FINANCIAL REPORT 2014

MELIÃ HOTELS INTERNATIONAL

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CONSOLIDATED ANNUAL ACCOUNTS

CONSOLIDATED DIRECTORS REPORT FOR FISCAL YEAR 2014

A free translation of the report on the annual accounts originally issued in Spanish. In the event of a discrepancy the Spanish language version prevails.

INDEPENDENT AUDITOR´S REPORT ON CONSOLIDATED ANNUAL ACCOUNTS

To the shareholders of Meliá Hotels International S.A.:

Report on the consolidated annual accounts

We have audited the accompanying consolidated annual accounts of Meliá Hotels International, S.A. and its subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2014, and the consolidated profit and loss statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes for the year then ended.

Directors' responsibility for the consolidated annual accounts

The parent company´s directors are responsible for the preparation of these consolidated annual accounts, so that they present fairly the consolidated equity, financial position and financial performance of Meliá Hotels International, S.A. and its subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable to the Group in Spain and for such internal control as directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated annual accounts based on our audit. We conducted our audit in accordance with legislation governing the audit practice in Spain. This legislation requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the parent company´s directors´ preparation of the consolidated annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the consolidated annual accounts taken as a whole.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the consolidated equity and financial position of Meliá Hotels International, S.A. and its subsidiaries as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and other provisions of the financial reporting framework applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated directors' report for 2014 contains the explanations which the parent company´s directors consider appropriate regarding Meliá Hotels International, S.A. and its subsidiaries´ situation, the development of their 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 directors' report is in agreement with that of the consolidated annual accounts for 2014. Our work as auditors is limited to checking the directors' report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from Meliá Hotels International, S.A. and its subsidiaries´ accounting records.

PricewaterhouseCoopers Auditores, S.L.

Originally signed by
Stefan Mundorf

7 April 2015

CONSOLIDATED BALANCE SHEET – ASSETS

(Thousand €)	Note	31/12/14	31/12/13
NON-CURRENT ASSETS			
Goodwill	9	35,532	33,717
Other intangible assets	9	102,117	105,220
Property, Plant and Equipment	10	1,555,134	1,614,992
Investment property	11	132,960	136,423
Investments measured using the equity method	12	192,737	100,607
Other non-current financial assets	13.1	223,949	319,815
Deferred tax assets	19.2	149,373	153,281
TOTAL NON-CURRENT ASSETS		**2,391,802**	**2,464,055**
CURRENT ASSETS			
Non-current assets held-for-sale	15.2	116,277	100,338
Inventories	14.1	71,999	63,358
Trade and other receivables	14.2	246,342	260,612
Current tax assets	19	23,892	24,746
Other current financial assets	13.1	31,439	44,127
Cash and other cash equivalents	14.3	334,422	436,942
TOTAL CURRENT ASSETS		**824,372**	**930,124**
TOTAL GENERAL ASSETS		**3,216,173**	**3,394,179**

CONSOLIDATED BALANCE SHEET– EQUITY AND LIABILITIES

(Thousand €)	Note	31/12/14	31/12/13
PATRIMONIO			
Share capital	16.1	39,811	36,955
Share premium	16.1	865,213	698,102
Reserves	16.2	316,025	343,980
Treasury shares	16.3	(51,968)	(108,688)
Retained earnings	16.4	259,764	326,084
Other equity instruments	16.5	108,730	148,459
Translation differences	16.6	(344,381)	(269,151)
Other measurement adjustments	16.6	(10,346)	(2,369)
Profit/(loss) for the year attributed to parent company	8	30,406	(73,219)
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		1,213,255	1,100,154
Non-controlling shareholdings	16.7	54,730	56,427
TOTAL NET EQUITY		**1,267,985**	**1,156,581**
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	13.2	313,967	304,377
Bank loans	13.2	652,502	799,644
Other non-current financial liabilities	13.2	15,192	11,707
Capital grants and other deferred income	17.1	16,613	20,183
Provisions	17.2	34,428	34,687
Deferred tax liabilities	19.2	147,713	154,664
TOTAL NON-CURRENT LIABILITIES		**1,180,416**	**1,325,263**
CURRENT LIABILITIES			
Liabilities associated with non-current assets held-for-sale	15.2	14,768	12,477
Bonds and other negotiable securities	13.2	3,746	190,644
Bank loans	13.2	351,063	327,614
Trade creditors and other payables	18	310,800	292,780
Current tax liabilities	19	21,077	16,132
Other current liabilities	13.2	66,320	72,688
TOTAL CURRENT LIABILITIES		**767,773**	**912,334**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**3,216,173**	**3,394,179**

CONSOLIDATED INCOME STATEMENT

(Thousand €)	Note	2014	2013
Operating income	**7.1**	**1,464,284**	**1,368,677**
Supplies	7.2	(184,648)	(174,490)
Staff costs	7.3	(429,335)	(388,279)
Other expenses	7.4	(496,260)	(459,481)
EBITDAR *		**354,042**	**346,427**
Leases		(125,707)	(105,719)
EBITDA **	**6.1**	**228,334**	**240,708**
Restructurings	7.3	0	(3,978)
Amortisation and depreciation	7.5	(95,927)	(92,738)
Goodwill and negative consolidation difference	7.6	0	30,860
EBIT ***		**132,407**	**174,852**
Exchange differences		24,056	(24,138)
Borrowings		(107,101)	(111,644)
Other financial expenses			(10,935)
Other financial income		16,972	(43,038)
Net financial income (expense)	**7.7**	**(66,073)**	**(189,754)**
Profit /(Loss) of associates and joint ventures	**12**	**(9,189)**	**(15,536)**
NET INCOME BEFORE TAX		**57,145**	**(30,439)**
Income Tax	19.6	(24,966)	(9,045)
Results from continued operations		**32,179**	**(39,483)**
Results from discontinued operations	15.3	(315)	(34,252)
NET INCOME		**31,864**	**(73,736)**
a) Attributed to parent company		30,406	(73,219)
b) Attributed to minority interests	16.7	1,458	(517)
BASIC EARNINGS PER SHARE IN EUROS	8	0.15	(0.41)
DILUTED EARNINGS PER SHARE IN EUROS	8	0.15	(0.41)

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	2014	2013
Net consolidated income		**31,864**	**(73,736)**
Other comprehensive results:			
Items that will not be transferred/reclassified to results			
Other results attributed to equity	3.15	11,456	51,666
Actuarial gains and losses in post-employment plans	17.2	(1,775)	
Total		**9,682**	**51,666**
Items that may be subsequently transferred to results			
Translation differences	16.6	(78,286)	(91,730)
Cash flow hedges	13.3	(3,451)	6,301
Equity consolidated companies		1,443	(7,338)
Tax effect	19.2	(6,596)	(1,401)
Total		**(86,890)**	**(94,168)**
Total Other comprehensive results		**(77,209)**	**(42,501)**
TOTAL COMPREHENSIVE INCOME		**(45,345)**	**(116,237)**
a) Attributed to the parent company		(43,836)	(111,733)
b) Attributed to minority interests	16.7	(1,509)	(4,505)
TOTAL COMPREHENSIVE INCOME		**(45,345)**	**(116,237)**
a) Continued operations		(45,030)	(81,985)
b) Discontinued operations	15.3	(315)	(34,252)

CONSOLIDATED STATEMENT OF CHANGES IN NET 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 01/01/2013		36,955	696,364	352,760	(110,426)	246,572	(187,751)	36,727	1,071,202	85,627	1,156,829
Effect of changes in accounting policies	2.2									(10,084)	(10,084)
Adjusted beginning balance		36,955	696,364	352,760	(110,426)	246,572	(187,751)	36,727	1,071,202	75,544	1,146,745
Total recognised income and expenses						45,254	(83,769)	(73,219)	(111,734)	(4,505)	(116,238)
Distribution of dividends	8			(7,041)					(7,041)	(1,895)	(8,936)
Operations with treasury shares	16.3		1,738	(1,738)	1,738				1,738		1,738
Other operations with shareholders/owners						(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				148,458		(864)			147,594	120	147,714
Other variations in net equity		0	0	148,458	0	35,863	0	(36,727)	147,594	120	147,714
BALANCE AT 31/12/2013		36,955	698,102	492,438	(108,688)	326,084	(271,520)	(73,219)	1,100,154	56,427	1,156,581
Total recognised income and expenses		0	0	(1,350)	0	10,314	(83,207)	30,406	(43,836)	(1,509)	(45,345)
Distribution of dividends	8			(7,403)					(7,403)	(249)	(7,652)
Conversion of financial liabilities into net equity	16.5			(2,196)					(2,196)		(2,196)
Increase share capital	16.1	2,855	110,391	(15)					113,232		113,232
Operations with treasury shares	16.3		56,720	(56,720)	56,720				56,720		56,720
Other operations with shareholders/owners						(4,166)			(4,166)	5	(4,161)
Operations with shareholders or owners		2,855	167,111	(66,333)	56,720	(4,166)	0	0	156,187	(244)	155,944
Distribution 2013 net income	16.4					(73,219)		73,219	0		0
Other variations						751			751	54	806
Other variations in net equity		0	0	0	0	(72,468)	0	73,219	751	54	806
BALANCE AT 31/12/2014		39,811	865,213	424,755	(51,968)	259,764	(354,727)	30,406	1,213,255	54,729	1,267,985

CONSOLIDATED CASH FLOW STATEMENT

(Thousand €)	2014	2013
OPERATING ACTIVITIES		
Operating receipts	1,805,588	1,751,914
Payments to suppliers and staff for operating expenses	(1,597,258)	(1,604,227)
Receipts / (Payments) for income tax	(20,223)	(29,432)
CASH FLOWS FROM OPERATIONS	188,108	118,255
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	**(2,283)**	**(24,734)**
Amortisation	(15)	(27,110)
Acquisition	(2,268)	
Disposal		2,376
Receipts and (payments) for financial liability instruments:	**(187,148)**	**105,011**
Issue	306,760	619,609
Redemption and repayment	(493,908)	(514,598)
Payments for dividends and remuneration of other equity instruments	**(7,393)**	**(7,678)**
Other cash flows from financing	**(75,724)**	**(91,124)**
Interest paid	(80,691)	(89,492)
Other receipts / (payments) for cash flows from financing	4,967	(1,632)
CASH FLOWS FROM FINANCING	(272,548)	(18,525)
INVESTMENTS ACTIVITIES		
Payments on investments:	**(157,190)**	**(219,601)**
Group companies, associates and business units	(115,641)	(180,631)
Property, plant and equipment, intangible assets and investment property (*)	(40,504)	(35,145)
Other financial assets	(1,045)	(3,825)
Receipts for divestments:	**143,736**	**118,518**
Group companies, associates and business units	135,635	87,000
Property, plant and equipment, intangible assets and investment property	6,441	29,490
Other financial assets	1,660	2,028
Other cash flows from investment:	**98**	**601**
Dividends received	98	85
Interest received		517
CASH FLOWS FROM INVESTMENT	(13,355)	(100,482)
Variation in the exchange rate in cash and cash equivalents	(4,725)	(30,651)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(102,520)	(31,404)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 14.3)	436,942	468,346
CASH AND CASH EQUIVALENTS AT THE YEAR END (Note 14.3)	334,422	436,942

(*) In 2014 and 2013, there have been adquisitions of assets under finance lease contracts amounting to 8,4 and 4,7 million euros, respectively. These transactions are not considered cash movements.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

1. GROUP 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. 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 (hereinafter 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 it 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, 2014, 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 thousands of Euro, 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, derivative financial instruments and financial assets at a fair value with changes in results, which are valued at fair value (see Note 4.6). 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 (See Notes 3.15).

The Group has adopted this year the standards approved by the European Union whose application was no obligatory in 2013. Except for the coming into effect of IFRS 10, these regulations do not have a significant effect on the Group's financial situation:

- IFRS 10: "Consolidated financial statements"
- IFRS 11: "Joint arrangements"
- IFRS 12: "Disclosure of interests in other entities"
- 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"

The accounting practices used are consistent with those of the previous fiscal year, taking into account the adoption of the rules and interpretations commented on in the previous paragraph. The impacts which refer to the adoption of IFRS 10 are itemized in Note 2.2.

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 21: "Tax rates".
- IFRS 9: "Financial instruments".
- IFRS 14: "Regulatory deferral accounts".
- IFRS 15: "Ordinary income from client contracts".
- Amendment of IFRS 11: "Accounting for acquisitions of holdings in joint transactions"
- Amendments to IAS 16 and IAS 38: "Clarification of acceptable methods of depreciation and amortization".
- Amendment of IAS 19: "Defined benefit pension plans": "Employees' Contributions to the Company"
- Amendments to IAS 16 and IAS 41: "Agriculture:
- Amendment of IAS 27: "Method of the holding in separate financial statements".
- Amendments to IAS 1 and IAS 28: "Sale or contribution of assets between an investor and their associates or joint businesses."
- Amendment of IAS 1: "Presentation of financial statements"
- Amendments to IFRS 10, IFRS 12 and IAS 28: "Investment entities: Applying the exception to consolidation."
- Annual improvements to the IFRS (2011-2013 Cycle): IFRS 3 "Business Combinations"; "IFRS 13 "Fair Value Measurement"; IFRS 40 "Property Investments".
- Annual improvements to the IFRS (2010-2012 Cycle): IFRS 2 "Share-based payments", IFRS 3 "Business combinations", IFRS 8 "Operating segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, plant and equipment", IAS 24 "Related party disclosures".
- Annual improvements to the IFRS (2012-2014 Cycle): IFRS 5 "Non-current assets held for sale and discontinued operations", IFRS 7 "Financial instruments: Information for disclosure", IAS 19 "Employee benefits", IAS 34 "Interim financial reporting".

The Group is analysing the impact that the coming into effect of IFRS 15: "Revenue from contracts with customers", which is expected to come into effect on 1 January, 2017.

2.1 TRUE IMAGE

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 2014 and 2013.

Comparative figures are also presented for 2013 and 2014 for the quantitative information contained in the notes to the accounts. The main changes to the consolidation scope in 2013 and 2014 with respect to the previous year are addressed in Note 5.

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.

As a result of the analysis of these IFRS standards and their implications for the consolidated books of Meliá Group, certain entities which until then had been considered joint ventures, have been reclassified as subsidiaries, even though only 50% of the voting rights is held in those entities, as it is felt that through the hotel management contracts that it has signed, the Group has the ability to influence the variable yields that it receives from them and, therefore, they have been integrated by the global integration method.

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, so the comparative figures for the year ended 2013 have been amended in order to improve their comparability.

The principal effects arising from the coming into effect of this standard are detailed below:

Effects on the balance sheet:

(Thousand €)	31/12/13	01/01/13
Total ASSETS		
Other intangible assets	1	2
Property, Plant and Equipment	48,178	47,275
Investments measured using the equity method	(99)	10,099
Other non-current financial assets	(29,723)	(31,829)
Deferred tax assets	3,266	3,192
Inventories	414	107
Trade and other receivables	(2,451)	(6,003)
Current tax assets	2	3
Cash and other cash equivalents	382	137
Total Assets	**19,969**	**22,984**
Total LIABILITIES		
Non-current bank loans	25,055	27,561
Provisions	743	34
Current bank loans	2,982	3,336
Trade creditors and other payables	3,081	1,766
Current tax liabilities	9	
Other current liabilities	102	371
Total Liabilities	**31,972**	**33,067**
Total EQUITY		
Non-controlling shareholdings	(12,003)	(10,084)
Total Net Equity	**(12,003)**	**(10,084)**

Effects on the profit and loss account:

(Thousand €)	2013
Operating income	16,693
Supplies	(1,972)
Staff costs	(8,264)
Other expenses	(4,274)
Leases	(3,126)
EBITDA	**(943)**
Amortisation and depreciation	(1,604)
Net financial income	(2,504)
Profit and Loss of associates and joint ventures	2,239
Net income before tax	**(2,811)**
Income Tax	159
Net income	**(2,653)**
a) Attributed to parent company	0
b) Attributed to minority interests	(2,653)

Effects on the cash flow statement:

(Thousand €)	2013
Operating activities	(2,219)
Investment activities	5,018
Financing activities	(2,553)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**246**
Cash and Cash Equivalents at the beginning of the year	137
Cash and Cash equivalents at the year end	**382**

2.3 CONSOLIDATION

Subsidiaries

Subsidiaries are entities in which the Group has effective control and which are generally accompanied by a shareholding of more than one half of the voting rights.

In addition to the percentage of the holding, when assessing whether a controlling interest is held in an entity, the Group considers the following aspects:

- Power over the investee, giving the Group the ability to manage its most significant activities.
- Right to the variable returns from its holding in the investee.
- Ability to use its power over the investee to influence the amount of return obtained.

According to the global integration 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. Intra-group balances and transactions are entirely eliminated.

Associates and Joint ventures

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

Joint ventures are joint agreements in which the parties that hold joint control under the said agreement hold rights to the net assets thereof.

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

The group's interest in subsequent losses or gains on the acquisition of associates and joint ventures 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.

The Group does not currently participate in joint operations that must be integrated using the proportional integration method.

Consistency in terms of timing and valuation

All the companies included in the consolidation close their fiscal year as of December 31 and the respective 2013 and 2014 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.

Purchase of non-controlling interests

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

- Any difference between the amounts by which the non-controlling 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 or joint venture, 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 inter-company transactions

The inter-company balances for inter-company 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.

Non-controlling interests

The proportional part of equity relating to non-controlling interests of the Group, calculated according to IAS 27, is recorded under this balance sheet caption.

Earnings attributed to the non-controlling interest

Results attributed to non-controlling interests correspond 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 "Conversion differences", less the part of said difference relating to non-controlling interests and recorded under the account "Non-controlling 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 conversion differences accumulated since the IFRS transition date (January 1, 2013), 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 VALUATIONS 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 and other non-financial assets

The Group tests goodwill and other fixed assets for impairment annually, as indicated in Note 3.1. and 3.2. 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.

Provision for income tax

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.

Calculation on capital gains tax is detailed in Note 19.

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 property investments

The fair value estimates of property investments were made at the end of fiscal year 2014 by independent asset valuation experts. The studies conducted are mainly based on discounting techniques of the projected cash flows from the relevant assets. In some cases, the market comparable method has also been used in order to obtain a closer approximation to their market value. Further details regarding these valuations are provided in Note 11.

Post-employment contributions

The cost of defined benefit plans is calculated using actuarial standards. Actuarial valuations require the use of assumptions regarding 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

As remarked upon in the consolidated annual accounts for the year ended 2013, the Venezuelan Government introduced two new systems during the first half of 2014 for currency exchange, known as SICAD I and SICAD II.

The Group believes that the most appropriate exchange rate to apply in consolidating its Venezuelan subsidiaries at the end of 2014 is SICAD II (49.99 bolivars to the US dollar as of 31 December, 2014). The main impacts on the consolidated balance sheet as a result of the adoption of this exchange rate are shown below:

(Thousand €)	Variation
Non-current assets	(167.579)
Cash	(26.593)
Other current assets	(15.688)
Current liabilities	27.626
Translation differences	**182.234**

As indicated in Note 23 on Subsequent Events, in February 2015, the Venezuelan authorities carried out a new reform of their currency exchange system, creating a new system called SIMADI and repealing SICAD II. Meliá believes that from the coming into effect of the new exchange system, the most appropriate exchange rate for consolidating the balance sheets of its Venezuelan subsidiaries is SIMADI.

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.

IT applications are valued at cost price and depreciated using the straight-line method over their estimated useful life of 5-10 years. The costs concerning maintaining computer programs are acknowledged as an expense 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 expenses for the employees that develop the computer programs and an adequate percentage of general expenses.

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" relates to the value as per the 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 INVESTMENTS IN 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. The variables used to calculate these estimates are indicated in Note 11.

3.4 FINANCIAL INFORMATION BY SEGMENTS

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 collegiate body comprising 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 later 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.

Financial assets available for sale

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 from the date of subscription.

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 with a redemption date beyond twelve months are classified as non-current liabilities, while those with a redemption date of less than that are included under current liabilities. In the event of issuing convertible bonds, these are recorded as hybrid or compound financial instruments, according to the terms of the issue in question.

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.

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.

This heading includes debts originated by the acquisition of assets financed by leasing contracts.

Trade creditors and other accounts payable

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

Other financial liabilities at 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.

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.

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).

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

Post-employment contributions

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 results from the above-mentioned difference, its valuation may not exceed the current value of the available economic benefits in the form of reimbursements from the plan or reductions in future contributions to it.

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 current value of the obligation is determined using actuarial calculation methods and unbiased financial and actuarial assumptions that are mutually compatible. The Company acknowledges, directly in the Consolidated Income Statement, the profits and losses arising from the variation in the current value, and, where applicable, of the assets affected, arising from changes in actuarial assumptions or adjustments made on the basis of experience.

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 fiscal year, 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. More details are given on this valuation in Note 17.2.

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. 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 "Meliá 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

Meliá 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 through 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

Income from dividends is recognised when the right of the Group to receive the corresponding payment 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 2014 and 2013 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 2014 and 2013 are set out in the following table:

(Thousand €)	2014	2013
Restatement of fixed assets	10,496	31,926
Loss of value of net monetary assets	2,445	15,340
Reserves increase	11,456	51,666

The value of the general index of prices of the Venezuelan economy to the end of fiscal year 2014 has been 839.5 points, which means an accumulated increase in inflation of 53.4% in fiscal year 2014. In the fiscal year 2013, the index to closing was 498.1 points, which represented an accumulated increase in inflation of 45.5% in fiscal year 2013.

There is no other company in the scope of consolidation classified as a hyper-inflationary economy at the end of the fiscal years 2014 and 2013.

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, 2014 is as follows (these amounts do not include interest payable):

(Thousand €)	Fixed interest	Floating interest	Total
Preference shares	25,192		25,192
Simple bonds	76,830		76,830
Convertible bonds	215,690		215,690
Bank loans	42,742	204,616	247,358
Mortgage-backed loans	219,087	305,660	524,747
Credit facilities		214,157	214,157
Leases		11,363	11,363
Total debt	**579,542**	**735,796**	**1,315,338**

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

At December 31, 2014, the Group has various interest rate swaps contracted, the notional value of which is €236 million, considered as cash flow hedging instruments, as explained in Note 13.3. At the 2013 year end the notional value of the swaps contracted was €322.8 million. The variable rate bank loans and mortgages covered by these swaps are shown in the Fixed Interest column for the part of capital hedged.

The information for 2013 is presented for comparative purposes:

(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	262,292	558,412
Credit facilities		303,858	303,858
Leasings		10,785	10,785
Total debt	**863,223**	**751,190**	**1,614,413**

The sensitivity of 2014 and 2013 profits to changes (in base points) in interest rates, in thousand euro, is as follows:

Variation	2014	2013
+ 25	(1,628)	(1,219)
- 25	1,628	1,219

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 of the corresponding subsidiaries, assuming that the other variables remain stable:

	Profit and Loss			
	2014		2013	
(Thousand €)	+10%	-10%	+10%	-10%
UK pound sterling	880	(880)	801	(801)
US dollar	8,184	(8,184)	4,786	(4,786)

	Equity			
	2014		2013	
(Thousand €)	+10%	-10%	+10%	-10%
UK pound sterling	143	(143)	993	(993)
US dollar	6,345	(6,345)	750	(750)

91% of the Group's financial debt (90% in 2013) 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 proceeded to restructure 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 (see Note 13.2). 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 2014, 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			250,000		250,000
Loans and facilities	41,651	300,039	499,148	156,514	997,351
Leasings		5,243	6,083		11,326
Total	**41,651**	**305,282**	**831,615**	**181,706**	**1,360,254**

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 2014.

It should be noted with respect to the issue of the convertible bonds that if, at the maturity of the issue, the price of Meliá 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.

In addition, with regard to the Meliá Hotels International S.A. convertible bond of 200 million Euro issued in 2009 maturing on 18 December 2014, the company agreed to the redemption of the bondholders who did not request its conversion, and gave the rest a combination of treasury and newly issued shares, as set forth in the Terms and Conditions of these convertible bonds.

To do this, the company carried out a capital increase in the amount of 2.8 million Euro by issuing 14,276,271 ordinary shares with a nominal value of 0.20 Euro of the same class and series as the existing shares. Thus, the parent company's share capital was increased by 39.8 million Euro represented by 199,053,048 shares. With the redemption of this bond issue, the financial liabilities were reduced by 200 million Euro, as well as increasing liquidity thanks to the conversion into shares of 170.5 million Euro out of the total issued (see Note 16).

The average interest rate on these financial liabilities during this fiscal year was 4.8%. In 2013 the average rate was 5.5%.

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.

For the purposes of comparison the maturity dates for 2013 are indicated below:

(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	92,125	138,587	647,672	246,396	1,124,781
Leasings	2,023	4,317	4,445		10,784
Total	**94,148**	**342,904**	**978,501**	**271,589**	**1,687,141**

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 37,21 days in 2014 and 42.5 days in 2013. 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.

In terms of liquidity, the Group has an amount of €334.4 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, 39.9% (34.1% at the end of 2013) 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 (relation between the amount loaned and the value of the asset) or with discounts on the latest measurement of the assets in December 2011 by an independent expert.

The new model of expansion which will be focused on low capital developments, i.e., management and franchising, and to a lesser extent, rentals should be mentioned.

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: Based on non-observable market variables.

