CONTENTS

MELIÁ HOTELS INTERNATIONAL, S.A.
AND SUBSIDIARY ENTITIES

Auditor's report,
Consolidated annual accounts at 31 December 2011 and
Directors' report for 2011

This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation

AUDIT REPORT ON THE CONSOLIDATED ANNUAL ACCOUNTS

To the Shareholders of Meliá Hotels International, S.A.:

We have audited the consolidated annual accounts of Meliá Hotels International, S.A. (the parent Company) and its subsidiaries (the Group), consisting of the consolidated balance sheet at 31 December 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and the related notes to the consolidated annual accounts for the year then ended. As explained in Note 2, the Directors of the Company are responsible for the preparation of these consolidated annual accounts in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the financial reporting framework applicable to the Group. Our responsibility is to express an opinion on the consolidated annual accounts taken as a whole, based on the work performed in accordance with the legislation governing the audit practice in Spain, which requires the examination, on a test basis, of evidence supporting the consolidated annual accounts and an evaluation of whether their overall presentation, the accounting principles and criteria applied and the estimates made are in accordance with the applicable financial reporting framework.

In our opinion, the accompanying consolidated annual accounts for 2011 present fairly, in all material respects, the consolidated financial position of Meliá Hotels International, S.A. and its subsidiaries at 31 December 2011 and the consolidated results of its operations and the consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union, and other provisions of the applicable financial reporting framework.

The accompanying consolidated Directors' Report for 2011 contains the explanations which the Meliá Hotels International, S.A.'s Directors consider appropriate regarding the Group's situation, the development of its business and other matters and does not form an integral part of the consolidated annual accounts. We have verified that the accounting information contained in the consolidated Directors' Report is in agreement with that of the consolidated annual accounts for 2011. Our work as auditors is limited to checking the consolidated Directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from the accounting records of Meliá Hotels International, S.A. and its subsidiaries.

PricewaterhouseCoopers Auditores, S.L.

(originally signed by)

Stefan Mundorf
Audit Partner

02 April 2012

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BALANCE SHEET – ASSETS

(Thousand €)

	NOTE	31/12/2011	31/12/2010
NON-CURRENT ASSETS			
Goodwill	8	19,077	19,221
Other intangible assets	8	71,956	75,263
Property, Plant and Equipment	9	1,818,992	2,061,965
Investment property	10	135,358	135,505
Investments measured using the equity method	11	70,699	32,507
Other non-current financial assets	12.1	218,559	115,695
Deferred tax assets	17.2	154,179	126,578
TOTAL NON-CURRENT ASSETS		**2,488,820**	**2,566,734**
CURRENT ASSETS			
Inventories	13.1	89,090	90,112
Trade and other receivables	13.2	314,045	249,657
Current tax assets		12,666	12,924
Other current financial assets	12.1	25,051	7,834
Cash and other cash equivalents	13.3	439,508	462,511
TOTAL CURRENT ASSETS		**880,361**	**823,038**
TOTAL GENERAL ASSETS		**3,369,181**	**3,389,772**

BALANCE SHEET – EQUITY AND LIABILITIES

(Thousand €)

	NOTE	31/12/2011	31/12/2010
EQUITY			
Share capital	14.1	36,955	36,955
Share premium	14.1	696,377	758,180
Reserves	14.2	297,962	234,563
Treasury shares	14.3	(110,413)	(102,959)
Retained earnings	14.4	247,767	191,093
Other equity instruments	12.2	33,933	33,933
Translation differences	14.5	(183,027)	(158,967)
Other measurement adjustments	14.5	(7,111)	(4,650)
Profit/(loss) for the year attributed to parent company		40,134	50,136
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		1,052,577	1,038,284
MINORITY INTEREST	14.6	77,294	77,660
TOTAL NET EQUITY		**1,129,871**	**1,115,945**
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	12.2	281,967	273,816
Bank loans	12.2	756,883	765,264
Other finance lease payables	12.2	160,403	160,618
Other non-current financial liabilities	12.3	14,290	25,531
Capital grants and other deferred income	15.1	14,027	13,999
Provisions	15.2	35,416	30,574
Deferred tax liabilities	17.2	176,535	179,921
TOTAL NON-CURRENT LIABILITIES		**1,439,521**	**1,449,723**
CURRENT LIABILITIES			
Bonds and other negotiable securities	12.2	384	384
Bank loans	12.2	403,014	370,631
Other finance lease payables	12.2	215	202
Trade creditors and other payables	16	303,720	308,442
Current tax liabilities		14,984	17,954
Other current liabilities	12.2	77,473	126,490
TOTAL CURRENT LIABILITIES		**799,789**	**824,104**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**3,369,181**	**3,389,772**

INCOME STATEMENT

(Thousand €)

	NOTE	31/12/2011	31/12/2010
Operating income	**6.1**	**1,335,322**	**1,250,741**
Supplies	6.2	(156,171)	(145,551)
Staff costs	6.3	(410,754)	(396,477)
Other expenses	6.4	(423,307)	(381,451)
EBITDAR (*)		**345,090**	**327,262**
Leases		(99,331)	(91,924)
EBITDA (**)	**5.1**	**245,759**	**235,338**
Amortisation and depreciation	6.5	(97,984)	(95,184)
Goodwill and negative consolidation difference	4	1,327	1,692
EBIT (***)		**149,102**	**141,847**
Exchange differences		(11,617)	(7,069)
Borrowings		(71,268)	(66,855)
Other financial expenses		(12,263)	(11,912)
Other financial income		7,456	19,115
NET FINANCIAL INCOME (EXPENSE)	**6.6**	**(87,693)**	**(66,720)**
PROFIT /(LOSS) OF ASSOCIATES AND JOINT VENTURES	**11**	**(10,316)**	**(11,188)**
NET INCOME BEFORE TAX		**51,093**	**63,938**
Tax	17.6	(9,111)	(11,942)
NET INCOME		**41,982**	**51,996**
a) Attributed to parent company		40,134	50,136
b) Attributed to minority interests	14.6	1,848	1,860
BASIC EARNINGS PER SHARE IN EUROS	**7**	**0.23**	**0.28**
DILUTED EARNINGS PER SHARE IN EUROS	**7**	**0.23**	**0.28**

Notes:

(*) EBITDAR (Earnings Before Interest, Tax, Depreciation, Amortization & Rent)

(**) EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization)

(***) EBIT (Earnings Before Interest & Tax)

STATEMENT OF COMPREHENSIVE INCOME

(Thousand €)

	31/12/2011	31/12/2010
Net consolidated income	**41,982**	**51,996**
Cash flow hedges	(8,609)	(5,611)
Translation differences	(23,545)	7,786
Associates and joint ventures	(3,051)	(1,656)
Other income charged to net equity	22,608	18,997
Tax effect	2,302	1,707
Net income charged directly to net equity	**(10,295)**	**21,223**
Cash flow hedges	4,173	6,234
Associates and joint ventures	1,350	1,934
Tax effect	(1,247)	(1,870)
Releases to the income statement	**4,276**	**6,298**
TOTAL COMPREHENSIVE INCOME	**35,963**	**79,517**
a) Attributed to parent company	33,426	77,110
b) Attributed to minority interests	2,537	2,407

STATEMENT OF CHANGES IN EQUITY

(Thousand €)

	Capital	Share premium	Other reserves	Treasury shares	Retained earnings	Translation differences	Net income of parent company	Total	Minority interest	Total NET EQUITY
BALANCE AT 31/12/2009	36,955	755,517	219,685	(105,623)	207,953	(170,531)	38,116	982,074	72,886	1,054,960
Total recognised income and expenses	0	0	0	0	20,059	6,915	50,136	77,110	2,407	79,517
Distribution of dividends			(7,737)					(7,737)	(451)	(8,188)
Operations with treasury shares				2,663				2,663		2,663
Other operations with shareholders/owners			(967)		(12,041)			(13,008)		(13,008)
Operations with shareholders or owners	0	0	(8,704)	2,663	(12,041)	0	0	(18,082)	(451)	(18,532)
Transfers between net equity items		2,663	57,515		(62,995)			(2,818)	2,818	0
Distribution 2009 net income					38,116		(38,116)			0
Other variations in net equity	0	2,663	57,515	0	(24,879)	0	(38,116)	(2,818)	2,818	0
BALANCE AT 31/12/2010	36,955	758,180	268,496	(102,959)	191,093	(163,616)	50,136	1,038,284	77,660	1,115,945
Total recognised income and expenses	0	0	18	0	19,796	(26,522)	40,134	33,426	2,537	35,963
Distribution of dividends					(9,471)			(9,471)	(451)	(9,922)
Operations with treasury shares				(7,453)				(7,453)		(7,453)
Other operations with shareholders/owners					(4,828)			(4,828)	3	(4,826)
Operations with shareholders or owners	0	0	0	(7,453)	(14,300)	0	0	(21,753)	(448)	(22,201)
Transfers between net equity items		(61,803)	63,380		886			2,463	(2,463)	0
Distribution 2010 net income					50,136		(50,136)			0
Other variations					156			156	8	164
Other variations in net equity	0	(61,803)	63,380	0	51,178	0	(50,136)	2,619	(2,455)	164
BALANCE AT 31/12/2011	36,955	696,377	331,895	(110,413)	247,767	(190,138)	40,134	1,052,577	77,294	1,129,871

CASH FLOW STATEMENT

The present cash flow statement has been prepared using the direct method.

(Thousand €)

	31/12/2011	31/12/2010
OPERATING ACTIVITIES		
Operating receipts	1,694,410	1,679,950
Payments to suppliers and staff for operating expenses	(1,495,981)	(1,487,898)
Receipts / (Payments) for income tax	(14,610)	(18,489)
Other receipts / (payments) from operations		3,901
CASH FLOWS FROM OPERATIONS	183,820	177,464
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	**(7,920)**	**1,627**
Issue		52
Amortisation		(1,088)
Acquisition	(7,920)	
Disposal		2,663
Receipts and (payments) for financial liability instruments:	**(16,328)**	**119,906**
Issue	374,013	323,183
Redemption and repayment	(390,341)	(203,277)
Payments for dividends and remuneration of other equity instruments	**(9,896)**	**(8,170)**
Other cash flows from financing	**(83,292)**	**(65,882)**
Interest paid	(74,083)	(57,561)
Other receipts / (payments) for cash flows from financing	(9,210)	(8,321)
CASH FLOWS FROM FINANCING	(117,436)	47,481
INVESTMENTS ACTIVITIES		
Payments on investments:	**(193,662)**	**(240,599)**
Group companies, associates and business units	(47,828)	(71,604)
Property, plant and equipment, intangible assets and investment property (*)	(134,799)	(164,631)
Other financial assets	(11,034)	(4,364)
Receipts for divestments:	**111,107**	**68,015**
Group companies, associates and business units	40,921	33,129
Property, plant and equipment, intangible assets and investment property	70,186	34,762
Other financial assets		124
Other cash flows from investment:	**182**	**1,035**
Dividends received	182	784
Interest received		251
CASH FLOWS FROM INVESTMENT	(82,373)	(171,549)
Variation in the exchange rate in cash and cash equivalents	(7,014)	(14,872)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,003)	38,524
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	462,511	423,987
CASH AND CASH EQUIVALENTS AT THE YEAR END	439,508	462,511

(*) In the years 2011 and 2010, there have been adquisitions of assets under finance lease contracts amounting to 14.5 and 4.8 million euros, respectively. These transactions are not considered cash movements.

1. CORPORATE INFORMATION

The Parent Company, Meliá Hotels International, S.A., was formed in Madrid on June 24, 1986 under the registered name of Investman, S.A. In February 1996, the Company changed its official name to Sol Meliá, S.A., and on 1 June 2011 the General Shareholders' Meeting approved the current name, Meliá Hotels International, S.A. It is entered in the Mercantile Registry of the Balearic Islands, Corporate volume 1,335, sheet PM 22603, entry third, and its registered address is at Calle Gremio Toneleros, 24, Palma de Mallorca, Baleares, Spain.

Meliá Hotels International, S.A. and its subsidiaries and associates (hereon the "Group" or the "Company") form a Group made up of companies that are mainly engaged in general tourist activities and more specifically in the management and operation of hotels under ownership, rental, management or franchise arrangements, and in vacation club operations. The Group is engaged in the promotion of all types of businesses related to tourism and hotel and leisure and recreational activities, as well as participation in the creation, development and operation of new operations, establishments or companies, in the tourist, hotel or any other recreational or leisure business. Some of the companies in the Group also carry out real estate activities by taking advantage of the synergies obtained in hotel development as a result of the major expansion process undertaken.

In any case, those activities, reserved under special laws for companies which fulfil certain requirements that are not met by the Group, are expressly excluded from its corporate purpose; in particular, those activities reserved by Law for Collective Investment Institutions or security brokers are excluded.

The Group's different operating segments are carried out in Germany, Argentina, Brazil, Bulgaria, Chile, China, Costa Rica, Italy, Luxembourg, Malaysia, Mexico, Panama, Peru, Portugal, Puerto Rico, the United Kingdom, the Dominican Republic, Singapore, Switzerland, Tunisia, Uruguay, Venezuela and Vietnam.

2. BASIS OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

The Meliá Hotels International Group's consolidated annual accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at December 31, 2011, published by the International Accounting Standards Board (IASB) and adopted by the European Union.

These consolidated annual accounts have been formulated by the Board of Directors of the parent company and are pending approval by the General Shareholders' Meeting, and are expected to be approved without changes.

The figures on the balance sheet, income statement, statement of comprehensive income, statement of changes in equity, cash flow statement, and the accompanying notes to the accounts, are stated in thousand euros, except where otherwise indicated.

The Group's consolidated annual accounts have been prepared using the historic cost focus, except for the entries contained in the sections for real estate investments and derivative financial instruments which are put at fair value. It should be mentioned that the balances of the Venezuelan companies of the Group have been re-expressed at current cost, in accordance with IAS 29 on the basis that this country is a hyper-inflationary economy.

The Group has adopted this year the standards approved by the European Union whose application was no obligatory in 2010. These standards do not have a significant impact on the Group's financial position:

- IAS 24 (revised): Related-party disclosures.
- Amendment to IAS 32: Classification of rights issues.
- Amendment to IFRS 1: Limited exemption from comparative IFRS 7 disclosures for first-time adopters.
- IFRIC 19: Extinguishing financial liabilities with equity instruments.
- Amendment to IFRIC 14: Prepayments of a minimum funding requirement.
- IASB Improvement Project 2010, which includes the following amendments:
  Amendment to IAS 1: Presentation of financial statements.
  Amendment to IAS 27: Consolidated and separate financial statements.
  Amendment to IAS 34: Interim financial reporting.
  Amendment to IFRS 1: First-time adoption of IFRS.
  Amendment to IFRS 3: Business combinations.
  Amendment to IFRS 7: Financial instruments: Disclosures.
  Amendment to IFRIC 13: Customer loyalty programs.

The accounting policies applied are consistent with those of the previous year, taking into account the adoption of the standards and interpretations discussed above, since they do not have a significant effect on the consolidated accounts or financial situation.

The standards issued prior to the date of preparation of these consolidated annual accounts and which will come into force at a later date are as follows:

- NIIF 9: Instrumentos financieros.
- IFRS 9: Financial instruments.
- IFRS 10: Consolidated financial statements.
- IFRS 11: Joint arrangements.
- IFRS 12: Disclosure of interests in other entities.
- IFRS 13: Fair value measurement.
- Amendment to IFRS 1: Severe hyperinflation and removal of fixed dates for first-time adopters.
- Amendment to IFRS 7: Financial instruments - Disclosures – Transfers of financial assets.
- Amendment to IFRS 9: Mandatory effective date and transition disclosures.
- Amendment to IAS 12: Deferred tax: Recovery of underlying assets.
- Amendment to IAS 27: Separate financial statements.
- Amendment to IAS 28: Investments in associates and joint ventures.
- Amendment to IAS 1: Presentation of financial statements.
- Amendment to IAS 19: Employee benefits.
- Amendment to IAS 32 and IFRS 7: Offsetting financial assets and financial liabilities.
- Amendment to IFRIC 20: Stripping costs in the production phase of a surface mine.

These standards will not have a significant impact on the Group's financial position.

2.1 FAIR VIEW

The consolidated balance sheet and income statement have been prepared on the basis of the internal accounting records of the Parent Company, Meliá Hotels International, S.A., and the accounting records of the other companies included in the consolidation as detailed in Appendices 1 and 2, and duly adjusted according to the accounting principles established in IFRS, and fairly present the equity, financial position and the results of operations of the Company.

2.2 COMPARABILITY

The balance sheet, income statement, statement of comprehensive income, statement of changes in equity and the cash flow statements for 2011 and 2010.

Items have been aggregated in the 2011 balance sheet to present the assets and liabilities in the most appropriate captions based on their nature. This aggregation relates basically to non-current asset accounts (intangible assets and property, plant and equipment) and reserves. It should also be noted that the items relating to associates have been aggregated to the captions that best reflect their nature, eliminating specific captions for this type of companies (loans to associates and payables to associates). The 2010 data has therefore been adapted to ensure comparability.

Comparative figures are also presented for 2010 and 2011 for the quantitative information contained in the notes to the accounts. The main changes to the consolidation scope in 2010 and 2011 with respect to the previous year are addressed in Note 4.

2.3 CONSOLIDATION METHODOLOGY

The consolidation methodology is described in the following sections:

Consolidation methods

The methods applied to obtain the consolidated financial statements have been, in general, as follows:

- The full consolidation method for subsidiaries.
- The equity method for joint ventures.
- The equity method for associates.

The financial statements of subsidiaries are consolidated, using the full consolidation method, as from the date on which control is transferred to the Group; they are de-consolidated as from the date on which control ceases. Intragroup balances and transactions are entirely eliminated.

Investments in associates and jointly-controlled entities are initially recognised at cost, using the equity consolidation method, and the carrying amount is increased or reduced to recognise the Group's share of the associate's results following the acquisition date. The Group's investments in associated and jointly-controlled entities include any goodwill identified at the acquisition date.

The Group's share of losses or gains following the acquisition of associates and jointly-controlled entities is taken to the income statement; its share of movements is recognised in Other comprehensive income and the investment's carrying amount is adjusted accordingly.

Regarding interests in joint ventures, all of which are in jointly controlled companies, the Group has opted for the alternative method recognised in IAS 31, "Interests in Joint Ventures", on the understanding that it reflects more appropriately the Group's business situation and risk and investment structure. The Group's objective is to avoid combining controlled and jointly controlled operations, a situation which would serve to hinder comprehension of the Group's financial statements.

Consistency in terms of timing and valuation

All the companies included in the consolidation close their financial year as of December 31 and the respective 2010 and 2011 annual accounts have been used for consolidation purposes, following the pertinent valuation adjustments to ensure consistency with IFRS.

Business combinations

The Group has not retroactively applied IFRS 3 to business combinations which occurred before the transition date, taking advantage of the exemption included in IFRS 1 "First-time Adoption of International Financial Reporting Standards". Consequently, the goodwill existing under Spanish accounting policies as of December 31, 2003, net of accumulated amortisation, was presented as "Goodwill", under the "Intangible assets" heading.

In the business combinations subsequent to the transition date, the excess between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is presented under the "Intangible Assets" caption as "Goodwill".

Any excess between the acquirer's interest, after reassessing the identification and valuation of the identifiable assets, liabilities and contingent liabilities, and the cost of the business combination, is recognised in the income statement.

Acquisition of minority interests

Once control is obtained, subsequent operations in which the parent company has acquired more shares in minority interest, or sold shares without losing control, are reflected as equity transactions, from which we infer that:

- Any difference between the amounts by which the minority interest is adjusted and the fair value of the consideration paid or received is recognised directly in net equity and attributed to the equity holders of the parent company.
- No adjustment is made to the carrying value of the goodwill, and no gains or losses are recognised in the income statement.

Sale of controlling shareholdings

When the Group's control over a subsidiary ceases, the shareholding retained is recognised at fair value on the date on which control is lost and the change in the carrying amount is taken to the income statement for the period. In the case of a company owning a hotel, the result is recognised in operating income, in the Real estate income item. Fair value is the initial carrying amount for the purposes of the subsequent recognition of the interest retained in the associate, jointly-controlled entity or financial asset.

Elimination of intercompany transactions

The intercompany balances for intercompany transactions relating to loans, leases, dividends, financial assets and liabilities, sale and purchase of inventories and assets and rendering of services, have been eliminated. In relation to the sale and purchase operations, the unrealised profit margin with regard to third parties has been reversed in order to present the corresponding assets at their cost price, adjusting the depreciation charged accordingly.

For transactions between subsidiaries and associates or joint ventures, only the proportional part of the result relating to minority shareholders is recognised. The remainder is deferred until the complete disposal of the asset in question.

2.4 MINORITY INTERESTS AND ATTRIBUTABLE RESULTS

Minority interests

The proportional part of equity relating to third parties unrelated to the Group, calculated according to IAS 27, is recorded under this balance sheet caption.

Results attributed to minority interests

Results attributed to minority interests relate to their interest in the consolidated profit or loss for the year.

2.5 CONVERSION OF FOREIGN COMPANIES' FINANCIAL STATEMENTS

All the assets, rights and obligations of foreign companies included in the consolidation scope are translated to euro using the end of period exchange rate.

Income statement items have been translated at the exchange rates prevailing on the dates on which the corresponding operations occurred.

The difference between the amount of the foreign companies' equity, including the income statement balance calculated as explained in the section above and translated at the historical exchange rate, and the net equity situation arising from the translation of the assets, rights and obligations as described in the first paragraph, is recorded with a positive or negative sign, as applicable, in the consolidated balance sheet in equity under the heading "Translation differences", less the part of said difference relating to minority interests and recorded under the account "Minority Interests" in equity on the consolidated balance sheet.

Goodwill and adjustments to the fair value of the balance sheet items which arise on the acquisition of interests in a foreign company are considered to be assets and liabilities of the acquired company and are therefore translated using the exchange rate prevailing at the year end.

Upon total or partial disposal or return of contributions of a foreign company, the translation differences accumulated since the IFRS transition date (January 1, 2004), relating to said company and recognised in equity, are released to the income statement as a component of the disposal's profit or loss.

2.6 ACCOUNTING MEASUREMENTS AND ESTIMATES

The directors have prepared the consolidated annual accounts using judgements, estimates and assumptions which have an effect on the application of the accounting policies as well as on assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of the present consolidated annual accounts.

Such estimates and assumptions are based on historical experience and other factors considered reasonable under the circumstances. The carrying amount of assets and liabilities, which is not readily apparent from other sources, has been established on the basis of these estimates. The Company periodically reviews these estimates and assumptions; the effects of the reviews on the accounting estimates are recognised in the year in which they are realised, whether they have an effect solely on such period, or on the reviewing period and future periods, or both. However, given the uncertainty inherent in such estimates and assumptions, the need may arise to make significant adjustments to the carrying amounts of assets and liabilities affected in future periods.

The estimates made are detailed, if applicable, in each of the explanatory notes of the balance-sheet captions. We set out below the estimates and judgement that have a significant impact and may involve adjustments in future years:

Estimated impairment loss on goodwill

The Group tests goodwill for impairment annually, as indicated in Note 3.1. Recoverable amounts of cash generating units are determined on the basis of value in use calculations. These calculations require the use of the estimates that are described in Note 8.

Income tax provision

The Group is subject to income tax in many countries. A major degree of judgment is required to determine the provision for income tax worldwide. These are many transactions and calculations for which the final calculation of the tax is uncertain. The Group recognises the liabilities for possible tax claims based on estimates of whether additional taxes will be necessary. If the final tax results differ from the amounts that were initially recognised, these differences will have an effect on income tax and the provisions for deferred tax in the year in which the calculation is made.

Fair value of derivatives

The fair value of financial instruments that are not traded on an active market is determined using valuation techniques, as indicated in Note 3.5. The Group uses its judgement to select a series of methods and form assumptions that are based mainly on market conditions at the balance sheet date. Most of these valuations are normally obtained from studies carried out by independent experts.

Fair value of investment property

The Group has chosen to measure investment property using the fair value model. The estimate of this fair value is based on appraisals made by independent experts using discounting valuation techniques of the cash flows from these assets and restated on the basis of estimates that the Group revises annually, as indicated in Note 3.3.

Pension benefits

The present value of retirement pension obligations depends on certain factors that are determined on an actuarial basis using a series of assumptions. The assumptions used to determine the net cost (income) for pensions include the discount rate. Any change in these assumptions will have an effect on the carrying value of pension obligations.

The Group determines the appropriate discount rate at the year end. This rate is the interest rate that must be used to determine the present value of the cash flows that is expected will be required to settle the pension obligations. When determining the discount rate the Group uses the interest rates of high quality corporate bonds that are denominated in the currency in which the pensions will be paid, and which have maturities that approximate the terms of the respective pension liabilities.

Other key assumptions for retirement pension obligations are based in part on current market conditions. Note 15.2 include more information in this regard.

These commitments have been valued by reputable independent experts using actuarial techniques.

3. ACCOUNTING POLICIES

3.1 INTANGIBLE ASSETS

Goodwill

Goodwill generated on consolidation represents the difference between the acquisition price of the subsidiaries consolidated by the full consolidation method and the Group's interest in the market value of the subsidiaries' identifiable assets and liabilities.

The goodwill generated in acquisitions prior to the transition date to IFRS is recorded in the balance sheet at the net value recorded at December 31, 2003.

Goodwill is not amortised. Instead, goodwill is tested annually for impairment. Impairment losses are recognised if the recoverable value determined on the basis the present value of future expected cash flows of the cash generating units associated with goodwill and discounted at a rate which takes into account the specific risks of each asset, is less than the initial carrying amount. Once the impairment loss on goodwill is recognised, it does not reverse in future years.

Other intangible assets

Other intangible assets relate to various software applications, leaseholds and industrial property.

Software applications are valued at their acquisition cost and are amortised on a straight-line basis over their useful lives which is estimated to be between 5 and 10 years. Licenses for use of software applications are considered to have an indefinite useful life.

Leaseholds relate mainly to the acquisition costs of operating rights for various hotels and are written off on a straight-line basis over the duration of the agreements related to these operating rights.

Investments made in trademarks are not amortised as their useful life is considered to be indefinite. The remaining items included in industrial property are amortised on a straight-line basis over a five-year period.

Amortisation of intangible assets is included under the "Amortisation" caption of the income statement.

3.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at cost, plus the financial expenses directly attributable to the acquisition, construction and renovations, incurred until the asset is in conditions to be brought into use, less accumulated depreciation and any impairment losses.

Those lease contracts in which, according to the analysis of the nature of the agreement and its conditions, it is inferred that the risks and rewards inherent in the ownership of the asset in question have been substantially transferred to the Group, are considered to be a finance lease. Therefore, due to their nature, said contracts are recorded for an amount equivalent to the lower of carrying value and the present value of the minimum repayments established at the beginning of the contract, less accumulated depreciation and any impairment loss. In these cases, the contingent lease instalment is allocated as an increase in financial expenses in the income statement for the year.

In 1996 tangible fixed assets were restated in accordance with Royal Decree Law 7/1996 of June 7, (see Notes 9 and 14 to the accounts). The amount of the fixed assets revaluation was established by applying certain coefficients, depending on the year of purchase of the items, to the purchase or production cost and to the corresponding annual depreciation charges considered as deductible expenses for tax purposes. The figures thereby obtained were reduced by 40% to take into account the financing conditions in compliance with the regulation. Such values are considered to be equivalent to the assets' acquisition cost, as permitted in IFRS 1 "First-time Adoption of International Financial Reporting Standards".

Repairs which do not represent an extension of the useful life, and maintenance expenses, are charged directly to profit and loss. Costs which extend or improve the asset's useful life or can only be used with a specific fixed asset are capitalised as an increase in their value.

The Group's property, plant and equipment are depreciated on the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40-50 years
Plant	15-18 years
Machinery	10-18 years
Furniture	10-15 years
Computer software	3-8 years
Vehicles	5-10 years
Other fixed assets	4-8 years

The useful lives and residual values of property, plant and equipment are reviewed at each balance sheet date. Land is not systematically depreciated as it is deemed to have an indefinite useful life, although land is tested for impairment.

The carrying value of "Other assets" corresponds to the value as per stocktaking carried out in the different centres at the year end. Breakages and losses are recorded as "Disposals". These assets relate to glassware, crockery, hardware, cutlery, linen, tools and other fittings.

Impairment of property, plant and equipment

At each reporting date the Group assesses whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the fair value less the asset or cash-generating unit's sale costs and its value in use. It is determined for each individual asset, unless the asset does not generate cash inflows that are independent of those from other assets or groups of assets.

Where the book value of an asset exceeds its recoverable value the asset is considered impaired and its book value is reduced to its recoverable value. In assessment of use value future cash flows are discounted at current value using a rate of discount which reflects the development of the value of money over time in the current market and the specific risks of the asset, principally the risk of the business and the risk of the country in which the asset is located. Losses due to impairment of ongoing activities are recognised in the profit and loss account in the expense category in accordance with the function of the impaired asset.

An assessment is made each year end as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset is increased to its recoverable amount. This increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in previous years. This reversal is recognised in the income statement for the year. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

3.3 INVESTMENT PROPERTIES

Those investments made by the Group in order to obtain rental income or a net gain and which generate cash flows which are independent from those deriving from the remainder of the Group's assets, are recorded under this caption.

Following the initial recognition made for the total amount of the costs related to the asset acquisition transaction, the Group has chosen the application of the fair value model. For this reason all investment properties are recognised at fair value and any variation in value which arises is included in the income statement. All the values are supported by appraisals issued by reputable independent experts who have experience in valuing various types of properties. The variables used to calculate these estimates are indicated in Note 10.

3.4 SEGMENT REPORTING

Information on operating segments is reported on the basis of the internal information supplied to the ultimate decision-taking body. the Senior Executive Team (SET) has been identified as the ultimate decision-taking body responsible for allocating resources and evaluating operating segment performance.

3.5 FINANCIAL INSTRUMENTS

There is no difference between the fair values estimated for the financial instruments recorded in the Group's consolidated accounts and their corresponding carrying values, as explained in the following paragraphs.

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables and available-for-sale financial assets, as appropriate. In both cases, they are initially recognised at fair value, whenever an active market exists, plus the transaction costs which are directly allocable. The Group has no financial assets carried at fair value through profit or loss or held-to-maturity investments.

Loans and receivables

This classification includes the amounts recorded under the accounts "Trade and other receivables" and all the collection rights included in "Other non-current financial assets" and "Other current financial assets".

Such assets are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in income when the loans and receivables are derecognised or are impaired, as well as through the amortisation process. Except for the above, assets maturing in the short-term which do not have a contractual interest rate are valued at their face value, as long as the effects of not updating the cash flows are immaterial.

Financial assets transfer operations

The Group derecognises a transferred financial asset when it assigns all the contractual rights to receive the cash flows generated, or even when retaining said rights, it assumes a contractual obligation to pay them to the assignees and the risks and rewards related to the ownership of the asset are substantially transferred.

Where the Group has transferred assets in which the risks and rewards related to the ownership of the asset are substantially retained, the transferred financial asset is not derecognised in the balance sheet and is recognised as a related financial liability for an amount equal to the consideration received, which is subsequently valued at its amortised cost. The financial asset continues to be valued using the same criteria as before the transfer. Both income from the transferred asset and the expenses of the associated financial liability are recognised, without netting, in the income statement.

Guarantee deposits

Non-current guarantee deposits are carried at amortised cost using the effective interest rate method.

Current guarantee deposits are not discounted.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified under other financial assets captions. They relate in full to investments in the equity instruments of companies in which the Group does not have control or significant influence and are included in "Other non-current financial assets".

Available-for-sale financial assets do not have a market price of reference and as no other alternative methods exist in order to reliably determine this value they are valued at cost less the corresponding impairment loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank as well as short-term deposits in banks and other financial institutions with an original maturity of three months or less.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Impairment of financial assets

The recoverable amount of the receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Short-term investments are not recognised at their discounted value.

"Available-for-sale financial assets" are carried at cost, since they are not quoted on an active market and their fair value cannot be reliably determined. The valuation of the impairment of said assets takes into account the equity of the investee company adjusted for any latent capital gains existing at the valuation date, unless there is other evidence of the recoverable amount of the investment.

The Group's accounting policy is to provide for 100% of receivables relating to the hotel business which have been outstanding for over one year, as well as for any balance pending for less than a year when there are reasonable doubts concerning its recoverability.

Financial Liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities carried at amortised cost. These financial liabilities are initially recognised at fair value, adjusted for directly attributable transaction costs. All the Group's non-derivative financial liabilities are included within the classification of financial liabilities carried at amortised cost.

Preference shares

In order to determine whether preference shares are a financial liability or an equity instrument, the Group assesses in each case the specific rights carried by the share. If it is considered a financial liability, it is carried as such and measured at amortised cost at year end using the effective interest rate method and taking any issuance costs into account.

Interest bearing loans and borrowings

All loans and borrowings are initially recognised at cost, which is the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method, and taking into account any transaction costs, discounts or premiums.

Financial lease payables

This heading includes debts arising from the acquisition of assets financed through lease contracts and those debts arising from rental contracts in which all the risks and benefits inherent in the ownership of the leased asset are substantially transferred. In the second case, the debt recorded relates to the lower of the fair value of the leased asset and the present value of the lessee's minimum payments.

Loans and credit facilities with credit institutions

Loans are initially recorded at the amount paid, net of transaction costs. After initial measurement, they are carried at amortised cost using the effective interest method.

Trade and other accounts payable

Accounts payable are recorded at fair value and are subsequently valued at amortised cost using the effective interest rate method.

Other financial liabilities at amortised cost

The remaining financial liabilities relate to payment obligations detailed in Notes 16. They are valued using the same criterion of amortised cost through the effective interest method. Nevertheless, those maturing in the short-term which do not bear interest at a contractual rate are valued at their par value whenever the effect of not discounting cash flows is immaterial.

Combined financial instruments

These are non-derivative financial instruments that include liability and equity components simultaneously. Both components are presented separately.

At initial recognition the liability component is stated at the fair value of a similar liability that is not tied to an equity component, and the equity component is stated at the difference between the initial amount and the value assigned to the liability component. The costs for this operation are divided between the liability component and equity component in the same proportion resulting from the assignment of the initial value.

After initial recognition the liability component is stated at its amortised cost, using the effective interest rate method. This account includes the balance of "Debentures and other marketable securities".

Derivative financial instruments

Derivative financial instruments which are within the scope of IAS 39, are classified as financial assets or liabilities at fair value through profit or loss or as accounting hedges. In both cases derivative financial instruments are initially recognised at fair value on the date on which they are arranged and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Accounting hedges

Accounting hedges are considered to be those derivative financial instruments which are specifically designated as such provided that said hedge is highly efficient.

The Group has various interest rate swaps classified as cash flow hedges. Variations of the fair value of these derivative financial instruments are set against net equity; the part considered an effective hedge being allocated to the profit and loss account insofar as the entry being hedged is also liquidated. The fair value is entered in the accounts according to the date of trade.

The fair value of interest rate swaps is determined through valuation techniques involving cash flow discounting using market interest rates. These values are normally obtained through studies conducted by independent experts.

Other derivative financial instruments

Any profit or loss arising from changes in the fair value of those derivatives which do not fulfil the requirements to be considered as a hedging instrument are directly recognised in net profit and loss for the year. At the year end the Group has no derivative financial instruments at fair value through profit or loss.

3.6 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale include those assets whose carrying amount is expected to be recovered through sale rather than through continued use.

They are recognised at the lower of their carrying amount and fair value less costs to sell. The Company recognises an impairment loss due to initial or subsequent reductions in the asset's value to fair value less costs to sell. The Company recognises a gain in respect of any subsequent increase in an assets fair value less costs to sell, although this may not exceed the cumulative impairment loss previously recognised.

Assets classified as held for sale are not depreciated/ amortised.

Non-current assets held for sale but which are still operated by the Group until disposal are not reclassified to this caption and are maintained in the balance sheet according to their nature.

3.7 INVENTORIES (TRADE, RAW MATERIALS AND OTHER SUPPLIES)

Raw and ancillary materials are valued at their average acquisition cost which is generally lower than their realisable value. If their value is less than cost, the necessary adjustments are made in order to reflect the estimated realisable value. The acquisition price includes the amount invoiced plus all additional expenses incurred until the goods are stored in the warehouse.

3.8 TREASURY SHARES

Treasury shares are presented as a decrease in the Group's equity. They are carried at cost without any value adjustments.

Gains and losses on the disposal of these shares are recognised in equity.

3.9 CAPITAL GRANTS AND OTHER DEFERRED INCOME

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and all stated conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is recognised as deferred income and is released to income over the expected useful life of the relevant asset.

The Company manages various customer loyalty programs comprising incentives to customers that use the hotels or services of related companies, through a series of points that can be exchanged for prizes such as free stays at hotels managed by the Group.

The Company makes an estimate of the part of the sale prices of the hotel stays that must be assigned as fair value for these exchangeable points, deferring their recognition in the income statement until the exchange of the points takes place.

3.10 PROVISIONS

Provisions are recognised when the Group:

- Has a present obligation (legal or implicit) as a result of a past event.
- It is probable that an outflow of funds including economic benefits will be required to settle the obligation.
- A reliable estimate can be made of the amount of the obligation.

In those cases where the time value of money is significant, the amount of the provision is determined as the present value of the expected future cash flows needed to settle the obligation.

The estimated future results arising from rental contracts are reviewed on an annual basis depending on the expected cash flows of the related cash-generating units, applying an appropriate discount rate. Onerous contracts are considered to be those contracts in which the unavoidable costs for fulfilling the obligations established exceed the economic profits expected.

The Company recognises a provision on the balance sheet for defined benefit bonuses established in the collective bargaining agreements at the difference between the present value of the committed remuneration and the fair value of the future commitment assets used to settle the liabilities, less, where appropriate, the past service costs not yet recognised.

Certain Collective Wage Agreements prevailing and applicable to several Group companies establish that permanent staff who have been employed by the Company for a specified length of time and take voluntary retirement will be entitled to a cash premium equivalent to a number of monthly salary payments proportional to the number of years of service. During the exercise, an evaluation of these commitments has been performed in accordance with the actuarial assumptions contained in the Company's own rotation model, by applying the calculation method known as the "projected unit credit" method and the population assumptions corresponding to the ERM/F2000p tables. In addition, the payment of certain commitments has been externalised according to the particular technical conditions established in the Ministerial Order dated November 2, 2006. These payment schedules relate to Defined Benefit Plans.

The provision for contingencies and expenses and the capitalisation of payments for future services cover these acquired commitments.

The accounting policy applied by the Company for the recognition of actuarial gains and losses consists of their systematic inclusion in results for the year, upon accrual. The Group applies the same policies for both gains and losses, and the valuation standards are applied on a consistent basis every year.

With regard to commitments related to pensions and obligations established in the collective wage agreements, the companies concerned have performed the corresponding externalisation of the commitments with six managers, five of whom are not working.

3.11 INCOME AND EXPENSES

Income and expenses are recognised on an accruals basis irrespective of when actual payment or collection occurs.

Revenue from the sale of goods or services rendered is recognised at the fair value of the consideration received or to be received. Cash discounts, volume or other discounts, as well as interest included in the principal of loans, are recorded as a decrease in the same. Nonetheless, when the effect of not discounting the cash flows is insignificant, the Company includes interest included in trade receivables maturing in less than one year for which there is no contractual interest rate.

Revenue from the Vacation Club is recognised when the significant risks and rewards of ownership have transferred to the buyer and the amount of revenue can be reliably measured. This situation generally occurs on the effective delivery of the rights.

All net sales gains arising from the turnover of assets are recognised as income, once the carrying amounts of the related assets have been discounted from the sale price.

3.12 LEASES

Finance leases

Leases, which substantially transfer to the Group all the risks and rewards of ownership of the leased item, are classified as financial leases and are recognised in the consolidated balance sheet by the leaseholder at the inception of the lease, recording an asset and a liability for the same amount, equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability. Finance charges are charged directly against income.

Assets recorded under finance leases are depreciated over the asset's useful life or the term of the lease, whichever is shorter.

Operating leases

Leases where the lesser substantially retains all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

3.13 CORPORATE INCOME TAX

The corporate income tax expense for the year is calculated as the sum of the current tax in each of the companies included in these consolidated annual accounts, except for the existing three consolidated tax groups whose parent companies are: Meliá Hotels International, S.A., Sol Meliá France SAS, and Meliá Inversiones Americanas N.V., that are taken as one unit each.

This calculation results from the application of the corresponding tax rate to the tax base for the year following the application of existing credits and deductions and the variation in the deferred tax assets and liabilities recorded. The corresponding tax expense is recognised in the income statement, except when it relates to transactions recognised directly in equity, in which case the corresponding tax expense is likewise recognised in equity.

Current tax assets and liabilities are valued at the amount expected to be payable or receivable. The tax rates used are those prevailing at the balance sheet date.

Deferred tax assets and liabilities are recognised, using the liability method, for all the temporary differences existing at the balance sheet date between the carrying amounts of the assets and liabilities and their tax bases.

Deferred tax assets and liabilities are offset if, and only if, there is a legally recognised right to offset the current tax assets with current tax liabilities and when the deferred tax assets and liabilities arise from income tax levied by the same tax authority, which affect the same company or taxpayer, or different companies or taxpayers, who wish to settle current tax assets and liabilities at their net amount.

Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from goodwill whose amortisation is not deductible or taxable temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting result nor the tax profit or loss.

Deferred tax liabilities are also recognised for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except to the extent that both of the following conditions are satisfied: the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the carry-forward of unused tax credits and unused tax losses can be utilised, except in the case of deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, are only recognised when both the following conditions are satisfied: it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which said differences can be utilised.

The recovery of a deferred tax asset is reviewed at each balance sheet date and adjusted to the extent that it is expected that sufficient taxable profit will be available, calculated according to prudence criteria and excluding the potential profits deriving from the disposal of properties, due to the uncertainty concerning their realisation, which depends on market conditions and possible tax consequences depending on the nature of the transactions carried out.

Deferred income tax assets and liabilities are measured based on their expected materialisation and on the tax legislation and tax rates approved, or on the point of being approved, at the balance sheet date.

3.14 TRANSACTIONS IN FOREIGN CURRENCY

Debit and credit balances in foreign currency are valued at the exchange rate prevailing on the corresponding transaction date and are translated at the year end at the rate then in effect.

Exchange differences are recorded as income or expenses when they occur, with the exception of those arising from transactions financing foreign subsidiaries which have been considered to be an increase in the value of the net investment in said businesses as a result of not taking into consideration the settlement of the transactions. Bearing in mind the equity and financial situation of the subsidiaries, such a settlement is not probable, as considered in IAS 21 "The Effects of Changes in Foreign Exchange Rates."

3.15 FUNCTIONAL CURRENCY AND HYPERINFLATIONARY ECONOMIES

The euro is the functional currency of the Group, and its parent company Meliá Hotels International, S.A.

The functional currency of each of the Group companies is the currency which corresponds to the economy of the country in which each company is based. At the 2011 and 2010 year end, the Venezuelan economy is classified as hyperinflationary, since it meets the conditions under IAS 29 "Financial Reporting in Hyperinflationary Economies".

As a result, the balances sheets of the Venezuelan companies in the consolidation scope have been restated using the current cost method, reflecting thus the effects of the changes in the price indices on their non-monetary assets and liabilities.

The increase or decline in the purchasing power of these companies resulting from the application of the change in the price index to the net monetary position is similarly taken to profit and loss. The effect of the restatement on the current monetary unit of other items of the Venezuelan companies' income statement is also included in financial profit or loss.

At year-end 2011, Venezuela's general price index stood at 265.6 points, entailing a cumulative rise in inflation of 24.5% during the year. In 2010 the index closed at 208.2 points, representing cumulative inflation of 24.2% in 2010.

None of the other companies included in the consolidation scope are considered to be in hyperinflationary economies at the 2011 and 2010 closing.

4. CONSOLIDATION SCOPE

The companies which comprise the Group present individual annual accounts in accordance with the regulations applicable in the country in which they operate.

The breakdown of the participated companies at December 31, 2011, is presented in Appendices 1 and 2, classified in the following categories:

- **Subsidiaries**: Subsidiaries are those companies controlled, directly or indirectly, by the parent company, in such a way that the latter can direct financial and operating policies with an aim to obtain profit for the company.
- **Joint ventures**: Joint ventures are those companies which are jointly controlled through contractual agreements with a third party in order to share control over the company's activity. Financial and operating strategic decisions relating to the activity require the unanimous consent of all controlling parties.
- **Associates**: Associates are those companies, excluded from the other two categories, in which the Group has a significant influence and maintains a lasting relationship which favours influence over their activity.

Meliá Brasil Administraçao, whose corporate objects consist of hotel management, operates various hotels on a management basis. Since the hotels under management are of joint ownership and are not legally authorised to carry out operating activities, in view of the local requirements, Meliá Brasil Administraçao has assumed the operations of the hotels in Brazil on behalf of the joint owners. Since all risks and revenues will be returned to the joint owners, the consolidated income statement only reflects the remuneration from the management of the hotels received by the Group and does not include income and expenses relating to their operation.

The company, Tryp Mediterranee, of which Meliá Hotels International, S.A. owns 85.4%, is in dissolution and is excluded from the consolidation scope since, at present the Group has no control or significant influence in the abovementioned company during said process.

The Group's interest in Comunidad de Propietarios Meliá Costa del Sol, through its subsidiary, Apartotel, S.A. amounts to 19.03%. As Apartotel, S.A. acts as Administrator and Secretary of the Owners' Association and as the participations are highly dispersed, the Group has a significant influence. For this reason, the company is included in the consolidation scope applying the participation method, despite the participation held being less than 20%.

