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CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED DIRECTORS REPORT FOR FISCAL YEAR 2013

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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 2013, 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 2013 present fairly, in all material respects, the consolidated financial position of Meliá Hotels International, S.A. and its subsidiaries at 31 December 2013 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 2013 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 2013.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 4, 2014

CONSOLIDATED BALANCE SHEET – ASSETS

(Thousand €)	Note	31/12/2013	31/12/2012
NON-CURRENT ASSETS			
Goodwill	9	33,717	18,970
Other intangible assets	9	105,219	71,348
Property, Plant and Equipment	10	1,566,814	1,766,815
Investment property	11	136,423	149,524
Investments measured using the equity method	12	100,706	99,128
Other non-current financial assets	13.1	349,538	302,928
Deferred tax assets	19.2	150,015	157,630
TOTAL NON-CURRENT ASSETS		**2,442,432**	**2,566,344**
CURRENT ASSETS			
Non-current assets held-for-sale	15.2	100,338	
Inventories	14.1	62,945	88,476
Trade and other receivables	14.2	263,063	309,397
Current tax assets	19	24,744	18,513
Other current financial assets	13.1	44,127	17,561
Cash and other cash equivalents	14.3	436,560	468,346
TOTAL CURRENT ASSETS		**931,778**	**902,294**
TOTAL GENERAL ASSETS		**3,374,210**	**3,468,638**

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

(Thousand €)	Note	31/12/2013	31/12/2012
EQUITY			
Share capital	16.1	36,955	36,955
Share premium	16.1	698,102	696,364
Reserves	16.2	343,980	352,760
Treasury shares	16.3	(108,688)	(110,426)
Retained earnings	16.4	326,084	246,572
Other equity instruments	16.5	148,459	0
Translation differences	16.6	(269,151)	(182,113)
Other measurement adjustments	16.6	(2,369)	(5,638)
Profit/(loss) for the year attributed to parent company	8	(73,219)	36,727
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		**1,100,154**	**1,071,202**
Non-controlling shareholdings	16.7	68,430	85,627
TOTAL NET EQUITY		**1,168,585**	**1,156,829**
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	13.2	304,377	275,027
Bank loans	13.2	774,589	564,161
Other finance lease payables	13.2	0	160,175
Other non-current financial liabilities	13.2	11,707	30,902
Capital grants and other deferred income	17.1	20,183	15,580
Provisions	17.2	33,945	38,207
Deferred tax liabilities	19.2	154,664	185,336
TOTAL NON-CURRENT LIABILITIES		**1,299,465**	**1,269,388**
CURRENT LIABILITIES			
Liabilities associated with non-current assets held-for-sale	15.2	12,477	
Bonds and other negotiable securities	13.2	190,644	1,079
Bank loans	13.2	324,632	622,131
Other finance lease payables	13.2	0	229
Trade creditors and other payables	18	289,699	297,288
Current tax liabilities	19	16,122	23,698
Other current liabilities	13.2	72,586	97,997
TOTAL CURRENT LIABILITIES		**906,160**	**1,042,422**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**3,374,210**	**3,468,638**

CONSOLIDATED INCOME STATEMENT

(Thousand €)	Note	31/12/2013	31/12/2012
Operating income	**7.1**	**1,351,984**	**1,329,871**
Supplies	7.2	(172,518)	(161,097)
Staff costs	7.3	(380,015)	(383,340)
Other expenses	7.4	(455,207)	(440,169)
EBITDAR *		**344,244**	**345,265**
Leases		(102,593)	(103,096)
EBITDA **	**6.1**	**241,651**	**242,169**
Restructurings	7.3	(3,978)	0
Amortisation and depreciation	7.5	(91,134)	(83,812)
Goodwill and negative consolidation difference	7.6	30,860	5,981
EBIT ***		**177,398**	**164,338**
Exchange differences		(24,137)	(7,490)
Borrowings		(110,733)	(92,445)
Other financial expenses		(10,935)	(12,549)
Other financial income		34,722	26,275
Change in value of embedded derivatives		(76,167)	8,500
Net financial income (expense)	**7.7**	**(187,251)**	**(77,709)**
Profit /(Loss) of associates and joint ventures	**12**	**(17,775)**	**(19,288)**
NET INCOME BEFORE TAX		**(27,627)**	**67,341**
Income Tax	19.6	(9,203)	(18,440)
Results from continued operations		**(36,830)**	**48,901**
Results from discontinued operations	15.3	(34,253)	(7,406)
NET INCOME		**(71,083)**	**41,494**
a) Attributed to parent company		(73,219)	36,727
b) Attributed to minority interests	16.7	2,136	4,767
BASIC EARNINGS PER SHARE IN EUROS	**8**	**(0.41)**	**0.21**
DILUTED EARNINGS PER SHARE IN EUROS	**8**	**(0.41)**	**0.21**

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 €)	Note	31/12/2013	31/12/2012
Net consolidated income		(71,083)	41,494
Other comprehensive results:			
Items that will not be transferred/reclassified to results			
Other results attributed to equity	3.15	51,666	21,568
TOTAL		51,666	21,568
Items that may be subsequently transferred to results			
Translation differences	16.6	(91,730)	(238)
Cash flow hedges	13.3	6,301	1,383
Equity consolidated companies		(7,338)	(1,380)
Tax effect	19.2	(1,401)	(631)
TOTAL		(94,168)	(866)
Total Other comprehensive results		(42,501)	20,702
TOTAL COMPREHENSIVE INCOME		(113,584)	62,196
a) Attributed to the parent company		(111,735)	58,198
b) Attributed to minority interests	16.7	(1,850)	3,998
TOTAL COMPREHENSIVE INCOME		(113,584)	62,196
a) Continued operations		(79,332)	69,603
b) Discontinued operations	15.3	(34,253)	(7,406)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Thousand €)	Note	Capital	Share premium	Other reserves	Treasury shares	Retained earnings	Translation differences	Net income of parent company	Total	Minority interest	Total NET EQUITY
BALANCE AT 01/01/2012		36,955	696,377	331,895	(110,413)	247,767	(190,138)	40,134	1,052,577	77,294	1,129,871
Effect of changes in accounting policies	2.2			(33,933)		7,483			(26,450)		(26,450)
Adjusted beginning balance		36,955	696,377	297,962	(110,413)	255,250	(190,138)	40,134	1,026,127	77,294	1,103,421
Total recognised income and expenses		0	0	0	0	19,084	2,386	36,727	58,198	3,998	62,196
Distribution of dividends	8			(7,502)					(7,502)	(481)	(7,982)
Operations with treasury shares	16.1		(13)	13	(13)				(13)		(13)
Other operations with shareholders/owners	16.4					(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	16.4 & 16.2			62,287		(60,300)			1,987	(1,987)	0
Distribution 2011 net income	16.4					40,134		(40,134)	0		0
Other variations	16.4					862			862	14	876
Other variations in net equity		0	0	62,287	0	(19,304)	0	(40,134)	2,848	(1,973)	876
BALANCE AT 31/12/2012		36,955	696,364	352,760	(110,426)	246,572	(187,752)	36,727	1,071,201	85,627	1,156,828
Total recognised income and expenses		0	0	0	0	45,254	(83,768)	(73,219)	(111,733)	(1,850)	(113,582)
Distribution of dividends	8			(7,041)					(7,041)	(1,895)	(8,936)
Operations with treasury shares	16.1		1,738	(1,738)	1,738				1,738		1,738
Other operations with shareholders/owners	16.4 y 16.7					(1,605)			(1,605)	(12,837)	(14,442)
Operations with shareholders or owners		0	1,738	(8,780)	1,738	(1,605)	0	0	(6,908)	(14,732)	(21,640)
Transfers between net equity items											0
Distribution 2012 net income	16.4					36,727		(36,727)	0		0
Other variations	16.5			148,459		(865)			147,594	(615)	146,978
Other variations in net equity		0	0	148,459	0	35,862	0	(36,727)	147,594	(615)	146,978
BALANCE AT 31/12/2013		36,955	698,102	492,439	(108,688)	326,083	(271,520)	(73,219)	1,100,154	68,430	1,168,584

CONSOLIDATED CASH FLOW STATEMENT

(Thousand €)	31/12/2013	31/12/2012
OPERATING ACTIVITIES		
Operating receipts	1,740,132	1,725,277
Payments to suppliers and staff for operating expenses	(1,590,288)	(1,543,464)
Receipts / (Payments) for income tax	(29,432)	(25,752)
CASH FLOWS FROM OPERATIONS	**120,412**	**156,060**
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	**(22,035)**	**(14)**
Amortisation	(24,411)	
Acquisition		(14)
Disposal	2,376	
Receipts and (payments) for financial liability instruments:	**103,796**	**14,848**
Issue	619,609	246,412
Redemption and repayment	(515,813)	(231,564)
Payments for dividends and remuneration of other equity instruments	**(7,678)**	**(7,926)**
Other cash flows from financing	**(90,053)**	**(89,606)**
Interest paid	(88,421)	(81,499)
Other receipts / (payments) for cash flows from financing	(1,632)	(8,106)
CASH FLOWS FROM FINANCING	**(15,970)**	**(82,698)**
INVESTMENTS ACTIVITIES		
Payments on investments:	**(218,975)**	**(200,659)**
Group companies, associates and business units	(180,311)	(155,780)
Property, plant and equipment, intangible assets and investment property*	(34,839)	(40,276)
Other financial assets	(3,825)	(4,602)
Receipts for divestments:	**112,875**	**151,231**
Group companies, associates and business units	81,357	92,146
Property, plant and equipment, intangible assets and investment property*	29,490	59,085
Other financial assets	2,028	
Other cash flows from investment:	**601**	**182**
Dividends received	85	182
Interest received	517	
CASH FLOWS FROM INVESTMENT	**(105,499)**	**(49,246)**
Variation in the exchange rate in cash and cash equivalents	(30,728)	4,721
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(31,786)**	**28,838**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 13.3)	**468,346**	**439,508**
CASH AND CASH EQUIVALENTS AT THE YEAR END (Note 13.3)	**436,560**	**468,346**

(*) In the years 2013 and 2012, there have been adquisitions of assets under finance lease contracts amounting to 4,7 and 8,2 million euros, respectively. These transactions are not considered cash movements.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

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 Company's various activities are carried out in 40 countries throughout the world, with a notable presence in South America, the Caribbean and Continental Europe, and it is the absolute leader in Spain. The strategic focus of international expansion has led to to become the leading Spanish hotel chain with a presence in China, the United States and the United Arab Emirates.

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, 2013, 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 2012. These standards do not have a significant impact on the Group's financial position:

- Amendment to IAS 1, "Presentation of financial statements: Presentation of items in other comprehensive profit/(loss).
- Amendment to IAS 19, "Employee compensation"
- Amendment of IFRS 1 "Severe hyperinflation and removal of fixed dates for first-time adopters of IFRS"
- Amendment of IAS 12 "Deferred tax: Recovery of the underlying assets"
- Amendment of IFRS 13 "Fair value measurement".
- IFRIC 20 "Stripping cost on the production phase of a surface mine"
- Amendment IFRS 1 "Government loans".
- Amendment of IFRS 7: "Offset of financial assets and liabilities".
- Improvement projects 2009-2011:
  Amendment of IFRS 1: First-time adoption of IFRS
  Amendment of IAS 1: Presentation of financial statements
  Amendment of IAS 16: Property, plant and equipment
  Amendment of IAS 32: Financial Instruments: Presentation
  Amendment of IAS 34: Interim financial information

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:

- IFRS 9: "Financial instruments".
- IFRS 10: Consolidated financial statements
- IFRS 11: Joint arrangements
- IFRS 12: Disclosure of interests in other entities
- IFRS 14: "Regulatory deferral accounts".
- Amendment of IAS 27: Separate financial statements
- Amendment of IAS 28: Investments in associates and joint ventures
- Amendment of IAS 32: "Offset of financial assets and liabilities".
- Amendments to IFRS 10, IFRS 11 and IFRS 12: "Consolidated financial statements, joint arrangements and disclosures of interests in other entities: Transition guide".
- Amendments to IFRS 10, IFRS 12 and IAS 27: "Investment entities".
- Amendment of IAS 36: "Disclosures regarding the recoverable amount of non-financial assets.
- Amendment of IAS 39: "Novation of derivatives and continuation of hedge accounting"

- Amendment of IAS 19: "Defined benefit plans - Contributions to employees".
- Amendment of IFRS 9 and IFRS 7: "Mandatory date of entry into force and transitional disclosures".
- Amendment of IFRS 9: "Financial instruments: Hedge accounting and amendments to IFRS 9, IFRS 7 and IAS 39"

The Group is evaluating the impacts that the adoption of IFRS 10 will have on the consolidated annual accounts and reached the conclusion that certain companies in which the Group has an important stake and, furthermore, controls the company's activity through management contracts, must be considered to be controlled companies under the new definitions of IFRS 10. The most important impacts caused by the change in the consolidation method applied to these companies in the consolidated annual accounts are set out in Note 23 Subsequent Events.

The adoption of the rest of the standards will not have significant impacts on the Group's financial situation.

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 2013 and 2012.

Comparative figures are also presented for 2012 and 2013 for the quantitative information contained in the notes to the accounts. The main changes to the consolidation scope in 2012 and 2013 with respect to the previous year are addressed in Note 4.

The comparative figures for 2012 have been changed in order to improve the comparability between both years, due to:

A. Change in the accounting standards for convertibility of convertible bond issues

In 2013 the Company decided to change the accounting criteria applied to its consolidated accounting records with respect to the convertibility option associated with the 2009 bond issue to an equity instrument, despite the existence of a cash settlement option.

Accordingly, the convertibility option has been recognised under liabilities as a derivative financial instrument, which may be separated from the liability component of the 2009 bond issue and the accumulated effect in prior years is not material to the financial statements taken as a whole.

This change in criteria, in accordance with applicable legislation, has been applied on a retroactive basis. The impact of the accumulated effect of this change in criteria has been taken directly to equity at 1 January 2012, as is reflected in the consolidated statement of changes in equity, which shows a €33,9 million reduction in the item "Other equity instruments" included under the heading "Other reserves", as well as a €7.5 million increase in the line "Retained earnings", i.e. a net effect on capital and reserves totalling €26.4 million. Both effects have mainly been balanced by the headings "Bonds and other negotiable securities" and "Other non-current financial liabilities" under Non-current liabilities in the consolidated balance sheet.

In addition, for the sole purposes of improving the comparability of the information for both years, certain immaterial adjustments relating to 2012 were recognised in the comparative figures in these financial statements. Except for this matters mentioned above, these adjustments did not have an effect on years before 2012 and therefore they do not directly affect equity headings.

These adjustments have had the following joint effect:

(Thousand €) Debit (credit balance) - Expenses/ (Income)	INCOME STATEMENT	BALANCE SHEET	NET EQUITY
1. Change in the criteria for the bond conversion option:			
Change in the value of embedded derivatives	(8.5)		
Bonds and other negotiable securities		8.8	
Other non-current financial liabilities		(19.9)	
Deferred tax liabilities		(6.8)	
Retained earnings			(7.5)
Other equity instruments			33.9
2. Correction deferred tax assets			
Income Tax	1.5		
Deferred tax assets		(1.5)	
3. Measurement adjustment of equity consolidated companies:			
Results from equity consolidated companies	2.8		
Investments measured using the equity method		(2.8)	
4. Financial effect of restatement of receivables:			
Bank financing	2.5		
Trade and other receivables		(2.5)	
5. Impairment of receivables:			
Other expenses	6.8		
Trade and other receivables		(6.8)	
6. Correction amortisation			
Amortisation and depreciation	(5.8)		
Operating income	1.3		
Property, Plant and Equipment		4.5	
TOTAL	**0.6**	**(27.0)**	**26.4**

1. Change in the criteria applied to the option to convert bonds: The aforementioned change in criteria also has a positive effect on the profit and loss account for 2012 totalling €8.5 million.

2. Adjustment of deferred tax assets: This relates to the measurement adjustment affecting certain deferred tax assets.

3. Measurement adjustment of companies valued using the equity method: This relates to the measurement adjustment of associated companies carried using the equity method due to immaterial adjustments to deferred tax assets overstated in the individual accounts.

4. Financial effect of restating receivables: This concerns the financial effect of receivables that do not accrue interest.

5. Impairment of receivables: Mainly involves the recognition of additional allocations for the impairment of receivables.

6. Adjustment to depreciation: Relates to the adjustment of accelerated depreciation of property, plant and equipment recognised by certain subsidiaries.

B. Discontinued operations

During the final quarter of 2013, after the Group's decision to discontinue the activities carried out until then in Puerto Rico, those activities have been reclassified as discontinued in both the balance sheet and the income statement.

In order to improve the comparability and in accordance with the provisions of IFRS 5, the amounts relating to the Group's activities in Puerto Rico during that year have also been reclassified in the 2012 income statement.

The analysis by heading of the results obtained by discontinued operations and the results recognized on the restatement of the assets associated with those activities, are as follows:

(Thousand €)	2013	2012
Operating income	30.2	31.2
Operating expenses	(28.8)	(32.0)
EBITDA	**1.5**	**(0.8)**
Amortisation and depreciation	(5.4)	(6.5)
Net financial income (expense)	(0.3)	(0.1)
RESULTS FROM DISCONTINUED OPERATIONS	**(4.3)**	**(7.4)**
Losses recognised in the restatement of assets	(30.0)	
NET INCOME DISCONTINUED OPERATIONS	**(34.3)**	**(7.4)**

C. Changes in the segmentation

Given the Company's focus towards a low-capital model and Melia's growing exposure to management formulas, the Company has changed the presentation method for the segmented information to include more details regarding the profitability of the overall management model. The results generated by Melia as a manager include:

- At the income level: Third party management fees, and the intra-group charges to Melia hotels that are owned and rented. This item also includes "Other income", which consists mainly of sales commissions generated by the centralised distribution systems.
- At the expense level: mainly includes the cost of marketing and sales, distribution expenses, etc.

2.3 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 all companies over which the Group exercises significant influence but does not control. This is generally accompanied by between 20% and 50% of the voting rights.

Associated are equity consolidated. Under this method, the carrying value of the investments in associated companies is increased or decreased to recognise the Group's interest in the results obtained by the associate after the acquisition date. The Group's investment in associates includes goodwill identified on acquisition.

The group's interest in subsequent losses or gains on the acquisition of associates are recognised in the income statement, and its share in movements in other comprehensive results is recognised in equity, making the relevant adjustment to the carrying value of the investment.

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 2012 and 2013 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.

If the business combination takes place in phases, the carrying value at the date the stake in the equity of the acquired target company is recognised by the buyer is again measured at fair value at the acquisition date, any loss or profit arising from this new measurement is recognised in profit/(loss) for the year.

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 interests

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.

Loss of significant influence

In the event of the loss of significant influence over the associated company, the Group measures and recognises the investment maintained at fair value. Any difference between the carrying value of the associated company at the time significant influence is lost and the fair value of the investment maintained plus the results obtained on the sale are recognised in the income statement.

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.

2.4 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 are based on reasonable assumptions in accordance with past yields obtained and the expectations for future production and market development. Notes 9 and 10 provide details of the analyses performed by the Group.

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 estimates of the fair value of investment properties were made internally at the end of 2013 by the Company, updating the estimates made by independent experts at the end of 2011 and based on techniques for measuring discounted cash flows expected to originate from those assets, as is described in Note 11.

Pension benefits

The cost of defined benefit pension plans is calculated using actuarial standards. Actuarial valuations require the use of assumptions regaring discount rates, asset yields, salary increases, mortality tables and increases in Social Security pensions. These estimates are subject to significant uncertainties due to the fact that these plans are settled in the long-term.

These commitments have been valued by reputable independent experts using actuarial techniques.
Note 17.2 offers details as to the assumptions used to calculate these commitments.

Provision for contracts for consideration

The estimate of the amount of the provision for contracts for consideration requires a significant degree of judgment on the Group's part since it depends on the projected cash flows deriving from those contracts, which relate mainly to lease agreements for hotel establishments.

The estimate of these future cash flows requires the application of assumptions to occupancy, average prices and the evolution of the costs associated with the hotel operation, as well as the discount rate applied to update those flows.

The Group makes use of its experience in operating and managing hotels to determine those assumptions and to make the relevant calculations, as described in Note 17.2.

Exchange rate to be applied to the consolidation of Venezuelan subsidiaries

In January 2014 the Venezuelan government published a new exchange rate system under which the settlement in foreign currencies of certain transactions would be done at a rate resulting from the latest assignment made under the alternative mechanism called SICAD. The exchange rate resulting from the latest currency assignment on 15 January 2014 was 11.36 strong bolivars for each dollar.

The official exchange rate for the Venezuelan bolivar (CADIVI) was 6.3 bolivars per dollar at the end of 2013.

As a result, in Venezuela there are two published exchange rates that qualify as a spot exchange rate and may be used to convert balances by the Venezuelan subsidiaries in accordance with IAS 21: the SICAD and the CADIVI.

The Group considers that the most appropriate exchange rate to be applied to the consolidation of its Venezuelan subsidiaries at the end of 2013 is the CADIVI, as is explained in Note 23 Subsequent events, the SICAD will be applied starting in January 2014, when the new exchange rate system will be published.

Furthermore, in March 2014 the Venezuelan government introduced a third way to exchange the bolivar into foreign currency, but the consequences of that implementation are still uncertain. The Group will take into consideration the resulting exchange rate to the extent that it is applicable to its business.

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. These measurements are done internally and details regarding their calculation are set out in Note 9.

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.
Further details regarding the calculations made are provided in Note 10.

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 11.

3.4 SEGMENT REPORTING

Reporting on operating segments is presented in accordance with the internal information that is provided to the maximum decision-taking authority. The maximum decision-taking authority has been identified, and is responsible for assigning resources and evaluating performance of operating segments, as the Senior Executive Team that is in charge of taking strategic decisions (SET) or Management Committee. The SET is a joint body formed by the Executive Vice-Presidents (EVP) of each Department.

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 the consolidated balance sheet, under the heading "Other current assets" if they are expected to be liquidated in the short-term or in "Other non-current assets" if in the long-term.

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.

Deposits and guarantees

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 the event of an issue of convertible bonds, they are recorded as hybrid or compound financial instruments, based on the terms of the issue.

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.

Bank loans and credit facilities

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

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.

Other financial liabilities at amortized 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".

Hybrid financial instruments

These are financial instruments that include two different components: a non-derivative primary contract and an embedded derivative.

A company will recognize, measure and present the primary contract and the embedded derivative separately when the following circumstances simultaneously exist:

- The financial characteristics and risks inherent to the embedded derivative are not closely related to those of the primary contract.
- An independent instrument with the same terms as the embedded derivative would meet the definition of a derivative instrument.
- The hybrid instrument is not measured at fair value with changes in profit or loss.

In these cases, the embedded derivative is recognized at fair value through changes in profit or loss and the primary contract is recognized based on its nature, normally at amortized cost in accordance with the effective interest rate method. The calculations of the fair value of those embedded derivatives are prepared by independent experts outside the Group.

Financial derivatives

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 obtained from studies prepared by independent experts, normally the financial institutions that are the counterparty with which the Group obtains the swaps.

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. The fair value of these derivative financial instruments are obtained from studies prepared by independent experts.

3.6 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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.

Income and expenses from discontinued operations are presented in the income statement separately from the income and expenses from continued operations, under profit/(loss) after taxes.

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

Those non-current assets that are for sale, within the asset rotation segment of activity, but which are continue to be operated by the Group until the sale, are not reclassified to this balance sheet heading and are maintained on the balance sheet in accordance with 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

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 AND CONTINGENCY

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 liability liabilities are considered to be those possible obligations arising as a result of past events, the materialisation of which is subject to the condition that future events take place that are not entirely under the Group's control, and those present obligations arising as a result of past events that are not likely to give rise to an outflow of resources at settlement or which cannot be evaluated with sufficiently reliable. These liabilities are not recognized in the accounts but are disclosed in the notes (see Note 21.2).

Onerous Contracts

A contract is onerous when the inevitable costs of fulfilling the contractual obligations exceed the expected economic benefits. In this case, present obligations deriving from the contract are measured and recognized in the financial statements as provisions.

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. Note 17.2 provides details of the analyses performed by the Group.

Pension commitments

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

Defined contribution pension plans

A defined contribution plan is one under which fixed contributions are made to an independent entity and does not have any legal, contractual or implicit obligation to make additional contributions if the independent entity does not have sufficient assets to satisfy the commitments assumed.

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 balance of provisions, as well as the capitalization of payments for future services, covers these acquired commitments, based on an actuarial analysis prepared by an independent expert.

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 RECOGNITION

Ordinary operating income is measured at the fair value of the compensation received or to be received, and represent the amounts receivable for the assets sold, net of discounts, refunds and value added tax. Ordinary revenues are recognised when the income may be reliably measured, it is likely that the company will receive a future financial benefit and when certain conditions are met for each of the Group's activities described below. The Group bases its refund estimates on past results, taking into account the type of customer, the type of transaction and the specific terms of each agreement.

Sale of rooms and other related services

Income deriving from the sale of rooms and other related services is recognized daily based on the services rendered by each hotel establishment and including "in-house" customers, i.e. those that are still lodged at the hotel at the time daily production is closed.

The compensation received is divided among the contracted services and the points issued. Direct services, such as the room, food and beverages, consumption, etc. and other related services such as banquets, events. the rental of spaces, etc. are included.

Within the hotel business segment, the Company manages the customer loyalty programme "Melia Rewards", consisting of rewarding customers that stay nights at hotels or consume services rendered by associated companies, through a series of points that may be exchanged for rewards such as free stays at hotels managed by the Group, among other things.

The Company estimates the portion of the selling price of hotel rooms that must be assigned as the fair value of those exchangeable points, deferring their recognition in the income statement until the points are exchanged.

Rendering of hotel management services

The Group recognizes revenues from its hotel management contracts at the end of each period, based on the evolution of the variables that determine those revenues, primarily consisting of total income and the Gross Operating Profit or GOP for each of the hotel establishments managed by the Group.

Sale of Vacation Club units

The income from the sale of Vacation Club units is recognized as the relevant usage rights are enjoyed in each marketing period.

In the non-current contracts assigning these rights, which cover practically all of the useful life of marketing units, the Company considers that significant risks and benefits relating to the ownership of the units sold are transferred and therefore the income deriving from the entire contract is recognized at the time of the sale.

Sale of assets

Melia Group actively manages its investment property portfolio which, in accordance with IAS 18, is recognized as operating income.

In general, the net capital gains on sales due to the rotation of assets are recognized as income once carrying value of the relevant assets have been discounted from the selling price. These sales transactions may be structured through the direct sale of the asset or through the sale of the company owning the asset. In any of these cases, the Group presents the results obtained on the sale and operating income.

This operating segment at the Company also includes sales transactions and/or the contribution of hotels to joint ventures in order to maximize present and future cash flows in this portfolio. These transactions involve the elimination of the hotels in the consolidated accounts and the recognition of compensation received, whether in cash or the interest retained, or a combination of both.

The Group applies the approach of recognizing the residual interest retained in those hotel businesses at fair value and taking any change in the carrying value to the income statement, as is explained in Note 2.3. The capital gains recognized therefore fully relate to the capital gains obtained.

Income for lease

The income deriving from operating leases under investment properties are recognized on a straight-basis over the term of the lease and are included as operating income under the asset management segment.

Income for interests

Interest income is recognized using the effective interest rate method for all the financial instruments measured at amortized cost. The effective interest rate is the rate that exactly discounts payments made and received in cash estimated over the expected life of the financial instrument. Interest income is recognized as financial income in the consolidated income statement.

Dividends

Dividend income is recognized when the Group rights to receive the corresponding collection is established.

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.

The assets recognised as operating leases are depreciated over the lower of their useful lives and the lease period.

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 2013 and 2012 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.

The most significant impacts in 2013 and 2012 are set out in the following table:

(Thousand €)	2013	2012
Restatement of fixed assets	31,926	16,931
Loss of value of net monetary assets	15,340	7,335
Reserves increase	51,666	21,568

The value of the general index of prices of the Venezuelan economy to the closing of the exercise 2013 has been 498,1 points, which implies an increase accumulated of the inflation in the exercise 2013 of 45,5 %. In the exercise 2012, the index to closing was 318,9 points, which represented an increase accumulated of the inflation in the exercise 2012 of 18,5 %.

No other company does not exist in the perimeter of consolidation that has the consideration of hyperinflationary economy to the closing of the exercises 2013 and 2012.

4. FINANCIAL RISK MANAGEMENT POLICIES

The Group's activities are exposed to diverse financial risks: market risk (foreign exchange risk, interest rate risk), credit risk and liquidity risk.

In 2011 the Board of Directors of Meliá Group approved the General Policy for Control, Analysis and Risk Management, which establishes the risk management model through which the adverse effects that they could cause on the consolidated annual accounts are to be minimised.

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

4.1 INTEREST RATE RISK

The Group's consolidated annual accounts present certain items subject to fixed and variable interest.

The Company maintains a policy of partially hedging against changes in interest rates by obtaining different financial derivatives that allow it to contract a fixed rate for a certain amount of time that it applies to financing transactions that bear variable rates. In some cases and due to the early cancellation of some of these financing transactions, the Company has proceeded to restructure the financial derivatives associated with this financing to apply them to other new financing transactions at a variable rate, adapting the repayment schedules to create an effective interest rate hedge. In some of these restructurings of hedge derivatives and to avoid incurring unnecessary payments, it has not been possible to apply hedge accounting (Note 13.3)

The structure of the debt at December 31, 2013 is as follows (these amounts do not include interest payable):

(Thousand €)	FIXED INTEREST	FLOATING INTEREST	TOTAL
Preference shares	25,192		25,192
Simple bonds	76,494		76,494
Convertible bonds	393,335		393,335
Bank loans	72,082	174,255	246,337
Mortgage-backed loans	296,120	234,255	530,376
Credit facilities		303,858	303,858
Leases		10,785	10,785
TOTAL DEBT	**863,223**	**723,153**	**1,586,376**

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

At December 31, 2013, the Group has various interest rate swaps contracted, the notional value of which is €322.8 million, considered as cash flow hedging instruments, as explained in Note 13.3. At the 2012 year end the notional value of the swaps contracted was €557.8 million.

The information for 2012 is presented for comparative purposes:

(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
Leasings		15,968	15,968
Discount notes	1,000		1,000
TOTAL DEBT	**918,805**	**542,880**	**1,461,686**

The sensitivity of 2013 and 2012 profits to changes (in base points) in interest rates, in thousand euro, is as follows:

VARIATION	2013	2012
+ 25	(1,219)	(990)
- 25	1,219	990

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 13.3 has been taken into account in this calculation.

4.2 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:

	PROFIT AND LOSS			
	2013		2012	
(Thousand €)	+10%	-10%	+10%	-10%
UK pound sterling	801	(801)	428	(428)
US dollar	4.786	(4.786)	7.570	(7.570)
	EQUITY			
	2013		2012	
(Thousand €)	+10%	-10%	+10%	-10%
UK pound sterling	993	(993)	844	(844)
US dollar	750	(750)	2.548	(2.548)

90% of the Group's financial debt is denominated in euro and, therefore, the effect of exchange rate shifts is not significant.

4.3 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.

During 2013, and within the liquidity risk management policy, the Company has restructured its debt, cancelling all syndicated loans totalling €312 million early using the new financing obtained in that same year, maturing in an average of 6 years. In April 2013 this new financing included the issue of convertible bonds by the Group's parent company in the amount of €200 million, as well as an additional €50 million issue in September 2013. This restructuring did not have any significant associated expenses that had an impact on the consolidated income statement.

The following table contains a summary of the maturities of the Group's financial liabilities at 31 December 2013, based on nominal amounts by maturity:

(Thousand €)	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
Preferent shares				25,192	25,192
Simple bonds			76,384		76,384
Convertible bonds		200,000	250,000		450,000
Loans and facilities	91,490	136,682	634,974	233,222	1,096,368
Leasings	2,023	4,317	4,445		10,784
TOTAL	**93,513**	**340,999**	**965,803**	**258,414**	**1,658,728**

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 2013.

It should be noted with respect to the issue of the convertible bonds that if, at the maturity of the issue, the price of Melia shares is higher than the issue conversion price no cash payment will be made and the issue will be settled through the delivery of shares.

The average interest rate on these financial liabilities in 2013 was 5.5%. In 2011 the average rate was 5.4%.

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 2013.

On the other hand, in order to maintain adequate liquidity, the investments planned by the Group for 2014 do not exceed the figure of €50 million.

4.4 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 2013 and 42.5 days in 2012. The debt seniority profile at the year end is disclosed in Note 14.2.

4.5 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 2013 year end an optimum financial situation.

In terms of liquidity, the Group has an amount of €436.6 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. Currently, and after the restructuring of the Group's debt, 34.1% (19.8% at the end of 2012) of the total debt is secured by Group assets and there is sufficient margin to obtain new financing, even at average loan-to-value ratios or with discounts on the latest measurement of the assets in December 2011 by an independent expert.