The amount of assets and liabilities recognised at fair value at 31 December 2014 in accordance with the hierarchy levels are as follows:

	31/12/14			
(Thousand €)	Level 1	Level 2	Level 3	Total
Investment property			132,960	132,960
Financial assets at fair value:				
Trading portfolio	323			323
Total Assets	**323**	**0**	**132,960**	**133,283**
Financial liabilities at fair value:				
Hedging derivatives		7,050		7,050
Trading portfolio derivatives		8,265		8,265
Total Liabilities	**0**	**15,315**	**0**	**15,315**

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. 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, are taken into account in addition to 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 2014 and 2013.

For comparison, shown below, the balances recorded in the different hierarchies of valuation at year end 2013:

	31/12/13			
(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		3,596		3,596
Trading portfolio derivatives		6,909		6,909
Total Liabilities	**0**	**10,505**	**0**	**10,505**

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 2014 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 the parent company of the Group as manager of the hotel establishment, and as the rest of the participations are highly dispersed, the Group considers it 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 49.85% 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 BUSINESS COMBINATIONS

René Egli, S.L.U.

At the end of the fiscal year, the Group acquired a 100% holding in the company René Egli, S.L.U., which provides sports-related services on Sotavento Beach in Fuerteventura. This is a markedly strategic acquisition for the Group, as the Meliá Gorriones hotel is close to the kiting and windsurfing centres, which means a greater exploitation of the hotel reservations associated with these sports.

The fair value of the net assets acquired in this business combination are shown below:

(Thousand €)	31/12/14
Total ASSETS	
Non-current assets	625
Cash and other liquid equivalent means	427
Other current assets	1,265
TOTAL ASSETS	**2,316**
Total LIABILITIES	
Current liabilities	249
TOTAL Liabilities	**249**

The difference between the consideration paid of 3.7 million Euro and the fair value of the net assets acquired for 2 million Euro has generated a goodwill of 1.7 million Euro.

In 2013 the following business combinations were recognized:

Idiso Hotel Distribution, S.A.

In June 2013 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 was, therefore, then 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.

The fair value of the assets at the time of acquisition totalled €45 million, as per the following outline, compared to its previous value in pounds:

	28/06/13	
(Thousand €)	Carrying Value	Net fair Value
Total ASSETS		
Non-current Assets		
Goodwill		9,786
Software applications	3,907	34,175
Other intangible assets	3,416	3,416
Tax deferred from assets	1,370	1,370
Other non-current assets	428	428
Current Assets		
Trade and other receivables	43,335	43,335
Cash and other liquid equivalent means	740	740
Other current assets	786	786
TOTAL ASSETS	**53,981**	**94,035**
Total LIABILITIES		
Non-current Liabilities		
Bank loans	609	609
Other non-current liabilities	391	391
Current Liabilities		
Trade creditors	8,436	8,436
Other current payables	37,919	37,919
Other current liabilities	1,680	1,680
TOTAL LIABILITIES	**49,035**	**49,035**

The company Idiso Hotel Distribution, S.A. was valued by the independent expert Moore Stephens on 31 December 2012. The report was issued in June 2013, and it is considered that the results of the valuation are still reasonable as of the date of the transaction.

This study included a sensitivity analysis that allowed 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.

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.

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 was recognised in the consolidated income statement in the heading Losses on consolidation,

(Thousand €)	
Restatement of the shareholding	19,987
Gain on purchase	650
Total negative difference on consolidation	**20,637**

The calculations related to each of the amounts are shown below:

(Thousand €)	
Company fair value	45,000
Prior shareholding of business combination fair value (50%)	22,500
Restatement of prior shareholding net carrying value (50%)	(2,513)
Restatement of prior shareholding	**19,987**

(Thousand €)	
Identifiable net assets	45,000
Business combination percentage (55%)	24,750
Prior shareholding fair value	(22,500)
Acquisition price for 5% additional	(1,750)
Other	150
Acquisition gain	**650**

The goodwill in the amount of 14.8 million Euro comprises two parts:

- Firstly, 9.8 million Euro is goodwill arising from the fair value of the net assets acquired, and the assessment of values of the various items of intangible assets, as set out in the previous table.
- Secondly, 5 million Euro is accounted for by 55% of the liabilities for deferred tax in respect of the revaluation of the computer application arising from the accounting of the business combination, in application of IAS 12.19, which is calculated as follows:

(Thousand €)	
Computer software fair value	34,175
Carrying value (prior to restatement)	3,907
Computer software restatement (difference)	30,268
Tax deferred from liabilities (30%)	9,080
Goodwill identified on acquisition (55%)	**4,994**

The increase in the balance of non-controlling interests due to the change in the method of integration of Idiso Hotel Distribution, S.A., included in the equity on the consolidated balance sheet was 16.2 million Euro.

The reason why goodwill and a gain from a purchase were recorded in the same transaction was that the accounting of the various elements of the business combination was carried out in several phases: accounting for the net assets at fair value, calculation of the gain from the purchase, and recognition of deferred taxes, as indicated in the points above.

Inversiones Hoteleras La Jaquita, S.A.

In December 2013, 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 were 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 was 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 included the following sensitivity analysis based on variations in the discount and capitalization rate:

	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%

5.2 OTHER SCOPE CHANGES

Inclusions

During the first half of the year, the company Meliá Europe & Middle East, S.L. was incorporated, with the aim of creating a sales office in Dubai, with no significant impacts on the consolidated financial statements.

Write-offs

The company Sol Meliá China Limited was dissolved in April, with no significant impacts on the interim consolidated financial statements.

Meanwhile, the Turkish companies Marktur Turizm and Marksol Turism have been rendered inactive.

In September, the Portuguese company Gupe Actividades Hoteleiras, S.A. was liquidated, without any significant impacts on the Group's consolidated accounts.

In November, the company Sol Meliá Suisse was liquidated; this had remained inactive and its disposal has not had any notable impacts on the Group's accounts.

Purchase and sale of non-controlling interests

The Group has acquired an additional holding through the purchase of an apartment from the Condominium of the hotel Meliá Sol y Nieve, increasing its stake by 0.46%. This transaction has not had a significant impact on the Group's consolidated accounts.

In October, 1% of the company Ayosa Hotels, S.L. was sold. The Group thus holds a 49% stake in this company. However, as indicated in Note 2.2, it continues to integrate this company by the global integration method, as it considers that, through the hotel management contracts between this company and Meliá Hotels International, S.A., the Group exerts control over it, although its holding is less than 50%. This transaction has not had a significant impact on the Group's accounts.

Purchase and sale of holdings in entities integrated by the holding method

In the first half of the year, the Group increased its holding in the company Adprotel Strand, S.L., owner of the Me London hotel, by 10%, giving it a 50% holding. This increased holding was formalized by a 50.6% subscription of a capital increase made by the company in the amount of 61.6 million Euro, diluting the majority shareholder's stake and making this entity a joint venture, with no change to the integration method used in the Group's consolidated accounts.

In October, 1% of the company Evertmel, S.L. was disposed of; this company in turn has holdings in the companies Mongamenda, S.L. and Kimel Mca, S.L. This transaction did not produce any significant impacts on the Group's consolidated accounts.

The Group has acquired an additional holding of 0.6% through the purchase of five apartments from the Condominium of the hotel Meliá Castilla, with no significant impacts on the Group's consolidated accounts.

For purposes of comparison the variations in 2013 are as follows:

Inclusions

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 Meliá Hotels International, S.A. They do not have any significant impact on the Group's consolidated accounts.

Write-offs

During the first months of 2013 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 €44 million Euro. 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.

Purchase of non-controlling 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.

5.3 NAME CHANGES

In the first half of the year the company Nyesa Meliá Zaragoza, S.L. changed its name to Meliá Zaragoza, S.L.

The Swiss company Sol Meliá Fribourg S.A. has changed its name to Bedbank Trading, S.A.

For purposes of comparison the name changes pertaining to 2013 are as follows:

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.

6. FINANCIAL INFORMATION BY SEGMENTS

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 Meliá 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 businesses 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 2014 is shown in the following table:

	Hotel							
(Thousand €)	Hotel Management	Hotel Business	Other business assoc with hotel management	Real Estate	Vacation Club	Corporate	Eliminations	31/12/14
INCOME STATEMENT								
Operating income	213,545	1,202,164	48,412	36,960	106,504	84,037	(227,338)	1,464,284
Operating expenses	(158,861)	(920,153)	(44,438)	(11,487)	(90,252)	(110,731)	225,678	(1,110,243)
EBITDAR	**54,684**	**282,011**	**3,974**	**25,474**	**16,253**	**(26,694)**	**(1,660)**	**354,042**
Leases	(467)	(130,749)	(201)			4,050	1,660	(125,707)
EBITDA	**54,218**	**151,262**	**3,773**	**25,474**	**16,253**	**(22,644)**		**228,334**
Depreciation, amortisation and impairment	(908)	(80,621)	(921)	(772)	(1,991)	(10,715)		(95,927)
EBIT	**53,310**	**70,641**	**2,852**	**24,702**	**14,262**	**(33,359)**		**132,407**
Net financial income								(66,073)
Net income of associates		(402)		2,394		(11,181)		(9,189)
Profit before tax								**57,145**
Tax								(24,966)
RESULTS FROM CONTINUED OPERATIONS								**32,179**
Results from discontinued operations	(1,590)	584			(462)	(360)	1,512	(315)
Minority interests								(1,458)
NET INCOME ATTRIBUTED TO PARENT COMPANY								**30,406**
ASSETS AND LIABILITIES								
Property, plant and equipment and intangible assets	44,076	1,485,407	10,333	24,556	31,248	97,163		1,692,783
Investments in associates		77,016		7,011		108,710		192,737
Other non-current assets								506,282
Non-current assets held for sale	1,369	67,326			26,385	353	20,844	116,277
Current operating assets	79,656	135,301	6,986	7,654	90,826	294,415	(296,497)	318,342
Other current assets								389,753
TOTAL ASSETS								**3,216,173**
Borrowings								1,321,277
Other non-current liabilities								213,946
Liabilities related to non-current assets held for sale	1,854	16,204			25,096	115	(28,501)	14,768
Current operating liabilities	42,850	354,875	6,980	439	120,533	43,920	(258,797)	310,800
Other current liabilities								87,397
TOTAL LIABILITIES								**1,948,189**

Management fees totalling €115.7 million were included in the income from the Hotel Management segment, of which €5.8 million related to associated companies. The rest of the income mainly relates to sales commissions.

Other businesses 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 €32.8 million and €31.6 million, respectively (see Note 7.1).

With regard to the operating revenues of the Real Estate segment (or management of assets), the Group has posted 16.2 million Euro for the sale in June of the hotel Sol Aloha Puerto. The details of the assets that have been disposed of in this sale are shown in Note 10. Income totalling €2.9 million was also generated on the lease of commercial premises at shopping centres in America (see Note 11).

Under the heading Tangible and Intangible Fixed Assets is the significant transfer for 27.9 million Euro, of the hotels Meliá Puerto Vallarta and Meliá Cozumel from the hotel business segment to the Club Meliá segment, as these have now become businesses that are fully engaged in the Club's operation.

In the hotel business segment, the main change has been the reduction in value of the tangible assets in Venezuela in the amount of 83.2 million Euro with the implementation of the SICAD II exchange rate .

Eliminations during the year notably included the inter-segment invoicing for management fees totalling €152 million. The rendering of hotel business services gave rise to €20.6 million.

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

(Thousand €)	HOTEL							
	Hotel Management	Hotel Business	Other business assoc with hotel management	Real Estate	Vacation Club	Corporate	Eliminations	31/12/13
INCOME STATEMENT								
Operating income	189,908	1,077,911	46,886	72,760	72,449	76,326	(167,561)	1,368,677
Operating expenses	(130,430)	(839,628)	(44,455)	(13,598)	(57,818)	(103,763)	167,442	(1,022,250)
EBITDAR	**59,477**	**238,283**	**2,431**	**59,162**	**14,630**	**(27,437)**	**(120)**	**346,427**
Leases		(103,838)				(2,001)	120	(105,719)
EBITDA	**59,477**	**134,445**	**2,431**	**59,162**	**14,630**	**(29,438)**		**240,708**
Depreciation, amortisation and impairment	(119)	(81,586)	(311)	(751)	(1,494)	18,405		(65,856)
EBIT	**59,358**	**52,859**	**2,120**	**58,411**	**13,136**	**(11,033)**		**174,851**
Net financial income								(189,754)
Net income of associates		(19,021)		3,359		126		(15,536)
Profit before tax								**(30,439)**
Tax								(9,045)
RESULTS FROM CONTINUED OPERATIONS								**(39,483)**
Results from discontinued operations	(213)	(24,520)	5		(1,880)	(9,039)	1,395	(34,252)
Minority interests								517
NET INCOME ATTRIBUTED TO PARENT COMPANY								**(73,219)**
ASSETS AND LIABILITIES								
Property, plant and equipment and intangible assets	42,371	1,518,401	59,787	27,749	3,381	102,240		1,753,929
Investments in associates		78,703		14,855		7,049		100,607
Other non-current assets								609,520
Non-current assets held for sale	951	56,554			24,144	289	18,400	100,338
Current operating assets	90,284	128,283	5,707	6,208	77,449	256,806	(240,766)	323,970
Other current assets								505,815
TOTAL ASSETS								**3,394,180**
Borrowings								1,622,279
Other non-current liabilities								221,242
Liabilities related to non-current assets held for sale	965	14,940			22,245	127	(25,799)	12,477
Current operating liabilities	35,692	354,134	6,868	960	81,379	33,031	(219,284)	292,780
Other current liabilities								88,820
TOTAL LIABILITIES								**2,237,597**

Management fees totalling €113.8 million were included in the income from the Hotel Management segment, of which €8.3 million related to associated companies. The rest of the income mainly relates to sales commissions.

Other businesses 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 €33.9 million and €33 million, respectively (see 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 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.

Under the heading of Depreciations and impairment of the Corporate segment is the figure of 20.6 million Euro which is a negative difference arising from the consolidation of the company Idiso Hotel Distribution, S.A. (see Note 5.1).

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 (see 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.

6.2 INFORMATION BY GEOGRAPHICAL REGIONS

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 according to the countries where the cash generating units in which the Group operates are found, showing income and assets (see Note 1):

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Eliminations	31/12/14
Operating income	784,163	287,778	508,220	3,624	(119,501)	**1,464,284**
Total assets	1,851,867	370,361	990,876	3,068		**3,216,173**

(*) 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 €119.5 million, of which €67.7 million relates to the Spanish segment, €70 million to the EMEA segment, €18.8 million negative to the American segment and €0,5 million to the Asian segment.

As regards operating income by country, the most significant were Mexico (€ 146.5 million) and the Dominican Republic (€ 242.5 million) in the America segment. In the EMEA segment, Germany contributed € 124.3 million.

In addition, on the line Total Assets the contribution of the Dominican Republic is noteworthy, at 329.3 million Euro, as well as that of Mexico with 345.8 million Euro, under the caption 'America'. With regard to the segment EMEA, the contributions of the United Kingdom and France are significant, at 69.9 and 63 million Euro, respectively.

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

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Eliminations	31/12/13
Operating income	695,347	258,988	507,137	3,098	(95,892)	**1,368,677**
Total assets	2,019,167	346,303	1,023,850	4,858		**3,394,179**

(*) 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 Inversiones Hoteleras La Jaquita, S.A. and Idiso Hotel Distribution in Spain, and the sale of the company Bear S.A. de C.V. in America (Note 5.1).

In terms of asset contribution 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.

7. OTHER INCOME AND EXPENSES

7.1 OPERATING INCOME

The breakdown of the balance of this account in the income statement for 2014 and 2013 is as follows:

(Thousand €)	2014	2013
Room sales	730,458	655,251
Food and beverages	395,742	345,997
Real estate income	29,039	66,810
Sale of vacation club units	85,788	77,460
Income from other business	76,916	72,360
Income from hotel management	42,366	46,149
Other revenue	103,976	104,648
Total	**1,464,284**	**1,368,677**

The main item in Other income relates to the Panamanian company Sol Caribe Tours, S.A. (€ 32.8 million) and its tour operator business. In 2013, Sol Caribe Tours, S.A. contributed € 33.9 million to the item Other income.

7.2 SUPPLIES

The breakdown of the balance of this caption in the income statement for 2014 and 2013 is as follows:

(Thousand €)	2014	2013
Consumption of food and beverages	120,407	110,462
Consumption of ancillary goods	30,167	28,288
Consumption of vacation club sales	6,798	6,899
Sundry consumption	27,276	28,840
Total	**184,648**	**174,490**

7.3 STAFF COSTS

Staff costs are broken down as follows:

(Thousand €)	2014	2013
Wages, salaries and similar items	329,974	296,321
Social security	75,952	67,230
Other social welfare expenses	17,532	17,777
Termination benefits	5,877	6,950
Total	**429,335**	**388,279**

In fiscal year 2013, the amounts paid in relation to the restructuring process which the Company conducted during the first quarter were not included under the heading of indemnities. These indemnities totalling €3.98 million were presented under the heading Restructurings in the consolidated income statement.

The average number of employees of Meliá Hoteles International, S.A and its dependant subsidiaries over the last fiscal periods and distributed according to labour categories, is as follows:

	2014		
	MEN	WOMEN	TOTAL
Management personnel	318	114	432
Department heads	1,540	922	2,462
Technicians	5,483	4,029	9,512
Auxilliary staff	3,979	3,128	7,107
Total	**11,321**	**8,193**	**19,514**

	2013		
	MEN	WOMEN	TOTAL
Management personnel	310	113	424
Department heads	1,279	724	2,003
Technicians	5,312	3,889	9,201
Auxilliary staff	3,911	3,025	6,936
Total	**10,813**	**7,751**	**18,564**

7.4 OTHER EXPENSES

The breakdown of the balance of this caption in the income statement for 2014 and 2013 is as follows:

(Thousand €)	2014	2013
Sundry rentals	10,169	9,009
Maintenance and repairs	42,816	39,499
External services	82,145	74,639
Transport and insurance	12,237	12,470
Banking expenses	15,227	13,424
Advertising and promotions	37,555	35,295
Supplies	80,103	74,143
Travel and ticketing expenses	10,674	10,172
Tax	44,640	43,000
Various external services	133,599	120,833
Other expenses	27,095	26,998
Total	**496,260**	**459,481**

7.5 DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the balance of this caption in the income statement for 2014 and 2013 is as follows:

(Thousand €)	2014	2013
Amortisation charge, intangible assets	12,513	10,737
Depreciation charge, property, plant & equipment	79,523	85,518
Impairment of property, plant & equipment	3,891	(3,517)
Total	**95,927**	**92,738**

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.

During the year 2013 the company recorded the reversal of impairment losses totalling €5.9 million in property, plant and equipment consisting of buildings at a hotel in the Canary Islands (Spain), registered in 2011, as a result of the new appraisal of the carrying value of that asset carried out by an independent expert.

7.6 NEGATIVE DIFFERENCES ON CONSOLIDATION

As detailed in note 5.1, there are no negative differences from the consolidation of the profit and loss account for the fiscal year 2014.

For the purpose of comparison, those posted in fiscal year 2013 are shown below:

(Thousand €)	2013		
	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.	19,987	650	20,637
Total	**25,245**	**5,615**	**30,860**

7.7 FINANCIAL INCOME AND EXPENSES

Set out below is a breakdown of net financial income/(expense) reflected in the consolidated income statement in 2014 and 2013:

(Thousand €)	2014	2013
Exchange gains	89,388	28,067
Dividend income	22	31
Interest income	9,202	17,534
Other financial income	10,750	2,445
Restructuring debt		30,634
Profit/(loss) on disposal of financial assets	(98)	(2)
Total financial income	**109,265**	**78,710**
Exchange losses	(65,332)	(52,204)
Interest expense	(100,709)	(104,514)
Finance lease interest		(10,935)
Other financial expenses	(6,392)	(7,129)
Gain/(loss) on restatement of fixed assets	(2,445)	(15,340)
Surplus bad debt provision	(1,358)	(2,326)
Change in fair value of financial instruments	898	(76,015)
Total financial expense	**(175,338)**	**(268,464)**
Net financial expense	**(66,073)**	**(189,754)**

The main changes in this section are the improvement in the exchange balance of 48 million Euro, above all thanks to the strengthening of the dollar against the Euro by approximately 12%.

It is noteworthy that the heading of results of updating balances reflects the impact of the new exchange system at the end of the fiscal year, namely SICAD II, on the net monetary assets of the Venezuelan subsidiaries, as stated in Note 2.4.

The decrease in revenue from interests is due mainly to interest related to associated entities and joint ventures. To be specific, there was a decrease of 2.6 million Euro in relation to the company Inversiones Hoteleras La Jaquita, S.A., as this was globally integrated in December 2013. In addition, the interest accounted for by Adprotel Strand, S.L. fell by 3.9 million Euro, due to the compensation of credits that it owed to the parent company (see Note 5.2).

Under Other Financial Expenses are included the dividends paid during the fiscal year in respect of the preference shares which the company Sol Meliá Finance Ltd issued in 2002, in the amount of 3.1 million Euro (see Note 13.2).

The change in the fair value of financial instruments in 2013 mainly concerned the €76.2 million in expense deriving from the 55.6% rise in the listed price of Meliá 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 mentioned in Note 13.2, 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 was solely due to the evolution of fair value up to that date, when the fair value of these derivatives was reclassified to equity.

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

The heading 'Substantial Modification of the Debt' included in 2013 the agreement reached on 30 December 2013 with the company Equity Inmuebles, S.L. whereby it was agreed to reset the termination date of all of the lease agreements to 29 December, 2022 with no option to renew, as a result of which they went from being classified as financial to operational leases, thereby removing the recognized assets and liabilities from the balance sheet and generating a positive impact on the profit and loss statement of 30.6 million Euro, accounted for as a financial gain. In addition, 10.9 million Euro was included as expenses for financial leasing interest in respect of the contract for the said leasehold agreement.

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 13.2) and related interest recognised in the income statement due to said operation. 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 2014 and 2013 for both variables:

	BASIC		DILUTED	
(Thousand €)	31/12/14	31/12/13	31/12/14	31/12/13
Net income attributed to the parent company	**30,406,363**	**(73,218,999)**	**30,406,363**	**(73,218,999)**
Results from continued operations	30,718,487	(38,926,651)	30,718,487	(38,926,651)
Results from discontinued operations	(312,124)	(34,292,348)	(312,124)	(34,292,348)
Correction of results				
Adjusted results	**30,406,363**	**(73,218,999)**	**30,406,363**	**(73,218,999)**
Number of ordinary shares	199,053,048	184,776,777	199,053,048	184,776,777
Average weighted treasury shares	(390,127)	(7,828,249)	(390,127)	(7,828,249)
Nº of potential ordinary shares				
Total number of shares	**198,662,921**	**176,948,528**	**198,662,921**	**176,948,528**
Earnings per share	**0.15**	**(0.41)**	**0.15**	**(0.41)**
From continued operations	0.15	(0.22)	0.15	(0.22)
From discontinued operations	(0.00)	(0.19)	(0.00)	(0.19)

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.03 Euro per share (net dividend of €0.024). An amount of €6 million in unrestricted reserves in the Parent Company, Meliá Hotels International, S.A. will be drawn down for this purpose.

For 2013, the Board of Directors proposed to the Annual General Meeting the pay-out of a gross dividend, excluding treasury shares, of 0.04 Euro per share (net dividend of €0.0316). The amount of €7.4 million was paid out in the second half of 2014.

9. INTANGIBLE ASSETS

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

(Thousand €)	Balance 31/12/13	Depreciation 2014	Additions	Disposals	Scope Var.	Exchange difference	Balance 31/12/14
GROSS VALUE							
Goodwill	33,717				1,708	106	35,531
Transfer rights	89,985		2,790			4,394	97,169
Software	119,356		3,443	(10)	19	49	122,857
Other intangible assets	8,279		1	(3)	4	4	8,285
Assets inprogress	3,019		745				3,764
TOTAL GROSS VALUE	**254,357**		**6,978**	**(13)**	**1,731**	**4,553**	**267,606**
ACCUMULATED DEPRECIATION							
Leaseholds	(35,635)	(3,792)				(1,988)	(41,415)
Computer software	(74,403)	(8,494)	(4)	18	(17)	(33)	(82,932)
Industrial property rights (R+D+I)	(5,382)	(228)	2		(3)	2	(5,610)
TOTAL ACCUMULATED DEPRECIATION	**(115,420)**	**(12,513)**	**(41)**	**18**	**18**	**(2,019)**	**(129,957)**
NET CARRYING VALUE	**138,937**	**(12,513)**	**6,938**	**5**	**1,749**	**2,533**	**137,649**

The variations in the scope relate to the inclusion of the assets of the company René Egli, S.L.U. As a result of this business combination, a goodwill of 1.7 million Euro has been generated, which has already been discussed in Note 5.1.

The additions to the heading Leaseholds reflect the amount paid for the acquisition of rights to operate three hotels under management agreements in Spain, Qatar and the Bahamas.

For comparison purposes, the breakdown of these movements in 2013 was the following:

(Thousand €)	Balance 31/12/12	Depreciation 2013	Additions	Disposals	Scope Var.	Exchange difference	Balance 31/12/13
GROSS VALUE							
Goodwill	18,970				14,780	(33)	33,717
Transfer rights	87,702		1,723			560	89,985
Software	69,449		3,221	(201)	46,964	(77)	119,356
Other intangible assets	8,285				4	(10)	8,279
Assets inprogress					3,019		3,019
TOTAL GROSS VALUE	**184,406**		**4,944**	**(201)**	**64,767**	**441**	**254,357**
ACCUMULATED DEPRECIATION							
Leaseholds	(32,747)	(3,423)		1		533	(35,635)
Computer software	(56,153)	(7,083)	(15)	190	(11,415)	72	(74,403)
Industrial property rights (R+D+I)	(5,187)	(231)			(4)	35	(5,382)
TOTAL ACCUMULATED DEPRECIATION	**(94,087)**	**(10,736)**	**(15)**	**191**	**(11,419)**	**641**	**(115,420)**
NET CARRYING VALUE	**90,318**	**(10,736)**	**4,930**	**(10)**	**53,349**	**1,083**	**138,937**

The changes in scope in 2013 were mainly related 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 included €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.