The Group has a 49.84% holding in Casino Paradisus, S.A. corresponding to a 50% holding through the subsidiary Meliá Inversiones Americanas, N.V. Due to the Group holding the majority of the voting rights, said company is considered to be controlled.

The Group owns a 18.45% stake in the company Plaza Puerta del Mar, S.A., through the parent and its subsidiary Apartotel, S.A. The Group's presence on this company's Board of Directors is deemed sufficient to consolidate the company using the equity method.

4.1 BUSINESS COMBINATIONS

No business combinations have been recorded in 2011. Business combinations recorded in 2010 are given below for comparative purposes.

Adprotel Strand, S.L.

The Group's parent company Meliá Hotels International S.A. acquired 100% of the shares of Adprotel Strand for the sum of 24.4 million Euros on 29 September 2010.

At the time of the purchase the company was the owner of a hotel under construction in the centre of London. The Meliá Group took charge of the completion of the works and the fitting out of the hotel for an estimated sum of 52 million Euros, the opening being planned for 2012. The new establishment has been designed by Norman Foster and will operate under the name "ME London".

At the time of the purchase the fair value of the company's net assets amounted to 26.1 million Euros, with following breakdown:

(Thousand €)	29/09/2010
ASSETS	
Advances and property, plant and machinery under construction	131,091
Trade and other receivables	176
Cash and other cash equivalents	11,729
TOTAL ASSETS	**142,996**
LIABILITIES	
Trade creditors and other payables	108,635
Trade payables	8,303
TOTAL LIABILITIES	**116,938**

The liability for debts with companies of the Group of 108.6 million Euros represented, prior to the purchase, a loan from companies of the seller group to which the company Adprotel Strand S.L. belonged. With the purchase agreement this liability was assumed by the Meliá Hotels International Group and was kept in the same section, although from the time of the purchase it ranks as a debt to Meliá Hotels International S.A.

Accounts payable include a debt to the British Inland Revenue of 8.1 million Euros for VAT for the last quarter, this being the tax charged on the sale of some apartments adjacent to the hotel prior to the purchase of the company by the Meliá Group.

The difference between the acquisition price and the fair value of the net assets, in the sum of 1.7 million Euros, was entered as a positive result in the Group's profit and loss account.

The main movements for the company from the time of its joining the Group until the close of 2010 were the increase of banking liabilities and cash flow by 10.5 million Euros, due to the obtaining of loans for the completion of the works. At the same time debts with companies of the group were reduced by 11.7 million Euros by capitalisation thus increasing the company's capital and reserves figure. There were no movements in the profit and loss account.

4.2 OTHER SCOPE CHANGES

The following changes to the consolidation scope occurred in 2011:

Additions

The company Plaza Puerta del Mar is included in the consolidation scope as an associate as it is 18.45% owned by the Group, generating a negative consolidation difference of € 1.3 million that has been taken to the income statement.

A 50% shareholding was also acquired in the company Tertian XXI, a company that is treated as a joint venture by the Group and is engaged mainly in operating the Sol Tenerife hotel. Following its inclusion in the scope, this company acquired the Sol Tenerife hotel. The sale of this asset generated a gain of € 36.6 million, 50% of which was recognised by the Group.

Finally, the companies Melia Hotels USA LLC, Melia Hotels Florida LLC and Melia Hotels Orlando LLC were incorporated during the year; the Group holds 50% stakes in these companies, which are engaged in operating a hotel in Orlando that was purchased by the two companies before the year end.

Disposals

The companies Guarajuba S.A. and Hoteles Meliá Internacional de Colombia, which were wholly owned by the Group, were dissolved during the year.

The company Hotel de Saxe SAS, which owned the Tryp De Saxe hotel was written off during the year when the Group's entire interest was sold, for a gain of € 8.2 million.

Sales of controlling shareholdings

Evertmel, S.A.

In June 2011 a joint venture agreement was concluded with Evertaas, the purpose being to revitalise the town of Magalluf, in Mallorca, leveraging the synergies generated by the two companies' hotels in the area.

As a result of this agreement, the former Hoteles TRYP, S.L. (which was wholly owned) was renamed Evertmel, S.A., which is 50% owned by the Group and is now equity consolidated.

Both shareholders contributed their 50% interests in Mongamenda, S.L., the owner of the Royal Beach hotel, which is now wholly owned by Evertmel, S. A.

The Meliá Hotels International Group also contributed the Sol Antillas Barbados hotel, at a contribution value of € 55 million, generating a gain of € 20.5 million.

Evertaas contributed the Mallorca Beach hotel valued at € 22.25 million. A loan of € 2.6 million to Mongamenda, S.L. was also contributed to the new company Evertmel, S.A.

Adprotel Strand, S.L.

In December 2011 the 60% shareholding in Adprotel Strand, S.L. was sold for € 22 million. At the transaction date, this company owed € 36.9 million to non-Group creditors.

Inmotel Inversiones Italia, S.R.L.

The Group sold 58.5% of its interest in Inmotel Inversiones Italia in December 2011. The selling price was € 34.4 million and the sale generated a gain for the Group of € 47.7 million, which is recognised as income for the asset management segment (see Note 5.1). The shareholding retained was recognised at fair value at the date on which control was lost, as stipulated in IAS 27.

Purchase of minority interests

The Group purchased a 29.72% shareholding in Caribotels de México S.A. de C.V. in December 2011 (see Note 14.6). As a result of this acquisition, the Group owned 99.74% of this company at the year end.

Other consolidated scope changes during 2010 are presented below for comparative purposes:

Additions

The company Tradyso Argentina, S.A., a subsidiary of the joint venture Travel Dynamic Solutions, was included in the scope during the year to develop its business in Argentina; the impact on the consolidated annual accounts was not significant.
The Bulgarian company Sol Meliá Balkans EAD joined the Group in December 2010 as a wholly-owned subsidiary.

Finally, in December 2010 the Group acquired a 20% stake in the companies El Recreo Plaza, C.A. & CIA C.E.C. and El Recreo Plaza, C.A., engaged in developing a hotel and leisure complex in Venezuela, for € 8.9 million. Their balance sheets include fixed assets valued at € 47.5 million.

Disposals

The company Desarrollos Turísticos del Caribe, N.V., which was 99.69% owned by the Group, was dissolved in January 2010.

The wholly-owned companies Sol Hotels, U.K. and Bisol Investments Limited were liquidated.

On 30 April 2010, the Group sold its shares in the Mexican company Promociones Playa Blanca, S.A. de C.V., representing a 49.5% share of profits, for a total of € 21.8 million, generating gains of € 14.2 million recognised in the income statement.

The company Marina International Holding, wholly-owned by Meliá Hotels International, S.A., was dissolved in July 2010.

The wholly-owned company Leoford Investment was liquidated in September 2010.

The wholly-owned Punta Elena, S.L. and the 50%-owned Lifestar Hotels, LLC and its subsidiary LH Miami Beach were liquidated in November 2010.

Purchase of minority interests

Meliá Hotels International, S.A. acquired a 0.32% stake in Prodigios Interactivos, S.A. in January 2010 to become this company's single shareholder.

4.3 CAPITAL INCREASES

The company Prodigios Interactivos S.A. increased capital on 31 July 2011 by partially capitalising two loans from two Group companies.

This increase entailed the issue of 57,107,282 new registered shares with a par value of 0.5 euros each. The new shares were fully subscribed by the creditor shareholding in each case. Accordingly, Impulse Hotel Development B.V. received 11,618,114 shares and Meliá Hotels International S.A. received 45,489,168 shares.

Following this capital increase, Impulse Hotel Development B.V. holds a 46.02% stake and Meliá Hotels International, S.A. holds a 53.98% stake in Prodigios Interactivos, S.A.

In 2010, Adprotel Strand, S.L. increased capital by issuing 8 million shares with a par value of one euro each. This did not affect the Group's shareholding, since all the new shares were allocated to the then single shareholder Meliá Hotels International, S.A. through the partial capitalisation of fully-payable loans.

On 26 March 2010, Nyesa Meliá Zaragoza, S.L. increased capital by issuing 5,729,212 new shares with a par vale of two euros each through the capitalisation of loans from the shareholders Nyesa Servicios Generales S.L.U. and Meliá Hotels International, S.A. As the new shares were subscribed for by the shareholders on a proportionate basis, the Group still owned a 50% stake.

4.4 NAME CHANGES

In 2011 the panamanian company Hoteles Sol Internacional, S.A. changed its name to Intersthoscaloja, S.A., which is registered in Spain.

The company Havana Sol Restauración, S.L. was renamed Prodisotel, S.A.

There were no name changes in 2010.

5. SEGMENT REPORTING

The business segments identified below form the Company's organisational structure and their results are reviewed by the ultimate decision-taking body:

- Hotel Business: This segment includes the results from leased or owned hotel units operated by the Group.
- Asset management: gains from turnover of assets, development and real estate operations
- Vacation Club Business: This segment includes the earnings from time-shares at vacation complexes.
- Management and structure: This relates to the revenues from fees received in respect of the operation of hotels under management or franchise arrangements, structural costs and other operating activities related to leisure, or recreation.

The segmentation of Meliá Hotels International arises from the Company's operations diversification within the hotel, real estate and vacation club sectors.

The hotel segment includes all of the revenues and profits generated by the hotel units, including those in the restaurant sector, an activity considered to be a source of income which is fully integrated in the hotel operation, due to the sale on a wholesale basis of packages, the prices of which include food & lodging, making true segmentation of the related assets and liabilities impracticable.

The Asset Management and Vacation Club businesses entail a major move towards the crystallisation of the value of the Company's assets.

The Other business and corporate segment includes the fees for the management of hotels of third parties and other nonstrategic Group businesses, and the Group's corporate costs which are not attributable to either of the two business divisions mentioned above.

Certain captions included in the business and geographical segmentation tables are presented aggregately, due to the impossibility of their separation in the different specified segments.

The Company's transfer pricing policies are established using a similar system to that used for operations with third parties.

5.1 INFORMATION BY OPERATING SEGMENTS

The segmentation of the income statement and the balance sheet lines relating to operations for 2011 is shown in the following table:

(Thousand €)	Hotel Business	Asset Management	Vacation Club	Other business and corporate	Eliminations	TOTAL 31/12/2011
INCOME STATEMENT						
Operating income	985,783	148,784	80,999	208,242	(88,485)	1,335,322
Operating expenses	(712,952)	(21,152)	(74,420)	(270,194)	88,485	(990,232)
EBITDAR	**272,831**	**127,632**	**6,579**	**(61,952)**	**0**	**345,090**
Leases	(91,513)	0	0	(7,818)	0	(99,331)
EBITDA	**181,318**	**127,632**	**6,579**	**(69,770)**	**0**	**245,759**
Depreciation, amortisation and impairment	(85,876)	(371)	(1,949)	(8,460)	0	(96,657)
EBIT	**95,442**	**127,261**	**4,630**	**(78,230)**		**149,102**
Net financial income						(87,693)
Net income of associates	(11,051)			736		(10,316)
Profit before tax						**51,093**
Tax						(9,111)
NET INCOME						**41,982**
Minority interest						(1,848)
NET INCOME ATTRIBUTED TO PARENT COMPANY						**40,134**
ASSETS AND LIABILITIES						
Property, plant and equipment and intangible assets	1,786,887	5,997	1,681	115,460		1,910,025
Investments in associates	58,890			11,810		70,699
Other non-current assets						508,096
Current operating assets	151,662	9,420	182,401	281,472	(221,821)	403,135
Other current assets						477,226
TOTAL ASSETS						**3,369,181**
Borrowings						1,442,247
Other non-current liabilities						400,671
Current operating liabilities	316,639	4,967	119,411	83,729	(221,026)	303,720
Other current liabilities						92,672
TOTAL LIABILITIES						**2,239,310**

Operating revenues from the asset management segment include €129.6 million arising from asset disposals relating to the following hotels Meliá Lebreros, Sol Antillas Barbados, Meliá Atlanterra, Sol Galúa y Sol Tenerife in Spain, Tryp de Saxe in France and Meliá Milano in Italy.

Moreover, total operating revenue includes €11.8 million for services rendered to associates while the remainder relates to transactions with third parties unrelated to the Group.

Intercompany transactions undertaken during the year between the various segments, relate to the rendering of services from the structure and management segment to the hotel and real estate segments for amounts of €29.1 million and €13.1 million, respectively.

The main movements recorded during the year in the fixed assets caption relate to the extensions, refurbishments and sale of assets in the hotel business segment, which are detailed in Note 9.

Consolidation scope changes have resulted in fixed asset disposals amounting to €180.8 million in the hotel business segment as a result of the sale of controlling shareholdings in the companies Adprotel Strand, S.L., Inmotel Inversiones Italia, S.R.L. and Hotel de Saxe S.A.S. (see Note 4.2).

For comparison purposes the business segmentation for 2010 is shown below:

(Thousand €)	Hotel Business	Asset Management	Vacation Club	Other business and corporate	Eliminations	TOTAL 31/12/2010
INCOME STATEMENT						
Operating income	935,596	78,880	100,946	217,910	(82,592)	1,250,741
Operating expenses	(669,409)	(11,171)	(90,481)	(235,010)	82,592	(923,479)
EBITDAR	**266,187**	**67,710**	**10,465**	**(17,100)**	**0**	**327,262**
Leases	(90,017)			(1,907)		(91,924)
EBITDA	**176,170**	**67,710**	**10,465**	**(19,007)**	**0**	**235,338**
Depreciation, amortisation and impairment	(83,564)	(397)	(2,040)	(7,490)		(93,491)
EBIT	**92,607**	**67,312**	**8,425**	**(26,497)**		**141,847**
Net financial income						(66,720)
Net income of associates	(11,232)			44		(11,188)
Profit before tax						**63,938**
Tax						(11,942)
NET INCOME						**51,996**
Minority interest						(1,860)
NET INCOME ATTRIBUTED TO PARENT COMPANY						**50,136**
ASSETS AND LIABILITIES						
Property, plant and equipment and intangible assets	1,957,166	16,572	2,288	180,422		2,156,448
Investments in associates	31,289			1,218		32,507
Other non-current assets						377,779
Current operating assets	106,321	9,299	91,097	44,041	54	250,812
Other current assets						572,226
TOTAL ASSETS						**3,389,772**
Borrowings						1,579,328
Other non-current liabilities						241,964
Current operating liabilities	96,723	1,536	12,650	60,990	(861)	171,039
Other current liabilities						281,496
TOTAL LIABILITIES						**2,273,827**

Operating income of the asset management segment included 62.7 million from disposal of the hotels Tryp Gallos and Sol Pelícanos Ocas, both in Spain.

The Other business and corporate segment included €34.7 million on the sale of the Tryp brand to the Wyndham Hotel Group, under an agreement through which both parties had agreed a strategic alliance to develop the brand.

Moreover, total operating revenue included €9.1 million for services rendered to associates while the remainder relates to transactions with third parties unrelated to the Group.

Intercompany transactions undertaken during 2010 between the various segments, relate to the rendering of services from the structure and management segment to the hotel and real estate segments for amounts of €25.5 million and €7.2 million, respectively.

The main movements recorded during 2010 in the fixed assets caption relate to the extensions, refurbishments and sale of assets in the hotel business segment, which are detailed in Note 9.

Moreover changes to the consolidation perimeter involved registration of fixed assets for a value of 131.3 million Euros in the hotel business segment as a consequence of the incorporation of the company Adprotel Strand S.L. (see Note 4).

5.2 GEOGRAPHICAL SEGMENTS

The information by operating segment constitutes the format which best represents the Group's financial information, facilitating comprehension of profitability and annual monitoring. Set out below is a breakdown of the geographic areas in which the Group operates, showing income and assets (see Note 1):

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	ELIMINATIONS	31/12/2011
Operating income	769,142	219,525	453,061	3,812	(110,218)	1,335,322
Total Assets	1,923,591	302,970	1,139,243	3,377		3,369,181

(*) EMEA (Europe, Middle East, Africa): includes regions of Africa, Middle East and rest of Europe, excluding Spain.

Invoicing between the various geographical segments amounts to €110.2 million, of which €45.4 million relates to the Spanish segment, €47.8 million to the EMEA segment, €16 million to the American segment and €1 million to the Asian segment.

Changes in consolidation have resulted in fixed asset disposals in EMEA amounting to €180.8 million as a result of the sale of controlling shareholdings in the companies Adprotel Strand, S.L., Inmotel Inversiones Italia, S.R.L. and Hotel de Saxe S.A.S. (see Note 4).

For comparison purposes, the balances corresponding to the preceding year are shown below:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	ELIMINATIONS	31/12/2010
Operating income	709,503	195,905	424,700	3,225	(82,592)	1,250,741
Total Assets	1,898,080	459,562	1,029,497	2,633		3,389,772

(*) EMEA (Europe, Middle East, Africa): includes regions of Africa, Middle East and rest of Europe, excluding Spain.

Invoicing between the various geographical segments amounts to €82.6 million, of which €40.7 million related to the Spanish segment, €24.7 million to the EMEA segment, €16.4 million to the American segment and €0.7 million to the Asian segment.

Changes in consolidation had resulted in fixed asset additions in Europe amounting to €131.3 million as a result of the addition of Adprotel Strand, S.L. (see Note 4).

6. OTHER INCOME AND EXPENSES

6.1 OPERATING INCOME

The breakdown of the balance of this account in the income statement for 2011 and 2010 is as follows:

(Thousand €)	2011	2010
Room sales	598,491	561,121
Food and beverages	314,219	303,421
Real estate income	147,301	77,050
Sale of vacation club units	73,179	92,047
Income from other businesses	67,183	65,988
Other revenues	134,948	151,114
TOTAL	**1,335,322**	**1,250,741**

6.2 SUPPLIES

The breakdown of the balance of this caption in the income statement for 2011 and 2010 is as follows:

(Thousand €)	2011	2010
Consumption of food and beverages	96,193	90,894
Consumption of ancillary goods	27,784	25,407
Consumption of vacation club sales	6,559	7,781
Sundry consumption	25,635	21,469
TOTAL	**156,171**	**145,551**

6.3 STAFF COSTS

The average number of employees in the last two years by job category is as follows:

	2011			2010		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Management personnel	317	111	428	301	117	418
Department heads	946	643	1,589	929	615	1,544
Technicians	5,122	3,614	8,737	5,055	3,503	8,557
Auxilliary staff	3,597	3,528	7,125	3,493	2,811	6,304
TOTAL	9,982	7,897	17,879	9,778	7,046	16,824

Staff costs are broken down as follows:

(Thousand €)	2011	2010
Wages, salaries and similar items	323,898	314,943
Social Security	68,116	64,383
Other social welfare expenses	18,740	17,151
TOTAL	410,754	396,477

6.4 OTHER EXPENSES

The breakdown of the balance of this caption in the income statements for 2011 and 2010 is as follows:

(Thousand €)	2011	2010
Sundry rentals	9,704	9,051
Maintenance and repairs	41,022	39,078
External services	60,195	55,832
Transport and insurance	12,752	12,207
Banking expenses	11,160	14,043
Advertising and promotions	39,580	32,489
Supplies	69,014	67,920
Travel and ticketing expenses	10,477	9,563
Tax	38,151	31,253
Other expenses	131,251	110,016
TOTAL	423,307	381,451

6.5 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the balance of this caption in the income statements for 2011 and 2010 is as follows:

(Thousand €)

	2011	2010
Amortisation charge, intangible assets	8,138	7,150
Depreciation charge, property, plant & equipment	83,985	88,033
Impairment of property, plant & equipment	5,861	
TOTAL	**97,984**	**95,184**

6.6 FINANCIAL INCOME AND EXPENSE

Set out below is a breakdown of net financial income/(expense) reflected in the consolidated income statement in 2011 and 2010:

(Thousand €)

	2011	2010
Exchange gains	44,339	52,322
Dividend income	42	98
Interest income	6,385	5,172
Other financial income	4,058	3,850
Surplus bad debt provision	2,791	1,272
Profit/(loss) on disposal of financial assets	(38)	17,214
Change in fair value of financial instruments	17	732
TOTAL FINANCIAL INCOME	**57,594**	**80,660**
Exchange losses	(55,957)	(59,390)
Interest expense	(57,237)	(53,706)
Finance lease interest	(12,263)	(11,912)
Other financial expenses	(14,032)	(13,881)
Gain/(loss) on restatement of fixed assets	(5,798)	(8,491)
TOTAL FINANCIAL EXPENSE	**(145,286)**	**(147,380)**
NET FINANCIAL EXPENSE	**423,307**	**381,451**

7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net profit for the year attributable to ordinary equity holders by the average number of ordinary shares in circulation during the year.

Diluted earnings per share amounts are calculated by dividing net profit attributable to ordinary equity by the average number of ordinary shares in circulation during the year. Both aggregates are adjusted by the inherent effects of potentially dilutive shares.

The Group takes into account the effect of shares potentially arising from the issue of convertible bonds and related interest recognised in the income statement. As this evaluation shows that potential ordinary shares have anti-dilutive effects, they are not included in the calculation of diluted earnings per share.

The following table shows the calculations made in 2011 and 2010 for both variables:

(unidades de €)

	BASIC		DILUTED	
	31/12/2011	31/12/2010	31/12/2011	31/12/2010
Net income attributed to the parent company	**40,133,773**	**50,135,668**	**40,133,773**	**50,135,668**
Correction of results				
Adjusted results	**40,133,773**	**50,135,668**	**40,133,773**	**50,135,668**
Number of ordinary shares	184,776,777	184,776,777	184,776,777	184,776,777
Average weighted treasury shares	(9,364,996)	(7,379,826)	(9,364,996)	(7,379,826)
Nº of potential ordinary shares				
Total number of shares	**175,411,781**	**177,396,951**	**175,411,781**	**177,396,951**
EARNINGS PER SHARE	0.23	0.28	0.23	0.28

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.04344 Euros per share (net dividend of €0.03432). An amount of €8.0 million in unrestricted reserves in the Parent Company, Meliá Hotels International, S.A. will be drawn down for this purpose.

For 2010, the Board of Directors proposed to the Annual General Meeting the pay-out of a gross dividend, excluding treasury shares, of 0.0542 euros per share (net dividend of €0.043902). The amount of €9.5 million was paid out in the second half of 2011.

8. INTANGIBLE ASSETS

The breakdown of the cost and accumulated amortisation of intangible assets is as follows:

(Thousand €)	BALANCE 31/12/2010	AMORTISATION 2011	ADDITIONS	DISPOSALS	PERIMETER CHANGES	EXCHANGE DIFFERENCE	BALANCE 31/12/2011
GROSS VALUE							
Goodwill	19,221			0	(175)	31	19,077
Leaseholds	83,127		407	(26)		1,530	85,038
Industrial property rights (R+I+D)	7,092		172	(7)		215	7,473
Computer software	67,842		3,050	(40)	(32)	(5)	70,815
TOTAL COST	**177,282**		**3,629**	**(72)**	**(207)**	**1,771**	**182,403**
ACCUMULATED AMORTISATION							
Leaseholds	(24,929)	(3,480)	(1)	2		(504)	(28,913)
Industrial property rights (R+D+I)	(4,881)	(105)	(7)	8		11	(4,974)
Computer software	(52,987)	(4,553)	(16)	41	32	1	(57,482)
TOTAL ACCUMULATED AMORTISATION	**(82,797)**	**(8,138)**	**(25)**	**51**	**32**	**(492)**	**(91,369)**
NET CARRYING VALUE	**94,484**	**(8,138)**	**3,604**	**(22)**	**(175)**	**1,279**	**91,033**

Scope changes relate to the sale of the company Hotel De Saxe S.A.S.

The "Software" additions relate to the development of software applications for several areas of the Company which will permit the continuous integration and improvement of the Group's management and facilitate growth and globalisation processes within the Group.

The "Software" caption also includes €4.7 million relating to licenses which have an indefinite useful life.

For comparison purposes, the breakdown of these movements in 2010 was the following:

(Thousand €)	BALANCE 31/12/2009	AMORTISATION 2010	ADDITIONS	DISPOSALS	PERIMETER CHANGES	EXCHANGE DIFFERENCE	BALANCE 31/12/2010
GROSS VALUE							
Goodwill	19,144			(2)		79	19,221
Leaseholds	81,772		3	(1,471)		2,823	83,127
Industrial property rights (R+I+D)	6,966		133			(7)	7,092
Computer software	65,256		2,609	(73)		50	67,842
TOTAL COST	**173,138**		**2,745**	**(1,546)**	**0**	**2,945**	**177,282**
ACCUMULATED AMORTISATION							
Leaseholds	(21,891)	(3,528)		1,473		(983)	(24,929)
Industrial property rights (R+D+I)	(4,773)	(111)				3	(4,881)
Computer software	(49,391)	(3,510)	(51)	10		(45)	(52,987)
TOTAL ACCUMULATED AMORTISATION	**(76,055)**	**(7,149)**	**(51)**	**1,483**	**0**	**(1,025)**	**(82,797)**
NET CARRYING VALUE	**97,082**	**(7,149)**	**2,694**	**(63)**	**0**	**1,920**	**94,484**

In 2010 leaseholds were included for cost and accumulated amortisation in respect of fully amortised assets at the year end, the balances of which amounting to €1.5 million were written off.

The "Software" additions relate to the development of software applications for several areas.

Differences in value arising from business combinations are recognised in goodwill. Also included are the carrying amounts of goodwill recognised prior to the adoption of IFRS (see Note 2.3). The breakdown of the amount involved by company is as follows:

(Thousand €)	31/12/2011	31/12/2010
Apartotel, S.A.	504	504
Hotel Metropolitan, S.A.S.	1,181	1,181
Cadstar France, S.A.S.	964	1,138
Ihla Bela de Gestao e Turismo, Ltd.	927	927
Lomondo, Ltd.	5,337	5,306
Hotel Alexander, S.A.S.	8,496	8,496
Operadora Mesol, S.A. de C.V.	465	465
Tenerife Sol, S.A.	318	318
Sol Melia Croacia	886	886
TOTAL	**19,077**	**19,221**

The main movements during the year are due to exchange rate differences at both year ends, in the case of the company Lomondo, Ltd, and the sale of the Tryp De Saxe hotel, in the case of the company Cadstar France, S.A.S., this being one of the cash-generating units associated with the goodwill.

Goodwill recorded at year end has been tested for impairment based on the estimated future cash flows expected for the cash-generating units operated by each related company. These units are shown in the following table:

SOCIETY	CASH-GENERATING UNITS (C.G.U.)
Apartotel, S.A.	Hotels Meliá Castilla, Meliá Costa del Sol and Meliá Alicante
Hotel Metropolitan, S.A.S.	Hotel Meliá Vendome
Cadstar France, S.A.S.	Hotels Meliá Colbert, Tryp François, Meliá Royal Alma and Tryp Blanche Fontaine
Ihla Bela de Gestao e Turismo, Ltd.	Hotels Tryp Península Varadero, Meliá Las Dunas, Sol Cayo Santa María, Meliá Cayo Santa María, Tryp Habana Libre and Tryp Cayo Coco.
Lomondo, Ltd.	Hotel Meliá White House
Hotel Alexander, S.A.	Hotel Meliá Alexander
Operadora Mesol, S.A. de C.V.	Hotels ME Cancún, Meliá Cozumel, Meliá Puerto Vallarta, Gran Meliá Cancún, ME Cabo, Meliá Cabo Real, Meliá Azul Itxapa
Tenerife Sol, S.A.	Hotels Sol Lanzarote and Sol Jandía Mar.
Sol Meliá Croacia	Hotels Sol Aurora, Sol Garden Istra, Meliá Coral, Sol Polynesia, Sol Stella, Sol Umag, Adriatic Guest, Sipar, Apartments Kanegra y Savudrija, Campings Finida and Park Umag.

Cash-generating units relate to hotels operated or management in each case; forecast cash flows are calculated using the EBITDA generated during the last year.

Risk factors considered by the company are the expected exchange rates for the currencies in which case flows are generated by each unit and the risk-free interest rates in each of the countries in which the cash flows are generated. The cash flow included in the valuation has been adjusted for business and competition-related risks. The EBITDA multiple method is employed, applying multiples aggregated by geographic zone, as follows:

	Multiples EBITDA
Spain	9.0 - 9.3
Rest of Europe	9.0 -12.5
Latin America	6.0 - 7.7

9. PROPERTY, PLANT AND EQUIPMENT

Movement in the different property, plant and equipment headings and the related accumulated depreciation during the year is as follows:

(Thousand €)	BALANCE 31/12/2010	DEPRECIATION 2011	ADDITIONS	DISPOSALS	VAR. SCOPE	EXCHANGE DIFFERENCE	BALANCE 31/12/2011
GROSS VALUE							
Land	**409,788**		**6,036**	**(17,511)**	**(3,287)**	**(7,805)**	**387,221**
Buildings	**1,570,261**		**155,305**	**(103,170)**	**(54,015)**	**(20,197)**	**1,548,184**
Plant	363,031		12,489	(29,959)	(1,184)	568	344,945
Machinery	74,735		2,796	(5,601)	(801)	85	71,215
Subtotal	**437,766**		**15,286**	**(35,560)**	**(1,985)**	**653**	**416,160**
Furniture	347,241		32,115	(15,503)	(6,440)	(2,564)	354,850
Tooling	4,083		126	(427)	(20)	0	3,762
Vehicles	4,683		639	(62)	(76)	(34)	5,149
Computer hardware	45,308		2,564	(1,108)	(561)	(107)	46,096
Other fixed assets	46,271		8,166	(5,570)	(35)	(213)	48,620
Subtotal	**447,586**		**43,609**	**(22,670)**	**(7,132)**	**(2,917)**	**458,476**
Work in progress	**175,648**		**80,009**	**(115,740)**	**(133,580)**	**(2,338)**	**3,999**
TOTAL GROSS VALUE	**3,041,048**		**300,245**	**(294,651)**	**(199,999)**	**(32,604)**	**2,814,040**
ACCUMULATED DEPRECIATION							
Buildings	**(451,947)**	**(34,239)**	**(5,456)**	**22,145**	**12,095**	**6,121**	**(451,281)**
Plant	(194,717)	(17,602)	(8)	11,090	696	(487)	(201,028)
Machinery	(41,244)	(3,755)	(299)	3,187	485	(129)	(41,755)
Subtotal	**(235,961)**	**(21,357)**	**(307)**	**14,278**	**1,181**	**(616)**	**(242,783)**
Furniture	(227,228)	(18,571)	(6,035)	10,508	5,255	709	(235,363)
Tooling	(3,429)	(127)	0	227	19	(1)	(3,310)
Vehicles	(3,771)	(282)	(83)	53	76	24	(3,984)
Comuter hardware	(40,217)	(2,100)	(318)	1,035	562	74	(40,964)
Other fixed assets	(16,530)	(13,170)	(4,515)	16,885	22	(56)	(17,364)
Subtotal	**(291,175)**	**(34,250)**	**(10,951)**	**28,708**	**5,934**	**750**	**(300,984)**
TOTAL ACCUMULATED DEPRECIATION	**(979,083)**	**(89,846)**	**(16,715)**	**65,131**	**19,210**	**6,255**	**(995,048)**
NET CARRYING VALUE	**2,061,965**	**(89,846)**	**283,530**	**(229,520)**	**(180,789)**	**(26,349)**	**1,818,992**

The main asset addition in 2011 relates to work in progress on two tourist complexes in Mexico amounting to €66.5 million. This hotel became operational in December 2011 and therefore additions also include the transfer of work in progress to other property, plant and equipment lines, for a total value of € 93.4 million.

A carrying amount increase of € 14.9 million (a cost of € 30.7 million less depreciation of € 15.8 million) was also recognised due to the accounting restatement of Venezuelan assets, since Venezuela is deemed to be a hyperinflationary economy (see Note 3.15).

Asset sales include five hotels in Spain for a carrying amount of € 92 million (cost of € 113.2 million less cumulative depreciation of € 21.2 million).

Scope changes relate to the disposal of assets of the companies Inmotel Inversiones Italia and Adprotel Strand S.L.; these companies are not equity consolidated since the Group no longer has control. The company Hotel de Saxe, S.A.S. was also deconsolidated, the shares having been sold during the year (see Note 4.2).

At the year end, the carrying value of the Group's assets which are being financed through bank leasing contracts amounts to €49.9 million, of which €29.5 million relates to buildings, €8 million to installations, €9.9 million to furnishings and €2.4 million to other fixed assets items. At the year end, the Group has 226 bank leasing contracts with an average maturity of 1.9 years. The conditions of said contracts include a purchase contract and a contingent component, relating to the variable nature of the interest rate applied to the contracts as explained in Note 20.1.

Moreover, the consideration of a rental contract for 17 hotels signed in 1999 with duration of 75 years as a financial lease and taking into account a contingent component related to the CPI, has resulted in an amount of Euros 136 million being recorded under this account. At the transition date, the value corresponding to the rented buildings was recognised in the Group's assets. This value corresponds to the present value of the minimum payments discounted applying a rate of 6.50% (See Note 12.2), maintaining as an operating lease the portion corresponding to the plots of land where said hotels are located, as detailed in Note 19.1.

The depreciation column includes € 5.9 million for the impairment of a hotel in Spain (see Note 6.5). As regards fixed asset impairment and as indicated in Note 3.2, the recoverable value of the Group's assets has been estimated by means of an independent expert study performed during the year.

Set out below are the discount rates and estimated exit yields employed in 2011 to calculate asset impairment (see Note 3.2), by geographic area based on the location of the assets:

	DISCOUNT RATES	EXIT YIELDS
Spain	8.0% - 12.5%	5.0% - 9.0%
Rest of Europe	8.0% - 9.75%	6.0% - 7.25%
Latin America	13.0% - 16.0%	9.0% - 10.0%

At year-end, there are 13 owned properties which are mortgaged in guarantee of various loans. The carrying value of said properties amounts to Euros 416.2 million (see Note 12.2).

The directors consider that the insurance coverage of the property, plant and equipment is sufficient at December 31, 2011.

The net surplus derived from the revaluations of assets carried out prior to 1997, as permitted by various legal regulations and voluntary revaluations in order to correct the effects of inflation are as follows:

(Thousand €)	31/12/2011
Restatement of budgets for 1979	24,848
Restatement of budgets for 1980	28,852
Restatement of budgets for 1981	1,197
Restatement of budgets for 1982	26,480
Voluntary restatement before 1990	3,146
Restatement under R.D.L. 7/96	53,213
TOTAL RESTATEMENT RESERVES	**137,736**

Asset valuation

In 2011 Meliá Hotels International entrusted a new valuation of its assets to an international firm specialised in hotel investment and consultancy services, Jones Lang LaSalle Hotels, giving rise to a gross value of € 3,314 million, or € 3,162 million including only hotel assets.

The valuation, dated 31 October 2011, covers 90 assets owned by the Group (including hotels, car parks and casinos) and 13 sundry assets (including other land and shopping malls).

When calculated asset value, the valuation method most used by Jones Lang La Salle was the discounted cash flows method, since hotel investments are generally valued based on potential future revenue. In certain cases, other valuation methods were used such as comparables or exit yields. The exit yields method was mainly employed to value unbuilt land and plots. Irrespective of the valuation method, the valuation results have been checked against other figures such as stabilised yields, price per room or leveraged IRR.

Discounted cash flows method: Financial projections were prepared for a five-year period; year-five flows were used to project the following five years and year-11 flows were discounted applying an exit multiple based on historical transactions, forecast yield and other factors (age, location, state of repair, etc.).

Weighted discount rates and exit rates used in the valuation, by geographic region in which the assets are located, are shown in the following table:

	DISCOUNT RATES	EXIT YIELDS
Urban Spain	9.3%	6.6%
Rentals Spain	10.8%	7.9%
Spain	10.1%	7.3%
Rest of Europe	8.4%	6.4%
Latin America	13.4%	9.8%
TOTAL WEIGHTED	**11.1%**	**8.1%**

Comparables method: This valuation method considers the balance between supply and demand at the valuation date. The property is valued based on an analysis of the latest market transactions and a comparison with the average price per room.

Exit yield method: This method is generally employed to value building land, whether or not it has been developed. The price that could be paid for the property is calculated using the gross development value and the total project cost, taking into account market margins, project features and inherent risks.

The main difference in the latest valuation carried out in 2007 was that it included a valuation of hotel brands and contracts for hotels leased and managed. In comparable terms, the underlying value has fallen by 14% due basically to the decline in value of the assets located in Spain as a result of the economic crisis, partially offset by an improvement in the assets in Latin America and the rest of Europe.

The result is a value significantly higher than the amount recognised in the Group's fixed asset registers. In terms of the carrying amount, it represents a value increase of 61%.

For comparison purposes the breakdown of these movements in 2010 was the following:

(Thousand €)	BALANCE 31/12/2009	DEPRECIATION 2011	ADDITIONS	DISPOSALS	VAR. SCOPE	EXCHANGE DIFFERENCE	BALANCE 31/12/2010
COSTE							
Land	**407,090**		**4,142**	**(7,894)**		**6,450**	**409,788**
Buildings	**1,566,906**		**22,197**	**(19,189)**		**347**	**1,570,261**
Plant	359,321		8,401	(7,624)		2,933	363,031
Machinery	73,092		1,807	(196)		32	74,735
Subtotal	**432,413**		**10,208**	**(7,820)**		**2,965**	**437,766**
Furniture	343,626		15,766	(2,262)		(9,889)	347,241
Tooling	3,865		232	(21)		7	4,083
Vehicles	4,608		98	(214)		191	4,683
Computer hardware	45,728		1,613	(2,034)		1	45,308
Other fixed assets	40,453		12,555	(7,249)		512	46,271
Subtotal	**438,280**		**30,264**	**(11,780)**		**(9,178)**	**447,586**
Work in progress	15,363		27,375	(522)	131,306	2,126	175,648
TOTAL GROSS VALUE	2,860,051		94,186	(47,205)	131,306	2,710	3,041,048
ACCUMULATED DEPRECIATION							
Buildings	**(422,401)**	**(36,111)**	**(3,765)**	**9,421**		**909**	**(451,947)**
Plant	(180,239)	(18,041)	(140)	4,628		(925)	(194,717)
Machinery	(37,538)	(3,807)	(318)	35		384	(41,244)
Subtotal	**(217,777)**	**(21,848)**	**(458)**	**4,663**		**(541)**	**(235,961)**
Furniture	(215,100)	(19,614)	(5,257)	950		11,793	(227,228)
Tooling	(3,242)	(171)	(32)	22		(6)	(3,429)
Vehicles	(3,436)	(407)	(11)	211		(128)	(3,771)
Comuter hardware	(38,715)	(2,180)	(266)	737		207	(40,217)
Other fixed assets	(12,042)	(7,702)	(2,804)	6,359		(341)	(16,530)
Subtotal	**(272,535)**	**(30,074)**	**(8,370)**	**8,279**		**11,525**	**(291,175)**
TOTAL ACCUMULATED DEPRECIATION	(912,713)	(88,033)	(12,593)	22,363		11,893	(979,083)
NET CARRYING VALUE	1,947,338	(88,033)	81,593	(24,842)		14,603	2,061,965

The main asset addition in 2010 related to work in progress on two tourist complexes in Brazil and Mexico amounting to €24.0 million. Refurbishment work had been carried out on several Group hotels in Spain, Germany, Mexico and the Dominican Republic amounting to €16.2 million.

Moreover, additions with a carrying value of €10.4 million (cost amounting to €19.2 million less €8.9 million in accumulated depreciation) were included due to the effect of the restatement of the assets located in the Venezuelan companies on the classification of Venezuela as a hyperinflation economy, as explained in Note 3.15.

Fixed asset disposals related mainly to the sale of two hotels in Spain, resulting in asset write-offs with a carrying value of €17 million (cost of €30.5 million and accumulated depreciation of €13.5 million).

Changes resulting from variations in the consolidation scope included additions to work in progress amounting to €131.3 million in respect of the addition of Adprotel, S.L., as discussed in Note 4.

The net book value of the Group's assets under finance lease (bank and non-bank) amounted at the close of 2010 to 100 million Euros.

The number of owned real estate properties mortgaged to secure various loans at the close of the financial year was 20 and their net book value was 571 million Euros.

10. INVESTMENT PROPERTY

The balance of this account includes the net fair value of investments made by the Group to obtain rental income or capital gains, such as participations in apartments in three apartment owners' associations in Spain, as well as shopping centres in America and other properties in Spain. All valuations have been undertaken as explained in Note 3.3.

(Thousand €)

	31/12/2010	ADDITIONS	DISPOSALS	EXCHANGE DIFFERENCE	31/12/2011
Apartments in Spain	80,620	274	(5,054)		75,841
Shopping centres in America	43,958	5,192		151	49,300
Other buildings in Spain	10,928		(710)		10,218
TOTAL	**135,505**	**5,466**	**(5,764)**	**151**	**135,358**

Additions for the year include €0.3 million corresponding to the purchase of various apartments in Spain.

This account also includes additions arising from the adjustment of the fair value of shopping centres in America totalling €5.2 million taken to the income statement for the year.

Disposals for the period totalling € 5.8 million were due mainly to adjustments to the fair value of apartments in Spain.

The fair values of the investment properties that gave rise to the above-mentioned adjustments are supported by an independent expert valuation of assets performed in 2011 (see Note 9), which included assets classified as investment properties. The assumptions used to calculate these fair values are explained in Note 9.

The breakdown of the results generated by investment properties in the Group's income statement is shown in the following table:

(Thousand €)

	APARTMENTS SPAIN	SHOPPING CENTRES AMERICA	OTHER BUILDINGS SPAIN	TOTAL
Operating income		6,003	417	6,419
Operating expenses		(2,301)		(2,301)
EBITDA	**0**	**3,701**	**417**	**4,118**
Amortisation and depreciation		(17)		(17)
Net financial income	17	(418)		(401)
Net income of associates	208			208
Tax		(337)		(337)
Net income	**225**	**2,929**	**417**	**3,571**
Minority interest		(1,160)		(1,160)
CONTRIBUTION TO GROUP NET INCOME	**225**	**1,770**	**417**	**2,412**

The contribution of the apartments in Spain relates to dividends collected from companies in which the Group does not have significant influence and the proportion of results for the year of the companies which are carried under the equity method. Said apartments relate to establishments which are managed by the Group generating revenue amounting to €3.1 million.

The contribution of commercial premises in America relates to the part of the income statement of the operating companies relating to said investment properties and include the above-mentioned restatements in the amount of € 5.2 million.

The contribution of other properties in Spain relates to the rent of said investment properties during the year.

For comparison purposes, the breakdown of movements in 2010 is as follows:

(Thousand €)

	31/12/2009	ADDITIONS	EXCHANGE DIFFERENCE	31/12/2010
Apartments in Spain	80,480	140		80,620
Shopping Centres in America	46,444	6,589	(9,075)	43,958
Other buildings in Spain	10,928			10,928
TOTAL	**137,852**	**6,729**	**(9,075)**	**135,505**

Additions for the year 2010 included €0.1 million relating to the purchase of various apartments in Spain.

This account also includes additions arising from the adjustments of the fair value of shopping malls totalling Euros 6.6 million released to the income statement for the year.

For comparison purposes, the contribution to results of the investment properties in 2010 is shown in the following table:

(Thousand €)

	APARTMENTS SPAIN	SHOPPING CENTRES AMERICA	OTHER BUILDINGS SPAIN	TOTAL
Operating income		6,000	405	6,405
Operating expenses		(2,432)		(2,432)
EBITDA	**0**	**3,569**	**405**	**3,973**
Amortisation and depreciation				0
Net financial income	13	(354)		(341)
Net income of associates	40			40
Tax		(691)		(691)
Net income	**53**	**2,524**	**405**	**2,982**
Minority interest		(1,034)		(1,034)
CONTRIBUTION TO NET INCOME OF GROUP	**53**	**1,491**	**405**	**1,948**

In 2010 revenues from the management of the hotel establishments, including the apartments in Spain which are considered to be investment properties amounted to €2.8 million.

11. INVESTMENTS MEASURED USING THE EQUITY METHOD

The financial investments representing shareholdings in associate companies and joint businesses have been valued according to the equity method. The amounts obtained are given below:

(Thousand €)

	BALANCE 31/12/2010	2011 NET INCOME	ADDITIONS	DISPOSALS	EXCHANGE DIFF.	BALANCE 31/12/2011
Turismo de Invierno, S.A.	4,784	4				4,788
C.P. Meliá Castilla	1,045	288	4	(162)		1,175
C.P. Meliá Costa del Sol	1,433	(80)		(45)		1,308
Aparthotel Bosque, S.A.	1,744	88		(51)		1,782
Nexprom/Promedro (1)	3,416	32				3,448
Plaza Puerta del Mar, S.A.		366	3,729			4,095
Evertmel, S.L. (JV) / Mongamenda S.L. (JV) / Tertián XXI (1)	3,013	(252)	72			2,833
Hantinsol Resorts, S.A.	16	4				19
Nyesa Meliá Zaragoza, S.L. (JV)	(3,652)	(1,447)	1,743			(3,356)
Inversiones Hoteleras la Jaquita, S.A. (JV)	8,592	(3,681)	686			5,597
Colón Verona, S.A. (JV)	(7,021)	(1,254)	39			(8,235)
"Travel Dynamic Solutions, S.A. (JV) / Tradyso Argentina, S.A. (JV) (1)"	1,280	541	0	(0)	(1)	1,821
Altavista Hotelera, S.A.	8,788	(2,529)		(934)		5,325
Adprotel Strand S.L		(2)	13,896	(132)	441	14,203
El Recreo Plaza, C.A. / El Recreo Plaza & CIA (1)	8,916	191	688		253	10,047
Melia Hotels USA, LLC. (JV) / Melia Hotels Florida, LLC. (JV) / Melia Hotels Orlando, LLC. (JV) (1)		(294)	3,343		130	3,179
Inversiones Guiza, S.A.	(2)	(0)			0	(2)
Hellenic Hotel Management	(76)					(76)
Detur Panamá, S.A.	231	(2,292)			(40)	(2,101)
Inmotel Inversiones Italia, S.R.L.			24,848			24,848
TOTAL	**32,507**	**(10,316)**	**49,049**	**(1,324)**	**783**	**70,699**

(1) Companies with same business line
(JV) Joint ventures

Additions and disposals mainly relate to the changes in the Group's consolidation scope and the adjustments inherent to the accounting consolidation process between Group companies. The change of consolidation method applied to the companies Adprotel Strand, S.L. and Inmotel Inversiones Italia, S.R.L., as explained in Note 4, is worthy of note.

