# 2005 Third Quarter Results

## Profit & Loss Account on IFRS basis

| (Million Euros) | Sep 05 | Sep 04 (*) | % |
|---|---|---|---|
| **REVENUES** | **876.2** | **816.5** | **7.3%** |
| **EXPENSES (ex - Operating leases)** | **(595.1)** | **(565.4)** | **5.3%** |
| **EBITDAR** | **281.1** | **251.1** | **12.0%** |
| Rental expenses | (46.4) | (42.9) | 8.1% |
| **EBITDA** | **234.8** | **208.2** | **12.8%** |
| Depreciation and amortisation | (80.8) | (81.1) | -0.4% |
| **EBIT** | **153.9** | **127.0** | **21.2%** |
| **Total financial profit/(loss)** | **(60.1)** | **(61.6)** | **-2.4%** |
| Profit/(loss) from equity investments | 0.5 | 1.3 | -63.3% |
| **Continuing EBT** | **94.3** | **66.8** | **41.3%** |
| Discontinuing Operations | 0.0 | 0.0 | |
| Profit before taxes and minorities | 94.3 | 66.8 | 41.3% |
| **Net Profit** | **84.9** | **58.8** | **44.5%** |
| **Net Profit attributable** | **82.5** | **56.1** | **47.1%** |

*(*) Pro-forma*

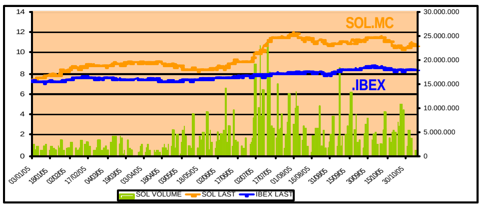
## Operational Ratios

| | Sep 05 | Sep 04 (*) | % |
|---|---|---|---|
| RevPAR | 49.2 | 45.9 | 7.3% |
| EBITDAR MARGIN | 32.1% | 30.8% | 133 bp |
| EBITDA MARGIN | 26.8% | 25.5% | 130 bp |
| EBT MARGIN | 10.8% | 8.2% | 259 bp |
| NET PROFIT MARGIN | 9.4% | 6.9% | 255 bp |

## Financial Ratios

| | Sep 05 | Sep 04 (*) | % |
|---|---|---|---|
| EBITDA / NET INTEREST | 4,2x | 3,7x | 14,1% |
| EBIT / NET INTEREST | 2.8x | 2.2x | 22.6% |

## Stock Performance




| | |
|---|---|
| Average Daily Volume 2005 (€) | 4.055.098 |
| 2005 High, July 28th | 12,00 |
| 2005 Low, January 3rd | 7.20 |
| Historical High, Jun 9th 2000 | 14,28 |
| Market cap Nov 8th 05 (€ 10.72) | 1.980.807.049 |

## Highlights

### Revenues, EBITDA and Net Profit attributable increase by 7.3%, 12.8% and 47.1% respectively

Evolution in 9M05 is explained by: a) asset rotation and Sol Melia Vacation Club where revenues have gone up by 108%, together with b) the positive summer season and progressive recovery of the Spanish city hotels throughout Q2 and Q3. Operations outside Spain also contribute to the positive evolution.

### Impact of Hurricane Wilma

Hurricane Wilma in October seriously affected the Cancun area and Cozumel (Mexico) where the Company runs five hotels (1,850 rooms). Sol Melia believe the region will be functioning as normal throughout Q106 as soon as infrastructure repairs and hotel recovery is finished. The strong demand from its natural feeder markets (North America and Europe) together with the interests of the Mexican federal government and Travel and Tourism operators in recuperating the region will drive the recovery. These efforts are also expected to enable these destinations to be even more competitive in the medium term. On a global basis, Sol Meliá insurance covers the physical buildings as well as potential lost profits. Hence the impact on a cash flow basis is unlikely to happen.

### Condo hotels development

Once 2005 asset rotation commitment has been fulfilled, the Company is concentrating its efforts on 2006 disposals and development of mixed projects in the Caribbean. Also, within its asset management business, before year-end Sol Melia will start to sell the first phase of condo-hotels units at the Paradisus Puerto Rico as part of the total 144 units, and at a price between 320,000 and 350,000 US dollars. Most of the sales will be made from 2006 onwards, due to the focus of Sales & Marketing efforts following the Christmas holidays. Through the sale of condo hotel units the company recovers part of the capital invested and, along with the new owner, participates in the net profit generated by the condo-hotel unit.

