Sol Meliá
HOTELS & RESORTS

2003 Preliminary Year-End Results

Profit & Loss Account

(Million Euros)	Dec'03	Dec'02	%
Revenue	**987.8**	**1.010.5**	**-2.2%**
Expenses (ex – Op. leases)	**(701.7)**	**(709.8)**	**-1.1%**
EBITDAR	**286.1**	**300.8**	**-4.9%**
Rental expenses	(63.8)	(67.5)	-5.5%
EBITDA	**222.3**	**233.3**	**-4.7%**
Depreciation and amortisation	(111.8)	(105.8)	5.7%
EBIT	**110.5**	**127.5**	-13.3%
Total financial profit/(loss)	**(56.8)**	**(73.1)**	**-22.2%**
Profit/(loss) from equity	(0.1)	(5.0)	98.4%
Goodwill amortisation	(2.5)	(3.0)	-15.7%
Ordinary EBT	**51.1**	**46.4**	**10.1%**
Extraordinary items	12.1	(29.5)	141%
PBT	63.2	16.8	275%
Net Profit	**49.1**	**13.6**	**260%**
Net Income	**38.1**	**4.2**	**813%**

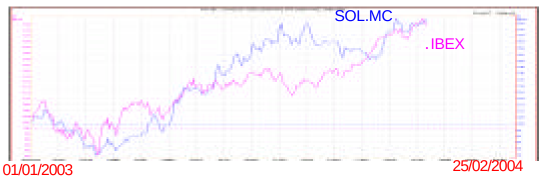
Operational Ratios

	Dec'03	Dec'02	
RevPAR	44,6	45,4	-1,7%
Ebitdar margin	29,0%	29,8%	-79,9 bp
Ebitda margin	22.5%	23.1%	-57.9 bp
Ordinary profit margin	5,2%	4,6%	58,1 bp
Net profit margin	3.9%	0.4%	344.7 bp

Financial Ratios

	Dec'03	Dec'02	
NET DEBT (*)	1.110	1.110	0.0%
NET DEBT / TOTAL EQUITY (*)	117%	105%	1251,1
EBIT / NET INTEREST	1.9×	2.2×	(0.3×)

Stock Performance 01/01/03 – 24/02/04



Average Daily Volume (€)	1,882,597
Period High, Sep 17th 2003	€ 6.93
Period Low, Mar 10th 2003	€ 2.78
Historical High, Jun 9th 2000	€14.28
Marketcap Feb 24th 04 (€ 6.86)	€ 1,268 million

Highlights

Positive 2003 Results overshadowed by the appreciation of the Euro

On a constant exchange rate basis, accumulated EBITDA and Ordinary EBT increases by 4.5% and 56.3% respectively in spite of the general slowdown of the travel and tourism industry, seriously impacted by the weakness of the western economies, geopolitical instability in the first half of the year and SARS. In addition, 2003 also represents important alliances, completion of financing requirements up until 2006 and cost adjustment according to brand structure.

6.9% EBITDA increase in Q4 versus 7.1% decrease up to September

Year on year fourth quarter EBITDA increases by 6.9% (Q1: -26.1%, Q2: +0.2%, Q3:+0.5%) explained by the continuing positive evolution of the Caribbean and pick-up in Q4 in the corporate activity in Spain. In the European resorts, accumulated RevPar increased by 5% due to a positive summer season in Spain, especially in the Balearics. With an 3.6% RevPar decrease, the European City Division has outperformed the market as a whole, which has decreased by 6.7%. In the Americas, 7.4% Total Revenue increase.

Outlook 2004

The Caribbean and major European cities will benefit from the economic recovery in the US and the increasing flow of American travelers. Current level of bookings for the summer season from Germany, together with a positive trend of the UK after an initial low level of booking, makes the Company feel comfortable about the European Resort Division. In the Spanish cities, despite increases in capacity in certain cities, the Company believes its urban properties will outperform 2003 due to corporate and leisure activity recovery, already seen up to February 2004.

Paradisus Puerto Rico Opening

The owned Paradisus Puerto Rico, an all inclusive 490 suites luxury resort, opens its doors in 1Q04 (capex of $140 million). The Company believes this property, with the local government support, will take advantage of the good momentum for the Caribbean as a business and leisure US destination, while providing an alternative to the Company's clientele in Europe which has gained in purchasing power due to Euro appreciation.

(*) The termporary excess of cash due to the exchangeable has been included in the calculation of the Net Debt

investors.relations@solmelia.com
SOL MELIA
Gremio Toneleros, 24
07009 Palma de Mallorca
Tel.: +34 971 22 45 43

INDEX

Page

1. Letter from the E. V. P. Communications

Dear friend,

Sol Meliá is pleased to announce an increase, on a constant exchange rate basis, of the accumulated EBITDA and Operating Profit by 4.5% and 56.3% respectively. Such figures represent a merit in view of the difficulties in the hotel industry seen throughout 2003, especially in the first half, with the Iraqi war, SARS and slowdown in western economies.