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 €)	31/12/14	31/12/13
Apartotel, S.A.	504	504
René Egli, S.L.U.	1,708	
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.	5,454	5,347
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	14,780
Total	**35,532**	**33,717**

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 integration of the company René Egli, S.L.U., 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.	Meliá Castilla, Meliá Costa del Sol and Meliá Alicante Hotels
Hotel Metropolitan, S.A.S.	Meliá Vendome Hotel
Cadstar France, S.A.S.	Meliá Colbert, Tryp François and Meliá Royal Alma Hotels
Ihla Bela de Gestao e Turismo, Ltd.	Tryp Península Varadero, Meliá Las Dunas and Sol Cayo Santa María Hotels
	Meliá Cayo Santa María, Tryp Habana Libre and Tryp Cayo Coco Hotels
Lomondo, Ltd.	Meliá White House Hotel
Hotel Alexander, S.A.	Meliá Alexander Hotel
Operadora Mesol, S.A. de C.V.	Meliá Cozumel, Meliá Puerto Vallarta and Paradisus Cancún Resort Hotels
	Me Cabo, Meliá Cabo Real and Meliá Azul Itxapa Hotels
Tenerife Sol, S.A.	Sol Lanzarote and Sol Jandía Mar Hotels
Sol Meliá Croacia	Sol Aurora, Sol Garden Istra, Meliá Coral, Sol Polynesia, Sol Stella,
	Sol Umag, Adriatic Guest, Sipar, Kanegra and Savudrija Apartments
	Campings Finida and Park Umag.
Idiso Hotel Distribution, S.A.	Hotel distribution platform
René Egli, S.L.U.	Sports Centre

Cash-generating units relate mainly to hotels operated or managed in each case.

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 and the preceding year, of 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	2014	2013
Spain	9,0 - 12,5	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 31/12/13	Depreciation 2014	Additions	Disposals	Scope Var.	Exchange difference	Balance 31/12/14
GROSS VALUE							
Land	395,716		2,123			(9,752)	388,087
Buildings	1,328,833		30,706	(8,688)	394	(76,144)	1,275,101
Plant and machinery	419,707		14,230	(6,377)	113	1,119	428,792
Other fixed assets	474,657		42,985	(15,044)	567	(30,950)	472,215
Work in progress	7,815		10,400	(4,553)		(1,981)	11,680
TOTAL GROSS VALUE	**2,626,728**		**100,444**	**(34,662)**	**1,074**	**(117,709)**	**2,575,876**
ACCUMULATED DEPRECIATION							
Buildings	(429,271)	(27,037)	(5,531)	3,279	(11)	31,995	(426,576)
Plant and machinery	(261,015)	(20,907)	(423)	751	(78)	(468)	(282,140)
Other fixed assets	(321,451)	(35,470)	(3,833)	17,996	(375)	31,106	(312,026)
TOTAL ACCUMULATED DEPRECIATION	**(1,011,737)**	**(83,413)**	**(9,787)**	**22,026**	**(464)**	**62,634**	**(1,020,742)**
NET CARRYING VALUE	**1,614,992**	**(83,413)**	**90,657**	**(12,636)**	**609**	**(55,075)**	**1,555,134**

Under additions for the fiscal year, 42 million Euro has been posted for a series of renovations carried out in hotels in Spain.

Meanwhile, 10.3 million Euro relates mostly to the rebuilding of the restaurant in the Paradisus Palma Real hotel, which was necessitated by the fire that occurred in April. Taking the opportunity of this refurbishment and with the aim of renewing the concept of this business, 42 new rooms were built adjacent to it.

A carrying value of €10.5 million (€20.3 million in cost less €9.7 million in amortisation) is also included for the restatement of the assets located in hyperinflationary economies (Venezuela), as is explained in Note 3.15. This increase has been compensated for by the exchange differences shown in the relevant column, for 143.4 million Euro in terms of negative cost and 72.7 million negative due to depreciation, all of which is the result of the severe weakening of the Venezuelan bolivar against the US dollar, following the decision by the Group to apply SICAD II for the integration of its Venezuelan affiliates. In addition, the increase posted to Works in Progress is due to the allocation of 9.3 million Euro in funding for the refurbishment of the Gran Meliá Caracas hotel in Venezuela.

The main disposals are broken down as follows:

- The hotel Sola Aloha Puerto was sold in June for 20.8 million Euro, its net accounting value at the time of the sale being 4.6 million Euro. The transaction generated a gross gain of 16.2 million, posted to the heading of Operating Revenues in the consolidated profit and loss account.

- The disposal of assets consisting of the laundry business meant a reduction of 8.5 million Euro under the heading Other Tangible Fixed Assets. This transaction has not represented a significant impact on the Group's income statement.

The changes in the scope for 2014 include the addition for the inclusion of the assets of the company René Egli, S.L.U. for a net accounting value of 609 thousand Euro (see Note 5.1).

For comparison purposes, the breakdown of these movements in 2013 was the following:

(Thousand €)	Balance 31/12/12	Depreciation 2013	Additions	Disposals	Scope Var.	Disposable group transfers	Exchange difference	Balance 31/12/13
GROSS VALUE								
Land	379,476		13,191	(6,525)	31,283	(5,409)	(16,300)	395,716
Buildings	1,576,852		59,821	(198,211)	64,433	(108,423)	(65,640)	1,328,832
Plant and machinery	413,441		11,751	(12,314)	35,615	(21,396)	(7,390)	419,707
Other fixed assets	475,335		43,469	(21,464)	17,357	(12,855)	(27,186)	474,657
Work in progress	16,828		4,574	(11,123)	0	(114)	(2,350)	7,815
TOTAL GROSS VALUE	**2,861,932**	**0**	**132,807**	**(249,637)**	**148,688**	**(148,196)**	**(118,866)**	**2,626,728**
ACCUMULATED DEPRECIATION								
Buildings	(470,160)	(54,136)	(44,147)	38,730	9,536	57,230	33,676	(429,271)
Plant and machinery	(251,395)	(28,921)	(887)	8,033	(10,047)	10,403	11,799	(261,015)
Other fixed assets	(326,288)	(34,300)	(14,780)	17,496	(1,195)	10,225	27,392	(321,451)
TOTAL ACCUMULATED DEPRECIATION	**(1,047,842)**	**(117,356)**	**(59,814)**	**64,259**	**(1,707)**	**77,858**	**72,866**	**(1,011,737)**
NET CARRYING VALUE	**1,814,090**	**(117,356)**	**72,992**	**(185,378)**	**146,981**	**(70,338)**	**(45,999)**	**1,614,992**

Additions during the year included 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.

The disposals mainly relate to the agreement reached between Meliá 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 was 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 included 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 which were 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).

Other considerations

There are 23 owned properties that have been mortgaged to secure several loans at the end of 2014 and their carrying value totals €830.7 million, while in 2013 there were 26 and there carrying value was €859 million.

As of 31 December 2014 and 2013 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 below:

(Thousand €)	31/12/14	31/12/13
Buildings	10,022	10,052
Machinery	4,331	5,835
Furniture	2,846	3,545
Other assets	1,508	1,410
Total	**18,707**	**20,842**

At the year-end there were 147 contracts in force with an average maturity date of 3 years, whereas in 2013 there were 147 contracts with an average maturity date of 2 years.

The conditions of said contracts include a purchase contract and a contingent component, relating to the variable nature of the interest rate applied to the contracts as explained in Note 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 €)	
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. INVESTMENTS IN 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 2014 in accordance with the type of assets included under this heading, are set out in the following table:

(Thousand €)	31/12/2013	Additions	Disposals	Exchange difference	31/12/2014
Apartments in Spain	76,051	447			76,498
Shopping centres in America	50,154	13,271	(2,183)	(15,319)	45,923
Other buildings in Spain	10,218	322			10,539
Total	**136,423**	**14,039**	**(2,183)**	**(15,319)**	**132,960**

The additions and disposals relate to adjustments in the fair value, derived from studies of the value of the said assets conducted by independent experts, the principal details of which are given further below.

The differences in exchange in the business centres in America are due to the appreciation of the Euro against the currencies of the countries where these assets are located, principally against the Venezuelan Bolivar, following the Group's decision to apply SICAD II (see Note 3.15).

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		4,710	506	5,215
Operating expenses		(2,633)		(2,633)
EBITDA	**0**	**2,077**	**506**	**2,582**
Amortisation and depreciation		(47)		(47)
Net financial income	22	(370)		(347)
Net income of associates	1,450			1,450
Tax		(541)		(541)
Net income	**1,472**	**1,119**	**506**	**3,097**
Minority interest		(611)		(611)
CONTRIBUTION TO GROUP NET INCOME	**1,472**	**508**	**506**	**2,486**

The contribution of the apartments in Spain relates to dividends collected from companies in which the Group does not have significant influence and the proportion of results for the year of the companies which are carried under the equity method. Said apartments relate to establishments which are managed by the Group generating revenue amounting to €3.9 million.

The contribution of the American business centres can be seen in the part of the profit and loss account of the relevant companies that conduct these operations in respect of the said real estate investments. They include revenue from rented premises in the amount of 2.9 million Euro, as well as 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 2013 is as follows:

(Thousand €)	31/12/2012	Additions	Exchange difference	31/12/2013	31/12/2013
Apartments 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**	**0**	**(13,758)**	**136,423**

The reductions in fair value of the business centres in America were due to the appreciation of the Euro against the local currencies, mainly the Venezuelan Bolivar. The movements included under the heading of additions relate to the purchase of apartments, as well as the adjustment to the fair value, according to the studies of value detailed in this 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**

In 2013 revenues from the management of the hotel establishments, included the apartments in Spain which are considered to be investment properties amounted to €3 million.

Lease income from the shopping centres in America in 2013 totalled €5.5 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 the fiscal year 2014, these valuations were conducted by independent experts.

Shopping centres in America:

The shopping centre owned by the Group in the Dominican Republic was valued at the end of the fiscal year 2014 by the independent expert Jones Lang LaSalle.

To estimate the fair value, the assessor used the direct capitalization method, customarily used to evaluate assets regarded as stable. The capitalization rate used is 9% and includes 400 base points of the risk premium. Due to the lack of an active debt market in the Dominican Republic, this premium was estimated based on Mexico's debt in comparison with the sovereign debt of the United States.

Additionally, it is assumed that the revenue and expenses associated with this property will remain constant over time, with an estimated yield of 3.3 million dollars (3.1 million Euro) for the operation.

In addition, the expert has valued a piece of land adjacent to the property which could be developed and on which it is hoped to construct a building to offer new services to customers. To estimate the value of this land, Jones Lang LaSalle consulted several local realtors in order to arrive at an approximate market price.

The shopping mall owned by the Group in Caracas, Venezuela, has been valued by the independent expert American Consult, using the market value method, due to the difficulty of establishing certain variables and making projections due to the difficult situation of the Venezuelan economy.

Using this market method, the asset's value has been estimated by analysing over 120 recent sales transactions of comparable properties, making the necessary adjustments for surface area, location and the use of the various assets.

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.

The valuation of these hotel assets was conducted by the independent experts Jones Lang LaSalle (JLL) on 1 January 2015, using a discounted projected cash flow over the next 10 years method, starting with the Company's budget for 2015, and projecting the revenues taking as a benchmark the evolution of similar properties in each holiday destination. An average inflation rate of 2% has been applied to costs.

The discount rates applied are between 8.25% and 11.0% while the outflow rates range between 6% and 8.5%.

Other properties in Spain:

To estimate the fair value of those properties that are leased or available for lease, the company has applied discounts to cash flows based on the budgeted rental amounts for 2015.

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 ventures have been valued according to the equity method.

The amounts obtained are given below:

(Thousand €)	%	Balance 31/12/2013	Net income 2014	Additions	Disposals	Exchange difference	Balance 31/12/2014
Meliá Zaragoza, S.L.	50.00%		(871)	7,154	(6,283)		
Evertmel, S.L./ Mongamenda S.L./ Kimel Mca.S.L./[1]	49.00%	10,110	(6,484)	29,670	1,033		34,330
Adprotel Strand S.L	50.00%	189	(3,864)	65,481	395	4,798	66,999
Producciones de Parques, S.L./Tertian XXI ,S.L.U. [1]	50.00%	21,274	(188)	6,000	(77)		27,010
Fourth Project 2012, S.L.	50.00%	4,331	308	2,500	(218)		6,921
Melia Hotels USA, LLC./ Melia Hotels Florida, LLC./ Melia Hotels Orlando, LLC./[1]	50.00%	1,557	77			183	1,818
TOTAL JOINT VENTURES		**37,461**	**(11,021)**	**110,806**	**(5,150)**	**4,982**	**137,078**
Plaza Puerta del Mar, S.A.	20.01%	4,249	325		(233)		4,341
Nexprom/Promedro [1]	20.00%	3,838	301				4,139
Turismo de Invierno, S.A.	21.42%	4,996	(66)		(3)		4,927
C.P. Meliá Castilla	31.07%	1,368	1,070	28	(423)		2,042
C.P.Meliá Costa del Sol	18.86%	1,537	380		(166)		1,751
Altavista Hotelera, S.A.	48.40%	342	(1,688)	2,858	(1,512)		0
Innwise Management, S.L.	27.50%	(2)	39				37
El Recreo Plaza, C.A./ El Recreo Plaza & CIA [1]	19.94%	15,109	2,386	15,549	(20)	(25,394)	7,629
Inversiones Guiza, S.A.	49.85%	(3)					(3)
Banamex S.A. Fideicomiso El Medano	28.00%	6,740	(17)	(480)		49	6,292
Hellenic Hotel Management	40.00%	(76)					(76)
Detur Panamá, S.A.	49.93%		(429)	905		(476)	0
Inmotel Inversiones Italia, S.R.L.	41.50%	25,049	(468)				24,581
TOTAL ASSOCIATED COMPANIES		**63,146**	**1,832**	**18,859**	**(2,357)**	**(25,822)**	**55,659**
TOTAL		**100,607**	**(9,189)**	**129,665**	**(7,507)**	**(20,840)**	**192,737**

(1) Companies with same business line

Additions during the fiscal year were mostly capital increases in the following companies: Meliá Zaragoza, S.L., Adprotel Strand S.L., Producciones de Parques S.L. and Evertmel S.L.

Meanwhile, in El Recreo Plaza & Cía., the impact of hyperinflation on net assets is recorded in the additions column, as is the application of the SICAD II interest rate under the caption Exchange Differences (see Note 2.4.).

The investments according to the holding method in Meliá Zaragoza, S.L. Altavista Hotelera, S.A. and Detur Panama, S.A. came to zero because the negative participation in these companies has been compensated for, in part, by long-term loans pending repayment to the Group and for which there are no related guaranties.

In 2013, investment movements in associates and joint ventures were as follows:

(Thousand €)	%	Balance 31/12/2012	Net income 2013	Additions	Disposals	Exchange difference	Balance 31/12/2013
Meliá Zaragoza, S.L.	50.00%	(5,278)	(1,023)	6,300			
Evertmel, S.L./ Mongamenda S.L./ Kimel Mca.S.L./ (1)	50.00%	11,629	(2,142)	624			10,110
Producciones de Parques, S.L./Tertian XXI ,S.L.U. (1)	50.00%	7,092	(911)	15,094			21,275
Fourth Project 2012, S.L.	50.00%	3,998	334		(1)		4,331
Melia Hotels USA, LLC./ Melia Hotels Florida, LLC./ Melia Hotels Orlando, LLC./ (1)	50.00%	2,245	(603)			(85)	1,557
Idiso Hotel Distribution, S.A.	50.00%	1,937	374		(2,311)		
Inversiones Hoteleras la Jaquita, S.A.	49.07%	(80)	252	563	(735)		
Tradyso Argentina, S.A.	50.00%	(5)	4			1	
Datolita Inversiones 2010, S.L.	50.00%	15,127	(113)		(15,013)		
TOTAL JOINT VENTURES		**36,665**	**(3,828)**	**22,581**	**(18,061)**	**(84)**	**37,273**
Plaza Puerta del Mar, S.A.	18.45%	4,142	306		(199)		4,249
Nexprom/Promedro (1)	20.00%	3,561	316		(40)		3,838
Adprotel Strand S.L	40.00%	15,915	(17,377)	2,072		(422)	189
Turismo de Invierno, S.A.	21.42%	4,807	189				4,996
C.P. Meliá Castilla	30.47%	1,010	326	90	(58)		1,368
C.P.Meliá Costa del Sol	18.86%	1,335	203				1,538
Altavista Hotelera, S.A.	48.40%	(1,038)	336	1,043			342
Innwise Management, S.L.	27.50%		(2)				(2)
El Recreo Plaza, C.A./ El Recreo Plaza & CIA (1)	19.94%	13,894	3,354	2,291	(56)	(4,375)	15,107
Inversiones Guiza, S.A.	49.85%	(3)					(3)
Banamex S.A. Fideicomiso El Medano	28.00%	6,158	1,552	(545)		(426)	6,740
Hellenic Hotel Management	40.00%	(76)					(76)
Detur Panamá, S.A.	49.93%	(2,099)	(1,025)	2,989		135	
Inmotel Inversiones Italia, S.R.L.	41.50%	24,937	112				25,049
Hantinsol Resorts, S.A.	33.33%	19			(19)		
TOTAL ASSOCIATED COMPANIES		**72,561**	**(11,709)**	**7,940**	**(372)**	**(5,087)**	**63,334**
TOTAL		**109,227**	**(15,536)**	**30,522**	**(18,433)**	**(5,172)**	**100,607**

(1) Companies with same business line

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 Meliá Zaragoza, S.L. 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 breakdown of the balance sheet and profit and loss account of the most significant associated entities and joint ventures by volume of assets and result is shown below:

(Thousand €)	Grupo Evertmel *	Altavista S.L.	Adprotel Strand S.L.	Grupo Producciones de Parques *	Inmotel Inversiones Italia S.R.L.	TOTAL
EBITDA	**4,692**	**3,087**	**3,074**	**5,963**	**1,333**	**18,148**
Amortizaciones	**(4,573)**	**(2,206)**	**(5,127)**	**(4,465)**	**(2,296)**	**(18,667)**
Financial income	515	(1,194)	(2,787)	(764)		(4,230)
Financial expense	(8,663)	(3,025)	(3,865)	(1,546)	5	(17,093)
Other net financial income	(5,291)	1	(11)	(5)		(5,305)
Net financial expense	**(13,439)**	**(4,217)**	**(6,662)**	**(2,315)**	**5**	**(26,628)**
Profit before tax	**(13,320)**	**(3,336)**	**(8,715)**	**(817)**	**(958)**	**(27,146)**
Income Tax	264	(152)		441	(171)	383
NET INCOME	(13,056)	(3,488)	(8,715)	(375)	(1,129)	(26,763)

(Thousand €)	Grupo Evertmel *	Altavista S.L.	Adprotel Strand S.L.	Grupo Producciones de Parques *	Inmotel Inversiones Italia S.R.L.	TOTAL
NON CURRENT ASSETS	162,277	97,468	270,692	124,353	90,245	745,035
Cash and other cash equivalents	2,445	455	489	1,239	32	4,661
Other current assets	1,461	22	561	7,003	85	9,131
CURRENT ASSETS	3,905	477	1,051	8,242	117	13,792
TOTAL GENERAL ASSETS	166,182	97,945	271,742	132,595	90,362	758,827
Non-current financial liabilities	63,305	89,291	130,879	69,608		
Other non-current liabilities	13,244		42	2,836	22,668	38,790
NON-CURRENT LIABILITIES	76,550	89,291	130,921	72,444	22,668	391,874
Current financial liabilities	19,399	14,559	7,078	7,426	8,748	
Other current liabilities	293					293
CURRENT LIABILITIES	19,692	14,559	7,078	7,426	8,748	57,503
TOTAL GENERAL LIABILITIES	96,242	103,849	137,999	79,870	31,416	449,376

(*) Companies with same business line are jointly presented

The companies Altavista S.L., Adprotel Strand S.L., Inmotel Inversiones Italia, S.R.L. and the Evertmel group (comprising Evertmel S.L., Mongamenda , S.L. and Kimel Mca, S.L.), are companies that engage in the management of the real estate which they own, and whose hotel business has been transferred to Group companies through lease agreements.

The Producciones de Parques group (comprising Producciones de Parques S.L. and Tertian XXI, S.L.U.), is the owner and operator of the Sol Katmandú Park & Resort complex, which comprises an hotel and a multi-attraction them park in Calviá (Mallorca). In addition, it operates an hotel in Tenerife in which it is planned to implement a theme resort project similar to that mentioned above.

For comparison purposes, the breakdown of quantities in 2013 is as follows:

(Thousand €)	Grupo Evertmel *	Altavista S.L.	Adprotel Strand S.L.	Grupo Producciones de Parques *	Inmotel Inversiones Italia S.R.L.	TOTAL
EBITDA	**2,936**	**1,374**	**(11,466)**	**4,498**	**2,792**	**134**
Depreciation	**(5,158)**	**(2,521)**	**(4,532)**	**(3,333)**	**(2,046)**	**(17,589)**
Financial income	1,787	3		259		2,048
Financial expense	(5,594)	(3,948)	(22,333)	(3,139)	(49)	(35,064)
Other net financial income	(605)	3	(5,110)	(181)		(5,894)
Net financial expense	**(4,412)**	**(3,943)**	**(27,444)**	**(3,062)**	**(49)**	**(38,909)**
Profit before tax	**(6,633)**	**(5,089)**	**(43,443)**	**(1,897)**	**698**	**(56,364)**
Income Tax	1,733	5,600		(109)	(427)	6,797
NET INCOME	(4,900)	510	(43,443)	(2,006)	271	(49,568)

(Thousand €)	Grupo Evertmel *	Altavista S.L.	Adprotel Strand S.L.	Grupo Producciones de Parques *	Inmotel Inversiones Italia S.R.L.	TOTAL
NON CURRENT ASSETS	182,295	102,579	258,358	107,501	90,279	741,013
Cash and other cash equivalents	363	412	2,781	410	1,222	5,187
Other current assets	1,873	399	(778)	3,889	(3)	5,381
CURRENT ASSETS	2,236	812	2,003	4,299	1,219	10,569
TOTAL GENERAL ASSETS	184,531	103,391	260,362	111,800	91,498	751,582
Non-current financial liabilities	84,706	87,749	255,048	48,014		475,517
Other non-current liabilities	16,700	3		3,321	22,422	42,445
NON-CURRENT LIABILITIES	101,406	87,752	255,048	51,335	22,422	517,962
Current financial liabilities	67,240	14,932	6,611	13,446	9,001	111,231
Other current liabilities				105		105
CURRENT LIABILITIES	67,240	14,932	6,611	13,551	9,001	111,335
TOTAL GENERAL LIABILITIES	168,646	102,684	261,659	64,886	31,423	629,298

(*) Companies with same business line are jointly presented

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 2014 and 2013:

	31/12/14			31/12/13		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
1. Financial instruments at fair value through the income statement:						
- Trading portfolio		323	323		1,920	1,920
2. Loans and receivables:						
- Loans to associates	97,267	7,668	104,934	226,812	4,073	230,885
- Financing for properties	25,784	21,355	47,139	15,707	35,326	51,034
- Other loans	84,408	2,094	86,502	60,464	2,808	63,272
3. Available for-sale financial assets:						
- Unlisted equity instruments	16,490		16,490	16,832		16,832
TOTAL DEBT	**223,949**	**31,440**	**255,389**	**319,816**	**44,127**	**363,942**

The table does not include the headings Trade Debtors and Other Receivables nor Cash and Other Equivalent Liquid Assets which are also financial assets, as described in Note 3.5.

Additional breakdowns are provided in Note 14.

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 2014 and 2013:

	31/12/14			31/12/13		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Loans to associates	97,267	7,668	104,934	226,812	4,073	230,885
Financing for properties	25,954	21,355	47,309	16,175	35,326	51,502
Impairment adjustments	(169)		(169)	(468)		(468)
Deposits	2,170	296	2,466	2,939	17	2,956
Guarantee deposits	6,877	1,798	8,674	5,490	2,741	8,231
Club Meliá customers	73,573		73,573	51,425	51	51,476
Other	1,788		1,788	610		610
Total	**207,459**	**31,116**	**238,576**	**302,984**	**42,207**	**345,191**

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:

- Loan granted to the company Resorts Financial Services, Inc, the amount outstanding of which at the end of the fiscal year was 12.3 million dollars.
- 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 €4.9 million, and the purpose of the loan is to finance their commercial activities.
- A non-current loan granted to Aresol Cabos, S.A. in the amount of €6 million, for the purpose of financing its commercial activities.
- The long-term credit facility granted to the company Katmandú Collections, LLLP, dated 10 May, 2014 for the amount of 4.3 million Euro.

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 current value but at face value.

Available-for-sale financial assets

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

(Thousand €)	%	Balance 31/12/2013	Additions	Disposals	Balance 31/12/2014
Fundación Empresa y Crecimiento		285		(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%	351			351
Other		188		(150)	38
Total investment		**17,246**	**0**	**(435)**	**16,811**
Impairment losses		(414)	92		(322)
Net carrying value		**16,832**	**92**	**(435)**	**16,489**

No measurement adjustments for impairment were applied to those companies that recognize latent capital gains on the realizable value of their net assets, which at the end of 2014 mainly relate to the companies Inversiones Hoteleras Los Cabos, Hotelera Sancti Petri, S.A. and Inversiones Turísticas Casas Bellas, S.A.