Additional projects, including the sale of 122 condo-apartments in one of the two adjacent towers at the Gran Meliá Caracas (Venezuela), will be coming on stream in 2006.



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

Dear friend,

Sol Meliá is pleased to release its third quarter 2005 results reporting a 12.8% and 47.1% increase at the Ebitda and Net Profit attributable levels respectively. The evolution of the Asset Management Division, which includes the asset rotation activity as well as the Sol Melia Vacation Club, together with the progressive positive evolution of the Hotel Divisions are behind the said increases.

***... positive summer season ...***

Regarding the hotel business, Sol Meliá confirms a positive summer season as reflected in the 86% occupancy rate in the European Resort Division in Q3 period, during which RevPAR also increased by 4% although revenues decreased due to a decrease in available rooms. Such performance is explained by the positive evolution of our domestic feeder market and UK visitors, together with the recovery of the German market in Majorca. Increased sales made through our owned distribution channels (+16% as of September), particularly solmelia.com where sales increased by 51%, also contributed to growth.

***... progressive recovery of Spanish cities…***

In the Spanish city business, we have witnessed the second quarterly improvement following the RevPAR growth seen in Q2 (Q1: -4.8%; Q2: +5.9%; Q3: +6.2%). This is a consequence of the progressive positive trend that the Company advanced in the First Half report. The flexibility of our sales division to respond to changing market conditions, the evolution of business group activity and the quality of the recently incorporated / refurbished Tryp-branded hotels contribute to the change in trend. The outlook for Q4 and early 2006 give us reason to believe that the positive trend will continue, although it is still too soon to say whether this will be sustainable in the long run. Madrid, Barcelona, Seville and Palma are likely to be the main drivers.

European cities ( excluding Spain) report a positive underlying performance as reflected in the evolution of the Meliá White House (London) and the Meliá Milano where accumulated RevPAR grew by 11% and 9% respectively. Total RevPAR of European cities (excluding Spain) went up by 9.4%. The impact of the terrorist attacks in London in July was restricted to a 4.4% decrease in RevPAR in August at the Meliá White House. Nevertheless, in Q3 this property reported a +3.5% RevPAR increase and, at the moment, is functioning as normal.

***... performance in the Caribbean, offset by appreciation of Dominican Peso…***

In Latin America and the Caribbean, a positive underlying performance along with our latest incorporation in Puerto Rico largely explains the 26% RevPAR increase and the sharp improvement at the revenues level. However, as anticipated in previous reports, the appreciation of currencies in Latin America, specially the Dominican peso, has a strong impact on costs and the Ebitda of the Division as well as the initial stages of the Paradisus Puerto Rico hotel are putting pressure at the EBITDA margin level.

The appreciation of the Dominican peso and its negative effect on margins is likely to fade away in Q4 since the appreciation of the currency started throughout the second half 2004. Average currency rate at which Dominican figures consolidated in Sol's account appreciated by 58% as of June. As of September, average rate was 48%. If the trend of the Peso evolution throughout 2005 continues or remains the same, by year-end, average rate is likely to be 30% up versus last year's ( significantly below the year average) hence Ebitda margin improvement would occur in the Americas Division. So far, this effect has negatively affected in 100 basic points at the consolidated Ebitda margin.

Following a number of lesser hurricanes throughout 2005 in the Caribbean, Hurricane Wilma seriously affected the region in October. As for Sol Melia, the major impact was seen in the Cancun and Cozumel (Mexico) areas, while in Cuba we also saw minor damages. In Mexico, Hurricane Wilma caused no injuries to our clientele or personnel, although the hotels and local infrastructure suffered damages that will need reconstruction. The hotels involved are the Gran Meliá Cancun (700), Meliá Turquesa (450), Meliá Cozumel (150) and Sol Cabañas del Caribe (48), all of them under ownership, and the Paradisus Riviera Cancun (496), operated under a management contract. We estimate that our hotels in the region will all become operative throughout 1Q06. On a cash flow basis, hotel facilities along with potential loss of profit are likely to be covered by insurance.

