Financial report 2012

ME London | Londres, Reino Unido

MELIÃ HOTELS INTERNATIONAL

HOTELS & RESORTS
REAL ESTATE
CLUB MELIÁ

MELIAHOTELSINTERNATIONAL.COM

CONTENTS

CONSOLIDATED ANNUAL ACCOUNTS

DIRECTOR'S REPORT

MELIÁ HOTELS INTERNATIONAL, S.A.
AND ITS SUBSIDIARIES

Auditor's report,
Consolidated annual accounts at December 31, 2012
Consolidated Directors' report 2012

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.

AUDITOR'S REPORT ON 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. (parent company) and its subsidiaries (the group), consisting of the consolidated statement of financial position (or balance sheet) at 31 December 2012, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and 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 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 2012 present fairly, in all material respects, the consolidated financial position of Meliá Hotels International, S.A. and its subsidiaries at 31 December 2012 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 2012 contains the explanations which the parent company'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 2012.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.

Stefan Mundorf
Partner

April 2, 2013

PricewaterhouseCoopers Auditores, S.L., Calle Conquistador, 18 07001 Palma de Mallorca
T: +34 971 213 670 F: +34 971 213 640, www.pwc.com/es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª. Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

CONSOLIDATED BALANCE SHEET – ASSETS

(Thousand €)	NOTE	31/12/2012	31/12/2011
NON-CURRENT ASSETS			
Goodwill	8	18,970	19,077
Other intangible assets	8	71,348	71,956
Property, Plant and Equipment	9	1,762,315	1,818,992
Investment property	10	149,524	135,358
Investments measured using the equity method	11	101,928	70,699
Other non-current financial assets	12.1	302,928	218,559
Deferred tax assets	17.2	159,130	154,179
TOTAL NON-CURRENT ASSETS		**2,566,144**	**2,488,820**
CURRENT ASSETS			
Inventories	13.1	88,476	89,090
Trade and other receivables	13.2	318,697	314,045
Current tax assets	17	18,513	12,666
Other current financial assets	12	17,561	25,051
Cash and other cash equivalents	13.3	468,346	439,508
TOTAL CURRENT ASSETS		**911,594**	**880,361**
TOTAL GENERAL ASSETS		**3,477,738**	**3,369,181**

(Thousand €)

	NOTE	31/12/2012	31/12/2011
EQUITY			
Share capital	14.1	36,955	36,955
Share premium	14.1	696,364	696,377
Reserves	14.2	352,760	297,962
Treasury shares	14.3	(110,426)	(110,413)
Retained earnings	14.4	239,089	247,767
Other equity instruments	12.2	33,933	33,933
Translation differences	14.5	(182,113)	(183,027)
Other measurement adjustments	14.5	(5,638)	(7,111)
Profit/(loss) for the year attributed to parent company	7	37,327	40,134
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		1,098,252	1,052,577
Minority interest	14.6	85,627	77,294
TOTAL NET EQUITY		**1,183,879**	**1,129,871**
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	12.2	283,850	281,967
Bank loans	12.2	564,161	756,883
Other finance lease payables	12.2	160,175	160,403
Other non-current financial liabilities	12	10,979	14,290
Capital grants and other deferred income	15.1	15,580	14,027
Provisions	15.2	38,207	35,416
Deferred tax liabilities	17.2	178,486	176,535
TOTAL NON-CURRENT LIABILITIES		**1,251,438**	**1,439,521**
CURRENT LIABILITIES			
Bonds and other negotiable securities	12.2	1,079	384
Bank loans	12.2	622,131	403,014
Other finance lease payables	12.2	229	215
Trade creditors and other payables	16	297,288	303,720
Current tax liabilities	17	23,698	14,984
Other current liabilities	12.2	97,997	77,473
TOTAL CURRENT LIABILITIES		**1,042,422**	**799,789**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**3,477,738**	**3,369,181**

CONSOLIDATED INCOME STATEMENT

(Thousand €)

	NOTE	31/12/2012	31/12/2011
Operating income	**6.1**	**1,362,396**	**1,335,322**
Supplies	6.2	(164,652)	(156,171)
Staff costs	6.3	(392,802)	(410,754)
Other expenses	6.4	(452,353)	(423,307)
EBITDAR *		**352,589**	**345,090**
Leases		(103,096)	(99,331)
EBITDA **	**5.1**	**249,493**	**245,759**
Amortisation and depreciation	6.5	(96,121)	(97,984)
Goodwill and negative consolidation difference	4.1	5,981	1,327
EBIT ***		**159,353**	**149,102**
Exchange differences		(7,613)	(11,617)
Borrowings		(89,945)	(71,268)
Other financial expenses		(12,549)	(12,263)
Other financial income		26,276	7,456
Net financial income (expense)	**6.6**	**(83,831)**	**(87,693)**
Profit /(Loss) of associates and joint ventures	**11**	**(16,488)**	**(10,316)**
NET INCOME BEFORE TAX		**59,034**	**51,093**
Income Tax	17.6	(16,940)	(9,111)
NET INCOME		**42,094**	**41,982**
a) Attributed to parent company		37,327	40,134
b) Attributed to minority interests	14.6	4,767	1,848
BASIC EARNINGS PER SHARE IN EUROS	7	0.22	0.23
DILUTED EARNINGS PER SHARE IN EUROS	7	0.22	0.23

Notes:
(*) EBITDAR (Earnings Before Interest, Tax, Depreciation, Amortization & Rent)
(**) EBITDA (Earnings Before Interest, Tax, Depreciation & Amortization)
(***) EBIT (Earnings Before Interest & Tax)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousand €)

	31/12/2012	31/12/2011
Net consolidated income	**42,094**	**41,982**
Cash flow hedges	(5,630)	(8,609)
Translation differences	(238)	(23,545)
Associates and joint ventures	(2,741)	(3,051)
Other income charged to net equity	21,568	22,608
Tax effect	1,473	2,302
Net income charged directly to net equity	**14,431**	**(10,295)**
Cash flow hedges	7,014	4,173
Associates and joint ventures	1,361	1,350
Tax effect	(2,104)	(1,247)
Releases to the income statement	**6,271**	**4,276**
TOTAL COMPREHENSIVE INCOME	**62,796**	**35,963**
a) Attributed to parent company	58,798	33,426
b) Attributed to minority interests	3,998	2,537

CONSOLIDATED 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
NET EQUITY 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**
NET EQUITY 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**
Total recognised income and expenses	**0**	**0**	**0**	**0**	**19,083**	**2,387**	**37,327**	**58,798**	**3,998**	**62,796**
Distribution of dividends			(7,502)					(7,502)	(481)	(7,982)
Operations with treasury shares		(13)	13	(13)				(13)	0	(13)
Other operations with shareholders/owners					(8,458)			(8,458)	6,789	(1,668)
Operations with shareholders or owners	**0**	**(13)**	**(7,488)**	**(13)**	**(8,458)**	**0**	**0**	**(15,972)**	**6,308**	**(9,664)**
Transfers between net equity items			62,287		(60,300)			1,987	(1,987)	0
Distribution 2011 net income					40,134		(40,134)	0	0	0
Other variations					863			863	14	877
Other variations in net equity	**0**	**0**	**62,287**	**0**	**(19,303)**	**0**	**(40,134)**	**2,849**	**(1,973)**	**877**
NET EQUITY AT 31/12/2012	**36,955**	**696,364**	**386,693**	**(110,426)**	**239,089**	**(187,751)**	**37,327**	**1,098,252**	**85,627**	**1,183,879**

CONSOLIDATED CASH FLOW STATEMENT

(Thousand €)	31/12/2012	31/12/2011
OPERATING ACTIVITIES		
Operating receipts	1,725,277	1,652,336
Payments to suppliers and staff for operating expenses	(1,543,464)	(1,495,981)
Receipts / (Payments) for income tax	(25,752)	(14,610)
CASH FLOWS FROM OPERATIONS	156,060	141,745
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	**(14)**	**(7,920)**
Acquisition	(14)	(7,920)
Receipts and (payments) for financial liability instruments:	**14,848**	**(16,328)**
Issue	246,412	374,013
Redemption and repayment	(231,564)	(390,341)
Payments for dividends and remuneration of other equity instruments	**(7,926)**	**(9,896)**
Other cash flows from financing	**(89,606)**	**(83,292)**
Interest paid	(81,499)	(74,083)
Other receipts / (payments) for cash flows from financing	(8,106)	(9,210)
CASH FLOWS FROM FINANCING	(82,698)	(117,436)
INVESTMENTS ACTIVITIES		
Payments on investments:	**(200,659)**	**(193,662)**
Group companies, associates and business units	(155,780)	(47,828)
Property, plant and equipment, intangible assets and investment property (*)	(40,276)	(134,799)
Other financial assets	(4,602)	(11,034)
Receipts for divestments:	**151,231**	**153,181**
Group companies, associates and business units	92,146	40,921
Property, plant and equipment, intangible assets and investment property	59,085	112,260
Other cash flows from investment:	**182**	**182**
Dividends received	182	182
Interest received		
CASH FLOWS FROM INVESTMENT	(49,246)	(40,299)
Variation in the exchange rate in cash and cash equivalents	4,721	(7.014)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	28,838	(23,003)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 13.3)	439,508	462,511
CASH AND CASH EQUIVALENTS AT THE YEAR END (Note 13.3)	468,346	439,508

(*) In the years 2012 and 2011, there have been adquisitions of assets under finance lease contracts amounting to 8.2 and 14.5 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. In 1998 the Company moved its registered address to 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, Cape Verde, Chile, China, Colombia, Costa Rica, Croatia, Cuba, Egypt, United Arab Emirates, Spain, The United States, France, Greece, Holland, Indonesia, Italy, Luxembourg, Malaysia, Mexico, Panama, Peru, Portugal, Puerto Rico, United Kingdom, Dominican Republic, Singapore, Switzerland, Tanzania, Tunisia, Uruguay, Venezuela, Vietnam and Zanzibar.

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, 2012, 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 2011. These standards do not have a significant impact on the Group's financial position:

- Amendment to IFRS 7: "Financial Instruments: Enhancing disclosures - Transfers of Financial Assets"

The accounting policies applied are consistent with those of the preceding year, considering the adoption of the standards and interpretations stated in the above paragraph, since they have no effect on the financial statements or the financial position.

The standards issued prior to the formulation date of these Financial Statements and which will come into force in subsequent dates are the following:

- IFRIC 20: "Stripping Costs in the Production Phase of a Surface Mine"
- 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"
- Arrendment to IFRS 1 "Public loans"
- Amendment to IAS 1 "Presentation of Financial Statements"
- Amendment to IAS 19 "Employee Benefits"
- 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 32 and Amendment to IFRS 7 "Offsetting Financial Assets and Financial Liabilities"
- Arrendment to IFRS 9 and Arrendment to IFRS 7: "Mandatory Effective Date and Transition Disclosures"
- Project of improvement 2009 - 2011:
  - Amendment to IFRS 1: "Adoption for the first time of the IFRS."
  - Amendment to IAS 1: "Presentation of Financial Statements".
  - Amendment to IAS 16: "Property and equipment"
  - Amendment to IAS 32: "Financial Instruments: Presentation"
  - Amendment to IAS 34: "Interim Financial Reporting"
  - Amendment to IFRS 10, IFRS 11 and IFRS 12: Consolidated financial statements, joint arrangements and disclosures of interests in other entities
  - Amendment to IFRS 10, IFRS 12 and IAS 27: Investment Entities

These standards will not have a significant impact on the Company'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 2012 and 2011.

Comparative figures are also presented for 2011 and 2012 for the quantitative information contained in the notes to the accounts. The main changes to the consolidation scope in 2011 and 2012 with respect to the previous year are addressed in Note 4.

As indicated in Note 5, profits from the sale of property are treated as profits from the Group's business activity. In the Cash Flow Statement at 31 December 2012, these profits are recognised as "operating income", the carrying amount of the buildings being "divestment income". For comparability, the carrying amount of buildings sold in the previous year has been reclassified to the item "divestment income" at 31 December 2011.

2.3 "Going concern" basis

The balance sheet at 31 December 2012 and 2011 shows an excess of current liabilities over total current assets. The Directors considers that this is not an indication of the Group's lack of financial capacity to settle its liabilities in the short term, since the Group has available credit lines not utilised and new sources of financing, as well as the renewal of existing financing (see Note 20.3). It should be noted that a convertible bond issue of € 200 million was approved (see Note 22) before these annual accounts were issued. Accordingly, the Directors have prepared the annual accounts on a going concern basis.

2.4 Consolidation methodology

Subsidiaries

Subsidiaries are entities in which the Group has the power to direct financial and operating policies, which is generally accompanied by a shareholding of more than one half of the voting rights. When assessing the existence of control over an entity, the Group considers potential voting rights and its capacity to direct financial and operating policies, even where it does not hold 50% of the voting rights.

Subsidiaries are fully consolidated.

Under this method, the financial statements of subsidiaries are consolidated 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.

Associates

Associates are entities over which the Group has significant influence but not control. This is generally accompanied by between 20% and 50% of the voting rights.

Associated are equity consolidated.

Under this method, investments in associates are initially recognised at cost and the carrying amount is increased or reduced to recognise the Group's share of the associate's results as from the acquisition date. The Group's investments in associates include any goodwill identified at the acquisition date.

The Group's share of losses or gains following the acquisition of associates 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.

Joint ventures

The Group has opted to apply the equity method to joint ventures, as indicated in IAS 31 "Interests in joint ventures", on the understanding that this method best reflects the business situation and the investment and risk structure. The aim is to avoid combining controlled entities with jointly-controlled entities, which would undermine the clarity of the Group's annual accounts.

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 2011 and 2012 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.

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.

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.

2.5 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 cost of defined benefit pension plans is determined by means of actuarial valuations. Actuarial valuations require the use of assumptions regarding discount rates, asset yields, wage rises, mortality tables and Social security pension increases. These estimates are subject to major uncertainties due to the long-term maturities of the plans.

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.Expenses associated with software maintenance are recognised when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include software development employee costs and a suitable portion of general overheads.

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". The cost of breakage and shrinkage has been included in the consolidated income statement item "Depreciation and impairment".

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 at fair value through profit or loss

Financial assets at fair value through profit or loss are held-for-trading financial assets acquired with the intention of selling them, mainly in the short term.

Assets in this category are recognised in "Other current assets" if they are expected to be settled in the short term or, otherwise, in "Other non-current assets".

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.

Issuance of debentures and other securities

Debt issues are initially recognised at the fair value of the payment received, net of costs directly attributable to the transaction. They are subsequently measured at amortised cost applying the effective interest method. Bonds maturing after more than 12 months are recognised in non-current liabilities and bonds with shorter maturities are included in current liabilities.

In order to determine whether an issue of preferred shares is a financial liability or an equity instrument, the Group assesses the specific rights carried by the share in each case to ascertain whether or not the issue has the basic features of a financial liability. If a financial liability is identified, it is measured at amortised cost at the year end using the effective interest method, taking into consideration any issue costs.

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 12. 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.

Provisions are carried at the present value of the best possible estimate of the amount needed to settle the liability or transfer it to a third party; adjustments arising from the restatement of provisions as financial expenses are recorded as they arise. When the provision will be applied or reversed in one year or less and the financial effect is not significant, it is not discounted. Provisions are reviewed at each balance sheet close and are adjusted to reflect the current best estimate of the liability.

Contingent liabilities are possible obligations arising from past events, the materialisation of which is conditional on the occurrence of future events that are not entirely under the Group's control, and present obligations resulting from past events in respect of which there is not likely to be an outflow of funds to settle the obligations or which cannot be reliably measured. These liabilities are not recognised in the accounts but they are analysed in the notes, unless the probability of an outflow of funds is remote.

Onerous contracts

A contract is onerous when the inevitable costs of fulfilling the contractual obligations exceed the expected economic benefits.

Estimated future results from rental agreements are reviewed annually based on expected flows from the relevant cash-generating units, applying a suitable discount rate. Should costs exceed benefits, the Group recognises a provision for the difference.

Pension commitments

Post-employment plans are classed as defined contribution or defined benefit plans.

Defined contribution pension plans

Under a defined contribution plan, the Group makes fixed contributions to a separate entity and has no legal, contractual or implicit obligation to make additional contributions if this entity does not have sufficient assets to meet the commitments.

The contributions are recognized as employee benefit expense as and when they accrue.

Defined benefit pension plans

Pension plans that are not defined contribution plans are deemed to be defined benefit plans. Defined benefit plans generally stipulate the amount of the benefit that will be received by the employee on retirement, usually based on one or more factors such as age, length of service and remuneration.

The Group recognises in the balance sheet a provision for defined benefit awards stipulated in collective bargaining agreements in the amount of the difference between the present value of remuneration commitments and the fair value of any assets that will be used to settle the commitments, less any past service costs not yet recognised.

If an asset is generated from the above-mentioned difference, its value cannot exceed the present value of the benefits that may return to the Group in the form of direct reimbursements or a reduction in future contributions, plus any past service costs not yet taken to the income statement.

Past service costs are recognised immediately in the income statement unless they involve non-vested rights, in which case they are taken to the income statement on a straight-line basis over the period remaining to the vesting of the past service rights.

The Group recognises actuarial gains and losses by systematically taking them to the income statement for the period in which they accrue. The Group applies the same policy to both gains and losses, applying consistent calculation bases in each period.

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.

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

The Group has duly externalised pension commitments and obligations stipulated in collective bargaining agreements subject to the Ministerial Order of 2 November 2006. Assets subject to these externalisation operations are presented net of commitments acquired.

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 that substantially transfer all the risks and rewards of ownership of the leased asset are classed as finance leases.

At lease inception, the lessee recognises in the balance sheet an asset and a liability in the same amount, which is equal to the fair value of the leased asset, or the present value of minimum future lease payments, if lower. Lease instalments are divided into the finance cost and the principal payment. The finance cost is taken directly to the income statement.

Assets being acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

The lessor writes off the asset and recognises a receivable for the present value of minimum future lease payments, discounted at the lease's implicit interest rate. Successive lease payments receivable are treated as principal repayments and financial income.

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 2012 and 2011 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 2012, Venezuela's general price index stood at 318.9 points, entailing a cumulative rise in inflation of 18.5% during the year. In 2011 the index closed at 265.6 points, representing cumulative inflation of 24.5% in 2011.

None of the other companies included in the consolidation scope are considered to be in hyperinflationary economies at the 2012 and 2011 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, 2012, is presented in Appendices 1 and 2, classified in the following categories:

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 18.86%. 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 holds a 19.94% interest in the Venezuelan companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A. through the direct 20% stake held by its subsidiary holding company Meliá Inversiones Americanas, N.V. The equity method is therefore applied, since the Group has significant influence.

The company Casino Paradisus, S.A. is 49.84% owned by the Group through the direct 50% interest held by its subsidiary holding company Meliá Inversiones Americanas, N.V. It is deemed to be a controlled company as the Group holds the majority of its voting rights.

4.1 Business Combinations

In December the Group reached an agreement to acquire an additional 37% interest in the company Aparthotel Bosque S.A. for € 3.15 million. The Group's stake in this company therefore reached 62%, entailing control and, accordingly, full consolidation.

As a result of this operation and pursuant to IFRS 3, the cost of the business combination exceeded the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities by € 6 million, as specified in the consolidated income statement item Negative consolidation difference.

At the time of the purchase the fair value of the company's net assets amounted to 17.9 million Euros, with following breakdown:

(Thousand €)	31/12/2012
ASSETS	
Non-current assets (Note 9)	21,149
Cash and other liquid equivalent means	2,395
Other current assets	452
TOTAL ASSETS	**23.997**
LIABILITIES	
Tax deferred from liabilities	4,752
Other non-current liabilities	543
Current liabilities	835
TOTAL LIABILITIES	**6.130**

The Group's minority interests increased by € 6.8 million due to the operation.

No business combinations were recognised as a consequence of acquisitions in 2011.

4.2 Other scope changes

The following changes to the consolidation scope occurred in 2012:

Additions

In December, Meliá Hotels International, S.A. acquired a 50% stake in the company Producciones de Parques, S.L. under the agreement with the Katmandu Group, whereby each shareholder contributes a number of assets located in Calviá (Mallorca):

- Meliá Hotels International contributes the Sol Magalluf Park hotel.
- Katmandú Collections, LLLP contributes the "Katmandú Park".

The new complex "Sol Katmandú Park & Resort" helps to strengthen the Sol brand hotels with a new leisure offering that is unique in its zone. This operation generated goodwill of € 5.3 million that is included in the investment in this company in consolidated assets. The contribution of the hotel in exchange for 50% of the complex generated a net gain of € 11.7 million for the Group.

The company Kimel Mca, S.L. was formed on 2 May 2012. Its share capital stands at € 3 thousand and is divided into 300 shares fully subscribed and paid up by the company Evertmel, S.L. The Group owns 50% of Evertmel, S.L. and therefore 50% of Kimel Mca, S.L. This company operates the beach club located in the Sol Beach House hotel in Magalluf (Spain). Its inclusion in the Group did not have a significant impact on the consolidated accounts during the year.

In June a 28% stake was acquired in the company Banamex, S.A. Fideicomiso El Medano (Mexico), the owner of the Me Cabo hotel. As stipulated in IAS 28, the difference between the cost of the investment and the investor's portion of the fair value of the assets and liabilities was recognised in income for the period (€ 6.1 million).

In 2012, Meliá Hotels International, S.A. acquired a 50% interest in Datolita Inversiones 2010, S.L. This company is engaged in providing financial, commercial and real estate services, as well as in property development and construction and the acquisition, subscription, holding, management, administration, swapping and selling of securities. Datolita Inversiones 2010, S.L. carried out a capital increase subscribed in equal parts by both shareholders, Meliá Hotels International, S.A. having made its contribution by offsetting receivables in the amount of € 15 million.

In September the company Innwise Management, S.L., which provides technological and IT services, was included in the consolidation scope. It is 50% owned by Travel Dynamic Solutions, S.A. and the Group therefore has a 25% stake. This company's inclusion did not have a significant impact on the consolidated accounts.

At the end of 2012 the joint venture Fourth Project 2012, S.L. was formed and is 50% owned by MHI. Following its inclusion in the scope, the joint venture acquired the S'Argamassa (Ibiza) hotel. The Group obtained a net gain of € 10.5 million from the sale of this hotel.

The Group also acquired an additional 8.4% interest in Altavista, S.L., without any significant impact on the Group's consolidated accounts.

Finally, the companies First Project, S.L. and Third Project 2012, S.L. were incorporated, both wholly owned by Meliá Hotels International, S.A., without any significant impact on the consolidated accounts.

Disposals

The company Blanche Fontaine SAS, which owned the Tryp Blanche Fontaine hotel, was written off in April when the Group's entire interest was sold, for a net gain of € 8.7 million.

During the year, the companies Cansilius, S.L., Calimarest, S.L. and Intersthoscaloja, S.A. were merged into Meliá Hotels Internacional, S.A. and the company Dominios Compartidos S.A. was absorbed by Hogares Batle, S.A., both mergers having accounting effects as from 1 January 2012. These operations did not have a significant impact on the consolidated balance sheet or income statement (see Note 14).

Acquisition of minority interests

During the year a 40% interest was acquired in the company Grupo Sol Asia LTD, which in turn has an interest in the company Grupo Sol Services. As a result of this acquisition, the Group wholly owns both companies (see Note 14.6).

No controlling shareholdings were sold in 2012.

Other consolidated scope changes during 2011 are presented below for comparative purposes:

Additions

The company Plaza Puerta del Mar was 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 was taken to the income statement.

A 50% shareholding was also acquired in the company Tertian XXI, a company that was 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.L.

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.L., 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. As a result of this acquisition, the Group owned 99.74% of this company at the year end.

4.3 Capital increases

Several capital increases and reductions were completed in subsidiaries during the year. The shareholder structures were not affected because the operations were carried out by offsetting receivables or subscribing in proportion to existing shareholdings.

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.

4.4 Name changes

There were no name changes in 2012.

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.

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 2012 is shown in the following table:

(Thousand €)	HOTEL BUSINESS	ASSET MANAGEMENT	VACATION CLUB	OTHER BUSINESS AND CORPORATE	ELIMINATIONS	TOTAL 31/12/2012
INCOME STATEMENT						
Operating income	1,041,235	106,469	87,165	218,227	(90,700)	1,362,396
Operating expenses	(745,096)	(13,757)	(82,434)	(259,220)	90,700	(1,009,807)
EBITDAR	**296,139**	**92,712**	**4,731**	**(40,993)**	**0**	**352,589**
Leases	(99,596)	0	0	(3,500)	0	(103,096)
EBITDA	**196,543**	**92,712**	**4,731**	**(44,493)**	**0**	**249,493**
Depreciation, amortisation and impairment	(86,188)	(311)	(1,603)	(2,038)	0	(90,140)
EBIT	**110,355**	**92,401**	**3,128**	**(46,531)**	**0**	**159,353**
Net financial income						(83,831)
Net income of associates	(17,103)			615		(16,488)
Profit before tax						**59,034**
Tax						(16,940)
NET INCOME						**42,094**
Minority interest						(4,767)
NET INCOME ATTRIBUTED TO PARENT COMPANY						**37,327**
ASSETS AND LIABILITIES						
Property, plant and equipment and intangible assets	1,653,957	26,111	1,687	170,878		1,852,634
Investments in associates	71,034			30,894		101,928
Other non-current assets						611,583
Current operating assets	195,533	5,461	99,952	313,061	(206,834)	407,174
Other current assets						504,420
TOTAL ASSETS						**3,477,738**
Borrowings						1,471,222
Other non-current liabilities						403,426
Current operating liabilities	329,011	3,050	98,983	72,781	(206,537)	297,288
Other current liabilities						121,924
TOTAL LIABILITIES						**2,293,859**

Operating revenues from the asset management segment include €81.1 million arising from asset disposals relating to the following hotels Tryp Bellver, Sol Magalluf Park y S'Argamassa in Spain, Tryp Blanche Fontaine in France and Me Cancún in Mexico.

The remainder relates mainly to the restatement of investment property and income from rent for premises totalling € 20.7 million.

