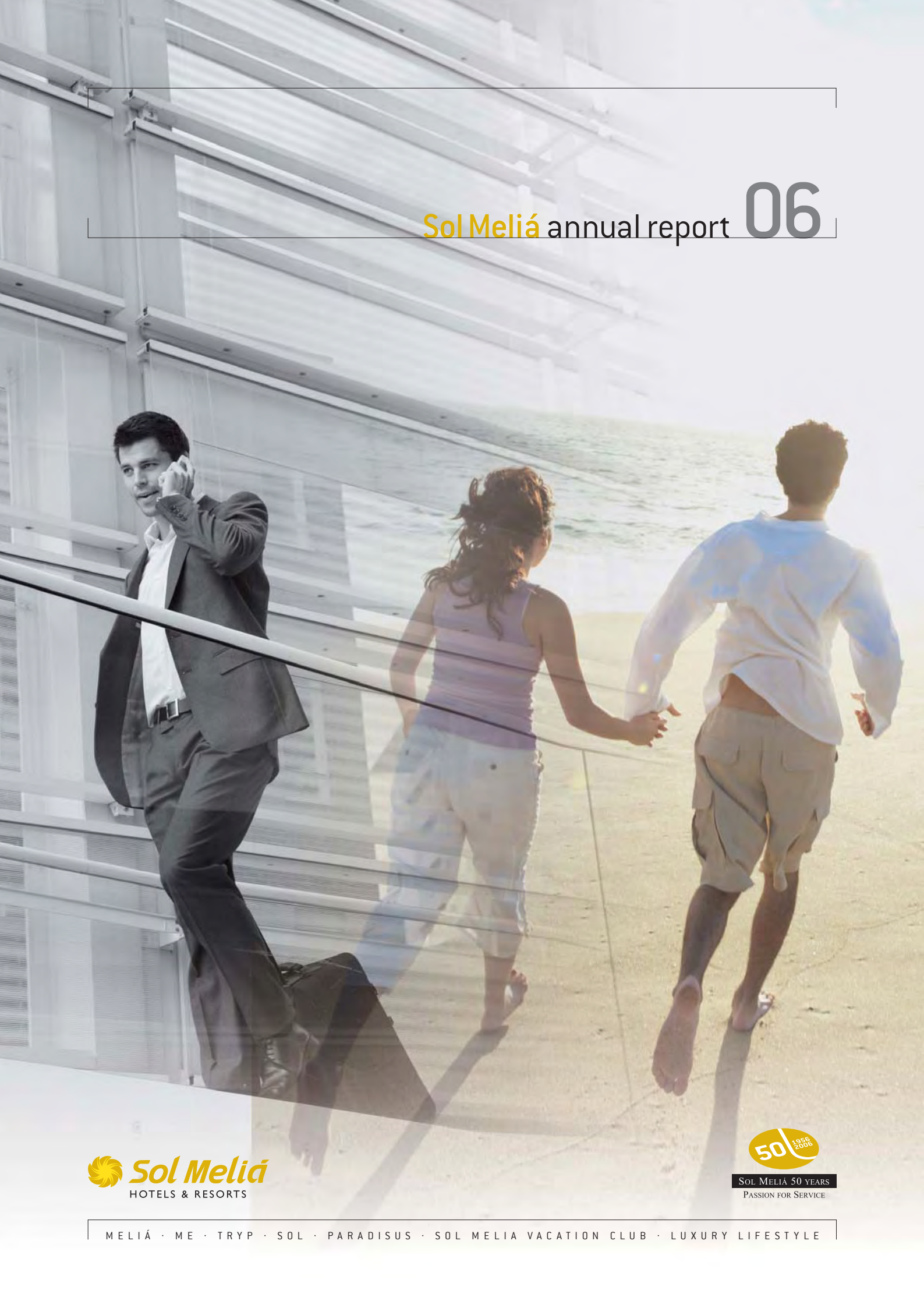


Sol Meliá annual report 06



 **Sol Meliá**  
HOTELS & RESORTS

**50** 1956 2006

SOL MELIÁ 50 YEARS  
PASSION FOR SERVICE

MELIÁ · ME · TRYP · SOL · PARADISUS · SOL MELIÁ VACATION CLUB · LUXURY LIFESTYLE

CONTENTS

<b>1. Letter from the Chairman</b>	<b>3</b>
<b>2. Company profile</b>	<b>7</b>
<b>3. Company history</b>	<b>13</b>
<b>4. Sol Meliá in 2006</b>	<b>19</b>
4.1 Financial results	20
4.2 Outlook 2007	25
4.3 Our business	28
4.3.1 Sol Meliá Vacation Club	28
4.3.2 Asset management	31
4.4 Sol Meliá brands	36
4.4.1 Meliá Hotels & Resorts	36
4.4.2 ME by Meliá	43
4.4.3 Tryp Hotels	47
4.4.4 Sol Hotels	51
4.4.5 Paradisus Resorts	54
4.4.6 Luxury Lifestyle Hotels & Resorts	58
4.4.7 Yhi Spa	61
<b>5. Sol Meliá and corporate social responsibility</b>	<b>63</b>
5.1 Corporate Governance	64
5.2 Human resources	65
5.3 Employee health	73
5.4 Customers	78
5.5 Investor relations	87
5.6 Purchasing	90
5.7 Information Systems	92
5.8 Food and beverage	94
5.9 Social and environmental awareness	102
5.9.1 Environment	102
5.9.2 Community involvement	107
<b>Regulatory notifications</b>	<b>120</b>
<b>Board of directors</b>	<b>121</b>
<b>GRI Indicators</b>	<b>122</b>
<b>Corporate information</b>	<b>128</b>

Dear shareholders,

2006 was an intensive year for Sol Meliá, not only due to the celebration of its fiftieth anniversary, but also in achieving the best results in its history, the fruit of the good work done by all of the members of this large family and the experience built up over the last half century. The results helped bring about a rise of almost 40% in the share price, allowing the Company to face both the short and long term future with an excellent outlook.

It was also an honour for Sol Meliá to be included for the first time in its history in the list of the top 50 companies in the world for corporate reputation. The ranking was drawn up by the 'Reputation Institute of New York' and published by Forbes magazine. The Company is the top hotel company and the second highest ranked company in the international travel and tourism industry.

Throughout last year we were proud to witness how the Company retained its position as leader in both city and resort hotels in Spain, becoming the flagship brand for resort hotels not only in Europe but also worldwide.

This excellent result was based on a number of factors, amongst them the excellent summer season in Spain in 2006, a year in which the city hotel market also rose from the slumber it had seen in recent times. We would also highlight the strength of the business in the Caribbean, a region on which Sol Meliá will continue to focus intensively and which is key for our business success thanks to our already strong presence in the region.

Company revenues grew by 7.9% last year to reach 1,257 million euros, while EBITDA rose 13.2% to 326 million euros and net profit grew by 51.2%. These results were achieved thanks to positive performances from the three Sol Meliá hotel divisions along with the Sol Meliá Vacation Club, in addition to improvements in our finances which led to a 20% fall in net financial expenses.

The European Resort Division saw Revenue per Available Room (RevPar) grow by 4.5% last year. City hotels in Spain saw growth of 9.1% while RevPar in Latin American hotels went up by 8.3%.

The Company website at [www.solmelia.com](http://www.solmelia.com) also had an important role to play in these excellent results, becoming an essential distribution channel for hotels and achieving growth of 48% last year to 103 million euros. The website also gives us a greater insight into the needs and preferences of our guests, and last year received 31 million visits and 20.8 million searches, growing by 23% and 80% respectively over the previous year.

Another of the areas which gave us great satisfaction in 2006 was the Sol Meliá Vacation Club (SMVC), growing the number of weeks sold by 70% and promising substantial increases for the current year.



With regard to asset rotation, in 2006 Sol Meliá sold assets for a value of 96 million euros at an EBITDA multiple of 18.5x, including the disposal of 50% of the Meliá Colón in Seville, the Meliá Rey Don Jaime in Valencia and the Vista Sol in Majorca, as well as the piece of land known as 'La Jaquita' in Tenerife.

On the other hand the Company added another eight new hotels to its portfolio over the year, including the Meliá Berlin, the Tryp Buenos Aires, the first Tryp hotel in the Argentine capital, or the Meliá Golf Vichy Catalan in Girona, the only resort hotel outside the UK located in the heart of two PGA golf courses.

In the next few months the Company expects to add another thirteen hotels, paying special attention from the second half of 2008 to Brazil, a country in which Sol Meliá has been operating since the beginning of the 1990s and in which important investments are being made.

2006 was also a year in which Sol Meliá once again demonstrated its innovative spirit and its desire to offer guests new and exciting products. The year saw the birth of a new hotel concept, ME by Meliá, which epitomises our aim to provide soul and magic in our hotels so that guests enjoy a new and unique hotel experience which stimulates their senses and emotions.

The opening in October of the first ME by Meliá in Madrid was the first step along a long road for this new interpretation of the Meliá brand, a concept which has already reached other countries such as Mexico and which we expect to be developed in major cities and luxury resort destinations worldwide.

Other Company brands find themselves immersed in a renovation process that will be particularly relevant for the hotels that fly the emblematic Meliá flag, a brand in which the Company expects to invest around 300 million euros over the next three years to round off the work already done on the Tryp, Sol and Paradisus brands.

The innovations also include the new Yhi Spa, a recently created brand devoted to the wellbeing of the mind and body which guests can already find in nine of our hotels and which by the end of 2009 will be present in 40 Sol Meliá hotels.

Last year we also continued to work on the development of Luxury Lifestyle Hotels & Resorts, a brand in which Sol Meliá holds a 50% stake and which currently is home to more than 100 exclusive hotels in Europe and the Americas. Sol Meliá provides booking and distribution technology to the partnership. The hotels included in the joint-venture are aimed at travellers seeking superior quality products and services with a high degree of sophistication, great taste and an excellent location, either on a prime downtown site or in a spectacular natural setting.

Another of the major strategic priorities that Sol Meliá continued to further in 2006 was the commitment to major mixed-use projects with hotel facilities and residential property. In the same line as the development of the Paradisus Palma Real in Punta Cana in the Dominican Republic, last year the Company acquired 500 hectares of land with 2 kilometres of beachfront in Salvador de Bahía, Brazil, to develop a similar project. We also expect to add other important projects in other countries in the region such as Costa Rica or Mexico. The strengthening of our Paradisus brand has also been rewarded with several prizes and awards for the hotel facilities and restaurants in 2006.

At the end of last year we also ended our 2004-2006 Strategic Plan having achieved an important reduction in net debt of 332.6 million euros, meaning that the Company currently enjoys a very comfortable financial situation, a fact which is also reflected in an improvement in our credit rating by Moody's to Baa3 with a stable outlook.

The achievement of the objectives defined in the Strategic Plan together with the more than positive outlook for profits are the main reasons for the rise in the Sol Meliá share price in 2006 by almost 40%, contributing to a 163% increase over the past three years. Share price performance has also been positive at the beginning of 2007, rising by 20% between January and April.

The efficient management of our real estate assets through the development of SMVC and asset rotation has allowed us not only to grow our operating results, but also to crystallize the hidden value of our assets, currently estimated at more than 4,000 million euros.

In 2007 we are initiating a new four-year Strategic Plan to 2010, based around five key pillars of value creation in the Sol Meliá business model: a) A commitment to Brand Equity; b) An increase in our knowledge of our guests and the contact we have with them; c) Development of our Asset Management with growth through mixed-use products (SMVC, condo hotels, fractionals); d) Management of People's Talent & Empowerment, and e) Social and Environmental Awareness.

The final end of this activity is to stimulate greater growth, not only optimising the profitability of existing hotels, but also the availability of land for the development of hotel complexes that could be added to our portfolio in the future, bringing added value to our growth and thus allowing us to increase the benefits returned to our shareholders.

Throughout last year Sol Meliá also continued to pay special attention to Corporate Social Responsibility issues both in relation to community involvement and respect for the natural environment; initiatives in which we have involved both our clients and our employees, thus helping to make the solidarity message reach out even further.

For the third year in a row we held a Sol Meliá Solidarity Day involving 16 Company hotels. The Company also took part in 646 projects with 352 NGOs and foundations which generated donations of resources valued at more than 1.4 million euros and also made purchases totalling 4.6 million euros from Special Employment Centres. Also worthy of mention was the signature of the Code against the Sexual Exploitation of Children, Sol Meliá becoming the first Spanish company to accept the Code and demonstrating our firm commitment to combating this disgrace to society.

Environmental activities have focused on energy saving, applying the maxim that the cleanest energy is the energy you don't use to aspire to the greatest possible degree of energy efficiency without comprising the comfort of our guests.

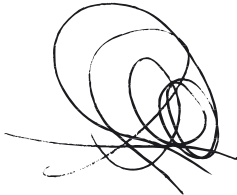
These and other initiatives have made us a company with one of the best reputations in the world, shown by our ranking at number 48 in the list of the top 200 companies in the world for corporate reputation drawn up by the Reputation Institute of New York and published by Forbes magazine.

The list is the result of research involving 30,000 surveys to evaluate the most important aspects of corporate reputation: 1) product and service quality; 2) innovation; 3) work environment; 4) corporate governance; 5) corporate social responsibility; 6) leadership; and 7) financial performance.

To end this review of a year which was very special for us thanks to the fiftieth anniversary celebrations, I can only express my sincere appreciation and gratitude to all of those people that have given a large part of their lives to Sol Meliá and who are the real foundation of the growth of the Company, people that have given the very best of themselves, and amongst whom I would like to mention Jerónimo Albertí and Juan Vives. My family has also had, and will continue to have, a very important role to play in the progress of Sol Meliá, for which I would also like to pay them a small tribute.

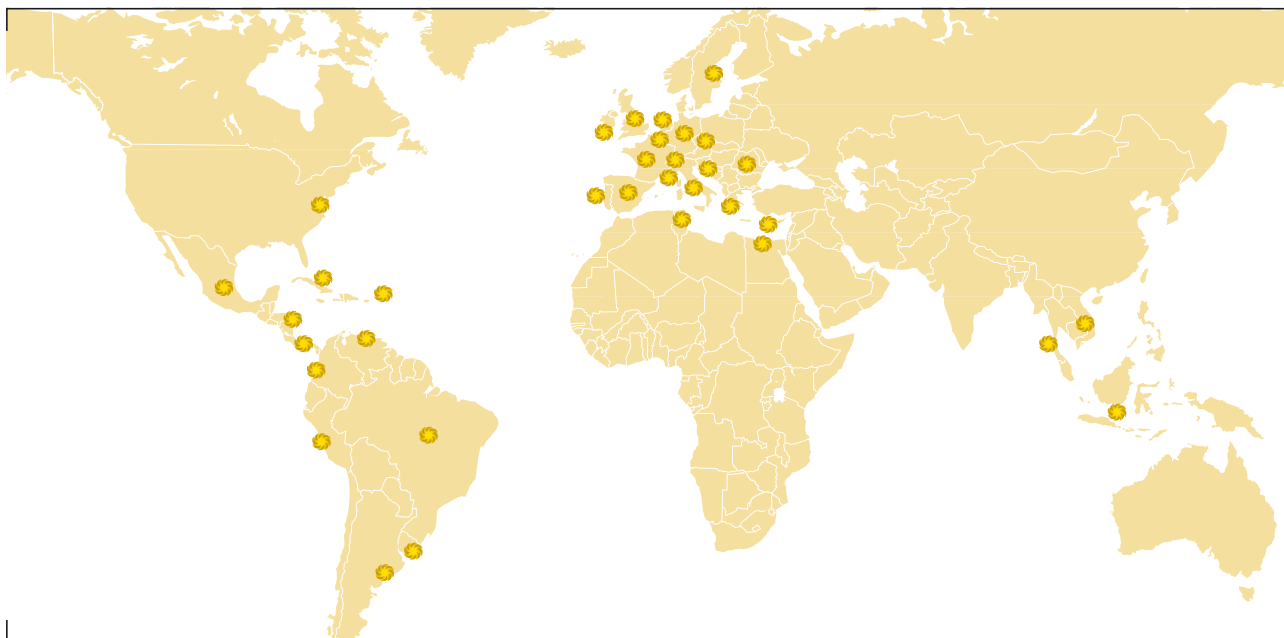
I would also like to send my warmest regards to everyone who has played a minor or major role in this Company, sharing with us a project which has become a point of reference for the world tourism and travel industry, and which still has a long way to go and many dreams to make come true.

And I would not like to sign off before thanking you, our shareholders, for the support that you provide and the confidence you have shown in the management team that I am proud to lead, at the same time renewing our commitment to continue to work tirelessly to generate the greatest possible growth for you.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the left.

Gabriel ESCARRER  
Chairman





**406 HOTELS IN 35 COUNTRIES**

ASIA	
Indonesia	5
Malaysia	1
Vietnam	1

<b>TOTAL</b>	<b>7</b>
--------------	----------

MEDITERRANEAN BASIN	
Egypt	5
Tunisia	3

<b>TOTAL</b>	<b>8</b>
--------------	----------

AMERICAS	
Argentina	3
Brazil	20
Colombia	1
Costa Rica	3
Cuba	26
Dominican Rep.	5
Mexico	10
Panama	1
Peru	1
Puerto Rico	1

United States	1
Uruguay	1
Venezuela	2

<b>TOTAL</b>	<b>75</b>
--------------	-----------

EUROPE	
Belgium	1
Croatia	16
Czech Republic	1
Cyprus	1
France	16
Germany	16
Greece	8
Holland	3
Ireland	2
Italy	23
Monaco	1
Portugal	27
Rumania	1
Spain	188
Sweden	3
Switzerland	2
United Kingdom	7

<b>TOTAL</b>	<b>316</b>
--------------	------------

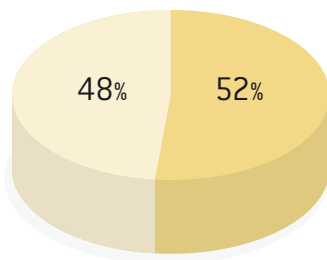


## SOL MELIÁ CURRENT POSITIONING

- Largest resort hotel company in the world
- Leading hotel company in Spain, in both city and resort hotels
- Leading hotel company in Latin America and the Caribbean
- Number thirteen in the world ranking by number of rooms
- Hotels in 35 countries
- More than 32,500 employees

## NUMBER OF HOTELS IN CITIES OR RESORTS 2006

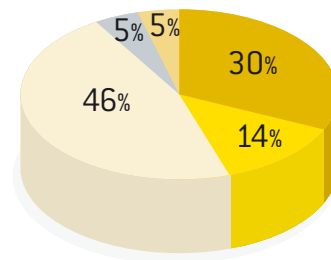
(by number of hotels)



CITY RESORT

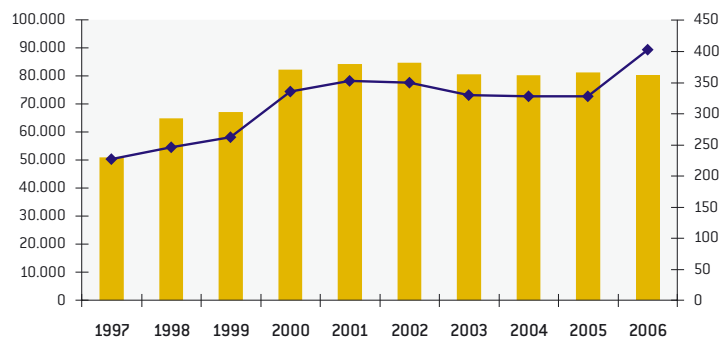
## HOTELS BY TYPE OF OPERATION 2006

(% of rooms)



OWNED LEASED MANAGED  
FRANCHISED OTHERS

## NUMBER OF HOTELS, ROOMS AND STAYS



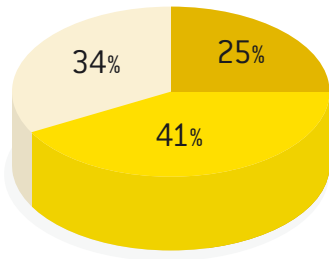
ROOMS HOTELS

	Rooms	Hotels
1997	52.359	227
1998	65.597	246
1999	68.766	262
2000	81.942	335
2001	86.554	352
2002	87.717	350
2003	80.494	330
2004	80.834	328
2005	81.282	328
2006	80.830	406

Años	Number of stays
1999	21,5 million
2000	23,0 million
2001	23,7 million
2002	24,3 million
2003	26,2 million
2004	27,3 million
2005	27,4 million
2006	27,8 million

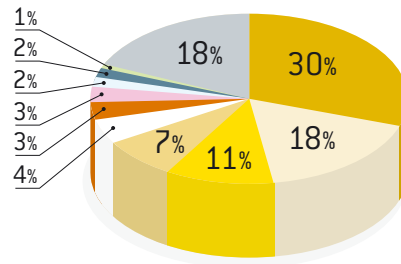
\* Datos referentes a propiedad, alquiler y gestión

## HOTELS BY CATEGORY



■ 3 STAR
 ■ 4 STAR
 ■ 5 STAR & 5 STAR DELUXE

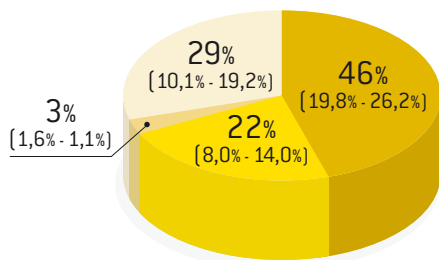
## GUEST NATIONALITY 2006



■ SPAIN
 ■ GB
 ■ USA AND CANADA
 ■ GERMANY  
■ BRAZIL
 ■ ITALY
 ■ FRANCE
 ■ ESCANDINAVIA  
■ BELGIUM
 ■ MÉXICO
 ■ OTHER NATIONALITIES

## NUMBER OF ROOMS BY DESTINATION

(%city - %resort)



■ SPAIN
 ■ REST OF EUROPE
 ■ ASIA  
■ LATIN AMERICA AND THE CARIBBEAN

	2006	2005
Spain	30%	29%
GB	18%	19%
USA and Canada	11%	8%
Germany	7%	7%
Brazil	4%	3%
Italy	3%	5%
France	3%	3%
Scandinavia	2%	3%
Belgium	2%	1%
Mexico	1%	2%
Other nationalities	18%	20%
	100%	100%

	TOTAL	CITY	RESORT	% CITY	% RESORT
Spain	46%	37.205	16.002	19,8%	26,2%
Rest of Europe	22%	17.741	6.441	8,0%	14,0%
Asia	3%	2.196	921	1,6%	1,1%
Latin America and the Caribbean	29%	23.688	8.189	10,1%	19,2%
<b>TOTAL</b>	<b>100%</b>	<b>80.830</b>	<b>31.907</b>	<b>39,5%</b>	<b>60,5%</b>

## CURRENT POSITIONING OF SOL MELIÁ

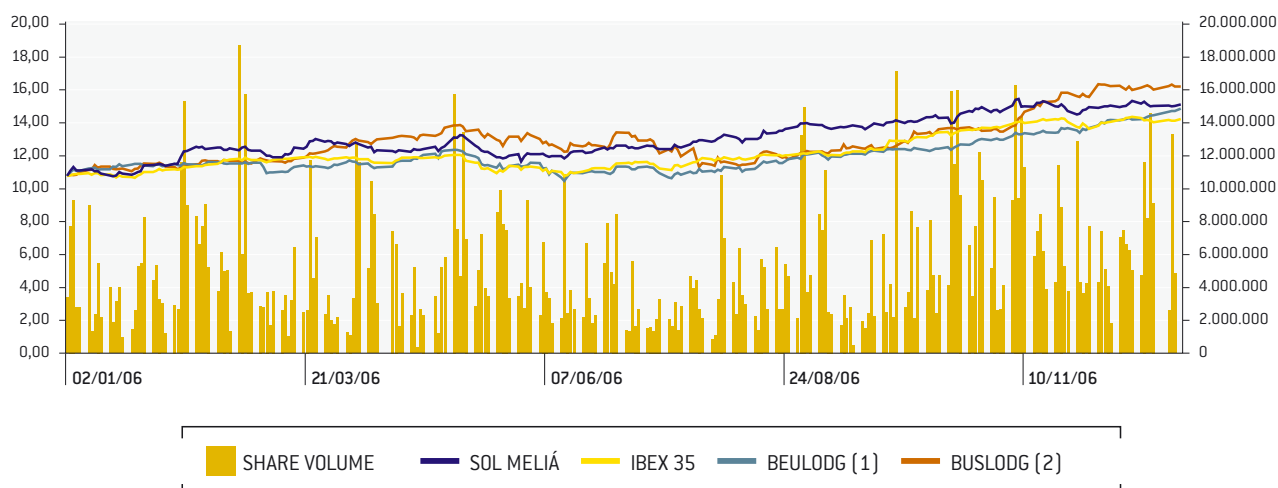
· Company founded:	1956
· Company IPO:	2 July 1996
· Initial share price (before split):	5.41 €
· Ticker Symbol:	SOL.MC / SOL SM
· Stock market:	Continuous market (Spain)
· Number of shares:	184,776,777
· Share price at 31 Dec 2006:	15.01 €
· Share performance from IPO to 31 Dec 2006:	177.4%
· Share performance from 31 Dec 2005 to 31 Dec 2006:	39.8%
Rating Baa3 stable outlook from Moody's	
Rating BB+ stable outlook from Standard&Poor's	

Million Euros

	2006	2005
EBITDA / NET INTEREST EXPENSE	5.2 x	3.9 x
PER (PRICE EARNINGS RATIO)	20,4 x	22,0 x
MARKET CAP.	2,773.5	1,984.5
EV / EBITDA	11.4 x	10.4 x
NET DEBT (TOTAL DEBT - CASH - IFT)	944*	999

\* Net debt 2006: 895 € when taking into consideration coverage of the convertible bond (due in November 2008)

## SHARE PERFORMANCE 2006



(1) BEULODG Bloomberg Index of European hotel companies · (2) BUSLODG Bloomberg Index of North American hotel companies.

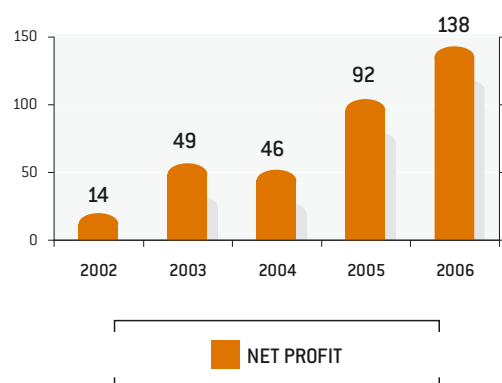
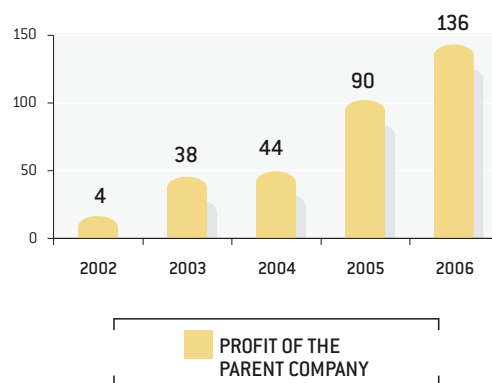
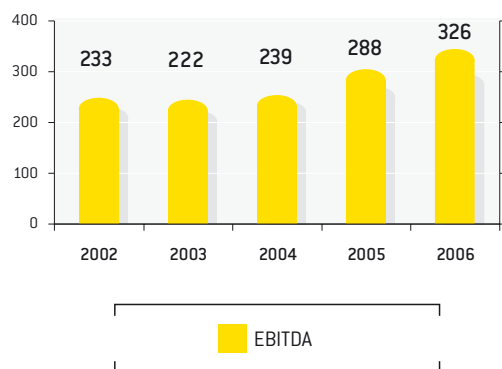
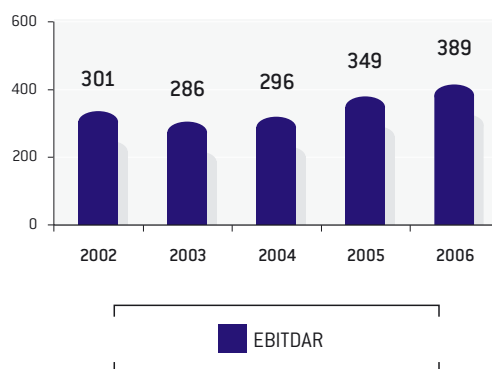
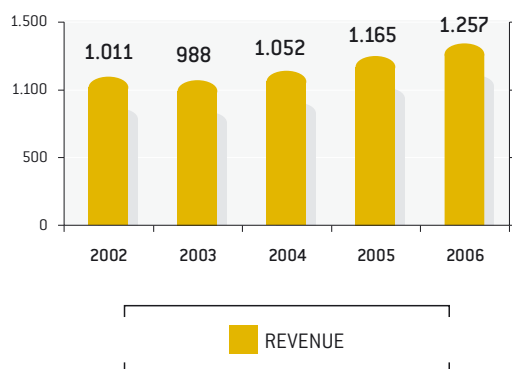
Share price in €	% change	IBEX - 35	Max.	Min.	Average daily volume		Dividend €	EPS	CFPS	
					Shares	Euros (M)				
31/12/06	15.01	39.76%	28.81%	15.45	10.74	403,551	5.37	0.122	0.74	1.33
31/12/05	10.74	47.12%	18.20%	11.95	7.38	384,994	3.87	0.081	0.49	0.97

## FINANCIAL PERFORMANCE

Million euros

	2002	2003	2004	2005	2006	C.A.G.R. 06
REVENUE	1,011	988	1,052	1,165	1,257	6%
	-1%	-2%	7%	11%	8%	
EBITDAR	301	286	296	349	389	7%
	1%	-5%	3%	18%	12%	
EBITDA	233	222	239	288	326	9%
	-3%	-5%	7%	21%	13%	
NET PROFIT	14	49	46	92	138	78%
	-79%	261%	-7%	101%	50%	
PROFIT OF THE PARENT COMPANY	4	38	44	90	136	139%
	-93%	812%	15%	105%	51%	

2004 and 2005 under the new international accountancy rules





### THE BIRTH OF A DREAM...

#### 1956

At only 21 years of age, a young and entrepreneurial Gabriel Escarrer Juliá begins to lease and operate his first hotel: the Altair Hotel located in the residential area of Son Armadams (Palma de Mallorca, Spain), the first 60 rooms of the future Sol Meliá.

#### 60's

The tourism boom of the 1960's were fundamental to the consolidation of the structure of a growing business. Through reinvestment of profits, increased co-operation with Tour Operators and bank loans, the company began to take shape. The tenacity of Gabriel Escarrer and his team, led by Juan Vives, his charisma and innate flair for sales and marketing would do the rest.

#### 70's

A time for growth in the Balearic Islands, the most popular destinations on the Spanish mainland, and the Canary Islands, with the acquisition of the company's first resort hotels. The entrepreneurial vision and spirit of its founder and, once again, a risky but firm commitment to making his name in the hotel business, were key to growth.

Over a 20 year period, coinciding with the growth of Spain as a major travel destination, Escarrer built up a small hotel chain with a strong presence in the Balearic Islands named Hoteles Mallorquines until 1976, and also laid the foundations for what is still company philosophy: reinvestment of profits in new hotels, growth through the purchase of other hotel chains and constant renovation of hotel facilities.

### THE EMBRYO OF A MAJOR COMPANY...

At the end of the 70's, Sol Meliá began to consolidate its expansion in Spain with a presence in most of the country's most popular travel destinations on the mainland and in the Canary Islands, changing its name along the way to Hoteles Sol.

#### 1984

Time for real growth. In a joint deal with Aresbank (financial representative of the KIO group in Spain), the 32 hotels of the HOTASA chain in Spain were acquired. The purchase meant the beginning of activities in the city hotel market and the company moved up to number 37 in the world ranking of hotel chains. At the same time, the company also became the largest hotel chain in Spain, a position it has held ever since.

#### 1985

The company began its international expansion with its first hotel outside Spain: the Bali Sol. The business instincts of Gabriel Escarrer once again brought success as the company became the first international chain to build a hotel in the then-unknown destination of Bali. It seemed like a risky bet. Nowadays all of the major international hotel companies are there, but only one can proudly claim to have been a pioneer.

**A TIME FOR GROWTH IN THE BALEARIC ISLANDS, THE MOST POPULAR DESTINATIONS ON THE SPANISH MAINLAND, AND THE CANARY ISLANDS.**



*Meliá Costa del Sol*

**1986**

Continuing with the policy of growth through acquisition, Hoteles Sol took over Compañía Hotelera del Mediterráneo, including 11 hotels partly owned by the airline British Caledonian.

### AND THEN THERE WAS MELIÁ

**1987**

27 June 1987 was the date for another milestone in company history. Owned by the Luxembourg-based company Interport, with Giancarlo Parretti at its head, the 22 Meliá hotels were the object of desire of major international hotel groups such as Sheraton, Wagon-Lits or Hilton. Arduous negotiations finally led to Gabriel Escarrer becoming the new Chairman of Hoteles Meliá.

Assisted by the international recognition of the Meliá brand, growth continued in Europe, the Americas, the Caribbean, South-east Asia and the Mediterranean. Globalisation and diversification became the watchwords of the times.

### NEW MANAGERS ARRIVE...

**1993**

The incorporation of Sebastián Escarrer Jaume brought a fresh air and new ways to the company as he began a revolution in Sol Meliá business strategy and implemented the organizational structure that is still in place today.

To favour continued growth, the management team was strengthened and changes were made in management procedures and systems (information technology, accounting, quality control, bonus systems, financial management, added values for the 5 key client types, etc...). Faithful to its origins, the company also adopted a management style aimed at encouraging an entrepreneurial and team spirit, with fluid lines of communication and a greater focus on the market and the customer.

