2005 First Quarter Results

Profit & Loss Account on IFRS basis

(Million Euros)	Mar 05	Mar 04 (*)	%
REVENUES	**262.2**	**238.5**	**9.9%**
EXPENSES (ex - Operating leases)	**(179.7)**	**(166.5)**	**7.9%**
EBITDAR	**82.5**	**72.0**	**14.6%**
Rental expenses	(11.7)	(10.8)	8.2%
EBITDA	**70.8**	**61.2**	**15.7%**
Depreciation and amortisation	(27.4)	(26.3)	3.9%
EBIT	**43.4**	**34.8**	**24.7%**
Total financial profit/(loss)	**(27.2)**	**(26.5)**	**2.7%**
Profit/(loss) from equity investments	1.0	0.8	27.2%
Continuing EBT	**17.2**	**9.2**	**88.4%**
Discontinuing Operations	0.0	0.0	
Profit before taxes and minorities	17.2	9.2	88.4%
Net Profit	**15.5**	**7.9**	**97.2%**
Net Profit attributable	**14.6**	**7.0**	**109.9%**

(*) Pro-forma

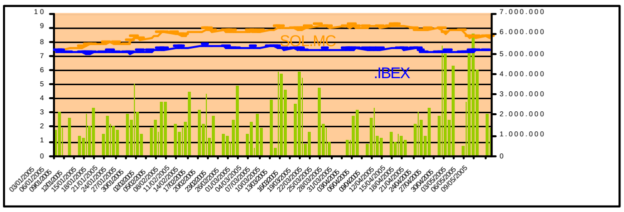
Operational Ratios

	Mar 05	Mar 04	%
REVPAR	44.8	41.8	7.2%
EBITDAR MARGIN	31.5%	30.2%	128 bp
EBITDA MARGIN	27.0%	25.6%	135 bp
EBT MARGIN	6.6%	3.8%	274 bp
NET PROFIT MARGIN	5.6%	2.9%	266 bp

Financial Ratios

	Mar 05	Mar 04	%
EBITDA / NET INTEREST	4,0x	3,2x	26,0%
EBIT / NET INTEREST	2.5x	1.8x	35.8%

Stock Performance



Average Daily Volume 2005 (€)	1.944.726
2005 High, March 10th	9.32
2005 Low, January 3rd	7.20
Historical High, Jun 9th 2000	€ 14.28
Market cap May 11th 05 (€ 8.32)	€ 1.537.3 million

Highlights

Revenues, EBITDA and EBIT increase by 9.9%, 15.7% and 24.7% respectively

The explanation of the performance in the first quarter is twofold: a) the asset management activity carried out through the Sol Melia Vacation Club which sales have gone up by 272% and the disposal of the Tryp Macarena which generated 24.2 million (10.5 million Euros were generated in 1Q04 mainly following the disposal of the Sol Aloha Playa hotel) and b) the evolution of the Company outside Spain. The Easter season falling in Q1 has negatively affected comparison of the city business, while in resorts the harsh winter in Spain has hampered the performance of some of the Company's main destinations.

Outlook

Notwithstanding the performance seen in Q1 in the city business, the Company has seen a pick-up in RevPAR in April – positively skewed by the timing of Easter – and May in Spanish cities. Nevertheless, the company continues to be cautious as it is too early to say if it is a permanent trend. The prospects for the summer season 2005 are promising in light of the evolution of demand in the Company's major feeder markets. As seen last year, the Caribbean is likely to remain strong due to the strength of the Euro and the recovery of US outbound travel.

Asset management: further rotation

Within the strategic framework of asset management, the Company has recently granted a call option for the purchase of the Meliá Las Palmas hotel (310) in the Canary islands for 34 million Euros at a 17.4x EBITDA'04 multiple, generating 17.5 million Euros of profit. Assuming the completion of this transaction, the Company will have executed the sale of 100 million Euros worth of assets at a combined EBITDA multiple of 22.2x and 59 million Euros of EBITDA (Q1: 24.2; Q2/Q3: 17.5; Q4: 17.4). Following the asset management, the company will market condo units during the last quarter of 2005 and will start to contribute to the P&L by the end of the year.

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

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

Dear friend,

Sol Meliá is pleased to announce its first quarterly results on an IFRS basis. Although there is no major impact on the net results of the Company and in the balance sheet the main effects are reclassifications, Sol Melia will report in detail prior to the release of the first half results on the extent of the International Accounting Standards in Sol Meliá's accounts. At the P&L account level the most important impact is related to the reclassification from rentals on contracts with long-term maturities to financial expenses and, to a lesser extent, depreciation. Additionally, start-up expenses which used to be capitalised and amortised in five years now become operating expenses for the current period. Most "Extraordinary items" are considered as ordinaries, therefore capital gains and losses generated are included at the operating revenue level within the Asset Management business. This business should be considered as is the hotel business, an important and recurrent part of our operation. Going forward, besides increasing in timeshare units, in the medium term the company will sale some 100 million Euros on a yearly basis within its asset management strategy in both single asset disposals and condo-units sales.