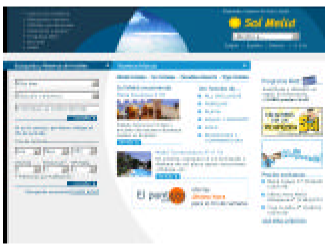
Even in this tough environment, the Company has been able to outperform most of its peers, mainly due to a positive evolution of the summer season in Spain, the healthy situation of the Spanish-speaking Caribbean and the cleaning process carried out during 2002 and 2003.

The cleaning process implied the provision loss making joint ventures such as AOL Spain joint venture, the disaffiliation of loss-making hotels, a cost-cutting program and the strengthening of brand standardization. These effects together with the alliances recently signed in the fields of Distribution and Time-Sharing, the contribution of new incorporations, and the repositioning of hotels recently acquired/refurbished set the basis for the future recovery of the Company.

The investments made in technology have reinforced the role of the Central Reservation Systems, while enhancing the Company's distribution capacity. This, together with agreements with major on-line distributors and the fast development of solmelia.com, complement long-lasting relationships with major touroperators, and 28 international sales offices in 18 countries.

Regarding solmelia.com, a range of actions that involved attraction of new clientele through advertising in the web, personalized marketing, owned travel programs and last minute offers such as the "Wednesday Web Weekend" – "*El Puntazo*" – together with an easy booking process, have enabled us to increase the sales by 188% representing 5% of the total sales and 17% of centralized sales, i.e. Central Reservation System, GDS's and Internet.

The translation of solmelia.com into five languages – now additionally available in German, French and Italian together with the technical web development, cooperation with airlines, reinforcement of the families offers section and the future development of the Brazilian/Portuguese version, will stimulate the migration from traditional ways of bookings to booking on-line – with the corresponding savings in commissions – as well as the usage of the web as an important tool of yield management. In fact solmelia.com January 2004 sales increases by 200% compare with last year, with an increase in bookings from our traditional feeder markets to our resorts hotels in May and June. Reservations made in January though our web site, already surpass those made through GDS's.



The Company would like to stress the change that is taking place in our industry in terms of distribution - already glimpsed in the evolution of solmelia.com - which will develop into a higher process of disintermediation in the next couple of years. This has led to major steps being taken in terms of distribution strategy by reaching agreements with two of the most important distributors in the industry both in Europe and the United States.

In Europe, the Company and lastminute.com (European leader in online travel) strengthened their strategic alliance through an agreement by which Sol Meliá becomes a Preferred Hotels Supplier for the lastminute.com network while the solmelia.com website adds a dynamic packaging tool allowing visitors to buy packaged breaks, i.e. hotels plus airline tickets. This feature is scheduled to be available on our web in the first quarter 2004.

In the United States, in the fourth quarter 2003 Sol Meliá signed a strategic alliance through two agreements with Cendant Corporation by which we will widen our hotel distribution scope while increasing our Timeshare business, both areas in which Cendant Corporation is world leader.

The development of the Time-Share business fits into the strategy of maximizing revenues per square metre of existing lands and properties. The new entity Sol Meliá Vacation Club is intended to capitalize on our leadership position in the resort segment worldwide together with Sol Meliá's brand recognition in its core markets, launching new projects in both Latin America and Europe along with Cendant's support.

Sol Meliá has also created a new Food & Beverage Division in order to increase revenues on the existing square metres devoted to this business. Amongst other objectives, the Plan will include improvements in profitability and quality levels in all hotel food and beverage operations, the standardization of brand service levels, a full integration of all operations, advances in the industrialization of certain processes and the promotion of theme restaurants.

The Company will continue the rotation of its assets (€ 30 - € 40 million per year up to 2005) which, amongst other things, includes the sale of certain hotel properties whenever they are located in destinations in which the company operates other hotels that satisfy the needs of customers, and whenever the deals themselves are sufficiently profitable. On the January 22 Sol Meliá sold the Sol Aloha Playa Aparthotel in Benalmádena (Malaga, Spain) for €11.5 million at 12.5x EBITDA'03 multiple, generating capital gains of € 8.9 million for 2004. Also in the first quarter 2004, the Company sold the 19% stake of the Spanish touroperator Viva Tours by € 2 million to Viajes Iberia. The deal has generated total capital gains of € 1.4 million and a commercial alliance in the domestic market with the Viajes Iberia Group. These transactions should be added to the disposals carried out during the course of 2003 when Sol Meliá sold a total of € 30.8 million in non-strategic assets. Total EBITDA lost by the transactions represents some € 2.2 million.

In 2003, a year of alliances with major players of the leisure and entertainment industry, Sol Meliá has also advanced in its aim of product definition and differentiation through the joint venture with Rank Group to develop Hard Rock Hotels in exclusivity with the $ 1,000 million support of Becker Ventures LLC. As a first result of the Rank Group Joint Venture, Sol Meliá has recently opened the Hard Rock Chicago (381 rooms) which is also the Company's debut in the United States. After Chicago, the Hard Rock San Diego will open in 2006 representing 250 additional rooms for the joint venture. Additional Hard Rock hotels are foreseen in American cities and also in some European capitals,. Within the same context, in April 2003 Sol Meliá and Warner Bros. Consumer Product signed an agreement to offer themed hotel facilities featuring characters from the Flintstones cartoons in five Sol branded hotels – 3,265 rooms – in Spain.

