2007 First Half Results

Profit & Loss Account

(Million Euros)	Jun 07	Jun 06	%
REVENUES	**635.7**	**581.1**	**9.4%**
EXPENSES (ex - Operating leases)	**(455.6)**	**(411.6)**	**10.7%**
EBITDAR	**180.1**	**169.5**	**6.2%**
Rental expenses	(31.7)	(31.0)	2.5%
EBITDA	**148.4**	**138.6**	**7.1%**
Depreciation and amortisation	(53.7)	(54.0)	-0.5%
EBIT	**94.6**	**84.6**	**11.9%**
Total financial profit/(loss)	**(28.7)**	**(28.9)**	**-1.0%**
Profit/(loss) from equity investments	5.3	0.4	1118.8%
Continuing EBT	**71.2**	**56.0**	**27.1%**
Discontinuing Operations	0	0	
Profit before taxes and minorities	71.2	56.0	27.1%
Net Profit	**63.9**	**50.4**	**26.7%**
Net Profit attributable	**62.3**	**50.1**	**24.3%**

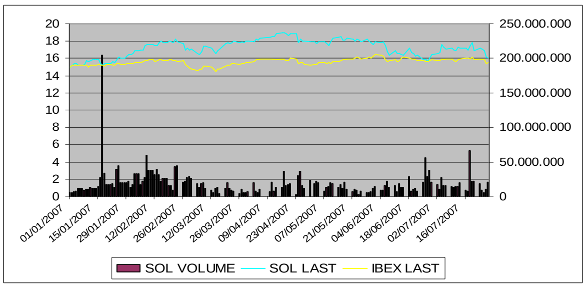
Operational Ratios

	Jun 07	Jun 06	%
RevPAR	52.19	48.21	8.3%
EBITDAR MARGIN	28.3%	29.2%	-84 bp
EBITDA MARGIN	23.3%	23.8%	-51 bp
EBITDA MARGIN (ex-asset rotation)	*22.5%*	*22.2%*	*30 bp*
EBT MARGIN	11.2%	9.6%	156 bp
NET PROFIT MARGIN	9.8%	8.6%	118 bp

Financial Ratios

	Jun 07	Jun 06	%
EBITDA / NET INTEREST	5.04x	4.97x	1.2%
EBIT / NET INTEREST	3.21x	3.04x	5.8%

Stock Performance



Average Daily Volume 2007 (€)	18.894.610
2007 High, April 16 th	19.0 €
2007 Low, January 1 st	15.01 €
Market cap July 30 th 07 (€16.00)	€2.956.4 mn/ USD 4.029.6 mn

Bloomberg: SOL SM, Reuters: SOL.MC

Highlights

Revenues, EBITDA and Net Profit increased by 9.4%, 7.1% and 24.3%

These items increased by 10.6%, 12.1% and 18.8% when excluding asset rotation during both periods (17.3 Mn in 1H07; 12.1 Mn in 1H06). Out of the 17.3 Mn euros, there are 6.4 Mn at Ebitda level, 5.7 Mn at the "financial results" level and 5.1 Mn included in "Profit from Equity Investments". These latest are generated from the sale of two minority stakes in hotels. Operating evolution in the second quarter is largely explained by a) the positive evolution of the European cities and the Dominican Republic which offset difficult trading conditions in the Canary Islands during the winter, and b) the performance of the Sol Meliá Vacation Club the revenue of which has increased by +51.0%.

Outlook: Positive Summer Season

Expectations for the summer season in Spain remain positive. The current evolution of the Company's main resort areas, together with the forecast for August and September, confirm the progressive recovery of the Division from a sluggish first quarter. The performance of the Spanish feeder market in the Canary Islands, along with the evolution of the domestic and UK tourists in the remaining destinations, explain the recovery in Q3 (70% of Ebitda). In the Americas, the promotion of the Company's properties in Europe is paying off. In the cities, congresses and events to be celebrated before year end are likely to back up the positive underlying performance. These facts, along with the SMVC and further asset rotation, will enable Sol Meliá to meet its expectations.

Asset Rotation: Further sales by 60.5 mn Euros of cash-income in H1

In the first half, Sol Meliá has disposed of several assets, including the sale of the hotel Tryp Hidalgo (54), business premises in Mallorca, a plot of land in the Dominican Republic, plus two minority stakes in two hotels in Costa Rica and New York, that imply a total sale amount of 60.5 Mn Euros, 17.3 million euros capital gains at a combined Ebitda multiple of 17.3 x.

Agreement in Salvador de Bahia (Brazil)

Sol has reached an agreement with Gafisa and Alphaville, both Brazilian leading homebuilder and property developer respectively, with the aim of jointly developing the 475 Ha of land in Brazil with 1,000 resort rooms, plus residential business. These partners have entered in to the business at a 15% premium versus the price paid by Sol 6 months ago. The 1st phase, ready by 2009.

Sol Melia enters Bulgaria and a JV with Talonotel

Furthermore, Sol Meliá has signed a Joint Venture with a Bulgarian company for the management of hotels and resorts in Bulgaria, starting in 2008. The association has ensured the management of 2,700 rooms by 2,009 while more rooms will be incorporated in the coming years. Additionally, Sol Meliá has created a 50/50 JV with the leading Spanish voucher system hotel distributor to provide state-of-the-art distribution technology and reservations systems to hotels. The Company has transferred its distribution platform by 9.4 Mn Euros while contributing with its know-how.