Sol Meliá expects the region to be functioning as normal in the short term. The reasons are that a) an "anything could happen anywhere" perception on the part of travellers implies this is not likely to be a deterrent issue, b) other serious meteorological phenomena in the past where destinations soon recovered (hurricanes in the Caribbean, and the Tsunami in Asia, for instance), and c) the strong demand still coming from North American and European markets, together with d) the interests of the Mexican federal government and Travel and Tourism operators in recovery in the area, i.e. fiscal incentives for reinvestment, advertising campaigns and promotion, etc.

Regarding the asset rotation business, on the disposal side the Company has executed the sale of some 120 million Euros worth of assets while generating 60 million of profit for the year-end at a combined EBITDA multiple of 25x, which compares with the 7.0 x Ebitda multiple, on the acquisition side, following the purchase 50% of Tenerife Sol S.A., owner of three resorts in the Canary Islands.

***.Condo hotel development in Latin America and the Caribbean…***

As for the condo-hotel business, in the fourth quarter the Company will start to sell the first phase of condo-hotel units at the Paradisus Puerto Rico as part of the total 144 units after release of the terms and conditions brochure in Puerto Rico. The price per condo unit ranges from 320,000 to 350,000 US dollars. The vast majority of these sales is expected to take place following the Christmas holidays, a period after which Sol Meliá will strengthen marketing and sales efforts.

Regarding the timeshare business, Sol Melia Vacation Club (SMVC) has increased its sales by 108% as of September 2005 thanks to the good underlying business in those programmes started last year in Mexico and the Dominican Republic, as well as the launch of timeshare activities in the Paradisus Puerto Rico and the Meliá Turquesa. In 2006, the company will launch its operations in Central America and in European markets. SMVC remains focused on setting a solid business basis to guarantee the future growth of the business from which we expect a double digit growth by year-end at the Ebitda level in USD, enhancing the return on Assets of the whole Sol Meliá group.

Sol Meliá has already accomplished this year's goal of selling some 100 million Euros on an annual basis in the medium term within its asset rotation business. The Company is focused on developing the condo-hotel business as well as further analysing potential joint ventures to enter into mixed projects (hotel/resorts with condo-hotels and/or timeshare, etc) on existing and new land in the Caribbean.

Best Regards,

Jaime Puig de la Bellacasa

E.V.P. of Communication & Institutional Relations

## 2. Information on Operations

### Hotel Performance

RevPAR for owned and leased hotels has increased by 7.3% during the first nine months of the year largely explained by the progressive quarterly evolution of the Spanish city hotels and the positive RevPAR growth in the European Resort Division during the summer season. Both European divisions report a combined RevPAR increase of 4.4% (+4.7% in occupancy). The performance of the Americas Division, where RevPAR has increased by 26%, is also behind positive consolidated RevPAR growth.

In the **European Resort Division,** RevPAR has increased by 4.1% during Q3 (Meliá: +3.2%; Sol: +4.2%) thanks to the positive performance of the Spanish resorts. By region, RevPAR in the Balearic Islands, Alicante and the Costa del Sol increased by 5.5%, 4.5% and 2.3% respectively in Q3. The resilience of the domestic feeder market together with the positive evolution of the UK market and the recovery of the German market to Mallorca largely explains the growth. The growth in direct sales, the majority of them through solmelia.com, is also a factor behind the 3.5% RevPAR increase up to September.

RevPAR in the **European City Division** has increased by 5.6% thanks to the evolution of Spanish cities in Q3 where RevPAR grew by +6.2% (Q1: -4.8%; Q2: +5.9%). By city, Madrid (+6.8%), Seville (+9.2%), Malaga (+17.9%) and Palma (+11.3%) largely explain the growth in Q3 in Spain thanks also in part to the recovery of congresses, conventions and business groups. The recovery of occupancies has enabled Spanish city hotels to increase RevPAR by 2.5% at the accumulated level (Meliá: +3.1%; Tryp: +2.0%), which compares with a 0.8% increase in Spain overall according to the latest Deloitte&Touche (D&T) Survey figures. As advanced in previous reports, Madrid (+2.9% according to D&T) and Palma are driving this growth, with +4.9% and +14.3% RevPAR increases respectively. Regarding operations outside Spain, London, Italy and Germany have been the best performers over the nine months, with 11.0%, 7.3% and 4.5% RevPAR increases respectively.