In 2014, 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 4.1.

4.6 ESTIMATION OF FAIR VALUE

Fair value is defined as the amount that may be received on the sale of an asset, or paid to transfer a liability, in an ordered transaction between participants in the market on the measurement date.

The following hierarchy levels have been established for assets and liabilities recognised at fair value in the consolidated balance sheet, in accordance with the variables used in the various measurement techniques:

Level 1: Based on quoted prices in active markets
Level 2: Based on other market observable variables, either directly or indirectly
Level 3: unobservable inputs based on market

The amount of assets and liabilities recognised at fair value at 31 December 2013 in accordance with the hierarchy levels are as follows:

	31/12/2013			
(Thousand €)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment property			136,423	136,423
Financial assets at fair value:				
Trading portfolio	1,920			1,920
TOTAL ASSETS	**1,920**	**0**	**136,423**	**138,342**
Financial liabilities at fair value:				
Hedging derivatives		3,505		3,505
Trading portfolio derivatives		6,909		6,909
TOTAL LIABILITIES	**0**	**10,414**	**0**	**10,414**

For comparison, shown below, the balances recorded in the different hierarchies of valuation at year end 2012:

	31/12/2012			
(Thousand €)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment property			149,524	149,524
Financial assets at fair value:				
Hedging derivatives		291		291
Trading portfolio	4,593			4,593
TOTAL ASSETS	**4,593**	**291**	**149,524**	**154,409**
Financial liabilities at fair value:				
Hedging derivatives		10,102		10,102
Derivative associated with debt issues		19,923		19,923
TOTAL LIABILITIES	**0**	**30,026**	**0**	**30,026**

There were no transfers between the various hierarchy levels in 2013 and 2012.

Financial assets included in Tier 1 are measured based on observable prices in active markets. They mainly consist of equity instruments in listed companies.

Financial instruments included in Tier 2 are measured by independent experts using measurement techniques consisting mainly of the discounting of cash flows based on observable market data. They consist of interest rate swap financial derivatives.

The property investments included in Tier 3 are measured using cash flow discounting techniques. In 2013 these measurements were carried out internally by the Company and updated the estimates made by independent experts at the end of 2011. As is indicated in Note 11, this heading includes investments made by the Group to obtain lease income or capital gains, including shares in apartments in three neighbours' associations in Spain, two Shopping Centres in the United States and other properties in Spain.

To estimate future cash flows, expected growth rates in rental prices and hotel operations, as appropriate, in addition to discount and launch rates are taken into account together with other variables that are not directly observable. Note 11 provides more details of the measurements made to estimate the fair values of property investments, as well as information regarding changes during 2013 and 2012.

5. 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 companies included in the scope of consolidation at 31 December 2013 is set out in Appendixes 1 and 2, classified as subsidiaries, joint ventures and associates.

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.

5.1 COMBINATIONS OF BUSINESS

Idiso Hotel Distribution, S.A.

In June the Group acquired a controlling share in the company Idiso Hotel Distribution, S.A. (formerly Travel Dynamic Solutions, S.A.), which had been considered until then a joint venture and therefore was included in the consolidated annual accounts using the equity method. A 5% shareholding was acquired and the total interest in the Company's share capital therefore rose to 55%.

The company owns a hotel distribution platform that connects the reservation systems of the various hotels that contract for its services, with all existing tourism distribution channels. It also offers overall solutions for the electronic distribution, sale and promotion of hotels over the internet.

As a result of the difference between the net fair value of identifiable assets, liabilities and contingent liabilities and the carrying value of the prior shareholding, €20.6 million that mainly relates to the restatement of that shareholding has been recognised in the consolidated income statement in the heading Losses on consolidation.

The fair value of the net assets at the time of acquisition totalled €45 million, as follows:

(Thousand €)	28/06/13
TOTAL ASSETS	
Non-current Assets	
Other intangible assets	47,377
Tax deferred from assets	1,370
Other non-current assets	428
Current Assets	
Trade and other receivables	43,335
Cash and other liquid equivalent means	740
Other current assets	786
TOTAL ASSETS	**94,035**
TOTAL LIABILITIES	
Non-current Liabilities	
Bank loans	609
Other non-current liabilities	391
Current Liabilities	
Trade creditors	8,436
Other current payables	37,919
Other current liabilities	1,680
TOTAL LIABILITIES	**49,035**

The company Idiso Hotel Distribution, S.A. was measured by the independent expert Moore Stephens on 31 December 2012. The report was issued in June 2013 and it considered that given the Company´s evolution during the first half of 2012 the results of the valuation continued to be reasonable at the transaction date (June 2013).

This study has included a sensitivity analysis that allows a range of values to be established taking into account possible deviations in the key variables included in the value calculation (discount rates, growth rates, German bond yield, etc.). The report includes two calculation methods:

- Cash flow discount: The range obtained through this method results in a floor of €44 million and the ceiling of €46.2 million.
- Anglo-Saxon method: The range obtained has a floor of €38.2 million and a ceiling of €46.5 million.

Taking into account the average values from both methods, the value of the company would range between €41.2 million and €46.3 million, and the most reasonable and solid value is €45 million based on the study.

Finally, and due to the difference between the tax and accounting value of the computer software owned by Idiso Hotel Distribution, S.A., a deferred tax liability totalling €8.7 million has been recognized in accordance with paragraph 22 of IAS 12, and charging the relevant portion against minority shareholders in order to record them at net value and the difference as an increase in the goodwill associated with the transaction.

The increase in the balance under minority shareholding due to the change in the consolidation method applied for Idiso Hotel Distribution, S.A., and recognized under equity in the consolidated balance sheet is €16.2 million.

To complete the recognition of the business combination, the same expert was asked to assign a value to the various intangible assets included in the Company's value. As a result of this study, the computer software owned by the company was valued at €34.2 million, and goodwill total €14.8 million, and this value includes the amount of unstoppable intangibles, such as management expertise, the intellectual capital of the management team, the Company's strategic focus, the sales policy approach, the customer portfolio, prospects for development, etc.

Inversiones Hoteleras La Jaquita, S.A.

In December, the parent of the Group acquired 50% of the shares in the company Inversiones Hoteleras La Jaquita, S.A., which owns the hotel Gran Meliá palacio de Isora, for €1.07 million. With this additional acquisition the Group obtained a 99.07% stake, thereby obtaining control of the company. For Meliá Hotels International, S.A. this transaction is considered to be strategic given the hotel's good performance once its market position was obtained after opening in 2008.

At the transaction date this company's balance sheet reflected bank borrowings totalling €77.3 million and an EBITDA of approximately €10 million.

As a result of this transaction, the prior shareholding was restated by €5.2 million and a gain on the acquisition in the amount of €5 million was also obtained as a result of the difference between the net fair value of identifiable assets, liabilities and contingent liabilities and the cost of the business combination. Both amounts have been recognized in the heading Losses on consolidation in the consolidated income statement

The fair value of the net assets at the time of acquisition totalled €12 million, as follows:

(Thousand €)	04/12/13
TOTAL ASSETS	
Non-current Assets	
Property, Plant and Equipment	170,909
Tax deferred from assets	3,781
Other non-current assets	26
Current Assets	
Trade and other receivables	5,419
Cash and other liquid equivalent means	1,806
Other current assets	1,206
TOTAL ASSETS	**183,147**
TOTAL LIABILITIES	
Non-current Liabilities	
Bank loans	76,253
Capital grants and other deferred income	3,758
Non-current payables to group companies	80,090
Other non-current liabilities	71
Current Liabilities	
Bank loans	1,008
Trade creditors	9,938
TOTAL LIABILITIES	**171,118**

The net fair value of the acquired net assets has been estimated taking into account the measurement of the hotel by the independent expert Jones Lang LaSalle in June 2013, which reflected a value of €174 million. This report includes the following sensitivity analysis based on variations in the discount and capitalization rate:

(Thousand €)	min 152,393	←→	Market value 174,086	←→	max 206,303
Discount rate	10.75%		9.75%		8.50%
Capitalisation rate	8.50%		7.50%		6.50%

In 2012 the following business combinations were recognized:

Aparthotel Bosque, S.A.

In December 2012 the Group reached an agreement for the acquisition of an additional 37% stake in the share capital of the company Aparthotel Bosque S.A. for €3.15 million. The Group thereby obtained a 62% stake in the company and it was then fully consolidated as control was obtained.

As a result of this transaction and in accordance with IFRS 3, there was an access between the stake in the net fair value of the identifiable assets, liabilities and contingent liabilities and the cost of the business combination totalling €6 million, as was specified under the heading Losses on consolidation in the consolidated income statement.

As a result of this transaction, the Group's minority shareholdings increased by €6.8 million.

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
TOTAL ASSETS	
Non-current Assets (Note 9)	TOTAL Liabilities
Cash and other liquid equivalent means	2,395
Other current assets	452
TOTAL ASSETS	**23,997**
TOTAL LIABILITIES	
Tax deferred from liabilities	4,752
Other non-current liabilities	543
Current liabilities	835
TOTAL LIABILITIES	**6,130**

The fair value of the net assets acquired from Aparthotel Bosque, S.A., the owner of the hotel Tryp Palma Bosque, was calculated by adding the hotel's fair value adjustment to the company's carrying value, net of the relevant deferred tax. The hotel was valued by the independent expert Jones Lang LaSalle which reflected €20.8 million at the appraisal date of 7 February 2013. This report included the following sensitivity analysis based on variations in the discount and capitalization rate:

(Thousand €)	min 22,382	←→	Market value 25,579	←→	max 30,322
Discount rate	11.50%		10.50%		9.25%
Capitalisation rate	8.50%		7.50%		6.50%

In addition, the present value of the projected investments in the hotel in subsequent years for renovations was discounted from these amounts, in the amount of €4.8 million.

5.2 OTHER SCOPE CHANGES

In 2013 the following changes in the consolidation scope took place:

Additions

The company Ayosa Hoteles, S.L. was incorporated in June and the Group holds a 50% stake. This item does not have a significant impact on the Group's financial statements and its purpose is the operation under a lease agreement of the hotels Sol Trinidad y Sol Guadalupe, which are owned by the company Evertmel, S.L. starting in July 2013. The Company's results in 2013 are indicated in Note 12.

During the first half of 2013 the company London XXI Limited was incorporated and wholly owned by the Group. Its primary activity is the operation of the hotel Me London under a lease agreement concluded with the company Adprotel Strand, S.L.The results contributed to the Group by this company in 2013 totalled €1 million.

In June the companies Kabegico Inversiones S.L. and Naolinco Hoteles, S.L. were incorporated and wholly owned by Melia Hotels International, S.A.They do not have any significant impact on the Group's consolidated accounts.

Disposals

During the first months of the first half of the year the companies Sol Meliá Guatemala, S.A. and Hantinsol Resorts, S.A., in which the Group held a 100% and 33% stake, respectively, were liquidated and there was no significant impact on the Group's consolidated accounts.

In October the company consolidated on an equity basis, Tradyso Argentina, was liquidated and there was no significant impact on the Group's accounts.

In December 100% of the shares in the company Bear S.A. de C.V., which owns and operates the hotel Meliá México Reforma in México D.F. was sold to a party outside of the Group for €43.9 million (US$8 million), plus the working capital adjustment that will be calculated in subsequent months. As a result of the sale, a capital gain totalling €8.1 million was generated and recognized in the EBITDA in the consolidated income statement, given that it is considered to be an asset rotation transaction articulated through the sale of the company that owned that asset (Note 3.11)

In December the companies Datolita Inversiones 2010,S.L. and Sol Meliá Bulgaria, S.A., in which the Group held a 50% and 60% stake, respectively, were eliminated. Neither transaction had a significant impact on the Group's consolidated accounts.

Acquisition of minority interests

During the first half of the year 23% of the shares in the company Aparthotel Bosque, S.A. was acquired for €2 million, generating a profit of €2.1 million that was recognized directly in Group's equity.

The Group also acquired the 30% stake that it did not hold in the company Desarrolladora del Norte, which owns the hotel Gran Meliá Puerto Rico, for €29.2 million, generating a loss of €4.3 million that was also directly recognized in consolidated equity.

Sale of controlling interests

During the second half of the year 50% of the shares held in the company S'Argamassa Hotelera S.L. (formerly First Project, S.L.) were sold without any significant impact for the Group.

For purposes of comparison the variation of 2012 are as follows:

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. In addition, the contribution of the hotel generated net capital gains for the Group totalling €11.7 million.

During the contribution of the hotel Sol Magalluf Park to the joint venture Producciones de Parques, S.L., the value of the non-monetary contribution was valued at €20 million. The appraisal of several properties by the independent expert Jones Lang LaSalle in 2011 at the request of the Group resulted in a value of €22.4 millions.

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 appraisal by the independent expert Jones Lang LaSalle in 2011 at the request of the Group valued this hotel at €12.6 million. In February 2013 the same expert was asked to appraise a project to convert this hotel into the new "ME Ibiza", which included a renovation valued at €15 million, and the value was determined to be €45.4 million, i.e. a net value of €30.4 million. The appraisal is dated 31 December 2012 and includes the following sensitivity analysis (without discounting the investments to be made):

(Thousand €)	min 39,565	← →	Market value 45,376	← →	max 53,989
Discount rate	12.75%		11.75%		10.50%
Capitalisation rate	8.50%		7.50%		6.50%

These estimates were made with the assumption that the hotel will operate under the "Sol" brand the first year and the "ME" brand in subsequent years. It was also assumed that the beach club will be managed by Nikki Beach. All of these actions represent the future increase in the cash flows generated by the 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

In April the company Blanche Fontaine SAS, which owns the hotel Tryp Blanche Fontaine was eliminated due to the sale of the Group's entire stake, which generated a net capital gain of €8.7 million, which was recognised under EBITDA in the consolidated income statement, as it was considered to consist of the sale of a hotel (Note 3.11).

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).

Sale of controlling interest

In 2012 no sales of controlling interests took place.

5.3 NAME CHANGES

During the first half of the year the company First Project, S.L. was renamed S'Argamassa Hotelera S.L.

The company Travel Dynamic Solutions, S.A. was renamed Idiso Hotel Distribution, S.A.

In 2012 no changes in name took place.

6. SEGMENT REPORTING

As is indicated in Note 2.2c, the Company changes the method of presented segment information, and the following segments make up the organisational structure of the company and the results are reviewed by the maximum decision-taking body at the Company:

- **Hotel management:** relates to the fees received for managing hotels under management and franchise agreements. This also includes the intra-group charges to Melia hotels that are owned and rented.

- **Hotel business:** this segment includes the results obtained by the operation of the hotel units that are owned or leased by the Group. The income generated by the restaurant business is also presented as this activity is considered to be fully integrated into the hotel business due to the majority sales of packages whose price includes lodging and meals, which would make an actual segmentation of the associated assets and liabilities impracticable.

- **Other business associated with hotel management:** this segment includes income other than from the hotel business, such as casinos, laundry or tour-operator activities.

- **Real Estate:** includes the capital gains on asset rotation, as well as real estate development and operations.

- **Club Meliá:** reflects the results deriving from the sale of rights to share specific vacation complex units.

- **Corporate:** these items consist of structural costs and results linked to the intermediation and marketing of room and tourism service reservations, as well as Group corporate costs that cannot be assigned to any of the aforementioned three business divisions.

The segmentation of Meliá Hotels International is explained by the diversification of existing operations at the Company based on the hotel management areas and hotel, real estate and vacation club operations.

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.

6.1 INFORMATION BY OPERATING SEGMENTS

The segmentation of the income statement and the balance sheet lines relating to operations for 2013 is shown in the following table:

	HOTEL							
(Thousand €)	Hotel management	Hotel Business	Other business assoc with hotel management	Real Estate	Vacation Club	Corporate	Eliminations	31/12/2013
INCOME STATEMENT								
Operating income	192,925	1,059,214	46,886	72,760	72,449	87,638	(179,886)	1,351,984
Operating expenses	(131,442)	(826,229)	(44,455)	(13,598)	(58,744)	(113,158)	179,886	(1,007,740)
EBITDAR	**61,482**	**232,985**	**2,431**	**59,162**	**13,704**	**(25,520)**		**344,244**
Leases		(102,712)				119		(102,593)
EBITDA	**61,482**	**130,273**	**2,431**	**59,162**	**13,704**	**(25,401)**	**0**	**241,651**
Depreciation, amortisation and impairment	22	(79,982)	(311)	(751)	(568)	17,338		(64,252)
EBIT	**61,505**	**50,290**	**2,120**	**58,411**	**13,136**	**(8,063)**		**177,398**
Net financial income								(187,251)
Net income of associates		(21,260)		3,359		126		(17,775)
Profit before tax								**(27,626)**
Tax								(9,203)
RESULTS FROM CONTINUED OPERATIONS								**(36,830)**
Results from discontinued operations	(213)	(24,520)	5		(1,880)	(9,039)	1,395	(34,253)
Minority interests								(2,136)
NET INCOME ATTRIBUTED TO PARENT COMPANY								**(73,219)**
ASSETS AND LIABILITIES								
Property, plant and equipment and intangible assets	42,371	1,470,222	59,787	27,749	3,381	102,240		1,705,750
Investments in associates		78,802		14,855		7,049		100,706
Other non-current assets								635,976
Non-current assets held for sale	951	56,554			24,144	289	18,400	100,338
Current operating assets	87,182	128,995	5,707	6,386	77,449	258,218	(237,929)	326,008
Other current assets								505,432
TOTAL ASSETS								**3,374,210**
Borrowings								1,594,242
Other non-current liabilities								220,499
Liabilities related to non-current assets held for sale	965	14,940			22,245	127	(25,799)	12,477
Current operating liabilities	27,611	352,299	6,868	960	81,379	31,715	(211,134)	289,699
Other current liabilities								88,709
TOTAL LIABILITIES								**2,205,625**

Management fees totalling €114.2 million were included in the Hotel Management segment, of which €9.1 million related to associated companies. The rest of the income mainly relates to sales commissions.

Other business associated with hotel management mainly include the income and expenses associated with the tour-operator activity carried out by Sol Caribe Tours, S.A. totalling €33.9million and €33 million, respectively (Note 7.1).

The Group continues to develop the project "Calvia Beach" with respect to the operating income in the Real Estate segment (or asset management), and has formalised the sale of the hotels Sol Guadalupe and Sol Trinidad-Jamaica, located in Magalluf (Mallorca). In addition, as a result of that transaction, and with the objective of reorganising its assets, the Company sold the company Tertian XXI, which owns the hotel Sol Tenerife, to the company Producciones de Parques, S.L., in order to create a theme park complex similar to that owned by that company in Mallorca, Sol Katmandú Park Hotel & Resort. The gross capital gains generated by these transactions amounted to €44.1 million. Note 10 provides information regarding the value of the assets involved with these transactions.

This segment also includes €9.3 million in gross capital gains on the sale of the company Bear S.A. de C.V., as is explained in Note 5.

Income totalling €5.5 million was also generated on the lease of commercial premises at shopping centres in America (Note 11).

The heading property, plant and equipment and intangible assets notably includes the increase in the corporate segment due to the inclusion of the assets of the company Idiso Hotel Distribution, S.A. as it is now fully consolidated, as is indicated in Note 5.1.

In the Hotel business segment the main change was the inclusion of the assets of the company Inversiones Hoteleras La Jaquita, S.A. totalling €170.9 million (Note 5.1).

Eliminations during the year notably included the inter-segment invoicing for management fees totalling €90 million. The rendering of hotel business services gave rise to €54.4 million.

For comparison purposes the business segmentation for 2012 is shown below:

	HOTEL							
(Thousand €)	Hotel management	Hotel Business	Other business assoc with hotel management	Real Estate	Vacation Club	Corporate	Eliminations	31/12/2012
INCOME STATEMENT								
Operating income	195,823	1,014,296	47,974	104,084	75,897	66,414	(174,617)	1,329,871
Operating expenses	(133,180)	(803,606)	(45,567)	(15,991)	(70,201)	(90,679)	174,617	(984,606)
EBITDAR	**62,643**	**210,690**	**2,407**	**88,093**	**5,696**	**(24,265)**		**345,265**
Leases		(99,596)				(3,500)		(103,096)
EBITDA	**62,643**	**111,094**	**2,407**	**88,093**	**5,696**	**(27,765)**		**242,169**
Depreciation, amortisation and impairment	23	(74,876)	(2,079)	(311)	(876)	289		(77,831)
EBIT	**62,666**	**36,218**	**328**	**87,782**	**4,820**	**(27,476)**		**164,338**
Net financial income								(77,709)
Net income of associates		(19,231)		372		(429)		(19,288)
Profit before tax								**67,341**
Tax								(18,440)
RESULTS FROM CONTINUED OPERATIONS								**48,901**
Results from discontinued operations	(244)	(4,113)	(599)		(4,272)	457	1,365	(7,406)
Minority interests								(4,767)
NET INCOME ATTRIBUTED TO PARENT COMPANY								**36,727**
ASSETS AND LIABILITIES								
Property, plant and equipment and intangible assets	47,670	1,637,666	66,001	28,580	23,778	53,438		1,857,134
Investments in associates		61,191		13,591		24,346		99,128
Other non-current assets								610,083
Current operating assets	44,574	195,533	4,282	7,642	96,452	256,224	(206,834)	397,874
Other current assets								504,420
TOTAL ASSETS								**3,468,638**
Borrowings								1,462,628
Other non-current liabilities								430,199
Current operating liabilities	29,672	347,021	5,567	600	91,843	36,562	(213,976)	297,289
Other current liabilities								121,695
TOTAL LIABILITIES								**2,311,810**

The income from hotel management included invoiced fees totalling €118.6million, of which €8.1 million was through associated companies. The rest of the income mainly relates to sales commissions.

Other business associated with hotel management mainly included the income and expenses associated with the tour-operator activity carried out by Sol Caribe Tours, S.A. totalling €35 million and €34.2 million, respectively.

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 (Note 9).

Inter-company transactions carried out during the year between the various segments relate mainly to management fees totalling €129.6 million.

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 5.2).

6.2 GEOGRAPHICAL SEGMENTS

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

(Thousand €)	SPAIN	EMEA*	AMERICA	ASIA	Eliminations	31/12/2013
Operating income	678,654	258,988	507,137	3,098	(95,892)	1,351,984
TOTAL ASSETS	**1,999,198**	**346,303**	**1,023,850**	**4,858**		**3,374,210**

* **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 €95,9 million, of which €55,5 million relates to the Spanish segment, €49,3 million to the EMEA segment, €9,5 million to the American segment and €0,6 million to the Asian segment.

As regards operating income by country, the most significant were Mexico (€ 146,7 million) and the Dominican Republic (€ 212 million) in the America segment. In the EMEA segment, Germany contributed € 114 million.

The changes in the scope of consolidation reflect €225.2 million in additions and €24.9 million in disposals of fixed assets in the hotel business segment, as a result of the inclusion of the companies Inv. Hot. La Jaquita, S.A. and Idiso Hotel Distribution S.A. in Spain, and the sale of the company Bear S.A. de C.V. in America (Note 5.1).

By country, Mexico at €339.5 million and the Dominican Republic with €288.9 million, contributed the most. In the EMEA segment, France and the United Kingdom made up €136.3 million.

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

(Thousand €)	SPAIN	EMEA*	AMERICA	ASIA	Eliminations	31/12/2012
Operating income	652,231	224,630	539,466	4,247	(90,703)	1,329,871
TOTAL ASSETS	**1,856,225**	**343,454**	**1,267,850**	**1,109**		**3,468,638**

* **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.

7. OTHER INCOME AND EXPENSES

7.1 OPERATING INCOME

The breakdown of the balance of this account in the income statement for 2013 and 2012 is as follows:

(Thousand €)	2013	2012
Room sales	642,838	622,361
Food and beverages	341,047	315,767
Real estate income	66,810	106,509
Sale of vacation club units	77,460	75,431
Income from other business	74,443	72,543
Income from hotel management	46,149	46,397
Other revenue	103,237	90,862
TOTAL	**1,351,984**	**1,329,871**

The main item in Other income relates to the Panamanian company Sol Caribe Tours, S.A. (€ 33,9 million) and its tour operator business. In 2012, Sol Caribe Tours, S.A. contributed € 35 million to the item Other income.

7.2 SUPPLIES

The breakdown of the balance of this caption in the income statement for 2013 and 2012 is as follows:

(Thousand €)	2013	2012
Consumption of food and beverages	108,845	100,201
Consumption of ancillary goods	27,912	27,793
Consumption of vacation club sales	6,899	3,982
Sundry consumption	28,862	29,121
TOTAL	**172,518**	**161,097**

7.3 STAFF COSTS

Staff costs are broken down as follows:

(Thousand €)	2013	2012
Wages, salaries and similar items	290,526	295,077
Social Security	65,569	64,951
Other social welfare expenses	17,648	18,009
Termination benefits	6,272	5,301
TOTAL	**380,015**	**383,340**

Personnel expenses do not include termination benefits relating to the restructuring process that the Company carried out during the first quarter of 2013. These indemnities totalling €3.98 million are presented under the heading Restructurings in the consolidated income statement.

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

	2013		
	MEN	WOMEN	TOTAL
Management personnel	308	113	422
Department heads	1,247	724	1,971
Technicians	5,246	3,821	9,067
Auxilliary staff	3,895	3,016	6,911
TOTAL	**10,696**	**7,674**	**18,370**

	2012		
	MEN	WOMEN	TOTAL
Management personnel	321	129	449
Department heads	816	540	1,356
Technicians	4,665	3,827	8,493
Auxilliary staff	3,486	2,725	6,212
TOTAL	**9,289**	**7,221**	**16,510**

7.4 OTHER EXPENSES

The breakdown of the balance of this caption in the income statements for 2013 and 2012 is as follows:

(Thousand €)	2013	2012
Sundry rentals	8,790	8,593
Maintenance and repairs	38,978	38,629
External services	74,056	63,429
Transport and insurance	12,415	12,580
Banking expenses	13,320	13,349
Advertising and promotions	34,987	39,298
Supplies	72,984	69,772
Travel and ticketing expenses	10,106	10,162
Tax	42,506	34,056
Various external services	120,059	117,170
Other expenses	27,007	33,132
TOTAL	**455,207**	**440,169**

7.5 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the balance of this caption in the income statements for 2013 and 2012 is as follows:

(Thousand €)	2013	2012
Amortisation charge, intangible assets	10,736	7,034
Depreciation charge, property, plant & equipment	83,945	74,780
Impairment of property, plant & equipment	(3,546)	1,998
TOTAL	**91,134**	**83,812**

During the year the company recorded the reversal of impairment losses initially recognised in 2011 totalling €5.9 million property, plant and equipment consisting of buildings at a hotel in the Canary Islands (Spain), as a result of the new appraisal of the carrying value of that asset carried out by an independent expert.

Additions due to the impairment of property, plant and equipment mainly relate to the accelerated depreciation of the assets recognised by the Group consisting of hotels under operating leases to adapt their useful lives to the term of those leases.

7.6 NEGATIVE DIFFERENCES ON CONSOLIDATION

The breakdown of this heading in the income statement for 2013 and 2012 is as follows (Note 5.1):

	2013			2012		
(Thousand €)	Restatement of prior shareholding	Gain on purchase	Total	Restatement of prior shareholding	Gain on purchase	Total
Inv. Hoteleras La Jaquita, S.A.	5,258	4,965	10,223			
Idiso Hotel Distribution, S.A.	20,637		20,637			
Aparthotel Bosque, S.A.				2,520	3461	5,981
TOTAL	**25,895**	**4,965**	**30,860**	**2,520**	**3,461**	**5,981**

7.7 FINANCIAL INCOME AND EXPENSE

Set out below is a breakdown of net financial income/(expense) reflected in the consolidated income statement in 2013 and 2012:

(Thousand €)	2013	2012
Exchange gains	28,067	10,052
Dividend income	31	29
Interest income	19,187	17,611
Other financial income	2,386	1,490
Restructuring debt	30,634	5,310
Profit/(loss) on disposal of financial assets	(2)	9,246
Total financial income	**80,303**	**43,738**
Exchange losses	(52,205)	(17,542)
Interest expense	(103,604)	(80,096)
Finance lease interest	(10,935)	(12,549)
Other financial expenses	(7,129)	(12,349)
Gain/(loss) on restatement of fixed assets	(15,340)	(7,335)
Surplus bad debt provision	(2,326)	(33)
Change in fair value of financial instruments	(76,015)	8,456
Total financial expense	**(267,554)**	**(121,447)**
Net financial expense	**(187,251)**	**(77,709)**

The change in the fair value of financial instruments in 2013 mainly concerns the €76.2 million in expense deriving from the 55.6% rise in the listed price of Melia Group stock on the market, which gave rise to a substantial increase in the value of the embedded derivative liabilities represented by the convertible option for bondholders that participated in the Group's issues in 2009 and 2013.

As is mentioned in Note 16.5, on 20 December 2013 the Board of Directors of Meliá Hotels International, S.A. decided to waive the option to settle the convertible bond issues in cash and therefore the impact solely relates to the evolution of fair value up to that date, when the fair value of these derivatives was reclassified to equity (Note 16.5).

In 2012, there was a positive change totalling €8.5 million in the fair value of the embedded derivative associated with the 2009 issue.

The calculation of the fair value of these embedded derivatives up to the date of the waiver of the c ash settlement option was performed by the independent expert Intermoney Valora Consulting, S.A.

The heading "substantial modification of debt" includes €30.6 million relating to the financial income from the agreement reached between Meliá Group and the company Equity Inmuebles, S.L., as is explained in Note 13.2. In 2012, €5.3 million related to the swap of preferred shares for ordinary bonds, as is explained in Note 13.2.

Finally, the heading results from the restatement of balance sheets reflects the impact caused by the impairment loss affecting the value of net monetary assets held by the Venezuelan subsidiaries due to the application of accounting for hyperinflationary economies, as is indicated in Note 3.15.

8. 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 2013 and 2012 for both variables:

	BASIC		DILUTED	
	31/12/2013	31/12/2012	31/12/2013	31/12/2012
Net income attributed to the parent company	**(73,218,999)**	**36,727,392**	**(73,218,999)**	**36,727,392**
Results from continued operations	(38,926,651)	45,631,484	(38,926,651)	45,631,484
Results from discontinued operations	(34,292,348)	(8,904,092)	(34,292,348)	(8,904,092)
Correction of results				
Adjusted results	**(73,218,999)**	**36,727,392**	**(73,218,999)**	**36,727,392**
Number of ordinary shares	184,776,777	184,776,777	184,776,777	184,776,777
Average weighted treasury shares	(7,828,249)	(12,098,633)	(7,828,249)	(12,098,633)
Nº of potential ordinary shares				
Total number of shares	**176,948,528**	**172,678,144**	**176,948,528**	**172,678,144**
Earnings per share	**(0.41)**	**0.21**	**(0.41)**	**0.21**
From continued operations	(0.22)	0.26	(0.22)	0.26
From discontinued operations	(0.19)	(0.05)	(0.19)	(0.05)

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 €0.0337). 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 2012, the Board of Directors proposed to the Annual General Meeting the pay-out of a gross dividend, excluding treasury shares, of 0.04 euros per share (net dividend of €0.0316). The amount of €7 million was paid out in the second half of 2013.

9. INTANGIBLE ASSETS

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

(Thousand €)	Balance 31/12/2012	Amortisation 2013	Additions	Disposals	Scope Var.	Exchange difference	Balance 31/12/2013
GROSS VALUE							
Goodwill	18,970				14,780	(33)	33,717
Transfer rights	87,702		1,723			560	89,985
Software	69,449		3,216	(201)	46,964	(77)	119,351
Other intangible assets	8,285				4	(10)	8,279
Assets inprogress					3,019		3,019
Total COST	**184,406**		**4,939**	**(201)**	**64,767**	**441**	**254,352**
ACCUMULATED AMORTISATION							
Leaseholds	(32,747)	(3,423)		1		533	(35,635)
Computer software	(56,153)	(7,083)	(11)	190	(11,415)	72	(74,399)
Industrial property rights (R+D+I)	(5,187)	(231)			(4)	36	(5,384)
Total ACCUMULATED AMORTISATION	**(94,087)**	**(10,736)**	**(11)**	**191**	**(11,419)**	**641**	**(115,418)**
NET CARRYING VALUE	**90,318**	**(10,736)**	**4,929**	**(10)**	**53,349**	**1,083**	**138,935**

The changes in scope in 2013 relate mainly to the computer application and the goodwill recognised with respect to the business combination due to the purchase of a controlling interest in the company Idiso Hotel Distribution, S.A., as is mentioned in Note 5.1.

The heading software includes €4.6million relating to the licenses to use the SAP software, which the Company considers has an indefinite useful life due to the fact that those computer applications are used to carry out its activities, facilitating its growth and globalisation. At the end of each year an analysis is carried out of any potential impairment and of the consideration that these assets have an indefinite useful life.