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Table of contents

1. Letter from the Vice-Chairman and CEO

Dear friend,

Sol Meliá is pleased to release its first half results, verifying the positive evolution of the underlying business with Ebitda increases of 12.1%. The performance of European cities and the Americas is behind such growth, while growth in the Spanish resorts is expected for the third quarter. At the Asset Rotation level, Sol Meliá has either formalized, or committed the sale of assets by 68 million Euros, therefore continuing on track for the 100 Mn Euros asset rotation commitment.

…positive expectations for the main summer season…

During the second quarter, the **European Resort Division** has recovered from the slow beginning of the year while confirming good expectations for the summer season. The performance of the Division in the quarter, with a RevPAR that has remained flat, is mainly explained by the behaviour in the Canary Islands, while the rest of the destinations show a positive monthly upturn throughout the quarter. The increase of the direct sales, together with the evolution of the main markets of reference, will explain the performance of the Division. Attending to the increasing importance of direct channels, solmelia.com has increased its sales by 29.1% (69 million Euros of sales) in the semester.

…Spanish cities grew by 9.8% in Q2…

The **European City Division** has had a positive evolution during the quarter, thanks to the positive impact of business travel, leisure activity and the celebration of various events in Spanish cities, in which RevPAR grew by 9.8% in the second quarter. The good evolution of Spanish GDP (+4.1% in the first semester), together with the opening of a new terminal at Madrid's airport (T4) resulting in an increase in the number of airlines flying to Madrid, are the main drivers of such growth. The European cities report a positive underlying performance, as reflected in the evolution in the second quarter of London (+20.6%), Paris (+7.7%), Germany (+4.0%) and Italy (+ 2.8%). Prospects for the Division hereafter remain positive thanks to the clear performance of Business Groups and events expected for the rest of the year.

…the Dominican Republic leads the way…

Regarding the **Americas Division**, the good evolution of the Dominican Republic, especially the Paradisus Palma Real, compensates for the performance of some hotels in Cancun and Puerto Rico, which lag behind, due to the refurbishment process following Hurricane Wilma and the change of brand in two properties (Gran Melia Puerto Rico (486) and ME Cancun (433)).

Regarding **Sol Meliá Vacation Club,** the excellent performance of the business is expected to continue, thereby reaching the 10% Ebitda contribution for the year-end as committed when we launched the SMVC in the first place. Offsite sales and marketing measures undertaken, partially explain the positive evolution in sales, even in those resort destinations where occupancy rates are not at peak levels.

…Asset Rotation: 60 Million in H1 and committed at least 7.5 mn euros in Q3…

Sol Meliá has agreed the sale of 60 million within **the Asset Rotation Business**. The Company has granted a call option for the sale of the Tryp Hidalgo (54) in Ciudad Real (Spain) for 2.25 Mn euros, generating 1.7 Mn profit, at an EBITDA multiple of 40.03x. The property did not fulfil the required brand standards. Sol Meliá has carried out four additional disposals during the second quarter: business premises in Mallorca and the Dominican Republic for 0.9 and 8.8 million Euros, and capital gains of 0.9 and 3.8 million euros respectively. Moreover, the Company has completed the disposal of its 15% and 17.4% stake in the Paradisus Playa Conchal (406) (Guanacaste, Costa Rica) and Paramount NY (567) (New York, USA), at an Ebitda multiple of 13.8x and 21.2x respectively, generating 5.7 and 5.1 million Euros at the "financial revenue" level and the "Profit from Equity Investments" level respectively.

As advanced throughout the year, the Company has reached an agreement with *Gafisa* and *Alphaville*, both Brazilian leading homebuilder and property developer respectively. The aim is to team up for the development of the recently acquired 475 Hectares in Brazil, a magnificent plot of land, 38 km from the international airport of Salvador de Bahia. The opening of this newest destination by Sol Melia in the north-east of the country is extremely important from a strategic standpoint, since this area is perceived as one of the resort areas with high-growth potential in the coming years.

… Agreement in Brazil …

Sol Meliá has sold a 20% stake in the project to these partners for 9.6 mn USD (7.5 mn Euros), generating capital gains of 1.5 mn USD.

The project involves the construction of 1,000 rooms, along with the sale of 1.3 million square meters of residential development. The construction work of the first phase involving 400 rooms will start in early 2008 and will be operative by mid-2009. Once the first phase of the resort development is finished, the Company will start to sell residential plots of land.

… Sol Meliá enters in Bulgaria …

The Company has also reached an agreement with a Bulgarian company for the creation of a 60/40 joint venture, with the aim of managing hotels in Bulgaria. The joint venture will begin to manage 3 resorts in 2008 while 3 further properties will be incorporated in 2009, all of them in the Black Sea Coast and in the four and five star category. Sol Meliá has exclusivity with this partner for any potential development in Bulgaria. No capex is required for the agreement. Following its entrance in the European Union, Bulgaria is one of the countries with most growth potential from a tourist perspective. In the period January - May 2007, the number of foreign tourists coming from EU countries increased by 32 per cent. In 2006, the number of foreign visitors represented over 5 million.