The aggregate amount of assets, liabilities, revenues and results for 2011 relating to each of the associates and joint ventures included in the consolidation scope and the results attributable to the Group on the basis of the percentage interest held in each, are as follows:

(Thousand €)		Non-current assets	Current assets	Total ASSETS	Equity	Non-current liabilities	Current liabilities	Total LIABILITIES	Ord. Revenues	NET INCOME	NET income attributed to Group
Turismo de invierno, S.A.	20.82%	39,504	2,710	42,214	22,987	16,498	2,729	42,214	3,863	19	4
C.P. Meliá Castilla	30.43%	19,994	3,512	23,506	3,897	7,644	11,965	23,506	32,108	961	288
C.P. Meliá Costa del Sol	19.03%	8,008	2,044	10,052	6,873	1,344	1,834	10,052	10,025	(421)	(80)
Aparthotel Bosque, S.A.	25.00%	5,336	2,372	7,708	6,466	583	659	7,708	4,087	353	88
Nexprom, S.A.	20.01%	19,203	4,430	23,633	17,179	3,106	3,348	23,633	15,843	168	34
Promedro, S.A.	20.00%	2,220	2	2,223	2,220	0	2	2,223	0	(3)	(2)
Plaza Puerta del Mar, S.A.	18.18%	28,094	4,226	32,319	22,162	9,139	1,018	32,319	6,853	2,006	366
Evertmel, S.L. (JV) (*)	50.00%	90,058	6,392	96,450	21,993	68,022	6,435	96,450	7,939	348	550
Hantinsol Resorts, S.A.	33.33%	0	58	58	58	0	0	58	11	11	4
Nyesa Meliá Zaragoza, S.L. (JV)	50.00%	23,113	(448)	22,665	(6,889)	27,534	2,020	22,665	3,923	(2,894)	(1,447)
Inv. Hoteleras la Jaquita, S.A. (JV)	49.07%	178,547	13,433	191,981	11,187	117,199	63,595	191,981	30,257	(7,362)	(3,681)
Colon Verona, S.A. (JV)	50.00%	51,711	1,449	53,159	(16,441)	62,723	6,877	53,159	7,586	(2,507)	(1,254)
Travel Dynamic Solutions, S.A (JV)	49.84%	53,801	6,006	59,807	3,639	46,493	9,675	59,807	17,862	1,081	540
Altavista Hotelera, S.A.	40.00%	107,153	(2,124)	105,029	13,312	80,165	11,552	105,029	13,163	(6,322)	(2,529)
Mongamenda, S.L. (JV)	50.00%	23,591	(2,998)	20,593	7,945	9,193	3,454	20,593	676	(1,593)	(797)
Adprotel Strand, S.L. (*)	40.00%	180,462	(6,797)	173,665	35,372	121,151	17,142	173,665	4,743	443	(2)
Tertian XXI	50.00%	23,186	6,914	30,100	(25,676)	49,691	6,086	30,100	0	(10)	(5)
El Recreo Plaza, C.A. & CIA C.E.C.	19.94%	961	6	968	942	0	25	968	0	31	4
El Recreo Plaza, C.A.	19.94%	59,838	1,279	61,118	51,253	7,906	1,958	61,118	0	933	187
Melia H.USA LLC (JV)	50.00%	13,959	104	14,064	6,390	7,673	0	14,064	0	(294)	0
Melia H.Florida LLC (JV)	50.00%	12,087	40	12,128	12,104	0	23	12,128	287	(108)	(54)
Melia H.Orlando LLC (JV)	50.00%	1,780	454	2,234	1,053	0	1,181	2,234	1,165	(479)	(240)
Tradyso Argentina S.A. (JV)	50.00%	0	60	60	16	16	28	60	68	3	2
Inversiones Guiza, S.A.	49.85%	3	15	18	(5)	12	11	18	47	(1)	(0)
Hellenic Hotel Management	40.00%	62	(237)	(176)	(190)	12	2	(176)	0	0	0
Detur Panamá, S.A.	49.93%	9,892	1,140	11,032	(4,208)	11,110	4,129	11,032	2,471	(4,590)	(2,292)
Inmotel Inversiones Italia S.R.L. (*)	41.50%	94,522	4,542	99,064	94,282	(8,939)	13,721	99,064	52,228	35,759	0
		1,047,086	**48,584**	**1,095,670**	**287,925**	**638,276**	**169,468**	**1,095,670**	**215,205**	**15,530**	**(10,316)**

(JV) Joint ventures
(*) Companies which at the year-and were no longer associates or joint ventures, either due to disposals, dissolution or change in consolidation method. Includes their contribution to net income attributed to the Group as long as the requirements to be considered associates and joint ventures are met.

In 2010 movements in investments in associates were as follows:

(Thousand €)

	BALANCE 31/12/2009	2010 NET INCOME	ADDITIONS	DISPOSALS	EXCHANGE DIFF.	BALANCE 31/12/2010
Turismo de Invierno, S.A.	4,810	(26)				4,784
C.P. Meliá Castilla	1,103	(33)		(25)		1,045
C.P.Meliá Costa del Sol	1,361	72				1,433
Aparthotel Bosque, S.A.	1,681	114		(51)		1,744
Nexprom/Promedro (1)	3,507	(11)		(80)		3,416
Hantinsol Resorts, S.A.	16	(0)				16
Nyesa Meliá Zaragoza, S.L. (JV)	(8,350)	(992)	5,730	(40)		(3,652)
Inversiones Hoteleras la Jaquita, S.A. (JV)	9,556	(6,233)	5,269			8,592
Colón Verona, S.A. (JV)	(5,414)	(1,563)		(45)		(7,021)
Travel Dynamic Solutions, S.A. (JV)	(637)	74	1,842			1,279
Altavista Hotelera, S.A.	12,633	(3,211)		(634)		8,788
Mongamenda S.L. (JV)	3,219	(206)				3,013
Tradyso Argentina, S.A. (JV)		1			0	1
Prom. Playa Blanca, S.A. De C.V.	6,702	(596)		(7,507)	1,400	
Inversiones Guiza, S.A.	(2)	(0)			(0)	(2)
Lifestar, Llc. (JV)	1,059	(30)		(1,903)	874	
Hellenic Hotel Management	(76)					(76)
Detur Panamá, S.A.	(1,130)	1,451			(90)	231
El Recreo Plaza, C.A. & CIA C.E.C.			8,470			8,470
El Recreo Plaza, C.A.			446			446
TOTAL	**30,039**	**(11,188)**	**21,757**	**(10,284)**	**2,184**	**32,507**

(1) Companies in the same business line
(JV) Joint ventures

The additions and disposals mainly relate to the changes in the Group's consolidation scope, and the adjustments inherent to the accounting consolidation process between Group companies. Noteworthy was the inclusion in the consolidation scope of El Recreo Plaza & CIA CEC and Recreo Plaza CA, as explained in Note 4.

The main disposals for 2010 also relate to the changes in the consolidation scope explained in Note 4 and specifically, the sale of the Group's interest in Promociones Playa Blanca, S.A. de C.V., and the winding up of Lifestar, LLC.

Moreover, comparative information of the aggregate amounts of assets, liabilities, revenues and results for 2010 relating to each of the associates and joint ventures included in the consolidation scope and the results attributable to the Group on the basis of the percentage interest held in each of them, is provided below.

(Thousand €)

		Non-current assets	Current assets	Total ASSETS	Equity	Non-current liabilities	Current liabilities	Total LIABILITIES	Ord. Revenues	NET INCOME	NET income attributed to Group
Turismo de invierno, S.A.	20.82%	38,475	3,899	42,374	22,968	16,582	2,824	42,374	3,278	(126)	(26)
C.P. Meliá Castilla	30.43%	19,288	3,582	22,870	3,476	7,980	11,414	22,870	30,328	(109)	(33)
C.P. Meliá Costa del Sol	19.03%	5,949	4,603	10,552	7,529	945	2,079	10,552	9,851	379	72
Aparthotel Bosque, S.A.	25.00%	5,549	2,252	7,801	6,315	582	903	7,801	4,065	456	114
Nexprom, S.A.	20.01%	19,862	4,186	24,048	17,010	3,481	3,556	24,048	15,406	(45)	(9)
Promedro, S.A.	20.00%	2,224	2	2,227	2,224		3	2,227		(9)	(2)
Hantinsol Resorts, S.A.	33.33%		60	60	47		13	60		(0)	(0)
Nyesa Meliá Zaragoza, S.L. (JV)	50.00%	26,148	111	26,259	(7,481)	31,226	2,514	26,259	4,736	(1,984)	(992)
Inv. Hoteleras la Jaquita, S.A. (JV)	49.07%	189,356	(4,720)	184,636	17,177	106,633	60,826	184,636	24,349	(12,465)	(6,233)
Colon Verona, S.A. (JV)	50.00%	53,056	956	54,012	(14,012)	62,192	5,832	54,012	5,526	(3,125)	(1,563)
Travel Dynamic Solutions, S.A (JV)	49.84%	9,457	48,755	58,212	2,558	3,330	52,323	58,212	16,312	148	74
Altavista Hotelera, S.A.	40.00%	110,456	1,818	112,274	21,970	82,682	7,623	112,274	11,097	(8,028)	(3,211)
Mongamenda, S.L. (JV)	50.00%	22,712	656	23,368	6,027	15,548	1,793	23,368	876	(412)	(206)
Tradyso Argentina S.A. (JV)	50.00%	8	34	42	13	17	12	42	68	1	1
Prom.Playa Blanca S.A. de C.V. (*)	0.00%										(596)
Inversiones Guiza, S.A.	49.85%	3	15	18	(4)	11	11	18	56	(0)	(0)
Lifestar LLC (*)	0.00%										(30)
Hellenic Hotel Management	40.00%	62	(237)	(176)	(190)	12	2	(176)			
Detur Panamá, S.A.	49.93%	11,973	1,358	13,331	463	9,177	3,691	13,331	2,483	2,906	1,451
El Recreo Plaza, C.A. & CIA C.E.C.	20.00%	47,505	253	47,757	44,578	710	2,469	47,757			
El Recreo Plaza, C.A.	20.00%	2,229		2,229	2,229			2,229			
		564,310	**67,584**	**631,894**	**132,897**	**341,109**	**157,887**	**631,894**	**128,433**	**(22,413)**	**(11,188)**

(JV) Joint ventures
(*) Companies which at the year-and were no longer associates or joint ventures, either due to disposals or change in consolidation method. Includes al Grupo mientras cumplieron los requisitos para ser their contribution to net income attributed to the Group as long as the requirements to be considered associates and joint ventures are met.

12. OTHER FINANCIAL INSTRUMENTS

12.1 OTHER FINANCIAL ASSETS

The following table shows a breakdown by category of the financial instruments included in Other financial assets under current and non-current assets in the balance sheets for 2011 and 2010:

(Thousand €)

	31/12/2011			31/12/2010		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	232	527	759	1,419		1,419
2. Financial instruments at fair value through the income statement:						
- Trading portfolio	150	2,620	2,770	0	773	773
3. Loans and receivables:						
- Loans to associates	167,909	14,787	182,697	55,850	2,880	58,730
- Financing for properties	13,564	4,895	18,459	18,732	1,203	19,935
- Other loans	13,078	2,222	15,300	13,597	2,978	16,575
4. Available-for-sale financial assets:						
- Unlisted equity instruments	23,625		23,625	26,097		26,097
TOTAL DEBT	**218,559**	**25,051**	**243,610**	**115,695**	**7,834**	**123,529**

Financial instruments at fair value through profit or loss

Cash flow hedging activities relate to interest-rate swaps. Hedging activities are explained in Note 12.3.

The trading portfolio includes debt instruments in the form of convertible bonds traded in official markets; their market prices are used to calculate fair value and embedded derivatives are not therefore stripped.

The short-term trading portfolio includes equity instruments listed in official markets; their market prices are used to determine the fair value of the investments.

Loans and receivables

Set out below is a breakdown by nature of financial assets included in this item in 2011 and 2010:

(Thousand €)

	31/12/2011			31/12/2010		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Loans to associates	167,909	14,787	182,697	55,850	2,880	58,730
Financing for properties	14,032	4,895	18,926	22,032	1,203	23,235
Impairment adjustments	(468)		(468)	(3,300)		(3,300)
Deposits	2,705	62	2,767	2,295	524	2,819
Guarantee deposits	10,306	2,159	12,465	10,784	2,409	13,193
Other	67	1	68	518	45	563
TOTAL	194,552	21,904	216,456	88,179	7,061	95,240

Balances presented as loans to associates are analysed in the information on related parties provided in Note 18.

Financing for properties includes loans granted to companies with which the Group has relations relating to hotel management; the main amounts are set out below:

- A bank deposit of € 5.1 million relating to the enforcement of a bank guarantee issued to the company Hoteles Nacionales del Este vis-à-vis Banco Santander for loans granted to that company. After claiming the amount owed to the companies to which the buildings of the former Meliá Juan Dolio were allocated, the Supreme Court issued a ruling that favoured Meliá Hotels International, S.A. and the receivable was collected early in 2012.

- Loans granted to the companies Hoteles Cibeles, S.A., Hotelera Sancti Petri, S.A. and Promociones Financieras Turísticas, S.A., which owns three hotels under management, for a total of € 3.3 million, in order to finance their commercial activities.

- A loan granted by Operadora Mesol to Aresol Cabos, S.A. (long-term principal of € 5.4 million and short-term principal of € 0.8 million, in order to finance its business activities.

The Company records a provision of € 0.5 million for possible bad debts, the amount of € 2.8 million having been applied during the year to the above-mentioned deposit relating to the bank guarantee issued to the company Hoteles Nacionales del Este.

The long-term guarantee deposits furnished by the Company relate basically to the rent for hotels leased by the Group, in the form of accepted promissory notes. As these guarantee deposits secure the fulfilment of an obligation related to the contracts, they are not recognised at their actual value but at face value.

Available-for-sale financial assets

Set out below are movements in the Group's available-for-sale financial assets (thousand euros):

(Thousand €)

	%	BALANCE 31/12/2010	ADDITIONS	DISPOSALS	BALANCE 31/12/2011
Fundación Empresa y Crecimiento	4.2%	331			331
Horotel, S.A.	12.4%	301			301
Hotelera Sancti Petri, S.A.	19.5%	2,634			2,634
Inversiones Hoteleras Los Cabos	15.0%	3,306			3,306
Inversiones Hoteleras Playa del Duque, S.A.	5.0%	2,682			2,682
Inversiones Turísticas Casas Bellas, S.A.	8.4%	6,520			6,520
P.T. Surylaya Anindita Internacional	16.5%	9,015			9,015
Port Cambrils Inversions, S.A.	10.0%	980			980
Valle Yamury, S.A.	8.0%	346			346
Plaza Puerta del Mar, S.A.	18.2%	2,470		(2,470)	0
Otros		48		(3)	45
TOTAL INVESTMENT		**28,631**	**0**	**(2,473)**	**26,159**
IMPAIRMENT LOSSES		**(2,534)**			**(2,534)**
NET CARRYING VALUE		**26,097**	**0**	**(2,473)**	**23,625**

The main variance during 2011 is due to the disposal of shares in the company Plaza Puerta del Mar, which is now classed as an associate (see Notes 11 and 4).

No impairment adjustments are made to companies showing latent gains in the realisable value of their net assets.

The following table shows the registered office, activity and accounting figures (thousand euro) of the investees in which the Group's shareholding is not significant:

(Thousand €)

	COUNTRY	ACTIVITY	CAPITAL	RESERVES	NET INCOME	%	TBV	NBV
Fundación Empresa y Crecimiento (*)	Spain	Foundation	192	823	0	4,19%	43	331
Horotel, S.A.	Spain	Hotel ownership and operation	3,780	(1,040)	0	12,40%	340	301
Hotelera Sancti Petri, S.A.	Spain	Hotel ownership and operation	13,510	(6,673)	370	19,50%	1,405	2,634
I.H. Los Cabos (*)	Mexico	Land ownership	15,498	(1,446)	0	15,00%	2,108	3,306
Inversiones Hoteleras Playa del Duque, S.A. (*)	Spain	Hotel ownership and operation	2,582	84,756	0	5,00%	4,367	2,682
Inversiones Turísticas Casas Bellas, S.A. (*)	Spain	Land ownership	77,464	355	0	8,42%	6,552	6,520
P.T. Surylaya Anindita Internacional (*)	Indonesia	Hotel ownership and operation	7,596	2,546	0	16,52%	1,675	9,015
Port Cambrils Inversions, S.A. (*)	Spain	Hotel ownership and operation	6,000	671	144	10,00%	682	980
Valle Yamury, S.A. (*)	Spain	Holding	4,329	(1,554)	0	8,00%	222	346
		TOTAL	**130,951**	**78,438**	**514**		**17,394**	**26,114**

(*) There are no Financial Statements at 31 December 2011 for these companies.

For comparative purposes, movements in 2010 were as follows:

(Thousand €)

	%	BALANCE 31/12/2009	ADDITIONS	DISPOSALS	BALANCE 31/12/2010
Fundación Empresa y Crecimiento	4.2%	331			331
Horotel, S.A.	12.4%	301			301
Hotelera Sancti Petri, S.A.	19.5%	2,634			2,634
Inversiones Hoteleras Los Cabos	15.0%	3,306			3,306
Inversiones Hoteleras Playa del Duque, S.A.	5.0%	2,682			2,682
Inversiones Turísticas Casas Bellas, S.A.	8.4%	6,520			6,520
Lanzarote 6, S.A.	0.0%	1,982		(1,982)	0
P.T. Surylaya Anindita Internacional	16.5%	9,015			9,015
Port Cambrils Inversions, S.A.	10.0%	980			980
Valle Yamury, S.A.	8.0%	346			346
Plaza Puerta del Mar, S.A.	18.2%	795	1,702	(27)	2,470
Otros		48			48
TOTAL INVESTMENT		**28,939**	**1,702**	**(2,009)**	**28,631**
IMPAIRMENT LOSSES		**(3,667)**	**1,134**		**(2,533)**
NET CARRYING VALUE		**25,271**	**2,836**	**(2,009)**	**26,097**

12.2 OTHER FINANCIAL LIABILITIES

The following table shows a breakdown by category of the financial instruments included in the items Debentures and other marketable securities, Bank borrowings, Finance lease liabilities and Other financial liabilities under current and non-current liabilities in the balance sheets for 2010 and 2011:

(Thousand €)

	31/12/2011			31/12/2010		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	6,188	6,023	12,211	8,061	352	8,413
2. Other financial liabilities at amortised cost:						
- Debentures and other marketable securities	281,967	384	282,350	273,816	384	274,200
- Bank borrowings	756,883	403,014	1,159,897	765,264	370,631	1,135,895
- Other finance lease liabilities	160,403	215	160,618	160,618	202	160,820
- Loans from associates	769	23,352	24,121	6,469	17,324	23,793
- Other financial liabilities	7,333	48,099	55,431	11,001	108,815	119,816
TOTAL DEBT	**1,213,543**	**481,085**	**1,694,628**	**1,225,229**	**497,708**	**1,722,937**

Financial instruments at fair value through profit or loss

Cash flow hedging activities relate to interest-rate swaps. Hedging activities are explained in Note 12.3.

Debentures and other marketable securities

The debt issues included in this item and closing balances for 2011 and 2010 are set out below:

(Thousand €)	31/12/2011			31/12/2010		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Preferred shares	106,351		106,351	104,969		104,969
Convertible bond	175,616	384	175,999	168,847	384	169,230
TOTAL DEBT	**281,967**	**384**	**282,350**	**273,816**	**384**	**274,200**

Preferred shares issue

The company Sol Melia Finance Ltd issued preferred shares, as per the Full Prospectus registered at the Spanish National Securities Market Commission (CNMV) on 4 April 2002, having the following conditions:

Issuer	Sol Meliá Finance Ltd.
Country	Cayman Islands
Guarantor	Meliá Hotels International, S.A.
Amount of issue/reimbursement	€ 106,886,300.
Nominal value	€ 100
Dividend (2002 to 2012)	Fixed 7.80% per annum payable quarterly (APR 8.03%)
Step-up (as from 2012)	Variable (3-mth Euribor + 5%, minimum of 12.30%)
Issue date	1 April 2002
Maturity date	Perpetual Issuer has a cancellation option after 10 years
Corporate rating	BBB from S&P and BBB+ from Fitch Ibca
Market	AIAF
Placement and underwriting	BBVA, S.A.

These preferred shares were issued in April 2002 for an unlimited period. However, the shares may be fully or partially redeemed if the issuer wishes, at any time, once 10 years have elapsed as from the initial payment date, i.e. on or after 29 April 2012. In this case, the issuer will pay the nominal value plus dividends accrued and not paid out at the redemption date.

The issuer may only voluntarily redeem preferred shares before 15 years have elapsed as from the initial payment date provided that, during a 10-year period prior to redemption, Meliá Hotels International, S.A. or any of its subsidiaries have issued shares, securities or instruments in the same or a lower rank than the A-Series Preferred Shares, increasing consolidated shareholders' funds in an amount equal to the total amount to be redeemed.

Given that the initial 10 year period is about to elapse, the directors are studying the Company's alternatives in this respect.

Convertible bonds issue

On 18 December 2009, Meliá Hotels International, S.A. completed a private bond placement among investors of Deutsche Bank, Calyon and Natixis, for a total of € 200 million, as analysed below:

Amount of issue	€ 200,000,000.
Nominal value of bond	€ 50,000
Maturity	5 years
Debt rank	Senior Unsecured Convertible Notes
Issue price	100%
Issue date	18 December 2009
Maturity date	18 December 2014
Coupon	5.00 %
Conversion price	7.93 €
Conversion premium	30%
Conversion ratio	6,303.18 shares per bond
Redemption price	100%
Bond yield at maturity	5.00%
Possibility of issuer cancellation	On or after 2 January 2013 (subject to 130%--€ 10.31 barrier)
Maximum number of shares to be issued	25,212,732

This operation is deemed a compound asset/equity instrument; the equity component was valued at € 33.9 million at the issue date. At year-end 2011 the value of the equity component of the compound instrument had not changed.

Meliá Hotels International, S.A. has entered into a securities loan agreement with Deutsche Bank AG for up to 10 million treasury shares, maturing in 9 January 2015, Deutsche Bank having utilised two million shares at 31 December 2011. This loan bears 0.6% interest.

Bank borrowings

The Group's bank borrowings at year-end 2011 and 2010 are analysed below by nature and maturity:

(Thousand €)

	31/12/2011			31/12/2010		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Bank loans	454,095	108,779	562,875	489,823	139,191	629,014
Mortgage-backed loans	247,012	18,181	265,193	230,320	22,717	253,037
Credit facilities	41,210	247,328	288,538	15,115	180,493	195,608
Leases	9,750	13,314	23,065	22,416	18,549	40,965
Interest	4,816	10,410	15,227	7,591	9,681	17,272
Discounted promissory note	0	5,000	5,000	0	0	0
TOTAL BANK DEBT	**756,883**	**403,014**	**1,159,897**	**765,264**	**370,631**	**1,135,895**

For certain bank loans, the Group is required to post certain financial ratios that were fulfilled at the 2011 year end.

Bank and mortgage loans include the following main bank borrowings:

TYPE OF LOAN	AMOUNT (€)	MATURITY
Syndicated (27 banks)	68 Million	2014
Syndicated (14 banks)	143 Million	2014
Club Deal (6 banks)	95 Million	2014
Corporate guarantee	80 Million	2013
Corporate guarantee	45 Million	2014
Mortgage-backed loans	46 Million	2026

Credit facilities utilised total € 288.5 million; at year-end 2011, a balance of € 148.3 million was available. In 2010, a total of € 195.6 million had been utilised on credit facilities and a balance of € 52.4 million was available.

New bank financing obtained in 2011 totalled € 374 million, as reflected in the cash flow statement. New bank financing obtained in 2010 totalled € 323.2 million.

The Group's mortgage loans are secured by 13 hotels having a total carrying amount of € 416 million, as explained in Note 9.

Maturities of bank borrowings are analysed below:

(Thousand €)

	2012	2013	2014	2015	2016	> 5 años	TOTAL
Bank loans	108,779	267,611	170,457	8,512	5,938	1,576	562,875
Mortgage-backed loans	18,181	19,395	23,920	24,269	24,622	154,806	265,193
Credit facilities	247,328	41,210	0	0	0	0	288,538
Leases	13,314	6,667	2,610	319	154	0	23,065
Interest	10,410	1,860	1,165	804	530	457	15,227
Discounted promissory note	5,000						5,000
TOTAL BANK DEBT	**403,014**	**336,743**	**198,152**	**33,904**	**31,244**	**156,840**	**1,159,897**

Other finance lease liabilities

The Meliá Hotels International Group operates 82 hotels under leases, 17 of which are classified as finance leases in accordance with IAS 17, paragraph 10.c), which states that a lease must be classified as a finance lease when the lease term spans most of the asset's economic life (even where ownership of the asset will not be transferred at the end of the lease).

The 17 hotels classed as finance leases derive from 75-year agreements concluded by Meliá Hotels International, S.A. with the company Equity Inmuebles in 1999. As explained in Note 20 to the 2005 Annual Accounts, at the transition date the value of the leased buildings was recognised in the Group's assets and the portion relating to the land on which the hotels stand remained classified under operating leases.

The impact on the 2011 income statement of financial expense on this finance lease was € 12.3 million and is classified in "Other financial expenses" in the income statement. The effect on 2010 results was € 11.9 million (see Note 6.6).

Minimum finance lease instalments at year end 2011 amount to € 660.6 million, relating to 62 annual instalments, entailing a present value of € 160.6 million at a 6.5% discount rate, this being the amount reflected in the balance sheet under finance lease liabilities. Set out below is a breakdown by maturity:

(Thousand €)

	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum finance lease payments	10,655	42,620	607,329	660,603
Current value of minimum finance lease payments	10,005	34,274	116,340	160,618

The present value of minimum finance lease payments includes the present value of interest that will accrued on the leases in 2012 (€ 9.8 million).

Payables to associates and jointly-controlled entities

The balances recorded in this item are analysed in the information on related parties provided in Note 18.

Other financial liabilities

(Thousand €)

	31/12/2011			31/12/2010		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Trade bills payable	1,688		1,688	2,404		2,404
Fixed asset suppliers	3,454	6,645	10,099	3,741	5,840	9,581
Guarantee deposits received	1,186	3,582	4,768	1,287	1,768	3,055
Other payables	979	37,164	38,143	3,026	100,326	103,352
Dividends payable		370	370		345	345
Other	25	337	363	543	536	1,079
TOTAL	7,333	48,099	55,431	11,001	108,815	119,816

On 26 June 2007, Meliá Hotels International, S.A. entered into an Equity Linked Swap contract with a bank whereby the bank acquired 5 million shares in Meliá Hotels International, S.A. and the company undertook to pay interest at the Euribor rate plus 51 basis points on the amount of the shares acquired. The bank acquired the shares on 25 September 2007 at an average price of 16.39 euros per share.

The financial instrument was recognised in Other payables at year-end 2010. The Company had a commitment to physically settle the payable by purchasing the underlying asset at maturity. The operation was settled on 23 February 2011.

12.3 HEDGING ACTIVITIES AND DERIVATIVES

The fair values of the Group's derivative financial instruments are analysed below by maturity at 31 December 2011 and 2010:

(Thousand €)

	31/12/2011			31/12/2010		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Hedging derivative assets	232	527	759	1,419		1,419
Hedging derivative liabilities	6,188	6,023	12,211	8,061	352	8,413

As part of its interest rate risk management policies (Note 20.1), in 2011 the Company contracted a number of interest-rate swaps that qualify as cash flow hedging instruments, based on the contractual terms; changes in their fair value are therefore taken directly to the Group's equity.

They are hedges of bank borrowings. These financial instruments are employed to exchange interest rates, such that the Company receives variable interest from the bank in exchange for a fixed interest payment on the same nominal amount. The variable interest received from the derivative offsets interest payments on the financing hedged. The final result is a fixed interest payment on the borrowings hedged.

During 2011, the negative impact on equity of these derivative financial instruments, after taking the portion pertaining to the hedged item to the income statement, and excluding the tax effect, amounted to € 4.4 million. In 2010 there was a positive impact of € 0.6 million.

These fair values were calculated employing cash flow discounting methods based on the implicit rates reflected by the market's interest rate curve at the valuation date. The valuations were performed by independent experts.

12.4 FAIR VALUE

The fair value of financial assets and liabilities is defined as the amount for which an asset may be exchanged, or a liability settled, by willing and knowledgeable parties in an arm's length transaction.

The following methods and/or assumptions were employed to estimate the fair values of financial instruments:

- **Hedging derivatives**: As indicated in Note 3.5, they are measured by discounting net flows, calculated as the difference between the variable-interest and fixed interest payments.

- **Available-for-sale financial assets**: At the year end, the amounts recognised, net of impairment provisions, are not materially different from the fair values.

- **Assets and liabilities at amortised cost**: Fair value is recognised based mainly on parameters such as interest rates and market risk, and using discounted cash flow methods.

As indicated in Note 3.5, there are no differences between fair values calculated for the financial instruments recognised in the Group's consolidated accounts and their carrying amounts.

Fair value hierarchy

As regards the financial instruments carried at fair value in the consolidated balance sheet, the Group employs the following hierarchy in breakdowns, based on the variables used in the relevant valuation methods:

Level 1: Based on listed prices in active markets
Level 2: Based on other variables observable directly or indirectly in the market
Level 3: Based on variables not observable in the market

The amounts recognised on each hierarchy level are analysed below:

(Thousand €)	31/12/2011			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value:				
Hedging derivatives		759		759
Trading portfolio	2,770			2,770
TOTAL ASSETS	2,770	759	0	3,529
Financial liabilities at fair value:				
Hedging derivatives		12,211		12,211
TOTAL LIABILITIES	0	12,211	0	12,211

The fair value of hedging derivatives, classified on Level 2, is supported by independent expert valuations.

For comparative purposes, the balances recognised in each hierarchy level at year-end 2010 are set out below:

Financial assets at fair value:

(Thousand €)	31/12/2010			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value:				
Hedging derivatives		1,419		1,419
Trading portfolio	773			773
TOTAL ASSETS	**773**	**1,419**	**0**	**2,192**
Financial liabilities at fair value:				
Hedging derivatives		8,413		8,413
TOTAL LIABILITIES	**0**	**8,413**	**0**	**8,413**

13. CURRENT ASSETS

13.1 INVENTORIES

(Thousand €)

	31/12/2011	31/12/2010
Goods for resale	444	207
Food and beverages	7,846	7,225
Fuel	750	721
Spare parts and maintenance	3,364	2,961
Ancillary materials	5,238	4,532
Office materials	1,322	1,382
Hotel Business	**18,965**	**17,028**
Vacation Club Business	**60,814**	**63,281**
Real Estate Business	**6,106**	**5,842**
Advances to suppliers	**3,205**	**3,961**
TOTAL	89,090	90,112

The Group does not have firm purchase or sale commitments and there are no limitations on inventories availability. The supplier accounting for the greatest volume of raw material purchases totalling €13.4 million is Carma SXXI, S.A., a related company. In 2010 purchases from Carma S.XXI, S.A. amounted to €12.9 million.

The real estate assets caption includes a balance of €3.9 million relating to Desarrollos Sol, S.A. with respect to a significant real estate development in the Dominican Republic which is in the process of being sold.

13.2 TRADE AND OTHER RECEIVABLES

The following table contains a breakdown of this heading at year-end 2011 and 2010:

(Thousand €)

	31/12/2011	31/12/2010
Customers	175,453	146,631
Other receivables	138,592	103,026
TOTAL	314,045	249,657

Trade receivables

Trade receivables by business line at the year end are analysed below:

(Thousand €)

	31/12/2011	31/12/2010
Hotel	87,244	84,024
Real-Estate	3,599	4,114
Vacation Club	41,442	24,588
Other operating activities	43,168	33,906
TOTAL	**175,453**	**146,631**

The Group has agreements in place for the assignment of the hotel business customer portfolio, through which part of the hotel units' trade receivables, which are transferred on a regular basis, are collected in advance. At December 31, 2011 the total portfolio assigned in this respect amounts to €4 million, €2.1 million of which has been collected in advance. At December 31, 2010, these balances totalled €4.9 million and €3.7 million, respectively.

At December 31, 2011, the Group also assigns receivables relating to the sale of vacation club units, amounting to €144 million, through agreements without recourse with banking institutions. In 2010 the balance amounted to €157 million.

Set out below are the main assignment operations relating to sales of vacation club units:

- On June 30, 2008, Meliá Hotels International, S.A subscribed a receivable assignment agreement in favour of Banco Bilbao Vizcaya Argentaria, S.A. with regard to Sol Meliá Funding, S.A. and Sol Meliá Vacation Club España S.L. The limit of this factoring transaction is €120 million. The price of the assignment is fixed on the basis of the nominal value of the receivables assigned, applying a variable monthly reviewable rate which is linked to LIBOR (for receivables in dollars) or to EURIBOR (for receivables in euro) plus a market spread, settled by the bank on a monthly basis until December 2020.

- On 6 November 2009 Meliá Hotels International S.A. signed a contract of assignment of credits in favour of Bancaja for the acquired credits of Sol Melia Funding and Sol Meliá Vacation Club España S.L., the balance of the amount assigned to 31 December 2011 being 15·8 million US dollars. At the close of 2010 the balance pending was 22·3 million dollars.

All these credit transfer agreements are considered non-recourse operations as the directors consider that risks and benefits inherent to the collection rights of the hotel and time-sharing customers are substantially transferred. Through the transfer of these credits, the Group transfers all of the following risks and rights:

- Collection rights
- Risk of insolvency
- Collection exchange differences

Given that all the above assignments of receivables are considered to be without recourse, the relevant customer balances are written off once they have been assigned.

At December 31, 2011, the provision for bad debts amounts to €42.9 million. At December 31, 2010, the balance amounted to €39.2 million.

The age of trade receivables at the year end is as follows:

(Thousand €)

	2011	%	2010	%
Less than 90 days	144,247	84%	119,849	84%
More than 90 and less than 180	17,486	10%	17,794	12%
More than 180	10,121	6%	4,875	3%
TOTAL	**171,854**	**100%**	**142,518**	**100%**

The above table does not include property receivables, which derive from contracts concluded in recent years with stipulated collections/payments. Trade receivables outstanding for more than 360 days are provisioned, as indicated in Note 3.5.

Other receivables

Set out below is a breakdown by nature of the balances recognised in this item in 2011 and 2010:

(Thousand €)

	31/12/2011	31/12/2010
Prepayments and accrued income	8,796	4,451
Loans to employees	509	710
Taxes refundable	50,251	42,467
Input VAT deductible	33,234	17,959
Tax withholdings	19,331	14,778
Receivables from associates	9,989	8,258
Receivables	434	335
Current accounts	13,271	11,317
Deudores dudoso cobro	41	48
Efectos comerciales a cobrar	2,735	2,703
TOTAL	**138,592**	**103,026**

13.3 CASH AND OTHER CASH EQUIVALENTS

(Thousand €)

	31/12/2011	31/12/2010
Cash	190,702	193,985
Other cash equivalents	248,806	268,526
TOTAL	**439,508**	**462,511**

Cash equivalents relate to short-term deposits, the maturities of which may range from one day to three months depending on the Group's cash requirements.

The main balances making up the Group's treasury, on the basis of the currency in which they are denominated, are in US dollars, Euro, Venezuelan bolivars and GB pounds.

14. EQUITY

14.1 SHARE CAPITAL AND SHARE PREMIUM

At December 31, 2011 and 2010 Meliá Hotels International, S.A.'s share capital consists of 184,776,777 fully subscribed and paid up shares with a par value of €0.2 each.

All shares carry the same rights and are listed on the stock exchange (Spain), with the exception of treasury shares.

At the Ordinary and Extraordinary General Shareholders' Meeting held on June 3, 2008, the Company Directors were authorised to agree an increase of up to eighteen million four hundred and seventy seven thousand six hundred and seventy seven euro (€ 18,477,677) in the share capital of the Company without previously consulting the Shareholders at the General Meeting. Consequently, the Directors can exercise this right, on one or various occasions, for the specified amount or less, deciding in each case, not only the timing or appropriateness, but also the amount and conditions which they consider should apply within a maximum period of five years following said Meeting.

At December 31, 2011 the percentage of voting rights held by the main shareholders with direct or indirect ownership interests in Meliá Hotels International, S.A. are as follows:

SHAREHOLDER	SHAREHOLDING %
Hoteles Mallorquines Consolidados, S.A.	28.07
Hoteles Mallorquines Asociados, S.L.	16.42
Hoteles Mallorquines Agrupados, S.L.	13.90
Majorcan Hotels Luxembourg, S.A.R.L.	6.25
Caja de Ahorros del Mediterráneo	6.01
Resto (menos del 5% individual)	29.36
TOTAL	**100.00**

On the basis of the information set out in the table above, it may be inferred that Mr. Gabriel Escarrer Julià is the controlling shareholder of the Group.

The variation of the issue premium during the financial year is a consequence of the use of a part of this reserve for the treasury shares reserve. This movement is a transfer from the item Share premium to the item Other reserves in the Statement of Changes in Equity, in the amount of € 61.8 million.

14.2 RESERVES

The item Other reserves, in the Statement of Changes in Equity, includes Reserves (unrestricted, restricted and revaluation reserves of the parent company) and Other equity instruments broken down on the liabilities side of the balance sheet.

With respect to restricted reserves, Meliá Hotels International, S.A. and its subsidiaries incorporated under Spanish law are required to transfer 10% of profits each year to the legal reserve until the balance in the reserve reaches at least 20% of share capital. This reserve may only be used to offset losses should sufficient other reserves not be available.

14.3 TREASURY SHARES

The breakdown and movements in treasury shares are as follows:

(Thousand €)	SHARES	AVERAGE PRICE €	BALANCE
BALANCE AT 31/12/2010	**12,208,575**	**8,43**	**102,959**
Additions 2011	2,011,631	6,23	12,537
Disposals 2011	(643,429)	7,90	(5,083)
BALANCE AT 31/12/2011	**13,576,777**	**8,13**	**110,413**

At December 31, 2011, the treasury shares balance includes 2 million shares relating to a securities loan with Deutsche Bank (see Note 12.2). With all the above taken into account, the total number of shares held by the Company stands at 11,576,777.

At 31 December 2011 total treasury shares held by the company represent 6.27% of capital. In any event, treasury shares will not exceed the 10% limit established in the Spanish Companies Act 2010.

The price of Meliá Hotels International, S.A.'s shares at the year end is €3.895. At the 2010 year end the share price amounted to €6.95.

For comparison purposes, the movements in 2010 are shown below:

(Thousand €)	SHARES	AVERAGE PRICE €	BALANCE
BALANCE AT 31/12/2009	**12,598,094**	**8,38**	**105,623**
Additions 2011	968,450	6,41	6,204
Disposals 2011	(1,357,969)	6,53	(8,867)
BALANCE AT 31/12/2010	**12,208,575**	**8,43**	**102,959**

The treasury shares balance to 31 December 2010 included, in addition to 2,958,575 shares deposited in various securities accounts, 5 million shares of a financial instrument and 4.25 million shares of a share loan with Deutsche Bank. It did not include 2.9 million shares which the Company had taken on loan from the controlling shareholder. Taking the above into account the number of shares in the Company's possession at the close of 2010 was 5,858,575, representing 3.17%.

14.4 RETAINED EARNINGS

This heading includes the parent company's prior-year results and the retained earnings of the other Group companies as from the date they were included in the scope of consolidation.

Movements during 2011 reflected Retailed earnings relate mainly to the distribution of prior-year results (a profit of € 61.3 million from the fully-consolidated companies, including the parent company, and a loss of € 11.2 million from associates).

Also included is an increase of € 22.6 million due to the restatement of the Venezuelan companies' assets, since Venezuela is deemed to be a hyperinflationary economy at the year end, in accordance with IAS 29 (see Note 3.15). This movement is reflected on the line Other income charged to equity in the Statement of Comprehensive Income.

During 2010, movements related mainly to the distribution of prior-year profits of € 38.1 million and to the restatement of Venezuelan companies' assets in the amount of € 19 million.

14.5 MEASUREMENT ADJUSTMENTS

In the Statement of Changes in Equity, the Measurement adjustments caption includes a breakdown of Translation differences and Other measurement adjustments recognised on the liabilities side of the balance sheet.

Currency translation differences

Foreign currency gains/losses reflected in the balance sheet deriving from the consolidated companies classified by currency are as follows:

(Thousand €)

	31/12/2011	31/12/2010
Venezuelan Bolivar	(98,522)	(98,009)
Costa Rican Columbus	147	132
Morrocan Dinar	53	53
Tunisian Dinar	738	590
USD	32,698	21,245
Singapore Dollar	57	51
Swiss Franc	12,297	11,058
Croatian Crown	(321)	(241)
GBP	(11,971)	(13,300)
Turkish Lira	290	218
Colombian Peso	0	18
Dominican Peso	(45,054)	(41,065)
Mexican Peso	(72,649)	(41,602)
Guatemalan Quetzal	8	6
Brzilian Real	(2,190)	1,215
Chinese Renminmbi Yuan	(231)	(143)
Indonesian Rupee	(137)	(137)
Peruvian Sol	1,871	1,035
Uruguayan Peso	33	24
Argentinian Peso	(143)	(114)
TOTAL	**(183,027)**	**(158,967)**

The effect of foreign exchange fluctuations is presented in the amount attributed to the parent company, net of the effect attributed to minority interests. The total effect is presented on the Translation differences line in the Statement of Comprehensive Income.

Of total exchange differences recognised in the Group's equity, €182.9 million relates to fully consolidated companies and €0.1 million to equity method companies. In 2010 the figures were €158.1 million and €0.9 million, respectively.

The main movement in translation differences relates to currencies affected by the US dollar, due to the dollar's appreciation against the euro.

Under IAS 21.15, certain financing transactions relating to foreign subsidiaries have been treated as an increase in the value of the investment. During the year, a total of € 3 million in negative translation differences was recognised in this item (2010: positive translation difference of € 6.2 million).

There were no significant movements in this item during the year due to the disposal of foreign operations, as stipulated in IAS 21.48.

Other measurement adjustments

Period movements relate mainly to income and expenses taken to equity, and transfers to the income statement, in respect of derivative financial instruments classed as hedging instruments, net of tax effects, in the amount of € 2.4 million. In 2010, a loss of € 0.4 million was recognised in this item.

14.6 MINORITY INTEREST

This heading reflects the equity interest relating to minority shareholders, including the corresponding portion of results.

In 2011 a 29.72% stake was acquired in the company Caribotels de México, S.A. de C.V., entailing the purchase of minority interests with a carrying amount of € 2.7 million. This transaction had no impact on the income statement, since the Group already controlled this company (see Note 2.3).

In 2010, dividends and adjustments to shareholdings transferred to other equity items totalled € 2.8 million.

15. NON CURRENT LIABILITIES

15.1 CAPITAL GRANTS AND OTHER DEFERRED INCOME

The details of these balances are as follows:

(Thousand €)	31/12/2011	31/12/2010
Capital grants	2,228	2,408
Deferred income from customery loyalty prog.	11,799	11,590
TOTAL	**14,027**	**13,999**

Capital grants basically relate to grants used to finance property, plant and equipment purchases. In 2011, the total amount recorded in the Income Statement for this item is €180 thousand. In 2010, income from grants amounted to €202 thousand.

Deferred income reflects the fair value assigned to points obtained by customers on the Company's loyalty programmes amounting to €11.8 million, under IFRIC 13.

15.2 PROVISIONS

The balance sheet shows an amount of €35.4 million in non-current liabilities in respect of provisions for liabilities and charges. As indicated in Note 3.10, this account includes the Group's commitments with staff, provisions for taxes from prior years which have been appealed against or are pending court resolution together with urban planning disputes, as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, commitments acquired and guarantees given for third parties, risks for legal claims and lawsuits and possible liabilities deriving from the possible different interpretations that may be afforded to prevailing legal regulations.

The breakdown of the balance, by type, is as follows:

(Thousand €)	31/12/2010	ADDITIONS	DISPOSALS	VARIATIONS IN SCOPE	31/12/2011
Provision for retirement and seniority bonuses and personnel obligations	5,703	83	(422)	(9)	5,355
Provision for taxes	8,538	2,025	(388)		10,176
Provision for onerous contracts	8,495	2,505			11,000
Provision for liabilities	7,837	4,908	(3,860)		8,885
TOTAL	**30,574**	**9,520**	**(4,670)**	**(9)**	**35,416**

Each year end, an actuarial study is undertaken to assess the past services corresponding to commitments established in supra-enterprise collective agreements. Said services have been estimated at €9.7 million for 2011, Euros 2 million of which has been charged to results. In 2010, the total amount accrued was €9.7 million, €2.1 million of which was charged to results.

In addition, said commitments have been externalised in order to comply with current legislation. In 2011, the balance for this item totalled €4.4 million, showing liabilities for its net amount. At the 2010 year end the balance externalised for this item amounted to €4 million.