Moreover, total operating revenue includes €14.6 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 €32.7 million and €13 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 €15.3 million in the hotel business segment as consequence of the incorporation of the company Aparthotel Bosque S.A. and as a result of the sale of controlling shareholdings in the company Blanche Fontaine S.A.S. (see Note 4.2).

For comparison purposes the business segmentation for 2011 is shown below:

(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 included €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 included €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, related 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 related to the extensions, refurbishments and sale of assets in the hotel business segment.

Consolidation scope changes 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.

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 €)	EUROPE	EMEA *	AMERICA	ASIA	ELIMINATIONS	31/12/2012
Operating income	652,231	224,630	571,988	4,247	(90,700)	1,362,396
Total Assets	1,861,825	343,454	1,268,050	4,409		3,477,738

(*) 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 €90.7 million, of which €42.7 million relates to the Spanish segment, €51.4 million to the EMEA segment, €4.9 million to the American segment and €1.5 million to the Asian segment.

As regards operating income by country, the most significant were Mexico (€ 171 million) and the Dominican Republic (€ 207.6 million) in the America segment. In the EMEA segment, Germany contributed € 112.6 million.

Changes in consolidation have resulted in fixed asset disposals in EMEA amounting to €15.3 million in the hotel business segment as consequence of the incorporation of the company Aparthotel Bosque S.A. and as a result of the sale of controlling shareholdings in the company Blanche Fontaine S.A.S. (see Note 4.2).

With respect to assets contributed by country, the most relevant were Mexico (€ 478.8 million) and the Dominican Republic (€ 297.7 million). In the EMEA segment, France and the United Kingdom contributed a total of € 133 million.

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

(Thousand €)	EUROPE	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 €90.7 million, of which €42.7 million relates to the Spanish segment, €51.4 million to the EMEA segment, €4.9 million to the American segment and €1.5 million to the Asian segment.

As regards operating income by country, the most significant were Mexico (€ 171 million) and the Dominican Republic (€ 207.6 million) in the America segment. In the EMEA segment, Germany contributed € 112.6 million.

Changes in consolidation have resulted in fixed asset disposals in EMEA amounting to €15.3 million in the hotel business segment as consequence of the incorporation of the company Aparthotel Bosque S.A. and as a result of the sale of controlling shareholdings in the company Blanche Fontaine S.A.S. (see Note 4.2).

As regards the contribution of assets by country, the main contributions in the America segment were made by Mexico (€ 424.4 million) and the Dominican Republic (€ 295 million), respectively. In the EMEA segment, France and the United Kingdom contributed a total of € 136.5 million.

6. OTHER INCOME AND EXPENSES

6.1 Operating income

The breakdown of the balance of this account in the income statement for 2012 and 2011 is as follows:

(Thousand €)	2012	2011
Room sales	636,033	598,491
Food and beverages	324,777	314,219
Real estate income	108,402	147,301
Sale of vacation club units	79,363	73,179
Income from other businesses	74,564	67,183
Other revenues	139,256	134,948
TOTAL	**1,362,396**	**1,335,322**

The main item in Other income relates to the Panamanian company Sol Caribe Tours, S.A. (€ 35 million) and its tour operator business. Also included is € 46 million in management income, € 8.4 million of which relates to associates.

In 2011, Sol Caribe Tours, S.A. contributed € 30 million to the item Other income. Management income amounted to € 44.3 million, of which € 6.8 million was contributed by associates.

6.2 Supplies

The breakdown of the balance of this caption in the income statement for 2012 and 2011 is as follows:

(Thousand €)	2012	2011
Consumption of food and beverages	102,776	96,193
Consumption of ancillary goods	28,837	27,784
Consumption of vacation club sales	3,920	6,559
Sundry consumption	29,119	25,635
TOTAL	**164,652**	**156,171**

6.3 Staff costs

Staff costs are broken down as follows:

(Thousand €)	2012	2011
Wages, salaries and similar items	307,651	323,898
Social Security	66,032	68,116
Other social welfare expenses	19,118	18,740
TOTAL	**392,802**	**410,754**

The average number of employees of Meliá Hoteles International, S.A and its subsidiaries is as follows:

	2012			2011		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Management personnel	321	129	449	317	111	428
Department heads	816	540	1,356	946	643	1,589
Technicians	4,665	3,827	8,493	5,122	3,614	8,737
Auxilliary staff	3,486	2,725	6,212	3,597	3,528	7,125
TOTAL	**9,289**	**7,221**	**16,510**	**9,982**	**7,897**	**17,879**

6.4 Other expenses

The breakdown of the balance of this caption in the income statements for 2012 and 2011 is as follows:

(Thousand €)	2012	2011
Sundry rentals	8,834	9,704
Maintenance and repairs	39,952	41,022
External services	66,196	60,195
Transport and insurance	14,408	12,752
Banking expenses	14,042	11,160
Advertising and promotions	40,244	39,580
Supplies	74,042	69,014
Travel and ticketing expenses	10,257	10,477
Tax	34,502	38,151
Various external services	122,698	89,947
Other expenses	27,178	41,304
TOTAL	**452,353**	**423,307**

6.5 Depreciation, amortisation and impairment

The breakdown of the balance of this caption in the income statements for 2012 and 2011 is as follows:

(Thousand €)	2012	2011
Amortisation charge, intangible assets	7,034	8,138
Depreciation charge, property, plant & equipment	86,184	83,985
Impairment of property, plant & equipment	2,903	5,861
TOTAL	**96,121**	**97,984**

6.6 Financial income and expense

Set out below is a breakdown of net financial income/(expense) reflected in the consolidated income statement in 2012 and 2011:

(Thousand €)	2012	2011
Exchange gains	10,024	44,339
Dividend income	29	42
Interest income	17,611	6,385
Other financial income	6,800	4,058
Surplus bad debt provision	(33)	2,791
Profit/(loss) on disposal of financial assets	9,246	(38)
Change in fair value of financial instruments	(44)	17
TOTAL FINANCIAL INCOME	**43,635**	**57,594**
Exchange losses	(17,637)	(55,957)
Interest expense	(80,096)	(57,237)
Finance lease interest	(12,549)	(12,263)
Other financial expenses	(9,849)	(14,032)
Gain/(loss) on restatement of fixed assets	(7,335)	(5,798)
TOTAL FINANCIAL EXPENSE	**(127,465)**	**(145,286)**
NET FINANCIAL EXPENSE	**(83,831)**	**(87,693)**

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 (see Note 12.2) 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 2012 and 2011 for both variables:

(€ units)	BASIC		DILUTED	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Net income attributed to the parent company	**37,327,392**	**40,133,773**	**37,327,392**	**40,133,773**
Correction of results				
Adjusted results	**37,327,392**	**40,133,773**	**37,327,392**	**40,133,773**
Number of ordinary shares	184,776,777	184,776,777	184,776,777	184,776,777
Average weighted treasury shares	(12,098,633)	(9,364,996)	(12,098,633)	(9,364,996)
Nº of potential ordinary shares				
TOTAL NUMBER OF SHARES	**172,678,144**	**175,411,781**	**172,678,144**	**175,411,781**
EARNINGS PER SHARE	**0.22**	**0.23**	**0.22**	**0.23**

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.04 Euros per share (net dividend of €0.0316). An amount of €7.4 million in unrestricted reserves in the Parent Company, Meliá Hotels International, S.A. will be drawn down for this purpose.

For 2011, the Board of Directors proposed to the Annual General Meeting the pay-out of a gross dividend, excluding treasury shares, of 0.04344 euros per share (net dividend of €0.03432). The amount of €7.5 million was paid out in the second half of 2012.

8. INTANGIBLE ASSETS

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

(Thousand €)	BALANCE 31/12/2011	AMORTISATION 2012	ADDITIONS	DISPOSALS	PERIMETER CHANGES	EXCHANGE DIFFERENCE	BALANCE 31/12/2012
GROSS VALUE							
Goodwill	19,077				(151)	43	18,970
Leaseholds	85,038		1,952	(749)		1,461	87,702
Computer Software	70,815		3,472	(4,789)	(17)	(32)	69,450
Other intangible assets	7,473		817			(5)	8,285
TOTAL COST	**182,403**		**6,241**	**(5,538)**	**(167)**	**1,468**	**184,407**
ACCUMULATED AMORTISATION							
Leaseholds	(28,913)	(3,356)				(478)	(32,747)
Computer Software	(57,482)	(3,452)	(62)	4,797	18	27	(56,154)
Other intangible assets	(4,974)	(227)				14	(5,187)
TOTAL ACCUMULATED AMORTISATION	**(91,369)**	**(7,035)**	**(62)**	**4,797**	**18**	**(437)**	**(94,088)**
NET CARRYING VALUE	**91,033**	**(7,035)**	**6,178**	**(741)**	**(149)**	**1,031**	**90,318**

Scope changes in 2012 relate to the disposal of the company Blanche Fontaine, SAS and the addition of the assets of Aparthotel Bosque, S.A. due to the change of consolidation method to full consolidation (see Note 4).

The item Other intangible assets mainly includes patents and trademarks with a carrying amount of € 2 million.

Computer software includes write-offs of fully-amortised assets totalling € 4.8 million. Period additions include € 3.3 million from the company Prodigios Interactivos, S.A., consisting of software investments made, including work performed in-house.

For comparison purposes, the breakdown of these movements in 2011 was the following:

(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
Computer Software	67,842		3,050	(40)	(32)	(5)	70,815
Other intangible assets	7,092		172	(7)		215	7,473
TOTAL COST	**177,282**		**3,629**	**(72)**	**(207)**	**1,771**	**182,403**
ACCUMULATED AMORTISATION							
Leaseholds	(24,929)	(3,480)	(1)	2		(504)	(28,913)
Computer software	(52,987)	(4,553)	(16)	41	32	1	(57,482)
Other intangible assets	(4,881)	(105)	(7)	8		11	(4,974)
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.

Goodwill

In the balance of goodwill are recognized the differences of value generated as a result of business combinations. Also there are included the net book value of the existing goodwills before to the adoption of the NIIF (Note 2.4).

The breakdown of the amount involved by company is as follows:

(Thousand €)	31/12/2012	31/12/2011
Apartotel, S.A.	504	504
Hotel Metropolitan, S.A.S.	1,181	1,181
Cadstar France, S.A.S.	813	964
Ihla Bela de Gestao e Turismo, Ltd.	927	927
Lomondo, Ltd.	5,380	5,337
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	**18,970**	**19,077**

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 company Blance Fontaine S.A.S, 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 and Meliá Royal Alma
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.	Hoteles Meliá Cozumel, Meliá Puerto Vallarta, Paradisus Cancún Resort, 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, Apartamentos Kanegra and 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	2012	2011
Spain	9.0 – 9.1	9.0 – 9.3
Rest of Europe	9.0 -12.5	9.0 -12.5
Latin America	6.0-7.7	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 31/12/2011	DEPRECIATION 2012	ADDITIONS	DISPOSALS	VAR. SCOPE	DIFFERENCE EXCHANGE	BALANCE 31/12/2012
GROSS VALUE							
Land	387,221		2,383	(12,823)	(2,492)	(3,635)	370,654
Buildings	1,548,184		36,795	(67,149)	17,348	5,960	1,541,138
Plant and Machinery	416,160		9,593	(15,342)	3,623	(2,281)	411,752
Other fixed assets	458,476		27,522	(15,767)	2,267	(1,819)	470,679
Work in progress	3,999		12,648	(168)		348	16,828
TOTAL GROSS VALUE	**2,814,040**		**88,941**	**(111,250)**	**20,746**	**(1,427)**	**2,811,050**
ACCUMULATED DEPRECIATION							
Buildings	(451,281)	(35,956)	(6,570)	24,147	(992)	(2,059)	(472,711)
Plant and machinery	(242,783)	(23,072)	(393)	17,300	(2,870)	802	(251,016)
Other fixed assets	(300,984)	(30,060)	(6,132)	12,312	(1,543)	1,398	(325,009)
TOTAL ACCUMULATED DEPRECIATION	**(995,048)**	**(89,087)**	**(13,094)**	**53,759**	**(5,405)**	**141**	**(1,048,735)**
NET CARRYING VALUE	**1,818,992**	**(89,087)**	**75,847**	**(57,491)**	**15,341**	**(1,287)**	**1,762,315**

Period additions include € 8.8 million (cost of € 22.8 million less amortisation of € 14 million) due to the restatement of assets located in hyperinflationary economies (Venezuela), as explained in Note 3.15.

Additions totalling € 24.2 million were also recognised due to hotel refurbishment in Spain.

There were additions of € 7 million in a tourist development in Mexico that became operational in December 2011.

Work in progress related to the investments made in Mexico to adapt the Paradisus Cancún Resort (formerly Gran Meliá Cancún) to the standards of the new brand (€ 4.5 million). Investments totalling € 4.6 million were also made in a LonMR. hotel.

Disposals include the sale of three hotels in Spain for a carrying amount of € 24.6 million (cost of € 43.7 million less depreciation of € 19 million) and one in Mexico for € 30.4 million (cost of € 49.2 million less depreciation of € 18.8 million).

Scope changes in 2012 relate to the disposal of the company Blanche Fontaine, SAS and the addition of the assets of Aparthotel Bosque, S.A. due to the change of consolidation method to full consolidation (see Note 4).

The depreciation column includes € 2.2 million for the impairment of a hotel in Mexico (see Note 6.5).

For comparison purposes, the breakdown of these movements in 2011 was the following:

(Thousand €)	BALANCE 31/12/2010	DEPRECIATION 2011	ADDITIONS	DISPOSALS	VAR. SCOPE	DIFFERENCE EXCHANGE	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 and Machinery	437,766		15,286	(35,560)	(1,985)	653	416,160
Other fixed assets	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 and machinery	(235,961)	(21,357)	(307)	14,278	1,181	(616)	(242,783)
Other fixed assets	(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 related 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 included 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.

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

The depreciation column included € 5.9 million for the impairment of a hotel in Spain.

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, covered 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 were checked against other figures such as stabilised yields, price per room or leveraged IRR.

The net book value of the assets of the group that are financed across contracts of bank leasing is detailed later:

(Thousand €)	31/12/2012	31/12/2011
Buildings	148,763	165,527
Machinery	7,856	8,032
Furniture	5,733	9,945
Other assets	1,885	2,402
TOTAL	**164,238**	**185,906**

At the year end, the Group has 178 bank leasing contracts (226 bank leasing contracts in 2011) with an average maturity of 2 years (1,9 years in 2011).

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.

Additional there is registered in the epigraph of constructions an amount of 132.8 million Euros (136 millions in 2011) 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.

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 496.1 million (416.2 million in 2011) (see Note 12.2).

The directors consider that the insurance coverage of the property, plant and equipment is sufficient at December 31, 2012 and 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 €)	31/12/2012
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**

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 €)	31/12/2011	ADDITIONS	DISPOSALS	EXCHANGE DIFFERENCE	31/12/2012
Apartments in Spain	75,841				75,841
Shopping centres in America	49,300	16,588	(273)	(2,150)	63,466
Other buildings in Spain	10,218				10,218
Total	**135,358**	**16,588**	**(273)**	**(2,150)**	**149,524**

Period additions include the fair value adjustment to the shopping malls in America for a total of € 15 million, recognised as operating income in the income statement.

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		7,098	427	7,525
Operating expenses		(4,169)		(4,169)
EBITDA	**0**	**2,929**	**427**	**3,356**
Amortisation and depreciation		(17)		(17)
Net financial income	29	(824)		(795)
Net income of associates	80			80
Tax		250		250
Net income	**108**	**2,338**	**427**	**2,874**
Minority interest		(969)		(969)
CONTRIBUTION TO GROUP NET INCOME	**108**	**1,370**	**427**	**1,905**

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 €2.9 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.

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 2011 is as follows:

(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 2011 included €0.3 million corresponding to the purchase of various apartments in Spain.

This account also included 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 breakdown of the results generated by investment properties in the Group's income statement in 2011 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**

In 2011 revenues from the management of the hotel establishments, included the apartments in Spain which are considered to be investment properties amounted to €3.1 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 31/12/2011	2012 NET INCOME	ADDITIONS	DISPOSALS	EXCHANGE DIFF.	BALANCE 31/12/2012
Turismo de Invierno, S.A.	4,788	(124)	143			4,807
C.P. Meliá Castilla	1,175	58		(223)		1,010
C.P.Meliá Costa del Sol	1,308	22	4			1,335
Aparthotel Bosque, S.A.	1,782	87		(1,869)		0
Nexprom/Promedro [I]	3,448	113				3,561
Plaza Puerta del Mar, S.A.	4,095	156	57	(166)		4,142
Evertmel, S.L.[JV]) / Mongamenda S.L.[JV] / Tertián XXI[JV] / Kimel Mca.SL[JV][I]	2,833	(3,881)	2	(190)		(1,236)
Hantinsol Resorts, S.A.	19	(1)				19
Nyesa Meliá Zaragoza, S.L.[JV]	(3,356)	(1,904)		(17)		(5,278)
Inversiones Hoteleras la Jaquita, S.A.[JV]	5,597	(6,194)	517	(1)		(80)
Colón Verona, S.A.[JV]	(8,235)	(1,865)	2			(10,099)
Travel Dynamic Solutions, S.A.[JV] / Tradyso Argentina, S.A.[JV] /Innwise Management,S.L.[I]	1,821	113	1	(1)		1,933
Altavista Hotelera, S.A.	5,325	(2,817)	517	(1,263)		1,762
Adprotel Strand S.L	14,203	(150)		(438)	2,300	15,915
El Recreo Plaza, C.A. / El Recreo Plaza & CIA [I]	10,047	373	3,714		(240)	13,894
Melia Hotels USA, LLC.[JV] / Melia Hotels Florida, LLC.[JV] / Melia Hotels Orlando, LLC.[JV][I]	3,179	(881)			(52)	2,245
Datolita Inversiones 2010, S.L.[JV]		130	15,001	(5)		15,127
Fourth Project 2012, S.L.[JV]		(2)	4,000			3,998
Producciones de Parques, S.L.[JV]		(42)	19,999			19,957
Inversiones Guiza, S.A.	(2)	(1)				(3)
Banamex S.A. Fideicomiso El Medano		280	5,936		(58)	6,158
Hellenic Hotel Management	(76)					(76)
Detur Panamá, S.A.	(2,101)	(44)			46	(2,099)
Inmotel Inversiones Italia, S.R.L.	24,848	88				24,937
TOTAL	**70,699**	**(16,488)**	**49,893**	**(4,172)**	**1,996**	**101,928**

(I) Companies with same business live
(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 Aparthotel Bosque S.A. and the incorporation to the consolidation scope of the companies Kimel Mca S.L.,Inwise Management S.L., Datolita Inversiones 2010 S.L., Fourth Project 2012 S.L., Producciones de Parques S.L. y Banamex S.A. Fidecomiso El Medano, as explained in Note 4.

The aggregate amount of assets, liabilities, revenues and results for 2012 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.	21.42%	38,812	2,017	40,829	22,414	15,347	3,068	40,829	3,180	(573)	(124)
C.P. Meliá Castilla	30.10%	18,603	4,593	23,196	3,348	8,117	11,730	23,196	30,644	192	58
C.P. Meliá Costa del Sol	18.86%	8,109	1,646	9,755	7,000	758	1,997	9,755	10,471	127	22
Aparthotel Bosque, S.A.*	25.00%	0	0	0	0	0	0	0	0	0	87
Nexprom, S.A.	20.00%	18,992	6,516	25,507	17,751	4,489	3,267	25,507	15,908	572	114
Promedro, S.A.	20.00%	2,226	2	2,228	2,227	0	1	2,228	0	7	(2)
Plaza Puerta del Mar, S.A.	18.45%	27,898	4,181	32,080	22,254	8,148	1,678	32,080	4,734	991	156
Evertmel, S.L. (JV)	50.00%	107,876	(5,423)	102,453	9,488	75,876	17,089	102,453	13,429	(12,128)	(3,744)
Hantinsol Resorts, S.A.	33.33%	0	58	58	56	0	3	58	0	(3)	(1)
Nyesa Meliá Zaragoza, S.L. (JV)	50.00%	20,994	(3,465)	17,529	(10,733)	27,569	693	17,529	3,346	(3,809)	(1,904)
Inv. Hoteleras la Jaquita, S.A. (JV)	49.07%	167,824	(1,460)	166,364	(167)	77,798	88,733	166,364	32,276	(12,387)	(6,194)
Colon Verona, S.A. (JV)	50.00%	50,513	(981)	49,532	(20,167)	60,031	9,668	49,532	6,358	(3,731)	(1,865)
Travel Dynamic Solutions, S.A. (JV)	50.00%	8,776	43,044	51,821	3,871	29	47,920	51,821	18,960	233	120
Altavista Hotelera, S.A.	48.40%	105,935	1,660	107,595	3,641	92,667	11,287	107,595	11,949	(6,557)	(2,817)
Mongamenda, S.L. (JV)	50.00%	35,719	(3,736)	31,984	7,725	19,902	4,356	31,984	2,516	(220)	(110)
Adprotel Strand, S.L.	40.00%	251,815	20,997	272,812	38,019	204,030	30,763	272,812	6,791	(375)	(150)
Tertian XXI, S.L.U. (JV)	50.00%	22,556	5,918	28,473	(25,731)	48,472	5,732	28,473	11,494	(55)	(27)
Innwise Management, S.L.	25.00%	15	196	210	2	55	153	210	389	(1)	(0)
Kimel Mca. S.L.	50.00%	136	144	279	4	25	250	279	2,480	1	1
Datolita Inversiones 2010, S.L.	50.00%	0	61,145	61,146	30,253	29,995	898	61,146	0	260	130
Fourth Project 2012, S.L.	50.00%	18,000	0	18,000	7,996	0	10,004	18,000	0	(4)	(2)
Producciones de Parques, S.L.	50.00%	34,154	5,235	39,389	29,442	7,984	1,962	39,389	3,608	(449)	(42)
El Recreo Plaza, C.A. & CIA C.E.C.	19.94%	1,150	201	1,351	1,131	0	220	1,351	0	20	0
El Recreo Plaza, C.A.	19.94%	82,593	16,068	98,661	58,735	30,846	9,079	98,661	0	1,861	372
Melia H.USA LLC (JV)	50.00%	12,703	351	13,054	5,387	7,584	84	13,054	0	(1,021)	(139)
Melia H.Florida LLC (JV)	50.00%	11,268	(429)	10,839	10,839	0	(0)	10,839	1,454	(1,055)	(528)
Melia H.Orlando LLC (JV)	50.00%	1,307	533	1,840	593	0	1,248	1,840	6,270	(429)	(215)
Tradyso Argentina S.A. (JV)	50.00%	0	51	51	2	13	36	51	22	(13)	(6)
Inversiones Guiza, S.A.	49.85%	3	15	17	(6)	11	12	17	44	(2)	(1)
Banamex S.A. Fideicomiso El Medano	28.00%	29,530	1,400	30,930	21,992	4,748	4,189	30,930	9,321	999	280
Hellenic Hotel Management	40.00%	62	(237)	(176)	(190)	12	2	(176)	0	0	0
Detur Panamá, S.A.	49.93%	11,116	1,069	12,186	(4,205)	11,722	4,668	12,186	2,174	(89)	(44)
Inmotel Inversiones Italia S.R.L.	41.50%	92,095	1,975	94,070	59,804	25,635	8,631	94,070	3,542	213	88
		1,180,778	**163,285**	**1,344,063**	**302,776**	**761,865**	**279,422**	**1,344,063**	**201,360**	**(37,424)**	**(16,488)**

(JV) Joint ventures

(*) Companies that at year-end consolidated by full consolidation method (Note 4). It includes their contribution to the result attributable to the change of consolidation method.

In 2011 movements in investments in associates were as follows:

	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 (I)	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 (I)	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) (I)	1,280	541			(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 (I)	8,916	191	688		253	10,047
Meliá Hotels USA, LLC. (JV) / Meliá Hotels Florida, LLC. (JV) / Meliá Hotels Orlando, LLC. (JV) (I)		(294)	3,343		130	3,179
Inversiones Guiza, S.A.	(2)					(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**

(I) 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.

Moreover, comparative information of the aggregate amounts 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 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%	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]	50.00%	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. (Note 4). Includes 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 2012 and 2011:

(Thousand €)

	31/12/2012			31/12/2011		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	13	279	291	232	527	759
2. Financial instruments at fair value through the income statement:						
- Trading portfolio	150	4,443	4,593	150	2,620	2,770
3. Loans and receivables:						
- Loans to associates	219,476	4,426	223,902	167,909	14,787	182,697
- Financing for properties	11,896	6,543	18,440	13,564	4,895	18,459
- Other loans	54,670	1,870	56,540	13,078	2,222	15,300
4. Available-for-sale financial assets:						
- Unlisted equity instruments	16,723		16,723	23,625		23,625
TOTAL DEBT	**302,928**	**17,561**	**320,489**	**218,559**	**25,051**	**243,610**

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 2012 and 2011:

(Thousand €)	31/12/2012			31/12/2011		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Loans to associates	219,476	4,426	223,902	167,909	14,787	182,697
Financing for properties	12,364	6,543	18,907	14,032	4,895	18,926
Impairment adjustments	(468)		(468)	(468)		(468)
Deposits	3,174	45	3,218	2,705	62	2,767
Guarantee deposits	7,447	1,824	9,270	10,306	2,159	12,465
Other	44,050	1	44,051	67	1	68
TOTAL DEBT	**286,043**	**12,839**	**298,882**	**194,552**	**21,904**	**216,456**

The change in Other relates to the reclassification of real estate receivables from short term (see Note 13.2).

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:

- 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 million, in order to finance their commercial activities.
- A loan granted by Operadora Mesol to Aresol Cabos, S.A. (long-term principal of € 5.8 million and short-term principal of € 0.7 million, in order to finance its business activities.
- A loan of USD 5 million to the company PT Surya Semesta Internusa Tbk, USD 1.8 million of which is recognised in the short term; the remainder matures in 2014.
- Prepayments of rent to the owners of the Meliá Berlín hotel (€ 1 million).

The Company records a provision of € 0.5 million for possible bad debts.