During the last quarter 2003, Sol Meliá has embarked a new ambitious project that will imply the introduction of the Company in the Chinese market with the Gran Meliá Shangai, a management contract where the Company will hold a 10% stake. The total investment foreseen for the construction will represent 200 millions US dollars. The 5 star de-luxe establishment will no doubt be the leading hotel in Pudong's commercial zone in 2006, where it will be located.

In March 2004, Sol Meliá will also open its first hotel in Puerto Rico, a 490 suites Paradisus branded establishment which will immediately enter the exclusive club of “The Leading Hotels of the World”, a club to which a further 7 Sol Meliá hotels already belong. The property – the first all inclusive resort in the country – will also provide two exclusive 18-hole golf courses and a modern Convention Centre set in 2,700 square metres with 13 meeting rooms for up to 1,100 guests. The Company has invested 140 million dollars in the construction.

The Leading Hotels of the World
Luxury sets them apart. Leading Hotels brings them together.

On the financial side, the Company completed the financing requirements for 2004 and 2005 via securitised loans and a 5 years maturity € 150 million euro exchangeable bond issued in October 2003. A conversion premium of 80%, the issue put the strike price at € 11.90 while carrying a 4.3% annual coupon rate for the bond holder. Regarding this issue, Sol Meliá is proud to have been awarded by the prestigious Euromoney magazine, “Best equity-linked deal” in 2003 In European Markets among 70 bond exchangeable issues representing € 40 billion.

Future net investments are restricted to 5% of total sales therefore cash flow generation will be primarily devoted to debt reduction and the uplifting of the credit rating to investment grade.

Prospects for 2004 in our major markets remain positive. The strength of the Spanish Speaking Caribbean destinations due to the US economic recovery, the opening of the Paradisus Puerto Rico together with the gradual increase in tourists once they have more confidence to take outbound flights. The Spanish resorts destinations are likely to benefit from the important recovery of the German market and the continuing positive evolution of the UK. The European Cities, affected in 2003 mainly to the slowdown of long-haul traffic and Congresses and Conventions, are likely to benefit from the corporate and leisure activity increase derived from a forecasted economic recovery in Europe. At cost level, during the course of 2003, the Company has increased its efforts to providing each brand with the correspondent cost structure according to customer’s expectations as detailed further in this report. This should pay off from in the future in view of the operating leverage of the Company once the recovery at the revenue level starts.

Going forward, the European Union is now preparing for its biggest enlargement ever in terms of scope and diversity. Ten countries are set to join on 1st May 2004. The enlargement will create an historic opportunity for Spain and the Travel and Tourism industry in the area which is likely to intensify the exchange, while widening the customer base since the gradual economic convergence of these countries and the European Union as a whole. The enlargement implies an increase of population of 105 million people who consider a dream going on vacation to Spain.

To conclude this letter, Sol Meliá's management believes that, once cost reduction has been made, focusing on maximizing alliances signed in 2003 in the fields of Distribution and Time-Sharing, the contribution of new incorporations, the disaffiliation of loss-making hotels and the repositioning of hotels recently refurbished (80% of portfolio, less than 5 years), the Company has established the basis for the progressive increase of the cash-flow generation once the recovery at the revenue level starts. Sol Meliá believes that these effects will reduce, at least, the existing gap between the market capitalization - € 6.86 per share – and net asset value - € 12.7 per share - .

Jaime Puig de la Bellacasa

E.V.P. of Communication & Institutional Relations

2. Information on Operations

2.1. PROPERTY BUSINESS

RevPAR of the owned and leased hotels has decreased by 1.7%, partly due to the appreciation of the Euro vs. the US dollar by 16% which has had a serious impact on the Americas Division where prices are defined in USD.

In the **European Resort Division**, accumulated RevPAR increased by 5% due to the resilience of the Spanish Resorts during 2003. The positive evolution after the Iraqi war of the Balearic and Canary Islands largely explained such improvement, despite price discounts made by our competitors. The slowdown of the German market during 2003 has been offset by the strength of the British and Spanish feeder markets together with an increasing importance of the Eastern European countries. Performance in Tunisia is still disappointing therefore disaffiliation occurred during 2002 and the first half of 2003 has proved to be favourable.

Perspectives for Spanish Resorts are positive in view of the current level of bookings from the UK and Germany. As occurred in 2003 the domestic feeder market is likely to support the performance of these countries. Price increases negotiated with touroperators for 2004 season – up to 3% – are likely to be improved in the light of the decrease in last minute offers seen last year in the market.

The **European City Division** has reported an accumulated 3.6% RevPAR decrease. Division performance has been damaged by the slowdown of corporate activity and general slowdown in bookings to the main capital cities in Europe. Sol Meliá's RevPAR decrease compares with the decrease that the city hotel market has reported in Europe (according to HotelBenchmark Survey by Deloitte & Touche, RevPAR declined by 6.7% in European markets in 2003). Slowdown in corporate activity was partially offset through our own offers and programs sold via solmelia.com, an increasing competitive advantage for the Company. 2003 Internet sales went up to 189%, while own-program sales grew by 33%.

