FINANCIAL REPORT
2015

MELIÃ HOTELS INTERNATIONAL

INDEX

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, 2015, 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.

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, 2015, 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 2015 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 2015. 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
Mireia Oranias Casajoanes

7 April 2016

CONSOLIDATED BALANCE SHEET – ASSETS

(Thousand €)	NOTE	31/12/15	31/12/14
NON-CURRENT ASSETS			
Goodwill	9	61,036	35,532
Other intangible assets	9	97,725	102,117
Property, Plant and Equipment	10	1,578,997	1,665,047
Investment property	11	139,091	132,960
Investments measured using the equity method	12	179,381	192,737
Other non-current financial assets	13.1	231,270	223,950
Deferred tax assets	18.2	132,186	149,373
TOTAL NON-CURRENT ASSETS		2,419,685	2,501,716
CURRENT ASSETS			
Inventories	14.1	81,460	72,273
Trade and other receivables	14.2	254,488	249,170
Current tax assets	18.2	28,560	24,293
Other current financial assets	13.1	30,218	31,443
Cash and other cash equivalents	14.3	348,617	337,277
TOTAL CURRENT ASSETS		743,344	714,457
TOTAL GENERAL ASSETS		3,163,029	3,216,173

CONSOLIDATED BALANCE SHEET – EQUITY AND LIABILITIES

(Thousand €)	NOTE	31/12/15	31/12/14
EQUITY			
Share capital	15.1	39,811	39,811
Share premium	15.1	877,318	865,213
Reserves	15.2	296,796	316,025
Treasury shares	15.3	(39,863)	(51,968)
Retained earnings	15.4	301,380	259,764
Other equity instruments	15.5	108,730	108,730
Translation differences	15.6	(353,765)	(344,381)
Other measurement adjustments	15.6	(2,779)	(10,346)
Profit/(loss) for the year attributed to parent company	8	35,975	30,406
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		1,263,602	1,213,255
Non-controlling shareholdings	15.7	50,947	54,730
TOTAL NET EQUITY		**1,314,549**	**1,267,985**
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	13.2	223,129	313,967
Bank loans	13.2	494,859	652,502
Other non-current financial liabilities	13.2	16,378	18,654
Capital grants and other deferred income	16.1	29,134	16,617
Provisions	16.2	49,469	36,946
Deferred tax liabilities	18.2	161,715	147,695
TOTAL NON-CURRENT LIABILITIES		**974,684**	**1,186,381**
CURRENT LIABILITIES			
Bonds and other negotiable securities	13.2	115,012	3,746
Bank loans	13.2	284,412	351,063
Trade creditors and other payables	17	397,344	318,636
Current tax liabilities	18.2	26,075	21,162
Other current liabilities	13.2	50,953	67,202
TOTAL CURRENT LIABILITIES		**873,796**	**761,808**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**3,163,029**	**3,216,173**

CONSOLIDATED INCOME STATEMENT

(Thousand €)	NOTE	2015	2014
Operating income	**7.1**	**1,738,207**	**1,494,993**
Supplies	7.2	(214,823)	(188,446)
Staff costs	7.3	(463,321)	(437,785)
Other expenses	7.4	(623,253)	(515,566)
EBITDAR (*)		**436,810**	**353,196**
Leases		(143,733)	(125,707)
EBITDA (**)	**6.1**	**293,078**	**227,488**
Amortisation and depreciation	7.5	(129,130)	(96,664)
EBIT (***)		**163,948**	**130,825**
Exchange differences		10,409	24,649
Borrowings		(70,708)	(107,102)
Other financial income		1,756	17,631
Net financial income (expense)	**7.6**	**(58,542)**	**(64,821)**
Profit /(Loss) of associates and joint ventures	**12**	**(3,787)**	**(9,189)**
NET INCOME BEFORE TAX		**101,619**	**56,814**
Income Tax	18.6	(61,103)	(24,951)
NET INCOME		**40,515**	**31,864**
a) Attributed to parent company		35,975	30,406
b) Attributed to minority interests	15.7	4,541	1,458
BASIC EARNINGS PER SHARE IN EUROS	8	0.18	0.15
DILUTED EARNINGS PER SHARE IN EUROS	8	0.18	0.15

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	2015	2014
Net consolidated income		40,515	31,864
Other comprehensive results:			
Items that will not be transferred/reclassified to results			
Other results attributed to equity	3.15	14,644	11,456
Actuarial gains and losses in post-employment plans	16.2	(113)	(1,775)
TOTAL		14,531	9,682
Items that may be subsequently transferred to results			
Translation differences	15.6	(8,353)	(78,286)
Cash flow hedges	13.3	1,601	(3,451)
Equity consolidated companies		587	1,443
Tax effect	18.2	(291)	(6,596)
TOTAL		(6,455)	(86,890)
Total Other comprehensive results		8,076	(77,209)
TOTAL COMPREHENSIVE INCOME		48,591	(45,345)
a) Attributed to the parent company		42,867	(43,836)
b) Attributed to minority interests	15.7	5,724	(1,509)

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 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				(2,196)					(2,196)		(2,196)
Increase share capital	15.1	2,855	110,391	(15)					113,232		113,232
Operations with treasury shares	15.3		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)	155,943
Transfers between net equity items											0
Distribution 2013 net income	15.4					(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	1,267,984
TOTAL RECOGNISED INCOME AND EXPENSES		0	0	(100)	0	15,970	(8,978)	35,975	42,867	5,724	48,591
Distribution of dividends	8			(5,952)					(5,952)	(3,445)	(9,397)
Increase share capital	15.1								0		0
Operations with treasury shares	15.3		12,105	(6,001)	12,105				18,209		18,209
Other operations with shareholders/owners						(1,915)			(1,915)	(6,085)	(8,000)
OPERATIONS WITH SHAREHOLDERS OR OWNERS		0	12,105	(11,953)	12,105	(1,915)	0	0	10,342	(9,530)	812
Transfers between net equity items				(7,160)			7,160		0	0	0
Distribution 2014 net income	15.4					30,406		(30,406)	0	0	0
Other variations				(16)		(2,846)			(2,862)	24	(2,838)
OTHER VARIATIONS IN NET EQUITY		0	0	(7,177)	0	27,560	7,160	(30,406)	(2,862)	24	(2,838)
Balance at 31/12/2015		39,811	877,318	405,526	(39,863)	301,380	(356,544)	35,975	1,263,602	50,947	1,314,550

CONSOLIDATED CASH FLOW STATEMENT

(Thousand €)	2015	2014
OPERATING ACTIVITIES		
Operating receipts	2,099,316	1,805,588
Payments to suppliers and staff for operating expenses	(1,791,931)	(1,597,258)
Receipts / (Payments) for income tax	(36,808)	(20,223)
CASH FLOWS FROM OPERATIONS	**270,577**	**188,108**
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	(2,413)	(2,283)
Amortisation		(15)
Acquisition	(2,413)	(2,268)
Receipts and (payments) for financial liability instruments:	(236,187)	(187,148)
Issue	244,926	306,760
Redemption and repayment	(481,113)	(493,908)
Payments for dividends and remuneration of other equity instruments	(6,882)	(7,393)
Other cash flows from financing	(63,978)	(75,724)
Interest paid	(65,241)	(80,691)
Other receipts / (payments) for cash flows from financing	1,262	4,967
CASH FLOWS FROM FINANCING	**(309,460)**	**(272,548)**
INVESTMENTS ACTIVITIES		
Payments on investments:	(185,799)	(157,190)
Group companies, associates and business units	(121,155)	(115,641)
Property, plant and equipment, intangible assets and investment property (*)	(64,206)	(40,504)
Other financial assets	(438)	(1,045)
Receipts for divestments:	223,819	146,591
Group companies, associates and business units	48,777	138,490
Property, plant and equipment, intangible assets and investment property	174,515	6,441
Other financial assets	528	1,660
Other cash flows from investment:	1,288	98
Dividends received	1,288	98
CASH FLOWS FROM INVESTMENT	**39,309**	**(10,500)**
Variation in the exchange rate in cash and cash equivalents	10,914	(4,725)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		**(99,665)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR (Note 14.3)	337,277	436,942
CASH AND CASH EQUIVALENTS AT THE YEAR END (Note 14.3)	**348,617**	**337,277**

(*) 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 41 countries throughout the world and in 4 continents, 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, 2015, 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 not obligatory in 2014. These standards do not have a significant impact on the Group's financial position:

- Annual improvements to the IFRS (2011-2013 Cycle): IAS 40 "Investment Property" IFRS 1 "First-time Adoption of International Financial Reporting Standards" IFRS 3 "Business Combinations" and IFRS 13 "Fair Value Rating".
- IFRS 21: "Tax rates"

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

- Annual improvements to the IFRS (2010-2012 Cycle): IAS 16 and IAS 38: "Clarification of acceptable methods of depreciation and amortization", IAS 24 "Information to be disclosed about related parties", IFRS 8 "Segments of exploitation", IFRS 13 "Valuation of fair value", IFRS 2 "Share-based payments", and IFRS 3 "Business combinations".
- Amendment of IAS 19: "Defined plans of benefit pensions": "Employees' Contributions to the Company"
- Amendments to IAS 16 and IAS 41: "Agriculture: Production plants."
- Amendment of IFRS 11: "Joint agreements: Accounting of the acquisitions of holdings in joint transactions"
- Amendments to IAS 16 and IAS 38: "Clarification of acceptable methods of amortization".
- Annual improvements to the IFRS (2012-2014 Cycle): IAS 19 "Employee remunerations", IAS 34 "Interim Financial Information", IAS 5 "Non-current assets held for sale and interrupted activities", IAS 7 "Financial Instruments: Information to be disclosed."
- Amendment of IAS 1: "Information disclosure initiative."
- Amendment of IAS 27: "Method of the holding in separate financial statements".
- Amendments to IAS 28 and IFRSS 10: "Sale or contribution of assets between an investor and their associates or joint businesses."
- Amendments to IAS 28, IFRS 10 and IFRS 12: "Investment entities: Applying the exception to consolidation."
- IFRS 9: "Financial instruments".
- Amendment of IFRS 7 and IFRS 9: "Mandatory date of entry into force and transitional disclosures"
- Amendments to IFRS 7, IFRS 9 and IAS 39: "Financial instruments: accounting for hedging."
- IFRS 14: "Regulatory deferral accounts".
- IFRS 15: "Ordinary income from client contracts".
- Amendment validity date of IFRS 15.
- IFRS 16: "Leases".