These commitments were assessed in accordance with the actuarial assumptions contained in the specific turnover model of Meliá Hotels International, S.A. by applying the calculation method known as the "projected unit credit" and the population assumptions corresponding to the ERM/F2000p tables, applying a capitalisation rate of 5.42% and salary increases of 1.00% plus the assumption of foreseeable turnover of between 3.02% and 8.59% of employees with an average retirement age of 64 years.

During the year, the net amount applied and updated in respect of the provision for onerous contracts according to the established financial plan. Period additions (€ 2.5 million) relate to the provision for onerous hotel contracts in Spain, which covers the difference between committed outlays and forecast contract flows.

Additions to provisions for liabilities mainly relate to expenses in respect of claims and litigations amounting to €1.3 million. Additions during 2010 to the same provision totalled € 2.1 million.

For comparison purposes, set out below is the breakdown of this balance by nature at the 2010 year end:

(Thousand €)	31/12/2010	ADDITIONS	DISPOSALS	VARIATIONS IN SCOPE	31/12/2011
Provision for retirement and seniority bonuses and personnel obligations	6,721	81	(1,098)		5,703
Provision for taxes	7,835	703			8,538
Provision for onerous contracts	3,664	4,831			8,495
Provision for liabilities	5,661	2,177			7,837
TOTAL	**23,881**	**7,791**	**(1,098)**	**0**	**30,574**

16. TRADE AND OTHER PAYABLES

The following table contains a breakdown of this heading at year-end 2011 and 2010:

(Thousand €)

	31/12/2011	31/12/2010
Creditors	175,306	171,039
Other Payables	128,414	137,403
TOTAL	**303,720**	**308,442**

16.1 TRADE PAYABLES

The balance in this heading includes the accounts payable to suppliers for goods or services and other services pending payment and/or receipt of the corresponding invoices at year end for an amount of €139.4 million (at the previous year end, €141.7 million).

Prepayments from customers, which at the 2011 year end amount to €35.9 million, are also included in this account (2010: €29.4 million).

16.2 OTHER PAYABLES

Set out below are the main items included in Other payables:

(Thousand €)

	31/12/2011	31/12/2010
Accruals and deferred income	19,656	16,574
Accrued wages and salaries	39,791	37,944
Taxes payable	37,292	44,497
Social security contributions payable	6,941	6,699
Sales output VAT	12,692	10,823
Trade payables, associates	6,908	17,643
Other liabilities	5,134	3,222
TOTAL	**128,414**	**137,403**

17. TAX SITUATION

The companies included in the Group are subject to the tax legislation applicable in the various countries in which they carry out their activities. Tax legislation in force in some of these countries does not coincide with the Spanish legislation. Therefore, the information provided in this note should be interpreted according to the peculiarities of applicable legislation on income tax regarding the taxable base, tax rates and deductions.

17.1 YEARS OPEN TO INSPECTION

In accordance with legal regulations, tax returns cannot be considered final until they have been inspected by the tax authorities or the inspection period, which may be extended due to tax inspection proceedings, has elapsed. In this respect, the Group companies located in countries where the Group presence is relevant are open to tax inspection for the following taxes and years:

	CORP. INC. TAX	I.M.P.A.C.	PAYROLL TAX	VAT	I.G.I.C.	I.R.A.P.	PIS/COFINS
Spain	2007-2010		2008-2011	2008-2011	2008-2011		
France	2008-2010			2009-2011			
England	2005-2010		2006-2011	2006-2011			
Italy	2005-2010		2006-2011	2006-2011		2005-2010	
Germany	2001-2010		2002-2011	2002-2011			
Croatia	2006-2010		2007-2011	2007-2011			
Holland	2007-2010		2007-2011	2007-2011			
USA	2008-2010						
Mexico	2006-2010	2005-2007		2007-2011			
Dom. Rep.	2008-2010			2009-2011			
Venezuela	2006-2010		2007-2011	2007-2011			
Brazil	2006-2010		2007-2011				2007-2011

The fiscal years open to inspection for some of the companies in those countries differ from those shown in the table above, because for certain taxes, some of them have already been inspected or are still being inspected. These companies are the following:

England: Lomondo Ltd. is open for inspection for 2007, 2008, 2009, 2010 and 2011 for payroll tax.

Mexico: Cala Formentor, S.A. de C.V. is open to inspection for 2002 for I.M.P.A.C.

17.2 DEFERRED TAX ASSETS AND LIABILITIES

The breakdown of deferred tax assets and liabilities and the movement recorded in each year in the income statement are as follows:

(Thousand €)

	BALANCE		INCOME STATEMENT		VARIATIONS IN SCOPE
	31/12/2011	31/12/2010	31/12/2011	31/12/2010	2011
Non-current deferred tax asset is as follows:					
Capitalised tax credits	33,563	22,051	(12,197)	(6,340)	
Credits for capitalised tax losses	34,876	22,653	(17,104)	(3,462)	(4,639)
Temporary differences for:					
Tax value of Tryp goodwill	36.560	36.560			
Cash flow hedges	3.375	2.516			
Reversal of adjusments for inflation in non-inflationary countries	9.958	10.271	(685)	(1.664)	
Provisions that are tax deductible at the time of payment or when the liability is generated	19.128	18.358	(960)	(1.236)	(22)
Different criteria for tax and accounting amortisation	40	79	(5)	277	
Reversal of capital gain from sale of a hotel between group companies	13.785	13.923	321	(1.147)	
Other	2.894	167	(2.296)	(142)	
TOTAL	**154,179**	**126,578**			
Non-current deferred tax liability is as follows:					
Valores razonables en combinaciones de negocios	18,971	20,671	(417)	(386)	(1,219)
Operaciones de Arrendamiento Financiero	33,120	43,469	(3,135)	(4,343)	(7,291)
Revalorización y actualización valor solares	42,602	43,614	(660)	2,133	
Bienes no afectos a la explotación (inversiones inmobiliarias)	28,943	25,481	235	2,560	
Difference in acccounting criteria between chart of accounts and IFRS - deferred Income		3,167			
Differences in accounting and fiscal asset value in England	397	241	147	(137)	
Accounting revaluation for merger	38,763	29,493	25,889	623	(13,952)
Sales under reinvestment deferral	4,473	5,313	(81)	(82)	(758)
Other	5,933	6,096	(163)	(164)	
Otros	3,333	2,376	1,386	(352)	
TOTAL	**176,535**	**179,921**			
TOTAL IMPACT OF DEFERRED TAX EXPENSE (INCOME)			**(9,725)**	**(13,862)**	

The effect of changes in the consolidated scope is due to the disposal of the French company Hotel de Saxe S.A.S and the sale of a 58.50% stake in the Italian company Inmotel Inversiones Italia Sarl. There was no effect in this respect in 2010.

The change in deferred taxes affecting the Group's equity amounted to € 1.1 million, as indicated in the Statement of Changes in Equity. In 2010 this effect amounted to € 1.7 million.

Deferred tax assets and liabilities are calculated considering the future amendments to the tax charges already approved in all geographical areas. In 2011 there were no impacts in the income statement in respect of this item.

17.3 GROUP TAX LOSSES

Tax losses to be offset, broken down by geographical area, are shown below:

(Thousand €)	2012	2013-2017	2018-2024	YEARS BEYOND	BALANCE 31/12/2011
Spain			78,411	359,224	437,635
Rest of Europe	307	32,980	3,612	7,109	44,008
America and the rest of the world	2,503	17,689	36,705	16,443	73,340
TOTAL	**2,810**	**50,669**	**118,728**	**382,776**	**554,983**

Within "Rest of Europe", noteworthy is the situation of the Netherlands (€35.7 million), Germany (€6.6 million) and Switzerland (€1.2 million), within America area, noteworthy Mexico (€55.3 million) and Brazil (€16.4 million).

The increase in the year is mainly due to the effects of the global economic crisis, having a significant influence worldwide.

Tax losses for which deferred tax assets have been recognised amount to €102.5 million in Spain, €6.6 million in the rest of Europe and €9.4 million in America and the rest of the world.

Tax losses which have been offset in the year had not been fully capitalised in prior years, causing a tax benefit of €1.2 million. This benefit relates almost in full to America and the rest of the world.

With regard to the provisions for financial investments pending to be integrated, it should be observed that the total amount is €53.5 million, which will be reversed through the tax base of Meliá Hotels International, S.A. provided that said investments generate enough profits to allow the discounting of said provisions.

For comparative purposes, set out below are tax-loss carryforwards by geographic area and maturity at year-end 2010:

(Thousand €)	2011	2012-2016	2017-2023	YEARS BEYOND	BALANCE 31/12/2010
Spain	0	1	350,287	33,034	383,322
Rest of Europe	5,774	43,519	6,478	11,768	67,539
America and the rest of the world	524	16,843	34,837	17,979	70,183
TOTAL	**6,298**	**60,363**	**391,602**	**62,781**	**521,044**

17.4 GROUP'S TAX CREDITS

The Group's available tax credits are detailed, by geographical areas and maturity, below:

(Thousand €)

	2012	2013-2017	2018-2024	YEARS BEYOND	BALANCE 31/12/2011
Spain	1,236	32,901	7,130		41,267
America and the rest of the world	1,621	10,903	16,723	3,556	32,803
TOTAL	**2,857**	**43,804**	**23,853**	**3,556**	**74,070**

Accumulated tax credits at year end in America and rest of the world relate to Mexico and Venezuela and amount to €29.3 million and €3.5 million, respectively.

Deferred tax assets have been recognised in Spain amounting to €9.5 million, €20.9 million in Mexico and €3.5 million in Venezuela.

Unlike the previous year, tax credits offset during the period had been fully capitalised in previous years, meaning that no tax benefit was generated in 2011.

For comparative purposes, set out below are tax credits available for offset by geographic area and maturity at year-end 2010:

(Thousand €)

	2011	2012-2016	2017-2023	YEARS BEYOND	BALANCE 31/12/2010
España	1,493	22,148	10,973		34,614
América y resto del mundo	1,453	11,290	8,428	3,477	24,648
TOTAL	**2,946**	**33,438**	**19,401**	**3,477**	**59,262**

Tax credits in Spanish companies are set out in the following tables:

The breakdown of available tax deductions for export activities available for offset in Meliá Hotels International, S.A. as of December 31, 2011 is the following:

YEAR	AMOUNT TO BE DEDUCTED	YEAR MATURITY
2002	241	2012
2003	306	2013
2004	316	2014
2005	269	2015
2006	317	2016
2007	157	2017
2008	214	2018
2009	225	2019
2010	26	2020
TOTAL	**2.071**	

These tax deductions have been partially capitalised for a total amount of €1.6 million, following the criteria indicated in Note 3.13.

The tax deductions for donations and gifts total €0.2 million.

Taxable profits of Meliá Hotels International, S.A. deriving from asset disposals and which are tax exempt for reinvestment and the amounts to be reinvested, in thousand Euros, are the following:

Year	Sale Amount	Benefit Sale	To reinvest	Year Reinv.	Reinvested	Pending Reinvestment	Year Mat.	Reinvestement Deduction	Deductions applied	Pending Application	Year Mat.
2003	22,399	16,570	22,399	2003	22,399	-	2006	3,314	2,506	808	2013
2004	10,036	9,749	10,036	2004	27,216	-	2007	1,979		1,979	2014
2005	103,200	48,490	103,200	2004/05	82,521	-	2008	9,698		9,698	2015
2006	52,768	33,683	52,768	2005/06	76,840	-	2009	6,737		6,737	2016
2007	105,110	63,384	105,110	2006/07	97,825	-	2010	9,190		9,190	2017
2008	5,972	4,471	5,972	2008	88,773	-	2011	536		536	2018
2009					33,959	-					
2010	2,073	215	2,073	2009	25,129	-	2013	26		26	2020
2011	61,000	43,603	61,000	2010/11	48,923	-	2014	5,232		5,232	2021
TOTAL	**362,558**	**220,165**	**362,558**		**503,585**			**36,712**	**2,506**	**34,206**	

Meliá Hotels International, S.A. has reinvested sales proceeds in new fixed assets for the refurbishment and renovation of hotels, in property investments and in equity interests of at least 5% of the relevant company's share capital. Said tax deductions have been partially capitalised for a total amount of €7.8 million, following the criteria indicated in Note 3.13.

With regard to the reinvestment regime, the profits arising from the sale are included in the tax base on the basis of the depreciation period. For this purpose, a deferred tax liability has been recorded. The amount pending inclusion in the tax base is €19.8 million and will be included on a straight-line basis up to the year 2048.

Deductions for double taxation deriving from domestic and international dividends recorded by Meliá Hotels International, S.A., have amounted to €1.2 million. These deductions may be used until 2015 to 2021.

As of December 31, 2011 the Group has deductions available for fixed assets additions in the Canary Islands, in accordance with Article 94 of the Corporate Income Tax Act, Law 20/91, totalling €3.4 million and maturing from 2012 to 2016. No deductions for investments in new fixed assets in the Canary Islands have been applied in 2011.

The information stipulated in Article 84 of Legislative Royal Decree 4/2004 on Corporate Income Tax, relating to splits and mergers of lines of business made in prior years, is included in the first annual accounts approved after each transaction. A breakdown is as follows:

Inmotel Inversiones, S.A.:	1993, 1996, 1997 and 1998
Meliá International Hotels, S.A.:	1999, 2001 and 2005

17.5 RECONCILIATION BETWEEN THE CONSOLIDATED ACCOUNTING PROFIT AND THE AGGREGATE TAX BASE

(Thousand €)

	31/12/2011	31/12/2010
Consolidated Net Income	41,982	51,996
Removal companies from scope	(12,463)	(10,101)
Translation differences on group operations	(6,991)	6,075
Dividends from subsidiaries	61,371	95,595
Elimination of Group portfolio provisions	(6,318)	0
Other adjustments	(1,393)	0
Recognition of net income of subsidiaires last year	82	205
Results of equity-consolidated companies	10,316	11,188
Net income of companies before change in scope	0	(3,710)
AGGREGATE NET INCOME	86,585	151,249
Adjustments to accounting profit for tax adjustments		
Income tax expense	9,111	11,942
Finance lease transactions	13,419	17,314
Non-deductible expense/income	15,313	13,365
Pension commitments	(6,147)	2,866
Canary Islands' investment reserve	4,799	7,698
Other	(13,405)	712
Difference between accounting/tax depreciation	3,603	(11,149)
Provisions	25,272	(933)
Exchange differences	5,276	(2,833)
Reversal of IAS adjustments	(61,318)	(26,123)
Inflation adjustments	(184)	19,330
Dividends and tax transparency, subsidiaries	(61,466)	(90,981)
PREVIOUS TAXABLE INCOME	20,858	92,457
Offset of tax-loss carryforwards	(12,547)	(8,812)
Tax losses not recognised	64,482	965
GROSS TAX BASE	72,793	84,610
TAX EXPENSE AT RATE APPLICABLE BY LAW (30%)	21,838	25,382
Effect of tax rate applicable in other countries	(12,727)	(13,440)
INCOME TAX EXPENSE	9,111	11,942

17.6 INCOME TAX EXPENSE

The following table reflects the amount recorded as an expense for the year. The balances are detailed by item, differentiating between current and deferred tax:

(Thousand €)

	31/12/2011	31/12/2010
Current tax		
Income tax for the period	(13,115)	(15,212)
Other period taxes	(5,981)	(9,214)
Adjustments to income tax of prior years	3,440	(1,378)
Deferred taxes		
Net variation in credits for tax losses	17,104	3,462
Net variation in tax credits	12,197	6,340
Others	(22,756)	4,060
TOTAL INCOME TAX EXPENSE	**(9,111)**	**(11,942)**

Other taxes for the year relate to taxes similar to income tax as well as other taxes in developing countries, the calculation of which is based on revenues or assets.

Most prior year adjustments to income tax mentioned above relate to adjustments between the final tax and the provision made in the preceding year.

18. RELATED-PARTY INFORMATION

The following are deemed to be related parties:

- Associates consolidated using the equity method, as listed in Appendix II to the notes to these annual accounts.
- Significant shareholders of the parent company.
- Executives and Board of Directors.

All transactions with related parties are effected at arm's length.

18.1 TRANSACTIONS WITH ASSOCIATES AND JOINTLY-CONTROLLED ENTITIES

Commercial transactions

Commercial transactions with associates and jointly-controlled entities relate mainly to hotel management activities and related services. The attached table shows, for 2011 and 2010, the amount recognised in operating results in the consolidated income statement and balances outstanding at the year end:

(Thousand €)

	NET INCOME 201	31/12/2011		NET INCOME 2010	31/12/2010	
		ASSETS	LIABILITIES		ASSETS	LIABILITIES
Turismo de Invierno, S.A.	397	660		268	175	
C.P. Meliá Castilla	2,441	1,172	121	1,940	2,220	83
C.P.A.M.Costa del Sol	744	262	28	776	370	34
Aparthotel Bosque, S.A.	483	267	5	506	310	5
Nexprom, S.A.	757	307	7	779	404	11
Evertmel, S. L.	603	1,487	33			
Hantinsol Resorts, S.A.	(11)	2			15	
Nyesa Meliá Zaragoza, S. L.	532	657	8	655		5
Inv. Hot. La Jaquita, S. A.	2,540	11,281	598	1,595	32,820	14,538
Colón Verona, S. A.	953	1,542	170	672	1,093	148
Tradyso	(14,083)	4,038	4,448	(13,568)	2,231	2,728
Altavista Hotelera, S. L.	1,167	6,107	43	797		57
Mongamenda, S. L.	11	1,498		11	(160)	
Adprotel Strand, S. L.		10,472	226			
Tertián XXI, S. L. U.		2,287				
Meliá Hotels Florida, LLC		25				
Meliá Hotels Orlando, LLC	112	438				
Inversiones Guiza, S. A.		6	3		5	3
Guarajuba, S. A.		1				
Hellenic Hotel Manag. CO. HB. S. A.		44			43	
Sol Hoti Portugal Hotels					105	
Detur Panamá, S. A.	110	3,675	2	33	2,835	30
Inmotel Inversiones Italia, S. R. L.		4,023	1,216			
TOTAL	(3,244)	50,251	6,908	(5,536)	42,468	17,643

The joint venture Travel Dynamic Solutions provides services to the Group, specialising in the commercial distribution of hotel rooms.

Financing operations

There follows a breakdown of financing granted to associates by the Group at year-end 2011 and 2010:

(Thousand €)

	NET INCOME 2011	31/12/2011		NET INCOME 2010	31/12/2010	
		ASSETS	LIABILITIES		ASSETS	LIABILITIES
Aparthotel Bosque, S.A.				(5)		
Evertmel, S. L.	233	10,191				
Hantinsol Resorts, S.A.						
Nyesa Meliá Zaragoza, S. L.	242			111	4,205	
Inv. Hot. La Jaquita, S. A.	657	25,269	5,891	343		5,891
Colón Verona, S. A.	1,234	31,857		1,015	29,021	
Tradyso	404	3,303	17,456	(133)	5,012	17,328
Altavista Hotelera, S. L.	850	17,692		440	17,692	574
Mongamenda, S. L.	71			122	1,711	
Adprotel Strand, S. L.		72,386				
Tertián XXI, S. L. U.		20,600				
Meliá Hotels USA, LLC			774			
Meliá Hotels Orlando, LLC						
Detur Panamá, S. A.	458	1,115		(472)	1,089	
Inmotel Inversiones Italia, S. R. L.		284				
TOTAL	**4,150**	**182,697**	**24,121**	**1,421**	**58,730**	**23,792**

The main movement in 2011 relates to the transfer of € 25.2 million from a current account to a non-current loan account with the company Inversiones Hoteleras La Jaquita, S.A. Loans and payables relating to the company Evertmel, S.L. are classified as transactions with associates this year due to the change of consolidation method (see Note 4).

These balances are included in current and non-current other financial assets and liabilities in the balance sheet (see Note 12).

Interest is calculated on loans and average current account balances at each year end. The rate applied is the average Euribor plus a spread (4.00825% in 2011).

Collateral and bank guarantees

As indicated in Note 19, the Group records bank guarantees for certain liabilities recognised by associates or joint ventures. At year-end 2011:

Meliá International Hotels, S.A. is the guarantor of Detur Panamá, S.A., which owns the Hotel Meliá Panamá Canal, vis-à-vis the bank Caja de Ahorros de Baleares, for 58.06% of a USD 9 million loan. The sum guaranteed at 31 December 2011 is USD 2.3 million.

Meliá International Hotels, S.A. is the guarantor of a confirming facility with La Caixa for the company Altavista Hotelera, S.A., in the amount of € 1.4 million.

18.2 TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

Balances by type of transaction effected with significant shareholders are as follows:

(Thousand €)

	TRANSACTION TYPE	31/12/2011	31/12/2010
Hoteles Mallorquines Asociados, S.L.	Purchase of goods	13,374	13,975
Hoteles Mallorquines Asociados, S.L.	Provision of services	42	39
Hoteles Mallorquines Agrupados, S.L.	Lease	417	405
TOTAL		**13,832**	**14,419**

The Group's main inventory supplier is Carma Siglo XXI, S. A., a company incorporated in Palma which engages in meat industry activities, including the production of sausages and cold meat products, meat wholesaling and quartering, sale of frozen perishable and non-perishable products, and production and sale of pre-cooked dishes. This company is a related party as it is an investee of Hoteles Mallorquines Asociados, S.L. and Hoteles Mallorquines Agrupados, S. L. (see Note 13.1).

The balance pending payment to Carma Siglo XXI, S.A. by Group companies at year-end 2011 was € 135 thousand (2010: € 346 thousand).

18.3 TRANSACTIONS WITH EXECUTIVES AND BOARD DIRECTORS

Remuneration and other benefits paid to Board directors and senior executives is analysed below:

(Thousand €)

	2011	2010
Per diets for attendance	679	466
Remuneration of Directors	1,770	1,697
Remuneration of Senior Management	3,411	2,785
TOTAL	**5,860**	**4,948**

The Company has made no commitments of any kind and has made no payments in respect of advances or loans to Board directors.

During 2011, payments to senior executives included remuneration accrued during the three-year period 2008-2010, under the Group's Master Plan for that period, totalling € 1.6 million.

Set out below is a breakdown of transactions between Group companies and the Company's Board directors or executives during 2011 and 2010:

(Thousand €)

	TRANSACTION TYPE	31/12/2011	31/12/2010
Caja de Ahorros del Mediterráneo	Financial expenses	1,761	1,042
Caja de Ahorros del Mediterráneo	Loan repayment	10,089	20,925
Caja de Ahorros del Mediterráneo	Loans and capital contributions	15	9,000
Mr. Emilio Cuatrecasa Figueras	Services received	107	39
Mr. Gabriel Escarrer Julia	Services received	148	63
Mr. Juan Vives Cerda	Services rendered	371	334

19. CONTINGENT ASSETS AND LIABILITIES

The Group has commitments with third parties in respect of assets and liabilities not recognised on the balance sheet due to the limited probability that they will entail an outflow of funds in the future. Such contingent assets and liabilities are detailed below by amount and item:

19.1 LEASES

The Meliá Hotels International Group operates 82 hotels under leases: seven five-star hotels (1,289 rooms), 56 four-star (9,434 rooms), 17 three-star (2,703 rooms) and two three-key establishments (612 apartments).

The following table shows minimum lease payments by maturity period:

(Thousand €)	LESS THAN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS	TOTAL
Minimum operating lease payments	83,836	332,499	1,171,180	1,587,516

Of the 82 hotels leased by the Meliá Hotels International Group, 17 are classified as finance leases, as explained in Note 14.5. This table includes the portion relating to the land on which the 17 hotels classified as finance leases stand, totalling € 647.3 million.

The majority of the Group's leases relate to hotels that are then operated by Group company.

Most of the lease agreements for hotels operated by Group companies include a contingent component linked to fluctuations in price indices and, for 13 hotels, an additional component linked to the hotels results, which is not taken into consideration as it is directly related to the hotel's contribution to the Group's income statement.

The average term of these leases, excluding the land on which the 17 finance lease hotels stand, is 10.33 years.

19.2 COLLATERAL AND BANK GUARANTEES

Meliá Hotels International, S.A. secures payment of lease instalments in favour of the owners of various hotels in Spain, Greece, Italy and Germany through bank guarantees amounting to €44.2 million and through a corporate guarantee amounting to €7 million.

Meliá Hotels International, S.A. secures through bank guarantees payment of the tax settlements of various Group companies amounting to €9.5 million.

Meliá Hotels International, S.A. has secured through a bank guarantee the taking of possession under rental arrangements of a building, intended for parking places and commercial premises located in Barcelona for an amount of €0.7 million.

Meliá Hotels International, S.A. has arranged bank guarantees in favour of Profitur, S.A. relating to the annual minimum operating results of a hotel owned by Profitur, S.A. for €3.7 million.

Meliá Hotels International, S.A. secures several operations through bank guarantees and various items, amounting to €13.4 million.

Meliá Hotels International, S.A. has furnished collateral and bank guarantees totalling € 3.7 million for operations undertaken by associates (see Note 18.1).

19.3 OTHER CONTINGENT LIABILITIES

Corporación Hotelera Metor, S.A., a 76% owned subsidiary, is involved in a dispute with its minority shareholder, claiming that all agreements and transactions performed with it are void. The Company has carried out the necessary actions to ensure that the outcome of such litigations does not have a significant impact on the Group's financial statements.

20. FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities are exposed to diverse financial risks: market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Meliá Hotels International Group's risk management policies are intended to minimise the adverse effects that said risks may cause on the Group's consolidated annual accounts.

The policies followed by the Group cover, among others, the following risks:

20.1 INTEREST RATE RISK

The Group's consolidated annual accounts present certain items subject to fixed and variable interest. The structure of the debt at December 31, 2011 is as follows (these amounts do not include interest payable):

(Thousand €)

	FIXED INTEREST	FLOATING INTEREST	TOTAL
Preference shares	106,531		106,531
Convertible bonds	175,616		175,616
Bank loans	435,948	126,927	562,875
Mortgage-backed loans	189,216	75,977	265,193
Credit facilities		288,538	288,538
Leases		23,065	23,065
Discounted promissory notes	5,000		5,000
TOTAL DEBT	**912,310**	**514,507**	**1,426,817**

The floating interest rate debt is basically referenced to the Euribor, USD Libor and GBP Libor rates.

At December 31, 2011, the Group has various interest rate swaps contracted, the notional value of which is €540.5 million, considered as cash flow hedging instruments, as explained in Note 12.3. At the 2010 year end the notional value of the swaps contracted was €458.8 million.

The information for 2010 is presented for comparative purposes:

(Thousand €)

	FIXED INTEREST	FLOATING INTEREST	TOTAL
Preference shares	104,969		104,969
Convertible bonds	168,847		168,847
Bank loans	377,446	251,568	629,014
Mortgage-backed loans	147,057	105,980	253,037
Credit facilities		195,608	195,608
Leases	14,624	26,342	40,965
TOTAL DEBT	**812,942**	**579,498**	**1,392,441**

The sensitivity of 2011 and 2010 profits to changes (in base points) in interest rates, in thousand euro, is as follows:

VARIATION	2011	2010
+ 25	(1,273)	(1,457)
- 25	1,273	1,457

This sensitivity analysis has been carried out considering an average increase/decrease throughout the year in the base points indicated in the table. The effect of the interest rate swaps mentioned in Note 12.3 has been taken into account in this calculation.

20.2 FOREIGN EXCHANGE RISK

Fluctuations in items in the foreign currencies through which debts are instrumented and in which the purchases/sales are undertaken, against the accounting currency, may have an impact on the results for the year.

The following items could be affected by foreign exchange risks:

- Debt denominated in currencies other than the local or functional currency of the Meliá Hotels International Group.
- Receipts and payments for supplies, services or investments in currencies other than the functional currency.
- Income and expenses from certain foreign subsidiaries indexed to currencies other than the functional currency.
- Results on consolidation of foreign companies.
- Consolidated net equity of investments in foreign subsidiaries.

In this respect, the Meliá Hotels International Group is exposed to a risk which basically relates to debt operations denominated in foreign currency contracted by subsidiaries and associates and the transactions made in currencies other than the functional currencies of each country. In addition, despite the Group not having contracted any financial instruments (neither swaps nor exchange insurance in foreign currency), it is the Group's policy to maintain a balance between cash collections and cash payments on its assets and liabilities denominated in foreign currency, with the aim of mitigating this potential risk.

The sensitivity analysis undertaken relates to changes in the GBP and USD exchange rates, the latter being considered the reference currency as it is closely linked to the currency of the Latin American countries where the Group has a major volume of business.

The transactions of reference are as follows:

(Thousand €)	2011 CURRENCIES		2010 CURRENCIES	
	GBP	UDS	GBP	UDS
Operating revenues	34,999	317,971	28,750	319,442
Operating expenses	(23,117)	(259,383)	(17,421)	(257,682)
Amortisation and depreciation	(3,510)	(24,808)	(2,056)	(26,818)
Net financial income	11	(4,458)	(685)	(639)
PROFIT BEFORE TAX	**8,383**	**29,322**	**8,588**	**34,302**

The sensitivity of the profit before tax of the Meliá Hotels International Group to the changes in the GBP/euro and USD/euro exchange rates is as follows:

1. Sensitivity, in thousand euro, of results before taxes to changes in the GBP/euro exchange rate:

VARIATION %	2011	2010
+10%	838	859
+5%	419	429
-5%	(419)	(429)
-10%	(838)	(859)

2. Sensitivity, in thousand euro, of results before taxes to changes in the USD/euro exchange rate:

VARIATION %	2011	2010
+10%	2,932	3,430
+5%	1,466	1,715
-5%	(1,466)	(1,715)
-10%	(2,932)	(3,430)

91.8% of the Group's financial debt is denominated in euro and, therefore, the effect of exchange rate shifts is not significant.

20.3 LIQUIDITY RISK

Exposure to adverse situations experienced by the debt or capital markets may complicate or impede the coverage of financing needs required for the adequate development of the Meliá Hotels International Group's activities.

It is the Group's liquidity policy to ensure the fulfilment of the payment commitments acquired, avoiding borrowing under onerous conditions. For this reason, the Group uses different management procedures, such as the maintenance of credit facilities committed for sufficient amounts and flexibility, the diversification of the coverage of financing needs through the access to different markets and geographical areas, and the diversification of the issued debt maturities.

The following table contains a summary of the maturities of the Group's financial liabilities at 31 December 2011, based on nominal amounts by maturity:

(Thousand €)	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	AMOUNT
Preferent shares				106,886	106,886
Convertible bonds			200,000		200,000
Loans and facilities	115,616	265,347	616,793	131,852	1,129,607
Leasings	146	13,168	9,746		23,059
TOTAL BY MATURITY	**115,762**	**278,514**	**826,539**	**238,738**	**1,459,553**

This table does not include the maturities of financial liabilities included in "Other finance lease liabilities", which have already been explained in Note 12.2.

The Company considers that given the amount of flows generated, the borrowing policies applied, debt maturity dates, cash situation and available credit facilities, the Group is more than able to settle the commitments in force at 31 December 2011.

The average interest rate on these financial liabilities in 2011 was 4.55%. In 2010 the average rate was 3.92%.

The Group is also negotiating with different lending institutions agreements to extend the average maturities of its borrowings and renegotiate its credit facilities that mature in the short and medium term, as in 2011.

On the other hand, in order to maintain adequate liquidity, the investments planned by the Group for 2011 do not exceed the figure of €45 million, as indicated in Note 20.5.

20.4 CREDIT RISK

The credit risk arising from default of the counterparty (customer, supplier, or financial entity) is mitigated by the Group's policies regarding the diversification of customer portfolios, feeder markets, oversight of concentration and on-going in-depth debt control. In addition, in some cases the Group uses other financial instruments which allow the reduction of credit risks, such as credit transfers (securitizations) and non-recourse factoring operations.

The credit periods established by the Group range between 21 and 90 days. The DSO ratio is approximately 57 days in 2011 and 2010. The debt seniority profile at the year end is disclosed in Note 13.2.

20.5 CAPITAL MANAGEMENT POLICY

The main objective of the capital management policies of the Group is to ensure financial stability in the short and long term, adequate profitability rates, the upward trend of Meliá Hotels International, S.A.'s shares, a satisfactory remuneration to the shareholders through the distribution of dividends, as well as ensuring the correct and adequate financing of the investments and projects to be undertaken and maintaining an optimal capital structure.

Given the difficult position of the economic and financial framework at a global level, the Company has increased its financial discipline levels, in order to maintain its liquidity and solvency position at the 2011 year end an optimum financial situation.

In terms of liquidity, the Group has an amount of €439.5 million in cash and short-term deposits, which means it can meet its payment commitments entered into for future years.

The financial position is also underpinned by the solid support given by the relation banks and Company's assets base. At present, only 18.09% of the debt total (17.17% at the 2010 year end) is secured by the Group's assets, which allows a significant margin for obtaining financing, even in a medium loan-to-value ratio or significant discounts on the assets base according to the last valuation by an independent expert in December 2011.

In 2012, total operating capex will be under €45 million and it will mainly include the investments necessary for replacing and restocking the fixed assets items for the Group's recurrent operation, complying with legislation and maintaining brand equity.

Expansion will be focused on low capital developments, i.e., management and franchising, and to a lesser extent, rentals.

In recent years, by leveraging the fact that the interest rate curve was at historically minimum levels, the Group has changed its debt structure by increasing the fixed rate part, as indicated in Note 20.1.

21. OTHER INFORMATION

Duty of loyalty of the directors

Mr. Escarrer Juliá and his sons Messrs Escarrer Jaume hold shareholdings and offices as directors in the companies Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Asociados, S.L., Majorcan Hotels Luxembourg, S.A.R.L. and Hoteles Mallorquines Agrupados, S.L., all major shareholders of Meliá Hotels International, S.A., as well as being directors of several subsidiaries and associates of the Group (see Appendix 3).

Mr. Juan Vives is a minority shareholder and jointly and severally liable director of Finca Los Naranjos, S.A. and Mr. Emilio Cuatrecasas is a minority shareholder and Executive Chairman of Areas, S.A.

All the aforementioned companies undertake similar or complementary activities to those of Meliá Hotels International, S.A. (see Appendix 3)

The persons related to the Directors, as indicated in Article 231 of the Spanish Companies Act 2010, and the other Directors hold no office or shares in companies carrying out analogous or complementary activities to those carried out by Meliá Hotels International, S.A.

The Directors and persons related to them, except for those already mentioned, or persons acting on their behalf, have undertaken no transactions with the Company or other Group companies, except for those inherent in ordinary business activity.

Information on the deferral of payments to suppliers

Set out below is the information required by Additional Provision Three of Law 15/2010 (5 July), amending Law 3/2004 (29 December) on measures to combat payment arrears in commercial transactions.

The following table contains a breakdown of payments made to suppliers in 2011 by Meliá Hotels International, S.A. and its Spanish subsidiaries:

(Thousand €)

	2011	%
Within legal maximum period	163,009	35.80%
Rest	292,275	64.20%
TOTAL PAYMENTS OF THE PERIOD	**455,285**	**100.00%**

Payments to suppliers deferred by the Group's parent and its Spanish subsidiaries beyond Spain's legal maximum period of 85 days totalled € 60.8 million at the year end.

The weighted average excess payment period was 31.69 days in 2011.

Audit fees

Fees corresponding to the audit of the 2011 consolidated annual accounts of the parent and subsidiaries have amounted to €1,272 thousand, of which €490 thousand has been invoiced by PricewaterhouseCoopers España, €534 thousand by PricewaterhouseCoopers at an international level and the remaining €248 thousand by other audit firms. In addition, the fees invoiced during the year for other services rendered by the auditors of the consolidated annual accounts have amounted to €477 thousand.

In 2010 the fees for the audit of the consolidated annual accounts and the accounts of the subsidiary companies totalled €1,224 thousand, of which PricewaterhouseCoopers España invoiced €513 thousand, while PricewaterhouseCoopers internationally invoiced €537 thousand and the remaining €174 thousand related to other audit firms. In addition, the fees invoiced during the year for other services rendered by the auditors belonging to the same international network amounted to €456thousand.

Environmental risks

No significant item to be included in the specific document relating to environmental information provided for by Order of the Ministry of Justice dated October 8, 2001, is included in the accompanying consolidated annual accounts.

22. EVENTS AFTER THE REPORTING DATE

The following relevant transactions have been completed since the balance sheet date and prior to the issue of this report:

In March 2012, the Company published a new asset valuation showing a total of €3,314 million, of which € 3,162 million relates to hotel assets.

	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
(F)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Management company	99.73%		99.73%	
(A)	BEAR, S. A. de C.V.	Paseo de la Reforma, 1 (México D. F.)	Mexico	Hotel ownership and ops.	100.00%		100.00%	
(A)	BISOL VALLARTA, S. A. de C.V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico	Hotel ownership and ops.		99.68%		CALA FORMENTOR S.A. DE C.V.
						0.01%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A) (F)	CADSTAR FRANCE, S. A.	12, Rue du Mont Thabor (Paris)	France	Holding		100.00%	100.00%	SOL MELIA FRANCE, S.A.
	CANSILIUS, S.L.	Calle Velázquez, 61 (Madrid)	Spain	Inactive	100.00%		100.00%	
(A)	CALA FORMENTOR, S. A. de C.V.	Boulevard Kukulkan (Cancún)	Mexico	Hotel ownership and ops.		92.40%		MELIÁ INV. AMERICANAS N.V.
						7.29%	99.69%	FARANDOLE, B.V.
(F)	CALIMAREST, S.A.	José Meliá s/n (Málaga)	Spain	Calima Restaurant	100.00%		100.00%	
(A)	CARIBOTELS DE MEXICO, S. A. de C.V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico	Hotel ownership and ops.		16.41%		OPERADORA MESOL S.A. DE C.V.
						29.63%		CORP.HOT.HISPANO MEX.S.A DE C.V.
						53.70%	99.74%	MELIÁ INV. AMERICANAS N.V.
(A)	CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dom. Rep.	Inactive		49.85%	49.85%	INVERSIONES AGARA S.A.
(A) (F)	CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	Casino ownership and ops.	100.00%		100.00%	
	COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	Hotel ownership and ops.	91.83%		91.83%	
(A)	COMP. TUNISIENNE GEST. HOTELIÉRE	Cite Mahrajene-Imm Chiaaar, 1 (Tunis)	Tunisia	Management company		100.00%	100.00%	SOL MANINVEST B.V.
(A)	CORP.HOT.HISP.MEX., S. A. de C.V.	Boulevard Kukulkan (Cancún)	Mexico	Hotel ownership and ops.		9.22%		CALA FORMENTOR S.A. DE C.V.
						90.47%	99.69%	MELIÁ INV. AMERICANAS N.V.
	CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru	Hotel ownership and ops.		75.87%	75.87%	MELIÁ INV. AMERICANAS N.V.
	CREDIT CONTROL CO.	Brickell Avenue, 800 (Miami)	USA	Collection risk managem.	100.00%		100.00%	
(A)	DESARR. HOTELERA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico	Hotel ownership and ops.		34.89%		DES.HOT.SAN JUAN B.V
						34.89%	69.78%	SAN JUAN INVESTMENT B.V
(F)	DESARR.HOTEL. SAN JUAN, B.V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A)	DESARROLLOS SOL, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Hotel ownership and ops.		61.79%		MELIÁ INV. AMERICANAS N.V.
						20.25%		DOMINICAN INVESTMENT, N.V.
						17.65%	99.69%	DOMINICAN MKTING SERVICES
	DOMINICAN INVESTMENT, N.V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
	DOMINICAN MARKETING SERVICES	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Commercialisation		65.73%		DOMINICAN INVESTMENT NV
						33.96%	99.69%	IRTON COMPANY, N.V.
(F)	DOMINIOS COMPARTIDOS S.A.	Calle Nuredduna, 10 3A	Spain	Owner		98.19%	98.19%	HOGARES BATLE, S.A.
(F)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Brand Owner	100.00%		100.00%	
(F)	FARANDOLE, B.V.	World Trade Center 17b (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
	GESMESOL, S. A.	Elvira Méndez, 10 (Panamá)	Panama	Management company	100.00%		100.00%	
(F)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Export Co.	100.00%		100.00%	
	GRUPO SOL ASIA, Ltd.	1109/10 Admiralty Tower (Hong Kong)	Hong Kong	Holding	60.00%		60.00%	
(A)	GRUPO SOL SERVICES	80, Raffles Pplace,(Kuala Lumpur)	Singapore	Services		60.00%	60.00%	GRUPO SOL ASIA, Ltd.
	GUARAJUBA EMPREENDIMIENTOS, S.A.	Avda. do Farol, Parte, Praia do forte (Bahia)	Brazil	Owner		100.00%	100.00%	GUARAJUBA, S.A.
	GUPE IMÔBILIARIA, S.A.	Estrada da Luz, 90 (Lisboa)	Portugal	Management company	100.00%		100.00%	
	HAVANA SOL RESTAURACIÓN XXI, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	Export Co.		100.00%	100.00%	PRODIGIOS INTERACTIVOS, S.A.
(F)	HOGARES BATLE, S.A.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Holding	51.49%			
						46.70%	98.19%	REALTUR, S.A.
(A) (F)	HOTEL ALEXANDER, S. A. S.	12, Rue du Mont Thabor (Paris)	France	Hotel operations		100.00%	100.00%	SOL MELIA FRANCE,S.A.S.
(A) (F)	HOTEL COLBERT SAS	Rue du sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE, S.A.S.
(A) (F)	HOTEL METROPOLITAN, S. A.	8, Rue Cambon (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	SOL MELIÁ FRANCE, S.A.S.
(F)	HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100.00%		100.00%	
(F)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100.00%		100.00%	
(F)	HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Holding	100.00%		100.00%	
(F)	HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100.00%		100.00%	

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	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
	ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	Management company	100.00%		100.00%	
	IMPULSE HOTEL DEVELOPEMENT	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Commercialisation	100.00%		100.00%	
(A)	INMOBILIARIA DISTRITO CIAL. , S. A.	Avda. venezuela con Casanova (Caracas)	Venezuela	Shopping centre owner		89.26%	89.26%	MELIÁ INV. AMERICANAS N.V.
	INTERSTHOSCALOJA, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Holding	100.00%		100.00%	
	INVERS. TURIST. DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Holding	100.00%		100.00%	
(A)	INVERS. EXP. TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel ownership and ops.	54.90%			
						0.01%		HOGARES BATLE, S.A.
						0.02%	54.93%	DOMINIOS COMPARTIDOS, S.A.
(A)	INVERS. INMOB. IAR 1997, C. A.	Avenida Casanova (Caracas)	Venezuela	Hotel ownership and ops.		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A)	INVERSIONES AGARA, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Hotel ownership and ops.		99.69%	99.69%	NEALE S.A.
(A)	INVERSIONES AREITO, S.A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Hotel ownership and ops.	64.54%			
						35.46%	100.00%	PUNTA CANA RESERVATIONS N.V.
	INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela	Inactive		100.00%	100.00%	MELIÁ INTNAL. HOTELS, S. A.
	IRTON COMPANY, N.V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Asset Management		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A)	LOMONDO, Ltd.	Albany Street-Regents Park (Londres)	Great Britain	Hotel ownership and ops.	61.20%	38.80%	100.00%	HOTELES SOL INTNAL., S.A.
(A) (F)	MADELEINE PALACE, S.A.S.	8, Rue Cambon (Paris)	France	Hotel operations		100.00%	100.00%	HOTEL METROPOLITAN S.A.S.
	MARKSERV, B. V.	Parklaan, 81 (Amsterdam)	Holland	Management and holding	51.00%	49.00%	100.00%	SOL MANINVEST B.V.
	MARKSOL TURIZM, Ltd.	Calakli Manavgat (Antalya)	Turkey	Inactive	10.00%	90.00%	100.00%	MARKSERV B.V.
	MARKTUR TURIZM, A. S.	Daire, 3 Gençlik Mahallesi (Antalya)	Turkey	Inactive	100.00%		100.00%	
	MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil	Hotel operations		20.00%		SOL MANINVEST B.V.
						80.00%	100.00%	MARKSERV B.V.
	MELIÁ INTNAL. HOTELS, S. A.	Edificio Fiducidario (Panamá)	Panama	Management and Holding.	100.00%		100.00%	
	MELIÁ INV. AMERICANAS, N.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Holding	82.26%	17.43%	99.69%	SOL MELIÁ INVESTMENT N.V.
(A)	MELIÁ MANAGEMENT, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Management company		100.00%	100.00%	INV TURIST DEL CARIBE SA
	MELSOL MANAGEMENT, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Management company	100.00%		100.00%	
(F)	MOTELES ANDALUCES, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel ownership and ops.	99.38%		99.38%	
	NEALE, S. A.	Edificio Arango Orillac (Panamá)	Panama	Commercialisation		99.69%	99.69%	RANDLESTOP CORP.N.V
	NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA	Holding		100.00%	100.00%	SOL GROUP, B.V.
	OPERADORA COSTARISOL	Avenida Central, 8 (San José)	Costa Rica	Management company		100.00%	100.00%	MELIÁ INTNAL. HOTELS, S. A.
(A)	OPERADORA MESOL, S. A. de C.V.	Bosque de Duraznos 69-b, (México D.F.)	Mexico	Management company	75.21%	24.79%	100.00%	MARKSERV B.V.
(A)	PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 22 (Palma de Mallorca)	Spain	Service center	53.98%			
						46.02%	100.00%	IMPULSE HOTEL DEVELOPMENT, BV
	PT SOL MELIÁ INDONESIA	Jalan H. R. Jasuna Said KAV X-0 (Jakarta)	Indonesia	Management company	90.00%	10.00%	100.00%	MARKSERV B.V.
	PUNTA CANA RESERVATIONS, N.V.	The Ruyterkade, 62 (Curaçao)	Curaçao	Commercialisation	100.00%		100.00%	
(A) (F)	ROYAL ALMA BOUTIQUE SAS	Rue du Sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE SAS
	RANDLESTOP CORPORATION, N.V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(A) (F)	REALTUR, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	Hotel ownership and ops.	95.97%			
						0.21%		HOGARES BATLE S.A.
						0.08%	96.26%	DOMINIOS COMPARTIDOS S.A.
(F)	SAN JUAN INVESTMENT, B.V.	Strawinskylaan, 307 (Amsterdam)	Holland	Holding		99.69%	99.69%	MELIÁ INV. AMERICANAS N.V.
(F)	SECURISOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Security	100.00%		100.00%	
(A)	SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico	Management company		100.00%	100.00%	SM VACATION CLUB CO.
(A)	SIERRA PARIMA, S.A.	Avda. John F. Kennedy,10 (Sto. Domingo)	Dom. Rep.	Shopping centre owner	51.00%		51.00%	
(A)	SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Vacation Club Management		100.00%	100.00%	SM VACATION CLUB CO.
(A) (F)	SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain	Vacation Club Management		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A)	SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancún)	Mexico	Vacation Club Management		100.00%	100.00%	SM VACATION CLUB CO.
(F)	SMVC NETWORK ESPAÑA, S.L.	Provenza 112 (Barcelona)	Spain	Vacation Club Management		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
	SMVC NETWORK, S.A.R.L.	9, Rue Schiller	Luxembourg	Vacation Club Management		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A)	SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama	Vacation Club Management		100.00%	100.00%	SM VACATION CLUB CO.
(A)	SMVC PUERTO RICO CO.	PMB 223, PO Box 43006, (Rio Grande)	P.Rico	Vacation Club Management	100.00%		100.00%	
	SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama	Incoming		100.00%	100.00%	GESMESOL, S.A
	SOL GROUP, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Holding	100.00%		100.00%	
	SOL GROUP CORPORATION	2100, Coral Way, suite 402 (Miami)	USA	Services		100.00%	100.00%	SOL GROUP B.V
	SOL MANINVEST, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Management and Holding.	100.00%		100.00%	
(A)	SOL MELIÁ, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Owner and Management			100.00%	

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	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
	SOL MELIÁ BALKANS EAD	Golden-Sands-Varna	Bulgaria	Management company	100.00%		100.00%	
(A)	SOL MELIÁ BULGARIA	Kempinsky Alley, Golden Sands	Bulgaria	Management company	60.00%		60.00%	
	SOL MELIÁ CHINA, Ltd.	1318 Two Pacific Place, 88 (Hong Kong)	China	Inactive		100.00%	100.00%	MELIÁ INTNAL. HOTELS, S. A.
	SOL MELIÁ COMMERCIAL	Regatta Office Park West Bay Road	Cayman Islands	Management company		100.00%	100.00%	SOL MELIA FRIBOURG S.A.
	SOL MELIÁ CROACIA	Vladimira Nazora, 6 (Rovijn)	Croatia	Management company		100.00%	100.00%	SOL MANINVEST B.V.
(A)	SOL MELIÁ DEUTSCHLAND, gmbh	Josef Haumann Strasse, 1 (Bochum)	Germany	Hotel operations	100.00%		100.00%	
	SOL MELIÁ EUROPE, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Financial services	100.00%		100.00%	
(A)	SOL MELIÁ FINANCE, Ltd.	Ugland House South Church (Gran Caymán)	Cayman Islands	Financial services		100.00%	100.00%	SOL MELIA INVESMENT, N.V
	SOL MELIÁ FUNDING	Regatta Office Park West Bay Road	Cayman Islands	Financial services		100.00%	100.00%	SOL MELIA FRIBOURG S.A.
(A)	SOL MELIÁ FRANCE, S. A. S.	12, Rue du Mont Thabor (Paris)	France	Management and Holding.	100.00%		100.00%	
(A)	SOL MELIÁ FRIBOURG, S.A.	Chemin des primeveres, 45 (Fribourg)	Switzerland	Commercialisation	100.00%		100.00%	
	SOL MELIÁ GREECE, HOTEL & TOURISTIC	Chalkokondili Str. (Atenas)	Greece	Management company	100.00%		100.00%	
	SOL MELIÁ GUATEMALA, S. A.	Primera Avenida, 8-24 (Guatemala)	Guatemala	Management company		99.95%		MELIÁ INTNAL. HOTELS, S. A.
						0.05%	100.00%	MARKSERV B.V.
	SOL MELIÁ INVESTMENT, N.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Holding	100.00%		100.00%	
(F)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milán)	Italy	Hotel operations		100.00%	100.00%	
	SOL MELIÁ LUXEMBURG, S.A.R.L.	Bulev. Prince Henri Rue du Fort Place Europe	Luxembourg	Management company	100.00%		100.00%	
	SOL MELIÁ MAROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1° Etage	Morocco	Management company		100.00%	100.00%	MARKSERV B.V.
	SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru	Management company		100.00%	100.00%	MELIÁ INTNAL. HOTELS, S. A.
(A)	SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Switzerland	Management company		100.00%	100.00%	SOL MANINVEST B.V.
(A)	SOL MELIÁ HOTEL SANGHAI CO, LTD.	Room 501- 5F Tower King 28 Xim Jin Qiao	China	Management company	100.00%		100.00%	
(A)	SOL MELIÁ SUISSE, S. A.	Rue de Messe, 8-10 (Ginebra)	Switzerland	Inactive	100.00%		100.00%	
	SOL MELIA VACATION CLUB CO.	Bickell Avenue, 800 (Miami)	USA	Holding		100.00%	100.00%	HOTELES SOL MELIÁ, S. L.
(A) (F)	TENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	50.00%			
						48.13%	98.13%	REALTUR, S.A.
(A) (F)	TRYP BLANCHE FONTAINE SAS	Rue du Sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE SAS
(A) (F)	TRYP FRANÇOIS SAS	Rue du Sentier (Paris)	France	Hotel ownership and ops.		100.00%	100.00%	CADSTAR FRANCE SAS
	VACATION CLUB SERVICES CO.	Bickell Avenue, 800 (Miami)	USA	Vacation Club Management		100.00%	100.00%	SM VACATION CLUB CO.