We are delighted to announce the creation of a 50/50 Joint Venture with Talonotel. This association (*Travel Dynamic Solutions - Tradyso*) will provide a state-of-the-art distribution technology to hotels, be it through Voice, GDS, Internet, or the different integrations with distribution consortia. Furthermore, *Tradyso* will operate as a Central Reservation System through specialized call centres and Internet. This newly created Company aims to provide a technological distribution platform for hotel companies wishing to have access to the latest generation distribution systems.

… JV with Talonotel …

Sol Meliá has transferred to *Tradyso*, its self-developed and successfully tested distribution technology of 9.4 million euros (2.2 Mn of capital gains), while contributing to the JV with its distribution know-how in this respect.

Talonotel, is the Spanish leading voucher system hotel distributor and will incorporate its hotel agreements as well as its hotel and intermediary relationships.

Thanks to this agreement, Sol Melia has transferred the requirements into further technological investments and part of its cost of structure into the JV, while switching part of its fixed costs into variable. Some of the resources generated by Travel Dynamic Solutions will be devoted to distribution technology investments, thereby improving the distribution capacity of its members.

Following the renewal plan for the "Meliá" brand, in order to increase the importance of our brand equity and therefore, confidence in our brands in our major feeder markets, work began on the Meliá Colon (218) and the Meliá Sevilla (364) in July and they are expected to remain closed during 8 months. Furthermore, the Meliá Madrid Princesa (275), Meliá Barcelona (334) and Meliá de Mar (144) are already undergoing refurbishment, and in the short term, we expect to begin work on the Meliá Lebreros (437).

…€ 200 mn syndicate loan: 5Yrs, 50 bps spread…

On a financial level, Sol Melia has signed a 5-year maturity 200 million Euros syndicate loan, in order to refinance the syndicate facility of 175 million Euros agreed in December 2004 and due in 2009.. With this deal, the Company improves the debt spread by 20 basic points for this quantity, while increasing the average debt maturity. The loan was 1.7 times oversubscribed. The improvement of the Company's financial situation over the past 3 years, reflected also in the investment rating status by Moody's, is responsible for the good terms of the loan.

S&P has raised the outlook on Sol Melia´s BB+ corporate credit rating to positive from stable. The change in outlook reflects Sol Melia´s improved financial profile in recent years and favorable prospects for further growth and deliberating. This rating action has taken place after four years, without any rating movement and just a few months after its counterpart, Moody´s, awarded Sol Meliá´s rating with "investment grade" status in February 2007.

The company announced an updated of the of its asset base performed by CB Richard Ellis and American Appraisal result of which Net Net Asset Value reached 22.05 Euros. Additionally, Sol Melia urged a financial valuation of its brands as an additional intangible asset that represented 5.6 additional Euros to the aforementioned NNAV. These figures represent a solid underpinning of the stock while the evolution of Company's different businesses, along with proactive asset management strategy through the asset rotation and the development of Mixed Ownership Products together with the future expansion, will be the ones that will largely explain the evolution our Company in the Equity and the Bond Markets.

…Investors day in February 2008…

Finally, we remind you that on 28th February 2008, the Company will organize an Investors Day at the hotel ME Madrid, which will be attended by the full management team. The **2008-2010 Strategic Plan** will be presented along with the **New Organisational Model** on which the company has been working for months with the consultancy firm Deloitte, in order to be able to respond more efficiently to the needs of the Strategic Plan: 1) Brand equity; 2) Customer knowledge/ contact; 3) Asset Management Development; 4) Staff talent and empowerment and 5) Sustainability

The New Organisational Model will encourage teamwork, client focus, reduction of span of control, conciliation of strategic and operating elements, cohesion of group, clarification of relationships and roles, delegation of authority and accountability within the organisation, since it places the client and the brand at the heart of the organisation.

An innovative organization where the new pillars of the business, the Vacation Club and the Asset Management gain importance and where the hotel activity will be structured throughout the brands of the Company as opposed to by regions as it has been the case up until now.

This change is backed-up by our Chairman and founder, Gabriel Escarrer who wants to be more actively involved in one of the strategic priorities of the Company which is the Sustainability comprising Social, Cultural and Environmental Responsibility. Therefore from now on, he will progressively transfer his experience, knowledge and tasks to the organisation through his sons: Gabriel Escarrer Jaume and myself.

Gabriel Escarrer Jaume and I have announced our decision to assume a shared leadership, with equilibrium of power and responsibilities, with a permanent vocation. Both CEO believe that the new formula of Co-Vice-presidency is the best way to materialize their complementarities and their compromise to create value and bring stability for the Company.

Best regards,

Sebastian Escarrer

Co - Vice Chairman and CEO

2. Information on Operations

2.1. Hotel Performance

RevPAR for owned and leased hotels has increased by 8.3% during the first half, in line with the growth during the first quarter of the year, verifying the expectations of the Company. This evolution is largely explained by the good performance of the Spanish cities (+8.4%) and the Americas (+14.5%), offsetting the slow performance of European resorts (-1.3%).

In the **European Resort Division**, RevPAR has decreased by -1.3% (ARR: +0.2%; Occupancy: -1.5%), as due to the negative results of the Canary Islands during the winter, the sluggish performance of the ski-resorts in Q1 and a early Easter season. By region, the Balearic Islands (+9.5%) and Alicante (+5.5) are the best performers, while, by brand, Sol has been the best player of the semester with an increase of 1.8%. General outlook for the Division remains positive for the summer season in the light of the occupancy levels already registered in main resort destinations, thanks to the strength of the Spanish market and the increase of direct sales.