In January 2016, the IASB issued a new set of regulations on leases (IFRS 16) which will mean major changes in the composition of the Group's assets and liabilities and in the structure of the consolidated income statement. While the implementation date of the said regulations by the European Union is not yet known, the Group does not plan to implement them in advance; hence the said changes will affect the consolidated annual accounts for fiscal year 2019 and beyond.

The Company will conduct an evaluation of the impacts that the said regulations may have on the Group's financial statements, at the same time as analysing other regulations whose implementation is pending, such as IFRS 15 with regard to ordinary revenue from contracts with customers, the impacts of which are not expected to be significant.

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 2015 and 2014.

Comparative figures are also presented for 2015 and 2014 for the quantitative information contained in the notes to the accounts. The main changes to the consolidation scope in 2014 and 2015 with respect to the previous year are addressed in Note 5.

At the end of fiscal year 2015, the Company evaluated the situation of the assets and liabilities of the affiliated companies domiciled in Puerto Rico, which until now had been shown in the consolidated balance sheet as maintained for sale and whose result was classified as arising from activities that had been interrupted.

As the sale is not now regarded as very likely, and, among other factors, the situation of default of the country, the said assets and liabilities have been re-classified under the relevant headings on the balance sheet. In addition, the result of these companies has now been considered to be part of the result of the resumed operations.

The comparative figures with the previous fiscal year have been adjusted taking this reclassification into account, in order to make them easier to compare.

There follows a breakdown of the impacts on the Consolidated Balance Sheet:

(Thousand €)	31/12/15	31/12/14
Property, Plant and Equipment	88,198	109,913
Other non-current financial assets	2	2
Inventories	989	274
Other current financial assets	5,926	6,088
TOTAL ASSETS	**95,115**	**116,277**
Provisions	532	2,518
Deferred tax liabilities	(20)	(19)
Other non-current liabilities	4,453	3,467
Trade creditors and other payables	6,500	7,836
Current tax liabilities	108	85
Other current liabilities	(4)	882
TOTAL LIABILITIES	**11,568**	**14,768**

In addition, we provide a breakdown of the impacts on the Consolidated Income Statement:

(Thousand €)	2015	2014
Operating Income	33,978	30,709
Expenses	(32,114)	(31,555)
EBITDA	1,864	(846)
Amortisation and depreciation	(637)	(736)
EBIT	1,228	(1,583)
Net financial income	839	1,252
Net income before tax	2,067	(331)
Income Tax	(69)	15
Net income	1,998	(315)
Losses in restatement of assets	(28,648)	
RESULT ATTRIBUTED TO CONTINUED OPERATIONS	**(26,650)**	**(315)**

The Losses recognized in the revaluation of the assets have been shown based on a study commissioned by the Company in 2015 to an independent consultant, as stated in Note 7.5.

2.3. CONSOLIDATION METHODOLOGY

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. Intragroup 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.

In the cases in which, as a consequence of the accumulated losses made by a related party, its equity is negative, the Group adds the amount of any other item that may be considered to be greater in value than the net investment until said investment is entirely written off. From that point on, the Company takes into account any additional losses by recognizing a liability, only in so far as it incurs in legal or implicit obligations or has made payments on behalf of the company.

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 2015 and 2014 annual accounts have been used for consolidation purposes, following the pertinent valuation adjustments to ensure consistency with IFRS.

BUSINESS COMBINATIONS

EThe 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 A NON-CONTROLLING INTEREST

These are the earnings attributed to non-controlling interests which appear in the consolidated profit or loss for the year.

CONVERSION OF FOREIGN COMPANIES' FINANCIAL STATEMENTS

All the assets, rights and obligations of foreign companies whose functional currency is not the Euro and which are 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 18.

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 Group has opted to value investments in real estate according to the fair value method. The estimation of this fair value is conducted, for the most part, based on the appraisals made by independent experts using discount valuation techniques to appraise the projected cash flows from said assets, as stated in Note 3.3.

POST-EMPLOYMENT CONTRIBUTIONS

The cost of defined benefit pension plans is calculated using actuarial standards. Actuarial valuations require the use of assumptions regarding discount rates, asset yields, salary increases, mortality tables and rotation, as well as the regarding the retirement age of employees with a right to benefits. 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 16.2 offers details as to the assumptions used to calculate these commitments.

PROVISION FOR ONEROUS CONTRACTS

The estimate of the amount of the provision for onerous contracts 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 16.2.

EXCHANGE RATE TO BE APPLIED TO THE CONSOLIDATION OF VENEZUELAN SUBSIDIARIES

In 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). As an outcome of this reform a new system was set up called SIMADI (Marginal Currency Exchange System) which is intended to work as a free system of supply and demand of currencies.

The SIMADI came into effect on 12 February 2015 at a rate of 174.04 Bolivars to the US dollar. The Meliá Group considers that this new system of free currency exchange is the most appropriate for the consolidation of the balances of its Venezuelan subsidiaries and, as such, it is the system it has been applying from that moment.

The principal impacts of the adoption of this exchange rate, reflected in the consolidated annual accounts for 2015, are shown in the following table:

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

On 9 March 2016, the Venezuelan government announced a further modification of its currency exchange system, replacing the current SIMADI with DICOM (Complementary Currency Exchange). The DICOM was launched as a new floating exchange mechanism starting with a rate of 206 Bolivars to the US dollar. Taking into account that the exchange rate applied by the Company produced at the end of fiscal year 2015 a rate of 199.54 Bolivars to the dollar, the Group estimates that the implementation of this mechanism will not have significant impacts on the consolidated accounts.

The Company will continue to evaluate the political and economic situation in the country in order to make any modification to the exchange rate that may apply for the consolidation of its associated entities in Venezuela.

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.

This section includes the RDI expenditure undertaken by the Group for the production of IT programs that are unique, identifiable and controlled by the Group and which, moreover, meet the following conditions:

- Technically, it is possible to complete the production of the intangible asset in such a way that it is available for use or sale.
- The Company intends to complete the intangible asset to use or sell it.
- The Company has the capability to use or sell the intangible asset.
- The manner in which the intangible asset is going to generate probable profits in the future can be demonstrated
- There are suitable technical, financial or other kinds of resources available to complete the development of the intangible asset and to use or sell it.
- The disbursement attributable to the intangible asset during its development can be valuated in a reliable manner.

The costs directly attributable that are capitalized as part of the IT programs, including the social welfare cost of the personnel who develop the programs and a suitable percentage of the general costs.

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. SEGMENT REPORTING

Reporting on operating segments is presented in accordance with the internal information that is provided to the maximum decision-taking authority. The maximum decision-taking authority has been identified, and is responsible for assigning resources and evaluating performance of operating segments, as the Senior Executive Team that is in charge of taking strategic decisions (SET) or Management Committee. The SET is a 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 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 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 this fair value is regularly adjusted. Derivatives are carried as assets, in line with other financial assets, when the fair value is positive and as liabilities, under the heading "Other financial liabilities" when the fair value is negative.

Accounting hedges

The Company accounts for hedging in those operations in which it is expected that it will be highly effective; that is, when the changes in the fair value or in the cash flows of the items covered by the hedge are offset with the changes in the fair value or cash flows of the hedging instruments with an effectiveness in the range of 80% to 125%. In addition, at the moment the hedge commences, the relationship between the item covered and the derived financial instrument allocated to that purpose is formally documented.

The Group has various interest rate swaps classified as cash flow hedges. Variations of the fair value of these derivative financial instruments are reflected in net equity, in the section Other measurement adjustments; 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 according to the characteristics of each contract, such as the nominal amount and timetable for collections and payments. The discount factors used to obtain said value are calculated on the basis of the curve of the zero coupon rates obtained from the deposits and rates listed in the market on the date of the valuation. The resulting fair value is adjusted for the own credit risk and that of the counterparty, in accordance with IAFC 13. These values are obtained from studies carried out by independent experts, normally the financial institutions with which the Group has contracted these instruments.

Derivatives that do not qualify for hedge accounting

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 the 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

If assets exist that are linked to interrupted activities whose book value is expected to be recovered through a sale rather than by their continued use, this is shown under the heading "Non-current Assets held for Sale".

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 20).

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 16.2 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 exercise, an evaluation of these commitments has been performed in accordance with the actuarial assumptions contained in the Company's own rotation model, by applying the calculation method known as the "projected unit credit" method and the population assumptions corresponding to the ERM/F2000p tables.

The balance of provisions, as well as the capitalization of payments for future services, covers these acquired commitments, based on an actuarial analysis prepared by an independent expert. More details are given on this valuation in Note 16.2.