Regarding the **Americas Division**, 26.3% RevPAR growth is largely explained by the performance in Mexico, where resorts increased by 18.8%, along with the contribution of the Paradisus Puerto Rico. The recovery of the Gran Meliá Caracas (664) and the Gran Meliá Mofarrej (228) in Sao Paulo (Brazil), where RevPAR increased by 76.8% and 42.4% respectively, also contributed to the improvement.

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

| **OWNED & LEASED HOTELS Sep 05/04** | | | ***Occupancy*** | ***RevPAR*** | ***A.D.R.*** |
|---|---|---|---|---|---|
| **EUROPEAN RESORT** | | **2.005** | 74.1% | 42.6 | 57.5 |
| | **% o/ 2004** | | **1.1%** | **3.5%** | **2.4%** |
| | | **2.004** | 73.3% | 41.2 | 56.1 |
| **EUROPEAN CITY** | | **2.005** | 66.7% | 54.7 | 82.1 |
| | **% o/ 2004** | | **5.1%** | **4.7%** | **-0.4%** |
| | | **2.004** | 63.4% | 52.3 | 82.4 |
| **AMERICAS** | | **2.005** | 68.6% | 49.1 | 71.5 |
| | **% o/ 2004** | | **4.9%** | **26.3%** | **20.4%** |
| | | **2.004** | 65.4% | 38.9 | 59.4 |
| **TOTAL** | | **2.005** | 69.8% | 49.2 | 70.4 |
| | **% o/ 2004** | | **3.3%** | **7.3%** | **3.8%** |
| | | **2.004** | 67.6% | 45.9 | 67.9 |

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

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

| % Increase Sep 05 / Sep 04 | EUROPEAN RESORT | EUROPEAN CITY | AMERICAS | TOTAL |
|---|---|---|---|---|
| **RevPAR** | 3.5% | 4.7% | 26.3% | 7.3% |
| **Available Rooms** | -4.6% | -2.9% | -2.5% | -3.5% |
| **Room Revenues** | -1.2% | 1.6% | 23.1% | 3.5% |

In the **European Resort Division,** the decrease in available rooms is explained by the disposal of the Sol Aloha Playa (172) in the Costa del Sol, the disaffiliation of the Sol Brisamar (110) in Fuerteventura (Canary Islands) and the closure of the Sol Gorriones (575) for refurbishment. The closure of this latest property also largely explains the drop in Food and Beverage revenues since the hotel had a high component of this item, as well as the Sol Balmoral and Sol Trinidad in Mallorca which opened less days in 2005.

In the **European City Division,** the extensive refurbishment which the Reina Victoria hotel in Madrid is undergoing due to its transformation into a Hard Rock Hotel together with the refurbishment process carried out in the Meliá Barcelona has affected total revenues in the division, including Food and Beverage. The decrease in available rooms is explained by the disposal of the Tryp Caballo Blanco in Cadiz (Spain) and the disaffiliation of the Meliá Boutique Carlton and Rex in Switzerland.

In Europe, the Sol Gorriones and the Reina Victoria hotels will be reopened early next year and thus contributing to the P&L account of the Company.

In the **Americas** "Room Revenues", "Food & Beverage", "Other Revenues" and "Total Revenues" increased by 15%, 2%, 19% and 9%, respectively after excluding the currency effect and the Paradisus Puerto Rico, the company's newest property in the division.

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

| **Sep 05/04** | **E.RESORT** | | | **E.CITY** | | | **AMERICAS** | | | **TOTAL** | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **(Million Euro)** | **05** | **%o/04** | **04** | **05** | **%o/04** | **04** | **05** | **%o/04** | **04** | **05** | **%o/04** | **04** |
| ROOMS | 144 | -1% | 146 | 222 | 2% | 218 | 70 | 23% | 57 | 437 | 4% | 422 |
| F&B | 78 | -5% | 82 | 77 | -2% | 79 | 71 | 4% | 68 | 226 | -1% | 228 |
| OTHER REVENUES | 9 | -3% | 9 | 22 | 10% | 20 | 15 | 19% | 13 | 46 | 10% | 42 |
| **TOTAL REVENUES** | 231 | -3% | 237 | 321 | 1% | 317 | 156 | 13% | 138 | 708 | 2% | 692 |

# 3. Income Statement

- **Revenues**

Total Revenues increased by 7.3% explained not only by the positive performance at the hotel level but, more importantly, the 17.5 million Euros of Meliá Las Palmas in Q3 plus the 24.2 million Euros of capital gains derived from the disposal of the Tryp Macarena in the first half. In the IFRS P&L Proforma 2004 also include 8.9 million Euros generated by the disposal of the Sol Aloha Playa in the first half of 2004 and the 4.9 million Euros generated by the Tryp Caballo Blanco in September 2004. Timeshare revenues represent 61 million Euros, an increase of 108%.

