Sol Meliá

2003 First Quarter Results

Financial Summary

Total Revenues and EBITDA have decreased by 8.0% and 26.1% respectively. The Company has been negatively affected by the general slowdown in the travel and tourism industry due to the uncertainty created by the Iraqi war. The negative comparative effect of the Easter period and the appreciation of the Euro versus the US dollar has also affected our Revenues and EBITDA. Excluding the currency effect, Revenues and EBITDA would have decreased by 2.4% and 14.8% respectively. At the financial result level, interest expenses have decreased by 7.6%

Operations

Total accumulated RevPar decreased by 4.6% which would have been a 1.7% decrease on a like for like basis. Hotel revenues also decreased by 1.7% on a like-for-like basis.

In the Americas Division, RevPar decreased by 18.5%, negatively affected by the appreciation of the Euro vs. the US dollar. Excluding this effect, RevPar would have increased by 1%, even taking into consideration the poor performance of the Gran Meliá Caracas (15% of owned rooms in the Division), which has reported a 77% RevPar decrease in Q1. The negative comparison of GM. Caracas operating figures is corrected in Q2 once the attempted coup d'Etat and the resulting political instability in Venezuela occurred in April 2002. Excluding the currency effect and the G.M Caracas, our properties in Mexico and the Dominican Republic have reported a combined 14.5% RevPar increase in USD derived from the sales efforts made in 2002 and the sharp recovery of the Spanish-speaking Caribbean destinations. By country, the Dominican Republic and Mexico increased by 16% and 8% respectively in USD.

The improvement in the operating performance in Cuba, with a Revenue and Gross Operating Profit increase of 37% and 87% respectively has led to a management fees increase of 30% in USD for the Division.

In European Resorts, RevPar decreased by 2.7% due to the general slowdown derived from the war period. The Canary Islands, representing 60% of Revenues for the Division in Q1, reported a 6.4% RevPar decrease. The Balearic Islands reported a 12.4% RevPar decrease.

In the European City Division, RevPar has decreased by 3.3% . The cancellation of Congresses and Conventions, the reduction of business travel and the general slowdown in bookings in the main cities of the Division largely explain the decrease.

Main Variables

(Million Euro)	Mar - 03	Mar - 02	%
REVPAR (Euros)	41.4	43.4	-4.6%
REVPAR like-for-like (Euros)	43.9	44.7	-1.7%
REVENUE	209.1	227.3	-8.0%
EBITDAR	52.9	63.6	-16.9%
EBITDAR MARGIN	25.3%	28.0%	-2.7%
EBITDA	40.2	54.4	-26.1%
NET PROFIT (Before min.)	2.7	11.0	-75.3%
NET PROFIT PARENT CO.	0.1	9.6	-98.8%
FUNDS FROM OP.	23.4	36.8	-36.6%

Recent Achievements

Sol Meliá and Warner Bros. Consumer Products have signed an agreement which involves the development of themed areas in hotels, featuring popular characters from the Flinstones in two of the Spanish Sol hotels and a further three next year. The agreement also envisages the development of other possible cooperation in the fields of marketing, sales and promotion.

Within the framework of quality improvement initiatives, Sol Meliá has also launched a new "Serviexpress Guarantee" which aims to achieve even higher levels of personalized service amongst increasingly experienced travelers.

Prospects

The Iraqi war had a damaging impact on the Industry as a whole during the quarter, reaching a nadir in March and in the first two weeks of April, also affected by the SARS outbreak. The Company has clearly identified the period as a point of inflexion at the operating level. Since then, both operating performance and individual and group reservations have picked up for May and June. Moreover, Sol Meliá is witnessing an encouraging rebound in reservations over recent weeks for the summer season, specially from the UK and German markets.

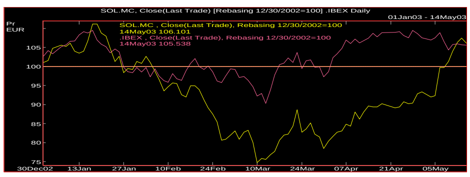
We feel cautiously optimistic on the rebound in our core markets, seeing an earlier recovery in our resorts hotels worldwide.