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 2015 and 2014 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 2015 and 2014 are set out in the following table:

(Thousand €)	2015	2014
Restatement of fixed assets	10,766	10,496
Loss of value of net monetary assets	553	2,445
Reserves increase	14,644	11,456

The value of the general index of prices of the Venezuelan economy to the end of fiscal year 2015 has been 2,537.9 points, which means an accumulated increase in inflation of 180.9% in fiscal year 2015. In the fiscal year 2014, the index to closing was 839.5 points, which represented an accumulated increase in inflation of 53.4% in fiscal year 2014. The major impact this increase has had on the updating of the balance sheets has been partially reduced by the devaluation of the Bolivar in February 2015, as explained in Note 2.4.

There is no other company which exists in the perimeter of consolidation that has the consideration of a hyperinflationary economy at the closing of the fiscal periods 2015 and 2014.

3.16. CASH FLOW STATEMENT

The cash flows statement includes the treasury movements that occurred during the fiscal year, calculated by the direct method. In the cash flow statement, the following expressions are used with the meanings stated below:

- Cash flows: Inflows and outflows of cash or of other equivalent liquid assets, which are defined as investments for a term of less than 3 months that are highly liquid and have a low risk of alterations in value.
- Operating activities: These are the activities that constitute the main source of the Group's ordinary revenue, as well as other activities that cannot be classified as investment or financing.
- Investment activities: The acquisition, alienation or disposal by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing activities: Activities that result in changes in the size and composition of the Net Equity and of liabilities of a financial nature.

Not included under the heading "Payments for investments in tangible and intangible assets and real estate investments" are those assets acquired under a financial leasing agreement (see Note 10).

Operating earnings include the part of the gains generated by asset rotation activities, while the part related to the net book value of the assets disposed of is recorded under the heading "Earnings from disinvestment".

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, 2015 is as follows (these amounts do not include interest payable):

(Thousand €)	FIXED INTEREST	FLOATING INTEREST	TOTAL
Simple bonds	77,167		77,167
Convertible bonds	223,160		223,160
Euro-Commercial Paper Programme (ECP)	37,814		37,814
Bank loans	21,021	91,339	112,360
Mortgage-backed loans	220,985	200,389	421,374
Credit facilities		228,403	228,403
Leases		13,896	13,896
TOTAL DEBT	580,147	534,028	1,114,175

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 €152.8 million, considered as cash flow hedging instruments. At the 2014 year end the notional value of the swaps contracted was €236 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. Additional breakdowns are provided in Note 13.3.

Short-term debt issues ("Euro-Commercial Paper Programme" or ECP) are detailed in Note 13.2. As of 31 December 2015, issues have been made for a total of 74.3 million Euros, leaving 37.8 million Euros of currently active issues.

The information for 2014 is presented for comparative purposes:

(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
Leasings		11,363	11,363
TOTAL DEBT	579,542	735,796	1,315,338

The sensitivity of 2015 and 2014 profits to changes (in base points) in interest rates, in thousand euro, is as follows:

VARIATION	2015	2014
+ 25	(1,421)	(1,628)
- 25	1,421	1,628

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			
	2015		2014	
(Thousand €)	+10%	-10%	+10%	-10%
UK pound sterling	647	(647)	880	(880)
US dollar	11,096	(11,096)	8,000	(8,000)

	EQUITY			
	2015		2014	
(Thousand €)	+10%	-10%	+10%	-10%
UK pound sterling	(731)	731	143	(143)
US dollar	6,863	(6,863)	6,345	(6,345)

A total of 93% of the Group's financial debt (91% in 2014) 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.

The following table contains a summary of the maturities of the Group's financial liabilities at 31 December 2015, based on nominal amounts by maturity:

(Thousand €)	LESS THAN 3 MONTHS	3 TO 12 MONTHS	1 TO 5 YEARS	> 5 YEARS	TOTAL
Simple bonds		76,384			76,384
Convertible bonds			250,000		250,000
ECP	19,875	18,200			38,075
Loans	15,516	87,143	333,947	105,935	542,542
Credit facilities	28,430	144,866	57,147		230,443
Leasings		6,928	7,501		14,429
TOTAL MATURITY	63,821	333,521	648,595	105,935	1,151,873

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 2015.

With regard to the issue of convertible bonds, it should be noted that the Company announced on 25 March 2016 its decision to exercise the option of early cancellation, setting 25 April next as the date (see Note 22). Given that the Meliá share is above the issue conversion price, a high percentage of conversion by bondholders is expected and therefore, a small pay-out in cash, so the issue will be redeemed for the most part by handing over shares.

The average interest rate on these financial liabilities during the current fiscal period was 4.36%. In 2014 the average rate was 4.8%.

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 2014.

For the purposes of comparison the maturity dates for 2014 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			250,000		250,000
Loans	30,780	164,557	478,945	106,514	780,796
Credit facilities	10,871	135,482	20,203	50,000	216,556
Leasings		5,243	6,083		11,326
TOTAL MATURITY	41,651	305,282	831,615	181,706	1,360,254

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 operations which allow the reduction of credit risks, such as credit transfers.

The credit periods established by the Group range between 21 and 90 days. The DSO ratio is approximately 34.84 days in 2015 and 37.21 days in 2014. The debt seniority profile at 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 €348.6 million in cash and short-term deposits, which means it can meet its payment commitments entered into for future years.

The financial position is also underpinned by the solid support given by the relation banks and Company's assets base. Currently, and after the restructuring of the Group's debt, 37.82% (39.9% at the end of 2014) 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 July 2015 by an independent expert.

In fiscal year 2015, the Company reached a level of net debt below 770 million Euros, with this ratio developing as follows:

(Thousand €)	2015	2014	2013
Debt	1,117,412	1,321,277	1,594,242
Treasury	348,617	337,277	440,033
NET DEBT	768,794	984,000	1,154,209

The main bases for achieving this financial deleveraging have been the increase in Treasury linked, to a large extent, to the flows generated by asset rotation activity, in addition to the improvement in the rest of the Company's segments and the debt restructuring process carried out by the Company in recent years.

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: unobservable inputs based on market Based on non-observable market variables

The amount of assets and liabilities recognised at fair value at 31 December 2015 in accordance with the hierarchy levels are as follows:

	31/12/15			
(Thousand €)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment property			139,091	139,091
Financial assets at fair value:				
Hedging derivatives		0		0
Trading portfolio	267			267
TOTAL ASSETS	267	0	139,091	139,357
Financial liabilities at fair value:				
Hedging derivatives		5,504		5,504
Trading portfolio derivatives		6,901		6,901
TOTAL LIABILITIES	0	12,405	0	12,405

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 2015 and 2014.

For comparison, shown below, the balances recorded in the different hierarchies of valuation at year end 2014:

	31/12/14			
(Thousand €)	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
Investment property			132,960	132,960
Financial assets at fair value:				
Hedging derivatives				
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

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 2015 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 the Condominium Meliá Costa del Sol, through its subsidiary, Apartotel, S.A. amounts to 19,37%. 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 and 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.

In accordance with the coming into effect in January 2014 of IAFC 10 "Consolidated financial statements", the companies Colón Verona, S.A., Ayosa Hoteles S.L., S'Argamassa Hotelera, S.L. and Meliá Hotels Orlando, LLC. are companies that are consolidated by the global integration method, although only 50% of the voting rights, or less, are held. This is because the Group believes that it has the capability to influence the variable yields of the said entities through hotel management contracts that the Group has with them.

5.1. BUSINESS COMBINATIONS

During the first half of 2015, the Group's parent company acquired an additional 58.5% holding in the company Inmotel Inversiones Italia S.R.L.; in this way, the Group's holding increased to 100%, giving it full control of the company.

This company owns the Meliá Milano hotel, operated by the company of the Sol Meliá Italia, S.R.L. Group through a variable rental agreement.

The purchase prices was 68.5 million Euros, of which 47.9 million was paid in cash and 20.6 million by payment in the form of treasury stock.

The value of the hotel, namely 96.1 million Euros, was determined by an appraisal conducted by the independent consultant Jones Lang LaSalle dated June 2015. Due to the difference between the book value arising in the business combination and the fiscal value of the building, a deferred tax return was filed in the amount of 25.7 million Euros.

To complete the posting of this business combination, the Company requested an additional study to be able to support the distribution of the cost of the combination. In accordance with the said study, 32 million Euros has been allocated to the land on which the hotel is built.

We now show the estimated fair value in the definitive posting of the assets and liabilities acquired in the business combination:

(Thousand €)	28/4/2015 NET FAIR VALUE
TOTAL ASSETS	
Non-current Assets	
Goodwill	25,711
Property, Plant and Equipment	96,170
Deferred tax assets	5,005
Current Assets	
Current assets	51
TOTAL ASSETS	126,937
TOTAL LIABILITIES	
Non-current Liabilities	
Other non-current liabilities	4,676
Deferred tax liabilities	25,711
Current Liabilities	
Trade creditors	2,634
Other current liabilities	373
TOTAL PASIVO	33,394

In 2014 the following business combinations were recognized:

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 proved to be a notable strategic acquisition for the Group, as the Meliá Gorriones hotel is close to the kiting and windsurfing centres, which meant 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
ASSETS	
Non-current assets	625
Cash and other cash equivalents	427
Other current assets	1,265
TOTAL ASSETS	2,316
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 generated a goodwill of 1.7 million Euro.

5.2. OTHER SCOPE CHANGES

INCLUSIONS

In the course of the first half of 2015, the Meliá Group entered into an agreement with Starwood Capital Group whereby the Meliá Group acquired 20% of the company Advanced Inversiones 2014, S.L., while the Starwood Group acquired 80% of the same. This company in turn holds a 100% stake in seven other companies, which have purchased 6 hotels from The Meliá Group for a total amount of 178.2 million Euro (including the working capital adjustment), for which bank loans were taken out for 93.4 million Euros, in addition to capital contributions made by the partners in proportion to their stakes.

In addition, the company Jamaica Devco S.L. has been set up, in which the parent company has a 48% stake, with no significant impacts on the Group and which to date is inactive.