Management fees from third party hotels represent 36.1 million Euros, an 8.2% increase. This growth is primarily explained by the improved performance of company hotels and resorts in the Caribbean, especially Cuba, and the city hotels in Brazil.

- **Operating Expenses**

"Raw Materials" increased by 6.3%, explained by the latest hotel incorporation in Puerto Rico, cost inflation in the Dominican Republic due to the appreciation of the Peso, and the cost of goods sold at the Sol Melia Vacation Club. Regarding the evolution of "Personnel" and "Other operating expenses", increases are also largely explained by these effects in the Americas.

One-off marketing research, branding development and personnel training for launches in Europe are largely behind the cost growth at the Sol Melia Vacation Club. At the Overhead expenses level, increases are explained by the creation of the Food and Beverage and Asset Management departments, as well as an increase derived from the new Marketing division. On the other hand, the Company continues to implement cost control measures which involved: strengthening of centralized purchasing power, adapting F&B outlets to occupancy levels, increasing menu rotation, adapting third party services according to occupancy needs (cleaning, laundering, entertainment, etc.) as well as implementing energy savings set of measures.

"Rental Expenses" increased by 8.1%, explained by the hotels added throughout 2004 and 2005: Tryp San Lazaro (132 rooms in Santiago de Compostela, Spain), Tryp Indalo (186 rooms in Almeria, Spain), Tryp Almussafes (133 rooms in Valencia, Spain) and Tryp Oviedo (115 rooms in Oviedo, Spain). Additionally the lease contract at the Tryp Macarena following its disposal is also behind such effect.

- **Ordinary Profit / Net Profit**

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

The "Minorities (P)/L" item has decreased due to the purchase of the remaining 50% of Tenerife Sol S.A. that remained in the hands of third parties. Sol Meliá now owns a 100% stake in the subsidiary. On an annual basis, 50% of Tenerife Sol S.A. used to have a 3 million Euros impact at the Minorities level.

The tax rate level at 10% reflects the ongoing tax management of the group in minimising the tax charge. This level is mainly due to the goodwill generated in the Tryp acquisition, tax losses generated by companies of the Sol Meliá Group in previous fiscal years and fiscal credits that imply future reductions in the tax charge derived from investments both in Europe and in emerging countries in Latin America.

**Table 4 : Sol Meliá Consolidated Income Statement on IFRS basis**

| Million Euros | Sep-05 | Sep-04 (Pro-forma) | |
|---|---|---|---|
| Hotel Revenues | 708.3 | 691.9 | |
| Real Estate Revenues | 94.2 | 48.4 | |
| Other revenues | 73.8 | 76.2 | |
| **Total revenues** | **876.2** | **816.5** | **7.3%** |
| | | | |
| Raw Materials | (106.3) | (100.0) | |
| Personnel expenses | (268.1) | (252.1) | |
| Other operating expenses | (220.7) | (213.3) | |
| **Total operating expenses** | **(595.1)** | **(565.4)** | **5.3%** |
| **EBITDAR** | **281.1** | **251.1** | **12.0%** |
| Rental expenses | (46.4) | (42.9) | |
| **EBITDA** | **234.8** | **208.2** | **12.8%** |
| Depreciation and amortisation | (80.8) | (81.1) | |
| **EBIT** | **153.9** | **127.0** | **21.2%** |
| Net Interest Expense | (47.9) | (48.1) | |
| Exchange Rate Differences | (4.2) | (5.1) | |
| Other Interest Expense | *(8.0)* | *(8.4)* | |
| **Total financial profit/(loss)** | **(60.1)** | **(61.6)** | **-2.4%** |
| Profit/(loss) from equity investments | 0.5 | 1.3 | |
| **Continuing Earnings Before Taxes** | **94.3** | **66.8** | **41.3%** |
| Discontinuing Operations | 0.0 | 0.0 | |
| **Profit before taxes and minorities** | **94.3** | **66.8** | **41.3%** |
| Taxes | (9.431) | (8.0) | 17.7% |
| **Group net profit/(loss)** | **84.9** | **58.8** | **44.5%** |
| Minorities (P)/L | (2.3) | (2.6) | |
| **Profit/(loss) of the parent company** | **82.5** | **56.1** | **47.1%** |

# 4. Expansion

The table below shows a description of the progress made in the Sol Meliá hotel portfolio up to September 2005.