Sol Meliá Performance

As of the End of the period	2000	2001	2002
Net Profit (M. Euros)	113	59	4
EPS	0.63	0.32	0.02
CFPS	1.1	0.9	0.95

Stock Performance Jan 2nd , 03 to May 14th , 03

Average Daily Volume (€)	1,381,805
Period High, Jan 17th 2003	€ 4.19
Period Low, Mar 10th 2003	€ 2.82
Market Capitalisation May 14th (€)	437,920,961



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

Dear friend,

In this report you will find an analysis of the results for the first quarter of 2003. For the full comprehension of the results, please consider that the first quarter is the least important in year-end results due to the seasonality of our business, biased towards the second and third quarter.

During the first quarter, Sol Melia's performance has been seriously affected by the slowdown in the travel and tourism industry as a whole, derived in large part from the uncertainty created by the build up to the Iraqi war. In general, the Company has suffered from the cancellation of Congresses and Conventions, the reduction of business travel and a general slowdown in bookings, reaching their nadir in March and during the first two weeks of April.

In Latin America and the Caribbean, the positive performance and improvements seen in hotels, specially in the Dominican Republic and Mexico, with the exception of the Gran Meliá Caracas, has been eclipsed by the 20% appreciation in the value of the Euro versus the US dollar year-on-year, the hard currency employed in the region.

In addition, the "Easter Effect" has affected the comparison of quarterly results, in that the Easter holidays took place in the second quarter in 2003 and in the first quarter last year. During the Easter period hotels have marginally outperformed last year with a particularly positive contribution from mainland Spain and the Canary Islands which have benefited from the robust demand of the domestic market.

Looking towards the second quarter, April has also been affected by the slowdown created by the instability of the first quarter and, to a lesser extent, the Severe Acute Respiratory Syndrome (SARS), provoking year-on-year EBITDA decreases, although at a lower level than the first quarter. Nevertheless, the first two weeks of April are considered to be the point of inflexion and the Company is witnessing a recovery in operating performance in May and a recovery in bookings to the main European cities, specially Madrid, Barcelona, London, Paris and Milan.

With regards to the summer season, the UK market has been showing a robust flow of reservations during the course of 2003. Additionally, the Company has witnessed an encouraging rebound in reservations over recent weeks, specially in the UK and German markets. Moreover, the recovery of the German market to our resort areas, specially the Canary Islands, Dominican Republic and Cuba, will imply a satisfactory performance in these areas.

Sol Meliá also has positive expectations for the summer season from the Southern European feeder markets, specially Spain, where the domestic touroperators have put into the market an increase in capacity in charter flights to domestic resort areas.

We would like to take this opportunity to update you on our progress in sales and distribution. We have completed the centralization of distribution channels for each hotel (Direct calls, solmelia.com, GDS-Pegasus and Extranet) using the Sirius technologywhich has permitted an increase in ADR of +11% in our European City Hotels and of 26% in our European Resort hotels in those reservations made through these channels. By brands, the incremental ADR was +9% in Gran Meliá, +14% in Meliá, +33% in Sol and +9% in Tryp.

Internet sales in the first quarter represent a 5% of room sales with a 322% increase in March as compared to the same period last year. This figure stemmed from more than

20,000 daily visits. Solmelia.com is currently available in English, German and Spanish and is expected to represent an increasingly significant competitive advantage in Spain where only 18% of hotels are sold through the Internet.

We are pleased to announce an agreement that Sol Meliá and Warner Bros. Consumer Products have signed to develop themed areas, featuring characters from the popular Flinstones series, in some of the Spanish Sol hotels. The first two hotels to become involved in the project are the Sol Milanos Pingüinos in Menorca and the Sol Mirlos Tordos in Majorca. In 2004, the project will also be implemented in another three Sol hotels in Spain, bringing the total to 3,265 rooms. The agreement signed by Sol Meliá and Warner Bros. Consumer Products is one of the Sol Meliá responses to the increasing preference of a part of resort clientele, specially families, for theme hotels.

The agreement envisages the development of further possible cooperation in the fields of marketing, sales and promotion.

With regards to product and service quality, Sol Meliá created a new “Serviexpress Guarantee” which aims to achieve even higher levels of personalized service for increasingly experienced travelers. Guests in the hotels providing the service can use a new phone hotline to report any problems with their room and are guaranteed to get a response from hotel management within fifteen minutes. The hotel guarantees that within the space of one hour it will resolve the problem or, if not, offer a one night stay free of charge.