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 31/12/2011	ADDITIONS	DISPOSALS	BALANCE 31/12/2012
Fundación Empresa y Crecimiento	4.6%	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	0.0%	9,015		(9,015)	0
Port Cambrils Inversions, S.A.	10.0%	980			980
Valle Yamury, S.A.	8.0%	346			346
Other		45		(7)	38
TOTAL INVESTMENT		**26,159**	**0**	**(9,022)**	**17,137**
IMPAIRMENT LOSSES		**(2,534)**		**2,120**	**(414)**
NET CARRYING VALUE		**23,625**	**0**	**(6,902)**	**16,723**

The main movements in 2012 were disposals due to the sales of the portfolios of PTSAI and Orgesa Holding.

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	728		4.60%	42	331
Horotel, S.A.	Spain	Hotel ownership and operation	3.780	(1.587)		12.40%	272	301
Hotelera Sancti Petri, S.A.	Spain	Hotel ownership and operation	13.510	(6.388)	452	19.50%	1.477	2.634
I.H. Los Cabos *	Mexico	Land ownership	15.210	(1.423)		15.00%	2.068	3.306
Inversiones Hoteleras Playa del Duque, S.A. *	Spain	Hotel ownership and operation	2.582	87.016		5.00%	4.480	2.682
Inversiones Turísticas Casas Bellas, S.A. *	Spain	Land ownership	77.464	250		8.42%	6.544	6.520
Port Cambrils Inversions, S.A. *	Spain	Hotel ownership and operation	6.000	602	70	10.00%	667	980
Valle Yamury, S.A. *	Spain	Holding	4.329	(1.554)		8.00%	222	346
TOTAL			**123.067**	**77.644**	**522**		**15.772**	**17.099**

(*) There are no Financial Statements at 31 December 2012 for these companies.

For comparative purposes, movements in 2011 were as follows:

(Thousand €)

	%	SALDO 31/12/2010	ALTAS	BAJAS	SALDO 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
Other		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 was due to the disposal of shares in the company Plaza Puerta del Mar, which was classed as an associate.

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
Valle Yamury, S.A. *	España	Holding	4.329	(1.554)		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.

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 2012 and 2011:

(Thousand €)	31/12/2012			31/12/2011		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	4,249	5,853	10,102	6,188	6,023	12,211
2. Other financial liabilities at amortised cost:						
- Debentures and other marketable securities	283,850	1,079	284,929	281,967	384	282,350
- Bank borrowings	564,161	622,131	1,186,292	756,883	403,014	1,159,897
- Other finance lease liabilities	160,175	229	160,403	160,403	215	160,618
- Loans from associates	281	37,967	38,248	769	23,352	24,121
- Other financial liabilities	6,449	54,176	60,625	7,333	48,099	55,431
TOTAL DEBT	**1,019,165**	**721,436**	**1,740,601**	**1,213,543**	**481,085**	**1,694,628**

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 2012 and 2011 are set out below:

(Thousand €)	31/12/2012			31/12/2011		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Preferred shares	25,192		25,192	106,351		106,351
Bonds and obligations	75,600	695	76,296			
Convertible bond	183,058	384	183,441	175,616	384	175,999
TOTAL DEBT	**283,850**	**1,079**	**284,929**	**281,967**	**384**	**282,350**

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 the third quarter of 2012, the Group repurchased 76.43% of the preferred shares issued in 2002 by exchanging them for simple bonds with a nominal value of € 93.50€ (6.5% discount), as explained in this note.

The holders of the preferred shares also received a cash sum equal to the interest accrued from the last coupon date to the issue date of the simple bonds.

At the year end, 251,923 preferred shares are held by third parties and recognised in consolidated liabilities in the amount of € 25.2 million. The shares that were not exchanges will accrue interest based on a variable step-up at the 3-month Euribor rate plus 5%, subject to a minimum of 12.3%.

Debentures and bonds

On 31 October 2012, Meliá Hotels International, S.A. issued simple bonds in the amount of € 76.4 million to be exchanged for the preferred shares, as already explained. The features of these bonds are as follows:

of issue	€ 76,383,890
Nominal value of bond	€ 93.50
Maturity	3 years, 9 months
Debt rank	Senior Unsecured
Issue price	100%
Issue date	31 October 2012
Maturity date	31 July 2016
Coupon	7.80%
Redemption price	100%

As indicated in Note 3.5, this operation is carried at amortised cost applying the effective interest rate.

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 2012 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 1.5 million shares at 31 December 2012 (see note 14.3). This loan bears 0.6% interest.

Bank borrowings

The Group's bank borrowings at year-end 2012 and 2011 are analysed below by nature and maturity:

(Thousand €)	2012			2011		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Bank loans	342,700	238,954	581,654	108,779	454,095	562,875
Mortgage-backed loans	23,194	265,631	288,825	18,181	247,012	265,193
Credit facilities	237,755	52,633	290,388	247,328	41,210	288,538
Leases	9,025	6,943	15,968	13,314	9,750	23,065
Interest	8,457		8,457	10,410	4,816	15,227
Discounted promissory note	1,000		1,000	5,000		5,000
TOTAL BANK DEBT	**622,131**	**564,161**	**1,186,292**	**403,014**	**756,883**	**1,159,897**

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

Bank and mortgage loans include the following main bank borrowings:

TYPE OF LOAN	AMOUNT (€)	MATURITY
Syndicated (27 banks)	65 Million	2014
Syndicated (14 banks)	152 Million	2014
Club Deal (6 banks)	95 Million	2014
Corporate guarantee	80 Million	2014
Corporate guarantee	37,5 Million	2014
Mortgage-backed loans	44 Million	2026

Credit facilities utilised total € 290.4 million; at year-end 2012, a balance of € 65.8 million was available. In 2011, a total of € 288.5 million had been utilised on credit facilities and a balance of € 148.3 million was available.

New bank financing obtained in 2012 totalled € 246 million, as reflected in the cash flow statement. New bank financing obtained in 2011 totalled € 374 million.

The Group's mortgage loans are secured by 13 hotels having a total carrying amount of € 496 million, as explained in Note 9.

Maturities of bank borrowings are analysed below:

	2013	2014	2015	2016	2017	> 5 YEARS	TOTAL
Bank loans	342,700	214,146	12,464	8,113	2,595	1,636	581,654
Mortgage-backed loans	23,194	27,157	27,509	27,866	28,129	154,969	288,825
Credit facilities	237,755	52,633					290,388
Leases	9,025	5,083	1,335	408	116	0	15,968
Interest	8,457						8,457
Discounted promissory note	1,000						1,000
TOTAL BANK DEBT	**622,131**	**299,019**	**41,309**	**36,388**	**30,840**	**156,605**	**1,186,292**

Other finance lease liabilities

The Meliá Hotels International Group operates 88 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 2012 income statement of financial expense on this finance lease was € 12.5 million and is classified in "Other financial expenses" in the income statement. The effect on 2011 results was € 12.3 million (see Note 6.6).

Minimum finance lease instalments at year end 2012 amount to € 650 million, relating to 61 annual instalments, entailing a present value of € 160.4 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	596,674	649,948
Current value of minimum finance lease payments	10,005	34,274	116,125	160,403

The present value of minimum finance lease payments includes the present value of interest that will accrued on the leases in 2013 (€ 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 €)	31/12/2012			31/12/2011		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Trade bills payable	704		704	1,688		1,688
Fixed asset suppliers	3,174	3,697	6,871	3,454	6,645	10,099
Guarantee deposits received	1,121	1,440	2,561	1,186	3,582	4,768
Other payables	1,430	48,474	49,904	979	37,164	38,143
Dividends payable		133	133		370	370
Other	20	432	452	25	337	363
TOTAL	**6,449**	**54,176**	**60,625**	**7,333**	**48,099**	**55,431**

12.3 Hedging activities and derivatives

The fair values of the Group's derivative financial instruments are analysed below by maturity at 31 December 2012 and 2011:

(Thousand €)	31/12/2012			31/12/2011		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Hedging derivative assets	13	279	291	232	527	759
Hedging derivative liabilities	4,249	5,853	10,102	6,188	6,023	12,211

As part of its interest rate risk management policies (Note 20.1), the Company has 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 2012, the positive 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 € 1.4 million. In 2011 there was a negative impact of € 4.4 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 €)	31/12/2012			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Financial assets at fair value:				
Hedging derivatives		291		291
Trading portfolio	4,593			4,593
TOTAL ASSETS	**4,593**	**291**	**0**	**4,885**
Financial liabilities at fair value:				
Hedging derivatives		10,102		10,102
TOTAL LIABILITIES	**0**	**10,102**	**0**	**10,102**

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 2011 are set out below:

Financial assets at fair value:

(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**

13. CURRENT ASSETS

13.1 Inventories

(Thousand €)	31/12/2012	31/12/2011
Goods for resale	742	444
Food and beverages	8,495	7,846
Fuel	775	750
Spare parts and maintenance	3,515	3,364
Ancillary materials	4,972	5,238
Office materials	1,512	1,322
Hotel Business	**20,011**	**18,965**
Vacation Club Business	**59,276**	**60,814**
Real Estate Business	**5,347**	**6,106**
Advances to suppliers	**3,842**	**3,205**
TOTAL	**88,476**	**89,090**

The Group does not have firm purchase or sale commitments and there are no limitations on inventories availability.

The inventories of Club Vacacional includes rooms in a number of hotel developments in Spain and the Caribbean which are marketed under a time-sharing arrangement, as part of Club Meliá's business activity.

The real estate assets caption includes a balance of €3.1 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. In 2011 a real estate balance of € 3.9 million was recognised in respect of the company Desarrollos Sol, S.A.

13.2 Trade and other receivables

The following table contains a breakdown of this heading at year-end 2012 and 2011:

(Thousand €)	31/12/2012	31/12/2011
Customers	140,630	175,453
Other receivables	178,067	138,592
TOTAL	**318,697**	**314,045**

Trade receivables

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

(Thousand €)	31/12/2012	31/12/2011
Hotel	91,926	87,244
Real-Estate	3,821	3,599
Vacation Club	14,392	41,442
Other operating activities	30,491	43,168
TOTAL	**140,630**	**175,453**

The decrease in the Vacation Club balance relates to the reclassification of trade receivables to long term (see Note 12.1).

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, 2012 the total portfolio assigned in this respect amounts to €11.9 million, €11.1 million of which has been collected in advance. At December 31, 2011, these balances totalled €4 million and €2.1 million, respectively.

At December 31, 2012, the Group also assigns receivables relating to the sale of vacation club units, amounting to €115.8 million, through agreements without recourse with banking institutions. In 2011 the balance amounted to €144 million.

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, 2012, the provision for bad debts amounts to €44.2 million. At December 31, 2011, the balance amounted to €42.9 million.

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

(Thousand €)	2012	%	2011	%
Less than 90 days	101,421	74%	144,247	84%
More than 90 and less than 180	13,351	10%	17,486	10%
More than 180	22,038	16%	10,121	6%
Total	**136,809**	**100%**	**171,854**	**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 2012 and 2011:

(Thousand €)	31/12/2012	31/12/2011
Prepayments and accrued income	14,249	8,796
Loans to employees	549	509
Taxes refundable	21,324	19,331
Input VAT deductible	11,886	9,989
Tax withholdings	3,245	434
Receivables from associates	84,953	50,251
Receivables	16,815	16,047
Current accounts	25,047	33,234
TOTAL	**178,067**	**138,592**

These balances relate to commercial transactions effected by the Group. Payables of associates are analysed in Note 18.

13.3 Cash and other cash equivalents

(Thousand €)	31/12/2012	31/12/2011
Cash	239,302	190,702
Other cash equivalents	229,044	248,806
TOTAL	**468,346**	**439,508**

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, 2012 and 2011 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, 2012 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
Banco Sabadell	6.01
Less than 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 € 13 thousand.

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.

In 2012, the amount of € 62.3 million was transferred from the item Retained earnings to Reserves due to the merger of the companies Inter-sthoscaloja, S.A., Cansilius, S.L. and Calimarest, S.A. An approved dividend pay-out of € 7.5 million was also made.

14.3 Treasury shares

The breakdown and movements in treasury shares are as follows:

(Thousand €)	SHARES	AVERAGE PRICE €	BALANCE
Balance at 31/12/2011	13,576,777	8.13	110,413
Additions 2012	229,462	4.68	1,073
Disposals 2012	(218,000)	4.86	(1,060)
Balance at 31/12/2012	**13,588,239**	**8.13**	**110,426**

At December 31, 2012, the treasury shares balance includes 1.5 million shares relating to a securities loan with Deutsche Bank (see Note 12.2). Accordingly, the Group holds a total of 12,088,239 representing 6.54% of share capital. Treasury shares do not exceed the 10% limit stipulated in the Spanish Companies Act 2010.

The price of Meliá Hotels International, S.A.'s shares at the year end is €5.775. At the 2011 year end the share price amounted to €3.895.

For comparison purposes, the movements in 2011 are shown below:

(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**

The treasury shares balance to 31 December 2011 included 2 million shares of a share loan with Deutsche Bank. Taking the above into account the number of shares in the Company's possession at the close of 2011 was 11,576,777 representing 6.27%.

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 2012 reflected Retailed earnings relate mainly to the distribution of prior-year results (a profit of € 50.4 million from the fully-consolidated companies, including the parent company, and a loss of € 10.3 million from associates).

Also included is an increase of € 21.6 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.

There was also a decrease of € 62.3 million due to the above-mentioned transfer resulting from the merger of companies.

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 €)	31/12/2012	31/12/2011
Venezuelan Bolivar	(101,997)	(98,522)
Costa Rican Columbus	119	147
Morrocan Dinar	53	53
Tunisian Dinar	1,786	738
United States Dollar	25,478	32,698
Singapore Dollar	66	57
Swiss Franc	12,761	12,297
Croatian Crown	(327)	(321)
Great Britain Pound	(8,439)	(11,971)
Turkish Lira	271	290
Dominican Peso	(51,489)	(45,054)
Mexican Peso	(57,195)	(72,649)
Guatemalan Quetzal	7	8
Brazilian Real	(4,961)	(2,190)
Chinese Renminmbi Yuan	(225)	(231)
Indonesian Rupee	(125)	(137)
Peruvian Sol	2,383	1,871
Uruguayan Peso	17	33
Argentinian Peso	(299)	(143)
TOTAL	**(182,113)**	**(183,027)**

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, €184 million relates to fully consolidated companies and €1.9 million to equity method companies. In 2011 the figures were €182.9 million and €0.1 million, respectively.

The main departure relates to currencies pegged to the US dollar (Venezuelan Bolivar, Dominican Peso and Mexican Peso), due to the dollar's depreciation 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 € 0.9 million in negative translation differences was recognised in this item (2011: negative translation difference of € 9.1 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 € 1.5 million. In 2011, a loss of € 2.4 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.

During 2012, a 40% interest was acquired in the company Grupo Sol Asia LTD, which wholly owns the company Grupo Sol Services. The acquisition had no impact on the income statement, since the Group already controlled the company. The minority reserves purchased, which were transferred to Reserves, had a value of € 2 million (see Note 2.4).

Additionally, following the agreement to purchase a further 37% in the company Aparthotel Bosque, S.A. and resulting change of consolidation method, minority interests rose by € 6.8 million (see Note 4).

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.

15. NON CURRENT LIABILITIES

15.1 Capital grants and other deferred income

The details of these balances are as follows:

(Thousand €)	31/12/2012	31/12/2011
Capital grants	2,116	2,228
Deferred income from customery loyalty prog.	13,464	11,799
TOTAL	**15,580**	**14,027**

Capital grants basically relate to grants used to finance property, plant and equipment purchases. In 2012, the total amount recorded in the Income Statement for this item is €112 thousand. In 2011, income from grants amounted to €180 thousand.

Deferred income reflects the fair value assigned to points obtained by customers on the Company's loyalty programmes amounting to €13.5 million, under IFRIC 13.

15.2 Provisions

The balance sheet shows an amount of €38.2 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 €)	31/12/2011	ADDITIONS	DISPOSALS	VARIATIONS IN SCOPE	31/12/2012
Provision for retirement and seniority bonuses and personnel obligations	5,355	616	(24)	(20)	5,926
Provision for taxes	10,176	1,273	(7,211)		4,238
Provision for onerous contracts	11,000	3,500			14,500
Provision for liabilities	8,885	4,829	(172)		13,542
Total	**35,416**	**10,218**	**(7,406)**	**(20)**	**38,207**

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 €10.5 million for 2012, Euros 2.3 million of which has been charged to results. In 2011, the total amount accrued was €9.7 million, €2 million of which was charged to results.

In addition, said commitments have been externalised in order to comply with current legislation. In 2012, the balance for this item totalled €4.6 million, showing liabilities for its net amount. At the 2011 year end the balance externalised for this item amounted to €4,4 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 5.30% and salary increases of 1.00% plus the assumption of foreseeable turnover of between 3.34% and 8.66% 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 (€ 3.5 million) relate to the provision for onerous hotel contracts in Spain, which covers the difference between committed outlays and forecast contract flows.

Period additions include € 3.4 million to cover the estimated exposure to an arbitration claim received in 2012 for damages and outstanding amounts, which is pending resolution. There were also additions during 2011 for claims and litigation totalling € 1.3 million.

For comparison purposes, set out below is the breakdown of this balance by nature at the 2011 year end:

(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**

16. TRADE AND OTHER PAYABLES

The following table contains a breakdown of this heading at year-end 2012 and 2011:

(Thousand €)	31/12/2012	31/12/2011
Creditors	184,338	175,306
Other Payables	112,950	128,414
TOTAL	**297,288**	**303,720**

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 €142.7 million (at the previous year end, €139.4 million).

Prepayments from customers, which at the 2012 year end amount to €41.5 million, are also included in this account (2011: €35.9 million)

16.2 Other payables

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

(Thousand €)	31/12/2012	31/12/2011
Accruals and deferred income	7,076	19,656
Accrued wages and salaries	38,826	39,791
Taxes payable	22,438	37,292
Social security contributions payable	6,383	6,941
Sales output VAT	20,406	12,692
Trade payables, associates	14,155	6,908
Other liabilities	3,666	5,134
TOTAL	**112,950**	**128,414**

These balances relate to commercial transactions effected by the Group. Payables to associates are analysed in Note 18.

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.

The Group's subsidiaries that form tax units are detailed in Exhibit I to these Notes.

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	2008-2011		2009-2012	2009-2012	2009-2012		
France	2009-2011			2010-2012			
England	2006-2011		2007-2012	2007-2012			
Italy	2006-2011		2007-2012	2007-2012		2006-2011	
Germany	2002-2011		2003-2012	2003-2012			
Croatia	2007-2011		2008-2012	2008-2012			
Holland	2008-2011		2008-2012	2008-2012			
USA	2009-2011						
Mexico	2007-2011	2006-2007		2008-2012			
Dom. Rep.	2009-2011			2010-2012			
Venezuela	2007-2011		2008-2012	2008-2012			
Brazil	2007-2011		2008-2012				2008-2012

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:

Dominican Republic: The companies Inversiones Areito S.A., Inversiones Agara S.A., Desarrollos Sol S.A. and SMVC Dominican S.A. are only open to inspection for 2012 corporate income tax.

Mexico: Carla Formentor, S.A. de C.V. is open to inspection for 2002 corporate income tax and asset tax (I.M.P.A.C.). Cooperativism Hotelera Hispano Mexicana S.A. de C.V. is open to inspection for 2005 corporate income tax and VAT.

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	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Non-current deferred tax asset is as follows:						
Capitalised tax credits	24,184	33,563	10,348	(12,197)		
Credits for capitalised tax losses	48,465	34,876	(13,510)	(17,104)		(4,639)
Temporary differences for:						
Tax value of Tryp goodwill	35,646	36,560	914			
Cash flow hedges	2,504	3,375				
Reversal of adjusments for inflation in non-inflationary countries	11,773	9,958	(1,086)	(685)		
Provisions that are tax deductible at the time of payment or when the liability is generated	20,383	19,128	(3,802)	(960)	18	(22)
Different criteria for tax and accounting amortisation	36	40	1	(5)		
Reversal of capital gain from sale of a hotel between group companies	13,211	13,785	574	321		
Other	2,928	2,894	(301)	(2,296)		
TOTAL	159,130	154,179				
Non-current deferred tax liability is as follows:						
Fair values in business combinations	13,177	18,971	(429)	(417)	(1,047)	(1,219)
Finance lease operations	32,102	33,120	(1,415)	(3,135)	395	(7,291)
Restatement and revaluation of land	42,947	42,602	(4,026)	(660)		
Revaluation and restatement of fixed assets (excluding land)	33,617	28,943	5,046	235	17	
Non-operating assets (investment property)	(180)	397	(585)	147		
Differences in accounting and fiscal asset value in England	41,870	38,763	(4,165)	25,889		(13,952)
Accounting revaluation for merger	3,681	4,473	(60)	(81)	(732)	(758)
Sales under reinvestment deferral	5,769	5,933	(164)	(163)		
Other	5,503	3,333	2,102	1,386	44	
TOTAL	178,486	176,535				
TOTAL IMPACT OF DEFERRED TAX EXPENSE (INCOME)			(10,558)	(9,725)		

The effect of scope changes is due to the disposal of the French company Blanche Fontaine S.A.S. and the acquisition of a further 37% of the Spanish company Aparthotel Bosque S.A. (see Note 4).

Movements in 2011 were due to the disposal of Hotel de Axe, S.A.S. and the sale of 58.50% of In motel Inversiones Italian S.R.L.

The change in deferred taxes affecting the Group's equity amounted to € 0.6 million, as indicated in the Statement of Changes in Equity. In 2011 this effect amounted to € 1.1 million.

Deferred tax assets and liabilities are calculated considering the future amendments to the tax charges already approved in all geographical areas.

In this respect, in 2012 an expense of € 0.3 million was recognised in the income statement.

17.3 Group tax losses

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

(Thousand €)	2013	2014-2018	2019-2025	YEARS BEYOND	BALANCE 31/12/2012
Spain	0	1	74,906	358,537	433,444
Rest of Europe	9,300	21,210	187	2,130	32,827
America and the rest of the world	1,390	8,456	5,433	15,808	31,087
Total	**10,690**	**29,667**	**80,526**	**376,475**	**497,358**

The main movements in the Rest of Europe area relate to the Netherlands (€ 29.7 million) and Italy (€ 2.1 million), and to Mexico (€ 13.6 million) and Brazil (€ 15.8 million) in the America area.

Deferred tax assets of € 153.5 million and € 6.5 million were recognised for tax losses in Spain and in America/Rest of world, respectively.

The Negative Tax bases compensated in the exercise had not been activated in its entirety in the previous years, which has provoked a fiscal benefit for amount of 14,8 million Euros. The above mentioned benefit corresponds to Spain with 1,4 million Euros, and to America and rest of the world with 13,4 million Euros.

With regard to the provisions for financial investments pending to be integrated, it should be observed that the total amount is €63.7 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 2011:

(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**

17.4 Group's tax credits

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

(Thousand €)	2013	2014-2018	2019-2025	YEARS BEYOND	BALANCE 31/12/2012
Spain	828	2.871	29.691	7.083	40.473
America and the rest of the world	1.535	7.705	16.206	3.481	28.927
Total	**2.363**	**10.576**	**45.897**	**10.564**	**69.400**

Accumulated tax credits at year end in America and rest of the world relate to Mexico and Venezuela and amount to €25.4 million and €3.5 million, respectively.

Deferred tax assets have been recognised in Spain amounting to €9.5 million, €11.4 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,
for what this year has generated a fiscal benefit of 3.3 million Euros attributable to Spain.

For comparative purposes, set out below are tax credits available for offset by geographic area and maturity at year-end 2011:

(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**

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, 2012 is the following:

YEAR	AMOUNT TO BE DEDUCTED	YEAR MATURITY
2003	51	2018
2004	316	2019
2005	269	2020
2006	317	2021
2007	157	2022
2008	214	2023
2009	225	2024
2010	26	2025
TOTAL	**1,575**	

Period deductions for export activities amounted to € 0.5 million.

These deductions are fully capitalised, applying the policy explained in Note 3.13.

Tax deductions for donations and gifts totalling € 0.3 million were fully applied during the period.

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 REINVEST-MENT	YEAR MAT.	REINVESTE-MENT DEDUCTION	DEDUCTIONS APPLIED	PENDING APPLICATION	YEAR MAT.
2003	22,399	16,570	22,399	2003	22,399	-	2006	3,314	2,506	808	2018
2004	10,036	9,749	10,036	2004	27,216	-	2007	1,979		1,979	2019
2005	103,200	48,490	103,200	2004/05/06	82,521	-	2008	9,698		9,698	2020
2006	52,768	33,683	52,768	2006	76,840	-	2009	6,737		6,737	2021
2007	105,110	63,384	105,110	2006/07	97,825	-	2010	9,190		9,190	2022
2008	5,972	4,471	5,972	2007	88,773	-	2011	536		536	2023
2009					33,959	-					
2010	2,073	215	2,073	2009	25,129	-	2013	26		26	2025
2011	61,000	43,603	61,000	2010/11	48,923	-	2014	5,232		5,232	2026
2012	19,999	12,654	19,999	2011/12	50,353	-	2015	1,852		1,852	2027
Total	382,557	232,819	382,557		553,938			38,564	2,506	36,058	

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 €19.2 million and will be included on a straight-line basis up to the year 2048.

Double taxation deductions for dividends of domestic and international companies, totalling € 1.6 million, were fully applied during the period.

As of December 31, 2012 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 €2.8 million and maturing from 2013 to 2017. During the current year deductions have been applied for investments in new fixed assets in the Canary Islands by amount of €1million.