That same year, the company was named as the recipient of the Prince Felipe Award for excellence in tourism for its management and growth policies.



*Sol Gavilanes*



*Meliá Castilla*

## GOING PUBLIC...

### 1996

Once the new organization and management systems had been consolidated, on 2 June 1996, Sol Meliá became the first hotel management company in Europe to be floated on the stock exchange. Prior to the flotation the company had been split in two: Inmotel Inversiones, the owner of hotels, and the new Sol Meliá S.A., a hotel management company and target of the flotation.

On 30 December 1996, the value of the company's shares had increased by 72.2% and had been added to the IBEX 35 index along with other major Spanish public companies.

Just six months later, the US agency Standard & Poor's granted a credit rating of BBB+, rating Sol Meliá as the most solvent hotel company in Europe and allowing much greater capacity to obtain financing on capital markets.

## TIME FOR INTEGRATION: THE NEW SOL MELIÁ...

### 1998-1999

Due to the situation in the international travel industry at the time, characterized by major vertical and horizontal mergers, a strategic decision was made to reintegrate the hotel management and property businesses. The integration ended in 1999 with the take-over of Meliá Inversiones Americanas (MIA) and the merger with Inmotel Inversiones.



Meliá White House

The operation provided a strong spur for company growth, and also laid the basis for the company's technological transformation. The new Sol Meliá became the 12th largest hotel group in the world with more than 260 hotels in 27 countries and a market capitalisation of 2,300 million euros.

After the creation of the new Sol Meliá, another of the Chairman's sons, Gabriel Escarrer Jaume, joined the company as Chief Executive Officer. He had held the same position with Inmotel Inversiones, a period during which he brought about an important modernization and adaptation of the company to prepare for its merger with Sol Meliá, while also initiating an ambitious and highly successful plan for the renovation of the hotel portfolio.

### 1999

In 1999, the company added 27 hotels and purchased 34, further reinforcing and developing its presence in its three key natural markets: Latin America, the Mediterranean and major European cities. The investment made in purchases reached nearly 605 million euros.

Thanks to these investments, the company established a presence in Europe's foremost capital cities and business and leisure tourism destinations: Rome, Paris and London.

## ADAPTING TO A NEW AGE: E-TRANSFORMATION...

One of the pillars on which the international growth and development of Sol Meliá has been based has been the company's use at different times in its history of leading technologies. First came the creation of a pioneering Central Reservations System (SolRes) and connection with the world's leading GDS booking systems, followed by the launch of the first website and the incorporation of broadband connections in many hotels. In 1999, there was a further revolution.





Paradisus Punta Cana

At the height of the “new economy,” Sol Meliá began to prepare for the twenty-first century by adapting all of its internal and external operations to the latest modern technology and carrying out a significant transformation in 3 specific areas named the Inside, the Sell Side and the Buy Side.

#### TRYP HOTELES, THE LATEST MAJOR DEAL...

##### 2000

On 21 August 2000, Sol Meliá sealed its purchase of Tryp Hotels. With the addition of 60 hotels, Sol Meliá further consolidated its leadership position in both the business and leisure hotel markets in Spain, Latin America and the Caribbean, and its ranking as number 3 in Europe. At the same time, the company achieved a place amongst the top ten hotel companies in the world by number of rooms and became the undisputed leader of the Spanish city hotel market.

#### YEARS THAT HAVE LEFT THEIR MARK...

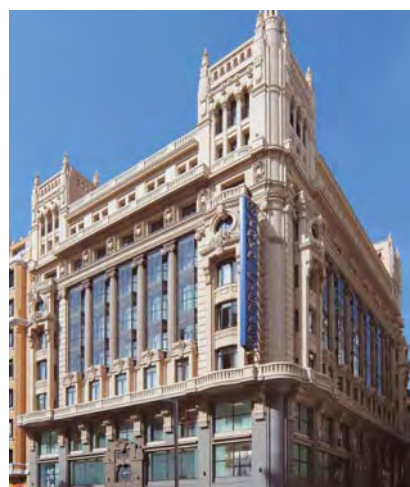
##### 2001

A new year dawned with the optimism created by the launch of a new approach to brand innovation and the focus of the company on 4 major hotel brands: Meliá, Tryp, Sol and Paradisus. An ambitious project aimed at strengthening brand image and standardization. Near the end of the summer, however, there was a tragic event. 11 September affected the entire planet, and especially the travel industry. The sudden halt and later slow-down in the world travel business was reflected in the annual results of a large number of companies, amongst them Sol Meliá.

##### 2002

2002 was a difficult year in which political, financial and social instability were the dominant threads. Fortunately, it was not all bad news, and in some cases the crisis was transformed into an opportunity for progress and improvement. Sol Meliá used the year to consolidate achievements to date and the fruits of its labours are now excellent products, one of the best sales forces in the business, modern and fully-integrated distribution systems and a solid financial structure.

**ON 21 AUGUST 2000, SOL MELIÁ SEALED ITS PURCHASE OF TRYP HOTELS. WITH THE ADDITION OF 60 HOTELS, SOL MELIÁ FURTHER CONSOLIDATED ITS LEADERSHIP POSITION.**



Tryp Cibeles

## 2003

2003 saw the beginnings of a recovery in the international travel industry after two years of major difficulties. At Sol Meliá, improvements were accompanied by the reactivation of innovation and growth. The company achieved growth through major partnerships with other leading travel companies (Cendant, Rank Group, Warner Bros. Consumer Products, lastminute.com) and the creation of new hotel products.

## NEW BUSINESS FOCUS

### 2004

The creation of the Asset Management Department has given Sol Meliá a double focus to the business: hotel management and asset management. The restructuring of the Marketing Department has also helped develop the brand standardisation strategy while also establishing new product research, development and innovation procedures. The development of the Food and Beverage Department has also strengthened this key area and standardisation.

## A YEAR FOR CONSOLIDATION

### 2005

Implementation of the new Sol Meliá strategies leads to positive results in both lines of business. The performance of the hotel business accompanies the upturn in the economic cycle, while the asset management business consolidates high yield disposals and the purchase of key hotels. Sol Meliá Vacation Club emerges as the third strategic line of business, completing the approach to the full life cycle of Sol Meliá customers. The Company also increased its product range by taking a 50% stake in Luxury Lifestyle Hotels and Resorts, founded in 2004 by the Stein Group.

## A YEAR THAT WILL GO DOWN IN HISTORY

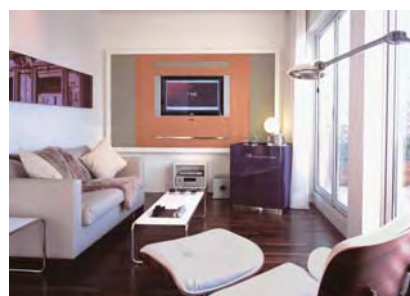
### 2006

2006 was an historic year for the Company all around. Sol Meliá celebrated its fiftieth anniversary in a year of record results for the travel industry and major projects for the Company. The creation and launch of the new ME by Meliá brand was a revolution in the way we look at hospitality and a great success for Sol Meliá. 2006 also saw the renovation of the Company's brands with the gradual introduction of new brand images and attributes. Meliá hotels are now packed with energy and passion, while Tryp, Sol and Paradisus have created new products and activities for an increasingly segmented market.

## A DREAM COME TRUE...

Sol Meliá ended 2006 with 406 hotels in 35 countries on 4 continents, operated by a team of 32,600 employees. These figures make the hotel chain the leading hotel company in Spain, Latin America and the Caribbean, and the twelfth largest in the world. Sol Meliá is also the largest resort hotel chain in the world.

**2006 WAS AN HISTORIC YEAR FOR THE COMPANY ALL AROUND. THE CREATION AND LAUNCH OF THE NEW ME BY MELIÁ BRAND WAS A REVOLUTION IN THE WAY WE LOOK AT HOSPITALITY AND A GREAT SUCCESS FOR SOL MELIÁ.**



ME Madrid Reina Victoria



**SOL MELIÁ 50 YEARS**  
PASSION FOR SERVICE



## 4.1 FINANCIAL RESULTS

### HOTEL PERFORMANCE

RevPAR for owned and leased hotels increased by 7.5% in 2006. This positive variation is largely explained by the excellent evolution of the three main business divisions throughout the year, the performance of hotels during the summer season, the upward trend in Spanish cities, and the strength of the Caribbean.

In the European Resort Division RevPAR increased by 4.5% over the year explained by the positive evolution of the Spanish and British feeder markets together with the increasing importance of direct sales, especially through solmelia.com. By brand, Meliá was the best performer in the Costa del Sol and the Balearic Islands, while Sol was the leading brand in the rest of the division. By region, the Costa del Sol and the Balearic Islands were the best performers over the year with 13.7% and 6.9% RevPAR increases respectively.

Regarding the European City Division, RevPAR grew by 9.5% over the year due to the positive performance of Spanish hotels together with the favourable evolution of the main European cities (London, Paris, Milan). Regarding the Spanish market, the ongoing recovery of Spanish cities is benefiting from positive macroeconomic indicators in the whole market, the overall improvement in terms of congresses incentives and conventions, especially in Madrid and Barcelona, and the progressive absorption of the additional room supply of earlier years. By region, Madrid, Barcelona and Seville increased by 9.6%, 7.8% and 8.5% respectively, exceeding the market averages for the year (8.3%, 5.1%, 7.7%) according to the Hotel benchmark survey by Deloitte.

With regard to operations outside Spain, the best performers of the year were London, Germany, Milan and Paris with +14.5%, 15.5%, 13.1% and 6.0% RevPAR increases respectively. The evolution of Germany is explained by the positive impact of the World Cup, while London, Paris and Milan, have benefited from the positive evolution of the whole market together with the efforts made by the Company in biasing segmentation towards corporate business during the week while improving the leisure segment at the weekend.

Regarding the Americas Division, RevPAR increased by 8.3%, largely explained by the performance in the Dominican Republic, and to a lesser extent in Puerto Rico, derived from the buoyant economic situation in the US which led to an increase in North American visitors.

Hotels in Punta Cana (Dominican Republic) and the Gran Meliá Cancún were benefited by the ongoing evolution of business groups and incentive travel. The good results at the Paradisus Palma Real, the Gran Meliá Caracas and Gran Meliá Mofarrej also contributed to growth in the Division.

**WITH REGARD TO OPERATIONS OUTSIDE SPAIN, THE BEST PERFORMERS OF THE YEAR WERE LONDON, GERMANY, MILAN AND PARIS WITH +14.5%, 15.5%, 13.1% AND 6.0% REVPAR INCREASES RESPECTIVELY.**



Meliá Vendôme

(RevPAR and A.R.R. in euros)

HOTEL STATISTICS 06/05				
OWNED AND RENTED HOTELS DEC. 06/05		OCCUPANCY	REVPAR	A.R.R.
EUROPEAN RESORT	2006	71.7%	41.2	57.5
	% o/ 2005	0.6%	4.5%	3.8%
	2005	71.3%	39.5	55.3
EUROPEAN CITY	2006	68.4%	60.1	87.9
	% o/ 2005	2.8%	9.5%	6.5%
	2005	66.5%	54.9	82.5
AMERICAS	2006	67.5%	52.4	77.7
	% o/ 2005	0.2%	8.3%	8.1%
	2005	67.3%	48.4	71.9
TOTAL	2006	69.5%	51.8	74.5
	% o/ 2005	1.6%	7.5%	5.8%
	2005	68.4%	48.1	70.4

BREAKDOWN OF TOTAL ROOM REVENUES OWNED/LEASED HOTELS 06/05				
% INCREASE DEC 06 / DEC 05	EUROPEAN RESORT	EUROPEAN CITY	AMERICAS	TOTAL
RevPAR	4.5%	9.5%	8.3%	7.5%
Available rooms	0.9%	-2.7%	-0.6%	-1.1%
Room revenues	5.2%	6.6%	7.6%	6.4%

In the European Resort Division, the increase in available rooms is explained by the reopening of the Melia Gorriones offsetting the sale of the Meliá Torremolinos and the Vista Sol Hotel. In the European City Division, the sales carried out in 2005 (Tryp Alcano and Meliá Las Palmas) and 2006 (Meliá Rey Don Jaime) explain the decrease in available rooms, together with the disaffiliation of the Tryp Cottbus in February 2006.

The decrease in available rooms in the Americas is explained by the closure of the resorts in the Cancun area due to Hurricane Wilma. At this moment in time all of the hotels affected by the hurricane are now open. On 15th December, the former Melia Turquesa finished its refurbishment following Hurricane Wilma and was reopened to the public under the ME by Meliá brand, becoming the Company's third ME hotel following the opening of ME Madrid Reina Victoria and ME Cabos in Baja California (Mexico).

(Million euros)

Dec 06 / 05	EUROPEAN RESORT			EUROPEAN CITY			AMERICAS			TOTAL		
	06	%o/05	05	06	%o/05	05	06	%o/05	05	06	%o/05	05
ROOMS	176.2	5.2%	167.4	315.2	6.6%	295.6	96.8	7.6%	90.0	588.2	6.4%	553.0
F&B	99.5	7.1%	92.9	107.1	1.2%	105.8	110.8	19.0%	93.0	317.3	8.8%	291.8
OTHER REVENUES	12.8	7.9%	11.8	29.8	-4.2%	31.1	35.8	55.5%	23.1	78.4	18.8%	66.0
<b>TOTAL REVENUES</b>	<b>288.5</b>	<b>6.0%</b>	<b>272.2</b>	<b>452.1</b>	<b>4.5%</b>	<b>432.5</b>	<b>243.4</b>	<b>18.1%</b>	<b>206.1</b>	<b>984.0</b>	<b>8.0%</b>	<b>910.8</b>

The evolution of the F&B item in the European Resort Division is related to the up-selling of a higher number of meal options to Company in-house customers and the increase in business in the restaurants from walk-in clientele. The implementation of F&B attributes in the SOL brand and the development of the "all-inclusive" product in some hotels are largely behind this effect. This growth is also explained by the increase of Business Groups in the Meliá Hotels. The increase of "Other Revenues" figure in the European Resorts is mainly explained by the good evolution of the resorts during the year, and also due to the new projects carried out in the hotels, i.e. the Flintstones Land entertainment packages, meeting room sales, in-room merchandising, minishop, Spa & Fitness, etc.

The 4.2% reduction of "Other Revenues" in the European City Division is mainly related to the former Tryp Reina Victoria hotel (currently ME Madrid) and has been offset in good part by a similar figure for reduction in operating costs. This reduction is also explained by the sale of the Tryp Alcano and the sale and lease back of the Meliá Las Palmas carried out in 2005. The 1.2% increase in F&B would be 3% if it were on a like-for-like basis. In the future the Company expects not only to increase revenues, but also total profits for this item.

The 19.0% increase in Food and Beverage in the Americas is due to the opening of the Paradisus Palma Real in Punta Cana (Dominican Republic), an all inclusive hotel which attaches great importance to the quality of its food and beverage services offering facilities which include 7 restaurants and 8 bars. The sharp increase in the "Other Revenues" item in the Americas, reflects the insurance payment due to the loss of profit coverage.

## ASSET MANAGEMENT PERFORMANCE

Sol Meliá's Asset Management Business includes Asset Rotation Activity and SMVC Business.

Sol Meliá's Asset Rotation strategy is a recurrent and ongoing activity of the company and expects sales of 100 million euros on an annual basis within its asset management strategy in both single asset disposals and condo unit sales.

In 2006, Sol Meliá has completed four asset sales for a total value of 96 million Euros, generating 36.1 million of profit for the year-end. The consolidated P&L account, reflects only 26 million Euros until the 50% joint venture at the Melia Colon is fully consolidated. All of the operations are covered in greater detail in the Asset Management section.

### Sol Melia Vacation Club (SMVC)

Total revenues at Sol Meliá Vacation Club grew to 86.7 million euros (+51.1%) including the Vacation Club sales (54.3) sales interest revenues, maintenance and management fees, as well as Network commissions.

The number of weeks sold and the average price grew by increased by 70.4% and 17.2% respectively in spite of the fact that some hotels in the Cancun area remained closed throughout 2006 due to refurbishment work after Hurricane Wilma. Nevertheless, the operations launched in the Dominican Republic and Puerto Rico together with the launching of the SMVC in Spain have more than offset this setback.

Info in Euros

SOL MELIA VACATION CLUB (SMVC)												
	NUMBER OF WEEKS SOLD			NUMBER OF EQUIVALENT CLUB UNITS			AVERAGE PRICE			VACATION CLUB REVENUES (IN '000 €)		
	2006	%o/05	2005	2006	%o/05	2005	2006	%o/05	2005	2006	%o/05	2005
Europe	409	3,618.2%	11	8.0	3,618.2%	0.2	19,335.3	3.7%	18,651	7,908.1	3.757,6%	205
Americas	3,012	55.8%	1,997	57.9	55.8%	38.2	15,417.7	14.0%	13,522	46,438.2	72,0%	27,004
<b>Total</b>	<b>3,421</b>	<b>70.4%</b>	<b>2,008</b>	<b>65.9</b>	<b>71.6%</b>	<b>38.4</b>	<b>15,886.1</b>	<b>17.2%</b>	<b>13,550</b>	<b>54,346.3</b>	<b>99,7%</b>	<b>27,209</b>

Million Euros

CONSOLIDATED PROFIT & LOSS STATEMENT			
	Dec 04	Dec 05	Dec 06
Hotel Revenues	890,1	910,8	984,0
Real Estate Revenues	61,5	136,5	134,1
Other revenues	100,6	118,0	138,8
<b>Total Revenues</b>	<b>1.052,2</b>	<b>1.165,3</b>	<b>1.257,0</b>
Raw Materials	(133,2)	(139,3)	(156,1)
Personnel expenses	(334,7)	(354,9)	(376,4)
Other operating expenses	(288,5)	(321,9)	(335,0)
<b>Total Operating Expenses</b>	<b>(756,4)</b>	<b>(816,1)</b>	<b>(867,5)</b>
<b>EBITDAR</b>	<b>295,8</b>	<b>349,2</b>	<b>389,5</b>
Rental expenses	(56,8)	(61,1)	(63,4)
<b>EBITDA</b>	<b>239,0</b>	<b>288,1</b>	<b>326,0</b>
Depreciation and amortisation	(107,6)	(109,3)	(112,3)
<b>EBIT (OPERATING PROFIT)</b>	<b>131,3</b>	<b>178,8</b>	<b>213,8</b>
Net Interest Expense	(68,5)	(62,5)	(52,1)
Exchange Rate Differences	(0,2)	(3,3)	1,5
Other Interest Expense	(10,8)	(10,7)	(10,9)
<b>Total financial profit/(loss)</b>	<b>(79,5)</b>	<b>(76,4)</b>	<b>(61,5)</b>
Profit/(loss) from equity investments	0,5	(1,4)	2,1
<b>Profit/(loss) from ordinary activities</b>	<b>52,3</b>	<b>100,9</b>	<b>154,4</b>
<b>Extraordinary profit/(loss)</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Profit before taxes and minorities</b>	<b>52,3</b>	<b>100,9</b>	<b>154,4</b>
Taxes	(6,4)	(8,9)	(16,4)
<b>Group net profit/(loss)</b>	<b>45,9</b>	<b>92,0</b>	<b>138,0</b>
Minorities (P)/L	(2,0)	(1,9)	(1,7)
<b>Profit/(loss) of the parent company</b>	<b>43,9</b>	<b>90,1</b>	<b>136,2</b>

RATIOS		
	2006	2005
<b>INTEREST COVERAGE</b>		
FFO / NET DEBT	26.1%	17.9%
NET DEBT / EBITDA	2.9	3.5
EPS	0.74 €	0.49 €
SHARE PRICE	15.01 €	10.74 €
EBITDA / NET INTEREST EXPENSE	5.2 x	3.9 x
PER (PRICE EARNINGS RATIO)	20.4 X	22.0 X
MARKET CAP.	2,773.5 €	1,984.5 €
EV / EBITDA	11.4 X	10.4 X
<b>LIQUIDITY</b>		
FFO / CURRENT LIABILITIES	45.1%	25.5%
CURRENT ASSETS / CURRENT LIABILITIES	0.7 X	0.6 X
FFO / TOTAL DEBT	26.1%	17.9%
<b>LEVERAGE</b>		
AVERAGE COST OF DEBT	4.6%	5.1%
NET DEBT / TOTAL ASSETS	34.1%	35.1%
NET DEBT / MARKET CAP. (1)	34.0%	50.4%
<b>NET DEBT (TOTAL DEBT - CASH - IFT)</b>	<b>943.5 €</b>	<b>999.2 €</b>

(1) Share price at 30/12/2006 of 15.01 Euros  
2005 and 2006 using new international accounting regulations

Information based on new international accounting regulations

Million Euros

BALANCE FINAL			
	Dec 06	Dec 05	Dec 04
CASH	131.0	130.9	101.5
SHORT-TERM INVESTMENTS	36.9	34.3	21.5
DEBTORS	96.6	77.7	77.5
INVENTORY	30.8	44.9	33.1
OTHER CURRENT ASSETS	73.7	124.0	69.0
<b>CURRENT ASSETS</b>	<b>368.9</b>	<b>411.8</b>	<b>302.6</b>
GROSS FIXED ASSETS	2,174.7	2,187.7	2,123.6
DEPRECIATION	0.0	0.0	0.0
NET FIXED ASSETS	2,174.7	2,187.7	2,123.6
FINANCIAL INVESTMENTS	221.0	246.8	264.8
OTHER FIXED ASSETS	0.0	0.0	0.0
<b>TOTAL ASSETS</b>	<b>2,764.6</b>	<b>2,846.3</b>	<b>2,690.9</b>
TRADE ACCOUNTS PAYABLE	184.0	159.5	133.2
SHORT-TERM LOANS	268.0	459.5	151.2
OTHER SHORT-TERM LIABILITIES	94.6	82.4	69.8
<b>CURRENT LIABILITIES</b>	<b>546.6</b>	<b>701.4</b>	<b>354.1</b>
LONG TERM LOANS	843.4	704.9	1,081.5
OTHER LONG TERM LIABILITIES	407.3	496.0	446.8
<b>TOTAL LIABILITIES</b>	<b>1,250.7</b>	<b>1,200.9</b>	<b>1,528.3</b>
MINORITY INTEREST	32.6	45.3	62.9
TOTAL COMMON EQUITY	934.7	898.7	745.6
<b>SHAREHOLDERS EQUITY</b>	<b>967.3</b>	<b>944.0</b>	<b>808.5</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>2,764.6</b>	<b>2,846.3</b>	<b>2,690.9</b>

Information based on new international accounting regulations.

thousands of euros)

	2006	2005
<b>OPERATING ACTIVITIES</b>		
<b>PROFIT BEFORE TAXES AND MINORITY INTEREST</b>	<b>154,367</b>	<b>100,939</b>
Adjustments for :		
- Profit/(Loss) in associates	(2,084)	1,375
- Financial results	61,495	76,446
- Amortisation/depreciation charges	111,718	109,168
- Impairment	546	139
- Investing activities result	(15,251)	(59,335)
- Effect in results for insurance indemnities and management contract cancellation	(36,862)	0
+ Dividends from associates	1,176	1,078
+ Insurance indemnities collected	34,765	15,673
+ Deferred income	0	20,551
- Changes in receivables and other non current accounts payable	(867)	(4,836)
- Corporation Tax	(15,977)	(9,059)
+/- Changes in receivables and other current accounts payable	31,102	17,915
<b>TOTAL CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>324,128</b>	<b>270,053</b>
<b>FINANCING ACTIVITIES</b>		
- Dividends paid by Sol Meliá S.A.	(17,806)	(11,515)
+ Collection for new bank financing (*)	427,008	111,637
- Payment of bank indebtedness	(493,050)	(183,768)
- Interest paid	(76,334)	(66,689)
- Payment for capital leases	(11,064)	(11,001)
- Payment of preference dividends	(8,337)	(8,337)
+ Other receipts from financial results	8,447	6,143
+/- Variations in treasury shares portfolio (***)	(3,056)	(1,936)
<b>TOTAL CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(174,192)</b>	<b>(165,466)</b>
<b>INVESTING ACTIVITIES</b>		
- Acquisition of Intangible Fixed Assets	(4,597)	(7,481)
- Acquisition of Tangible Fixed Assets (*)	(186,879)	(162,825)
- Acquisition of Financial Assets (**)	(38,574)	(30,371)
+ Proceeds from the sale of property, plant and equipment	89,273	103,288
+ Proceeds from the sale of financial investments	0	21,383
- Increase of credits to associates	(3,666)	(6,962)
+ Receipt of investment incentives	0	1,347
<b>TOTAL CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(144,443)</b>	<b>(81,621)</b>
Exchange rate changes in cash and cash equivalents	(5,419)	6,492
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>74</b>	<b>29,458</b>
<b>CASH AND CASH EQUIVALENTS AT JANUARY, 1</b>	<b>130,915</b>	<b>101,457</b>
<b>CASH AND CASH EQUIVALENTS AT DECEMBER, 31</b>	<b>130,989</b>	<b>130,915</b>

(\*) During 2005 and 2006 certain assets were acquired by means of financial leases for an amount of 17.6 and 24.6 million euros respectively. These acquisitions are not considered cash movements.

(\*\*) See Notes: 4.1 ; 8 ; 10.3 ; 12.3 ; 12.6 ; 15.3 ; 16.4

(\*\*\*) See Note 13.6



## 4.2 OUTLOOK 2007



ME Cabo

With regard to the outlook for 2007, Sol Meliá has high expectations thanks in large part to the forecast growth in business travel together with growth in leisure travel both to Spain and the Caribbean (especially the Dominican Republic), added to the outlook for growth in Sol Meliá Vacation Club.

The performance of the European City Division in 2007 will be linked to positive macroeconomic conditions in Spain which will favour business and group travel, congresses and conventions. The growth in RevPAR in 2007 will mainly come from increases in rates negotiated in the last quarter of the year with the Company's most important Key Accounts, while a slowdown in the rate of new hotel supply will allow the expansive cycle to continue. With regard to the performance in major European cities, there is a favourable outlook in general, bolstered by the efforts of the Company to increase sales to business travellers during the working week. All in all, these factors point towards a very positive performance.

The Company also maintains a very positive outlook for the European Resort Division based on the favourable position of Spain as a leisure travel destination as indicated by World Tourism Organisation statistics. The growth of sales through direct distribution channels, especially solmelia.com, together with a recovery in the German market and the positive outcome of negotiations with pan-European tour operators, will support growth in the Division and summer results which the Company expects to exceed those of 2006. The challenges for 2007 include the ski-station hotels due to the high temperatures seen over the winter period, and the Canary Islands, a destination which is going through a transitional phase as a consequence of the relative strength of the Euro and the competitive advantage this gives to dollar-based destinations such as Punta Cana (Dominican Republic).

**WITH REGARD TO THE OUTLOOK FOR 2007, SOL MELIÁ HAS HIGH EXPECTATIONS THANKS IN LARGE PART TO THE FORECAST GROWTH IN BUSINESS TRAVEL TOGETHER WITH GROWTH IN LEISURE TRAVEL BOTH TO SPAIN AND THE CARIBBEAN.**



Meliá Caribe Tropical

The outlook for the Americas is based on major growth in the Dominican Republic where expectations are even higher than in 2006 due in part to greater diversification of the customer base. On the other hand, Cancun has still not fully recovered from the devastating effects of Hurricane Wilma, but the Company expects a positive performance in 2007 from the two hotels in the area, the Gran Meliá Cancun and the ME Cancun, a recently-inaugurated hotel which aims to cover a specific luxury niche market.

With regard to organic growth for the Company in the medium term in addition to the positive performance of the underlying hotel business, it should be noted that there will be five more resorts with a total of 3,531 extra rooms added to the Vacation Club portfolio in the Riviera Maya, Dominican Republic, Puerto Rico and the Canary Islands. This includes 3 new mixed-use projects and the enlargement of other existing Vacation Club developments.

In relation to Sol Meliá Vacation Club, the Company expects strong future growth. The number of weeks sold reached 3,421 in 2006, an increase of 70%, in 10 resorts in Cancun, Puerto Vallarta, Punta Cana, Puerto Rico, Central America and the Canary Islands. Revenues grew to 86.7 million euros (+51%). In the future the Company will extend the operations of SMVC with four additional resorts in the Caribbean and the Canary Islands on the back of a boom in leisure-based real estate. For 2007, Sol Meliá expects EBITDA to increase between 40 and 50% thanks to projects at the Gran Meliá Puerto Rico, Paradisus Punta Cana, ME Cancun, Meliá Gorriones and South Tenerife.

With regard to the asset rotation activity, Sol Meliá expects sales of 100 million euros as part of recurrent operations.

In 2007 improvements in financial accounts will derive mainly from an increase in operational funds rather than further reductions in debt. The Company informs that the free cash flow generated by asset sales will be mostly used to fund maintenance capex, the organic growth of the Company and the renovation of the Meliá brand.

Taking advantage of these upward trends, the Company is focusing on a) preparing the plot of land in Brazil for its development, b) Brand Equity, c) the preparation of the next Strategic Plan and d) a new asset base valuation.

In Brazil the Company is looking for a local property developer partner to develop the land acquired in 2006 and develop 2 resorts with around 1,000 rooms to begin operations in 2009. This project is very important from a strategic standpoint, as was Punta Cana in the Dominican Republic 20 years ago, a reason the Company does not rule out further acquisitions in the Caribbean.



Meliá Gorriones



ME Cancun

Further details will be disclosed with the presentation of the Company Strategic Plan. Nevertheless, as an indication, of the 5 million square metres, approximately 1 million square metres of land will be devoted to the construction of residential property with a total of 2,500 to 3,000 residences which will be sold after a period of around 6 years. Additionally, there will be some 200,000 square metres of prime beachfront residential which will be used to host about 300 residences.

At the Brand Equity level, Sol Meliá has started work on the renovation of the brand image in some hotels and also the process of selling some properties that do not comply with Company brand standards.

At the strategic level, during summer 2007 the Company will present its 2007-2010 Strategic Plan. The presentation of the Sol Meliá Business Model and its corresponding projections and capital requirements are based on the five pillars of value creation:

- a) **Brand Equity.** The development of which will continue to benefit both the hotel and real estate businesses. The Company is focused on the need to permanently innovate, differentiate its services, and improve their quality. To that end the Company will continue to renovate 30 hotels over the next three years to revitalise their brands;
- b) **Customer Knowledge.** The ability of the Company to identify the current and future needs of its customers is a key factor for adding value to any hotel, Vacation Club or condohotel development;
- c) **Asset Management.** (Vacation Club, Condohotel, multi-ownership, land development and asset rotation), through the transformation of metres squared into hotel chains, hotel rooms, etc.
- d) **Management of People's Talent & Empowerment.** This consists of the identification and management of internal and external professional talent, a key factor in achieving the objectives of the other four areas.
- e) **Social and Environmental Awareness.** The Company has made great advances in social awareness and aims to remain an international reference point in this respect. With respect to the natural environment, the Company recognises that is still far from the point it wishes to reach, and the fact that it is a key factor in value creation has made it one of the strategic priorities for the next four years and an area in which the Company hopes to involve all of its stakeholders.

The achievement of these objectives will allow the Company to optimise its profits in both existing hotels and future development projects.

At the same time as the Company presents its financial projections and capital requirements, there will also be an update of the real estate valuation previously carried out by CB Richard Ellis in December 2004.



Meliá Bali

## 4.3 OUR BUSINESS

### 4.3.1 SOL MELIÁ VACATION CLUB AND THE LEISURE REAL ESTATE DIVISION

Sol Meliá Vacation Club and the Leisure Real Estate Division were created in 2004 in response to the changes in the behaviour of travellers with increasing resources and leisure time deciding to invest some of those resources in their leisure time. With more than 15 years of experience in this market, Sol Meliá offers members of the Club a chance to acquire their vacations for the next 50 years in accommodation units designed to make them feel right at home wherever they may be in the world and while also enjoying the finest hotel service.

The Company considers SMVC to be the best loyalty programme Sol Meliá now has. The business has existed for more than 40 years, and in 2006 generated revenues of more than 86 million euros for the Company, achieving one of the highest profit margins in the industry thanks to the magnificent performance in the Dominican Republic, Puerto Rico, Mexico, Central America and Spain. The Club opened its corporate offices in Orlando, Florida with three properties and ended 2006 with 10 international resorts and 36 affiliate resorts.

Sol Meliá Vacation Club (SMVC) is now a strategic business for the Company and has been developed as an integrated yet self-sufficient business. The first operations were set up in Mexico (Gran Meliá Cancún, Meliá Puerto Vallarta, ME Cancún and Meliá Cozumel), in the Dominican Republic (Meliá Caribe Tropical and Paradisus Palma Real), Puerto Rico (Gran Meliá Puerto Rico), Central America (Meliá Panama Canal) and Europe.

In Europe, business started in the Meliá Tamarindos (Gran Canaria, Canary Islands) and the Gran Meliá Salinas (Lanzarote, Canary Islands), while the sales of vacation club units will soon begin in other hotels in Spain. SMVC has opened sales offices in Madrid, Barcelona and the Canary Islands. New properties will also open soon in Europe, North America and the Caribbean.

The Club is part of a modern concept in leisure time investment which is growing fast. The concept offers exotic destinations, suites and villas decorated by famous designers, exclusive services, and unforgettable leisure experiences for members. It also provides members a full lifecycle of vacation experiences which adapt to their changing needs; beginning with membership of a vacation club, moving on to a luxury fractional ownership product, and ending with the chance to purchase leisure real estate outright. This great choice of vacation experiences provides flexibility and alternatives for every type of customer and also the chance to organise meetings and weddings with banqueting, butler and chef services, flight tickets, cruises, etc.