In the financial arena, Sol Meliá regrets to announce the decrease of its rating to BBB- by Fitch and BB+ by S&P. Both rating agencies agree, however, about the asset strength of Sol Meliá and the flexibility that the small percentage of mortgages as compared to total value of assets permits. The rating agencies took into consideration the Iraqi war, SARS and the uncertainty created in the travel and tourism industry.

Once the uncertainty in our industry which has affected asset valuations has been reduced, the Company will start implementing a course of action which implies the disposal of some non-core hotels/assets. In this sense, we would like to state that the article published in the “5 días” financial journal regarding the €120 Mn hotels sale, does not correspond to a Company statement. We reiterate as per our 2002 Year-End report, the Company’s intention to obtain €30 to €40 million of fund in asset disposal

As stated in the previous report, Sol Meliá is currently studying the further development of the timeshare business as a way of maximizing the return on assets and the optimization of the existing synergies with the resort business.

Sol Meliá, with 50 years of experience as a hotel group, focuses on actions to create value not only in the short term, but also in the medium and long term. The company therefore intends to respond to the major trends in the market either through the improvement of the quality of its existing products or by adapting some of the existing businesses in the resort segment to the new opportunities created by changes in sales and distribution patterns.

Regards,

Jaime Puig de la Bellacasa
E.V.P. of Communication & Institutional Relations

2. Information on Operations

2.1. PROPERTY BUSINESS

RevPar in the Property Business – including Sol Meliá's owned and leased hotels – has decreased by 4.6%, partly due to the appreciation of Euro vs. US dollar which has a serious impact in the Americas. Excluding this effect, total RevPar decreases by 1.7% on a like-for like basis.

The European Resort Division, RevPar decreases by 2.7% explained by the general uncertainty in the pre-war period. The Canary Islands which explains in good part the division in Q1 has reported a 6.4% RevPar decrease. Such decreased is explained by discounts that the Company has been forced to make to the German and Nordic markets derived from the unstable situation in order to maintain occupancies levels.

Tunisia with a 30% RevPar decrease, seems not to have reached the bottom. Nevertheless, the risk of Sol Meliá in the area has been reduced significantly after the disaffiliation process carried out in 2002. Currently, the Company only operates 4 leased hotels (632 rooms) in Tunisia and does not rule out further disaffiliations.

The European City Division has been negatively impacted by the cancellation of Congresses and Conventions, reduction of business travel and general slowdown in bookings to the main capital cities of Europe. According HotelBenchmark Survey by Deloitte & Touche, European cities have reported an average decrease of 5.6% which compares with the 3.3% decline reported by Sol Meliá.

In the Americas Division, RevPar decreased by 18.5% negatively affected by the appreciation of Euro vs. US dollar. Excluding these effect RevPar would have increased by 1% thanks to the sharp recovery of our properties in Mexico and Dominican Republic which RevPar has increased by 8% and 16% respectively. The increasing importance of the Spanish–speaking Caribbean versus the French and English-speaking Caribbean thanks to better "value for money" for the US market, together with the sales efforts made in North America in 2002 is behind such increase.

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

Owned & Leased Hotels Mar - 03/02		% Occupancy	RevPar	A.D.R.
EUROPEAN RESORT	**2003**	65,1%	28,1	43,2
	%o/2002	**-2,4%**	**-2,7%**	**-0,4%**
	2002	66,7%	28,9	43,3
EUROPEAN CITY	**2003**	57,1%	48,5	84,9
	%o/2002	**2,0%**	**-3,3%**	**-5,2%**
	2002	56,0%	50,1	89,5
AMERICAS	**2003**	68,3%	49,2	72,1
	%o/2002	**-0,9%**	**-18,5%**	**-17,7%**
	2002	68,9%	60,3	87,6
TOTAL	**2003**	61,6%	41,4	67,2
	%o/2002	**-0,6%**	**-4,6%**	**-4,0%**
	2002	62,0%	43,4	70,0

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 regarding the leased hotels in Tunisia. The increase in available rooms in the European City Division is explained by the incorporation under lease agreement of the Tryp Alcalá 611, Tryp Atocha and Tryp Las Matas in Madrid, Tryp Jerez and Tryp Barcelona-Aeropuerto in Spain and the Meliá Boutique Carlton in Lausanne

(Switzerland). In the Americas the 15.9% decrease in room revenues, becomes a 4% increase when excluding the currency effect.