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 Hotels International, S.A.:	1999, 2001 and 2005

17.5 Reconciliation between the consolidated accounting profit and the aggregate tax base

(Thousand €)	31/12/2012	31/12/2011
Consolidated Net Income	42,094	41,982
Removal companies from scope	(6,106)	(12,463)
Translation differences on group operations	(1,255)	(6,991)
Dividends from subsidiaries	51,635	61,371
Elimination of Group portfolio provisions	(17,163)	(6,318)
Other adjustments	(4,906)	0
Recognition of net income of subsidiaires last year	(402)	(1,393)
Results of equity-consolidated companies	775	82
Net income of companies before change in scope	16,488	10,316
AGGREGATE NET INCOME	**81,160**	**86,585**
Adjustments to accounting profit for tax adjustments		
Income tax expense	16,940	9,111
Finance lease transactions	4,714	13,419
Non-deductible expense/income	94,612	15,313
Pension commitments	546	(6,147)
Canary Islands' investment reserve	0	4,799
Other	(2,152)	(13,405)
Difference between accounting/tax depreciation	17,866	3,603
Provisions	33,120	25,272
Exchange differences	4,789	5,276
Reversal of IAS adjustments	(47,196)	(61,318)
Inflation adjustments	4,162	(184)
Dividends and tax transparency, subsidiaries	(50,804)	(61,466)
PREVIOUS TAXABLE INCOME	**157,757**	**20,858**
Offset of tax-loss carryforwards	(56,751)	(12,547)
Tax losses not recognised	876	64,482
GROSS TAX BASE	**101,882**	**72,793**
TAX EXPENSE AT RATE APPLICABLE BY LAW (30%)	**30,565**	**21,838**
Effect of tax rate applicable in other countries	(13,625)	(12,727)
INCOME TAX EXPENSE	**16,940**	**9,111**

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 €)	31/12/2012 COST / (INCOME)	31/12/2011 COST / (INCOME)
Current tax		
Income tax for the period	16,132	13,115
Other period taxes	5,317	5,981
Adjustments to income tax of prior years	6,049	(3,440)
Deferred taxes		
Net variation in credits for tax losses	(13,510)	(17,104)
Net variation in tax credits	10,348	(12,197)
Others	(7,396)	22,756
TOTAL INCOME TAX EXPENSE	**16,940**	**9,111**

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 realized in conditions of market.

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 2012 and 2011, the amount recognised in operating results in the consolidated income statement and balances outstanding at the year end:

(Thousand €)

		31/12/2012			31/12/2011	
	NET INCOME 2012	ASSETS	LIABILITIES	NET INCOME 2011	ASSETS	LIABILITIES
Turismo de Invierno, S.A.	306	1,324		397	660	
C.P. Meliá Castilla	2,283	969	115	2,441	1,172	121
C.P.A.M.Costa del Sol	892	358	41	744	262	28
Aparthotel Bosque, S.A.	462	0	0	483	267	5
Nexprom, S.A.	881	376	26	757	307	7
Evertmel, S. L. (JV)	1,637	16,663	220	603	1,487	33
Hantinsol Resorts, S.A.	0	2		(11)	2	
Nyesa Meliá Zaragoza, S. L. (JV)	575	3,586	18	532	657	8
Inv. Hot. La Jaquita, S. A. (JV)	3,163	25,741	671	2,540	11,281	598
Colón Verona, S. A. (JV)	741	6,358	426	953	1,542	170
Travel Dynamic Solutions, S.A. (JV)	(13,991)	7,008	4,271	(14,083)	4,038	4,448
Altavista Hotelera, S. L.	1,147	4,743	104	1,167	6,107	43
Mongamenda, S. L. (JV)	107	6,007		11	1,498	
Adprotel Strand, S. L.	524	282	0	0	10,472	226
Tertián XXI, S. L. U. (JV)	1,017	1,118	2,689		2,287	
Innwise Management, S.L.		4	53			
Kimel Mca, S.L. (JV)	42	889	9			
Fourth Project 2012, S.L. (JV)		3				
Producciones de Parques, S.L. (JV)		199	4,724			
Meliá Hotels Florida, LLC (JV)		25			25	
Meliá Hotels Orlando, LLC (JV)	171	684		112	438	
Inversiones Guiza, S. A.		6	5		6	3
Guarajuba, S. A.					1	
Banamex, S.A. Fideicomiso	836	25	2			
Hellenic Hotel Manag. CO. HB. S. A.		43			44	
Detur Panamá, S. A.	78	4,496	2	110	3,675	2
Inmotel Inversiones Italia, S. R. L.	3,548	4,043	778		4,023	1,216
TOTAL	**4,420**	**84,953**	**14,155**	**(3,244)**	**50,251**	**6,908**

(JV) Joint ventures

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

The main changes are due to increases in the current account balances of the companies Evertmel S.L. and Inv. Hot. La Jaquita S.A. with Meliá Hotels International S.A., totalling € 28 million.

Financing operations

There follows a breakdown of financing granted to associates by the Group at year-end 2012 and 2011:

(Thousand €)

		31/12/2012			31/12/2011	
	NET INCOME 2012	ASSETS	LIABILITIES	NET INCOME 2011	ASSETS	LIABILITIES
Evertmel, S. L.[JV]	624	10,784		233	10,191	
Nyesa Meliá Zaragoza, S. L.[JV]	96			242		
Inv. Hot. La Jaquita, S. A.[JV]	867	2,269		657	25,269	5,891
Colón Verona, S. A.[JV]	1,537	31,857		1,234	31,857	
Travel Dynamic Solutions, S.A.[JV]	(371)		37,853	404	3,303	17,456
Altavista Hotelera, S. L.	1,231	23,709		850	17,692	
Mongamenda, S. L.[JV]	193			71		
Adprotel Strand, S. L.	6,289	120,418	0	0	72,386	0
Tertián XXI, S. L. U.[JV]	1,056	18,286			20,600	
Kimel Mca, S.L.[JV]	10					
Datolita Inversiones 2010, S.L.	424	15,424				
Meliá Hotels USA, LLC.[JV]	6		395			774
Meliá Hotels Orlando, LLC	(0)					
Detur Panamá, S. A.	(52)	1,155		458	1,115	
Inmotel Inversiones Italia, S. R. L.	(284)				284	
TOTAL	**11,626**	**223,903**	**38,248**	**4,150**	**182,697**	**24,121**

(JV) Joint ventures

The main movements in 2012 were the assignment to the company Datolita Inversiones 2010,S.L. of a part of the balances payable by Inv. Hot. La Jaquita, S.A. to Meliá Hotels International, S.A. (€ 17.1 million) and the increase in long-term receivables in the company Adprotel Strand, S.L. (€ 48 million).

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 (4.612% in 2012).

Collateral and bank guarantees

As indicated in Note 19.2., the Group records bank guarantees for certain liabilities recognised by associates or joint ventures. At year-end 2012:

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, USD 9 million loan. The sum guaranteed at 31 December 2012 is USD 1.5 million.

Meliá Hotels International, S.A. is the guarantor vis-à-vis Banco Popular of 50% of the mortgage loan granted to Nyesa Meliá Zaragoza, S.L. The sum of € 14 million is guaranteed at the year end.

Meliá Hotels International, S.A. is the guarantor in a number of transactions effected by associates, under bank guarantees, totalling € 1.6 million.

18.2 Transactions with significant shareholders

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

(Thousand €)

	TRANSACTION TYPE	2012	2011
Hoteles Mallorquines Asociados, S.L.	Purchase of goods	11,931	13,374
Hoteles Mallorquines Asociados, S.L.	Provision of services	41	42
Hoteles Mallorquines Asociados, S.L.	Lease	427	417
TOTAL		**12,398**	**13,832**

The asset purchases reflected in the above table relate to inventories acquired from the Group supplier 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 2012 was € 420 thousand (2011: € 135 thousand).

18.3 Transactions with executives and Board directors

Per diems for attending Board and committee meetings in 2012 and 2011 are as follows:

(Thousand €)

	2012	2011
External independent director	**306**	**303**
Mr. Juan Arena de la Mora	60	60
Mr. Alfredo Pastor Bodmer	69	84
Ms. Amparo Moraleda Martínez	66	69
Mr. Emilio Cuatrecasas Figueras	18	36
Mr. Luis María Díaz de Bustamante y Terminel	45	54
Mr. Fco Javier Campo García	24	
Mr. Fernando D´Ornellas Silva	24	
Dominical external director	**189**	**252**
Mr. Sebastián Escarrer Jaume *	54	69
Mr. Juan Vives Cerdá	48	69
Banco Sabadell	27	45
Holeles Mallorquines Consolidados S.A.	60	69
Executive director	**99**	**123**
Mr. Gabriel Escarrer Julia	45	54
Mr. Gabriel Juan Escarrer Jaume	54	69
TOTAL	**595**	**679**

(*) In 2012 Mr. Sebastián Escarrer Jaume it has happened of being an executive director to dominical external director

Remuneration of executive directors and senior management in 2012 and 2011 is analysed below:

(Thousand €)	2012		2011	
	REMUNERATION FIXES	VARIABLE REMUNERATION	REMUNERATION FIXES	VARIABLE REMUNERATION
Executive director	**974**	**693**	**1,108**	**662**
Mr. Gabriel Escarrer Julia	267		267	
Mr. Gabriel Juan Escarrer Jaume	412	274	421	324
Mr. Sebastián Escarrer Jaume *	295	418	421	337
High direction	**2,093**	**1,353**	**2,093**	**1,318**
TOTAL	3,067	2,046	3,201	1,980

(*) In 2012 Mr. Sebastián Escarrer Jaume it has happened of being an executive director to dominical external director

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 2012 and 2011:

(Thousand €)	OPERATION TYPE	31/12/2012	31/12/2011
Banco Sabadell	Financial expenses		1,761
Banco Sabadell	Loan repayment	33,020	10,089
Banco Sabadell	Loans and capital contributions		15
Banco Sabadell	Cancellation of deposits	16,228	
Banco Sabadell	Financial Income	118	
Mr. Gabriel Escarrer Julia	Services received	100	148
Mr. Juan Vives Cerda	Services rendered	295	371

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 or because the commitments must not be recognised pursuant to prevailing legislation. Such contingent assets and liabilities are detailed below by amount and item:

19.1 Leases

The Meliá Hotels International Group operates at December 31, 2012, 85 hotels under leases: nine five-star hotels (1,562 rooms), 58 four-star (10,548 rooms), 15 three-star (2,300 rooms) and two three-key establishments (915 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	98,125	374,340	1,193,512	1,665,977

Of the 85 hotels leased by the Meliá Hotels International Group, 17 are classified as finance leases, as explained in Note 12.2. This table includes the portion relating to the land on which the 17 hotels classified as finance leases stand, totalling € 707 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 21 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 9.43 years.

The information for 2011 is presented for comparative purposes:

(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

At the year end, the Group operated 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 average term of these leases, excluding the land on which the 17 finance lease hotels stand, was 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 €46.4 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 €7 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 €1.4 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 €2.1 million.

Meliá Hotels International, S.A. secures several operations through bank guarantees and various items, amounting to €25 million.

Meliá Hotels International, S.A. has furnished collateral and bank guarantees totalling € 16.7 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, 2012 is as follows (these amounts do not include interest payable):

(Thousand €)	FIXED INTEREST	FLOATING INTEREST	TOTAL
Preference shares	25,192		25,192
Simple bonds	75,600		75,600
Convertible bonds	183,058		183,058
Bank loans	423,779	157,875	581,654
Mortgage-backed loans	210,176	78,649	288,825
Credit facilities		290,388	290,388
Leases		15,968	15,968
Discount notes	1,000		1,000
TOTAL DEBT	**918,805**	**542,880**	**1,461,686**

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

At December 31, 2012, the Group has various interest rate swaps contracted, the notional value of which is €557.8 million, considered as cash flow hedging instruments, as explained in Note 12.3. At the 2011 year end the notional value of the swaps contracted was €540.5 million.

The information for 2011 is presented for comparative purposes:

(Thousand €)	FIXED INTEREST	FLOATING INTEREST	TOTAL
Preference shares	106,531		106,531
Convertible obligations	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
Discount notes	5,000		5,000
TOTAL DEBT	**912,310**	**514,507**	**1,426,817**

The sensitivity of 2012 and 2011 profits to changes (in base points) in interest rates, in thousand euro, is as follows:

VARIATION	2012	2011
+ 25	(990)	(1,273)
- 25	990	1,273

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

The Group operates internationally and is therefore exposed to foreign exchange risk arising from currency transactions, primarily with respect to the US dollar and the UK pound sterling.

Foreign exchange risk arises from commercial, financial and investment transactions, as well as from the translation to the Group's presentation currency of the financial statements of subsidiaries denominated in a different functional currency.

Management requires the Group companies to manage foreign exchange risk arising from their functional currency. Moreover, despite not having contracted financial instruments (swaps, foreign exchange insurance) to mitigate this possible risk, the Group seeks to maintain a balance between cash collections and payments of assets and liabilities denominated in foreign currency.

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 following table shows the effect of foreign exchange fluctuations on the pre-tax result and on equity, assuming that the other variables remain stable:

(Thousand €)	PROFIT AND LOSS			
	2012		2011	
	+10%	-10%	+10%	-10%
GBP	428	(428)	838	(838)
U.S dollar	7,570	(7,570)	2,932	(2,932)
	EQUITY			
	2012		2011	
	+10%	-10%	+10%	-10%
GBP	844	(844)	1,197	(1,197)
U.S dollar	2,548	(2,548)	3,270	(3,270)

89% 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 2012, based on nominal amounts by maturity:

(Thousand €)	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	AMOUNT
Preferent shares				25,192	25,192
Simple bonds			76,384		76,384
Convertible bonds			200,000		200,000
Loans and facilities	119,770	490,874	432,153	129,277	1,172,074
Leasings	2,752	6,273	6,943		15,968
TOTAL MATURITY	**122,522**	**497,147**	**715,480**	**154,469**	**1,489,618**

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 2012.

The average interest rate on these financial liabilities in 2012 was 5.4%. In 2011 the average rate was 4.55%.

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 2012.

On the other hand, in order to maintain adequate liquidity, the investments planned by the Group for 2012 do not exceed the figure of €50 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 50 days in 2012 and 57 days in 2011. 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 2012 year end an optimum financial situation.

In terms of liquidity, the Group has an amount of €468.3 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 19.8% of the debt total (18.09% at the 2011 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 2013, total operating capex will be under €50 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..
Banco Sabadell, S.A., takes part directly or indirectly and exercises charges in some companies with the same one, 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 2012 and 2011 by Meliá Hotels International, S.A. and its Spanish subsidiaries:

(Thousand €)	2012	%	2011	%
Within legal maximum period	157,200	44.45%	163,009	35.80%
Rest	196,484	55.55%	292,275	64.20%
TOTAL	**353,685**	**100.00%**	**455,285**	**100.00%**

Payments to suppliers deferred by the Group's parent and its Spanish subsidiaries beyond Spain's legal maximum period of 75 days totalled € 28.5 million at the year end. In 2011 the maximum period was 85 days and amounts deferred beyond the legal maximum period totalled € 60.8 million.

The weighted average excess payment period was 39.21 days in 2012 (31,69 days in 2011).

Audit fees

Fees corresponding to the audit of the 2012 consolidated annual accounts of the parent and subsidiaries have amounted to €1,432 thousand, of which €537 thousand has been invoiced by PricewaterhouseCoopers España, €410 thousand by PricewaterhouseCoopers at an international level and the remaining €485 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 €555 thousand.

In 2011 the fees for the audit of the consolidated annual accounts and the accounts of the subsidiary companies totalled €1,272 thousand, of which PricewaterhouseCoopers España invoiced €490 thousand, while PricewaterhouseCoopers internationally invoiced €534 thousand and the remaining €248 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 €477 thousand.

The company Lomondo Ltd., a subsidiary of Meliá Hotels International, S.A. registered in Albany Street (London), availed itself of the exception provided by UK legislation whereby subsidiaries of EU companies that issue and audit consolidated annual accounts are exonerated from the obligation of having their individual annual accounts audited.

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 February 2013 the government of Venezuela approved a devaluation of its Bolivar Fuerte currency, meaning that the Meliá Group's consolidated balances deriving from its Venezuelan subsidiaries will change considerably during 2013. On the basis of year-end 2012 data, the impact on assets and equity will amount to € 58.9 million and € 27.4 million, respectively.

Before issuing these annual accounts, the Board of Directors of Meliá Hotels International, S.A. approved the issuance of € 200 million in convertible bonds.

		COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
	(F1)	APARTOTEL, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	Management company	99,73%		99,73%	
(A)		APARTHOTEL BOSQUE, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	62,00%		62,00%	
(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)	(F2)	CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France	Holding		100,00%	100,00%	SOL MELIA FRANCE, S.A.
(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.
(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.	Casino Operator		49,85%	49,85%	INVERSIONES AGARA S.A.
	(F1)	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
	(F3)	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.S.	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,N.V.	The Ruyterkade, 62 (Curaçao)	Dutch Antilles	Commercialisation		65,73%		DOMINICAN INVESTMENT NV
							33,96%	99,69%	IRTON COMPANY, N.V.
	(F1)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Brand Owner	100,00%		100,00%	
	(F3)	FARANDOLE, B.V.	World Trade Center 17b (Amsterdam)	Holland	Holding		99,69%	99,69%	MELIÁ INV. AMERICANAS N.V.
		FIRST PROJECT, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100,00%		100,00%	
		GESMESOL, S.A.	Elvira Méndez, 10 (Panamá)	Panama	Management company	100,00%		100,00%	
	(F1)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100,00%		100,00%	
		GRUPO SOL ASIA, Ltd.	1109/10 Admiralty Tower (Hong Kong)	Hong Kong	Holding	100,00%		100,00%	
(A)		GRUPO SOL SERVICES	80, Raffles Pplace,(Kuala Lumpur)	Singapore	Services		100,00%	100,00%	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%	
		PRODISOTEL, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	Operator		100,00%	100,00%	PRODIGIOS INTERACTIVOS, S.A.
	(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 24 (Palma de Mca.)	Spain	Holding	51,49%			
							46,70%	98,19%	REALTUR, S.A.
(A)	(F2)	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)	(F2)	HOTEL COLBERT SAS	Rue du sentier (Paris)	France	Hotel ownership and ops.		100,00%	100,00%	CADSTAR FRANCE, S.A.S.
(A)	(F2)	HOTEL FRANÇOIS S.A.S.	Rue du Sentier (Paris)	France	Hotel ownership and ops.		100,00%	100,00%	CADSTAR FRANCE SAS
(A)	(F2)	HOTEL MADELEINE PALACE, S.A.S.	8, Rue Cambon (Paris)	France	Hotel operations		100,00%	100,00%	HOTEL METROPOLITAN S.A.S.
(A)	(F2)	HOTEL METROPOLITAN, S.A.	8, Rue Cambon (Paris)	France	Hotel ownership and ops.		100,00%	100,00%	SOL MELIÁ FRANCE, S.A.S.
	(F1)	HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100,00%		100,00%	
	(F1)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Inactive	100,00%		100,00%	
(A)	(F2)	HOTEL ROYAL ALMA S.A.S.	Rue du Sentier (Paris)	France	Hotel ownership and ops.		100,00%	100,00%	CADSTAR FRANCE SAS
	(F1)	HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Holding	100,00%		100,00%	

		COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
	(F1)	HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Commercialisation	100,00%		100,00%	
		ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	Management company	100,00%		100,00%	
		IMPULSE HOTEL DEVELOPEMENT B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	Commercialisation	100,00%		100,00%	
(A)		INMOBILIARIA DISTRITO CIAL, C.A.	Avda. venezuela con Casanova (Caracas)	Venezuela	Shopping centre owner		89,26%	89,26%	MELIÁ INV. AMERICANAS N.V.
		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.S.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	Hotel ownership and ops.		99,69%	99,69%	NEALE S.A.
(A)		INVERSIONES AREITO, S.A.S	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.
		LOMONDO, Ltd.	Albany Street-Regents Park (Londres)	Great Britain	Hotel ownership and ops.	100,00%		100,00%	HOTELES SOL INTNAL, S.A.
		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)	Turquía	Inactive	10,00%	90,00%	100,00%	MARKSERV B.V.
		MARKTUR TURIZM, A. S.	Daire, 3 Gençlik Mahallesi (Antalya)	Turquía	Inactive	100,00%		100,00%	
		MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brasil	Hotel operations		20,00%		SOL MANINVEST B.V.
							80,00%	100,00%	MARKSERV B.V.
		MELIA BRASIL A.H. (ARGENTINA)	Reconquista, 945 (Buenos Aires)	Argentina	Management company		100,00%		MELIA BRASIL ADMON.
		MELIA BRASIL A.H. (URUGUAY)	Héctor Miranda 2361 (Montevideo)	Uruguay	Management company		100,00%		MELIA BRASIL ADMON.
(A)		MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	España	Owner and Management			100,00%	
		MELIÁ INTNAL. HOTELS, S. A.	Edificio Fiducidario (Panamá)	Panamá	Management and Holding.	100,00%		100,00%	
		MELIÁ INV. AMERICANAS, N.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holanda	Holding	82,26%	17,43%	99,69%	SOL MELIÁ INVESTMENT N.V.
(A)		MELIÁ MANAGEMENT, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Rep. Dom.	Management company		100,00%	100,00%	INV TURIST DEL CARIBE SA
		MELSOL MANAGEMENT, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holanda	Management company	100,00%		100,00%	
	(F1)	MOTELES ANDALUCES, S. A.	Mauricio Legendre, 16 (Madrid)	España	Hotel ownership and ops.	99,38%		99,38%	
		NEALE, S. A.	Edificio Arango Orillac (Panamá)	Panamá	Commercialisation		99,69%	99,69%	RANDLESTOP CORP.N.V
		NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	EE.UU.	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.)	México	Management company	75,21%	24,79%	100,00%	MARKSERV B.V.
(A)		PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 22 (Palma de Mallorca)	España	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%	
		RANDLESTOP CORPORATION, N.V.	The Ruyterkade, 62 (Curaçao)	Curaçao	Holding		99,69%	99,69%	MELIÁ INV. AMERICANAS N.V.
(A)	(F1)	REALTUR, S.A.	Mauricio Legendre, 16 (Madrid)	España	Hotel ownership and ops.	95,97%			
							0,21%		HOGARES BATLE S.A.
							0,08%	96,26%	DOMINIOS COMPARTIDOS S.A.
	(F3)	SAN JUAN INVESTMENT, B.V.	Strawinskylaan, 307 (Amsterdam)	Holanda	Holding		99,69%	99,69%	MELIÁ INV. AMERICANAS N.V.
	(F1)	SECURISOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	España	Security	100,00%		100,00%	
(A)		SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico	Service center		100,00%	100,00%	SM VACATION CLUB CO.
(A)		SIERRA PARIMA, S.A.	Avda. John F. Kennedy, 10 (Sto. Domingo)	Rep.Dom.	Shopping centre owner	51,00%		51,00%	
(A)		SMVC DOMINICANA, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Rep. Dom.	Vacation Club Management		100,00%	100,00%	SM VACATION CLUB CO.
(A)	(F1)	SMVC ESPAÑA S.L.	Mauricio Legendre, 16 (Madrid)	España	Vacation Club Management		100,00%	100,00%	HOTELES SOL MELIÁ, S. L.
(A)		SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancún)	México	Vacation Club Management		100,00%	100,00%	SM VACATION CLUB CO.
	(F1)	SMVC NETWORK ESPAÑA, S.L.	Provenza 112 (Barcelona)	España	Vacation Club Commercialisation		100,00%	100,00%	HOTELES SOL MELIÁ, S. L.
		SMVC NETWORK, S.A.R.L.	9, Rue Schiller	Luxemburgo	Vacation Club Commercialisation		100,00%	100,00%	HOTELES SOL MELIÁ, S. L.
(A)		SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panamá	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%	

... Continues on the following page.

		COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	IND. HOLDER
		SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panamá	Incoming		100,00%	100,00%	GESMESOL, S.A
		SOL GROUP, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holanda	Holding	100,00%		100,00%	
		SOL GROUP CORPORATION	2100, Coral Way, suite 402 (Miami)	EE.UU.	Services		100,00%	100,00%	SOL GROUP B.V
		SOL MANINVEST, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holanda	Management and Holding.	100,00%		100,00%	
		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	Islas Caimán	Management company		100,00%	100,00%	SOL MELIA FRIBOURG S.A.
		SOL MELIÁ CROACIA	Vladimira Nazora, 6 (Rovijn)	Croacia	Management company		100,00%	100,00%	SOL MANINVEST B.V.
(A)		SOL MELIÁ DEUTSCHLAND, gmbh	Josef Haumann Strasse, 1 (Bochum)	Alemania	Hotel operations	100,00%		100,00%	
		SOL MELIÁ EUROPE, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holanda	Financial services	100,00%		100,00%	
(A)		SOL MELIÁ FINANCE, Ltd.	Ugland House South Church (Gran Caymán)	Islas Caimán	Financial services		100,00%	100,00%	SOL MELIA INVESMENT, N.V
		SOL MELIÁ FUNDING	Regatta Office Park West Bay Road	Islas Caimán	Financial services		100,00%	100,00%	SOL MELIA FRIBOURG S.A.
(A)		SOL MELIÁ FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	Francia	Management and Holding.	100,00%		100,00%	
(A)		SOL MELIÁ FRIBOURG, S.A.	Chemin des primeveres, 45 (Fribourg)	Suiza	Holding	100,00%		100,00%	
(A)		SOL MELIÁ GREECE, HOTEL & TOURISTIC	Chalkokondili Str. (Atenas)	Grecia	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)	Holanda	Holding	100,00%		100,00%	
		SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milán)	Italia	Hotel operations		100,00%	100,00%	
		SOL MELIÁ LUXEMBURG, S.A.R.L.	Bulev. Prince Henri Rue du Fort Place Europe	Luxemburgo	Management company	100,00%		100,00%	
		SOL MELIÁ MARROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1° Etage	Marruecos	Management company		100,00%	100,00%	MARKSERV B.V.
		SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Perú	Management company		100,00%	100,00%	MELIÁ INTNAL. HOTELS, S.A.
(A)		SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Suiza	Management company		100,00%	100,00%	SOL MANINVEST B.V.
(A)		SOL MELIÁ HOTEL SHANGHAI 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)	Suiza	Inactive	100,00%		100,00%	
		SOL MELIA VACATION CLUB CO.	Bickell Avenue, 800 (Miami)	EE.UU.	Holding		100,00%	100,00%	HOTELES SOL MELIÁ, S. L.
(A)	(F1)	TENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	España	Hotel ownership and ops.	50,00%			
							48,13%	98,13%	REALTUR, S.A.
		THIRD PROJECT 2012, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	España	Inactive	100,00%		100,00%	
		VACATION CLUB SERVICES CO.	Bickell Avenue, 800 (Miami)	EE.UU.	Vacation Club Management		100,00%	100,00%	SM VACATION CLUB CO.