For comparison purposes, the breakdown of these movements in 2012 was the following:

(Thousand €)	Balance 31/12/2011	Amortisation 2012	Additions	Disposals	Scope Var.	Exchange difference	Balance 31/12/2012
GROSS VALUE							
Goodwill	19,077				(151)	43	18,970
Transfer rights	85,038		1,952	(749)		1,461	87,702
Software	70,815		3,471	(4,789)	(17)	(32)	69,449
Other intangible assets	7,473		817			(5)	8,285
TOTAL COST	**182,403**		**6,240**	**(5,538)**	**(167)**	**1,468**	**184,406**
ACCUMULATED AMORTISATION							
Leaseholds	(28,913)	(3,356)				(478)	(32,747)
Aplicaciones informáticas	(57,482)	(3,451)	(62)	4,797	18	27	(56,153)
Industrial property rights (R+D+I)	(4,974)	(227)				14	(5,187)
Total ACCUMULATED AMORTISATION	**(91,369)**	**(7,034)**	**(62)**	**4,797**	**18**	**(437)**	**(94,087)**
NET CARRYING VALUE	**91,033**	**(7,034)**	**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 5.1).

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.

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 €)	31/12/2013	31/12/2012
Apartotel, S.A.	504	504
Hotel Metropolitan, S.A.S.	1,181	1,181
Cadstar France, S.A.S.	813	813
Ihla Bela de Gestao e Turismo, Ltd.	927	927
Lomondo, Ltd.	5,347	5,380
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
Idiso Hotel Distrib. S.A.	14,780	0
TOTAL	**33,717**	**18,970**

The changes recorded during the year are due to the exchange differences arising in both years in the case of Lomondo, Ltd and for the goodwill associated with the consolidation of Idiso Hotel Distribution S.A., already mentioned in Note 5.1.

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.	Hotels Meliá Cozumel, Meliá Puerto Vallarta, Paradisus Cancún Resort, Me Cabo, Meliá Cabo Real and 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 y Savudrija, Campings Finida and Park Umag
Idiso Hotel Distribution, S.A.	Hotel distribution platform

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 measurement includes business and competition risk. The method used is the EBITDA multiple, which is applied to the actual average EBITDA for the year, the preceding year, and the budget for 2014 with respect to the various cash generating units, without representing increases in income when taking into consideration future cash flows. The multiples used, aggregated by geographic area, correspond to the following table:

EBITDA Multiples	2013	2012
Spain	9.0 - 9.1	9.0 - 9.1
Rest of Europe	9.0 -12.5	9.0 -12.5
Latin America	6.0-7.7	6.0-7.7

10. 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 31/12/2012	Depreciation 2013	Additions	Disposals	Scope Var.	Disposable group transfers	Exchange difference	Balance 31/12/2013
GROSS VALUE								
Land	370,654		13,191	(6,525)	31,283	(5,409)	(16,300)	386,894
Buildings	1,539,838		59,762	(198,211)	64,433	(108,423)	(65,640)	1,291,760
Plant and Machinery	411,752		11,724	(12,314)	35,615	(21,396)	(7,390)	417,991
Other fixed assets	470,679		41,183	(21,464)	17,357	(12,855)	(27,186)	467,715
Work in progress	16,828		4,574	(11,123)		(114)	(2,350)	7,815
TOTAL GROSS VALUE	**2,809,750**		**130,434**	**(249,637)**	**148,688**	**(148,196)**	**(118,866)**	**2,572,175**
ACCUMULATED DEPRECIATION								
Buildings	(466,911)	(53,395)	(44,147)	38,730	9,536	57,230	33,676	(425,282)
Plant and Machinery	(251,016)	(28,788)	(887)	8,057	(10,047)	10,403	11,799	(260,479)
Other fixed assets	(325,009)	(33,609)	(14,780)	17,378	(1,195)	10,225	27,392	(319,600)
TOTAL ACCUMULATED DEPRECIATION	**(1,042,936)**	**(115,792)**	**(59,814)**	**64,164**	**(1,707)**	**77,858**	**72,866**	**(1,005,361)**
NET CARRYING VALUE	**1,766,815**	**(115,792)**	**70,620**	**(185,472)**	**146,981**	**(70,338)**	**(45,999)**	**1,566,814**

Additions during the year include a carrying value of €31.9 million (€61.6 million in cost less €29.7 million in amortisation) for the restatement of the assets located in hyperinflationary economies (Venezuela), as is explained in Note 3.15. This increase has been largely offset by the exchange differences reflected in the appropriate column, totalling a €57.6 million loss due to costs and a €28.7 million loss due to amortisation.

Additions totalling € 28.1 million were also recognised due to hotel refurbishment in Spain.

As is mentioned in Note 13.2, the disposals mainly relate to the agreement reached between Melia Group and the company Equity Inmuebles, S.L. under which the lease agreement covering 17 hotels ceased to be considered a finance lease and the assets associated with that lease totalling €129.8 million (€161.9 million in cost and €32.1 million in depreciation) were eliminated, generating a gain of €30.6 million under financial income in the consolidated income statement.

The sale of the hotels Sol Guadalupe and Sol Trinidad-Jamaica is also included:

- The hotel Sol Guadalupe was sold for €27.3 million and its carrying value at the time of the sale was €15.7 million (€22.3 million in cost and €6.6millionm in depreciation). The value-in-use estimated by Jones Lang LaSalle in 2011 was €31.6 million.

- The selling price for the hotel Sol Trinidad-Jamaica was €16.6 million, with a net carrying value of €11 million (€17.2 million in cost and €6.2 million in depreciation). The value-in-use estimated by Jones Lang LaSalle in 2011 was €17 million.

The changes in the scope of consolidation in 2013 include the disposal of the company Bear S.A. de C.V., concerning assets with a carrying value of €28.2 million and the addition of the assets relating to the company Inversiones Hoteleras La Jaquita, S.A., with a carrying value of €170.9 million.

The capital gains recorded for the sale of hotels and the sale of the company Bear are described in Note 6.1. The impact recognized in results due to the change in the consolidation method applied to the company Inversiones Hoteleras La Jaquita, S.A. is reflected in Note 7.6.

The transfers to the disposable group included the assets in the Puerto Rican company after the Group's decision to discontinue its activities in that country, and they were reclassified to the heading "Non-current assets held for sale" in the consolidated balance sheet (Note 15).

For comparison purposes, the breakdown of these movements in 2012 was the following:

(Thousand €)	Balance 31/12/2011	Depreciation 2012	Additions	Additions	Scope Var.	Exchange difference	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	(68,449)	17,348	5,960	1,539,838
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**	**(112,550)**	**20,746**	**(1,427)**	**2,809,750**
ACCUMULATED DEPRECIATION							
Buildings	(451,281)	(35,956)	(770)	24,147	(992)	(2,059)	(466,911)
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)**	**(7,294)**	**53,759**	**(5,405)**	**141**	**(1,042,935)**
NET CARRYING VALUE	**1,818,992**	**(89,087)**	**81,647**	**(58,791)**	**15,341**	**(1,287)**	**1,766,815**

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 London hotel.

Disposals included three hotels in Spain and one in Mexico.

- The hotel Tryp Bellver, with a carrying value of €9.8 million (€19.2 million in cost and €9.4 million in depreciation).
- The hotel S'Argamassa, with a carrying value of €7.1 million (€12.2 million in cost and €5.1 million in depreciation), contributed to the joint venture Fourth Project 2012, S.L. (Note 5.2).
- The hotel Sol Magalluf Park, contributed to the joint venture Producciones de Parques, S.L. (Note 5.2) and with a carrying value of €7.7 million (€12.3 million in cost and €4.6 million in depreciation).
- The disposal of the Me Cancun hotel in Mexico in 2012 consisted of its sale to a third party outside the Group, with a carrying value of €30.4 million (€49.2 million in cost and €18.8 million in depreciation).

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 5.1).

The depreciation column includes € 2.2 million for the impairment of a hotel in Mexico (See Note 7.5).

There are 25 owned properties that have been mortgaged to secure several loans at the end of 2013 and their carrying value totals €815.9 million, while in 2012 there were 13 and there carrying value was €496.1 million.

At 31 December 2013 and 2012 the Directors consider that there is sufficient insurance coverage for the Group's assets.

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

(Thousand €)	31/12/2013	31/12/2012
Buildings	10,052	148,763
Machinery	5,835	7,856
Furniture	3,545	5,733
Other assets	1,410	1,885
TOTAL	**20,842**	**164,238**

At the year-end there were 147 contracts in force with an average maturity date of 2 years, whereas in 2012 there were 178 contracts with an average maturity date of 2 years. This decrease is mainly due to the reclassification of the 17 hotels leased from the company Equity Inmuebles, S.L. under operating leases, as is mentioned in Note 13.2.

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 4.1.

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 €)	Importe
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	**137,736**

11. 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.

Movements recorded during 2013 in accordance with the type of assets included under this heading, are set out in the following table:

(Thousand €)	31/12/2012	Additions	Exchange difference	31/12/2013
Apartaments in Spain	75,841	211		76,051
Shopping centres in America	63,466	446	(13,758)	50,154
Other buildings in Spain	10,218			10,218
TOTAL	**149,524**	**657**	**(13,758)**	**136,423**

The write-downs of the fair value of the shopping centers in America are due to the appreciation of the euro with respect to local currencies, mainly the Venezuelan bolivar Movements included under additions relate to the purchases of apartments, as well as the adjustment of fair value, based on the measurement analyses described in this same note.

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		7,460	439	7,900
Operating expenses		(4,008)		(4,008)
EBITDA	**0**	**3,452**	**439**	**3,891**
Amortisation and depreciation		(50)		(50)
Net financial income	20	(1,800)		(1,781)
Net income of associates	529			529
Tax		69		69
Net income	**548**	**1,671**	**439**	**2,658**
Minority interest		(822)		(822)
CONTRIBUTION TO GROUP NET INCOME	**548**	**849**	**439**	**1,836**

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 managedby the Group generating revenue amounting to €3 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.This includes income from the lease of premises totalling €5.5 million, as well as for other services rendered.

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 2012 is as follows:

(Thousand €)	31/12/2011	Additions	Disposals	Exchange difference	31/12/2012
Apartaments 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**

Additions during the year included the adjustment of the fair value of the shopping centers in America totalling €15 million recognized as operating income in the profit and loss account for the year.

The breakdown of the results generated from property investments in the Group's profit and loss account in 2012 appears 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**

In 2012 revenues from the management of the hotel establishments, included the apartments in Spain which are considered to be investment properties amounted to €2.9 million.

Lease income from the shopping centers in America in 2012 totalled €5.6 million.

The cash flows projected to originate from each of the properties were discounted to estimate the fair value of the investment properties, as is indicated in Note 4.6. In 2013 these measurements were carried out internally by the Company and updated the estimates made by independent experts at the end of 2011.

Shopping centers in America:

The future cash flows from the lease of premises at the shopping centers are estimated. To make these estimates the operating budget for 2014 is used as a starting point and growth rates in line with those seen last year are applied, beginning in the 4%-6% range for the first year and then falling to between 2% and 3% in the third year. The approximate structure of the 2014 budget is maintained for cost estimates in future years, as a percentage of income.

To update estimated flows the Group has evaluated the discount and outflow rates used by Jones Lang LaSalle when measuring the Group's assets in October 2011 and it reached the conclusion that their use continues to be reasonable at the end of 2013. The discount rates applied are between 13% and 16% while the outflow rates range between 9% and 10.5%.

Despite the increases in cash flows projected in local currency, the results of the measurements give rise to a negative adjustment to the carrying value of these investment properties, mainly due to the appreciation of the euro with respect to the currency in the countries in which these companies operate (Dominican peso and strong Bolivar), which could not be fully offset by price increases mainly as a result of legislative restrictions such as in the case of Venezuela.

Apartments in Spain:

The fair value of the hotel businesses operated by the neighbours' associations at which these apartments are located is estimated, applying the percentage ownership relating to each one. Cash flows are projected out over 10 years based on the 2014 budget and income is projected by applying the evolution of similar properties at each location as a reference. An average inflation rate of 2.5% has been applied to costs.

To update the cash flows the Group has evaluated the discount and outflow rates used by Jones Lang LaSalle when measuring the Group's assets in October 2011 and it reached the conclusion that their use continues to be reasonable at the end of 2013. The discount rates applied are between 7.8% and 11.25% while the outflow rates range between 4.8% and 8%.

Other properties in Spain:

To estimate the fair value of those properties that are leased or available for lease discounts are applied to cash flows based on the budgeted rental amounts for 2014.

Comparable information relating to other properties is used to estimate the fair value per square meter of other types of properties, including plots of land.

12. 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 31/12/2012	Net income 2013	Additions	Disposals	Exchange difference	Balance 31/12/2013
Turismo de Invierno, S.A.	4,807	189				4,996
C.P. Meliá Castilla	1,010	326	90	(58)		1,368
C.P.Meliá Costa del Sol	1,335	203				1,538
Nexprom/Promedro (1)	3,561	316		(40)		3,838
Plaza Puerta del Mar, S.A.	4,142	306		(199)		4,249
Evertmel, S.L. (JV)/ Mongamenda S.L. (JV)/ Kimel Mca. SL (JV)/(1)	11,629	(2,142)	624			10,110
Hantinsol Resorts, S.A.	19			(19)		
Nyesa Meliá Zaragoza, S.L. (JV)	(5,278)	(1,023)	6,300			
Inversiones Hoteleras la Jaquita, S.A. (JV)	(80)	252	563	(735)		
Colón Verona, S.A. (JV)	(10,099)	(1,771)	11,870			
Idiso Hotel Distribution, S.A. (JV)	1,937	374		(2,311)		
Altavista Hotelera, S.A.	(1,038)	336	1,043			342
Adprotel Strand S.L	15,915	(17,377)	2,072		(422)	189
Producciones de Parques, S.L./Tertian XXI ,S.L.U. (1)	7,092	(911)	15,094			21,275
Innwise Management, S.L.		(2)				(2)
S' Argamassa Hotelera, S.L.		(565)	565			
El Recreo Plaza, C.A./ El Recreo Plaza & CIA (1)	13,894	3,354	2,291	(56)	(4,375)	15,107
Melia Hotels USA, LLC. (JV)/ Melia Hotels Florida, LLC. (JV)/ Melia Hotels Orlando, LLC. (JV)/(1)	2,245	(603)			(85)	1,557
Tradyso Argentina, S.A. (JV)	(5)	4			1	
Datolita Inversiones 2010, S.L. (JV)	15,127	(113)		(15,013)		
Fourth Project 2012, S.L. (JV)	3,998	334		(1)		4,331
Ayosa Hoteles, S.L.		97	2			99
Inversiones Guiza, S.A.	(3)					(3)
Banamex S.A. Fideicomiso El Medano	6,158	1,552	(545)		(426)	6,740
Hellenic Hotel Management	(76)					(76)
Detur Panamá, S.A.	(2,099)	(1,025)	2,989		135	
Inmotel Inversiones Italia, S.R.L.	24,937	112				25,049
TOTAL	**99,128**	**(17,775)**	**42,958**	**(18,433)**	**(5,172)**	**100,706**

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

Additions and disposals mainly relate to the changes in the Group's consolidation scope and the adjustments inherent to the accounting consolidation process between Group companies. The additions during the year of the companies Nyesa Meliá Zaragoza, S.L., Colón Verona, S.A. and Detur Panamá, S.A. relate to the transfer of loan provisions.

Of the disposals during the year, that relating to the company Datolita Inversiones 2010,S.L., explained in Note 5.2, is notable.

The aggregate amount of assets, liabilities, revenues and results for 2013 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%	38,100	1,477	39,577	23,297	14,198	2,081	39,577	3,291	883	189
C.P. Meliá Castilla	30.47%	17,484	4,678	22,163	4,482	6,721	10,960	22,163	29,398	1,084	326
C.P. Meliá Costa del Sol	18.86%	7,623	2,840	10,463	8,073	340	2,051	10,463	11,359	1,072	203
Nexprom, S.A.	20.00%	19,020	6,642	25,662	19,141	4,084	2,436	25,662	17,074	1,590	318
Promedro, S.A.	20.00%	2,279	2	2,281	2,254	0	27	2,281	0	32	(2)
Plaza Puerta del Mar, S.A.	18.45%	27,150	3,802	30,952	22,829	6,069	2,053	30,952	6,621	1,655	306
Evertmel, S.L. (JV)	50.00%	146,706	7,163	153,869	7,167	81,208	65,494	153,869	18,589	(3,557)	(1,471)
Hantinsol Resorts, S.A.*	33.33%	0	0	0	0	0	0	0	0	0	0
Nyesa Meliá Zaragoza, S.L. (JV)	50.00%	21,163	210	21,373	(12,743)	32,979	1,137	21,373	3,230	(2,045)	(1,023)
Inv. Hoteleras la Jaquita, S.A. (JV)*	49.07%	0	0	0	0	0	0	0	37,531	516	252
Colon Verona, S.A. (JV)	50.00%	49,237	1,119	50,357	(23,461)	66,335	7,482	50,357	6,612	(3,543)	(1,771)
Idiso Hotel Distribution, S.A.*	50.00%	0	0	0	0	0	0	0	23,469	731	374
Altavista Hotelera, S.A.	48.40%	102,579	812	103,391	707	87,752	14,932	103,391	11,713	510	336
Mongamenda, S.L. (JV)	50.00%	35,396	(5,353)	30,043	8,718	20,090	1,234	30,043	1,112	(1,339)	(669)
Adprotel Strand, S.L.	40.00%	258,359	2,003	260,362	(1,297)	255,048	6,611	260,362	(1,047)	(43,442)	(17,377)
Tertian XXI, S.L.U. (JV)	50.00%	53,856	2,930	56,786	4,200	46,490	6,096	56,786	12,807	(255)	(128)
Innwise Management, S.L.	27.50%	14	391	405	(10)	34	382	405	1,227	(12)	(2)
Kimel Mca. S.L.	50.00%	193	426	619	(0)	108	511	619	4,211	(5)	(2)
Datolita Inversiones 2010, S.L.*	50.00%	0	0	0	0	0	0	0	37	(226)	(113)
S´Argamassa Hotelera, S.L.	50.00%	1,215	172	1,387	(1,155)	(684)	3,226	1,387	3,580	(1,958)	(565)
Fourth Project 2012, S.L.	50.00%	20,201	(193)	20,008	8,662	0	11,346	20,008	2,000	668	334
Producciones de Parques, S.L.	50.00%	53,645	1,369	55,014	42,714	4,845	7,455	55,014	6,727	(1,751)	(784)
Ayosa Hoteles, S.L.	50.00%	2,073	4,749	6,822	198	758	5,866	6,822	5,488	195	97
El Recreo Plaza, C.A. & CIA C.E.C.	19.94%	1,676	810	2,486	1,632	3	851	2,486	0	140	(5)
El Recreo Plaza, C.A.	19.94%	133,205	9,202	142,407	75,875	45,617	20,916	142,407	0	16,799	3,359
Melia H.USA LLC (JV)	50.00%	11,993	3	11,996	4,736	7,260	0	11,996	0	(715)	(111)
Melia H.Florida LLC (JV)	50.00%	10,120	(411)	9,709	9,729	0	(20)	9,709	1,603	(672)	(336)
Melia H.Orlando LLC (JV)	50.00%	1,012	892	1,904	249	0	1,655	1,904	6,738	(312)	(156)
Tradyso Argentina S.A. (JV)*	50.00%	0	0	0	0	0	0	0			4
Inversiones Guiza, S.A.	49.85%	3	13	15	(5)	11	10	15	40	1	0
Banamex S.A. Fideicomiso El Medano	28.00%	34,895	1,289	36,184	24,070	7,648	4,466	36,184	9,222	5,544	1,552
Hellenic Hotel Management	40.00%	62	(237)	(176)	(190)	12	2	(176)			0
Detur Panamá, S.A.	49.93%	10,522	1,198	11,720	(5,988)	11,560	6,148	11,720	1,562	(2,052)	(1,025)
Inmotel Inversiones Italia S.R.L.	41.50%	90,279	1,219	91,498	60,075	22,422	9,001	91,498	3,341	271	112
		1,150,059	**49,219**	**1,199,278**	**283,959**	**720,908**	**194,410**	**1,199,278**	**227,535**	**(30,190)**	**(17,775)**

(JV) Joint ventures (*) Companies which at the end of year were no longer associates or joint ventures, either due to disposals, dissolution or change in consolidation method (Note 5)
Includes their contribution to net income attributed to the Group as long as the requirements to be considered as associates and joint ventures companies

In 2012 movements in investments in associates were as follows:

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. Fideicomiso El Medano, as explained in Note 5.

(Thousand €)	Balance 31/12/2011	Net income 2012	Additions	Disposals	Exchange difference	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 (1)	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)/(1)	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./ (1)"	1,821	113	1	(1)	(0)	1,933
Altavista Hotelera, S.A.	5,325	(2,817)	517	(4,063)		(1,038)
Adprotel Strand S.L	14,203	(150)		(438)	2,300	15,915
Innwise Management, S.L.		(0)	1	(0)		0
El Recreo Plaza, C.A./ El Recreo Plaza & CIA (1)	10,047	373	3,714		(240)	13,894
Melia Hotels USA, LLC. (JV)/ Melia Hotels Florida, LLC. (JV)/ Melia Hotels Orlando, LLC. (JV)/(1)	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)			0	(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**	**(6,972)**	**1,996**	**99,128**

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

Moreover, comparative information of the aggregate amounts 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 of them, is provided below.

(Thousand €)		Non-current assets	Current assets	Total ASSETS	Equity	Non-current liabilities	Current liabilities	Total LIABILITIES	Ing. Ord.	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	(12,330)	(5,617)
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	(43,197)	(19,288)

(JV) Joint ventures (*) Companies which at the end of year were no longer associates or joint ventures, either due to disposals, dissolution or change in consolidation method (Note 5)
Includes their contribution to net income attributed to the Group as long as the requirements to be considered as associates and joint ventures companies

13. OTHER FINANCIAL INSTRUMENTS

13.1 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 2013 and 2012:

	31/12/2013			31/12/2012		
(Thousand €)	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
2. Financial instruments at fair value through the income statement:						
- Trading portfolio		1,920	1,920	150	4,443	4,593
3. Loans and receivables:						
- Loans to associates	255,237	4,073	259,309	219,476	4,426	223,902
- Financing for properties	15,707	35,326	51,034	11,896	6,543	18,440
- Other loans	61,762	2,808	64,570	54,670	1,870	56,540
4. Available for-sale financial assets:						
- Unlisted equity instruments	16,832		16,832	16,723		16,723
TOTAL DEBT	**349,538**	**44,127**	**393,665**	**302,928**	**17,561**	**320,489**

Financial instruments at fair value through changes in other comprehensive income

Cash flow hedging activities relate to interest-rate swaps. Hedging activities are explained in Note 13.3.

Financial instruments at fair value through changes in profit or loss

The non-current trading portfolio includes convertible bond debt instruments listed on an official market, which is used as a reference to calculate their fair value and therefore the embedded derivatives are not separated from their value.

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 2013 and 2012:

	31/12/2013			31/12/2012		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Loans to associates	255,237	4,073	259,309	219,476	4,426	223,902
Financing for properties	16,175	35,326	51,502	12,364	6,543	18,907
Impairment adjustments	(468)		(468)	(468)		(468)
Deposits	2,939	17	2,956	3,174	45	3,218
Guarantee deposits	6,788	2,741	9,529	7,447	1,824	9,270
Other	52,035	51	52,086	44,050	1	44,051
TOTAL	**332,706**	**42,207**	**374,913**	**286,043**	**12,839**	**298,882**

Balances presented as loans to associates are analysed in the information on related parties provided in Note 20.

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 company Resorts Financial Services, Inc. in the amount of $32.8 million, maturing in 2014.
- Loans granted to the companies Hoteles Cibeles, S.A., Hotelera Sancti Petri, S.A. and Promociones Financieras Turísticas, S.A., which alone three hotels under management for a total of €3.2 million, and the purpose of the loan is to finance their commercial activities.
- The loan granted to the company PT Surya Semesta Internusa Tbk in the amount of $3.2 million ($5 million in 2012) matures in 2014.
- A non-current loan granted to Aresol Cabos, S.A. in the amount of €5.7 million, for the purpose of financing its commercial activities.

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.

The heading "Other" mainly includes non-current trade receivables relating to the vacation club segment.

Available-for-sale financial assets

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

(Thousand €)	%	Balance 31/12/2012	Additions	Disposals	Balance 31/12/2013
Fundación Empresa y Crecimiento	4.6%	331		(45)	285
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.	8.42%	6,520			6,520
Port Cambrils Inversions, S.A.	10.0%	980			980
Valle Yamury, S.A.	8.0%	346	5		351
Other		38	150		188
TOTAL INVESTMENT		**17,137**	**155**	**(45)**	**17,246**
IMPAIRMENT LOSSES		(414)			(414)
NET CARRYING VALUE		**16,723**	**155**	**(45)**	**16,832**

No measurement adjustments for impairment are applied to those companies that recognize latent capital gains on the realizable value of their net assets, which at the end of 2013 mainly relate to the companies Inversiones Hoteleras Los Cabos and Hotelera Sancti Petri, S.A.

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	745		4.60%	43	285
Horotel, S.A. *	Spain	Hotel ownership and operation	3,780	(3,309)		12.40%	58	301
Hotelera Sancti Petri, S.A.	Spain	Hotel ownership and operation	13,510	(5,936)	540	19.50%	1,582	2,634
I.H. Los Cabos *	Mexico	Hotel ownership and operation	14,560	(1,367)		15.00%	1,979	3,306
Inversiones Hoteleras Playa del Duque, S.A. *	Spain	Hotel ownership and operation	2,582	53,674		5.00%	2,813	2,682
Inversiones Turísticas Casas Bellas, S.A. *	Spain	Land ownership	77,464	(27,417)		8.42%	4,214	6,520
Port Cambrils Inversions, S.A.	Spain	Hotel ownership and operation	6,000	672	(2)	10.00%	667	980
Valle Yamury, S.A. *	Spain	Holding	4,329	(1,561)		8.00%	221	351
Other companies	Spain		3			0.00%		188
TOTAL			**122,420**	**15,502**	**538**		**11,578**	**17,058**

(*) There are no Financial Statements at 31 de diciembre de 2013 for these companies

For comparative purposes, movements in 2012 were as follows:

(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 changes in 2012 were due to the sale of the shares in the companies PTSAI and Orgesa Holding.

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	Hotel ownership and operation	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 de diciembre de 2012 for these companies

13.2 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 2013 and 2012:

	31/12/2013			31/12/2012		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	2,815	690	3,505	4,249	5,853	10,102
2. Financial instruments at fair value with changes in profit or loss:						
- Trading portfolio derivatives	5,865	1,044	6,909			
- Debt issues derivatives				19,923		19,923
3. Other financial liabilities at amortised cost:						
- Debentures and other marketable securities	304,377	190,644	495,021	275,027	1,079	276,106
- Bank borrowings	774,589	324,632	1,099,221	564,161	622,131	1,186,292
- Other finance lease liabilities				160,175	229	160,403
- Loans from associates	321	1,736	2,056	281	37,967	38,248
- Other financial liabilities	2,706	69,116	71,823	6,449	54,176	60,625
TOTAL DEBT	**1,090,673**	**587,862**	**1,678,535**	**1,030,265**	**721,436**	**1,751,701**

Financial instruments at fair value through changes in Other comprehensive income

Cash flow hedging activities relate to interest-rate swaps. Hedging activities are explained in Note 13.3.

Financial instruments at fair value through changes in profit or loss

The derivatives in the trading portfolio consists of interest rate swaps. Activities concerning derivatives are explained in Note 13.3.

The derivatives associated to issues at the end of 2012 represented the conversion option for the convertible bond issue in 2009, whose value at the end of 2013 has been transferred to the heading Other equity instruments, as is indicated in Note 16.5

Debentures and other marketable securities

The debt issues included in this item and closing balances for 2013 and 2012 are set out below:

	31/12/2013			31/12/2012		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Preferred shares	25,192		25,192	25,192		25,192
Bonds and obligations	75,498	996	76,494	75,600	695	76,296
Convertible bond	203,687	189,648	393,335	174,234	384	174,618
TOTAL	**304,377**	**190,644**	**495,021**	**275,027**	**1,079**	**276,106**

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:

Amount 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

As is indicated in Note 16.5, due to the decision taken by the Board of Directors of Meliá Hotels International, S.A. in December 2013 two wave the cash settlement option, the Company has changed the accounting policy applied to the conversion option associated with the issues of convertible bonds, considering them to be hybrid financial instruments up until that date and then as compound financial instruments afterwards.

The impact on the consolidated income statement deriving from the change in the value of the conversion option up until 20 December is described in Note 7.7.

2009 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

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 7.7 million shares at 31 December 2013 (see note 16.3). This loan bears 0.6% interest.

2013 issue

In April 2013 the Group issued convertible bonds totalling €200 million and in September it expanded the issue of the convertible bonds in April 2013 by €50 million:

Amount of issue	250,000,000.
Nominal value of bond	€ 100,000
Maturity	5 years
Debt rank	Senior Unsecured Convertible Notes
Issue price	100%
Issue date	18 April 2013
Maturity date	18 April 2018
Coupon	4.50 %
Conversion price	7.318 €
Conversion premium	30%
Conversion ratio	13,664.94 shares per bond
Redemption price	100%
Bond yield at maturity	5.00%
Possibility of issuer cancellation	On or after 19 April 2016 (subject to 130%--€ 9.51 barrier)
Maximum number of shares to be issued	34,162,500

Meliá Hotels International, S.A. has concluded an equities loan agreement with BPN, Merill and UBS covering up to 8 million treasury shares and maturing on 25 April 2018, of which 3.5, 1.7 and 2.8 million shares have been drawn down, respectively. This loan bears interest at 0.5%. This includes 2.5 million shares that the Company has been loaned by the controlling shareholder.

Bank borrowings

The Group's bank borrowings at year-end 2013 and 2012 are analysed below by nature and maturity:

	2013			2012		
(Thousand €)	Short term	Long term	Total	Short term	Long term	Total
Bank loans	168,311	78,026	246,337	342,700	238,954	581,654
Mortgage-backed loans	49,073	481,303	530,376	23,194	265,631	288,825
Credit facilities	93,043	210,815	303,858	237,755	52,633	290,388
Leases	6,339	4,445	10,785	9,025	6,943	15,968
Interest	7,866		7,866	8,457		8,457
Discounted promissory note				1,000		1,000
TOTAL	**324,632**	**774,589**	**1,099,221**	**622,131**	**564,161**	**1,186,292**

As a result of the debt restructuring carried out during the year, mentioned in Notes 4.3, at the end of 2013 the Group has no commitment to maintain any financial indicators that could affect the conditions of its bank borrowings.

Bank and mortgage loans include the following main bank borrowings:

Type of loan	Amount (€)	Maturity
Corporate guarantee	50 Million	2014
Corporate guarantee	28 Million	2016
Mortgage-backed loans	66 Million	2020
Mortgage-backed loans	50 Million	2020
Mortgage-backed loans	48 Million	2021
Mortgage-backed loans	43 Million	2026

With respect to 2012, the main bank borrowings related to the syndicated loans that were cancelled during the debt restructuring process carried out by the Group in 2013, as is mentioned in Note 4.3.

Credit facilities utilised total € 303.8 million; at year-end 2013, a balance of € 217.8 million was available. In 2012, a total of € 290.4 million had been utilised on credit facilities and a balance of € 65.8 million was available.

New bank financing obtained in 2013 totalled € 373 million, as reflected in the cash flow statement. New bank financing obtained in 2012 totalled € 246 million.

The Group's mortgage loans are secured by 25 hotels having a total carrying amount of € 815.9 million, as explained in Note 9.

Maturities of bank borrowings are analysed below:

(Thousand €)	2014	2015	2016	2017	2018	> 5 years	TOTAL
Bank loans	168,311	24,218	39,563	2,590		11,654	246,337
Mortgage-backed loans	49,073	57,998	58,409	59,729	62,566	242,601	530,376
Credit facilities	93,043	3,377	63,004		144,434		303,858
Leases	6,339	2,656	1,203	417	169		10,784
Interest	7,866						7,866
Discounted promissory note							
TOTAL BANK DEBT	**324,632**	**88,249**	**162,180**	**62,736**	**207,169**	**254,255**	**1,099,221**

Other finance lease liabilities

On 30 December 2013, as a result of the crisis that continues to negatively affect the urban hotels in Spain, Meliá Group and the company Equity Inmuebles S.L. reached an agreement regarding, among other things, the modification of the maturity dates for all lease contracts between them, which was initially established in October 2064 and now stipulated to be 29 December 2022, with no renewal option.

As a result of the reduction in the terms of the aforementioned contracts, Melia was granted compensation whose payment is deferred to between 2013 and 2017.

Another of the included agreements is that the properties and hotel industries that have been released must be returned in the same state in which they were received, except for normal wear and tear deriving from their use and Melia Group has not assumed any additional commitment in this respect other than applying 2.5% of its gross sales in 2019 through 2022 to the maintenance of those hotels. This percentage is adequate to lease agreements containing general market conditions.