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

% Increase Mar - 03/02	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPar	-2,7%	-3,3%	-18,5%	-4,6%
Available Rooms	-8,8%	6,3%	3,1%	0,0%
Room Revenues	-11,3%	2,7%	-15,9%	-4,6%

Find on table 3 the breakdown of revenues of owned and leased hotels. Total revenues decreases by 6% which becomes a 1.7% decrease on a like for like basis. By division, the Americas is the one most affected by the currency effect.

The 46% decreases at the "Other revenues" item in the European resort division is explained by a drop in sales of our in-house points of sale explained by decrease in occupancy rates in the Spanish resorts.

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

Mar - 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	26	-11%	30	64	3%	62	20	-16%	23	110	-5%	115
F&B	17	-5%	18	22	1%	21	22	-11%	25	60	-5%	64
OTHER REVENUES	2	-46%	4	6	7%	6	4	-33%	6	12	-22%	15
TOTAL REVENUES	45	-12%	51	92	3%	89	45	-15%	54	182	-6%	194

In the Americas, "Room Revenues", "Food& Beverage", "Other Revenues" and "Total Revenues" change by +4%, +6%, –20% and +2% respectively when excluding the currency effect. The drop in "other revenues" is largely explained by the slowdown of the G.M. Caracas and the annexe apartments.

2.2. MANAGEMENT BUSINESS

Management fees dropped by 5,5% due to the slowdown in demand in the first quarter as a consequence of the reasons previously explained in this report.

In the European resort hotels, the decrease by 12.6% is mainly explained by the major slowdown in our resorts in Middle East, where fees have decreased by 26,3% and also 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.

In the European city hotels total fees decreased by 4,1%. The cancellation of Congresses and Conventions, reduction of business travel and general slowdown in bookings has affected our urban hotels, specially in Madrid, where Groups represent an important part of the market segmentation.

In America, the total decrease in fees rise up to 17.2%, largely explained by the depreciation of the Brazilian Real in relation to the Euro. Excluding this effect, fees would have decreased 10.6%. The negative economic situation in local feeder markets, has damage the performance of our city hotels, specially in Brazil. This slowdown in Brazil explains the drop in fees, specially the incentive due to the fact that in some hotels, all fees are on an incentive basis, as is the case of the Gran Meliá Sao Paulo.

In the Asia-Pacific division, fees dropped a 48% severely affected by the Iraq war in the first place and the SARS, which has had as a consequence not only a high number of flight cancellations but also the fear of travelling to any Asian destination. There has also been registered the disaffiliation of a hotel in Thailand, the Sol Twin Towers.

Cuba breaks the downward trend registered in the rest of the divisions with an increase of 16% in total fees. The sharp improvement in the operating performance in Cuba with a Revenue and Gross Operating Profit increase by 37% and 87% respectively has lead to management fees increases of 30% in USD. There has been a good performance of the principal feeder markets such as Canada and Germany, increasing not just the amount of stays but also the ADR.

Table 4: Management fee of hotels managed for third parties

FEE REVENUES € Mn.		Mar -03	Incr. 03/02	Mar -02
EUROPEAN RESORT	**Basic**	1,2	-9,0%	1,3
	Incentive	0,6	-19,5%	0,7
		1,7	**-12,6%**	**2,0**
EUROPEAN CITY	**Basic**	1,4	13,8%	1,2
	Incentive	0,2	-50,3%	0,5
		1,6	**-4,1%**	**1,7**
AMERICAS	**Basic**	1,1	-13,2%	1,2
	Incentive	0,8	-21,9%	1,0
		1,9	**-17,2%**	**2,2**
ASIA-PACIFIC	**Basic**	0,2	-40,0%	0,4
	Incentive	0,1	-57,2%	0,3
		0,4	**-47,9%**	**0,7**
CUBA	**Basic**	3,3	18,3%	2,8
	Incentive	0,5	2,8%	0,5
		3,8	**16,0%**	**3,3**
Total Basic		7,2	3,5%	6,9
Total Incentive		2,2	-25,7%	3,0
TOTAL		**9,4**	**-5,3%**	**9,9**