RevPAR in the **European City Division** has increased by 8.4%, principally explained by price increases (ARR: 6.8%) more than Occupancy levels (+1.5%). Spanish cities have evolved very positively in the semester with a RevPAR increase of +7.9% (Meliá 5.6%; Tryp 8.2%) surpassing market evolutions in the main cities of reference. By region, Palma de Mallorca (+17.8%), Madrid (+8.9%), Barcelona (+7.5%) and Valencia (+19.9%) have been the best performers of the semester. Monthly statistics disclose the upward trend of the Division (April +8.5%, May: 9.1%; June: 12.0%) showing a recovery from the slow beginning of the year (January +1.2; February +5.9%; March +7.8%).

As for the **American Division**, RevPAR has increased by 14.5% (ARR: 5.0%; Occupancy: 9.0%) mainly due to the performance of the main contributor in the area, the Dominican Republic, where diversification in terms of customer nationality is paying off, and the excellent results of the Road Show organized around Europe will lead to positive results in the near future. The excellent evolution of Venezuela over the market evolution, has contributed to the growth of the Division.

Table 1: Hotel statistics 07 / 06 (RevPAR & A.R.R. in Euros)

OWNED & LEASED HOTELS Jun 07 / 06			*Occupancy*	*RevPAR*	*A.R.R.*
EUROPEAN RESORT		**2007**	64.1%	29.9	46.6
	% o/ 2006		**-1.5%**	**-1.3%**	**0.2%**
		2006	65.1%	30.3	46.5
EUROPEAN CITY		**2007**	68.5%	64.9	94.8
	% o/ 2006		**1.5%**	**8.4%**	**6.8%**
		2006	67.5%	59.9	88.8
AMERICAS		**2007**	73.6%	62.4	84.8
	% o/ 2006		**9.0%**	**14.5%**	**5.0%**
		2006	67.5%	54.5	80.8
TOTAL		**2007**	67.9%	52.2	76.9
	% o/ 2006		**1.9%**	**8.3%**	**6.2%**
		2006	66.6%	48.2	72.4

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

Table 2: Breakdown of total room revenues of owned/leased hotels 07 / 06

% Increase Jun 07	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPAR	-1.3%	8.4%	14.5%	8.3%
Available Rooms	-2.7%	0.5%	11.9%	1.2%
Room Revenues	-3.9%	8.9%	27.6%	9.5%

In the **European Resort Division,** the number of available rooms has decreased by -2.7% due to the refurbishment of the hotel Magalluf Park (422) (Mallorca, Spain), the disposal of the Vista Sol (176) (Mallorca, Spain), and the late opening of some hotels explained by pre-opening work.

Regarding the **European City Division**, the slight rise in available rooms (+0.5%) is due to the effect of the disposal of the Meliá Rey Don Jaime (319), together with the refurbishment of the Meliá Madrid Princesa (275), offsetting the impact of the opening of the Meliá Berlin (360) and the ME Madrid (192).

In the **Americas**, the increase in available rooms is imputable to Cancun (Dominican Republic) thanks to the increases in the ME Cancun (433) and Gran Meliá Cancun (688), following refurbishment due to the effects of Hurricane Wilma.

Table 3: Hotel revenues split 07 / 06 for owned/leased hotels

Jun 07 / 06	E.RESORT			E.CITY			AMERICAS			TOTAL		
(Million Euro)	07	%o/06	06	07	%o/06	06	07	%o/06	06	07	%o/06	06
ROOMS	59.7	-3.9%	62.1	171.7	8.9%	157.6	65.3	27.6%	51.2	296.7	9.5%	270.9
F&B	40.9	0.3%	40.8	57.9	9.4%	52.9	72.2	17.9%	61.2	171.0	10.3%	154.9
OTHER REVENUES	5.9	20.8%	4.9	15.6	13.1%	13.8	13.9	-37.2%	22.1	35.4	-13.2%	40.8
TOTAL REVENUES	106.5	-1.2%	107.8	245.2	9.3%	224.4	151.4	12.5%	134.5	503.1	7.8%	466.7

The evolution of F&B items in the **European Resort Division** is related to the efforts made by the Company to increase this business, opening new and reputed restaurants in the hotels and increasing the quality and service of the existing ones.

The Food and Beverage items in the **European City Division** have been affected by the increase in the room-only sales, without contracting breakfast, through our web page solmelia.com, especially affecting our Tryp branded hotels.

In the **Americas**, the discrepancy in the evolution of the different items is due to the reopening schedule of the hotels in Cancun following Hurricane Wilma. In 2006, revenues explained by "loss of profit" insurances were previously at the "Other Revenues" level during its closure.

2.2 Asset Management Performance

The evolution of the Asset Management Division, which includes asset rotation activity as well as the Sol Meliá Vacation Club, is evolving satisfactorily towards the achievement of the aim of selling 100 million Euros on an annual basis within the asset rotation business. The company has already formalized 68 Mn Euros.

2.2.1 Asset Rotation

Sol Meliá has completed the sale of 60.5 million Euros worth of assets, while generating 17.3 million profits for the year-end. At this stage, the Company has already fulfilled more than half of the sales objective (100 Mn Euros), while further negotiations are being undertaken.