At the balance sheet level, the most important impact is related to the reclassification of preferred from the "Minority Interests" line to long-term financial debt. On the other hand, the capitalisation of those long-term leases mentioned above has its corresponding counter-entry under "Other long-term liabilities". The company would like to point out that the adoption of the International Accounting Standards are perceived as neutral by the credit agencies regarding the credit qualifications.

Going into the underlying performance, the first quarter was distinguished by the early Easter holidays which affected the performance in March in European cities. RevPAR in the European City Division has gone down in general by 1.0%, and in Spanish cities by 4.8%. Nevertheless, we would like to point out that, as foreseen, the monthly trend in Spanish urban RevPAR is positive. According to the Hotelbenchmark Survey by Deloitte & Touche, Madrid and Barcelona reported a 3.2% and 0.6% year-on-year RevPAR increase in February, the first positive results in a year. Moreover, in April and May our Spanish city hotels are showing an important increase in RevPAR. In April, RevPAR increased by 6%, situating the accumulated RevPAR performance at –1.8% and +0.5% for the Spanish cities and the whole European City Division, respectively. The action plans implemented by the sales division, the evolution of the business group activity and the 47.5% increase in sales through solmelia.com also contributed to the change.

Regarding the European Resorts Division, RevPAR has increased by 9.2% due to important increases in the Balearic Islands and Alicante. An early Easter was also an important factor. On the other hand, the positive RevPAR growth was partially offset by the impact on revenue of the closure for refurbishment of the Sol Gorriones hotel in Fuerteventura (Canary Islands) until the end of the year. Going forward, the positive trends seen in May together with the prospects for the high season, including June, remain solid in light of the pick-up in bookings of tour operators in our major markets, along with a substantial increase in direct sales so far for the summer period.

In Latin America and the Caribbean a positive underlying performance together with our latest incorporation in Puerto Rico largely explains the 26% and 19% increase at the RevPAR and revenue level, respectively. Following the close of the first quarter, these properties remain healthy thanks to the strength of the Euro promoting greater travel from Europe. Additionally, the Gran Meliá Caracas (Venezuela) is showing a promising performance as reflected in the 78.4% RevPAR increase while maintaining occupancy levels at a reasonable 52%. On the other hand the 60% appreciation of the Dominican peso versus last year, affects at the cost and margin level of the Division. For all three divisions the day less in February 2005 versus last year affects their performance in the quarter.

With regard to the Sol Melia Vacation Club, revenues have increased by 272% derived from the evolution of sales in Cancun, Puerto Vallarta and Punta Cana in locations and units within existing resorts. Throughout 2005, additional projects will be marketed and launched in Punta Cana, Cancun and Cozumel in the Caribbean. In Europe, the Sol Melia Vacation Club will start the sales and marketing processes required to establish a presence in the medium term.

During the quarter, the Asset Management Division, sold a call option for the purchase of the sale of the Meliá Las Palmas (Canary Islands) for 34 million Euros at a 17.4x EBITDA'04 multiple. The 100 million Euros in asset sales so far together with the generation of operating cash flow will largely be used to reduce debt and to invest in businesses with a higher return per capital employed, i.e. Timeshare. Again, the commitment of the Company in terms of net capital expenditure is limited to 5% on total sales.

Going forward, the asset management business should be considered together with the hotel business as an important and recurrent part of our operation, as will be reflected in the segmentation of the profit and loss account in the next first half results. Sol Meliá is focused on the creation of value not only based on the improvement of the underlying hotel business but also reinforcing the asset management business via the rotation of its assets, use of existing spaces, timeshare and, later in 2005, condo hotels.

To conclude this letter and regarding the format in which the quarterly results will be released from now on, we would like to inform you that first and third quarter release will follow this format with no conference call. For the first half and year-end results, the company additionally include the segmentation of the P&L account (breakdown of the hotel and asset management business), balance sheet, cash flow and a conference call to discuss the results and outlook of the Company.

Best Regards,

Jaime Puig de la Bellacasa

E.V.P. of Communication & Institutional Relations

2. Information on Operations

Hotel Performance

RevPar for owned and leased hotels has increased by 7.2%. This performance is largely explained by the performance of the Americas Division, where RevPAR has increased by 25.9%. The improved underlying performance of the Division together with the contribution of the Paradisus Puerto Rico is largely behind the increase.