APPENDIX 2. ASSOCIATES AND JOINT VENTURES

	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
	ADPROTEL STRAND, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Owner	40.00%		40.00%	
(A)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 242 (Barcelona)	Spain	Hotel ownership and ops.	40.00%		40.00%	
(A)	APARTHOTEL BOSQUE, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	25.00%		25.00%	
(A)	C. P. COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	Horizontal property owners	0.33%	18.69%	19.02%	APARTOTEL S.A.
(A)	COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Sevilla)	Spain	Hotel ownership and ops.	50.00%		50.00%	
(A)	COM. PROP. MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	Horizontal property owners	30.01%	0.09%	30.10%	DOMINIOS COMPARTIDOS, S.A.
	DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	Hotel ownership and ops.	32.72%	17.21%	49.93%	M.I.H., S.A.
	EL RECREO PLAZA, C.A.	Avenida Francisco de Miranda (Caracas)	Venezuela	Owner		19.94%	19.94%	INVERS. INMOB. IAR 1997, C. A.
	EL RECREO PLAZA, C.A. & CIA C.E.C.	Avenida Francisco de Miranda (Caracas)	Venezuela	Owner		1.00%		EL RECREO PLAZA, C.A.
						18.94%	19.94%	INVERS. INMOB. IAR 1997, C. A.
	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	50.00%		50.00%	
	HANTINSOL RESORTS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	33.33%		33.33%	
	HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	Inactive	40.00%		40.00%	
	INMOTEL INVERS. ITALIA, S. R. L.	Via Pietro Mascagni, 14 (Milán)	Italy	Hotel ownership and ops.	41.50%		41.50%	
	INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Hotel ownership and aquifer		49.84%	49.84%	DESARROLLOS SOL, S.A.
(A)	INV. HOTELERAS LA JAQUITA, S.A. (JV)	Carretera Arenas 1 (Pto. De La Cruz)	España	Hotel ownership and ops.		49.07%	49.07%	TENERIFE SOL, S.A.
	MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	U.S.A.	Holding		50.00%	50.00%	SOL MELIA FRIBOURG, S.A.
	MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	U.S.A.	Hotel ownership and ops.		50.00%	50.00%	MELIA HOTELS USA, LLC.
	MELIA HOTELS ORLANDO, LLC. (JV)	Brickell Avenue Suite 1000, 800	U.S.A.	Management company		50.00%	50.00%	MELIA HOTELS USA, LLC.
	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain	Owner		50.00%	50.00%	EVERTMEL, S.L.
(A)	NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Hotel ownership and ops.	17.50%	2.50%	20.00%	PROMEDRO
(A)	NYESA MELIÁ ZARAGOZA S.L. (JV)	Avenida César Augusto, 13 (Zaragoza)	Spain	Hotel ownership and ops.	50.00%		50.00%	
	PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	Hotel ownership and ops.	10.67%			
						7.78%	18.45%	APARTOTEL S.A.
(A)	PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	Holding	20.00%		20.00%	
	TERTIAN XXI, S.L.U. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel owner		50.00%	50.00%	EVERTMEL, S.L.
	TRADYSO ARGENTINA, S.A. (JV)	Cabello, 3682 (Buenos Aires)	Argentina	Sales office		2.27%		PRODIGIOS INTERACTIVOS,S.A.
						47.72%	50.00%	TRAVEL DYNAMIC SOLUTIONS, SA
(A)	TRAVEL DYNAMIC SOLUTIONS, S.A. (JV)	Paseo Club Deportivo, 1 (Madrid)	Spain	Sales office		49.84%	49.84%	PRODIGIOS INTERACTIVOS,S.A.
(A)	TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n (Granada)	Spain	Hotel ownership and ops.	20.82%		20.82%	

(JV) Joint ventures.
(*) The interest in these companies is through the ownership of apartments that represent 19.02% and 30.00% of the total, respectively, and which are recorded under investment property.

APPENDIX 3. OFFICES HELD BY DIRECTORS IN OTHER COMPANIES

This appendix includes the disclosures of the members of the Board of Directors who are also members of the Board of Directors or executives of companies that carry out activities analogous to those of Meliá Hotels International, S.A. either in Group companies or associates or unrelated companies.

Set out below are the members of the Board of Directors who hold offices of directors or managers in other companies in the Group:

MR. GABRIEL ESCARRER JULIA (TAXPAYER ID NO. 41.160.706 K)

REGISTERED NAME OF COMPANY	COUNTRY	OFFICE
GEST. HOT. TURÍSTICA MESOL, S.A. (SOC. UNIP)	Spain	ADMINISTRATOR
BEAR S.A. DE C.V.	Mexico	CHAIRMAN
BISOL VALLARTA S.A. DE C.V.	Mexico	CHAIRMAN
CALA FORMENTOR S.A. DE C.V.	Mexico	CHAIRMAN
CARIBOTELS DE MÉXICO S.A. DE C.V.	Mexico	DIRECTOR
CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	Mexico	CHAIRMAN
CORPORACIÓN HOTELERA METOR S.A.	Peru	CHAIRMAN
DETUR PANAMÁ S.A.	Panamá	MANAGER, TREASURER
GRUPO SOL ASIA LTD.	Hong Kong	ADMINISTRATOR
HOTELES MELIÁ INTERNACIONAL DE COLOMBIA S.A.	Colombia	MANAGER
LOMONDO LIMITED	Great Britain	ADMINISTRATOR
MARKTUR TURIZM ISLETMECILIK A.S.	Turkey	ADMINISTRATOR
OPERADORA COSTA RISOL S.A.	Costa Rica	CHAIRMAN
OPERADORA MESOL S.A. DE C.V.	Mexico	CHAIRMAN
SOL MELIÁ GUATEMALA S.A.	Guatemala	CHAIRMAN
SOL MELIA VC DOMINICANA	Dom. Rep.	CHAIRMAN
SOL MELIA VC MÉXICO S.A. DE C.V.	Mexico	CHAIRMAN
SOL MELIA VC PANAMÁ S.A.	Panama	MANAGER
SOL MELIA VC PUERTO RICO CORPORATION	Puerto Rico	MANAGER

MR. SEBASTIÁN ESCARRER JAUME (TAXPAYER ID NO. 43.040.129 E)

REGISTERED NAME OF COMPANY	COUNTRY	OFFICE
HANTINSOL RESORTS, S.A.	Spain	CHAIRMAN
BEAR S.A. DE C.V.	Mexico	SPOKESPERSON
BISOL VALLARTA S.A. DE C.V.	Mexico	SPOKESPERSON
CADSTAR FRANCE S.A.S.	France	MANAGER
CALA FORMENTOR S.A DE C.V.	Mexico	SPOKESPERSON
CARIBOTELS DE MÉXICO S.A. DE C.V.	Mexico	SPOKESPERSON
CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	Mexico	SPOKESPERSON
CORPORACIÓN HOTELERA METOR S.A.	Peru	VICE-CHAIRMAN

... Continues on the following page.

DENOMINACIÓN SOCIEDAD	NACIONALIDAD	CARGO
DESARROLLOS SOL S.A.	Dom. Rep.	CHAIRMAN / TREASURER
DETUR PANAMÁ S.A.	Panama	MANAGER, SECRETARY
GUPE ACTIVIDADES HOTELEIRAS S.A.	Portugal	CHAIRMAN/ADMINISTRATOR
HELENIC HOTEL MANAGEMENT HOTEL & COMMERCIAL	Greece	CHAIRMAN
HOTEL ALEXANDER S.A.S.	France	MANAGER
ILHA BELA GESTAO E TURISMO LIMITADA	Portugal	MANAGING DIRECTOR
INVERSIONES AGARA S.A.	Dom. Rep.	CHAIRMAN / TREASURER
INVERSIONES INMOBILIARIAS IAR 1997 C.A.	Venezuela	JOINT & SEVERAL ADMINISTRATOR
LOMONDO LIMITED	Great Britain	MANAGER
MELIA INVERSIONES AMERICANAS N.V.	Holland	ADMINISTRATOR
MELIÁ MANAGEMENT S.A.	Dom. Rep.	CHAIRMAN, TREASURER
OPERADORA COSTA RISOL S.A.	Costa Rica	VICE-CHAIRMAN
OPERADORA MESOL S.A. DE C.V.	Mexico	SPOKESPERSON
PT SOL MELIA INDONESIA	Indonesia	SECRETARY
SOL MELIA BULGARIA AD	Bulgaria	CHAIRMAN
SOL MELIA CROATIA L.L.C.	Croatia	MANAGING DIRECTOR
SOL MELIA CHINA LIMITED	R.P. China	DIRECTOR
SOL MELIA DEUTSCHLAND GMBH	Germany	JOINT & SEVERAL ADMINISTRATOR
SOL MELIA EUROPE B.V.	Holland	DIRECTOR
SOL MELIA FRIBOURG S.A.	Switzerland	CHAIRMAN/ADMINISTRATOR
SOL MELIÁ GUATEMALA S.A.	Guatemala	VICE-CHAIRMAN
SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	China	DIRECTOR
SOL MELIA SERVICES S.A.	Switzerland	CHAIRMAN
SOL MELIA VC DOMINICANA	Dom. Rep.	VICE-CHAIRMAN
SOL MELIA VC MÉXICO. S.A. DE C.V.	Mexico	MANAGEMENT
SOL MELIA VC PANAMÁ S.A.	Panama	MANAGEMENT
SOL MELIA VC PUERTO RICO CORPORATION	Puerto Rico	MANAGEMENT

MR. GABRIEL JUAN ESCARRER JAUME (TAXPAYER ID NO. 43.070.810 K)

SPANISH COMPANIES	
REGISTERED NAME OF COMPANY	POSITION
ADPROTEL STRAND, S.L.	CHAIRMAN
ALTAVISTA HOTELERA, S.L.	DIRECTOR
APARTOTEL, S.A.	CEO
CALIMAREST, S.L.	CHAIRMAN
CANSILIUS, S.L.	DIRECTOR
CASINO TAMARINDOS, S.A.	CHAIRMAN
DOMINIOS COMPARTIDOS, S.A.	CHAIRMAN AND CEO
DORPÁN, S.L.	CHAIRMAN
GEST. HOT. TURÍSTICA MESOL, S.A. (SOC. UNIP)	ADMINISTRATOR
HOGARES BATLE, S.A.	CHAIRMAN AND CEO
HOTELES SOL MELIÁ, S.L	CHAIRMAN AND CEO
INVERSIONES HOTELERAS LA JAQUITA, S.A.	CHAIRMAN
INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	CEO
MONGAMENDA, S.L.	DIRECTOR
MOTELES ANDALUCES, S.A.	CEO

... Continues on the following page.

SPANISH COMPANIES	
REGISTERED NAME OF COMPANY	POSITION
NEXPROM, S.A.	DIRECTOR
NYESA MELIA ZARAGOZA, S.L.	CHAIRMAN
PROMEDRO, S.A.	CHAIRMAN
REALIZACIONES TURÍSTICAS, S.A.	SPOKESPERSON AND CEO
SECURISOL, S.A.	CHAIRMAN AND CEO
SOL MELIA VACATION CLUB ESPAÑA, S.L.	CHAIRMAN AND CEO
SOL MELIA VACATION NETWORK ESPAÑA, S.L.	CHAIRMAN AND CEO
TENERIFE SOL, S.A.	CHAIRMAN

INTERNATIONAL COMPANIES		
REGISTERED NAME OF COMPANY	COUNTRY	POSITION
BEAR S.A. DE C.V.	Mexico	DIRECTOR
BISOL VALLARTA S.A. DE C.V.	Mexico	SPOKESPERSON
CADSTAR FRANCE SAS	France	CHAIRMAN
CALA FORMENTOR S.A. DE C.V.	Mexico	DIRECTOR
CARIBOTELS DE MÉXICO S.A. DE C.V.	Mexico	DIRECTOR
COMPAGNIE TUNISIENNE DE GESTION HOTELEIRE S.A.	Tunisia	CHAIRMAN
CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	Mexico	DIRECTOR
CORPORACIÓN HOTELERA METOR S.A.	Peru	MANAGER
DESARROLLOS HOTELEROS SAN JUAN	Holland	MANAGER
DESARROLLOS SOL S.A.	Dom. Rep	VICE-CHAIRMAN AND SECRETARY
EL RECREO PLAZA, C.A.	Venezuela	ADMINISTRATOR
FARANDOLE B.V.	Holland	ADMINISTRATOR
GUPE ACTIVIDADES HOTELEIRAS S.A.	Portugal	ADMINISTRATOR
HOTEL ALEXANDER SAS	France	CHAIRMAN
HOTEL BLANCHE FONTAINE S.A.S.	France	CHAIRMAN
HOTEL COLBERT S.A.S.	France	CHAIRMAN
HOTEL FRANÇOIS S.A.S.	France	CHAIRMAN
HOTEL METROPOLITAIN S.A.S.	France	CHAIRMAN
HOTEL ROYAL ALMA S.A.S.	France	CHAIRMAN
ILHA BELA GESTAO E TURISMO LIMITADA	Portugal	MANAGING DIRECTOR
IMPULSE HOTEL DEVELOPMENT B.V.	Holland	ADMINISTRATOR
INMOBILIARIA DISTRITO COMERCIAL C.A.	Venezuela	CHAIRMAN
INVERSIONES AGARA S.A.	Dom. Rep	VICE-CHAIRMAN AND SECRETARY
INVERSIONES AREITO S.A.	Dom. Rep	CHAIRMAN
INVERSIONES INMOBILIARIAS IAR 1997 C.A.	Venezuela	ADMINISTRATOR
LOMONDO LIMITED	Great Britain	MANAGER
MADELEINE PALACE S.A.S.	France	CHAIRMAN
MARKSERV B.V.	Holland	ADMINISTRATOR
MELIÁ INVERSIONES AMERICANAS N.V.	Holland	JOINT ADMINISTRATOR
MELIÁ MANAGEMENT S.A.	Dop. Rep	VICE-CHAIRMAN AND SECRETARY
MELSOL MANAGEMENT B.V.	Holland	ADMINISTRATOR
OPERADORA COSTA RISOL S.A.	Costa Rica	SECRETARY / DIRECTOR
OPERADORA MESOL S.A. DE C.V.	México	DIRECTOR
PT SOL MELIÁ INDONESIA	Indonesia	CHAIRMAN
SAN JUAN INVESTMENT B.V.	Holland	ADMINISTRATOR
SOL GROUP B.V.	Holland	ADMINISTRATOR

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INTERNATIONAL COMPANIES		
REGISTERED NAME OF COMPANY	COUNTRY	POSITION
SOL GROUP CORPORATION	USA	MANAGER
SOL MANINVEST B.V.	Holland	ADMINISTRATOR
SOL MELIA BALKANS	Bulgaria	CHAIRMAN
SOL MELIA CHINA LIMITED	R.P. China	DIRECTOR
SOL MELIA DEUTSCHLAND GMBH	Germany	JOINT AND SEVERAL ADMINISTRATOR
SOL MELIA FRANCE S.A.S.	France	BOARD CHAIRMAN
SOL MELIA GREECE S.A.	Greece	CHAIRMAN / MANAGER
SOL MELIÁ GUATEMALA S.A.	Guatemala	SECRETARY
SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	China	CHAIRMAN
SOL MELIA INVESTMENT N.V.	Holland	ADMINISTRATOR
SOL MELIA ITALIA S.R.L.	Italy	JOINT AND SEVERAL ADMINISTRATOR
SOL MELIA LUXEMBOURG S.À.R.L.	Luxemburg	DIRECTOR
SOL MELIA MAROC - S.A.R.L. D'ASSOCIÉ UNIQUE	Morocco	MANAGING DIRECTOR
SOL MELIA SUISSE S.A.	Switzerland	CHAIRMAN
SOL MELIA VC DOMINICANA	Dom. Rep	SECRETARY
SOL MELIA VC MÉXICO S.A. DE C.V.	México	TREASURER
SOL MELIA VC PANAMÁ S.A.	Panama	MANAGER
SOL MELIA VC PUERTO RICO CORPORATION	Puerto Rico	MANAGER

The direct and indirect shareholdings controlled by members of the Board of Directors of the Company are as follows:

SHAREHOLDER/BOARD MEMBER	NO DIRECT AND INDIRECT VOTING RIGHTS	% OF TOTAL VOTING RIGHTS	POSITION IN THE BOARD
Mr. Gabriel Escarrer Juliá			Chairman
Mr. Sebastián Escarrer Jaume	119,437,747	64.639% (*)	Vice Chairman
Mr. Gabriel Escarrer Jaume			Vice Chairman and CEO
Hoteles Mallorquines Consolidados, S.A.	51,871,167	28.072% (**)	Director with representative
Caja de Ahorros del Mediterráneo	11,099,999	6.007%	Director with representative
Mr. Alfredo Pastor Bodmer	6,000	0.003%	Independent director
Ms. Amparo Moraleda Martínez	2,975	0.002%	Independent director
Mr. Juan Arena de La Mora	1,000	0.002%	Independent director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0.000%	Secretary and independent director

(*) Please note that this shareholding has been calculated on the basis of the direct or indirect interests controlled by Mr. Gabriel Escarrer Juliá, his spouse and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Juan Escarrer Jaume) in the capital of Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Agrupados, S.L., Hoteles Mallorquines Asociados, S.L. and Majorcan Hotels Luxembourg, S.A.R.L.

(**) This percentage is in turn included in the aforementioned 64.639%.

Set out below are the interests in the capital and offices held by other members of the Board of Directors of the parent company in companies with the same, analogous or complementary activity as that of Meliá Hotels International, S.A. and do not form part of the Group:

DIRECTOR	COMPANY	SHAREHOLDING	OFFICE
Mr. Emilio Cuatrecasas Figueras	Areas, S.A.	30.000%	Executive Chairman
Mr. Juan Vives Cerda	Finca Los Naranjos, S.A.	27.880%	Joint and Several Administrator
Caja de Ahorros del Mediterráneo	Terra Mítica Parque Temático de Benidorm, S.A.	24.230%	Director

FORMULATION OF THE ACCOUNTS

On March 31, 2011 these consolidated annual accounts were approved by the Board of Directors for verification by the auditors and subsequent adoption by the General Shareholders' Meeting.

The undersigned Directors represent that to the best of their knowledge the consolidated annual accounts have been prepared in accordance with the accounting principles applicable and present a fair view of the equity, financial position and results of the operations of the Sol Meliá Group.

These accounts are set out on 93 pages, all of which are signed by the Secretary to the Board, and the last page of which has been signed by all the Directors.

Signed **Mr. Gabriel Escarrer Juliá**
Chairman

Signed **Mr. Juan Vives Cerdá**
Director

Signed **Mr. Sebastián Escarrer Jaume**
Vice Chairman

Signed **Mr. Gabriel Escarrer Jaume**
Vice Chairman and Chief Executive Officer

Signed **Hoteles Mallorquines Consolidados, S.A.**
(Represented by Ms. María Antonia Escarrer Jaume)
Director

Signed **Caja de Ahorros del Mediterráneo**
(Represented by Mr. Armando Sala Lloret)
Director

Signed **Mr. Juan Arena de la Mora**
Independent Director

Signed **Mr. Emilio Cuatrecasas Figueras**
Independent Director

Signed **Ms. Amparo Moraleda Martínez**
Independent Director

Signed **Mr. Alfredo Pastor Bodmer**
Independent Director

Signed **Mr. Luis Mª Díaz de Bustamante y Terminel**
Secretary and Independent Director

DIRECTORS' REPORT

2011

1. GROUP ACTIVITY

Meliá Hotels International, S.A. and its subsidiary companies (hereon the "Group" or the "Company") form a group made up of companies that are mainly engaged in tourist activities in general and more specifically, in the management and operation of Company-owned hotels, rental under "management" or franchise, and all types of vacation club operations. The Group is also engaged in the promotion of all types of business related to the tourist and hotel and leisure or recreational areas, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourist, hotel or any other recreational or leisure areas. Some of the companies in the Group also engage in real estate activities by taking advantage of the synergies obtained in hotel development, as a result of the robust expansion process.

In any case, expressly excluded from its corporate purposes are activities that special legislation reserves for companies which meet certain requirements that the Group does not meet; in particular, all activities that legislation reserves for collective investment institutions or securities brokers.

Furthermore, the Group has not carried out any research and development activities in 2011, as this is not part of its corporate purposes.

2. TREASURY SHARES

The accounting balance of treasury shares to 31 December 2011 amounts to 13,576,777 according to Note 14.3n of the Consolidated Annual Accounts. This balance includes 2 million shares of a loan of securities with Deutsche Bank. Taking the above into account the number of shares in the possession of the Company is 11,576,777.

On 31st December 2011, the total number of shares held by the Company accounted for 6.27% of overall share capital. At the end of the 2010 financial year, this total was 3.17%. In any case treasury holdings do not exceed the 10% limit established in the Companies Act.

The movements in treasury shares and the relevant explanations of the same are set out in Note 12.6 to the Consolidated Annual Accounts.

The voting rights and other rights inherent in the treasury shares have been suspended. The economic rights inherent thereto, except for the free assignment of new shares, are portioned out evenly to the other shares.

These shares are used in capital computation in order to calculate the votes necessary for the constitution of the General Meeting of Shareholders and adopt its resolutions.

3. EVOLUTION OF THE BUSINESS

3.1 HOTEL EVOLUTION

In 2011, RevPAR (Revenue per available room) within the Company-owned and rented hotels increased by 9%, due to improvements in the rate of occupation and in the ARR (Average Room Rate) of 6.3% and 2.5% respectively.

There follows an analysis in hotel trends, according to the Group's different brands.

Sol brand

The Sol brand is made up entirely of vacation hotels in Spain.

In 2011 RevPAR has increased by 19.1%, mainly due to the improvement in occupation by 13.8%.

As has been seen throughout the year the brand's strong progress is explained by the performance of the hotels located in the Balearic Islands and the Canary Islands, in which the RevPAR has increased by 26.7% and 20.1% respectively. This progress is consistent with the positive developments in terms of tourists arriving on both archipelagos, showing increases of 9.8% and 18.3% compared to 2010 respectively.

The increase in the number of tourists arriving has been possible thanks to the increased activity of low-cost airlines operating to these destinations as a result of the political instability in the Middle East and North Africa. In specific terms passengers of low-cost airlines increased 23.7% and 11% for the Canary Islands and the Balearic Islands respectively.

As regards the segmentation of customers, given the contraction seen in traditional markets of origin, such as Spain which has suffered a reduction of rooms occupied of 14%, the Company has taken measures to increase sales in alternative markets such as Italy and Scandinavia, the occupied rooms of which have increased by 34% and 38% respectively.

As regards distribution channels there has been a strong increase in sales by way of our direct channels which are favoring the recovery of the individual leisure segment, which has increased by 3.4%, and have a positive effect on the brand's ARR. Income from rooms generated by tour operators, which represents around 64% of the income generated by the Sol brand, has also seen an increase 13% compared to the previous year.

Operational costs (excluding rental costs) have increased by 3.2% in 2011, whilst total costs per stay have increased by 1.3%. The increase in the cost per stay is explained principally by the increase in the number of "all included" stays, both for hotels which have recently introduced this product and for those which already included it.

Rooms available have fallen by 10.4%, due principally to the change of the hotel Sol Antillas Barbados (Mallorca, Spain) from owned to managed and the de-affiliation of Sol Pirámide Salou (Tarragona, Spain) which was previously run on a lease basis.

Tryp by Wyndham brand

The Tryp by Wyndham brand is made up exclusively of urban hotels, with 76% of all rooms located in Spain.

In 2011, RevPAR has increased by 4.1%, as a result of an increase in occupation of 3.9%.

The performance of the hotels of the Tryp brand located in the main capitals of Europe, especially in France and to a lesser extent in Italy and Germany, has offset that of hotels in Spain which have only increased their RevPAR by 0.1% over the last three months (3% accumulated over the year). The lethargy of the demand for business travel, particularly in Spain, has led to the Company putting in motion corporate agreements to attract new customers, which have led to a reduction of the ARR.

The Company has introduced certain measures to minimize the levels of low demand in business travel such as the putting in motion of sales programs centering on leisure guests and negotiations with significant customers (Large Accounts). Thanks to the measures adopted in 2011 the individual leisure segment has increased 13% while room income from leisure wholesalers has increased 30%.

Continuing with the distribution strategy and in the context of the Alliance between Meliá Hotels International and Wyndham Hotel Group, the latest achievement has been the recent inclusion of Tryp hotels in the Wyndham website, which allows cross-sales and has a positive effect on the internationalization of the brand. The increase in the number of rooms occupied in 2011 for the markets of origin of the United States and the United Kingdom (17% and 19% respectively) should be emphasized.

Operational costs (excluding rental costs) have increased by 3.3% in 2011, whilst total cost per stay has grown by 0.2%, thanks to an aggressive cost control strategy for the brand, together with the rising levels of occupation, which have offset the fixed component of permanent staff. Staff costs per stay have remained stable at 0.03%.

Despite the opening of two Tryp hotels, one in Barcelona and the other in Berlin, the number of rooms available has fallen by 1.5%, due principally to the de-affiliation of two hotels in Spain and one in Italy and the change of another hotel in Spain from lease to franchise, and to the reduction of available rooms due to the renovation of various hotels in Spain.

Meliá and Innside brand

Some 50% of the rooms of the Meliá and Innside Brands are in Spain, 19% in Latin America and the other 31% are divided between Europe, the Middle East and Africa.

In 2011, RevPAR has increased by 4.2%, due to increased occupation of 2.3% and ARR by 1.9%. During the fourth quarter RevPAR has grown by 1.2%.

The RevPAR of the urban hotels increased by 3.5% in 2011 thanks to the positive contribution of the hotels in Latin America and Europe which have shown increases of RevPAR of 6.6% and 3.2% respectively. If the hotels in Spain are excluded the increase of RevPAR in the brand's urban hotels is 6.8% thanks to the contributions of the hotels in Paris, London and Germany, with increases of RevPAR of 14.9%, 7.2% and 5.6% respectively, and in which the Company has recorded a significant increase of ARR as a result of the efforts made to reduce exposure to segments of the market more sensitive to price variation and the strengthening of the corporate segment.

RevPAR in Meliá holiday complexes has increased 6.2%, the last quarter being particularly noteworthy showing two-digit growth of up to 15% thanks to the contribution of the tourist complexes in the Dominican Republic, Mexico and Spain, where the hotel Meliá de Mar, located in the Balearic Islands, has had a positive effect thanks to the lengthening of its opening times.

In 2011, operational costs (excluding rental costs) have increased by 0.5% whilst the total cost per stay has increased by 0.26%, thanks to the adjustment of all items to occupation levels.

In terms of available rooms, the increase of 2.4% can be explained by the incorporation of the hotels Meliá Valencia Palacio de Congresos (Spain) in the month of February and Meliá Génova (Italy) in the month of September.

Premium brand

The Premium brands have 81% of their rooms in America.

In 2011, RevPAR for these brands has improved by 9.8% during the financial year, due basically to the increase in occupation of 7.6% and ARR by 2.1%.

In Latin America RevPAR has grown by 9.5% thanks to the strong performance of the hotels in Puerto Rico and Venezuela with increase of 18.5% and 11.7% respectively as a consequence of a recovery of the Company groups segment. In Mexico RevPAR has increased 6.9% thanks to the consolidation of all included stays (Complet-Me) in the hotel Me Cancún Resort, while RevPAR in the Dominican Republic has increased 6%.

In Europe RevPAR has improved 11.5% thanks to the performance of the Gran Meliá Salinas hotel in the Canary Islands and the Gran Meliá Victoria hotel in the Balearic Islands, following an important year in the Company groups segment and the Gran Meliá Fénix hotel in Madrid, due to the recovery of leisure travelers, mainly from emerging markets of origin and of corporate businesses, mainly international customers.

As regards segments of customers reference should be made to the increase of occupied rooms in the United States by 9% and in Canada by 12%, as against the contraction to be seen in the Spanish market of 14.7%.

Operational costs (excluding rental costs) have increased in 2011 by 14% whilst the total cost per stay has fallen by 2.5%, given the decrease in staff costs per stay by 5.7%, thanks to the optimisation of these costs and to the outsourcing of certain services. The contingency plan in the operation of food and drink is also still in force, as is to be seen in its positive results in its contribution to direct cost per stay, which has been reduced by 3.1%.

The following table below shows a summary of the main statistics for Company-owned hotels and rented hotels for the years 2011 and 2010.

		% OCCUPATION	REVPAR (EUROS)	A.R.R. (EUROS)	AVAILABLE ROOMS (THOUSANDS)
Sol	2011	67.9%	37.7	55.4	2,801.7
	% 11/10	13.7%	19.3%	4.5%	-10.4%
	2010	59.7%	31.6	53.0	3,128.5
TRYP by Wyndham	2011	65.0%	44.4	68.3	2,823.7
	% 11/10	3.8%	4.2%	0.3%	-1.5%
	2010	62.6%	42.6	68.1	2,866.8
Meliá	2011	69.4%	63.1	90.9	4,046.1
	% 11/10	2.2%	4.3%	1.9%	2.4%
	2010	67.9%	60.5	89.2	3,952.6
Premium	2011	62.7%	64.6	102.9	1,733.5
	% 11/10	7.5%	9.9%	2.1%	2.0%
	2010	58.3%	58.8	100.8	1,700.3
TOTAL	**2011**	**66.9%**	**52.4**	**78.3**	**11,404.9**
	% 11/10	6.2%	8.9%	2.5%	-2.1%
	2010	63.0%	48.1	76.4	11,648.2

The following table shows a breakdown of hotel income for the years 2011 and 2010 for Company-owned and rental hotels:

(million euros)

		REVENUE PER ROOM	FOOD & DRINK / OTHER	TOTAL REVENUE	TOTAL EXPENDITURE*	EBITDA
Sol	2011	105.5	60.5	166.0	124.8	31.7
	% 11/10	6.6%	2.0%	4.9%	-2.7%	5.7%
	2010	99.0	59.3	158.3	128.2	30.0
TRYP by Wyndham	2011	125.3	45.1	170.4	121.0	7.5
	% 11/10	2.5%	-4.9%	0.5%	3.3%	36.4%
	2010	122.2	47.4	169.6	117.1	5.5
Meliá	2011	255.1	152.4	407.6	281.3	88.4
	% 11/10	6.6%	0.5%	4.3%	5.0%	-1.2%
	2010	239.2	151.7	390.9	267.8	89.5
Premium	2011	111.9	129.8	241.8	185.8	53.8
	% 11/10	11.9%	11.0%	11.5%	13.6%	5.3%
	2010	100.0	116.9	216.8	163.5	51.1
TOTAL	**2011**	**597.9**	**387.9**	**985.8**	**713.0**	**181.3**
	% 11/10	6.7%	3.4%	5.4%	6.5%	2.9%
	2010	560.4	375.2	935.6	669.4	176.2

(*) Including rental costs

Management Fees

Management fees obtained from third parties has increased by 12.7% in 2011.

Management fees of Sol Brand hotels have increased by 18.3%, thanks to the performance of the vacation hotels in Cuba and the incorporation of Sol Antillas Barbados.

Fees from the Tryp by Wyndham brand have increased by 17.3%, thanks to the evolution of hotels in Brazil, where fees have risen by 23.8%.

The fees of the Meliá brand hotels have increased by 3.8% thanks to the evolution of management contracts for hotels in Brazil, and Canary Islands. The incorporation of two hotels in the United States (Meliá Atlanta y Orlando Meliá) also makes a positive contribution.

With respect of the Premium brands, the management fees have grown by 24.8%, given the progress of hotels in Spain where fees have grown by 62.1%. Specifically reference should be made to the strong performance of the hotel Gran Meliá Palacio de Isora on the Canary Islands, after a year in which the hotel has consolidated its position in the market. The success of the RedLevel service at the Palacio de Isora, a commitment by the Company which offers the highest range of personalised luxury service and design for adults only, has contributed to the hotel's improved performance. Significant improvements by the hotels ME Barcelona and Gran Meliá Colón in Sevilla also contribute to this improvement.

The following table shows a breakdown by brand of the management fees for the years 2011 and 2010:

(million euros)

		2011	% 11/10	2010
Sol	Basic	6.0	23.7%	4.8
	Incentive	4.5	11.8%	4.0
	Total	**10.4**	**18.3%**	**8.8**
TRYP by Wyndham	Basic	5.3	11.0%	4.7
	Incentive	3.6	28.0%	2.8
	Total	**8.8**	**17.3%**	**7.5**
Meliá	Basic	15.7	2.9%	15.2
	Incentive	5.7	6.4%	5.3
	Total	**21.3**	**3.8%**	**20.6**
Premium	Basic	6.9	7.8%	6.4
	Incentive	3.6	79.2%	2.0
	Total	**10.4**	**24.7%**	**8.4**
TOTAL	Basic	33.8	8.3%	31.2
	Incentive	17.3	22.4%	14.1
	Total	**51.0**	**12.7%**	**45.3**

3.2 EVOLUTION OF CLUB MELIA

In 2011, the total number of weeks sold has increased by 1.8% over the previous year, whilst the average price in Euros has decreased by 5.8%, representing a total net fall of sales income for Club Meliá of 4.1%. Excluding the foreign exchange effect the average price has increased by 0.1% while the Club's net sales have risen by 1.9%.

The development of prices is explained by the diversity of the products sold, instead of the reduction in the average price. In this respect in 2011 there has been an increase in the number of two-yearly sales, which include the right to use the property every two years, which has led to a fall in average prices.

As regards the EBITDA generated by Club Meliá in 2010 the Company signed a securitization of 50 million dollars from its customer portfolio, which had a positive impact on the holiday Club of approximately 10 million Euros, this effect being absent from the figures for 2011.

3.3 EVOLUTION OF THE ASSET MANAGEMENT DIVISION

The last quarter has seen intense activity concerning rotation of assets. Net capital gains (discounting costs associated with the sale) in 2011 reached 127.8 million Euros at the level of EBITDA.

The following table shows the details of the main asset rotation activity in 2011 and 2010 and the impact on EBITDA:

(million euros)	ROOMS		PRICE		EARNINGS (EBITDA)	
	2011	2010	2011	2010	2011	2010
Sol Pelícanos Ocas		794		73.8		54.2
Tryp by Wyndham Gallos		119		10.1		5.5
Meliá Lebreros	437		49.3		16.8	
Meliá Milán	288		34.4		47.7	
Meliá Atlanterra	285		20.5		8.2	
Sol Antillas Barbados	757		55.0		19.4	
Sol Galúa	177		12.0		4.8	
Sol Tenerife	522		49.0		18.3	
Tryp de Saxe	51		14.0		8.2	
Me London	157		22.2		0.7	
Terrenos Cozumel			6.2		3.7	
TOTAL	**2,674**	**913**	**262.6**	**83.9**	**127.8**	**59.7**

Note: In 2010 the capital gains generated by sales of the Tryp brand were not included in the division of Asset Management. These were included in Other Business and Corporate Activity and contribute 33.5 Million Euros as regards EBITDA.

As regards other business related to real estate management within this division the Dominican Republic total income was 7.8 million Euros, an increase of 6%, due to:

- The fall in revenue from golf-course management and from the management of the villas in the Desarrollos Sol complex of 12.8%, representing a decrease of 0.5 Million Euros.
- Offset by the extraordinary sale of an additional piece of land which yielded 1.1 million Euros.

3.4 FORECAST EVOLUTION OF THE GROUP

Meliá Hotels International approves its annual accounts for 2011 in a context of uneven development in the world economy. Although the forecasts for world economic production represent an increase in the range of +3% to 4% both for 2012 and 2013, this growth is accounted for by the emerging and developing economies, while forecasts for the more advanced economies are more modest. This is quite clear in the Euro zone, particularly in the countries of Southern Europe, where the forecasts point to a light recession in some countries due to the effects of the deleveraging of the banks and the effects of the additional fiscal consolidation announced by the governments of the Euro zone. On the positive side however there are the recent macroeconomic indicators and confidence indices coming principally from the United States, Japan and Germany.

The situation referred to above reflects the current environment for Meliá Hotels International, in which the Company is seeing steady growth in the hotels and holiday complexes of Latin America and the Caribbean as a result of consumption trends in their main markets of origin, i.e. United States, Canada and the home economies of the zone, particularly Brazil. The same is happening with our operations in Asia, where the rising number of customers in Indonesia, China, Japan, Russia and Australia explains the growth seen in the zone.

In Europe the Spanish holiday hotels on the Canary Islands have maintained a positive trend up to now and will foreseeably benefit from the re-direction of tourist flows, mainly from the Nordic countries, Germany and the United Kingdom, resulting from the instability in North Africa and the Middle East. This situation will probably continue over the summer. However given that it is early even for those countries that book most in advance the Company prefers to remain cautious, particularly bearing in mind the difficult position in the Spanish domestic market. The weeks around the publication of this report are crucial as it is an important period for sales in the United Kingdom and the countries of Central Europe and the Company will therefore have better visibility for the summer from the end of April as regards Mediterranean holiday hotels.

The positive development of European cities is already being seen at the beginning of 2012 at aggregate level, principally due to the German cities, the owned hotel in London and the hotels in Paris. On the negative side Italy and the secondary Spanish cities are having difficulties maintaining their volumes compared to last year, while Madrid and Barcelona will show growth of RevPAR in the first quarter backed by international business travel and the leisure programs sold on our website. The Company sees this trend continuing for the whole of 2012 based on the holding of the main bi-annual congresses and trade fairs in Germany, while in London, where the Company will open the hotel Me London, the Olympic Games should allow the Company to increase both occupation and prices. In Paris the Company continues with its policy of changing market segments for its establishments towards international corporate customers and away from Spanish leisure customers. In Spain the duality of Madrid and Barcelona compared to secondary cities will continue, which represent 13% of total income.

In overall terms the Company foresees RevPAR growth of 5% in the first quarter of 2012, expecting this to be mostly accounted for by average room price.

Meliá Hotels International considers it is reaping the benefits of the process of internationalization and diversification which has taken the Company to having a 20% weighting in the operating profits of Spanish hotels and overnight stays by Spanish visitors representing 28% of the total. Moreover analyzing the 31 hotels in portfolio for future incorporations 87% of the rooms will be incorporated outside Spain between 2012 and 2014.

The process of internationalization of the business is being carried out in parallel with the strengthening of the strategy of regionalization and of the centers in America, Europe, Spain, the Mediterranean and Asia. The basic idea is to provide the regions with the appropriate management resources and sales force, strengthening at the same time the strategy of direct channels and sales abroad from the countries in which we have hotels.

This is accompanied by a reduction in the weighting of the corporate strata and the sales force in Spain to concentrate on markets of origin bringing about a general reduction in structural costs. This trend will be consolidated in the future.

As regards the more long-term future the picture reflects the duality of the situation inside and outside Spain with the business developing in general terms at two different speeds. This has consequences in the development of the Strategic Plan 2012-2014 as the Company foresees a scenario of growth and maximization of profits and margins at international level, while in Spain more rigorous cost control will be applied at the Company head offices (as mentioned above), hotels and the holiday club business. Measures for the hotels include review of standards to adapt to the current environment, de-affiliation of poorly performing hotels, re-negotiation of lease contracts and generating synergies at local level thanks to the application of additional measures of re-grouping of sales and credit units. In Club Meliá the saving in Spain derives from the reduction of sales structures, focus on the most profitable channels for the generation of possible customers and the incorporation of electronic tools to improve the sale process.