#### Business Objectives and Synergies

Sol Meliá Vacation Club was created with the aim of becoming the outstanding leader in the Leisure Real Estate market. Sol Meliá possesses the name, prestige, organisation and international positioning required to develop and provide a quality experience through an affiliation which meets or even exceeds the service and quality expectations of members. The international presence of Sol Meliá provides the perfect support for growing the number of members and providing a product which offers experiences that can be enjoyed by members throughout their lives.

**THE BUSINESS HAS EXISTED FOR MORE THAN 40 YEARS, AND IN 2006 GENERATED REVENUES OF MORE THAN 86 MILLION EUROS FOR THE COMPANY, ACHIEVING ONE OF THE HIGHEST PROFIT MARGINS IN THE INDUSTRY.**



Paradisus Princesa del Mar

## Security, Flexibility and Exclusive Benefits

Members may choose between spending their vacations in luxury accommodation in a great choice of unique resorts and city properties all over the world. They also have the flexibility to choose the duration of their stay, the time of year, and the size of their accommodation, from one bedroom units to luxury private villas. Members may also defer their vacations to the next year, take future vacation time in advance to get a longer vacation, or divide their vacation time into several shorter periods or a run of one night stays in any of the affiliate hotels worldwide.

Members of SMVC automatically receive all of the exclusive benefits of the MaS Gold Rewards programme. Their vacation periods can also be exchanged for MaS Rewards points, allowing them to stay in any of the city and resort hotels operated by Sol Meliá worldwide.

They can also get access to 3,700 resorts worldwide with the innovative SMVNetwork service, as well as to cruises, car rental and flights through partner companies.

The main objective of the Club is to provide a unique international experience, adapted to the needs of guests, regardless of whether it's a trip to discover the archaeological ruins of Mexico, enjoy the virgin beaches of the Dominican Republic, stroll around old San Juan in Puerto Rico, or explore ancient cities in Spain, France or Great Britain. The Club has been created to satisfy all of the needs of its members.

## Benefits of the Lifecycle Concept at the Club

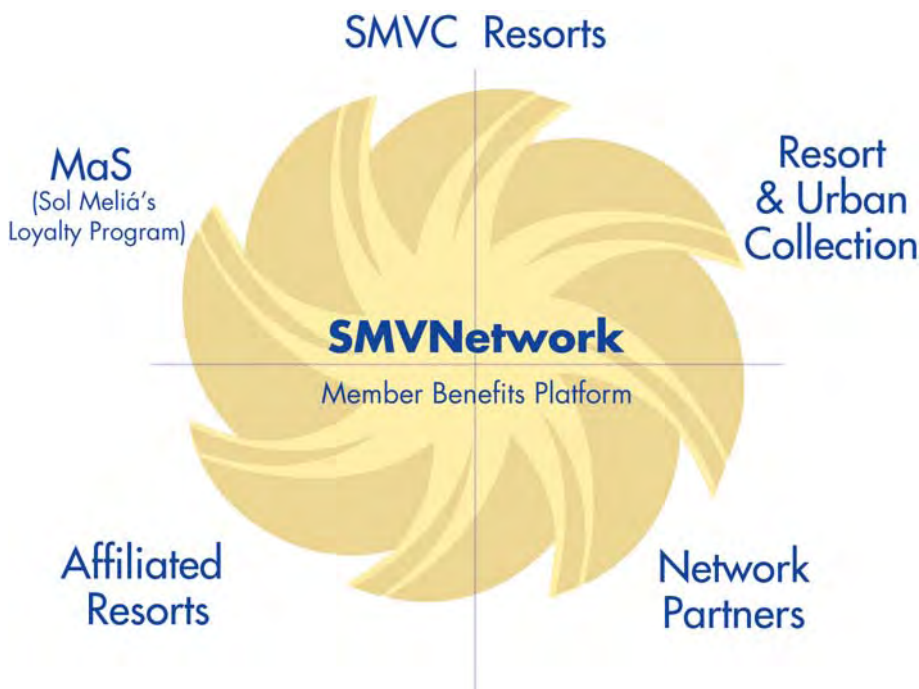
Typical members of the Club are families seeking a total vacation experience which includes residential-style accommodation with several bedrooms, bathrooms, lounges and kitchens, together with a great range of activities and services, as well as having the flexibility to choose from different destinations. Affiliates organise family reunions or bring the whole family on vacation, often including the grandparents or grandchildren, or grant the use of their membership to their family or friends.



*Meliá Panamá Canal*

Members' families enjoy accommodation in several bedrooms with spacious lounges, dining areas and separate kitchens, outdoor patios, many of them with whirlpool baths, satellite TVs, plasma-screens and DVD players. They also enjoy exclusive amenities in the rooms and services such as daily room cleaning, room service, gourmet restaurants, golf at world famous courses, spas with the most modern equipment and casinos and activity and entertainment programmes for both kids and adults.

#### Benefits of the Sol Melia Vacation Network



#### The future

The Club is committed to providing a life full of vacation alternatives to members. The Club will continue to grow to include more luxury resorts, exotic destinations, first class activities and services and inimitable experiences. The key markets for growth in 2007 are Latin America, the Caribbean and Europe.

The objective of the Club is to create a unique style for vacations for future generations, at the same time developing a sense of loyalty between Sol Meliá and its affiliates.

### 4.3.2 ASSET MANAGEMENT

In 2006 the Asset Management Department has continued to work on its key objective: to consolidate the real estate business as a complement to the hotel business of Sol Meliá and to maximise the value of the Company's real estate assets through their proactive management.

#### Asset rotation

The asset rotation strategy requires divestments to be made under certain strict criteria:

- EBITDA multiple of at least 12x.
- Low ROCE.
- Brand inconsistency.
- Properties in consolidated destinations.

In 2006, Sol Meliá completed the sale of 96 million Euros worth of assets while generating 36.1 million of profit at year-end. The consolidated P&L account, reflects only 26 million Euros until the 50% joint venture for the Melia Colon is fully consolidated.

**IN 2006 THE ASSET MANAGEMENT DEPARTMENT HAS CONTINUED TO WORK ON ITS KEY OBJECTIVE: TO CONSOLIDATE THE REAL ESTATE BUSINESS AS A COMPLEMENT TO THE HOTEL BUSINESS.**



Paradisus Princesa del Mar

SALES								
ASSETS	ROOMS		PRICE		EV/EBITDA (x)		EBITDA Rot. Act.	
	06	05	06	05	06	05	06	05
Sol Vista Sol (Mallorca, Spain); 1Q06	176		12.5		17.9		6.9	
"La Jaquita" (Tenerife, Spain); 1Q06			24.5		-		4.5	
Meliá Rey Don Jaime (Valencia, Spain); 3Q06	319		38.5		17.5		14.2	
50% Meliá Colón (Seville, Spain); 4Q06 (*)	218		20.0		21.4		10.5	
Tryp Macarena (Seville, Spain); 1Q05		329		42		19.4		24.2
Meliá Las Palmas (Canary Islands, Spain); 3Q05		310		34		23.4		16.8
50% Melia Zaragoza (Zaragoza, Spain); 4Q05 (*)		247		21.3		25.7		8.7
Meliá Torremolinos (Costa del Sol, Spain); 4Q05		283		23		61.6		16.8
Tryp Alcano (Granada, Spain) 4T05		97		3.7		16.7		2.1
<b>TOTAL</b>	<b>713</b>	<b>1,266</b>	<b>95.5</b>	<b>124.0</b>	<b>18.5</b>	<b>24.6</b>	<b>36.1 (*)</b>	<b>68.6 (*)</b>

(\*) Please note that in 3Q05 the 50% of the Meliá Zaragoza was sold for 21.25 million Euros at a 25.7x EBITDA multiple. Although the transaction generated a latent profit of 8.7 million Euros, it was not reflected in the P&L account as the joint venture was fully consolidated. This is also valid for the 50% Melia Colón transaction. This implies the profit reflected in the company accounts represent 26 million and 60 million for 06 and 05 respectively.

In the first quarter, the Company formalised the disposal of the Vista Sol resort in Mallorca for 12.5 million Euros at an EBITDA multiple of 17.9x generating 6.9 million Euros of profit. Sol Meliá agreed a 10-year management contract with a 4% basic fee, a 10% incentive fee and a 1.5% marketing fee.

Sol Meliá also completed the disposal of a 78,000 square metre plot of land ("La Jaquita") plus the works carried out so far for a total price of 45 million Euros in a 50/50 joint venture with the Spanish construction company Grupo Nyesa and Caja de Ahorros del Mediterraneo (CAM).

The Melia Rey Don Jaime Hotel in Valencia was also sold in Q3 for 38.5 million euros at a 17.5x EBITDA, generating a 14.2 million Euro profit.

Finally, in the fourth quarter of the year, Sol Meliá agreed the sale of a 50% stake in the Meliá Colon in Seville for a full hotel value of 40 million Euros at a 21.4x EBITDA multiple. The transaction generated a latent profit of 21 million Euros which will not be reflected in Sol Meliá's results until the joint venture is fully consolidated. The property will undergo a total renovation over a 9 month period starting in July 07 to raise it to "Gran Meliá" standards involving a 21 million Euro investment by the joint venture. Sol Meliá will maintain a 50% stake in the hotel and a 35-year management contract with a 4% basic fee, a 10% incentive fee plus a 1.5% marketing fee.



Meliá Zaragoza

Once again the "sale, develop and manage" formula has been used meaning Sol Meliá will retain management of the property for an initial 25 year period which may be extended by 10 years.

ACQUISITIONS				
ASSET	LOCATION	ROOMS	PRICE	EV/EBITDA (x)
33% Tryp Bellver	Palma de Mallorca (Spain)	384	3.2 M€	4.1
Land	Salvador de Bahía (Brazil)	-	30.5 M€	-
<b>TOTAL</b>		<b>384</b>	<b>33.7 M€</b>	<b>4.1</b>

On the buy side, in the second quarter the Company acquired a 33% stake in the Tryp Bellver in Palma de Mallorca for 3.2 million Euros at an EBITDA multiple of 4.1x. Sol Meliá already owned 67% of the property.

In the fourth quarter, the Company reached an agreement for the acquisition of 475 hectares of land in Salvador de Bahia (Brazil). This project foresees the future development of hotel and resorts together with mixed ownership products (vacation club, condo-hotels, residential, golf courses, spas, etc). The opening of this newest destination in the north east of the country is considered very important from a strategic standpoint.

## Real estate development

Sol Meliá has aimed to promote the condohotel business to allow greater diversification in its business platform as an operator of condo-hotels on the one hand and as a promoter or co-promoter on the other.

In 2006 a strategic plan was drawn up for condo-hotels to benefit both developers and hoteliers and buyers:

Developers:

- The attractiveness of risk reduction and high rates of return thanks in part to a pre-sales process which generates funds to partially finance construction.
- The sale of rooms appealing to a wide market of investors.
- Sales prices may be above normal condominiums thanks to the services provided and a premium location.
- Fixed assets converted into liquid assets.
- High levels of demand for the product.
- The creation of new opportunities for growth and management agreements.
- The promotion of brand awareness.





Meliá Colón

Hoteliers:

- Vision of condo-hotels as an interesting additional distribution channel as well as a source of increased management fees.
- Combinations of services increase hotel operating revenues while costs are diluted over a greater cost base.
- The price per room tends to be greater.
- The operator generally signs a long term agreement.

Owners:

- Benefit from their personal use of the unit and hotel services, a foothold in the real estate market at low interest rates, and potential future capital gains.
- Just as with a traditional holiday home, owners may use the unit whenever they wish. Unlike a holiday home, they also have the chance to receive part of the profit from the benefits generated by the rental of their unit.
- Comfort for owners thanks to the unit being fully furnished and equipped. Maintenance and rental management are in the hands of management company experts.

In 2006 sales have continued of luxury condo-hotel units named Paradisus Residences developed at the Paradisus Puerto Rico. This is a superior quality product with a great location (Coco Beach, Río Grande) and with growing demand in the country. The benefits for each party are:

- Partial return of invested capital while maintaining control over the hotel rooms.
- Profits shared between the condo-owner and the hotel.
- The owner enjoys 30 days of guaranteed use and 60 days with reservations not guaranteed. For the rest of the year the unit is a normal part of the hotel.
- Owners have access to all of the hotel public areas and enjoy important discounts at restaurants, spa and golf facilities.

Sol Meliá is currently analysing the possibility of converting certain assets in condohotels both in Spain and in other markets.

### **Inauguration of the Palma Real Shopping Village**

In 2006, as part of the plan to optimise and revalue assets and promote real estate developments, construction was completed on stage 1 of the Palma Real Shopping Village.

The project involves a joint venture between Sol Meliá and a partner company which is a developer and operator of shopping malls. The asset has a large amount of commercial space with an area for anchor businesses and a retail area, more than 600 parking spaces and a restaurant area.

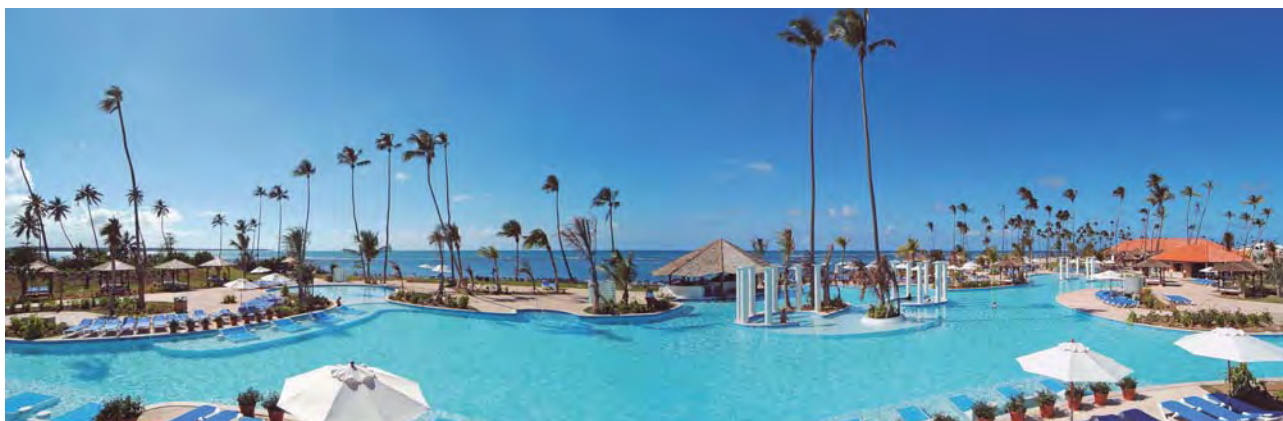
On 21 December 2006, the Palma Real Shopping Village was inaugurated, immediately becoming one of the largest and most luxurious shopping centres in Punta Cana-Bávaro.

Alongside the Paradisus Palma Real and Meliá Caribe Tropical resorts, the project has involved an investment of 7 million euros. Occupying a surface area of 9,500 square metres with such famous brands as Tony Roma's or Hard Rock, the project complies with quality standards which have made it one of the most exclusive facilities in the region.

### **Improvement of spaces**

After the analysis of the square metres available within Company assets, the Asset Management department continues to work towards achieving the objective of improving profitability through its own activities and agreements with leading companies in industries such as telecommunications, spa, shopping, etc. For example, Sol Meliá has reached a framework agreement with Xfera to install mobile phone antennae.

In addition, an agreement reached with an investment partner will allow the construction of a spa at the Meliá Sevilla hotel.



*Gran Meliá Puerto Rico*

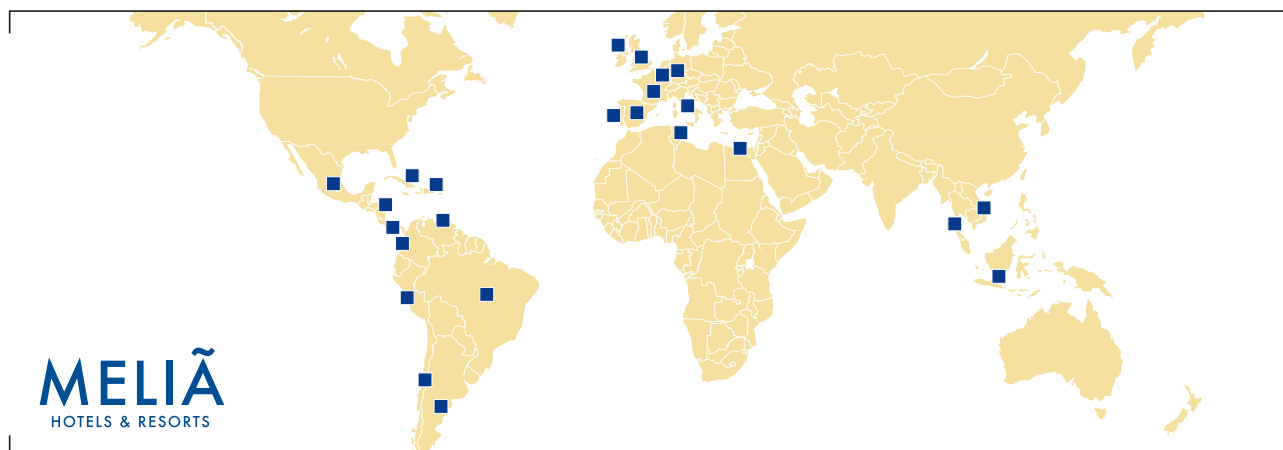


*Paradisus Palma Real*

## 5.4 SOL MELIÁ BRANDS

### MELIÁ

#### MELIÁ HOTELS WORLDWIDE



Meliá Hotels & Resorts is a guarantee of superior quality products and services in great locations in the world's most important cities and popular resort destinations, making them the ideal choice for both business and leisure travellers.

The most famous and international Spanish brand began a thorough renovation in 2006. The changes are not only to be seen in a new corporate image, but also in new brand attributes infused with greater energy: the design, the comfort of the rooms, the modernisation of the excellent Royal Service, innovative food service concepts destined to become focus points in each destination, and a new impulse to health and wellness services. Even the staff uniforms have been redesigned.

All of these changes are the result of profound research carried out by the company Research and Development department and covering both the needs and preferences of guests and the latest trends in the international hospitality industry.

The Meliá logo has also become even more "Latino", with the Spanish tilde accent being added to the "a". Design has become a much more important feature, the latest international trends combining with elements of local culture, all fully integrated with the local environment. The new decoration is fresh, balanced and welcoming, while also respecting the individual character of each hotel.

#### THE NEW ROOMS

Rooms are adapted to their different uses: the new DreaMax bed created with Flex guarantees a great rest. The new design is complemented by even more benefits. Service staff will resolve anything guests might need to do and will advise on different experiences and activities that might make the stay even more enjoyable.

Technology also plays a key role in the new Meliá. Guest rooms have Wi-Fi Internet connections, plasma-screen TVs and CD and DVD players, amongst other features.

Meliá Royal Service, an exclusive area providing personalised service for business and leisure travellers, has now become The Level. Located on the upper floors of hotels or in the most exclusive public areas, The Level provides an independent reception area, private lounge, library, cafeteria, restaurants... making them almost an exclusive hotel within a hotel.

## MELIÁ CUISINE

In the spirit of change and with the impulse of this new energy, Meliá has also inaugurated new restaurants and bars which go much further than the traditional classic food service formulas.

New restaurant concepts have been introduced in which all of the different spaces have been designed to ensure that the service, design, ambience, and music fuse majestically to create unforgettable experiences. For example:

- **Tapas by Meliá (Meliá Berlin)**, a bar/restaurant serving traditional Spanish tapas in a refined setting with an unmistakable Spanish flair.
- **Floridita (Meliá Galgos)**, in partnership with Havana Holdings, bringing from Cuba the flavour of its cuisine, the rhythm of its music and famous cocktails accompanied by a great choice of the finest cigars.
- **Davidoff Café (Meliá White House)**, a place to enjoy the finest coffee in the world together with the finest cigars thanks to the assistance of the Davidoff Group.
- **Tast (Meliá Golf Vichy Catalan)**, a European brasserie combining traditional dishes with modern flair in a cutting-edge ambience.
- **Gabi Beach (Meliá Caribe Tropical and Meliá Gorriones)**, a suggestive location which mixes modern music with sophisticated cocktails in a relaxing chill-out beach location, and also a range of light meals and fusion cuisine in the evening.

**THE MOST FAMOUS AND INTERNATIONAL SPANISH BRAND BEGAN A THOROUGH RENOVATION IN 2006.**



*Meliá Bali*



*Meliá Berlin*

As in previous years, Meliá continues to promote food festivals serving the finest dishes in the world graced by the 50 years of experience the company has in providing guests with innovative quality cuisine. In 2006 food festivals focused on new Mexican and Dominican cuisine, and dishes based on ingredients such as algae, and marine vegetables.

## HEALTH AND BEAUTY

In 2006 Meliá responded to the growing demand for the wellbeing of the body, mind and spirit by adding a great range of specialist gym and spa services. Our fitness areas have been equipped with the superior quality facilities provided by LifeFitness, a market leader in gym equipment. Expert monitors also offer classes in yoga, spinning, aerobics, and more.

To awaken the senses, Meliá has created Yhi Spa, the new spa brand at Sol Meliá. Yhi Spa is an essential service to ensure that a stay in one of our hotels is a meeting with the essence of wellbeing. The treatments on offer range from a simple massage to fully integrated health and beauty programmes designed for stays in both city and resort hotels.

Yhi Spa is currently available at the Gran Meliá Cancún (Mexico), Gran Meliá Jakarta (Indonesia), Meliá Royal Tanau Boutique Hotel (Lleida, Spain) and Meliá Bali (Nusa Dua, Indonesia) and has an ambitious development plan for 2007.



## ACTIVITIES

In 2006 the Descubra programme has gone from strength to strength as a leisure and entertainment option in city and resort hotels and increased its presence in Spain. At the end of the year the programme was extended to hotels in other countries including France, Portugal, Germany, Italy and Croatia.



Meliá Golf Vichy Catalan



Meliá Berlin

In all inclusive family resorts the Meliá Azul Ixtapa (Mexico) has added the Flintstones Land concept to its children's play areas, joining the Meliá Cozumel (Mexico), Meliá Puerto Vallarta (Mexico) and Meliá Caribe Tropical (Dominican Republic) which already offered these services. Throughout 2006, the Flintstones Land and adventure programmes in all four hotels have been further improved and enhanced.

Other services tested in pilot hotels in 2006 were:

- **Teens & Tweens:** special activity and workshop programme for kids between 13 and 17 years of age (graffiti, Hip Hop, D.J. mix...).
- **Family Night Entertainment:** evening activities by the beach for all the family to help them spend quality time together through fun activities.
- **Family Assistance:** a range of services for families which works as a link between hotel operations and the special needs of family groups.
- **Family Room:** at the Meliá Caribe Tropical and Meliá Puerto Vallarta, comfortable rooms for 2 adults and up to 3 children under 12 near Flintstones Land play areas and with amenities for the kids, 2 televisions; one for the parents and one for the kids, a family minibar and other complementary services.

#### ADDITIONS IN 2006

- **Meliá Berlin (Berlin, Germany).** The Meliá Berlin is located in the heart of the German capital on the corner of Friedrichstrasse and Weidendamm, just a few minutes walk from the numerous monuments and attractions in Berlin such as the Brandenburg Gate, Museum Island, Reichstag and Kanzleramt. Thanks to its facilities and central location, next to the metro and the Friedrichstrasse tram and only 15 kilometres from the airport, the hotel is ideal for both business and leisure travellers. The hotel provides 364 rooms, of which 51 are on The Level, an area which provides a private buffet area, executive meeting room and private lounge. The hotel also provides an a la carte restaurant named Café Madrid and is the first hotel to implement the new Meliá Tapas concept, serving authentic Spanish specialities in the heart of Germany.
- **Meliá Golf Vichy Catalan (Girona, Spain).** The Meliá Golf Vichy Catalan (230 rooms) is located in the heart of the PGA Golf courses of Catalonia, next to Caldes de Malavella, a spa resort on the Costa Brava. Its modern architecture and traditional building materials help it to blend in with its natural environment and the two golf courses on the resort. Decorated in warm tones and with superior quality materials, the hotels provides a very warm welcome. It also has a buffet restaurant and the Tast Restaurant, supervised by the famous chef Dani García, and providing a great choice

of exquisite dishes. Only 15 kilometres from the city of Girona, a great base for exploring the Costa Brava coast and beaches, only 40 kilometres from France and 85 kilometres from cosmopolitan Barcelona. Girona airport is only 7 kilometres away.

- **Meliá Las Dunas (Villa Clara, Cuba).** The Meliá Las Dunas 5 star all inclusive resort (925 rooms) is located in Cayo Santa María, part of the Jardines del Rey archipelago. Its wide strip of white sand, turquoise waters, exuberant plant life and rich variety of local animals have made it a Biosphere Reserve and one of the most exotic locations in the Caribbean. The resort provides 6 different theme restaurants and several bars as well as an extensive programme of sports and entertainment activities. Only 10 kilometres from the Las Brujas national airport and 110 kilometres from the Abel Santa María international airport.
- **Meliá Las Antillas (Varadero, Cuba).** The Meliá Las Antillas is located in six hectares of exotic Caribbean gardens with its waters and exuberant plants. It provides 346 junior suites and 4 suites, 4 restaurants and 3 bars. The resort is a paradise which includes comfortable accommodation and delicious gourmet dinners and great sports facilities and water activities. Only 30 minutes from the Juan Gualberto Gómez international airport and 10 minutes from the centre of Varadero.
- **Meliá Patagonia (Puerto Varas, Chile).** The first hotel for the company in Chile opened in March 2007. Almost all of the 94 apartments and public areas have exclusive views of the lake. The apartments are equipped with Wi-Fi Internet access, plasma-screen TV and two telephones. The hotel also provides a fitness area, heated swimming pool, Jacuzzi and sauna and massage booths. The two contemporary restaurants with capacity for more than a hundred people at the Meliá Patagonia are supervised by Rodrigo Jofre, "chef of the year 2005" in Santiago de Chile.



*Meliá Cozumel*

## RENOVATIONS IN 2006

- **Meliá Barcelona (Spain).** In 2006, the Meliá Barcelona continued the renovation of all of its rooms and also has a new The Level service and a new gym and spa (soon to be a Yhi Spa). The total amount invested is 4.5 million euros.
- **Meliá Cozumel (Mexico).** After the devastation caused by Hurricane Wilma, the Meliá Cozumel has renovated its rooms and part of its restaurants with an investment of 4 million euros.
- **Meliá Marbella Dinamar (Marbella, Spain).** In 2006 the rooms at the Meliá Marbella Dinamar have been modernised (including the installation of the first DreaMax beds). The renovation has involved an investment of around 1 million euros.

## NEW OPENINGS

- **Meliá Angra Marina & Convention Resort (Angra dos Reis, Brazil)** with 200 rooms and a restaurant with a wide range of regional and international dishes, the hotel is scheduled to open in summer 2007.



The following openings are scheduled for 2008 and 2009:

- Meliá Aruba; Oranjestad, Aruba
- Meliá Luxembourg
- Meliá Caribe Maya, in Playa del Carmen, Mexico

## GRAN MELIÁ

---

Gran Meliá is the very highest category of Meliá Hotels. Their design and location make them the hotel of choice for the most discerning guests. They provide superior luxury service in unique surroundings in privileged business and leisure travel destinations.

### GRAN MELIÁ CUISINE

Haute cuisine at Meliá is personified by the internationally famous chef, Dani García. In 2006 the International Gastronomic Academy, an organisation which promotes the conservation and development of local and national culinary culture and heritage, awarded the Chef de L'Avenir prize (best young chef in Europe) to Dani García in recognition of his enormous talent and future prospects. Apart from his Calima restaurant in Marbella, he also advises on other projects to provide the perfect balance between tradition and innovation.

The vast creative and operational experience of Jacinto del Valle (Meliá de Mar, Mallorca) is also helping to raise the culinary standards of the brand.

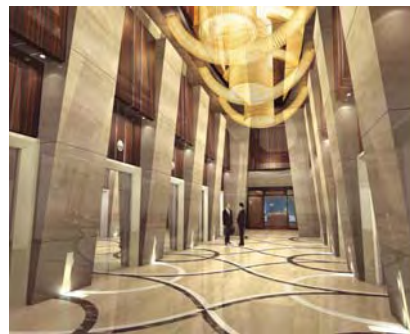


*Gran Meliá Don Pepe*

As part of its major renovation, the Gran Meliá Cancún (Mexico) is also inaugurating two new concepts: “Ku-nah,” representing the best of traditional Mexican cuisine and the latest trends in Mexican haute cuisine, and “Tempo” serving the finest Mediterranean cuisine in a most sophisticated setting.

### RENOVATIONS IN 2006

- **Gran Meliá Cancún (Mexico).** After the devastation caused by Hurricane Wilma in 2005, the Gran Meliá Cancún has reopened with more energy than ever. All of the rooms have been fully renovated following the latest brand standards. In addition to an innovative design and original decoration, they provide great new facilities like 32 inch plasma-screen TVs, a sensational shower, and new beds which guarantee even better rest. The food service options have also been reinvented, and feature Ku-Nah (Mexican haute cuisine), Tempo (sophisticated Mediterranean cuisine) and Nami (sushi lounge).



Gran Meliá Shanghai



Meliá Mérida Boutique Hotel

### NEW OPENINGS

- Gran Meliá Shanghai, China (2008)
- Gran Meliá Palacio de Isora, Tenerife, Spain (2008)

### MELIÁ BOUTIQUE

---

Smaller hotels with their own special personality and also all of the quality standards that distinguish Meliá hotels. Meliá Boutique Hotels are renowned for their luxury and exclusive design and highly personalised service which takes care of even the smallest details. The hotels are located in outstanding buildings such as palaces, castles, or convents. Several of them form part of the Luxury Lifestyle Hotels & Resorts collection.

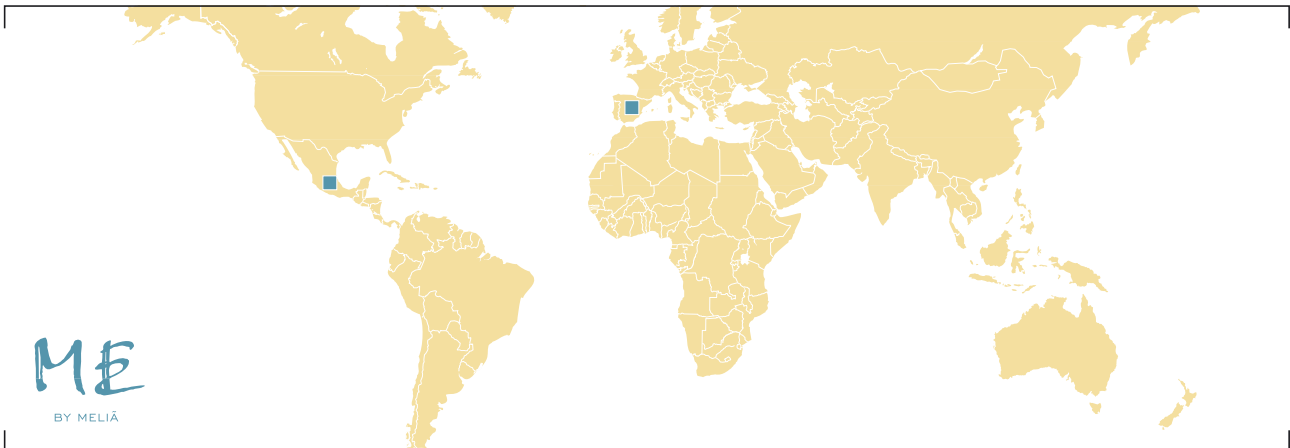
### MELIÁ BOUTIQUE CUISINE

Meliá Boutique hotel restaurants are emblematic and historic local establishments creating cuisine based on the freshest produce of superior quality available locally to produce the finest regional dishes for guests.

### ADDITIONS IN 2006

- **Meliá Fernán González Boutique Hotel (Burgos, Spain).** The Meliá Fernán González Boutique Hotel (previously Tryp) is located in the heart of the monumental city of Burgos, only 150 metres from the cathedral and 5 minutes from the famous Las Huelgas Monastery. The hotel provides 84 rooms, a restaurant and buffet, as well as meeting and banquet rooms for up to 600 guests.

ME HOTELS WORLDWIDE



ME Cabo

Sol Meliá, market leaders and innovative pioneers, presented its new hotel brand in 2006: ME by Meliá, a new concept for hotels where design, international cuisine and cutting-edge music all have an important role to play. The new ME by Meliá brand will be introduced in the most important cities in the world as well as in leading tourism destinations.

ME guests are open-minded, stylish and worldly. They are individuals who view their lives not in eight-hour shifts or 40-hour weeks, but as a seamless trajectory of experiences toward a set of long-term goals. They are motivated by personal growth rather than status. They are decisive and discerning. They crave stimulation and inspiration from new experiences, and are satisfied to pay a premium for quality, innovation and sincerity wherever they can find it.

ME by Meliá is a family of design-driven, experience-based “personality hotels” which stimulate the senses at the same time as they help relax. No two ME hotels look the same, but they all offer a range of shared attributes that make them unique. To assist in this task they have the support of internationally respected expert partners such as the After Midnight Company or the Nikki Beach team which help to make destinations out of hotels, great for both travellers and local residents. ME has also enjoyed the services of the architect Álvaro Sans, who alongside interior designers Keith Hobbs from United Designs and Rebeca Pérez from Interarq, has designed unique, energising spaces in Madrid, Cancun and Cabo San Lucas.