In the **European Resort Division,** RevPar has increased by 9.2%, largely explained by the comparative effect of the Easter holidays falling in March this year and creating a RevPAR increase of 15% versus last year for the month. By region, Alicante and the Balearic Islands have reported the highest increases, with 19% and 7%, respectively. In the Canary islands, superior category resorts are taking advantage of positive trends in business group bookings.

RevPar in the **European City Division** decreased by 1.0%, explained by a slow January and a drop in occupancy rates in March, skewed by the timing of the Easter holidays. By region, Spain has reported a 4.8% RevPAR decrease, largely explained by an Average Room Rate slowdown in the Tryp hotels. By brand, both Meliá and Tryp have decreased by 3.4% and 5.5% respectively in Spain. In Madrid, in spite of a 0.3% increase in occupancy, RevPAR has decreased by 3.8%. Regarding operations outside Spain, Germany and London have been the best performers during the quarter with 6.9% and 4.5% RevPAR increases respectively.

Regarding the **Americas Division**, RevPAR growth is explained by the contribution of the Paradisus Puerto Rico along with a positive underlying performance, helped by the recovery of the Gran Meliá Caracas. Excluding the Puerto Rico property, RevPAR rose by 10.1% (17.0% on a same currency basis).

Table 1: Hotel statistics 05/04 (RevPAR & A.R.R. in Euros)

OWNED & LEASED HOTELS Mar 05/04			*Occupancy*	*RevPAR*	*A.D.R.*
EUROPEAN RESORT		**2.005**	63.1%	31.7	50.2
	% o/ 2004		**-3.4%**	**9.2%**	**12.9%**
		2.004	65.3%	29.0	44.5
EUROPEAN CITY		**2.005**	59.7%	48.4	81.0
	% o/ 2004		**1.6%**	**-1.0%**	**-2.5%**
		2.004	58.8%	48.9	83.1
AMERICAS (1)		**2.005**	72.1%	57.0	79.1
	% o/ 2004		**1.4%**	**25.9%**	**24.1%**
		2.004	71.1%	45.3	63.7
TOTAL (2)		**2.005**	63.0%	44.8	71.2
	% o/ 2004		**0.1%**	**7.2%**	**7.2%**
		2.004	62.9%	41.8	66.4

(1) Total RevPar and A.D.R. on a same currency basis increased by 31.8% and 31.0% respectively

(2) Total RevPar and A.D.R. on a same currency basis increased by 8.7% and 8.5% respectively

Table 2 shows the breakdown of the components of growth in room revenues at the hotel level for owned and leased hotels taking into account the company as a whole.

In the **European Resort Division,** the decrease in available rooms is explained by the disposal of the Sol Aloha Playa in the Costa del Sol, the disaffiliation of the Sol Brisamar in Fuerteventura (Canary Islands) and the closure of the Sol Gorriones, also in Fuerteventura. The day less in February 2005 versus last year affects also the available rooms and therefore sales.

In the **Americas Division**, the increase of available rooms is explained by the opening of the owned Paradisus Puerto Rico .

Table 2: Breakdown of total room revenues owned/leased hotels 05/04

% Increase Mar 05 / Mar 04	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPAR	9.2%	-1.0%	25.9%	7.2%
Available Rooms	-8.8%	-1.4%	5.3%	-2.7%
Room Revenues	-0.5%	-2.4%	32.5%	4.3%

In the **European Resort Division**, the decrease in “Food & Beverage” is due to the 8.8% decrease in available rooms and the closure for refurbishment of the Sol Gorriones in the Canary islands.

In the **European City Division,** the extensive refurbishment which the Reina Victoria hotel in Madrid is undergoing due to its transformation into a Hard Rock Hotel together with the refurbishment process carried out in the Meliá Barcelona has affected total revenues in the division.

Table 3: Hotel revenues split 05/04 for owned/leased hotels

Mar 05/04	E.RESORT			E.CITY			AMERICAS			TOTAL		
(Million Euro)	05	%o/04	04	05	%o/04	04	05	%o/04	04	05	%o/04	04
ROOMS	25.5	-0.5%	25.6	65.4	-2.4%	67.0	26.7	32.5%	20.1	117.5	4.3%	112.7
F&B	13.9	-10.2%	15.5	22.5	-5.1%	23.7	26.8	7.1%	25.1	63.2	-1.6%	64.3
OTHER REVENUES	1.9	-9.8%	2.1	7.0	2.8%	6.8	4.5	26.0%	3.6	13.4	7.3%	12.4
TOTAL REVENUES	41.3	-4.4%	43.2	94.9	-2.7%	97.4	58.0	19.0%	48.8	194.2	2.5%	189.4

(*) In the Americas “Room Revenues”, “Food & Beverage”, “Other Revenues” and “Total Revenues” increased by 41%, 14%, 37% and 27%, respectively, when excluding the currency effect. In addition to this, when excluding Paradisus Puerto Rico, these items increased by 16%, 3%, 26% and 10% respectively.