For comparative purposes, movements in 2013 were as follows:

(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 were applied to those companies that recognized latent capital gains on the realizable value of their net assets, which at the end of 2013 were mainly related 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 at the end of 2014:

(Thousand €)	COUNTRY	REGISTERED OFFICE	ACTIVITY	Capital	Reserves	Net Income	%	TBV	NBV
Horotel, S.A.*	Spain	Avda.Marqués Villanueva del Prado, s/n Santa Cruz de Tenerife	Hotel ownership and operation	3,780	(3,309)		12.40%	58	301
Hotelera Sancti Petri, S.A.	Spain	Gremio Toneleros, 24 Palma de Mallorca	Hotel ownership and operation	13,510	(6,727)	572	19.50%	1,434	2,634
I.H. Los Cabos*	Mexico	Avda. Samuel Lewis, C-33 Panamá	Holding	16,535	(1,556)		15.00%	2,247	3,306
Inversiones Hoteleras Playa del Duque, S.A.*	Spain	Avda, Francisco La Roche, 17 Santa Cruz de Tenerife	Hotel ownership and operation	2,582	53,674		5.00%	2,813	2,682
Inversiones Turísticas Casasbellas, S.A.*	Spain	Avda, Francisco La Roche, 15-17 Santa Cruz de Tenerife	Land ownership	77,464	(27,417)		8.42%	4,214	6,520
Port Cambrils Inversions, S.A.	Spain	Rambla Regueral, 11 Tarragona	Hotel ownership and operation	6,000	670	10	10.00%	668	980
Valle Yamury, S.A.*	Spain	Velázquez, 106	Holding and ownership	4,870	(1,317)	222	8.00%	302	351
Other companies*	Spain			3					38

(*) There are no Financial Statements at December 31,2014 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 and Other financial liabilities under current and non-current liabilities in the balance sheets for 2014 and 2013:

	31/12/14			31/12/13		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	4,951	2,099	7,050	2,815	781	3,596
2. Financial instruments at fair value with changes in profit or loss:						
- Trading portfolio derivatives	6,372	1,893	8,265	5,865	1,044	6,909
3. Other financial liabilities at amortised cost:						
- Debentures and other marketable securities	313,967	3,746	317,713	304,377	190,644	495,021
- Bank borrowings	652,502	351,063	1,003,565	799,644	327,614	1,127,257
- Loans from associates	442		442	321	1,736	2,056
- Other financial liabilities	3,426	62,328	65,755	2,706	69,128	71,834
Total debt	**981,661**	**421,128**	**1,402,789**	**1,115,728**	**590,946**	**1,706,674**

The balances under the heading "Trade Creditors and other Accounts Payable" are not included; these are also considered to be financial liabilities, as described in Note 3.5. Additional breakdowns are provided in Note 18.

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.

Bonds and other negotiable securities

The debt issues included in this item and closing balances for 2014 and 2013 are set out below:

	31/12/14			31/12/13		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Preferred shares	25,192		25,192	25,192		25,192
Bonds and obligations	75,835	996	76,830	75,498	996	76,494
Convertible bond	212,940	2,750	215,690	203,687	189,648	393,335
Total debt	**313,967**	**3,746**	**317,713**	**304,377**	**190,644**	**495,021**

Preferred shares issue

The company Sol Meliá 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%.

Non-convertible 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 method.

Convertible bonds issue

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 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 2013 is described in Note 7.7.

2009 issue

During the fiscal year 2014, the Group's parent company has proceeded to attend to requests for conversion of the convertible bond issued on 18 December, 2009. A total of 3,411 bonds have been converted, which represents 170.5 million Euro of the nominal issue value, therefore leaving 589 unconverted bonds, representing a cash outflow of 29.5 million Euro.

The conversion to shares requested by the bondholders was implemented through the issue of new shares and the handover of existing shares which the parent company held as treasury shares, with the approximate percentages of 66% and 34%, respectively.

The issuing of new shares was implemented by a share capital increase of 2,855,254.20 Euro represented by 14,276,271 ordinary shares with a nominal par value of 0.20 Euro.

The difference between the bond swap price (7.9325 Euro) and the nominal value of the shares issued constitutes the issue premium, which came to 110.4 million Euro.

The value of the existing shares used to make this swop, as explained above, meant a reduction in treasury shares in the amount of 59 million Euro, which corresponds to 7.2 million shares (see Note 16.3).

The company 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 8 million shares at 31 December 2014. As of 31 December, 2013, Deutsche Bank held 7.7 million shares. 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	04 April 2013
Maturity date	04 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	4.50%
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 BNP, Merrill and UBS covering up to 8 million treasury shares and maturing on 25 April 2018, of which as of the 31 December 2014 3.5, 1.7 and 2.6 million shares have been drawn down, respectively. This loan bears 0.5% interest.

Debts with credit entities

The Group's bank borrowings at year-end 2014 and 2013 are analysed below by nature and maturity:

	2014		
(Thousand €)	Short term	Long term	Total
Bank loans	129,587	117,771	247,358
Mortgage-backed loans	63,939	460,808	524,747
Credit facilities	146,353	67,804	214,157
Leases	5,244	6,119	11,363
Interest	5,939		5,939
Total	**351,063**	**652,502**	**1,003,564**

As a result of the debt restructuring carried out during the year 2013, mentioned in Notes 4.3, at the end of 2014 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	17 Million	2015
Corporate guarantee	50 Million	2017
Mortgage-backed loans	92 Million	2020
Mortgage-backed loans	47 Million	2020
Mortgage-backed loans	37 Million	2021
Mortgage-backed loans	41 Million	2026

Credit facilities utilised total € 216.5 million; at year-end 2014, a balance of € 316.1 million was available. In 2013, a total of € 303.8 million had been utilised on credit facilities and a balance of € 217.8 million was available.

New bank financing obtained in 2014 totalled € 309 million, as reflected in the cash flow statement. New bank financing obtained in 2013 totalled € 373 million.

The Group's mortgage loans are secured by 23 hotels having a total carrying amount of € 830.7 million, as explained in Note 10.

Maturities of bank borrowings are analysed below:

(Thousand €)	2015	2016	2017	2018	2019	> 5 years	Total
Bank loans	129,587	74,865	42,786	120			247,358
Mortgage-backed loans	63,939	63,525	64,754	67,528	110,908	154,092	524,747
Credit facilities	146,353	19,373		48,431			214,157
Leases	5,244	3,833	1,777	382	128		11,363
Interest	5,939						5,939
Total	**351,063**	**161,595**	**109,318**	**116,461**	**111,036**	**154,092**	**1,003,564**

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

	31/12/14			31/12/13		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Trade bills payable	152		152			
Fixed asset suppliers	77	4,793	4,870	147	3,300	3,447
Guarantee deposits received	1,583	776	2,360	1,284	657	1,941
Other payables	1,615	56,265	57,880	1,276	64,609	65,885
Dividends payable		154	154		156	156
Other		340	340		406	406
TOTAL	**3,426**	**62,328**	**65,755**	**2,706**	**69,128**	**71,834**

13.3 HEDGE ACTIVITIES AND DERIVATIVES

The fair values of the Group's derivative financial instruments are analysed below by maturity at 31 December 2014 and 2013:

	31/12/14			31/12/13		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
Hedging derivative liabilities	4,951	2,099	7,050	2,815	781	3,596
Trading portfolio derivatives	6,372	1,893	8,265	5,865	1,044	6,909
Total	**11,323**	**3,992**	**15,315**	**8,680**	**1,825**	**10,505**

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.

The segments hedged by these operations are detailed under the caption 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 (see 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 2014, the negative impact on equity of these derivative financial instruments, after taking the portion pertaining to the hedged item to the income statement, and excluding the tax effect, amounted to € 3.5 million. In 2013 there was a negative impact of € 6.3 million.

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

(Thousand €)	2015	2016	2017	2018	2019	> 5 years	TOTAL
Hedging derivative liabilities	2,096	2,300	1,290	828	410	124	7,050
Trading portfolio derivatives	1,895	1,494	1,284	1,053	789	1,750	8,265
Total	**3,992**	**3,794**	**2,574**	**1,882**	**1,199**	**1,874**	**15,315**

For the purposes of comparison the maturity dates for 2013 are indicated below:

(Thousand €)	2014	2015	2016	2017	2018	> 5 years	TOTAL
Hedging derivative liabilities	781	2,441	523	160	(114)	(195)	3,596
Trading portfolio derivatives	1,044	3,100	1,086	735	448	496	6,909
Total	**1,825**	**5,541**	**1,609**	**895**	**334**	**300**	**10,505**

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 €)	31/12/14	31/12/13
Goods for resale	1,719	628
Food and beverages	9,538	9,112
Fuel	765	736
Spare parts and maintenance	2,799	3,279
Ancillary materials	5,568	4,848
Office materials	1,433	1,637
Hotel Business	**21,823**	**20,239**
Vacation Club Business	**38,746**	**35,961**
Real Estate Business	**6,465**	**4,731**
Advances to suppliers	**4,965**	**2,427**
Total	**71,999**	**63,358**

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 business activity.

14.2 TRADE AND OTHER RECEIVABLES

The following table contains a breakdown of this heading at year-end 2014 and 2013:

(Thousand €)	31/12/14	31/12/13
Customers	129,876	137,448
Other receivables	116,466	123,165
Total	**246,342**	**260,612**

Clients

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

(Thousand €)	31/12/14	31/12/13
Hotel	83,435	84,083
Real Estate	2,193	2,840
Vacation Club	24,768	16,364
Other operating activities	19,480	34,161
Total	**129,876**	**137,448**

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. At 31 December 2014 the total assigned portfolio in this respect was €5.3 million, of which €4.2 million at 31 December 2014.

At December 31, 2014, the Group also assigns receivables relating to the sale of vacation club units, amounting to €79.7 million, through agreements with banking institutions. In 2013 the balance amounted to €95.1 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 and as such they are not included in the previous table.

At December 31, 2014, the provision for bad debts amounts to €54.2 million. At December 31, 2013, the balance amounted to €49.2 million.

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

(Thousand €)	2014	%	2013	%
Less than 90 days	101,993	80%	110,161	82%
More than 90 and less than 180	22,172	17%	19,517	14%
More than 180	3,518	3%	4,930	4%
Total	**127,683**	**100%**	**134,608**	**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 2014 and 2013:

(Thousand €)	31/12/14	31/12/13
Prepayments and accrued income	11,454	11,441
Loans to employees	562	691
Taxes refundable	12,971	8,128
Input VAT deductible	14,190	11,448
Tax withholdings	62	355
Receivables from associates	37,345	38,730
Receivables	17,754	26,036
Current accounts	22,127	26,337
Total	**116,466**	**123,165**

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	(*)	AMERICA	ASIA	31/12/14
Cash	34,215	37,250	82,119	1,897	155,481
Other cash equivalents	35,741	136,881	6,319		178,941
Total	**69,957**	**174,130**	**88,438**	**1,897**	**334,422**

(*) 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 and the Euro.

The balances in this caption in 2013 are set out below:

(Thousand €)	ESPAÑA	EMEA (*)	AMERICA	ASIA	31/12/13
Cash	48.403	36.243	86.972	1.924	173.542
Other cash equivalents	106.672	116.216	40.513		263.400
Total	**154.693**	**152.459**	**127.485**	**1.924**	**436.942**

(*) 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 selling-off process are: Desarrolladora del Norte, S.A., Sol Meliá Vacation Club Puerto Rico, S.A. and Segunda Fase Corp. These companies have been carrying on their business activities through hotel operations and also as the Paradisus Puerto Rico holiday club and its associated complexes, which they also own.

In applying paragraph 9 of IFRS5, the Group maintains the classification of the disposable group assets relating to its subsidiaries in Puerto Rico, despite the elapsing of the initial one-year period, as the delay was caused by situations beyond the entity's control, namely the situation of the main group investor which was interested until mid-2014 in acquiring these companies. In addition, the Group maintains its commitment to the plan to sell the group of assets, for which it has hired an independent expert in this type of transaction, CBRE Group, which commenced taking bids during Q4 in fiscal year 2014; through this process it is expected that a firm purchase commitment will be reached in the coming months.

Additional breakdowns are given below with regard to the activity and cash flows associated with disposable group assets.

15.1 CASH FLOWS ASSOCIATED WITH DISCONTINUED OPERATIONS

The breakdowns of cash flows associated with discontinued operations in fiscal years 2014 and 2013 are as follows:

(Thousand €)	2014	2013
Operating activities	1,750	589
Investment activities	(2,188)	24,312
Financing activities		(24,243)
Variation in the exchange rate in cash and cash equivalents	(180)	(136)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**(618)**	**522**
Cash and cash equivalents at the beginning of the year	3,473	2,950
CASH AND CASH EQUIVALENTS AT THE YEAR END	**2,855**	**3,473**

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 corresponding to that period. The impact on the consolidated accounts was 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

The breakdown by categories of the assets and liabilities included in the disposable group assets at the end of fiscal years 2014 and 2013 is:

(Thousand €)	31/12/14	31/12/13
Property, plant and equipment	84,354	70,338
Other non-current assets	2	(15)
Inventories	25,833	23,380
Other current assets	6,088	6,636
TOTAL ASSETS	**116,277**	**100,338**
Bank loans	4,082	4,175
Provisions	2,518	759
Other non-current liabilities	(15)	0
Trade creditors and other payables	7,836	7,491
Other current liabilities	347	52
TOTAL LIABILITIES	**14,768**	**12,477**

Assets and liabilities held-for-sale are recognized at a net amount of €101.5 million Euro, 87.9 million in 2013. The increase in the value of the disposable group assets has mainly been due to the strengthening of the dollar against the dollar in the second half of the year.

These amounts have been calculated based on the accounting figures of 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 €)	2014	2013
Operative income	30,709	30,247
Operative expenses	(31,555)	(28,793)
EBITDA	**(846)**	**1,454**
Amortisation and depreciation	(736)	(5,394)
EBIT	**(1,583)**	**(3,940)**
Net financial income	1,252	313
Profit before tax	**(331)**	**(4,253)**
Income tax	15	
Net Income	**(315)**	**(4,253)**
Losses recognised in the restatement of assets		(30,000)
Results from discontinued operations	**(315)**	**(34,253)**

During fiscal year 2013 and within the framework of the process of disposing of assets held by the Group in Puerto Rico, a revaluation was made of the tangible fixed assets belonging to the disposable group, in order to record as non-current assets held for sale for fair value less sale costs, which resulted in a recognized loss of 30 million Euro.

The fair value was estimated using the comparables method, using observable data from the market of sales of comparable properties. The valuation was made using physical units of comparison such as the price per room and economic units, such as the EBITDA multiple and applying the said average values to the units included in Meliá Group's discontinued operations.

The fair value study produced a figure of 72.2 million Euro at the end of fiscal year 2013 (99.4 million dollars) and was conducted by the independent expert CB Richard Ellis.

At the end of the fiscal year 2014, this valuation was kept in US dollars as the best estimate of the fair value of the disposable group assets.

16. EQUITY

16.1 SHARE CAPITAL AND SHARE PREMIUM

As of 31 December, 2013, the parent company's equity stood at 36,955,355.40 Euro represented by 184,776,777 bearer shares with a nominal par value of 0.2 Euro, numbered 1 to 184,776,777, both inclusive, fully subscribed and paid-up.

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.

On 18 December, 2014, Meliá Hotels International, S.A carried out a capital increase by conversion of bonds in the amount of 2,855,254.20 Euro by the issuance of 14,276, 271 ordinary shares of new issue, with a nominal par value of 0.2 Euro, all of the same class and series as the shares of the parent company currently in circulation.

As a result of the said increase, the equity is now 39,810,609.60 Euro represented by 199,053.048 shares with a nominal par value of 0.2 Euro. The shares are fully subscribed and paid-up, and constitute a single class and series.

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

The primary shareholders with a direct and indirect stake in Meliá Hotels International, S.A. at 31 December 2014, are as follows:

	31/12/2014	31/12/2013
Shareholder	Shareholding %	Shareholding %
Hoteles Mallorquines Consolidados, S.A.	21,34	26,72
Hoteles Mallorquines Asociados, S.L.	15,24	16,42
Hoteles Mallorquines Agrupados, S.L.	12,91	13,90
Majorcan Hotels Luxembourg, S.A.R.L.	5,80	6,25
Other (less than 5% individual)	44,71	36,71
Total	100,00	100,00

On the basis of the information set out in the table above, it may be inferred that Mr. Gabriel Escarrer Julià is the controlling shareholder of the Group (see Note 22).

The increase in the share premium during the fiscal year in the amount of 167 million Euro is mainly the result of the difference between the issue price per share, which is the conversion price, i.e. 7.9325 Euro, and the nominal par value of 0.2 Euro of the newly issued shares, i.e. 7.7325 Euro, coming to a paid-up for this item of 110.4 million Euro.

In addition, an increase of 56.7 million Euro has been posted due to the effect of a part of this reserve on the allocation of the treasury shares reserve.

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 (see Note 16.5) broken down on the liabilities side of the balance sheet.

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

16.3 TREASURY SHARES

The breakdown items and movements in treasury shares are as follows:

(Thousand €)	Shares	Average Price €	Balance
Balance 31/12/2013	**13,318,008**	**8,16**	**108,688**
Additions 2014	274,437	8,43	2,315
Disposals 2014	(4,950)	9,56	(47)
Bonds conversion	(7,223,872)	8,17	(58,987)
Balance 31/12/2014	**6,363,623**	**8,17**	**51,968**

During the fiscal year 2014, the Group's parent company has proceeded to attend to requests for conversion of the convertible bond issued on 18 December, 2009. The conversion to shares requested by the bondholders was implemented through the issue of new shares and the handover of existing shares which the parent company held as treasury shares (see Note 13.2).

The value of the existing shares used to make this swap, as explained above, meant a reduction in treasury shares in the amount of 59 million Euro, which corresponds to 7.2 million shares.

The treasury shares balance does not include 9.4 million shares that the Company has been loaned by the controlling shareholder.

The number of shares loaned to several banks at 31 December 2014 total 15.8 million shares, including 8 million shares to Deutsche Bank (see Note 13.2).

Taking the above into account the number of shares in the Company's possession at the close of 2012 was 11,885 representing 0.006% of the 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 €8.86. At the 2013 year end the share price amounted to €9.335.

For comparative purposes, movements in 2013 were 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 did not include 2.5 million shares that the parent Company has been loaned by the controlling shareholder.

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

Taking the above into account, the number of shares in the Company's possession was 121,304 representing 0.065%.

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 2014 reflected Retailed earnings relate mainly to the distribution of prior-year results; a profit of €57.7 million from the fully-consolidated companies (including the parent company) and a loss of € 15.5 million from associates.

Also included is an increase of € 11.5 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.

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.

In addition, an increase of 51.7 million Euro was included due to the restated balances of the Venezuelan companies.

Other transactions with shareholders and owners included 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.

16.5 OTHER EQUITY INSTRUMENTS

Under this heading is included the amount of 108.7 million Euro posted to net equity in relation to the convertible bond issue by the parent company in the fiscal year 2013.

This operation is regarded as an instrument comprising liabilities and equity as and from the moment at which the Board of Directors decided, in December 2013, to waive the liquidation in cash of these financial instruments (see Note 13.2). The decrease by 39.7 million Euro relates to the cancellation of the convertible bond issue in the fiscal year 2009.

Additionally, in the Statement of Changes in Net Equity, on the line of Conversion of Financial Liabilities to Net Equity, shows the difference in the value of the shares at the conversion price mentioned above, and the average price at which the disposal of treasury shares has been accounted for, in the amount of 2.2 million Euro.

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.

Conversion differences

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

(Thousand €)		31/12/14	31/12/13
Venezuelan Bolivar	VEF	(288,152)	(159,260)
Costa Rican Columbus	CRC	137	96
Morrocan Dinar	MAD	53	53
Tunisian Dinar	TND	3,768	3,787
United States Dollar	USD	63,454	7,503
Singapore Dollar	SGD	65	18
Swiss Franc	CHF	1,989	11,977
Croatian Crown	HRK	(406)	(378)
Great Britain Pound	GBP	(1,428)	(9,930)
Turkish Lira	TRY		347
Dominican Peso	DOP	(52,664)	(62,204)
Mexican Peso	MXN	(59,222)	(52,529)
Uruguayan Peso	UYU	(1)	(1)
Argentinian Peso	ARS	(741)	(624)
Brazilian Real	BRL	(12,181)	(8,409)
Chinese Renminmbi Yuan	CNY	(198)	(219)
Indonesian Rupee	IDR	(162)	(126)
Peruvian Sol	PES	1,308	747
Total		**(344,381)**	**(269,151)**

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

Of the total differences on exchange, €322.3 million in losses relate to fully consolidated companies and 22 million in losses relate to equity consolidated companies. In 2013 the figures were €265.9 million in losses and a loss of €3.2 million, respectively.

The main change compared to the previous year is in the Venezuelan Bolivar, as the Group decided that SICAD II was the most appropriate rate for the conversion of its financial statements of its Venezuelan subsidiaries, which has meant an effective devaluation against the US dollar of approximately 87% (see Note 3.15).

The US dollar has appreciated in 2014 in relation to the euro by about 12% and therefore the net assets of the companies carried in US dollars increased significantly 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 € 1.2 million in negative translation differences was recognised in this item while in 2013 there was a negative translation difference of € 8 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 €8 million in gains. In 2013 the change in this respect totalled €3.3 million.

16.7 NON-CONTROLLING INTERESTS

This heading reflects the equity interest relating to third parties outside the Group, including the corresponding portion of results.

The consolidated amounts, before carrying out intra-group deletions, of the assets, liabilities, equity stake of rights held by non-Group third parties, and their corresponding stake in the result (profit/loss) for the fiscal year, are listed below:

(Thousand €)	Minority percentage	Total ASSETS	Total LIABILITIES	Total NET ASSETS	Minority interest	Results attributed to minority interests
Invers. Explot. Turísticas, S.A.	45.07%	62,606	5,803	56,802	(25,602)	(1,947)
Colón Verona, S.A.	50.00%	43,000	69,389	(26,389)	13,194	1,485
Idiso Hotel Distribution, S.A. (*)	45.00%	53,492	29,314	24,178	(15,765)	148
Realizaciones Turísticas, S.A. (*)	3.73%	353,956	208,009	145,947	(4,642)	(117)
Meliá Inversiones Americanas, N.V. (*)	0.31%	1,381,556	867,670	513,886	(10,419)	(2,293)
Other		162,181	90,376	71,805	(11,496)	1,266
TOTAL		**2,056,791**	**1,270,561**	**786,230**	**(54,730)**	**(1,459)**

(*) Includes minority interest in their subsidiaries (see Appendix 1).

The movements for the fiscal year 2014 mainly relate to the result and differences in conversion posted by these companies (and their affiliates), as well as the purchases of non-controlling interests in Note 5.2, which have not had significant impacts.

For comparison purposes, the breakdown of quantities in 2013 is as follows:

(Thousand €)	Minority percentage	Total ASSETS	Total LIABILITIES	Total NET ASSETS	Minority interest	Results attributed to minority interests
Inextur, S.A.	45.07%	59,448	6,879	52,569	(23,694)	(1,470)
Colón Verona, S.A.	50.00%	36,893	60,355	(23,461)	11,730	1,771
Idiso, S.A. (*)	45.00%	10,944	(12,450)	23,394	(15,447)	777
Realizaciones Turísticas, S.A. (*)	3.73%	382,350	226,964	155,386	(4,542)	(167)
Meliá Inversiones Americanas, N.V. (*)	0.31%	1,424,005	920,545	503,460	(9,373)	(577)
Other		152,151	80,665	71,487	(15,102)	181
TOTAL		**2,065,792**	**1,282,958**	**782,834**	**(56,427)**	**516**

(*) Includes minority interest in their subsidiaries (see Appendix 1).

The movements for the fiscal year 2013 mainly relate to the result and differences in conversion posted by these companies (and their affiliates), as well as the purchases of non-controlling interests in Note 5.2, which have not had significant impacts.

17. NON-CURRENT LIABILITIES

17.1 CAPITAL GRANTS AND OTHER DEFERRED INCOME

The details of these balances are as follows:

(Thousand €)	31/12/2014	31/12/2013
Capital grants	5,499	5,762
Deferred income from customer loyalty prog.	11,114	14,421
Total	**16,613**	**20,183**

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 €263 thousand. In 2013, income from grants amounted to €268 thousand.

Deferred income reflects the fair value assigned to points obtained by customers on the Company's loyalty programmes amounting to €11 million, under IFRIC 13.

17.2 PROVISIONS

The balance sheet shows an amount of €34.4 million in non-current liabilities in respect of provisions for liabilities and charges. As indicated in Note 3.10, this account includes the Group's commitments with staff, provisions for taxes from prior years which have been appealed against or are pending court resolution together with urban planning disputes, as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, commitments acquired and guarantees given for third parties, risks for legal claims and lawsuits and possible liabilities deriving from the possible different interpretations that may be afforded to prevailing legal regulations.

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

(Thousand €)	31/12/2013	Additions	Disposals	31/12/2014
Provision for retirement, seniority bonus and personnel obligations	7,186	3,315	(794)	9,706
Provision for taxes	971			971
Provision for onerous contracts	14,500		(5,709)	8,791
Provision for liabilities	12,030	3,439	(510)	14,960
Total	**34,687**	**6,754**	**(7,013)**	**34,428**

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 €13.2 million for 2014, €1.3 million of which has been charged to results for the period 2014. In 2013, the total amount accrued was €9.9 million, €2.2 million of which was charged to results.