In addition, the agreement also includes the termination and definitive settlement of all disputes, claims and litigation existing between both parties at the date of the agreement and which, mainly, relate to the court action taken by Melia Group to moderate rents originally established in the contracts and the subsequent eviction action filed by the lessor due to the partial non-payment of that rent.

As a result of the agreement reached, Melia Group considers that the modification of these lease agreements which, up until that time were considered to be financially leases, and tells them being classified as operating leases. This gives rise to their elimination from the asset and liability accounts recognized in the balance sheet with respect to the finance leases and there is a positive impact of €30.6 million in the income statement due to the higher value of the eliminated liability. This amount has been recognized in financial income/(expense) in the income statement for the year (Note 7.7), since it is considered to be a result of the renegotiation of non-current commitments assumed under those lease agreements.

Loans from related companies

The balances recorded in this item are analysed in the information on related parties provided in Note 20.

Other financial liabilities

	31/12/2013			31/12/2012		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Trade bills payable				704		704
Fixed asset suppliers	147	3,289	3,436	3,174	3,697	6,871
Guarantee deposits received	1,284	657	1,941	1,121	1,440	2,561
Other payables	1,276	64,609	65,885	1,430	48,474	49,904
Dividends payable		156	156		133	133
Other		406	406	20	432	452
TOTAL	**2,706**	**69,116**	**71,823**	**6,449**	**54,176**	**60,625**

13.3 HEDGE ACTIVITIES AND DERIVATIVES

The fair values of the Group's derivative financial instruments are analysed below by maturity at 31 December 2013 and 2012:

	31/12/2013			31/12/2012		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Hedging derivative assets				13	279	291
TOTAL				**13**	**279**	**291**
Hedging derivative liabilities	2,815	690	3,505	4,249	5,853	10,102
Derivative associated with debt issues				19,923		19,923
Trading portfolio derivatives	5,865	1,044	6,909			
TOTAL	**8,680**	**1,734**	**10,414**	**24,172**	**5,853**	**30,026**

As part of its interest rate risk management policies (Note 4.1), 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.

Liabilities relating to derivatives held for trading at the end of 2013 also concern interest rate swaps obtained on the market to manage the company's interest rate risk (Note 4.1). These interest rate swaps are not considered to be accounting hedges due to the fact that they have been obtained within the framework of a debt restructuring and do not comply with the requirements to apply hedge accounting in accordance with IAS 39.

During 2013, 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 € 6.3 million. In 2012 there was a negative impact of € 1.4 million.

Furthermore, the reduction compared with last year is due to the maturity of existing hedges and the reduction of the nominal amount of hedge transactions due to the repayment of the associated deaths, together with the contracting of new hedges at lower interest rates.

The breakdown of maturity dates by year is set out below:

(Thousand €)	2014	2015	2016	2017	2018	> 5 años	TOTAL
Hedging derivative liabilities	690	2,441	523	160	(114)	(195)	3,505
Trading portfolio derivatives	1,044	3,100	1,086	735	448	496	6,909
TOTAL	**1,734**	**5,541**	**1,609**	**895**	**334**	**300**	**10,414**

For the purposes of comparison the maturity dates for 2012 are indicated below:

(Thousand €)	2013	2014	2015	2016	2017	> 5 años	TOTAL
Hedging derivative assets	279	13					292
Hedging derivative liabilities	5,853	3,428	502	193	89	38	10,103
Derivative liabilities associated with debt issues		19,923					19,923
TOTAL	**6,132**	**23,364**	**502**	**193**	**89**	**38**	**30,318**

To determine these fair values cash flow discount measurement techniques have been applied based on the embedded amounts determined by the interest rate curve in accordance with market conditions at the measurement date. These measurements have been carried out by the financial institutions from which these products are obtained, as independent experts in the measurement of financial instruments.

The measurements of these swaps have also been carried out by the financial institutions from which these products are obtained, as independent experts in the measurement of financial instruments.

14. CURRENT ASSETS

14.1 INVENTORIES

(Thousand €)	31/12/2013	31/12/2012
Goods for resale	630	742
Food and beverages	8,864	8,495
Fuel	713	775
Spare parts and maintenance	3,229	3,515
Ancillary materials	4,784	4,972
Office materials	1,606	1,512
Hotel Business	**19,826**	**20,011**
Vacation Club Business	**35,961**	**59,276**
Real Estate Business	**4,731**	**5,347**
Advances to suppliers	**2,427**	**3,842**
TOTAL	**62,945**	**88,476**

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 decline in these inventories at the end of 2013 is mainly due to the transfer of assets to a disposable group (Note 15.2).

The real estate assets caption includes a balance of €2.5 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 2012 a real estate balance of € 3.1 million was recognised in respect of the company Desarrollos Sol, S.A.

14.2 TRADE AND OTHER RECEIVABLES

The following table contains a breakdown of this heading at year-end 2013 and 2012:

(Thousand €)	31/12/2013	31/12/2012
Customers	136,554	133,830
Other receivables	126,509	175,567
TOTAL	**263,063**	**309,397**

Trade receivables

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

(Thousand €)	31/12/2013	31/12/2012
Hotel	83,190	91,926
Real Estate	2,840	3,821
Vacation Club	16,364	10,892
Other operating activities	34,161	27,191
TOTAL	**136,554**	**133,830**

The Group has entered into agreements covering the assignment of the customer portfolio in the hotel business under which it periodically assigns trade receivables relating to hotel units and collects the amounts concerned early, one of which was cancelled during the year. At 31 December 2013 the total assigned portfolio in this respect was €4.2 million, of which €3.7 million was collected early. At 31 December 2012 these amounts were €11.9 million and €11.1 million, respectively

At December 31, 2013, the Group also assigns receivables relating to the sale of vacation club units, amounting to €95.1 million, through agreements without recourse with banking institutions. In 2012 the balance amounted to €115.8 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, 2013, the provision for bad debts amounts to €49.2 million. At December 31, 2012, the balance amounted to €44.2 million.

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

(Thousand €)	2013	%	2012	%
Less than 90 days	109,268	82%	101,421	78%
More than 90 and less than 180	19,517	15%	13,351	10%
More than 180	4,930	4%	15,238	12%
TOTAL	133,715	100%	130,009	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 2013 and 2012:

(Thousand €)	31/12/2013	31/12/2012
Prepayments and accrued income	11,406	14,249
Loans to employees	685	549
Taxes refundable	7,258	21,324
Input VAT deductible	11,730	11,886
Tax withholdings	355	3,245
Receivables from associates	42,758	84,953
Receivables	25,975	16,815
Current accounts	26,343	22,547
TOTAL	126,509	175,567

These balances relate to commercial transactions effected by the Group. Payables of associates are analysed in Note 20.

14.3 CASH AND OTHER CASH EQUIVALENTS

(Thousand €)	SPAIN	EMEA *	AMERICA	ASIA	31/12/2013
Cash	48,021	36,243	86,972	1,924	173,160
Other cash equivalents	106,672	116,216	40,513		263,400
TOTAL	**154,693**	**152,459**	**127,485**	**1,924**	**436,560**

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

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.

The balances in this caption in 2012 are set out below:

(Thousand €)	SPAIN	EMEA *	AMERICA	ASIA	31/12/2012
Cash	31,835	46,282	160,151	1,034	239,302
Other cash equivalents	62,763	100,446	65,835		229,044
TOTAL	**94,598**	**146,728**	**225,986**	**1,034**	**468,346**

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

15. NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

The assets and liabilities relating to the Group's subsidiaries domiciled in Puerto Rico are recognized as held-for-sale, after management approval of the sale of those companies during the final quarter of 2013.

The companies affected by this sales process are Desarrolladora del Norte, S.A., Sol Melia Vacation Club Puerto Rico, S.A. and Segunda Fase Corp. These companies have been carrying out their activity through hotel operations and also as a vacation club at the hotel Paradisus Puerto Rico and adjacent complexes, which it also owns.

15.1 CASH FLOWS ASSOCIATED WITH DISCONTINUED OPERATIONS

(Thousand €)	31/12/2013	31/12/2012
Operating activities	589	477
Investment activities	24,312	(23)
Financing activities	(24,243)	
Variation in the exchange rate in cash and cash equivalents	(136)	69
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**522**	**523**
Cash and cash equivalents at the beginning of the year	2,950	2,427
CASH AND CASH EQUIVALENTS AT THE YEAR END	**3.473**	**2.950**

During 2013 the company Desarrolladora Del Norte, S. en C., increased share capital which was fully subscribed by Meliá Group and the funds were used to repurchase the preferred shares issued in 2009. The respective payments received and made on this transaction are reflected in the headings investments and financing of cash flows for discontinued operations. The impact on the consolidated accounts is reflected as a purchase of minority shareholdings, as is mentioned in Note 5.2.

15.2 DISPOSABLE GROUP ASSETS AND LIABILITIES CLASSIFIED AS HELD-FOR-SALE

(Thousand €)	31/12/2013
Property, Plant and Equipment	70,338
Otros activos no corrientes	(15)
Existencias	23,380
Other current assets	6,636
TOTAL ASSETS	**100,338**
Bank loans	4,175
Provisions	759
Trade creditors and other payables	7,491
Other current liabilities	52
TOTAL LIABILITIES	**12,477**

Assets and liabilities held-for-sale are recognized at a net amount of €87.9 million. This amount has been calculated based on the figures recognized in the accounts for the subsidiaries included in the disposable group, adjusted based on a re-estimate of the value of the assets in order to initiate the sale of those companies.

15.3 RESULTS FROM DISCONTINUED OPERATIONS

The analysis of the results obtained by discontinued operations and the results recognized on the re-estimate of the value of the assets of the disposable group, is as follows:

(Thousand €)	31/12/2013	31/12/2012
Operative income	30,247	31,225
Operative expenses	(28,793)	(32,001)
EBITDA	**1,454**	**(776)**
Amortisation and depreciation	(5,394)	(6,509)
EBIT	**(3,940)**	**(7,285)**
Net financial income	313	122
Profit before tax	**(4,253)**	**(7,406)**
Losses recognised in the restatement of assets	(30,000)	
RESULTS FROM DISCONTINUED OPERATIONS	**(34,253)**	**(7,406)**

In the process of disposal for the Group activities in Puerto Rico it has performed a revaluation of fixed assets owned by the disposal group, registering as non-current assets held for sale at fair value less costs to sell, which has resulted in recognition of losses of €30 million.

Fair value was estimated by the affordable method, using observable data in sales market operations of comparable properties.

The assessment was made using physical units of comparison as the price per room and economic units, such as EBITDA multiple, and using these mean values to the units included in Melia Group discontinued activities.

Fair value study was performed by the independent expert CB Richard Ellis, amounting €72,2 million.

16. EQUITY

16.1 SHARE CAPITAL AND SHARE PREMIUM

At December 31, 2013 and 2012 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 1, 2011, 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.

The voting rights held by the primary shareholders with a direct and indirect stake in Meliá Hotels International, S.A. at 31 December 2013, are as follows:

	31/12/2013	31/12/2012
(Thousand €)	Shareholding %	Shareholding %
Hoteles Mallorquines Consolidados, S.A.	26.72	28.07
Hoteles Mallorquines Asociados, S.L.	16.42	16.42
Hoteles Mallorquines Agrupados, S.L.	13.90	13.90
Majorcan Hotels Luxembourg, S.A.R.L.	6.25	6.25
Banco Sabadell		6.01
Other (less than 5% individual)	36.71	29.36
TOTAL	**100.00**	**100.00**

On 13 May 2013 Banco Sabadell sold the interest that it held in Meliá Hotels International, S.A. by placing the entire stake among qualified investors.

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 € 1.7 million.

16.2 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.

In 2012 €62.3 million was transferred from the heading Retained earnings to Reserves due to the merger of the companies Intersthoscaloja, S.A., Cansilius, S.L., and Calimarest, S.A.

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.

16.3 TREASURY SHARES

The breakdown and movements in treasury shares are as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE 31/12/2012	**13,588,239**	**8.13**	**110,426**
Additions 2013	28,975	6.08	176
Disposals 2013	(299,206)	6.40	(1,915)
BALANCE 31/12/2013	**13,318,008**	**8.16**	**108,688**

The treasury shares balance does not include 2.5 million shares that the Company has been loaned by the controlling shareholder.

The number of shares loaned to several banks at 31 December 2013 total 16.7 million shares, including 7.7 million shares to Deutsche Bank (Note 13.2).

Accordingly, the Group is in possession of 121,304 shares representing 0.065% of share capital. Treasury shares do not exceed the 10% limit established by the Spanish Companies Act 2010.

The price of Meliá Hotels International, S.A.'s shares at the year end is €9.335. At the 2012 year end the share price amounted to €5.775.

For comparison purposes, the movements in 2012 are shown below:

(Thousand €)	Shares	Average Price €	Balance
BALANCE 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 31/12/2012	**13,588,239**	**8.13**	**110,426**

The treasury shares balance to 31 December 2012 included 1.5 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 2012 was 12,088,239 representing 6.54%.

16.4 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 2013 reflected Retailed earnings relate mainly to the distribution of prior-year results (a profit of € 56 million from the fully-consolidated companies, including the parent company, and a loss of € 19.3 million from associates).

Also included is an increase of € 51.7 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.

Other transactions with shareholders and owners includes the net effect of the amount paid for the additional acquisitions of shareholdings and their value in equity at the time of the purchase in those cases in which the Group already controlled the company concerned. In 2013 30% of the company Desarrolladora del Norte was acquired for €29.2 million, and the carrying value was €24.9 million. Similarly, an additional 23% of the company Aparthotel Bosque, S.A. was acquired for €2 million, and its carrying value was €4 million.

Movements relating to 2012 under this heading mainly relate to the distribution of prior year profits totalling €50.4 million with respect to fully consolidated companies and €10.3 million in losses relating to associated companies. There was also a €62.3 million decrease due to the transfer to the heading Reserves deriving from several merged companies.

16.5 OTHER EQUITY INSTRUMENTS

On 20 December 2013, the Board of Directors of Melia Hotels International S.A. decided to waive the option of the cash settlement established in the terms and conditions for the issues of convertible bonds carried out by the Company in December 2009 and March 2013, as well as reporting this decision to the bondholder syndicate through the formal procedures established by the terms and conditions for both issues.

As a result of this decision, the conversion options for the holders of the convertible bonds are now considered to be derivative financial instruments that can be separated from the equity instruments. The fair value of those derivative financial instruments at the aforementioned date totalled €148.5 million (€39.8 million relating to 2009 and €108.7 million to 2013), and this amount has been reclassified to the heading "Other equity instruments" under "Other reserves" in the Statement of Changes in Equity.

16.6 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 €)	31/12/2013	31/12/2012
Venezuelan Bolivar	(159,260)	(101,997)
Costa Rican Columbus	96	119
Morrocan Dinar	53	53
Tunisian Dinar	3,787	1,786
United States Dollar	7,503	25,478
Singapore Dollar	18	66
Swiss Franc	11,977	12,761
Croatian Crown	(378)	(327)
Great Britain Pound	(9,930)	(8,439)
Turkish Lira	347	271
Dominican Peso	(62,204)	(51,489)
Mexican Peso	(52,529)	(57,195)
Guatemalan Quetzal		7
Brazilian Real	(8,409)	(4,961)
Chinese Renminmbi Yuan	(219)	(225)
Indonesian Rupee	(126)	(125)
Peruvian Sol	747	2,383
Uruguayan Peso	(1)	17
Argentinian Peso	(624)	(299)
TOTAL	**(269,151)**	**(182,113)**

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 the total differences on exchange, €265.9 million in losses relate to fully consolidated companies and 3.2 million in losses relate to equity consolidated companies. In 2012 the figures were €184 million in losses and a profit of €1.9 million, respectively.

The main change compared with the preceding year arose with respect to the Venezuelan Bolivar since it depreciated against the dollar by approximately 32% in February. This has given rise to a decrease in the value of the assets located in Venezuela (Note 10).

The US dollar has depreciated in 2013 against the euro and therefore the net assets of the companies carried in US dollars decreased this year.

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 € 8 million in negative translation differences was recognised in this item (2012: negative translation difference of € 0.9 million).

Other measurement adjustments

Movements during the year related mainly to the income and expenses attributed to equity, as well as to transfers to the income statement of derivative financial instruments classified as hedges, net of their tax effect, totalling €3.3 million in gains. In 2012 the change in this respect total €1.5 million.

16.7 MINORITY INTEREST

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

During 2013 23% of the company Aparthotel Bosque, S.A. and 30% of the company Desarrolladora del Norte was acquired. As is indicated in Note 2.3, these acquisitions were considered to be equity transactions given that the Group already controlled the companies. The difference between the amount paid for these shareholdings and their carrying value is recorded under the heading Retained earnings.

The heading "Other transactions with shareholders and owners" in the Statement of Changes in Equity records the impact of the change in the consolidation method applied to Idiso Hotel Distribution, S.A. totalling €16.2 million (Note 5.1).

In 2012 40% of the company Grupo Sol Asia, LTD was acquired, which wholly owns the shares in the company Grupo Sol Services. This acquisition did not have any impact on the income statement since the Group already controlled the company. The value of the acquired minority reserves was €2 million and this amount was transferred to the heading Reserves (Note 2.3).

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 5).

17. NON CURRENT LIABILITIES

17.1 CAPITAL GRANTS AND OTHER DEFERRED INCOME

The details of these balances are as follows:

(Thousand €)	31/12/2013	31/12/2012
Capital grants	5,762	2,116
Deferred income from customery loyalty prog.	14,421	13,464
TOTAL	**20,183**	**15,580**

Capital grants basically relate to grants used to finance property, plant and equipment purchases. In 2013, the total amount recorded in the Income Statement for this item is €268 thousand. In 2012, income from grants amounted to €112 thousand.

Deferred income reflects the fair value assigned to points obtained by customers on the Company's loyalty programmes amounting to €14.1 million, under IFRIC 13.

17.2 PROVISIONS

The balance sheet shows an amount of €33.9 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 €)	31/12/2012	Additions	Disposals	Scope Variations	31/12/2013
Provision for retirement, seniority bonus and personnel obligations	5,926	1,139	(540)	(82)	6,443
Provision for taxes	4,238	301	(3,568)		971
Provision for onerous contracts	14,500				14,500
Provision for liabilities	13,542	3,097	(4,407)	(201)	12,030
TOTAL	**38,207**	**4,536**	**(8,515)**	**(283)**	**33,945**

Each year end, an actuarial study is undertaken to assess the past services corresponding to commitments established in supra-enterprise collective agreements. Said services have been estimated at €9.9 million for 2013, €2.2 million of which has been charged to results. In 2012, the total amount accrued was €10.5 million, €2.3 million of which was charged to results.

In addition, said commitments have been externalised in order to comply with current legislation. In 2013, the balance for this item totalled €3.4 million, showing liabilities for its net amount. At the 2012 year end the balance externalised for this item amounted to €4,6 million.

These commitments were evaluated by Grupo Willis, an independent expert in the management of insurance and actuarial valuations, in accordance with the assumptions in the rotation model applied by Meliá Group, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER/2000P tables, using a capitalization rate of 4.60%, salary increases totalling 1.00%, plus a rotation assumption of between 3.44% and 8.99% for employees and an average retirement age of 64.

The balance of the provision for contracts for consideration at the end of 2013 totalled €14.5 million and relates in full to lease agreements covering hotels in Spain. This provision was calculated for those hotels that in 2013 presented negative net cash flows, after discounting the relevant lease instalments.

To calculate the provision it was considered that the cost of complying with the agreement consists of the present value of the projected cash flows, including lease commitments, and they were compared with the cost of non-compliance deriving from the various agreements and the provision covered the lower of both amounts.

The estimate of projected cash flows from these hotels was made internally by the Company, using the approved operating budget for 2014 as a starting point and projecting results up until the end of the agreement (excluding renewals if they are not certain), based on increases in the average price of rooms in accordance with the business plan established for 2014, which stabilizes at 3% for future years. The discount rate applied to adjust cash flows was 10.5%.

Additions to the provisions for liabilities during the year relate almost exclusively to a provision totalling €2.1 million to cover the portion of the risk deemed possible relating to several arbitration processes that have yet to be resolved. Eliminations during the year are explained by the award to Gerber Group in May 2013 within the arbitration claim received in 2012 for pending damages and amounts.

For comparison purposes, set out below is the breakdown of this balance by nature at the 2012 year end:

(Thousand €)	31/12/2011	Additions	Disposals	Scope Variations	31/12/2012
Provision for retirement, seniority bonus 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**

During 2012 provisions for contracts for consideration were updated and applied in accordance with the established financial plan. Additions during the year related to the update of the provision totalling €3.5 million for contracts for consideration relating to hotels in Spain.

Additions during the year included €3.4 million to cover the portion of the risk deemed possible relating to an arbitration claim received for pending damages and amounts that has yet to be resolved.

18. TRADE AND OTHER PAYABLES

The following table contains a breakdown of this heading at year-end 2013 and 2012:

(Thousand €)	31/12/2013	31/12/2012
Creditors	194,505	184,338
Other Payables	95,194	112,950
TOTAL	**289,699**	**297,288**

18.1 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 €153.3 million (at the previous year end, €142.7 million).

Prepayments from customers, which at the 2013 year end amount to €41.2 million, are also included in this account (2012: €41.5 million).

18.2 OTHER PAYABLES

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

(Thousand €)	31/12/2013	31/12/2012
Accruals and deferred income	194,505	184,338
Accrued wages and salaries	4,344	7,076
Taxes payable	41,476	38,826
Social security contributions payable	20,207	22,438
Sales output VAT	6,764	6,383
Trade payables, associates	14,359	20,406
Other liabilities	5,919	14,155
Otros pasivos	2,126	3,666
TOTAL	**95,194**	**112,950**

These balances relate to commercial transactions effected by the Group. Payables to associates are analysed in Note 20.

Remuneration pending payment include €2.3 million for which provision has been made based on the advances made with respect to the strategic objectives established in the Steering Plan 2012-2014. As is indicated in Note 2.3, the compensation stipulated in this variable compensation plan does not include share-based payments.

19. 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.

19.1 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	2009-2012		2010-2013	2010-2013	2010-2013		
France	2010-2012			2011-2013			
England	2007-2012		2008-2013	2008-2013			
Italy	2007-2012		2008-2013	2008-2013		2007-2012	
Germany	2003-2012		2004-2013	2004-2013			
Croatia	2008-2012		2009-2013	2009-2013			
Holland	2009-2012		2009-2013	2009-2013			
USA	2010-2012						
Mexico	2008-2012	2006-2007		2009-2013			
Dom. Rep.	2010-2012			2011-2013			
Venezuela	2008-2012		2009-2013	2009-2013			
Brazil	2008-2012		2009-2013				2009-2013

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 Dominicana S.A. are only open to inspection of corporate income tax for 2012 and 2012 and 2013 with respect to VAT.

19.2 DEFERRED TAX ASSETS AND LIABILITIES

The composition of the balance of Group deferred tax assets and liabilities in 2012 and 2013 is as follows:

(Thousand €)	31/12/2013	31/12/2012
Non-current deferred tax asset is as follows:		
Capitalised tax credits	16,533	24,184
Credits for capitalised tax losses	50,628	46,965
Temporary differences for:		
Tax value of Tryp goodwill	34,732	35,646
Cash flow hedges	1,015	2,504
Reversal adjusments for inflation in non-inflationary countries	4,717	11,773
Tax deductible provisions at the payment time or when liability is generated	23,706	20,383
Different criteria for tax and accounting amortisation	4,528	36
Inter-group results elimination	12,723	13,211
Other	1,433	2,928
TOTAL	**150,015**	**157,630**
Non-current deferred tax liability is as follows:		
Fair values in business combinations	25,685	13,177
Finance lease operations	29,896	32,102
Land restatement and revaluation	55,711	84,817
Property investments fair value adjustment	30,670	33,617
Differences in accounting and fiscal asset value in England	529	(180)
Accounting revaluation for merger	3,626	3,681
Sales under reinvestment deferral	5,606	5,769
Other	2,941	12,353
TOTAL	**154,664**	**185,336**

Deferred taxes recognized in 2013 and 2012 by the Group reflect the following movements:

	2013		2012	
(Thousand €)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
OPENING BALANCE	**157,630**	**185,336**	**154,179**	**179,742**
Expenses / Income for the period	(8,214)	(23,719)	2,200	(3,696)
Taxes attributed directly to Equity	(1,487)	(87)	(771)	(140)
Scope changes	(1,780)	(2,953)	18	(1,323)
Translation differences	3,866	(3,913)	2,004	10,753
FINAL BALANCE	**150,015**	**154,664**	**157,630**	**185,336**

The effect deriving from changes in the scope of consolidation is mainly due to the sale of the Mexican company Bear S.A. de C.V. and the change in the consolidation method for the companies Inversiones Hoteleras La Jaquita, S.A. and Idiso Hotel Distribution, S.A. (Note 5).

The change in deferred taxes affecting the Group's equity totals €-1.4 million, as is indicated in the Statement of Changes in Equity. The effect in 2012 was €-0.6 million.

Movements in 2012 were due to the elimination of the French company Tryp Blanche Fontaine S.A.S. and the purchase of an additional 37% of the Spanish company Aparthotel Bosque S.A., as is mentioned in Note 5.

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

The Group makes individual forecasts of results for those companies at which outstanding tax-loss carry forwards exist in order to determine whether they will be recoverable within the periods established by respective legislation.The Group also evaluates the existence of deferred taxes against which it may offset those-loss carry forwards in the future. In accordance with this policy, the Directors consider that the recovery of all capitalized tax-loss carry forwards by offsetting future taxable profits is probable within a reasonable period and never exceeding the deadlines established by the local legislation in each country.

19.3 TAX-LOSS CARRY FORWARDS

The tax-loss carry forwards that may be offset by the companies forming part of the Group, by geographic area and maturity date, are as follows:

(Thousand €)	2014	2015-2019	2020-2026	YEARS BEYOND	TOTAL 31/12/2013
Spain		1	320,706	117,695	438,402
Rest of Europe	11,913	8,936		4,171	25,020
America and rest of the world	571	5,095	294	13,414	19,374
TOTAL	**12,484**	**14,032**	**321,000**	**135,280**	**482,796**

The main movements in the Rest of Europe area relate to the Netherlands (€ 20.8 million) and Italy (€ 3.2 million), and to Mexico (€ 2.9 million) and Brazil (€ 13.4 million) in the America area.

- In Spain the Group has capitalized-loss carry forwards totalling €158.9 million and generating a deferred tax asset totalling €47.7 million.
- In the Netherlands the Group has capitalized-loss carry forwards totalling €2 million and generating a deferred tax asset totalling €0.5 million.
- In Brazil the Group has capitalized-loss carry forwards totalling €4.7 million and generating a deferred tax asset totalling €1.6 million.
- In Mexico the Group has capitalized-loss carry forwards totalling €2.9 million and generating a deferred tax asset totalling €0.8 million.

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 6.9 million Euros.The above mentioned benefit corresponds to Spain with 4.6 million Euros, and to America and rest of the world with 2.3 million Euros.

With regard to the provisions for financial investments pending to be integrated, it should be observed that the total amount is €62 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 2012:

(Thousand €)	2013	2014-2018	2019-2025	YEARS BEYOND	TOTAL 31/12/2012
Spain		1	74,906	358,537	433,444
Rest of Europe	9,300	21,210	187	2,130	32,827
America and 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**

19.4 TAX CREDITS

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

(Thousand €)	2014	2015-2019	2020-2026	YEARS BEYOND	TOTAL 31/12/2013
Spain	3,152	5,856	32,890	4,105	46,003
America and rest of the world	788	3,229		2,275	6,292
TOTAL	**3,940**	**9,085**	**32,890**	**6,380**	**52,295**

Accumulated tax credits at year end in America and rest of the world relate to Mexico and Venezuela and amount to €4 million and €2.3 million, respectively.

The Group has recognized deferred tax assets in Spain totalling €12.7 million, in Mexico totalling €1.5 million and in Venezuela totalling €2.3 million.

The tax credits offset during the year were generated this year and therefore the tax benefit totals €13.8 million and this amount is fully attributable to Spain

For comparative purposes, set out below are tax credits available for offset by geographic area and maturity at year-end 2012:

(Thousand €)	2013	2014-2018	2019-2025	YEARS BEYOND	TOTAL 31/12/2012
Spain	828	2,871	29,691	7,083	40,473
America and 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**

The information stipulated in Article 84 of Legislative Royal Decree 4/2004 on Corporate income tax applicable to mergers and the spin-off of lines of business in prior years is included in the first notes to the annual accounts that are approved after each transaction and is summarised as follows:

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

19.5 RECONCILIATION OF REPORTED PROFITS AND CURRENT INCOME TAX EXPENSE

(Thousand €)	31/12/2013	31/12/2012
Consolidated Net Income	(71,083)	41,494
Income tax expense	9,203	18,440
Adjustments for impairment and Provisions	36,240	33,120
Finance lease transactions	7,351	4,714
Non-deductible expense/income	80,157	65,282
Financial expense embedded derivative	76,168	0
Exchange differences	6,330	4,789
Inflation adjustments	12,021	4,162
Other adjustments	(16,596)	(13,575)
Previous Taxable Income	139,791	158,426
Offset of tax-loss carryforwards	(31,500)	(56,751)
Tax losses not recognised	0	876
Gross Tax Base	108,291	102,551
Tax expense at rate applicable by law (30%)	32,487	30,765
Effect of tax rate applicable in other countries	(13,686)	(14,633)
Corporate income tax for the period	18,801	16,132

19.6 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:

	31/12/2013	31/12/2012
(Thousand €)	COST / (INCOME)	COST / (INCOME)
Current tax		
Income tax for the period	18,801	16,132
Other period taxes	2,794	5,317
Adjustments to income tax of prior years	3,113	6,049
Deferred taxes		
Net variation in credits for tax losses	(3,550)	(12,010)
Net variation in tax credits	9,213	10,348
Other	(21,168)	(7,396)
TOTAL INCOME TAX EXPENSE	9,203	18,440

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.

During 2013, the Mexican companies Cala Formentor S.A. de C.V. and Corporación Hotelera Hispano Mexicana S.A. de C.V. applied the tax amnesty that allowed them to end the tax inspections that they were undergoing with respect to corporate income tax and I.M.P.A.C. for 2002, as well as corporate income tax and VAT for 2005. The assessments were closed with the payment of €0.7 and €3.4 million, respectively. These amounts were recognised in the account for prior year corporate income tax. The rest of the items that make up the balance of that account relate to changes that arose between the definitive tax and the projection of the tax made the previous year.

As a result, amongst other things, of the different interpretations to which current tax legislation lends itself, additional tax assessments may be raised in the event of a tax inspection. The Directors consider, however, that any additional assessments that might be made would not significantly affect these consolidated financial statements.

20. 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 and mutual independence..

20.1 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 2013 and 2012, the amount recognised in operating results in the consolidated income statement and balances outstanding at the year end:

		31/12/2013			31/12/2012	
(Thousand €)	Net Income 2013	Assets	Liabilities	Net Income 2012	Assets	Liabilities
Turismo de Invierno, S.A.	379	466		306	1,324	
C.P. Meliá Castilla	2,278	961	82	2,283	969	115
C.P.A.M.Costa del Sol	1,009	451	22	892	358	41
Aparthotel Bosque, S.A.				462		
Nexprom, S.A.	1,072	469	13	881	376	26
Evertmel, S. L. (JV)	1,582	109	53	1,637	16,663	220
Hantinsol Resorts, S.A.					2	
Nyesa Meliá Zaragoza, S. L. (JV)	760	6	14	575	3,586	18
Inv. Hot. La Jaquita, S. A. (JV)	3,295			3,163	25,741	671
Colón Verona, S. A. (JV)	811	2,344	15	741	6,358	426
Idiso Hotel Distribution, S.L. (JV)	(8,484)			(13,991)	7,008	4,271
Altavista Hotelera, S. L.	1,086	8,456	293	1,147	4,743	104
Mongamenda, S. L. (JV)	91	7,255		107	6,007	
Adprotel Strand, S. L.	(870)	2,257	173	524	282	
Tertián XXI, S. L. U. (JV)	1,137	2	75	1,017	1,118	2,689
Innwise Management, S.L.		76	192		4	53
Kimel Mca, S.L. (JV)	43	1,187	9	42	889	9
S'Argamassa Hotelera S.L. (JV)	156	2,119	32			
Fourth Project 2012, S.L. (JV)		1,556			3	
Producciones de Parques, S.L. (JV)	181	364	1,095		199	4,724
Ayosa Hoteles, S.L. (JV)	593	3,398	3,811			
Meliá Hotels Florida, LLC (JV)		25			25	
Meliá Hotels Orlando, LLC (JV)	176	1,024		171	684	
Inversiones Guiza, S. A.		3	2		6	5
Guarajuba, S. A.						
Banamex, S.A. Fideicomiso	841	2,592	28	836	25	2
Hellenic Hotel Manag. CO. HB. S. A.		41			43	
Detur Panamá, S. A.	64	2,598	10	78	4,496	2
Inmotel Inversiones Italia, S. R. L.	3,305	5,007		3,548	4,043	778
TOTAL	**9,505**	**42,770**	**5,918**	**4,420**	**84,953**	**14,155**

(JV) Joint Ventures

The main changes relating to the previous year primarily relate to the changes in the scope of consolidation under which Inversiones Hoteleras La Jaquita, S.A. and Idiso Hotel Distribution, S.A. were fully consolidated and the equity consolidation included S'Argamassa Hotelera, S.L. and Ayosa Hoteles, S.L.