2. Income Statement

- **Revenues**

  Total Revenues have decreased by 8% derived from the 6% decrease of owned and leased hotels. As previously stated, this item in negatively impacted by the appreciation of the Euro vs. US dollar. Excluding the currency effect, this item has decreased by 2.4%. “Other revenues” includes Casinos, Time Sharing and technical services related with the management business

- **Operating Expenses**

  Other operating expenses have decreased by 2.3%. The increase in “Rental Expenses” is derived from the timing of the disaffiliations and the incorporation of the Tryp Alcalá 611, Tryp Atocha and Tryp Las Matas in Madrid, Tryp Jerez and Tryp Barcelona-Aeropuerto in Spain and the Meliá Boutique Carlton in Lausanne (Switzerland). Total “Rental Expenses” for 2003 will represent some € 65 Mn.

- **EBITDA / R**

  EBITDA has decreased by 26.1% seriously impacted by the appreciation of Euro. Excluding currency, EBITDA has decreased by 14.8%. Please take note that the consolidated EBITDA of Sol Meliá is biased towards the second and, more importantly, the third quarter.

- **Net Profit**

  At the financial result level, interest expenses have decreased by 7.6% derived from the decrease in debt by €100 Mn. compared to the same period last year’s.

  Extraordinary profit of €4.9 Mn. includes an extraordinary income derived from the liberalization of a guarantee fund created with former Tryp owners when the acquisition of the company took place to respond to potential contingencies for a period of time after its purchase.

  “Minorities “ item includes € 2.1 Mn of dividends derived from the preferred issue of € 107 Mn. made in April 2002.

Table 5 : Sol Meliá Consolidated Income Statement

€ Mn	***Mar 2003***	***Mar 2002***	
Hotel Revenues	182,3	194,3	
Management Fees	9,4	9,9	
Other revenues	17,3	23,1	
Total revenues	**209,1**	**227,3**	**-8,0%**
Raw Materials	(23,3)	(27,2)	
Personnel expenses	(74,8)	(76,0)	
Change in operating provisions	(0,6)	(0,6)	
Rental expenses	(12,7)	(9,2)	
Other operating expenses	(57,4)	(59,9)	
Total operating expenses	**(168,9)**	**(172,9)**	**-2,3%**
EBITDA	**40,2**	**54,4**	**-26,1%**
EBITDAR	**52,9**	**63,6**	**-16,9%**
Profit/(loss) from equity investments	(1,2)	(1,5)	
Net Interest Expense	(14,7)	(15,7)	
Exchange Rate Differences	0,9	(1,8)	
Total financial profit/(loss)	**(13,8)**	**(17,5)**	**-21,5%**
Depreciation and amortisation	(26,1)	(25,9)	
Consolidation Goodwill amortisation	(0,7)	(0,7)	
Profit/(loss) from ordinary activities	**(1,6)**	**8,8**	**-117,7%**
Extraordinary profit/(loss)	**4,9**	**4,5**	
Profit before taxes and minorities	**3,3**	**13,4**	**-75,2%**
Taxes	(0,6)	(2,4)	
Group net profit/(loss)	**2,7**	**11,0**	**-75,3%**
Minorities (P)/L	(2,6)	(1,4)	
Profit/(loss) of the parent company	**0,1**	**9,6**	**-98,8%**
FUNDS FROM OPERATIONS	**23,4**	**36,8**	**-36,6%**

3. Balance Sheet

■ Assets

"Trade receivable" item has increased due to the fact that sales to touroperators are collected further on during the year.

■ Liabilities & Shareholder's Equity

Sol Meliá has refinanced 65.1 million debt from short to long term largely derived from the increase mortgage loans by €55 Mn. during in the quarter. Sol Meliá is taking advantage of its solid asset base to access to cheaper and more flexible sources of financing. The slight increase in the overall net debt figure is due to the increase in working capital.

Total 91 owned establishments represent a Total Asset Value of € 2.7 Billion (€2.1 Mn. of book-value) included in a Total Enterprise Value of €3.3 Billion according to the valuation made by American Appraisal in December 2001 which further includes lease, management and franchise contracts.

Please take note that the comparable Balance sheet of December 2002 correspond to the audited one, not the reported last quarter in the Preliminary Year-End results.