SELL SIDE

Table 4: Asset Rotation

SELL SIDE

ASSET	ROOMS		PRICE		EV/EBITDA (x)		PROFIT	
	07	06	07	06	07	06	07	06
Sol Vista Sol (Mallorca, Spain)		176	-	12.5	-	17.9		7.1
"La Jaquita" plot of land (Tenerife, Spain)	-		-	22.5	-	-		4.9
Tryp Hidalgo (Ciudad Real, Spain)	54		2.3		40.0	-	1.7	
Business Premise (Mallorca, Spain)	-		0.9		-	-	0.9	
Plot of land in the Dominican Republic	-		8.8		-	-	3.8	
15.0% Paradisus Playa Conchal (Costa Rica) (*)	406		23.4		13.8	-	5.7	
17.4% Paramount NY (New York, USA) (*)	567		25.1		21.2	-	5.1	
TOTAL	**1,027**	**176**	**60.5**	**35.0**	**17.3**	**17.9**	**17.3**	**12.1**

(*) Profits generated by the stakes in Costa Rica and New York are included in the financial revenues and in "Profit from Equity Investments" items in the P&L account, respectively. Therefore Ebitda at the Asset Rotation level includes 6.4 Mn.

On the sell side, during the second quarter, Sol Meliá has completed the following negotiations:

- the Company has granted a call option for the sale of the Tryp Hidalgo (54) in Ciudad Real (Spain) at 2.25 Mn euros, generating 1.7 Mn profit, at an EBITDA multiple of 40.03x.
- The sale of business premises in Magalluf (Mallorca, Spain) and a plot of land in the Dominican Republic at 0.9 and 8.8 million Euros respectively.
- The Company has completed the disposal of its 15% and 17.4% stake in the Paradisus Playa Conchal (406) (Guanacaste, Costa Rica) and Paramount NY (567) (New York, EEUU), at an Ebitda multiple of 13.8x and 21.2x respectively, generating 5.7 and 5.1 million Euros at financial level and "Profit from equity investments" level.

After the closure of the semester, the company has also signed the sale of a plot of land of Brazil by 7.5 Mn Euros, generating 1.1 Mn euros.

2.2.2 Sol Meliá Vacation Club (SMVC)

Total sales have risen to 54.6 million euros, while number of weeks sold and average price per unit have changed by +46.8% and -3.4% respectively, this latest explained by the depreciation of the dollar versus the Euro. These increases have led to an Ebitda improvement of 103%. Total sales include not only the Vacation Club sales but also, amongst others, the revenues derived from the Interest Income, Maintenance and Management fees, as well as Network fees. Most significant increases at Vacation club sales level correspond to the Meliá Cozumel, Gran Meliá Cancun, Gran Meliá Salinas, ME Cancun and the Dominican Republic, while the Dominican Republic represents 39% of the total sales of the Club.

Table 5: Sol Melia Vacation Club (SMVC)

	NUMBER OF WEEKS SOLD			NUMBER OF EQUIVALENT CLUB UNITS			AVERAGE PRICE			VACATION CLUB SALES (IN ´000 €)		
	2007	%o/06	2006	2007	%o/06	2006	2007	%o/06	2006	2007	%o/06	2006
Europe	231	71.1%	135	4.5	74.5%	2.6	19.552	2.5%	19.066	4.516	75.5%	2.574
Americas	1.883	44.3%	1.305	36.2	44.3%	25.1	14.472	-4.7%	15.185	27.251	37.5%	19.817
Total	**2.114**	**46.8%**	**1.440**	**40.7**	**47.1%**	**27.7**	**15.027**	**-3.4%**	**15.549**	**31.767**	**41.9%**	**22.391**

3. Income Statement

- **Revenues**

Total Revenues increased by 9.4%, which is explained by the positive evolution of the underlying business (+10.6%) and the sharp increase of the Sol Meliá Vacation Club (+51%). In 1H07, Sol Meliá has generated 17.3 million Euros from the disposals performed at the operating revenue level. Management fees from third party hotels represent 24 million Euros (0%). This flat evolution is mainly explained by a decrease in management fees from Cuba, negatively impacted by the decrease of air flight capacity to the island.

- **Operating Expenses**

Total Operating Expenses increase by +10.7%, largely explained by the Americas Division. This is due to the reopening of the Gran Meliá Cancun and the ME Cancun. Underlying Costs increase by 9.3% (when excluding changes in the perimeter, effect of the hurricanes and the asset rotation) while Revenues and Ebitda increase by 9.8% and 14.2% respectively. This has led the Company to improve its underlying Ebitda margin from 21.5% to 22.3%.

Margin evolution is likely to improve due to the Asset Rotation component and the incorporation of benefits generated in the third quarter in the European Resort Division.

The increase in the expenses of the Asset Management Division is due to the performance of the Raw Materials of the Sol Meliá Vacation Club, as a consequence of the evolution of the business, which has gone up by 51% and 103% at the revenue and Ebitda levels respectively.

- **Ordinary Profit / Net Profit**

The increase in the account of “Profits from equity investments” is explained by the 5.1 Mn Euros of capital gains generated from the disposal of the 17.4% stake in the Paramount New York, and “Total Financial Profit” includes 5.7 Mn Euros of capital gains derived from the sale of the 15% minority stake in Costa Rica.

Amortisations increase due to the late re-opening of hotels in the Dominican Republic and Mexico, after their refurbishment due to Hurricane Wilma.