In 2013 Evertmel, S.L. also made payment of its trade payments to the group originating from prior years.

Financing operations

There follows a breakdown of financing granted to associates by the Group at year-end 2013 and 2012:

(Thousand €)	Net Income 2013	31/12/2013 Assets	31/12/2013 Liabilities	Net Income 2012	31/12/2012 Assets	31/12/2012 Liabilities
Turismo de Invierno, S.A.	1	1,163				
Evertmel, S. L. (JV)	1,757	11,048	1,664	624	10,784	
Nyesa Meliá Zaragoza, S. L. (JV)	197			96		
Inv. Hot. La Jaquita, S. A. (JV)	2,640			867	2,269	
Colón Verona, S. A. (JV)	1,638	28,424		1,537	31,857	
Idiso Hotel Distribution, S.L. (JV)	(2,193)			(371)		37,853
Altavista Hotelera, S. L.	976	23,709		1,231	23,709	
Mongamenda, S. L. (JV)	288			193		
Adprotel Strand, S. L.	7,670	163,170		6,289	120,418	
Tertián XXI, S. L. U. (JV)	1,082	27,830		1,056	18,286	
Kimel Mca, SL (JV)	50			10		
Datolita Inversiones 2010, S.L.				424	15,424	
S'Argamassa Hotelera S.L. (JV)	17					
Fourth Project 2012, S.L. (JV)	32					
Producciones de Parques, S.L. (JV)	(27)	2,150				
Ayosa Hoteles, S.L. (JV)	(60)					
Meliá Hotels USA, LLC. (JV)			392	6		395
Meliá Hotels Orlando, LLC				(0)		
Banamex, S.A. Fideicomiso	1					
Detur Panamá, S. A.	(316)	1,815		(52)	1,155	
Inmotel Inversiones Italia, S. R. L.				(284)		
TOTAL	**13,753**	**259,309**	**2,056**	**11,626**	**223,903**	**38,248**

(JV) Joint Ventures

As was the case with commercial transactions, the main movements during the year have been due to the following changes in the scope of consolidation: disposal of companies consolidated using the equity method (Inversiones Hoteleras La Jaquita, S.A, Idiso Hotel Distribution, S.A. and Datolita Inversiones 2010, S.L.) and additions of new companies (S'Argamassa Hotelera S.L. and Ayosa Hoteles, S.L.).

The company Adprotel Strand, S.L. made additional drawdowns from the line of credit it maintained with the Group in 2013.

These balances are included in current and non-current other financial assets and liabilities in the balance sheet (see Note 13).

Interest is calculated on loans and average current account balances at each year end. The rate applied is the average Euribor plus a spread. The rate has been applied in 2013 is 4.54%, in 2012 a rate of 4.612% was applied.

Guarantees and security deposits

As indicated in Note 21.2., the Group records bank guarantees for certain liabilities recognised by associates or joint ventures. At year-end 2013:

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 0.8 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.

20.2 TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

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

(Thousand €)	Tipo de operación	2013	2012
Hoteles Mallorquines Asociados, S.L.	Goods purchase	11,986	11,931
Hoteles Mallorquines Asociados, S.L.	Services provision	36	41
Hoteles Mallorquines Asociados, S.L.	Lease	439	427
TOTAL		12,461	12,398

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 14.1).

The balance pending payment to Carma Siglo XXI, S.A. by Group companies at year-end 2013 was € 525 thousand (2012: € 420 thousand).

20.3 TRANSACTIONS WITH EXECUTIVES AND BOARD DIRECTORS

Per diems for attending Board and committee meetings in 2013 and 2012 are as follows:

(Thousand €)	31/12/2013	31/12/2012
External independent director	**327**	**306**
Mr. Juan Arena de la Mora	36	60
Mr. Alfredo Pastor Bodmer	60	69
Ms. Amparo Moraleda Martínez	75	66
Mr. Emilio Cuatrecasas Figueras	0	18
Mr. Luis María Díaz de Bustamante y Terminel	45	45
Mr. Fco Javier Campo García	51	24
Mr. Fernando D´Ornellas Silva	60	24
Dominical external director	**174**	**189**
Mr. Sebastian Escarrer Jaume	45	54
Mr. Juan Vives Cerdá	60	48
Banco Sabadell	9	27
Holeles Mallorquines Consolidados S.A.	60	60
Executive director	**90**	**99**
Mr. Gabriel Escarrer Julia	45	45
Mr. Gabriel Juan Escarrer Jaume	45	54
TOTAL	592	595

Remuneration of executive directors and senior management in 2013 and 2012 is analysed below:

	2013		2012	
(Thousand €)	Remuneration Fixes	Variable Remuneration	Remuneration Fixes	Variable Remuneration
Executive director	**676**	**228**	**974**	**693**
Mr. Gabriel Escarrer Julia	265		267	
Mr. Gabriel Juan Escarrer Jaume	411	228	412	274
Mr. Sebastian Escarrer Jaume *			295	418
High direction	**1,559**	**487**	**2,093**	**1,353**
TOTAL	**2,235**	**715**	**3,067**	**2,046**

(*) In 2012 Mr.Sebastián Escarrer Jaume has gone from being an executive director to dominical external

The decrease in the compensation for senior management is due to the Company's restructuring during the first quarter of 2013, which gave rise to a change in the composition of the Senior Executive Team (SCT), falling from 7 to 5 members.

The Company has not assumed any obligations and has not made any advance payment or loans to Directors There are no share-based payments.

Set out below is a breakdown of transactions between Group companies and the Company's Board directors or executives during 2013 and 2012:

(Thousand €)	Operation type	2013	2012
Banco Sabadell	Financial expenses	604	2,857
Banco Sabadell	Loan repayment	21,762	33,020
Banco Sabadell	Deposits cancellation		16,228
Banco Sabadell	Financial income		118
Don Gabriel Escarrer Julia	Services received	115	100
Don Juan Vives Cerda	Services rendered	429	295

The transactions carried out with Banco Sabadell relate to the period during which it was a Director (Note 16.1).

21. 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:

21.1 LEASES

The Meliá Hotels International Group operates at December 31, 2013, 86 hotels under leases: ten five-star hotels (1,563 rooms), 60 four-star (10,737 rooms), 13 three-star (2,246 rooms) and 3 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	114,027	451,807	667,207	1,233,041

This table includes the minimum payments to be made by the 17 hotels that the Company has leased from the company Equity Inmuebles, S.L. These agreements, which were previously considered to be financial leases, are now considered to be operating leases and therefore the land and the building are taken into account. The decrease in the payments compared to last year is mainly due to the reduction in the lease term for these hotels (Note 13.2).

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

Most of the lease agreements operated by the companies forming part of the Group have a contingent component relating to changes in the relevant price indexes and 21 other hotels are covered by a contingent clause relating to the evolution of the results obtained by the hotel establishment, which is not taken into consideration as it is directly related to the contribution of that establishment to the Group's income statement. The contingent instalment in 2013 amounted to €2.3 million.

The average term of these lease agreements, including those with Equity Inmuebles, S.L. is 9 years.

The information for 2012 is presented for comparative purposes:

(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

At the end of 2012 the Group leased a total of 85 hotels, of which 9 hotels were five stars with 1562 rooms, 58 were four stars with 10,548 g and 15 were three stars with 2300 rooms, and three establishments rated at three keys with 915 apartments.

The average term of these leases, excluding the land on which the 17 finance lease hotels stand, is 9.43 years.

21.2 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 €41.7 million and through a corporate guarantee amounting to €7 million.

Meliá Hotels International, S.A. has provided a bank guarantee to secure the possession under a lease agreement of a building dedicated to a parking garage and commercial premises located in Barcelona totalling €0.6 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 €4.3 million.

Meliá Hotels International, S.A. has furnished collateral and bank guarantees totalling € 14.6 million for operations undertaken by associates (see Note 20.1).

21.3 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.

22. OTHER INFORMATION

Duty of loyalty of the directors

Mr. Escarrer Juliá and his children Mssrs. Escarrer Jaume, participate and hold Director positions at 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., the main shareholders of Meliá Hotels International, S.A.. In turn, Mr. Gabriel Escarrer Jaume is the director of the following companies associated with Meliá Group:

REGISTERED NAME COMPANY	COUNTRY	POSITION
Adprotel Strand, S.L.	Spain	Chairman
Altavista Hotelera. S.L.	Spain	Director
Detur Panamá S.A.	Panama	Treasurer
Inmotel Inversiones Italia, SRL	Italy	Director
Mongamenda S.L.	Spain	Director
Nyesa Melia Zaragoza S.L.	Spain	Chairman
Plaza Puerta del Mar, S.A.	Spain	Director
Promedro. S.A.	Spain	Chairman

Mr. Juan Vives is the Chairman of Finca los Naranjos, S.A., and owns 30.94% of that company, which has a corporate purpose that is similar to that of Meliá Group.

Direct or indirect interests controlled by members of the Company's Board of Directors are as follows

Shareholder/Board Member	No direct and indirect voting rights	% total voting rights	Position in Board
Mr. Gabriel Escarrer Juliá	116,937,747	63.286%	Chairman
Mr. Sebastian Escarrer Jaume			Director
Mr. Gabriel Escarrer Jaume			Vice Chairman and CEO
Hoteles Mallorquines Consolidados, S.A.	49,371,167	26.72% **	Director with representative
Mr. Alfredo Pastor Bodmer	6,000	0.003%	Independent director
Mr. Juan Arena de La Mora	1,000	0.001%	Independent director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0.000%	Secretary and independent director
Mr. Juan Vives Cerdá	375	0.000%	Honorary Vice Chairman

(*) It should be noted that the shareholding is calculated based on the direct and indirect interests controlled by Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Juan Escarrer Jaume) in the share capital of the companies 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 63.286% stake.

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 2013 and 2012 by Meliá Hotels International, S.A. and its Spanish subsidiaries:

(Thousand €)	2013	%	2012	%
Within legal maximum period	156,736	38.89%	157,200	44.45%
Rest	246,320	61.11%	196,484	55.55%
TOTAL	**403,056**	**100.00%**	**353,685**	**100.00%**

Payments to suppliers deferred by the Group's parent and its Spanish subsidiaries beyond Spain's legal maximum period of 60 days totalled € 32.6 million at the year end. In 2012 the maximum period was 75 days and amounts deferred beyond the legal maximum period totalled € 28.5 million.

The weighted average excess payment period was 41.6 days in 2013 (39.21 days in 2012).

Audit fees

Fees corresponding to the audit of the 2013 consolidated annual accounts of the parent and subsidiaries have amounted to €1,255 thousand, of which €512 thousand has been invoiced by PricewaterhouseCoopers España, €474 thousand by PricewaterhouseCoopers at an international level and the remaining €270 thousand by other audit firms. In addition, fees invoiced during the year for other services rendered by other companies pertaining to the network of the auditors of the consolidated annual accounts totalled €477 thousand.

In 2012, the fees relating to the audit of the consolidated annual accounts and the subsidiaries totalled €1,432 thousand, of which PricewaterhouseCoopers España invoiced €537 thousand and PricewaterhouseCoopers International invoiced €485 thousand and the remaining amount was invoiced by other audit firms. In addition, fees invoiced during the year for other services rendered by other companies pertaining to the network of the auditors of the consolidated annual accounts totalled €555 thousand.

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.

23. 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:

Exchange rate for the strong bolivar

In January 2014 the Venezuelan government published a new exchange rate system under which the settlement in foreign currencies of certain transactions would be done at a rate resulting from the latest assignment made under the alternative mechanism called the Complementary Currency Administration System (SICAD).

In this respect, the mechanism calls for the publication of the results of the currency assignments carried out through the SICAD on the website for the Venezuelan Central Bank. The exchange rate resulting from the latest currency assignment on 15 January 2014 was 11.36 strong bolivars for each dollar.

The changes in the consolidated balance sheet for Meliá Group from its Venezuelan subsidiaries due to the application of this exchange rate, using the figures at the end of 2013 as a reference, represent a decrease in asset volume totalling €75.9 million and liabilities totalling €12.1 million, which affects the heading "Exchange differences", and the difference is recorded under equity.

Entry into force of IFRS 10

On 1 January 2014, IFRS 10 "Consolidated financial statements" entered into force in the European Union, which includes a new definition of control for the purposes of determining whether a company must be considered to be a subsidiary.

Based on the analysis of this IFRS and the repercussions on the consolidated accounting records of Melia Group, certain companies that until now had been considered to be associates will be considered to be subsidiaries and will therefore be fully consolidated.

The companies affected by this change are Colón Verona, S.A., Ayosa Hoteles, S.L. and S'Argamassa Hotelera, S.L. These changes must be presented retrospectively in the consolidated annual accounts for 2014 and therefore the main changes affecting the comparative accounts for 2013 are indicated below for informational purposes:

- Property, plant and equipment: Increase totalling €58.2 million
- Bank borrowings: Increase totalling €28 million
- Non-current borrowings from associated companies: Decrease totalling €41.3 million
- Minority interests: Increase totalling €11.8 million

The indicated impacts relate mainly to the company Colón Verona, S.A.

APPENDIX 1. SUBSIDIARIES

		COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(A)		APARTHOTEL BOSQUE, S. A.	Camilo José Cela, 5 (Palma de Mallorca)	Spain	85.00%		85.00%
(A)		BISOL VALLARTA, S. A. de C.V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		99.68%	
						0.01%	99.69%
(A)		CALA FORMENTOR, S. A. de C.V.	Boulevard Kukulkan (Cancún)	Mexico		92.40%	
						7.29%	99.69%
(A)		CARIBOTELS DE MEXICO, S. A. de C.V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico		16.41%	
						29.63%	
						53.70%	99.74%
(A)		CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dom. Rep.		49.85%	49.85%
	(F1)	CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	100.00%		100.00%
		COM.PROP. SOL Y NIEVE *	Plaza del Prado Llano (Sierra Nevada)	Spain	91.83%		91.83%
(A)		CORP.HOT.HISP.MEX., S. A. de C.V.	Boulevard Kukulkan km.12,5 (Cancún)	Mexico		9.22%	
						90.47%	99.69%
(A)		CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru		75.87%	75.87%
(A)		DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49.85%	
						49.85%	99.69%
(A)		DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		61.79%	
						20.25%	
						17.65%	99.69%
(A)		PRODISOTEL, S.A.	Mauricio Legendre, 16 (Madrid)	Spain		100.00%	100.00%
(A)	(F2)	HOTEL ALEXANDER, S. A. S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL COLBERT S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL FRANÇOIS S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL MADELEINE PALACE, S.A.S.	8, Rue Cambon 75001 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL METROPOLITAN, S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)	(F2)	HOTEL ROYAL ALMA S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)		INVERS. EXP.TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	54.90%		
						0.03%	54.93%
(A)		INVERS. INMOB. IAR 1997, C. A.	Avenida Casanova con C/ El Recreo (Caracas)	Venezuela		99.69%	99.69%
(A)		INVERSIONES AGARA, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		99.69%	99.69%
(A)		INVERSIONES AREITO, S.A.S	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.	64.54%		
						35.46%	100.00%
(A)		INV. HOTELERAS LA JAQUITA, S.A.	Carretera Arenas 1 (Pto. De La Cruz)	Spain		49.07%	
					50.00%		99.07%
(A)		LOMONDO, Ltd.	Albany Street-Regents Park (London)	Great Britain	100.00%		100.00%
(A)		LONDON XXI Limited	336-337 The Strand (London)	Great Britain	100.00%		100.00%
		MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil		20.00%	
						80.00%	100.00%
(A)	(F1)	REALIZACIONES TURÍSTICAS, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	95.97%		
						0.30%	96.27%
(A)		SOL MELIÁ DEUTSCHLAND, gmbh	Josef Haumann Strasse, 1 (Bochum)	Germany	100.00%		100.00%
(A)		SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milan)	Italy		100.00%	100.00%
(A)	(F1)	TENERIFE SOL, S. A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	50.00%		
						48.13%	98.13%

... continued on next page.

(*) Participation in this entity is through the ownership of apartments which represent 91.83% of the total, which are recorded in the caption for the active material.

	MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(F1)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	99.73%		99.73%
(A)	COMP.TUNISIENNE GEST. HOTELIÉRE	18 Boulevard Khézama nº 44, 4051 Sousse (Túnez)	Tunisia		100.00%	100.00%
	CREDIT CONTROL CORP.	Brickell Avenue, 800 (Miami)	USA	100.00%		100.00%
	GESMESOL, S. A.	C/ 50 y Elvira Méndez - Edif.Tower Financial Center, 16	Panama	100.00%		100.00%
	GUPE ACTIVIDADES HOTELEIRAS, S.A.	Estrada da Luz, 90 (Lisboa)	Portugal	100.00%		100.00%
	ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	100.00%		100.00%
	MARKSERV, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	51.00%	49.00%	100.00%
(A)	MELIA BRASIL A.H. (ARGENTINA)	Avda. Corrientes, 327-3º (Buenos Aires)	Argentina		100.00%	
	MELIA BRASIL A.H. (URUGUAY)	Calle Cerrito 507-Apto. 62 (Montevideo)	Uruguay		100.00%	
(A)	MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain			100.00%
(A)	MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom.Rep.		100.00%	100.00%
	MELSOL MANAGEMENT, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	100.00%		100.00%
	OPERADORA COSTARISOL	Avenida Central, 8 (San José)	Costa Rica		100.00%	100.00%
(A)	OPERADORA MESOL, S. A. de C.V.	Bosque de Duraznos 69-b, (México D.F.)	Mexico	75.21%	24.79%	100.00%
	PT SOL MELIÁ INDONESIA	Jalan H. R. Jasuna Said KAV X-0 (Jakarta)	Indonesia	90.00%	10.00%	100.00%
(A)	SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom.Rep.		100.00%	100.00%
(A) (F1)	SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain		100.00%	100.00%
(A)	SMVC MÉXICO, S.A de C.V.	Boluevard Kukulkan (Cancún)	Mexico		100.00%	100.00%
(A)	SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama		100.00%	100.00%
	SOL MANINVEST, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	100.00%		100.00%
(A)	SOL MELIÁ BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100.00%		100.00%
	SOL MELIÁ COMMERCIAL	89 Nexus Way,Camana Bay,P.O.Box 31106 SMB,KY1-1205	Cayman Islands		100.00%	100.00%
(A)	SOL MELIÁ CROACIA	Vladimira Nazora, 6 (Rovijn)	Croatia		100.00%	100.00%
(A)	SOL MELIÁ GREECE, HOTEL & TOURISTIC	14th Chalkokondili Str & 28th October str (Atenas)	Greece	100.00%		100.00%
	SOL MELIÁ LUXEMBOURG, S.A.R.L.	1 Park Dräi Eechelen, L1499	Luxembourg	100.00%		100.00%
	SOL MELIÁ MARROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1º Etage	Morocco		100.00%	100.00%
	SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru		99.90%	
					0.10%	100.00%
(A)	SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Switzerland		100.00%	100.00%
(A)	SOL MELIÁ HOTEL MANAG. SHANGHAI CO, LTD.	5F-1,King Tower,No 28 Xin Jin Qiao Road, Pudong (Shangai)	China	100.00%		100.00%
	VACATION CLUB SERVICES INC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%

	COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(F1)	DORPAN, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(A)	GRUPO SOL SERVICES	80, Raffles Pplace,(Kuala Lumpur)	Singapore		100.00%	100.00%
	GUARAJUBA EMPREENDIMIENTOS, S.A.	Avda. do Farol, Parte, Praia do forte (Bahia)	Brazil	100.00%		100.00%
(A)	IDISO HOTEL DISTRIBUTION,S.A.	Aravaca 22,Bis (Madrid)	Spain		55.00%	55.00%
(A)	INMOBILIARIA DISTRITO CIAL., C. A.	Avda. venezuela con Casanova (Caracas)	Venezuela		89.26%	89.26%
	IRTON COMPANY, N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles		99.69%	99.69%
(A)	PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 22 (Palma de Mallorca)	Spain	53.98%	46.02%	100.00%
(F1)	SECURISOL, S. A.	Avda.Notario Alemany s/n Hotel Barbados (Calviá)	Spain	100.00%		100.00%
(A)	SEGUNDA FASE CORP.	Carretera 3, Intersecc. 955 (Rio Grande)	Puerto Rico		100.00%	100.00%
(A)	SIERRA PARIMA, S.A.	Avda. John F. Kennedy,10 (Sto. Domingo)	Dom.Rep.	51.00%		51.00%
	SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama		100.00%	100.00%
	SOL GROUP CORPORATION	2100, Coral Way, suite 402 (Miami)	USA		100.00%	100.00%
	SOL MELIÁ EUROPE, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	100.00%		100.00%
(A)	SOL MELIÁ FINANCE, Ltd.	89 Nexus Way,Camana Bay,P.O.Box 31106 SMB,KY1-1205	Cayman Islands		100.00%	100.00%
	SOL MELIÁ FUNDING	Regatta Office Park West Bay Road P.O.Box 31106	Cayman Islands		100.00%	100.00%
(A)	SMVC PUERTO RICO CO.	PMB 223, PO Box 43006, (Rio Grande)	P.Rico	100.00%		100.00%

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	HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(A) (F2)	CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France		100.00%	100.00%
(F3)	DESARR.HOTEL. SAN JUAN, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
	DOMINICAN INVESTMENT, N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles		99.69%	99.69%
(F3)	FARANDOLE, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
	GRUPO SOL ASIA, Ltd.	1109/10 Admiralty Tower (Hong Kong)	Hong Kong	100.00%		100.00%
(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51.49%		
					48.51%	100.00%
(F1)	HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	INVERS.TURIST. DEL CARIBE, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom.Rep.	100.00%		100.00%
	MELIÁ INTERNATIONAL HOTELS, S.A.	C/ 50 y Elvira Méndez - Edif. Tower Financial Center, 16	Panama	100.00%		100.00%
	MELIÁ INV. AMERICANAS, N.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	82.26%	17.43%	99.69%
	NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA		100.00%	100.00%
	RANDLESTOP CORPORATION, N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles		99.69%	99.69%
(F3)	SAN JUAN INVESTMENT, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
	SOL GROUP, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	100.00%		100.00%
(A)	SOL MELIÁ FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France	100.00%		100.00%
(A)	SOL MELIÁ FRIBOURG, S.A.	Chemin des primevères, 45 (Fribourg)	Switzerland	100.00%		100.00%
	SOL MELIÁ INVESTMENT, N.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	100.00%		100.00%
	SOL MELIA VACATION CLUB LLC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%

	DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	THIRD PROJECT 2012, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(F1)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(F1)	HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(F1)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(F1)	HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	INVERSIONES INVERMONT, S.A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela		100.00%	100.00%
	KABEGICO INVERSIONES,S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	MARKSOL TURIZM, Ltd.	Calakli Manavgat (Antalya)	Turkey	10.00%	90.00%	100.00%
	MARKTUR TURIZM, A. S.	Daire, 3 Gençlik Mahallesi (Antalya)	Turkey	100.00%		100.00%
(F1)	MOTELES ANDALUCES, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	99.38%		99.38%
	NAOLINCO HOTELES,S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	SOL MELIÁ CHINA, Ltd.	1318 Two Pacific Place, 88 (Hong Kong)	China		100.00%	100.00%
(A)	SOL MELIÁ SUISSE, S.A.	Chemin des primevères, 45 (Fribourg)	Switzerland	100.00%		100.00%

	MARKETING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	DOMINICAN MARKETING SERVICES,N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles		65.73%	
					33.96%	99.69%
	IMPULSE HOTEL DEVELOPMENT B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland	100.00%		100.00%
	NEALE, S.A.	Edificio Arango Orillac (Panamá)	Panama		99.69%	99.69%
	PUNTA CANA RESERVATIONS, N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles	100.00%		100.00%
(F1)	SMV NETWORK ESPAÑA, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100.00%	100.00%
	SMV NETWORK, S.A.R.L.	L2519, Rue Schiller RCS Luxemburg B 102,000	Luxembourg		100.00%	100.00%

(A) Audited companies

(F1) Companies included in consolidated tax group with Meliá Hotels International, S.A.
(F2) Companies included in consolidated tax group with Sol Meliá France, S.A.S.
(F3) Companies included in consolidated tax group with Meliá Inversiones Americanas, N.V.

APPENDIX 2. ASSOCIATES AND JOINT VENTURES

	COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(A)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 242 (Barcelona)	Spain	48.40%		48.40%
	AYOSA HOTELES, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)	COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Sevilla)	Spain	50.00%		50.00%
(A)	DETUR PANAMÁ S.A.	Antigua Escuela Las Américas (Colón)	Panama	32.72%	17.21%	49.93%
(A)	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	50.00%		50.00%
(A)	INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	41.50%		41.50%
	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
	MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
	NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	17.50%	2.50%	20.00%
(A)	NYESA MELIÁ ZARAGOZA S.L. (JV)	Avenida César Augusto, 13 (Zaragoza)	Spain	50.00%		50.00%
	PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	12.23%		
					7.78%	20.01%
	PRODUCCIONES DE PARQUES, S.L. (JV)	Avda. P.Vaquer Ramis , s/n (Calviá)	Spain	50.00%		50.00%
	S' ARGAMASSA HOTELERA S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
	TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n (Granada)	Spain	21.42%		21.42%

	HOTEL OWNER COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(A)	ADPROTEL STRAND, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	40.00%		40.00%
	BANAMEX S.A. FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	Mexico	28.00%		28.00%
	EL RECREO PLAZA, C.A.	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		19.94%	19.94%
	EL RECREO PLAZA& CIA., C.A.	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		1.00%	
					18.94%	19.94%
	FOURTH PROJECT 2012, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)	TERTIAN XXI, S.L.U. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%

	COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(A)	COM. PROP. APARTOTEL MELIÁ CASTILLA *	Capitán Haya, 43 (Madrid)	Spain	30.38%	0.09%	30.47%
	C.P.APARTOTEL M.COSTA DEL SOL *	Paseo Marítimo 11 (Torremolinos)	Spain	0.17%	18.71%	18.87%
(A)	INNWISE MANAGEMENT. S.L.	Aravaca 22,Bis (Madrid)	Spain		27.50%	27.50%
(A)	INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.		49.84%	49.84%

	DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Athens)	Greece	40.00%		40.00%

	MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	MELIA HOTELS ORLANDO, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%

	HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
	PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	20.00%		20.00%

(A) Audited companies
(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.

1. ABOUT THE COMPANY

1.1 ORGANISATIONAL STRUCTURE

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 following segments make up the organisational structure of the company and the results are reviewed by the maximum decision-taking body at the Company:

- **Hotel management:** relates to the fees received for managing hotels under management and franchise agreements. This also includes the intra-group charges to Melia hotels that are owned and rented.

- **Hotel business:** this segment includes the results obtained by the operation of the hotel units that are owned or leased by the Group. The income generated by the restaurant business is also presented as this activity is considered to be fully integrated into the hotel business due to the majority sales of packages whose price includes lodging and meals, which would make an actual segmentation of the associated assets and liabilities impracticable.

- **Other business associated with hotel management:** this segment includes income other than from the hotel business, such as casinos, laundry or tour-operator activities.

- **Real Estate:** includes the capital gains on asset rotation, as well as real estate development and operations.

- **Club Meliá:** reflects the results deriving from the sale of rights to share specific vacation complex units.

- **Corporate:** these items consist of structural costs and results linked to the intermediation and marketing of room and tourism service reservations, as well as Group corporate costs that cannot be assigned to any of the aforementioned three business divisions.

The organisational structure of the company is shown below:

GENERAL SHAREHOLDERS MEETING

GOVERNING BODIES

BOARD OF DIRECTORS

AUDIT AND COMPLIANCE COMMITTEE

APPOINTMENTS AND REMUNERATION COMMITTEE

STRATEGY COMMITTEE

SET (SENIOR EXECUTIVE TEAM)

Board of Directors: see section C.1 of the Annual Corporate Governance Report
Board of Directors Committees: see section C.2 of the Annual Corporate Governance Report
Senior Executive Team (SET) or Management Committee. The SET is a collegiate body composed of the Executive Vice Presidents (EVP) of each Department. The committee meets weekly and its functions include developing and promoting control systems to improve the quality of the Company's corporate governance and risk control.

TACTICAL COMMITTEES

OPERATING COMMITTEE

Tracks business management, coordination and objective-setting amongst regional and global functions

EXPANSION COMMITTEE

Tracks the company's expansion plan and approves projects

INVESTMENT COMMITTEE

Tracks the investments that are approved each year

1.2 OPERATION

Part E of the Annual Corporate Governance Report titled "RISK MANAGEMENT AND CONTROL SYSTEMS" includes information on the structure mentioned above.

2. BUSINESS PERFORMANCE AND RESULTS

2.1 BASIC FINANCIAL AND NON-FINANCIAL INDICATORS

HOTEL BUSINESS

Considering owned and leased hotels, Revenue per Available Room (from now on, RevPAR) increased by 5.2% versus last year. Total average room rate (ARR) increased by 2.2% while occupancy levels improved 2.9%.
Details on the evolution per areas can be found below:

America

In America, RevPAR grew by 10.2% due to improvements near 5% in both occupancy and average rates.
The excellent performance of the region is partially explained by the contribution of the two resorts in Playa del Carmen (Cancun Mexico): Paradisus La Perla and Paradisus La Esmeralda, that during their second year of operations these resorts achieved an average of occupancy of almost 60%, while average rates increased in 2013 by more than 15%, generating a total contribution at the EBITDA level of almost $24 million and becoming the second biggest contributor within the whole portfolio, only behind the Paradisus Palma Real.
Excluding the contribution of the Paradisus resorts in Playa del Carmen, America's RevPAR increased by 5.7%, mainly due to the evolution of the hotels in the Dominican Republic, and specifically due to the strong performance of Paradisus Palma Real and the Reserve at Paradisus Palma Real, which in 2013 achieved historical figures, maintaining its position as the top contributor to the Group's consolidated results.
Available rooms decreased by 5.9% versus 2012 due to a change in the regime of the ME Cancun -from owned to a management contract-, during 2012.
Regarding the evolution of RevPAR in the managed hotels, the slow evolution of the hotels in Argentina due to the political unrest in the country were compensated by the strong evolution of the hotels in Mexico, especially highlighting the performance of ME Cancun and ME Cabo. On the other hand, at the end of 2013 was added a new contract in Bahamas, the Meliá Nassau Beach.
Regarding the exchange rate risk in the America's area, especially in emerging markets, the Company's exposure in Brazil and Argentina is limited to management contracts with a very limited contribution to the Consolidate Statements. On the other hand, in Mexico and the Dominican Republic, most of the revenues are in US dollars, while more than 80% of the expenses are in local currency.

EUROPE Middle East & Africa (EMEA)

In owned and leased hotels in Europe Middle East & Africa (EMEA) RevPAR increased by 10.8%. Figures have been affected by a hotel reallocation between the different areas.

Excluding the hotel reallocations, EMEA RevPAR in owned and leased hotels increased by +0.2%. By region, the main highlights are the following:

- Germany: the Company recorded positive figures for the full year with a RevPAR increase by 1.4%, even considering the impact of the absence of the most important bi annual trade fairs which had a strong impact especially on the hotels in Düsseldorf, Frankfurt and Munich. The incorporation of the Innside Düsseldorf Hafen in September 2013 also contributed to an improvement in the figures.

- Paris maintained a positive trend in 2013 with a 4.4% RevPAR improvement thanks to a strategy focused on optimised revenue management and customer segmentation. As a result, in 2013 the Company increased its exposure to the transient business (transient clientele which generates short stays), especially in international markets, highlighting the increase in room nights from the Middle East and Russia. Similarly, the positive results of the outbound strategy implemented by Meliá also contributed to diversification of the client base, especially benefited by the increase in business from the Americas.

- Positive figures in Italy were helped by the excellent performance of the Meliá Genova and more recently the contribution of the Gran Meliá Rome.

- Within the EMEA division, only the United Kingdom registered negative figures versus last year, given the difficulty of maintaining the price levels achieved in 2012 thanks to the celebration of the Olympic Games.

Besides the reclassification between EMEA and Premium Europe, available rooms suffered minimal movements linked to the incorporation of GM Roma and the Innside Düsseldorf Hafen from September 2013.
Regarding the managed hotels, overall RevPAR registered positive results. Despite the underperforming contribution of the hotels in Egypt, the excellent contribution of the new contracts led to positive figures. Of particular note is the evolution of the Meliá Dubai, added in April 2012, with an increase of RevPAR above 80% and the Meliá Zanzibar with a near 40% increase. More recently, the division added a boutique hotel in Capri, the Meliá Villa Capri, which has also had good results. To end this chapter, highlight should be made of the contribution of the 3 hotels in Spain, Gran Meliá Colón, Meliá Sky Barcelona and Meliá Sancti Petri, which also registered positive figures.