In the second half of the year, the company Innside Ventures LLC was incorporated within the scope of consolidation; this is wholly owned by the Group and has no relevant impacts on it. The corporate object of the company is the operation of the hotel Innside New York NoMad (USA) which opened for business in the first quarter of 2016.

With the aim of restructuring the Group's holdings in UK companies, on 21 December the company Meliá Hotels International UK, Ltd. was incorporated, which now holds a 100% stake in the companies London XXI Limited (which operates Me London) and Lomondo Ltd (which owns and operates Meliá White House). This transaction has not had a notable impact on the Group.

WRITE-OFFS

In March, the Dutch company Melsol Management B.V., wholly owned by Meliá Hotels International, S.A., was liquidated. This dissolution has not resulted in significant changes to the Group's consolidated accounts.

ACQUISITION OF MINORITY INTERESTS

The Group has acquired an additional holding through the purchase of apartments within the Condominium of the hotel Meliá Sol y Nieve, increasing its stake by 0.54%.

In the month of December of the current fiscal year, the wholly owned company the Prodigios Interactivos Group, S.A., acquired an additional 20% of the shares of the company Idiso Hotel Distribution, S.A. for 8 million Euros. This operation generated a loss of 2 million Euros which has been posted directly to the Group's net equity, as explained in Note 2.3.

ACQUISITION OF AN ADDITIONAL HOLDING IN ENTITIES INTEGRATED BY THE HOLDING METHOD

The Group has acquired an additional holding, through the purchase of one apartment from the Condominium of the hotel Meliá Castilla, increasing its stake by 0.09%, with no significant impacts on the Group's consolidated accounts.

For purposes of comparison the variation of 2014 are as follows:

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 did not have any notable impacts on the Group's accounts.

ACQUISITION AND SALE OF MINORITY 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 did not have 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, 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 did not have a significant impact on the Group's accounts.

ACQUISITION AND DISPOSAL 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 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.

5.3. NAME CHANGES

In 2015 there were no name changes.

For purposes of comparison the name changes pertaining to 2014 are as follows:

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. changed its name to Bedbank Trading, 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 the Group 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 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 2015 is shown in the following table:

	HOTEL							
(Thousand €)	HOTEL MANAGEMENT	HOTEL BUSINESS	OTHER BUSINESS ASSOC WITH HOTEL MANAGEMENT	REAL ESTATE	VACATION CLUB	CORPORATE	ELIMINATIONS	31/12/15
INCOME STATEMENT								
Operating income	234,243	1,382,912	69,564	69,874	127,370	125,505	(271,261)	1,738,207
Operating expenses	(186,336)	(1,043,389)	(63,844)	(17,634)	(107,293)	(148,680)	265,779	(1,301,397)
EBITDAR	**47,907**	**339,523**	**5,720**	**52,240**	**20,077**	**(23,175)**	**(5,482)**	**436,810**
Leases	(3,600)	(139,836)	(319)			(5,461)	5,483	(143,733)
EBITDA	**44,307**	**199,688**	**5,401**	**52,240**	**20,077**	**(28,636)**		**293,077**
Depreciation, amortisation and impairment	(1,021)	(112,261)	(958)	(421)	(1,423)	(13,025)	(22)	(129,130)
EBIT	**43,286**	**87,427**	**4,444**	**51,819**	**18,654**	**(41,661)**	**(22)**	**163,948**
Net financial income								(58,542)
Net income of associates		1,654		1,584		(7,025)		(3,787)
Profit before tax								101,619
Tax								(61,103)
NET INCOME								**40,515**
Minority interests								(4,541)
NET INCOME ATTRIBUTED TO PARENT COMPANY								**35,974**
ASSETS AND LIABILITIES								
Property, plant and equipment and intangible assets	40,143	1,485,879	11,118	22,878	59,997	117,743		1,737,758
Investments in associates		59,401		6,576		113,404		179,381
Other non-current assets								502,546
Current operating assets	68,202	167,795	9,831	8,240	52,292	317,225	(287,637)	335,948
Other current assets								407,396
TOTAL ASSETS								**3,163,029**
Borrowings								1,117,412
Other non-current liabilities								256,696
Current operating liabilities	74,876	404,476	12,721	1,998	105,002	77,888	(279,617)	397,344
Other current liabilities								77,028
TOTAL LIABILITIES								**1,848,480**

Management fees totalling €135.9 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 €47.2 million and €44.7 million, respectively (see Note 7.1).

With regard to the operating revenue from the Real Estate segment (or asset management), these relate mainly to the sale of six hotels owned by the Group to the Advanced Group, whose contribution to this heading is 48.6 million Euros.
As indicated in Note 5.2, these hotels were sold to the companies in which The Meliá Group held a 20% stake included in the sub-group of Advanced Inversiones 2014, S.L.

This segment includes the gross capital gains from the sale of the Calas de Mallorca complex and the Sol Falco hotel for 4.4 and 4.7 million Euros, respectively.

Income totalling €3.2 million was also generated on the lease of commercial premises at shopping centres in America (see Note 11).

The principal movements included in the material fixed assets relate to the write-off due to the sale to the Advanced Group of six hotels, for the amount of 122.1 million Euros net book value, as stated in Note 10.

Eliminations during the year notably included the inter-segment invoicing for management fees totalling €172.3 million. The rendering of services to Club Meliá gave rise to €27.7 million.

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	1,225,667	48,412	36,960	112,562	85,184	(227,338)	1,494,993
Operating expenses	(158,861)	(944,755)	(44,438)	(11,487)	(95,697)	(112,238)	225,678	(1,141,797)
EBITDAR	**54,684**	**280,913**	**3,974**	**25,474**	**16,865**	**(27,054)**	**(1,660)**	**353,196**
Leases	(467)	(130,749)	(201)			4,050	1,660	(125,707)
EBITDA	**54,218**	**150,164**	**3,773**	**25,474**	**16,865**	**(23,004)**		**227,488**
Depreciation, amortisation and impairment	(908)	(81,297)	(921)	(772)	(2,051)	(10,715)		(96,664)
EBIT	**53,310**	**68,867**	**2,852**	**24,702**	**14,813**	**(33,719)**		**130,824**
Net financial income								(64,821)
Net income of associates		(402)		2,394		(11,181)		(9,189)
Profit before tax								56,815
Tax								(24,951)
NET INCOME								**31,864**
Minority interests								(1,458)
NET INCOME ATTRIBUTED TO PARENT COMPANY								**30,407**
ASSETS AND LIABILITIES								
Property, plant and equipment and intangible assets	45,065	1,548,004	10,333	24,556	77,574	97,163		1,802,696
Investments in associates		77,016		7,011		108,710		192,737
Other non-current assets								506,284
Current operating assets	80,035	138,952	6,986	7,654	68,707	294,762	(275,653)	321,443
Other current assets								393,014
TOTAL ASSETS								**3,216,173**
Borrowings								1,321,277
Other non-current liabilities								219,912
Current operating liabilities	44,698	359,640	6,980	446	130,235	45,111	(268,474)	318,636
Other current liabilities								88,364
TOTAL LIABILITIES								**1,948,189**

Management fees totalling €117.3 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 included 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 posted 16.2 million Euro for the sale in June of the hotel Sol Aloha Puerto. The details of the assets that were 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 (Note 11).

Under the heading Tangible and Intangible Fixed Assets the 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 is noteworthy, as these have now become businesses that are fully engaged in the Club's operation.

In the hotel business segment, the main change was 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.

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	31/12/15
Operating Income	882,109	341,521	656,625	3,463	(145,511)	1,738,207
Total Assets	**1,715,446**	**438,867**	**1,005,604**	**3,112**		**3,163,029**

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

Turnover among the various geographical segments amounted to €145.5 million Euros, of which €91.8 million was in Spain, €70 million in the EMEA, and €92,5 million negative in America.

As regards operating income by country, the most significant were Mexico (€ 186.8 million) and the Dominican Republic (€ 297.4million) in the America segment. In the EMEA segment, Germany contributed € 131.7 million.

In addition, on the line Total Assets the contribution of the Dominican Republic is noteworthy, at 365.2 million Euro, as well as that of Mexico with 338.5 million Euro, under the caption 'America'. With regard to the segment EMEA, the contributions of the United Kingdom and France are significant, at 83.4 and 64.1 million Euro, respectively.

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

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Eliminations	31/12/14
Operating Income	784,163	287,778	539,834	3,624	(120,407)	1,494,993
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 €120.4 million, of which €67.7 million relates to the Spanish segment, €70 million to the EMEA segment, €17.7 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.

7. OTHER INCOME AND EXPENSES

7.1. OPERATING INCOME

The breakdown of the balance of this account in the income statement for 2015 and 2014 is as follows:

(Thousand €)	2015	2014
Room sales	846,485	744,631
Food and beverages	457,486	403,420
Real estate income	70,007	35,585
Sale of vacation club units	99,648	90,413
Income from other business	87,316	78,569
Income from hotel management	48,482	42,366
Other revenue	128,784	100,009
TOTAL	1,738,207	1,494,993

The main item in Other income relates to the Panamanian company Sol Caribe Tours, S.A. (€ 47.2 million) and its tour operator business. In 2014, Sol Caribe Tours, S.A. contributed € 32.8 million to the item Other income.