(A) Audited Entities
(F1) Entities that are consolidated tax group with Meliá Hotels International, S.A
(F2) Entities that are consolidated tax group with Sol Meliá France, S.A.S.
(F3) Entities that are consolidated tax group with Meliá Inversiones Americanas, N.V.

(*) The interest in this company is through the ownership of apartments that represent 91.83% of the total and which are recorded under investment property.

APPENDIX 2. ASSOCIATES AND JOINT VENTURES

	COMPANY	REGISTERED OFFICE	COUNTRY	ACTIVITY	DIR. HOLD.	IND. HOLD.	TOTAL	TENEDORA PART.IND.
	ADPROTEL STRAND, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel owner	40%		40%	
(A)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 242 (Barcelona)	Spain	Hotel ownership and ops.	48%		48%	
	BANAMEX S.A. FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	Mexico	Hotel owner	28%		28%	
	C. P. COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	Horizontal property owners	0%	19%	19%	APARTOTEL S.A.
(A)	COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Sevilla)	Spain	Hotel ownership and ops.	50%		50%	
(A)	COM. PROP. MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	Horizontal property owners	30%	0%	30%	DOMINIOS COMPARTIDOS, S.A.
	DATOLITA INVERSIONES 2010,S.L.	Avenida Oscar Esplá, 37 (Alicante)	Spain	Service Center	50%		50%	
	DETUR PANAMÁ S.A.	Antigua Escuela Las Américas (Colón)	Panama	Hotel ownership and ops.	33%	17%	50%	M.I.H., S.A.
	EL RECREO PLAZA, C.A.	Avenida Francisco de Miranda (Caracas)	Venezuela	Owner		20%	20%	INVERS. INMOB. IAR 1997, C.A.
	EL RECREO PLAZA, C.A. & CIA C.E.C.	Avenida Francisco de Miranda (Caracas)	Venezuela	Owner		1%		EL RECREO PLAZA, C.A.
						19%	20%	INVERS. INMOB. IAR 1997, C.A.
	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel ownership and ops.	50%		50%	
	FOURTH PROJECT 2012, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel owner	50%		50%	
	HANTINSOL RESORTS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Holding	33%		33%	
	HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	Inactive	40%		40%	
	INMOTEL INVERS. ITALIA, S. R. L.	Via Pietro Mascagni, 14 (Milán)	Italy	Hotel ownership and ops.	42%		42%	
(A)	INVERSIONES GUIZA, S.A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	Hotel ownership and aquifer		50%	50%	DESARROLLOS SOL, S.A.
(A)	INV. HOTELERAS LA JAQUITA, S.A. (JV)	Carretera Arenas 1 (Pto. De La Cruz)	Spain	Hotel ownership and ops.		49,07%	49%	TENERIFE SOL, S.A.
	INNWISE MANAGEMENT. S.L.	Aravaca 22,Bis (Madrid)	Spain	Service Center		25%	25%	TRAVEL DYNAMIC SOLUTIONS, SA
	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel operations		50%	50%	EVERTMEL, S.L.
	MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	U.S.A.	Holding		50%	50%	SOL MELIA FRIBOURG, S.A.
	MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	U.S.A.	Hotel ownership and ops.		50%	50%	MELIA HOTELS USA, LLC.
	MELIA HOTELS ORLANDO, LLC. (JV)	Brickell Avenue Suite 1000, 800	U.S.A.	Management company		50%	50%	MELIA HOTELS USA, LLC.
	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain	Owner		50%	50%	EVERTMEL, S.L.
	NEXPROM, S.A.	Avda. del Lido s/n (Torremolinos)	Spain	Hotel ownership and ops.	18%	3%	20%	PROMEDRO
(A)	NYESA MELIÁ ZARAGOZA S.L. (JV)	Avenida César Augusto, 13 (Zaragoza)	Spain	Hotel ownership and ops.	50%		50%	
	PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	Hotel ownership and ops.	12%			
						8%	20%	APARTOTEL S.A.
	PRODUCCIONES DE PARQUES, S.L. (JV)	Avda. P. Vaquer Ramis , s/n (Calviá)	Spain	Hotel and park ownership and ops.	50%		50%	
	PROMEDRO, S.A.	Avda. del Lido s/n (Torremolinos)	Spain	Holding	20%		20%	
	TERTIAN XXI, S.L.U. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel owner		50%	50%	EVERTMEL, S.L.
	TRADYSO ARGENTINA, S.A. (JV)	Cabello, 3682 (Buenos Aires)	Argentina	Sales office		2%		PRODIGIOS INTERACTIVOS,S.A.
						48%	50%	TRAVEL DYNAMIC SOLUTIONS, SA
(A)	TRAVEL DYNAMIC SOLUTIONS, S.A. (JV)	Paseo Club Deportivo, 1 (Madrid)	Spain	Oficina de Ventas		50%	50%	PRODIGIOS INTERACTIVOS,S.A.
	TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n (Granada)	Spain	Prop. y Explot. hotel	21%		21%	

(A) Audited entities
(JV) Joint Ventures

(*) The interest in these companies is through the ownership of apartments that represent 18.87% and 30.10% of the total, respectively, and which are recorded under investment property.

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.

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
Grupo Sol Asia Ltd.	Hong Kong	Administrator
Hoteles Meliá Internacional De Colombia S.A.	Colombia	CEO
Lomondo Limited	Great Britain	Administrator
Marktur Turizm Isletmecilik A.S.	Turkey	Administrator
Sol Melia VC México. S.A. de C.V.	Mexico	Chairman
Sol Melia VC Puerto Rico Corporation	Puerto Rico	CEO
Sol Melia VC Panamá. S.A.	Panama	CEO

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

REGISTERED NAME OF COMPANY	COUNTRY	POSITION
Corporación Hotelera Metor S.A.	Peru	Vice Chairman
Sol Melia China Limited	R.P. China	CEO

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
Casino Tamarindos. S.A.	Chairman
Dorpan 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
Moteles Andaluces S.A.	CEO
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
Mongamenda SL	Director

INTERNATIONAL COMPANIES		
REGISTERED NAME OF COMPANY	COUNTRY	POSITION
Bear S.A. de C.V.	Mexico	Chairman
Bisol Vallarta S.A. de C.V.	Mexico	Chairman
Cadstar France SAS	France	Chairman
Cala Formentor S.A. de C.V.	Mexico	Director
Caribotels de México S.A. de C.V.	Mexico	Chairman
Compagnie Tunisienne de Gestion Hoteleire S.A.	Tunissia	Chairman
Corporación Hotelera Hispano Mexicana S.A.	Mexico	Chairman
Corporación Hotelera Metor S.A.	Peru	CEO
Desarrollos Hoteleros San Juan	Holland	CEO
Desarrollos Sol S.A.	Dom.Rep	Chairman
Farandole B.V.	Holland	Administrator
Gupe Actividades Hoteleiras S.A.	Portugal	Administrator
Hotel Alexander 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	Manager
Impulse Hotel Development B.V.	Holland	Administrator
Inmobiliaria Distrito Comercial C.A.	Venezuela	Chairman
Inmotel Inversiones Italia, SRL	Italy	Director
Inversiones Areito. S.A.	Dom.Rep	Chairman
Inversiones Inmobiliarias IAR 1997 C.A.	Venezuela	Administrator
Lomondo Limited	Great Britain	CEO
LonMR. XXI, Limited	Great Britain	CEO
Madeleine Palace S.A.S.	France	Chairman
Markserv B.V.	Holland	Administrator
Meliá Inversiones Americanas	Holland	CEO
Melsol Management B.V.	Holland	Administrator
Operadora Mesol S.A. de C.V.	Mexico	Chairman
PT Sol Meliá Indonesia	Indonesia	Chairman
San Juan Investment B.V.	Holland	Administrator
Sol Group B.V.	Holland	Administrator
Sol Group Corporation	U.S.A	CEO
Sol Maninvest B.V.	Holland	Administrator
Sol Melia China Limited	R.P. China	Director
Sol Melia Deutschland GMBH	Germany	Joint and several Administrator
Sol Melia Europe, B.V.	Holland	CEO
Sol Melia France S.A.S.	France	Board Chairman
Sol Melia Fribourg, S.A.	Switzerland	Chairman
Sol Melia Hotel Management (Shanghai) Company Ltd.	China	Chairman
Sol Melia Italia. S.R.L.	Italy	Joint and several Administrator
Sol Melia Maroc - S.A.R.L. D'associé Unique	Morocco	Manager
Sol Melia VC México. S.A. De C.V.	Mexico	Chairman
Sol Melia VC Puerto Rico Corporation	Puerto Rico	CEO
Sol Melia Balkans	Bulgary	CEO and Chairman
Sol Melia Greece. S.A.	Greece	CEO and Chairman
Sol Melia Investment N.V.	Holland	Administrator
Sol Melia Luxembourg. S.À.R.L.	Luxembury	Director
Sol Melia Services, S.A.	Switzerland	Chairman
Sol Melia Suisse S.A.	Switzerland	Chairman
Sol Melia VC Panamá. S.A.	Panama	CEO
Detur Panamá S.A.	Panama	Treasurer

OTHER DIRECTORS

SHAREHOLDER/BOARD MEMBER	REGISTERED NAME OF COMPANY	SHAREHOLDING	POSITION
Mr. Juan Vives Cerda	Finca Los Naranjos, S.A.	27.88%	Joint and several Administrator
Banco Sabadell, S.A.	Espais Catalunya Mediterráneo, S.A.	49.72%	Independent director
Banco Sabadell, S.A.	Eco Resort San Blas, S.L.	50.00%	Independent director
Banco Sabadell, S.A.	Inversiones Hoteleras la Jaquita, S.A.	45.00%	Independent director
Banco Sabadell, S.A.	Valfensal, S.L.	30.00%	-
Banco Sabadell, S.A.	Alma Gestión de Hoteles, S.L.U.	100.00%	Independent director
Banco Sabadell, S.A.	Alma Hotelmanagement, GMBH	100.00%	-
Banco Sabadell, S.A.	Ecamed Barcelona, S.L.U.	100.00%	-
Banco Sabadell, S.A.	Ecamed Pamplona, S.L.U.	100.00%	-
Banco Sabadell, S.A.	Aqua Mayakoba, S.A. de C.V.	19.28%	-
Banco Sabadell, S.A.	Mayakoba Thai, S.A. de C.V.	92.30%	-
Banco Sabadell, S.A.	Balam Overseas, BV	40.00%	Independent director
Banco Sabadell, S.A.	Montecarlos Riviera, S.A. de C.V.	75.00%	-
Banco Sabadell, S.A.	Hoteis Do Torel Establecimientos Hoteleiros, Lda	100.00%	-
Banco Sabadell, S.A.	Datolita Inversiones 2010, S.L.	50.00%	-

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			Independent director
Hoteles Mallorquines Consolidados, S.A.	51,871,167	28.072% **	Independent director
Banco Sabadell, S.A.	11,099,999	6.007%	Independent director
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%.

MELIÃ HOTELS INTERNATIONAL

FORMULATION OF THE ACCOUNTS

On March 26, 2013 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 Meliá Hotels International Group.

These accounts are set out on 99 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
Vice Chairman

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

Signed Mr. Sebastián Escarrer Jaume
Director

Signed Banco Sabadell, S.A
(Represented by Mr. Enrich Rovira Masachs)
Director

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

Signed Mr. Juan Arena de la Mora
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Mr. Fernando d'Orellas Silva
Director

Signed Ms. Amparo Moraleda Martínez
Director

Signed Mr. Alfredo Pastor Bodmer
Director

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

CONSOLIDATED DIRECTOR'S REPORT FOR 2012

1. GROUP ACTIVITY

Meliá Hotels International, S.A. and its subsidiary companies (here on 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 2012, as this is not part of its corporate purposes.

2. TREASURY SHARES

The accounting balance of treasury shares to 31 December 2012 amounts to 13,588,239 according to Note 14.3 of the Consolidated Annual Accounts. This balance includes 1,5 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 12,088,239.

On 31st December 2012, the total number of shares held by the Company accounted for 6.54% of overall share capital. At the end of the 2011 financial year, this total was 6.27%. 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 14.3 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

Revenues per available room (hereinafter REVPAR) for owned and leased hotels increased by 7.9%. Occupancy decreased by 1.8% while the available room rate (hereinafter ARR) increased by 9.9%.

Most significant was the improvement in the operating margins up to December 2012, showing an uptick of 76 basis points at the EBITDAR level and 48 basis points at the EBITDA level.

There follows an analysis of the evolution by areas:

America

The RevPAR increased by 30.3% (20.9% in dollars), mainly due to the good evolution of prices, while occupancy remained stable compared with last year's data.

This development was possible given the fact that the Company launched a strategic initiative focused on maximising growth and margins through our Revenue Management culture, based on:

- Redirecting the organisation towards a structure more clearly focused on revenues, accompanied by efficient expense management.
- Maximising RevPAR through prices to leverage the profitability of the business.
- Reinforcing segments, as well as higher growth markets while continuing to develop customer loyalty by communicating with customers, offering added value proposals on melia.com and obtaining high customer satisfaction levels.

By country, the Dominican Republic saw strong RevPAR growth, recording ARR figures that are higher than last year's and attaining, in December (coinciding with high season in the Caribbean), price increases of around 47% compared with last year. This improvement in the average price was possible thanks to the strength of the Group's brands and the Company's positioning in the Latin American market, which allowed it to attract an important segment of groups, even taking into consideration the competitive environment. All of this allowed the hotels Paradisus Palma Real and Melía Caribe Tropical to attain revenue records in 2012.

Mexico also presented good results, with the RevPAR increasing 5.6% in dollars, even during the last quarter which coincided with low season (except for the Christmas holidays). The importance of these good figures is notable, taking into account that during this period flights to Cancun are limited, making it difficult for Melía to obtain a group base with respect to both recreational and incentive-based travel. The Company notes the good positioning of the hotels Paradisus La Perla, with 394 rooms, and Paradisus La Esmeralda, with 512 rooms, and during their first year in operation generated EBITDA totalling $11 million.

Finally, we note the good performance in Venezuela and Puerto Rico. In the latter location, the local market has become the main driver for the hotel Gran Meliá Puerto Rico, and has had a positive contribution to the improvement of the hotel's average occupancy.

In terms of available rooms, the America's Division increased this figure by 13.1% compared to last year, mainly due to the entry into operation of the two Paradisus resorts, La Perla and La Esmeralda located at Playa del Carmen, as mentioned above.

Operating expenses (excluding lease expenses and the effect of the entry into operation of the hotels Paradisus La Perla and La Esmeralda), increased by 18% (9.3% in dollars), while the cost per stay increased by 14% (9.3% in dollars). The main reason is the increase in personnel costs in Venezuela (in line with the inflation rate), together with higher sales commissions in the Americas, associated mainly to a higher cost in the groups segment.

Even taking into consideration the evolution of the total cost per stay. The EBITDA margin for the Americas Division improved by 132 basis points.

EUROPE Middle East & Africa (EMEA)

In Europe, Middle East & Africa (hereinafter EMEA), the RevPAR for 2012 increased by 4.8%, thanks to the 6.1% improvement in prices.

In line with the results seen over the course of the year, France has shown better performance (RevPAR of 18.1%) due to the business strategy focusing on an increase in the ARR, including action such as:

- An increase in sales through direct sales channels, allowing for better management of revenues.
- The replacement of customers from countries that have been most affected by the financial crisis, especially Spaniards, increasing exposure to Brazilians, Americans and Asians, and
- Control over the assignment of rooms to Tour Operators (hereinafter TO) and to key accounts that are most price sensitive.

In the United Kingdom, the hotel Meliá White House has also improved its results compared with last year and increased its RevPAR by 8.6% (0.9% in GBP), mainly due to the Olympic Games held in July and August.

In Germany, the RevPAR increased by 6.9%, thanks to the efforts made to maximize revenues originating from Trade Shows, Key Accounts and from the MICE segment (Meetings, Incentives, Congresses & Events). The Company continues to be optimistic with respect to the future after having obtained an increase in average prices during negotiations with the main key accounts.

In Italy, the macroeconomic situation affected the performance of our hotels in Rome and Milan. The positioning in the market of the hotel Meliá Génova is notable, which reported profits in the individual recreational and key accounts segments and, to a lesser degree, in the groups segment.

In EMEA, available rooms declined slightly by 1.4%. The entry into operation of the hotel Meliá Génova (in September 2011), offset the change in the brand affiliation of the hotel Tryp Verona (August 2011), and the sale of Tryp de Saxe (December 2011) and Tryp Blanche Fontaine (March 2012).

Operating expenses increased by 0.9% while the cost per stay increased by 1.5%, mainly due to the increases in the personal costs in Germany, given that the holding of a larger number of trade shows and other events requires an increase in those costs and, to a lesser degree, in the United Kingdom, mainly due to the holding of the Summer Olympic Games.

Premium Europe

The RevPAR in this area increased by 3.5% after positive third and fourth quarters that showed improvements to the RevPAR of 6.9% and 8.3%, respectively.

As regards the evolution of vacation complexes, the main driver of the results obtained in 2012 has been the good performance of the individual recreational segment during the third quarter of the year, mainly due to the opening up of the Company to international markets, which has had a positive effect on the hotels Gran Meliá MR. Pepe located in Marbella and Meliá de Mar in the Balearic Islands, both in Spain. The "Adults Only" concept at the hotel Meliá de Mar, and the renewal of some ocean panoramic suites at Gran Meliá MR. Pepe, also contributed to an improvement in the average price and, therefore, the RevPAR. The weak performance of a property in Lanzarote (Canary Islands) is noted, primarily arising due to the negative effect of a decline in the number of flights to the Island and, therefore the location is more dependent on TOs. In the latter case, the Company has implemented a series of marketing and operational efforts to reverse this trend.

In the urban hotel segment, the best performance has been obtained by the hotels that offer the best combination of tourism and business segments, especially associated with the location of the hotel Gran Meliá Victoria in the Balearic Islands, is notable. The hotels with a higher exposure to the international segment, such as the hotel Gran Meliá Fénix (Madrid) have also shown good performance. In the international market, we note the contribution made by the hotel Gran Meliá Roma, which to date is the hotel with the highest ARR at the Company.

The entry into operation of the hotel Gran Meliá Roma in April, and also contributed to the increase in the available rooms by 2.6%, therefore increasing operating expenses (excluding these expenses) by 2.4%. The pre-opening of the hotel Me LonMR. also contributed to the increase in costs. Excluding this effect, total operating expenses fell by 0.8%. This evolution has been possible thanks to the implementation of the Contingency Plan, especially with respect to personal costs, and gave rise to reductions at almost every hotel.

Mediterranean (Spanish Resorts)

The RevPAR for Spanish holiday hotels increased by 2.8%, due to a slight decline in occupancy levels and to a 7.2% increase in rates.

As has been seen over the course of the year, the evolution of this division is explained by the performance obtained by the hotels in the Balearic Islands (where RevPAR increased by 11.6%), since the high season was characterized by the strengthening of foreign demand, especially from Russia and the United Kingdom, as well as an improvement in the performance of the individual tourism segment, thanks to a larger presence of low-cost airlines.

To a lesser extent, the evolution of hotels on Mainland Spain, mainly in Alicante and Malaga is notable and the RevPAR rose by 3.8%. In this area, the weak domestic demand was stimulated by the launch of offers great through our centralized sales channels.

On the negative side, the Canary Islands did not report growth due to the resistance of the local and domestic market, but also due to the stabilisation of demand for competing destinations in North Africa since in 2011 this had a positive effect.

This trend coincides with the general market trend, given that the summer season saw a strengthening of foreign demand in Spain, which allowed record figures, such as those last seen in 2007, to be obtained in Balearic Islands. The strong spike in foreign demand could not offset the decline in domestic demand, mainly for second tier destinations.

Continuing with the success of Calviá Beach Resort on the island of Mallorca, Meliá Hotels International recently launched its latest innovative project Sol Katmandú Park & Resort, a new resort concept through a joint venture with Katmandú Group, making it Meliá's first tourist hotel complex combined with a theme park, offering a new product such as entertainment attractions to supplement the offers in the Magalluf area, where the Company already has more than 3,500 rooms. Through this project, Meliá intends to obtain:

- Further integration and appreciation in the area for local residents and the main source markets.
- Create jobs and improve levels of business confidence.
- Attract new markets and customer segments.
- Improvements in the destination´s image, security and international positioning.

Available rooms declined by 11.6%, mainly due to the change in the operating system at the hotel Sol Antillas Barbados and Sol Tenerife in June and December last year. The sale of the hotel Sol Galúa in December 2011 and the early closing of some hotels during the low season, such as Sol Cala Blanca (Mallorca), Sol Aloha Puerto (Málaga) and Sol Falco (Menorca), have also contributed in this respect.

Operating expenses declined by 12.3% as a result of the aforementioned changes (3.5% in comparable bases), while the cost per stay increased by 2.6% (1.9% in comparable bases).

Spain (Urban Spain)

The Spain division (Urban Spain) declined by 2.8% in RevPAR terms, due to the slowdown in both occupancy and rates by 1% and 1.8%, respectively.

Despite the fact that during the third quarter there has been an improvement in performance thanks to the positive contribution of the tourism segment at some hotels, with a better combination of corporate and tourism customers, the fourth quarter is completely dependent on the corporate segment and it confirmed the weak performance of the individual corporate segment throughout Spain. The lack of business groups, incidents and the loss of some crews due to the implementation of cost savings programmes by most airlines have also had a negative effect. Accordingly, only some cities, such as Barcelona and Bilbao ended 2012 with positive figures, while Madrid and second-tier cities such as Seville, ended the year in negative territory.

The 3.4% decline in revenues during the year is mainly due to the slow-down in business trips by both individuals and corporate groups, by 15% and 6%, respectively, but this has been partially offset by the 2.3% improvement in the performance of the tourism segment at these urban hotels. The 15% slow-down in the business travel segment and the better performance by the Company's key accounts, down by 8%, contributed to this improvement.

Available rooms fell by 0.6% as a result of:

- The change in the affiliation of the hotels Meliá Valencia, Tryp Iberia, Tryp Urdanibia and Tryp Sancho Ramírez in 2011, and Tryp Sondika and Tryp Albayzin in 2012.
- The effect of the closing of the hotel Meliá Palas Atenea (Mallorca) during the low season to make improvements and renovations to be hotel's installations.
- The entry of Meliá Valencia and Meliá Villaitana in September last year and January 2012, partially offset this effect.

Operating expenses declined by 4.9%, while total costs per stay fell by 2%, thanks to the implementation, especially in Spain, of a contingency plan covering action to address the adaptation of the cost structure to the brand's standards. The closing of some hybrid hotels in Palma de Mallorca (with a mixed business/tourism component) during the low season have had a positive effect on this decline.

Management fees

Management fees obtained has increased €1,1 million in 2012, which is 2.2% compared with last year.

In the **American division**, the management fees increased in 3.8% (€1 million). The good performance of the hotels in Cuba and the recently opened hotels in the United States, has partially offset the change in the brand affiliation of a property in Costa Rica and another in Mexico.

In **Asia Pacific**, the fees have decreased by 0.3 million (8.9% compared with 2011). The positive evolution of the hotels in Vietnam could not offset the weak performance recorded in Indonesia, Malaysia and China.

In the **EMEA** area, the management fees increased by €0.6 million, mainly due to the relative recovery of tourism in Egypt, which is reflected in the occupancy levels at the hotels in the zone in 2012 (63%), the contribution of Meliá Zanzíbar, which reached occupancy levels of 70% in December 2012 and the contribution of Meliá Dubai.

In the **Premium Europe Division**, the management fees declined by 5.2% (€0.2 million). The good results obtained by Gran Meliá Palacio de Isora (Tenerife, Canary Islands) could not offset the reduced evolution at the hotel Gran Meliá Colon, negatively affected by the absence of groups in Seville and the strong price pressure caused by the competition.

The improvement n the performance of **Mediterranean** by 10.6% (€1.1 million) is caused by the entry of Meliá Tortuga Beach Resort (Cape Verde), and Sol Wave House and Beach House, both in Mallorca (Balearic Islands), together with the good results obtained by the hotels in Croatia.

Finally, the **Spain (Urban Spain)** division recorded a decrease totalling €1 million (16.2%), due to the weak evolution of corporate demand in Spanish cities, as well as the change in the brand affiliation of the hotels Meliá Las Palmas and Horus Zamora.

The following table shows a breakdown by divisions of the management fees for the years 2012 and 2011:

(million euros)

		2012	% 12/11	2011
U.S	Basic	16,3	-5,8%	17,3
	Incentive	11,1	22,0%	9,1
	Total	**27,4**	**3,8%**	**26,4**
ASIA	Basic	1,6	-14,9%	1,9
	Incentive	1,6	-2,0%	1,6
	Total	**3,2**	**-8,6%**	**3,5**
EMEA	Basic	1,1	78,9%	0,6
	Incentive	0,1	240,8%	0,0
	Total	**1,2**	**100,0%**	**0,6**
PREMIUM EUROPE	Basic	2,9	-12,2%	3,3
	Incentive	1,1	17,6%	0,9
	Total	**4,0**	**-4,8%**	**4,2**
MEDITERRANEAN	Basic	5,4	12,6%	4,8
	Incentive	5,6	8,7%	5,2
	Total	**11,0**	**10,0%**	**10,0**
SPAIN	Basic	4,7	-15,1%	5,5
	Incentive	0,5	-25,4%	0,7
	Total	**5,2**	**-16,1%**	**6,2**
TOTAL	Basic	32,0	-4,2%	33,4
	Incentive	20,0	14,3%	17,5
	Total	**52,0**	**2,2%**	**50,9**

3.2 Evolution of Club Meliá

During 2012 net sales increased by 8% compared with last year, mainly due to the net effect of the 20.8% increase in rates, partially offset by a 13% decline in the number of weeks sold.