***Table 8. Expansion plan.***

| Owned & Leased | 01/01/2005 | | ADDITIONS | | LOSSES | | CHANGES | | 30/09/2005 | | SIGNED | | TOTAL GROUP | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | H | R | H | R | H | R | H | R | H | R | H | R | H | R |
| **EUROPEAN CITY** | **95** | **15,430** | **1** | **115** | **3** | **224** | **-1** | **-312** | **92** | **15,009** | **4** | **879** | **96** | **15,888** |
| Owned Hotels | 35 | 7,244 | 0 | 0 | 0 | 0 | -2 | -643 | 33 | 6,601 | 0 | 0 | 33 | 6,601 |
| Leased hotels | 60 | 8,186 | 1 | 115 | 3 | 224 | 1 | 331 | 59 | 8,408 | 4 | 879 | 63 | 9,287 |
| **EUROPEAN RESORT** | **56** | **15,810** | **0** | **0** | **0** | **0** | **0** | **0** | **56** | **15,810** | **0** | **0** | **56** | **15,810** |
| Owned Hotels | 41 | 12,957 | 0 | 0 | 0 | 0 | 0 | 0 | 41 | 12,957 | 0 | 0 | 41 | 12,957 |
| Leased hotels | 15 | 2,853 | 0 | 0 | 0 | 0 | 0 | 0 | 15 | 2,853 | 0 | 0 | 15 | 2,853 |
| **AMERICA** | **15** | **5,626** | **0** | **0** | **0** | **0** | **0** | **0** | **15** | **5,626** | **0** | **0** | **15** | **5,626** |
| Owned Hotels | 14 | 5,398 | 0 | 0 | 0 | 0 | 0 | 0 | 14 | 5,398 | 0 | 0 | 14 | 5,398 |
| Leased hotels | 1 | 228 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 228 | 0 | 0 | 1 | 228 |
| **OWNED HOTELS** | 90 | 25,599 | 0 | 0 | 0 | 0 | -2 | -643 | 88 | 24,956 | 0 | 0 | 88 | 24,956 |
| **LEASED HOTELS** | 76 | 11,267 | 1 | 115 | 3 | 224 | 1 | 331 | 75 | 11,489 | 4 | 879 | 79 | 12,368 |
| **TOTAL** | **166** | **36,866** | **1** | **115** | **3** | **224** | **-1** | **-312** | **163** | **36,445** | **4** | **879** | **167** | **37,324** |

| Management & Franchise | | 01/01/2005 | | ADDITIONS | | LOSSES | | CHANGES | | 30/09/2005 | | SIGNED | | TOTAL GROUP | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | H | R | H | R | H | R | H | R | H | R | H | R | H | R |
| **EUR. CITY** | **M** | 20 | 3,673 | 1 | 45 | 1 | 146 | 1 | 312 | 21 | 3,884 | 0 | 0 | 21 | 3,884 |
| | **F** | 18 | 2,222 | 1 | 136 | 0 | 0 | 0 | 0 | 19 | 2,358 | 0 | 0 | 19 | 2,358 |
| **EUR. RESORT** | **M** | 38 | 12,619 | 1 | 120 | 1 | 149 | 0 | 0 | 38 | 12,590 | 4 | 790 | 42 | 13,380 |
| | **F** | 13 | 4,625 | 3 | 911 | 0 | 0 | 0 | 0 | 16 | 5,536 | 0 | 0 | 16 | 5,536 |
| **AMERICA** | **M** | 35 | 8,628 | 2 | 647 | 1 | 64 | 0 | 0 | 36 | 9,211 | 3 | 607 | 39 | 9,818 |
| | **F** | 8 | 1,207 | 0 | 0 | 2 | 426 | 0 | 0 | 6 | 781 | 1 | 250 | 7 | 1,031 |
| **ASIA-PACIFIC** | **M** | 7 | 2,518 | 0 | 0 | 0 | 0 | 0 | 0 | 7 | 2,518 | 0 | 0 | 7 | 2,518 |
| | **F** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **CUBA** | **M** | 23 | 8,476 | 0 | 0 | 0 | 0 | 0 | 0 | 23 | 8,476 | 1 | 240 | 24 | 8,716 |
| **SUBTOTAL** | **M** | 123 | 35,914 | 4 | 812 | 3 | 359 | 1 | 312 | 125 | 36,679 | 8 | 1,637 | 133 | 38,316 |
| | **F** | 39 | 8,054 | 4 | 1,047 | 2 | 426 | 0 | 0 | 41 | 8,675 | 1 | 250 | 42 | 8,925 |
| **TOTAL** | | **162** | **43,968** | **8** | **1,859** | **5** | **785** | **1** | **312** | **166** | **45,354** | **9** | **1,887** | **175** | **47,241** |
| **TOTAL GROUP** | | **328** | **80,834** | **9** | **1,974** | **8** | **1,009** | **0** | **0** | **329** | **81,799** | **13** | **2,766** | **342** | **84,565** |