Recovery in the Industry for the European cities is a fact, as reflected in the year-on-year 3.3% RevPar increase in December for the whole market - first year on year growth in 13 months - while airline traffic figures recently published are encouraging. More over, IATA - International Air Transport Association - expects passenger traffic to increase by 7%-8% in 2004, sheltered from the moderation in the geopolitical international conflicts and economic recovery.

This is also reflected in Sol Meliá's figures. RevPar in December for the European City Division, also went up by 3.3% explained by both A.D.R. and Occupancy increase. Positive figures for January and February 2004 –recovery of both business and leisure segment are behind the improvement – make the Company be more optimistic about the Spanish urban hotels in comparison with the last quarterly report in spite of the known increases in capacity in certain cities. Again, location, differentiation of the product, brand and capacity of distribution – competitive advantages for the Company will be increasingly important.

In the **Americas Division**, accumulated RevPAR decreased by 16.5%, negatively affected by the appreciation of the Euro vs. the US dollar and the poor performance of the Gran Meliá Caracas. Excluding these effects, RevPAR would have increased by 9.1% due to the positive performance of the resorts in the Dominican Republic and Mexico. during 2003. The increasing importance of the Dominican Republic among the US clientele, together with the quality of product and the sales efforts made in North America in 2002, is behind such growth in the resorts. In the Urban Hotels, basically explained by the GM Mexico Reforma (Mexico City), the business segment has shown a very important recovery and there is also an increase in business trips.

The area is currently being favoured by different indicators, among them the increasing economic improvement in the US. Furthermore the rise of the Euro against the US Dollar attracted major number of European tourists. The Company notices an increase in the flow of tourists to its resorts since they are more confident about flying and taking long-haul vacations.

The demand from the US and Canada is currently increasing to warm destinations to take a rest from the recent harsh weather. This positive trend affects not only the turnover but also the anticipation that bookings are being made for the winter months.

Table 1: Hotel statistics 03/02 (RevPAR & A.D.R. in Euros)

OWNED&LEASED HOTELS Dec 03/02			*Occupancy*	*RevPAR*	*A.D.R.*
EUROPEAN RESORT		**2003**	72.4%	36.9	50.9
	% o/ 2002		**1.6%**	**5.0%**	**3.4%**
		2002	71.3%	35.1	49.3
EUROPEAN CITY		**2003**	62.8%	53.2	84.8
	% o/ 2002		**-1.0%**	**-3.6%**	**-2.7%**
		2002	63.4%	55.2	87.1
AMERICA (*)		**2003**	65.3%	37.8	57.9
	% o/ 2002		**5.6%**	**-16.5%**	**-20.9%**
		2002	61.9%	45.3	73.2
TOTAL		**2003**	67.0%	44.6	66.6
	% o/ 2002		**0.6%**	**-1.7%**	**-2.3%**
		2002	66.5%	45.4	68.2

(*) RevPAR and A.D.R. without currency effects would have changed by +0.1% and –2.1% respectively. Total Revenues in USD have increased by 7%

Please find below a breakdown of the components of growth in room revenues at the hotel level for owned and leased hotels. The decreases in available rooms in the **European Resort Division** are largely explained by the process of disaffiliation carried out in 2002 and the first quarter of 2003 regarding the leased hotels in Tunisia. The increase in available rooms in the **European City Division** is largely explained by the incorporation under lease agreement of Tryp branded hotels in Spain, Switzerland and Germany which offset the disaffiliation process which occurred in 2002. In the Americas, the 14.7% decrease in room revenues would become a +2% increase when excluding the currency effect. The incorporation of the Gran Meliá Mofarrej under a lease contract is behind the increase in available rooms in the Americas.

Table 2: Breakdown of total room revenues owned/leased hotels 03/02

% Increase Dec - 03/02	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPAR	5.0%	-3.6%	-16.5%	-1.7%
Available Rooms	-8.1%	3.1%	2.1%	-1.8%
Room Revenues	-3.5%	-0.7%	-14.7%	-3.5%

Table 3 shows the breakdown of revenues of owned and leased hotels. The 10% increases in the "Other revenues" item in the European City division is explained by the increase in revenues derived from the recent commercialisation of the Meliá White House apartments.

Table 3: Hotel revenues split 03/02 for owned/leased hotels

Dec - 03/02	E.RESORT			E.CITY			AMERICA			TOTAL		
(Million Euro)	**03**	**%o/02**	**02**	**03**	**%o/02**	**02**	**03**	**%o/02**	**02**	**03**	**%o/02**	**02**
ROOMS	175	-3.5%	181	293	-0.7%	295	63	-14.7%	74	531	-3.5%	550
F&B	108	-5.9%	115	103	-0.1%	103	74	-2.3%	76	285	-2.9%	294
OTHER REVENUES	12	-9.8%	13	25.8	10.0%	23.5	16	-16.5%	19	54	-3.8%	56
TOTAL REVENUES	295	-4.6%	309	421	0.1%	421	153	-9.4%	169	869	-3.3%	899

In the Americas, "Room Revenues", "Food & Beverage", "Other Revenues" and "Total Revenues" changed by +2.2%. +16.2%, -6.2% and +7.4% respectively when excluding the currency effect. The increase of the F&B item is explained by the increase of the commercialisation of "all inclusive" packages in our Mexican properties. The drop in "Other revenues" is largely explained by the slowdown of the Gran Meliá Caracas' apartments.