The ME experience piques the senses with cutting-edge leisure technology: MP3 connections, surround-sound which combines with giant interactive plasma screens to create a truly unique atmosphere; as well as the latest facilities for business travellers such as Wi-Fi Internet access, adapters for North American or European equipment, and in-room safes big enough for laptops.

### TECHNOLOGY AND CUTTING-EDGE DESIGN IN ROOMS

Quality and design are key to ME by Meliá guestrooms. The beds are dressed with 300-thread count linen sheets, feather pillows and superior quality mattresses, and guests also have a range of organic products to accompany their bath or shower.

The latest technology is a standard in all rooms. A home movie system with CD and DVD and a 32 inch interactive plasma-screen TV; speakers with surround-sound; a large CD and DVD library in each room; iPod adaptors and connections points.

ME hotels also provide The Level, an exclusive floor for VIP guests with luxury rooms and suites with special features such as a private jacuzzi, a selection of aromatherapy products, cocktails and continental breakfast, and free Internet access. Guests on The Level also receive a VIP pass for The Living Room, a comfortable lounge area where “everything is possible.”

### CUISINE. FUSION AND STYLE

ME by Meliá is also home to the finest international cuisine. The prestigious Rande and Scott Gerber, founders of the After Midnight Company, have created the restaurants, bars and lounges for the brand. Famous chefs propose the most appetising fusion cuisine, while skilled barmen delight guests with cocktails in the coolest of settings.

The Midnight Rose bar-restaurant and The Penthouse terrace, both supervised by the prestigious Spanish chef, Jaime Renedo, are the signature dining and leisure experiences at the ME Madrid.

For the ME Cancún the Gerbers have created an Infinity Bar, Water Grille and Rose Bar serving customers with unique cocktails and a great experience for the taste buds. The After Midnight Company has also joined forces with the magazine Maxim to create the first Maxim Beach Club at the ME Cancún. The hotel also has a great chef, Matías Martínez, showing off all of his skills at the Mediterranean style SALT restaurant and Japanese cuisine at SILK and Bistro.

In Cabo, ME also has Nikki Beach as a new partner at a beach club which everyone wants to see and where everyone wants to be seen. The Passion Club, also by the After Midnight Company, is the focus for fusion cuisine at ME Cabo.

### THE YHI SPA EXPERIENCE

The Yhi Spa experience, the Sol Meliá spa experience, is also a prominent feature of ME by Meliá. At ME Cancún, Yhi Spa offers a great range of indoor and outdoor treatments. Outdoors, guests may delight in an oasis overlooking the ocean under the Cancun sun. Three outdoor swimming pools, including the biggest infinity pool in Mexico extend the water ritual.

**A NEW CONCEPT FOR HOTELS  
WHERE DESIGN, INTERNATIONAL  
CUISINE AND CUTTING-EDGE  
MUSIC ALL HAVE AN IMPORTANT  
ROLE TO PLAY.**



ME Cancún

ME Cabo provides a spa boutique with innovative areas for physical exercise (YHI MOVES), hydrotherapy (water ritual) and relaxation (YHI RELAX). Treatments from some of the most exclusive firms are available at the Yhi Spa ME Cabo, applied by the hands of expert therapists. Special classes in yoga, tai chi or Pilates offered by skilled monitors help provide the Yhi Spa relaxation and revitalization experience.



ME Madrid Reina Victoria

## EVERYTHING IS POSSIBLE

Everything is Possible is the service programme that delivers what guests expect and anticipates what they don't. ME by Meliá individualises the guests' stay and goes beyond their needs. Individualized service is the soul of the culture of ME.

ME by Meliá has a guest recognition programme which ensures that each time a guest returns, the hotel is able to call upon a register of their preferences and make their stay perfect for their particular needs.

The Experience Manager (EM) orchestrates the energy in the public spaces. A master of nuance, of spectacle and of everything in between. The EM of ME keeps the hotel in sync with the rhythm of the moment. The EM has a team of individuals that not only give personality to the hotel but are there to ensure your experience is executed on every level.

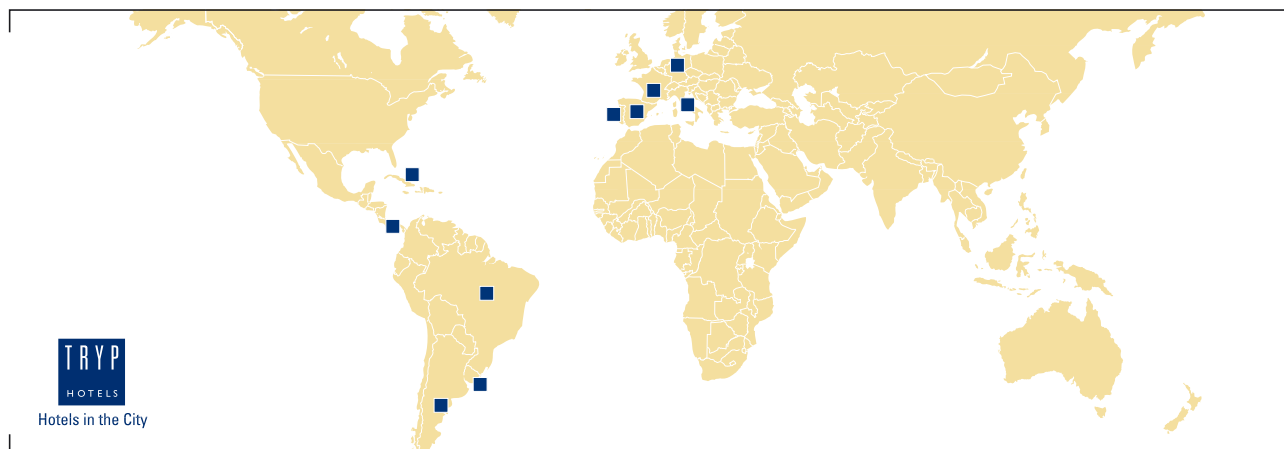


ME Madrid Reina Victoria

## OPENINGS

- **ME Madrid Reina Victoria.** The first ME by Meliá hotel opened in October 2006 in the Plaza Santa Ana in the heart of the dynamic Spanish capital Madrid. While designing the setting for the 192 rooms, the prestigious British architect Keith Hobbs of United Designers retained the beauty and grace of the original architecture, while also incorporating the ME by Meliá spirit through exclusively designed furniture, innovative art and other eclectic pieces. The combination of these elements, together with the implementation of a limited palette of colours and a meticulous selection of music which pulsates in public areas to create an attractive and relaxing ambience.
- **ME Cancún** opened in December 2006 becoming the first resort for the brand. The 448 rooms include 32 Loft Suites, 4 Level Suites and 4 Passion Suites, with stunning views of the ocean and sunset over Lake Nichupté. All of the rooms have been artistically designed by the architect Álvaro Sans and Interarq, led by the interior designer Rebeca Pérez, and with the assistance of the Mexican artist Yuri Zatarain. Together they have created the warmth and colour of the Caribbean in each and every room with meticulous attention to detail and with works of art in stone and wood created by Zatarain which also use elements from the sea such as shells to create a marine ambience. Every one of the works is entirely unique and has an authenticity certificate to prove it.
- **ME Cabo.** Sol Meliá and the Grupo Questro have re-launched the Meliá Cabo San Lucas as the third ME by Meliá hotel and the second for the brand in Mexico. ME Cabo has been designed by the architect Álvaro Sans and the interior designer Rebeca Pérez. Paintings and sculptures by the Mexican artist Yuri Zatarain decorate the 150 rooms and suites and the public areas in the hotel. The Passion Club restaurant and lounge offers the main fusion cuisine menu at the ME Cabo, while the recently inaugurated Nikki Beach has been described by the London Observer as "the sexiest place on the planet".

TRYP HOTELS WORLDWIDE



Tryp Hotels, with 103 hotels in 10 countries in Europe and America has become the favourite choice for travellers seeking a centrally-located, modern and comfortable hotel for business trips and also to combine their work with some leisure time in the city.

Tryp Hotel guests are modern and well-prepared men and women, concerned about their health and with a desire to keep up to date with things. Tryp is also home to young families with children that like to discover some of the great cities of the world on weekend breaks or vacations. They seek great value for money, excellent locations, healthy food and modern meeting spaces.

NEW FEATURES

**New rooms**

Tryp Hotels know the needs of their guests when they awake in the morning, when they get back after a hard day's work, or when they take a break with their family. We

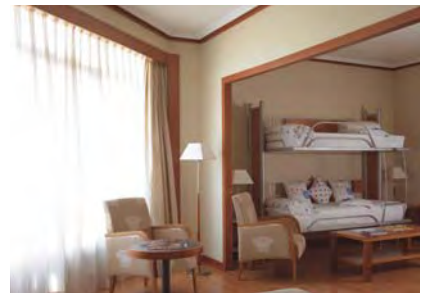


*Tryp Barcelona Aeropuerto*

know their preferences and their concerns, and that's why in 2006 we have created new types of rooms better adapted to their needs: Premium Room, Fitness Room and Family Room.

- *Premium Room: Something more than work*  
Specially designed for business travellers, guests can surf the Internet or sip a coffee while they read the financial press as they recline in their Premium Bed developed by Flex, the PREMIUM Room includes: free internet, exclusive premium bed by Flex, financial newspaper, coffee and tea maker, ironing board and iron, bathrobe and slippers, hairdryer and diffuser, special amenities for men and women.
- *Fitness Room: Stay in shape*  
Tryp Hotels together with LifeFitness has created rooms for making the most of your time and keeping in trim during your business trips. Guests can enjoy their daily workout in their room whenever they wish. Fitness Rooms have all the features of a Premium Room and have added a treadmill, ellipticals or exercise bikes as well as a free fitness clothing kit and sports newspaper.
- *Family Room: Your family in the city*  
Tryp Hotels make it easy for travelling with your family: rooms with bunk beds for the kids and regular beds for the parents so that you can discover the city and then rest together. Family Rooms provide bunk beds, baby kit, bottle warmer, children's toothbrush, gift for the kids.
- *Mini-Gym*  
In 2006, we opened the first Mini-Gym, a new type of gym for Tryp hotels. Measuring between 30 and 60 metres squared, they have modern equipment provided by Lifefitness. Gyms designed for guests that want to stay fit while travelling.

**TRYP HOTEL GUESTS ARE MODERN AND WELL-PREPARED MEN AND WOMEN, CONCERNED ABOUT THEIR HEALTH AND WITH A DESIRE TO KEEP UP TO DATE WITH THINGS.**



Tryp Menfis





COUNTRY	HOTEL	Family Room	Premium Room	Fitness Room	COUNTRY	HOTEL	Family Room	Premium Room	Fitness Room
<b>Spain</b>					<b>Spain</b>				
A Coruña	Tryp Coruña	•			Oviedo	Tryp Oviedo	•	•	•
Almería	Tryp Indalo	•	•	•	Palma de Mallorca	Tryp Palma		•	
Barcelona	Tryp Apolo	•	•	•	San Sebastián	Tryp Orly	•	•	•
Barcelona	Tryp Barcelona Aeropuerto	•	•	•	Valencia	Tryp Azafata		•	•
Irún, Guipúzcoa	Tryp Urdanibia	•			Valencia	Tryp Oceanic	•	•	•
Jerez	Tryp Jerez	•			<hr/>				
Madrid	Tryp Menfis	•	•	•	<b>France</b>				
Madrid	Tryp Alameda Aeropuerto	•	•	•	Paris	Tryp Blanche Fontaine	•		
Madrid	Tryp Atocha	•			Paris	Tryp De Saxe	•		
Madrid	Tryp Centro Norte	•	•	•	Paris	Tryp Paris Boulogne	•		
Madrid	Tryp Cibeles	•			<hr/>				
Madrid	Tryp Gran Vía	•			<b>Germany</b>				
Madrid	Tryp Rex	•			Frankfurt	Tryp Frankfurt		•	•
Madrid	Tryp Washington	•			<hr/>				
Mérida	Tryp Medea	•							

## TRYP CUISINE

Tryp hotels have always been extremely proud of the extensive variety, quality and design of their breakfast service. Young and sporty Tryp customers require healthy and balanced meals.

In Tryp Hotels keeping in shape is our way of life. That's why our breakfast buffets provide a great, modern choice of fresh fruit, cereals and dried fruit to provide the energy needed to face the new day.

In the interests of nutritional balance, special attention has also been given to the health food corner including low-calorie products and a selection of fresh fruit, cereals and dried fruit to help keep a healthy, balanced diet.

To continue to guarantee that Tryp hotel guests may enjoy the latest, quality products in their rooms, Sol Meliá continued to develop its strategic alliance in 2006 with Telepizza, allowing guests staying at Tryp hotels to request Telepizza products from room service just as they could if they were at home. The service has been extremely well received by guests.



## TRYP ACTIVITIES

Sport and leisure are activities that are highly valued by Tryp hotel customers and more and more Tryp hotels are adding special areas for relaxation and for exercise.

In 2005 Tryp hotels launched the "Alone At Last" promotion, a new leisure programme for parents with children, or for children with parents, consisting of a night of camping, adventure and surprises for children aged 5 to 12 accompanied by specialist monitors, while parents enjoy a night of intimacy in a Tryp hotel room or the great leisure options available in the city. The programme is currently available in 21 hotels in major Spanish cities.

To help guests enjoy their leisure time in the city, the Descubra programme also launched in 2006 with a wide range of optional activities to be enjoyed in the city from Tryp hotels.

#### RENOVATIONS IN 2006

- **Tryp Azafata.** Reform of new Mini-Gym, public areas and swimming pool with an investment of 369,725 euros.
- **Tryp Bellver.** In 2006 the third stage of the reform began and the project includes 90 hotel rooms and involves an investment of 455,292 euros.

#### ADDITIONS IN 2006

- **Tryp Buenos Aires.** The Tryp Buenos Aires (4\*) is located in the heart of the capital of Argentina and provides 62 rooms, a business centre, and three meeting and event rooms with cutting-edge technology. Both the great location and the excellent facilities make the Tryp Buenos Aires an ideal hotel for both business and leisure travellers.

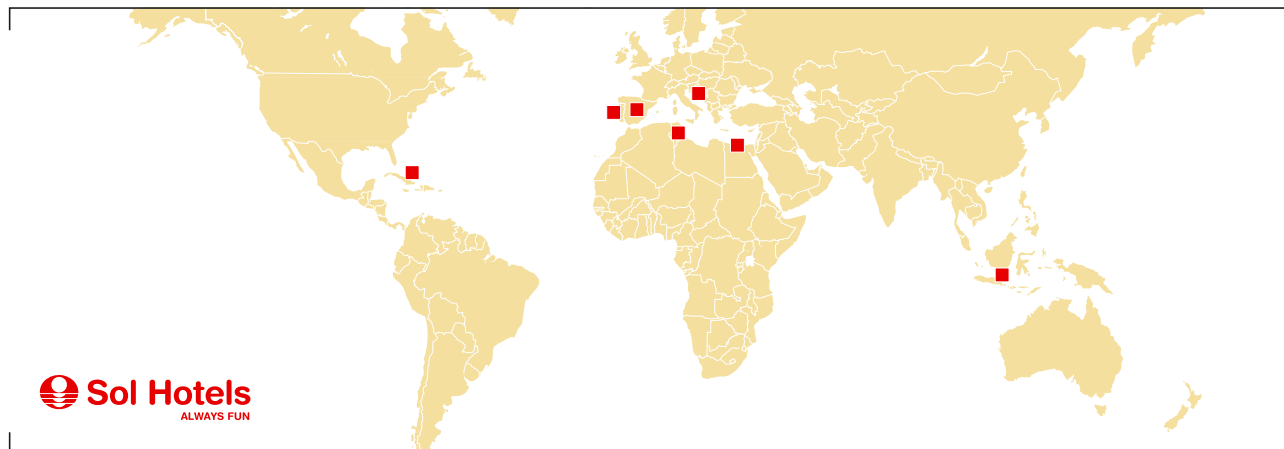


Mini-Gym Tryp



Tryp Buenos Aires

## SOL HOTELS WORLDWIDE



Located in major Mediterranean and Caribbean tourist destinations, Sol Hotels provide comfortable rooms, a wide range of restaurants and bars, swimming pools and an extensive programme of activities for guests of all ages, especially for children.

This has been a year for change at Sol Hotels. With the objective of consolidating the brand and providing fun-packed family vacations, Sol Meliá has introduced innovative concepts such as Fun Food and Family Fun.

To accompany all of these changes, the brand has a new corporate image more in tune with current trends and more easily recognisable. The logo now comes with a supporting tagline which transmits the direction in which Sol Hotels are heading; a resort hotel brand which promises loads of fun at all times for all ages.

The new brand has been implemented in 2006 in the hotels Antillas-Barbados (Mallorca, Spain), Pelícanos-Ocas (Alicante-Benidorm, Spain), Milanos-Pingüinos (Menorca, Spain), Falcó (Menorca, Spain), Princesa Dacil (Tenerife-Canary Islands, Spain), Sol Tenerife (Canary Islands, Spain), Sol Lanzarote (Canary Islands, Spain), Sol Principe Principito (Málaga, Spain) and Sol S'Argamassa (Ibiza, Spain).

Everything about Sol hotels has been designed to ensure that every member of the family finds an activity which appeals to them by day and by night, making a vacation in a Sol hotel a truly fun-packed family experience.

## SOL CUISINE

Amongst the new features introduced in 2006 in Sol hotels was Fun Food. This programme adapts food service to the type of guest in each hotel, with special attention to the children, offering innovative theme corners, entertainment in the restaurant, and special events and theme days.

The flavours and aromas of our finest cuisine are now joined by a new fresh and modern image at each of the SOGOOD restaurants, each

**EVERYTHING ABOUT SOL HOTELS HAS BEEN DESIGNED TO ENSURE THAT EVERY MEMBER OF THE FAMILY FINDS AN ACTIVITY WHICH APPEALS TO THEM BY DAY AND BY NIGHT, MAKING A VACATION IN A SOL HOTEL A TRULY FUN-PACKED FAMILY EXPERIENCE.**





with a new improved Sol buffet and a new line of SOFOOD already implemented in 9 of our hotels.

The SOWORLD theme buffets feature the best of Asian and Mexican cuisine alongside the finest local traditional dishes. The SOFUN bar area also serves fast food, sandwiches, cocktails and soft drinks in an informal and modern setting.

Entertainment abounds in the restaurants at the Flintstones hotels, where kids enjoy unforgettable fun with their favourite cartoon characters.

Amongst the new signature dishes is a rice wheel (black rice, paella, with vegetables, with rabbit ...) which has been very well received by guests, and also new desserts including traditional British dishes such as apple crumble.

#### ACTIVITIES AT SOL HOTELS

Now available in ten hotels, the Flintstones Land is the best way to enjoy activity-packed vacations with the children's favourite cartoon characters. The Flintstone and Rockapack programmes are great for kids and include activities such as workshops (magic, masks, clay, kites...), adventure (camping, wall climbing, zip-line...) fun and games with Fred and Dino, as well as welcome gifts for the kids.

The programme becomes even more memorable with the implementation of photo sales which we aim to see extended in 2007.

One new hotel, the Sol S'Argamassa, has joined the group of Flintstones hotels this year.

As a complement to the children's facilities there is also a programme for adults - SOS-PORT active - fun vacations including things such as spinning, aero dance, swimming,

tonic training, etc., all supervised by expert monitors. The programme is enhanced by 17 master classes carried out by elite sporting champions in 8 hotels in July and August.

Sol Hotels also pays special attention to senior guests with the Senior Programme and activities adapted to their preferences such as dance classes, health packs or language classes, amongst others. This has been consolidated over the winter period in conjunction with the SOSPORT programme and Rockapacks to increase additional revenues and guest satisfaction.

Solidarity Day is a project which forms part of the Sol Meliá Community Involvement programme and has been held for the third consecutive year in company hotels. In 2006, 14 Sol hotels took part with a programme of solidarity activities and workshops occupying one day and night every week. The events were a great success amongst guests and beat all expectations of participation and fundraising. (More information in the Community Involvement section of this report).

## RENOVATION

- **Sol Garden Istra (Umag, Croatia).** Full renovation started in 2005 and finished in 2006 at the Sol Garden Istra & Village Garden Istra hotels.
- **Sol Antillas Barbados (Mallorca, Spain).** Renovation of rooms on three floors of the two hotel blocks with a total investment of 1.7 million euros.
- **Sol Cala Blanca (Mallorca, Spain).** Renovation of the kitchens with an investment of 450,000 euros.
- **Sol Galúa (Murcia, Spain).** Renovation of the kitchens with an investment of 770,000 euros.



Sol Garden Istra

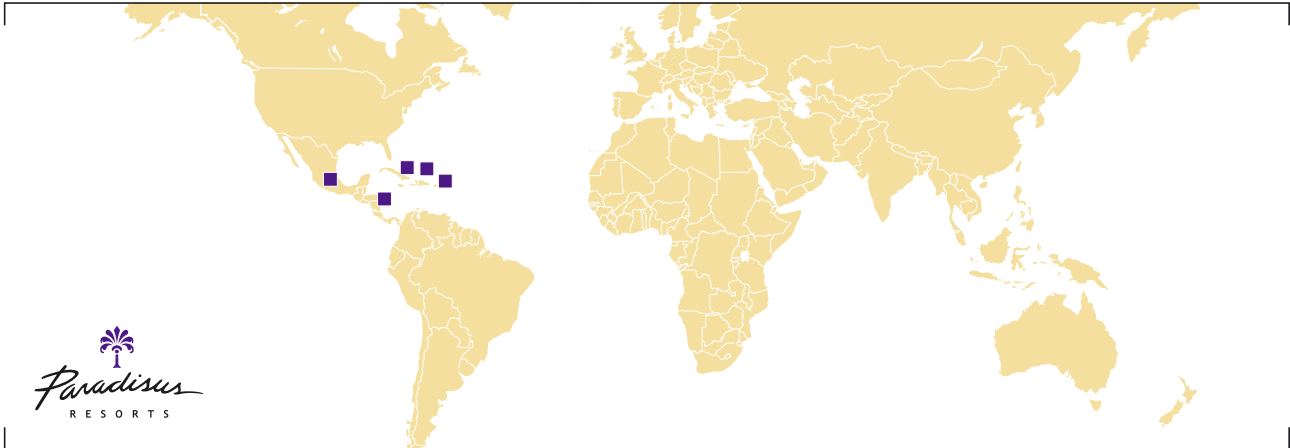


## ADDITIONS IN 2006

**Sol Lunamar (Mallorca, Spain).** The hotel has a great location by the sea, less than 50 metres from Palmanova Beach. Four kilometres from Puerto Portals and the Casino Palladium with a large number of golf courses nearby. Ideal for rest and relaxation, 7 floors provide a total of 134 rooms and 4 suites.

**Sol Cyrene (Sharm, Egypt).** The hotel is located in the Red Sea resort of Sharm El Sheikh, in the south of the Sinai Peninsula, 10 minutes from the airport. Ideally located between Nosrani Bay, the Gulf of Aqaba and the exotic island of Tiran, the hotel provides 220 rooms with a minibar, satellite TV and room service.

PARADISUS RESORTS WORLDWIDE



Paradise Resorts are ideal for unforgettable vacations on the beaches of Mexico, the Dominican Republic, Puerto Rico, Cuba or Costa Rica. With their original architecture, the hotels fit in perfectly with their exotic surroundings and are a luxury for all of the senses. The prestigious all inclusive service includes a great choice of food and beverage options as well as an adult-only Royal Service. This exclusive service reserves special private areas for the most discerning guests including a lounge, swimming pool and beach, as well as a magnificent experience in rooms fitted with every detail imaginable and with personalised service at hand from a butler service.

The perfect complement to the Royal Service specially designed for family travel is the Family Concierge. Every family receives a walkie-talkie radio to be in permanent contact with a butler who designs made-to-measure vacation experiences for each family. The rooms and the amenities are designed for both parents and children and include mini bathrobes, mini slippers and mini bathroom amenities.

Paradise Resorts offer guests a Real Life Fantasy vacation where guests' needs and desires come true.

CUISINE

Cuisine at Paradise resorts is famous for the diversity and quality of its dishes and the professionalism of the chefs. Delicacies of Italian, Japanese, Mexican and French cuisine combine with the most appetising ingredients and techniques of local cuisine in each location. The menus in the specialist restaurants reflect the very latest trends in haute cuisine so guests can try fusion food in the sushi bars, Latin bistros or Mediterranean favourites. An original range of creative cocktails also rounds off the evening perfectly.

This year the Paradise Riviera Cancún Resort (Cancun, Mexico) received the Four Diamonds Award from the American Automobile Association for L'Hermitage, an haute cuisine French restaurant for adults. The hotel has renovated its Beef Grill this year and added a new patio area and furniture.

**THE PRESTIGIOUS ALL INCLUSIVE SERVICE INCLUDES A GREAT CHOICE OF FOOD AND BEVERAGE OPTIONS AS WELL AS AN ADULT-ONLY ROYAL SERVICE.**





*Paradisus Río de Oro*

The Paradisus Puerto Rico Resort (Río Grande, Puerto Rico) has recently incorporated a new Executive Chef, Heriberto Gómez, who has revolutionised the menu at the different restaurants. One of the changes is the introduction of Bamboo, a dinner concept based around meal sharing with three different experiences: a sushi bar, Teppanyaki and exclusive Caribbean-Asian cuisine, with delicacies such as barbecued steak with shitake and oyster sauce on a bed of potatoes and crunchy beetroot with green banana dust. The Tuscan restaurant also has a new menu.

## ACTIVITIES

The original activities on offer at Paradisus are designed to make vacations a truly unforgettable experience. The Life Enriching Activities allow guests to enjoy their rest and relaxation with a few workshops to help them learn new skills or just meet people. Led by expert monitors, guests may take classes in Japanese cuisine, photography, wine tasting or massage techniques.

Paradisus Resorts also propose the introduction of a Experience Manager concept designed to make made-to-measure vacation experiences for guests.

In 2006, Paradisus hotels have created Romance by Paradisus, a range of packages designed for couples to celebrate their anniversary, a spectacular wedding or an unforgettable honeymoon. The programme provides all of the flexibility and personalization



*Paradisus Princesa del Mar*

required for a memorable experience. Romance by Paradisus also employs expert professionals able to coordinate any desire of the couples, whether it's a special ceremony or a horse ride along the beach. To help create these packages, Paradisus is working with the Beverly Clark Collection, a leading company in wedding organisation.

#### A YEAR OF AWARDS

- **Paradisus Punta Cana Resort (Punta Cana, Dominican Republic).** The Paradisus Punta Cana Resort has received the Four Diamonds Award from the American Automobile Association (AAA) for its superior quality service. Only 3.25% of the 35,000 hotels in the United States has been recommended by the AAA®.
- **Paradisus Palma Real Resort (Punta Cana, Dominican Republic).** The Paradisus Palma Real Resort has received the honour of having been chosen as a member of a group of the most prestigious luxury hotels in the world, the Leading Hotels of the World. Paradisus Palma Real joins the Paradisus Riviera Cancún and Paradisus Playa Conchal as part of the exclusive club. Leading Hotels of the World is an organisation which represents more than 430 of the most exclusive and luxurious hotels, resorts and spas in the world.

The resort was also named as home to the Best Swimming Pool in the Caribbean in the Trip Advisor Travellers' Choice Awards 2006. Now in its fifth year, the awards are destined for some of the finest hotels in the world. The winners are chosen by the millions of users of the Trip Advisor website. Designed by the prestigious Spanish architect, Alvaro Sans, the swimming pool at the Paradisus Palma Real Resort is one of the biggest in the Caribbean.

#### RENOVATIONS

- **New spa at the Paradisus Río de Oro Resort (Holguín, Cuba).** The hotel is located on the northern coast of Holguín and now offers the services of a Yhi Spa to help guests relax their body and stimulate their mind in an exotic tropical setting.



There are pavilions for individuals and couples with a whirlpool bath and ocean views, a natural sea-water pool and a private beach with spectacular cliff views. There is also a hydrothermal circuit, relaxation room with panoramic views, female and male beauty salons, and a gym with a great range of high-tech equipment.

The spa menu includes a selection of some of the most exclusive treatments in the world spiced with Cuban aromas and flavours, massages and rituals carried out by expert certified therapists. A small luxury paradise to revive the body and soul in an intimate and relaxed environment, surrounded by nature and the sea, and allowing guests to experience an unforgettable moment in the Caribbean.

- **Paradisus Playa Conchal Resort (Guanacaste, Costa Rica).** Located on the north-west coast of Costa Rica, the Paradisus Playa Conchal Resort has a new Gabi Club, a chill-out style lounge and a la carte restaurant serving guests reclining on comfortable Balinese beds placed around the swimming pool. There will also be a new convention centre with a number of meeting and event rooms.

#### ADDITIONS IN 2006

- **Paradisus Princesa del Mar (Varadero, Cuba).** The Paradisus Princesa del Mar Resort is the seventh Sol Meliá hotel in Varadero, Cuba. The resort provides 434 suites and an adult-only Royal Service, eight restaurants serving different specialities such as Japanese Teppanyaki, Oriental, Caribbean, Italian, French and continental. The evenings rock with six bars providing popular live music. The Paradisus Princesa del Mar offers land and water sports and an extensive entertainment programme.



*Paradisus Palma Real*

## LUXURY LIFESTYLE HOTELS & RESORTS

Luxury Lifestyle Hotels & Resorts, small yet superior luxury



Luxury Lifestyle Hotels & Resorts (LLH&R) is a collection of more than 100 unique hotels and resorts located in Europe, and also recently in America. Aimed at the most discerning traveller seeking relaxed sophistication and superb service, it is home to hotels with the highest degree of sophistication, good taste, and excellent locations in the heart of the city or in stunning natural environments.

Luxury Lifestyle Hotels & Resorts was created in 2004 by The Stein Group to optimise the promotion and sales of small and medium-sized independent hotels in Europe and the Americas.

In 2005, Sol Meliá became a shareholder and provided Luxury Lifestyle Hotels & Resorts with the most advanced technological systems. LLH&R thus began to benefit from the expertise in the management of small and medium-sized hotels of the Stein Group and all of the technology and distribution channels provided by Sol Meliá.

### LLH&R HOTELS

Luxury Lifestyle Hotels & Resorts is highly specific in the requirements for acceptance of new member hotels: the highest standards of accommodation - professional and discreet service - sophisticated yet relaxed atmosphere and uniqueness based on their architecture, location and design.

LLH&R has defined two types of hotel to better respond to the different expectations of travellers.

*The Luxury Hotels collection:* the most exceptional properties with innovative interior design, unique architecture and excellent cuisine.

**AIMED AT THE MOST DISCERNING TRAVELLER SEEKING RELAXED SOPHISTICATION AND SUPERB SERVICE, IT IS HOME TO HOTELS WITH THE HIGHEST DEGREE OF SOPHISTICATION, GOOD TASTE, AND EXCELLENT LOCATIONS IN THE HEART OF THE CITY OR IN STUNNING NATURAL ENVIRONMENTS.**



Cap Estel (Côte d'Azur, France)



Hacienda La Botica (Seville, Spain)



Can Bonastre Wine Resort (Masquefa - Barcelona, Spain)



Elounda Gulf Villas & Suites (Crete, Greece)

*The Lifestyle Hotels collection:* exuding warmth and charm and focused on two objectives: the satisfaction of guests and personalised service in a relaxed setting.

*Selection criteria:*

- Location in Europe and America
- No more than 135 rooms
- Personalised service in a relaxed atmosphere
- Exceptional quality facilities
- Superior level of customer service
- Architectural or historical interest
- Gourmet restaurant
- 24-hour room service

## LLH&R SERVICES

The company has its head office in Barcelona and is supported by a dedicated team experienced in international luxury hotels and a network of offices in different countries (Madrid, London, New York, Miami, Sydney).

The services which Luxury Lifestyle Hotels & Resorts provides to member hotels include the latest booking technology and an action plan for achieving sales objectives and notoriety.

## LLH&R IN 2006

After the investment by Sol Meliá in LLH&R at the end of 2005, as majority shareholders The Stein Group and Sol Meliá decided to consolidate the company to put in place



Gran Hotel La Florida (Barcelona, Spain)



Cap Estel (Côte d'Azur, France)

a four-year strategic plan, leading to several changes in organisation, investments, activities and development.

#### *Infrastructure*

- Internal reorganisation into four business areas: sales, marketing, business development and operations, led by a Managing Director reporting to a Board of Administration.
- External: contracting of experts in Sales, Marketing, and Press & Public Relations in major markets: United States, United Kingdom, France, Germany, Spain, Portugal and Italy.

#### *Marketing*

- Redefinition and promotion of brand image at trade fair stands and in promotional materials.
- Launch of Luxury Lifestyle Card as an additional service for members.
- Website in Spanish to develop the Spanish market and attract more direct customers.
- Full integration of two booking systems in website.
- New USA telephone number through the Sol Meliá call centre in Miami.

#### *Sales*

- Presence in more countries through agencies or visits by sales networks.
- Participation in trade fairs with own stand.
- Organization of department around Key Account Manager and Market Manager.
- Knowledge and experience of each property.

#### *Growth*

- 34 new hotels were added in 2006 and the year ended with 97 members.
- Agreements with prestigious international chains: Pestana and Pousada in Portugal, Derby Hotels, Hoteles Center, Jumeirah Hotels.
- New destinations in every country.
- New countries: Sweden and Czech Republic.

## YHI SPA

### A commitment to wellness

Yhi Spa is the new Sol Meliá wellness brand. The name comes from the legend of Yhi, the aboriginal goddess of light who ended the period of darkness by covering the earth with life. Wellness centres and spas are like places of worship for people needing renewal, revitalisation, and an escape from the worries and stress of daily life. Yhi Spa is a synonym for light, for vitality, and for harmony.