It is in business outside Spain where the Company expects to gain the maximum benefit from strategic initiatives to maximize growth and margins:

1. **Incorporation of Revenue Management culture which involves:**

    - Reorienting the organization towards a structure more clearly centers on revenue, accompanied by cost control
    - Maximization of RevPAR by way of average rate per room
    - Reinforcing the higher growth segments and markets of origin

2. **Developing customer loyalty based on knowing the customer, added value proposals in melia.com and seeking high satisfaction levels. This dual vision revenue / customer has brought about important achievements:**

    - 2.5 million regular customers in the loyalty program plus
    - 22% of overnight stays generated by these customers
    - Significant increase in revenue in 2011 from emerging markets of origin (Brazil: 43%, China: 31%, Eastern Europe: 13%) which offset the fall in Spanish guests (-5.1%)
    - 7 consecutive quarters of growth of RevPAR, and the improvement in the rate of penetration in 2011 of RevPAR competitors in principal cities such as Madrid, London, Berlin, Paris and Milan
    - A score of 80.7% in quality questionnaires
    - Sales in central channels of 165 million Euros and others.

This focus in the business will be strengthened over the next three years and we hope to take maximum advantage from the investment made in the optimization of search engines and the e-commerce strategy, sales teams and new agreements with distribution partners in the Premium segment, together with a growing presence in alternative markets of origin such as Brazil, Russia, the countries of Eastern Europe and China.

The Company takes the view that the strategic focus at international level together with the Contingency Plan in Spain will allow us to increase our RevPAR by an average of one digit in 2012 and this is due in large part to the average rate per room and not to volume.

Meliá Hotels International has reached an extraordinary level of maturity in respect of added values which, as a manager, it offers the owners of hotels, i.e. global sales leadership, loyalty program, information systems and standardization of brands, among others.

For this reason the roll-out of our business model in the future will be principally by way of low capital intensity formulae or joint ventures where capital is required. To date and during 2011 the Company has signed up a hotel every 3 weeks reaching a forecast future number of hotels of 31 hotels and 8,840 rooms which will serve to expand the Meliá network in new countries such as Austria, Costa Rica, United Arab Emirates, Tanzania and Cape Verde, the latter two in Africa.

The establishment of an asset optimization model also has implications for the existing portfolio of owned hotels. The Company has developed asset rotation models with certain minimum return requirements which justify the ownership of the hotels, a formula which must generate the growth of the business and also for the shareholders of the business.

This has been more evident in the last quarter of 2011 when Meliá Hotels International has sold a series of assets to joint ventures with third parties in London, Milan, Tenerife, which has made it possible to diversify the Group's financial risk and improve the net debt figure which represent 1,002.7 Euros, a fall of 170.1 million (-15%) compared to the last figures which appeared in September.

In the financial sphere the Company has been able to comply with its covenants which are currently applied to 463.7 million Euros. The Company is also confident it will comply with its covenants in 2012 due to the positive development of the business together with the rotation of assets.

It was possible to maintain an average interest rate of 4.53% in 2011, in part due to the component of the fixed rate for 66% of the group's total debt.

Melía has the Support of financial institutions as a sound business, which is amply demonstrated in day-to-day operations. The Company has renewed the amount of its credit facilities throughout the year, has a comfortable liquidity position and will continue to re-finance the most important tranches of its debt in advance as it has been doing up to now.

3.5 OTHER INFORMATION ON THE EVOLUTION OF THE BUSINESS

Stock market information

The average volume weighted price per share of Meliá Hotels International, S.A. (VWAP) for 2011 has been Euros 6.640, whilst en 2010 was Euros 6.077.

Staff Evolution

See Note 6 to the Consolidated Annual Accounts.

Environmental Risks

The annual accounts of the Group do not include any items that should be taken into account in the specific environmental disclosures document, outlined in the Order of the Ministry of Justice of October 8, 2001.

4. SUBSEQUENT EVENTS

The following relevant operations have occurred after the date of closing the balance and prior to the issuing of this report:

In the month of March the Company published a new asset valuation which gives a total of 3,314 million Euros, of which 3,162 million are hotel assets.

5. FINANCIAL INSTRUMENTS

The Company uses the different financial instruments that are described in Note 12 to the Consolidated Annual Accounts.

The activities of the Group are exposed to various financial risks; market risk (exchange rate risk, interest rate risk and price risk), credit risk and liquidity risk. The Meliá Hotels International Group, through its risk management, attempts to minimise the adverse effects that these risks may have on its annual accounts (See Note 20 to the Consolidated Annual Accounts).

6. INTERNAL CONTROL OVER FINANCIAL REPORTING

The following information is included in relation to the recommendations given in the "Report on Internal Control Over Financial Reporting" prepared by the Internal Control Working Group set up by the National Securities Market Commission (NSMC), which takes the COSO framework as a reference, laying down a set of principles of best practice grouped in five components which are rolled out over 16 indicators.

6.1 CONTROL ENVIRONMENT OF THE ENTITY

State what organs and / or functions are responsible for the existence and maintenance of a suitable and effective ICOFR; for introducing it; and for supervising it.

The Regulations of the Company approved on 02 June 2009 gives the Company of Meliá International Hotels S.A. responsibility for identifying the Company's main risks, in particular the risks of the introduction and monitoring of adequate internal control and information systems (article 5 of the Regulations of the Company – "General Supervisory Function"). This task is complemented by the existence of the Auditing and Compliance Committee.

The corporate by-laws of Meliá give the Auditing and Compliance Committee the function, among others, of knowing the process of financial reporting and the Company's internal control systems and of ensuring that the financial reporting offered to the markets is prepared in accordance with the same criteria as used for the annual accounts (article 39 Bis of the by-laws – "Auditing and Compliance Committee").

The organization and functioning of the Auditing and Compliance Committee is governed by article 14 of the Regulations of the Company. It is made up of two independent directors plus a third director representing the shareholders who have held posts of responsibility in finance and have served as Company directors. Representatives of the internal and external audit and representatives of the Group's senior management also attend meetings depending on the matters to be discussed.

Each one of the General Departments of the Group is responsible within its area of influence for the introduction, existence, maintenance and supervision of suitable and effective ICOFR.

State whether there are the following elements, especially as regards the process of the preparation of financial reporting:

a. Departments and/or mechanisms in charge

1. **of the design and review of the organizational structure;**
2. **of clearly defining lines of responsibility and authority with suitable distribution of tasks and functions; and**
3. **of there being adequate procedures for them to correctly distributed within the entity.**

The process of determination of the organizational structure is governed by the Human Resources Rule of the Meliá Hotels International Group which applies to all companies making up the Group. In accordance with this Rule, approved by the Group's Senior Management, the General Human Resources Department is responsible for ensuring the equity, balance and optimization of the Company's organizational structure making regular assessments. Those in charge of the various areas of the Group must ensure that the size of their staff is suitable and optimal.

Any change to the organizational structure, and the appointment and removal of senior executives and the policy for their remuneration, must be approved by the Company of Meliá Hotels International S.A. on a proposal by the Delegate Committee on Appointments and Remuneration.

Likewise the area of Organization of the Human Resources Department is in charge, together with the respective areas of the Group, for the analysis and determination of the processes and for the description of work positions, their functions and responsibilities, including those positions relating to the preparation of financial reporting.

The rule of Human Resources and the organigram of the Meliá Hotels International Group, with the functions of each area, is available to all employees in the Group intranet.

b. Code of conduct, approval body, degree of distribution and instruction, principles and values included (indicating if there are specific references to the operations register and preparation of financial reporting), body in charge of analyzing breach and proposing corrective measures and penalties.

The Meliá Hotels International Group has two codes which refer to the conduct of its employees:

- The first, of global application and applicable to all employees of Meliá Hotels International Group, known of as the "Rule of Human Resources" and approved by the Group's senior management. This rule covers the areas of professional conduct, equality of opportunities, labor conditions, organizational structure, remuneration structure, etc. There are also rules in relation to the use of privileged and confidential information and conflicts of interest for the executives of the Group.

  This code is contained in the Group intranet and available to all employees. Breach of the principles contained in this rule will be considered breach of the duties of loyalty and contractual good faith which preside over the relations between the Meliá Hotels International Group and the employee. The General Resources Department is in charge of analyzing breach and of proposing corrective measures and penalties.

- And the second, applicable to the members of the Company and those employees of the Meliá Hotels International Group who have any activity relating to the securities market or who have access to relevant information, entitled "Internal Regulation on Conduct in Matters Relating to the Securities Market". This regulation refers to the form of conduct to be maintained by employees with access to this information.

  The general principles contained in this internal regulation include that of "Policy and procedures concerning handling of relevant information and its communication to the NSMC and to the market" and "Procedures concerning the handling of privileged information".

  This code is distributed in written form to the persons to whom it applies when they are hired, based on the requirements of the NSMC, and is signed and accepted by them. The person in charge of the financial area is responsible for monitoring compliance with this code, reporting to the Auditing and Compliance Committee.

State whether there is a complaints channel which allows financial and accounting irregularities or possible breaches of the code of conduct and irregular activities in the organization to be reported to the Auditing Committee, and if so whether it is confidential.

The Meliá Hotels International Group is currently designing a complaints channel which it is planned to introduce in the second quarter of 2012. This will provide a formal communication channel for any associate to notify complaints relating to the observance of corporate principles, laws in force, rules of ethical conduct, conflicts of interest and any matter concerning breach of regulations or internal control of financial reporting.

The procedure lays down that complaints must be by named persons, Group management guaranteeing independent and confidential analysis in all cases. The president of the Auditing and Compliance Committee has direct access to all complaints received.

The complaints channel will be managed by an Ethics Committee which will act independently and with the greatest respect for the confidentiality of complaints received, directly under the Auditing and Compliance Committee and the Managing Director of the Group to whom it will report whenever it considers this appropriate and also submit regular reports on its activities.

The main function of the Ethics Committee is to receive, manage and co-ordinate complaint and investigation procedures by way of the complaints channel, and it is the only body which is to have access to the complaints received, thus guaranteeing their confidentiality.

The channel will be available in the Group's internal website or via ordinary mail.

State whether there are training and regular updating programs for the staff involved in the preparation and review of the financial reporting, and in the evaluation of the ICOFR, which cover at least accounting rules, auditing, internal control and risk management.

Staff who take part in the preparation of the financial reporting have the knowledge necessary for the carrying out of their assigned tasks. Specific training programs are given if there are changes to the law or the functions assigned to the staff.

The Group additionally has the assistance of external advisers who provide Support on questions concerning updates of tax, legal and accounting matter. The Group also has subscriptions to specialist publications on tax, legal, risk management and internal auditing matters.

6.2 ASSESSMENT OF RISKS OF FINANCIAL REPORTING

State what are the principal characteristics of the risk identification process, including those of error or fraud, as regards whether the process exists and is documented;

- **Whether covers all objectives of financial reporting (existence and occurrence; integrity; valuation; presentation, breakdown and comparability; and rights and obligations), whether updated and how often.**
- **The existence of a process of identification of the perimeter of consolidation, taking into account among other aspects the possible existence of complex corporate structures, instrumental or special-purpose.**
- **If the process takes into account the effects of other types of risk (operative, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect the financial statements.**
- **Which body of governance of the entity supervises the process.**

The Meliá Hotels International Group has a risk control, analysis and assessment policy approved by the Company. This policy lays down the basic principles and general framework which govern the Group's risk management. There is a risk control and analysis department which is responsible for the regular updating of the Group's risk map and for promoting the definition of measures and assigning of responsibilities with a view to mitigating the principal risks. The results obtained are notified to senior management and to the Auditing and Compliance Committee and the Company.

The process of identifying risks is led by the risk analysis and control department. The main tool of this department is the "Group Risk Map". For the drawing up of this map the head of the department holds interviews with those in charge of the various departments of the Group as laid down in the Group's risk identification process manual. In these interviews the risk affecting both the various departments and the Group are identified and quantified. This process is evaluated and reviewed on an ongoing basis by senior management.

The types of risk identified are classified as follows:

- **Global Risks.** Deriving from events which go beyond the ability to react of economic agents.
- **Financial Risks.** Those relating to financial variables and deriving from the Company's difficulty to meet its obligations or liquidate its assets.
- **Business Risks.** Deriving from the behavior of variables intrinsic to the business, such as characteristics of demand, competition and market, strategic uncertainty or change of scenario.
- **Operational Risks.** Those relating to failures deriving from internal processes, human resources, physical equipment, and computer systems or the unsuitability of the same.
- **Compliance Risks.** Deriving from changes to rules laid down by the various regulatory bodies and / or from breach of applicable regulations and of internal policies and rules.
- **Information risks.** Relating to events caused by unsuitable use, generation and communication of information.

This process of identification and updating of risks takes into account the impact these risks may have on the financial statements and on the objectives of the financial reporting, regardless of the type of risk. The Group Risk Map is reviewed annually and co-operation with the Internal Audit Department in order to detect which of the risks identified affect the objectives of the financial reporting laid down by the NSMC: existence and occurrence, integrity, valuation, presentation, breakdown and comparability.

In order to be able to identify the consolidation perimeter at all times the Corporate Administration Department keeps an updated corporate register which contains all of the Group's shareholdings of any nature.

The procedures for updating the consolidation perimeter are contained in a manual which completes what is laid down in the Group's Companies and Joint Ventures Rule.

The consolidation perimeter is updated monthly in accordance with the provisions of the International Accounting Rules and other local accounting regulations.

State its main characteristics, whether it has at least procedures of review and authorization of the financial reporting and the description of the ICOFR, to be published in the securities markets, indicating who is in charge of it:

Meliá Hotels International, S.A. and its consolidated group provide financial reporting to the securities market every quarter. This financial reporting is prepared by the Corporate Administration Department within Hospitality Business Solutions, the shared services centre of Meliá Hotels International Group.

The head of the financial area analyzes the reports received, provisionally approving the financial reporting for remission to the Auditing and Compliance Committee.

The Auditing and Compliance Committee supervises the financial reporting presented to it. On the annual closing of accounts the Auditing and Compliance Committee also has information provided by the Group's external auditors on the results of their work. From 2012 the Committee will also have this information from the external auditors for the supervision of the intermediate financial statements.

Finally on six-monthly closings the Auditing and Compliance Committee informs the Company of its conclusions on the financial reporting presented, for it to be published in the securities markets once approved by the Company.

State whether it has documentation describing activity and control flows (including those relating to the risk of fraud) of the various types of transactions which may materially affect the financial statements, including the process of accounting closure and specific review of relevant judgments, estimates, valuations and projections.

In 2011 as a first step the process of identification of the areas which may affect the Group's annual accounts in the most significant way has been formalized. To make this identification the Group's annual accounts have been used and an evaluation has been carried out to thus obtain a reasonable criterion for considering an area or section significant.

The criteria which have been used to evaluate the relative importance of each section of the annual accounts are:

- Size: discrimination of the account in comparison with an amount referred to as "significant".
- Composition: numerical volume of transactions in the financial year and unit amount of each transaction.
- Automation of processes.
- Standardisation of operations.
- Susceptibility to fraud or error.
- Accounting complexity.
- Degree of estimate, judgment and valuations.
- Risk of losses or contingent liabilities.
- Changes in respect of previous financial year. Consideration of possible changes in accounting treatment.
- Consideration of adjustments or control weaknesses identified by the internal or external auditors affecting this account in previous financial years.

A process began in 2011 for the homogenous development of support documentation, for those sections which it is thought might significantly affect the financial statements, which identifies key risks and controls in each activity implicit to the section in question. This documentation consists of descriptions and flow diagrams of the processes and risk and control matrices. Possible risks of fraud have also been identified in the course of this process for which controls should also be developed with a view to mitigating them.

The activities for which it has been thought necessary to use formal documentation are included in processes belonging to the areas of Administration, Tax, Cash Flow and Finance, Staff Administration, Hotel and Holiday club Business.

The various General Departments are responsible for documenting and keeping updated each one of these processes, detecting possible control weaknesses and laying down the necessary corrective measures.

The relevant judgments, estimates and projections for quantifying some assets, liabilities, income, expenses and undertakings recorded or broken down in the Annual Accounts are provided by the Group's Financial Department with the support of the other General Departments.

The Meliá Hotels International Group provides information in its annual accounts on the more important areas in which there are questions of judgment or estimate and the key hypotheses used in respect of the same. The principal estimates made refer to the valuation of goodwill, provision for tax on profits, fair value of derivatives, fair value of real estate investments, pension benefits and the useful life of material and intangible assets.

As part of the documented processes an accounting closure procedure has been developed which includes the procedure of closure, review and authorization of the financial reporting generated by the various units of the group up to the process of consolidation of the information.

6.3 CONTROL ACTIVITIES

State whether there are internal control policies and procedures for information systems (including access security, exchange controls, operating of the same, operational continuity and segregation of functions) which support the relevant procedures of the entity in relation to the preparation and publication of the financial reporting.

The information systems area of the Meliá Hotels International Group has laid down a set of security rules and procedures designed to ensure control of access to business applications and systems and that users only have access to information necessary for the carrying out of their functions. A project to optimize control over access to the financial management tool is also being developed which re-defines procedures and controls in order to improve access permission management and ensure ongoing maintenance on the basis of the criticality identified in a matrix of function segregation conflicts and sensitive access.

The Meliá Hotels International Group has formalized exchange procedures in the financial management platform and a transaction development and maintenance procedure. These procedures define the controls which ensure correct development and maintenance of applications, assessing the impact of exchanges and associated risks.

Among the measures aimed at ensuring business continuity an exhaustive analysis of systems infrastructures was carried out in 2011 with risk analysis and the designing of a recovery plan adapted to the needs of the business. The development of a Recovery Plan for hotel management environments for recovery to take place according to pre-set requirements in the event of catastrophe has also been included in the Annual Investment Plan for 2012.

In reference to the continuity of the financial management platform there is a backup & recovery procedure for each one of the models used in the Meliá Hotels International Group. These define information recovery points, regularity and planning of backups, infrastructure and authorized staff, as well as operational requirements and associated activities to ensure continuity.

State whether there are internal control policies and procedures to supervise the management of activities subcontracted to third parties and of those aspects of evaluation, calculation or valuation commissioned to independent experts which might significantly affect the financial statements.

The Meliá Hotels International Group has few procedures carried out by third parties which affect the financial reporting. Where the Group uses the services of an independent expert it ensures the technical competence and ability of the professional in question by hiring third parties of proven experience and prestige.

In order to validate the independent expert's reports the Group has in-house staff able to confirm the reasonableness of their conclusions.

There is also an internal Hiring of Services Rule which governs the approval of the General Department of the hiring area and verification that the supplier is sufficiently qualified to perform the contract and is registered with the relevant professional body.

6.4 INFORMATION AND COMMUNICATION

State whether there is a specific function for setting and updating accounting policies (accounting policy area o department) and resolving doubts or conflicts deriving from their interpretation, maintaining ongoing communications with those in charge of operations in the organization.

The function of defining and updating accounting policy and the interpretation of that policy and of other accounting rules affecting the financial statements of the Meliá Hotels International Group is centralised in the Companies Administration department. The functions of this department include:

- Defining the Group's accounting policies.
- Analyzing the individual operations and transactions the Group has carried out or plans to carry out to determine how they should be treated in the accounts.
- Monitoring drafts of new IASB regulations and new rules approved by this body and adopted by the European Union and the effect their introduction will have on the Group's consolidated accounts.
- Resolving any doubt of the companies of the Group on the application of its accounting policies.

A formal communication channel was introduced at the end of 2011 for the handling of doubts on the interpretation of accounting policy by means of which the various business areas can seek advice for specific cases which, due to their specificity or complexity, may give rise to doubts concerning the appropriate methods for their being recorded in the Group's accounts.

A communication has been placed in the Group intranet for putting the channel in motion with information on its functioning. Doubts will be sent to an e-mail address administered by the Companies Administration Department which will be responsible for answering.

State whether there is an updated accounting policies manual circulated to units through which the entity operates.

The Meliá Hotels International Group presents its Consolidated Annual Accounts in accordance with the International Financial Reporting Standards. There is an accounting policy manual which is reviewed and updated whenever the accounting regulations applicable to the Group's financial statements are amended in any significant regard. A full review and update of this manual is currently underway. All persons in charge of the preparation of the financial statements of the companies which make up the Group have access to this document by way of the internal website.

State whether there are mechanisms for the gathering and preparation of financial reporting with homogenous formats applied and used by all of the units of the entity or the group which support the main financial statements and notes and the information given on ICOFR.

The Meliá Hotels International Group has a computer tool to cover the reporting needs of its individual financial statements and facilitate the subsequent consolidation and analysis procedure, based on an integrated financial management tool. This tool centralizes in a central system all of the information from the accounts of the individual financial statements of the subsidiaries which make up the Group for the preparation of the annual accounts and also makes it possible to obtain all of the Group's consolidated accounts. The system is managed centrally from the Group's Corporate department.

Information is loaded into this consolidation system automatically by the financial management tool of each of the subsidiaries.

6.5 SUPERVISION OF THE FUNCTIONING OF THE SYSTEM

State the main characteristics of the supervision of ICOFR carried out by the Auditing Committee and whether the entity has an internal audit function the functions of which include supporting the committee in its task of supervision of the internal control system including ICOFR.

The functions of the Auditing and Compliance Committee include: ensuring the independence and efficiency of the internal auditing function, approving the auditing budget and annual plan, receiving regular information on its activities and verifying that senior management takes the conclusions and recommendations of its reports into account.

As is indicated in the rules of the Internal Auditing Department of the Meliá Hotels International Group it is the fundamental responsibility of this department to verify the correct functioning of the internal control systems, informing the Company, by way of the Auditing and Compliance Committee, and senior management on the suitability, sufficiency and effectiveness of existing procedures, rules, policies and instructions. The Auditing and Compliance Committee meets every quarter and has a fixed point on its agenda for information on the ICOFR assessment activities of the Internal Audit Department.

If control weaknesses in the centers audited are detected as a result of the assessments of the Auditing department these are brought to the attention of the management of the centre and / or area audited and the Auditing and Compliance Committee if this is thought appropriate. The heads of these centers and / or areas are obliged to respond to the weaknesses detected either by way of corrective measures or the putting in motion of prevention plans.

In order to ensure their independence of the operations or areas they audit, for which they have no authority or responsibility, the internal auditors have no powers or functions other than internal audit. The Internal Audit department is included in the Legal and Compliance Area and comes directly under the Executive Vice President of that area who is a member of the Group's senior management.

State the scope of the evaluation of ICOFR in the financial year and the procedure by which the person in charge of carrying out the evaluation communicates the results, whether the entity has an action plan containing possible corrective measures and whether its impact on financial reporting has been considered.

Documentation of the main processes of the Meliá Hotels International Group began in 2011. While that task is being completed and pending the possibility of a formal audit of the documented processes and controls the Group's Internal Audit department has made various assessments as part of its annual auditing plan, mostly of processes relating to the hotel and holiday club business areas who are the areas of most significant weight in the Group's Annual Accounts.

As a result of the review by the Internal Audit department, where significant control weaknesses emerge, these are brought to the attention of the departments for the areas affected as well as the Auditing and Compliance Committee.

There is also monitoring of the progress of action plans created by the departments of the areas affected for the remedying of any deficiencies identified in the review process referred to above.

The internal audit department has formalised the process of identification of the areas which may significantly affect the Group's annual accounts, encouraging the process of developing documentation of key risks and controls in each affected area in the context of the internal control system for financial reporting, and will continue to work on this process in 2012.

The annual auditing plan for 2012 provides for review of those areas which have been identified as most relevant and which may significantly affect the Group's consolidated annual accounts, in addition to the hotel and holiday club business, including review of the efficiency of the design of the processes belonging to the areas of administration, tax, cash flow and finances and staff administration.

State whether there is a discussion procedure by way of which the auditor of accounts (in accordance with the Technical Rules of Auditing), internal audit and other experts can inform senior management and the Audit Committee or the directors of the entity of any significant internal control weaknesses identified during the processes of review of the annual accounts or any others they have told to carry out. Also state whether there is an action plan which seeks to correct or mitigate the weaknesses observed.

The Senior Executive Team meets every fortnight. The managing director regularly attends these meetings. This attendance ensures a smooth flow of information between the Board of Directors and the Group's main executive body.

The Board of Directors must according to its regulation meet at least five times a year. The Auditing and Compliance Committee meets at the same time as the board with the regular attendance as invitees of the heads of internal and external audit and the Group's senior management when appropriate.

External audit attends the board meetings which approve the annual accounts and also any other board meeting at which their presence is requested.

Internal audit reports to senior management and to the Auditing and Compliance Committee on internal control weaknesses detected in the internal audit. External audit also presents an annual report to the Auditing and Compliance Committee setting out any internal control weaknesses detected in the course of its work. As has been stated under point 5.1 those affected by the weaknesses detected must respond to them. One of the functions of internal audit is to monitor responses to weaknesses found and assess whether they are affective.

State whether the ICOFR information sent to the markets has been reviewed by the external auditor – if it has the entity should include the report as an Annex. If it has not reasons for this should be given.

The information about Internal Control Over Financial Reporting included in the Annual Corporate Governance Report has been reviewed by an external auditor whose report is included in the Group's Director's Report.

7. OTHER INFORMATION

Below please find information in compliance with article 61 bis of the Law on the Stock Market:

a. Information on stocks which are not traded on a regulated EU market, with mention as corresponds, to the different types of shares and for each type of share, the relevant rights and obligations.

There are no issued stocks not traded on a regulated EU market.

b. Information related to the applicable legislation on the modification of Company Articles of Association.

Article 30.1.f of the Articles of Association establish that it is the General Shareholders' Meeting which may agree to any change to the Articles of Association.

By virtue of Article 24 of the Articles of Association, the General Shareholders' Meetings shall be properly constituted when, in the first or second round, there are present or properly represented, the minimum percentage of share capital required in each case and for the different matters included in the Agenda, by the applicable legislation at that same moment.

Notwithstanding the above, in order for the General Shareholders' Meeting to make a valid decision to substitute the corporate purpose, on a request to withdraw the Company's shares from trading on the stock exchange, the conversion of the Company to a different type of Company or its winding up, at the first round, fifty-five per cent (55%) of the share capital with voting rights must be present. In the second round, it would be sufficient forty per cent (40%) of the share capital with voting rights to be present.

In accordance with Article 28 of the Articles of Association, decisions taken by the General Shareholders' Meeting shall be adopted by the majority of the share capital present or represented at the same, except in those cases in which the Law, or the Articles stipulate a higher majority. In this way, in order for the General Shareholders' Meeting to properly agree to substitute the corporate purpose, on a request to withdraw the Company's shares from trading on the stock exchange, the conversion of the Company to a different type of Company or its winding up, votes in favour of sixty per cent (60%) of the share capital present, or represented, at the General Meeting, shall be required, both in the first and the second round. Nevertheless, when in the second round, the shareholders present represent less than fifty per cent (50%) of the share capital with voting rights, the agreements mentioned in the current section, may only be adopted with votes in favour of two-thirds (2/3) of the share capital present or represented at the Meeting.

Notwithstanding the above, agreements modifying Articles 3 (Registered Offices), 7 (Share Accounts Registry and Shareholders Registry), 8 (Legitimation of Shareholders), 24.3 (Quorum for Constitution), 24.4 (Reinforced Quorum for Constitution), 28 (Majority for the Adoption of Agreements), 33 (Designations of posts on the Board of Directors) and 38 (Delegation of Responsibilities) of the Articles, shall require the votes in favour of at least sixty per cent (60%) of the share capital present or represented at the General Shareholders' Meeting, both in the first and the second round.

c. Any restriction on the transmission of shares and any restriction on voting rights.

There are no legal or statutory restrictions to the acquisition or transmission of shares in the share capital.

There are no restrictions on the exercise of voting rights; however in accordance with the company by-laws and the Regulation of the General Meeting in order to attend General Meetings shareholders must have three hundred (300) or more shares in their name in the appropriate accounting register, it being possible to group shares together for the exercise of this right.

Article 527 of the restated version of the Companies Act approved by Royal Legislative Decree 1/2010 of 2 July provides that in the case of traded public limited companies provisions in the by-laws which directly or indirectly set on a general basis the maximum number of votes which may be cast by a single shareholder or companies belonging to the same Group shall be void. The by-laws of the Company do not contain any clause which limits the number of votes which may be cast by a single shareholder or companies belonging to the same Group.

d. Information on significant agreements taken by the Company and which take effect, are modified or which terminate in case of a change in the control of the Company due to a takeover bid, and its effects..

There currently exists no agreement with these characteristics.

e. Information on agreements between the Company and its Board members and management or employees who are due compensation when the same resign or are wrongfully dismissed or when their employment ceases due to a takeover bid.

There currently exists no agreement with these characteristics.

8 ANNUAL REPORT ON CORPORATE GOVERNANCE

The Annual Report on Corporate Governance of Meliá Hotels International for the year 2011 is attached.

For a better understanding of the model and its subsequent development it is necessary to read the instructions for completing it which appear at the end of this report."

A. COMPANY OWNERSHIP STRUCTURE

A.1 Complete the following table on company capital stock:

DATE OF LAST MODIFICATION	CAPITAL STOCK (EUROS)	NUMBER OF SHARES	NUMBER OF VOTING RIGHTS
20/11/2000	36,955,355.40	184,776,777	184,776,777

Indicate if there are different types of shares with any different associated rights:

NO

A.2 Detail of direct or indirect significant shareholders at the close of the financial year, excluding members of the Board of Directors:

NAME OR CORPORATE NAME OF SHAREHOLDER	NUMBER OF VOTING RIGHTS DIRECTLY	NUMBER OF VOTING RIGHTS INDIRECTLY *	% OF TOTAL VOTING RIGHTS
HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	0	16.416
HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989	0	13.904
MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	11,542,525	0	6.247
INVERSIONES COTIZADAS DEL MEDITERRANEO, S.L.	11,099,999	0	6.007

Indicate the most significant changes in share ownership structure during the year:

A.3 Complete the following tables on the members of the Board of Directors with shares and voting rights:

NAME OR CORPORATE NAME OF SHAREHOLDER	NUMBER OF VOTING RIGHTS DIRECTLY	NUMBER OF VOTING RIGHTS INDIRECTLY *	% OF TOTAL VOTING RIGHTS
MR. GABRIEL ESCARRER JULIA	0	119,437,747	64.639
MR. GABRIEL ESCARRER JAUME	0	0	0.000
MR. SEBASTIAN ESCARRER JAUME	0	0	0.000
MR. ALFREDO PASTOR BODMER	0	6,000	0.003
MS. AMPARO MORALEDA MARTÍNEZ	0	2,975	0.002
CAJA DE AHORROS DEL MEDITERRANEO	0	11,099,999	6.007
MR. EMILIO CUATRECASAS FIGUERAS	0	0	0.000
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	0	0	0.000
MR. JUAN ARENA DE LA MORA	1,000	0	0.001
MR. JUAN VIVES CERDA	0	0	0.000
MR. LUIS M DIAZ DE BUSTAMANTE TERMINEL	300	0	0.000

NAME OF INDIRECT SHAREHOLDER	THROUGH: NAME OF DIRECT SHAREHOLDER	NUMBER OF VOTING RIGHTS DIRECTLY	% OF TOTAL VOTING RIGHTS
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	51,871,167	28.072
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	16.416
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989	13.904
MR. GABRIEL ESCARRER JULIA	MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	11,542,525	6.247
CAJA DE AHORROS DEL MEDITERRANEO	INVERSIONES COTIZADAS DEL MEDITERRANEO, S.L.	11,099,999	6.007
MR. ALFREDO PASTOR BODMER	MS. MARÍA OLIVES PUIG	6,000	0.003
MS. AMPARO MORALEDA MARTINEZ	MR. SALVADOR MARTÍNEZ VIDAL	2,975	0.002

% OF TOTAL VOTING RIGHTS HELD BY THE BOARD OF DIRECTORS	70.652

Complete the following tables on the members of the Board of Directors with stock options:

A.4 Indicate any family, business, contractual or corporate relationships existing between stockholders with a significant interest as far as they are known to the Company, except when of limited relevance or when derived from ordinary Company business:

Type of relation:	Family
Brief description:	The indirect shareholdings indicated in the previous table A.3. are based on the shares directly or indirectly controlled by Mr. Gabriel Escarrer Juliá, his wife and children.

RELATED NAME
HOTELES MALLORQUINES CONSOLIDADOS, S.A.
MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.
HOTELES MALLORQUINES AGRUPADOS S.L.
HOTELES MALLORQUINES ASOCIADOS, S.L.

A.5 Indicate any business, contractual or corporate relationships existing between stockholders with a significant interest and the Company and / or its group, except when of limited relevance or when derived from ordinary Company business:

Type of relation:	Inter-company
Brief description:	CAM and Tenerife Sol, S.A. are shareholders of Inversiones Hoteleras La Jaquita, S.L.

RELATED NAME
CAJA DE AHORROS DEL MEDITERRANEO

Type of relation:	Inter-company
Brief description:	CAM and Meliá Hotels International, S.A. are shareholders of Altavista Hotelera, S.L.

RELATED NAME
CAJA DE AHORROS DEL MEDITERRANEO

A.6 Indicate if any quasi-corporate agreements between shareholders have been reported to the Company and which affect the company according to the criteria of article 112 of Stock Market Law:

NO

Indicate if the company is aware of concerted actions between Company shareholders. If so describe them briefly:

NO

In the event of any changes or breaking-off of those pacts or agreements or concerted actions, indicate this expressly:

A.7 Indicate if there is any person or entity which exercises or may exercise control over the Company according to article 4 of Stock Market Law. If so, identify that person or entity:

YES

NAME OR CORPORATE NAME
MR. GABRIEL ESCARRER JULIA

A.8 Complete the following tables on treasury stock:

At close of year:

NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES *	% TOTAL SHARE CAPITAL
11,576,777	0	6.265

(*) Through:

TOTAL	0

Detail of the significant changes as expressed in Royal Decree 1362/2007 made during the year:

DATE OF COMMUNICATION	NUMBER OF DIRECT SHARES ACQUIRED	NUMBER OF INDIRECT SHARES ACQUIRED	% OF SHARE CAPITAL SOCIAL
27/07/2011	6,812,416	0	3.687
22/08/2011	2,599,726	0	1.407
Results obtained in the year on treasury stock operations (thousand Euros)			186,097

A.9 Describe the terms and conditions of the existing mandate of the General Shareholders' Meeting to the Board of Directors to acquire or transfer treasury stock.

The General Meeting of Shareholders held on 1 June 2011 authorised the board of directors, which could in turn make those delegations and grant those powers of attorney it considered appropriate to the directors it saw fit, to acquire and dispose of treasury shares of the company by way of purchase and sale, exchange, transfer in settlement of debt or in any other way permitted by law, up to the limit permitted by law, for a price which could not be below 90% or above 100% of the closing price of the previous day's trading and for a period of five years from the date of adoption of the resolution. All of this being subject to the limits and requirements of the Companies Act and the Internal Rules of Conduct of the Company on matters concerning the securities market.

A.10 Indicate whether there are legal and statutory restrictions on the exercise of voting rights, as well as the legal restrictions on the acquisition or transfer of holdings in the share capital. Indicate whether there are legal restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that can be exercised by a shareholder due to legal restrictions	0

Indicate whether there are statutory restrictions on the exercise of voting rights:

NO

Maximum percentage of voting rights that can be exercised by a shareholder due to statutory restrictions	0

Indicate whether there are legal restrictions on the acquisition or transfer of shares in the capital stock:

NO

A.11 Indicate whether or not the General Shareholders' Meeting has resolved to adopt anti-takeover measures in accordance with the provisions of Law 6/2007.

NO

If so, explain the measures approved and the terms under which the restrictions will be rendered ineffective:

B. STRUCTURE OF THE COMPANY ADMINISTRATION

B.1 Board of Directors

B.1.1 Define the maximum and minimum number of Board Members provided for in the Company By-laws:

Maximum number of Board Members	15
Minimum number of Board Members	5

B.1.2 Complete the following table with the Board Members:

NAME OR CORPORATE NAME OF THE DIRECTOR	REPRESENTATIVE	POSITION	DATE OF FIRST APPOINTMENT	DATE OF LAST APPOINTMENT	SELECTION PROCEDURE
MR. GABRIEL ESCARRER JULIA	--	CHAIRMAN	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR. GABRIEL ESCARRER JAUME	--	VICE CHAIRMAN –CEO	07/04/1999	05/06/2007	VOTE AT SHAREHOLDERS' MEETING
MR. SEBASTIAN ESCARRER JAUME	--	VICE CHAIRMAN	07/02/1996	06/06/2006	VOTE AT SHAREHOLDERS' MEETING
MR. ALFREDO PASTOR BODMER	--	DIRECTOR	31/05/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MS. AMPARO MORALEDA MARTÍNEZ	--	DIRECTOR	09/02/2009	09/02/2009	CO-OPTATION
CAJA DE AHORROS DEL MEDITERRÁNEO	MR. JOSE FRANCISCO IBAÑEZ LLOMPART	DIRECTOR	30/03/2005	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR. EMILIO CUATRECASAS FIGUERAS	--	DIRECTOR	31/05/1996	06/06/2006	VOTE AT SHAREHOLDERS' MEETING
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MS. Mª ANTONIA ESCARRER JAUME	DIRECTOR	23/10/2000	06/06/2006	VOTE AT SHAREHOLDERS' MEETING
MR. JUAN ARENA DE LA MORA	--	DIRECTOR	31/03/2009	31/03/2009	CO-OPTATION
MR. JUAN VIVES CERDA	--	DIRECTOR	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	--	SECRETARY DIRECTOR	30/11/2010	30/11/2010	CO-OPTATION
TOTAL NUMBER OF BOARD MEMBERS					11

Resignations from the Board of Directors occurred during the period:

B.1.3 Board Members and their positions:

EXECUTIVE DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR	COMMITTEE WHICH PROPOSED THE APPOINTMENT	POSITION IN THE COMPANY ORGANIZATION
MR. GABRIEL ESCARRER JULIA	--	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	--	VICE CHAIRMAN AND CEO
MR. SEBASTIAN ESCARRER JAUME	--	VICE CHAIRMAN
Total number of executive directors		3
Total % of the Board		27.273

PROPRIETARY & EXTERNAL DIRECTORS

NAME OR CORPORATE NAME OF THE DIRECTOR	COMMITTEE WHICH PROPOSED THE APPOINTMENT	NAME OR CORPORATE NAME OF THE SIGNIFICANT SHAREHOLDER THEY REPRESENT OR WHICH PROPOSED THEIR APPOINTMENT
CAJA DE AHORROS DEL MEDITERRANEO	--	INVERSIONES COTIZADAS DEL MEDITERRANEO, S.L.
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	--	HOTELES MALLORQUINES CONSOLIDADOS, S.A.
DON JUAN VIVES CERDA	--	HOTELES MALLORQUINES ASOCIADOS, S.L.
Total number of proprietary & external directors		3
Total % of Board		27.273

INDEPENDENT NON EXECUTIVE DIRECTORS

Name or corporate name of the Director
MR. ALFREDO PASTOR BODMER

Profile

Graduate in Economics from the University of Barcelona, PhD in Economics from the Massachusetts Institute of Technology and Doctorate in Economics from the Autonomous University of Barcelona.

Chair in Economic Theory since 1976, he has been a professor of economics at Boston University and in 2000 and 2001 he held the Spanish Chair at the China-Europe International Business School. He has been director of the Instituto de la Empresa Familiar (1992-93), Professor at the Instituto de Estudios Superiores de la Empresa (IESE) and Chair of Emerging Markets (Banco de Sabadell, 2009). In 1993, he was appointed Secretary of State for the Economy, a post that he held for the period from 1993 to 1995. He has worked as an Economist at the World Bank and has been Director of Planning and Director General of INI and Chairman of ENHER.

Alfredo Pastor has formed part of several Boards of Directors including the Bank of Spain (1990-93), Hidroeléctrica del Cantábrico (1999-2000), COPCISA or Abertis. He is currently a member of the Board of Directors of Bansabadell Inversión S.A., S.G.I.I.C., of the Board of Círculo de Economía, of Griño Ecológic, and of the publisher Diari ARA.

Various publications stand out including Efficiency, Stability and Equity: The Padoa-Schioppa Report, OUP(1987) co-author.
España, año cero: una salida para la crisis Espasa-Calpe, (1982) co-author.
Rol y gestión de empresas públicas, in PORTOCARRERO, J. (ed) Intercambio de experiencias sobre políticas económicas en España y en Perú, Lima, 1982.
Spain: economic policies for modernisation: evidence, analysis and reflection in JANAGGATHAN,S. (ed): Industrial Challenges for the 1990s : India and OECD, Srinagar, 1988.
El Mercado común europeo: una perspectiva española, Pensamiento Iberoamericano, January-June 1989.
La Política industrial en España: una evaluación global in MARTIN, C, : Política industrial, teoría y práctica, Madrid, 1991.
The privatizacion of States enterprises in developing countries : some lessons, in POSCHL,J. (ed) Privatization in Eastern Europe, Friedrich-Ebert-Stiftung, Viena, 1992.
Conde de Godó Prize for Journalism, 2011.

Name or corporate name of the Director
MS. AMPARO MORALEDA MARTÍNEZ

Profile

Between January 2009 and February 2012 Amparo Moraleda was operational manager for the international area of Iberdrola with responsibility for the United Kingdom, the United States and Iberdrola Ingeniería y Construcción. From 1998 to January 2009 her career was linked to IBM and the world of information technology. During her time with IBM she held various management posts in North America, Europe and Spain.

In June 1999, she was assigned to the head office of IBM in New York as assistant executive to Louis. V. Gerstner (President of IBM Corporation). From that post she participated in the strategic decision-making of the company, with special attention paid to Europe, Latin America and Asia-Pacific. In July 2001, she was appointed Chairwoman of IBM Spain and Portugal, and in July 2005 she was given charge of executive leadership of a new IBM unit for Spain, Portugal, Greece, Israel and Turkey.

Amparo Moraleda is a member of various boards and trusts of different institutions and bodies, including: - Member of the Academy of Social Science and Environment of Andalusia.
- Member of the jury for the Príncipe de Asturias Awards, in the Science and Technology category.
- Member of the International Advisory Board of Instituto de Empresa.

Amongst the awards and recognition that she has received are: the award for Excellence of the Spanish Federation of Women Directors, Executives, Professionals and Entrepreneurs (Federación Española de Mujeres Directivas, Ejecutivas, Profesionales y Empresarias - Fedepe), in 2002; the 9th Javier Benjumea Prize, awarded in 2003 by the Engineering Association of the ICAI, which rewards engineering professionals of leading prestige and professional achievement; and the 2nd Values Leadership Award given in 2008 by the FIGEVA Foundation.

In 2005, she became a member of the Hall of Fame of Women in International Technology (WITI), an award given by this institution to distinguish people in the world of business and technology that have contributed most around the world to the inclusion and contribution of women to technological development. In 2009, Amparo Moraleda was once again ranked amongst the top 10 most highly valued leading Spanish entrepreneurs (the first woman in the ranking), according to the annual report of MERCO (Monitor Español de Reputación Corporativa).

Name or corporate name of the Director
MR. EMILIO CUATRECASAS FIGUERAS

Profile

Graduate in Law from the University of Navarra, he has shone as a financial and mercantile adviser. He is Chairman of CUATRECASAS GONCALVES PEREIRA ABOGADOS, and holds the following positions: Chairman of AREAS, Chairman of the Consultative Board of FOMENTO DEL TRABAJO NACIONAL, Chairman of the FUNDACIÓN CUATRECASAS, Chairman of FUNDACIÓN SAINT PAUL'S, Chairman of APD ZONA MEDITERRÁNEA, Vice Chairman of the APD, Patron of the FUNDACIÓN SENY, Patron of the FUNDACIÓN DE ESTUDIOS FINANCIEROS, Patron of the INSTITUT D´EDUCACIÓ CONTINUA, Patron of the FUNDACION SERES, Patron of the FUNDACION CYD, Patron of the board of IESE, Patron of the Foundation CONSEJO ESPAÑA – ESTADOS UNIDOS, and member of the Social Board of the UIC, Member of the Business Council CEI of the UNIVERSITAT POMPEU FABRA (UPF), Member of the Council EXPERTOS TEMA CHINA, and Member of the Honorary Council of the foundation LO QUE LA VERDAD IMPORTA.

He has received the Cross of Honor of the Order of San Raimundo de Peñafort and is an Honorary member of the Fòrum Carlemany association. Member of the following clubs: Real Club de Polo, Real Club Náutico de Barcelona, Círculo de Economía, and Círculo Ecuestre.

Name or corporate name of the Director
MR. JUAN ARENA DE LA MORA

Profile

He has a doctorate in electro-mechanical engineering from the ICAI, and is graduate in Business Administration from ICADE, a graduate in Tax Studies, a graduate in Child Evolutionary Psychology and a graduate in AMP from the Harvard Business School. He has been a professor of Cultural Anthropology at the Instituto Americano.

He joined Bankinter in 1970, exercising since then various posts. In 1982, he was appointed Assistant General Manager and Manager of the International Division. In 1985, he was made General Manager and in 1987 he became a member of the Board, and in 1993 he was appointed Chief Executive Officer and from March 2002 until April 2007 he was the Chairman of the bank.

In 2009-2010, he gave classes in Financial Reporting and Control in the Master's program of the Commerce Department of the Harvard Business School, and in 2010 gave classes on corporate governance at IESE.

Currently holds the post of director and member of the Audit Committee and of the Appointment and Remuneration Committee of Ferrovial, director and Chairman of the Audit Committee of Promotora de Informaciones PRISA, director and member of the Audit Committee of Laboratorios Almirall, director and Chairman of the Audit and Appointments Committee of Dinamia, director and president of the Appointments and Remuneration Committee of Everis, and Chairman of the Advisory Board of Unience,
Chairman of the foundation SERES, he is also a member of the Advisory Board of Spencer Stuart, Chairman of the Professional Council of ESADE, and member of the European Advisory Council of the Harvard Business School and of the Board of Directors of the Deusto Business School.

He has also been distinguished with the Grand Cross of the Order of Civil Merit for his collaboration as a member of the Special Commission for Studies on the Development of the Information Society ("Soto Commission").