Table 6 : Sol Meliá Consolidated Income Statement

Million Euros	Jun - 07	Jun - 06	% Jun 07 / Jun 06
Hotel Revenues	503.1	466.7	
Real Estate Revenues	71.9	60.3	
Other revenues	60.7	54.1	
Total revenues	**635.7**	**581.1**	**9.4%**
Raw Materials	(83.3)	(75.8)	
Personnel expenses	(197.6)	(183.1)	
Other operating expenses	(174.7)	(152.7)	
Total operating expenses	**(455.6)**	**(411.6)**	**10.7%**
EBITDAR	**180.1**	**169.5**	
Rental expenses	(31.7)	(31.0)	
EBITDA	**148.4**	**138.6**	**7.1%**
Depreciation and amortisation	(53.7)	(54.0)	
EBIT	**94.6**	**84.6**	**11.9%**
Net Interest Expense	(23.9)	(22.6)	
Exchange Rate Differences	0.8	(1.1)	
Other Interest Expense	(5.6)	(5.3)	
Total financial profit/(loss)	**(28.7)**	**(28.9)**	**-1.0%**
Profit/(loss) from equity investments	5.3	0.4	
Continuing Earnings Before Taxes	**71.2**	**56**	
Discontinuing Operations	**0.0**	**0.0**	
Profit before taxes and minorities	**71.2**	**56**	**27.1%**
Taxes	(7.3)	(5.6)	
Group net profit/(loss)	**63.9**	**50.4**	**26.7%**
Minorities (P)/L	(1.6)	(0.3)	
Profit/(loss) of the parent company	**62.3**	**50.1**	**24.3%**

Table 7: Business Segmentation of Sol Melia's Consolidated Income Statement

	HOTEL BUSINESS											
	EUROPEAN RESORTS			EUROPEAN CITIES			AMERICA			OWNED AND LEASED		
€ Mn	1H07	1H06	%	1H07	1H06	%	1H07	1H06	%	1H07	1H06	%
REVENUES	106,5	107,8	-1%	245,2	224,4	9%	151,4	134,5	13%	503,1	466,7	8%
EXPENSES	91,3	88,3	3%	154,6	142,6	8%	100,6	86,5	16%	346,5	317,4	9%
E B I T D A R	15,2	19,5	-22%	90,6	81,8	11%	50,7	48,0	6%	156,6	149,3	5%
Rental Expenses	3,3	3,2	5%	28,1	26,2	7%	0,9	1,1	-15%	32,3	30,4	6%
E.B.I.T.D.A.	11,9	16,3	-27%	62,5	55,6	12%	49,8	46,9	6%	124,3	118,8	5%
D&A	13,0	13,0	0%	14,8	14,1	5%	12,3	11,6	6%	40,1	38,6	4%
EBIT	-1,1	3,3	-134%	47,8	41,5	15%	37,5	35,3	6%	84,2	80,2	5%

	ASSET MANAGEMENT BUSINESS																	
	ASSET ROTATION AND PROMOTION			SMVC			ASSET MANAGEMENT BUSINESS			OTHER BUSINESS AND OVERHEAD EXPENSES			AGGREGATED			CONSOLIDATED		
€ Mn	1H07	1H06	%	1H07	1H06	%	1H07	1H06	%	1H07	1H06	%	1H07	1H06	%	1H07	1H06	%
REVENUES	17,2	24,1	-28%	54,6	36,3	51%	71,9	60,3	19%	118,8	103,5	15%	693,8	630,5	10%	635,7	581,1	9%
EXPENSES	6,2	5,1	22%	36,8	27,4	34%	43,0	32,6	32%	124,0	111,5	11%	513,5	461,5	11%	455,6	411,6	11%
E B I T D A R	11,0	19,0	-42%	17,8	8,8	102%	28,9	27,8	4%	-5,2	-8,0	35%	180	169	7%	180,1	169,5	6%
Rental Expenses	0,0	0,0		0,0	0,0		0,0	0,0		-0,4	0,0		32	30,5	5%	32	31	2%
E.B.I.T.D.A.	11,0	19,0	-42%	17,8	8,8	103%	28,9	27,8	4%	-4,8	-8,0	40%	148,4	138,6	7%	148,4	138,6	7%
D&A	0,7	0,5	38%	0,5	0,2	168%	1,1	0,6	72%	12,5	15,0	-16%	53,7	54,3	-1%	53,7	54,0	-1%
EBIT	10,4	18,5	-44%	17,4	8,6	101%	27,8	27,1	2%	-17,3	-23,0	25%	94,6	84,3	12%	94,6	84,6	12%

4. Balance Sheet

Assets

The decrease in the “Prepayments and assets in progress” account is linked to the increase in the “Land”, account due to the reclassification of a plot of land in Brazil.

The decrease in the “Investments available-for-sale” account is basically due to the sale of our stake in Playa Conchal for 17.7 million Euros.

The decrease in the account “Other current assets” is mainly due to the collection of the pending compensation for the damage caused by hurricane Wilma.

Liabilities & Shareholder’s Equity

Net debt amounts to 936 million Euros as of 30th June, 2007, 20 million Euros less than last year.

The item “Capital grants and other deferred income” decreases from 46.5 million Euros to 8.9 million Euros, mainly due to the compensation paid after hurricane Wilma in the Cancun area.