7.2. CONSUMABLES

The breakdown of the balance of this caption in the income statement for 2015 and 2014 is as follows:

(Thousand €)	2015	2014
Consumption of food and beverages	135,685	122,745
Consumption of ancillary goods	34,432	31,122
Consumption of vacation club sales	5,070	7,264
Sundry consumption	39,636	27,315
TOTAL	214,823	188,446

7.3. STAFF COSTS

Staff costs are broken down as follows:

(Thousand €)	2015	2014
Wages, salaries and similar items	357,849	336,617
Social security	80,214	76,767
Other social welfare expenses	19,886	18,411
Termination benefits	5,371	5,991
TOTAL	463,321	437,785

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:

	2015		
	MEN	WOMEN	TOTAL
Management personnel	320	126	446
Department heads	1,492	962	2,454
Technicians	5,740	3,927	9,667
Auxilliary staff	4,185	3,141	7,326
TOTAL	11,737	8,157	19,893

	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

7.4. OTHER EXPENSES

The breakdown of the balance of this caption in the income statement for 2015 and 2014 is as follows:

(Thousand €)	2015	2014
Sundry rentals	12,498	10,374
Maintenance and repairs	55,484	44,054
External services	106,929	84,982
Transport and insurance	16,139	13,862
Banking expenses	20,342	15,791
Advertising and promotions	54,756	38,486
Supplies	87,038	84,604
Travel and ticketing expenses	12,285	10,740
Activity Tax	53,313	44,922
Various external services	167,131	138,724
Other expenses	37,336	29,028
TOTAL	623,253	515,566

7.5. DEPRECIATION, AMORTISATION AND IMPAIRMENT

The breakdown of the balance of this caption in the income statement for 2015 and 2014 is as follows:

(Thousand €)	2015	2014
Amortisation charge, intangible assets	14,515	12,513
Depreciation charge, property, plant & equipment	76,189	80,258
Impairment of property, plant & equipment	38,426	3,892
TOTAL	129,130	96,664

New items for Impairment of Fixed Assets reflect the losses recorded in the amount of 28.6 million Euros, as a result of the revaluation commissioned by the Company during the first half of the year to an independent consultant, with the aim of re-valuing the assets and liabilities of the companies located in Puerto Rico.

In addition, this heading includes the impact of 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 leasehold agreements.

7.6. FINANCIAL INCOME AND EXPENSES

Set out below is a breakdown of net financial income/(expense) reflected in the consolidated income statement in 2015 and 2014:

(Thousand €)	2015	2014
Exchange gains	137,240	89,712
Dividend income	84	22
Interest income	7,735	9,202
Other financial income		11,410
Profit/(loss) on disposal of financial assets	228	(98)
TOTAL FINANCIAL INCOME	145,287	110,249
Exchange losses	(126,830)	(65,064)
Interest expense	(66,440)	(100,709)
Other financial expenses	(9,432)	(6,392)
Gain/(loss) on restatement of fixed assets	(553)	(2,445)
Surplus bad debt provision	238	(1,358)
Change in fair value of financial instruments	(812)	898
TOTAL FINANCIAL EXPENSE	(203,829)	(175,070)
NET FINANCIAL EXPENSE	(58,542)	(64,821)

The principal change included in the financial result for fiscal year 2014, which is a reduction in the cost of interest payments of 34.3 million Euros, is largely due to the conversion of the bond issued in fiscal year 2009, carried out at the end of 2014, which in the said fiscal year had generated an cost of 18.1 million Euros. In addition, the Company has made a major effort to reduce the average interest rate paid on its financial debt.

The exchange differences recorded in the fiscal year are, above all, due to the appreciation of the US dollar against the Euro by approximately 10%, although the net effect of this change was less than that in the previous fiscal year.

The heading "Results due to updating of balances" reflects the impact of hyperinflation on net monetary assets of the subsidiary companies in Venezuela, which in 2015 were affected by a further depreciation of the Bolivar, as stated in Notes 2.4 and 3.15.

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 and which were cancelled in June of this fiscal year.

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 2015 and 2014 for both variables:

	BASIC		DILUTED	
(Thousand €)	31/12/15	31/12/14	31/12/15	31/12/14
Net income attributed to the parent company	35,974,730	30,406,363	35,974,730	30,406,363
Correction of results				
Adjusted results	35,974,730	30,406,363	35,974,730	30,406,363
Number of ordinary shares	199,053,048	199,053,048	199,053,048	199,053,048
Average weighted treasury shares	(765,551)	(390,127)	(765,551)	(390,127)
Nº of potential ordinary shares				
Total number of shares	198,287,497	198,662,921	198,287,497	198,662,921
EARNINGS PER SHARE	0.18	0.15	0.18	0.15

At the General Shareholders' Meeting, the Board of Directors will propose the distribution of a gross dividend, excluding treasury shares, of 0.04 Euro per share, for which a maximum figure will be available for distribution of 9.2 million Euro charged to available reserves.

For 2014, the Board of Directors proposed to the Annual General Meeting the pay-out of a gross dividend, excluding treasury shares, of 0.03 Euro per share (net dividend of €0.024). The amount of €6 million was paid out in the second half of 2015.

9. INTANGIBLE ASSETS

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

(Thousand €)	BALANCE 31/12/14	DEPRECIATION 2015	ADDITIONS	DISPOSALS	TRANSFERS	SCOPE VAR.	EXCHANGE DIFFERENCE	BALANCE 31/12/15
GROSS VALUE								
Goodwill	35,531			(318)		25,711	111	61,035
Transfer rights	97,169		930				4,513	102,612
Software	122,857		7,995	(1,637)	3,764		245	133,225
Other intangible assets	8,285		25	(555)			(50)	7,705
Assets inprogress	3,764				(3,764)			0
TOTAL GROSS VALUE	267,606		8,950	(2,510)	0	25,711	4,820	304,578
ACCUMULATED DEPRECIATION								
Leaseholds	(41,415)	(4,092)					(2,054)	(47,560)
Computer software	(82,932)	(10,196)	(2)	372			(237)	(92,995)
Industrial property rights (R+D+I)	(5,610)	(225)		555			18	(5,261)
TOTAL ACCUMULATED DEPRECIATION	(129,957)	(14,513)	(2)	927	0	0	(2,272)	(145,817)
NET CARRYING VALUE	137,649	(14,513)	8,949	(1,583)	0	25,711	2,548	158,761

The figure shown in the column for changes to the perimeter relates to the goodwill that arose from the business combination with Inmotel Inversiones Italia S.R.L., as described in Note 5.1.

The new items recorded in the current fiscal year in the line of Fees for Transfers relate mostly to the amount paid for the acquisition of the rights to operate a hotel via a management agreement located in Qatar, for the amount of 0.5 million Euros. In addition, the Group has made a provision of 0.6 million Euros, shown in the 2015 Amortization column, in relation to the cessation of the operating rights of a hotel under a management agreement situated in Madrid, which occurred in January 2016.

New items were recorded under IT Applications in the amount of 4.3 million Euros which relate to the new RDI technology project Be more Digital, which aims to achieve greater technological advances that will meet a series of needs that are currently not being met, with the aim of improving the services the Company offers to its customers.

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

For comparison purposes, the breakdown of these movements in 2014 was the following:

(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	0	6,978	(13)	1,731	4,553	267,605
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	(5,609)
Total ACCUMULATED DEPRECIATION	(115,420)	(12,513)	(3)	18	(20)	(2,019)	(129,956)
NET CARRYING VALUE	138,937	(12,513)	6,976	5	1,711	2,533	137,649

The variations in the scope in 2014 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 was 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.

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 €)	31/12/15	31/12/14
Apartotel, S.A.	504	504
René Egli, S.L.U.	1,708	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.	5,565	5,454
Hotel Alexander, S.A.S.	8,496	8,496
Operadora Mesol, S.A. de C.V.	465	465
Tenerife Sol, S.A.		318
Sol Melia Croacia	886	886
Idiso Hotel Distrib. S.A.	14,780	14,780
Inmotel Inversiones Italia S.R.L.	25,711	
TOTAL	61,036	35,532

The main changes recorded during the fiscal year are due to the exchange differences arising in both years in the case of Lomondo, Ltd and for the goodwill associated with the business combination of the company Inmotel Inversiones Italia, S.R.L, 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, 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, Me Cabo, Meliá Cabo Real and Meliá Azul Itxapa 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
INMOTEL INVERSIONES ITALIA S.R.L.	Meliá Milán Hotel

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	2015	2014
Spain	11.7	9.0 - 12.5
Rest of Europe	12.2 - 14.3	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 31/12/14	DEPRECIATION 2015	ADDITIONS	DISPOSALS	SCOPE VAR.	EXCHANGE DIFFERENCE	BALANCE 31/12/15
GROSS VALUE							
Land	394,230		2,090	(39,368)	32,000	(7,212)	381,740
Buildings	1,423,818		50,287	(167,689)	80,224	(1,568)	1,385,072
Plant and machinery	453,433		19,272	(61,201)	1,963	5,851	419,319
Other fixed assets	486,850		43,866	(38,232)	6,919	(2,786)	496,618
Work in progress	11,810		5,636	(2,497)	0	(6,257)	8,692
TOTAL GROSS VALUE	2,770,141		121,152	(308,987)	121,106	(11,973)	2,691,440
ACCUMULATED DEPRECIATION							
Buildings	(487,501)	(50,478)	(5,898)	70,284	(17,221)	(3,058)	(493,872)
Plant and machinery	(293,955)	(20,660)	(9,286)	43,416	(1,324)	(2,983)	(284,792)
Other fixed assets	(323,638)	(43,478)	(6,502)	42,228	(6,391)	4,003	(333,779)
TOTAL ACCUMULATED DEPRECIATION	(1,105,094)	(114,616)	(21,686)	155,927	(24,936)	(2,038)	(1,112,443)
NET CARRYING VALUE	1,665,047	(114,616)	99,466	(153,060)	96,170	(14,010)	1,578,997

In the new items for the fiscal year 58.9 million Euros were posted for a series of refurbishments carried out on hotels in Spain, principally in the Balearic Islands and Madrid, the most important of which were the investments made in the hotel Meliá Cala Galdana in Minorca (13 million Euros) and the Gran Meliá Palacio de los Duques (7.7 million Euros)

In addition, major investments were made in Mexico and the Dominican Republic of 6.3 and 10.6 million Euros, respectively.