Name or corporate name of the Director

MR. LUIS Mª DIAZ DE BUSTAMANTE Y TERMINEL

Profile

Born in Torrelavega (Cantabria, Spain) on August 25, 2012, he is a Law graduate from the Complutense University of Madrid and has been practicing law since 1975. He is a partner of the Isidro D. Bustamante law firm (1942). His professional activity has focused mainly on civil, mercantile, civil procedural and international law.

In 1977, he moved to the United States where he worked at Southeast Banking Corp. (Miami, Florida) in the areas of sovereign and private public debt rating (mainly Brazil and Argentina), legal advice and secretary general to the CEO, as well as at the Roberts Holland law firm, which specializes in tax law.

He collaborates with the Board of the Bar Association of Madrid and he gives lectures on matters related to international relations. He is legal adviser at various companies and forms part of several Boards of Directors and Management Boards. He is the co-author of various publications including the dictionary "Diccionario de derecho, Economía y Política español-inglés / inglés-español" (EDERSA, 1st edition 1980 and thereafter) and the journal of financial law and public revenue, as well as the books Spanish Business Law (Kluwers 1985) and Business Law in Spain (Butterworths, 1992).

Total number of independent non-executive directors	5
Total % of the Board	45.455

OTHER EXTERNAL DIRECTORS

Detail of the reasons why these are not considered to be proprietary or independent directors and their relationships, with the company, its managers or its shareholders.

Indicate any changes that may have occurred in the period regarding each type of director:

B.1.4 Explain, where applicable, the reasons why proprietary directors have been appointed at the request of shareholders whose stake amounts to less than 5% in the share capital.

Indicate any failure to address formal requests for presence on the Board of Directors made by shareholders whose stake is equal to or higher than that of others at whose request proprietary directors have been appointed. Where applicable, explain the reasons why the request was not addressed.

NO

B.1.5 Indicate whether any director has left the post before the end of his / her term of office,
whether they have explained their reasons to the Board and by which means and, if this was made in writing
to the entire Board, explain at least the reasons given:

NO

B.1.6 Indicate, if applicable, the powers vested in any Chief Executive Officers:

Name or corporate name of Chief Executive Officer
MR. GABRIEL ESCARRER JAUME

Brief description
Tiene delegadas por el Consejo todas las facultades delegables de acuerdo con la Ley y los Estatutos.

B.1.7 Identify, where applicable, any Board members who occupy administrative or executive posts in other companies which belong to the same business group as the listed company:

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
MR. GABRIEL ESCARRER JULIA	BEAR S.A.DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	BISOL VALLARTA S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	CALA FORMENTOR S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	CARIBOTELS DE MÉXICO S.A. DE C.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	CORPORACIÓN HOTELERA METOR S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	DETUR PANAMÁ. S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	GEST. HOT.TURÍSTICA MESOL S.A. (SOC. UNIP)	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	GRUPO SOL ASIA LTD.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	HOTELES MELIÁ INTERNACIONAL DE COLOMBIA S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	LOMONDO LIMITED	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	MARKTUR TURIZM ISLETMECILIK A.S.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	OPERADORA COSTA RISOL S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	OPERADORA MESOL S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC DOMINICANA	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC MÉXICO S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC PUERTO RICO CORPORATION	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	SOL MELIÁ GUATEMALA S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	SOL MELIÁ VC PANAMÁ S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	ADPROTEL STRAND S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA S.L.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	APARTOTEL S.A.	CEO
MR. GABRIEL ESCARRER JAUME	BEAR S.A. DE C.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A. DE C.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	CADSTAR FRANCE S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	CALIMAREST S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CANSILIUS S.L.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	CASINO TAMARINDOS S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	COMPAGNIE TUNISIENNE DE GESTION HOTELEIRE S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	DESARROLLOS SOL S.A.	VICE CHAIRMAN AND SECRETARY
MR. GABRIEL ESCARRER JAUME	DOMINIOS COMPARTIDOS S.A.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	DORPAN S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	EL RECREO PLAZA CA	ADMINISTRATOR

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
MR. GABRIEL ESCARRER JAUME	FARANDOLE B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	GEST. HOT. TURÍSTICA MESOL S.A. (SOC. UNIP)	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	HOGARES BATLE S.A.	CHAIRMAN / CEO
MR. GABRIEL ESCARRER JAUME	HOTEL ALEXANDER SAS	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL BLANCHE FONTAINE S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL COLBERT S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL FRANCOIS S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTELES SOL MELIÁ S.L	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	IMPULSE HOTEL DEVELOPMENT B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	INMOBILIARIA DISTRITO COMERCIAL C.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	INVERSIONES AGARA S.A.	VICE CHAIRMAN AND SECRETARY
MR. GABRIEL ESCARRER JAUME	INVERSIONES AREITO S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	INVERSIONES HOTELERAS LA JAQUITA S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	INVERSIONES Y EXPLOTACIONES TURÍSTICAS S.A.	CEO
MR. GABRIEL ESCARRER JAUME	LOMONDO LIMITED	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	MARKSERV	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	JOINT ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	MELIÁ MANAGEMENT S.A.	VICE CHAIRMAN AND SECRETARY
MR. GABRIEL ESCARRER JAUME	MELSOL MANAGEMENT B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	MOGAMENDA S.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	MOTELES ANDALUCES S.A.	CEO
MR. GABRIEL ESCARRER JAUME	NEXPROM S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGOZA S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	OPERADORA COSTA RISOL S.A.	SECRETARY
MR. GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	PROMEDRO S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	PT SOL MELIÁ INDONESIA	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	REALIZACIONES TURÍSTICAS S.A.	ADMINISTRATOR AND CEO
MR. GABRIEL ESCARRER JAUME	SAN JUAN INVESTMENT B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SECURISOL S.A.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	SOL GROUP B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL GROUP CORPORATION	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MANINVEST B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA BALKANS EAD	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA CHINA LIMITED	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	JOINT AND SEVERAL ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	BOARD CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA ITALIA S.R.L.	JOINT AND SEVERAL ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA MAROC - S.A.R.L. D'ASSOCIÉ UNIQUE	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB ESPAÑA S.L.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB NETWORK ESPAÑA S.L.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC DOMINICANA	SECRETARY
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC MÉXICO, S.A. DE C.V.	TREASURER
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	ADMINISTRATOR

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
MR. GABRIEL ESCARRER JAUME	SOL MELIÁ GREECE S.A.	ADMINISTRATOR AND CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIÁ GUATEMALA S.A.	SECRETARY
MR. GABRIEL ESCARRER JAUME	SOL MELIÁ INVESTMENT N.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIÁ LUXEMBOURG S.À.R.L.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIÁ SUISSE S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIÁ VC PANAMÁ S.A.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	TENERIFE SOL S.A.	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	BEAR S.A. DE C.V.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	BISOL VALLARTA S.A. DE C.V.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	CADSTAR FRANCE S.A.S.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	CALA FORMENTOR S.A DE C.V.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A. DE C.V.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	VICE CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	DESARROLLOS SOL S.A.	CHAIRMAN AND TREASURER
MR. SEBASTIAN ESCARRER JAUME	DETUR PANAMÁ S.A.	ADMINISTRATOR AND SECRETARY
MR. SEBASTIAN ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	ADMINISTRATOR CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	HANTINSOL RESORT S.A.	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	HELENIC HOTEL MANAGEMENT HOTEL & COMMERCIAL	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	HOTEL ALEXANDER S.A.S.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	INVERSIONES AGARA S.A.	CHAIRMAN AND TREASURER
MR. SEBASTIAN ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	JOINT AND SEVERAL ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	LOMONDO LIMITED	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	MELIÁ MANAGEMENT S.A.	CHAIRMAN TREASURER
MR. SEBASTIAN ESCARRER JAUME	OPERADORA COSTA RISOL S.A.	VICE CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	PT SOL MELIÁ INDONESIA	SECRETARY
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA CHINA LIMITED	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	JOINT AND SEVERAL ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA EUROPE	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN / ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA VC DOMINICANA	VICE CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA VC MÉXICO S.A. DE C.V.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ BULGARIA AD	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ CROATIA L.L.C.	ADMINISTRATOR
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ GUATEMALA S.A.	VICE CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ SERVICES S.A.	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	SOL MELIÁ VC PANAMÁ S.A.	ADMINISTRATOR

B.1.8 Give details, where applicable, of any company Board members who also sit on the Boards of other entities that do not belong to the Group and which are listed on official securities markets in Spain, insofar as these are known by the Company:

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
MR. ALFREDO PASTOR BODMER	BANSABADELL INVERSION S.A. S.G.I.I.C	DIRECTOR
MR. JUAN ARENA DE LA MORA	LABORATORIOS ALMIRALL	DIRECTOR
MR. JUAN ARENA DE LA MORA	FERROVIAL	DIRECTOR
MR. JUAN ARENA DE LA MORA	PRISA	DIRECTOR
MR. JUAN ARENA DE LA MORA	DINAMIA	DIRECTOR
MR ALFREDO PASTOR BODMER	GRIÑO ECOLOGIC SA	DIRECTOR

B.1.9 Indicate whether the company has established rules on the number of Boards on which its own Board members may sit. If so, explain:

NO

B.1.10 In relation to recommendation number 8 of the Unified Code, indicate the company's general strategies and policies which must be approved by plenary session of the Board of Directors:

Investment and financing policy	**NO**
Definition of the structure of the corporate group	**NO**
Corporate governance policy	**NO**
Corporate social responsibility policy	**NO**
Strategic or business plan, as well as the annual management and budget objectives	**YES**
Senior executive management evaluation and remuneration policies	**YES**
Risk control and management policy, and the periodic monitoring of internal information and control systems	**YES**
Policy on dividends (not laid down) and on treasury shares, and the limits to be applied	**YES**

B.1.11 Complete the following tables showing the total remuneration of the Board Members accrued during the financial year:

a. In the company covered by this report:

NATURE OF REMUNERATION	THOUSAND EUROS
Fixed remuneration	861
Variable remuneration	661
Per diets	679
Staturory dues	0
Stock options and / or other financial instruments	0
Other	0
TOTAL	2,201

OTHER BENEFITS	THOUSAND EUROS
Advances	0
Loans	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations assumed	0
Life insurance premiums	6
Guarantees arranged by the Company in favor of Board Members	0

b. Due to positions held on other Boards of Directors and / or within the senior management of other Group companies:

NATURE OF REMUNERATION	THOUSAND EUROS
Fixed remuneration	241
Variable remuneration	0
Per diets	0
Statutory dues	0
Stock options and / or other financial instruments	0
Other	0
TOTAL	241

OTHER BENEFITS	THOUSAND EUROS
Advances	0
Loans	0
Pension funds and plans: Contributions	0
Pension funds and plans: Obligations assumed	0
Life insurance premiums	0
Guarantees arranged by the Company in favor of Board Members	0

c. Total remuneration by type of director:

TYPE OF DIRECTOR	BY COMPANY (Thousand euros)	BY GROUP (Thousand euros)
Executive Directors	1,715	241
Proprietary & External Directors	183	0
Independent Non Executive Directors	303	0
Other Non Executive Directors	0	0
TOTAL	2,201	241

d. In relation to profit attributed to the parent company

Total Board Member remuneration (thousands of euros)	2,442
Total Board Member remuneration / profit due to parent company (as %)	6.1

B.1.12 Total remuneration accrued during the year payable to any senior management members that are not in turn executive directors:

NAME OR CORPORATE NAME	POSITION
MR. GABRIEL CÁNAVES PICORNELL	GROUP HUMAN RESOURCES E.V.P.
MR. ONOFRE SERVERA ANDREU	GROUP FINANCE E.V.P.
MR. LUIS DEL OLMO PINERO	GROUP MARKETING E.V.P.
MR. JUAN IGNACIO PARDO GARCIA	LEGAL COMPLIANCE E.V.P.
MR. ANDRE PHILIPPE GERONDEAU	HOTELS E.V.P.
MS. PILAR DOLS COMPANY	HOSPITALITY BUSINESS SOLUTIONS E.V.P.
MR. MARK MAURICE HODDINOTT	REAL STATE E.V.P.

Total senior management remuneration (in thousand euros)	2,396

B.1.13 Indicate on an aggregate basis if there are guarantee or protection clauses, in the case of dismissal or changes of control in favor of members of senior management, including the executive Board Members, of the Company or its Group. Indicate whether or not those contracts must be communicated and / or approved by the company or group bodies:

Number of beneficiaries	0

	BOARD OF DIRECTORS	GENERAL SHAREHOLDERS' MEETING
Body that authorizes the clauses	**NO**	**NO**

Is the General Shareholders' Meeting informed about the clauses?	**NO**

B.1.14 Indicate the process for establishing the remuneration of the members of the Board of Directors and the bylaw clauses relevant in this respect.

Process for establishing the remuneration of the members of the Board of Directors and the bylaw clauses
Article 37 of the Company Bylaws establishes that the remuneration of Directors consists of an annual fixed amount, overall for each of them, which will be determined or ratified by the General Shareholders' Meeting , without prejudice to the payment of the fees or remuneration that they may receive from the Company for professional services provided or derived from their own work, as is the case. The Board of Directors may temporarily decide on its own remuneration, without prejudice to the subsequent required ratification by the General Shareholders' Meeting , either explicitly or implicitly via the general approval of Company Accounts. The Board of Directors may also unilaterally set in each fiscal year the specific amount to be received by each of the Directors, adjusting the amount to be received by each of them with regards to the position they hold on the Board, as well as to their effective dedication to the Company. Remuneration becomes payable at the end of each month, meaning that the remuneration of each Director will be proportional to the time that they have held their position during the year to which the remuneration applies. In addition, and regardless of the remuneration considered in the previous section, remuneration systems based on the share price of related to the provision of stock or stock options are foreseen.The application of such systems must be approved by the General Shareholders' Meeting which will also decide the share price to be taken as a reference, the number of shares to be given to each Director, the price at which stock options may be exercised, the duration of such remuneration systems and any other conditions considered appropriate. The functions of the Appointments and Remuneration Committee of the board of directors include review of remuneration policy and making any proposals it considers necessary to the board of directors.

Indicate whether the following decisions must be approved by plenary session of the Board.

Following the proposal of the company's Chief Executive, the appointment and cessation of senior executives, as well as their compensation clauses	**YES**
The remuneration of Board members and, in the case of executive ones, the additional remuneration for their executive functions and other conditions set forth in their contracts	**YES**

B.1.15 Indicate whether the Board of Directors approves a detailed remuneration policy and specify the issues that it deals with:

YES

The amount of the fixed components, itemized where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to	**YES**
Variable pay items	**YES**
Main characteristics of provision systems, and estimate of its equivalent annual cost	**NO**
The conditions to be respected in the contracts of executive directors exercising senior management functions	**NO**

B.1.16 Indicate whether the Board submits a consultative report on the Board Members' remuneration policy to the vote of the General Shareholders' Meeting, as a separate point on the Agenda. If appropriate, explain the parts of the report relating to the remuneration policy approved by the Board for future years, the most significant changes in remuneration policy with respect to the previous year and an overall summary of how the remuneration policy was applied in the year. Detail the role of the Remuneration Committee and the identity of any external advisors retained:

YES

Matters relating to the remuneration policy
The Board's remuneration policy report states in favor of the aim of the remuneration, the principles applied to it and the remuneration structure. It also includes the detail of the amounts accrued in 2011.

Role of the Remuneration Committee

The responsibilities of the Remuneration Committee, without prejudice to any others that the Board of Directors may specifically assign to the Committee, are as follows:

(a) To define and review the criteria to be applied with regard to the composition of the Board of Directors and the selection of candidates.
(b) To submit to the Board any proposals on the appointment of Directors so that the Board may directly designate such Directors (Co-opt) or adopt the proposals for their submission to the Annual General Shareholders' Meeting for approval.
(c) To propose members of Committees to the Board.
(d) To regularly review remuneration policies, assessing their appropriateness and return.
(e) To ensure transparency in remuneration.
(f) To report on any transactions that imply or may imply conflict of interest and, in general, on the matters pertaining to the duties of Directors.

Has it used external advice?	**YES**

Identity of external advisers
Spencer Stuart

B.1.17 Indicate, if applicable, the identity of the Board members who are also members of the Board of Directors, executives or employees of companies that hold significant shareholdings in the listed company and / or in entities belonging to its Group:

NAME OR CORPORATE NAME OF THE DIRECTOR	CORPORATE NAME OF THE SIGNIFICANT SHAREHOLDER	POSITION
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS, S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SECRETARY AND CEO
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SECRETARY
MR. GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.	JOINT ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SPOKESPERSON
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SPOKESPERSON AND CEO
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY
MS. Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SPOKESPERSON
MS. Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SPOKESPERSON
MS. Mª ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON

Detail of any relevant relationships, other than those shown in the chart above, which could bind any board members with significant shareholders and / or their group companies:

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES ASOCIADOS, S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company .

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES AGRUPADOS S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director

MR. GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder

MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director
DON GABRIEL ESCARRER JULIA

Name or corporate name of the related significant shareholder
HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Description of relationship
Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director
MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder
HOTELES MALLORQUINES ASOCIADOS, S.L.

Description of relationship
Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director
MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder
HOTELES MALLORQUINES AGRUPADOS S.L.

Description of relationship
Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director
MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder
MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.

Description of relationship
Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director
MR. GABRIEL ESCARRER JAUME

Name or corporate name of the related significant shareholder
HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Description of relationship
Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES ASOCIADOS, S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES AGRUPADOS S.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

MAJORCAN HOTELS LUXEMBOUR, S.A.R.L.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer and Mr. Gabriel Juan Escarrer) stakes in the company.

Name or corporate name of the related Director

MR. SEBASTIAN ESCARRER JAUME

Name or corporate name of the related significant shareholder

HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Description of relationship

Mr. Gabriel Escarrer Juliá, his wife and sons (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) stakes in the company.

B.1.18 Indicate whether any amendments have been made to the Regulations of the Board of Directors during the financial year:

NO

B.1.19 Indicate the procedures for appointment, re-election, evaluation and removal of Board Members. Detail the competent bodies, the steps to follow and the criteria to use in each of the procedures.

As stated in article 15 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must define and review the criteria to be applied for the composition of the Board of Directors and selection of candidates which must then be proposed to the Board.

B.1.20 Indicate the events in which Board Members are obliged to resign.

Lack of compliance with any of the duties and obligations of the Board established in Chapter 8 of the Regulations of the Board of Directors are sufficient cause for the resignation of any Board member.

B.1.21 State whether the function of the Chief Executive Officer of the company rests with the Chairman of the Board. If this is the case, indicate the measures that have been taken to limit the risks of accumulation of powers in a single person:

NO

Indicate if any rules have been stipulated empowering any of the independent Board Members to request the convening of Board meetings or the inclusion of new items on the agenda, to coordinate and voice the concern of external Board Members and to direct an evaluation by the Board of Directors.

NO

B.1.22 Are higher majorities required, different from the legal majority, in any type of decision?

NO

Indicate how resolutions are adopted by the Board of Directors, identifying at least, the minimum quorum of attendance and the type of majority to adopt resolutions:

Description of resolution:
All resolutions

Quorum	%
The Board will be quorate when the Meeting is attended, directly or represented by another director, by the majority of its members, amongst which there must at least be one independent external director.	51.00

Type of majority	%
Resolutions are adopted by an absolute majority of the directors present or represented at the Meetings. In the event of a tie, the Chairman will have the casting vote.	51.00

B.1.23 State whether there are specific requirements, different from those related to Board Members, to be nominated Chairman.

YES

Description of the requirements
Article 33.2. of Company Bylaws establishes that for a Director to become Chairman or Vice Chairman of the Board of Directors, at least one of the following circumstances must occur: (a) To have been a member of the Board of Directors for at least THREE (3) years prior to the appointment; or, (b) To have previously been Chairman of the Board of Directors, whatever the period during which they may have been a Director. Neither of the previous circumstances will be necessary for a Director to become Chairman or Vice Chairman whenever such a designation receives the support of at least SEVENTY-FIVE PERCENT (75%) of the members of the Board of Directors. The re-election as Director of those occupying the positions of Chairman and Vice Chairman will imply automatic continuity in the mentioned positions.

B.1.24 Indicate if the Chairman has a casting vote:

YES

Matters on which there is a casting vote	In the event of a tie

B.1.25 Indicate if the Company bylaws or the Regulations of the Board of Directors establish any limit on the age of Board Members:

NO

LIMIT ON THE AGE OF CHAIRMAN	LIMIT ON THE AGE OF CEO	LIMIT ON THE AGE OF DIRECTOR
0	0	0

B.1.26 Indicate if the Company Bylaws or the Regulations of the Board of Directors establish a limited mandate for independent Board Members:

NO

Maximum Years of mandate	0

B.1.27 In the event that there are few or no women Board Members, explain the reasons and initiatives adopted to correct this situation:

Explanation of the reasons and initiatives adopted
The Board of Directors of Sol Meliá, S.A, has two female members. Ms. Amparo Moraleda is an Independent Director and Ms. M. Antonia Escarrer is a representative of the proprietary director Hoteles Mallorquines Consolidados, S.A.

In particular, indicate whether the Appointments and Remuneration Committee has established procedures so that the selection processes do not suffer from implicit biases which hamper the selection of female Board members and whether female candidates who meet the required profile are deliberately sought:

YES

Indicate the main procedures
In the Board member selection process, the candidate's profile is evaluated, including the women potential candidates whose profile conforms to the professional that is being sought.

B.1.28 Indicate whether there are formal processes in place for votes on the Board of Directors to be delegated. Where applicable, briefly describe them.

The representation or delegation of votes within the Board of Directors may be conferred by means of a letter to the Chairman and may only be conferred to another Director. In particular, Independent Directors may only delegate to another Independent Director.

Representation must be conferred in writing and specifically for each meeting.

B.1.29 Indicate the number of meetings that the Board of Directors has held during the year. In addition, indicate the number of times the Board has met without the presence of the Chairman, if applicable:

Number of Board meetings	7
Number of Board meetings without the presence of the Chairman	0

Indicate the number of meetings held during the year by the different Board committees

Number of meetings of the executive or delegate committee	0
Number of meetings of the audit committee	6
Number of meetings of the appointments and remuneration committee	5
Number of meetings of the appointments committee	0
Number of meetings of the remuneration committee	0

B.1.30 Indicate the number of Board meetings held during the year without the attendance of all its members. Proxies granted without specific instructions for the meeting will be considered non-attendance's:

Number of Board Member absences in the year	2
% of absences in comparison to the total number of votes in the year	0.026

B.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval are previously certified:

YES

Identify, where applicable, the people who certified the company's individual and consolidated accounts for approval by the Board:

NAME	POSITION
MR. GABRIEL ESCARRER JAUME	VICE CHAIRMAN AND CEO
MS. PILAR DOLS COMPANY	HOSPITALITY BUSINESS SOLUTIONS E.V.P.

B.1.32 Explain the mechanisms established by the Board of Directors, if any, to prevent the individual and consolidated financial statements which it prepares from being presented at the General Shareholders' Meeting with a qualified auditor's report.

The Auditing and Compliance Committee is responsible for relations with external auditors in charge of the performance of the financial audit and to hold all of the communications foreseen in audit legislation and auditing technical standards. In compliance with this duty, the Committee has held several meetings over the year with auditors in order to analyze any possible exceptions that may arise in the annual accounts.

B.1.33 Is the Secretary of the Board of Directors a board member?

YES

B.1.34 Explain the procedures relating to the appointment and stepping down of the Board Secretary, indicating whether the Secretary's appointment and dismissal were reported by the Appointment Committee and approved by the Board in full.

Procedure for appointment and dismissal
The Secretary of the Board will be designated by the Board itself, after studying the report by the Appointments and Remuneration Committee.

Does the Appointment Committee report the appointment?	**YES**
Does the Appointment Committee report the dismissal?	**YES**
Does the Board in full approve the appointment?	**YES**
Does the Board in full approve the dismissal?	**YES**

Is the Secretary of the Board specifically responsible for ensuring compliance with good governance recommendations?

YES

Comments
Article 12.3 of the Regulations of the Board states that, amongst other obligations, the Secretary must oversee compliance with the rules made by regulatory bodies, and consider, where appropriate, their recommendations, as well as the principles and criteria of company corporate governance.

B.1.35 Indicate the mechanisms established by the company, if any, to preserve the independence of the auditor, of the financial analysts, of the investment banks and the rating agencies.

One of the functions of the Auditing and Compliance Committee is to maintain relations with external auditors so as to receive information from the auditors with regard to matters which may endanger their independence.

With regard to the mechanisms in place to ensure the independence of financial analysts, mention must be made that the company provides information requested by any analysts with no restrictions and also always aims to ensure the company does not influence the opinion or point of view of any analyst when providing this information.

The company auditor is also invited to attend meetings of the Audit and Compliance Committee.

B.1.36 Indicate whether during the financial year the company has changed its external auditor. If so, identify the incoming and outgoing auditors::

NO

Outgoing auditor	Incoming auditor

If there were disagreements with the outgoing auditor, explain the content of these:

NO

B.1.37 Indicate whether the audit firm carries out other work for the company and / or its group different to that of auditing and, in such case, state the total fees paid for this work and the percentage this represents of the fees billed to the company and / or its group:

YES

	COMPANY	GROUP	TOTAL
Fees for work other than that of auditing (thousand euros)	151	326	477
Fees for work other than that of auditing / Total amount invoiced by the audit company (in %)	32.300	31.600	31.820

B.1.38 Indicate whether the audit report of the annual accounts for the previous financial year contains reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of these reservations or qualifications.

NO

B.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the annual accounts of the company and / or its group. Likewise, indicate the percentage represented by the years audited by the current audit firm of the total number of years in which the annual accounts have been audited:

	COMPANY	GROUP
Number of consecutive years	3	3

	COMPANY	GROUP
Number of years audited by the current audit firm / Number of years that the company has been audited (in %)	18.8	18.8

B.1.40 Indicate any equity holdings of company Board members in the share capital of entities which have the same, or an analogous or complementary type of activity as that which comprises the corporate purpose of both the company and its group, insofar as these have been communicated to the company. Likewise, indicate the positions or functions they exercise in these companies:

NAME OR CORPORATE NAME OF THE DIRECTOR	NAME OF THE OBJECT COMPANY	% STAKE	POSITION OR FUNCTIONS
CAJA DE AHORROS DEL MEDITERRÁNEO	TERRA MÍTICA, PARQUE TEMÁTICO DE BENIDORM, S.A.	24.230	DIRECTOR
MR. EMILIO CUATRECASAS FIGUERAS	AREAS, S.A.	30.000	EXECUTIVE CHAIRMAN
MR. JUAN VIVES CERDA	FINCA LOS NARANJOS, S.A.	27.880	JOINT AND SEVERAL ADMINISTRATOR

B.1.41 Indicate and detail, if applicable, if there is any procedure for the Board Members to obtain external advice:

YES

Detail of procedure
Article 23 of the Regulations of the Board states that the External Directors can request the hiring of legal, accounting and financial advisors or other experts, to be paid by the Company. The request must be with regard to specific problems of a certain degree of importance or complexity that arise in the performance of their duties. The request must be made to the Company Chairman and may be refused by the Board of Directors if it is considered that any of the following circumstances apply: (a) it is not required for the performance of the duties assigned to External Directors; (b) its cost is not reasonable in relation to the importance of the problem and the assets and revenues of the Company; or (c) the help requested from outside experts may be provided satisfactorily by experts employed by the Company.

B.1.42 **Indicate and if applicable provide details of any procedure for Board Members to obtain the information required to prepare for the meetings of the management bodies with sufficient time:**

YES

Detail of procedure
Although article 17 of the Regulations of the Board of Directors provides for meetings to be called with a minimum of three days' notice attaching the agenda for the meeting and relevant information duly summarized and prepared, this information is made available to board members eight days before the holding of the meeting unless there are exceptional circumstances. Moreover, as stated in Article 22 of the Regulations of the Board of Directors, in the performance of their duties Directors must have full access to information on any aspect of the Company, to review all of the Company's books and files, and any other registers of Company activities and to inspect all facilities. The exercise the rights to access such information will be channeled through the Chairman or Secretary of the Board of Directors whom will either provide the information directly to the Director, provide access to the most appropriate person in the organization to provide such information or organize any measures required so that the Director may examine or inspect whatever they may require.

B.1.43 **Indicate and, in which case, detail if the company has established rules that require the directors to disclose, and, as the case may be, resign in those cases that could damage the credit and reputation of the company:**

YES

Explain the rules
There are no such specific rules. Nevertheless, both the Regulations of the Board and the company bylaws state that Directors must perform their duties with the diligence and loyalty demanded by the applicable legislation at any given.

B.1.44 **Indicate whether any member of the Board of Directors has informed the Company that legal action has been taken or that a lawsuit has been filed against him / her for any of the crimes set forth in Article 124 of the Spanish Company Law:**

NO

Indicate whether the Board of Directors has analyzed the case. If the answer is yes, explain in a reasoned manner the decision made regarding whether or not the director should continue in his / her post.

NO

Decision made	Reasoned explanation

B.2 Committees of the Board of Directors

B.2.1 Detail of all the Committees of the Board of Directors and their members:

AUDIT COMMITTEE

NAME	POSITION	TYPE
MR. ALFREDO PASTOR BODMER	CHAIRMAN	INDEPENDENT
MR. JUAN ARENA DE LA MORA	SPOKESPERSON	INDEPENDENT
MR. JUAN VIVES CERDA	SPOKESPERSON	PROPRIETARY

APPOINTMENTS AND REMUNERATION COMMITTEE

NAME	POSITION	TYPE
MR. ALFREDO PASTOR BODMER	CHAIRMAN	INDEPENDENT
MS. AMPARO MORALEDA MARTÍNEZ	SPOKESPERSON	INDEPENDENT
MR. GABRIEL ESCARRER JAUME	SPOKESPERSON	EXECUTIVE
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON	PROPRIETARY
MR. SEBASTIAN ESCARRER JAUME	SPOKESPERSON	EXECUTIVE

STRATEGY COMMITTEE

NAME	POSITION	TYPE
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN	PROPRIETARY
MR. ALFREDO PASTOR BODMER	SPOKESPERSON	INDEPENDENT
MR. JUAN VIVES CERDA	SECRETARY - SPOKESPERSON	PROPRIETARY

B.2.2 Indicate whether the Audit Committee has the following duties.

Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles	**YES**
Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed	**YES**
Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports	**YES**
Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially	**NO**
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement	**YES**
Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation	**YES**
Oversee the independence of the external auditor	**YES**
In the case of groups, encourage the group auditor to assume responsibility for the audits of all the group companies	**YES**

B.2.3 Provide a description of the organization and operating rules, as well as the responsibilities attributed to each of the Board committees.

Name of committee
STRATEGY COMMITTEE

Brief description

Number of members and composition: The Strategy Committee is formed by a minimum of three (3) and a maximum of five (5) members, with a majority of non-executive Directors, including at least one External Independent Director, all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions.

Chairman and Secretary: the Chairman of the Committee must be one of the External Directors. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced.
Both the Chairman and the rest of the members of the Committee will be automatically replaced if they resign or are dismissed from their positions as members of the Company Board of Directors and are not reinstated.
A Committee Secretary may be appointed, a position which may be held by the Secretary of the Board of Directors, a Director that may or may not be a member of the Committee itself, or even one of the Company executives.

Meetings: the Strategy Committee will meet as many times as its Chairman deems appropriate or on request from the majority of its members or from the Board of Directors.

Functions: The responsibilities of the Strategy Committee, none of which may be delegated, and without prejudice to any others that the Board of Directors may specifically assign to the Committee within the applicable Law, Company By-laws and the Regulations of the Board, are as follows: to inform and propose to the Board of Directors medium and long term strategic plans for the company, as well as any relevant strategic decisions, actively taking part in the definition and review of company and group strategy; to inform and advise the Board on the most important milestones in the current Strategic Plan; establish the development of new lines of domestic and international business; investments and divestments that should be known by the Board of Directors due to their amount; to supervise the implementation of the organizational model, guaranteeing the transmission of the company culture and values and cooperating in the communication process both Internally and externally with regard to that model, culture and values.

Quorum and approval of resolutions: the Committee meeting will be considered valid on attendance, directly or via proxy, of at least half of its members, and will adopt resolutions approved by a majority of participants. The Committee must report on all resolutions and decisions to the Board of Directors. If there is no majority, the Chairman will have the casting vote.

Name of committee
APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Number of members and structure: the Committee will be formed by at least THREE (3) and at most FIVE (5) members, with a majority of External Directors, including at least one External Independent Director, all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions.

Chairman and Secretary: the Chairman of the Committee must be one of the External Directors. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced.
Both the Chairman and the rest of the members of the Committee will be automatically replaced if they resign or are dismissed from their positions as members of the Company Board of Directors and are not reinstated.
A Committee Secretary may be appointed, a position which may be held by the Secretary of the Board of Directors, a Director that may or may not be a member of the Committee itself, or even one of the Company executives.

Meetings: the Appointments and Remuneration Committee will meet whenever its Chairman or a majority of its members or at the request of the Board of Directors, whenever it is required a report or the approval of proposals and, in any case, whenever it may be appropriately according to the needs of the Company.

Functions: The responsibilities of the Appointments and Remuneration Committee defined in article 15 of the Regulations of the Board are: to define and review the criteria to be applied with regard to the composition of the Board of Directors; to submit to the Board any proposals on the appointment of Directors; to propose members of Committees to the Board; to regularly review remuneration policies; to ensure transparency in remuneration; to report on any transactions that imply or may imply conflict of interest.

Quorum and approval of resolutions: the Committee meeting will be considered valid on attendance, directly or via representatives, of at least half of its members, and will adopt resolutions approved by a majority of participants. The Committee must report on all resolutions and decisions to the Board of Directors. If there is no majority, the Chairman will have the casting vote.

Name of committee
AUDIT COMMITTEE

Brief description

Number of members and structure: article 39 bis of the Company Bylaws state that the Auditing and Compliance Committee will be formed by at least THREE (3) and at most FIVE (5) members, with a majority of non-executive Directors, including at least one External Independent Director, all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions.

Chairman and Secretary: the Chairman of the Committee must be one of the External Directors. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. Both the Chairman and the rest of the members of the Committee will be automatically replaced if they resign or are dismissed from their positions as members of the Company Board of Directors and are not reinstated.
A Committee Secretary may be appointed, a position which may be held by the Secretary of the Board of Directors, a Director that may or may not be a member of the Committee itself, or even one of the Company executives.

Meetings: the Auditing and Compliance Committee will meet at least once per quarter, and as many times as is deemed appropriate with regard to the needs of the Company, as proposed by the Chairman of the Committee or on request from the majority of its members or from the Board of Directors.

Functions: The responsibilities of the Auditing and Compliance Committee, none of which may be delegated, regulated in article 39 bis of the Company Bylaws, and without prejudice to any others that the Board of Directors may specifically assign to the Committee, within applicable law and Company Bylaws are as follows: to report to the Annual General Shareholders' Meeting with regard to matters raised by shareholders in the meeting that are within the competence of the Committee; to propose to the Board of Directors the appointment of external auditors; to supervise the services of the internal audit; to be aware of the financial information process and Company internal control systems; to maintain relations with external auditors; to review Company accounts; to ensure that the financial information provided to the markets is produced in line with the same principles, criteria and professional practices used to produce the Annual Accounts and; to examine compliance with the Internal Regulations on Good Conduct in Stock Markets, the Regulations of the Board of Directors and, in general, with the Company Corporate Governance Regulations, and to formulate appropriate proposals for their improvement.

Quorum and approval of resolutions: the Committee meeting will be considered valid on attendance, directly or via representatives, of at least half of its members, and will adopt resolutions approved by a majority of participants. Company Bylaws on the constitution and approval of resolutions will be applied to the Auditing and Compliance Committee with regard to any matters not covered in this article. The Committee must report on all such resolutions and decisions to the Board of Directors. If there is no majority, the Chairman will have the casting vote.

B.2.4 Indicate the powers of advice, consultation and, if applicable, delegations held by each of the committees:

Name of committee
STRATEGY COMMITTEE

Brief description

Art. 13 of the Regulations of the Board of Directors lays down the possibility of creating specialized committees to best carry out their remits, with powers to report, advice, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves.

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Art. 13 of the Regulations of the Board of Directors lays down the possibility of creating specialized committees to best carry out their remits, with powers to report, advice, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves.

Name of committee

AUDIT COMMITTEE

Brief description

Art. 13 of the Regulations of the Board of Directors lays down the possibility of creating specialized committees to best carry out their remits, with powers to report, advice, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves.

B.2.5 Indicate, where applicable, the existence of regulations governing the Committees attached to the Board, the place where they are available for consultation and any amendments that may have been made during the financial year. Likewise indicate whether an annual report on the activities of each Committee has been voluntarily prepared.

Name of committee

STRATEGY COMMITTEE

Brief description

The Strategy Committee is regulated by article 16 bis of the Regulations of the Board of Directors. These Regulations can be seen on the Company's website. No annual reports have been prepared, although at each meeting of the Board of Directors, reports are given on the major aspects and conclusions dealt with at the meetings of the Committee.

Name of committee

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

The Appointments and Remuneration Committee is regulated by article 15 of the Regulations of the Board of Directors. These Regulations can be seen on the Company's website. No annual reports have been prepared, although at each meeting of the Board of Directors, reports are given on the major aspects and conclusions dealt with at the meetings of the Committee.

Name of committee

AUDIT COMMITTEE

Brief description

The Audit Committee is regulated by articles 39 bis of the Company Bylaws and article 14 of the Regulations of the Board of Directors. Both documents can be seen on the Company's website.

No annual reports have been prepared, although at each meeting of the Board of Directors, reports are given on the major aspects and conclusions dealt with at the meetings of the Committee.

B.2.6 Indicate whether the composition of the Executive Committee reflects the participation on the Board of the different categories of directors:

NO

If no, explain the composition of the executive committee
Although the constitution of an executive committee is foreseen in article 16.1 of the Regulations of the Board, it has not been formally constituted.

C. RELATED PARTY TRANSACTIONS

C.1 Mark whether, following a favorable report from the Audit Committee or any other committee assigned this task, the Board in full is responsible for approving the Company's transactions with Board Members, significant shareholders or shareholders represented on the Board, or individuals related thereto:

YES

C.2 Detail the relevant operations that involved a transfer of resources or obligations between the Company or the entities of the Group and significant shareholders of the Company:

NAME OR CORPORATE NAME OF THE SIGNIFICANT SHAREHOLDER	NAME OR CORPORATE NAME OF THE COMPANY OR ITS GROUP	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT (thousand euros)
HOTELES MALLORQUINES ASOCIADOS, S.L.	CASINO TAMARINDOS, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	1
HOTELES MALLORQUINES ASOCIADOS, S.L.	COMUNIDAD DE PROPIETARIOS MELIA SOL Y NIEVE	Hotel supplies (Food)	Sale of goods (finished or in process)	81
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	178
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	11,496
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL, S.A.	Sundry services	Service provision	43
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Facility maintenance expenses	Receiving of services	274
HOTELES MALLORQUINES AGRUPADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Leasing of facilities	Leases	417
HOTELES MALLORQUINES ASOCIADOS, S.L.	REALIZACIONES TURÍSTICAS, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	41
HOTELES MALLORQUINES ASOCIADOS, S.L.	TENERIFE SOL, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	1,303

C.3 Detail of the relevant operations that involved a transfer of resources or obligations between the Company and entities of its Group and the administrators or executives of the Company:

NAME OR CORPORATE NAME	NAME OR CORPORATE NAME	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT (thousand euros)
CAJA DE AHORROS DEL MEDITERRÁNEO	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	601
CAJA DE AHORROS DEL MEDITERRÁNEO	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	Contractual	Financial expenses	3
CAJA DE AHORROS DEL MEDITERRÁNEO	LOMONDO LIMITED	Contractual	Financial expenses	58
CAJA DE AHORROS DEL MEDITERRÁNEO	LOMONDO LIMITED	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	472
CAJA DE AHORROS DEL MEDITERRÁNEO	MELIÁ HOTELS INTERNATIONAL, S.A.	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	8,500
CAJA DE AHORROS DEL MEDITERRÁNEO	MELIÁ HOTELS INTERNATIONAL, S.A.	Contractual	Financial expenses	1,698

NAME OR CORPORATE NAME	NAME OR CORPORATE NAME	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT (thousand euros)
CAJA DE AHORROS DEL MEDITERRÁNEO	MELIÁ HOTELS INTERNATIONAL, S.A.	Contractual	Loan financing agreements and capital contributions (lending)	15
CAJA DE AHORROS DEL MEDITERRÁNEO	MELIÁ INVERSIONES AMERICANAS	Contractual	Financial expenses	2
CAJA DE AHORROS DEL MEDITERRÁNEO	MELIÁ INVERSIONES AMERICANAS	Contractual	Redemption or cancellation of loans and leasing contracts (leasing)	516
MR. EMILIO CUATRECASAS FIGUERAS	MELIÁ HOTELS INTERNATIONAL, S.A.	Legal services	Receiving of services	54
MR. EMILIO CUATRECASAS FIGUERAS	SOL MELIÁ MANAGEMENT (SHANGAI) COMPANY LTD.	Legal services	Receiving of services	53
MR. DON GABRIEL ESCARRER JULIA	CORPORACIÓN HOTELERA HISPANO MEXICANA, S.A.	Architectural services	Receiving of services	148
MR. JUAN VIVES CERDA	MELIÁ HOTELS INTERNATIONAL, S.A.	Hotel management	Co-operation or management contracts	211
MR. JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	Hotel management	Co-operation or management contracts	160

C.4 Detail the relevant operations made by the Company with other companies belonging to the same group, provided that they are not eliminated in the process of preparing the consolidated financial statements and do not form part of the normal business of the Company in terms of its business purpose and conditions:

C.5 Indicate whether the members of the Board of Directors have had any conflicts of interest in the year, pursuant to the provision of article 127 ter of the Spanish Corporations Law.

NO

C.6 Describe any mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and / or the Group, and its directors, executives or significant shareholders.

Directors must inform the Company whenever a situation of direct or indirect conflict of interest may arise with the interests of the Company, as foreseen in article 28 of the Regulations of the Board. As foreseen in article 15.2. of the Regulations of the Board of Directors, the Appointments and Remuneration Committee, must report such situations to the Board of Directors and propose the measures which should be taken to avoid such situations.

C.7 Is more than one Group company listed in Spain?

NO

Identify the subsidiaries that are listed:

D RISK CONTROL SYSTEMS

D.1 General description of the risk policies of the Company and / or its Group, detailing and evaluating the risks covered by the system, along with the justification of the appropriateness of these systems for the profile of each type of risk.

Conscious of the various risks to which the organization is exposed in the different countries, sectors and markets in which it operates, and in compliance with its responsibilities for risk management the board of directors of Meliá Hotels International (MHI) lays down the mechanisms and basic principles of risk management by way of the General Risk Monitoring, Analysis and Assessment Policy.

The object of this Policy is to create a general model and framework for the monitoring, analysis and assessment of the possible risks faced by the Group, risk management being understood in the sense of a structured, consistent and ongoing process running throughout the organization making it possible to identify, assess analyze and report on possible risks which might affect the meeting of targets or the implementation of strategy.

The model created for risk management is based on the COSO II and makes it possible to draw up the Group Risk Map based on the bringing together of the various individual risk maps of the different departments and business areas.

The Meliá Hotels International group has been developing this model since 2009 by way of the Risk Control Department (forming part of the Legal & Compliance Department), which also makes it possible to analyze the development of key risks over time both at Group level and at that of departments or business areas and compare the risk position in the various risk maps obtained.

The structure of the risks faced by the Group is divided into the following categories:

- **Overall risks**. These arise from events beyond the economic players' acting capacity.
- **Financial risks**. These are related to the financial variables and those arising from the company's difficulty in meeting its commitments or making its assets liquid.
- **Business risks**. These arise from the performance of the business intrinsic variables, such as demand, competition and market, strategic uncertainty and changes in scenarios.
- **Operating risks**. These are related to faults in internal processes, human resources, the physical equipment and the computer systems or the fact that they are not appropriate.
- **Compliance risks**. These arise from changes in regulations established by the various regulators and / or non-compliance with the applicable legislation, and the internal policies and regulations.
- **Information risks**. These are related to events caused by inappropriate use, generation and communication of information.

The evaluation of the events in the risks catalog was performed at residual risk level, i.e. taking into account, or discounting, the effect of the controls implemented at the Company to mitigate the inherent risk.

The Comprehensive Risk Management model ensures a standardized and common work structure, through the following stages or processes:

The identification of relevant risks. By way of an exercise of compiling internal and external information which makes it possible to identify the principle risks which might affect the Organization.

The analysis and assessment of these risks, using homogenous assessment procedures and standards, in each one of the business areas and in the various support units. This makes it possible to prioritize the more important events and to obtain individual risk maps department by department, combining which gives the Risk Map of the Group.

Risk Treatment, i.e. definition of the measures and assigning of the responsibilities which make it possible to make an effective contribution to risk management.

Regular risk monitoring by way of annual updates of the Risk Map and the initiatives adopted to mitigate these risks.

Regular and transparent communication of the results obtained to senior management and to the Audit and Compliance Committee and the Board of Directors, which serves as feedback to the system so as to achieve ongoing improvement of the process.

There are various areas or departments within the organization with specific responsibilities in risk management. The following stand out:

- Internal Audit

Within the Legal & Compliance Department and dependent functionally on the Auditing and Compliance Committee, its responsibilities include supervisión of the internal monitorng system, including ICFR (Internal Control of Financial Reporting).

The objective is to provide reasonable certainty in achieving operational efficiency, reliable financial information, compliance with applicable regulations and safeguarding of assets.