Table 6: Consolidated Balance Sheet (million Euros)

ASSETS	**Mar 03**	**Dec 02**	***% Incr.***
Cash on hand and banks	123.1	130.8	
C/A with equity affiliates	34.0	28.4	
Inventory	30.9	28.0	
Trade receivable	162.0	139.0	
Other receivable	99.2	82.8	
Allowance for doubtful accounts	(41.3)	(38.9)	
S/T securities portfolio	2.0	2.8	
Loans due from affiliates	0.1	0.0	
Other loans	14.3	22.0	
Prepaid expenses	8.4	8.3	
Holding of own shares	11.2	9.4	
TOTAL CURRENT ASSETS	**444.0**	**412.6**	**7.6%**
Goodwill from co. Fully consolidated	18.2	18.8	
Goodwill from co. equity participated	5.7	2.8	
Intangible assets and rights	411.3	420.4	
Intangible assets provisions and amortisation	(56.8)	(52.4)	
Net intangible fixed assets	**378.3**	**389.6**	**-2.9%**
Land and buildings	1,635.4	1,669.2	
Technical installations and machinery	253.5	244.0	
Other fixed assets	370.1	347.2	
Tangible assets provision and depreciation	(610.0)	(599.9)	
Net tangible fixed assets	**1,649.1**	**1,660.5**	**-0.7%**
Equity Affiliates	22.3	26.7	
L/T loans due from affiliates	11.0	15.4	
L/T securities portfolio	56.2	46.0	
Holding of own shares	2.0	2.0	
Other loans	63.5	79.8	
Provisions	(4.9)	(4.5)	
Financial investments	**150.1**	**165.3**	**-9.2%**
FIXED ASSETS	**2,621.5**	**2,628.1**	**-0.2%**
Deferred expenses	***20.3***	***28.2***	
Start-up expenses	***28.4***	***23.8***	
TOTAL ASSETS	**2,670.2**	**2,680.1**	**-0.4%**

Table 6 : Consolidated Balance Sheet (continued)

LIABILITIES AND S/H'S EQUITY	Mar 03	Dec 02	% Incr.
Debenture Bonds Payable	3.9	34.8	
S/T loans	160.4	191.0	
S/T loans due to affiliated companies	3.1	0.3	
Trade accounts payable	132.2	126.4	
Other payable	64.5	58.8	
Prepaid income	3.8	4.4	
Operating provisions	0.0	0.0	
TOTAL CURRENT LIABILITIES	**367.8**	**415.7**	**-11.5%**
Debenture Bonds Payable	556.6	555.8	
L/T loans	551.9	481.0	
L/T loans due to affiliated companies	1.0	0.3	
Other L/T Liabilities	79.3	82.4	
TOTAL L/T LIABILITIES	**1,188.8**	**1,119.5**	**6.2%**
Share capital	37.0	37.0	
Share premium	794.6	794.6	
Distributable reserves	18.9	18.5	
Reserves in companies fully consolidated	357.5	335.8	
Reserves in companies equity participated	6.6	2.3	
Revaluation reserves	49.3	49.3	
Non-distributable reserves	58.5	57.3	
Profit/(loss) previous year	(318.6)	(305.0)	
Differences in conversion of co. fully consolidated	(139.7)	(100.5)	
Differences in conversion of co. equity participated	(8.9)	(2.5)	
Consolidated profit/(loss)	2.7	13.6	
Profit/(loss) attributable to external shareholders	(2.6)	(9.5)	
Interim dividend	0.0	0.0	
TOTAL SHAREHOLDERS' EQUITY	**855.2**	**890.9**	**-4.0%**
First consol. Reserves from co. fully consolidated	19.1	19.1	
First consol. Reserves from co. equity participated	0.0	0.0	
Deferred income	13.5	13.9	
Provisions for risks and expenses	56.9	54.6	
MINORITY INTERESTS	168.8	166.4	
TOTAL S/HS' FUNDS AND LIABILITIES	**2,670.2**	**2,680.1**	**-0.4%**

Table 7. Financial Ratios

	Mar' 03	Dec' 02
GEARING RATIOS		
Net Debt / Total Equity	112.3%	105.6%
Net Debt / Capital	52.9%	51.4%
LIQUIDITY		
Current Assets / Current Liabilities	1.23×	1.05×
Cash / Current Liabilities	33%	33%

4. Expansion

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

Table 8. Expansion plan.