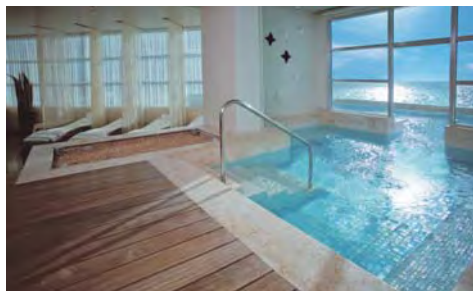
The result of extensive market research and product development of a Spa experience based around the needs of contemporary society, but nourished by ancient cultures and traditions. Yhi Spa, the ideal choice to accompany great vacations and business travel.

Already available in the finest Sol Meliá destinations in Meliá, ME by Meliá and Paradisus hotels, Yhi Spa became a reality in October 2006 and is scheduled to reach a total of more than 20 Yhi Spa at the end of 2007 before adding further facilities in future years.



OPEN 2006	OPENING 2007-2008
Meliá Royal Tanau Boutique Hotel	Gran Meliá Victoria
Gran Meliá Cancún	Meliá Palas Atenea
ME Cancún	Meliá Zaragoza
ME Cabo	Meliá Barcelona
Paradisus Palma Real	Meliá Sitges
Paradisus Río de Oro	Meliá Castilla
Meliá Cayo Santa María	Meliá Sol y Nieve
Gran Meliá Jakarta	Meliá Golf Vichy Catalan
Meliá Bali	Gran Meliá Palacio de Isora
	Paradisus Riviera Cancún
	Paradisus Punta Cana
	Gran Meliá México Reforma
	Gran Meliá Puerto Rico
	Gran Meliá Shangai
	Meliá Benoa

Yhi Spa is an exquisite club with excellent facilities including hydrotherapy, relaxation, facial and body treatment booths, massages, and fitness equipment in tune with the latest trends in wellness and spas. Amongst the exclusive services they provide are Yhi Flavours, Yhi Life Style, Yhi Trainings and the special Yhi Nights for enjoying all of the magic of the spa under the stars.



**Yhi Spa global treatments and services:** a spa experience with the finest selection of treatments and rituals so essential for awakening the senses and specifically designed to inspire wellness: health, beauty, relaxation and vitality.

**Yhi Spa local treatments and services:** focused on the development of a local menu which invites visitors in to discover the unique identity and latest trends of the destination.

Yhi Spa also creates different spaces and concepts for each of its different areas:

**Hydrothermal circuit,** for water and contrast rituals which are an experience in themselves but also perfectly complement and prepare the body for more intensive treatments.

**Yhi flavours** is a selection of healthy flavours which magnify the benefits of Yhi Spa treatments and are presented as a choice of selected infusions, elixirs, juices or dishes, created by a partner company specialising in diet and nutrition.

- **Yhi Moves** includes fitness areas equipped with top-of-the-range equipment for personal fitness and training.
- **Yhi Home**, boutiques which allow guests to enjoy the Yhi Spa experience at home, including all of the cosmetics, linen, and other sensorial products that inspire relaxation.
- **Yhi Relax**, relaxation areas adapted to the different outdoor and indoor settings in each hotel.
- **Eco-Yhi**, open air spa areas in some of our resort hotels.

**WELLNESS CENTRES AND SPAS ARE LIKE PLACES OF WORSHIP FOR PEOPLE NEEDING RENEWAL, REVITALISATION, AND AN ESCAPE FROM THE WORRIES AND STRESS OF DAILY LIFE.**



ME Cancún



Sol Meliá and corporate social responsibility



## 5.1 CORPORATE GOVERNANCE

Meeting on 27 March 2007, the Board of Directors approved and made available to Company shareholders the Annual Report on Corporate Governance for the financial year ending 31 December 2006, in compliance with Law 26/2003 of 17 July, by which a modification was made to Stock Market Law 24/1998 of 28 July and the Revised Text of Company Law, approved by RDLeg.1564/1989 of 22 December, to promote transparency in publicly quoted companies.

The Annual Report on Corporate Governance has been produced in accordance with the aforementioned Law 26/2003, as well as with the contents of Ministerial Order ECO/3722/2003 of 26 December on the annual report on corporate governance and other informational tools used by publicly quoted companies and other entities, and applying the model defined in Circular 1/2004 of 17 March from the Spanish Stock Exchange Commission.

The regulation of corporate governance at SOL MELIÁ S.A. is contained within Company Bylaws, in the Regulations of the Board of Directors and in the Internal Code of Good Conduct in matters relating to the stock market, all available to shareholders and investors both at Company headquarters and through the Company website ([www.solmelia.com](http://www.solmelia.com)) in the section on Corporate Governance.

The most recent changes in the Company corporate governance regulations were approved at the General Shareholders Meeting of 8 June 2004. The Meeting approved the proposals of the Board of Directors to modify Company Bylaws and the Regulations of the General Shareholders Meeting. In compliance with article 115 of the Stock Market Law, the General Shareholders Meeting was also informed of the approval by the Board of Directors of the new Regulations of the Board of Directors in their meeting of 30 March 2004. All proposals mentioned have the objective of reviewing Company regulations and adapting those regulations to the criteria on transparency for publicly quoted companies contained within the report by the Special Committee for the Promotion of Transparency and Security in Financial Markets and Public Companies ("Aldama Report"), in Law 44/2002 of 2 November on reforms in the financial system and in the aforementioned Law 26/2003.

The Board of Directors meeting of SOL MELIA S.A. held on 7 September 2004 also approved some modifications to the Internal Code of Good Conduct in matters relating to the stock market to further increase protection of investors and transparency in the markets.

No changes have been made in the Company Corporate Governance regulations in 2006.



## 5.2 HUMAN RESOURCES

In line with Sol Meliá strategy to further strengthen brand management and differentiate the brands that form part of the company, Human Resources changed its structure in 2006 to better respond to the related objectives.

Human Resources teams have been organised around two fundamental premises: brand specialisation and functional specialisation. Management implemented important initiatives in 2006 to continuously improve both employee and guest satisfaction, the essential basis for the future success of Sol Meliá.

The importance that Sol Meliá gives to its human resources is exemplified by the fact that one of the strategic priorities of the Company is Management of People's Talent and Empowerment. The management of talent in its different stages, its identification, incorporation, development and promotion, allow Sol Meliá to form a highly qualified team. This team is responsible for the almost daily improvements in our service quality as seen in the results of the external quality audits carried out in our hotels, where the service and ability of the staff is rated very highly by our guests. An empowerment programme is soon to start for all positions, especially those where staff are in direct contact with guests, aiming to maximise service levels and quickly and efficiently resolve any problems.

Management of People's Talent and Empowerment includes two major strategic projects: the Customer First Programme and Awareness of Internal Client programme. The first aims to enhance the importance of the customer as the heart of the organisation through the Guest Experience concept, allowing guests to enjoy an unforgettable hotel experience which emphasises the moments of truth, those key moments of interaction between guests and staff.

The programme aims to generate intangible and emotional value as an additional attribute of the brand. The Awareness of Internal Client programme, on the other hand, aims to fully integrate the new business model into the organisation and explain and promote Company strategy to staff in their daily work.

The number of employees did not change significantly with respect to 2005; an average of 32,634 compared to 32,477 in the previous year.

EMPLOYEES BY REGION								
EMPLOYEES	SPAIN	OTHER EUROPE	CUBA	SMVC	NORTH AMERICA	SOUTH AMERICA	ASIA	TOTAL
PERMANENT	7,624	1,091	6,938	339	7,105	2,453	2,193	27,743
TEMPORARY	2,732	229	0	2	1,490	0	438	4,891
<b>TOTAL</b>	<b>10,356</b>	<b>1,320</b>	<b>6,938</b>	<b>341</b>	<b>8,595</b>	<b>2,453</b>	<b>2,631</b>	<b>32,634</b>

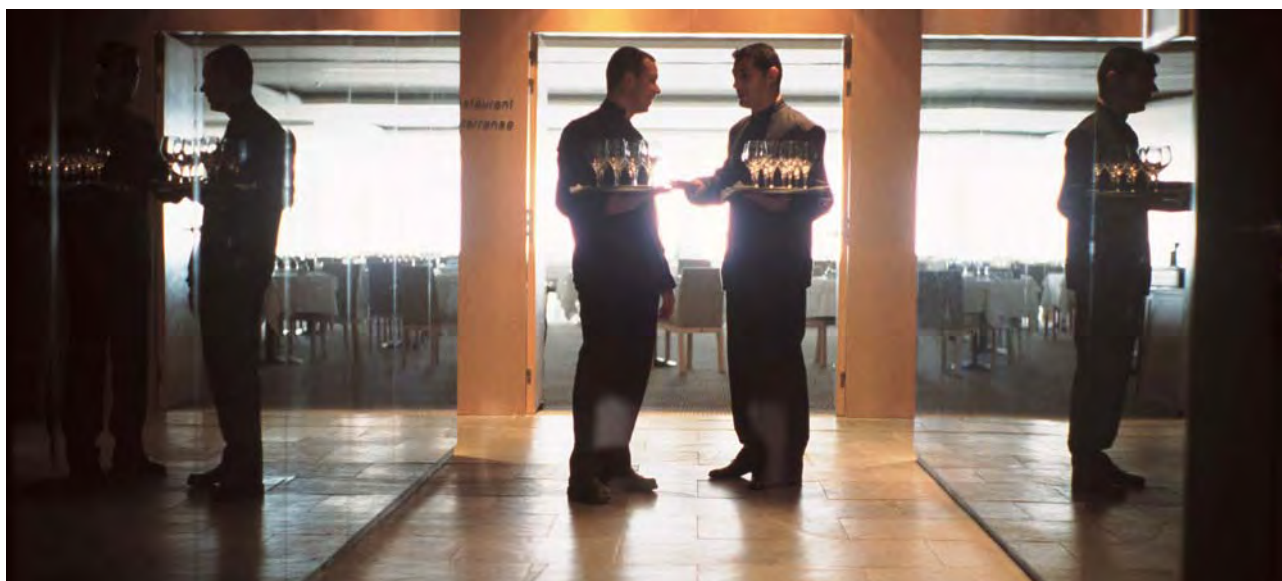
EMPLOYEES BY LEVEL								
EMPLOYEES	SPAIN	OTHER EUROPE	CUBA	SMVC*	NORTH AMERICA	SOUTH AMERICA	ASIA	TOTAL
CORPORATE	879	87	0	5	215	60	6	1,252
HOTEL	9,477	1,233	6,938	336	8,380	2,393	2,625	31,382
General staff	7,825	1,039	5,411	300	7,774	2,143	2,530	27,022
Managers	1,485	170	1,388	30	586	225	88	3,972
Directors	167	24	139	6	20	25	7	388
<b>TOTAL</b>	<b>10,356</b>	<b>1,320</b>	<b>6,938</b>	<b>341</b>	<b>8,595</b>	<b>2,453</b>	<b>2,631</b>	<b>32,634</b>

AGE RANGE (%)						
EMPLOYEES	SPAIN	OTHER EUROPE	NORTH AMERICA	SOUTH AMERICA	ASIA	TOTAL
< 20	0.91	4.63	4.11	8.60	1.63	4.45
20-30	19.56	43.38	55.46	52.51	30.06	49.46
30-40	25.43	29.73	20.52	24.26	48.65	26.88
40-50	28.74	14.29	15.63	11.33	17.64	15.16
50-60	22.82	6.81	4.11	3.10	2.01	3.81
> 60	2.55	1.16	0.18	0.20	0.00	0.24

GENDER (%)							
EMPLOYEES	SPAIN	OTHER EUROPE	CUBA	NORTH AMERICA	SOUTH AMERICA	ASIA	TOTAL
MALE	48.18	49.65	0	64.92	56.38	70.85	57.07
FEMALE	51.82	50.35	0	35.08	43.62	29.15	42.93

Sol Meliá employees come from over 80 different countries:

Nationalities	%	Nationalities	%	Nationalities	%	Nationalities	%
Spanish	37.58	Portuguese	0.22	Lithuanian	0.04	Honduran	0.01
Dominican	12.87	Argentinean	0.16	Congolese	0.04	Guinean	0.01
Mexican	8.78	Polish	0.13	Cameroonian	0.04	Danish	0.01
Indonesian	7.77	Rumanian	0.13	Swedish	0.03	Sierra Leone	0.01
Brazilian	5.97	Nigerian	0.13	Greek	0.03	New Zealander	0.01
Moldovan	4.64	Chinese	0.12	Sri Lankan	0.03	Lebanese	0.01
American	2.65	Philippine	0.12	Others	0.03	Cambodian	0.01
Venezuelan	2.28	Indian	0.12	Czech	0.03	Singaporean	0.01
Costa Rican	2.14	Turkish	0.10	Bolivian	0.02	Taiwanese	0.01
Italian	1.88	Belgian	0.10	Austrian	0.02	English	0.01
German	1.83	Chilean	0.09	Swiss	0.02	Croatian	0.01
Vietnamese	1.64	Nicaraguan	0.09	Irish	0.02	Madagascan	0.01
Cuban	1.64	Mauritanian	0.08	Norwegian	0.02	Hong Kong	0.01
Algerian	0.94	Yugoslavian	0.08	Haitian	0.02	Guinea Bissau	0.01
Malaysian	0.91	Dutch	0.08	Tunisian	0.02	Slovenian	0.01
Paraguayan	0.87	Senegalese	0.07	Korean	0.02	Japanese	0.01
Peruvian	0.74	Uruguayan	0.07	Ghanaian	0.02	Angolan	0.01
French	0.60	Ukrainian	0.06	Hungarian	0.02	Georgian	0.01
Colombian	0.45	Bulgarian	0.05	South African	0.02	Canadian	0.01
Ecuadorian	0.42	Pakistani	0.05	Finnish	0.01		
Moroccan	0.36	Slovakian	0.04	Ivorian	0.01		
British	0.24	Russian	0.04	Mauritanian	0.01		



Company personnel management is structured as follows:

Recruitment; Training and development; Quality and workplace environment; Recognition; Organisation; New technology; Labour relations

### 5.2.1 RECRUITMENT

One of the main responsibilities of Human Resources is to provide the organisation with the skills required to allow it to grow in the future and achieve the objectives defined in the strategic plan.

To help achieve this, a team specialising in personnel recruitment bases searches for candidates from the following sources:

1. Internal promotion: Promosol (approximately 30% of positions are covered by internal promotion).
2. Sol Meliá website.
3. Employment websites.
4. Universities and business schools.
5. Hotel schools.
6. Advertisements in the press.
7. Student placements.
8. Public placement services.

Once needs have been defined, a recruitment profile is drawn up including know-how, skills, abilities, competences, future potential, etc. which combines with a selection by competences model to help select the ideal candidate.

In a company in which customer experience is one of the keys to the success of the business, competences such as a focus on customers, a focus on achievement, an ability to influence, and initiative must form part of the human team.

In 2006 around 10,000 people were contracted and support was also provided by around 1,700 students doing in-house training in corporate offices and hotels.

### 5.2.2 TRAINING AND DEVELOPMENT

For Sol Meliá, the training and permanent development of service personnel is a vital element in the achievement of an unforgettable experience for guests.

The company has a formal training programme based on the following:

- I. Improving the professional capacity of employees.
- II. Improving the personal development of employees.
- III. Improving productivity and competitiveness.
- IV. Contributing to the achievement of the strategic objectives of the company.

The training system in 2006 included the following aspects:

- **Strategic Plan**  
Alignment of employees with company strategic objectives.
- **Development plans**  
Actions designed for "high potential" employees to develop their skills and know-how from within Sol Meliá.
- **Retraining**  
Updating of skills and techniques.

**HUMAN RESOURCES TEAMS  
HAVE BEEN ORGANISED AROUND  
TWO FUNDAMENTAL PREMISES:  
BRAND SPECIALISATION AND  
FUNCTIONAL SPECIALISATION.**



- **Recognition training**  
Actions designed for staff identified as “key” to improve their expertise in their position.
- **A la carte training**  
Specific actions aimed at covering training needs identified in each business unit.

In development, 2006 was a year for the consolidation of the plans aimed at hotel personnel: general staff, managers and directors.

Sol Meliá currently has a development plan for all levels of the standard hotel organisation employing its own particular methodology:

- Horizontal development plans. For employees in general staff positions in hotels.
- Vertical development plans. For employees in assistant management positions in departments.
- Head of department development plans
- Assistant General Manager development plans
- General Manager development plans
- Internal Development Plan

“High potential” personnel are identified each year in each of the different levels of the organisation to assist in assigning people to each of the programmes.

To promote the improvement of skills and know-how, all employees on a development plan are assigned a tutor and a member of Human Resources to support them and monitor implementation of the plan. Human Resources also determines possible training actions and/or complementary development for the groups on each of the different development programmes.

In 2006 the company announced the sixth edition of the Internal Development Programme for Hotel General Managers for anyone in the company with an interest in becoming a Hotel General Manager. It is a practical and theoretical training programme carried out in company hotels and lasting two years which aims to develop new Hotel General Managers. 15 people were selected for this edition of the programme from a list of around a hundred applicants.



The total spending on training in 2006 was 2,943,169 Euros, an average of 90.18 Euros per person. The total number of training hours in 2006 was around 500,000, an average of 15 hours per employee. Around 34% of the training was organised internally.



To help encourage learning, research and publication in tourism, in 2002 the Company created the Sol Meliá Chair in Tourism Research together with the Balearic Islands University. Every year the faculty awards the Gabriel Escarrer International Award for Tourism Research, now one of the most important prizes in the world of tourism, and also provides support for the research carried out by staff at the university.

### 5.2.3 WORKPLACE QUALITY AND SATISFACTION

The first step towards satisfying guests is to satisfy employees. The human warmth and know-how of Sol Meliá personnel can be seen in the personalised treatment which is such an intrinsic part of the Service Culture which means so much to the company.

Service standards and procedures were defined for each brand (Gran Meliá, Meliá, Me by Meliá, Tryp, Sol and Paradisus) aiming to satisfy the needs of customers and create a unique and unrepeatabe experience around every stay.

All of the company service philosophy can be summarised by the slogan "Everything is Possible".

To guarantee service standards and compliance with procedures there are different tools used to measure the quality of services and facilities and the overall hotel experience.

The number of quality surveys carried out in 2006 was:

North America and the Caribbean	31,299
South America	16,346
Asia	15,532
Cuba	86,616
Europe	149,721
<b>TOTAL</b>	<b>299,514</b>

In 2006, a total of 352 Quality and Workplace Environment Action Plans were also implemented worldwide.

Experience shows that there is a correlation between the results of the workplace environment survey (internal satisfaction) and the perception of quality and the satisfaction of our guests. Every year the company carries out a workplace environment survey to detect areas for improvement. In 2006 there were 18,075 responses to the survey.

### 5.2.4 RECOGNITION

An appropriate recognition policy allows the evaluation and sharing of initiatives which generate improvements in both internal and external service quality.

In addition to the existing programmes for best department, best employee, best suggestion, highest rated person, etc., in 2006, for the first time ever and on a global level, best service awards were introduced for each of the different brands in the Sol Meliá portfolio.



These awards consider the best results for service and also the best improvement in performance over the previous year. They are rewarded with a cash amount to be spent on improvements in staff areas in the hotel.

Together with recognition and remuneration programmes including fixed salaries and short and longer term bonuses, these awards focus people on achieving the objectives of the company, the different divisions, each business unit and each department.

#### 5.2.5 ORGANISATION

In 2006, the organisational model based around processes detailed in the Strategic Plan for 2004-2006 was consolidated through the implementation and monitoring of processes designed in 2005 in different company departments.

Constant monitoring aims to identify potential improvements in processes and evaluate their implementation in other business divisions, guaranteeing globalisation and the use of best practices worldwide.

The company has created a Knowledge Tree available to all employees worldwide online. The primary objective of the Knowledge Tree is to collect, organise, update and distribute the company's intellectual capital so that employees have a wide range of useful content within easy reach to improve operations, profitability and consistent application of Sol Meliá policies.

## 5.2.6 NEW TECHNOLOGIES

To further the aims of globalisation and consistent application of policies, the Human Resources module in SAP introduced a Global Employee project which helped to create a global employee database, in response to the need for information on employees worldwide and for reliable and accurate figures for management and decision-making.

The SAP programme is still an important tool in the decentralisation of corporate functions and automation of processes, and for that reason it was updated and improved constantly throughout the year to generate greater efficiency and employee reference data.

## 5.2.7 LABOUR RELATIONS

### Code of Ethics

Sol Meliá applies general global criteria to the behaviour of executives that are extremely important to the company. This ethical code also applies to conflicts of interest, use of information or resources, policies on family relations, personnel policies and sanctions.

Policies on conflicts of interest and the use of information or resources limit the use of past, current or future corporate information for any ends other than that of the development of company business. It also forbids a Sol Meliá executive from occupying a position as an employee or shareholder of supplier companies or other companies that compete in the same business. Policies also regulate confidentiality of information and the use of real estate or other assets in company interests.

The policy on family relations deals with the possibility of executives employing direct family relations in the department or business unit they run.

Personnel policies demand the respectful treatment of colleagues and customers, particularly avoiding any behaviour that might offend the dignity of the person involved or any discrimination based on gender, race, age, religion, nationality or any other such factor.

The duties of loyalty and good faith of employees are supervised by the Human Resources Department and by the Compensation and Appointments Committee based on evaluation procedures for each of the aforementioned policies.

The company recognises full equality of opportunities for all employees and candidates regardless of their race, colour, religion, gender, sexual orientation, nationality, marital status, disabilities, age or any other consideration, in accordance with applicable international, national and local law.

The policy of equal employment opportunities at Sol Meliá is applied to all employment terms and conditions, including, without limits, the employment contract, contracting, promotion, termination, authorised absence, remuneration and training.

In particular, the company prohibits any conduct that represents harassment of or between employees. Any conduct experienced by an employee which they believe to



represent harassment or discrimination must be communicated immediately to their hierarchical superior.

If the employee believes it would not be appropriate to report such an incident to their hierarchical superior, the matter should be reported to the superior on the next level of the hierarchy who must then carry out an investigation and report to the regional human resources department.

If the company considers that an employee is guilty of harassment or discrimination towards other employees, the most appropriate measures will be taken in each case within the limits of the law.

Sol Meliá prohibits any form of reprisals against any employee presenting a complaint in good faith within the framework of this policy or as a result of an investigation of a complaint. Nevertheless, if the company determines that no measures need to be taken after investigation, the company also reserves the right to take disciplinary measures against the person that registered the complaint or provided false information.

As an integral part of the Sol Meliá team, the company expects each employee to accept certain responsibilities and maintain the highest levels of personal integrity.





## 5.3 EMPLOYEE HEALTH

Sol Meliá's employees are the company's most important asset. That is why the company works hard to prevent risks in the workplace and to guarantee the health and safety of employees. As a company with operations in 27 countries, employee health policies differ according to the laws and customs of each of them. Company policy requires strict compliance with the applicable legislation in every country and the development of policies designed to prevent the specific risks detected in each area.

In spite of the differences between business divisions, the hotel chain aims to become a point of reference in each of the countries in which it operates, and one of the ways to achieve this is to be a model of responsibility and sustainability in relations with and care for employees.

### EUROPEAN DIVISION

Sol Meliá operates in eight European countries: Belgium, Croatia, France, Germany, Great Britain, Italy, Portugal and Spain, the latter home to corporate headquarters and the majority of the employees. There are 11,676 employees in the European Division, also including the hotels the company operates in Tunisia and Egypt. As is the case with all of the different areas, procedures vary according to the country in which hotels are located.

### Spain

Spain is home to corporate headquarters and to the largest number of Sol Meliá employees, 10,356 people between corporate offices and hotels. In 2006, there were 633 workplace accidents in Spain leading to 10,272 lost days of work. The incident index reached 89.17, the frequency index 4.75 and the seriousness index 0.69. Last year there was also one fatal accident which occurred in transit. The rate of absenteeism due to general illness was 4.47%.

These statistics include the accidents registered amongst the 7,099 employees directly contracted by Sol Meliá, but not those contracted by associated companies. The DELTA programme is used to compile the statistics.

Health and Safety Committees monitor the company's activities in preventing accidents in the workplace. In Spain every work centre with more than 50 employees has a committee. The committees may have two or more prevention delegates and two or more company representatives. Work centres with up to 30 staff have one prevention delegate chosen from amongst the staff.

In 2006 there were 184 courses given on the prevention of risk in the workplace, 30 first aid courses, 57 fire prevention courses, 5 on handling chemical products, 49 training courses for staff representatives, and 64 courses for specific work positions.

Strict compliance with the regulations and, consequently, with the recommendations of the International Labour Organisation, is monitored by an external audit performed by a locally certified company.

**SOL MELIÁ'S EMPLOYEES ARE THE COMPANY'S MOST IMPORTANT ASSET. THAT IS WHY THE COMPANY WORKS HARD TO PREVENT RISKS IN THE WORKPLACE AND TO GUARANTEE THE HEALTH AND SAFETY OF EMPLOYEES.**



## Europe

In 2006 the company had 285 employees in 11 hotels in Germany (not including the Meliá Berlin opened at the end of the year). Last year there were nine workplace accidents, four less than in the previous year and absenteeism, including absences through illness, reached 3.84% of working hours.

In hotels in Germany there were training sessions on critical control points and risk analysis, emergency evacuation and first aid, which in the Tryp Oberhausen is a two-day course held in cooperation with the local Red Cross. The majority of hotels also have a Health Committee to plan and control health and safety policies in the workplace.

In France Sol Meliá has eight hotels and a corporate office in which 186 people are employed. Last year there were 14 accidents and the absentee rate related to these accidents was 0.08% of all working hours. In all of the hotels and in corporate offices there is a committee made up of company and labour representatives which discusses and controls health and safety policies.

Absenteeism from the point of view of illnesses related to work conditions was an insignificant 0.015%, but total absenteeism including illnesses, accidents and other reasons reached 3.9%.

In Italy the Company has 393 employees and an absenteeism rate in 2006 of 2.74%. All staff receive training on risk prevention and control. Although there is no contact with labour unions, there is a law which regulates workplace safety. All of the employees have a committee with representatives of the workforce and the management, and also a doctor. The committee is responsible for regularly checking that operations comply with workplace health and safety regulations.

Sol Meliá employees in Italy received a total of 4,292 hours of training courses in 2006, an average of more than 73 hours per employee per year.

In Great Britain Sol Meliá has one hotel, the Meliá White House, with an average of 235 employees. In 2006 there was an absenteeism rate of 1.43%, an important increase over the 0.44% of 2005. This increase was due to hours lost due to illnesses and hospitalisation of contracted staff reaching a total of 7,000 last year.

In 2006 there were 59 workplace accidents and there were training courses on bomb threats, fire evacuation, security, food handling, and control of substances that present a health risk, amongst others.

In Belgium the Company has an average of 20 employees at the Meliá Avenue Louise Boutique Hotel. The absenteeism rate was 2% in 2006 and there were no workplace accidents.

Apart from these countries, Sol Meliá has 16 establishments in Croatia where staff have a Workplace Protection Committee made up of a representative of the Company, a representative of the staff, an expert in workplace health and safety and a doctor specialising in workplace medicine.

## Egypt and Tunisia

The European Division also includes the hotels in Egypt, a country in which the Company operates four hotels with a total of 795 staff. In 2006, the staff suffered 2 workplace accidents. They also received training on AIDS, bird flu, fire evacuation, and



other aspects of workplace health and safety. In each hotel there is a health and safety committee which monitors the risk prevention and health programme.

The Company also operates 3 hotels in Tunisia with a total of 301 employees. In 2006 there were 10 workplace accidents. In all of the hotels there were also training courses on emergency evacuation and other general workplace health and safety issues. In the Meliá Palm Azur staff received specific training with regard to AIDS and bird flu and there is also a committee which monitors workplace health and safety issues.

## ASIA PACIFIC DIVISION

Sol Meliá has seven hotels in Indonesia, Vietnam and Malaysia in which there is an average of 3,343 employees. In all of them absenteeism is monitored, not reaching 1% of total hours worked, along with accidents and similar incidents, of which there were 29, none of them fatal. All of the hotels have policies on workplace health and safety and risk prevention.

At least once every quarter Company hotels in Asia carry out courses on the prevention of AIDS and bird flu, and evacuation procedures for earthquakes, fires and hurricanes. To reduce the number of workplace accidents there are also regular and frequent training programmes by the maintenance department and machinery suppliers.

In addition to these courses, hotels also organise their own prevention workshops. For example, the Meliá Bali organises dengue fever prevention sessions for staff; staff at the Gran Meliá Jakarta and Meliá Kuala Lumpur get training on how to respond to terrorist threats, while courses on first aid, hygiene and ergonomics are held in all of the hotels in Asia.

Each of the seven hotels has a health and safety committee formed by representatives of the management and staff to monitor health and safety issues.

Division management also aims to promote punctuality and attendance through the award of prizes and certificates to staff and departments with the lowest absenteeism rate.

## South America

The South America Division of Sol Meliá includes hotels in Argentina, Brazil, Colombia, Peru, Uruguay and Venezuela: in total 2,453 employees and an absenteeism rate of 0.38%. In 2006 there were 50 workplace accidents, none of them fatal.

All of these countries have their own specific health and safety legislation, but the procedures in hotels are fairly similar. When there is a workplace accident this is reported to the workplace insurance company which then takes care of any medical treatment. The insurance company also sends the Company data for registering the details of the accident both internally and with the relevant authorities.

Given the range of different regulations, the health and safety committees in each country are quite different, although all of them are formed by representatives of management and staff, and all of them regularly monitor health and safety policies, programmes and events. In Brazil, for example, hotels with more than 50 employees have a CIPA (Internal Commission on the Prevention of Accidents) comprising two members of the management team and two members of staff chosen every year. The CIPAs meet every month to implement the annual programme. Peru is an exception, because legislation on the subject was not approved until April 2007, at which time staff at the Meliá Lima voted to choose four health and safety representatives for the health and safety committee which began to operate on 1 April 2007.

With regard to health and safety training, and particularly AIDS, hotels in South America follow the policies determined by each of their respective Health Ministries. Each of the hotels also carries out their own programmes. For example, the Meliá Recoleta Plaza Boutique Hotel (Buenos Aires, Argentina) has a safety and hygiene consultant that regularly reviews compliance with the workplace safety regulations in Argentinean law and also provides courses on first aid, resuscitation, evacuation, etc.



## North America and the Caribbean

The North America and Caribbean Division includes the Sol Meliá hotels in Costa Rica, Panama, Puerto Rico, Mexico and the Dominican Republic with a total of 8,595 permanent and temporary staff. In 2006 these hotels had an absenteeism rate of 0.54% of all hours worked and there were 239 workplace accidents, none of them fatal.

Each of the countries has workplace health and safety regulations which include systems for the notification of accidents and illnesses. In all of them employees must report any accidents to their superiors immediately. The Company must also present documentation to the social security authorities so that the need for any public assistance may be investigated along with the causes and potential remedies of the accident. For example, in Mexico the company must prepare an accident report which helps calculate a company risk index, complemented by an independent risk assessment by the Social Security authorities.

In all of the hotels in the area there are health and safety committees formed by members of staff and management which monitor workplace health and safety issues.

These committees also have to define and implement action plans for natural disasters, particularly hurricanes, including evacuation and cooperation with the local community.

With regard to information and prevention programmes, hotels in the region work with the authorities on AIDS prevention campaigns. In 2006 there were also prevention programmes against malaria, dengue fever, hepatitis B, flu, pneumonia and measles.

The Division also has contracts with different unions to cooperate in the planning of events and training activities in hotels.

## 5.4 CUSTOMERS

### OPTIMIS: PROFESSIONALISATION OF THE SALES NETWORK

The Sol Meliá sales model is based around the following four pillars:

1. Globalization.
2. Vision of customers and hotels.
3. Professionalisation of the sales network via specialisation.
4. Technology.

The adoption of this model led to an innovative project named OPTIMIS, a name which is also applied to the new vision in Sol Meliá of the relationships between our customers, our hotels and the sales network. The project seeks maximum levels of efficiency in our sales network, assigning the resources required to attract and develop corporate and intermediary clients and earn their loyalty, not only focusing on their current value, but also their potential and strategic value.

In the last two years, Sol Meliá has worked on several aspects of the project such as the definition of the mission and responsibilities of each sales position, an analysis of the degree of professionalism in the sales network, and the adjustment of the sales team to the number of clients to guarantee an optimum level of service and profitability. A new market segmentation has also been designed based on our knowledge of clients, companies and intermediaries and their current and future economic value, defining a theoretical growth potential based on their industry, size, number of employees, etc.



Today we have a sales force which is highly specialised and highly professional, which works in a team supported by the finest technology, and which guarantees a truly global service.

### THE EXPERIENCE IN SPAIN AS A TEST MARKET FOR OPTIMIS

The first stage of the project was carried out in Spain, defining a sales team focused on clients and structured by market segment to work alongside an existing sales network focused on hotels and organised on a regional basis.

We have also strengthened our teams in Madrid and Barcelona while also promoting telemarketing as a means of contacting lower volume accounts.

The next stages in the project will see implementation in Europe in 2007 and in the Americas in 2008.

### OPTIMIS AND GREATER CUSTOMER KNOWLEDGE

The most important feature of the Optimis project is the greater knowledge it provides us of our clients, an opportunity identified by the company six years ago to improve our relationships with companies and intermediaries through CRM and Advanced Customer Management tools.

These tools are used by the sales network every day to register all of the information they receive in their day-to-day contacts.

This information is complemented by very accurate data on purchasing behaviour obtained from GDS systems, the call centre, the website, third party programmes and other sources of external data.