In this regard Internal Audit extended its functions into two new areas in 2011:

- On ICFR promoting the implementation of the measures necessary to comply with the requirements and indicators laid down in the document published by the National Securities Market Commission in June 2010, and supporting the Audit Committee in its task of supervising the process of preparing the financial information and the effectiveness of its internal control systems.

In relation to ICFR, and in compliance with the minimum information content laid down in the new article 61 bis of the Securities Market Act, an additional report is presented to the National Securities Market Commission in this respect.

The function of Internal Information Technologies Audit was also created with the approval of senior management reporting directly to the head if Internal Audit.

- Risk Control, Analysis and Evaluation.

The purpose of this department within the Legal & Compliance Department is to lay the basis for and promote a risk control culture in the organization.

For this it is responsible for ensuring the functioning and ongoing development of the risk management model, which involves among other tasks supporting and co-ordinating the Group in the development of the necessary capacities to identify, assess and manage any risk which may occur in the company.

- Corporate Governance

Also within the Legal & Compliance Department, one of the corporate governance tasks is to oversee the updates of the Company's internal regulations so that they are constantly adapted to the needs at any given time.

Work is also underway on the assessment of the criminal law risks to which the Group is exposed and on analysis of existing control mechanisms in order to prepare a Criminal Law Risk Map.

- Credit and Insurance Management

Belonging to the Finance Group this unit is principally in charge of credit risk management and of the taking out of insurance policies at corporate level to cover certain risks.

- Works and Maintenance

Independent areas which help with the identification and assessment of risks in installations in order subsequently and in a centralized way to ensure the prioritization of certain investments on the basis of certain previously established risk criteria.

- Personnel Administration

This department centralizes procedures and controls regarding the administrative management of personnel.

- Occupational Health

This belongs to the Human Resources Group and it has responsibilities in the area of occupational safety, based on the various legislations.

On the other hand, Meliá Hotels International has a group of internal regulations that must be fully complied with which seek to regulate the basic aspects of certain processes or functions and serve as the basis for implementing control mechanisms and systems.

D.2 Indicate whether any of the different types of risk affecting the company and / or its group (operating, technological, financial, legal, image-related, tax, etc.) materialized during the financial year.

YES

If so, indicate the circumstances that caused them and whether the control systems established worked.

Risk materializing during the year
Political and socio-cultural crises

Circumstances that have led to it
Political instability and revolts in North Africa, specifically in Egypt.

Functioning of the control systems
Meliá Hotels International prepared an Action Plan for hotels in Egypt in case the political tension affected the Group's establishments in that country. The Action Plan includes various measures designed to ensure the protection and safety of guests and employees.

Despite the clear negative effect the instability in North Africa has had on establishments run by Meliá Hotels International in Egypt, it should be pointed out that the re-directing of tourist flows has benefited other destinations in which the company has a strong presence, mainly the Canary Islands and the Balearic Islands. This positive collateral effect is expected to continue in 2012.

Risk materializing during the year
Country-region risk

Circumstances that have led to it
The irregular rate of recovery of the developed economies and the resulting fall in business travel has the effect of slowing the recovery in tourism, especially urban tourism, in certain countries and regions.

Functioning of the control systems
This trend having been identified, the strategy of international expansion and diversification have acted as a vaccine against the increase of so-called country risk.

In line with this Meliá Hotels International opened hotels in new markets such as Zanzibar, Tanzania, Cape Verde, Dubai y Columbia, and opened its second establishment in the United States (Meliá Orlando), in the first nine months of the year.

D.3 Indicate whether there is a committee or other governing body responsible for establishing and supervising these control devices.

YES

If so, give details of its functions.

Name of committee or body
Auditing and Compliance Committee

Description of functions
Amongst the functions of the Auditing and Compliance Committee are the supervision of the internal audit services and awareness of the Company financial information process and internal control systems.

Name of committee or body

Internal Audit Department

Description of functions

The Internal Auditing Department is responsible for examining and evaluating Group activities as a service to the organization to assist in the performance of its duties, including ICFR (Internal Control of Financial Reporting). The objectives of the audit include the promotion of effective control at a reasonable cost. The department provides analysis, valuations, recommendations, advice and information on the activities reviewed, both to members of Company management and to the Board of Directors. The internal audit includes the examination and evaluation of the appropriateness of internal organization and control systems and the quality of performance of the assigned tasks.

The responsibilities of internal auditors include:

- To review the reliability and integrity of financial and operational information and the means used to identify, evaluate, classify and communicate that information.
- To review the systems used to ensure that they are in line with policies, plans, procedures, laws and regulations that might have a significant effect on operations and reports, determining whether the organization is applying them.
- To review asset safety measures and, where appropriate, verify their existence.
- To evaluate the economy and efficiency with which resources are employed.
- To review operations or programs to verify that they are in line with set objectives and goals, and whether operations or programs are carried out as planned.

Internal auditors are independent of the activities which they audit and free to perform their work objectively. Their independence allows them to issue impartial judgments. Objectivity is a basic principle of their activity and under no circumstances must they subordinate their auditing judgment to that of others.

Name of committee or body

Senior Executive Team (SET)

Description of functions

The Senior Executive Team (SET) is formed by all of the EVPs from each of the areas.

The SET meets weekly although any of its members may request an urgent meeting of the SET at any time, provided there is sufficient reason to do so.

The SET must develop and promote control so as to improve the quality of Corporate Governance and risk control management within the Group, seeking to integrate control within the processes of planning, budgeting management, accounting, presentation of accounts and audits performed within the Group. The SET also has the following objectives:

1. To create a climate of discipline and control which reduces the chance of fraud.
2. To allow employees to contribute to control with an independent criteria and to develop a positive role.
3. To assist the organization by providing a forum to air matters of concern.

The SET is authorized to investigate any activity within its remit and to request the information it requires from any employee, who are obligated to cooperate with any requests from the SET.

D.4 Identification and description of the processes for compliance with the different regulations which affect the company and its group.

The company complies with all of the regulations that affect it directly and its group.

E GENERAL SHAREHOLDERS' MEETING

E.1 Indicate whether there are any differences between the minimum quorum for the Shareholders' Meeting required by Spanish Company Law (LSA) and by the Company Bylaws.

NO

	% of quorum different to that established in article 102 of the LSA for the general circumstances	% of quorum different to that established in article 103 of the LSA for the special circumstances of the article 103
Quorum required for the first call	0	0
Quorum required for the second call	0	0

E.2 Indicate whether there is a difference between the Board's system for adapting resolutions and the system provided under Spanish Company Law.

NO

Describe the differences with the regime envisaged in the Spanish Company Law.

E.3 Detail the rights of shareholders with respect to Shareholders' meetings that are different from those established in Company Law.

None

E.4 Indicate, if applicable, the measures adopted to encourage the participation of shareholders in the general meetings.

The company has several means of direct communication with shareholders to keep them informed about news as well as to receive suggestions.

The company provides a telephone hotline for shareholders and also has a Shareholders' Club which provides shareholders with a direct means of communication with company management. Shareholders are also sent a quarterly e-mail newsletter which contains financial reports.

As for the call for the General Meeting, in addition to the announcement in the Official Gazette of the Mercantile Registry and in one of the major circulation dailies in the province, of the date, time, place and agenda of the General Meeting, an announcement is also posted on the website of the company, in the Investor Relations link, sufficiently in advance in order to inform the shareholders of the meeting. People attending the meeting receive a copy of the company annual report as well as a gift to thank them for their attendance.

Another way of encouraging participation, although not attendance, is the transmission of the General Meeting live on the company website to allow shareholders and others to follow the event from anywhere in the world over the Internet.

For the Shareholders' General Meeting the company set up an Electronic Forum for Shareholders in order to facilitate communication prior to the meeting itself. Through the Forum and duly guaranteed, the individual shareholders and voluntary associations can publish the proposals aimed at being presented to round out the agenda announced in the Meeting's notice, request that those proposals be admitted, provide initiatives to reach the percentage to exercise the minority right as envisaged in law, as well as the offers for voluntary representation.

E.5 Indicate if the position of Chairman of the Shareholders' Meeting coincides with the Chairman of the Board of Directors. Detail, in this event, the measures adopted to guarantee the independence of the Shareholders' Meeting and that it functions correctly:

YES

Details of the measures
Yes, they coincide. As envisaged in article 14.7 of the Regulations of the General Shareholders' Meeting , the exercise of all of the powers required to ensure the correct organization and development of the General Shareholders' Meeting is the responsibility of the Chairman of the General Shareholders' Meeting, with the assistance of the committee board, and in particular the following duties: (a) o declare whether the General Shareholders Meeting is validly constituted and to determine the number of shareholders that attend, either personally or via representatives, as well as defining the participation in share capital and number of votes which they possess; (b) to resolve any doubts, explanations or claims related to the list of attendees, proxies or representatives; (c) to resolve any doubts raised with respect to the matters included on the Agenda as well as to examine, accept or reject new proposals in relation to the Agenda; (d) to lead the debate, scheduling, ordering, limiting and ending debates whenever the matter is considered to have been discussed sufficiently; (e) to delegate leadership of the debate to the member of the Board of Directors consider appropriate, or to the Secretary, whom shall perform this function on behalf of the Chairman. This function may be revoked by the Chairman at any time; (f) to announce the result of votes taken; (g) to close the General Shareholders Meeting ; and, (h) in general, to resolve any doubts or incidents that may arise; All of the members of the Board of Directors must attend the General Shareholders' Meeting and must assist the Chairman in the application of the Regulations of the General Shareholders' Meeting during the meeting itself and in the interpretation of its spirit and objectives. The General Shareholders' Meeting is always attended by a Notary responsible for writing the Minutes of the meeting as required by Company Law and to assist the members of the Board of Directors in performing their duties. Article 20.3 of the Regulations of the General Shareholders' Meeting states that the Board of Directors may require the presence of a Notary to take the Minutes of the meeting and will obliged to request such presence whenever requested by shareholders that represent at least ONE PER CENT (1%) of the Company share capital at least FIVE (5) days before the General Shareholders' Meeting is held. In both cases, the Notary's Minutes will be considered the Minutes of the General Shareholders' Meeting as defined by law and in the Regulations of the Mercantile Registry.

E.6 Changes introduced during the year in the regulations of the General Shareholders' Meeting.

In 2011, no modifications were made to the Regulations of the General Meeting of Shareholders.

E.7 Attendance at all of the Shareholders' Meetings held in the financial year:

ATTENDANCE					
DATE	% ATTENDANCE	% REPRESENTED	% DISTANT VOTE		TOTAL
			ELECTRONIC VOTE	OTHER	
01/06/2011	0.188	82.281	0.000	0.000	82.469

E.8 Briefly indicate the resolutions adopted by the General Shareholders' Meetings held during the year of this report and percentage of votes by which they were approved.

In summary, the resolutions adopted are as follows:

- FIRST:
  Examination and approval of the Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Total Changes in Net Equity, Cash Flow Statements and Annual Report) and Management Report both Individually for SOL MELIÁ, S.A. and also for the Consolidated Group for the financial year ended 31 December 2010.

  Votes in favor: 82.904%.

- SECOND:

  As for the Individual Accounts, it is agreed to apply the amount of NINETEEN MILLION THREE HUNDRED AND FORTY-ONE THOUSAND FOUR HUNDRED AND TWENTY-NINE EUROS AND THIRTY-NINE CENTS (19,341,429·39 Euros) which it is proposed to apply, up to a maximum of TEN MILLION FOURTEEN THOUSAND NINE HUNDRED AND ONE EUROS AND THIRTY-ONE CENTIMES (10,014,901·31 Euros) to distribution of dividends and the remaining sum of NINE MILLION THREE HUNDRED AND TWENTY-SIX THOUSAND FIVE HUNDRED AND TWENTY-EIGHT EUROS AND EIGHT CENTIMES (9.326.528,08 Euros) to offsetting losses of previous financial years.

  Votes in favor: 82.904%.

- THIRD:

  To adopt without reservations of any type, the management carried out by the Board of Directors in the year 2010.

  Votes in favor: 82.898%.

- FOURTH:

  Ratify the appointment of Mr. Luis María Díaz de Bustamante y Terminel as independent external director of the board of directors of SOL MELIA, S.A.

  Mr. Luís María Díaz de Bustamante y Terminel will hold the post of secretary of the board of directors.

  Votes in favor: 82.896%.

- FIFTH:

  Authorize the Board of Directors to agree on a capital increase of the company, without previously consulting the Shareholders' General Meeting, up to a maximum amount of EIGHTEEN MILLION FOUR HUNDRED AND SEVENTY-SEVEN THOUSAND SIX HUNDRED AND SEVENTY-SEVEN EUROS (18,477,677 Euros) being able to exercise this power within the said sum on one or a number of occasions, deciding on its appropriateness in each case and the amount and the terms considered appropriate.

  Any increase of capital decided on must take place within a maximum period of five years from the holding of the General Shareholders' Meeting, on the terms contemplated in the resolution adopted.

  Votes in favor: 81.873%.

- SIXTH:

  Authorize the Board of Directors to issue fixed income, convertible and / or exchangeable securities for Company shares, within a five-year period starting on the date of the Meeting, determining the bases and types of conversion and / or swap, attributing the powers to exclude the preferential subscription right for shareholders and bondholders, guaranteeing the issuance of subsidiaries and capital increases in the amount necessary, rendering without any effect the authorization given through a resolution by the General Shareholders' Meeting of 1 June 2010.

  Votes in favor: 81.822%.

- SEVENTH:

  Authorize the Board of Directors for the derivative acquisition of shares of SOL MELIA S.A., directly or through dominated companies, within 5 years, starting on the date of the Meeting, and ratifying the acquisitions made since the last General Shareholders' Meeting, rendering without any effect the unused part of the authorization given through a resolution by the General Shareholders' Meeting of 1 June 2010.

  Votes in favor: 82.879%.

- EIGHT:

  Amendment of article 1 of the by-laws of Sol Meliá as regards the company name.

  Votes in favor: 82.903%.

- NINTH:
  Submit to a consultative vote a report on the remuneration policy of the board of directors prepared by the Appointments and Remuneration Committee.

  Votes in favor: 72.936%.

- TENTH:
  Confer power for the execution of the resolutions adopted by the General Shareholders' Meeting, and for the supplementing, correcting and formalizing of the same.

  Votes in favor: 82.904%.

E.9 Indicate if there are any Company Bylaw restrictions on the minimum number of shares required to attend the General Shareholders' Meeting.

YES

Number of shares needed to attend the General Shareholders' Meeting	300

E.10 Indicate and justify the policies applied by the Company in reference to proxy voting at the General Shareholders' Meeting.

Shareholders may exercise their right to vote without any need to attend the General Shareholders Meeting by sending the attendance card received from their bank to SOL MELIÁ at least one (1) day before the Meeting is held by any of the following means:

Ordinary post:
To the Department of Investor Relations
Calle Gremio Toneleros 24, Polígono Son Castelló
07009 Palma de Mallorca (Balearic Islands)

By fax:
To the Department of Investor Relations
Fax: + 34 971224498

By e-mail:
Including a scanned image of the vote delegation attendance card.
Address: atencion.accionista@solmelia.com.

E.11 Indicate whether the company has any possible knowledge of the policies of institutional investors regarding taking part in Company decisions:

NO

E.12 Indicate the address and route to corporate governance information on Company website.

One can access the website of the Company at: www.solmelia.com. Then click on "About Sol Melia" at the top of the page, and then click on "Investor Relations". This section in "Shareholder Information" gives access to all the documentation on corporate governance of the Company.

F DEGREE OF COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance of the Company with respect to the recommendations made by the Unified Code of Good Governance. If the Company does not comply with any recommendations, explain the recommendations, rules, practices or criteria applied by the Company.

1. The bylaws of listed companies may not limit the number of votes held by a single shareholder, or impose other restrictions on the company's takeover via the market acquisition of its shares.
   See sections: A.9, B.1.22, B.1.23 and E.1, E.2

Complies

2. In the event that a parent and subsidiary company are separately listed, they must publish an exact definition of:
   a. The respective activity areas and possible business relations between them, as well as those of the listed subsidiary with the other group companies;
   b. The mechanisms envisaged for resolving conflicts of interest that may arise.
   See sections: C.4 and C.7

Not Applicable

3. Even if not expressly required under company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:
   a. The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;
   b. The acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
   c. Operations that effectively add up to the company's liquidation.

Complies

4. The proposed resolutions to be adopted at the General Shareholders' Meeting, including the information referred to in recommendation 28, be made public on the date on which the notice of the meeting is published.

Complies

5. Separate votes are to be taken at the General Meeting on materially separate items, so shareholders can express their preferences in each case. This rule particularly applies to the following:
   a. Appointment or ratification of directors, with separate voting on each candidate;
   b. Changes to the bylaws, with votes taken on all articles or groups of articles that are materially different.
   See section: E.8

Complies

6. Companies shall allow split votes, so that financial intermediaries who are shareholders of record but acting on behalf of different clients can issue their votes according to instructions.
   See section: E.4

Complies

7. The Board of Directors shall perform its duties with unity of purpose and independence, according all shareholders the same treatment. It shall be guided at all times by the company's best interest, to be understood as maximizing the company's value over time. It shall ensure that the company abides by the laws and regulations in its relations with stakeholders; fulfils its obligations and contracts in good faith; respects the customs and good practices of the sectors and territories where it does business; and upholds any additional social responsibility principles it has subscribed to voluntarily.

Complies

8. The core components of the Board's mission shall be to approve the company's strategy, authorize the organizational resources to carry it forward, and ensure that management meets the objectives set while pursuing the company's interests and corporate purpose. As such, the Board in full shall approve:
    a. he company's general policies and strategies, and specifically:
        i. The strategic or business plan, management targets and annual budgets.
        ii. Investment and financing policy.
        iii. Definition of the structure of the corporate group
        iv. Corporate governance policy
        v. Corporate social responsibility policy
        vi. Senior management remuneration and performance evaluation policy.
        vii. Risk control and management policy, and the periodic monitoring of internal information and control systems.
        viii. Policy on dividends and on treasury shares, and the limits to apply.

    See sections: B.1.10, B.1.13, B.1.14 and D.3

    b. The following decisions:
        i. On the proposal of the company's chief executive, the appointment and removal of senior executives and their termination clauses.

    See section: B.1.14

        ii. The remuneration of the Board Members and in the case of executive directors, additional consideration for their management duties and other conditions that should be respected under their contracts.

    See section: B.1.14

        iii. The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange.
        iv. Investments or operations considered strategic by virtue of their amount or special characteristics; unless their ratification requires approval by the General Shareholders' Meeting;
        v. The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.
    c. Transactions conducted by the Company with directors, significant shareholders, shareholders with Board representation or other persons related thereto (related party transactions).
    It is understood, however, that said authorization from the Board shall not be necessary in those linked operations in which the follow three conditions are simultaneously fulfilled:
        1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
        2. They are performed at the general prices or rates set by the supplier of the good or service at issue;
        3. The transaction amount does not exceed 1% of the company's annual revenues.
        It is recommended that related party transactions only be approved by the Board on the basis of a favorable report from the Audit Committee, or other committee to which this task was assigned. Directors related to the transaction may neither exercise nor delegate their votes, and shall be absent from the meeting room while the Board deliberates and votes.

    It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c),which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.
    See sections: C.1 and C.6

Complies partially

Although the Board approves general company policies and strategies, it is not specifically responsible for approving each and every one of the items in the Recommendation.
The Board is also not involved at the degree of detail stated in the Recommendation with regard to decisions relating to compensation clauses for senior executives, although it is foreseen that this should be handled by the Appointment and Remuneration Committee.

9. In the interests of the effectiveness and participatory nature of its functioning, the Board of Directors should comprise between five and fifteen members.
    VSee section: B.1.1

Complies

10. A broad majority of the Board shall be external proprietary and independent directors and the number of executive directors should be the minimum necessary, taking into account the complexity of the group of companies as well as each executive shareholders' holding in the share capital of the company.
See sections: A.2, A.3, B.1.3 and B.1.14

Complies

11. Where an external director cannot be considered either proprietary or independent, the company shall explain this circumstance and disclose his ties to the company, management or shareholders.
See section: B.1.3

Not Applicable

12. Among external directors, the relation between proprietary members and independents should reflect the proportion between the capital represented on the Board and the remainder of the company's capital.
This criterion of strict proportionality may be relaxed, so the weight of proprietary directors is greater than would strictly correspond to the total percentage of capital they represent, in the following cases:
1 In large cap companies where few or no equity stakes attain the legal threshold or significant shareholdings, despite the considerable sums actually invested.
2 In companies with a plurality of shareholders represented on the Board but not otherwise related.
See sections: B.1.3, A.2 and A.3

Complies

13. The number of independent directors shall represent at least a third of all Board Members.
See section: B.1.3

Complies

14. The nature of each director must be explained to the General Shareholders' Meeting, which shall make or ratify his or her appointment. Such determination shall subsequently be reviewed in each year's Annual Corporate Governance Report following verification by the Appointment Committee. This report shall also explain the reasons for having appointed a proprietary director at the proposal of shareholders holding less than 5% of the share capital, as well as the reasons for any rejection of a formal request for a Board place from shareholders whose ownership interest is equal to or greater than that of others at whose request proprietary directors were appointed.
See sections: B.1.3 and B.1 4

Explain

No proprietary directors have been appointed at the proposal of shareholders holding less than 5% of the share capital.

15. When women Board Members are few or non existent, the Board should state the reasons for this situation and the initiatives taken to correct it. In particular, in the event of new vacancies, the Appointment Committee should take steps to ensure that:
a. Recruitment processes are not implicitly biased in a manner which hinders the selection of women Board Members;
b. The company makes a conscious effort to include women with the target profile among potential candidates.
See sections: B.1.2, B.1.27 and B.2.3

Complies

16. The Chairman shall be responsible for the proper operation of the Board of Directors. He or she will ensure that Board Members are supplied with sufficient information in advance of board meetings, and will work to ensure a good level of debate. He or she will organize and coordinate regular evaluations of the Board and, when different from the Chairman of the Board, the company's chief or top executive.
See section: B.1.42

Complies

17. When the Chairman and chief executive are one and the same, one of the company's independent directors shall be empowered to request the convening of Board meetings or the inclusion of new business on the agenda, in order to coordinate and voice the concerns of external directors and will take charge of the Chairman's evaluation.
See section: B.1.21

Not Applicable

18. The Secretary of the Board of Directors shall take steps to assure that the Board's actions:
    a. Adhere to the spirit and letter of laws and their implementing regulations, including those issued by regulatory agencies;
    b. Comply with the company Bylaws, General Shareholders' Meeting Bylaws, Rules of the Board of Directors and any other related rules;
    c. Take into account the good governance recommendations of this Unified Code accepted by the company.

    To safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal must be proposed by the Appointment Committee and approved by a full Board meeting. This appointment and removal procedure must be detailed in the Rules of the Board of Directors.
See section: B.1.34

Complies

19. The Board of Directors shall meet as often as required to properly carry out its duties, following the timetable of dates and issues agreed at the beginning of the year, Board Members may propose that business not initially foreseen be included on the agenda of these meetings.
See section: B.1.29

Complies

20. Board Member absences will be kept to the bare minimum and quantified in the Annual Corporate Governance Report. In the event that Board Members' votes must be delegated, proxies shall be provided with proper instructions.
See sections: B.1.28 and B.1.30

Complies

21. When Board Members or the Secretary express concerns about some proposal or, in the case of Board Members, about the company's performance, and such concerns are not resolved at the meeting, the member expressing them will request that they be recorded in the minute book. .

Complies

22. The full Board shall evaluate the following points on a yearly basis:
    a. The quality and efficiency of the Board's stewardship;
    b. Based on the report issued by the Appointment Committee, how well the Chairman and chief executive officer have carried out their duties;
    c. The performance of the Board's Committees, on the basis of the reports furnished thereby.

See section: B.1.19

Complies partially

The Board does not evaluate the Board Chairman nor the workings of its committees.

23. All Board Members shall be entitled to exercise their right to receive additional information they may consider necessary on matters within the scope of the Board's power. Any such requests should be made to the Chairman or the secretary to the Board unless the company bylaws or regulations of the Board of Directors indicate otherwise.
See section: B.1.42

Complies

24. All Board Members shall be entitled to call on the company for the advice they need to carry out their duties. The company shall establish suitable channels for the exercise of this right, extending in special circumstances to external assistance at the company's expense..
See section: B.1.41

Complies

25. Companies shall organize induction courses for new Board Members to supply them rapidly with the information they need on the company and its corporate governance rules. Board Members shall also be offered refresher courses when circumstances so advise.

Complies

26. The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively. As such:
    a. Board Members shall apprise the Appointment Committee of their other professional obligations which might detract from the necessary dedication;
    b. The companies shall set rules regarding the number of Board positions their Board Members may hold.
    See sections: B.1.8, B.1.9 and B.1.17

Complies partially

The company has not set rules regarding the number of Board positions the Board Members may hold.

27. The proposal for the appointment or renewal of Board Members which the Board submits to the General Shareholder's Meeting, as well as provisional appointments through cooptation, shall be approved by the Board:
    a. At the proposal of the Appointment Committee, in the case of independent directors.
    b. Subject to a report from the Appointment Committee in the case of all other Board Members.
    See section: B.1.2

Complies

28. Companies shall post the following information regarding the Board Members on their websites, and keep them permanently updated:
    a. Professional experience and background;
    b. Other Boards of Directors of which they are a member, regardless of whether or not the related companies are listed on the stock exchange;
    c. Indication of the Board Member's classification as executive, proprietary or independent, as the case may be. In the case of proprietary directors, the shareholder they represent or to whom they are affiliated shall be stated.
    d. The date of their first and subsequent appointments as a company Board Member; and;
    e. Shares held in the company and any options on the same.

Complies

29. Independent directors may not hold this office for over an uninterrupted period of 12 years.
See section: B.1.2

Explain

Only two of all the Independent Directors have remained as such for a period of more than 12 years.

30. Proprietary directors shall resign when the shareholders they represent dispose of the shares owned in their entirety. The corresponding number of proprietary directors shall also resign, when the shareholders they represent reduce their ownership interest to a level requiring a reduction in the number of proprietary directors.
See sections: A.2, A.3 and B.1.2

Complies

31. The Board of Directors may not propose the removal of independent directors before the expiry of the statutory term for which they were appointed, as mandated by the bylaws, except where just cause is found by the Board based on a report of the Appointment Committee. In particular, just cause will be presumed when a Board Member is in breach of the duties inherent to his position or comes under one of the disqualifying grounds enumerated in section 5 of chapter III on the definitions of this Code.
The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate operation causes changes in the capital structure of the company, in order to meet the proportionality criterion set out in Recommendation 12.
Ver epígrafes: B.1.2, B.1.5 y B.1.26

Complies

32. The companies shall lay down rules requiring Board Members to inform the Board, and if necessary, resign, in cases where the company's name and reputation is harmed. In particular, Board Members shall be required to inform the Board immediately of any criminal charges brought against them and the progress of any subsequent trial.
If a Board Member is indicted or brought to trial for any of the crimes stated in article 124 of the Spanish Corporations law, the Board will examine and, in view of the particular circumstances, determine whether or not the Board Member shall continue in his position. The Board shall provide a reasonable explanation of all determinations made in the Annual Corporate Governance Report.
See sections: B.1.43 and B.1.44

Complies

33. All Board Members should express clear opposition when they feel a proposal submitted for the Board's approval might harm the corporate interest. In particular, independent directors, and other Board Members not subject to a potential conflict of inter should strenuously challenge any decision that might unjustifiably harm the interests of shareholders lacking board representation. When the Board makes material or reiterated decisions about which a Board Member has expressed serious reservations, then he or she must draw the pertinent conclusions. Board Members resigning for such causes should set out their reasons in the letter referred to in the next Recommendation. The term of this Recommendation will also apply to the Board Secretary in the discharge of his or her duties even if they are not themselves directors.

Complies

34. Board Members who resign or otherwise step down before their term expires, shall explain their reasons for doing so in a letter sent to all the Board Members. Notwithstanding whether it is reported as a relevant fact, the removal of any director and the motives for the same must be explained in the Annual Corporate Governance Report.
See section: B.1.5

Not Applicable

35. The company's remuneration policy, as approved by its Board of Directors, will specify at least the following points:

a. The amount of the fixed components, itemized where necessary, of Board and Board committee attendance fees, with an estimate of the fixed annual payment they give rise to;
b. Variable remuneration items, including specifically:
    i. The types of Board Members they apply to, with an explanation of the relative weight of variable to fixed remuneration items.
    ii. Performance evaluation criteria used to calculate entitlement to the award of shares or stock options or any variable remuneration;
    iii. The main parameters and justification for any system of annual bonuses or other, non cash benefits; and
    iv. An estimate of the total variable pay resulting from the proposed remuneration plan based on the extent to which the applicable benchmarks are complied with.
c. Main characteristics of pension systems (for example, supplementary pensions, life insurance and similar arrangements), and an estimate of the equivalent amount or cost.
d. The conditions to apply to the contracts of executive directors exercising senior management functions, including:
    i. Term;
    ii. Notice periods; and
    iii. Any other clauses covering hiring bonuses, as well as indemnities or "golden parachutes" in the event of early termination of the contractual relation between company and executive director.

See section: B.1.15

Complies

36. Remuneration comprising the delivery of shares in the company or other companies in the group, stock options or other share-based incentives, or incentive payments linked to the company's performance or membership of pension schemes shall be confined to executive directors. The delivery of shares is excluded from this limitation, when such delivery is contingent on Board Members retaining the shares till the end of their term.
See sections:A.3 and B.1.3

Complies

37. Board Member remuneration shall sufficiently compensate them for the commitment, qualifications and responsibility that the position entails, but should not be so high as to jeopardize their independence.

Complies

38. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

Complies

39. In the case of variable pay, remuneration policies should include technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, atypical or exceptional transactions or circumstances of this kind.

Complies

40. The Board shall submit a consultative report on the Board Members' remuneration policy to the vote of the General Shareholders' Meeting, as a separate point on the Agenda. The said report shall be provided to shareholders separately or in any form deemed appropriate by the company.
The report will focus on the remuneration policy the Board has approved for the current year, with reference, as the case may be, to the policy planned for future years. It will address all the questions referred to in Recommendation 35, except points potentially involving the disclosure of commercially sensitive information. It will also identify and explain the most significant changes in remuneration policy with respect to the previous year referred to the General Shareholders' Meeting. It shall also provide a general summary of how remuneration policy was implemented in the prior year.
The role of the Remuneration Committee in designing the policy and, if external advisors have been retained, their identity shall also be reported.
See section: B.1.16

Complies

41. The notes to the annual accounts shall include a detail of the payments made in the period to individual directors, including:
    a. A breakdown of the remuneration obtained by each company director, to include where appropriate:
        i. Participation and attendance fees and other fixed Board Member payments;
        ii. Additional compensation for acting as Chairman or member of a Board committee;
        iii. Any payments made under profit-sharing or bonus schemes, and the reason for their accrual;
        iv. Contributions on the director's behalf to defined-contribution pension plans; or any increase in the director's vested rights in the case of contributions to defined-benefit schemes;
        v. Any indemnities agreed or paid on the termination of their functions;
        vi. Any compensation they receive as Board Members of other companies in the group;;
        vii. The remuneration executive directors receive in respect of their senior management positions;
        viii. Any kind of compensation other than those listed above, of whatever nature and provenance within the group, especially when it may be considered a related-party transaction or when its omission would detract from a true and fair view of the total remuneration received by the Board Member.
    b. An individual breakdown of deliveries to directors of shares, stock options or other share-based incentives, itemized by:
        i. Number of shares or options awarded in the year, and the terms set for their execution;
        ii. Number of options exercised in the year, specifying the number of shares involved and the exercise price;
        iii. Number of options outstanding at the annual close, specifying their price, date and other exercise conditions;
        iv. Any change in the year in the exercise terms of previously awarded options.
    c. Information on the relation in the year between the remuneration obtained by executive directors and the company's profits or some other measure of enterprise results.

Complies partially

The notes to the annual accounts include the aggregate remuneration of Board Members for the financial year but not the individual amounts.

42. When the company has a Delegate or Executive Committee (hereafter, "Executive Committee"), the breakdown of its Board Members by category should roughly mirror that of the Board itself and that the Secretary should be a member of the Board.
See sections: B.2.1 and B.2.6

Not Applicable

43. The Board shall be kept fully informed of the business transacted and decisions made by the Executive Committee. All Board members will receive a copy of the Committee's minutes.

Not Applicable

44. In addition to the Audit Committee, which is mandatory under the Securities Market Law, the Board of Directors shall form a Committee, or two separate committees, of Appointment and Remuneration.
The rules governing the make-up and operation of the Audit Committee and the Committee or committees of Appointment and Remuneration will be set forth in the Rules of the Board of Directors, and shall include at least the following:

a. The Board of Directors shall appoint the members of these committees with regard to the knowledge, skills and experience of its Board Members and the duties each committee; shall discuss their proposals and reports; and at the first meeting of the Board following their meetings, the committee members shall report on and take responsibility for the work performed.
b. These committees shall be composed exclusively of external directors and shall have a minimum of three members. This is without prejudice to executive directors or senior managers attending meetings, for informational purposes, at the committees' invitation.
c. Their Chairmen shall be independent directors.
d. They may engage external advisors, when they feel this is necessary for the discharge of their duties.
e. Meeting proceedings shall be recorded in minutes, a copy of which is to be sent to all Board members.

See sections: B.2.1 and B.2.3

Complies partially

Although the Audit Committee is composed exclusively by external directors, there is an Appointments and Remuneration Committee, which are not composed exclusively of external directors.

45. The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointment Committee or, as the case may be, separate Compliance or Corporate Governance committees.

Complies

46. All members of the Audit Committee, particularly its Chairman, will be appointed with regard to their knowledge and experience in accounting, auditing or risk management matters.

Complies

47. Listed companies will have an internal audit function, under the supervision of the Audit Committee, to ensure the proper operation of internal information and control systems.

Complies

48. The head of internal audit shall present an annual work program to the Audit Committee, report to it directly on any incidents arising during its implementation, and submit an activities report at the end of each year.

Complies

49. Control and risk management policy shall specify at least:

a. The different types of risk (operational, technological, financial, legal, reputational, etc.) the company is exposed to, with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks;

b. The determination of the risk level the company sees as acceptable;

c. The measures provided to mitigate the impact of the risks identified, in the event that they were to materialize;

d. The internal reporting and control systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

See section: D

Complies

50. The Audit Committee's role will be as follows:

1 In relation to internal control and reporting systems:

a. Monitor the preparation and the integrity of the financial information prepared on the company and, where appropriate, the group, checking for compliance with legal provisions and the correct application of accounting principles

b. Review internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed

c. Oversee the independence and effectiveness of the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the resources to be assigned to the internal audit function; receive regular report backs on its activities; and verify that senior management are acting on the conclusions and recommendations of its reports

d. Establish and supervise a mechanism whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially.

2 In relation to the external auditor:

a. Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement

b. Receive regular information from the external auditor on the progress and findings of the audit plan, and check that senior management are acting on its recommendation

c. Oversee the independence of the external auditor, to which end:

   i. The company will notify any change of auditor to the Spanish Stock Market Commission in the form of a relevant fact, stating the reasons for its decision.

   ii. The Committee will ensure that the company and the auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other requirements designed to safeguard auditors' independence;

   iii. The Committee will investigate the issues giving rise to the resignation of any external auditor.

d. In the case of groups, the group auditor shall be encouraged to assume responsibility for the audits of all the group companies.

See sections: B.1.35, B.2.2, B.2.3 and D.3

Complies partially

Although there is no mechanism for employees to report irregularities that they see in the company, one is under development.

51. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior manager.

Complies

52. The Audit Committee will report on the following points from Recommendation 8 before any decisions are taken by the Board:

a. The financial information to be periodically disclosed by the Company given that it is listed on the stock exchange. The Committee shall ensure that intermediate statements are drawn up under the same accounting principles as the annual statements and, to this end, may ask the external auditor to conduct a limited review.

b. The incorporation or acquisition of special purpose vehicles or entities resident in countries or territories defined as tax havens, as well as any analogous transactions or operations whose complexity may impair the Group's transparency.

c. Related-party transactions, unless this responsibility has been another supervision and control Committee.

See sections: B.2.2 and B.2.3

Complies

53. The Board of Directors shall present the financial statements to the General Shareholders' Meeting without reservations or qualifications in the audit report. Should such reservations or qualifications exist, both the Committee Chairman and the auditors will give a clear account to shareholders of their scope and content.
See section: B.1.38

Complies

54. The majority of the members of the Appointment Committee or of the Appointment and Remuneration Committee, in the case that there is only one, of independent directors.
See section: B.2.1

Explain

Article 15.1 of the Regulations of the Board of Directors state that the majority should be external directors, including at least one independent director.

55. The Appointment Committee shall have the following functions in addition to those stated in earlier Recommendations:
 a. Evaluate the skills, knowledge and experience of the Board, define the roles and abilities required of the candidates to fill each vacancy, and decide the time and dedication necessary for them to properly perform their duties.
 b. Examine or organize, in appropriate form, the succession of the Chairman and chief executive officer, making the pertinent recommendations to the Board so the handover proceeds in a planned and orderly manner.
 c. Report on the senior management appointments and removals which the chief executive officer proposes to the Board.
 d. Report to the Board on the gender diversity issues discussed in Recommendation 14 of this Code.

See section: B.2.3

Complies

56. The Remuneration Committee will consult with the Chairman or chief executive officer, especially on issues involving executive directors and senior executives.
Any Board Member may request that the Appointment Committee take into consideration potential candidates considered to be appropriate to fill Board Member vacancies.

Complies

57. The Remuneration Committee shall have the following functions in addition to those stated in earlier Recommendations:
 a. Make proposals to the Board of Directors regarding:
  i. The remuneration policy for Board Members and senior executives;
  ii. The individual remuneration of Board Members and other contract conditions;
  iii. The basic conditions of the contracts of senior executives.
 b. Oversee compliance with the remuneration policy set by the company.

See sections: B.1.14 and B.2.3

Complies

58. The Remuneration Committee will consult with the Chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Complies

G OTHER INFORMATION OF INTEREST

If it is considered that there is some principle or matter that is relevant with respect to the practices of corporate governance applied by the Company that has not been covered by the present report, include it below and explain its content.

This section can include any other information, clarification or nuance related to the previous sections of this report insofar as they are relevant and not reiterative.

Specifically, indicate if the company is subject to legislation other than Spanish legislation in terms of corporate governance and, where appropriate, include information that it is obligated to provide and is different to that required in this report.

Binding definition of independent director:

Indicate whether any of the independent directors have or have had any relation with the company, its significant shareholders or its executives which, had it been sufficiently significant or important, would have meant that the director could not be considered independent in accordance with the definition given in section 5 of the Unified Good Governance Code:

NO

Date and signature:

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on
29/03/2012

Indicate whether there were any directors who voted against or abstained in relation to the approval of this report.

NO

FORMULATION OF THE DIRECTORS' REPORT

On 29 March 2012, the Board of Directors formulated the directors' report.

The undersigned Directors represent that, to the best of their knowledge, the Directors' Report includes a true and fair analysis of the evolution and results of operations and the position of the Group, together with a description of the main risks and uncertainties that it faces.

This report is set out on 89 pages, all signed by the Board Secretary, and the last page of which is signed by all the Directors.

Signed **Mr. Gabriel Escarrer Juliá**
Chairman

Signed **Mr. Juan Vives Cerdá**
Director

Signed **Mr. Sebastián Escarrer Jaume**
Vice Chairman

Signed **Mr. Gabriel Escarrer Jaume**
Vice Chairman and Chief Executive Officer

Signed **Hoteles Mallorquines Consolidados, S.A.**
(Represented by Ms. María Antonia Escarrer Jaume)
Director

Signed **Caja de Ahorros del Mediterráneo**
(Represented by Mr. Armando Sala Lloret)
Director

Signed **Mr. Juan Arena de la Mora**
Independent Director

Signed **Mr. Emilio Cuatrecasas Figueras**
Independent Director

Signed **Ms. Amparo Moraleda Martínez**
Independent Director

Signed **Mr. Alfredo Pastor Bodmer**
Independent Director

Signed **Mr. Luis Mª Díaz de Bustamante y Terminel**
Secretary and Independent Director

A free translation of the report on the "Internal Control over Financial Reporting" originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

Report of the auditor referring to the "Internal Control over Financial Reporting" at Meliá Hotels International, S.A. in 2011

To the Directors,

As a result of the request made by the Board of Directors of Meliá Hotels International, S.A. (hereinafter the Company) and our proposal letter dated 16 February 2012, we have applied certain procedures to the Information relating to "Internal Control over Financial Reporting (ICFR)" included in the Additional Information to the Annual Corporate Governance Report for listed companies pertaining to Meliá Hotels International, S.A. in 2011, in accordance with Article 61bis of Law 24/1988 (28 July), on the Stock Market, as worded by Law 2/2011 (4 March) on Sustainable Economy (pages 2 to 12), which summarises the Company's internal control procedures as they relate to annual financial information.

Law 24/1988 (28 July) on the Stock Market, amended by Law 2/2011 (4 March) on Sustainable Economy, stipulates that as from the financial years commencing on 1 January 2011 the Annual Corporate Governance Report (hereinafter ACGR) must include a description of the main characteristics of the internal control and risk management systems relating to the process of reporting regulated financial information. In this connection, the National Stock Market Commission (CNMV) promoted the creation of a Financial Reporting Internal Control Working Group (hereinafter ICWG) for listed companies in order to prepare a series of recommendations regarding the ICFR. As a result of the ICWG's work, in June 2010 the document "Internal Control over Financial Reporting for Listed Companies" was published (hereinafter the ICWG Document). Section III of this document includes a "Guide for the preparation of the description of the Internal Control over financial Reporting" that covers the basic indicators that in the judgement of the ICWG should be included in each company's description of the main characteristics of their ICFR. In the letter published by the CNMV on 28 December 2011, the regulator notes the legal amendments that must be taken into account when preparing "Information relating to ICFR" until the definitive publication of the CNMV Circular that defines a new ACGR model.

For the purposes of the provisions of indicator 16 of the ICWG Document, which requires that companies mention whether or not the description of the ICFR has been reviewed by the external auditor and, if so, that the relevant report must be included, on 28 October 2011 the associations representing the auditors published a draft Action Guidelines and the model report (hereinafter the Draft Action Guidelines). In addition, on 25 January 2012 the Accounting Institute of Spain (ICAC) issued Circular E 01/2012 establishing certain additional considerations relating to this matter.

The Board of Directors is responsible for adopting the measures necessary to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and the development of improvements to the system and to prepare and establish the content of the accompanying Information relating to the ICFR.

In this connection, it should be taken into account that regardless of the quality of the design and operation of the internal control system adopted by the Company with respect to annual financial information, it will only allow reasonable, and not absolute, confidence regarding the pursued objectives, due to the limitations inherent to any internal control system.

During the course of our audit work on the annual accounts and in accordance with Technical Audit Standards, our evaluation of the Company's internal control system had the sole purpose of allowing us to establish the scope, nature and timing of the audit procedures applied to the Company's annual accounts. Accordingly, our evaluation of internal control, carried out for the purposes of that audit on the annual accounts, did not have sufficient depth to allow us to issue a specific opinion regarding the efficiency of the internal control system with regard to the regulated annual financial information.

When issuing this report, we have only applied the specific procedures described below and indicated in the Draft Action Guidelines, which establishes the work to be performed, the minimum scope of that work and the content of this report. As the work resulting from those procedures has, in any event, a reduced scope and it is substantially less than that of an audit or a review of the internal control system, we cannot express an opinion regarding its effectiveness or on its design or operating efficiency with respect to the Company's annual financial information for 2011 described in the accompanying Information relating to ICFR. As a result, if we had applied procedures in addition to those described below, or performed an audit or review of the internal control system relating to the regulated financial information, other events or issues could have been revealed and of which we would have informed you.

Given the fact that this special work does not constitute an audit and it is not subject to the Audit Act approved by Legislative Royal Decree 1/2011 (1 July), we do not express an audit opinion in the terms established by that legislation.

The procedures applied were as follows:

1. Reading and understanding of the ICFR information prepared by the company and an evaluation of whether or not the information covers all minimum content requirements described in Section III "Guide for Preparing the Description of the ICFR" of the ICWG Document.

2. Questions asked to the employees responsible for preparing the information listed in point 1 above, in order to: (i) obtain an understanding of the process followed during preparation; (ii) obtain information that allows for an evaluation of whether or not the terminology used is in line with the definitions in the framework of reference; (iii) obtain information regarding whether or not the control procedures described are implemented and operating.

3. Review of explanatory documentation supporting the information listed in point 1 above and which will mainly consist of that which is directly made available to the persons responsible for preparing the description of the ICFR. This documentation includes reports prepared by internal audit, senior management and other internal and external specialists as part of their duty to support the audit committee.

4. Comparison of the information listed in Point 1 above against knowledge of the Company's ICFR obtained as a result of the application of the procedures carried out within the framework of the audit of the annual accounts.

5. Reading of the minutes to meetings held by the Board of Directors, the Audit Committee and other committees at the Company in order to evaluate the consistency of the ICFR issues discussed as well as the information listed in Point 1 above.

6. Obtain a letter of representation relating to the work performed signed by the persons responsible for preparing and formulating the information listed in Point 1 above.

As a result of the procedures applied to the Information relating to ICFR no inconsistencies or weaknesses that could affect that system were detected.

This report has been prepared exclusively under the context of the requirements established by Law 24/1988 (28 July) on the Stock Market, as amended by Law 2/2011 (4 March) on Sustainable Economy and the provisions of the ICWG Document dated June 2010 published by the National Stock Market Commission for the purposes of describing the ICFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Stefan Mundorf
Partner - Auditor

2 April 2012