ME Europe

RevPAR in Premium Europe increased by 33.7%, affected by the change in the reporting perimeter between the different areas.
Since June 2013 leased and owned hotels in this category only include the ME brand, while regarding the management contracts it also includes the new Innside hotels in Madrid. The rest of the hotels previously included in Premium Europe become part of the EMEA region.
If we look at the evolution of the ME brand, there has been an increase of 17.7%, thanks to the contribution of the ME London especially highlighting its contribution to the ME brand recognition while allowing the Company to get additional management contracts. The outlook of this hotel is positive taken into consideration that 2014 will be its second year in operations.
The positive performance of the ME London has been partially offset by the lower contribution of the ME Madrid caused by product renovation.
The fall in the number of rooms is due to the reclassification of hotels between Premium Europe and EMEA, partially offset by the addition of ME London.
Regarding management contracts, the incorporation of the 3 new Innside hotels in Madrid (Innside Genova, Luchana and Madrid Suecia) represent the first steps in the internationalization of the brand, becoming flagships for the Innside brand outside Germany.

Mediterranean

RevPAR in Spanish resorts increased by 5.5% due to the improvement in the occupancy levels near 6% and despite the slightly decrease of 0.5% in the ARR.

Generally speaking, in the Spanish resort industry the 2013 summer season was excellent, mainly thanks to the strengthening of foreign demand, especially from the UK and, to a lesser extent, from Northern European countries and Eastern Europe. On the other hand, the domestic market saw an unfavourable trend, which in the case of Meliá was reflected in just 20% of roomnights being made by Spaniards.
The evolution of the region was explained by the performance of the Balearic Islands and the resorts in mainland Spain, while in the fourth quarter 2013 the highlight was the performance of the Canary Islands, where the evolution of rates and occupancy levels has been above expectations. In the latter region, the negotiations with tour operators for the winter season were closed before the conflicts in Egypt began, so it has been a challenge for the Company to manage additional rate increases in 2013. Nevertheless, currently Meliá hotels in the Canary Islands are registering very positive figures.

The slight fall in available rooms was affected by the change in regime of the Sol Katmandu Park & Resort and Sol S'Argamassa in December 2012, and the Sol Trinidad, Sol Jamaica and Sol Guadalupe in June 2013, partially offset by the incorporation of the Meliá Atlántico Isla Canela during the first semester of 2013.

Managed hotels also registered positive RevPAR due to the overall strong situation of the resorts in Spain, emphasizing the positive evolution of the Calviá Beach project, a commitment to innovation which in 2013 demonstrated its success generating a RevPAR increase by a 12% in RevPAR in the Sol Wave House Hotel. In 2014 the Sol Beach House hotel will be relaunched as the new ME Mallorca, contributing to the complete renewal of the destination. Additionally, the performance of the Meliá Tortuga Beach Resort & Spa in Cape Verde and the hotels in Croatia and Bulgaria was also significant.

All in all, RevPAR for the whole division in 2013 was near 10% above last year, reaching figures above the peak of the cycle in 2007.

SPAIN

RevPAR declined by 2.0% linked to slowdowns both in the occupancy levels and rates, by 0.8% and 1.2% respectively.

In 2013 the Company took advantage of its leadership in the resort industry to help skew revenue segmentation in the city hotel business. Thanks to this, during the third quarter, city hotels in Spain located in hybrid destinations –and hence biased towards leisure component- registered a better performance, also benefiting from the fact that these destinations generally have a greater exposure to an international clientele.

However, the fourth quarter, which is more dependent on the performance of the business travel segment, saw a weak performance of the individual business travel. The lack of business groups and layovers, as well as the loss of some crews also contributed negatively. On the positive side the ski resorts registered strong results.

Overall, should be considered that in 2013 more than 60% of the deviations versus last year in terms of EBITDA is linked with the slower evolution of the hotels in the neighborhoods of Barajas Airport, where total number of passengers decreased by 12% in 2013, due to its dependence on crews and lay overs.

Available rooms showed a modest decrease by 1.6% linked to:

- The loss of the Tryp Sondika, Tryp Albayzin, and Tryp Las Matas due to the disaffiliation of underperforming hotels which also didn't match with the brand standards

- Offset by the incorporation of the Tryp Bosque before December 2013 under a management contract and now included as an owned hotel.

MANAGEMENT MODEL

Given the strategy of the Company focused on the asset-light model and the growing importance of Meliá's exposure to management formulas, the Company has changed the reporting method to include more detail on the profitability of the overall management model.

The figures generated by Meliá as a manager, includes:

- At the revenues level: the management fees from third parties but also intergroup charges in Melia's hotels under owned and leased. Additionally, this item includes "other revenues" being mainly the sales commission's trough centralized channels.
- At the expenses lines: mainly includes the sales, marketing, distribution expenses, etc.

Management fees from third parties generated 50 million euros, a slightly decrease versus 2012, which represents minus 2 million euros, mainly due to the slower performance of Brazil and Argentina. Management fees per available room during 2013 reached 1,564 euros.
This management model is mainly possible thanks to the internationalization which is parallel with the reinforcement of the strategy of regionalization and concentration of the administrative and management credit tasks in the different areas (America, EMEA, Spain, the Mediterranean and Asia). The rationale is to endow the regions, the location of the hotels, with the appropriate management resources and sales force, while also strengthening our direct channels strategy and the outbound sales process. This is accompanied by a reduction in the weighting of the corporate layer and sales force in Spain to refocus on the location of the business and feeder markets, generating an overall reduction of structural expenses. This trend is expected to be reinforced in the future.

OTHER HOTEL BUSINESS

The item Other Hotel Business basically includes the contribution of casinos, golf and Sol Caribe Tours, tour operator based in Latin America.

The better performance versus 2012 lies in the higher contribution of Sol Caribe Tours and the better evolution of the Golf business.

REAL ESTATE DIVISION

In December 2013, the Company reached an agreement for the sale of the company Bear S.A de CV, owner of the Meliá México Reforma, located in Mexico DF. The transaction amounted to 60 million dollars, generating capital gains at the EBITDA level of approximately 8.1 million Euros.

Furthermore, in the first semester 2013 it was generated additional 42.3 million euros capital gains.

All in all, including asset revaluations, in 2013 the Company generated 50.9 million euros of capital gains, which compares with €93.5 million in 2012.

Regarding the other real estate businesses, in July 2013 the Company sold the rights to build over one property in Madrid, a transaction that generated 3 million Euros.

CLUB MELIÁ PERFORMANCE

By the end of 2013 Club Meliá showed a slight increase in terms of revenues mainly thanks to the contribution of the Playa del Carmen resorts during the second half.

On the other hand, the fall in the number of weeks sold near 6.5% was offset by the increase in average prices by 8.4%. The average price increase was possible mainly due to:

- The different sales mix skewed towards the sale of bi-annual weeks
- Higher sales of premium products
- Increased generation of upgrades, and
- The improvement in the closing ratio.

More significant was the improvement in costs due to reduced sales and marketing expenses and corporate cost reductions, allowing an EBITDA improvement versus last year by more than 12 million euros, while the EBITDA margin moved up from near 2% to the neighborhood of 19%.

OVERHEADS STRUCTURE

The Company takes this opportunity to highlight the contribution of IT and Human Resources which are considered core aspects in the Company's strategy.

Regarding the IT contribution, it is worth mentioning the integration in June 2013 of the Company Travel Dymanic Solutions, S.A (from now on Idiso), Meliá's distribution platform, which has become a key driver for income generation in the Company.

In this regards, the Company has progressively strengthened the proportion of investments in IT focused on yield management tools and the improvement of the customer experience in melia.com, which could be directly linked with the increase in sales through this direct channel.

Regarding Human Resources, during 2013 the Company has launched a Comprehensive Model of Talent, completely aligned with Melia strategy. In this regards, one of the main milestones has been the design of Melia's Talent Map, whose main objective is to ensure the competitiveness of Meliá at the international arena and keeping the leadership in the industry, while ensuring the current and future coverage of key positions through development programs.

To this end, is worth to mention the success in the launching of the Performance Review, a key tool to strengthen Meliá leadership model and enhancing the correct identification of the best talent.

On the other hand, it has been developed a training model with global guidelines in order to enhance professional training programs, continuous professional updating and development.

With the results of the employee satisfaction survey, the Company is working collaboratively with the different areas and business units to implement Actions Plans focused on enhance and strengthen the communication and teamwork within the whole organizational levels.

2.2 CORPORATE SOCIAL RESPONSIBILITY

Meliá continues along the path of responsible management that has marked its corporate history over almost 60 years. Its commitment to CSR, an integral part of its business, is therefore a strategic lever and key element in terms of its corporate reputation, based on the stability of a family-owned company, committed to social issues and holding firm and solid values.

This responsible management, focused on strengthening links with its stakeholders, has led Meliá to draw up and introduce its first Code of Ethics. In drawing up this Code, a concept that is deeply rooted in the Company, "the commitment", was defined as its cornerstone. A project of this magnitude entails a gradual process of involvement with the key stakeholders. At the close of 2013, 90% of the managers and 75% of the hotels had participated in the Code of Ethics training sessions.

Meliá shares its commitment with its stakeholders, as the suppliers are a strategic group. Since the international launch of the Responsible Purchasing Project, 61% of the target suppliers for 2014 have already made our 'Sustainability Clause' their own. Meliá is also increasing its purchases from suppliers considered to be Special Employment Centres, promoting the employability and social/labour integration of vulnerable groups.

Meliá enhances its commitment through the establishment of stable and high-impact Strategic Alliances in different areas of CSR and social innovation, on a national and international level. Consequently, following three years of success, Meliá has renewed until 2016 its commitment to the Protection of Children, in collaboration with UNICEF International. Meliá actively works to support vulnerable groups in the broadest sense, in collaboration with partners in different social areas, such as the ONCE Foundation, in the promotion of universal accessibility and integration of diversity in tourism. As a result of this commitment to remove barriers, Meliá has developed the first corporate website to meet the Level AA Criteria for Universal Accessibility, in collaboration with Technosite, a technology company and Special Employment Centre.

In order to help improve the employability of young people with high potential and of vulnerable groups, Meliá is actively working with the Príncipe de Girona Foundation ("Sponsoring Talent") and the Accenture Foundation ("Together for Employment"), respectively. What is learned from these kinds of initiatives is then applied internationally in order to strengthen positioning in those key destinations.

Meliá has achieved the highest score in the Spanish hospitality industry in the latest CDP Iberia 125 report, which evaluates performance in the reduction of CO2 emissions and disclosure in reporting these, from the largest listed companies in Spain and Portugal, scoring 83 points out of 100 in terms of disclosure and a Level B performance rating from a range of five levels ('A' being the highest). With these results, Meliá is the leader in the Spanish hospitality industry and would also feature among the top four hotel chains in the world with the best positioning in this ranking. Over the last three years, Meliá has succeeded in advancing 55 points on this index and thus improving its rating. As a result of Meliá's environmental management, in 2013 its Carbon Footprint was reduced by 4% per stay, on the previous year. This is particularly significant, as the conversion factors from electricity to CO2 emissions in 2013 for the countries in which Meliá has a presence, have suffered a weighted increase of 15%, according to equivalence conversion tables per country from the International Energy Agency (IEA)
From a CSR perspective, Meliá has set its objective of continuing to progress in the integration of all the management models of its hotels with an international focus.

3. LIQUIDITY AND CAPITAL RESOURCES

Note 4.3 of the consolidated annual accounts provides details of the Group's cash management policy which is designed to ensure that the Group is able to meet its payment obligations.

4. PRINCIPAL RISKS AND UNCERTAINTIES

As established in article 5 of the Regulations of the Board of Directors of Meliá Hotels International, the Board of Directors is vested with general supervisory responsibilities. In order to supervise the risks it is indispensable that the risks of the Meliá Group first be identified.

Through the Risk Analysis, Control and Management Policy (approved in November 2011), the Board of Directors established the risk management policy adopted by Meliá Hotels International, S.A. This model, as dictated by the policy, is based on a series of risk management principles and commitments.

The risks to which the Group is exposed are divided into the following categories:

- Global Risks
- Financial Risks
- Business Risks
- Operational Risks
- Compliance Risks (regulatory)
- Information Risks

Section E of the Annual Corporate Governance Report and Note 4 of the Consolidated Annual Accounts provide additional details about the Group's risk management.

5. POST-BALANCE SHEET EVENTS

The relevant events that occurred after the balance sheet closing date and which will have a relevant impact on the consolidated annual accounts are detailed in Note 23 of the consolidated annual accounts.

6. INFORMATION ON THE OUTLOOK FOR THE COMPANY

HOTEL BUSINESS PERFORMANCE

The first quarter of 2014 is registering excellent results in the resorts in Latin America and the Caribbean, maintaining a double digit growth in RevPAR. In this regards, the Company is monitoring the evolution of the US dollar, the main currency in the area and the main challenge in maintaining similar growth rates.

In Spain, the first quarter is also contributing with good results thanks to the growth in the resorts in the Canary Islands, where the Company expects to be able to maintain growth rates during the first semester. Going into the second half of the year, its evolution will be linked to the recovery of tourist inflows in Egypt and the rest of North Africa.

Regarding the remaining areas in the Mediterranean, despite the fact that it is early days and the Company prefers to keep a cautious stance, current trends point to a summer season similar or slightly better than 2013, with good figures in the Balearic Islands and the resorts in mainland Spain.

Regarding Spanish cities, the Company confirms the feelings of the last couple of months which point towards a stabilization of the situation. At this stage, the Company observes:

- Some improvements on a global basis such as a higher number of events in specific cities and some optimism linked to a slight rebound in air traffic.
- Better news in the specific case of the Company that facing the second quarter is seeing better figures in advance sales in the Meetings and Incentives segment. The Company is monitoring the situation to evaluate how such improvements are effectively reflected in the macro and microeconomic reality. In any case, it is worth to mention that the second quarter will be impacted by the different calendar of the eastern season.
- Going into 2014, the Company will also see a better performance of hybrid destinations such as Barcelona, Bilbao or Palma de Mallorca, taking advantage of the expertise and leadership of Meliá in the resort travel business.

Main cities in Europe are expected to maintain healthy rates of growth for the whole year in the United Kingdom, Germany, Paris and Italy.

All in all, after a strong first quarter 2014 which will show a RevPAR growth above 7%, the Company expects mid-to high single digit growth in RevPAR, more than 50% explained by price.

EVOLUTION OF THE REAL ESTATE DIVISION

Going into 2014 the Company reinforces its commitment to generate additional assets sales by a minimum of €100-125 million.

EVOLUTION OF CLUB MELIÁ

Going into 2014, the Club Meliá is registering results above 2013, so the outlook for 2014 remains positive. Also of note is the commitment on the decrease in the delinquency rates.

DEVELOPMENT / INTERNATIONALIZATION

As of the date of publication of this report, the Company has in its pipeline 58 hotels and more than 16,000 rooms to be opened in the next years.

Looking ahead, the Company remains committed to expansion through low capital-intensive formulas, as has been the case in 2013 with the signature of 28 additional hotels, a growth rate that Meliá will sustain in 2014.

The latest additions to the Company portfolio have also become one of the key drivers for revenue generation, an example being the contribution of hotels added over recent times such as the Gran Meliá Rome, Gran Meliá Palacio de Isora, ME London, and especially the two Paradisus resorts in Playa del Carmen, which in their second year of operations have become the second largest contributors to EBITDA in the Company, all them intensifying its growth rate.

FINANCIAL STRATEGY

After a year 2013 fully focused on restructuring our debt maturity schedule and the maintenance of the cost of debt, in 2014 the focus of the Company is now on deleveraging the balance sheet. To this aim will contribute the free cash flow from the operating activities, strengthened thanks to the improvement of the hotel business and the club Meliá together with the asset rotation plan and the possible conversion of the convertible bonds which mature in 2014.
Given the more favorable environment it is expected to optimize liquidity levels, which after having adopted a conservative approach to debt management has remained at higher levels over recent years. Going into the current year, the Company remains confident about the reduction of average interest rates, which in 2013 reached 5.5%.

7. ACQUISITION AND DISPOSAL OF TREASURY STOCK

The treasury shares balance does not include 2.5 million shares that the Company has been loaned by the controlling shareholder.

The number of shares loaned to several banks at 31 December 2013 total 15.7 million shares, including 7.7 million shares to Deutsche Bank (Note 13.2).

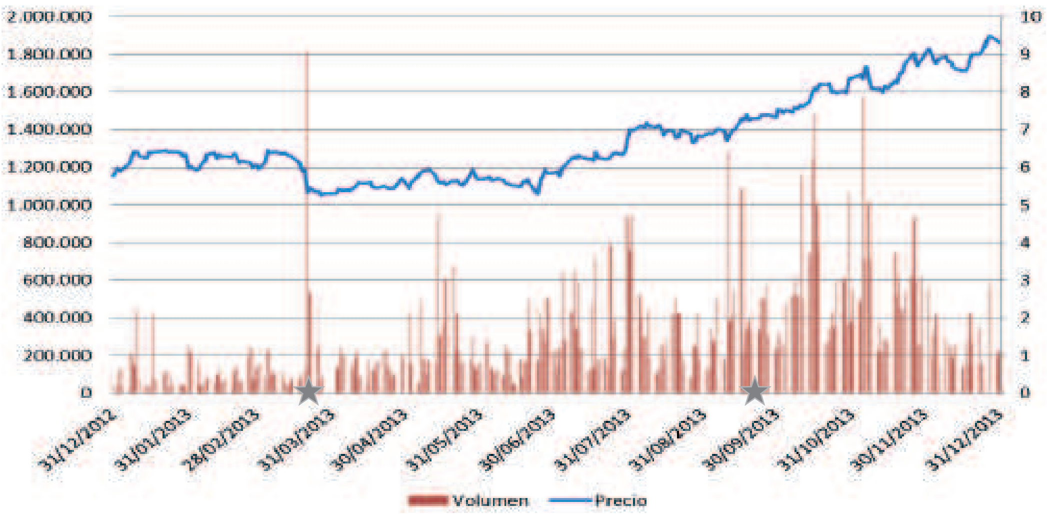
Accordingly, the Group is in possession of 121,304 shares representing 0.065% of share capital. Treasury shares do not exceed the 10% limit established by the Spanish Companies Act 2010.

The price of Meliá Hotels International, S.A.'s shares at the year end is €9.335. At the 2012 year end the share price amounted to €5.775.

8. OTHER INFORMATION ON THE EVOLUTION OF THE BUSINESS

8.1 STOCK MARKET INFORMATION

In 2013, the price of Meliá's shares rose by 61.65%, which was 10% and 40% higher than the IBEX Medium Cap and IBEX 35 indexes, respectively, as shown on the following chart:



	1 Q. 2013	2 Q 2013	3 Q. 2013	4 Q. 2013	2013
Average daily volume (thousands of shares)	249.06	493.03	611.45	767.08	**533.14**
Average evolution	-8%	10%	26%	27%	**62%**
Ibex 35 evolution	-3%	-2%	18%	8%	**21%**
Ibex Med Cao evolution	2%	8%	23%	12%	**52%**

The major milestones in 2013 were:

- On May 13th, Banco Sabadell sold its 6% stake in Meliá Hotels International S.A. As a consequence, the free float of the Company reached 35%. Since then, average trading volume has more than doubled.
- In March and September 2013 (★), the Company issued 250 million EUR in convertible bonds.
- • Dividends were paid on 8 August 2013.

8.2 DIVIDEND POLICY

In the past, the Company paid out about 20% of the Parent Company's consolidated profits in dividends.

In fiscal year 2013, the Parent Company's consolidated results were losses.

8.3 STAFF

The details are contained in note 7.3 of the consolidated annual accounts.

8.4 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.

8.5 RESEARCH & DEVELOPMENT

The Company does not conduct any research and development activities as they are not part of the corporate purpose.

9. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for fiscal year 2013 is enclosed as an attachment.

SPECIMEN ANNEX I
STANDARD FORMAT FOR THE ANNUAL REPORT ON CORPORATE GOVERNANCE OF LISTED COMPANIES

IDENTIFICATION DETAILS OS THE ISSUER
YEAR-END DATE 31/12/2013

A78304516

MELIA HOTELS INTERNATIONAL S.A.
Gremio de Toneleros,24 Pol.ind. Son Castello, (Palma de Mallorca) Baleares

A. COMPANY OWNERSHIP STRUCTURE

A.1 Complete the following table on company capital stock:

Date of last modification	Capital stock	Number of shares	Number of voting rights
20/11/2000	36,955,355.40	184,776,777	184,776,777

Indicate if there are different types of shares with any different associated rights: NO

A.2 Detail of direct or indirect significant shareholders at the close of the financial year, excluding members of the Board of Directors:

Name or corporate name of shareholder	Number of voting rights directly	Number of voting rights indirectly	% of total voting rights
HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989	0	13.90
HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	0	16.42
MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11,542,525	0	6.25

Indicate the most significant changes in share ownership structure during the year:

Name or corporate name of shareholder	Operation date	Operation description
INVERSIONES COTIZADAS DEL MEDITERRANEO, S.L.	13/05/2013	Share capital decreased by 5%.

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
		Direct shareholder	Number of voting rights	
GABRIEL ESCARRER JULIA	0	HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989	13.90
GABRIEL ESCARRER JULIA	0	HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	16.42
GABRIEL ESCARRER JULIA	0	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11,542,525	6.25
GABRIEL ESCARRER JULIA	0	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	49,371,167	26.72
FERNANDO D´ORNELLAS SILVA	0			0.00
JUAN VIVES CERDA	0	FINCA LOS NARANJOS, S.A	375	0.00
JUAN ARENA DE LA MORA	1,000			0.00
SEBASTIAN ESCARRER JAUME	0			0.00
GABRIEL ESCARRER JAUME	0			0.00
FRANCISCO JAVIER CAMPO GARCIA	0			0.00
AMPARO MORALEDA MARTÍNEZ	0			0.00
LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	300			0.00
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	49,371,167			0.00
ALFREDO PASTOR BODMER	0	MARÍA DEL CARMEN OLIVES PUIG	6,000	0.00

% of total voting rights held by the Board of Directors: 63,29

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:

Related name	Type of relation	Brief description
GABRIEL ESCARRER JULIA HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.
GABRIEL ESCARRER JULIA MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.
GABRIEL ESCARRER JULIA HOTELES MALLORQUINES AGRUPADOS S.L.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.
GABRIEL ESCARRER JULIA HOTELES MALLORQUINES ASOCIADOS, S.L.	Family	Indirect interests, which are shown in A.3 above, are based on the holdings directly or indirectly controlled by Gabriel Escarrer Julia, his wife and children.

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:

Related name	Type of relation	Brief description
TENERIFE SOL S.A. BANCO SABADELL, S.A.	Corporate	Banco Sabadell and Tenerife Sol, S.A. held interest in Sociedad Inversiones Hoteleras La Jaquita, S.A. but in May 2013 Banco Sabadell ceased to be a significant shareholder of Meliá Hotels International.
MELIA HOTELS INTERNATIONAL.S.A. BANCO SABADELL, S.A.	Corporate	Banco Sabadell and Meliá Hotels International held interests in Sociedad Altavista Hotelera, S.L. In May 2013, Banco Sabadell ceased to be a significant shareholder of Meliá Hotels International.
MELIA HOTELS INTERNATIONAL.S.A. BANCO SABADELL, S.A.	Corporate	Banco Sabadell and Meliá Hotels International held interests in Sociedad Datolita Inversiones 2010, S.L. In May 2013, Banco Sabadell ceased to be a significant shareholder of Meliá Hotels International.

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 articles 530 and 531 of Spanish Corporate Law (Ley de Sociedades de Capital): 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 breaking-off of those pacts or agreements or concerted actions, indicate this expressly:

A.7 Indicate if there is any person or entity which exercises or may exercise control over the Company according to article 4 of Stock Market Law. If so, identify that person or entity:

YES

Name or corporate name
GABRIEL ESCARRER JULIA

Observations
However, as previously mentioned, all of the shares controlled by the companies Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Asociados, S.L., Hoteles Malloquines Agrupados, S.L. and Majorcan Hotels Luxembourg, S.A.R.L. are directly or indirectly owned by Gabriel Escarrer Julia, his wife and children

A.8 Complete the following tables on treasury stock:

At year end

Number of direct shares	Number of indirect shares *	% total share capital
121,304	0	0.07

(*) Through:

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
15/05/2013	3,595,534	0	1.95
16/12/2013	4,093,773	0	2.22

A.9 Describe the term and conditions of the current mandate of the General Shareholders' Meeting to the Board of Directors to issue, repurchase or transfer treasury stock.

The mandate in effect at this time was passed by the General Meeting of Shareholders on 1 June 2011, authorising the Board of Directors, which in turn has the authority to delegate powers in the Directors as it sees fit, to acquire and dispose of treasury stock by buying, selling, swapping, awarding in payment or take part in any other operation allowed by law, up to the legal limit, for a price that may not be less than 90% or more than 110% of the closing price the day before the transaction. The mandate is in effect for five years from the passage of the motion. The mandate is bound by the limits and requirements of the Capital Companies Act and the company's Internal Code of Conduct for stock market operations.

According to the resolutions passed at the General Meeting of reference, the Board of Directors was authorised to increase the share capital pursuant to the terms of article 297 of the Capital Companies and to suspend any pre-emptive rights to such capital increases pursuant to the terms of article 308 of the Law, up to a total of EUR 18,477,677. The Board is authorised to increase the share capital in one or more operations, determining in each case the amounts and the conditions it deems most appropriate. Any such capital increase must take place within five years of the passage of the resolution and may be carried out by raising the par value of existing shares, in compliance with the legal requirements, or by issuing new ordinary or privileged shares, with or without an issue premium, with or without voting rights, or by issuing redeemable shares or any combination of the above. The price of the newly issued shares or the increase in value of the existing ones will be paid in cash or taken from unrestricted reserves or a combination of the two, as long as this is allowed by law and the provided for in the powers contained in the full contents of the agreement. The Board is specifically empowered to suspend some or all of the pre-emptive rights in relation to any securities issued under this authorisation, pursuant to the terms of article 506 of the Capital Companies Act.

Finally, in relation to the authorisation of the Board of Directors to issue fixed income, convertible and/or swappable shares up to a limit of FIVE HUNDRED MILLION EUROS within five years of the date of the General Meeting's resolution (01/06/2011), the Board was authorised, in accordance with article 297.1.b) of the Capital Companies Act, to increase the share capital by the amount needed to accommodate the conversion requests and to determine the terms and conditions of the conversion and/or swap, with the power to suspend the pre-emptive rights of shareholders and bondholders, to guarantee the issues of subsidiary companies and to increase the capital by the necessary amount. This power may only be exercised to the extent that the Board does not exceed the limit of one-half of the share capital mentioned in article 297.1.b) of the Capital Companies Act, counting the capital that is added to accommodate the debenture or convertible bond issue and the other capital increases authorised by the General Meeting. This includes authorisation to increase the capital to cover the conversion of the securities, the power to issue and circulate the shares that are needed to convert the shares on one or more occasions and, pursuant to article 297.2 of the Capital Companies Act, to amend article 5 of the bylaws relative to the share capital and the number of shares in circulation, and to eliminate the portion of the capital increase that is not needed for the conversion. Pursuant to the terms of article 304.2 of the Capital Companies Act, in the capital increases carried out by the Board of Directors to cover the conversion requests, there will be no pre-emptive rights and the Board of Directors is authorised to delegate the powers referred to in this resolution in any one of its Managing Directors.

A.10 Indicate whether there are any restrictions on the transfer of shares and/or any restrictions on voting rights. In particular, indicate any restrictions that may hinder the takeover of the company throught the purchase of shares on the market:

NO

A.11 Indicate whether 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:

A.12 Indicate whether the company has issued securities that are not traded on an EU regulated market.

YES

Where applicable, indicate the different classes of shares and, for each class of shares, the rights and obligations conferred.

During the fiscal year ended 31 December 2013, the Board of Directors, making use of the powers vested in it in the sixth resolution passed by the General Meeting on 1 June 2011, agreed as follows:

(I) On 20 March 2013, to proceed with an issue of bonds convertible and / or swappable for newly issued and/or existing shares in the amount of TWO HUNDRED MILLION EUROS (€200,000,000) with a five-year maturity date, excluding any pre-emptive rights on the part of company shareholders and to entrust the Board with determining the principal characteristics of the issue, which in turn empowered the Managing Director to determine the final terms and conditions of the issue. On 3 April 2013, the issue of convertible and/or swappable bonds was entered in the Mallorca Business Register and the subscription and payment of the bonds took place on 4 April 2013. The bonds were admitted to trading on the Frankfurt stock exchange's unofficial and unregulated Open Market (Freiverkehr) on 24 April 2013.

(II) On 9 September 2013, to proceed with an issue of bonds convertible and / or swappable for newly issued and/or existing shares in the amount of FIVE HUNDRED MILLION EUROS (€500,000,000) with maturity date of 4 April 2018, excluding any pre-emptive rights on the part of company shareholders. Pursuant to clause 16 of the Terms and Conditions of the Convertible and/or Swappable Bond Issue of Melia Hotels International, S.A., 2013 for a total amount of €200,000,000€ at 4.5 percent, approved by the Board of Directors on 20 March 2013, the issue was an extension of the one approved on 20 March 2013 under the same terms and conditions (except for the first interest payment date), both issues forming a single series of convertible and/or swappable bonds. The Managing Director was empowered to determining the price following the accelerated prospection process.
The deed was entered in the Mallorca Business Register on 19 September 2013. On 25 September 2013, the bonds were subscribed and paid. The bonds were admitted to trading on the Frankfurt stock exchange's unofficial and unregulated Open Market (Freiverkehr) on 25 September 2013

B. THE GENERAL MEETING

B.1 Indicate and, if applicable, explain whether there are any differences between the minimum requirements set out in the Spanish Corporate Law in connection with the quorum needed to hold a valid general Shareholders' Meeting.

YES

	% of quorum different to that established in article 193 of the Spanish Corporate Law for the general circumstances	% of quorum different to that established in article 194 of the Spanish Corporate Law for the special circumstances of the article 194
Quorum required for the first call	0.00	55.00
Quorum required for the second call	0.00	40.00

Description of the differences

According to article 24.4 of the Articles of Association, in order for the General Meeting to validly modify the corporate purpose, exclude the company's shares from trading or transform or dissolve the company, on first call the motion must be passed by 55% of the share capital with voting rights. On second call, the motion may be passed by 40% of the share capital with voting rights.

B.2 Indicate and if applicable, explain whether there is a difference between the Board's system for adapting resolutions and the system provided under Spanish Corporate Law:

YES

Describe how they differ from the provisions in the Spanish Corporate Law.

	Qualified majority different to the established in article 201.2 of the Spanish Corporate Law for the special circumstances of the article 194.1 of the Corporate Law	Other case of qualified majority
% established by the Company for adopting resolutions	0.00	60.00

Description of the differences

According to article 28.2 of the Articles of Association, in order for the General Meeting to validly modify the company's corporate purpose, exclude the company's shares from trading or transform or dissolve the company, the motion must be passed by 60% of the share capital present or represented at the meeting on both first and second calls.
When the shareholders in attendance or represented on the second announced meeting date account for less than fifty percent of the subscribed capital with voting rights, resolutions may only be validly passed with the favourable vote of two-thirds of the share capital present or represented at the Meeting.

B.3 Rules applicable to the amendment of the by-laws of the Company. In particular, the majorities provided for the amendment of the by-laws will be communicated and, where appropriate, the rules laid down for the protection of the rights of the shareholders in the amendment of the by-laws

Article 30.1.f) of the Articles of Association establishes that the General Meeting of Shareholders has the authority to modify the Articles of Association. Pursuant to article 24 of the Articles of Association, the General Meeting of Shareholders is validly convened to do business when the number of shareholders present or represented on first call represents the percentage of share capital legally required to address the agenda items according to the laws in force at any given time.
This notwithstanding, in order for the General Meeting to validly modify the corporate purpose, exclude the company's shares from trading or transform or dissolve the company, on first call the motion must be passed by 55% of the share capital with voting rights. On second call, the motion may be passed by 40% of the share capital with voting rights.
According to article 28 of the Articles of Association, the resolutions of the General Meeting will be passed by a majority of votes of the shareholders present or represented at the meeting, unless a higher majority is required by law or by the bylaws. Hence, in order for the General Meeting to validly modify the company's corporate purpose, exclude the company's shares from trading or transform or dissolve the company, the motion must be passed by 60% of the share capital present or represented at the meeting on both first and second calls.
However, when the shareholders at the meeting represent less than fifty (50%) of the subscribed share capital with voting rights on second call, the resolutions mentioned herein may only be passed with the favourable vote of two-thirds (2/3) of the share capital present or represented at the Meeting.
The above notwithstanding, motions to amend articles 3 (Registered Address), 7
(Accounting Register of Shares and Register of Shareholders), 8 (Legitimation of Shareholders), 24.3 (Quorum), 24.4 (Special Quorum), 28 (Majorities for Passage of Resolutions), 33 (Appointment of Officers of the Board of Directors) and 38 (Delegation of Powers) of the Articles of Association shall require the favourable vote of at least sixty percent (60%) of the share capital present or represented at the General Meeting on both first and second call.

