditing and Compliance Committee

Description of functions

Amongst the functions of the Auditing 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 or body

Internal Audit Department

Description of functions

The Internal Auditing Department is responsible for examining and evaluating Group activities as a service to the organization 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 organization 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 organization 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 programs to verify that they are in line with set objectives and goals, and whether operations or programs 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 judgments. Objectivity is a basic principle of their activity and under no circumstances must they subordinate their auditing judgment to that of others.

Name of committee or body

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

The SET is authorized 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 for the Shareholders' Meeting required by Spanish Company Law (LSA) and by the Company Bylaws.

NO

	% of quorum different to that established in article 102 of the LSA for the general circumstances	% of quorum different to that established in article 102 of the LSA for the general circumstances
Quorum required for the first call	0	0
Quorum required for the second call	0	0

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

NO

Describe the differences with the regime envisaged in the Spanish Company Law.

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 will provide an Electronic Forum for Shareholders for the 2010 Shareholders' Meeting to be held in 2011 in order to facilitate communication prior to the meeting itself. Through the Forum and duly guaranteed, the individual shareholders and voluntary associations can publish the proposals aimed at being presented to round out the agenda announced in the Meeting's notice, request that those proposals be admitted, provide initiatives to reach the percentage to exercise the minority right as envisaged in law, as well as the offers for voluntary representation.

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 the measures

Yes, they coincide.

As envisaged in article 14.7 of the Regulations of the General Shareholders' Meeting , the exercise of all of the powers required to ensure the correct organization and development of the General Shareholders' Meeting is the responsibility of the Chairman of the General Shareholders' Meeting, with the assistance of the committee board, 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 Directors 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 Mercantile Registry.

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

In 2010, 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	Other	
01/06/2010	0.188	82.281	0.000	0.000	82.469

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, Statement of Total Changes in Net Equity, Cash Flow Statements and Annual Report) and Management Report both Individually for SOL MELIÁ, S.A. and also for the Consolidated Group for the financial year ended 31 December 2009 and verified by the Company auditor, PRICEWATERHOUSECOOPERS AUDITORES S.L.

Votes in favor: 82.42%.

SECOND

As for the Individual Accounts, it is agreed to apply the amount of FORTY-EIGHT MILLION EIGHT HUNDRED AND NINETY-NINE THOUSAND FIVE HUNDRED AND SIXTY-THREE EUROS AND NINETY-NINE CENTS (48,899,563.99 Euros) to the loss brought forward. The meeting also agrees to distribute a net dividend of 0.0343 Euros per share charged to freely distributable voluntary reserves, which will be effective on 1 July 2010, acting as the payer the entity designated by the Company's Board of Directors, based on the rules of functioning of Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear).

Votes in favor: 82.47%.

THIRD

In view of the Management Reports presented by the Administration, to adopt without reservations of any type, the management carried out by the Board of Directors in the year 2009.

Votes in favor: 82.30%.

FOURTH

First proposal:

In view of the favorable report from the Appointments and Remuneration Committee, renew the appointment of Mr. Gabriel Escarrer Julià, whose post expired on 8 June 2009, for a statutory period of five years. It is hereby stated that Mr. Gabriel Escarrer Julià will be an Executive Director.

Mr. Gabriel Escarrer Julià will continue to be the Chairman of the Board of Directors.

Second proposal:

In view of the favorable report from the Appointments and Remuneration Committee, renew the appointment of Mr. Juan Vives Cerdà, whose post expired on 8 June 2009, for a statutory period of five years. It is hereby stated that Mr. Juan Vives Cerdà will be an External Proprietary Director.

Votes in favor: 78.35%.

Third proposal:

In view of the favorable report from the Appointments and Remuneration Committee, renew the appointment of the director CAJA DE AHORROS DEL MEDITERRÁNEO, whose post expired on 30 March 2010, for a statutory period of five years. It is hereby stated that CAJA DE AHORROS DEL MEDITERRÁNEO will be an External Proprietary Director. Its representative at the Board of Directors will be Mr. Armando Sala Lloret.

Votes in favor: 78.49%.

Fourth proposal:

In view of the favorable report from the Appointments and Remuneration Committee, renew the appointment of the director Mr. Alfredo Pastor Bodmer, whose post expired on 8 June 2009, for a statutory period of five years. It is hereby stated that Mr. Alfredo Pastor Bodmer will be an External Proprietary Director.

Votes in favor: 78.82%.

FIFTH

Authorize the Board of Directors to agree on a capital increase pursuant to article 153.1 b) of Spanish Company Law and empower it to exclude the preferential subscription right pursuant to article 159.2 of that Law, rendering without any effect the authorization given through a resolution by the General Shareholders' Meeting of 2 June 2009.

Votes in favor: 82.03%.

SIXTH

Authorize the Board of Directors to issue fixed income, convertible and / or exchangeable securities for Company shares, within a five-year period starting on the date of the Meeting, determining the bases and types of conversion and / or swap, attributing the powers to exclude the preferential subscription right for shareholders and bondholders, guaranteeing the issuance of subsidiaries and capital increases in the amount necessary, rendering without any effect the authorization given through a resolution by the General Shareholders' Meeting of 2 June 2009.

Votes in favor: 82.34%.