In addition, said commitments have been externalised in order to comply with current legislation. In 2014, the balance for this item totalled €3.5 million, showing liabilities for its net amount. At the 2013 year end the balance externalised for this item amounted to €3.4 million.

These commitments were evaluated by Company, in accordance with the actuarial assumptions in the rotation model which pertain to the Group, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER2000p tables, using a capitalization rate of 1.58%, salary increases totalling 1.00%, plus a rotation assumption of between 3.25% and 8.96% for employees and an average retirement age of 64.

Meanwhile, the negative figure shown in the overall Income Statement of 1.7 million Euro relates to the change undergone by the percentages and actuarial assumptions for the calculation of the retirement payments and premiums in respect of the commitments to post-employment benefits which the Group has made to its employees.

In addition, Provisions includes the balance of provisions for taxes for previous fiscal years that are subject to appeal or resolution, as well as provisions for court cases involving public bodies in relation to urban planning and development issues.

The balance of the provision for contracts for consideration at the end of 2014 totalled €8.8 million and relates in full to lease agreements covering hotels in Spain. This provision was calculated for those hotels that in 2014 presented negative net cash flows, after discounting the relevant lease instalments.

The disposals in the fiscal year 2014 are principally due to reductions in revenue from some leasehold contracts, resulting from negotiations with the various owners during the fiscal year.

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 operating budget for 2015 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 2015, which stabilizes at 3% for future years. The discount rate applied to adjust cash flows was 10.5%.

In terms of provisions for liabilities, additions during the year relate almost exclusively to provisions for several arbitration processes to cover the portion of the risk deemed possible and that have yet to be resolved.

For comparison purposes, set out below is the breakdown of this balance by nature at the 2013 year end:

(Thousand €)	31/12/2012	Additions	Disposals	Scope Variations	31/12/2013
Provision for retirement, seniority bonus and personnel obligations	5,926	1,881	(540)	(82)	7,186
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**	**5,279**	**(8,515)**	**(283)**	**34,687**

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.

Additions to the provisions for liabilities during the year corresponded 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.

18. TRADE CREDIT AND OTHER PAYABLES

The following table contains a breakdown of this heading at year-end 2014 and 2013:

(Thousand €)	31/12/14	31/12/13
Creditors	190,104	195,723
Other payables	120,696	97,057
Total	**310,800**	**292,780**

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 €142.7 million Euro. At the end of the previous fiscal year it amounted to 154.4 million Euro.

Prepayments from customers, which at the 2014 year end amount to €47.4 million, are also included in this account (2013 year end: €41.3 million).

18.2 OTHER PAYABLES

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

(Thousand €)	31/12/14	31/12/13
Accruals and deferred income	3,981	4,344
Accrued wages and salaries	53,276	41,887
Taxes payable	20,949	20,805
Social security contributions payable	7,414	6,825
Sales output VAT	19,749	14,319
Trade payables, associates	13,448	5,573
Other liabilities	1,880	3,306
Total	**120,696**	**97,057**

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

Remuneration pending payment include €6.7 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 20.3, the compensations stipulated in this variable compensation plan do 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	2010-2013		2011-2014	2011-2014	2011-2014		
France	2011-2013		2012-2014	2012-2014			
England	2008-2013		2009-2014	2009-2014			
Italy	2008-2013		2009-2014	2009-2014		2007-2012	
Germany	2004-2013		2005-2014	2005-2014			
Croatia	2009-2013		2010-2014	2010-2014			
Holland	2010-2013		2010-2014	2010-2014			
USA	2011-2013						
Mexico	2009-2013	2006-2007		2010-2014			
Dom. Rep.	2011-2013			2012-2014			
Venezuela	2009-2013		2010-2014	2010-2014			
Brazil	2009-2013		2010-2014				2010-2014

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 2013.

Spain: Meliá Hotels International S.A.'s tax unit continues to be under inspection for the year 2009 in respect of Corporation Tax and for 2010 for Income Tax and VAT.

The company Idiso Hotel Distribution S.A has an inspection ongoing in respect of the years 2012 and 2013 for Corporation Tax and for 2012 to 2014 for Income Tax, VAT and the Indirect General Tax in the Canary Islands.

During the fiscal year 2014, a tax inspection was initiated to check and investigate the Corporation Tax paid from 2009 to 2012 and the VAT and amounts withheld and revenues from July 2010 to December 2012 by the Meliá Hotels International S.A. Tax Unit.

The Company estimates that the possible contingencies which could arise from the investigation will not be significant and will therefore not have a significant effect on the Group's profit and loss account.

19.2 DEFERRED TAX ASSETS AND LIABILITIES

The composition of the balance of Group deferred tax assets and liabilities in 2014 and 2013 is as follows:

	Balance	
(Thousand €)	31/12/2014	31/12/2013
Non-current deferred tax asset is as follows:		
Capitalised tax credits	19,460	16,533
Credits for capitalised tax losses	50,238	50,628
Temporary differences for:		
Tax value of Tryp goodwill	28,273	34,732
Cash flow hedges (SWAP)	1,607	1,042
Reversal adjusments for inflation in non-inflationary countries	4,856	4,717
Tax deductible provisions at the payment time or when liability is generated	21,511	24,001
Different criteria for tax and accounting amortisation	7,657	4,542
Inter-group results elimination	13,126	15,653
Other	2,645	1,433
Total	**149,373**	**153,281**
Non-current deferred tax liability is as follows:		
Fair values in business combinations	22,271	25,685
Finance lease operations	23,683	29,896
Land restatement and revaluation	62,173	55,711
Property investments fair value adjustment	28,362	30,670
Differences in accounting and fiscal asset value in England	936	529
Accounting revaluation for merger	3,571	3,626
Sales under reinvestment deferral	4,552	5,606
Other	2,165	2,941
Total	**147,713**	**154,664**

Deferred taxes recognized in 2014 and 2013 by the Group reflect the following details:

	2014		2013	
(Thousand €)	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Opening Balance	**153,281**	**154,664**	**160,822**	**185,336**
Expenses / Income for the period	(3,567)	(6,709)	(8,140)	(23,719)
Taxes attributed directly to Equity	468	7,064	(1,487)	(87)
Scope changes			(1,780)	(2,953)
Translation differences	(809)	(7,306)	3,866	(3,913)
Final Balance	**149,373**	**147,713**	**153,281**	**154,664**

During the period there were no effects due to variations in the scope.

Movements in the fiscal year 2013 were due to the sale of the Mexican company Bear S.A. de C.V., to the winding-up of the Bulgarian company Sol Meliá Bulgaria, the purchase of a further 50% in the Spanish company Inversiones Hoteleras La Jaquita S.A., and the purchase of a further 5% in the Spanish company Idiso Hotel Distribution S.A.

The variation balance in deferred taxes affecting the Group's equity totals €-6.6 million, as is indicated in the Statement of Comprehensive income. The effect in 2013 was €-1.4 million.

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

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 detailed as follows:

(Thousand €)	2015	2016-2020	2021-2027	YEARS BEYOND	TOTAL 31/12/2014
Spain				461,078	461,078
Rest of Europe	4,379	4,557		4,871	13,807
America and rest of the world	221	3,085	2,641	14,188	20,135
Total	**4,600**	**7,642**	**2,641**	**480,137**	**495,020**

The main movements in the rest of Europe area relate to the Netherlands (€ 8.9 million) and Italy (€ 3.5 million), and to Mexico (€ 5.3 million) and Brazil (€ 13.2 million) in the America area.

- In Spain the Group has capitalized-loss carry forwards totalling €167.8 million and generating a deferred tax asset totalling €42.2 million.
- In the Netherlands the Group has capitalized-loss carry forwards totalling €8.9 million and generating a deferred tax asset totalling €2.2 million.
- In Brazil the Group has capitalized-loss carry forwards totalling €12.3 million and generating a deferred tax asset totalling €4.2 million.
- In Mexico the Group has capitalized-loss carry forwards totalling €5.3 million and generating a deferred tax asset totalling €1.6 million.

The Negative Tax bases compensated in the period had not been activated in its entirety in the previous years, which has produced a tax benefit in the amount of 2.4 million Euro. This benefit relates to the Rest of Europe in the amount of 2.4 million Euro.

With regard to the provisions for financial investments pending to be integrated, it should be observed that the total amount is €46.9 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.

Law 27/2014, dated 27 November, on Corporation Tax applicable to Spain, introduced substantial changes, the most notable being the elimination of the statute of limitations (prescription period) for the use of tax credits for tax bases.

For comparative purposes, set out below are tax-loss carry forwards by geographic area and maturity at year-end 2013:

(Thousand €)	2014	2015-2019	2020-2026	YEARS BEYOND	TOTAL 31/12/2013
Spain		1	320,706	138,944	459,651
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**	**156,529**	**504,045**

19.4 TAX CREDITS

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

(Thousand €)	2015	2016-2020	2021-2027	YEARS BEYOND	TOTAL 31/12/2014
Spain	1,001	17,395	26,761	5,304	50,461
America and rest of the world	500	1,342		5,942	7,784
TOTAL	**1,501**	**18,737**	**26,761**	**11,246**	**58,245**

Accumulated tax credits at year end in America and rest of the world relate to Mexico and Venezuela and amount to €1.8 million and €5.9 million, respectively.

The Group has recognized deferred tax assets in Spain totalling €13.1 million, in Mexico totalling €0.4 million and in Venezuela totalling €5.9 million.

The tax credits offset during the year were generated this year and therefore the tax benefit totals €0.4 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 2013:

(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**

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 THE CONSOLIDATED BOOK RESULT AND THE AGGREGATED TAX BASE

(Thousand €)	31/12/2014	31/12/2013
Consolidated Net Income	**31,864**	**(73,736)**
Income tax expense	24,966	9,045
Adjustments for impairment and provisions	(1,279)	36,403
Finance lease transactions	5,254	7,351
Non-deductible expense/income	78,143	81,052
Financial expense embedded derivative		76,168
Exchange differences	6,509	6,330
Inflation adjustments	1,361	12,021
Other adjustments	(8,258)	(19,249)
Previous Taxable Income	**138,560**	**135,385**
Offset of tax-loss carryforwards	**(10,383)**	**(31,500)**
Tax losses not recognised	**(2,470)**	**0**
Gross Tax Base	**125,707**	**103,885**
Tax expense at rate applicable by law (30%)	**37,712**	**31,166**
Effect of tax rate applicable in other countries	**(13,629)**	**(12,343)**
Corporate income tax for the period	**24,083**	**18,823**

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:

	2014	2013
(Thousand €)	COST / (INCOME)	COST / (INCOME)
Current tax		
Income tax for the period	24,083	18,823
Other period taxes	1,668	2,794
Adjustments to income tax of prior years	2,356	3,113
Deferred taxes		
Net variation in credits for tax losses	(4,104)	(3,550)
Net variation in tax credits	941	9,213
Other	22	(21,348)
Total INCOME TAX EXPENSE	**24,966**	**9,045**

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.

The entirety of the Adjustments to the CGT for the fiscal years prior to 2014 mentioned above, relate to changes arising from the definitive tax paid and the projection of tax made the previous year.

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.

Law 27/2014, dated 27 November, on Corporation Tax applicable to Spain, introduced substantial changes, such as the tax rate applicable to the fiscal years 2015, 2016 and following years, which went from 30% to 28% and 25%, respectively. This change is the reason for a recalculation of the deferred taxes, both positive and negative, in order to bring them into line with the new legal framework. The following table shows the effect that this change has had on the Group's accounts:

(Thousand €)	2014
Consolidated income statement effect	
Credits for capitalised tax losses	7,832
Temporary differences for:	
Tax value of Tryp goodwill	5,545
Tax deductible provisions at the payment time or when liability is generated	2,234
Inter-group results elimination	1,969
Finance lease operations	(4,636)
Property investments fair value adjustment	(2,470)
Sales under reinvestment deferral	(890)
Fair values in business combinations	(829)
Different criteria for tax and accounting amortisation	(32)
Total	**8,723**
Consolidated equity effect	
Land restatement and revaluation	7,065
Cash flow hedges (SWAP)	321
Tax deductible provisions at the payment time or when liability is generated	96
Total	**7,482**

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 2014 and 2013, the amount recognised in operating results in the consolidated income statement and balances outstanding at the year-end:

	31/12/14			31/12/13		
(Thousand €)	Net Income 2014	Assets	Liabilities	Net Income 2013	Assets	Liabilities
Evertmel S.L./ Mongamenda S.L./ Kimel Mca S.L. (1)	(5,253)	8,422	5,450	1,716	8,552	63
Meliá Zaragoza, S. L.	704	3	2,080	760	6	14
Inv. Hot. La Jaquita, S. A.				3,295		
Idiso Hotel Distribution, S.L.				(8,484)		
Adprotel Strand, S. L.	(3,168)	30	233	(870)	2,257	173
Producciones de Parques, S.L./ Tertian XXI S.L.U. (1)	1,489	812	3,997	1,318	366	1,169
Fourth Project 2012, S.L.	11	1,948	1,296		1,556	
Meliá Hotels Florida, LLC / Meliá Hotels Orlando, LLC (1)	273	1,539		176	1,049	
Total joint ventures	**(5,944)**	**12,753**	**13,056**	**(2,089)**	**13,787**	**1,419**
Turismo de Invierno, S.A.	454	1,129		379	466	
C.P. Meliá Castilla	2,785	1,764	76	2,278	961	82
C.P.A.M.Costa del Sol	1,296	523	15	1,009	451	22
Nexprom, S.A.	1,228	890	21	1,072	469	13
Altavista Hotelera, S. L.	(1,719)	7,500	19	1,086	8,456	293
Innwise Management, S.L.	(406)	184	181		76	192
Inversiones Guiza, S. A.		1	3		3	2
Banamex, S.A. Fideicomiso	758	2,382	68	841	2,592	28
Hellenic Hotel Manag. CO. HB. S. A.		47			41	
Detur Panamá, S. A.	77	2,936	10	64	2,598	10
Inmotel Inversiones Italia, S. R. L.	2,678	7,245		3,305	5,007	
Total associated companies	**7,151**	**24,601**	**392**	**10,033**	**21,121**	**642**
TOTAL	**1,207**	**37,354**	**13,448**	**7,944**	**34,908**	**2,061**

(1) Entidades que corresponden a una misma línea de negocio

The main changes that have occurred under the heading of Results (profit/loss) in comparison to the previous year, are due to the rentals of the hotels operated by Group companies which are registered as the property of entities classified as joint ventures. This is the case of the Group companies Evertmel, Adprotel Strand, S.L. and Altavista Hotelera, S.L., which show amounts for this item of 4.9, 3.1 and 2.3 million Euro, respectively,

Additionally, in the fiscal year 2013, the results of the companies Idiso Hotel Distribution, S.L. (up to June, 2013) and Inversiones Hoteleras La Jaquita, S.A. were integrated, as these were joint ventures.

The increase in liabilities is explained by the outstanding balance to the companies Evertmel, S.L. and Mongamenda, S.L. due to outstanding rentals of the hotels at the end of the fiscal year in the amount of 4.8 million Euro.

Meanwhile, the increases in the liabilities of the companies Producciones de Parques, S.L., Tertian XXI, S.L. and Meliá Zaragoza, S.L. are due to movements in the current account of the Group's parent company.

Financing operations

There follows a breakdown of financing granted to associates by the Group at year-end 2014 and 2013:

	31/12/14			31/12/13		
(Thousand €)	Net Income 2014	Assets	Liabilities	Net Income 2013	Assets	Liabilities
Evertmel S.L./ Mongamenda S.L./ Kimel Mca S.L. (1)	623	22,000		2,095	11,048	1,664
Meliá Zaragoza, S. L.	79			197		
Inv. Hot. La Jaquita, S. A.				2,640		
Idiso Hotel Distribution, S.L.				(2,193)		
Adprotel Strand, S. L.	2,792	40,190		7,670	163,170	
Producciones de Parques, S.L./ Tertian XXI S.L.U. (1)	764	18,566		1,054	29,980	
Meliá Hotels USA, LLC./ Meliá Orlando, LLC (1)	(401)	1,102				392
Fourth Project 2012, S.L.	57			32		
Total joint ventures	**3,914**	**81,858**		**11,495**	**204,198**	**2,056**
Turismo de Invierno, S.A.	59	1,189		1	1,163	
Altavista Hotelera, S. L.	(168)	20,767		976	23,709	
Banamex, S.A. Fideicomiso	(3)			1		
Detur Panamá, S. A.	113	1,120		(316)	1,815	
Total associated companies	**2**	**23,076**		**663**	**26,687**	
Total	**3,915**	**104,934**	**0**	**12,158**	**230,885**	**2,056**

(1) Companies with same business line

The financial result for joint ventures has diminished compared to the previous fiscal year, mainly owing to the interest that the Group has stopped collecting from the company Adprotel Strand, S.L., in the amount of 3.9 million Euro, due to the capitalization of the loan as part of the capital increase carried out in the fiscal year 2014.

The reduction in value of the financial assets of the group Producciones de Parques, S.L. and Tertian XXI, S.L.U. was mainly due to the contribution of 2.1 million Euro by the Group's parent company to compensate for losses of Tertian XXI, S.L.U. and the capitalization of loans in the amount of 7.1 million Euro.

Interest is calculated on loans and average current account balances at each year end. The rate has been applied in 2014 is 4.475%, in 2013 a rate of 4.54% 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 2014:

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 Caixabank, of a USD 2 million loan. The sum guaranteed at 31 December 2014 is USD 0.8 million.

Meliá Hotels International, S.A. is the guarantor to Banco Popular of 50% of the mortgage loan granted to Meliá Zaragoza, S.L. The amount guaranteed at the end of the period totals 14 million Euro.

20.2 TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

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

(Thousand €)	Transaction type	2014	2013
Hoteles Mallorquines Asociados, S.L.	Goods purchase	12,438	12,095
Hoteles Mallorquines Asociados, S.L.	Services provision	48	36
Hoteles Mallorquines Asociados, S.L.	Lease	441	439
Total		12,927	12,570

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 2014 was € 582 thousand (2013: € 528 thousand).

20.3 TRANSACTIONS WITH EXECUTIVES AND BOARD DIRECTORS

Per diems for attending Board and committee meetings in 2014 and 2013 are as follows:

(Thousand €)	2014	2013
External independent director	**385**	**327**
Mr. Juan Arena de la Mora	54	36
Mr. Alfredo Pastor Bodmer	72	60
Mrs. Amparo Moraleda Martínez	84	75
Mr. Luis María Díaz de Bustamante y Terminel	54	45
Mr. Fco Javier Campo García	57	51
Mr. Fernando D´Ornellas Silva	63	60
Dominical external director	**192**	**174**
Mr. Sebastián Escarrer Jaume	54	45
Mr. Juan Vives Cerdá	72	60
Banco Sabadell		9
Holeles Mallorquines Consolidados S.A.	66	60
Executive director	**108**	**90**
Mr. Gabriel Escarrer Julia	54	45
Mr. Gabriel Juan Escarrer Jaume	54	45
Total	**685**	**592**

Remuneration of executive directors and senior management in 2014 and 2013 is analysed below:

	2014		2013	
(Thousand €)	Remuneration Fixes	Variable Remuneration	Remuneration Fixes	Variable Remuneration
Executive director	**677**	**237**	**676**	**228**
Mr. Gabriel Escarrer Julia	265		265	
Mr. Gabriel Juan Escarrer Jaume	412	237	411	228
High direction	**1,565**	**578**	**1,559**	**487**
Total	2,242	815	2,235	715

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 2014 and 2013:

(Thousand €)	Operation type	2014	2013
Banco Sabadell	Financial expenses		604
Banco Sabadell	Loan repayment		21.762
Mr. Gabriel Escarrer Julia	Services received	142	115
Mr. Juan Vives Cerda	Services rendered	479	429
Total		621	22,910

The transactions with Banco Sabadell included in the previous table refer to the period during which it acted as the executive body of the Meliá Group, up to May 2013.

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, 93 hotels under leases: eleven five-star hotels (2,021 rooms), 63 four-star (12,409 rooms), 15 three-star (2,891 rooms) and 4 three-key establishments (1,124 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	122,536	503,130	871,373	1,497,039

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 28 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 2014 amounted to €6.7 million.

The average term of these lease agreements, including those with Equity Inmuebles, S.L. is 9.3 years.

The information for 2013 is presented for comparative purposes:

(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

At the end of 2013 the Group leased a total of 86 hotels, of which 10 hotels were five stars with 1,563 rooms, 60 were four stars with 10,737 rooms and 13 were three stars with 2,246 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 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 €44 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 €0.7 million.

Meliá Hotels International, S.A. has arranged bank guarantees in favour of Profitur, S.A. relating to the annual minimum operating results of a hotel owned by Profitur, S.A. for €0,5 million.

Meliá Hotels International, S.A. secures several operations through bank guarantees and various items, amounting to €7.1 million.

Meliá Hotels International, S.A. has furnished collateral and bank guarantees totalling € 14.5 million for operations undertaken by associates (see Note 20.1).

The information for the previous financial period is presented for comparative purposes:

Meliá Hotels International, S.A. secured 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. was the guarantor through bank guaranties for tax settlements of a number of different Group companies for the amount of 1.9 million Euro.

Meliá Hotels International, S.A. 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. 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. secured several operations through bank guarantees and various items, amounting to €4.3 million.

Meliá Hotels International, S.A. had 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

Situations of conflicts of interest involving the directors

As of 31 December, 2014, and in relation to the requirements of articles 229 and 230 of the Amended Text of the Spanish Capital Companies Act, the members of the Board of Directors confirmed that neither they, nor any persons with whom they have ties under article 231 of the aforesaid Act, carry out any activities on their own account that involve any effective competition, present or future, with the Company, or that, in any way whatsoever, would place them in a position of permanent conflict with the interests thereof.

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			Chairman
Mr. Gabriel Escarrer Jaume	110,037,747	55.281%	Vice Chairman and CEO
Mr. Sebastián Escarrer Jaume			Director
Hoteles Mallorquines Consolidados, S.A.	42,471,167	21.34% (**)	Director
Mr. Alfredo Pastor Bodmer	10,000	0.005%	Director
Mr. Juan Arena de La Mora	1,000	0.001%	Director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0.000%	Secretary and director
Mr. Juan Vives Cerdá	375	0.000%	Director

(*) It should be noted that the shareholding is calculated based on the direct and indirect interests controlled by Mr. Gabriel Escarrer Juliá, his spouse 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 55.281% stake.

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 2014 and 2013 by Meliá Hotels International, S.A. and its Spanish subsidiaries:

(Thousand €)	2014	%	2013	%
Within legal maximum period	159,951	40.08%	167,774	40.08%
Rest	239,142	59.92%	250,833	59.92%
Total	**399,093**	**100.00%**	**418,607**	**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 € 27.9 million at the year-end. In 2013 the amounts deferred beyond the legal maximum period totalled € 34 million.

The weighted average excess payment period of the companies mentioned above was 54.2 days in 2014. In 2013, the excess period was 41.54 days.

Audit fees

Fees corresponding to the audit of the consolidated annual accounts of the parent and subsidiaries have amounted to €1370 thousand, of which €541 thousand has been invoiced by PricewaterhouseCoopers España, €471 thousand by PricewaterhouseCoopers at an international level and the remaining €358 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 €359 thousand.

In 2013, the fees relating to the audit of the consolidated annual accounts and the subsidiaries totalled €1,308 thousand, of which PricewaterhouseCoopers España invoiced €564 thousand and PricewaterhouseCoopers International invoiced €474 thousand and the remaining amount, €270 thousand, was invoiced by other audit firms. In addition, fees invoiced during the year 2013 for other services rendered by other companies pertaining to the network of the auditors of the consolidated annual accounts totalled €477 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:

Change to the currency exchange system in Venezuela

During February 2015, the Venezuelan authorities carried out a fresh reform of the currency exchange system, unifying SICAD I and SICAD II with a rate of 12 Bolivars to the dollar (which means the de facto elimination of SICAD II) and creating a new system called SIMADI (Marginal Currency System) which is intended to function as a free system of supply and demand for currencies.

The SIMADI came into effect on 12 February this year at a rate of 174.04 Bolivars to the US dollar. The Meliá Group considers that this new system of free currency exchange is appropriate for the consolidation of the balances of its Venezuelan subsidiaries through the fiscal year 2015.

The main impacts expected of the implementation of this new system of exchange rates are:

(Thousand €)	Variation
Non-current assets	(38,212)
Cash	(1,525)
Other current assets	(2,425)
Current liabilities	11,936
Translation differences	**30,226**

Sale of hotel assets

On 25 February, 2015, the Group entered into a binding agreement with the Starwood Capital Group whereby a joint venture was set up for the acquisition and operation of seven hotels owned by the Meliá Group. The Starwood Group will have an 80% holding in this new company and Meliá Group will have a 20% holding.

The price agreed for the acquisition is 176 million Euro and it is estimated that this will generate a capital gain of approximately 35 million Euro, for the Meliá Group.

Bond issue in the Dominican Republic

The affiliate of the Group Desarrollos Sol, S.A. has obtained the approval of the Securities and Exchange Commission of the Dominican Republic for a programme of issues of corporate bonds for up to 100 million US dollars.

This bond issue programme, structured by Banco Popular Dominicano and distributed by Inversiones Popular, is aimed at institutional investors and the general public.

The funds raised by the issue will be allocated to, among other things, the Group's investment plans in the Dominican Republic.