2.2. MANAGEMENT BUSINESS

Management fees dropped by 4%, mainly as a consequence of the decrease in the number of managed/franchised rooms by 13%. The disaffiliation of non-brand consistent hotels and the major slowdown in our resorts in the Middle East are the reasons that explain this drop in the portfolio.

In the **European resort hotels**. the decrease of 17% is explained by the disaffiliation in the first quarter of 4 branded hotels (970 rooms), 3 camping parks and a further 4 unbranded hotels that represent 6.064 rooms in Croatia. This was due to the unilateral termination of the management contract by Jadran-Turist Rovinj d.d. the Croatian tobacco corporation. In light of recent legal ruling. Sol Meliá expects a favourable resolution of the Arbitration Court at the International Chamber of Commerce of Vienna and the correspondent indemnification as specified in the Service Agreement that could be up to €32 Mn. Also 4 non-branded hotels in Morocco (608 rooms) have been disaffiliated in the third quarter, due to poor brand consistency (the owner, also personally affected, was not willing to make the required branding capex). The **European City hotels'** total fees decreased by 9%. These hotels have been the most affected by the cancellation of Congresses and Conventions, the reduction of business travel and a general slowdown in bookings.

In the **Americas**. the total decrease in fees reached 3%, a significant recovery compared with first semester and 9M figures (-16% and -6% respectively). A continuing weak economic situation in local feeder markets and a sharp drop in fees from Brazil and Mexico, such as in the Gran Meliá WTC Sao Paolo, explain the decrease of 9% in incentive fees. The **Cuban Division** continues with its strong performance in 2003, as with the rest of the Spanish-speaking Caribbean. offering good value for money. In Cuba, the Company has stepped-up in management contracts linked to G.O.P. levels which explained the 212% increase in Incentive fees. The **Asia-Pacific Division** remained affected by the Iraq war and SARS (fees in the region fell by 49%). Unfortunately signs of optimism in Q4 have been eclipsed by the poultry flu outbreak.

Table 4: Management fee of hotels managed for third parties

FEE REVENUES € Million		Dec -03	Incr. 03/02	Dec -02
EUROPEAN RESORT	**Basic**	6.1	-18%	7.5
	Incentive	4.2	-16%	5.0
		10.3	-17%	**12.5**
EUROPEAN CITY	**Basic**	6.1	-1%	6.2
	Incentive	1.8	-29%	2.5
		7.9	-9%	**8.7**
AMERICAS	**Basic**	3.8	2%	3.7
	Incentive	2.4	-9%	2.6
		6.2	-3%	**6.4**
ASIA-PACIFIC	**Basic**	1.0	-37%	1.6
	Incentive	0.5	-63%	1.4
		1.5	-49%	**3.0**
CUBA	**Basic**	9.7	10%	8.7
	Incentive	3.4	212%	1.1
		13.0	33%	**9.8**
Total Basic		26.7	-4%	27.7
Total Incentive		12.3	-3%	12.7
TOTAL		**39.0**	**-4%**	**40.4**

2. Income Statement

- **Revenues**

Total Revenues have decreased by 2.2% implying a further improvement on a quarterly basis, i.e. flat in Q4 versus a –8.0% in Q1, –1.0% in Q2 and –0.7% in Q3 . Such improvement is derived from the good performance of the Americas Division and the pick-up in the European cities including Spain.

- **Operating Expenses**

Operating expenses have decreased by 1.5%. The containment of expenses is explained by a substantial improvement in direct costs as a consequence of the actions taken in the purchasing of perishable products, negotiations with suppliers – to which the SAP Materials Management program has improved centralized purchasing– and a more rigorous adaptation of food and beverage services to brand standards including homologation of products, the review of the Restaurant Menus and composition of Breakfasts.

On the Personnel Expenses side, the Company has achieved productivity increases through rationalization of personnel functions and working hours adapted to service needs. This item decreases by 1.5%, representing a 4.5% increase in Agreements.

The decrease in “Rental Expenses” by 5.8% is due to the disaffiliations carried out in Tunisia, Spain and Portugal during the course of 2002 and first half of 2003. which represent € 8.2 million on an annual basis. This decrease is offset by the new lease contracts which in contrast the disaffiliated hotels represent a positive EBITDA contribution for the company.

“Other operating expenses” item increases by 0.6% partly explained by the externalization of some services such as laundry service. These actions. such as the precooked meals implemented in the past, represent not only a success in terms of operating efficiency and a shift of some of the fixed costs into variable costs but also future savings for the hotel accounts.

This item evolution is also partly due to the increase in the Spanish Tax on Economic Activities (I.A.E.). The increase of the I.A.E. is due to the change of regulation of tax by the Town Hall, previously imposed by Central Spanish Government. This has originated important increases in 2003, depending on the Town hall. In Spain the figure has gone up by an additional € 0.43 million (+7.2%).