3. Income Statement

- **Revenues**

Total Revenues increased by 9.9% explained not only by the positive performance at the hotel level but, more importantly, the 24.2 million Euros of capital gains derived from the disposal of the Tryp Macarena in the first quarter. In the IFRS P&L Proforma 2004 also include 8.9 million Euros generated by the disposal of the Sol Aloha Playa in the first quarter of 2004. Both benefits are included in the Asset management business along with figures included in Sol Melia Vacation Club, the company's Timeshare Division. In this regards, Timeshare revenues represent 13.9 million Euros, an increase of 272%.

Management fees from third party hotels represent 12.4 million Euros, a 23% increase. This growth is primarily explained by the improved performance of company hotels and resorts in the Caribbean, especially Cuba.

- **Operating Expenses**

"Raw Materials" increased by 20.6%, explained by the cost of good sold within the Timeshare activity. Excluding this effect, this item would have increased by 2%. Regarding the evolution of "Personnel" and "Other operating expenses", increases are explained by the opening of the Paradisus Puerto Rico and, as occurred in last quarter 2004, the appreciation of the Dominican peso versus the same period of the previous year. Excluding effects mentioned above, these two items would have changed by +3% and –3% respectively while total operating expenses increases by 0.3%

The "Rental Expenses" item increased by 8.2%, explained by the hotels added throughout 2004: Tryp San Lazaro (132 rooms in Santiago de Compostela, Spain), Tryp Indalo (186 rooms in Almeria, Spain) and the Tryp Almussafes (133 rooms in Valencia, Spain).

- **Ordinary Profit / Net Profit**

On the Financial Result side, the "Other financial expenses" item refers to reclassified rental expenses of long-term maturity contracts which are capitalised on the balance sheet. These contracts refer to 17 hotels included in the Tryp transaction in 2000.

The positive evolution of the "Profit from equity investments" is largely explained by the good performance of the Paradisus Riviera Cancun in Mexico and, to a lesser extent, the Melia Castilla in Madrid.

The corporate income tax rate at 10% reflects the ongoing tax management of the group in minimising the tax charge. The benefit generated by the Tryp Macarena transaction has utilised accumulated fiscal credits within the Company. The tax shield of the company maintains irrespective of the incorporation of the International Accounting Standards. The amount of future taxable profits which may be covered is approximately 420 million Euros. The origin of these benefits is mainly due to the goodwill generated in the Tryp acquisition and tax losses generated by companies of the Sol Meliá Group in previous fiscal years. Additionally, the Group will enjoy fiscal credits that imply future reductions in the tax charge of some 45 million Euros mainly due to investments both in Europe and in emerging countries in Latin America. The combined effect of both of these phenomena will enable the Group to obtain a future benefit of some 190 million Euros, i.e. cash savings in tax expenses.

"Minority Interest" no longer includes the 7.8% interest on the 107 million Euros Preferred Shares issue.

Table 4 : Sol Meliá Consolidated Income Statement on IFRS basis

Million Euros	Mar-05	Mar-04 (Pro-forma)	
Hotel Revenues	194.2	189.4	
Real Estate Revenues	43.1	18.5	
Other revenues	24.9	30.5	
Total revenues	**262.2**	**238.5**	**10%**
Raw Materials	(34.3)	(28.5)	
Personnel expenses	(80.0)	(73.3)	
Other operating expenses	(65.3)	(64.7)	
Total operating expenses	**(179.7)**	**(166.5)**	**8%**
EBITDAR	**82.5**	**72.0**	**15%**
Rental expenses	(11.7)	(10.8)	
EBITDA	**70.8**	**61.2**	**16%**
Depreciation and amortisation	(27.4)	(26.3)	
EBIT	**43.4**	**34.8**	**25%**
Net Interest Expense	(14.3)	(16.2)	
Exchange Rate Differences	(9.6)	(7.3)	
Other Interest Expense	(3.3)	(3.0)	
Total financial profit/(loss)	**(27.2)**	**(26.5)**	**3%**
Profit/(loss) from equity investments	1.0	0.8	27%
Continuing Earnings Before Taxes	**17.2**	**9.2**	**88%**
Discontinuing Operations	0.0	0.0	
Profit before taxes and minorities	**17.2**	**9.2**	**88%**
Taxes	(1.7)	(1.3)	
Group net profit/(loss)	**15.5**	**7.9**	**97%**
Minorities (P)/L	(0.9)	(0.9)	
Profit/(loss) of the parent company	**14.6**	**7.0**	**110%**