APPENDIX I. SUBSIDIARIES

		COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(A)	(F1)	APARTHOTEL BOSQUE, S.A.	Camilo José Cela, 5 (Palma de Mallorca)	Spain	85.00%		85.00%
(A)		AYOSA HOTELES, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49.00%	49.00%
(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%
		COLÓN VERONA,S.A. (JV)	Canalejas, 1 (Sevilla)	Spain	50.00%		50.00%
		COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	92.30%		92.30%
(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)	(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 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)	Rep. Dom.		99.69%	99.69%
(A)		INVERSIONES AREITO, S.A.S	Avda. Barceló, s/n (Bávaro)	Rep. Dom.	64.54%		
						35.46%	100.00%
(A)	(F1)	INV. HOTELERAS LA JAQUITA, S.A.	Avda. de los Océanos, s/n (Tenerife)	Spain		49.07%	
					50.00%		99.07%
(A)		LOMONDO, Ltd.	Albany Street-Regents Park (Londres)	Great Britain	100.00%		100.00%
(A)		LONDON XXI Limited	336-337 The Strand (Londres)	Great Britain	100.00%		100.00%
		MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil		20.00%	
						80.00%	100.00%
(A)		MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain			100.00%
(A)		PRODISOTEL, S.A.	Mauricio Legendre, 16 (Madrid)	Spain		100.00%	100.00%
(A)	(F1)	REALIZACIONES TURÍSTICAS, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	95.97%		
						0.30%	96.27%
		S' ARGAMASSA HOTELERA S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)		SOL MELIÁ DEUTSCHLAND, gmbh	Am Schimmersfeld 5 (Ratingen)	Germany	100.00%		100.00%
(A)		SOL MELIÁ GREECE, HOTEL & TOURISTIC	14th Chalkokondili Str & 28th October str (Atenas)	Greece	100.00%		100.00%
(A)		SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milán)	Italy	100.00%		100.00%
		SOL MELIÁ LUXEMBOURG, S.A.R.L.	1 Park Dräi Eechelen, L1499	Luxembourg	100.00%		100.00%
(A)	(F1)	TENERIFE SOL, S. A.	Playa de las Américas (Tenerife)	Spain	50.00%	48.13%	98.13%

(*) Participation in this entity is through the ownership of apartments which represent 92.3% of the total, which are recorded in the caption for the active material.

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		MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	(F1)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	99.73%		99.73%
		GESMESOL, S. A.	Elvira Méndez, 10 - Edif. Bco do Brasil	Panama	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, Toren A, 1077 XX (Amsterdam)	Netherlands	51.00%	49.00%	100.00%
(A)		MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		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.	Blvd. Kukulkan Km 16.5 No 1 T.5. Zona Hot (Cancún)	Mexico	75.21%	24.79%	100.00%
		PT SOL MELIÁ INDONESIA	Ed.Plaza Bapindo-Menara Mandiri Lt.16 Jl.Jend. Sudirman Kav.54-55 (Jakarta)	Indonesia	90.00%	10.00%	100.00%
		SOL MANINVEST, B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Netherlands	100.00%		100.00%
(A)		SOL MELIÁ BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100.00%		100.00%
(A)		SOL MELIÁ CROACIA	Vladimira Nazora, 6 (Rovijn)	Croatia		100.00%	100.00%
		SOL MELIÁ MARROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1° 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.	Suite 13-1A1,13th Floor,Hang Seng Bank Tower,1000 Lujiazui Ring Road (Shangai)	China	100.00%		100.00%

		COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	(F1)	CASINO TAMARINDOS, S. A.	Retama, 3 (Las Palmas)	Spain	100.00%		100.00%
		CREDIT CONTROL CORPORATION	Brickell Avenue, 800 (Miami)	USA	100.00%		100.00%
	(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 EMPREENDIMENTOS, S.A.	Avda. Jorge Amado s/n, Bahía	Brazil	100.00%		100.00%
	(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51.49%		
						48.51%	100.00%
(A)	(F2)	HOTEL METROPOLITAN, S.A.S.	20, Rue du sentier 75002 (Paris)	France		100.00%	100.00%
(A)		IDISO HOTEL DISTRIBUTION,S.A.	Aravaca 22,Bis (Madrid)	Spain		55.00%	55.00%
		IMPULSE HOTEL DEVELOPMENT B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Netherlands	100.00%		100.00%
(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%
	(F1)	MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(A)		PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	53.98%	46.02%	100.00%
		RENÉ EGLI, S.L.U.	Playa La Barca, Pájara (Las Palmas de G.Canaria)	Spain	100.00%		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. Barceló, s/n (Bávaro)	Dominican 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 COMMERCIAL	89 Nexus Way,Camana Bay,P.O.Box 31106 SMB,KY1-1205	Cayman Islands		100.00%	100.00%
		SOL MELIÁ EUROPE, B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Netherlands	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 DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican 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%
(A)		SMVC PUERTO RICO CO.	Sector Coco Beach, 200 Carretera 968 (Río Grande)	P.Rico	100.00%		100.00%
		VACATION CLUB SERVICES INC.	Bickell Avenue, 800 (Miami)	USA		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)	Netherlands		99.69%	99.69%
		DOMINICAN INVESTMENT, N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles		99.69%	99.69%
		DOMINICAN MARKETING SERVICES,N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles		65.73%	
						33.96%	99.69%
	(F3)	FARANDOLE, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Netherlands		99.69%	99.69%
		GRUPO SOL ASIA, Ltd.	Unit C-2 16/F United Centre, 95 Queensway (Hong Kong)	Hong Kong	100.00%		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)	Dominican Republic	100.00%		100.00%
		MELIÁ INTERNATIONAL HOTELS, S. A.	Elvira Méndez, 10 - Edif. Bco do Brasil	Panama	100.00%		100.00%
		MELIÁ INV. AMERICANAS, N.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Netherlands	82.26%	17.43%	99.69%
		NEALE, S. A.	Edificio Arango Orillac (Panamá)	Panama		99.69%	99.69%
		NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA		100.00%	100.00%
		PUNTA CANA RESERVATIONS, N.V.	Schottegatweg Oost 44 (Curaçao)	Dutch Antilles	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)	Netherlands		99.69%	99.69%
		SOL GROUP, B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Netherlands	100.00%		100.00%
(A)		SOL MELIÁ FRANCE, S.A.S.	20 Rue du Sentier (Paris)	France	100.00%		100.00%
		SOL MELIÁ INVESTMENT, N.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Netherlands	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
(A)		CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dominican Rep.		49.85%	49.85%
(A)		COMP.TUNISIENNE GEST. HOTELIÉRE	18 Boulevard Khézama nº 44, 4051 Sousse (Túnez)	Tunisia		100.00%	100.00%
	(F1)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 42 (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%
		MELSOL MANAGEMENT, B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Netherlands	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%
		THIRD PROJECT 2012, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%

		MARKETING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
(A)		BEDBANK TRADING, S.A.	Rue St.Pierre, 6A (Fribourg)	Switzerland	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
	BANAMEX S.A. FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	Mexico		28.00%	28.00%
(A)	COM. PROP. APARTOTEL MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	30.98%	0.09%	31.07%
	C.P. APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	0.17%	18.71%	18.87%
(A)	DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	32.72%	17.21%	49.93%
	MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
(A)	MELIÁ ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	50.00%		50.00%
	NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	17.50%	2.50%	20.00%
	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%
(A)	TERTIAN XXI, S.L.U. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
	TURISMO DE INVIERNO, S.A.	Plaza Pradollano, s/n Sierra Nevada (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	50.00%		50.00%
(A)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 272 (Barcelona)	Spain	48.40%		48.40%
(A)	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49.00%		49.00%
	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%
(A)	INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	41.50%		41.50%
	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain		50.00%	50.00%

	COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	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)	Dominican Rep.		49.84%	49.84%
	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%

	DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR. HOLD.	IND. HOLD.	TOTAL
	HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	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	P.DIR	P.IND	TOTAL
	EL RECREO PLAZA, C.A.	Avda.Fco.de Miranda Torre Oeste,15 Of.15 (Caracas)	Venezuela		19.94%	19.94%
	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 31.07% of the total, respectively, and which are recorded under investment property.

CONSOLIDATED DIRECTORS REPORT
FOR FISCAL YEAR 2014

1. ABOUT THE COMPANY

1.1 ORGANISATIONAL STRUCTURE

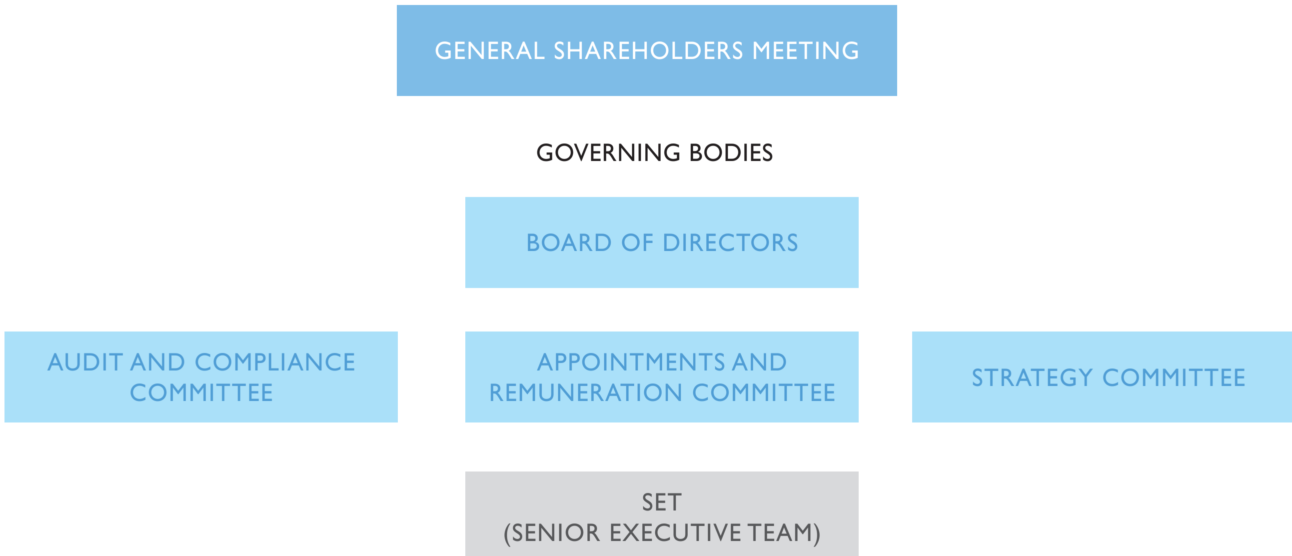
Meliá Hotels International, S.A. and its subsidiaries and associates (hereinafter the "Group" or the "Company") form a Group made up of companies that are mainly engaged in general tourist activities and more specifically in the management and operation of hotels under ownership, rental, management or 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 Meliá 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 businesses 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:



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.

1.2 MODE OF 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

All areas of the hotel business division have had a positive trend. A noteworthy feature was the revenue for available room (RevPAR) which, apart from Venezuela, was 12.5%, with an increase in the average room rate (ARR) of 9.1%.

This positive change in the RevPAR is due to a strategy that focuses on a revenue-maximization culture, the principal drivers of which are:

a. The clientele segmentation, the highlight of which has been the Company's effort to boost sales through its own channels. Specifically, Meliá, com has increased its sales during this fiscal year by 25%, reaching a figure of 265 million Euro.

b. The improvement in the Group's portfolio, in which it can be seen that the new additions are contributing a better RevPAR.

c. The commitment to brand features, such as in the new joint ventures that allow the Sol brand to be repositioned.

Also worthy of note, as indicated in Note 2.4 of the 2014 consolidated financial statements, is that the Company believes that the most appropriate exchange rate for the consolidation of its Venezuelan affiliates is the rate known as SICAD II, as it is the most representative of all of the exchange rates available.

This modification is the second correction in the contribution made by Venezuela to the 2014 financial information, (after the adjustment made in the first quarter) and means a change from 6.30 to 49.99 Venezuelan Bolivars to the US dollar, which minimizes the impact of any future adjustment.

Details on the evolution per areas can be found below:

America

The RevPAR of hotels in the American region, excluding Venezuela, has risen 22.2%, thanks mainly to an improvement of 14.11% in the price. This increase in RevPAR expressed in US dollars is 21.8%.

A highlight is the growth experienced by the Paradisus brand in Mexico and in the Dominican Republic resorts. The Paradisus hotels in Playa del Carmen continue to improve in terms of growth, boosting their EBITDA in 2014 by more than 6 million US dollars compared to the previous year; the figure this year was 30 million US dollars. Also noteworthy is the positioning of the two Paradisus resorts in Cancun in the second year after their rebranding, with an improved RevPAR by 24.8%, in addition to The Reserve in Paradisus Punta Cana, with a 25.26% improvement in RevPAR, thanks solely to price increases.

In terms of customer segmentation, recent years have seen the growing importance of the business tourism sector (AKA 'MICE' "Meetings, Incentives, Conventions and Exhibitions") with an increase in 2014 of 7.7% compared to 2013, as well as the trend in sales through direct channels (Meliá.com) with a growth of 37%, and 24% of the total rooms sales for the American division.

The number of rooms available has fallen by 14.5%, mainly due to the exit of the hotel Mexico Reforma (Mexico) in December 2013 and the transfer of the hotels Meliá Puerto Vallarta and Meliá Cozumel to the Club Meliá business division.

EUROPE Middle East & Africa (EMEA)

For the whole of the fiscal year 2014, the RevPAR of wholly-owned and leased hotels in the EMEA division rose by 5.2% with an increase in the average price of 3.1%.

By regions, the main headlines of 2014 were:

- **Germany:** The year closed with a major growth of 11% in the revenue from rooms, with growth in practically all cities as 2014 was a year with 181 days of various trade fairs. This impact was seen especially in the Dusseldorf area due to the holding of the Interpack and Euroshop fair. Also worthy of note is the good performance of the recent openings in the country, Innside Dusseldorf Hafen and Innside Wolsburg, which have exceeded expectations set in the viability studies.

- **Paris:** The trend continues to be very positive, demonstrating the strength of a mature market. The 3.46% growth figure is explained by the fine renovation work carried out on all of the hotels, especially Meliá Vendome and Meliá Paris Champs Elysees, the latter of which, whose productivity has been updated in recent months, has generated RevPAR increases of over 6%. In parallel, the online strategy has continued to be strengthened in France, which already accounted for 52% of the revenues for the region, with a major focus on the in-house channel which means that increases are achieved above all in terms of price. A highlight is the recent opening of Meliá La Défense.

- **Italy:** During the fiscal year, the hotels in this area have experienced a range of trends. In general, revenue per available room has seen a slight decrease of 0.25% compared to the previous fiscal year. In Rome, the drop has been in the region of 3% of the RevPAR, due mainly to the effect of the election of Pope Francisco in 2013. The rest of the hotels in the area show RevPAR growth figures, over 7% in the case of Meliá Genova. Gran Meliá Roma is worthy of note, as it was voted one of the world's leading hotels.

- **United Kingdom:** The positive figures recorded are mostly to be explained by the 11% increase in total revenues for the fiscal year compared to those for 2013. The winning of high-value accounts in the corporate market, as well as the direct client strategy which already brings the hotel more than 20% of its revenues, have been determining factors, contributing to the hotel achieving market shares that surpass those of its main competitors, according to data from STR consultants.

- **Spain:** The year closed with a growth of 10% in the RevPAR, underlining the positive trend of the Company's strategy toward the luxury sector. This growth is based on prices, which account for more than 50% of it. The Group's largest commitments also stand out, Gran Meliá Palacio de Isora and Gran Meliá Colon, which have generated RevPAR increases of over 15%. Other highlights are the progress of such emblematic hotels as Gran Meliá Fenix and Gran Meliá Don Pepe, with growth figures of close to double digits. These results confirm the steady progress of these hotels sales strategy, based on the individual customer through the leading luxury networks, such as Meliá.com, which have succeeded in growing by more than 24% during 2014, and which now represent over 30% of these hotels revenues.

The number of rooms available has grown by around 16.5% thanks to the new additions during this fiscal year, namely Innside Dusseldorf Hafen and Innside Wolfsburg (Germany), Meliá Vienna (Austria) and Meliá Barcelona Sky (Spain) in addition to Gran Meliá Palacio de Isora (Spain).

ME Europe

The RevPAR was 27.6% with an increase in the average price of 20%. The brand ME has contributed to the achieving of these figures, which has continued to consolidate its position in European markets. We would also highlight the successful opening of the ME Mallorca and ME Ibiza hotels, which in their first year of operation have achieved the targets set, with a strategy based on price and sharply focused on the end customer, through online channels, which account for more than 80% of these hotels' sales.

With regard to city hotels, ME London stands out for its progress, ending the year with a RevPAR growth of 28%, explained mostly by price increases of around 15% and recovering its position compared to its main competitors, who were unable to increase their RevPAR in 2014, according to data provided by STR consultants. The hotel's good performance is explained fundamentally by the strong impact of the on-line channels, which showed an increase of 63% above the figures achieved in 2013, with Meliá.com standing out as the top performer, accounting for more than 25% of the hotel's revenues.

ME Madrid hotel also had a good year, achieving growth in RevPAR of almost two figures, with an especially strong performance in the last quarter of the year.

The number of rooms available has increased by 24.6%, thanks to the addition of ME Mallorca.

To conclude, it is worth mentioning that in January 2014 two ME branded hotels received prestigious prizes, with ME London voted "Best hotel in the UK" and ME Ibiza taking the prize for "Best Remodelling/Refurbishment of a Hotel".

Mediterranean

During the fiscal year, the RevPAR of the Mediterranean division grew by 9.5%, thanks mainly to the increase in average prices of 80%. This improvement was the outcome of a Yield Management strategy, as part of the Company's revenue culture.

It is worth remembering that the positive trend in Q4 of the year was centred on the Canary Islands, and that when compared to the Q4 of 2013, this was an historic year for the region, with results exceeding expectations. Q4 2014 saw the recovery of destinations such as North Africa, which has had a slight effect on the Canaries, although the latest terrorist attacks in January in Paris will make the recovery of these regions more difficult.

During Q4, the RevPAR fell slightly by 1%, with a fall in occupancy of 6.9%, while the price per available room improved by 6.4%.

The number of rooms available has risen by 2.9%, thanks to the change in management of the Wave House hotel (Spain).

SPAIN (Urban Spain)

The RevPAR for the Spain division rose by 7.7%, year on year. The increase in average price per available room was 4.1%. The trend was very similar in Q4 to the trend for the year as a whole, with a figure of 7.7%.

Q4 confirmed the trend of recovery that had begun at the start of 2014. This positive trend in city business in Spain is the outcome of the effort made by the Company in preceding years, in which the revenue culture has enabled the Company to focus on sales channels and customer segmentation.

In 2014, sales via Meliá.com for city hotels in Spain accounted for 11.8% of the total. All segments have evolved positively, both in the leisure and in the business sectors. The summer months and weekends have seen better occupancy rates, both in key destinations and in those regarded as secondary. A noteworthy feature has been the trend of hotels in hybrid destinations, with a better segmentation between business and leisure guests as well as those that are less dependent on the Spanish market.

While there have not been any outstanding events in this fourth quarter, during the year there has been a noticeable increase in the number of corporate events geared at Christmas, boosting the recovery of the group's trade with growth of around 12.4%.

Despite the slight uptick compared to the year 2013 in the number of passengers arriving at Barajas Airport in Madrid, the weak trend of hotels in the vicinity persists, due mainly to the over-supply of hotels in Madrid, except for periods when there are major events.

In 2014 the positive trend continued in those cities with an international customer element, as is the case of Seville, which is particularly sensitive to individual tourism. In the rest of the cities with a larger Spanish customer base there was also a slight improvement.

The positive trend, with double figures, in the RevPAR of the hotels in Valencia province, was remarkable; this was thanks to certain conferences and events, especially in Q4. Also outstanding was the progress of hotels in Madrid, in particular the Meliá Galgos, which having seen the completion of the renovation work, increased its RevPAR by 12.2% compared to the figures for 2013.

During 2014, there were just three tier 2 cities with a negative RevPAR, and these were cities whose customer base is mostly domestic.

As a whole, the hotels belonging to the divisions ME Europe, EMEA and Spain increased their RevPAR by 9.94%, of which 60% is accounted for by an increase in the average room rate, which is permitting the progressive recovery of the operating margins.

The number of rooms available fell by 1%, due to the exit from the group of the hotels Tryp Las Matas and Tryp Diana. Both hotels were under-performing and did not meet the brand's standards or returns and their figures for contribution to the group were negative. This effect was partially offset by the addition of the hotel Tryp Estepona Valle Romano, in June 2014.

MANAGEMENT MODEL

Given the Company's focus towards a low-capital model and Meliá's growing importance of management agreements, in 2013 the Company changed the presentation method for the segmented information to include more details regarding the profitability of the overall management model. The figures generated by Meliá as a manager, includes:

- **At the income level:** Third party management fees, and the intra-group charges to Meliá hotels that are owned and rented. Additionally, this item includes "other revenues" being mainly the sales commission's through centralized channels.

- **At the expense level:** Mainly includes the sales, marketing, distribution expenses, etc.

The management fees on sales, including both wholly-owned hotels and those managed under lease, rose by almost 7 million Euro compared to the figure for 2013.

Fees for management paid by third parties generated 43.3 million Euro, which was a decrease of 5 million Euro compared to 2013, due above all to the effect of the addition of the hotels Gran Meliá Palacio de Isora and Gran Meliá Colón, in addition to a reduction in management expenses in Cuba, Bulgaria and Croatia, partially offset by the improved performance of Brazil and Spain, as well as the good evolution of Nassau Beach Meliá.

OTHER HOTEL OPERATIONS BUSINESS

This item basically comprises the contribution of casinos, golf and Sol Caribe Tours, a tour operator based in Latin America.

In comparison with 2013, the most significant change is thanks to a greater contribution by casinos and VIP rooms in airports managed by Meliá, principally at the airports of Paris-Orly, Madrid and Mexico City, as well as the greater contribution of Sol Caribe Tours.

EVOLUTION OF THE ASSET MANAGEMENT DIVISION

The Group did not generate gains from the sale of assets in Q4. In 2014, total gains rose to 14.8 million Euro, mostly generated by the sale of the hotel Sol Aloha Puerto (Spain) in the month of June. The total of gains from disposal of assets in 2013 was 50.9 million Euro.

The rest of the businesses included under the heading Real Estate generated 10.7 million Euro in profits. In 2013, gains were 8.3 million Euro.

CLUB MELIÁ PERFORMANCE

In the fiscal year 2014, Club Meliá saw an increase in sales. The factors which contributed to this are as follows:

- The upturn in the world economy, which encourages the purchase of this type of product.
- The contribution of the two Paradisus resorts in Playa del Carmen (Mexico), adding to their strong growth.
- Improved performance of the resorts in the Dominican Republic.
- The excellent contribution of the hotel Gran Meliá Palacio de Isora.

An interesting new development is the opening of five new sales outlets in Mexico to promote the new product "Destinations. Membership of "Destinations" will not affect the activity and will enhance the brand loyalty of our customers.

Club Meliá is also finalizing a series of agreements with local partners to leverage their commitment to the customer and forge ties for sales presentations.

Total revenues in Club Meliá have increased by 34.1 million Euro compared to 2013. In this regard, the Company observes::

- The greater contribution of the hotels Meliá Puerto Vallarta and Meliá Cozumel, included in the results of Club Meliá, which generated around 19 million Euro in revenues.
- The fall in the number of weeks sold, due to the closure of the sales office in the hotel Meliá Mexico Reforma and the slowdown in sales in Puerto Rico, related to the process of selling the hotel leading to a fall in sales of the Club, offset by an increase in sales in the Dominican Republic and Playa del Carmen.
- An increase in prices due mainly to sales targeting high-end consumers that want products of high quality.

OVERHEADS STRUCTURE

This division only includes the general expenses of Meliá Hotels International, S.A.

The main differences from the previous year stem from the reduction in the provision for unfavourable existing contracts and the integration in 2013 of the company Idiso Hotel Distribution, S.A., which is Meliá's distribution platform.

2.2 COMMITMENT AND CORPORATE SOCIAL RESPONSIBILITY

La apuesta por la RSC, ha permitido a Meliá cerrar el año 2014 siendo la empresa turística española con mejor reputación corporativa según el Índice de Reputación Corporativa MERCO, ocupando la posición 31 de las 100 empresas más importantes de España.

Environmental Management

As part of its strategy in combating climate change, since 2010 Meliá analyses and publishes its advances in the Carbon Disclosure Project (CDP). In 2014, Meliá obtained its best result since it started to participate in the programme. In the last 3 years, Meliá has ranked among the top 5 Hotel Groups.

As the following table shows, the high scores achieved are a reflection of the results in terms of carbon dioxide emission reductions during the 2012-2014 Strategic Plan, both in absolute numbers and in those correlated with stays, in which the reduction achieved of 9.47% is consistent with the target set by the strategic plan. This trend is also maintained in the consumption of water and energy, both in absolute terms and when correlated with length of stay.

	Average ytd 2012-2014 (1)	% 12-14 / Av.07-11	Average ytd 2007-2011 (1)
Environmental indicators			
CO Emission (Kg)	238,041,360 (1)	-6.43%	254,402,403 (1)
Per stay	13.57	-9.47%	14.99
Water resources (m3)	8,535,328	-4.56%	8,943,559
Per stay	0.49	-7.66%	0.53
Energy indicators			
Heat energy (kw-h)	247,427,980	-4.64%	259,472,020
Per stay	14.11	-7.74%	15.29
Electricity (kw-h)	375,954,995	-6.30%	401,232,778
Per stay	21.43	-9.34%	23.64

(1) Information based on a fixed emission factor in a year and territory.