The Energy cost in Spain has also increased by an additional € 0.94 Mn (+5.1%) explained by the kilowatt price increase following market deregulation. Maintenance and Repairs increased € 0.9 million (+5.6%) due to damages in some Canary islands hotels derived from the torrential rains.

- **EBITDA / R**

EBITDA and EBITDAR have decreased by 4.7% and 4.9% respectively. seriously affected by the appreciation of the Euro. Excluding the currency effect, accumulated EBITDA would have gone up by 4.3%. Disaffiliation of loss making hotels included in the 2000 Tryp acquisition has had a positive impact of some € 2.5 million at the consolidated EBITDA level.

- **Net Profit**

Losses from equity investments represent € 0.1 Mn versus € 5 million in 2002 due to the disposal of lastminute.com Spain the losses of which were included under this item.

At the financial result level, gross interest expenses have decreased by 2.9% due to the decrease in the average cost of long term debt.

Extraordinary profit of € 12.1 Million mainly includes €11.3 Million derived from the sale in September of the Sol Patos Hotel for 16.8 million Euros at an EBITDA03E Multiple of 12.6x. “Minorities “ item includes € 8.3 Mn of dividends derived from the preferred issue of € 107 Million made in April 2002.

Table 5 : Sol Meliá Consolidated Income Statement

€ Mn	Dec 2003	Dec 2002	
Hotel Revenues	869.2	899.1	
Management Fees	39.0	40.4	
Other revenues	79.6	71.0	
Total revenues	**987.8**	**1,010.5**	**-2.2%**
Raw Materials	(119.5)	(127.6)	
Personnel expenses	(322.2)	(326.3)	
Change in operating provisions	(7.8)	(5.3)	
Rental expenses	(63.8)	(67.5)	
Other operating expenses	(252.1)	(250.6)	
Total operating expenses	**(765.5)**	**(777.2)**	**-1.5%**
EBITDAR	**286.1**	**300.8**	**-4.9%**
EBITDA	**222.3**	**233.3**	**-4.7%**
Profit/(loss) from equity investments	(0.1)	(5.0)	
Net Interest Expense	(57.1)	(53.4)	
Exchange Rate Differences	0.2	(19.7)	
Total financial profit/(loss)	**(56.8)**	**(73.1)**	**-28.6%**
Depreciation and amortisation	(111.8)	(105.8)	
Consolidation Goodwill amortisation	(2.5)	(3.0)	
Profit/(loss) from ordinary activities	**51.1**	**46.4**	**10.1%**
Extraordinary profit/(loss)	**12.1**	**(29.5)**	
Profit before taxes and minorities	**63.2**	**16.8**	**275.3%**
Taxes	(14.1)	(3.2)	
Group net profit/(loss)	**49.1**	**13.6**	**259.6%**
Minorities (P)/L	(10.9)	(9.5)	
Profit/(loss) of the parent company	**38.1**	**4.2**	**812.6%**

3. Balance Sheet

- **Assets**

The increase in "Short term deposits" item is explained by temporary excess in cash generated by the recent € 150 Mn. exchangeable issue. The funds are temporarily dedicated to risk free investment and will be used to refinance the € 224 Mn. exchangeable bond issue due in September 2004.

The "Trade receivable" item has decreased due to the collection of accounts from Tour Operators in the fourth quarter. The settlement of important accounts took place in October and November.

"Other Loans", in Long Term Financial Investments include €17 Mn. corresponding to the stock loan made in relation to the exchangeable issue.

- **Liabilities & Shareholder's Equity**

Total Net Debt Debt amounts to € 1.110 Mn at the same level as last year. Short term "Debenture Bonds Payable include the € 224 convertible bond issue due in September 2004. The increase of "Debenture Bonds Payable" in the long term is explained by the recent €150 Mn exchangeable issue.

The exchangeable bond of € 150 Mn. carries a coupon of 4.3% and an 80% premium. with a conversion stock price of 11.9 euros. It will redeem at par in November 2008.

Decrease in "Difference in conversion of companies fully consolidated" in Total Shareholders Equity is explained by the depreciation of Latin American currencies, mainly the Dominican peso and Venezuelan Bolivar and to a lesser extent to the Mexican peso.

Table 6: Consolidated Balance Sheet (million Euros)