Of the investments made during the fiscal year, it should be noted that these include 9.4 million Euros of assets acquired through financial leasing agreements, not included in the section of Payments by State investments in cash flows.

A carrying value of €10.8 million (€21.6 million in cost less €10.8 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 35.9 million Euro in terms of negative cost and 15.8 million negative due to depreciation, all of which is the result of the implementation of the new exchange rate mechanism named SIMADI, which has meant a further depreciation of the Venezuelan Bolivar, as commented on in Note 2.4.

The main disposals are broken down as follows:

- The sale of six hotels, for an amount of 122.1 million Euro net book value, to the companies in which The Meliá Group holds a 20% stake included in the sub-group of Advanced Inversiones 2014, S.L., as described in Note 5.2. This operation generated net gains of 40.1 million Euros.

- The sale of the Calas de Mallorca complex for a net book value of €17.7 million (€28.8 million in cost and €11 million in accumulated depreciation). This sale resulted in net capital gain for the Group of 3.3 million Euros.

- The sale of the Sol Falcó hotel (Minorca) for a net book value of €12.8 million (€26.3 million in cost and €13.6 million in accumulated depreciation). The net capital gain obtained in this operation was 3.9 million Euros.

The sales described above were conducted with third parties unrelated to the Group at market prices.

The figures shown in the column for changes to the perimeter relate to the integration of the fair value of the assets acquired in the business combination of Inmotel Inversiones Italia S.R.L., as described in Note 5.1.

For comparison purposes, the figures for fiscal year 2014 were as follows:

(Thousand €)	BALANCE 31/12/13	DEPRECIATION 2014	ADDITIONS	DISPOSALS	SCOPE VAR.	EXCHANGE DIFFERENCE	BALANCE 31/12/14
GROSS VALUE							
Land	401,125		2,123	(0)	0	(9,018)	394,230
Buildings	1,462,814		30,752	(8,688)	394	(61,454)	1,423,818
Plant and machinery	441,103		14,942	(6,377)	113	3,653	453,433
Other fixed assets	487,512		43,413	(15,459)	567	(29,182)	486,850
Work in progress	7,929		10,400	(4,553)	0	(1,966)	11,810
TOTAL GROSS VALUE	2,800,483	0	101,630	(35,077)	1,074	(97,968)	2,770,141
ACCUMULATED DEPRECIATION							
Buildings	(486,501)	(27,037)	(5,531)	3,279	(11)	28,300	(487,501)
Plant and machinery	(271,418)	(20,907)	(423)	751	(78)	(1,880)	(293,955)
Other fixed assets	(331,676)	(36,206)	(3,833)	18,672	(375)	29,779	(323,638)
TOTAL ACCUMULATED DEPRECIATION	(1,089,594)	(84,149)	(9,787)	22,702	(464)	56,199	(1,105,094)
NET CARRYING VALUE	1,710,889	(84,149)	91,842	(12,375)	609	(41,769)	1,665,047

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

Meanwhile, 10.3 million Euros relates mostly to the rebuilding of the restaurant in the Paradisus Palma Real hotel, which was due to the fire that occurred in April 2014. 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.

Of the investments made during the fiscal year, it should be noted that these include 8.4 million Euros of assets acquired through financial leasing agreements, not included in the section of Payments by State investments in cash flows.

Also included were a carrying value of €10.5 million (€20.3 million in cost less €9.7 million in amortisation) for the restatement of the assets located in hyperinflationary economies (Venezuela), as is explained in Note 3.15. This increase was compensated 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 was due to the allocation of 9.3 million Euro in funding for the refurbishment of the Gran Meliá Caracas hotel in Venezuela.

The main write-offs were 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 did not represented a significant impact on the Group's income statement.

The changes in the scope for 2014 included 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).

OTHER CONSIDERATIONS

There are 19 owned properties that have been mortgaged to secure several loans at the end of 2015 and their carrying value totals €657.5 million, while in 2014 there were 23 and there carrying value was €830.7 million.

As of 31 December 2015 and 2014 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 €)	31/12/15	31/12/14
Buildings	9,931	10,022
Machinery	3,971	4,331
Furniture	4,316	2,846
Other assets	1,363	1,508
TOTAL	19,582	18,707

At the year-end there were 165 contracts in force with an average maturity date of 3 years, whereas in 2014 there were 147 contracts with an average maturity date of 3 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 €)	AMOUNT
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

VALUATION OF ASSETS

In 2015, Meliá Hotels International commissioned a new valuation of its wholly owned assets to the worldwide firm Jones Lange Lasalle Hotels, which specializes in hotel investment and consulting services; the outcome of which was a gross valuation of 3.022 billion Euros; 2.869 billion if we consider solely the hotel assets.

The valuation, dated July 15 2015, covered 61 wholly owned assets, including 1 shopping centre and 2 properties classified as Real Estate Investments (see Note 11).

When determining the value of the assets, the valuation criterion most widely used by Jones Lang LaSalle was the cash flows discount, given that hotel investments are generally valued according to the potential future revenue. In certain cases, other valuation methods were used such as the comparable multiples method or residual value method.This latter method was used mainly to value sites and plots of land. Regardless of the valuation criterion, the result of the valuation was checked by comparing it with other magnitudes such as stabilized returns, price per room or the leveraged IRR.

Cash flows discount method: Financial projections have been made for a 5-year period; the flows for year 5 were used to project the next 5 years and the cash flows for fiscal year 11 were discounted at an exit multiple, dependent upon: the historic transactions, expected return and other factors (age, location, condition of maintenance of the property, etc.).

The discount rates used in the valuation, dependent upon the geographical region in which the assets are located, are shown in the following table:

	DISCOUNT RATES
Spain	8% - 11.3%
Rest of Europe	7% - 8.2%
Latin America	12.5% - 20%*

* 20% applied to hyperinflationary economies (Venezuela)

Comparable multiples method: This valuation criterion takes into account the balance between the supply and demand at the time of the valuation. This means an evaluation of the property based on an analysis of the latest market transactions and a comparison of these with the average price per room.

Residual value method: It is the method in general use to value land zoned for urban development, whether it has been built on or not. This consists in determining the price that could be paid for the property, given the gross value of the development and the total cost of the project, taking into account the margins applied in the market once the characteristics of the property and the risks inherent in the project have been factored in.

With regard to the last valuation made in 2011, on comparable bases, the underlying valuation increased by 12% due, for the most part, to the developments and investments in hotels in Spain, as well as to the improvement in the market situation in our country.

11. INVESTMENT PROPERTY

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

Movements recorded during 2015 in accordance with the type of assets included under this heading, are set out in the following table:

(Thousand €)	31/12/2014	ADDITIONS	DISPOSALS	EXCHANGE DIFFERENCE	31/12/2015
Apartaments in Spain	76,498	331			76,829
Shopping centres in America	45,923	3,213		3,400	52,535
Other buildings in Spain	10,539		(813)		9,726
TOTAL	**132,960**	**3,544**	**(813)**	**3,400**	**139,091**

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 exchange differences shown in the Shopping Centre in America are mostly related to the appreciation of the Dominican peso against the Euro.

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		4,950	503	5,453
Operating expenses		(2,688)		(2,688)
EBITDA	**0**	**2,262**	**503**	**2,765**
Amortisation and depreciation		(47)		(47)
Net financial income	84	(154)		(70)
Net income of associates	2,165			2,165
Tax		(1,661)		(1,661)
Net income	**2,249**	**399**	**503**	**3,152**
Minority interest		122		122
CONTRIBUTION TO GROUP NET INCOME	**2,249**	**521**	**503**	**3,273**

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 €4.5 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 3.2 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 2014 is as follows:

(Thousand €)	31/12/2013	ADDITIONS	DISPOSALS	EXCHANGE DIFFERENCE	31/12/2014
Apartaments 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, details of which are given further below.

The differences in exchange in the business centres in America were 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 related to dividends collected from companies in which the Group did not have a significant influence and the proportion of results for the year of the companies which were carried under the equity method. Said apartments related to establishments which were managed by the Group generating revenue amounting to €3.9 million.

The contribution of the American business centres could 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 included 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 was due to the rent of said investment properties during the year.

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 2015, these valuations were conducted as detailed below:

SHOPPING CENTRES IN AMERICA:

The shopping centre owned by the Group in the Dominican Republic was valued in June of the present fiscal year 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 was 9%.

Additionally, it is assumed that the revenue and expenses associated with this property will remain constant over time, with an estimated increase in value of 3.2 million Euro.

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.

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 2016 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.

Below is shown the analysis of sensitivity for the assets discussed, showing the ranges of the discount rates and the exit rates:

	MIN	⟷	MARKET VALUE	⟷	MAX
	66,037		**76,829**		**94,849**
Discount Rate	12% - 9.25%		8.25% - 11%		7% - 9.75%
Capitalization Rate	7% - 9.50%		6% - 8.50%		5% - 7.50%

OTHER PROPERTIES IN SPAIN:

For the estimation of the fair value of those real properties which are leased or available for let, the Company based its calculations on the study commissioned to the consultants Lang LaSalle in fiscal year 2015 as described in Note 10. For assets of this type, rates of return of between 5.15 and 6.15% have been considered.