SEVENTH

Authorize the Board of Directors for the derivative acquisition of shares of SOL MELIA S.A., directly or through dominated companies, within 18 months, starting on the date of the Meeting, and ratifying the acquisitions made since the last General Shareholders' Meeting, rendering without any effect the unused part of the authorization given through a resolution by the General Shareholders' Meeting of 2 June 2009.

Votes in favor: 74.64%.

EIGHT

Provide information about the bond issuance approved by the Board of Directors at the extraordinary meeting on 4 November by virtue of the power granted at the General Shareholders' Meeting held on 2 June 2009. This item was not put to vote since it was merely to provide information.

NINTH

Confer power to formalize and execute the resolutions adopted by the General Shareholders' Meeting.

Votes in favor: 82.47%.

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, practices 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.
   See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:
   a. The respective activity areas and possible business relations between them, as well as those of the listed subsidiary with the other group companies;
   b. The mechanisms envisaged for resolving conflicts of interest that may arise.
   See sections: C.4 and C.7

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. 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 notice 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.
   See section: E.8

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.
   See section: E.4

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, authorize the organizational 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.
      See sections: B.1.10, B.1.13, B.1.14 and D.3
   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.
      See section: B.1.14
      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.
      See section: B.1.14
      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 authorization 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 favorable 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.
   See sections: C.1 and C.6

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.
See section: B.1.1

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.
See sections: A.2, A.3, B.1.3 and B.1.14

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.
See section: B.1.3

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.
See sections: B.1.3, A.2 and A.3

Complies

13. The number of independent directors shall represent at least a third of all Board Members.
See section: B.1.3

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.
See sections: B.1.3 and B.1 4

Explain

No proprietary directors have been appointed at the proposal of shareholders holding less 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.
See sections: B.1.2, B.1.27 and B.2.3

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, and will work to ensure a good level of debate. He or she will organize and coordinate regular evaluations of the Board and, when different from the Chairman of the Board, the company's chief or top executive.
See section: B.1.42

Complies

17. When the Chairman and chief executive are one and the same, one of the company's independent directors shall be empowered to request the convening 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.
See section: B.1.21

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.
See section: B.1.34

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.
See section: B.1.29

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.
See sections: B.1.28 and B.1.30

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.
See section: B.1.19

Complies partially

The Board does not evaluate the Board Chairman nor the workings of its committees.

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.
See section: B.1.42

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.
VSee section: B.1.41

Complies

25. Companies shall organize 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.
See sections: B.1.8, B.1.9 and B.1.17

Explain

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.
See section: B.1.2

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.

29. Independent directors may not hold this office for over an uninterrupted period of 12 years.
See section: B.1.2

Explain

Only two of all the Independent Directors have remained as such for a period of more 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.
See sections: A.2, A.3 and B.1.2

Explain

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.
See sections: B.1.2, B.1.5 and B.1.26

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.
See sections: B.1.43 and B.1.44

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.
See section: B.1.5

Complies

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, itemized 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.

See section: B.1.15

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.

See sections: A.3 and B.1.3

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 jeopardize 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.

See section: B.1.16

Complies

41. The annual accounts 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, itemized 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.

Explain

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.
See sections: B.2.1 and B.2.6

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.

See sections: B.2.1 and B.2.3

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 program 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, etc.) 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 materialize;
    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.

    See section: D

Complies

50. The Audit Committee's role will be as follows:

    1º In relation to internal control and reporting systems:
    a. Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles
    b. Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed
    c. Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports
    d. Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially.

    2º In relation to the external auditor:
    a. Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement
    b. Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation
    c. Oversee the independence of the external auditor, to which end:
        i) The company will notify any change of auditor to the Spanish Stock Market Commission in the form of a relevant fact, stating the reasons for its decision.
        ii) The Committee will ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

iii) The Committee will investigate the issues giving rise to the resignation of any external auditor.

d. In the case of groups, the group auditor shall be encouraged to assume responsibility for the audits of all the group companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

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.

    See sections: B.2.2 and B.2.3

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.
    See section: B.1.38

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.
    See section: B.2.1

Explique

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 organize, 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.

    See section: B.2.3

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.

   See sections: B.1.14 and B.2.3

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

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.

This section can include any other information, clarification or nuance related to the previous sections of this report insofar as they are relevant and not reiterative.

Specifically, indicate if the company is subject to legislation other than Spanish legislation in terms of corporate governance and, where appropriate, include information that it is obligated to provide and is different to that required in this report.

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

Date and signature:

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on 31/03/2011

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 31 March 2011, 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 79 pages, all signed by the Board Secretary, and the last page of which is signed by all the Directors.

Signed Mr. Gabriel Escarrer Juliá
Chairman

Signed Mr. Juan Vives Cerdá
Director

Signed Mr. Sebastián Escarrer Jaume
Vice Chairman

Signed Mr. Gabriel Escarrer Jaume
Vice Chairman and Chief Executive Officer

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

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

Signed Mr. Juan Arena de la Mora
Independent Director

Signed Mr. Emilio Cuatrecasas Figueras
Independent Director

Signed Ms. Amparo Moraleda Martínez
Independent Director

Signed Mr. Alfredo Pastor Bodmer
Independent Director

Signed Mr. Luis Mª Díaz de Bustamante y Terminel
Secretary and Independent Director

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