In our commitment to moving forward with the sustainable construction model, the new hotel ME Ibiza, renovated in 2014, has recently been voted one of the Top Ten Sustainable Renovation Projects in Spain, by judges of the 2015 Rethink Hotel Award.

To back up its policy of certifications, Meliá has pushed for the hotels located in Europe to join TripAdvisor's Green Leaders Programme. At the end of 2014, Meliá extended this challenge to its hotels located in America. This program rewards the hotel establishments that achieve a real implementation of sustainable practices in their day-to-day operations and TripAdvisor audits this process in an individualized manner. A total of 84 Meliá hotels have now received the award.

Social and Cultural Commitment

Following the renewal of the Strategic Alliance at the end of 2013, UNICEF has received funds from Meliá of over 615 million Euro, contributed by its customers and by Company staff, which is in addition to the 1.4 million Euro collected in the period 2011-2013. These funds contribute to the development of Programmes for Children in the destinations where the hotel chain has a presence, with a particular focus on the Dominican Republic and Mexico.

In addition, Meliá has received recognition as a TOP Member among the 42 tourism companies worldwide by the Code, for its commitment to responsible tourism, and for having successfully implemented in its hotels the six criteria laid down by The Code, among which is the protection of children and adolescents from sexual exploitation by the tourism industry.

Following the signing alongside IBM and the EULEN Group of an agreement with the Universidad Rey Juan Carlos at the end of 2014 for the launch of a new Degree in Science, Management and Engineering of Services, Meliá is now sharing its experience and know-how through this teaching experience, pioneering in Spain. Meliá decided to take part given its commitment to professionalization of the sector.

Following the success of "Once más para comer" ("Eleven more for lunch") in 2013, in which, hand in hand with the Pinardi Foundation, Meliá hosted 11 young apprentices in its hotels, the chain has worked again with Pinardi in developing the initiative "Professional Debut". This initiative, driven by Pinardi and sponsored by JP Morgan, aims to enhance the employment prospects of at least 80 participants. 20 boys have received theoretical training as kitchen assistants and done on-the-job training for 4 months in several different Melia hotels. This joint effort by strategic partners strengthens an innovative model of community outreach that enables young people to gain experience, personal developments, maturity and skills that will contribute to enhancing their chances of entering the labour market, as well as implementing innovative techniques in the area of human resource management.

Meliá's commitment to equal employment opportunities for the differently abled, developed in conjunction with the Italian Down's Syndrome Association (AIPD) through the project "A 6-Star Hotel" won the Best CSR Initiative Award in the 2014 European Hospitality Awards. The Italian television channel RAI-3 filmed a documentary series about the project and this was shown for 6 weeks at peak viewing time. The Hotel Meliá Roma Aurelia Antica offered its first on-the-job-training to a group of people with Down's Syndrome aged between 18 and 31. The group worked alongside the hotel team in carrying out daily tasks within the framework of a training and practice course, which gives participants a real opportunity to enter the job market and find employment. The initiative has been a milestone on Italian television as for the first time it has tackled the issue of disability in the workplace, with the clear aim of promoting employability and training.

Also worthy of note is Meliá's commitment to culture. Meliá has joined forces with the Joan and Pilar Miró Foundation in Mallorca with the aim of launching joint initiatives and actions to raise the profile of Miró and his art, publicize the artist's ties with Palma and enhance the image of Mallorca as a cultural hotspot and must-see destination when it comes to Miró.

3. LIQUIDITY AND CAPITAL RESOURCES

Note 4.5 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 2015 is seeing excellent results in tourist resorts in America, maintaining double-digit growth figures in RevPAR. As well as the positive trend of the business, a significant development has been the strong dollar, albeit partially offset by the weak Venezuelan Bolivar.

With regard to the evolution of hotels under our management, Meliá Nassau is outstanding - in its second year of operation and after the major renovation, it has great prospects for the fiscal year 2015.

In Q4 2015, we also expect to see the addition of four new hotels under management arrangements, namely: ME Miami, Meliá Costa Hollywood, Meliá Jamaica and ME Caracas.

On the European continent, the Company expects to maintain a high rate of growth in practically all destinations, especially in the United Kingdom, where the strength of the pound and the economy in general point to high rates of growth for hotels in the region and for the rest of Europe in those areas where the UK is the main market.

The strengthening of sterling and the Swiss franc against the Euro will contribute to a certain degree of optimism for the year 2015. To date, the number of bookings made through tour operators and Meliá.com has increased by about 10% compared to the year 2014, the outstanding feature being the figures achieved in the UK market.

In Italy, the Milan Expo will have a positive effect on growth figures in the region.

On the other hand, less growth is expected in Germany, due to the smaller number of trade fairs to be held there this year, (130 days in 2015 compared to 180 days in 2014).

Prospects for the Spanish market continue to be positive. The Company expects results to be better than those achieved in 2014, when events such as the European Society of Medical Oncology and the Basketball World Cup contributed positively.

The factors that support this expectation are:

a. The rate of bookings of the main tour operators.
b. The increase in the volume of business among Spanish hotels.
c. The positive trend of the skiing season this year.

The addition in 2015 of several wholly-owned hotels, as well as the opening of Meliá Doha, Meliá Paris La Defense, Meliá Campione in Italy, ME Milano, Innside Manchester, and the recent openings in Germany and Vienna, will contribute to the improvement of results and brand recognition.

Meanwhile, a slight drop in the Russian market is expected, which will mainly affect hotels in the Balearic Islands and Costa Dorada, due to the economic instability and devaluation of the rouble. Although it is still too early to predict how the Mediterranean region will fare, everything points to a season similar to that of 2014, which was a year of very good results. As in 2014, the trend of the RevPAR will be down to average price increases rather than occupancy.

REAL ESTATE DIVISION

For 2015, the Company is strengthening its commitment to generating further sales of assets of at least 200 million Euro, which will mostly come from the deal announced with the Starwood Group. The Company expects that this will reduce the cost of the net debt.

DEVELOPMENT / INTERNATIONALIZATION

Going forward into 2015, the Company has in its portfolio seven new hotels in America and a total of 1,557 rooms. With the hotel Meliá Jamaica we expect to strengthen our position in the Caribbean, along with ME Miami and Meliá Costa Hollywood Beach Resort (US), ME Caracas (Venezuela), Meliá Paiva, Meliá Ibirapuera and Tryp Belo Horizonte (Brazil). We also plan to add a new hotel in Asia in 2015, the Kuta Bali Sol Casa

In the ME Europe division, new additions include 3 hotels with 400 rooms. The ME Dubai is one of the ME brands leading hotels in the Middle East. The hotel under our management, Milan Duca, is a project designed by the prestigious architect Aldo Rossi, and its opening is scheduled for next year. And in Spain, we are pleased to announce the addition of ME Barcelona.

In the Med., the Company will boost its presence with four hotels outside Spain under our management. This will be reflected in the addition of 2,466 rooms in Cape Verde (with two new hotels), Croatia and Bulgaria. In Spain, there will also be two new hotels, with a total of 178 rooms.

Finally, the EMEA division will bring 26 new hotels with 5,246 rooms, 47% of the hotels will be under our management and 53% on a leased basis.

As of the date of publication of this report, the Company is pleased to announce the addition of Meliá Doha, located in the prestigious West Bay of Doha (Qatar), and Meliá La Défense, in the heart of Paris's financial district.

FINANCIAL STRATEGY

During 2014, the aim of reducing the average financial cost from the 2013 figure of 5.5% meant the refinancing of more than 60% of the corporate debt, with the exception of the debt in capital markets, leaving the average cost of debt at the end of 2014 at 4.8%.

In terms of debt, the greater contribution to the hotel EBITDA cash flow, the conversion of 85% of the convertible bond which matured in December and the application of the liquidity held until now in dollar-denominated debt, taking advantage of the dollar/Euro rate, has meant that we have been able to end the year with a net debt of 987 million Euro.

The cash reserve has been optimized in relation to the Group's operational needs.
In 2015, with the greater contribution of the Hotel and Club Meliá businesses, and with asset sell-offs, the Group will achieve a financial de-leveraging which will in the short term prepare it to obtain, if required, a suitable credit rating for future issues in the capital markets.

7. ACQUISITION AND DISPOSAL OF TREASURY STOCK

The treasury shares balance does not include 9.4 million shares that the Company has been loaned by the controlling shareholder.

The treasury shares balance at 31 December 2014 includes 15.8 million shares loaned to several banks, including 8 million shares to Deutsche Bank as detailed in Note 16.3 of the consolidated annual accounts.

Accordingly, the Group is in possession of 11,885 shares while at the end of 2013 they were 121,304.

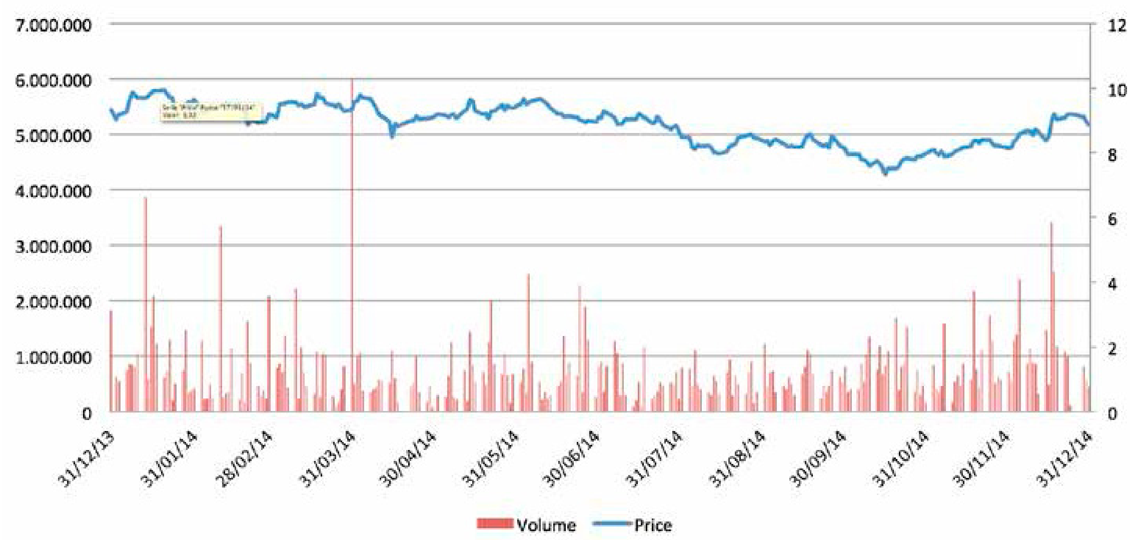
As of 31 December, 2014 the Company's total treasury stock represented 0.006% of the share capital. At the end of the fiscal year 2013, the figure was 0.065%. Treasury shares do not exceed the 10% limit established by the Spanish Companies Act 2010.

The price of Meliá Hotels International, S.A.'s shares at the year-end is €8.86. At the 2013 year end the share price amounted to €9.335.

8. OTHER INFORMATION ON THE EVOLUTION OF THE BUSINESS

8.1 STOCK MARKET INFORMATION

Meliá shares lost 8.3% in Q4 2014. In the same period, the Ibex Medium Cap and the Ibex 35 have fallen by 1.7% and 5.0% respectively.



	1Q. 2014	2Q. 2014	3Q. 2014	4Q. 2014	2014
Average daily volume (thousands of shares)	903.84	699.86	574.36	897.04	767.26
Average evolution	0%	-4%	-9%	8%	-5%
Ibex 35 evolution	7%	2%	-9%	-2%	-2%
Ibex Med Cap evolution	4%	6%	-1%	-5%	4%

NOTA: Las acciones de Meliá cotizan en el índice IBEX Medium Cap y FTSE4Good Ibex.

During the fiscal year 2014, the Group's parent company attended to requests for conversion of the 2009 convertible bond. 85.28% of the total issue was converted to shares.

In January 2015, the Spanish stock market agreed to list 14.3 million newly issued ordinary shares to partially assist in the conversion of the convertible bonds.

Dividends were paid on 5 August, 2014.

8.2 DIVIDEND POLICY

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

8.3 STAFF

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

8.4 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.

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 2014 is enclosed as an attachment.

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT ON THE PUBLICLY TRADED COMPANIES

Identification Details of the Issuer
YEAR-END DATE 31/12/2014

C.I.F. A78304516

Registered Name
MELIA HOTELS INTERNATIONAL S.A.

Registered Address
Gremio de Toneleros,24. Pol.ind. Son Castello, (Palma de Mallorca) Baleares.

A COMPANY OWNERSHIP STRUCTURE

A.1 Complete the following table on company's share capital:

Date of last modification	Share Capital (€)	Number of shares	Number of voting rights
23/12/2014	39.810.609,60	199.053.048	199.053.048

Indicate if there are different types of shares with any different associated rights:

Yes		No	X

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	12.91%
HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066	0	15.24%
MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11,542,525	0	5.80%

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

A.3 Complete the following tables on the members of the Board of Directors of the Company 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
GABRIEL ESCARRER JULIA	0	110,037,747	55.28%
JUAN VIVES CERDA	0	375	0.00%
SEBASTIAN ESCARRER JAUME	0	0	0.00%
GABRIEL ESCARRER JAUME	0	0	0.00%
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	42,471,167	0	21.34%
ALFREDO PASTOR BODMER	0	10,000	0.01%
AMPARO MORALEDA MARTÍNEZ	0	0	0.00%
FERNANDO D´ORNELLAS SILVA	0	0	0.00%
FRANCISCO JAVIER CAMPO GARCIA	0	0	0.00%
JUAN ARENA DE LA MORA	1,000	0	0.00%
LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	300	0	0.00%

Name or corporate name of indirect shareholder	Through: Name or corporate name of the direct shareholder	Number of voting rights
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	42,471,167
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	25,690,989
GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	30,333,066
GABRIEL ESCARRER JULIA	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11,542,525
JUAN VIVES CERDA	FINCA LOS NARANJOS, S.A	375
ALFREDO PASTOR BODMER	DOÑA MARÍA DEL CARMEN OLIVES PUIG	10,000
% of total voting rights held by the Board of Directors		55.29%

Complete the following tables regarding the board members of the Company that have rights over the shares of the Company.

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 or registered name	Type of relation	Brief description
GABRIEL ESCARRER JULIA HOTELES MALLORQUINES CONSOLIDADOS, S.A.	Familiy	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.	Familiy	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.	Familiy	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.	Familiy	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:

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:

Yes ☐ No ☒

Indicate if the company is aware of concerted actions between Company shareholders.
If so describe them briefly:

Yes ☐ 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 ☒ No ☐

Name or registered name	Comments
GABRIEL ESCARRER JULIA	However, as previously mentioned, all of the shares controlled by the companies Hoteles Mallorquines Consolidados, S.A., Hoteles Mallorquines Asociados, S.L., Hoteles Mallorquines 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 close of financial year:

Number of direct shares	Number of indirect shares (*)	% total share capital
11,885	0	0.00%

(*) Through:

Detail of any significant changes as expressed in Royal Decree 1362/2007 made during the year:

Number of direct shares	Number of direct shares acquired	Number of indirect shares acquired	% of share capital social
27/05/2014	2,956,830	0	1.60%
02/09/2014	2,809,093	0	1.52%
13/10/2014	2,291,200	0	1.24%
08/12/2014	2,063,000	0	1.12%

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, authorizing 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 authorized 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 authorized 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 authorization, pursuant to the terms of article 506 of the Capital Companies Act.

Finally, in relation to the authorization of the Board of Directors to issue fixed income, convertible and/or swappable shares up to a limit of ONE BILLION FIVE HUNDRED MILLION EUROS within five years of the date of the General Meeting's resolution (01/06/2011), to determine the terms and conditions of the conversion and/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, 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. 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 authorized by the General Meeting. This includes authorization 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 authorized 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 through the purchase of shares on the market.

Yes		No	X

A.11 Indicate whether the General Shareholders' Meeting has resolved to adopt anti-takeover measures in accordance with the provisions of Law 6/2007.

Yes		No	X

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		No	X

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

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	X	No	

	% 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	X	No	

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 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 and to modify certain statutory items, 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 favorable 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 the share capital 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 favorable 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 favorable 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 figures				
General Meeting Date	% Shareholders present	% attending by proxy	% voting remotely		Total
			Electronic vote	Other	
05/06/2013	67.39%	8.02%	0.00%	0.00%	75.41%
04/06/2014	65.30%	13.77%	0.00%	0.00%	79.07%

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

Yes	X	No	

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	X	No	

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 on the Board	Date of first appointment	Date of last appointment	Election procedure
FERNANDO D´ORNELLAS SILVA		DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
JUAN ARENA DE LA MORA		DIRECTOR	31/03/2009	04/06/2014	VOTE AT SHAREHOLDERS' MEETING
ALFREDO PASTOR BODMER		DIRECTOR	31/05/1996	01/06/2010	VOTE AT SHAREHOLDERS' MEETING
GABRIEL ESCARRER JULIA		CHAIRMAN	07/02/1996	01/06/2010	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
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	04/06/2014	VOTE AT SHAREHOLDERS' MEETING
LUIS Mª DIAZ DE BUSTAMANTE TERMINEL		SECRETARY DIRECTOR	30/11/2010	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MARIA ANTONIA ESCARRER JAUME	DIRECTOR	23/10/2000	13/06/2012	VOTE AT SHAREHOLDERS' MEETING

Total number of board members	11

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	**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; Dinamia, Member of the Board of Directors; WILLIS IBERIA, Member of the Advisory Board; Mitsubishi Corporation, Senior Advisor; Lazard Asesesores Financieros, S.A. Senior Advisor, Spain and Latam; 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. **PROFFESIONAL TRAJECTORY:** Grupo Bergé (2007-2012) CEO - Bergé Automoción (2004-2012) President; SKBergé Latinoamerica (2001-2012) Vice President; - Mitsubishi Motors Chile (2001-2012) Vice President; - Mitsubishi Motors Perú (2010-2012) President; - KIA Argentina, Perú y Portugal (2004-2012) President; - Chrysler Colombia (2010-2012) President; - Chry Portugal (1997-2012) President; - Chrysler España (1992-2004) CEO; - Toyota España (1985-1992) Financial Director; Johnson & Johnson España (1983-1985) Financial Director; Endesa, SA Member of the Board of Directors (2007-2009). President of the Retributions Committee (2007-2009). President of the Auditory Committee (2009).; Endesa Chile Member of the Board of Directors (2007-2009). President of the Auditory Committee (2007-2009). Member in charge of supervision of the companies in Peru, Colombia, Argentina y Brazil.
JUAN ARENA DE LA MORA	Born in Mexico City in 1943, Mr. Arena holds a PHD in Electrical and mechanical engineering from the ICAI, a degree in Business Administration from the ICADE, a diploma in Public Finance Studies, a degree in Developmental Child Psychology, and has completed the Advanced Management Program (AMP) at Harvard Business School. Mr. Arena joined Bankinter in 1970, where he held a number of posts. In 1985 he was appointed Managing Director and board member, in 1993 he was appointed Chief Executive Officer and from March 2002 to April 2007 he was the company's executive chairman. During the 2009-2010 academic year he was a Senior Lecture at Harvard Business School teaching the 2011 MBA class. He currently sits on the boards of Prisa, Ferrovial, Laboratorios Almirall, Everis, Meliá hotels International, Panda and Villafañe & asociados he also holds different positions in Auditing and Remuneration Committees. He is chairman of the Advisory Board at Consulnor as well as Marsh and a member of the Advisory Board of Spencer Stuart. He is Chairman of the Fundación SERES, for Corporate Social Responsibility. He is also Chairman of the Professional Council of ESADE, a member of the European Advisory Board of the Harvard Business School and the board of directors of Deusto Business School. He was awarded the Grand Cross of the Order of Civil Merit for his work on the Special Commission for Investigation into the Development of the Information Society.
ALFREDO PASTOR BODMER	**EDUCATION:** 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. **CURRENT DIRECTORSHIPS:** Member of the Board of the Círculo de Economía Meliá Hotels International, Copcisa, Bansabadell Inversión. **PROFFESIONAL TRAJECTORY:** 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.

EXTERNAL INDEPENDENT DIRECTORS	
Name or corporate name of the Director	**Profile**
FRANCISCO JAVIER CAMPO GARCIA	**EDUCATION:** Degree in Industrial Engineering from the Madrid Polytechnic University. **CURRENT DIRECTORSHIPS:** He is the President of the Cortefiel Group, 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 President 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 Senior Management . **PROFFESIONAL TRAJECTORY:** 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 and was named member of the International Executive Committee of Carrefour for 15 years. He was the Chairman of the Zena Group until November 2014, leading company in the multi-brand restaurant Spanish company composed by six commercial brands that encompass all segments of restoration.
AMPARO MORALEDA MARTÍNEZ	**EDUCATION:** -Industrial Engineer degree from ICAI. - PDG from IESE. **CURRENT DIRECTORSHIPS:** Member of the Board of Directors of de Meliá Hotels International, , Member of the Board of Directors of Faurecia, Member of the Board of Directors of Solvay, Alstom, Caixabank, 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 Environment of Andalucía, 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 **PROFFESIONAL 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 directed Iberdrola Ingeniería y Construcción through January 2011. From 1998 to January 2009, her professional career was linked to IBM where she, 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). 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.: 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 engineering 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.
LUIS Mª DIAZ DE BUSTAMANTE 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.

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				% of total directors each class			
	Year 2014	Year 2013	Year 2012	Year 2011	Year 2014	Year 2013	Year 2012	Year 2011
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	33.33%	33.33%	25.00%	33.33%
Independent	1	1	1	1	16.67%	16.67%	16.67%	20.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	2	2	2	2	18.18%	18.18%	16.67%	18.18%

C.1.5 Explain las medidas que, en su caso, se hubiesen adoptado para procurar incluir en el Board of Directors un número de mujeres que permita alcanzar una presencia equilibrada de mujeres y hombres.

Explanation of the measures
In the process of selecting Board members, extreme care is taken in order to make sure that implicit bias does not obstruct the appointment of women directors in accordance with the next point.
To date, in the Board of Directors of Meliá Hotels International, there are two women directors, Mrs. Amaparo Moraleda external independent director and Mrs. María Antonio Escarrer as representative of the External Propriety Director, Hoteles Mallorquines Consolidados, S.A

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:

Explicación de los motivos

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:

Yes		No	X

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:

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

Name or Company name of the Director	Brief description
GABRIEL ESCARRER JAUME	Tiene delegadas por el Consejo todas las facultades delegables de acuerdo con la Ley y los Estatutos.