### SMART: OUR CRM TOOL FOR COMPANIES AND INTERMEDIARIES

At the cutting-edge of the latest trends in the industry, Sol Meliá has created its own web-based and easy to use CRM tool named "SMART" (Sol Meliá Account Relationship Tool). This tool helps the sales team at every step in the sales process and also allows each of the accounts to be easily monitored and managed.

The system began to work in 2003 with a test group of 30 users in Spain. Today it is available to almost 500 sales team members in Spain, Europe and some parts of the Americas.

SMART gives us a full and global vision of our clients, a fact which has helped us to introduce new concepts such as a customer behaviour model based on customer life-time value which allows us to define different approaches based on the nature of each company or intermediary (active client, recovered client, dormant client, etc).

Once we had consolidated the use and usefulness of SMART, the next step was to design a Sales Monitoring Portal which will allow us to detect and analyse market opportunities and improve the results of our sales activities.

**THE SOL MELIÁ SALES MODEL IS BASED AROUND THE FOLLOWING FOUR PILLARS: GLOBALIZATION, VISION OF CUSTOMERS AND HOTELS, PROFESSIONALISATION OF THE SALES NETWORK VIA SPECIALISATION AND TECHNOLOGY.**



## COMMUNICATION AND ONLINE SALES: A NEW WAY TO MANAGE COMPANIES AND INTERMEDIARIES

Market trends have led Sol Meliá to look at the way it communicates with its corporate and intermediary clients in a different way, improving our knowledge of them through CRM and thus optimising our sales network. That is the reason that we have promoted the creation of innovative online sales campaigns which provide clients with products that are better adjusted to their particular preferences.

The main objectives of these contacts with companies and intermediaries are:

1. To treat companies and intermediaries in a different way (B2B).
2. To improve our knowledge of our customers.
3. To segment content.
4. To create synergies between traditional offline activities and new online initiatives.
5. To make better use of the online channel.

### 1. To treat companies and intermediaries in a different way.

Online campaigns have focused on the interests of clients. The style of communication, content and format depends on the needs of each company or intermediary. This allows us to create a more personalised message rather than being limited to the low impact distribution of the same standard message to all.

### 2. To improve our knowledge of our customers.

Unlike other communications channels, online channels give us instant feedback on the level of response of our clients. Interactive campaigns are useful for getting information on client preferences: purchasing behaviour, profiles, likelihood of purchase, etc.

### 3. Content segmentation.

Thanks to current technology it's relatively easy to select the most appropriate variables for defining target markets for each campaign. 2006 campaigns all used a segmentation based on different factors such as most frequent destinations, purchasing preference, customer life cycle, person responsible for the account, country of origin, etc.

### 4. To create synergies between traditional offline activities and new online initiatives.

The most valuable resource involved in sales to companies and intermediaries is a sales force which attracts and develops customers and earns their loyalty. All of their efforts are focused on their day-to-day relationship with clients during meetings, promotional visits, road-shows, telemarketing etc. These actions are now complemented, however, by online campaigns which maximise the reach of our messages and which create synergies between traditional offline activities and new online initiatives.

### 5. To make better use of the online channel.

Online channels have allowed us to reach clients that could not be managed using traditional channels due to their reduced volume or the difficulty in penetrating the market. This year we have been able to reach clients on all five continents with personalised and profitable messages. In 2006 we have carried out around 120 campaigns with results that have exceeded our expectations: up to a 348% return on investment for the campaigns, with a average of 44%, and opening rates between 40 and 50%, above average for the industry.



## MEETING SOL MELIÁ (MSM)



Meeting Sol Meliá (MSM) is the concept created in 2003 and developed over recent years which is responsible for all of the initiatives related to meeting and event products and services, and the sales team for conventions, incentives and events at Sol Meliá.

### Meeting Sol Meliá Hotels

Sol Meliá names those hotels that are best equipped to host events, meetings and incentives the “MSM hotels”. Customers may select the general destination or the specific location, the preferred characteristics of the hotel, and the amount of space they require from a selection of 96 hotels worldwide, all of them included in an exclusive directory.

### Meeting Sol Meliá sales management

The MSM sales force works in 13 countries and represents Sol Meliá in general, and the hotels that specialise in the conventions, congresses and incentives markets in particular.

Sales management at Meeting Sol Meliá is based on specialisation and market segmentation, with account managers responsible for key accounts and MSM sales executives clearly focused on generating new meetings and events business.

All of this is supported by the Corporate Group Desks which manage sales and operations on behalf of hotels with small and medium-sized groups that request groups and events.

### MSM standardisation project

The objective of the project was to implement the procedures and standards defined for sales and planning for groups, conventions, incentives and events and, as a result, led to the publication of the MSM Groups and Events Manual containing the standards and procedures which have been implemented via a two-day training programme.

In 2006 implementation was completed in MSM hotels and corporate teams in both Europe and the Americas. A total of 48 training courses in the management of MSM groups were given to over 650 people worldwide.

**THE MSM SALES FORCE WORKS IN 13 COUNTRIES AND REPRESENTS SOL MELIÁ IN GENERAL, AND THE HOTELS THAT SPECIALISE IN THE CONVENTIONS, CONGRESSES AND INCENTIVES MARKETS IN PARTICULAR.**



Meliá Castilla

## Participation in Trade Fairs 2006

### JANUARY

12 – 22	BTL, Bolsa de Turismo de Lisboa (Lisbon, Portugal)
23 – 24	FITUR CONGRESOS (Madrid, Spain)
25 – 29	FITUR, Feria Internacional de Turismo (Madrid, Spain)

### FEBRUARY

18 – 21	BIT, Borza Internazionale de Turismo (Milan, Italy)
21 – 23	CONFEX, Conference Exchange (London, United Kingdom)

### MARCH

8 – 12	ITB, Internationale Tourimus-Börse (Berlin, Germany)
23 – 28	MITT, Moscow Intl. Travel & Tourism Exhibition (Moscow, Russia)

### MAY

30 – 1/6	IMEX, Worldwide Exhibition for Incentive Travel, Meetings & Events (Frankfurt, Germany)
----------	---

### SEPTEMBER

21 – 23	TOP RESA (Deauville, France)
26 – 28	IT&ME, The Motivation Show (Chicago, United States)

### NOVEMBER

6 – 9	WTM, World Travel Market (London, United Kingdom)
22 – 25	EIBTM (Barcelona, Spain)



Meliá Golf Vichy Catalan

## New openings and MSM hotels New products, new destinations, new business.

2006 brought new and innovative products to the MSM hotel portfolio, particularly the ME Madrid Reina Victoria, the first ME by Meliá hotel for MSM, as well as the Meliá Berlin, both of which show how the attraction of greater business in European capital cities is one of the main objectives for our segment. The Meliá Golf Vichy Catalan hotel has also opened, a different type of product in a unique and privileged setting which perfectly combines business and leisure facilities. The addition of the Paradisus Princesa del Mar (Varadero, Cuba) also confirms the role of Varadero as a great incentive destination.



Paradisus Riviera Cancún

## TOUR OPERATION

It may be said that our relation with Tour Operation is as old as the Company itself, bearing in mind that the first contractor at Sol Meliá was our Chairman and founder, Gabriel Escarrer, back in 1956.

Tour operator contracting at Sol Meliá is centralised together with the whole process of planning, negotiating and monitoring of all of the contracts signed with tour operators worldwide. In 2006 the Company signed 31,000 contracts which generated a total of 604 million euros in revenues, around 48% of total Sol Meliá revenues. Twelve key tour operators alone generated 291 million euros over the year, 48% of the total.

Behind this contracting is a sales effort including private meetings, Road Show presentations, Workshops, and a presence at the most important trade fairs such as BTL- in Lisbon, FITUR- in Madrid, BIT- in Milan, ITB- in Berlin, MITT in Moscow, TOUR- in Gothenburg, STEPS- London, TOP RESA- Deauville (France), WORLD TRAVEL MARKET London, POW-WOW- USA, TIANGUIS- Acapulco, PATA- Asia, the exhibition in Dubai, etc.



Sol Jangada Fortaleza

## LOYALTY PROGRAMMES: OUR INDIVIDUAL CUSTOMERS

### Sol Meliá and partners

In 1993, Sol Meliá began its participation in loyalty programmes by forming part of the Iberia Plus programme. In subsequent years the company extended its participation to other programmes until reaching the current total of twenty airline loyalty partners.



Tryp Frankfurt

Sol Meliá currently takes part in the following loyalty programmes:

- AAdvantage (American Airlines)
- Aeroplan (Air Canadá)
- AMC Miles (ANA)
- Binter Mas (Binter Canarias)
- Club Premier (Aeroméxico)
- Club Ave (AVE\_Renfe)
- Distancia (Grupo Taca)
- Eurobonus (SAS)
- Fidelitas (Air Europa)
- Fly Pass (Meridiana)
- Frecuenta (Mexicana de Aviación)
- Hi-Fly (Meridiana)
- Iberia Plus (Iberia Líneas Aéreas)
- Jal (Japan Airlines)
- Krisflyer (Singapore Airlines)
- Lanpass (Lan Chile)
- Membership Rewards (American Express)
- Millemiglia Club (Alitalia)
- Victoria (Tap Air Portugal)
- Sky Miles (Delta Airlines)
- Sky Club (Portugalia)
- Spanair Plus (Spanair)
- Top Bonus (Air Berlin)
- Travel Club (Air Miles Spain)
- Trip Rewards (Cendant)

### MaS Rewards

In 1994, after witnessing the numerous benefits of loyalty programmes, including the creation of customer databases to allow regular communication of new hotels or special offers for specific customer types, Sol Meliá decided to create its own loyalty programme to reward frequent guests: the MaS Rewards programme.

MaS Rewards was aimed at providing guests with a more personalised hotel experience and also generating points and additional benefits whenever they stayed at company hotels: free newspapers, priority bookings, express check-in and late check-out, etc. Since then, the number of programme members has never stopped growing, and the programme has also added a long list of partners and additional benefits. At the end of 2006 there were 1,403,000 members of Mas Rewards, an increase of 34% over 2004.

The Sol Meliá website at [www.solmelia.com](http://www.solmelia.com) provides a special section for MaS members allowing them to consult their accounts, statements, gift catalogue, etc., all in real time. The website also allows a more direct communication with members through e-mail newsletters announcing the latest offers available at [solmelia.com](http://solmelia.com). At the end of 2006, 449,216 members had signed up for the online service.





## Programa Club Amigos

The “Club Amigos” programme for travel agents was created by Sol Meliá in 1997 and launched in Germany and Switzerland. After the success of the programme launch, the company extended the programme to Spain and Portugal. Other countries soon joined the programme:

- 1999 Club Amigos United States and Canada
- 2000 Club Amigos Mexico
- 2002/2003 Club Amigos United Kingdom and Scandinavia
- 2004 Virtual Club Amigos (Rest of the world)

## Sol Meliá loyalty in figures

More than two million people check in to company hotels thanks to a loyalty rewards programme and two out of every five individual guests staying at Sol Meliá hotels present a loyalty card when making their booking through the company central reservation systems. Since 1997, the SolRes central reservation system has seen an increase of 30% in revenues thanks to the booking requests from travel agents following the launch of “Club Amigos” Spain.

When these figures are added to a database of almost 45 million international frequent travellers, more than 1,000,000 MaS Rewards members and 115,000 travel agent members of the “Club Amigos”; the extraordinary influence of loyalty rewards programmes on Sol Meliá hotel sales is plain to see.



## solmelia.com: ONLINE LEADERS

Sol Meliá launched an entirely new version of its website at solmelia.com at the end of 2005 incorporating a large number of improvements and new features and worked intensively throughout 2006 to continue to drive further improvements.

Amongst the most important changes are designs to make it easier to search for and book hotels and special offers, as well as constant improvements to the presentation of hotels. The website has also added a new special offer search engine. Visitors only have to enter where they would like to travel and solmelia.com will show hotels with special offers in that destination for the next three months, including the daily room rate.

If the visitor already has a date in mind but is flexible about the destination, they may select the dates they wish to travel and a list of hotels with offers will automatically appear so that they may choose at leisure.

Solmelia.com is the best-selling hotel website in Spain. Net sales grew to 142 million euros in 2006, while net sales after cancellations grew by 47% to reach over 103 million euros. The number of searches and visits grew spectacularly by 80% and 23% respectively, reaching 80 million searches from 31 million visits, meaning that somebody visited the website every second of every day of the year.

In parallel, the solmelia.com team also focused on increasing subscribers to online newsletters through exciting promotions and games. The number of subscribers grew by 576,000 in 2006 to reach 1,700,000, an increase of 51% over the year.

Sol Meliá continues to strongly promote the solmelia.com Lowest Online Rate Guarantee which ensures users will find the lowest rate for company hotels on the company website rather than any other website. If this is not the case, the Company will match the lower rate and also give customers an extra 10% discount.



## 5.5 INVESTOR RELATIONS

In 2006, the Sol Meliá Investor Relations Department has carried out a number of activities focused on communication with company shareholders and potential investors. The most relevant actions in 2006 include a number of road shows in major European cities (Madrid, Barcelona, Milan, Geneva, Zurich, London, and Frankfurt) and in North America (New York and Boston), private visits to Spanish and international investors, participation in Mid Cap conferences, etc, all in close cooperation with the financial analysts that cover the trading of Sol Meliá shares and with the objective of ensuring they receive accurate and timely information.

The road shows are used to inform the market on company performance and provide a vision of how events may affect results. Information is also provided on advances in distribution, research, development and innovation, the financial situation and the development of new hotels and new business units.

Each road show implies a greater degree of commitment to and involvement with investors, the main protagonists of our stock market performance, which is why the Department works intensively to improve the service and the information it provides to investors on each trip.

In 2006, visits were made to more than one hundred institutional investors in Europe and the United States during the following road shows organised by a wide range of financial institutions.

- On 17 and 18 January 2006, the Investor Relations team through Kepler Equities visited 12 important institutional investors in New York and Boston (USA) .
- On 8 February 2006, at the “Small & Mid Caps Conference” organised by Banco de Santander in Madrid, Sol Meliá made a presentation of the Company, financial results and corporate strategy to 180 institutional investors from Europe and the United States. The Company also held individual meetings with European fund managers.
- On 23 and 24 March 2006, Sol Meliá met ten institutional investors in the two most important cities in Switzerland (Geneva and Zurich) at a road show organised by Banco de Santander.
- On 12 May de 2006, the Investor Relations team met a number of real estate investors at a “Property Tour” in Madrid organised by BBVA.
- On 18 May 2006, Sol Meliá met ten institutional investors at a road show in London organised by Banco de Santander.
- On 31 May 2006, Sol Meliá through Bolsa Madrid joined seventy other public companies at the second Forum for Small and Mid Caps organised by “Bolsas and Mercados Españoles” attended by Spanish and other European analysts and investors to debate the future of their industries. The Company also held individual meetings with institutional investors.

**IN 2006, VISITS WERE MADE TO MORE THAN ONE HUNDRED INSTITUTIONAL INVESTORS IN EUROPE AND THE UNITED STATES DURING THE FOLLOWING ROAD SHOWS ORGANISED BY A WIDE RANGE OF FINANCIAL INSTITUTIONS.**



- On 7 June 2006, the Company met 3 institutional investors in Geneva and the following day, 8 June, met 5 institutional investors at a road show in Milan organised by Banco de Santander.
- On 22 and 23 June 2006, Sol Meliá met seven institutional investors at a road show in Frankfurt organised by Kepler Equities.
- On 14 October 2006 the Investor Relations team visited four important investors in the company at a road show in Madrid organised by Sol Meliá in cooperation with several Spanish financial analysts.
- On 17 December 2006, the Company took part in a lunch-presentation for “Sectorial Small & Mid Caps” in Barcelona organised by Venture Finanzas for local institutional investors.

In 2006, the Director of Investor Relations, Carlos López, was named a member of the Management Board as one of the four spokespersons (in addition to the Chairman and Vice Chairman) of the Spanish Investor Relations Association. The Spanish Investor Relations Association was founded in 1991 as a non-profit organisation which aims to assist members in the improvement and promotion of investor relations in Spanish public companies, promoting activities focused primarily on training for members, the organisation of events and conferences, the promotion of international best practices in investor relations, and the sharing of know-how, demonstrating the commitment of the Investor Relations Department in particular and of Sol Meliá in general to communication with the markets and the transparency of information.

The Investors’ Club provides shareholders with a direct line of communication with company management to ensure they are kept up to date with all company developments, and also provides an opportunity to make suggestions.

This direct communications channel between shareholders and the company is provided through the website ([nversores.solmelia.com](http://nversores.solmelia.com)), in which both current and historical financial information is available, through e-mail ([club.accionista@solmelia.com](mailto:club.accionista@solmelia.com)) and through a direct phone line (+34 971 22 45 54).

Every shareholder member of the Club is also given a card which provides access to a series of benefits in company hotels such as priority reservations, express check-in, free newspapers, free breakfast for room mate, late check-out, advance warning of exclusive online offers. MaS Gold Shareholders, with more than 1,000 shares and holders of the MaS Gold card, also get upgrades to a superior room, 20% extra MaS Rewards points for every stay, discounts in hotel restaurants and other benefits.

Registration for the Shareholders’ Club may be made through [www.solmelia.com](http://www.solmelia.com) or by telephone on 901 34 44 44 for MaS Blue Rewards members with less than 1,000 shares and 901 10 00 02 for MaS Gold Rewards shareholders.

At the end of 2006, there were 160 MaS Gold Rewards Shareholders and 2,675 MaS Blue Rewards Shareholders. Every two months they receive a points account statement, every three months an exclusive newsletter with special offers and benefits, and twice a year a newsletter with news on company performance.

The Sol Meliá website at [www.solmelia.com](http://www.solmelia.com) has a special new section for financial information with an attractive design which provides full and accessible information on finances and corporate governance. The section is in full compliance with the directives on transparency in financial information issued by the Spanish Stock Exchange Commission.





The section contains updated information on quarterly results, issues of securities, financial news, share price, and information from the General Shareholders Meeting, Board of Directors meeting, as well as information on the Investors Club in a new section specially designed for members.

The Sol Meliá Investor Relations Department is always available to shareholders to guarantee the availability at all times of the most accurate market information and are always open to constructive suggestions on how they may provide better service.

## 5.6 PURCHASING

The general Sol Meliá purchasing policy aims to “meet the operational needs of hotels and corporate offices that may be covered by acquisition or contracting in order to generate revenue increases or cost reductions at acceptable quality levels.”

### PURCHASING AND SUPPLY MANAGEMENT POLICIES

The mission of the Purchasing Department is thus to apply supplier management criteria that meet the needs of hotels and corporate offices in a balanced and sustainable way.

The following criteria, however, are also taken into account:

- The geographical limits of the supplier
- Type of industry: manufacturer, importer, exporter, distributor, installer and/or maintenance supplier
- Quality certification
- Environmental certification
- Health and safety certification
- Special Employment Centre certification
- Economic conditions

### PROCESS IMPROVEMENTS AND AUTOMATION

In 2006 investments were approved to update the company purchasing management software. This software is expected to be full operative in all hotels in Spain by the end of 2007. Apart from other benefits for other departments, the software will allow the purchasing department to benefit from:

- Direct financial savings (reduction of use of paper, savings on telephone and other consumable goods)
- Automation of processes with no added value and time savings.
- Reduction in human error.
- Access to greater market information: suppliers, articles and conditions.
- Improvement in capacity for comparison.

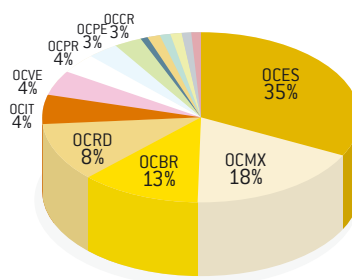
### DEPARTMENT STATISTICS

The volume of data processed by the system and from which the Purchasing Department receives information on buying patterns by region, hotel category and hotel brand in 2006 was:

- 531,833 purchase orders and 10,819 service orders
- 9,343 suppliers to which orders were made in 2006
- Amount of transactions in purchase orders in 2006 from hotels and corporate headquarters: 292,800.640.02 €.

#### SUPPLIERS BY REGION 2006

OCES	Purchasing Spain	3,189
OCRD	Purchasing Dominican Republic	765
OCMX	Purchasing Mexico	1,701
OCPR	Purchasing Puerto Rico	330
OCVE	Purchasing Venezuela	358
OCBR	Purchasing Brazil	1,254
OCIT	Purchasing Italy	387
EODE	Purchasing Germany	167
POUK	Purchasing UK	141
OCCR	Purchasing Costa Rica	276
OCFR	Purchasing France	97
POUS	Purchasing US	65
OCPE	Purchasing Peru	326
OCPT	Purchasing Portugal	131
OCAR	Purchasing Argentina	118
OCSU	Purchasing Switzerland	38



The hotels and corporate offices with purchasing data belong to 16 countries. The relative importance of each is as follows:

#### SPENDING BY REGION 2006

OCES	Purchasing Spain	187,126,559.75	EUR
OCRD	Purchasing Dominican Republic	41,738,395.03	EUR
OCMX	Purchasing Mexico	31,383,531.75	EUR
OCPR	Purchasing Puerto Rico	6,711,414.88	EUR
OCVE	Purchasing Venezuela	5,583,075.44	EUR
OCBR	Purchasing Brazil	4,979,677.19	EUR
OCIT	Purchasing Italy	4,168,233.26	EUR
EODE	Purchasing Germany	2,987,963.42	EUR
POUK	Purchasing UK	2,475,016.13	EUR
OCCR	Purchasing Costa Rica	2,452,602.79	EUR
OCFR	Purchasing France	1,027,810.73	EUR
POUS	Purchasing US	768,613.65	EUR
OCPE	Purchasing Peru	660,718.79	EUR
OCPT	Purchasing Portugal	567,324.15	EUR
OCAR	Purchasing Argentina	105,148.89	EUR
OCSU	Purchasing Switzerland	64,554.17	EUR
<b>TOTAL</b>		<b>292,800,640.02</b>	<b>EUR</b>

## 5.7 INFORMATION SYSTEMS

### 5.7.1 FOCUS ON SERVICES

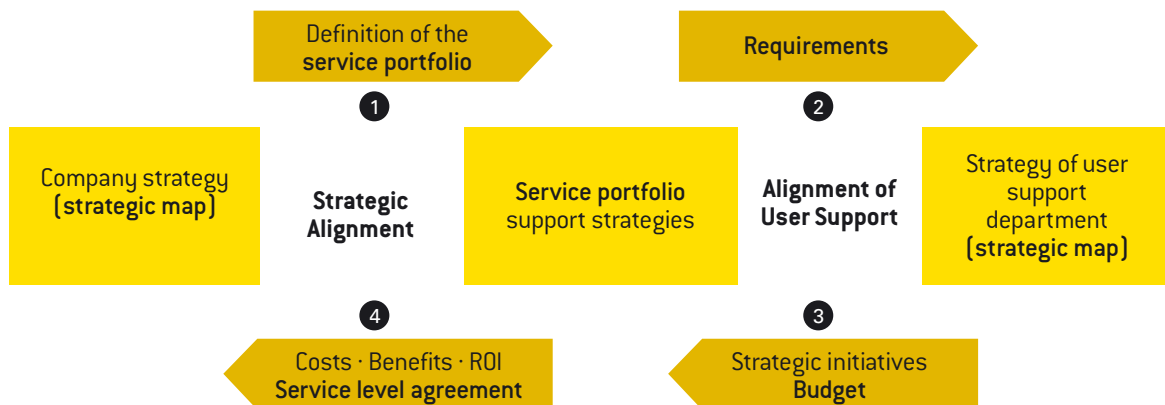
The recent changes in the organisation of the Information Systems Department aimed to enhance the focus on service as the best way to align the Company's technology with its strategy and to improve the quality of Sol Meliá systems in general. In 2006 Service Level Agreements were drawn up and agreed with each of the different business areas. These Service Level Agreements are monitored constantly and monthly costs are assigned to business units depending on the amount of service they have received.

In parallel with this new organisation, the Department has also implemented a new Activity Based Costing system which allows the unit cost of every service activity to be calculated, breaking down each activity into the different processes which comprise the service: delivery of the service, license management, operations, help desk, corrective maintenance, evolutionary maintenance, resource management and security.

The benefits of this model are as follows:

- The extension and focus on the service portfolio of the Information Systems Department to bring greater value to the business, adopting a greater commitment to business operations to demonstrate the value that information technology adds to the Company.
- Use of best practises in the definition of the processes related to information systems.
- Definition of service quality expectations and agreements with each of the business units on objective levels.
- Commitment to the achievement of results, with an impact on the cost of the services provided to the different business areas if the agreed and desired results are not achieved.
- Greater commitment of suppliers given that the model is based on the use of tried and tested tools supplied by prestigious partners (SAP, SIEBEL, Telefónica, IBM, etc.).

#### ALIGNMENT WITH THE STRATEGY OF SOL MELIÁ



## 5.7.2 INTEGRATED INFORMATION SYSTEMS DASHBOARD.

The Information Systems Department has developed a control dashboard for operations based on the Balanced Scorecard system proposed by the Harvard University professors Kaplan and Norton. The dashboard aims to guarantee constant improvement and perfect alignment with Company objectives. The implementation of the Balanced Scorecard system and the new management model for the department was made on the SEM CPM tool in SAP, with detail being added for each of the different areas in the Information Systems Department.

The three strategic objectives that have been defined are:

- **To optimise the processes which comprise the services provided by the Information Systems Department**, and thus helping to demonstrate the capacity of the Information Systems Department to offer technology to the business units at competitive rates, as well as services at optimum quality levels.
- **To create and maintain a partnership with business units.** To make the Information Systems Department a trusted advisor in the implementation of technology to improve the profitability of Sol Meliá business units and customers.
- **To provide strategic support for the business.** To offer innovative solutions based on emerging technology and align technological infrastructure with the business processes in the organisation, with the objective of providing greater value to the Company, as well as creating a strategy to align the technological infrastructure with the business processes.

## 5.8 FOOD AND BEVERAGE

The Food and Beverage Department is guided by an extensive Quality Manual which defines the fundamental procedures related to food preparation in order to guarantee the highest standards of hygiene in dishes prepared in company kitchens.

This Manual forms part of the quality control systems based on an analysis of risks and critical control points, a system widely adopted globally thanks to its efficiency when evaluating and controlling contamination risks in food service companies. These control systems are based on the adoption of preventative measures and monitoring systems which eliminate or minimise the chance of contamination in foods.

This is put into practise with routine controls in the following areas:

### DRINKING WATER SUPPLY PROGRAMME

This programme aims to guarantee the delivery of drinking water supplies and defines the corresponding control mechanisms. At the beginning of every day, the Chief Engineer is responsible for measuring the residual free chlorine of the drinking water supply and for carrying out a more detailed chemical analysis twice each week. Our hotels take supplies from the public water system and do not use private wells or similar.

Apart from the daily analysis, all hotels take regular water samples which are sent to authorised independent laboratories for a full analysis based on all of the requirements in the applicable regulations.

The relevant sanitation authorities are then contacted if the results of the analysis indicate that that the water being used might contaminate food preparation due to the fact that it does not comply with microbiological, chemical or physical standards.



Meliá Golf Vichy Catalan



## CLEANING AND DISINFECTION PROGRAMME

This programme aims to guarantee that the cleaning and disinfection of equipment, machinery and tools used in food preparation and service is carried out correctly and that staff behave accordingly to prevent contamination.

This is implemented through specific instructions regarding the daily cleaning of work surfaces, storage areas, kitchen equipment and utensils. Special attention is also paid and rigorous standards applied to the personal hygiene of staff handling food.

Every hotel has specific instructions adapted to their particular circumstances: the Cleaning and Disinfection Programme. This document defines when each of the installations must be cleaned, with what type of products, how and by whom. The programme assists in the correct scheduling of duties and in ensuring the highest level of hygiene in operations.

Together with rigorous daily monitoring by each department manager, this ensures that facilities maintain the highest possible standards of cleanliness.

An independent laboratory also makes a regular analysis of work surfaces and tools to check the cleanliness of knives, table tops, the hands of food handlers, etc to apply any corrective measures required if anomalies are detected.

## STAFF TRAINING PROGRAMME

This programme aims to guarantee that all staff involved in food handling and preparation receive appropriate training in relevant food hygiene standards and apply what they have learned correctly. All food handlers get regular training both when they take up their position and throughout their stay with the company (constant training).

The programme also ensures that staff are fully aware of the principal causes of food-related illnesses and the means by which they may be prevented.

Food handlers are subject to constant supervision by department managers (kitchens, dining room, etc) to check that behaviour is appropriate. In addition, each hotel is regularly visited by external experts to examine staff food handling practises. If any irregularities are detected, staff are invited to a meeting where the problem detected and the way it should be resolved is explained.

## FOOD HANDLING BEST PRACTISES

From the moment food is delivered until the time a meal is served from the kitchens there are a number of stages in which appropriate hygiene standards must be applied.

### 1 Purchase and delivery of products

Suppliers must provide products that comply with regulations and must be fully registered with the appropriate sanitation authorities. When the products are delivered they must be inspected and rejected if they do not comply with quality standards.

**THE FOOD AND BEVERAGE DEPARTMENT IS GUIDED BY AN EXTENSIVE QUALITY MANUAL WHICH DEFINES THE FUNDAMENTAL PROCEDURES RELATED TO FOOD PREPARATION IN ORDER TO GUARANTEE THE HIGHEST STANDARDS OF HYGIENE IN DISHES PREPARED IN COMPANY KITCHENS.**



To ensure the application of rigorous quality standards, the person receiving the delivery must be fully aware of the product characteristics and of what is required of suppliers. These characteristics are defined in the Supply Specifications and Supplier Certification programme.

When goods are being purchased or delivered, staff must check their labels and packaging as well as their freshness.

Staff must also ensure that the delivery of goods does not coincide with the removal of waste materials from the hotel by organising appropriate separate schedules employed at different times in different places.

Food must be received in a location which provides appropriate standards of cleanliness and disinfection, avoiding the unloading of food in areas with significant environmental pollution.

After being accepted, fresh food should be moved to storage rooms. Non-perishable products should be moved to the appropriate storage area.

## 2 Storage of food

### 2.1 Storage at room temperature:

Food should be stored in the general stores in specially designed and protected spaces complying with certain criteria.

This category is for food products that do not require storage at any particular regulated temperature. Such products must be consumed before the date indicated by manufacturers or suppliers and must also be subject to appropriate storage procedures such as:

- Not exceeding storage capacity limits in storage areas.
- Not storing food products with non-food products and particularly not with dangerous substances such as detergents, bleach, etc. All chemical products must be stored in cleaning storage areas.
- Not storing food products in contact with the floor. Food products must be stored at a height of around at least 20 cm. from the floor.
- Creating a system of product rotation (first in, first out) to minimise the chances of having an out-of-date product in the stores.

### 2.2 Chilled or frozen storage:

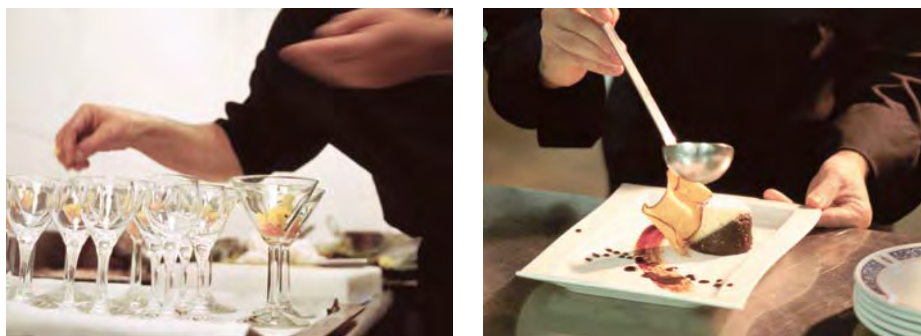
Chilled or frozen food products must be stored with a sufficient distance between them to ensure that they do not contaminate each other. There must therefore be sufficient and appropriate storage facilities for each different need (cold stores, freezers, refrigerators, etc). Each of them should store the different raw materials separately (meat, fish, vegetables, pastries, pre-prepared foods, etc).

In refrigerators and freezers food products should also be stored in a way that guarantees that they remain at the required temperature. Food products that are stored for longer periods of time should be kept at lower temperatures.

When the temperature of equipment is checked care should also be taken to take into account that product temperatures are different, particularly for recently stored products and that temperatures are not uniform throughout the equipment.







To ensure food is stored at the correct temperature, kitchen and maintenance staff must make a daily check of the temperature of the equipment and take immediate action if any problems are detected

### 3 Defrosting

Food products are not defrosted at room temperature, but rather in refrigerators where the products cannot be contaminated by other products. During defrosting the liquids produced should not contact with this or other foods. To avoid this products should always be defrosted over a recipient with a grill or tray with holes so that the liquids can be drained into a compartment and not create any risks.

Defrosted products may not be refrozen and must be prepared immediately as soon as they have defrosted (always less than 24 hours after defrosting).

### 4 Preparation of raw materials

Hotels must have an area, preferably air-conditioned, reserved exclusively for the preparation and cleaning of raw materials (cleaning fish, cutting up meat, preparation of salads, etc) where the temperature never exceeds 18° C. When this is not viable, both the preparation of raw materials and the preparation of meals may take place in the same location provided they take place at different times, and also at a different time from the cleaning and disinfection of work surfaces and utensils used in food preparation.

It is important that different equipment and utensils are used for raw or cooked food products, particularly knives and chopping boards. Colour codes should be used for different chopping boards and the handles of utensils to help identify for which type of food they should be used.