At the financial level, Sol Melia has signed a 5-year maturity 200 million Euros syndicate loan, in order to refinance the syndicate facility for 175 million agreed in December 2004 and due 2009. With this deal, the Company improves the debt spread by 20 basic points for this amount, while increasing the average debt maturity. The loan was 1.7 times oversubscribed. The improvement of the Company’s financial situation over the past 3 years, reflected also in the investment rating status by Moody’s, is behind the good terms of the loan.

Table 8: Consolidated Balance Sheet (million Euros)

Thousands of Units '000	**Dec 2006**	**Jun 2007**	**%**
ASSETS			
i INTANGIBLE FIXED ASSETS	**108.5**	**99.8**	**-8.0%**
Software	28.5	27.8	
Goodwill	19.7	19.7	
Other Intangibles	60.2	52.3	
ii PROPERTY, PLANT AND EQUIPMENT	**1,968.9**	**2,018.6**	**2.5%**
Land	419.7	449.6	
Constructions	1,096.7	1,158.7	
Technical plant and machinery	221.3	225.3	
Other assets	165.9	150.9	
Prepayments and assets in progress	65.3	34.2	
iii INVESTMENT PROPERTIES	**97.4**	**97.4**	**0.0%**
iv OTHER NON-CURRENT ASSETS	**211.5**	**194.9**	**-7.8%**
Available-for-sale investments	37.2	17.5	
Investments in associates	36.6	35.6	
Loans to associates	2.1	1.0	
Deferred tax assets	106.1	116.6	
Other non-current financial assets	29.5	24.4	
TOTAL NON-CURRENT ASSETS	**2,386.2**	**2,410.7**	**1.0%**
v NON-CURRENT ASSETS FOR SALE	9.1	**9.0**	**-0.5%**
vi CURRENT ASSETS	**368.9**	**504.3**	**36.7%**
Inventories	30.8	35.2	
Trade and other receivables	97.3	156.7	
Receivables for associates	9.9	11.5	
Other current assets	63.2	73.8	
Other current financial assets	36.9	29.7	
Cash and short-term deposits	131	197.4	
TOTAL CURRENT ASSETS	**368.9**	**504.3**	**36.7%**
TOTAL ASSETS	**2,764.3**	**2,924.0**	**5.8%**

EQUITY AND LIABILITIES (*Thousands of Units '000)*	**Dec 2006**	**Jun 2007**	**%**
i EQUITY	**837.2**	**921.7**	**10.1%**
Issued capital	37.0	37.0	
Share premium	767.2	767.2	
Revaluation reserves	103.0	103.0	
Distributable reserves	23.8	22.7	
Non-distributable reserves	56.2	47.4	
Results from prior years	(380.9)	(385.0)	
Reserves in co. full consolidation method	278.0	418.7	
Reserves in associates	(3.9)	4.7	
Exchange differences	(43.1)	(93.9)	
ii PROFIT AND LOSSES ATT. TO THE GROUP	**136.2**	**62.3**	**-54.3%**
Consolidated profit and loss	138.0	63.9	
Minority interests profit and loss	(1.7)	(1.6)	
iii TREASURY SHARES	(38.7)	**(38.6)**	**-0.3%**
iv TOTAL EQUITY	**934.7**	**945.4**	**1.1%**
v MINORITY SHAREHOLDERS	**32.6**	**49.7**	**52.6%**
TOTAL NET EQUITY	**967.3**	**995.1**	**2.9%**
vi NON-CURRENT LIABILITIES	**1,249.9**	**1,366.8**	**9.4%**
Issue of debentures and other marketable securities	149.4	149.9	
Preference shares	100.2	100.7	
Payables to associates	0.0	5.8	
Bank debt	593.7	700.6	
Capital grants and other deferred income	5.9	9.0	
Provisions	25.9	26.7	
Deferred tax liabilities	196.5	196.6	
Other non-current liabilities	178.3	177.5	
TOTAL NON-CURRENT LIABILITIES	**1,249.9**	**1,366.8**	**9.4%**
vii CURRENT LIABILITIES	**547.0**	**562.1**	**2.8%**
Issue of debentures and other marketable securities	0.4	3.6	
Bank debt	267.6	208.4	
Payables to associates	0.1	0.4	
Trade payables	184.0	190.1	
Other current liabilities	94.9	159.5	
TOTAL CURRENT LIABILITIES	**547.0**	**562.1**	**2.8%**
TOTAL EQUITY AND LIABILITIES	**2,764.3**	**2,924.0**	**5.8%**

5. Expansion

The table below shows a description of the progress made in the Sol Meliá hotel portfolio up to June 2007.

Table 9. Expansion plan.