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 31/12/2014	NET INCOME 2015	ADDITIONS	DISPOSALS	EXCHANGE DIFFERENCE	BALANCE 31/12/2015
Meliá Zaragoza, S.L.	50.00%		(1,039)	1,039			0
Evertmel Group (*)	49.00%	34,330	(2,067)	4	(7,711)		24,555
Adprotel Strand S.L	50.00%	66,999	(3,694)		(38)	5,372	68,639
Producciones de Parques Group (*)	50.00%	27,010	87	2,692	(14)		29,776
Fourth Project 2012, S.L.	50.00%	6,921	(174)	20			6,767
Melia Hotels USA Group (*)	50.00%	1,818	(519)		21	178	1,498
TOTAL JOINT VENTURES		137,078	(7,407)	3,755	(7,742)	5,549	131,234
Plaza Puerta del Mar, S.A.	20.01%	4,341	432		(249)		4,523
Promedro Group (*)	20.00%	4,139	500	24	(191)		4,471
Turismo de Invierno, S.A.	21.42%	4,927	(59)				4,868
C.P. Meliá Castilla	31.07%	2,042	1,560	32	(841)		2,792
C.P.Meliá Costa del Sol	18.86%	1,751	606	50	(286)		2,120
Altavista Hotelera, S.A.	48.40%		(1,010)	1,010			
Innwise Management, S.L.	27.50%	37	13				50
Jamaica DevCo S.L.	49.00%			1			1
El Recreo Group (*)	19.94%	7,629	1,579	3,391	(78)	(5,220)	7,301
Inversiones Guiza, S.A.	49.85%	(3)					(3)
Banamex S.A. Fideicomiso El Medano	28.00%	6,292	(488)	1,165	(246)	(245)	6,478
Hellenic Hotel Management	40.00%	(76)					(76)
Detur Panamá, S.A.	49.93%		(815)	1,269		(454)	0
Inmotel Inversiones Italia, S.R.L.	41.50%	24,581	390	0	(24,970)		0
Advanced Group (*)	20.00%		914	14,715	(7)		15,622
TOTAL ASSOCIATED COMPANIES		55,659	3,620	21,657	(26,869)	(5,919)	48,148
TOTAL		192,737	(3,787)	25,412	(34,611)	(370)	179,381

(*) Companies belonging to the same line of business are shown together:
Evertmel Group, which comprises: Evertmel,S.L., Mongamenda,S.L. y Kimel,S.L.
Producciones de Parques Group, which comprises the companies Producciones de Parques,S.L. and Tertian XXI,S.L.U.
Advanced Group, which comprises the companies: Leader inversiones 2014,S.L.,Advanced Inversiones 2014,S.L., Prompt Inversiones 2014,S.L., Counsel Inversiones 2014,S.L.,Abridge Inversiones 2014,S.L.,Entity Inversiones 2014,S.L., Additional Inversiones 2014,S.L.,Framework Inversiones 2014,S.L.
Meliá Group Hotels USA LLC, which comprises the company Meliá Hotels USA Llc. And Meliá Hotels Florida Llc.
Promedro Group, which comprises the companies Promedro,S.A. and Nexprom,S.A.
The El Recreo Group, which comprises the companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A

The additions and removals of the fiscal year are mostly changes that occurred in the Group's consolidation scope, in particular the inclusion of the companies which comprise the Advanced Group, as well as the removal of the company Inmotel Inversones Italia, S.R.L. as the company was integrated using the global integration method (see Note 5).

In addition, in the El Recreo Group, the additions column shows the impact of hyperinflation on net assets.

The investments according to the holding method in Meliá Zaragoza, S.L. Altavista Hotelera, S.A. and Detur Panama, S.A. came to zero as in the previous fiscal year due to the fact that 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 2014, investment movements in associates and joint ventures were as follows:

(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 Group (*)	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 Group (*)	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 Group (*)	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
Promedro Group (*)	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)		
Innwise Management, S.L.	27.50%	(2)	39				37
El Recreo Group (*)	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)	
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

(*) Companies belonging to the same line of business are shown together:
Evertmel Group, comprising the companies Evertmel, S.L., Mongamenda,S.L. and Kimel,S.L.
Producciones de Parques Group, which comprises the companies Producciones de Parques,S.L. and Tertian XXI,S.L.U.
Meliá Hotels USA LLC Group, which comprises the company Meliá Hotels USA Llc. And Meliá Hotels Florida Llc.
Promedro Group, which comprises the companies Promedro,S.A. and Nexprom,S.A.
The El Recreo Group, which comprises the companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A.

Additions during the fiscal year 2014 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 the El Recreo Group, the impact of hyperinflation on net assets was 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 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 €)	Evertmel Group (*)	Adprotel Strand S.l.	Producciones De Parques Group (*)	Advanced Group (*)	Total
EBITDA	7,921	4,078	6,830	14,482	33,312
Depreciation	(4,767)	(5,708)	(4,315)	(4,582)	(19,372)
Financial income	109		15		124
Financial expense	(6,046)	(5,792)	(2,280)	(2,848)	(16,966)
Other net financial income	16	34	3	(538)	(486)
Net financial expense	(5,921)	(5,759)	(2,262)	(3,386)	(17,328)
Profit before tax	(2,767)	(7,389)	253	6,515	(3,388)
Income Tax	(265)		(79)	(1,944)	(2,287)
NET INCOME	(3,032)	(7,389)	175	4,571	(5,675)
NON CURRENT ASSETS	169,959	282,100	123,882	192,493	768,434
Cash and other cash equivalents	958	42	2,472	16,691	20,162
Other current assets	13,322	822	8,664	8,778	31,587
CURRENT ASSETS	14,280	864	11,136	25,469	51,749
Total General ASSETS	184,239	282,964	135,018	217,962	820,183
Non-current financial liabilities	105,433	138,128	63,609	123,822	
Other non-current liabilities	12,606		2,794	748	16,148
NON-CURRENT LIABILITIES	118,038	138,128	66,403	124,569	447,139
Current financial liabilities	15,019	6,337	2,434	14,304	
Other current liabilities			7,924	978	8,902
CURRENT LIABILITIES	15,019	7,814	10,358	15,283	48,474
Total General LIABILITIES	133,058	145,942	76,761	139,852	495,613

(*) Companies belonging to the same line of business are shown together:
Evertmel Group, comprising the companies Evertmel, S.L., Mongamenda,S.L. and Kimel,S.L.
Producciones de Parques Group, which comprises the companies Producciones de Parques,S.L. and Tertian XXI,S.L.U.
Advanced Group, which comprises the companies: Leader inversiones 2014,S.L.,Advanced Inversiones 2014,S.L.,
Prompt Inversiones 2014,S.L., Counsel Inversiones 2014,S.L.,Abridge Inversiones 2014,S.L.,Entity Inversiones 2014,S.L.,
Additional Inversiones 2014,S.L.,Framework Inversiones 2014,S.L.

The Advanced Group is the owner of and operates various hotels in Spain, located in the Balearic Islands, Canary Islands and Malaga. These assets were acquired in the first half of this year from the Meliá Group, as stated in Note 5.

With regard to the previous fiscal year, important changes occurred in the Evertmel Group, in terms of results and the balance sheet. In terms of results, the parent company of this Group cancelled a dollar-denominated loan in 2014, which meant a reduction in negative exchange differences of 6 million Euros. With regard to the balance sheet, there was an increase in current assets due to the payments accrued in respect of rent of hotels to Group companies that operate them.

For comparison purposes, the breakdown of quantities in 2014 is as follows:

(Thousand €)	Evertmel Group (*)	Adprotel Strand S.L.	Producciones de Parques Group (*)	Inmotel Inversiones Italia S.R.L.	Total
EBITDA	4,692	3,074	5,963	1,333	15,062
Depreciation	(4,573)	(5,127)	(4,465)	(2,296)	(16,461)
Financial income	515		77		592
Financial expense	(8,663)	(6,652)	(2,388)	5	(17,697)
Other net financial income	(5,291)	(11)	(5)		(5,306)
Net financial expense	(13,439)	(6,662)	(2,315)	5	(22,411)
Profit before tax	(13,320)	(8,715)	(817)	(958)	(23,810)
Income Tax	264		441	(171)	535
NET INCOME	(13,056)	(8,715)	(375)	(1,129)	(23,275)
NON CURRENT ASSETS	162,277	270,692	124,353	90,245	647,567
Cash and other cash equivalents	2,445	489	1,239	32	4,206
Other current assets	1,461	561	7,003	85	9,109
CURRENT ASSETS	3,905	1,051	8,242	117	13,315
Total General ASSETS	166,182	271,742	132,595	90,362	660,881
Non-current financial liabilities	63,305	130,879	69,608		263,793
Other non-current liabilities	13,244	42	2,836	22,668	38,790
NON-CURRENT LIABILITIES	76,550	130,921	72,444	22,668	302,583
Current financial liabilities	19,399	7,078	7,426	8,748	42,651
Other current liabilities	293				293
CURRENT LIABILITIES	19,692	7,078	7,426	8,748	42,944
Total General LIABILITIES	96,242	137,999	79,870	31,416	345,527

(*) Companies belonging to the same line of business are shown together:
Evertmel Group, comprising the companies Evertmel, S.L., Mongamenda,S.L. and Kimel,S.L.
Producciones de Parques Group, which comprises the companies Producciones de Parques,S.L. and Tertian XXI,S.L.U.

The companies Adprotel Strand S.L., Inmotel Inversiones Italia, S.R.L. and the Evertmel group, 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 is the owner and operator of the Sol Katmandú Park & Resort complex, which comprises a 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.