ASSETS	Sep 03	Dec 03	% Incr.
Cash on hand and banks	90.5	73.8	
Short term deposits	43.9	170.0	
C/A with equity affiliates	33.1	24.2	
Inventory	28.9	26.9	
Trade receivable	214.8	165.3	
Other receivable	91.6	55.2	
Allowance for doubtful accounts	(36.3)	(36.3)	
S/T securities portfolio	1.1	1.4	
Loans due from affiliates	3.2	0.0	
Prepaid expenses	6.0	5.9	
Treasury Stock	16.1	9.1	
TOTAL CURRENT ASSETS	**492.9**	**495.4**	**0.5%**
Goodwill from co. Fully consolidated	15.5	17.9	
Goodwill from co. equity participated	2.0	2.0	
Intangible assets and rights	419.5	410.2	
Intangible assets provisions and amortisation	(73.8)	(77.0)	
Net intangible fixed assets	**363.2**	**353.2**	**-2.8%**
Land and buildings	1.569.6	1.533.2	
Technical installations and machinery	268.3	277.4	
Other fixed assets	397.8	404.1	
Tangible assets provision and depreciation	(624.9)	(605.9)	
Net tangible fixed assets	**1.610.8**	**1.608.9**	**-0.1%**
Equity Affiliates	20.8	25.5	
L/T loans due from affiliates	11.6	5.5	
L/T securities portfolio	51.2	50.3	
Holding of own shares	3.4	4.2	
Other loans	67.0	79.0	
Provisions	(8.5)	(5.7)	
Financial investments	**145.6**	**158.8**	**9.1%**
FIXED ASSETS	**2.119.6**	**2.120.9**	**0.1%**
Deferred expenses	18.7	20.8	
Start-up expenses	27.8	24.7	
TOTAL ASSETS	**2.658.9**	**2.661.8**	**0.1%**

Table 6 : Consolidated Balance Sheet (continued)

LIABILITIES AND S/H'S EQUITY	Sep 03	Dec 03	% Incr.
Debenture Bonds Payable	233.5	241.1	
S/T loans	110.8	102.7	
S/T loans due to affiliated companies	0.2	1.8	
Trade accounts payable	139.3	123.8	
Other payable	91.5	60.2	
Prepaid income	3.9	4.5	
Operating provisions	0.0	0.0	
TOTAL CURRENT LIABILITIES	**579.2**	**534.1**	**-7.8%**
Debenture Bonds Payable	339.6	490.0	
L/T loans	562.9	520.0	
L/T loans due to affiliated companies	6.4	0.3	
Other L/T Liabilities	82.3	86.3	
TOTAL L/T LIABILITIES	**991.2**	**1.096.6**	**10.6%**
Share capital	37.0	37.0	
Share premium	792.6	792.7	
Distributable reserves	16.8	16.8	
Reserves in companies fully consolidated	394.9	379.9	
Reserves in companies equity participated	2.0	4.4	
Revaluation reserves	49.3	49.3	
Non-distributable reserves	20.8	20.7	
Profit/(loss) previous year	(318.7)	(318.1)	
Differences in conv. of co. fully consolidated	(8.3)	(237.3)	
Differences in con. of co. equity participated	(198.2)	(3.7)	
Consolidated profit/(loss)	51.1	49.1	
Profit/(loss) attributable to external shareholders	(9.3)	(10.9)	
Interim dividend	0.0	0.0	
TOTAL SHAREHOLDERS' EQUITY	**830.0**	**779.7**	**-6.1%**
First consol. Reserves from co. fully consolidated	18.9	14.5	
First consol. Reserves from co. equity participated	0.0	0.0	
Deferred income	16.2	17.6	
Provisions for risks and expenses	55.2	54.1	
Minority interests	168.1	165.2	
TOTAL S/HS' FUNDS AND LIABILITIES	**2.658.9**	**2.661.8**	**0.1%**

4. Expansion

The table below shows a description of the progress in the Sol Meliá hotel portfolio during 2003:

Table 8. Expansion plan.

Owned &	01/01/03		ADDITIONS		LOSSES		CHANGES		31/12/03		SIGNED		GROUP	
	H	R	H	R	H	R	H	R	H	R	H	R	H	R
EUROPEAN CITY	**92**	**14,835**	**4**	**605**	**3**	388	**0**	**0**	**93**	**15,052**	**9**	**1,530**	**102**	**16,582**
Owned Hotels	37	7,390	0	0	0	0	0	0	36	7,329	0	0	36	7,329
Leased hotels	55	7,445	4	605	3	388	0	0	57	7,723	9	1,530	66	9,253
EUROPEAN RES.	**63**	**17,299**	**0**	**0**	**6**	**1,360**	**0**	**0**	**57**	**15,939**	**0**	**0**	**57**	**15,939**
Owned Hotels	42	13,054	0	0	2	449	0	0	41	12,968	0	0	41	12,968
Leased hotels	21	4,245	0	0	4	911	0	0	16	2,971	0	0	16	2,971
AMERICA	**12**	**4,628**	**1**	**245**	**0**	**0**	**0**	**0**	**13**	**4,873**	**1**	**490**	**14**	**5,363**
Owned Hotels	12	4,628	0	0	0	0	0	0	12	4,628	1	490	13	5,118
Leased hotels	0	0	1	245	0	0	0	0	1	245	0	0	1	245
OWNED HOTELS	91	25,072	0	0	2	449	0	302	89	24,925	1	490	90	25,415
LEASED HOTELS	76	11,690	5	850	7	1,299	0	-302	74	10,939	9	1,530	83	12,469
TOTAL	**167**	**36,762**	**5**	**850**	**9**	**1,748**	**0**	**0**	**163**	**35,864**	**10**	**2,020**	**173**	**37,884**