The reduction of weeks sold is essentially explained by the Company's policy, through which Club Meliá has reinforced the optimisation of the quality and profitability of sales, and sales were completed in Spain (Madrid and the resorts Gran Meliá Salinas and Tamarindos in the Canary Islands), Puerto Rico and México (ME Cancún). In addition, the evolution of sales of the holiday club at the hotel Gran Meliá Palacio de Isora has been impacted by the recession affecting the Spanish economy.

Also associated with the decline in the number of weeks sold, an increase has taken place in the biannual sales (from 48 % in 2011 to 60 % in 2012).

Club Meliá plans to develop an update to its business through the sale of products and additional activities that will generate additional revenues in the future.

3.3 Evolution of the Asset Management division

Net capital gains, after discounting the expenses associated with asset sale transactions, generated an EBITDA of €77.2 million in 2012. In 2011, total capital gains amounted to €127.8 million.

The following table shows the details of the main asset rotation activity in 2012 and 2011 and the impact on EBITDA:

(million euros)	ROOMS		PRICE		NET PROFIT	
	2012	2011	2012	2011	2012	2011
Meliá Lebreros		437		49.3		16.8
Meliá Milán		288		34.4		47.7
Meliá Atlanterra		285		20.4		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
Tryp Blanche Fontaine	66		12.8		8.7	
Me Cancún	417		61.2		27.8	
Tryp Bellver	384		30.0		18.6	
Sol Magalluf Park	422		20.1		11.7	
Sol S´Argamassa	215		18.0		10.5	
TOTAL	**1,504**	**2,674**	**142.1**	**262.5**	**77.3**	**127.8**

In addition, the Company recorded €15 million as a restatement of some assets, compared with €5.2 million in 2011.

3.4 Other businesses and Corporates

At the revenue level, "Other businesses and corporate" increased by €9.9 million, as a result of an increase in sales commissions, revenues from the Tour Operation activity in Cuba and the hotel management and franchise fees.

Total expenses decreased by €11.1 million, essentially due to a reduction in extraordinary expenses in 2012, given that the preceding year the Company assumed an extraordinary cost due to the change in the brand affiliation of several hotels. Accordingly, the EBITDA recorded by the "Other businesses and corporate" Division improved by 36% (€25.3 million).

3.5 Forecast evolution of the Group

Business evolution

Meliá Hotels International approves its annual accounts for 2012 in a framework of a slight improvement in the global economic conditions compared with the economic situation during the second half of 2011, and driven by the positive trend of emerging markets and the United States. Financial conditions have also improved during the second half of the year, and the peripheral eurozone countries are showing notably lower debt levels. In this connection, for example, the European high-yield bond market ended January 2013 as one of the most active months in the past three years with respect to issues carried out.

In Spain, despite the reductions in the deficit, the reforms of the labour market, and the improvement of the current account deficit (with the corresponding impact on the perception of the country), forecasts in terms of GDP and unemployment continue to be negative for 2013.

In terms of the travel and tourism sector, the underlying global trend during the year was positive, and international tourism arrivals increased by 4% world-wide.

By issuer market, the emerging markets such as China and Russia have recorded significant growth. Similarly, the most traditional issuer markets (such as the United States, Germany and the United Kingdom) present solid performance. In some areas in the eurozone, such as Spain, the arrival of tourists from international source markets has partially offset the decline in domestic tourism, which has been affected by the economic situation, the decline in air traffic and the impact of the increase in the value added tax rate. The World Tourism Organization projects between a 3% and 4% increase in arrivals of international tourists in 2013, especially Asia, Africa and America.

In the current macroeconomic environment, the Company expects 2013 to bring positive business development due to its geographic diversification and its exposure to tourism travel, together with the entry, over the past few years, of the Revenue Management culture and the development of loyalty programme, based on knowing customers. In 2012 this trend continued, recording a 7.9% increase in revenues per available room (RevPAR). In 2013 the Company expects price to be a determining factor in the growth of RevPAR. The evolution of the hotel business of Melía Hotels International in 2013 will again reflect the duality of the Spanish urban segment and the rest of the areas, i.e. Latin America, Europe and Spanish tourism hotels.

Latin America

In Latin America and the Caribbean, the strength of source markets such as Brazil, Argentina, Colombia and Chile, together with the development of Canada and the United States, has contributed to the attainment of the results seen in 2012 and those that are expected in 2013. In addition, the Company notes:

- The sales efforts made to business groups at Caribbean resorts, where the segment of groups grew by 20% in 2012 and a growth forecast of an additional 35% in 2012.
- The e-commerce strategy in the United States, with a significant increase in sales through melia.com.
- The opening of two all-inclusive Paradisus complexes located at Playa del Carmen (Mexico) with 906 rooms, continuing with the Company's strategy in the Premium segment and reflecting the good positioning of the Paradisus brand in the market. This all contributes to the improvement of margins and the Company's profitability. This same trend is maintained in 2013, significantly reinforcing reservation requests in the Group segment, and where the change in brand to Paradisus by one of our hotels in Cancun is already bearing fruit.

Europe (excluding Spain)

At the beginning of 2013 the macroeconomic situation in the eurozone and the UK requires certain caution on the part of the Company, basing its strategy on the expansion and development of the customer account base in London, Paris and the main German cities. Factors such as the opening of the ME LonMR. hotel, with 157 rooms, or the progressive consolidation of the hotel Gran Melia Roma, with 116 rooms, will allow for a positive effect on the Premium brand in the international environment, the strengthening of the group base, the attraction of new source markets and the confirmation of the alliance with strategic partners.

In cities such as Rome, the direct channel sales policy and the increased exposure to markets such as the United States, United Kingdom and Russia, allow the Company to enjoy a certain comfort level when determining expected development, especially starting in March when high season begins.

In LonMR. the Company notes the strong position of the hotel ME London, thanks to the contribution of the international corporate segment, especially groups, due to its low sensitivity to price. The hotel's good position is reflected in the American market, as the leading source market for the hotel, followed by the United Kingdom.

Vacation hotels in Spain

As regards vacation hotels in Spain, the Company expects to maintain the positive trend throughout 2013.

This trend is characterised by the following factors:

- The increase in the exposure to alternative markets in Europe (Russia and other countries in Eastern Europe).
- The e-commerce strategy, and melia.com is the main account for a significant portion of our hotels.
- The fact that Spain is none of the preferred vacation destinations for the entire world, bring in 57.7 million international tourists in 2012, which is 2.7% growth.

Although it is early and the Company prefers to maintain a position of caution, the upcoming summer season is, in general terms, expected to bring a slow-down in the domestic market that cojuld be offset by international customers. The factors supporting this are based on:

a. The reservation rate of the main TOs in Central Europe and the United Kingdom,
b. The perception recently obtained at the International Tourism Trade Show (FITUR),
c. The evolution of centralised sales channels and on-line travel agencies.

The Company expects this positive trend to be maintained at Mediterranean vacation hotels, Balearic Islands and the Mainland Coast. On the negative side are the Canary Islands, due to the lack of flights and the weak domestic demand, and the instability in countries in North Africa, especially Egypt, which could affect the 2013 figures for the rest of the vacation hotels in Spain, especially with respect to the Canary Islands.

Urban hotels in Spain

The Spanish city segment will continue to be the most affected by the weak domestic demand, especially in secondary cities and in lower category hotels, and the Company therefore has a contingency plan to reduce the per stay costs as much as possible. In this connection, we note the fact that Melía Hotels International has leveraged its exposure ot the Upscale and Premium brands in Madrid and Barcelona, where the exposure to international customers is very significant.

Due to the weak demand, the Company's strategy continues to focus on increasing our exposure to international business travel and to strengthen the tourism component, mainly during weekends. The Company is thus implementing actions such as the launch of offers and promotions on melia.com, more support from on-line travel agencies (OTAS) and agreements with source market countries (such as Brazil and Russia), among others. Accordingly, once again, the optimisation of our e-commerce strategy and the strength of our loyalty programme will be key.

The Company is proud to have recently re-launched its loyalty programme Melía Rewards, which is intended to improve customer confidence and satisfaction. The programme has 40 international partners and has become an important source of revenues with 3 million members that generate 50% of sales on melia.com, and 12% with higher spending compared with customers that are not members of the loyalty programme. The new programme also has the intention of increasing international recognition given the use of the corporate brand name.

The optimisation of the e-commerce strategy has allowed the Company to record good figures in 2012 through the evolution of sales without intermediaries through direct channels (melia.com and telephone), attaining a contribution of €174 million, 15.7% more than last year. The evolution of the melia.com channel is notable as the most important centralised direct sale channel, which in 2012 represented 88% of total sales, 23.2% higher than the previous year. Looking to 2013, the Company expects sales to further strengthen to approximately €200 million in sales through the direct channels.

Expansion/Internationalisation

As regards future new hotels, Meliá Hotels International S.A and its Consolidated Group will continue to refine the international growth plan, supported by the strength of its brands and management model based on flexible management and lease agreements. During 2012 the Company added a new hotel almost every three weeks to its portfolio. The Company expects to maintain this growth rate in 2013. The Company currently has a portfolio of 41 hotels with a total of 12,405 rooms, to be opened in coming years.

Within this context, the emerging markets, particularly, Latin America and the Caribbean, will continue to be one of its priorities. Asia - Pacific is also strategically relevant. In the latter region, Meliá has intensified its growth, doubling its signed portfolio in just two years, thanks to the entry of new hotels in China, Indonesia and Vietnam. In this respect, the recent agreement with Greenland, one of the most important real estate companies in China, together with the announced alliance with Jin Jiang, will help the positioning of Meliá in the region.

On the European continent, Meliá will continue to strengthen its presence in the primary capital cities, making expansion in the United Kingdom, Germany, France and Italy a priority. In the short-term the Company will have notable entries into the portfolio such as ME Vienna (Austria), the Innside Dusseldorf-Hafen (Germany), Meliá La Défense (France) and the Innside Manchester (UK).

In Spain, the Company will continue to seek selective growth, focusing on innovative products that offer higher added value to the Company's portfolio of hotels, such as Sol Wave House, Sol Beach House or the new Sol Katmandú Park & Resort, contemporary and innovative products, all included in the "Calviá Beach Resort" project. The entry of an Innside hotel in Madrid is also notable, which is one of the concepts relating to business travel that has the most growth potential for the Company.

Financial Instruments

In the financial section of the Company, stands out the fulfillment of his financial ratios ("covenants") at the end of the year 2012which reinforces the Company's credibility vis-a-vis financial instiututions as a solvent company, which has already been clearly demonstrated in day-to-day financial transactions.

Looking to 2013, the Group has two financial objectives. The restructuring of debt maturing in 2013 and 2014 and a progressive deleveraging of the balance sheet over this period of time.

The Company's objective with respect to the restructuring is to extend the term of part of the loans totalling €377 million and €447 million, respectively, falling due in 2013 and 2014 by 5 to 7 years (excluding lines of credit), mainly by obtaining financing from capital markets. The first objective is to refinance the syndicated loans totalling €300 million, and these loans support the Group's financial covenants. Meliá is actively exploring the bond market, taking into account not only the current situation but also our desire to balance the capital structure between bank borrowings and capital markets. This is also applicable to the increase in dollar denominated debt, taking into account the exposure of Meliá Hotels International to Latin America. The current situation of the bond market will allow the Company to control the average cost of debt, which was 5.4% in 2012.

An important element relating to the restructuring of debt is related to the leveraging of the Group's assets not subject to mortgages, which consist of 46 hotels with a market value of €1,500 million. This restructuring process is being carried out with the relative comfort represented by Meliá's liquidity levels.

The Company's objective in terms of the progressive reduction of debt is to dedicate free cash flow and the sale of assets to reduce its debt levels in 2013-2014. It is important to note that Meliá does not have a significant expansion investment budget for the next two years and within its asset rotation policy, it intends to sell assets totalling at least €100 million per year during this period of time.

Meliá Hotels International emphasises the commitment at all levels to strengthen the Company's financial position in the two aforementioned areas within the framework of the Strategic Plan 2012-2014, which is intended to reduce debt by 2014.

3.6 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 2012 has been Euros 4.832, whilst en 2011 was Euros 6.640.

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 February 2013 the Venezuelan government approved a devaluation of its currency, the strong Bolivar, which will cause the consolidated balances of Meliá Group originating from its Venezuelan subsidiaries to suffer significant changes in 2013. Using the 2012 closing figures, the impact on the volume of assets would total €58.9 million and €27.4 million in equity.

Before the preparation of these annual accounts, the Board of Directors of Meliá Hotels International, S.A., approved the issue of convertible bonds totalling €200 million.

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. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report (ACGR) is set out below, together with a supplementary report relating to the year ended 31 December 2012.

For a better understanding of the model and its preparation, please read the instructions 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

Indicate whether there are different types of shares with different associated rights:

NO

A.2 Detail of any 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 LUXEMBOURG, 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. ALFREDO PASTOR BODMER	0	6,000	0.003
MS. AMPARO MORALEDA MARTÍNEZ	0	2,975	0.002
BANCO SABADELL, S.A.	0	11,099,999	6.007
MR. FERNANDO D'ORNELLAS SILVA	0	0	0.000
MR. FRANCISCO JAVIER CAMPO GARCIA	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. SEBASTIAN ESCARRER JAUME	0	0	0.000
MR. LUIS M DIAZ DE BUSTAMANTE TERMINEL	300	0	

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
BANCO SABADELL, S.A.	INVERSIONES COTIZADAS DEL MEDITERRÁNEO, 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 relationship:	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 relationship:	Inter-company
Brief description:	Banco Sabadell and Tenerife Sol, S.A. are shareholders of Inversiones Hoteleras La Jaquita, S.L.

RELATED NAME
BANCO SABADELL, S.A.

Type of relationship:	Inter-company
Brief description:	Banco Sabadell and Meliá Hotels International, S.A. are shareholders of Altavista Hotelera, S.L.

RELATED NAME
BANCO SABADELL, S.A.

Type of relationship:	Inter-company
Brief description:	Banco Sabadell and Meliá Hotels International, S.A. are shareholders of Datolita Inversiones 2010, S.L.

RELATED NAME
BANCO SABADELL, S.A.

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: If so describe them briefly and indicate the shareholders involved.

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 cancellation of any such 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

Remarks

A.8 Complete the following tables on treasury stock:

At close of year:

NUMBER OF DIRECT SHARES	NUMBER OF INDIRECT SHARES *	% TOTAL SHARE CAPITAL
12,088,239	0	6.542

(*) Through:

TOTAL	0

Detail of any 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
31/01/2012	2,071,925	0	1.122

Results obtained in the year on treasury stock operations (thousand Euros)	43,879

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 110% 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 Bylaws:

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 SHARE-HOLDERS' MEETING
MR. GABRIEL ESCARRER JAUME	--	VICE CHAIRMAN –CEO	07/04/1999	13/06/2012	VOTE AT SHARE-HOLDERS' MEETING
MR. ALFREDO PASTOR BODMER	--	DIRECTOR	31/05/1996	01/06/2010	VOTE AT SHARE-HOLDERS' MEETING
MS. AMPARO MORALEDA MARTÍNEZ	--	DIRECTOR	09/02/2009	02/06/2009	CO-OPTATION
BANCO SABADELL, S.A.	MR. ENRIC ROVIRA MASACHS	DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHARE-HOLDERS' MEETING
MR. FERNANDO D'ORNELLAS SILVA	--	DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHARE-HOLDERS' MEETING
MR. FRANCISCO JAVIER CAMPO GARCIA	--	DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHARE-HOLDERS' MEETING
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MS. Mª ANTONIA ESCARRER JAUME	DIRECTOR	23/10/2000	13/06/2012	VOTE AT SHARE-HOLDERS' MEETING
MR. JUAN ARENA DE	--	DIRECTOR	31/03/2009	02/06/2009	CO-OPTATION
MR. JUAN VIVES CERDA	--	DIRECTOR	07/02/1996	01/06/2010	VOTE AT SHARE-HOLDERS' MEETING
MR. SEBASTIAN ESCARRER JAUME	--	DIRECTOR	07/02/1996	13/06/2012	VOTE AT SHARE-HOLDERS' MEETING
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	--	SECRETARY DIRECTOR	30/11/2010	13/06/2012	VOTE AT SHARE-HOLDERS' MEETING
Total number of board members					12

Resignations from the Board of Directors occurred during the period:

NAME OR CORPORATE NAME OF THE DIRECTOR	STATUS AT TIME OF RESIGNATION	DATE OF RESIGNATION
CAJA DE AHORROS DEL MEDITERRANEO	EXTERNAL PROPIETARY DIRECTOR	13/06/2012

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

Total number of executive directors	2
Total % of the Board	16.667

EXTERNAL PROPIETARY 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
BANCO SABADELL, S.A.	--	INVERSIONES COTIZADAS DEL MEDITERRÁNEO, S.L.
HOTELES MALLORQUINES	--	HOTELES MALLORQUINES CONSOLIDADOS, S.A.
MR. JUAN VIVES CERDA	--	HOTELES MALLORQUINES ASOCIADOS, S.L.
MR. SEBASTIAN ESCARRER JAUME	--	HOTELES MALLORQUINES AGRUPADOS, S.A.

Total number of external proprietary directors	4
Total % of Board	33.333

INDEPENDENT EXTERNAL 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 sobrepolíticas 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 privatiZation of State 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 theinternational 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 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 ValuesLeadership 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. FERNANDO D'ORNELLAS SILVA

Profile

Born in Madrid, 29 October 1957.

EDUCATION
Graduate in Business Law, ICADE
Master in Business Administration, Instituto de Empresa
International MBA, IESE Barcelona

CAREER

2007-2012	CEO Bergé Group
2004-2012	Chairman Bergé Group Automation
2001-2012	Vice Chairman SK Bergé Group Latin America
2001-2012	Vice Chairman Mitsubishi Motors Chile
2010-2012	Chairman Mitsubishi Motors Peru
2004-2012	Chairman KIA Argentina, Peru and Portugal
2010-2012	Chairman Chrysler Colombia
1997 -2012	Chairman Chrysler Portugal
1992-2004	CEO Chrysler Spain
1985-1992	Director of Finance Toyota Spain
1983-1985	Assistant Director of Finance Johnson & Johnson Spain

OTHER POSITIONS
CURRENTLY:
MELIA HOTELS INTERNATIONAL S.A.
Member of the Board of Directors (since June 2012)

ENDESA S.A.
Member of the Board of Directors (2007-2009)
Chairman of the Remuneration Committee (2007-2009)
Chairman of the Audit Committee (2009)

ENDESA CHILE S.A.
Member of the Board of Directors (2007-2009)
Chairman of the Audit Committee (2007-2009)
Director in charge of supervision of the activities of subsidiaries in Peru, Colombia, Argentina and Brazil

Vice Chairman of the Spanish Association of Importers of Automobiles, Trucks, Buses and Motorbikes (2004-2012)
Member of the International Advisory Board of the Hispanic Society of America
Founding member of the Spain-Chile and Spain-Peru Foundations (2011-2012)
Member of the Spain-China and Spain-Japan Foundation Boards
Advisor for Mitsubishi Corporation in the acquisition of Acciona Termosolar S.A. 2010-2011)
Vice Chairman of the Puerta de Hierro Royal Club (2006-2010)
Member of the Advisory Board of the Puerta de Hierro Royal Club (since 2010)

Name or corporate name of the Director

MR. FRANCISCO JAVIER CAMPO GARCIA

Profile

Graduate in Industrial Engineering from the University of Madrid, he began working at Arthur Andersen in 1980. In 1986 he joined Dia, where he has been Chairman of Grupo Dia Internacional for 24 years. He was also a member of the Global Executive Committee of the Carrefour Group for 15 years. He is currently Chairman of the Zena Group (brands Fosters Hollywood, Domino's Pizza, La Vaca Argentina, Cañas, Tapas, Burger King, etc.). He is also Chairman of the Spanish Association of Mass Consumer Goods, with 25,000 associated companies representing more than 20% of the GDP of Spain and with more than 2 million employees. He is also a Director of the Palacios Group, member of the Advisory Board of AT Kearney, and Director of other companies. He is a Patron of the ITER Foundation and member of the Board of the Carlos III Foundation and the Senior Management Forum.

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, occupying various positions since then. 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.

He 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 EXTERNAL DIRECTORS	6
TOTAL % OF THE BOARD	50.000

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:

NAME OR CORPORATE NAME DEL CONSEJERO	DATE OF CHANGE	PREVIOUS STATUS	CURRENT STATUS
MR. SEBASTIAN ESCARRER JAUME	13/06/2012	EXECUTIVE	EXTERNAL PROPIETARY

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:

YES

Name of director
CAJA DE AHORROS DEL MEDITERRANEO

Reason for departure
Segregation of the assets and financial business of the CAM in favour of Banco Cam, S.A.U.

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
The Board has delegated all of the powers that may be delegated as specified by the law and Company by laws.

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	GEST. HOT.TURISTICA MESOL S.A. (SOC UNIP	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	GRUPO SOL ASIA LTD.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	HOTELES MELIA INTERNACIONAL DE COLOMBIA S.A.	DIRECTOR
MR. GABRIEL ESCARRER JULIA	LOMONDO LIMITED	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	MARKTUR TURIZM ISLETMECILIK A.S.	ADMINISTRATOR
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC MEXICO S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
MR. GABRIEL ESCARRER JULIA	SOL MELIA VC PANAMA S.A.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	ADPROTEL STRAND, S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA, S.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	APARTOTEL, S.A.	CEO
MR. GABRIEL ESCARRER JAUME	BEAR S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CADSTAR FRANCE SAS	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	CARIBOTELS DE MEXICO S.A. DE C.V.	CHAIRMAN
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	CORPORACION HOTELERA HISPANO MEXICANA S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	CORPORACION HOTELERA METOR S.A.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	DIRECTOR
MR. GABRIEL ESCARRER JAUME	DESARROLLOS SOL, S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	DETUR PANAMA, S.A.	TREASURER
MR. GABRIEL ESCARRER JAUME	DORPAN, S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	FARANDOLE B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	GEST.HOT.TURISTICA 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 SAS	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	HOTELES SOL MELIA, S.L.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGER
MR. GABRIEL ESCARRER JAUME	IMPULSE HOTEL DEVELOPMENT B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	INMOBILIARIA DISTRITO COMERCIAL C.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	INMOTEL INVERSIONES ITALIA S.R.L.	DIRECTOR
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

NAME OR CORPORATE NAME OF THE MEMBER	CORPORATE NAME OF THE GROUP COMPANY	POSITION
MR. GABRIEL ESCARRER JAUME	INVERSIONES Y EXPLOTACIONES TURISTICAS, S.A.	CEO
MR. GABRIEL ESCARRER JAUME	LOMONDO LIMITED	DIRECTOR
MR. GABRIEL ESCARRER JAUME	LONMR. XXI LIMITED	DIRECTOR
MR. GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	MAJORCAN HOTELS HOLDING B.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	MAJORCAN HOTELS N.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	MARINA INTERNATIONAL HOLDING	TREASURER
MR. GABRIEL ESCARRER JAUME	MARKSERV	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	MELIA INVERSIONES AMERICANAS	DIRECTOR
MR. GABRIEL ESCARRER JAUME	MESOL MANAGEMENT B.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	MONGAMENDA, S.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	MOTELES ANDALUCES, S.A.	CEO
MR. GABRIEL ESCARRER JAUME	NEXPROM S.A.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGOZA, S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	PROMEDRO, S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	PT SOL MELIA INDONESIA	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	REALIZACIONES TURISTICAS S.A.	CEO/SPOKEPERSON
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	DIRECTOR
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	DIRECTOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	JOINT ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA EUROPE B.V.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	CHAIRMAN OF THE BOARD
MR. GABRIEL ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA ITALIA S.R.L.	JOINT ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA MAROC-S.A.R.L. D'ASSOCIÉ UNIQUE	MANAGER
MR. GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB ESPAÑA, S.L.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	SOL MELIA VACATION NETWORK ESPAÑA, S.L.	CHAIRMAN AND CEO
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC MEXICO S.A. DE C.V.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA GREECE S.A.	DIRECTOR AND CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA INVESTMENT N.V.	ADMINISTRATOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA LUXEMBOURG S.À.R.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	SOL MELIA SERVICES S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA SUISSE S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	SOL MELIA VC PANAMA S.A.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	TENERIFE SOL, S.A.	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	CORPORACION HOTELERA METOR, S.A.	VICE-PRESIDENT
MR. SEBASTIAN ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR

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 LISTED COMPANY	POSITION
MR. ALFREDO PASTOR BODMER	GRIÑO ECOLOGIC, S.A.	DIRECTOR
MS. AMPARO MORALEDA MARTINEZ	CORPORACION FINANCIERA ALBA	DIRECTOR
MR. FERNANDO D'ORNELLAS SILVA	DINAMIA	DIRECTOR
MR. FRANCISCO JAVIER CAMPO GARCIA	BANKIA	DIRECTOR
MR. JUAN ARENA DE LA MORA	PRISA	DIRECTOR
MR. JUAN ARENA DE LA MORA	FERROVIAL, S.A.	DIRECTOR
MR. JUAN ARENA DE LA MORA	LABORATORIOS ALMIRALL	DIRECTOR
MR. JUAN ARENA DE LA MORA	DINAMIA	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 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	722
Variable remuneration	693
Per diets	595
Staturory dues	0
Stock options and / or other financial instruments	0
Other	0
TOTAL	2,010

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	246
Variable remuneration	0
Per diets	0
Statutory dues	0
Stock options and / or other financial instruments	0
Other	0
TOTAL	**246**

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

c. Total remuneration by type of director

TYPE OF DIRECTOR	BY COMPANY (Thousand €)	BY GROUP (Thousand €)
Executive Directors	1,515	246
Proprietary & External Directors	189	0
Independent Non Executive Directors	306	0
Other Non Executive Directors	0	0
TOTAL	**2,010**	**246**

d) In relation to profit attributed to the parent company

Total Board Member remuneration (thousands of euros)	**2,256**
Total Board Member remuneration / profit due to parent company (as %)	**6.0**

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.
MS. PILAR DOLS COMPANY	HOSPITALITY BUSINESS SOLUTIONS E.V.P.
MR. LUIS DEL OLMO PINEIRO	GROUP MARKETING E.V.P.
MR. JUAN IGNACIO PARDO GARCIA	LEGAL COMPLIANCE E.V.P.
MR. ANDRE PHILIPPE GERONDEAU	HOTELS E.V.P.
MR. MARK MAURICE HODDINOTT	REAL STATE E.V.P.
Total senior management remuneration (in thousand euros)	2,431

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 37.1 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.