### 5 Preparation of unheated food

All food products to be consumed raw must be submerged in drinking water with an appropriate disinfectant solution for the amount of time recommended by suppliers and then rinsed in abundant drinking water to ensure that there is no trace of disinfectant.

In addition, as a means of preventing parasitical illnesses such as Anisakiasis, all types of fish which are traditionally eaten raw (sushi, cebiche, etc) should be frozen at a minimum of -20°C for at least 24 hours to ensure it is rendered innocuous.

## 6 Preparation of heated food

Time and temperature limits must be set for each type of food preparation, product and quantity. Food must be cooked at an appropriate temperature to ensure the destruction of micro organisms, generally at least at 70° C at the centre of the food. This should be checked every day with a special thermometer.

The way each type of food is prepared, its ingredients, its temperatures and the time it should be cooked, the way it should be stored and how long it should be stored is detailed in the fact sheets for prepared foods prepared for every single one of the dishes served in our hotels.

## 7 Cooling

After a dish has been cooked, if it is to be kept for some period of time, it is important that it should cool quickly to reduce the risk of contamination.

This may be achieved by different methods, the most important of which are specialist cooling machines which can cool a recently prepared dish to 3° C in around an hour.

### PEST CONTROL PROGRAMME

This programme aims to control pests in hotels by:

- Applying preventative measures to avoid the appearance of pests such as the installation of traps.
- Applying corrective measures whenever anomalies are detected and monitoring subsequent improvements.
- Applying products appropriate for food preparation areas whenever preventative or more passive measures do not have the desired effect and when recommended by the diagnosis of expert suppliers.



*Tryp Barcelona Aeropuerto*

All hotels have contracted assistance with pest control service companies legally approved by the local sanitation authorities.

### **FACILITY AND EQUIPMENT MAINTENANCE PROGRAMME**

All facilities, equipment, machinery and utensils are subject to a maintenance programme.

This preventative programme aims to guarantee the correct state of maintenance of facilities, equipment, machinery and utensils over time and is carried out by hotel staff.

The programme aims to control health risks that deficient design, construction and maintenance of equipment and tools may create.

The programme describes the dangers that may exist given the design of the facilities, equipment and tools, etc. and their importance. For example, it gives details on the probability of a thermometer breaking down in a cold store and the serious risk this could present for prepared foods. This assists in defining supervision procedures, for example, a thorough regular visual inspection of the facilities and machinery or the monthly or annual calibration of thermometers in cold stores.

If any anomalies are detected, the appropriate corrective measures will be applied by hotel engineering staff.

### **PRODUCT ORIGIN MONITORING**

The tracing of products begins with the registration of raw materials delivered to the hotel. The product delivery sheet is used to register the state and reference numbers of products received. This helps quickly locate any products that must be removed.

The kitchens department then uses a FOOD PREPARATION SHEET which defines the name of the dish, its ingredients, and the way it should be prepared and stored. Dishes are prepared fresh each day following a menu cycle. Food is not prepared one day to be consumed the next day.

To control the food preparation process the following procedures are applied:

1. Pre-defined menus are used which detail the dishes to be offered to customers each day.
2. Those products that are not consumed on the day they are prepared and which may be consumed the following day such as certain cakes, for example, are identified with a sticker on their container indicating the name of the product and the date it was prepared.

### **WASTE AND WATER DISPOSAL PROGRAMME**

Waste products generated by the company include solid waste such as the remains of food, products past their expiry date, cooking oil and packaging. There is also waste water from cleaning operations to be disposed of.



Solid waste products are disposed of using hermetically sealed waste bins near the place of work which use disposable bin bags which are changed regularly. All waste products are removed at the end of the working day and never remain on site. The waste is collected by local municipal waste disposal services.

Cooking oil is removed by authorised companies. Until the company visits, used oil is deposited in recipients placed in kitchen corridors or general stores, or in any isolated area separate from food handling areas. This area is also used to store food packaging waste.

Waste water from the cleaning of the facilities drains directly through to the municipal drainage network. If appropriate, regular analysis may be made of the waste water drained into the municipal drainage network to ensure that it complies with the applicable environmental regulations.

### ANALYSIS OF RISKS AND CRITICAL CONTROL POINTS

Flow diagram of process: showing the different stages in food handling in the hotel up until the moment it is served to a guest.

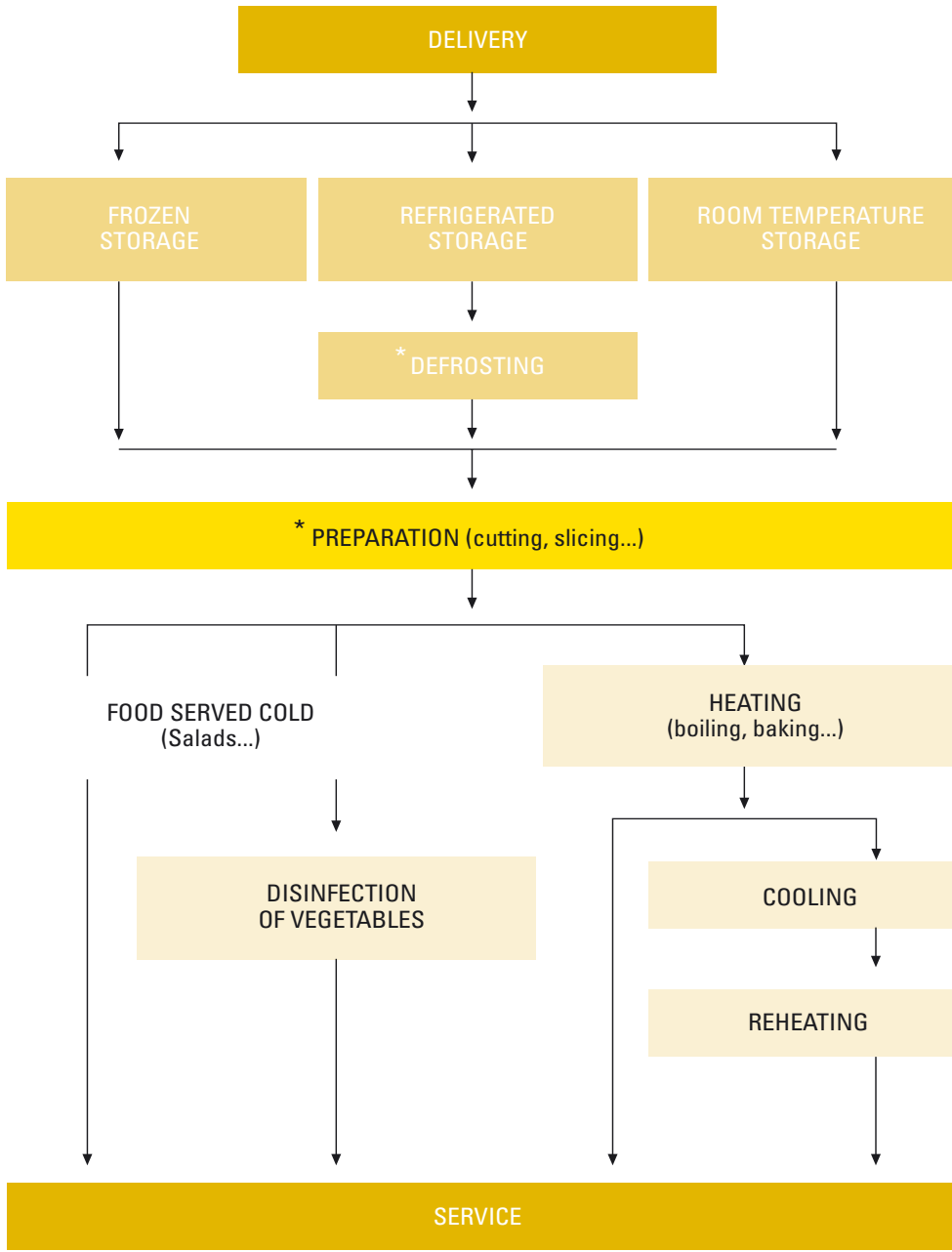
The system analyses each of the stages and defines the risks of contamination at each stage. We may thus define preventative measures which ensure these risks are controlled. The system allows us to define supervision controls at each stage in the process and thus guarantee that the food is safe, or take appropriate corrective measures.

All supervision or control measures are defined in the appropriate registers:

- Register of goods delivery: helps control the acceptability of the food supplied by suppliers: freshness, temperature, transport, labelling, etc
- Register of storage temperatures: allows the detection of possible defects in cold stores.
- Register of daily inspections: check-to ensure that kitchens are cleaned appropriately.
- Register of drinking water analysis: results of the analysis of chlorine, temperature, etc.
- Register of disinfection of vegetables: to ensure appropriate disinfection.
- Register of temperature at product core when cooking and reheating, to ensure the optimum presentation of dishes.
- Register of cooling: ensures rapid cooling of dishes.
- Register of incidents: any observation or deviation is noted together with the corrective measures applied.



PROCESS FLOW DIAGRAM



Indicates area of increased potential contamination

## 5.9 SOCIAL AND ENVIRONMENTAL AWARENESS

Sol Meliá works intensively to become a point of reference and leader in environmental and social issues, and its actions assist in getting many other people involved. Company policies aim to make it a school in citizenship, influencing the awareness and conduct of guests, employees and all other stakeholders. Policies on environmental and social respect and awareness are elements which enhance cohesion and pride in belonging which helps in teamwork and in employee support for the Values which will define the Company this century.

### 5.9.1 ENVIRONMENT

The commitment of Sol Meliá to environmental protection drives the running of the company on principles of sustainable development. Sol Meliá's commitment to the environment made it the first Spanish hotel company to create an Environmental Protection Manual back in 1995, the guidelines of which have been implemented gradually in all of the company's hotels.

Nevertheless, the Company is aware that there is still a long way to go, which is why Environmental Awareness has been adopted as one of the five key strategic priorities through which Sol Meliá will become a point of reference in the travel and tourism industry at the end of the plan in 2010, not only in Social Awareness, but also in Environmental Awareness.

Amongst many other things done by Sol Meliá to protect the environment, many company hotels have taken measures that range from the more rational use of resources (energy, water, toxic substances, etc.) and the reduction and separation of waste products, to the greatest respect for the flora, fauna and culture of each location in which Sol Meliá has hotels. And this work has not been in vain. Once again, in 2006 the company did not receive any penalties related to any lack of compliance with international environmental agreements or declarations.

The Company's main objective in environmental matters for the next four years is to the transformation of the important efforts made regularly by many hotels and regions into a systematic and integrated strategy for all of the Company processes, making it a point of reference in the industry.

**THE COMMITMENT OF SOL MELIÁ TO ENVIRONMENTAL PROTECTION DRIVES THE RUNNING OF THE COMPANY ON PRINCIPLES OF SUSTAINABLE DEVELOPMENT.**



Meliá Barcelona

#### Energy saving

The emission of pollutants into the atmosphere in the tourism industry is closely related to the consumption of energy. These emissions may occur in the hotel through the use of combustible fuels or may occur in the locations in which electrical energy is generated.

Continuing with its commitment to environmental protection, this year Sol Meliá has carried out another edition of the SAVE project run by the Works and Maintenance Department as designed to increase the energy efficiency of the Company in two key areas:

- Do more with less, increasing energy efficiency in hotel facilities only using energy when and where it is needed and to the degree that it is needed to maintain appropriate levels of comfort.
- To create a culture of responsible use of energy and water resources based on the premise that the cleanest energy is the energy you do not use.



Meliá Cayo Coco

With these aims in mind the Company has developed a Monthly Consumption Report with data on emissions compared to previous years sent to each of the hotels in Spain with the SAP PM system. This report has two functions: one analytical, allowing the detection of differences compared to historical data, and the other in raising awareness about the responsible use of energy.

Working together with the Management Control Department, an energy report has been created which provides data on monthly energy consumption for all hotels worldwide for the first time ever through the Business Warehouse.

The Management Control Department has also developed the tools required to extend the report to all of the Company's business units in 2007.

The analysis of energy consumption shows that 70% is electrical energy, divided into two major categories: lighting and temperature control.

This analysis has led to the following actions:

#### Lighting:

- Partnership with Phillips to train Sol Meliá staff in the efficient use of lighting.
- Performance of lighting audits with Phillips to achieve greater lighting efficiency in the Tryp Azafata, Tryp Guadalmar, Meliá Granada, Meliá Palas Atenea, Tryp Bosque and Tryp Diana.
- Installation of a test with detection and control of natural light in the gym at the Tryp Azafata, a method which is expected to be exported to other hotels to make better use of natural light.

#### Temperature control:

- Change of cooling systems in the Tryp Azafata using production with heat recovery and best available COP.
- Installation of solar film to reduce radiation in the Tryp Apolo and Tryp Barcelona Aeropuerto.
- Installation of double glazing in the Meliá White House in London.
- Test of machinery to control water temperature in the Sol Príncipe.

The actions taken to date have reduced electrical energy consumption per occupied room by 3.3% compared to the average for the previous three years according to data received from 91 hotels located in Spain.

Amongst the actions taken to reduce the impact of the use of fuel are the following:

- Use of natural gas at the Tryp Coruña, Tryp Guadalmar and Sol Príncipe. This allows us to reduce direct CO2 emissions by 20%.
- Wherever natural gas cannot be used we have tested products which improve the efficiency of the combustion of gas-oil in boilers. The tests carried out in the Tryp Azafata have given very satisfactory results and improved performance while reducing consumption and emissions. Eight hotels are currently testing.



Sol Príncipe



Tryp Coruña

The efforts made by the Company since the SAVE programme started in 2005 have allowed CO2 emissions to be reduced by 1,211 metric tonnes compared with the average for the three previous years (data from 91 hotels in Spain).

Worldwide, the direct emissions of CO2 to the atmosphere from combustion reached 56,517 million tonnes in 2006.

As mentioned, emissions in the hotel industry are related to combustion processes. Although our hotels are not forced to register emissions by current legislation due to the fact that they are not considered to be amongst the most important pollutants, direct emissions of NOx and SO2 by the Company worldwide was as follows:

NOx Kg.	SO2 Kg.
57,469	28,912

Amongst the actions taken by Sol Meliá to reduce the above emissions, the cause of acid rain and damage to forests and lakes, we would like to emphasise the use of natural gas in the Tryp Coruña, Tryp Guadalmar and Sol Príncipe. Natural gas does not contain sulphur and so avoids the emission of SO2, and also reduces the emissions of NOx by 15% compared to the gas-oil used before. The use of fuel-oil, 15 times stronger as a cause of acid rain, has been eliminated.

The main indirect emissions of greenhouse gases come from CO2 emissions in electrical generators. We estimate that the indirect emissions of this gas reached 154,000 metric tonnes worldwide in 2006.

Our Company does not produce significant amounts of ozone destroying substances. Worldwide, the total amount is lower than 100 Kg. of CFC-11 equivalent.

Total energy consumption for 2006 was:

Electricity Kwh.	Natural gas (m3)	GLP (Kg.)	Gas-oil (l)
338,406,448	9,321,859	4,281,014	8,630,316



### Development of alternative energy

In regard to alternative sources of energy, Sol Meliá has begun to use geothermal energy, a novelty in Spain but increasingly common in the rest of Europe.

This year we have monitored the installation of this technology at the Sol Mirlos Tordos in Palmanova (Mallorca) and have seen that our expectations have been achieved and that it has avoided the emission of 200 tonnes of CO<sub>2</sub> into the atmosphere.

The results have led to two further installation projects for 2007.

### Saving water

The projects started at the Meliá Tamarindos and Meliá Granada in 2005 have continued and in 2006 water-saving systems have been installed this year in another 32 business units, allowing average reductions of 38 litres per stay with respect to the previous three years.

We would also like to emphasise that the use of 41,000 m<sup>3</sup> less of water has allowed the Company to avoid the emission of 270 tonnes of CO<sub>2</sub> required for heating water.

Total water consumption in 2006 throughout the Company reached 7,510,398 m<sup>3</sup>.

### Permanent activities

Within the company's Environmental Policy and the commitment to the environment, both in hotels and in corporate offices, Sol Meliá constantly promotes the following activities:

- Recycling of paper.
- Recycling of printer cartridges, etc.
- Priority use of recycled paper for internal consumption.
- Priority use of recycled office equipment.
- Priority purchase of products in bulk or with packaging which may be recycled.
- Priority purchase of concentrated products.
- Priority use of products that do not harm the natural environment.
- Gradual substitution of basic hygiene products such as bleach, etc.



Gran Meliá Jakarta

- Priority purchase of artificial Christmas trees.
- Separation of waste products in areas where local authorities process separately.
- Priority purchase of bathroom fittings with water-saving devices in cisterns.
- Minibars with ISO 7371 certification (low-energy).
- Inclusion in hotel activities of trips to view the local environment and participation of guests in environmental activities, promoting hiking, biking and horse riding.
- Information for hotel guests on company and hotel environmental policy, inviting them to help with sensible use of water and electricity.

## Hotels with environmental certification

Gran Meliá Jakarta (Indonesia): Green Globe XXI (2006)
Meliá Cayo Coco (Cuba): environmentally Responsible Tourism (2006)
Gran Meliá Caracas (Venezuela): PNUMA Certification (2006)
Meliá Palas Atenea (Mallorca, Spain): ISO 14001 (2006)
Paradisus Playa Conchal (Costa Rica): ISO 14001 (2005)
Gran Meliá Don Pepe (Malaga, Spain): ISO 14001 and R. (CE) 761/2001 (2005)
Meliá Bali (Nusa Dua, Indonesia): Green Globe XXI and TUI Environmental Champion (2005)
Sol Falcó (Menorca, Spain): ISO 14001, EMAS (2000) and Star Product Certification "Menorca, Biosphere Reserve" (2004)
Sol Gavilanes (Menorca, Spain): ISO 14001 (2004), EMAS (2004), Marque of Excellence & Responsible Tourism Award (2004) and Star Product Certification "Menorca, Biosphere Reserve" (2004)
Sol Milanos Pingüinos (Menorca, Spain): ISO 14001 (2000) and Star Product Certification "Menorca, Biosphere Reserve" (2004)
Sol Menorca (Menorca, Spain): ISO 14001 (2002) and Star Product Certification "Menorca, Biosphere Reserve" (2004)
Meliá Purosani (Java, Indonesia): Green Globe XXI (2004)
Gran Meliá Jakarta (Jakarta, Indonesia): Green Globe XXI (2004)
Meliá Hanoi (Hanoi, Vietnam): Green Globe XXI (2004)
Meliá Kuala Lumpur (Kuala Lumpur, Malaysia): Green Globe XXI (2004)
Meliá Costa del Sol (Malaga, Spain): EMAS Certification (2004) and ISO 14001 (2004)
Meliá Benoa (Tanjung Benoa, Indonesia): Green Globe XXI (2004) and Green Paradise-Tri Hita Karana (2004)
Tryp Bellver (Mallorca, Spain): ISO 14001 (2003)
Gran Meliá Victoria (Mallorca, Spain): ISO 14001 e ISO 9001 (2002)
Meliá Sitges (Tarragona, Spain): EMAS (2001)
Meliá Varadero (Varadero, Cuba): Cuban National Environmental Award (2000)
Tryp Montevideo (Uruguay): ISO 14001 (2000)
Sol Cala D'Or (Mallorca, Spain): EMAS (2000)
Sol Pinet Playa (Ibiza, Spain): EMAS (2000)



Paradisus Playa Conchal



Meliá Bali

## 5.9.2 COMMUNITY INVOLVEMENT

### 1 Philosophy

Since its foundation more than 50 years ago, Sol Meliá has always assumed its responsibility for the environment. Different plans and programmes in this respect have made the hotel Company an active player in the development of actions aimed at assisting in reducing some of the most important social problems affecting some of the most disadvantaged members of our society. In 2004 Sol Meliá received the “Business and Society Award” in recognition of its Community Involvement projects.

In its daily business Sol Meliá comes into contact with millions of people every year and aims to use this fact to become a platform for social and environmental awareness, as well as ensuring sustainability in the projects it carries out through the involvement of different interest groups. To continue to consolidate these values, Community Involvement is one of the five priority areas of the Strategic Plan 2007-2010.

### 2 Corporate projects

#### 2.1 “All for them” programme

“All for them” is the banner under which Sol Meliá carries out projects focused on support for education for children from underprivileged backgrounds in the regions in which the Company operates.

The most important of those projects are Solidarity Day, the Huancavélica Project and the Dajabón Project.

##### 2.1.1 Solidarity Day at Sol Meliá

Solidarity Day is one of the “All for them” projects that form part of the Company’s Community Involvement programme. Unique in its nature for the industry, the project aims to help protect and educate children, and also allows Sol Meliá to become a platform for the involvement of different interest groups to create a multiplying effect on the results.

Throughout Solidarity Day children take part in different workshops on social problems and the environment or learn more about local culture. This helps to raise awareness amongst the children about the importance of solidarity and protection of the natural environment while also raising funds for education projects. Hotel employees also work on internal activities and help get guests involved to raise extra funds. The Company also focuses on getting suppliers and other intermediaries involved.

Solidarity Day has changed a lot since the first edition in 2004 in which 18 hotels took part on one single day in which children’s drawings were auctioned to raise funds. The day raised 6,000 euros which was donated to UNICEF for infant education.

The second time around, Solidarity Day was held once a week for a month and a half in the high season in 12 hotels. 15,000 euros were raised from the different activities, all of which was donated to educational projects in the Dominican Republic.



*Samuli Nieminen, head of entertainment at the Sol Antillas Barbados, dressed up as Don Quixote for one of the hotel activities with the children on Solidarity Day.*

In 2006 the event has been an even greater success and exceeded all expectations. More than 13,000 people (3,600 children, 9,500 adults and 310 employees) took an active part in the activities.

The funds raised by the different workshops and activities also exceeded the objectives set by the Community Involvement Department. More than 81,000 euros was raised, beating the target of 73,000 euros needed for improvements to the Los Manantiales School in the Dominican Republic, a project in which the Company had already worked the previous year. The improvements helped create facilities to allow children not to have to take turns in attending classes, provide a sports field to help in their physical and intellectual development, open a building with a library and bookshop, etc. The NGO Save the Children will supervise the educational programme at the school and any remaining funds will be used for other similar projects.

Another reason for satisfaction with the project is that it has helped in the objective of allowing Sol Meliá to become a platform through which our partners, guests, suppliers, shareholders and staff can get involved. The novelty of the idea, the progress made in the quality of the activities and the growing number of hotels joining the project is all a very positive sign, but it is the success achieved in getting guests and hotel staff involved that has been most impressive.

The involvement of 310 employees in the participating hotels means that 14% of staff have taken part in activities, a figure that is considerably higher than the average for other companies which stands at around 10%.

The addition this year of hotels in Mexico and Punta Cana also helps to amplify the message of solidarity both inside and outside the Company, a trend that will continue to grow as we move forward.

### *2.1.2 Dajabón Project*

Thanks to the agreement with Save the Children, the Company has fully financed one of the organisation's projects in the location of Dajabón in the Dominican Republic.

The general objective of the project is to improve the quality of school facilities and educational services for pre-school children (3-6 years of age) in the municipality of Los Indios in Dajabón, and to this end Sol Meliá has financed the construction of pre-school facilities for more than 30 children.

This has also helped promote the training of teachers in three areas: promotion of care (Educate, don't smack), children's rights and quality education, the main aim of which is to guarantee children's rights within the educational system and also to increase and support participation by the community in the education of their children (teachers' council, parents organisation).

### *2.1.3 Fiftieth anniversary project*

As part of the Company's fiftieth anniversary celebrations, Sol Meliá invited several American and Canadian tour operators to take part in helping finance a children's education project. Air Canada Vacations, MLT Vacations, TNT Vacations and Travel Impressions signed up for the project which eventually raised 95,000 euros which was used to finance the UNICEF "Good Start to Life" project.

**DIFFERENT PLANS AND PROGRAMMES HAVE MADE THE HOTEL COMPANY AN ACTIVE PLAYER IN THE DEVELOPMENT OF ACTIONS AIMED AT ASSISTING IN REDUCING SOME OF THE MOST IMPORTANT SOCIAL PROBLEMS AFFECTING SOME OF THE MOST DISADVANTAGED MEMBERS OF OUR SOCIETY.**



Since 1991, the year in which the Dominican Republic ratified the Children's Rights Convention, there have been important breakthroughs in national legislation to provide better protection for children in the country. Reality, however, shows that these changes alone have not been sufficient.

Amongst the most important challenges faced by the Dominican Republic is the need to educate and train families so that they are better able to assume the responsibility of raising their children.

The "Good Start to Life" project is the response to this reality and will be carried out in ten municipalities classified as vulnerable due to their poverty levels. The project prioritises working with families in need of urgent attention. The objective is to reach 22,500 families through people trained in children's rights who can help advise parents about caring for their children.

#### 2.1.4 Huancavélica Project

Meliá Lima gives an annual award to the top 10 children taking part in a Spanish and Quechua education project carried out by the "Tierra de Niños" organisation in Huancavélica, one of the poorest areas in Lima, Peru.

The 10 children are invited by Sol Meliá to stay at the Meliá Lima for five days during which staff volunteers help the children and take them out on cultural visits around Lima so that they can see the reality of the city at first hand and learn about the cultural, social and economic history of the country. The kids also get to take part in a series of fun activities and excursions.

The hotel has guaranteed the sustainability of the project thanks to the involvement of a number of different Company business partners in the region.

The project won the Hotel Solidarity 2006 prize, awarded by Sol Meliá to the project which manages to achieve the greatest multiplying effect and support children's education in the most sustainable way.



Thanks to the Huancavélica project which the Meliá Lima is running with the NGO Children of the Earth, a group of children enjoyed a week of activities and workshops at the hotel.



Many members of hotel staff were involved in the Huancavélica project in activities both in the hotel and in the community.

### 2.1.5 Hotel Solidarity Award

Sol Meliá Community Involvement aims to support sustainable local development in the areas in which the Company operates, with particular emphasis on assisting children, the disabled, and women victims of domestic violence.

The sustainability of projects depends on the involvement and commitment of the hotels. Sol Meliá aims to serve as a platform to promote initiatives in which all of the different interest groups can get involved to achieve a multiplying effect on the resources used and the impact achieved.

The Solidarity Hotel Award was created in 2006 to promote initiatives which comply with the previously described requirements. The award carries a prize of 20,000 euros in recognition of and as support for this important work.



Donation and fundraising ceremony in the Garden Room at the Meliá Lima for the Children of the Earth association.

## 2.2 Company and Disability Project

As part of the cooperation by Sol Meliá in the projects promoted by the Business and Society Foundation, Sol Meliá agreed to take part in 2005 in the Company and Disability Project, a multi-company initiative to share experiences about disability and improve performance in the following areas:

- Design of all of products and services to make them more accessible.
- Accessibility of facilities in general.
- Employment of disabled people.

The contracting of people with disabilities by Sol Meliá hotels has been officially recognised and praised by the Training and Employment Institute in Calviá (Mallorca, Spain).



María Rosa Puig Oliver, Councillor for the Presidency and Sports and also and President of the Balearic Foundation Against Domestic Violence signed the agreement with María Antonia Escarrer of Sol Meliá to assist the organisation in the fight against domestic violence.

The activities carried out by Sol Meliá in 2006 have focused on:

- Consolidating the contracting processes for disabled staff.
- Increasing accessibility-driven renovation projects in Company hotels in Europe.
- Continuing with the ongoing plan for purchases from Special Employment Centres.
- Analysing the products and services susceptible to improvement in their accessibility (website, amenities, invoices, menus, front desk, etc.).
- Providing information on accessibility for the disabled through external and internal communications channels.

### 2.3 Purchasing from Special Employment Centres

This programme favours purchases from Special Employment Centres (companies whose labour force is made up of at least 70% of disabled people), "Inclusion" Companies (companies whose labour force is made up of people from disadvantaged groups, people with difficulties or at risk of exclusion) and from local suppliers of typical handicrafts, products that are difficult to transport and/or typical food and beverage products that are exclusive to the region.

The unemployment rate amongst the disabled in Spain currently stands at around 70%, a sign of the major disadvantages suffered by the disabled in the labour market. Special Employment Centres create permanent positions for the disabled and enjoy a considerable reduction in Social Security contributions.

In 2006 Sol Meliá continued with its purchases from Special Employment Centres, making purchases from 11 different companies in Spain alone for a total amount of 4,605,785.50 euros, making Sol Meliá one of the leading companies in Spain in purchases from Special Employment Centres.

COMPANY	ID NUMBER	PURCHASES IN EUROS
SEMPRE-VERD	B07489123	10,138.20
AMADIP-ESMENT	G-07065709	183,479.65
ATAM CEE LAVANDERIAS	G-28456283	855,379.21
ARTESA, S.L.	B-79415618	373,560.79
FUNDOSA LAVANDERIAS INDUSTRIALES S.A.	A-79475729	3,059,519.86
LAVAHOTEL, S.L. (Granada)	B-18294629	83,776.08
PILSA (CEEPILSA)	A-79384525	1,534.00
A.E.I.P.M. Asoc. Emple. Iber.Padres Minus.	G-28641116	237.51
A.I.P.S.D. Menorca (Asoc. Integracion Sindrome Down)	G-07726458	583.04
VALIDS ARTESANS	B-07559909	35,740.15
FUNDACION CUBANO-BALEARES	G-57006066	1,837.43
<b>TOTAL 2006</b>		<b>4,605,785.92</b>

### 3 Cooperation by hotels

One of the most important pillars supporting Sol Meliá Community Involvement are the projects in which hotels volunteer to get involved.

The actions carried out in 2006 produced the following results:

- 71% of the requests received a positive response.
- 57% of the projects assisted organisations which help children, the disabled and women victims of domestic violence. The other 43% involved donations of used assets.

### 4 Support Fund for Employees Affected by Natural Disasters

The series of natural disasters that have hit different parts of the world in recent times, some of them with a very direct impact on Sol Meliá employees, led the Company's Community Involvement Department to create a Support Fund for Employees Affected by Natural Disasters in 2005. The main purpose of this fund is to provide rapid and direct assistance to employees affected by natural disasters, with the funds being managed directly by a team of Sol Meliá executives in the affected region. The funds are raised in the first place through activities organised by staff and guests.

The first time the fund was used was after Hurricane Wilma caused serious damage in Cancun and the island of Cozumel in Mexico in October 2005. The fund was called into action again in 2006, when the earthquake which hit the Indonesian island of Java totally or partially destroyed the houses of more than 80 members of staff.

The different fundraising activities organised for the fund raised 141,756.93 euros, with 35% of all of the employees in the whole world getting involved.

In the case of Java, the funds were managed by a Management Committee in Asia, comprising executive managers from the region.

The reconstruction project led by this Committee has helped arrange a study by Japanese architects assisted by local Indonesians to build new homes which are better prepared to withstand future earthquakes. The project ended in January 2007 with work finished on rebuilding all 29 of the homes that were completely destroyed and the 33 homes that were seriously damaged.

### 5 Fight against Sexual Exploitation of Children

Sol Meliá became the first Spanish tourism and travel company to sign the Agreement Against the Sexual Exploitation of Children.

In October, the Company signed the ACIM-ECPAT Code of Conduct against the Sexual Exploitation of Children, committing Sol Meliá to a range of different actions within the fight against the sexual exploitation of minors. The signature was also supported by Amparo Valcarce, Secretary of State for Social Services, Families and the Disabled at the Ministry of Social Affairs; the World Tourism Organisation and the Spanish UNICEF Committee.



*The signature of the Code against the Sexual Exploitation of Children (from left to right) Marina Diotallevi of the World Tourism Organisation; Sebastián Escarrer Jaume, Vice Chairman and CEO of Sol Meliá; Amparo Valcarce, Secretary of State for Social Services, Families and the Disabled at the Ministry of Employment and Social Affairs; Josep Antón Arrebola Gómez, General Secretary of ACIM-ECPAT Spain and José Luis Herrero, Spanish Committee Treasurer of UNICEF.*





Sol Meliá is implementing the Code through a plan which has defined priority actions for the next two years. Hotels in the Dominican Republic, Costa Rica, Indonesia, Spain, Cuba, Brazil and Mexico will be the first to adopt all of the measures defined. In addition to training for staff, a specific clause will be included in contracts signed with travel partners committing to the rejection of all forms of sexual exploitation of children. Brochures will also be produced and distributed in the selected hotels and support given to local agencies for awareness campaigns. The plan will be extended to the rest of the Company in future years.

The Code is specifically aimed at tourism and travel companies (currently almost 250 companies in 27 countries have signed the agreement). Success will also depend on the position taken by other groups and potential customers that must demand that the companies that serve them have policies on the protection of children in the same way as they have policies on protection of the environment.

## 6 Support for Women Victims of Domestic Violence

One of the most important of Sol Meliá's objectives is to raise awareness in the community about a range of social problems. The Company's actions in this sense focus on both its business partners and other interest groups. Support for women victims of domestic violence is a high priority area for action.

### Agreement with the Balearic Foundation against Domestic Violence

In October Sol Meliá signed an agreement with the Balearic Foundation against Domestic Violence by which the Company will provide free emergency accommodation for victims of domestic violence and their families in our hotels in the Balearic Islands.

Sol Meliá will form part of a group of five companies which will assist the Balearic Foundation against Domestic Violence through the Balearic Islands Women's Institute. This organisation will check the allegations of domestic violence and then offer accommodation to the victims in Company hotels if there is no space left at the refuges that the organisation runs in the islands.

Victims will be hosted free of charge for two nights and will get heavily discounted rates for themselves and for their families if they wish to extend their stay.

Sol Meliá also donated 15,000 euros to the Foundation and will further enhance the commitments made to the Calviá local government (Mallorca, Spain) in 2004.