B.4 Details of attendance at general meetings held during the year to which this report refers and the previous year:

	Attendance				
			% Distant vote		
Date	% Attendance	% Represented	Electronic vote	Other	Total
13/06/2012	70.48	4.51	0.00	0.00	74.99
05/06/2013	67.39	8.02	0.00	0.00	75.41

B.5 Indicate if there are any by-law restrictions that require a minimum number of shares to attend the General Shareholders' Meeting.

YES

Number of shares required to attend the General Shareholders' Meeting	300

B.6 It has been agreed that certain decisions involving a structural modification of the company ("affiliation", purchase/sale of essential operating assets, transactions equivalent to the liquidation of the company …) should be submitted to the approval of the general meeting of shareholders, even they are not required expressly by the Mercantile Law.

YES

B.7 Address and access form to the company website to corporate governance information and other information about general meetings to be made available to shareholders through the Company's website.

The address of the corporate website is: www.meliahotelsinternational.com. Clicking on Shareholders and Investors takes the user to the corporate governance documentation: http://www.meliahotelsinternational.com/es/accionistas-e-inversores/gobierno-corporativo/junta-general-accionistas

C. STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors provided for in the Company By-laws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2 Complete the following table with the Members of the Board:

Name or corporate name of the Director	Representative	Position	Date of first appointment	Date of last appointment	Selection procedure
GABRIEL ESCARRER JULIA		CHAIRMAN	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
GABRIEL ESCARRER JAUME		VICE PRESIDENT AND CEO	07/04/1999	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
FRANCISCO JAVIER CAMPO GARCIA		DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
AMPARO MORALEDA MARTÍNEZ		DIRECTOR	09/02/2009	02/06/2009	VOTE AT SHAREHOLDERS' MEETING
JUAN VIVES CERDA		DIRECTOR	07/02/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
SEBASTIAN ESCARRER JAUME		DIRECTOR	07/02/1996	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
FERNANDO D´ORNELLAS SILVA		DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
JUAN ARENA DE LA MORA		DIRECTOR	31/03/2009	02/06/2009	VOTE AT SHAREHOLDERS' MEETING
ALFREDO PASTOR BODMER		DIRECTOR	31/05/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
HOTELES MALLORQUINES CONSOLIDADOS , S.A.	MARIA ANTONIA ESCARRER JAUME	DIRECTOR	23/10/2000	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
LUIS Mª DIAZ DE BUSTAMANTE TERMINEL		SECRETARY DIRECTOR	30/11/2010	13/06/2012	VOTE AT SHAREHOLDERS' MEETING

Total number of board members	11

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
BANCO SABADELL, S.A.	Proprietary	14/05/2013

C.1.3 Complete the following table regarding the members of the Board and each member's status:

Executive Directors		
Name or corporate name of the Director	Committee which proposed the appointment	Position in the company organization
GABRIEL ESCARRER JULIA	APPOINTMENT AND REMUNERATION COMMITTEE	CHAIRMAN
GABRIEL ESCARRER JAUME	APPOINTMENT AND REMUNERATION COMMITTEE	VICE PRESIDENT AND CEO

Total number of executive directors	2
Total % of the Board	18.18

External Proprietary 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
JUAN VIVES CERDA	APPOINTMENT AND REMUNERATION COMMITTEE	HOTELES MALLORQUINES ASOCIADOS, S.L.
SEBASTIAN ESCARRER JAUME	APPOINTMENT AND REMUNERATION COMMITTEE	HOTELES MALLORQUINES AGRUPADOS S.L.
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	APPOINTMENT AND REMUNERATION COMMITTEE	HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Total number of proprietary & external directors	3
Total % of Board	27.27

External Independent Directors	
Name or corporate name of the Director	Profile
FERNANDO D´ORNELLAS SILVA	Born in Madrid on 29 October 1957. EDUCATION: Degree In Law and Economics from ICADE-E3. MBA from IESE, Barcelona (International Section). CURRENTLY: MELIA HOTELS INTERNATIONAL, MEMBER of the Board of Directors since June 2012; DINAMIA, Member of the Board of Directors since March 2013; WILLIS IBERIA, Member of the Advisory Board since March 2103); MITSUBISHI CORPORATION, Senior Advisor since March 2013); LAZARD ASESESORES FINANCIEROS, S.A. Senior Advisor, Spain and Latam since June 2013; Member of the International Advisory Board of the Hispanic Society of America; Member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010.
JUAN ARENA DE LA MORA	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. Director of Ferrovial Laboratorios Almirall, Everis, Meliá Hotels International, PRISA and PANDA. President of the SERES Foundation, Chairman of the Advisory Board of Consulnor, MARSH, 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; Senior Advisor to Oaktree. Senior Lecturer of at the Harvard Business School. (2009-2010). Former Chairman and CEO of Bankinter and director of TPI and Dinamia.

External Independent Directors	
Name or corporate name of the Director	Profile
ALFREDO PASTOR BODMER	Date and place of birth: La Seu d'Urgell (Lérida) on 30/9/1944. Degrees: Degree in Economics from the University of Barcelona, 1968; Ph.D. in Economics, Massachusetts Institute of Technology, 1972; Ph.D in Economic, Autonomous University of Barcelona, 1973. Professional Careere: Professor of Economic Theory since 1976. Professor of Economics, Boston University, 1980-81. Country Economist, World Bank, 1981-83. Director of Planning, INI, 1983-84. Managing Director, INI, 1984-85. Chairman, ENHER, 1985-90. Director, Bank of Spain, 1990-93. Director, Family Business Institute, 1992-93. Secretary of State for the Economy, 1993-95. Distinguished Professor, Institute for Advanced Business Studies (IESE),1996-97, Professor, 1997. Spanish Chair, CEIBS, 2000. Dean of CEIBS (China Europe International Business School), Shanghai (China), 2001-2004. Chair of Emerging Economies, Banco Sabadell, 2009. Current Directorships: Member of the Board of the Círculo de Economía since 1995. MELIÁ HOTELS INTERNATIONAL, since 1996. COPCISA, since 2006. BANSABADELL INVERSIÓN, since 2008. EDITORIAL BOARD, Diari ARA, since 2011. Board experience: SCANIA HISPANIA, 1996-2007. Chairman, 1997-2001. Miquel y Costas, 1997-2000. Hidroeléctrica del Cantábrico, 1999-2000. URÍA Y MENÉNDEZ, Advisor, 1996-2011. ABERTIS Telecom, 2006-2008. NUTREXPA, 2008-2011. GRIÑÓ ECOLÒGIC, 2011-2013. Publicaitons: 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 en PORTOCARRERO, J. (ed.) Intercambio de experiencias sobre políticas económicas en España y en Perú, Lima, 1982. "Spain: Economic policies for modernisation: evidence, analysis and reflection", in JANAGGATHAN, S. (ed.): Industrial Challenges for the 1990s: India and OECD, Srinagar, 1988. "El Mercado común europeo: una perspectiva española, Pensamiento Iberoamericano, enero-Junio 1989. "La política industrial en España: una evaluación global in MARTÍN, C Política industrial, teoría y práctica, Madrid 1991. "The privatization of State enterprises in developing countries: some lessons" in PÖSCHL, J. (ed.): Privatization in Eastern Europe, Friedrich-Ebert-Stiftung, Vienna, 1992. "Estrategias de Política Industrial in ALBI, E. (ed.): Europa y la competitividad de la economía española, Ariel, 1992. "Unión monetaria busca país" in MUNS, J. (ed.): España y el euro: riesgos y oportunidades, Barcelona 1997. "La gestión de la incapacidad temporal en España, Documentación laboral 2001 (with Juan PEROTE). "La transformación de la economía china in Real Instituto Elcano, Perspectivas exteriores 2004. La ciencia humilde, ed. Crítica, 2013. "Globalización, en una cultura de fraternidad", en MELÉ, D. y CASTELLÀ, J.Mª El desarrollo humano integral, Barcelona, 2010. Conde de Godó Journalism Award, 2011
FRANCISCO JAVIER CAMPO GARCIA	With a degree in Industrial Engineering from the Madrid Polytechnic University, he began his career in 1980 with Arthur Andersen. In 1986 he joined Día and was the Chairman of the Día International Group for 24 years. He was a member of the International Executive Committee of Carrefour for 15 year. He is currently the Chairman of the Zena Group (Foster Hollywood, Domino´s Pizza, La Vaca Argentina, Cañas & Tapas, Burger King, etc.) He is the President of AECOC, the Spanish Consumers' Association which has more than 25,000 member companies representing more than 20% of Spain's GDP and more than 2 million employees among them. He is also a Director of Bankia and a member of its Risk Committee; Director of Melia Hotels Internationals, Director of the Alimentación Palacios Group and a member of the Advisory Board of AT Kearney. He is a trustee of the ITER Foundation and member of the Board of Governors of the Carlos III Foundation and the Forum de Alta Dirección.
AMPARO MORALEDA MARTÍNEZ	Education: - Industrial Engineer degree from ICAI. - PDG from IESE. Professional Career: From January 2009 to February 2012, Director of Operations for the International Area of IBERDROLA responsible for the United Kingdom and United States. Also direcectede Iberdrola Ingeniería y Construcción through January 2011. From 1998 to January 2009, her professional career was linked to IBm and the information technology sector. Throughout her professional career at IBM, held different management positions in North America, Europe and Spain. In June 1999, assigned to IBM headquarters in New York as Deputy Director along with Louis.V. Gerstner (Chairman of IBM Corporation). From that position, participating in the company's strategic decisions, epecially those affecting Europe, Latin American and Asia-Pacific. In July 2001 named Chairwoman of IBM Spain and Portugal and in June 2005 assumed the executive leadership of a new IBM unit that included Spain, Portugal, Greece, Israel and Turkey. Other information: Member of the Board of Directors of de Meliá Hotels International, Member of the Board of Directors of Corporación Financiera Alba, Member of the Board of Directors of Faurecia, Member of the Board of Directors of Solvay, Member of the Board of Directors of Alstom, Member of the Board of Directors of KPMG España, Member of the Advisory Board of SAP España, Member of the Governing Board of CSIC (Council on Scientific Investigation), Member of diverse Boards of Trustees of different bodies and institutions, including: the Academy of Social Sciences and the Environmentl of Andalcuía, Member of the Board of Trustees of the MD Anderson Cancer Center of Madrid, Member of the International Advisory Board of the Business Institute, Member of the Madrid Board of Directors Spanish Executives Association. Awards and recognitions: Excellence Award of the Spanish Federation of Women Executives, Professionals and Businesswomen (Fedepe), in 2002. 9th Javier Benjumea Award in 2003 presented by the ICAI Engineers Association in recognition of prestigious engineeing professionals for their professional careers. Second Value-Based Leadership Award in 2008 given by the FIGEVA Foundation. In 2005, inducted into the Hall of Fame of the Women in Technology International (WITI) organization. The Hall of Fame is the means by which this institution acknowledges the most distinguished members of the business and technology world who have made valuable contributions to women in the world of technological development. In 2009, included on the list of 10 most highly regarded Spanish business leaders (being the first women in the ranking) according to the MERCO annual report (Spanish Corporate Reputation Monitor)

External Independent Directors	
Name or corporate name of the Director	Profile
LUIS Mª DIAZ DE BUSTAMANTE Y TERMINEL	Born in Torrelavega (Cantabria, Spain) on 25 August 1952. Law Degree from the Complutense University in Madrid. Practicing attorney since 1975 and partner in the Isidro D. Bustamante firm (1942). His professional career has been focused primarily on the practice of civil and mercantile law, civil and international procedural law and business consulting. Education: Universidad Complutense de Madrid (UCM), School of University Studies and School of Law. Madrid. Law Degree (June 1975). Political Studies Institute, Political Sociology Courses (1974/1976). Menéndez Pelayo International University, Geopolitical Course (1975). School of Legal Practice (UCM-Madrid), Legal Advisers Course (1975/1976) - University of Miami (FL, USA), "Estate Planning" attorney (1977). Secretary of State of CCEE & Association for European Integration (Madrid, 1982), Introductory Course on the European Communities, UCM-Madrid School of Law, Doctoral Course (1990/1991) – ex thesis. Institute for Comparative Law (UCM-Madrid). University Course in Comparative Law (1990/1991). Some of the publications on which he has collaborated include: the Spanish/English Dictionary of Law, Economics and Polititics (EDERSA, 1st edition in 1980 and subsequent editions); tax and financial law journal and the books: Spanish Business Law (Kluwers 1985) and Business Law in Spain (Butterworths, 1992). Member of the Madrid (Spain) Bar Association since 1975 practicing law as a partner in the firm of Isidro D. Bustamante (founded by his father, Isidro Díaz de Bustamante y Díaz in 1942), focusing primarily on civil and mercantile law and civil and international procedural 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 (i.e., Commendation County of Los Angeles & Commendation S.E. District Bar Association, County of Los Angeles). He is practicing court attorney and a legal adviser to numerous businesses and sits on numerous boards of directors. He participates in the Bankruptcy Administration Area of the Madrid Bar Association.

Total number of independent non-executive directors	6
Total % of the Board	54.55

State whether any director classified as independent receives from the company or its group any amount or benefit for items other than director remuneration, or maintains or has maintained during the last financial year a business relationship with the company or with any company of its group, whether in the director's own name or as a significant shareholder, director or senior officer of an entity that maintains or has maintained such relationship. If applicable, include a reasoned statement of the Board regarding the reasons for which it is beleived that such director can carry out the duties thereof as an independent director.

Other External Directors

Describe the reasons why they cannot be considered proprietary or independent directors as well as their ties, whether with the company, its management, or its shareholders.

Indicate the changes, if any, have occurred during the period in the type of director:

C.1.4 Complete the following table with information about the number of women directors for the last 4 years, and the type of such women directors:

	Number of women directors			
	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0
Proprietary	1	1	1	1
Independent	1	1	1	1
Other External	0	0	0	0
Total	**2**	**2**	**2**	**2**
	% of total directors each class			
	Year t	Year t-1	Year t-2	Year t-3
Executive	0.00	0.00	0.00	0.00
Proprietary	33.33	25.00	33.33	33.33
Independent	16.67	16.67	20.00	20.00
Other External	0.00	0.00	0.00	0.00
Total	**18.18**	**16.67**	**18.18**	**18.18**

C.1.5 Explain the measures, if any, have been taken to seek to include in the board a number of women that would achieve a balanced representation of women and men.

Explanation of the measures

In the process of selecting Board members, the Appointments and Remuneration Committee evaluates the skills and experience of the candidates objectively, assessing each candidate's profile individually and considering the need to foster equal opportunities among women and men, ensuring that there is no discrimination of any kind based on gender.

In the Board member selection process, the candidate's profile is evaluated, including the potential female candidates whose profile conforms to the professional that is being sought.

C.1.6 Describe any measures approved by the remuneration committee in order for selection procedures to be free of implicit biases that hinder the selection of female directors, and in order for the company to deliberately search for women who meet the professional profile that is sought and include them among potential candidates:

Explanation of the measures

In the process of selecting Board members, the Appointments and Remuneration Committee evaluates the skills and experience of the candidates objectively, assessing each candidate's profile individually and considering the need to foster equal opportunities among women and men, ensuring that there is no discrimination of any kind based on gender.

In the Board member selection process, the candidate's profile is evaluated, including the potential female candidates whose profile conforms to the professional that is being sought

When, despite the measures, if any, have been taken are few or no female directors, explain the reasons therefore:

C.1.7 Explain the form of representation on the board of shareholders with significant holdings.

Significant shareholders are represented on the Board by proprietary directors.

C.1.8 Describe, if applicable, the reasons why proprietary directors have been appointed at the proposal of shareholders whose shareholding interest is less than 5% of share capital.

State whether there has been no answer to formal petitions for presence on the board received from shareholders whose shareholding interest is equal to or greater than that of others at whose proposal proprietary directors have been appointed. If so, describe the reasons why such petitions have not been answered:

NO

C.1.9 State whether any director has withdrawn from the position as such before the expiration of the director's term of office, whether the director has given reasons to the board and by what means, and in the event that the director gave reasons in writing to the full board, describe at least the reasons given thereby:

Name of director	Reason for withdrawal
BANCO SABADELL, S.A.	Stepped down after sale of shares

C.1.10 State any powers delegated to the chief executive officer(s):

Name or Company name of the shareholder	Description
GABRIEL ESCARRER JAUME	Vested with all of the rights of the Board that may be delegated under the law and the Articles of Association

C.1.11 Identify, where applicable, any members of the board who are directors or officers of companies within the listed company's group:

Name or corporate name of the member	Corporate name of the group company	Position
GABRIEL ESCARRER JULIA	GEST.HOT.TURISTICA MESOL S.A.	DIRECTOR
GABRIEL ESCARRER JULIA	LOMONDO LIMITED	DIRECTOR
GABRIEL ESCARRER JULIA	MARKTUR TURIZM ISLETMECILIK A.S.	DIRECTOR
GABRIEL ESCARRER JULIA	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JULIA	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
GABRIEL ESCARRER JULIA	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	ADPROTEL STRAND S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA. S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	APARTOTEL S.A.	CEO
GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A.DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	CADSTAR FRANCE SAS	CHAIRMAN
GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V.	DIRECTOR
GABRIEL ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	CASINO TAMARINDOS. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	COMPAGNIE TUNISIENNE DE GESTION HOTELEIRE S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	DIRECTOR
GABRIEL ESCARRER JAUME	DESARROLLOS SOL S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	DETUR PANAMÁ. S.A.	TREASURER
GABRIEL ESCARRER JAUME	DORPAN S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	FARANDOLE B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	GEST.HOT.TURÍSTICA MESOL S.A. (SOC. UNIP)	DIRECTOR
GABRIEL ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	HOGARES BATLE S.A.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	HOTEL ALEXANDER SAS	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL COLBERT. S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL FRANCOIS SAS	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTELES SOL MELIÁ S.L	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGER
GABRIEL ESCARRER JAUME	IMPULSE HOTEL DEVELOPMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	INMOBILIARIA DISTRITO COMERCIAL C.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INMOTEL INVERSIONES ITALIA S.R.L.	DIRECTOR
GABRIEL ESCARRER JAUME	INVERSIONES AREITO. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INVERSIONES HOTELERAS LA JAQUITA. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	DIRECTOR
GABRIEL ESCARRER JAUME	INVERSIONES Y EXPLOTACIONES TURÍSTICAS S.A.	CEO
GABRIEL ESCARRER JAUME	LOMONDO LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	LONDON XXI. LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	MARKSERV	DIRECTOR

Name or corporate name of the member	Corporate name of the group company	Position
GABRIEL ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	DIRECTOR
GABRIEL ESCARRER JAUME	MELSOL MANAGEMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	MONGAMENDA S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	MOTELES ANDALUCES S.A.	CEO
GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGOZA S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	PROMEDRO. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	PT SOL MELIÁ INDONESIA	CHAIRMAN
GABRIEL ESCARRER JAUME	REALIZACIONES TURÍSTICAS S.A.	CEO/MEMBER
GABRIEL ESCARRER JAUME	SAN JUAN INVESTMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SECURISOL S.A.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	SOL GROUP B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL GROUP CORPORATION	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MANINVEST B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA BALKANS EAD	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	CO-DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA EUROPE. B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	CHAIRMAN OF THE BOARD
GABRIEL ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	CHAIMRAN
GABRIEL ESCARRER JAUME	SOL MELIA ITALIA. S.R.L.	CO-DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA MAROC - S.A.R.L. D´ASSOCIÉ UNIQUE	MANAGER
GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB ESPAÑA S.L.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	SOL MELIA VACATION NETWORK ESPAÑA S.L.	CHAIRMAN/CEO
GABRIEL ESCARRER JAUME	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ GREECE. S.A.	DIRECTOR AND CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ INVESTMENT N.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ LUXEMBOURG. S.À.R.L.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ SERVICES. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ SUISSE S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	TENERIFE SOL S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	PRODIGIOS INTERACTIVOS, S.A.	CHAIRMAN/CEO
SEBASTIAN ESCARRER JAUME	SOL MELIA CHINA LIMITED	DIRECTOR

C.1.12 Identify the directors of your company, if any, who are members of the board of directors of other companies listed on official stock exchanges other than those of your group, that have been reported to your company:

Name or corporate name of the member	Corporate name of the group company	Position
FERNANDO D´ORNELLAS SILVA	DINAMIA CAPITAL PRIVADO,S.C.R., S.A	DIRECTOR
JUAN ARENA DE LA MORA	ALMIRALL, S.A.	DIRECTOR
JUAN ARENA DE LA MORA	PRISA PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR
JUAN ARENA DE LA MORA	FERROVIAL. S.A.	DIRECTOR
FRANCISCO JAVIER CAMPO GARCIA	BANKIA, S.A.	DIRECTOR
AMPARO MORALEDA MARTÍNEZ	CORPORACION FINANCIERA ALBA, S.A.	DIRECTOR

C.1.13 Indicate whether the company has established rules regarding the number of Boards of which its directors may be members:

NO

C.1.14 Indicate the company's general strategies and policies reserved for approval by the full Board:

Investment and financing policy	YES
Definition of the structure of the corporate group	YES
Corporate governance policy	YES
Corporate social responsibility policy	YES
Strategic or business plan, as well as the annual management and budget objectives	YES
Senior executive management evaluation and remuneration policies	YES
Risk control and management policy, and the periodic monitoring of internal information and control systems	YES
Policy on dividends (not laid down) and on treasury shares, and the limits to be applied	YES

C.1.15 Indicate the overall remuneration of the board of Directors:

Remuneration of the Management Board (thousand of euros):	1,496
Amount of the remuneration corresponding to the benefits accrued by the directors on pensions (thousands of euros):	0
Total remuneration of the Management Board (thousands of euros)	1,496

C.1.16 Identify the members of the company's senior management who are not executive directors and state the total remuneration accruing to them during the financial year:

Name or corporate name	Position
GABRIEL CÁNAVES PICORNELL	HUMAN RESOURCES E.V.P.
ONOFRE SERVERA ANDREU	CLUB MELIA E.V.P.
PILAR DOLS COMPANY	FINANCE AND ADMINISTRATION E.V.P.
LUIS DEL OLMO PIÑERO	GROUP MARKETING E.V.P.
JUAN IGNACIO PARDO GARCIA	LEGAL COMPLIANCE E.V.P.
ANDRE PHILIPPE GERONDEAU	HOTELS E.V.P.
MARK MAURICE HODDINOTT	REAL STATE E.V.P.

Total senior management remuneration (in thousand euros)	2,046

C.1.17 Indicate, if applicable, the identity of the Board members who are also members of the Board of Directors of companies that hold significant shareholdings in the listed company and / or in entities within their Group:

Name or corporate name of the Director	Corporate name of the significant shareholder	Position
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	CHAIRMAN
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	SECRETARY/DIRECTOR
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SECRETARY/DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY/DIRECTOR
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	DIRECTOR
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	DIRECTOR

Describe any significant relationships, other than the ones contemplated in the prior item, of the members of the board of directors linking them to significant shareholders and/or companies within their group:

Name or corporate name of the related Director	Name or corporate name of the related significant shareholder	Description of relationship
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JULIA	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company
SEBASTIAN ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	Gabriel Escarrer Juliá, his wife and children (including Sebastián Escarrer Jaume and Gabriel Escarrer Jaume) own shares in the company

C.1.18 Indicate whether any amendments have been made to the Regulations of the Board of Directors during the financial year:

NO

C.1.19 Indicate the procedures for selection, 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.

According to article 15 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee is responsible for formulating and revising the guidelines for the composition of the Board of Directors and the selection of candidates, and for making proposals to the Board for the appointment of members (in the case of co-option) or to the General Meeting of Shareholders. Directors are appointed for five years and may be re-elected as provided for in the Articles of Association.

C.1.20 Indicate whether the board has performed an evaluation of its activities during the financial year:

YES

If applicable, explain the extent to which self-evaluation has led to major changes in its internal organization and regarding the procedures applicable to its activities:

Description of amendments
There were no significant changes to the internal organization or internal procedures applicable to the Company's operations during the year.

C.1.21 Indicate the events in which Board Members are obliged to resign.

Chapter VIII of the Regulations of the Board regulates the Directors' duties, which include the obligation to work with the diligence of an organised businessperson and a loyal proxy, and in accordance with any other legally required standard of diligence. More specifically, article 30 of the Regulations of the Board states that directors must observe all regulations on behaviour established in stock market legislation and, particularly, those contained in the Internal Code of Conduct. Therefore, a breach of any of these duties or obligations shall be considered grounds for relieving the Director of his/her duties

C.1.22 State whether the powers of the top executive of the company are vested in the chair of the board. If so, describe the measures that have been taken to mitigate the risks of accumulation of powers in a single person:

NO

State and, if applicable, explain whether rules have been established whereby one of the independent directors is authorised to request that a meeting of the board be called or that new items be included on the agenda, to coordinate and hear the concerns of external directors and to direct the evaluation by the board of directors.

NO

C.1.23 Are higher majorities required, different from the legal majority, in any type of decision?

NO

Where applicable, describe the differences.

C.1.24 Explain whether there are specific requirements, other than those relating to directors, to be appointed chairman of the board of directors.

YES
Description of requirements

Article 33.2 of the By-laws state that in order for a Director to be appointed Chairman or Vice-Chairman, at least one of the following circumstances must occur:
(a) To have formed part of the Board of Directors during at least the THREE (3) years prior to said designation; or,
(b) To have previously occupied the position of Chairman or Vice-Chairman of the Board of Directors, regardless of the period of time spent as a Director

Neither of the previous conditions must be met whenever the designated Director is supported by SEVENTY-FIVE PERCENT (75%) or more of the members of the Board of Directors. The re-election as a Director of members of the Board that are currently Chairman and Vice-Chairman will imply their automatic continuity in those positions.

C.1.25 Indicate if the Chairman has a casting vote:

YES
Matters on which there is a casting vote

In the event of a tie.

C.1.26 Indicate if the Company bylaws or the Regulations of the Board of Directors establish any limit on the age of Board Members:

NO

C.1.27 Indicate if the Company Bylaws or the Regulations of the Board of Directors establish a limited mandate for independent Board Members that is different than the term provided by regulatory provisions:

NO

C.1.28 Indicate whether the by-laws or the regulations of the board specific rules for proxy voting at the board, how to do it and, in particular, the maximum number of delegations that can have a director, and if you have established mandatory delegate to a director of the same class. If applicable, briefly detail these rules.

According to the terms of article 18.2 of the Regulations of the Board, representation must be conferred in writing and specifically for each meeting by means of a letter to the Chairman. External Directors may only be represented by another external director.

C.1.29 Indicate the number of meetings that the Board of Directors has held during the financial year. In addition, indicate the number of times the Board has met, if any, at which the chairman was not in attendance. Proxies granted with specific instructions shall be counted as attendance:

Number of Board meetings	8
Number of Board meetings without the presence of the Chairman	0

Indicate the number of meetings held during the year by the different committees of the board of directors:

Board	Meetings
AUDIT COMMITTEE	7
APPOINTMENT AND REMUNERATION COMMITTEE	5
EXECUTIVE OF DELEGATE COMMITTEE	0

C.1.30 Indicate the number of Board meetings held during the year with the attendance of all its members. Proxies granted with specific instructions for the meeting will be considered attendance:

Attendances	8
% Of attendances over total votes during the year	100.00

C.1.31 Indicate whether the individual and consolidated annual accounts presented to the Board for approval are previously certified:

YES

Name	Position
PILAR DOLS COMPANY	EVP FINANCE & ADMINISTRATION
GABRIEL ESCARRER JAUME	VICE PRESIDENT AND CEO

C.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 functions of the Audit and Compliance Committee includes liaising with the external auditors to receive information related to the account auditing process and to exchange the information reflected in the auditing laws and technical auditing standards, directly monitoring the performance of the external auditors. In doing so, the Committee holds numerous meetings with the auditors throughout the year in order to detect and resolve any incidents affecting the annual accounts.

C.1.33 Is the Secretary of the Board of Directors a board member?

YES

C.1.34 Explain the procedures relating to the appointment and stepping down of the Board Secretary, indicating whether the Secretary's appointment and dismissal were reported by the Appointment Committee and approved by the Board in full.

Procedure for appointment and dismissal
The Secretary of the Board is designated by the Board itself based on the recommendation of 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
Among other obligations, Article 12.3 of the Regulations of the Board establishes that the Secretary is responsible for overseeing compliance with the Company's principal corporate governance policies and the rules issued by regulators and taking their recommendations into account.

C.1.35 Indicate the mechanisms established by the company, if any, to preserve the independence of the auditors, 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. There is a direct relationship between the members of the Committee and the external auditors, with the latter being invited to attend the Committee meetings. 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. According to article 36.4 of the Regulations of the Board of Directors, under no circumstances will any privileged information be provided to financial analysts that could put them at an advantage over other shareholders.

C.1.36 Indicate whether during the financial year the company has changed its external auditor. If so, identify the incoming and outgoing auditors:

NO

If there were disagreements with the outgoing auditor, explain the content of these:

C.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)	191	286	477
Fees for work other than that of auditing / Total amount invoiced by the audit company (in %)	37.50	30.00	32.60

C.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

C.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	5	5
Number of years audited by the current audit firm / Number of years that the company has been audited (in %)	27.80	27.80

C.1.40 Indicate and detail, if applicable, if there is any procedure for the Board Members to obtain external advice:

YES

Detail of procedure
According to article 23 of the Regulations of the Board, external directors may request that legal, accounting, financial or other experts be hired at the expense of the Company. The engagement must necessarily be related to specific problems of certain importance and complexity that arise in performance of office. The Chairman of the Company must be informed of the decision to request such services and they may be rejected by the Board of Directors under the following circumstances: (a) it is not required for the performance of the duties assigned to Outside 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.

C.1.41 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 states that meeting announcement will be sent out at least three days in advance and will be accompanied by the meeting agenda and a summary of the relevant information, barring exceptional circumstances the information is made available to the Directors eight days before the meeting. Meanwhile, article 22 of the Regulations of the Board establishes that Directors have the authority to obtain information about any aspect of the Company and to examine its books, records, documents and other background information on its operations and to inspect its facilities. The right to information is channelled through the Chairman or the Secretary of the Board of Directors, who will respond to the Directors' requests by providing them with the information directly or putting them in touch with the right people within the organization or making sure that they are allowed to conduct the desired examinations and inspections.

C.1.42 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
Although there are no specific rules in this regard, both the Regulations of the Board and the By-laws stipulate that the Directors should discharge their duties with the diligence and loyalty required of them according to the applicable laws at any given time.

C.1.43 State whether any member of the board of directors has informed the company that such member has become subject to an order for further criminal prosecution upon indictment or that an order for the commencement of a bench trial has been issued against such member for the commission of any of the crimes contemplated in section 213 of the Spanish Corporate Law:

NO

Indicate whether the Board of Directors has analyzed the case. If affirmative, explain the reasons for the decision taken on whether or not the director should continue in his/her position or, where appropriate, explaining the actions taken by the board until the date of this report or the ones that intend to take.

C.1.44 Detail significant agreements entered into by the company and which come into force, be amended or terminated in the event of change of control of the company following a takeover bid, and its effects.

None

C.1.45 Identify on an aggregate basis and provide a detailed description of the agreements between the company and its management level and decision-making positions or employees that provide for indemnities, guarantee or "golden parachute" clauses upon resignation or termination without cause, or if the labour relationship is terminated as a result of a takeover bid or other type of transaction.

Number of beneficiaries	0
Type of beneficiarie	N/A
Description of the agreement	N/A

Indicate whether such agreements must be reported to and / or approved by the decision-making bodies of the company or its group:

	Board of Directors	General Meeting
Authority that authorizes the clauses	NO	NO

Is the general meeting informed about the clauses?	NO

C.2 Committees of the Board of Directors

C.2.1 Detail of all the Committees of the Board of Directors, the members thereof, and the proportion of proprietary and independent directors of wich they are comprised:

AUDIT COMMITTEE		
Name	Position	Type
JUAN ARENA DE LA MORA	CHAIRMAN	Independent
ALFREDO PASTOR BODMER	MEMBER	Independent
JUAN VIVES CERDA	MEMBER	Proprietary
AMPARO MORALEDA MARTÍNEZ	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	75.00
% of other external directors	0.00

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Type
AMPARO MORALEDA MARTÍNEZ	CHAIRMAN	Independent
FERNANDO D´ORNELLAS SILVA	MEMBER	Independent
FRANCISCO JAVIER CAMPO GARCIA	MEMBER	Independent
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	75.00
% of other external directors	0.00

STRATEGY COMMITTEE		
Name	Position	Type
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN	Proprietary
JUAN VIVES CERDA	MEMBER	Proprietary
ALFREDO PASTOR BODMER	MEMBER	Independent

% of executive directors	0.00
% of proprietary directors	66.67
% of independent directors	33.33
% of other external directors	0.00

C.2.2 Complete the following table with information on the number of women directors comprising the committees of the board during the last four years:

	Number of women directors							
	Year t		Year t-1		Year t-2		Year t-3	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	25.00	1	25.00	0	0.00	0	0.00
APPOINTMENTS AND REMUNERATION COMMITTEE	2	50.00	2	50.00	2	40.00	2	40.00
STRATEGY COMMITTEE	1	33.33	1	33.33	1	33.33	1	33.33
EXECUTIVE OR DELEGATE COMMITTEE	0	0.00	0	0.00	0	0.00	0	0.00

C.2.3 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

C.2.4 Provide a description of the organization and operating rules, as well as the responsibilities attributed to each of the Board committees.