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	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
GABRIEL ESCARRER JULIA	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JULIA	LOMONDO LIMITED	DIRECTOR
GABRIEL ESCARRER JULIA	MARKTUR TURIZM ISLETMECILIK A.S.	DIRECTOR
GABRIEL ESCARRER JULIA	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR
GABRIEL ESCARRER JULIA	GEST.HOT.TURISTICA MESOL S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ SUISSE S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	FARANDOLE B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA ITALIA. S.R.L.	CO-DIRECTOR
GABRIEL ESCARRER JAUME	DESARROLLOS SOL S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INVERSIONES AREITO. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA MAROC - S.A.R.L. D ASSOCIÉ UNIQUE	MANAGER
GABRIEL ESCARRER JAUME	INMOTEL INVERSIONES ITALIA S.R.L.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR
GABRIEL ESCARRER JAUME	LONDON XXI. LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA BALKANS EAD	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ SERVICES. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	LOMONDO LIMITED	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	DETUR PANAMÁ. S.A.	TREASURER
GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	CO-DIRECTOR
GABRIEL ESCARRER JAUME	MELSOL MANAGEMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	CADSTAR FRANCE SAS	CHAIRMAN
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	GUPE ACTIVIDADES HOTELEIRAS S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGER
GABRIEL ESCARRER JAUME	COMPAGNIE TUNISIENNE DE GESTION HOTELEIRE S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	INMOBILIARIA DISTRITO COMERCIAL C.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MANINVEST B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL GROUP B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ INVESTMENT N.V.	DIRECTOR
GABRIEL ESCARRER JAUME	IMPULSE HOTEL DEVELOPMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	SAN JUAN INVESTMENT B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA EUROPE. B.V.	DIRECTOR
GABRIEL ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	CHAIRMAN

Name or corporate name of the member	Corporate name of the group company	Position
GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A.DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	MARKSERV	DIRECTOR
GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	CHAIRMAN
GABRIEL ESCARRER JAUME	SOL MELIÁ GREECE. S.A.	DIRECTOR AND CHAIRMAN
GABRIEL ESCARRER JAUME	HOGARES BATLE S.A.	CHAIRMAN / CEO
GABRIEL ESCARRER JAUME	TENERIFE SOL S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	SECURISOL S.A.	CHAIRMAN / CEO
GABRIEL ESCARRER JAUME	PRODIGIOS INTERACTIVOS, S.A.	CHAIRMAN AND CEO
GABRIEL ESCARRER JAUME	MOTELES ANDALUCES S.A.	CEO
GABRIEL ESCARRER JAUME	INVERSIONES Y EXPLOTACIONES TURÍSTICAS S.A.	CEO
GABRIEL ESCARRER JAUME	APARTOTEL S.A.	CEO
GABRIEL ESCARRER JAUME	REALIZACIONES TURÍSTICAS S.A.	CEO / MEMBER
GABRIEL ESCARRER JAUME	PROMEDRO. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	CASINO TAMARINDOS. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	INVERSIONES HOTELERAS LA JAQUITA. S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	GEST. HOT. TURÍSTICA MESOL S.A. (SOC. UNIP)	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIÁ LUXEMBOURG S.À.R.L.	DIRECTOR
GABRIEL ESCARRER JAUME	HOTELES SOL MELIÁ S.L	CHAIRMAN / CEO
GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB ESPAÑA S.L.	CHAIRMAN / CEO
GABRIEL ESCARRER JAUME	MONGAMENDA S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	SOL MELIA VACATION NETWORK ESPAÑA S.L.	CHAIRMAN / CEO
GABRIEL ESCARRER JAUME	DORPAN S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	ADPROTEL STRAND S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGOZA S.L.	CHAIRMAN
GABRIEL ESCARRER JAUME	PT SOL MELIÁ INDONESIA	CHAIRMAN
GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V.	DIRECTOR
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	CHAIRMAN
GABRIEL ESCARRER JAUME	KIMEL MCA S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	EVERTMEL S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	AYOSA HOTELES S.L.	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
JUAN ARENA DE LA MORA	PRISA PROMOTORA DE INFORMACIONES S.A.	DIRECTOR
JUAN ARENA DE LA MORA	ALMIRALL S.A.	DIRECTOR
JUAN ARENA DE LA MORA	FERROVIAL S.A.	DIRECTOR
AMPARO MORALEDA MARTÍNEZ	CAIXABANK S.A.	DIRECTOR
AMPARO MORALEDA MARTÍNEZ	SOLVAY S.A.	DIRECTOR
AMPARO MORALEDA MARTÍNEZ	FAURECIA S.A.	DIRECTOR
AMPARO MORALEDA MARTÍNEZ	ALSTOM S.A.	DIRECTOR
FERNANDO D´ORNELLAS SILVA	DINAMIA CAPITAL PRIVADO S.C.R,S.A.	DIRECTOR
FRANCISCO JAVIER CAMPO GARCIA	BANKIA 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:

	Yes		No	X

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

Investment and financing policy	Yes	X	No	
Definition of the structure of the corporate group	Yes	X	No	
Corporate governance policy	Yes	X	No	
Corporate social responsibility policy	Yes	X	No	
Strategic or business plan, as well as the annual management and budget objectives	Yes	X	No	
Senior executive management evaluation and remuneration policies	Yes	X	No	
Risk control and management policy, and the periodic monitoring of internal information and control systems	Yes	X	No	
Policy on dividends (not laid down) and on treasury shares, and the limits to be applied	Yes	X	No	

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

Remuneration of the Management Board (thousand of euros):	1,599
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)	1,599

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.
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)	2,143

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
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
MARIA ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	DIRECTOR
ANTONIA ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY / DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	DIRECTOR
SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	SECRETARY / DIRECTOR

Name or corporate name of the Director	Corporate name of the significant shareholder	Position
GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SECRETARY / 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. HOTELES MALLORQUINES AGRUPADOS S.L. HOTELES MALLORQUINES ASOCIADOS, S.L. 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. HOTELES MALLORQUINES AGRUPADOS S.L. HOTELES MALLORQUINES ASOCIADOS, S.L. 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 HOTELES MALLORQUINES AGRUPADOS S.L. HOTELES MALLORQUINES ASOCIADOS, S.L. 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:

Yes		No	X

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	X	No	

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 the applicable 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 or of his/her resignation.

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:

Yes		No	X

State and, if applicable, explain whether rules have been established whereby one of the independent directors is authorized 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.

Yes		No	X

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

Yes		No	X

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	X	No	

Explain whether there are specific requirements, other than those relating to directors, to be appointed chairman of the board of directors.
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. Additionally, 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	X	No	

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:

Yes		No	X

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:

Yes		No	X

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, including the necessary instructions and conferring the vote to another Director. 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	6
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	4

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	6
% 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	X	No	

Identify, if applicable, the person/people that has/have certified the individual and consolidated anual accounts of the Company for their drafting by the board of directors:

Name	Position
PILAR DOLS COMPANY	EVP FINANCE & ADMINISTRATION
GABRIEL ESCARRER JAUME	VICEPRESIDENTE Y CONSEJERO DELEGADO

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	X	No	

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	X	No	
Does the Appointment Committee report the dismissal?	Yes	X	No	
Does the Board in full approve the appointment?	Yes	X	No	
Does the Board in full approve the dismissal?	Yes	X	No	

Is the Secretary of the Board specifically responsible for ensuring compliance with good governance recommendations?

Yes	X	No	

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 offering the maximum transparency, which also happens when carrying out road shows.

Furthermore, in the information exchange we aim 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:

Yes		No	X

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	X	No	

	Company	Group	Total
Fees for work other than that of auditing (thousand euros)	275	124	399
Fees for work other than that of auditing / Total amount invoiced by the audit company (in %)	44.50%	15.52%	28.15%

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.

Yes		No	X

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:

	Sociedad	Grupo
Number of consecutive years	6	6
Number of years audited by the current audit firm / Number of years that the company has been audited (in %)	33.33%	33.33%

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

Yes	X	No	

Details 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	X	No	

Details 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 channeled 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	X	No	

Explanation of 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:

Yes		No	X

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 beneficiaries: 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?

Yes		No	X

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 which they are comprised:

COMPLIANCE AND 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	67.00%
% of independent directors	33.00%
% 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 2014		Year 2013		Year 2012		Year 2011	
	Number	%	Number	%	Number	%	Number	%
AUDIT COMMITTEE	1	25.00%	1	25.00%	1	25.00%	0	0.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	2	50.00%	2	50.00%	2	50.00%	2	40.00%
STRATEGY COMMITTEE	1	33.33%	1	33.33%	1	33.33%	1	33.33%

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	X	No	
Periodic review of the internal control and risk management systems on a regular basis, so main risks are properly identified, managed and disclosed	Yes	X	No	
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	X	No	
Establish and supervise a mechanisms whereby staff can report any irregularities, and particularly financial and accounting irregularities they detect in the course of their work anonymously or confidentially	Yes	X	No	
Make recommendations to the Board for the selection, appointment, reappointment and removal of the external auditor, and the terms and conditions of his engagement	Yes	X	No	
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	X	No	
Oversee the independence of the external auditor	Yes	X	No	

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 3 and maximum 5 members, with a majority of External Directors, including at least one External Independent Director, all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions. The Chairman of the Committee must be one of the External Directors and must be replaced every four years, with the possibility of re-election after a period of one year after being replaced.

The Committee will meet 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 Committee, none of which may be delegated, 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: report and propose to the Board of Directors the long and medium term strategic plans for the company, as well as all relevant strategic decisions, actively participating in the defining and review of the strategy of the Company and Group; report and assess the Board on the main important features and milestones of the Strategic Plan in any moment, establish and develop new business lines, nationally and internationally; investments and disinvestments that due to their amount the Board must know about; ensure the application of the organization model, guaranteeing the transfer of the culture and values of the Company and collaborating in the communication processes, both internally and externally regarding the model, culture and values.

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

APPOINTMENTS AND REMUNERATION COMMITTEE

Brief description

Minimum 3 and maximum 5 members, with a majority of External Directors, including at least one External Independent Director, all named by the Board of Directors and all of which have the capacity, dedication and experience required to perform the required functions. The Chairman of the Committee must be one of the External Directors and must be replaced every four years, with the possibility of re-election after a period of one year after being replaced.

The Committee will meet as many times as is deemed appropriate with regard to the needs of the Company or every time the draft of a report or the adoption of a proposal is necessary, as proposed by the Chairman of the Committee or on request from the majority of its members or from the Board of Directors.

Its functions established in article 15 of the Regulation of the Board of Directors are: draft and review the criteria for the composition of the Board; present to the Board the proposals for appointment of Board members; propose the members of the Board that should take part in the different commissions; periodically review the retributions policies; ensure the transparency of the retributions; report on the transactions that imply or could imply an interest conflict.

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 & COMPLIANCE COMMITTEE

Brief description

Article 39 of the Bylaws establishes that the Audit & Compliance Committee will be composed of a minimum of 3 and maximum of 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 and must be replaced every four years, with the possibility of re-election 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 established in article 39 bis of the Bylaws, none of which may be delegated, 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 & COMPLIANCE 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:

Yes		No	X

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 authorized 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 transactions 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 €)
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELS INTERNATIONAL,S.A.	Commercial	Sale of goods, finished or in progress	9,564
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES Y EXPLOTACIONES TURISTICAS	Commercial	Sale of goods, finished or in progress	202
HOTELES MALLORQUINES ASOCIADOS, S.L.	REALIZACIONES TURISTICAS, S.A.	Commercial	Sale of goods, finished or in progress	48
HOTELES MALLORQUINES ASOCIADOS, S.L.	COMUNIDAD DE PROPIETARIOS SOL Y NIEVE	Commercial	Sale of goods, finished or in progress	50
HOTELES MALLORQUINES ASOCIADOS, S.L.	APARTHOTEL BOSQUE, S.A.	Commercial	Sale of goods, finished or in progress	63
HOTELES MALLORQUINES ASOCIADOS, S.L.	TENERIFE SOL, S.A.	Commercial	Sale of goods, finished or in progress	784
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODISOTEL, S.A.	Commercial	Sale of goods, finished or in progress	43
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES HOTELERAS LA JAQUITA S.A.	Commercial	Sale of goods, finished or in progress	545
HOTELES MALLORQUINES ASOCIADOS, S.L.	COLON VERONA S.A.	Commercial	Sale of goods, finished or in progress	34
HOTELES MALLORQUINES ASOCIADOS, S.L.	SARGAMASSA HOTELERA S.L.	Commercial	Sale of goods, finished or in progress	32

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 €)
HOTELES MALLORQUINES ASOCIADOS, S.L.	AYOSA HOTELES S.L.	Commercial	Sale of goods, finished or in progress	781
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS S.A.	Contractual	Services received	291
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELES INTERNATIONAL S.A.	Contractual	Services rendered	48
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS S.A.	Contractual	Operating lease	441

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 €)
DON GABRIEL ESCARRER JULIA	DESARROLLOS SOL, S.A.S	Commercial	Services received	14
DON GABRIEL ESCARRER JULIA	INVERSIONES AREITO, S.A.	Commercial	Services received	129
DON JUAN VIVES CERDA	MELIA HOTELS INTERNATIONAL, S.A.	Commercial	Services rendered	248
DON JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	Commercial	Services rendered	231

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 l:

Group Company:	Amount (thousands of euros)	Description of the operation
SOL MELIA COMMERCIAL	894	Services received from The Sol Group Corporation (USA) which is the group's corporate hq in america.
SOL MELIA COMMERCIAL	3.045	Partial repayment of loan extended to Neale, S.A. (panama).
SOL MELIA FINANCE, Ltd	3.134	Generated interests on Sol Melia Finance Ltd loan to Sol Melia Europe (Netherlands).
SOL MELIA FUNDING	14.436	Transfer of the customer portfolios of the american companies operating in the vacation club segment to be managed by Sol Melia Funding.
SOL MELIA FUNDING	5.111	Update of interests provided by the operation of portfolio transfer.
SOL MELIA FUNDING	16.479	Variation of the intercompany loan with parent company, as part of the group's centralised cash management.

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

0 (Thousand Euros).

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?

Yes		No	X

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 listed subsidiary and between it and other companies of the group.

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.

The Board of Directors of MELIÁ HOTELS INTERNATIONAL ("MHI") has, among others, general supervisory responsibilities for identifying the most serious risks to which the Company is exposed and for implementing and overseeing internal control and reporting systems (Art. 5 of the Regulations of The Board of Directors).

The Board of Directors, has established that the General Policy on Risk Control, Analysis and Management ("The Policy" approved in November 2011), 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 managing the possible risks to which the Group is exposed.

The model created for risk management applies to and affects the whole organisation and 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.

According to this model, Risk Management is 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 Internal Control and Risk Analysis which develops this Policy and ensures the correct and efficient operation of the Risk Control system. This regulation 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 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.

The Risk Control Department (forming part of the Legal & Compliance Department), amongst other functions, 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. The Board of Directors, has the responsibility for identifying the most serious risks of Society to which the Company is exposed and for implementing and overseeing internal control and reporting systems (Article 5 of the Regulations of the Board of Directors).
2. Audit and Compliance Committee. 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 (Article 14 of the Regulations of the Board of Directors).
3. 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.
4. 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.
5. Departments. Within the organisation there are different departments with specific risk management responsibilities:
   - 5.1. 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.
   - 5.2. 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 it also has a section named Corporate Intervention. It reports to the Audit and Compliance Committee on its activities periodically.
   - 5.3. 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.
   - 5.4. 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.
   - 5.5. 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
   - 5.6. Occupational Health 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, recognizes the importance of paying special attention to the prevention of on-the-job accidents.
6. Other tools. The following tools are available to the bodies/departments responsible for drafting and implementing the Risk Management System:
   - 6.1. 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 departments and areas, for the implementation of control systems and mechanisms. All internal standards and policies are available on the Group's intranet (Employee Portal)
   - 6.2. 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.

6.3. Reporting Misconduct: MHI has implemented a system for reporting misconduct, under the supervision of the President of the Audit and Compliance Committee, where employees can report any type of active or passive behavior 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 and urgency.

6.4. 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 minimize 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, and therefore it's exposed to a varierty of risks inherent to the different types of businesses and countries, the risks faced by the group are classified as follows:

1. Global Risks. These arise from events beyond the capacity to respond of the economic agents. 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, amongst the internal standards and policies and the system for reporting misconduct there are two tools available to MHI Group companies in relation to these risks, which are the Internal Policies and the Ethics Committee and Reporting Misconduct.

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 MHI management team periodically identifies risks that threaten the achievement of the goals and assesses them as to the variables of likelihood and impact in case of realization. The evaluation of the events in the risks catalog was performed at residual risk level, i.e. taking into account, or discounting, the effect of the controls implemented at the Company to mitigate the inherent risk. The combination of probability and impact determines the level of criticality risk.

For each one of these variable (probability and impact), certain ranges or intervals are established using specific quality and quantity 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.

There is a close link between the process of setting objectives and results of the Risk Map, trying to ensure that action plans defined for risks are included in the Objectives. Therefore, compliance levels defined for these Objectives also mark the level of risk tolerance.

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.

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 and analysing 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 of the more important risks which make it possible to make an effective contribution to risk management.

IV. Regular risk monitoring by way of annual updates of the more important risks associated with 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.

1. Risk Materialized

Geopolitical risks: they encompass risks related to wars, civil unrest, terrorism, political or sociocultural crises, etc.

Circumstances: In recent years this type of risk has been affecting tourism negatively. Since 2011, political instability and civil unrest that affected North Africa and the Middle East have had and continue to have a negative impact on tourism in the countries concerned.

More recently, risks related to terrorism, as the attacks in Paris and the threat of the Islamic state, or the relative risk of the conflict in Ukraine, have also impacted negatively on the sector.

Operation control systems: Since the beginning of these conflicts, the company implemented action plans in the Hotels affected to ensure the protection and safety of customers and employees.

There have been no incidents in the hotels affected by these risks.

Moreover, the company continues to offset the impact of these risks to redirect the flow of travelers to other destinations in which the company has a strong presence and an offer and refurbished product.

2. Risk materialized

Financial Risk: exchange rate

Circumstances: Depreciation of the Venezuelan Bolivar. The Government of Venezuela introduced during the first half of 2014, two new systems for currency exchange, known as SICAD I and SICAD II.

Operation control systems: The Group has considered SICAD II, the most representative exchange rate in effect on the date of closing, which is more appropriate to consolidate its Venezuelan subsidiaries at 2014 year-end (involving a shift from 6.30 to 49.99 bolivars per US dollar).

Together with the interim financial information concerning the second half of 2014, published on 02.27.15 with the CNMV, the mandatory explanatory notes were issued, in which the main impacts are broken down into consolidated balance sheet following the adoption of this type of change.

3. Risk materialized

Country Risk: In reference to Spain, like the previous year the risk stems from two completely different factors together, first the weakness of domestic demand, and secondly the existence of mature tourist destinations where the Company has presence.

Circumstances: The slow recovery of the Spanish economy and the lack of credit's fluency that limits the investments.

Operation control systems: The control systems have allowed identifying and assessing these risks, which in turn has enabled the Company to establish appropriate measures to try to reduce the impact of these risks. In this regard, the company has focused its efforts on the following points:

- Reposition the product and accommodate the portfolio enabling the urban hotels in Spain to get closer to its final goal of achieving its strategic priorities and brand standards.
- Optimize revenue management and segmentation guiding the potential of urban hotels for leisure and diversifying customer source markets towards the Spanish cities.
- Firm commitment to investment in the renewal of products, brands and destinations considered as mature (Calviá Beach project).
- International expansion.

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 materialized 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 Executive Committee assigns responsibilities with respect of the more relevant risks. The results are presented to the Audit Committee and the Board of Directors. 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, ensuring that one of the management's objectives is the implementation of these actions or initiatives

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 (SCIIF); (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 organizational 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 organization.**

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 optimization 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.

Additionally, 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 prioritize 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 behavior.
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 Behavior Policy and Human Resources Regulations

Additionally, Meliá Hotels International, S.A. also has a Management Behavior 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 in 2012 a Complaints Channel system through which all Group employees can file complaints or claims related to the breach or non-observance of any and all 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. During the year 2014 the corporate staff have participated in training sessions related to accounting and tax legislation, including topics such as accounting for debt restructuring, regulatory developments on accounting for financial instruments (NIIF 9), consequences of tax reform, amendments of the bankruptcy law and the latest concerning the ICAC (asset impairment).

  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, prior to the start of the Risk Map preparation, and in collaboration, among others, 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 authorization 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 and Finance Department.

The senior executive of the Finance and administration areas (Executive Vice President Group Finance and Administration) analyses 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.

It should be noted that since 2012, the Company submits the financial statements of the first semester to the external auditors' revision. That way, in the semestral closings, the Audit and Compliance Committee also has information prepared by the external auditors of the Group.

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 organized to supervise and approve the Interim Management report for the 1st and 3rd quarter and, in turn, for information purposes it is delivered 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. 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, Risk Analysis and Assessment, Real Estate, 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 authorizations 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 2014, the status of this model was reviewed and validated by looking at employee authorizations 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 finalized 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 Annual Accounts and Consolidation 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 and compliance.

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 2014 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 and other businesses), 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 2014 two processes were audited, divided into 8 sub-processes and 2,328 control activities. These reviews have been carried out in 97 hotels in Europe (81), America (13), and Asia (3).

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 senior management, 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 Other relevant information

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	X	Explain	

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

Complies		Partially compliant		Explain		Not applicable	X

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	X	Partially compliant		Explain	

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	X	Explain	

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 by laws, with votes taken on all articles or groups of articles that are materially different.

Complies	X	Partially compliant		Explain	

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	X	Explain	

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	X	Partially compliant		Explain	

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.

c. Transactions conducted by the Company with directors, significant shareholders, shareholders with Board representation or other persons related thereto (related party transactions).

It is understood, however, that said authorization from the Board shall not be necessary in those linked operations in which the follow three conditions are simultaneously fulfilled:
1. They are governed by standard contracts applied on an across-the-board basis to a large number of clients;
2. They are performed at the general prices or rates set by the supplier of the good or service at issue;
3. The transaction amount does not exceed 1% of the company's annual revenues.

It is recommended that related party transactions only be approved by the Board on the basis of a favorable report from the Audit Committee, or other committee to which this task was assigned. Directors related to the transaction may neither exercise nor delegate their votes, and shall be absent from the meeting room while the Board deliberates and votes.

It is recommended that the powers attributed to the Board not be allowed to be delegated, with the exception of those mentioned in b) and c),which can be delegated to the Executive Committee in urgent cases, subject to subsequent ratification by the full Board.
b) Las siguientes decisiones :

See sections: D.1 y D.6

Complies		Partially compliant	X	Explain	

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 section: C.1.2

Complies	X	Explain	

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	X	Partially compliant		Explain	

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	X	Explain	

12. The number of independent directors shall represent at least a third of all Board Members.

See section: C.1.3

Complies	X	Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain		Not applicable	

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 sections: C.1.19 y C.1 41

Complies	X	Partially compliant		Explain	

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.

See section: C.1.22

Complies		Partially compliant		Explain		Not applicable	X

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 related rules;
c. Take into account the good governance recommendations of this Unified Code accepted by the company.

To safeguard the independence, impartiality and professionalism of the Secretary, his or her appointment and removal must be proposed by the Appointment Committee and approved by a full Board meeting. This appointment and removal procedure must be detailed in the Rules of the Board of Directors.

See section: C.1.34

Complies	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain		Not applicable	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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 compliant	X	Explain	

The Company has no set rules regarding the number of boards on which their directors may sit.

26. he 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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Explain	

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

Complies		Partially compliant		Explain	X

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	X	Partially compliant		Explain		Not applicable	

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	X	Partially compliant		Explain		Not applicable	

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	X	Partially compliant		Explain		Not applicable	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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

Complies		Partially compliant		Explain		Not applicable	X

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.

Complies		Explain		Not applicable	X

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	X	Partially compliant		Explain	

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	X	Explain	

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	X	Explain	

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	X	Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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
b. Ensure 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	X	Partially compliant		Explain	

46. The Audit Committee may meet with any company employee or manager, even ordering their appearance without the presence of any senior manager.

Complies	X	Explain	

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	X	Partially compliant		Explain	

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	X	Partially compliant		Explain	

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	X	Explain		Not applicable	

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	X	Partially compliant		Explain		Not applicable	

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	X	Partially compliant		Explain		Not applicable	

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	X	Partially compliant		Explain		Not applicable	

53. The Remuneration Committee will consult with the Chairman or chief executive officer, especially on issues involving executive directors and senior executives.

Complies	X	Explain		Not applicable	

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.

   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.

Note to A.3: regarding the contents thereof, indicate that the company Hoteles Mallorquines Consolidados has decresead a 5.38% of its share capital.

This annual corporate governance report was approved by the Board of Directors of the company at its meeting held on 26/03/2015.

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

Yes		No	X

DRAFTING OF CONSOLIDATED ANNUAL ACCOUNTS AND DIRECTORS REPORT FOR 2014 FISCAL YEAR

These Consolidated Annual Accounts and Directors' Report were approved by the Board of Directors at its meeting held on 26 March 2015 and submitted to the auditors for verification and subsequent approval by the General Shareholders Meeting.

The consolidated Annual Accounts and Directors' report are contained on 191 pages, all signed by the Secretary and the last page signed by all of the Directors.

Signed. Mr. GABRIEL ESCARRER JULIA
Chairman

Signed. Mr. JUAN VIVES CERDA
Honorary Vice Chairman

Signed. Mr. GABRIEL ESCARRER JAUME
Vice Chairman and CEO

Signed. Mr. SEBASTIÁN ESCARRER JAUME
Director

Signed. Mr. ALFREDO PASTOR BODMER
Director

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

Signed. Mr. JUAN ARENA DE LA MORA

Director

Signed. Mr. FRANCISCO JAVIER CAMPO GARCIA
Director

Signed. Fernando d'Ornellas Silva
Director

Signed. Ms. AMPARO MORALEDA MARTÍNEZ
Director

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

A free translation of the report on the "Internal Control over Financial Reporting" originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

Report of the auditors on the Information relating to the "Internal Control over Financial Reporting (ICFR)" of Meliá Hotels International, S.A. for 2014

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 24 November 2014, we have applied certain procedures on the Information relating to the "Internal Control over Financial Reporting (ICFR)" included in section F of the Annual Corporate Governance Report for listed companies of Meliá Hotels International, S.A. for 2014, which includes a summary of the internal control procedures of the Entity relating to the annual financial information.

The Board of Directors is responsible for adopting the measures that are necessary to reasonably assure the implementation, maintenance and supervision of an appropriate internal control system and for developing improvements to said system and preparing and establishing the content of the accompanying Information relating to the ICFR.

In this connection, it must be borne in mind that, irrespective of the design quality and efficiency of the internal control system used by the Entity in relation to the annual financial information, it will only allow a reasonable – not absolute- degree of assurance in relation to the objectives it seeks to obtain due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control is to enable us to establish the scope, nature and timing of the audit procedures applied to the Entity's annual accounts. Accordingly, our internal control evaluation performed for the purpose of our audit is not sufficient in scope to enable us to issue a specific opinion on the efficiency of the internal control system on the 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 relating to the Internal Control over Financial Reporting for listed entities 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 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's annual financial information for 2014, described in the accompanying ICFR Information. Therefore, had we applied additional procedures to those determined by said Guidelines or had we performed an audit or internal control system review in relation to the regulated annual financial information, other matters could have come to light which would have been informed you.

Additionally, as this special work is not an audit of the accounts and is not subject to the revised Audit Act enacted through Legislative Royal Decree 1/2011 dated 1 July, we do not express an audit opinion in the terms established by that legislation.

The procedures applied are as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the ICFR – 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 ICFR, in the model of Annual Corporate Governance Report in Circular 5/2013 of the National Securities Market Commission dated 12 June 2013.

2. Making enquiries of personnel responsible for preparing the information detailed in 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 framework of reference; (iii) obtain information as to whether the control procedures described are implemented and functioning in the entity.

3. Review of supporting documentation explaining the information described in point 1 above which mainly comprises the information made directly available to the persons responsible for preparing the descriptive information on the ICFR. In this regard, 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 committee.

4. Comparison of the information described in point 1 above against knowledge of the Entity's ICFR 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 the meetings held by 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 ICFR 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 relating to the ICFR, no inconsistencies or weaknesses have come to light which could affect it.

This report has been prepared exclusively within the framework of the requirements of article 540 of the Spanish Companies Act and Circular 5/2013 of the National Securities Market Commission dated 12 June 2013 for the purposes of the description of the ICFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Stefan Mundorf

7 April 2015

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