*M= Management; F= Franchise*

During the third quarter of 2005, Sol Meliá added to its portfolio under a management contract the Royal Palm Hotel in South Beach, Miami. The hotel consists of two towers totalling 417 rooms, of which 167 will be converted into condo-hotel units, with the remaining 250 to be used as traditional hotel rooms and suites.

The Hotel will undergo a refurbishment to implement a totally new design, including a new signature restaurant and bar, after which it will be managed under the Meliá brand. The Meliá Royal Palm joins Sol Meliá's portfolio as the fourth location market in the U.S after Chicago, New York and Puerto Rico.

Under franchise contracts, Sol Meliá has incorporated three new hotels: the Meliá Villa Gadea (206 rooms) and the Sol Ifach (193 rooms), both in Alicante, and the Tryp Florazar (136 rooms) in Valencia.

The Meliá Las Palmas (310 rooms) in the Canary Islands has been sold in September for 34 million Euros, achieving a 23.4x Ebitda multiple and generating 17.5 million Euros of profit. Sol Meliá has agreed a 10 year management contract plus an option for 5 additional years.

During 3Q 05, the Company also dropped from its portfolio the Sol Bahía Atlántico (191 rooms) and the Sol Victoria Marina (235 rooms), both under franchise contracts and both in Salvador de Bahía (Brazil). Also in Brazil, but under a management contract, the Tryp Pamplona (64 rooms) in Sao Paulo was also disaffiliated.

**Portfolio evolution in 1H**

During the first half of the year, the Meliá Palacio da Lousa (45 rooms) in Portugal and the Sol Verginia (120 rooms) in Egypt, both under management contracts, were added to the hotel portfolio along with a franchise contract at the Meliá Mouradí Gammarth (512 rooms) in Tunisia. In the Americas division, the Meliá Marquise (230 rooms) was opened in Brazil under a management contract

Sol Meliá added one new hotel under a lease contract to its portfolio during the first half of the year: the Tryp Oviedo (115 rooms).

Sol Meliá dropped from its portfolio the Meliá Golf Almerimar (149 rooms) and the Melia Balneario Mondariz (146 rooms) in Spain, both previously under management contracts. Under lease, contracts, losses are explained by the Tryp Los Llanos (102 rooms) in Spain and the Meliá Boutique Carlton (47 rooms) and Meliá Boutique Rex (75 rooms), both in Switzerland. The three lease contracts dropped from the portfolio as of June 2005 (224 rooms) were loss-making contracts.

The Tryp Macarena (330 rooms) has been sold during the first half of the year. Sol Meliá will run the hotel through a lease contract. The length of the contract is 25 years plus an option for Sol Meliá of 10 additional years.

Future projects under lease contract include four hotels and 879 rooms to be open in 2006 and 2007: in 2006 the Meliá Berlin (364 rooms) in Germany and in 2007, the Meliá Düsseldorf (250 rooms), the Tryp Kaiserslautern (125 rooms) both in Germany and in Italy, the Gran Meliá Roma, a new 5 star deluxe hotel with 140 rooms.