Committee Name STRATEGY COMMITTEE
Brief Description 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 whom have the capacity, dedication and experience required to perform the required functions. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. 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 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. 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.

Committee Name APPOINTMENTS AND REMUNERATION COMMITTEE
Brief description Minimum of THREE (3) and maximum of 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 whom have the capacity, dedication and experience required to perform the required functions. The Chairman must be replaced every four years, and may be re-elected after a period of one year after being replaced. The 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. The responsibilities of the Appointments and Remuneration Committee defined in article 15 of the Regulations of the Board are: to define and review the criteria to be applied with regard to the composition of the Board of Directors; to submit to the Board any proposals on the appointment of Directors; to propose members of Committees to the Board; to regularly review remuneration policies; to ensure transparency in remuneration; to report on any transactions that imply or may imply conflict of interest. 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.

Committee Name AUDIT COMMITTEE
Brief description Article 39 bis of the Company Bylaws state that the Audit 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. 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. The Audit 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. The responsibilities of the Audit 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. 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 members of all of the Committees mentioned above will be automatically relieved of their duties if they resign or are removed from their directorships. Each Committee may appoint a Secretary, who may be the Secretary of the Board or another Board member who may or may not be a Committee member, or even a manager. Each Committee will report to the Board on the resolutions passed and the decisions taken and the deciding vote, in the case of a tie, will be cast by the Chairman.

C.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.

Committee name STRATEGY COMMITTEE
Brief description The Committee's operations are regulated in article 16bis of the Regulations of the Board of Directors, which can be consulted on the Company's website. The Committee does not prepare annual reports, although it does report to the Board at each Board Meeting on the principal aspects and conclusions reached at the Committee meetings. The Committee's functions have been assumed directly by the Board of Directors which monitors the items falling under the Committee's jurisdiction at each session. In addition, the board holds one monographic meeting per year devoted exclusively the strategic matters affecting the Company, including a review of the level of compliance with the Strategic Plan.

Committee name APPOINTMENTS AND REMUNERATION COMMITTEE
Brief description The Committee's operations are regulated in article 15 of the Regulations of the Board of Directors, which can be consulted on the Company's website. The Committee does not prepare annual reports, although it does report to the Board at each Board Meeting on the principal aspects and conclusions reached at the Committee meetings.

Committee name AUDIT COMMITTEE
Brief description The Committee's operations are regulated in articles 39bis of the By-laws and 14 of the Regulations of the Board. Both documents can be consulted on the Company's website. The Committee does not prepare annual reports, although it does report to the Board at each Board Meeting on the principal aspects and conclusions reached at the Committee meetings.

C.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 there are provisions for the creation of an Executive Committee in article 16.1 of the Regulations of the board, such a committee has not yet been formed.

D. RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1 Identify the competent decision-making body and explain, if applicable, the procedure for approval of transactions with related parties and intragroup.

Authority responsible for approving related party transactions

According to article 34.1 of the Regulations of the Board, the competent body is the Board of Directors.

Procedure for approving related party transactions

According to article 34.1 of the Regulations of the Board of Directors, in accordance with the applicable legislation, the Board of Directors must be aware of and authorise any transaction made by the Company with its principal shareholders and directors and executives. According to article 34.2 of the Regulations of the Board, under no circumstances must any transaction be authorised unless a report has been received from the Appointments and Remuneration Committee evaluating the operation from the point of view of equality in the treatment of shareholders and of market conditions. Article 34.3 of the Board of Directors Regulations states that the Board of Directors must also ensure compliance with legal and information requirements and transparency in the communication of such operations.

Explain whether the approval of related-party trasactions has been delegated, and if so, the body or persons to which the delegation has been made.

NO

D.2 Detail the relevant transactions that are significant due to the amount or subject-matter thereof 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.	MELIA HOTELS INTERNATIONAL, S.A.	Commercial	Sale of goods, finished or in progress	10,527
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES Y EXPLOTACIONES TURISTICAS	Commercial	Sale of goods, finished or in progress	244
HOTELES MALLORQUINES ASOCIADOS, S.L.	REALIZACIONES TURISTICAS, S.A.	Commercial	Sale of goods, finished or in progress	51
HOTELES MALLORQUINES ASOCIADOS, S.L.	COMUNIDAD DE PROPIETARIOS SOL Y NIEVE	Commercial	Sale of goods, finished or in progress	71
HOTELES MALLORQUINES ASOCIADOS, S.L.	APARTHOTEL BOSQUE, S.A.	Commercial	Sale of goods, finished or in progress	78
HOTELES MALLORQUINES ASOCIADOS, S.L.	TENERIFE SOL, S.A.	Commercial	Sale of goods, finished or in progress	672
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODISOTEL, S.A.	Commercial	Sale of goods, finished or in progress	45
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Contractual	Services received	296
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL	Contractual	Services rendered	36
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS, S.A.	Contractual	Operating lease	439

D.3 Detail of the relevant transactions that are significant due to the amount or subject-matter thereof between the Company or entities of its Group and the company's directors or officers:

Name or corporate name	Name or corporate name	Nature of relationship	Type of operation	Amount (thousand euros)
BANCO SABADELL, S.A.	MELIA HOTELS INTERNATIONAL, S.A.	CONTRACTUAL	Interest charged	600
BANCO SABADELL, S.A.	LOMONDO LIMITED	CONTRACTUAL	Interest charged	4
BANCO SABADELL, S.A.	MELIA HOTELS INTERNATIONAL	CONTRACTUAL	Financing agreements: loans	21,500
BANCO SABADELL, S.A.	LOMONDO LIMITED	CONTRACTUAL	Financing agreements: loans	262
GABRIEL ESCARRER JULIA	DESARROLLOS SOL, S.A.S	COMMERCIAL	Services received	46
GABRIEL ESCARRER JULIA	SIERRA PARIMA, S.A.S	COMMERCIAL	Services received	32
GABRIEL ESCARRER JULIA	INVERSIONES AREITO, S.A.	COMMERCIAL	Services received	37
JUAN VIVES CERDA	MELIA HOTELS INTERNATIONAL, S.A.	COMMERCIAL	Services rendered	236
JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	COMMERCIAL	Services rendered	192

D.4 Detail the relevant transactions 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:

In any case, report any intragroup transaction with entities established in countries or territories considered to be tax havens:

Group Company	Description of the operation	Amount (thousands of euros)
SOL MELIA COMMERCIAL	SERVICES RECEIVED FROM THE SOL GROUP CORPORATION (USA) WHICH IS THE GROUP'S CORPORATE HQ IN AMERICA	2,823
SOL MELIA COMMERCIAL	PARTIAL REPAYMENT OF LOAN EXTENDED TO NEALE, S.A. (PANAMA)	2,399
SOL MELIA FINANCE, LTD	IN RELATION TO THE PREFERRED STOCK ISSUED BY SOL MELIA FINANCE LTD, THE SWAP CARRIED OUT BY THE GROUP 2012 WA FINALISED DURING THE YEAR, AMORTISING THE SWAPPED PREFERRRED STOCK WHICH WAS BOUGHT BACK BY SOL MELÍA FINANCE FROM SOL MELIÁ EUROPE (HOLLAND), PARTIALLY OFFSETTING THE INTERGROUP LOAN SIGNED IN THE YEAR 2002, THE ISSUE DATE OF THE PREFERRED STOCK	81,694
SOL MELIA FINANCE, LTD	THE INTERGROUP LOAN MENTIONED ABOVE GENERATED INTEREST IN 2013 WHICH WAS SETTLED QUARTERLY	3,134
SOL MELIA FUNDING	THE CUSTOMER PORTFOLIOS OF THE AMIERCAN COMPANIES OPERATING IN THE HOSPITALITY SEGMENT ARE MANAGED BY SOL MELIA FUNDING	4,632
SOL MELIA FUNDING	AS PART OF THE GROUP'S CENTRALISED CASH MANAGEMENT, THERE IS A NO-INTEREST LOAN WITH THE PARENT COMPANY	20,531

D.5 Indicate the amount of transactions with other related parties.

D.6 Describe any mechanisms established to detect, determine and resolve possible conflicts of interest between the Company and /or the Group, and its directors, officers 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.

D.7 Is more than one Group company listed in Spain?

NO

Identify the subsidiaries that are listed:

Listed subsidiary

Indicate whether they have been publicly defined the respective areas of activity and any business dealings between them, as well as those of the subsidiary with other group companies;

Define any business dealings between the parent company and the subsidiary listed, and between it and the other group companies

Identify the mechanisms in place to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve potential conflicts of interest

E. RISK CONTROL SYSTEMS

E.1 EXPLAIN THE SCOPE OF THE RISK MANAGEMENT SYSTEM OF THE COMPANY.

The Risk Management system is an integral, ongoing system that focuses management on business units or areas, affiliates, geographical areas and support areas (e.g., human resources, marketing or management control) at the corporate level.

Article 5 of the Regulations of the Board of Directors of MELIÁ HOTELS INTERNATIONAL ("MHI") vests the Board of Directors with general supervisory responsibilities and in particular the responsibility for identifying the most serious risks to which the Company is exposed and for implementing and overseeing internal control and reporting systems.

The Board of Directors, through the General Policy on Risk Control, Analysis and Management ("The Policy" approved in November 2011), defines the general model and framework for the control, analysis and evaluation of potential risks adopted by MHI. This model, as dictated by the Policy, is based on a series of basic principles and the commitments that must guide all risk management activities:

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.

The object of the Policy is to define the model and general framework for controlling, analysing and evaluating the possible risks to which the Group is exposed, Risk Management being understood as a structured, consistent and continuous processes involving the entire organization and allowing the identification, evaluation, analysis and reporting of potential risks that may affect the achievement of objectives or the implementation of strategy.

The model created for risk management is based on the Enterprise Risk Management (ERM) COSO II methodology 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.

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.

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 analyse 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.

E.2 IDENTIFY THE DECISION-MAKING BODIES OF THE COMPANY RESPONSIBLE FOR THE DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT SYSTEM.

1. **Audit and Compliance Committee.** According to article 14 of the Regulations of the Board of Directors, 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.

2. **Senior Executive Team (SET)** The SET is a collegiate body formed by all of the Executive Vice Presidents (EVPs) from each of the areas. It meets weekly and its duties include, developing and promoting control so as to improve the quality of Corporate Governance and risk control management within the Group.

3. **Other bodies/ committees:** The MHI Group also has the following committees:
   - The Strategic Planning Committee: Its mission includes participating in the definition of the annual strategy, annual budget planning and tracking the results of the degree of compliance with the strategic objectives.
   - Operations Committee: Its mission is to oversee business management, set objectives and review and monitor them.
   - Expansion Committee: Its mission is to monitor the company's expansion plan and project approval.
   - Investment Committee: Its mission is to monitor the investments that are approved each year.

4. **Departments.** Within the organisation there are different areas or departments with specific risk management responsibilities:

   I. **Risk Control, Analysis and Evaluation**
   It is responsible for ensuring the functioning and ongoing development of the risk management model, which involves among other tasks supporting and co-ordinating the Group in the development of the necessary capacities to identify, assess and manage any risk which may occur in the company.

   It reports to the Audit and Compliance Committee on its activities periodically.

   II. **Internal Audit**
   Reporting to the Auditing and Compliance Committee, its 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 FRICS 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.

   It reports to the Audit and Compliance Committee on its activities periodically.

   III. **Corporate Governance**
   One of the tasks of corporate governance 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.

   IV. **Credit and Insurance Management**
   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 where the processes for taking out the Group's insurance policies are described.

   V. **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

   VI. **Occupational Health**
   This belongs to the Human Resources Group and is responsible for the prevention of occupational risk based on the different legislations.

   The Board of Directors of MHI, through its Occupational Risk Prevention Policy, recognises the importance of paying special attention to the prevention of on-the-job accidents.

5. **Other tools.** The following tools are available to the bodies/departments responsible for drafting and implementing the Risk Management System:

   I. **Internal Standards and Policies**
   MHI has mandatory internal standards and policies in place to regulate the basic aspects of certain processes and functions and to serve as the basis for the implementation of control systems and mechanisms.

   All internal standards and policies are available on the Group's intranet (Employee Portal).

   II. **Code of Ethics**
   Approved in March 2012 by the MHI Board of Directors, the company's Code of Ethics is the highest level of internal regulation.

   The Company's commitments as reflected in the Code of Ethics included identifying and assessing the risks that affect not only our business but also our stakeholders.

   III. **Reporting Misconduct**
   MHI has implemented a system for reporting misconduct where employees can report 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 reports are processed by the Ethics Committee. The Board of Directors and Senior Executive Team have expressed a firm commitment to deal with all reports with total confidentiality

   IV. **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.

E.3 DESCRIBE THE MAIN RISKS THAT MAY AFFECT THE ACHIEVEMENT OF THE OBJECTIVES OF BUSINESS

Due to the fact that MHI does 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.

   As described above, the internal standards and policies and the system for reporting misconduct are two of the tools available to MHI Group companies in relation to these risks.

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 Reporting Internal Control Systems (FRICS) which is discussed in detail in Part F of this report.

E.4 IDENTIFY WHETHER THE ENTITY HAS A LEVEL OF RISK TOLERANCE.

The evaluation of the events in the risks catalog was performed at residual risk level, i.e. taking into account, or discounting, the effect of the controls implemented at the Company to mitigate the inherent risk.

For each one of these variable, certain ranges or intervals are established using specific criteria (financial, operational, regulatory, reputational, strategic, etc.).

These ranges or intervals are used to create a standardized evaluation scale that also serves as the basis for establishing the risk levels that are considered acceptable at the corporate level.

Once the Group's Risk Map is obtained, the risk profiles or each type of risk are analyzed at the Group level and at the Area or department level. This analysis is also used to determine the risk tolerance level.

The Group is currently preparing a document which will serve as a Declaration of Risk Appetite.

The members of the Executive Committee (Senior Executive Team, SET) and the people who report directly to them, as well as the directors who report to the Vice President and the CEO are all involved in the risk assessment process.

The Comprehensive Risk Management model ensures a standardized and common work structure, through the following stages or processes:

I. The identification of relevant risks. By way of an exercise of compiling internal and external information which makes it possible to identify the principle risks which might affect the Organization.

II. The analysis and assessment of these risks, using homogenous assessment procedures and standards, in each one of the business areas and in the various support units. This makes it possible to prioritize the more important events and to obtain individual risk maps department by department, combining which gives the Group's Risk Map.

III. Risk Treatment, i.e. definition of the measures and assigning of the responsibilities which make it possible to make an effective contribution to risk management.

IV. Regular risk monitoring by way of annual updates of the Risk Map and the initiatives adopted to mitigate these risks.

V. Regular and transparent communication of the results obtained to senior management and to the Audit and Compliance Committee and the Board of Directors, which serves as feedback to the system so as to achieve ongoing improvement of the process.

E.5 INDICATE WHAT RISKS HAVE MATERIALIZED DURING THE YEAR.

Global Risks

Again this year, civil unrest and demonstrations as a consequence of instability in Northern Africa and Turkey have had an impact on MHI, particularly its hotels in Egypt. Two years ago, the Group took measures to reinforce the protection and safety of customers and employees.

However, this risk has been a contributing factor to a shift in traveler flows towards other destinations where the Group has a strong presence, primarily the Canary Islands, which had a positive effect on destinations like the Canary and Balearic Islands.

Financial Risks

The Group's business is exposed to different financial risks: market risk (exchange rates, interest rates, prices), credit risk and liquidity risk. Among other aspects, the slow recovery of the Spanish economy and tight credit are exacerbating some of these financial risks.

Taking a conservative approach to deal with these risks, during the first half of the 2013 the Company had already managed to renew most of its credit policies and refinance a large part of its debt. At the end of the first half, MHI had EUR 519 million in available, which guaranteed its ability to meet its payment obligations and reinforced its credibility as a solvent company in the eyes of the financial institutions.

In August 2013 the Company repaid the syndicated loan linked to covenants (EUR 312 million), making progress in the process of increasing exposure to capital markets and adjusting the calendar of maturity dates so as to have greater control over the cost of bank borrowings.

On the other hand, due to the evolution in the price of MHI shares in the second half of 2013, the financial derivative linked to the "cash settlement election" on the convertible bond issue had an accounting impact (not a cash outlay) which resulted in an additional 76 million euros in financial expenses in 2013.

This risk of volatility affecting the income statement was eliminated once the Company's Board of Directors agreed to irrevocably waive the cash settlement election on the conversion of the bonds requested by the convertible bondholders. This waiver was published as a relevant event on the website of the Comisión Nacional del Mercado de Valores (CNMV) on 20 December 2013.

Business Risks

A. **Country Risk.** In Spain, the urban segment is still suffering from the consequences of the decline in domestic demands and the deceleration of internal demand. Generally speaking, the factors that have contributed to this effect include: a weak Business Travel segment; a reduction in the airline crew revenues, fewer flights; macroeconomic factors such as increases in airport fees and VAT.

   The Group took two important steps towards mitigating this risk:

   First of all, the inbound & outbound business strategy which seeks to attract business in all regions and for all of the destinations where Meliá does business. This has reduced the Group's dependence on the Spanish market, which has been offset by greater exposure to a more diversified international clientele.

   Secondly, the development of online channels (online agencies) and particularly the melia.com website which has seen significant increases to the point where it has become the Company's principal account.

B. **Mature tourist destinations.** In order to revitalise a mature tourist destination where the Company already has a strong presence, MHI has decide to renovate and reposition its product and add new value through innovation, key factors in differentiating the company from its competitors.

   An example of this is the "Calviá Beach" project, (Magaluf, Mallorca), where MIH is renovating tis hotels in this mature tourist zone in Mallorca with high added value products like the Sol Wave House (with the first Wave House in Europe and the world's first Tweet Experience Hotel), the Sol Katmandu Park & Resort (hotel with a theme park on the premises) or what will be the Hotel ME Mallorca starting in 2014. Four of the MHI Group's hotels in Magaluf are in the Top 5 recommended by Tripadvisor for this destination.

   In short, the response/control systems have worked, allowing the Company to implement the right measures to mitigate or attenuate the effects of the risks.

E.6 EXPLAIN THE MONITORING AND RESPONSE PLANS FOR THE MAJOR RISKS OF THE ENTITY.

The information given in the previous point explains the actions that have been taken to deal with materialised risks.

Another fundamental part of the Risk Management model is the way in which risks are treated, monitored and controlled (stages III and IV of the Model, as indicated in part E.4).

Once the Risk Map is updated, the risks are presented to the Audit Committee and the Board of Directors. Then, once the responsibilities for these risks have been assigned, each one of the areas and the people responsible for them define the actions to be taken to mitigate the principal risks. Indicators are also defined to monitor and control the evolution of the risks.

The Risk Control, Analysis and Evaluation Department is responsible for coordinating, controlling and monitoring this process.

The Audit and Compliance Committee is informed periodically.

In short, the primary responsibilities for the most serious risks faced by the MHI Group lies with the areas affected. Therefore, risk management is something that is done on a daily basis by the areas involved and in line with the risk management strategy.

Furthermore, to ensure that this is the case, the main actions or initiatives identified to mitigate the most serious risks faced by the Company are taken into account in the objective-setting process.

F. INTERNAL RISK CONTROL AND MANAGEMENT SYSTEMS IN CONNECTIONN WITH THE PROCESS OF ISSUING FINANCIAL INFORMATION (SCIIF)

Describe the mechanisms making up the risk control and management systems with respect to the process of issuing the entity's financial information (SCIIF)

F.1 CONTROL ENVIRONMENT AT THE ENTITY

Report, noting the main features of at least:

F.1.1 What bodies and/or functions are responsible for: (I) the existence and maintenance of an adequate and effective internal financial information control system (SIIF); (II) the implementation thereof; and (III) oversight thereof.

The bodies within the Meliá Hotels International Group responsible for ensuring the existence, maintenance, implementation and monitoring of an appropriate and effective financing reporting, and the roles and responsibilities attributed to these bodies 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 implementing and monitoring 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

Financing reporting 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 financial reporting 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.

F.1.2 Particularly in relation to the preparation process for financial information, report on the following (if such exists):

Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) clearly defining the areas of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) 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 Human Resources area is also responsible, together with other 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.

Code of conduct, body of approval, 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 actions and penalties.

The Meliá Hotels International Group has numerous documents that make reference 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 Regulations

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.

Corporate staff who are involved in preparing financing information receive refresher training each year to keep their knowledge of the latest changes up to date. More specifically, they receive refresher training in the areas of personal income tax, payroll, year-end closing, and new regulations on financial derivatives.

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

Indicate, at least the following

F.2.1 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.

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.

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 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.

The existence of a process for identifying the scope of consolidation, taking into account, among other things, the possible existence of complex corporate structures and instrumental or special purpose entities

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.

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.

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.

Which governing body oversees the process.

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

F.3 CONTROL ACTIVITIES

Report, noting their main features, if you have at least:

F.3.1 Procedures for review and authorisation of financial information and Description of SCIIF, to publish in the securities markets, indicating their Persons in charge, as well as documentation describing the activities flows and controls (including those relating to fraud risk) of the different types of transactions that may materially affect the financial statements, including the accounting close process and specific review of significant judgments, estimates, evaluations and projections.

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 analyse 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.

Note that in 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.

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.3.2 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 addition to procedures for testing changes before they are implemented in production systems.

There is a model for managing accesses and authorisations which is based on segregating the system functions that support financial management processes, with defined control procedures to prevent the existence of users who could act as both judge and jury in handling such information. In 2013, the status of this model was reviewed and validated by looking at employee authorisations and system access.

There are controls in place for managing and monitoring the assignment of special privileges to access the systems that support the financial 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.

F.3.3 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, noting their main features, if you have at least:

F.4.1 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.

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 are 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.

F.4.2 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:

F.5.1 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 FRICS 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 FRICS 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 (FRICS), 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 2013 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.

The main business of the Group is hotel operations. In relation to the control of the financial information in this area, in 2013 two processes were audited, divided into 8 sub-processes and 2,088 control activities. These reviews have been carried out in 90 hotels in Europe (73), America (15), and Asia (2).

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.

F.5.2 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 Group's executive management body, the Senior Executive Team, meets regularly and meetings are also regularly attended by the Vice Chairman and CEO, ensuring the constant flow of information 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 attends the Board meeting in which the Annual Accounts are approved 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.

F.6 OTHER RELEVANT INFORMATION

N/A

F.7 AUDITOR'S REPORT

Report whether:

F.7.1 The SCIIF 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's Directors Report.

G. DEGREE OF COMPLIANCE WITH GOOD GOVERNANCE RECOMMENDATIONS

Indicate the degree of compliance of the Company with respect to the recommendations made by the Unified Code of Good Governance. If the Company does not comply with any recommendations, explain the recommendations, rules, practices or criteria applied by the Company. Not be acceptable general explanations general.

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.10, B.1, B.2, C.1.23 y C.1.24.

   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: D.4 y D.7

   Not Applicable

3. **Even if not expressly required under company law, transactions involving a structural change in the company, and particularly the following, are subject to the approval of the General Shareholders' meeting:**
   a. The transformation of listed companies into holding companies through the process of subsidiarisation, i.e. reallocating to subsidiaries core activities that were previously carried out by the originating firm, even though the latter retains full control of the former;
   b. The acquisition or disposal of key operating assets that would effectively alter the company's corporate purpose;
   c. Operations that effectively add up to the company's liquidation.
   See section: B.6

   Complies

4. **The proposed resolutions to be adopted at the General Shareholders' Meeting, including the information referred to in recommendation 27, 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.

   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.**

   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: C.1.14, C.1.16 y E.2

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.
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.
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.
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: D.1 y D.6

Partially compliant

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 or 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 sections: C.1.2

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.3 y C.1.3.

Complies

11. 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: A.2, A.3 y C.1.3¡

Complies

12. The number of independent directors shall represent at least a third of all Board Members.

See section: C.1.3

Complies

13. 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: C.1.3 y C.1.8

Complies

14. 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: C.1.2, C.1.4, C.1.5, C.1.6, C.2.2 y C.2.4.

Complies

15. 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: C.1.22

Complies

16. 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.

Ver epígrafe: C.1.22

Not Applicable

17. 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 relate-drules;

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: C.1.34

Complies

18. 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 : C.1.29

Complies

19. 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: C.1.28, C.1.29 y C.1.30

Complies

20. 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

21. 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 sections: C.1.19 y C.1.20

Complies

22. 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: C.1.41

Complies

23. 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: C.1.40

Complies

24. 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

25. **The companies shall require their Board Members to devote sufficient time and effort to perform their duties effectively. As such:**
a. Board Members shall apprise the Appointment Committee of their other professional obligations which might detract from the necessary dedication;
b. The companies shall set rules regarding the number of Board positions their Board Members may hold.
See sections: C.1.12, C.1.13 y C.1.17

Complies partially

The Company has no set rules regarding the number of boards on which their directors may sit.

26. **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: C.1.3

Complies

27. **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

28. **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 y C.1.2

Complies

29. **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 shall be deemed to exist whenever the Board Member has failed to perform the duties inherent in the position held thereby or comes under any of the circumstances causing the Board member to no longer be independent pursuant to the provisions of Orden ECC/461/2013.**
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 11.
See sections: C.1.2, C.1.9, C.1.19 y C.1.27

Complies

30. **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 213 of the Spanish Corporate 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: C.1.42, C.1.43

Explain

While there are no specific rules on this subject, the Regulations of the Board of Directors state that Directors must dicharge their duties with the diligence andloyalty required by the laws in force at any given time.

31. 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

32. 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: C.1.9

Complies

33. To be confined to executive directors remuneration in the form shares of the company or group companies, stock options or variables based instruments of action, compensation tied to performance of the company or pension schemes.

This recommendation does not apply to the delivery of shares when it is conditional upon retain them until the end of their position.

Complies

34. 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

35. In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the independent auditor's report.

Complies

36. In the case of variable pay, remuneration policies should include limits and 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

37. 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: C.2.1 y C.2.6

Not Applicable

38. 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

39. **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: C.2.1 y C.2.4

Complies

40. **The task of supervising compliance with internal codes of conduct and corporate governance rules will be assigned to the Audit Committee, the Appointment Committee or, as the case may be, separate Compliance or Corporate Governance committees.**

See sections: C.2.3 y C.2.4

Complies

41. **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

42. **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**

See section: C.2.3

Complies

43. **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

44. **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: E

Complies

45. The Audit Committee's role will be as follows:

1° In relation to internal control and reporting systems:

a. Properly manage and disclose the main risks, if any, identified as a result of supervising the effectiveness of the internal control of the company and internal auditing.
b. 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
c. 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. 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 investigate the issues giving rise to the resignation of any external auditor.

See sections: C.1.36, C.2.3, C.2.4 y E.2

Complies

46. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior manager.

Complies

47. 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: C.2.3 y C.2.4

Complies

48. 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: C.1.38

Complies

49. The majority of the members of the Appointment Committee or of the Appointment and Remuneration Committee, in the case that there is only one, of independent directors

See section: C.2.1

Complies

50. **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: C.2.4

Complies

51. **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

52. **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 section: C.2.4

Complies

53. **The Remuneration Committee will consult with the Chairman or chief executive officer, especially on issues involving executive directors and senior executives.**

Complies

H OTHER INFORMATION OF INTEREST

1 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.

2 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.

Note to part A.2: Regarding the contents of part A.2 on changes in the shareholding structure, on 13 May 2013, Inversiones Cotizadas del Mediterráneo sold its entire holding in Meliá Hotels International, S.A., which was 6.007% of the share capital.

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.

3 The company may also indicate whether has voluntarily acceded to other codes ethical or good practices, international, industry or other field principles. If so, identify the code in question and the date of adherence thereto.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on

31/03/2014

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

NO

MELIÃ HOTELS INTERNATIONAL

FORMULATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND DIRECTORS' REPORT FOR FISCAL YEAR 2013

These Consolidated Annual Accounts and Directors' Report were approved by the Board of Directors at its meeting held on 31 March 2014 and submitted to the auditors for verification and subsequent approvalby the General Shareholders Meeting.

The consolidated Annual Accounts and Directors' report are contained on 209 pages, all signed by the Secretary and the last page signed by all of the Directors.

Fdo. D. Gabriel Escarrer Juliá
Presidente

Fdo. D. Juan Vives Cerdá
Vicepresidente Honorario

Fdo. D. Gabriel Escarrer Jaume
Vicepresidente y Consejero Delegado

Fdo. D. Sebastián Escarrer Jaume
Consejero

Fdo. D. Alfredo Pastor Bodmer
Consejero

Fdo. Hoteles Mallorquines Consolidados, S.A.
(Representado por Dña. María Antonia Escarrer Jaume)
Consejera

Fdo. D. Juan Arena de la Mora
Consejero

Fdo. D. Francisco Javier Campo García
Consejero

Fdo. Fernando d'Ornellas Silva
Consejero

Fdo. Dña. Amparo Moraleda Martínez
Consejera

Fdo. D. Luis Mª Díaz de Bustamante y Terminel
Secretario y Consejero Independiente

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 auditors on "Information relating to the Financial Information Internal Control System (FIICS)" of Meliá Hotels International, S.A. for 2013

To the Directors:

At the request of the Board of Directors of Meliá Hotels International, S.A. (the Entity) and pursuant to our letter of proposal dated 10 January 2014, we have applied certain procedures on the "Information relating to the Financial Information Internal Control Systems" (FIICS) included in information additional to the Annual Corporate Governance Report for listed companies of Meliá Hotels International, S.A. for 2013, which includes a summary of the Entity's internal control procedures relating to the annual financial report.

The Board of Directors is responsible for taking the appropriate measures to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system, and for development improvements to said system and preparing and establishing the content of the accompanying information relating to the FIICS.

In this connection, it must be borne in mind that, irrespective of the design and efficiency of the financial information internal control system used by the Entity, it can only allow a reasonable, but not absolute, degree of assurance in relation to the objectives it seeks to achieve due to the limitations inherent to any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of the audit procedures on the Entity's annual accounts. Accordingly, our internal control evaluation performed for the purposes of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal control over regulated annual financial information.

For the purposes of the present report, we have only applied the specific procedures described below and indicated in the Guidelines concerning the auditor's report referring to the information concerning the Financial Information Internal Control System for listed companies, published by the National Securities Market Commission on its web site, which lays down the work to be performed, the minimum scope of the work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review or an internal control system review, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity annual financial information for 2013 described in the accompanying FIICS information. Therefore, had we applied additional procedures to those determined by said Guidelines or had we performed an audit or internal control review in relation to the regulated annual financial information, other matters could have come to light of which you would have been informed.

Additionally, as this special work is not an audit of the accounts and is not subject to the revised Audit Act introduced under Royal Decree Law 1/2011, we do not express an audit opinion in the terms of those regulations.

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

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the FIICS – breakdown included in the Directors' Report – and evaluation of whether said information covers all the data required as per the minimum content described in Section F of the description of the FIICS, in the model Annual Corporate Governance Report in CNMV Circular nº 5/2013 dated 12 June 2013.

2. Making enquiries with personnel in charge of preparing the information mentioned point 1 above, in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the definitions of the framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the Company.

3. Review of supporting documentation explaining the information detailed in point 1 above which mainly comprises the information made directly available to the persons responsible for preparing the information on the FIICS. In this respect, said documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in their support duties towards the Audit and Control Committee.

4. Comparison of the information described in point 1 above with knowledge of the FIICS obtained from the application of the procedures performed within the framework of the audit work on the annual accounts.

5. Reading of the minutes of meetings with the board of directors, audit committee and other committees of the entity for the purpose of evaluating consistency between the matters dealt with therein in relation to the FIICS and the information described in point 1 above.

6. Obtaining of the letter of representation concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied to the Information concerning the FIICS, no inconsistencies or incidents have come to light which could affect it.

This report has been prepared exclusively within the framework of the requirements of Law 24/1988, of 28 July on the Securities Market, amended by Law 2/2011, of 4 March on Sustainable Economy and by Circular nº 5/2013 of the National Securities Market Commission dated 12 June 2013 for purposes of the description of the FIICS in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original signed in Spanish by
Stefan Mundorf
Auditor

4 April 2014

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