Owned & Leased	01/01/2007		ADDITIONS		LOSSES		CHANGES		30 / 06 / 2007		SIGNED		TOTAL GROUP	
	H	R	H	R	H	R	H	R	H	R	H	R	H	R
EUROPEAN CITY	**89**	**14,567**	**0**	**0**	**1**	**54**	**2**	**156**	**90**	**14,783**	**2**	**302**	**92**	**15,085**
Owned Hotels	32	6,055	0	0	1	54	1	76	32	6,200	0	0	32	6,200
Leased hotels	57	8,512	0	0	0	0	1	80	58	8,583	2	302	60	8,885
EUROPEAN RESORT	**54**	**15,310**	**0**	**0**	**0**	**0**	**0**	**0**	**53**	**15,111**	**1**	**609**	**54**	**15,720**
Owned Hotels	39	12,464	0	0	0	0	0	0	39	12,416	1	609	40	13,025
Leased hotels	15	2,846	0	0	0	0	0	0	14	2,695	0	0	14	2,695
AMERICA	**17**	**6,140**	**0**	**0**	**1**	**32**	**-1**	**-305**	**15**	**5,921**	**3**	**1,669**	**18**	**7,590**
Owned Hotels	15	5,878	0	0	0	0	-1	-305	14	5,691	3	1,669	17	7,360
Leased hotels	2	262	0	0	1	32	0	0	1	230	0	0	1	230
OWNED HOTELS	86	24,397	0	0	1	54	0	-229	85	24,307	4	2,278	89	26,585
LEASED HOTELS	74	11,620	0	0	1	32	1	80	73	11,508	2	302	75	11,810
TOTAL	**160**	**36,017**	**0**	**0**	**2**	**86**	**1**	**-149**	**158**	**35,815**	**6**	**2,580**	**164**	**38,395**

Management & Franchise		01/01/2006		ADDITIONS		LOSSES		CHANGES		30 / 06 / 2007		SIGNED		TOTAL GROUP	
		H	R	H	R	H	R	H	R	H	R	H	R	H	R
EUR. CITY	**M**	20	3,884	0	0	0	0	-2	-156	18	3,824	1	162	19	3,986
	F	20	2,388	0	0	0	0	0	0	21	2,441	0	0	21	2,441
EUR. RESORT	**M**	41	12,781	0	0	1	156	0	0	40	12,891	3	827	43	13,718
	F	11	3,047	0	0	4	1,778	0	0	7	1,215	0	0	7	1,215
AMERICA	**M**	32	7,331	1	97	2	206	1	305	32	7,644	2	550	34	8,194
	F	1	53	0	0	0	0	0	0	1	53	0	0	1	53
ASIA-PACIFIC	**M**	7	2,196	0	0	0	0	0	0	7	2,198	1	700	8	2,898
	F	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CUBA	**M**	26	10,196	0	0	0	0	0	0	26	10,238	1	384	27	10,622
SUBTOTAL	**M**	126	36,388	1	97	3	362	-1	149	123	36,795	8	2623	131	39,418
	F	32	5,488	0	0	4	1,778	0	0	29	3,709	0	0	29	3,709
OTHER(*)		94	4,408	5	191	0	0	0	0	99	4,599	5	244	104	4,843
TOTAL		**252**	**46,284**	**6**	**288**	**7**	**2,140**	**-1**	**149**	**251**	**45,103**	**8**	**2,623**	**259**	**47,726**
TOTAL GROUP		**412**	**82,301**	**6**	**288**	**9**	**2,226**	**0**	**0**	**409**	**80,918**	**14**	**5,203**	**423**	**86,121**

M= Management; F= Franchise

(*) This item includes the hotels franchised by Luxury Lifestyle Company. Luxury Lifestyle is a 50/50 Join Venture with the Stein group to franchise small luxury hotels and resorts.

NOTE: please note that the figure of future incorporations of owned rooms (2,278) includes not only the hotel rooms but also 1,005 vacation club rooms.

- ## Additions

During the first half of 2007, Sol Meliá has begun its operations in Chile with the addition to the portfolio of the hotel Melia Patagonia (97 rooms).

- ## Loses

Throughout the first half, the Company has signed the disposal of the Tryp Hidalgo (54) in Spain for 2.25 mn Euros at a 40.0x EBITDA multiple, while generating 1.68 mn Euros profit.

Under management contract, Sol Meliá has dropped from its portfolio the Sol Jangada Fortaleza (127) and the Tryp Porto Alegre (79), both in Brazil.

The Company has also dropped from its portfolio, under franchise contract, the Sol Flor da Rocha (156) in Portugal.

- ## Future Incorporations

Regarding the organic growth of **owned** hotels, as we have already mentioned in previous releases, five developments will materialise in the medium term:

a. Extension of the Paradisus Punta Cana (Dominican Republic): **200 additional vacation club units** on an adjacent plot of land, currently under construction, scheduled to be opened in late 2007. Once these units are built and up until their sale as vacation club, they will be operated as hotel **Royal Service** suites.
b. GM Palacio de Isora in Tenerife (Spain): **409 hotel rooms** plus **200 vacation club** units to be opened in the spring of 2008.
c. Two resorts in Playa del Carmen (Mexico): involve a **Meliá resort** (329 hotel rooms plus 226 vacation club units) and a **Paradisus complex** (257 hotel rooms plus 140 vacation club units), both due to open in 2009.
d. Regarding the **Sol Melia Vacation Club**, in Puerto Rico, the company has opened 44 vacation club units of new construction during 2007 and 75 more in a second phase throughout 2008, out of a total 440 units to be developed over 10 years.
e. Furthermore, regarding the developments in **Brazil**, the first phase representing 400 rooms, is scheduled to open in mid 2009.

All in all, organic growth will represent an additional 1,395 hotel rooms, plus 885 vacation club units with regard to these five projects.

Regarding future incorporations under **lease** and **management**, Sol Meliá will add to its portfolio 10 new hotels, thereby generating a further 2,925 additional rooms.

During the 1H07, the Company has sold 41 **Sol Meliá Vacation Club** (SMVC) units through the Sol Meliá Vacation Club, 18 of these units were previously part of the hotel and 23 units were developments originally meant for vacation club.