37.2 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.

After compliance with appropriate legal requirements, similar remuneration systems may also be defined for company personnel (executive or other).

Process to define the remuneration of members of the Board of Directors and statutory clauses

As foreseen in company bylaws, 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:

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' subjects a report on the remuneration of Directors to a consultative vote of the Annual General Meeting. The report includes general principles on the remuneration of Directors, a global review of how that policy has been applied during the year, the amounts paid during the year and the policy to be applied in future years.

Role of the Remuneration Committee
The Remuneration Committee prepares the Remuneration Report to submit to the Board for later approval by the Annual General Shareholders' Meeting

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	NAME OR CORPORATE NAME OF THE RELATED 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
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SECRETARY
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SECRETARY
MR. GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON
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
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS,	SPOKESPERSON
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS, S.L.	SPOKESPERSON AND CEO
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY

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 LUXEMBOURG, 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 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 LUXEMBOURG, 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 LUXEMBOURG, S.A.R.L.
Description of relationship
D. Gabriel Escarrer Juliá, su esposa e hijos (incluidos D. Sebastián Escarrer y D. Gabriel Juan Escarrer) poseen participaciones en la sociedad

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 so that the Board may designate the Director (in co-optation cases) or propose the designation to the Annual General Meeting.

Directors are appointed for a period of five years. This period may be renewed as foreseen in the company bylaws.

B.1.20 Indicate the events in which Board Members are obliged to resign.

Chapter 8 of the Regulations of the Board of Directors defines the duties and obligations of the Board, including the obligation to work with the diligence of an orderly businessperson and loyal representative, as well as in line with any other legal standard of diligence. Article 30 of the Regulations of the Board of Directors foresees that Directors must comply with the code of conduct defined by the law and the Internal Regulations.

Lack of compliance with any of the duties and obligations 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 Meliá Hotels International, 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:

Number of Board Member absences in the year	2
% of absences in comparison to the total number of votes in the year	0.025

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 dismissal 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)	135	421	556
Fees for work other than that of auditing / Total amount invoiced by the audit company (in %)	26.600	42.200	36.940

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	4	4
Number of years audited by the current audit firm / Number of years that the company has been audited (in %)	23.5	23.5

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
BANCO SABADELL, S.A.	DATOLITA INVERSIONES 2010, S.L.	50.000	-
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 of 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. JUAN ARENA DE LA MORA	CHAIRMAN	INDEPENDENT
MR. ALFREDO PASTOR BODMER	SPOKESPERSON	INDEPENDENT
MS. AMPARO MORALEDA MARTINEZ	SPOKESPERSON	INDEPENDENT
MR. JUAN VIVES CERDA	SPOKESPERSON	PROPRIETARY

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Type
MS. AMPARO MORALEDA MARTÍNEZ	CHAIRMAN	INDEPENDENT
MR. FERNANDO D'ORNELLAS SILVA	SPOKESPERSON	INDEPENDENT
MR. FRANCISO JAVIER CAMPO GARCIA	SPOKESPERSON	INDEPENDENT
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SPOKESPERSON	PROPRIETARY

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	YES
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 composition: 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 ofinterest.

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 composition: 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, advise, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves. Although the powers to advise, consult and delegate are not specifically foreseen in the regulations of each of the commissions, these powers are granted to them by virtue of the stipulations of the said article.

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, advise, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves. Although the powers to advise, consult and delegate are not specifically foreseen in the regulations of each of the commissions, these powers are granted to them by virtue of the stipulations of the said article.

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, advise, propose and other powers which are within their competency, and granted by law, or by the Bylaws and the Regulations themselves. Although the powers to advise, consult and delegate are not specifically foreseen in the regulations of each of the commissions, these powers are granted to them by virtue of the stipulations of the said article.

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.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.	APARTHOTEL BOSQUE, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	82
HOTELES MALLORQUINES ASOCIADOS, S.L.	COMUNIDAD DE PROPIETARIOS MELIA SOL Y NIEVE	Hotel supplies (Food)	Sale of goods (finished or in process)	65
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES Y EXPLOTACIONES TURÍSTICAS, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	212
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	10,651
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL, S.A.	Services	Service provision	41
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Facility maintenance expenses	Service provision	283
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Leasing of facilities	Leases	427
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODISOTEL, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	46
HOTELES MALLORQUINES ASOCIADOS, S.L.	REALIZACIONES TURISTICAS, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	48
HOTELES MALLORQUINES ASOCIADOS, S.L.	TENERIFE SOL, S.A.	Hotel supplies (Food)	Sale of goods (finished or in process)	543

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)
BANCO SABADELL, S.A.	LOMONDO LIMITED	Contractual	Redemption or cancellation of loans and leasing contracts (lessor)	520
BANCO SABADELL, S.A.	LOMONDO LIMITED	Contractual	Financial expenses	56
BANCO SABADELL, S.A.	MELIÁ HOTELS INTERNATIONAL, S.A.	Contractual	Cancelled commitments/ guarantees	16,228
BANCO SABADELL, S.A.	MELIÁ HOTELS INTERNATIONAL, S.A.	Contractual	Financial expenses	2,801
BANCO SABADELL, S.A.	MELIÁ HOTELS INTERNATIONAL, S.A.	Contractual	Financial revenues	118
BANCO SABADELL, S.A.	MELIÁ HOTELS INTERNATIONAL, S.A.	Contractual	Redemption or cancellation of loans and leasing contracts (lessor)	32,500
MR.GABRIEL ESCARRER JULIA	CORPORACIÓN HOTELERA HISPANO MEXICANA, S.A.	Architectural services	Receiving of services	100
MR. JUAN VIVES CERDA	MELIÁ HOTELS INTERNATIONAL, S.A.	Hotel management	Provision of services	249
MR. JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	Hotel management	Provision of services	46

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.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:

Meliá Hotels International has a system of mandatory Internal Policies and Regulations which define the basic nature of certain processes or functions and which also form the basis for the implementation of internal control systems. All of these Internal Policies and Regulations are available on the company Intranet.

Specifically, Meliá Hotels International has a General Policy on Risk Control, Analysis and Management which aims to define the general model and framework for the control, analysis and evaluation of potential risks for the company, understanding that Risk Management must be a structured, consistent and continuous process, involving the entire organisation and allowing the identification, evaluation, analysis and reporting of potential risks that may affect the achievement of objectives or the implementation of strategy.

The MHI risk management model is based on a number of basic principles and Policy commitment:

a. Promote an appropriate internal environment and culture of risk awareness.
b. Align strategy with the risks detected.
c. Ensure appropriate levels of independence between areas responsible for risk management and areas responsible for their control and analysis.
d. Identify and evaluate the different risks faced by the company and the responsibility for their management.
e. Guarantee appropriate management of the most relevant risks.
f. Improve the responses to risk.
g. Provide integrated responses to multiple risks.
h. Report openly and consistently on company risks to all levels of the organisation.
i. Always act within the existing legislation, company regulations and the code of ethics.

To develop this Policy and ensure the correct and efficient operation of the Risk Control system, MHI has developed several internal regulations, amongst them the Risk Control and Analysis Regulation which defines the rules, guidelines or criteria to be followed in updating the Group Risk Map, ensuring that it is in line with company strategy, leadership model and culture and values.

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 bringing together the various individual risk maps of the different departments and business areas. The model thus applies to and affects the whole organisation.

MHI has been developing this model since 2009 through its 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.

Amongst other functions, the Risk Control Department has been assigned the control and analysis of risks, with the responsibility for managing those risks assigned to the different company departments and business areas.

Due to the fact that MHI carried out its business in different countries with different socio-economic environments and legislation, the risks faced by the group are classified as follows:

1. Global risks. These arise from events beyond the capacity to respond of the company. Amongst others, they include natural disasters, pandemics, health or food crisis, rebellions or demonstrations.
   Certain MHI destinations are exposed to one or several of these risks. In countries where there is a high probability of severe weather events or earthquakes, MHI is covered by appropriate insurance.
   Hotels with a high degree of exposure to such risks also have action plans designed to protect the health and safety of guests and employees, and the normal functioning of operations.
2. 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.

Special attention is paid to liquidity, credit or exchange rate risks. Generally the management and monitoring of these risks is a matter for the company Group Finance department.

3. Business risks. These arise from the evolution of variables intrinsic to the business such as the nature of demand, competition and the market, strategic uncertainty and changes in scenarios.
   Amongst others, within this category the risk management model includes and analyses risks associated to customers and suppliers, the market, competition, company investments, company expansion, etc.
4. Operating risks. These are related to faults in internal processes, human resources, physical equipment and computer systems or the fact that they are not appropriate.
5. 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.
   Although more information is provided in section D4, MHI has internal Policies and Regulations and a Code of Ethics, approved by the MHI Board of Directors in March 2012, which defines the regulatory framework for the company.
   In 2012, the company also created a Complaints Channel through which employees can make claims or complaints related to lack of compliance with any of the conducts included in the Policies and Regulations and Code of Ethics.
6. Information risks. These are related to events caused by inappropriate use, generation and communication of information.

While not forgetting other internal and external information risks, the risk management model pays special attention to Financial Information Internal Control Systems (FIICS).

In compliance with the minimum information requirements defined in article 61 bis of Stock Market Law, the FIICS information is presented in a separate report.

The evaluation of the events in the risks catalogue has been performed at a 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 Risk Management model ensures a standardized and common work structure, through the following stages or processes:

I. The identification of relevant risks. By compiling internal and external information which makes it possible to identify the principle risks which might affect the company.
II. The analysis and assessment of these risks, using homogenous assessment procedures and standards, in each one of the business areas and support units. This makes it possible to prioritize the more important events and obtain individual risk maps department by department, which together generate the Risk Map for the Group.
III. Risk Treatment, i.e. definition of the measures and assignment of responsibilities to make an effective contribution to risk management.
IV. Regular risk monitoring through annual updates of the Risk Map and the initiatives adopted to mitigate risks.
V. Regular and transparent communication of the results obtained to senior management, the Audit and Compliance Committee, and the Board of Directors, which also acts as feedback to the system to achieve ongoing improvements.
   There are various areas or departments within the organization with specific responsibilities in risk management. The following are highlighted:

Internal Audit

Within the Legal & Compliance Department and functionally dependent on the Auditing and Compliance Committee, responsibilities include supervision of the internal monitoring system, guaranteeing that risks are identified, quantified and controlled, and verifying compliance with application regulations.

The Internal Audit Department is also responsible for encouraging the adoption of measures required for compliance with FIICS requirements or indicators, and the latter review of procedures defined.

The Internal Audit area also includes responsibility for the audit of Information Systems.

In regard to corporate offices and the use of company funds, the Internal Audit area also has a section named Corporate Intervention to control the use of funds and travel and representation expenses, implement basic controls in corporate operations, etc.

Risk Control, Analysis and Evaluation.

The purpose of this department within the Legal & Compliance Department is to lay the basis for and promote a culture of risk control in the organization.

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 capacity needed to identify, assess and manage any risk which may occur in the company, using a standardised reporting system and reporting results and analysis to senior management and the Board of Directors through the Audit and Compliance Committee.

The Department is also responsible for coordinating the prioritisation and monitoring of investments based on risk criteria.

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 structure and needs at any given time.

Credit and Insurance Management

Belonging to Group Finance, this unit is principally in charge of credit risk management and the contracting of insurance policies at the corporate level to cover certain risks, following the guidelines in the Internal Regulation on Insurance.

This Internal Regulation aims to define the processes for the contracting and handling of insurance within the company, as well as provide protocols which facilitate management and procedures to be followed by the different departments and business areas.

Works and Maintenance

Areas which help with the identification and assessment of risks in facilities to help centralise and ensure the prioritization of certain investments on the basis of previously defined risk criteria.

Personnel Administration

This department centralizes procedures and controls regarding the administrative management of personnel.

Occupational Health

This belongs to Group Human Resources and has responsibilities in the prevention of occupational risk based on the different legislations.

The MHI Board of Directors understands the importance of and prioritises the prevention of occupational risk. The company Prevention of Occupational Risk Policy promotes the following basic principles:

- The role of team members as a central pillar of preventative action, encouraging improvements in conditions to the work environment.
- The integration of preventative management in daily operations.
- Participation as a key element for constant improvement in preventative action through greater information, training and involvement of team members at all levels.

To guarantee compliance with these basic principles, the following commitments have been defined:

- Achieve a high level of health and safety in all activities.
- Guarantee compliance with the legal, labour and technology framework and internal regulations on the prevention of occupational risk in all MHI work centres.
- Extend the scope of the management of the prevention of occupational risk to suppliers.
- Encourage participation and effective involvement of all employees in preventative processes.
- Apply and update a Occupational Risk Prevention Plan.
- Prepare, apply and update a Prevention Management model.
- Promote collective protection systems over individual protection systems.
- Implement training and information programmes to develop prevention policy and a prevention culture.

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
Civil rebellions, demonstrations.

Circumstances that have led to it
Instability in Egypt and other western Mediterranean destinations.

Functioning of control systems
The so-called Arab Spring continues to affect the company as it did so in the previous year, during which MHI implemented action plans in hotels in Egypt to ensure the protection and safety of guests and emplyees.

Risk materializing during the year
Country-region risk

Circumstances that have led to it
The slow rate of recovery of certain economies in which MHI has a strong presence.

Functioning of control systems
This risk which was identified in the previous year and which has caused a decline in demand in Spain, has been mitigated in several ways, amongst which through greater international demand for resorts and the company focus on globalisation and growth.

With regard to the latter, in 3Q2012, the Meliá pipeline included 34 new hotels with around 11,000 rooms. 91% of these are outside Spain and 58% are in emerging markets, strengthening the company presence in Brazil, China and Indonesia, amongst others.

Risk materializing during the year
Cancellation option for preferred shares

Circumstances that have led to it
In April 2002 preferred shares were issued for an unlimited period which could be fully or partially redeemed (issuers choice) at any time after a ten-year period ending on 29 April 2012.

Functioning of control systems
Well aware of the possibility of the redemption of Preferred Shares, MHI issued a Swap Option for ordinary bonds, achieving an acceptance level of 76.4%, requiring the issue of bonds for 76.4 million euros due in July 2016. The issue was presented to around 4,000 owners of Preferred Shares and generated other benefits for the company, primarily in reducing the average cost of debt, improving ratios and generating capital gains.

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. 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 Auditing Department regularly reports its activities to the Auditing and Compliance Committee.

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 regularly 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.

D.4 Identification and description of the processes for compliance with the different regulations which affect the company and its group:

Code of Ethics

Approved in March 2012 by the MHI Board of Directors, the company Code of Ethics is a set of principles on conduct which are aligned with company values and help us understand them and be more aware of how they should be applied and prioritised. It is the highest level of internal regulations.

Amongst the global commitments of the company are:

- Comply with all national and international legislation and regulatory obligations.
- Ensure that the internal rules and the actions of its directors and managers are based on ethical criteria in line with the company's principles and values.
- Act decisively against any form of discrimination based on sex, race, age, nationality, disability, ideology or religion.
- Establish the mechanisms to monitor and control the company's principles, values and commitments, ensuring at all times the rejection of misconduct, and especially acting against any corruption, fraud or bribery.
- Make available appropriate channels for the handling of any complaint or accusation, ensuring complete confidentiality at all times.
- Identify and assess risks that affect not only our business but also our stakeholders.

To resolve any doubts which may have arisen, an e-mail address was created for employees to use to raise any doubts or ask questions related to the content, scope and application of the Code of Ethics.

Complaints Channel

In 2012, MHI has implemented a Complaints Channel through which employees can denounce any type of active or passive behaviour which does not comply with applicable rules, including the Code of Ethics, or any other matter related to irregularities or potential or real anomalies arising from non-compliance, absence of control or situations that may require the attention and immediate action of senior company management.

The claims that are received are processed by the Ethics Committee.

The Board of Directors and Senior Executive Team have expressed a firm commitment to attend all claims with total confidentiality and urgency.

The channels available for claims are the intranet, Internet and by post to the Ethics Committee.

Action protocol for crime detection

After the modification of the law regarding the penal responsibility of Companies, an action protocol is required to prevent and detect crimes to minimise responsibility.

In 2012 a project was carried out by PriceWaterhouseCoopers (PWC) to design and develop a Crime Prevention and Detection model. The Crime Prevention and Detection model analysed the degree of exposure of MHI to the crimes described in the law, bearing in mind the established processes for crime control and detection and evaluating their appropriateness. In areas where there was a lack of control, action plans were designed to design changes, the majority of which are due for implementation in 2013.

One of the conclusions of the PWC analysis was that none of the crimes to which MHI is exposed may be considered high risk.

The MHI Audit and Compliance Committee has been provided with regular information on project progress and results.

La Comisión de Auditoría y Cumplimiento de MHI ha sido periódicamente informada del grado de avance y resultados de este proyecto.

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:

YES

	% 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	55.000
Quorum required for the second call	0	40.000

Description of the differences
Article 24.4 of company bylaws foresees that the Annual General Meeting may agree a change in the company mission, a request for the cancellation of trading in company shares, or the transformation of dissolution of the company, requiring the attendance of shareholders with at least 55% of the voting rights in first calling and at least 40% in second calling.

E.2 Indicate whether there is a difference between the Board's system for adapting resolutions and the system provided under Spanish Company Law:

YES

Title	Value
Replacement of company mission, transformation or dissolution of the company	60.000

Describe the differences with the regime envisaged in the Spanish Company Law.

Description of the differences
Article 28.2 of company bylaws foresees that the Annual General Meeting may agree a change in the company mission, a request for the cancellation of trading in company shares, or the transformation of dissolution of the company, with a favourable vote of 60% of the share capital in attendance or represented both in first and second calling. Nevertheless, if the second calling is attended by shareholders with less than 50% of the voting rights, the agreements mentioned above may only be adopted with the favourable vote of two thirds of the share capital in attendance or represented.

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, an announcement is also posted on the website of the company, 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.

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. As envisaged in article 20.3 of the Regulations of the General Shareholders' Meeting, 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.

E.6 Changes introduced during the year in the regulations of the General Shareholders' Meeting.:

In 2012, 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	
13/06/2012	70.477	4.516	0.000	0.000	74.993

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:

ONE

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 MELIÁ HOTELS INTERNATIONAL, S.A. and also for the Consolidated Group for the financial year ended 31 December 2011, verified by the company auditor PRICEWATERHOUSECOOPERS S.L.

Approved with 99.93% of votes in favour.

TWO

With regard to the Individual Accounts the results of the financial year for the Company show a negative result of 64.249.985,95€ which it is proposed be applied to compensate negative results in previous years.

Approval of the distribution of a net dividend of 8,026,713.19 euros - as the maximum amount to be distributed and corresponding to all of the existing shares - to be charged to Unrestricted Reserves, all equivalent to 0.04344 euros gross [0.03432 euros net] per share [excluding treasury stock] and taking into account articles 273 of Company Law. The dividend will be paid out on 10 August 2012 by the entity designated by the Company Board of Directors in accordance with the regulations defined by the Management Company for Registration, Compensation and Liquidation of Securities ("Iberclear").

Approved with 99.99% of votes in favour.

THREE

Approve the management by the Board of Directors of Meliá Hotels International, S.A. for the financial year 2011.

Approved with 99.99% of votes in favour.

FOUR

To define the number of members of the Board of Directors of the Company as twelve.

Approved with 99.99% of votes in favour.

FIVE

Re-election, renovation or appointment of members of the Board of Directors.

First proposal (5.1):
Re-elect as Director Sebastián Escarrer Jaume for the statutory period of five years as a Proprietary Director.

Approved with 99.84% of votes in favour.

Second proposal (5.2):
Re-elect as Director Gabriel Escarrer Jaume for the statutory period of five years as an Executive Director.
Gabriel Escarrer Jaume will retain the positions of Vice Chairman of the Board of Directors and CEO.

Approved with 97.51% of votes in favour.

Third proposal (5.3):
Re-elect as Director HOTELES MALLORQUINES CONSOLIDADOS S.A for the statutory period of five years as an External Proprietary Director represented on the Board of Directors by María Antonia Escarrer Jaume.

Approved with 99.84% of votes in favour.

Fourth proposal (5.4):
Re-elect as Director Luis María Díaz de Bustamante y Terminel for the statutory period of five years as an External Independent Director.
Luis María Díaz de Bustamante y Terminel will remain as Secretary of the Board of Directors.

Approved with 99.95% of votes in favour.

Fifth proposal (5.5):
Name as Director BANCO CAM SAU for the statutory period of five years as an External Proprietary Director.

Approved with 97.69% of votes in favour.

Sixth proposal (5.6):
Name as Director Francisco Javier Campo García for the statutory period of five years as an External Independent Director.

Approved with 99.97% of votes in favour.

Seventh proposal (5.7):
Name as Director Fernando D'Ornellas Silva for the statutory period of five years as an External Independent Director.

Approved with 99.97% of votes in favour.

SIX

To approve the Annual Report on the Remuneration Policy for Directors prepared by the Appointments and Remuneration Committee and approved by the Board of Directors of Meliá Hotels International SA at the meeting of March 29, 2012.

Approved with 98.18% of votes in favour.

SEVEN

Approve a remuneration system consisting of a variable payment in cash for a maximum of 86 Directors of the Company, including Executive Directors of the Company.

This compensation system is adopted with the aim of increasing the share price, making the Directors of the Company's responsible for success by also allowing them to share the benefits and risks of shareholders, in accordance with the provisions of Article 37.2 of the Company Bylaws and Article 219 of the Company Law.

The total basic amount for the compensation plan amounts to twelve million, three hundred and sixty-four thousand euros (€ 12,364,000) and is based on an estimate of nine variables linked to the evolution of the value of shares and also to financial solvency and the results of the Group business. The latter include: EBITDA compliance with covenants, asset sales, expansion (addition of new hotels), aggregate RevPAR, percentage of centralised sales, commitment and culture index, and customer satisfaction index.

In the plan, thirty-three percent (33%) of the base amount, i.e. four million eighty thousand one hundred and twenty euros (€ 4,080,120), is linked to changes in the value of the share price.

This part of the pay system is structured according to the comparative differences in the percentage change between: 1) the arithmetic mean of the daily closing share price of Meliá Hotels International during the period between December 15, 2014 and February 15, 2015, inclusive, and the final share price in 2011, and 2) the arithmetic mean of the evolution of the following two indices: (i) the Dow Jones STOXX EUROPE Travel & Leisure and (ii) Ibex Medium Cap index. The calculation of the evolution of each index will be made following the same criteria as for the share price of Meliá Hotels International.

If the same calculation, on the same basis, were made annually, and the average compensation accruing to each of the exercises individually were higher than the level of compensation resulting from the calculation referred to in the above paragraph, it would be taken into account the criteria established herein.

The amount will be due in full (100%) if the difference between the variations in price of Meliá Hotels International and the average of the indices is in a range between more or less 5%. After that, the amount will be calculated in consecutive 5% scales, with a minimum payment of 50% of the total base when the difference is at 1.75 percentage points.

If during the affected period for calculating the final amount of the fee, an operation took place that affected the calculation of number of shares in Meliá Hotels International for the valuation of the Company, the compensation scale provided above will be adjusted to reflect the dilution effect.

Both in this indicator as elsewhere there is a minimum scale on which payment begins to be made at 50%.

Approved with 99.87% of votes in favour.

EIGHT

To delegate to Gabriel Escarrer, Chairman, Gabriel Escarrer Jaume, Vice Chairman and CEO, Luis María Díaz de Bustamante y Terminel, Chief Secretary to the Board of Directors of the Company, and Juan Ignacio Pardo García, Secretary of the Board of Directors (non-Director), the powers required and necessary, jointly and severally, as extensive as required in law and necessary, to interpret, clarify, supplement, correct, implement, complete, publish, perform and develop the resolutions adopted at this Meeting.

Approved with 99.99% of votes in favour.

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 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 971224515

By e-mail:
Including a scanned image of the vote delegation attendance card.
Address: atencion.accionista@melia.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.meliahotelsinternational.com. Then click on the "Investor Relations" section for access to all the documentation on corporate governance of the Company.

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.77

   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) The 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.**
   See 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

Complies

---

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

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**
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 one Independent Directors has 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.
See sections: B.1.2, B.1.5 and 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

Explain

Although not expressly indicated, the Regulations of the Board regulate the obligations of Directors and compliance with applicable legislation.

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

Complies

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, stockoptions 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 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 annual report includes 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

---

45. **The task of supervising compliance with internal codes of conduct and corporate governance rules will beassigned 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

---

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.2.1

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.**

Ver epígrafe: B.2.1

Complies

---

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.

In a letter dated 25 January 2013, Banco de Sabadell S.A. sent the company a copy of the deed pertaining to the merger by absorption by which Banco de Sabadell S.A. acquired the rights and obligations of Banco Cam S.A.U. in order to assume the Directorship position previously occupied by Banco Cam S.A.U.

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

26/03/2013

Indicate whether there were any directors who voted against or abstained in relation to the approval of this report.

NO

SUPPLEMENTARY REPORT TO THE ANNUAL CORPORATE GOVERNANCE REPORT FOR THE YEAR ENDED 31 DECEMBER 2012 PRESENTED BY THE BOARD OF DIRECTORS OF MELIA HOTELS INTERNATIONAL SA ON THE CONTENTS OF ARTICLE 61BIS OF STOCK MARKET LAW 24/1988 OF 28 JULY.

Introduction

This document complements the Annual Corporate Governance Report ("ACGR") for Meliá Hotels International, S.A. (the "Company") for the year 2012, and has been prepared in order to incorporate within the ACGR all of the information defined in Article 61 bis of Stock Market Law 24/1988, of 28 July ("SML"), after its amendment by the Sustainable Economy Law 2/2011 of March 4, as minimum content of the ACGR and not included in the ACGR model defined in Circular 4/2007 of December 27 by the Spanish Stock Market Commission.