Owned & Leased	01/01/03		ADDITION		LOSSES		CHANGES		31/03/03		SIGNED		TOTAL	
	H	R	H	R	H	R	H	R	H	R	H	R	H	R
EUROPEAN CITY	**92**	**14,835**	**0**	**0**	**0**	**0**	**0**	**-12**	**92**	**14,823**	**10**	**1,390**	**102**	**16,213**
Owned Hotels	37	7,390	0	0	0	0	0	0	37	7,390	0	0	37	7,390
Leased hotels	55	7,445	0	0	0	0	0	-12	55	7,433	10	1,390	65	8,823
EUROPEAN RES.	**63**	**17,299**	**0**	**0**	**2**	**497**	**0**	**0**	**61**	**16,802**	**0**	**0**	**61**	**16,802**
Owned Hotels	42	13,054	0	0	0	0	0	0	42	13,054	0	0	42	13,054
Leased hotels	21	4,245	0	0	2	497	0	0	19	3,748	0	0	19	3,748
AMERICA	**12**	**4,628**	**0**	**0**	**0**	**0**	**0**	**0**	**12**	**4,628**	**2**	**735**	**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	0	0	0	0	0	0	0	0	1	245	1	245
TOTAL OWNED	91	25,072	0	0	0	0	0	0	91	25,072	1	490	92	25,562
TOTAL LEASED	76	11,690	0	0	2	497	0	-12	74	11,181	11	1,635	85	12,816
TOTAL	**167**	**36,762**	**0**	**0**	**2**	**497**	**0**	**-12**	**165**	**36,253**	**12**	**2,125**	**177**	**38,378**

Management & Franchise		01/01/03		ADDITION		LOSSES		CHANGES		31/03/03		SIGNED		TOTAL	
		H	R	H	R	H	R	H	R	H	R	H	R	H	R
EUROPEAN CITY	**M**	23	3,982	0	0	1	155	0	0	22	3,827	1	299	23	4,126
	F	19	2,167	0	0	0	0	-1	-102	18	2,065	0	0	18	2,065
EUROPEAN RESORT	**M**	53	19,432	0	0	12	6,259	-1	-150	40	13,023	6	1,409	46	14,432
	F	12	4,418	0	0	0	0	2	252	14	4,670	0	0	14	4,670
AMERICA	**M**	34	7,576	2	598	0	0	0	0	36	8,174	7	1,413	43	9,587
	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	0	0	0	0	0	0	23	8,580	1	240	24	8,820
SUBTOTAL	**M**	143	43,109	2	598	14	7,114	-1	-150	130	36,443	15	3,361	145	39,804
	F	40	7,846	0	0	0	0	1	150	41	7,996	0	0	41	7,996
TOTAL		**183**	**50,955**	**2**	**598**	**14**	**7,114**	**0**	**0**	**171**	**44,439**	**15**	**3,361**	**186**	**47,800**
TOTAL GROUP		**350**	**87,717**	**2**	**598**	**16**	**7,611**	**0**	**-12**	**336**	**80,692**	**27**	**5,486**	**363**	**86,178**

M= Management; F= Franchise

During the first quarter of the year there have been registered two new acquisitions, both under management contract, the Tryp Berrini with 200 rooms and the Meliá Brasilia, which adds 398 rooms. These new acquisitions are five stars hotels within the urban segment of the Americas division.

Regarding the losses, there has been a total of 16 in the first quarter, all management contracts but 2 leases. 11 are resort hotels in Croatia, representing a total of 6,064 rooms. Sol Meliá expects a favourable resolution of the Arbitration Court at the International Chamber of Commerce and the correspondent indemnification as specified in the Service Agreement that could be up to €35 Mn.

Continuing with the European resort segment we find 3 more disaffiliations, corresponding to Sol Costa Golf in Spain (195 rooms) and 2 in Tunisia under lease contract, the Sol Golf Residence (237) and the Meliá Marco Polo (260).

In the European urban division we find the drop of the Meliá 7 Coronas in Spain, with a total of 155 rooms which was sold by the owner to another hotel operator. Finally the hotel Twin Towers (700), in Thailand, framed within the Asia-Pacific division has also dropped from the portfolio.