### **Agreement with the Women's Employment Council in the Autonomous Region of Madrid**

This year Sol Meliá reached an agreement with the Women's Employment Council in the Autonomous Region of Madrid on employment for women victims of domestic violence. The agreement commits both Sol Meliá and the authorities to work together to contract and train women who have suffered domestic violence.

The Madrid employment authorities will assist with the preparation of job profiles, the selection of potential employees and the initial training required to get candidates up to the basic level required by the positions for which they are proposed.

Sol Meliá will include the selected candidates in all of the relevant potential recruitment opportunities provided they meet the basic requirements of the position.

A joint committee will be set up to meet every six months to monitor the agreement with two members from the Regional Employment authorities and two members from Sol Meliá.

## **7 Alliances and Co-operation**

### **7.1 Save the Children**

On 25 May 2006 an agreement was signed between Sol Meliá and Save the Children.

The agreement makes Sol Meliá a platform for the involvement of guests, partners and employees in which everyone can benefit from taking part and help produce a multiplying effect. The project is considered strategic from the point of view of the Company's commitment to responsible and sustainable tourism.

The 87 years of experience enjoyed by Save the Children, and the quality of its programmes in Spain and in another 115 countries worldwide are the most important guarantee that the organisation can provide for its excellent work to help children in need.

### **7.2 Business and Society Foundation**

Founded in 1995 and supported by entrepreneurs and independent professionals, the mission of the Business and Society Foundation is to promote community involvement activities in Spanish companies. The Foundation provides advisory services and also carries out research and promotion activities aimed at businesses and society in general.



*In May, María Antonia Escarrer, a member of the Board of Directors and responsible for Community Involvement at Sol Meliá, signed a cooperation agreement with Save the Children with Alberto Soteres, Managing Director of the NGO.*

Sol Meliá defends the idea that companies will play a greater role in society only if they are socially responsible. Amongst other things, this means that their products and services must be accepted by society and comply with all existing legislation, their executives must behave with impeccable ethics, they must take their relations with their employees seriously, they must be respectful of their natural environment, and they must support the most disadvantaged members of their community.

The Business and Society Foundation is currently formed by more than 100 member companies, all leaders in community involvement. Sol Meliá has been a patron of the foundation since 1999 and thus committed to:

1. Improving its community involvement strategy and activities.
2. Appropriately reporting its community involvement.
3. Supporting the institutional activities of the foundation to promote community involvement in the business world.

### 7.3 “Lealtad” Foundation

To assist with project management on the Sol Meliá Community Involvement Programme, Sol Meliá signed an agreement with the “Lealtad” Foundation which committed the company to promoting principles of transparency and good conduct amongst company employees and related companies, as well as the “Guide to Transparency and Good Conduct in NGOs” edited by the Foundation. Sol Meliá also cooperates every year with at least one of the organisations audited by the Foundation.

The work and research carried out by the Foundation has very quickly made it a reference point for companies and individuals in the selection process of NGOs or other organisations for cooperation projects.

The “Lealtad” Foundation was founded in 2001 and is an independent charitable institution that aims to promote confidence amongst the public and corporations in associations and foundations working on assistance and development projects. The Foundation operates throughout Spain and meets its objectives via its website and the publication of the “Guide to Transparency and Good Conduct in NGOs.”

### 7.4 Adecco Foundation

The Adecco Foundation was formed in July 1999 with the objective of assisting the disadvantaged in finding employment. The Foundation is supported by the Adecco Group which includes 7 different companies in Spain specialising in Human Resources with 300 offices all over the country.

### 7.5 Business and Growth Foundation

The mission of the Business and Growth Foundation, of which Sol Meliá is a patron and board member, is to help provide an effective contribution by Spanish companies with direct investments to the economic and social development of developing countries through the creation and growth of small and medium-sized companies. Based on business criteria, the foundation promotes the creation and management of funds specifically for the development of small and medium-sized companies in Latin America.



Founded in February 2001, the Business and Growth Foundation is also very much involved in the training of entrepreneurs in developing countries through its own programmes or in cooperation with specialist organisations.

For more information see the website:

[http://prensa.solmelia.com/view\\_manager.html?root=105](http://prensa.solmelia.com/view_manager.html?root=105)

## 8 Sol Meliá Community Involvement in figures

in 2006, Sol Meliá hotels achieved the following figures:

Projects:	432
NGO's, foundations and other beneficiaries:	243
Financial value of assistance:	1,242,604.67 euros

SOL MELIÁ COMMUNITY INVOLVEMENT	2001	2002	2003	2004	2005	2006
Projects	131	205	628	852	509	646
Organisations helped	71	145	360	470	246	302
Financial value (thousand euros)	78,23	384,85	1.153,05	1.203,48	1.107,09	1.408.539,80
Purchases from SECs (thousand euros)	1.718	3.763	3.775	3.892	4.118	4.605

Thanks to Sol Meliá's services as a platform for the launch of other activities, the following multiplying effects have been achieved:

Assets mobilised:	328,500 euros
Impact on awareness:	
Children benefited:	3,600
Adults benefited:	9,500
Economic impact:	
Children benefited:	585
Adults benefited:	1,855
Families benefited:	22,575
Employee volunteers:	8,610

## 9 Community Involvement Management at Sol Meliá

### 9.1 General Framework

The majority of the actions carried out by Sol Meliá start as ideas from the 350 hotels in 30 countries on 4 continents where assistance programmes for disadvantaged people and communities form part of a global Community Involvement programme which aims to better focus our efforts and better plan and coordinate activities.



*Employees homes destroyed by the earthquake in Jakarta last winter.*



*Daniel Lozano, Vice President of Sol Meliá Asia Pacific witnessed the terrible state of staff homes after the disaster.*



*Photo of Agus Waluyo's new home which has been completely rebuilt thanks to the cooperation of all the employees at Sol Meliá.*

Our previous efforts and this new drive to improve community involvement are the result of:

- The defence and application in Sol Meliá of the concept of “a socially responsible company” in our day-to-day business and as a key part of our wider corporate culture.
- Our experience as a company in contributing to progress in countries in which we operate, an experience which helps us ensure our community involvement activities are responsive and productive.
- The professionalism and expertise of the people that coordinate our community involvement activities, including representatives of all departments and all of the company's international divisions.
- The company's desire that community involvement become something in which all of our employees feel encouraged to take part. To promote participation the company provides regular updates on the activities of hotels and corporate offices in internal newsletters and has created an e-mail address for exchanging suggestions and proposals.

## 9.2 Project selection criteria

Community Involvement project selection must comply with all of the requirements described in the Community Involvement Plan, including the definition of objectives and benchmarks, the analysis of NGOs, foundations or organizations with which we carry out projects, the verification, control and economic impact of projects or the final analysis from the point of view of constant improvement.

Deciding whether Sol Meliá should get involved in a project depends on two priority criteria. The first is to ensure that the NGO, foundation or organisation is able to demonstrate its transparency and good conduct (professionalism, philosophy and defined objectives, and correct use of funds). The second criteria is based on an analysis of the compatibility of the project with the specific programmes in the Sol Meliá Community Involvement Plan.



*A handicraft fair was held at the Sol S'Argamassa for Solidarity Day.*

Sol Meliá is also proactive in community involvement and makes direct contact with organisations that it thinks are appropriate for the development of projects, as well as analysing in detail all of the proposals that are received to assess whether the requests are compatible with the objectives of the Community Involvement Plan.

### 9.3 Monitoring group

A Community Involvement Monitoring Group formed by representatives of almost all of the company's service and operations departments has been set up to coordinate company activities. All of the projects approved are subject to constant supervision to ensure that they meet their objectives and achieve the expected results, regardless of whether they are projects that are the direct responsibility of an NGO or whether they require coordination with the hotel corporate office.

The success of projects carried out at company hotels is the direct responsibility of the Hotel General Manager, as well as the compilation of information on the type of activity, its objectives, the locations in which it is carried out, the schedule, the beneficiaries, the participants, the economic impact, and any other additional information thought relevant. All of this information is drawn up at the hotel and then submitted to the Community Involvement Department at corporate headquarters.

A dossier is then put together containing the information mentioned above along with a final evaluation of the project made by project coordinators when it is over. This evaluation is one of the key factors analysed by the "Monitoring Group" to assess the quality of the projects carried out and to propose aspects in which improvements might be made.

### 9.4 Project management in hotels

Although Sol Meliá coordinates and supervises the development of the Community Involvement Plan from corporate headquarters (from which numerous projects to help the disadvantaged are also created), the majority of community involvement projects at Sol Meliá involve hotels, their guests and their employees.



*At Christmas several hotels held charity events with children. The photo shows Pilar Molina, General Manager at the Meliá Royal Tanau Boutique Hotel with one of the Three Kings who visited the hotel.*



*The Duchess of Alba, Cardinal Carlos Amigo, and the general manager of the Meliá Lebreros, Ramón Vidal, presided over the opening of the New Future Market in Seville.*



*Solidarity make a wish at the Sol Mirlos Tordos.*

To ensure Community Involvement projects are managed correctly in each hotel, the Hotel General Manager is directly responsible for all projects as well as for compliance with any guidelines applied to them. In some hotels, the General Manager may delegate responsibility for project management to a "Community Involvement Coordinator".

The Coordinator is in constant contact with hotel management, presents project proposals, assesses and responds to all proposals received from hotel employees, from guests and from corporate headquarters, and is also proactive in analysing initiatives that might be applicable in the hotel. The Community Involvement Coordinator is also responsible for relations with NGO's or other organisations involved in any project that receives support from the hotel.

## 10 Contact details

If you, your company, NGO, foundation or public or private institution would like more information on Sol Meliá community involvement projects, please contact us.

### Community Involvement Department

#### Sol Meliá

Gremio de Toneleros, 24.

07009 Palma de Mallorca, Spain

Telephone: +34 971.224473

fax: +34 971.224427

[accion.social@solmelia.com](mailto:accion.social@solmelia.com) / [community.involvement@solmelia.com](mailto:community.involvement@solmelia.com)

[www.solmelia.com](http://www.solmelia.com)

## REGULATORY NOTIFICATIONS

**Date: 03/02/2006 (Regulatory notification number: 63804)**

- The Company reports that it has acquired from G.I. Cartera, S.A. 70% of the share capital of Alcajan XXI, S.L. for 10.2 million euros.

**Date: 28/02/2006 (Regulatory notification number: 64422)**

- The Company submits information on results for the second half of 2005.

**Date: 05/05/2006 (Regulatory notification number: 66266)**

- The Company reports publication of the official announcement of the calling of the Ordinary and Extraordinary Shareholders Meeting for 6 and 7 June 2006 (in first and second calling respectively).

**Date: 01/06/2006 (Regulatory notification number: 67397)**

- The Company submits the Annual Report on Corporate Governance for 2005.

**Date: 06/06/2006 (Regulatory notification number: 67508)**

- The Company reports the motions accepted at the Ordinary and Extraordinary Shareholders Meeting held 6 June 2006.

**Date: 22/09/2006 (Regulatory notification number: 70992)**

- The Company submits most relevant extracts of press interviews with the Chief Executive Officer, Gabriel Escarrer Jaume

**Date: 18/10/2006 (Regulatory notification number: 71613)**

- Sol Meliá submits information related to the news appearing in the media about a possible deal between Sol Meliá and Mercapital to purchase the 30% stake of the latter in Occidental Hotels.

**Date: 31/10/2006 (Regulatory notification number: 72002)**

- The Company submits clarification of the news published on 30 October 2006 in the newspaper Expansión on an interview with Sebastián Escarrer, as required by the Spanish Stock Exchange Commission.

**Date: 22/11/2006 (Regulatory notification number: 73012)**

- The Company submits the motions accepted by the Board of Administration as required in article 82 of Law 24/1988 of 28 July, SOL MELIÁ, S.A., reports, that the Board of Administration in session the previous day approved the following motions:

- (i) authorised the purchase by SOL MELIA S.A. of 100% of the share capital of Hogares Batle, S.A. for 2,355,282 euros after the favourable report by the Auditing and Compliance Committee.

The share capital of Hogares Batle S.A. belongs in full to the Chairman of the Company, Gabriel Escarrer Juliá.

A consequence of the purchase of the said company is the acquisition of a number of assets related to the activity of SOL MELIA, S.A., most importantly the building next to the current corporate headquarters, as well as 122 parking spaces alongside different hotels in the city of Palma de Mallorca, as well as other minor assets.

- (ii) approved the entrance in 25% of the share capital of Inversiones Hoteleras la Jaquita S.A. of TI PARTICIPACIONES S.A., a company of the Caja de Ahorros del Mediterráneo group. A shareholder and Board member of SOL MELIA S.A.

Inversiones Hoteleras la Jaquita S.A. is the company which owns the future 5 star hotel complex of Palacio de Isora in the south of Tenerife with 609 rooms. The Board also accepted the resignation as a Board member of AILEMLOS S.L., communicated by said member in writing with effect from 21/11, a resignation justified by the wish of the shareholders in said company to individually manage its shareholding in SOL MELIA S.A., thus cancelling the sole representation and the reason to have a sole representative.

**Date: 16/01/2007 (Regulatory notification number: 75580 in relation to 75581 and 75599)**

- The Market and Investment Department raises the following motion for suspension of trading to the Chairman of the National Stock Exchange Commission which, in virtue of the delegation of faculties provided by the Board of the National Commission on 29 June 2006, agrees: "To temporarily suspend with immediate effect, as defined in Article 33 of Law 24/1988, of 28 July, of the Stock Exchange, trading in SOL MELIA, S.A. in the following markets: - in the Stock Market and Stock Market Exchange System, of the shares and other securities that may be subscribed or acquired. - In AIAF, Fixed Return Market, S.A. of the Fixed rate Bonds and Preferred Shares, while a regulatory notification is issued. At 10am on 16 January 2007, the suspension of trading will cease."

**Date: 16/01/2007 (Regulatory notification number: 75581)**

- ING BANK NV, LONDON BRANCH reports that it is to begin a private sale of up to around 6.5% of the share capital of SOL MELIA, S.A. owned by a client of the bank.

**Date: 16/01/2007 (Regulatory notification number: 75599)**

- ING BANK NV, LONDON BRANCH reports that after the Regulatory notification published on 16 January that, given that the period of the offer is over, the offer has been oversubscribed by qualified investors and that the bank client, the company AILEMLOS S.L., has decided to sell the 12.034.560 shares in SOL MELIA, S.A. it owns to said investors, representing 6.5% of the share capital, at a price of 15.20 euros per share.



## BOARD OF DIRECTORS

### EXECUTIVE DIRECTORS

NAME	POSITION
Gabriel Escarrer Juliá	Chairman
Sebastián Escarrer Jaume	2nd Deputy Chairman and Chief Executive Officer
Gabriel Juan Escarrer Jaume	Chief Executive Officer

### OUTSIDE INSTITUTIONAL DIRECTORS

NAME	REPRESENTATIVE	POSITION	SHAREHOLDER REPRESENTED
Juan Vives Cerdá		1st Deputy Chairman <sup>o</sup>	Hoteles Mallorquines Asociados S.L.
Hoteles Mallorquines Consolidados S.A.	María Antonia Escarrer Jaume	Director	Hoteles Mallorquines Consolidados S.A.
Caja de Ahorros del Mediterraneo	Armando Sala Lloret	Director	C.A.M.

### OUTSIDE INDEPENDENT DIRECTORS

NAME	POSITION
José María Lafuente López	Secretary
Alfredo Pastor Bodmer	Director
Eduardo Punset Casals	Director
Emilio Cuatrecasas Figueras	Director
José Joaquín Puig de la Bellacasa Urdampilleta*	Director

\* José Joaquín Puig de la Bellacasa Urdampilleta resigned from the Board at the Board Meeting of 27 March, 2007.

## GRI INDICATORS

GRI INDICATORS	LOCATION
<b>1 VISION AND STRATEGY</b>	
1.1	Vision and strategy regarding contribution to sustainable development. AR 3, 107
1.2	Statement from the CEO with the main elements of the report. AR 3
<b>2 PROFILE</b>	
<b>Organisational profile</b>	
2.1	Name of reporting organisation. AR 1 / FR 14
2.2	Major products and/or services, including brands. AR 28-31, 36-62
2.3	Operational structure of the organisation. AR 8-10, 65
2.4	Description of major divisions, operating companies, subsidiaries and joint ventures. FR 34, 63, 65
2.5	Countries in which the organisation's operations are located. AR 8-12
2.6	Nature of ownership; legal form. FR 15
2.7	Nature of markets served. AR 8-10
2.8	Scale of the reporting organisation. AR 9-11
2.9	List of stakeholders, key attributes of each, and relationship to the reporting organisation. AR 64, 65, 78, 87, 90, 107
<b>Scope of the Sustainability report</b>	
2.10	Contact person(s) for matters related to the report. AR 131
2.11	Reporting period for information provided. AR 1
2.12	Date of most recent previous report. AR 131
2.13	Boundaries of report (countries, services...). AR 8 / FR 4, 5
2.14	Significant changes in the company and its environment. FR 92
2.15	Basis for reporting on subsidiaries, shared. FR 18
2.16	Re-statements of information provided in earlier reports. NAp
<b>Profile of the Sustainability report</b>	
2.17	Decisions not to apply GRI principles or protocols in the preparation of the report. NAp
2.18	Criteria used in any accounting for social costs and benefits. NAv
2.19	Significant changes from previous years in the measurement methods applied. FR 19
2.20	Policies and internal practices to ensure the accuracy of the information. FR 115
2.21	Measures for providing independent assurance for the full report. FR 4, 5
2.22	Means for obtaining additional information. AR 88, 89
<b>3 GOVERNANCE STRUCTURE AND MANAGEMENT SYSTEMS</b>	
<b>Structure and Governance</b>	
3.1	Governance structure and main Board committees. AR 122 / FR 95
3.2	% of the Board that are independent, non-executive directors. AR 122 / FR 95

Key: AR: Annual Report FR: Financial Report NAp: Not applicable to Sol Meliá NAv: Not available

GRI INDICATORS		LOCATION
3.3	Need for members of the group of experts to guide the strategy of the organisation on environmental and social issues.	NAv
3.4	Board-level processes for overseeing economic, environmental, and social risks and opportunities.	NAv
3.5	Linkage between executive compensation and achievement of financial and non-financial goals.	FR 101, 102, 103
3.6	Structure and key individuals responsible for oversight and audit of economic and social policies.	FR 95
3.7	Mission and values, codes of conduct and principles.	AR 71, 95
3.8	Mechanisms for shareholders to provide suggestions.	AR 88, 89 / FR 130
<b>Commitment to stakeholders</b>		
3.9	Basis for identification of stakeholders.	AR 69, 90
3.10	Approaches to stakeholder consultation.	AR 69, 90
3.11	Type of information generated by stakeholder consultations.	AR 69, 90
3.12.	Use of information resulting from stakeholder engagements.	AR 69, 90
<b>Overarching Policies and Management Systems</b>		
3.13	Application of the principle of precaution.	NAp
3.14	Public commitments and voluntary initiatives subscribed to.	AR 112
3.15	Principal memberships of national/international organisations.	AR 112 - 116
3.16	Management of upstream and downstream impacts.	NAv
3.17	Organisation's approach to managing indirect , economic, environmental, and social impacts.	AR 117
3.18	Major decisions during the year on the location of operations.	AR 112 - 116
3.19	Programmes and procedures on economic, environmental, and social performance.	AR 107
3.20	Certification of economic, environmental, and social management systems.	NAv
<b>4 CONTENTS TABLE</b>		
4.1	Table indicating the location of the report by sections and by indicators.	AR 123
<b>ECONOMIC PERFORMANCE INDICATORS</b>		
<b>Customers</b>		
EC-01	Net sales.	FR 8
EC-02	Geographic breakdown of markets.	AR 8
<b>Suppliers</b>		
EC-03	Cost of all goods, materials, and services purchased.	NAp
EC-04	Percentage of contracts that were paid in accordance with agreed terms.	100%
EC-11	List of suppliers by organisation and country.	AR 91
<b>Employees</b>		
EC-05	Total payroll and benefits (salaries, pensions, and other benefits and compensation for dismissal) broken down by country or region, referred to current payments rather than future commitments.	FR 60
<b>Capital providers</b>		
EC-06	Distributions to providers of capital, detailed by interest on debts and loans, and dividends on all types of shares, specifying any delay in preferred dividends.	FR 47, 48, 49
EC-07	Increase/decrease in retained earnings at end of period.	FR 9
<b>Public sector</b>		
EC-08	Total sum of taxes of all types broken down by country.	FR 53

Key: AR: Annual Report FR: Financial Report NAp: Not applicable to Sol Meliá NAv: Not available

GRI INDICATORS	LOCATION
EC-09 Subsidies received, detailed by country or region, including grants, tax breaks and other types of financial benefits which do not involve a transaction with goods and services.	FR 51
EC-10 Donations to the community, civil society or other groups, in cash and in kind, detailed by type of group	AR 107 - 111, 116
EC-12 Total spending on development of external business infrastructure.	NAv
<b>Indirect economic impact</b>	
EC-13 Indirect economic impact on the organisation, indicating the most important externalities associated to the products and services of the reporting organisation.	NAv
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>	
<b>Raw materials</b>	
EN-01 Total materials used other than water, by type.	NAP
EN-02 Percentage of materials used that are wastes (processed or otherwise) from sources external to the reporting organisation, with reference to both raw materials recycled after their use and to waste of industrial origin.	NAP
<b>Energy</b>	
EN-03 Direct energy use, detailed by primary source.	AR 104
EN-04 Indirect energy use, indicating all of the energy used to produce and distribute energy products acquired by the reporting organisation such as, for example, electricity or heat.	NAP
EN-17 Initiatives to use sources of renewable energy and to increase energy performance.	AR 104, 105
EN-18 Energy consumption footprint (for example, annual energy consumption for useful life) of the key products expressed in joules.	NAP
EN-19 Other indirect uses (previous/posterior) of energy and their implications such as travel within the organisation, management of the lifecycle of a product and the use of energy intensive raw materials.	NAv
<b>Water</b>	
EN-05 Total water use.	AR 105
EN-20 Sources of water and ecosystems/habitats significantly affected by the consumption of water, including the wetlands on the Ramsar List and the general contribution to environmental trends.	NAv
EN-21 Annual extraction of subterranean and surface water as a percentage of the annual renewable amount of water available from sources, detailed by region.	
EN-22 Total amount of recycling and re-using of water, including waste water and other types of water used, for example, cooling water.	NAv
<b>Biodiversity</b>	
EN-06 Location and dimensions of land owned, leased or managed in biodiversity-rich habitats.	NAv
EN-07 Analysis of the most important impacts on biodiversity derived from activities and/or products and services on land, sea and fresh water.	NAv
EN-23 Total amount of land owned, leased or managed dedicated to production or extraction.	NAP
EN-24 Percentage of impermeable surface in relation to the land acquired or released.	NAv
EN-25 Impacts caused by activities or operations in protected or sensitive areas.	NAv
EN-26 Changes caused in natural habitats as a result of activities and operations and the percentage of habitat protected or restored, indicating the type of habitat affected and its degree of conservation.	NAv
EN-27 Programmes and objectives to protect and restore ecosystems and local species in degraded areas.	NAv

Key: AR: Annual Report FR: Financial Report NAP: Not applicable to Sol Meliá NAv: Not available

GRI INDICATORS		LOCATION
EN-28	Number of species included on the Red List of the IUCN whose habitat is located in the areas affected by operations.	NAv
EN-29	Business units which are operating or which are expected to operate within or near protected or sensitive areas.	NAv
<b>Emissions, Effluents, and Waste</b>		
EN-08	Greenhouse gas emissions.	AR 104
EN-09	Use and emissions of ozone-depleting substances. Specify each figure individually in relation to the contents of the Montreal protocol expressed in CFC-11 equivalent tonnes (potentially ozone-reducing).	NAp
EN-10	Nox, Sox and other significant air emissions by type, including emissions of regulated substances as provided by local, national and international laws and regulations.	AR 104
EN-11	Total amount of waste by type and destinations. The "destinations" refer to the treatment methods for waste such as the manufacture of organic fertiliser, re-use, recycling, recuperation, incineration or dumping.	NAv
EN-12	Significant discharges to water by type.	NAp
EN-13	Significant spills of chemicals, oils, and fuels, expressed in figures and total volumes. The importance refers to both the size of the spill and the impact on the environment.	NAp
EN-30	Other indirect emissions relevant to greenhouse gases (CO <sub>2</sub> , CH <sub>4</sub> , N <sub>2</sub> O, HFC, PFC, SF <sub>6</sub> ). This refers to emissions resulting from the activities of the reporting organisation but which are produced by sources owned by other organisations.	AR 104
EN-31	Any production, transport, export of waste considered "dangerous" in accordance with the stipulations of Annexes I, II, III and VIII of the Basle Agreement.	NAp
EN-32	Sources of water and ecosystems/habitats significantly affected by spills of water and liquid waste.	NAp
<b>Suppliers</b>		
EN-33	Activities of suppliers in relation to environmental aspects of the programmes and procedures prepared in response to the section on Governance structure and management systems.	AR 90
<b>Products and services</b>		
EN-14	Significant environmental impacts of most important products and services.	NAv
EN-15	Percentage of the products sold which are susceptible to be recovered at the end of their useful life and the percentage which is actually recovered.	NAp
<b>Compliance</b>		
EN-16	Fines for non-compliance with international agreements/treaties/declarations and local, regional, and national environmental regulations.	AR 102
<b>Transport</b>		
EN-34	Significant environmental impact of logistics-related transport.	NAp
<b>Overall</b>		
EN-35	Total environmental expenditures by type.	NAv
<b>SOCIAL PERFORMANCE INDICATORS</b>		
<b>LABOUR PRACTISES</b>		
<b>Employment</b>		
LA-01	Detail of the workforce, if possible by region/country, location, and type of contract.	AR 65, 66
LA-02	Net creation of employment and average turnover by region / country.	AR 65, 66
LA-12	Social provisions for employees not required under law.	NAv

Key: AR: Annual Report FR: Financial Report NAp: Not applicable to Sol Meliá NAv: Not available

GRI INDICATORS		LOCATION
<b>Relationship company / employees</b>		
LA-03	Percentage of employees represented by independent unions or other representatives, detailed by region or percentage of employees included in collective bargaining agreements detailed by region / country.	NAv
LA-04	Policy and procedures for information, consultation and negotiation with employees on changes in operations of reporting organisations.	NAv
LA-13	Provisions for the formal representation of employees in decision making or in management, including corporate governance.	NAv
<b>Health and safety of employees</b>		
LA-05	Methods of registration and notification of work accidents and professional illnesses with reference to the practical recommendations of the OIT.	AR 73 - 77
LA-06	Description of the joint commissions on health and safety made up of members of management and employee representatives, and the proportion of the staff covered by those commissions.	AR 73 - 77
LA-07	Rates for absenteeism, accidents and labour injuries, days lost and number of work-related victims of fatalities (including subcontracted workers).	AR 73 - 77
LA-08	Description of policies or programmes (in the workplace or other areas) on HIV/AIDS	AR 73 - 77
LA-14	Data which certifies compliance with the recommendations of the OIT on guidelines related to health management systems in the workplace.	AR 73 - 77
LA-15	Description of the formal agreements with unions or other employee representatives responsible for health and safety in the workplace, and the proportion of the workforce covered by the agreements.	AR 73 - 77
<b>Training and further education</b>		
LA-09	Average hours of training per year per employee detailed by employee category.	AR 67 - 69
LA-16	Description of the procedures which encourage the constant contracting of employees and manage retirement programmes.	AR 67 - 69
LA-17	Special policies focused on the management of practical know-how or constant training.	AR 67 - 69
<b>Diversity and equal opportunities</b>		
LA-10	Description of policies and programmes on equal opportunities, and the monitoring systems to ensure compliance and the result of the reviews.	AR 71, 72
LA-11	Composition of senior management and corporate governance bodies (including the Board of Directors), attending to the proportion of the sexes and other indicators of diversity if they are considered culturally appropriate.	FR 95
<b>SOCIETY</b>		
<b>Community</b>		
SO-01	Description of policies to manage impacts on communities areas affected by activities, as well as description of procedures/programmes to address this issue, including monitoring systems and results of monitoring.	AR 107 - 111, 116
SO-04	Awards received in relation to social, environmental or ethical performance.	NAv
<b>Corruption</b>		
SO-02	Description of policies, management systems/procedures as well as compliance mechanisms related to corruption and bribes both for the organisation and for employees.	FR 116
<b>Political contributions</b>		
SO-03	Description of policies, management systems/procedures as well as compliance mechanisms related to contributions and instruments of political pressure.	AR 112
SO-05	Amount of funds donated to political parties or institutions whose main function is to finance political parties or their candidates.	NAp

Key: AR: Annual Report FR: Financial Report NAp: Not applicable to Sol Meliá NAv: Not available

GRI INDICATORS	LOCATION
<b>Competition and pricing</b>	
SO-06 Court decisions pertaining to anti-trust and monopoly regulations.	NAp
SO-07 Description of policies, management systems/procedures as well as compliance mechanisms related to the prevention of anti-competitive behaviour.	NAp
<b>PRODUCT RESPONSIBILITY</b>	
<b>Consumer health and safety</b>	
PR-01 Description of policy on customer health and safety during the use of products and services, degree of information and application, and list of related procedures or programmes and monitoring systems.	AR 94 / FR 115, 116
PR-04 Number and type of non-compliance with regulations on customer health and safety, as well as any sanctions or fines imposed for the infractions.	ZERO
PR-05 Number of claims confirmed by official regulatory bodies or similar for supervision or regulation of the health and safety in products and services.	ZERO
PR-06 Labelling of products and compliance with voluntary codes or awards related to social and/or environmental responsibility received by the organisation.	NAp
<b>Products and services</b>	
PR-02 Description of policies, management systems/procedures as well as compliance mechanisms related to labelling and information on products.	NAp
PR-07 Number and type of non-compliance with regulations on product information and labelling, as well as any sanctions or fines imposed for the infractions.	NAp
PR-08 Analysis of management policies and systems / procedures, as well as the compliance mechanisms related to customer satisfaction, and the results of surveys which evaluate satisfaction.	AR 69
<b>Respect for customer privacy</b>	
PR-03 Description of policies, management systems/procedures as well as compliance mechanisms related to customer privacy.	NAv
PR-11 Number of claims accepted in respect to violations of customer personal privacy.	NAp
<b>Advertising</b>	
PR-09 Description of management policies and systems / procedures, as well as the compliance mechanisms related to legal regulations and voluntary codes in advertising.	NAv
PR-10 Number and type of infractions committed within the framework of regulations on marketing and advertising.	ZERO

Key: AR: Annual Report FR: Financial Report NAp: Not applicable to Sol Meliá NAv: Not available

## CORPORATE INFORMATION

### CENTRAL CORPORATE HEADQUARTERS

Gremio Toneleros, 24  
Polígono Industrial "Son Castelló"  
07009 Palma de Mallorca - Spain  
Tel. +34 971 22 44 00  
Fax +34 971 22 44 08

---

### CORPORATE HEADQUARTERS MADRID

Mauricio Legendre, 16  
28046 Madrid - Spain  
Tel. +34 91 315 32 46  
Fax +34 91 315 62 31

---

### CORPORATE HEADQUARTERS NORTH AND CENTRAL AMERICA

800 Brickell Avenue 10th floor  
33131 Miami - Florida - USA  
Tel. (1) 305 350 98 28  
Fax (1) 305 350 99 60

---

### CORPORATE HEADQUARTERS SOUTH AMERICA

Av. Nações Unidas, 12551  
04578-903 Sao Paulo SP - Brazil  
Tel. (5511) 3043 8484  
Fax (5511) 3043 8466

---

### CORPORATE HEADQUARTERS CUBA

Ave. 3ra entre 76 y 80  
Miramar - La Habana  
Tel. (53-7) 554 712  
Fax (53-7) 832 1969

---

### CORPORATE HEADQUARTERS ASIA

6 Battery Road # 18-07  
(049909) Singapore  
Tel. (65) 6.3343332  
Fax (65) 6.3342065

---

[www.solmelia.com](http://www.solmelia.com)  
[info@solmelia.com](mailto:info@solmelia.com)  
Central Reservations (SolRes): 902 14 44 44  
Sol Meliá GDS access codes:  
· AMADEUS: SM  
· GALILEO: SM  
· SABRE: ME  
· WORLDSPAN: SM

---

### SOL MELIÁ VACATION CLUB

47 Millenia Blvd., suite 240  
Orlando /FL 32839  
Tel. 1 (407) 370-3671  
[info@solmeliavc.com](mailto:info@solmeliavc.com)  
[www.smvc.com](http://www.smvc.com)

---

### COMMUNITY INVOLVEMENT AND THE ENVIRONMENT

[accion.social@solmelia.com](mailto:accion.social@solmelia.com)  
[medio.ambiente@solmelia.com](mailto:medio.ambiente@solmelia.com)

---

### ANNUAL GENERAL SHAREHOLDERS MEETING

Palma de Mallorca  
Date: 5 June 2006  
Location: Hotel Gran Meliá Victoria  
Dividend payment: 0.122 euros per share

---

Investor Relations Department: +34 971.22.45.43  
[investors.relations@solmelia.com](mailto:investors.relations@solmelia.com)  
<http://inversores.solmelia.com>

---

For more information on this report:  
Communications Department: +34 971.22.45.64  
[comunicacion@solmelia.com](mailto:comunicacion@solmelia.com)  
<http://prensa.solmelia.com>

---

Shareholders' hotline: +34 971.22.45.54  
[club.accionista@solmelia.com](mailto:club.accionista@solmelia.com)

---

Date of the annual report previous to the most recent report: 2005

---

### EXTERNAL AUDITORS

Ernst & Young  
Palma de Mallorca

---