Consequently, the aforementioned ACGR is made complete by this Supplementary Report that includes the following sections:

a. Information on securities not traded on a regulated community market, indicating, where appropriate, the different types of shares and, for each type of share, the rights and obligations it confers.

No securities have been issued that are not traded on an community regulated market.

b. Information concerning the rules applicable to the amendment of the Company Bylaws.

Article 30.1.f) of the Company Bylaws states that it is the General Shareholders Meeting that must agree to any amendment of the Bylaws. Under Article 24 of the Company Bylaws, the General Shareholders Meeting shall be validly constituted when either in first or second call it is attended by shareholders or their representatives holding the percentage of share capital which, at a minimum, and in each case, and for the different items on the Meeting agenda, is required by the legislation in force.

Notwithstanding the foregoing, for the General Meeting to validly amend the mission of the company, request delisting of the shares in the Company or the transformation or dissolution of the same, it must be attended in first calling by fifty-five percent (55%) of the subscribed capital with voting rights. In the second call, the attendance of forty percent (40%) of the subscribed capital with voting rights will be considered sufficient.

In accordance with Article 28 of the Bylaws, the resolutions of the General Shareholders Meeting shall be adopted by a majority of the share capital present or represented at the meeting, except in cases where the law or the Bylaws require a greater majority. Thus, for the General Meeting to validly amend the mission of the company, request delisting of the shares in the Company or the transformation or dissolution of the same, shall require the affirmative vote of sixty percent (60%) of the share capital present or represented at the General Meeting, both in first and second calling. However, if on second calling the Meeting is attended by shareholders that represent at least fifty percent (50%) of the subscribed capital with voting rights, the agreements referred to in this paragraph may be adopted only by the affirmative vote of two thirds (2/3) of the share capital present or represented at the Meeting.

Notwithstanding the foregoing, resolutions amending Articles 3 (Head office), 7 (Register of Shares and Shareholders), 8 (Standing of Shareholders), 24.3 (Quorum), 24.4 (Enhanced Quorum of Incorporation), 28 (Majority for the Implementation of Agreements), 33 (Appointments to the Board of Directors) and 38 (Delegation of Powers) of the Bylaws require the affirmative vote of at least sixty percent (60%) of the share capital present or represented at the General Meeting, both in first and second calling.

c. Restrictions on the transfer of shares and any restrictions on voting rights.

There are no statutory restrictions on the acquisition or transfer of shares or the exercise of voting rights. However, in accordance with the Bylaws and the Regulations of the General Meeting, to attend the General Meeting shareholders have three hundred (300) or more shares registered in the relevant accounting records. Shares may be grouped with regard to the exercise of this right.

d. Information on significant agreements entered into by the Company and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and its effects.

There are no such agreements.

e. Information on agreements between the Company and its directors and executives or employees providing for compensation if they resign or are terminated without cause or if the employment relationship is terminated as a result of a takeover bid.

There are no such agreements.

f. Description of the main features of the internal control and risk management systems in relation to the process of issuing financial information.

The following information is attached in relation to the recommendations in the "Report on Internal Control over Financial Reporting" prepared by the Internal Control Working Group of the Spanish Stock Market, based on the COSO framework, defining a set of principles and best practices grouped into 5 components which are deployed with 16 indicators.

F.1 Company Control Systems

Report on the organs and/or functions responsible for:

i. the existence and maintenance of an appropriate and effective SCIIF;
ii. their implementation; and
iii. their monitoring.

The organs within the Meliá Hotels International Group responsible for ensuring the existence, maintenance, implementation and monitoring of an appropriate and effective SCIIF, and the roles and responsibilities attributed to these organs are as follows:

Board of Directors

As part of its general supervisory function, the regulations of the Board of Directors assigns to the Board of Directors the ultimate responsibility for identifying the principal risks to which the company is exposed, especially the risks of implementation and monitoring of internal control systems and adequate information (Art. 5 of the Regulations of the Board).

Audit and Compliance Committee

Both the Bylaws of Meliá Hotels International, S.A. and the Regulations of the Board of Directors assign to the Audit and Compliance Committee, among others, the role of awareness of the financial reporting process and internal company control systems, as well as ensuring that the financial information provided to the markets is prepared according to the same criteria as those used for the Annual Accounts (Art. 39 bis of the Bylaws and Article 14 of the Regulations of the Board of Directors).

The organization and operation of the Audit and Compliance Committee is regulated by Article 14 of the Regulations of the Board of Directors. The Committee currently consists of four directors, three of whom are independent and the fourth a proprietary director, who have held senior positions in finance and also positions as Directors in several companies. The meetings of the Committee are also attended by representatives of the internal and external audit teams and representatives of senior management of the Group, depending on the subjects on the agenda.

Senior Management

SCIIF procedures at the Meliá Hotels International Group assigns to senior management the responsibility for the design, implementation and maintenance of SCIIF, with each Directorate General responsible for their area of influence. This responsibility thus affects the entire organization in as far as the financial information is derived from the activity and information generated by the business areas and the other support areas.

Internal Audit Department

The Audit Committee is the body responsible for overseeing the SCIIF, and the Internal Audit department is responsible for verifying its correct operation, keeping the Board of Directors and senior management informed (through the Audit and Compliance Committee) about whether the mechanisms authorized by management effectively mitigate the risk of errors, with a material impact on financial information.

Particularly in relation to the preparation process for financial information, report on the following (if such exists):

Departments and/or mechanisms in charge:

i.of the design and review of the organisational structure;
ii. of clearly defining the areas of responsibility and authority, with an appropriate distribution of tasks and functions; and
iii. of ensuring that there are sufficient procedures for their correct reporting to the organisation.

The process of defining and reviewing the organizational structure is governed by the Human Resources Regulations of the Meliá Hotels International Group and applies to all companies within the Group. According to the provisions of these Regulations, approved by senior management of the Group, the Human Resources Department is responsible for ensuring fairness, balance and the optimisation of the company's organizational structure and its periodic review. The heads of the different areas of the Group must ensure that the size of its workforce is appropriate and optimal.

Any changes to the organizational structure as well as the appointment and removal of senior management and remuneration policy must be approved by the Board of Directors of Meliá Hotels International, SA after proposal by the Appointments and Remuneration Committee.

The Organization area of Human Resources is also responsible, together with the respective areas of the Group, for the analysis and definition of processes and the description of positions, functions and responsibilities, including positions related to the preparation of financial information. The Human Resources Regulation is available to all employees on the Group Intranet.

Report if any the following exist: Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there is any specific reference to record keeping and the preparation of financial information), the body responsible for investigating breaches and proposing corrective or disciplinary action.

The Meliá Hotels International Group has several documents which refer to employee conduct:

Code of Ethics

The Meliá Hotels International Group has a Code of Ethics which was communicated to the entire organization in December 2012. The code and all the information required for understanding it are accessible to all Group employees through the Group Intranet.

In March 2012, the Board of Directors approved the content of the Code. The Remuneration and Appointments Committee approved the channels required for its implementation in October 2012.

The Code of Ethics is a collection of operating principles that organize and give meaning to the Company values while also helping to understand them and know how to apply and prioritise them. The Code of Ethics is the highest level of the internal regulatory framework. It provides the basis from which to create policies, standards, processes and procedures.

The Code of Ethics contains a number of rules that are binding. It has four main parts:

1. Values on which it is based.
2. Company commitments.
3. Principles of employee behaviour.
4. Operating systems.

The Code of Ethics includes a section that regulates the principles applicable to the relationship with shareholders and investors, which specifically mentions the commitment to ensure maximum reliability and accuracy in financial and accounting records and to comply with transparency obligations in securities markets.

Ultimate responsibility is assumed by the Board of Directors, which assumes the obligation to implement the Code through the Appointments and Remuneration Committee. Responsibility for ensuring compliance and assisting in the resolution of dilemmas rests with the Group's senior management, also including Regional Directors and Hotel Directors. The obligation for ensuring the Code is operational is assumed by the Office of the Code of Ethics, which is an independent body established to constantly review and update the Code of Ethics.

Internal Regulations on Matters related to Stock Markets

Applicable to members of the Board of Directors and employees of the Meliá Hotels International Group who perform any activity related to the stock market or have access to relevant information. Among the general principles set out in these internal regulations is the "Policy and Procedures for the processing of relevant information and its communication to the CNMV and the market" and "The procedures for the treatment of privileged information."

This regulation is communicated and delivered in writing to the people to whom it applies when they are hired, based on the CNMV requirements, and must be signed and accepted by them. The head of finance is responsible for monitoring and controlling compliance with the regulation, reporting on the issue to the Audit and Compliance Committee.

Management Behaviour Policy and Human Resources Regulation

Additionally, Meliá Hotels International, S.A. also has a Management Behaviour Policy and Human Resources Regulations, which regulate the conduct of executives (in the first case) and all other employees (in the second) in relation to certain matters.

Report if there is a complaints channel that allows the Audit Committee to be informed of any financial or accounting irregularities of, breaches of the code of conduct and malpractice in the organization, and whether any such channel is confidential.

After publication of the Code of Ethics, the Meliá Hotels International Group also opened up a Complaints Channel system through which all Group employees can file complaints or claims related to the breach or non-observance of any aspects of the Code of Ethics and, in particular, of the Business Principles, applicable regulations, potential conflicts of interest or any other topic related to irregularities or potential or actual anomalies created by regulatory failures, lack of internal control, irregularities of a financial nature or situations or events that may require immediate attention and action by the senior Group management.

The procedure provides that complaints should be registered, guaranteeing at all times an independent and confidential analysis, with the Chairman of the Audit and Compliance having access to all complaints received.

The complaints channel is managed by an Ethics Committee which acts independently and with the utmost respect for the confidentiality of any complaints or grievances received, reporting directly to the Audit and Compliance Committee and the Chief Executive of the Group at any time it sees fit as well as at regularly intervals regarding its activities.

The Ethics Committee's main function is to receive, manage and coordinate the complaint and investigation process through the complaints channel, and is the only body with access to the complaints received, thereby ensuring confidentiality.

The operation of the channel is regulated by corporate procedure and accessible by any employee through the Intranet.

The channels available for complaints are: Intranet (Employee Portal), Internet and regular post addressed to the Ethics Committee.

Report whether there are training programs and refresher courses for staff involved in the preparation and review of financial information, as well as in the evaluation of SCIIF, covering at least accounting standards, auditing, internal control and risk management.

The heads of the departments responsible for the preparation of financial information must ensure the training of staff working in these areas.

In 2012 there were several training and development programs related to financial reporting, addressing different aspects of accounting, financial instruments, taxation, financial statement analysis and financial reporting.

These courses were attended by members of the Hotel Administration area involved in the preparation and review of financial information. A total of 16 courses were organized with 244 participants and a duration of a total of 1,952 hours.

All corporate partners involved in the preparation of financial information also receive specific annual training to update their knowledge in this area.

In addition to the above actions, the company uses external expertise to raise awareness and knowledge of the staff involved, and is subscribed to several publications and participates as corporate partners in IGREA (Spanish Association of Risk Managers), IIA (Internal Audit Institute) and AECA (Spanish Association of Accounting and Business Administration).

F.2 Evaluation of risks in financial information

Report on the main characteristics of the process for identifying risks, including risks of error or fraud, in terms of:

- Whether the process exists and is documented.
- Whether the process covers the entire financial reporting objectives, (existence and occurrence, completeness, valuation, presentation, disclosure and comparability, and rights and obligations), and how often it is updated.
- The existence of a process of identifying the scope of consolidation, taking into account, among other things, the possible existence of complex corporate structures or special purpose entities.
- Whether the process takes into account the effects of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) to the extent that they affect financial statements.
- Which governing body oversees the process.

The Meliá Hotels International Group has:

- A policy on Risk Control, Analysis and Evaluation approved by the Board of Directors.
- A Risk Management Policy developed and approved by the Audit and Compliance Committee.
- A process for the preparation of the company Risk Map.

The Risk Management Department leads the process for regularly updating the Group's Risk Map and oversees the definition of actions and assignment of responsibilities in mitigating the most important risks.

The annual Risk Map preparation involves the heads of all Group departments and areas identifying and assessing the risks that affect them. In addition to the Consolidated Risk Map the Group thus also obtains Risk Maps for each of the different departments and areas in the Organization.

On an annual basis, and in collaboration with the Internal Audit Department, the Group Risk Map is reviewed and updated in order to identify which of the risks affect financial reporting objectives established by the CNMV: existence and occurrence, integrity, recognition, measurement, disclosure and comparability.

In order to identify the scope of consolidation at all times, the Corporate Administration Department maintains an updated corporate registry that contains all of the Group's holdings, whatever their nature.

The procedures for updating the scope of consolidation are contained in a manual, in accordance with the provisions of the Group Companies and Joint Ventures Regulations. The scope of consolidation is updated monthly in accordance with the provisions of International Accounting Standards and other local accounting regulations.

The Risk Map preparation process takes into account the impact that risks may have on the financial statements, regardless of the type of risk. Meliá Hotels International Group has identified risks in the following categories:

- Global risks.
- Financial risks.
- Business risks.
- Operational risks.
- Compliance risks.
- Information risks.

The results are reported and reviewed by senior management and the Audit and Compliance Committee and Board of Directors.

Report, identifying all main features, whether there are at least procedures to review and approve financial information and the SCIIF description to be published in the securities markets, stating who is responsible:

Meliá Hotels International, S.A. and its consolidated group provides financial information to the stock market on a quarterly basis. This financial information is prepared by the Corporate Administration Department (a part of Hospitality Business Solutions), a shared service centre operated by the Meliá Hotels International Group.

The senior executive of the Finance (Executive Vice President Group Finance) and Administration (Executive Vice President Hospitality Business Solutions) areas analyze the reports, provisionally approving the said financial information for submission to the Audit and Compliance Committee, which is responsible for the supervision of the financial information that is presented.

At the close of the year, the Audit and Compliance Committee also has information prepared by the Group's external auditors on the results of their work. From 2012, the Committee also has information from the external auditors to monitor the interim financial statements.

At the close of each semester, the Audit and Compliance reports to the Board of Directors its findings on the financial information presented so that, once approved by the Board of Directors, it may be published in the securities markets. Looking forward to 2013, two ad hoc meetings of the Audit and Compliance Committee have been organised to supervise and approve the Interim Management report for the 1st and 3rd quarter and, in turn, deliver the report from the Secretary of the Committee to the Board of Directors for their information and approval.

The Meliá Hotels International Group has a procedures manual which defines the internal process for the preparation and issuance of consolidated financial information, covering the entire process of preparation, approval and publication of financial information regularly required by the CNMV.

Report whether there is documentation describing the activities and control (including those relating to risk of fraud) of various types of transactions that may materially affect the financial statements, including the process of closing accounts and the of review specific judgments, estimates, valuations and projections.

All those areas that may significantly affect the financial statements of the Group have critical process controls to ensure the reliability of financial information. These controls are included in internal procedures or in the form of running information systems that serve as basis for the preparation of financial information.

The methodology uses the analysis of the consolidated financial statements to select the most relevant items and notes to financial statements according to quantitative (materiality) and qualitative (automation, susceptibility to fraud or error, accounting complexity, degree of estimation and risk of loss or contingent liabilities.) criteria.

The selected items and notes are grouped into processes. In 2011 and 2012 most of the processes considered critical and the control activities associated with them were systematically documented. This descriptive documentation comprises process flowcharts and control and risk matrices. Additionally, and throughout this process, we have also identified potential fraud risks and formalized controls to mitigate those risks.

The activities which required formal documentation are included in processes pertaining to the areas of Administration, Tax, Treasury and Finance, Personnel Management, Hotel Business and Vacation Club.

The different areas are responsible for documenting and updating each of these processes, identify potential control weaknesses, and establishing any corrective measures required.

The judgments, estimates and projections to quantify certain assets, liabilities, income, expenses and commitments recorded or disclosed in financial statements, are carried out by the Finance Department of the Group with the support of other areas.

The Meliá Hotels International Group reports in its financial statements on the most relevant areas where there are judgment and estimate parameters and on key assumptions behind those judgments and estimates. The main estimates relate to the valuation of goodwill, provision for income taxes, fair value of derivatives, fair value of real estate investments, pension benefits and the useful life of tangible and intangible assets.

As part of the processes documented, a procedure has been defined for the closure of accounts, the review and approval of financial information generated by the different units of the group and the consolidation of all of the information.

F.3 Control activities

Report whether policies and internal control procedures for information systems (among others, access security, change control, operations, operational continuity and segregation of functions) that support the relevant processes in the organization in relation to the preparation and publication of financial information.

The Meliá Hotels International Group information systems department has a set of security policies and procedures to ensure control of access to applications and business systems in order to ensure the confidentiality, availability and integrity of information.

The Meliá Hotels International Group has standard procedures for changes in the financial management platform, and a process for developing and maintaining transactions. These procedures define the controls that ensure the proper development and maintenance of applications, assessing the impact of changes and associated risks.

In 2012 a project was carried out to segregate functions on the systems that support financial management processes, improving control procedures and preventing the existence of users that could be judge and jury in handling such information.

Among the actions designed to build continuity strategies over the past year, the areas began to develop recovery plans for two hotel management platforms so as to ensure business continuity in the case of a disaster. These activities will be finalised and tested to ensure their effectiveness during the current year.

Report whether there are policies and internal control procedures for overseeing the management of outsourced activities, as well as the appraisal, calculation or valuation made by independent experts, which may materially affect the financial statements.

When the Group uses the services of an independent expert, it ensures technical competence and of that expert through outsourcing only to third parties with proven experience and prestige.

To validate the independent experts' reports, the Group employs internal staff trained to validate the reasonableness of the conclusions, and define and manage the service levels required in each case.

Additionally, there is also an internal regulation on Contracting Services which governs the approval by the senior executive in the area contracting the service and verification that the supplier possesses sufficient professional qualifications to provide the service and are also registered with the relevant professional bodies.

F.4 Information and communication

Report whether you have a specific function in charge of defining and updating accounting policies (accounting policy area or department) and resolving questions or disputes arising from their interpretation, maintaining regular communication with people responsible for operations within the organization,

The function of defining and updating accounting policies and the interpretation of those policies and other accounting regulations affecting the Meliá Hotels International Group's financial statements is managed centrally by the Corporate Administration department. The functions of this department, among others, are:

- To define the Group's accounting policies.
- To analyze individual operations and transactions carried out or envisaged for the Group to determine their appropriate accounting.
- To monitor new regulation projects and new rules adopted by the IASB and European Union, and the impact their implementation will have on the consolidated accounts of the Group.
- To resolve any doubts Group companies may have concerning implementation of Group accounting policies.

There is a formal communication channel to handle any doubts about the interpretation of accounting policies through which the different business areas can seek advice for specific or complex cases which may raise doubts about the methodology for registering them in Group accounts.

The channel was launched through a message on the Group intranet announcing the creation of an e-mail account to which to address any doubts. The account is managed by the Corporate Administration Department which is also responsible for the response.

Report whether there is an updated accounting policy manual which is communicated to the business units operated by the company.

Meliá Hotels International Group presents its consolidated financial statements in accordance with International Financial Reporting Standards. There is a manual of accounting policies which is reviewed and updated whenever accounting regulations applicable to the Group's financial statements is amended in any significant respect.

All the people responsible for preparing the financial statements for Group companies have access to this document through the Intranet.

Report whether there are mechanisms to gather and prepare financial information in standard formats for their use by all the units in the company or group, which support the primary financial statements and notes, as well as the information required on SCIIF.

The Meliá Hotels International Group has implemented a software tool to meet the reporting needs for its individual financial statements and to facilitate consolidation and analysis based on an integrated financial management tool.

This tool centralizes all the information on accounting for the financial statements of all the Group subsidiaries for the preparation of annual accounts and also allows the preparation of the Group's consolidated accounts. The system is managed centrally from Group corporate headquarters.

Information is loaded into this consolidation system automatically from the financial management tool in each of the subsidiaries.

F.5. Supervision of system operations

Report, noting its main characteristics, on the SCIIF monitoring activities undertaken by the Audit Committee and whether the company has an internal audit function whose responsibilities include supporting the Committee in its oversight of the internal control system, including SCIIF. Also report on the scope of the SCIIF evaluation carried out during the year and the procedure by which the team in charge of performing the evaluation reports its results, whether the company has an action plan that details the possible corrective measures, and whether it has considered its impact on financial reporting.

The SCIIF supervisory activities undertaken by the Audit Committee mainly include: (i) regular meetings with external auditors, internal auditors and senior management to review, analyze and comment on financial information, the accounting principles applied and, where appropriate, any significant internal control weaknesses identified, and (ii) with the support of the internal Audit Department, review the design and operation of internal control systems to evaluate their effectiveness.

The meetings of the Audit and Compliance Committee are carried out quarterly and always included an agenda item for information on SCIIF assessment activities carried out by the Internal Audit Department.

As stated in the Bylaws and the Group Internal Audit Regulations, verifying the correct operation of internal control systems is a fundamental responsibility of the department, including the reliability of financial reporting (SCIIF), keeping the Board of Directors (through the Audit and Compliance Committee) and senior management informed of the existence, adequacy and effectiveness of methods, procedures, standards, policies and existing instructions, which are also available to Group employees.

The Internal Audit Department reports functionally to the Audit and Compliance Committee, and hierarchically to the EVP Legal & Compliance, who in turn reports to the Vice Chairman and Group CEO. The head of the Internal Audit has direct access to both the Vice Chairman and CEO and to the Audit and Compliance Committee and, if necessary, the Board of Directors.

Among the attributes of the Audit and Compliance affecting the Internal Audit Department are: ensuring the independence and effectiveness of the internal audit, approving the budget and annual audit plan, receiving regular reports on their activities and verifying that senior management takes into account the conclusions and recommendations of its reports.

In order to ensure the independence of the Internal Audit team with regard to the operations or areas which they audit and over which they have no authority or responsibility, internal auditors are not assigned any other duties and functions other than its that of internal auditor.

The internal audit plan for 2012 included various activities designed to assess the degree of compliance with internal control systems through different types of audits, mainly business audits (hotels and resort clubs), information systems audits, financial audits and the evaluation of control activities in areas associated with Corporate Administration and Finance processes.

Also in 2012 there was specific monitoring by area of the degree of progress in the documentation of critical processes and control activities implemented in each area.

The main business of the Group is hotel operations. In relation to the control of the financial information in this area, in 2012 two processes were audited, divided into 8 sub-processes and 2,376 control activities. These reviews have been carried out in 99 hotels in Europe, America, Asia and Africa. (10 premium brand hotels, 40 Meliá hotels, 30 Tryp hotels and 19 Sol hotels).

As indicated in Auditing regulations, if the evaluations made by the Audit department detect control weaknesses in the audited areas, these must be brought to the attention of the area management team and reported to the Audit and Compliance Committee if appropriate. The managers of the mentioned areas are required to respond to the weaknesses identified through measures or by implementing prevention plans.

Report whether there is a discussion process by which the auditor (in accordance with the provisions of the NTA), the internal audit function and other experts may report to senior management and the Audit Committee or company managers any significant weaknesses in internal control identified during the review of the annual accounts or any other processes entrusted to them. Also whether there is an action plan to correct or mitigate the weaknesses observed.

The Senior Executive Team meets regularly and meetings are also regularly attended by the Vice Chairman and CEO, ensuring the information flow between the Board and the Group's main executive body.

Pursuant to its regulations, the Board of Directors must meet at least five times a year. Coinciding with the meeting of the Board, the Audit and Compliance Committee also holds meetings which are regularly attended by guests including internal and external auditors and senior managers of the Group as appropriate.

The company Auditor also at least attends the Board meeting which approves the Annual Accounts and any other Board meeting in which his/her presence is requested.

Internal Audit regularly reports to senior management and the Audit and Compliance Committee on any internal control weaknesses identified in internal audits. Every year the auditor also presents to the Audit and Compliance Committee a report detailing the internal control weaknesses identified in the performance of their work. The people affected by the weaknesses identified should respond to them. As part of their duties the Internal Audit team must also monitor responses to the weaknesses detected and assess whether they are effective.

Report whether the SCIIF ICFR information sent to the markets has been reviewed by the external auditor, in which case the company should include the report as an Annex. If not, the company should report the reasons why not.

The information on the system of internal control of financial reporting included in the Annual Corporate Governance Report has been reviewed by an external auditor, whose report is attached to the Group management report.

MELIÃ HOTELS INTERNATIONAL

FORMULATION OF THE DIRECTORS' REPORT

On March 26, 2013 these consolidated director's report was 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 director's report includes a true analysis of the busines evolution and results, as well as of the Groups position and the description of main risks and uncertainties it faces.

These accounts are set out on 99 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
Vice Chairman

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

Signed Mr. Sebastián Escarrer Jaume
Director

Signed Banco Sabadell, S.A
(Represented by Mr. Enrich Rovira Masachs)
Director

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

Signed Mr. Juan Arena de la Mora
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Mr. Fernando d'Orellas Silva
Director

Signed Ms. Amparo Moraleda Martínez
Director

Signed Mr. Alfredo Pastor Bodmer
Director

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

MELIÁ HOTELS INTERNATIONAL, S.A.

Report of the auditor referring to the "Internal Control over Financial Reporting (ICFR)" in 2012

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 2012

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 28 January 2013, 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 2012, 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.

PricewaterhouseCoopers Auditores, S.L., C/ Conquistador 18 planta 1ª, 07001 Palma de Mallorca
T: +34 679 193 915 F: +34 971 729 969, www.pwc.com/es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª. Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

pwc

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 2012 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 2013

MELIÃ HOTELS INTERNATIONAL

GRAN MELIÁ HOTELS & RESORTS · ME BY MELIÃ · Paradisus RESORTS · MELIÃ HOTELS & RESORTS · INNSIDE BY MELIÃ · TRYP · Sol Hotels · CLUB MELIÃ

UNWTO · OMT · ЮНВТО · FTSE4Good · We protect children from sex tourism.