Management & Franchise		01/01/03		ADDITIONS		LOSSES		CHANGES		31/12/03		SIGNED		TOTAL GROUP	
		H	R	H	R	H	R	H	R	H	R	H	R	H	R
EUR. CITY	**M**	23	3,982	0	0	3	438	0	0	20	3,544	1	299	21	3,843
	F	19	2,167	0	0	1	78	-1	-102	17	1,987	0	0	17	1,987
EUR. RESORT	**M**	53	19,432	2	471	15	6,670	-1	-150	39	13,083	4	960	43	14,043
	F	12	4,418	0	0	1	45	2	252	13	4,625	0	0	13	4,625
AMERICA	**M**	34	7,576	5	1,211	2	356	0	0	37	8,431	6	1444	43	9,875
	F	9	1,261	0	0	0	0	0	0	9	1,261	0	0	9	1,261
ASIA-PACIFIC	**M**	10	3,539	0	0	1	700	0	0	9	2,839	0	0	9	2,839
	F	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CUBA	**M**	23	8,580	1	360	1	464	0	0	23	8,476	1	240	24	8,716
SUBTOTAL	**M**	143	43,109	8	2,042	22	8,628	-1	-150	128	36,373	12	2,943	140	39,316
	F	40	7,846	0	0	2	123	1	150	39	7,873	0	0	39	7,873
TOTAL		**183**	**50,955**	**8**	**2,042**	**24**	**8,751**	**0**	**0**	**167**	**44,246**	**12**	**2,943**	**179**	**47,189**
TOTAL GROUP		**350**	**87,717**	**13**	**2,892**	**33**	**10,499**	**0**	**0**	**330**	**80,110**	**22**	**4,963**	**352**	**85,073**

M= Management; F= Franchise

During the second half of 2003. Sol Meliá added 2 new hotels to its portfolio under lease contracts in the European City Division, the Tryp Oceanic in Valencia, Spain (197 rooms) and the Tryp Frankfurt in Germany (186 rooms), while in the first half of the year, the Tryp Leon in Spain (127 rooms) and the Tryp de Berne in Geneva (88 rooms), also under lease contracts.

In the Americas Division the leased hotel corresponds to the Gran Meliá Mofarrej (245 rooms), a luxury hotel in Sao Paulo. Brazil.

Two establishments were incorporated during the year under management contracts in the European Resort Division: Sol Sharm (243 rooms) in Egypt and the Meliá Olbia (206 rooms) in Italy. In the America Division, 5 hotels were incorporated under management contract: the Tryp Berrini (200 rooms), the Melia Brasilia (398 rooms), the Tryp Paulista (154 rooms), the Tryp Jesuino Arruda (151 rooms),and the Tryp Campinas (308 rooms), all of them situated in Brazil.

In the Cuba Division, during the last quarter of 2003. Sol Meliá has added a new hotel to its portfolio, under management contract, the Meliá Cayo Santa Maria (360 rooms).

The losses of the owned hotels correspond to the recent sale of the Sol Aloha Playa Hotel (172 rooms). and to the Sol Patos Hotel (277 rooms) both in Benalmádena (Malaga. Spain). In spite of the sales, Sol Meliá continues to maintain a prominent leadership position in the region. The company is the leading hotel chain in Andalusia where it has 33 hotels (17.000 beds), of which 11 are in Malaga.

The losses under lease contracts in the last quarter of the year correspond to 3 Tryp branded hotels in the European City Division: The Tryp Jaime III (88 rooms). the Tryp Capitol (142 rooms) and the Tryp President (158 rooms) all in Spain. In the European Resort Division. losses correspond to establishments in Tunisia included in the process of disaffiliation that occurred in 2002 and first half of 2003 in the country. The current portfolio in Tunisia represents 3 leased hotels – of which the Company agreed in 2002 rent reductions in two of these hotels of 25% and 10% – plus 8 franchise contracts.

Under management contract, losses correspond to establishments in Croatia and 4 unbranded management contracts, that did not comply with the standards of any of the Sol Meliá's brands due to the fact that after the terrorist attacks in Casablanca, the owner, also personally affected, was not willing to make the required branding capex. Disaffiliation involved the Siaha Rabat (197 rooms), Safi (90rooms), Siaha Marrakech (243) and Khouribga (78 rooms), all of them in Morocco. In the American Division, under management contract, the losses have been the Tryp Moema (160 rooms) and the Meliá Guatemala (194 rooms) in the last quarter of the year.

Table 9. Signed projects of owned and leased hotels

	2004		2005		2006		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
EUROPEAN CITY								
PROPERTY								
LEASE								
Spain	4	576	0	0	0	0	4	576
Italy	0	0	1	140	0	0	1	140
Switzerland	1	75	0	0	0	0	1	75
Germany	0	0	2	375	1	364	3	739
Subtotal	**5**	**651**	**3**	**515**	**1**	**364**	**9**	**1,530**
AMERICA								
PROPERTY								
Puerto Rico	1	490	0	0	0	0	1	490
Subtotal	**1**	**490**	**0**	**0**	**0**	**0**	**1**	**490**
TOTAL	**6**	**1,141**	**3**	**515**	**1**	**364**	**10**	**2,020**

614 additional rooms have been incorporated since last quarterly results, explained by the signature of 2 lease contracts in Düsseldorf and Berlin under the Meliá brand.