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 2015 and 2014:

(Thousand €)	31/12/15			31/12/14		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
1. Financial instruments at fair value through the income statement:						
- Trading portfolio		267	267		323	323
2. Loans and receivables:						
- Loans to associates	112,081	7,108	119,188	97,267	7,668	104,934
- Financing for properties	21,976	19,513	41,489	25,784	21,355	47,139
- Other loans	80,783	3,331	84,114	84,410	2,097	86,507
3. Available for-sale financial assets:						
- Unlisted equity instruments	16,430		16,430	16,490		16,490
TOTAL DEBT	231,270	30,218	261,488	223,950	31,443	255,394

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.. For that reason, additional breakdowns are provided in Note 14.

Financial instruments at fair value with changes in profit or loss

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 2015 and 2014:

(Thousand €)	31/12/15			31/12/14		
	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Loans to associates	112,081	7,108	119,188	97,267	7,668	104,934
Financing for properties	22,146	19,513	41,658	25,954	21,355	47,309
Impairment adjustments	(169)		(169)	(169)		(169)
Deposits	2,158	356	2,515	2,172	296	2,468
Guarantee deposits	8,068	512	8,581	6,877	1,801	8,678
Club Meliá customers	68,730		68,730	73,573		73,573
Financial deposits		2,463	2,463			0
Other	1,826		1,826	1,788		1,788
TOTAL	214,839	29,951	244,791	207,461	31,120	238,581

Balances presented as loans to associates are analysed in the information on related parties provided in Note 19.

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 €4.3 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 31/12/2014	ADDITIONS	DISPOSALS	BALANCE 31/12/2015
Horotel, S.A.	12.4%	301		(301)	0
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
Otros		38			38
TOTAL INVESTMENT		16,811	0	(301)	16,510
Impairment losses		(322)		243	(79)
NET CARRYING VALUE		16,489	0	(58)	16,431

The removal in equity instruments is the sale of shares in the company Horotel S.A. for 0.5 million Euros, which generated a profit of 0.2 million Euros.

For comparative purposes, movements in 2014 were as follows:

(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
Otros		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

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 2015:

(Thousand €)	COUNTRY	REGISTERED OFFICE	ACTIVITY	Capital	Reserves	Net Income	%	TBV	NBV
Hotelera Sancti Petri, S.A.	Spain	Gremio Toneleros, 24 Palma de Mallorca	Hotel ownership and operation	13,510	(4,735)	1,338	19.50%	1,972	2,634
I.H. Los Cabos	México	Avda. Samuel Lewis, C-33 Panamá	Holding	18,334	(1,730)	(4)	15.00%	2,490	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	679	(16)	10.00%	666	980
Valle Yamury, S.A. (*)	Spain	Velázquez, 106 Madrid	Holding and ownership	4,870	(1,317)	222	8.00%	302	351
Other companies (*)	Spain			3					38
			TOTAL	122,763	19,154	1,539		12,457	16,510

(*) There are no Financial Statements at December 31,2015 for these companies

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 2015 were mainly related to the companies Inversiones Hoteleras Los Cabos, Hotelera Sancti Petri, S.A. and Inversiones Turísticas Casas Bellas, S.A.

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 2015 and 2014:

	31/12/15			31/12/14		
(Thousand €)	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	3,227	2,277	5,504	4,951	2,099	7,050
2.Financial instruments at fair value with changes in profit or loss:						
- Trading portfolio derivatives	5,090	1,810	6,901	6,372	1,893	8,265
3. Other financial liabilities at amortised cost:						
- Debentures and other marketable securities	223,129	115,012	338,141	313,967	3,746	317,713
- Bank borrowings	494,859	284,412	779,271	652,502	351,063	1,003,565
- Other financial liabilities	8,061	46,866	54,926	7,331	63,210	70,541
TOTAL DEBT	734,366	450,377	1,184,743	985,123	422,010	1,407,133

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. In this regard, additional breakdowns are provided in Note 17.

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 2015 and 2014 are set out below:

	31/12/15			31/12/14		
(Thousand €)	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Preferred shares			0	25,192		25,192
Bonds and obligations		77,167	77,167	75,835	996	76,830
Convertible bond	223,129	31	223,160	212,940	2,750	215,690
ECP		37,814	37,814			
TOTAL DEBT	223,129	115,012	338,141	313,967	3,746	317,713

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.

The said stock was issued in perpetuity in April 2002 and in accordance with the terms of the issue, they could be cancelled in whole or in part after ten years following the date of disbursement, i.e. as and from 29 April 2002, provided the Group increased its reserves by way of the issue of shares, securities or instruments of a rank inferior or equal to the preference stock. This condition was met in December 2014, when the parent company carried out a capital increase.

In the third quarter of 2012, the Group repurchased 76.43% of the preferred shares issued by exchanging them for simple bonds with a nominal value of € 93.50€ (6.5% discount), as explained in this Note. Following this transaction, the number of preference shares was 251,923, recognised in consolidated liabilities of the balance sheet as of 31 December 2014 in the amount of €25.2 million.

In June 2015, the company proceeded to redeem all of the preference shares held by third parties, with a value of 25.2 million Euros. The holders of this stock received, in addition to the nominal value of their stock, the amount in cash equivalent to the interest accrued from the last date of the coupon until the redemption date.

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.

The amount of the interest accrued and unpaid, as well as the scheduling of the costs associated with this issue as of 31 December 2015 was 0.8 million Euros. This figure is included in the balance stated under this heading.

In addition, in fiscal year 2015, the transfer of this issue was carried out, in accordance with its redemption date.

Convertible bonds 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 2015 3.5, 1.7 and 1.9 million shares have been drawn down, respectively (3.5, 1.7 and 2.6 million in 2014). This loan bears interest at 0.5%.

In March 2016, the Group announced that it will exercise the right of early cancellation of the issue of these convertible bonds, setting the new redemption date as 25 April 2016 (see Note 22).

During the fiscal year 2014, the Company proceeded to attend to requests for conversion of the convertible bond issued on 18 December, 2009. A total of 3,411 bonds were converted, which represent 170.5 million Euro of the nominal issue value, therefore leaving 589 unconverted bonds, which represented 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 constituted the issue premium, which came to 110.4 million Euro.

The value of the existing shares used to make this swop, as explained above, has meant a reduction in treasury shares in the amount of 59 million Euro, which corresponds to 7.2 million shares (see Note 15.3).

With regard to this issue, in the previous fiscal year, Meliá Hotels International, S.A. had a securities loan agreement signed with Deutsche Bank AG, remunerated at 0.6%, of up to 10 million treasury shares which matured on 9 January 2015. As of 31 December, 2014, Deutsche Bank had drawn down 8 million shares.

Euro Commercial Paper Programme (ECP)

The Company has formalized a commercial paper programme ("Euro-Commercial Paper Programme" or ECP), subject to English law, for a maximum amount of up to 300 million Euros, whereby debt instrument issues can be made in Europe with a redemption period of less than 364 days, up to the said amount:

Maximum amount for the programme:	300.000.000 €
Programme signing date	8 May, 2015
Duration of programme	12 months
Debt rank	Unsecured
Coupon	Zero coupon
Issue price	At discount
Duration of issues	from 1 to 364 days
Redemption price	100%

The prospectus was registered, in accordance with the relevant regulations, by the competent Irish authorities, on the Irish Stock Exchange PLC, from which the Company has requested admission for trading of the issues made under the aegis of the programme.

During the fiscal year, issues have been made for a total of 74.3 million Euros, leaving 37.8 million Euros of currently active issues at the closing date.

Bank borrowings

The Group's bank borrowings at year-end 2015 and 2014 are analysed below by nature and maturity:

	2015			2014		
(Thousand €)	SHORT TERM	LONG TERM	TOTAL	SHORT TERM	LONG TERM	TOTAL
Bank loans	47,700	64,660	112,360	129,587	117,771	247,358
Mortgage-backed loans	53,579	367,795	421,374	63,939	460,808	524,747
Credit facilities	173,296	55,106	228,403	146,353	67,804	214,157
Leases	6,599	7,297	13,896	5,244	6,119	11,363
Interest	3,237		3,237	5,939		5,939
TOTAL	284,412	494,859	779,271	351,063	652,502	1,003,564

With regard to the reduction in debt under this heading, an important item is the cancellation of a loan in Mexico of 35.7 million Euros, as well as the amortization of 60.8 million Euros of ICO loans (ICO=Official Credit Institute).

In addition, the Group company Sol Meliá Europe B.V. cancelled 70 million Euros, and has drawn down 50 million more of the line of credit which it maintains with the financial entity UBS.

Credit facilities utilised total € 230.4 million; at year-end 2015, a balance of € 318.8 million was available. In 2014, a total of € 216.5 million had been utilised on credit facilities and a balance of € 316.1 million was available.

New bank financing obtained in 2015 totalled € 244.9 million, as reflected in the cash flow statement. New bank financing obtained in 2014 totalled € 306.8 million.

The Group's mortgage loans are secured by 19 hotels having a total carrying amount of € 657.5 million, as explained in Note 10.

Maturities of bank borrowings are analysed below:

(Thousand €)	2016	2017	2018	2019	2020	> 5 años	TOTAL
Bank loans	47,700	50,781	12,330	1,038	511		112,360
Mortgage-backed loans	53,579	54,747	55,405	96,530	56,613	104,500	421,374
Credit facilities	173,296	7,147	47,959				228,403
Leases	6,599	4,678	1,993	427	199		13,896
Interest	3,237						3,237
TOTAL	284,412	117,353	117,687	97,996	57,323	104,500	779,271

Loans from related companies

The balances recorded in this item are analysed in the information on related parties provided in Note 19.

Other financial liabilities

The following table shows the breakdown of the items included under this heading at the end of fiscal years 2015 and 2014:

	31/12/15			31/12/14		
(Thousand €)	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Trade bills payable	119		119	152		152
Fixed asset suppliers	55	4,653	4,708	77	5,059	5,136
Guarantee deposits received	1,659	565	2,224	1,583	776	2,360
Other payables	6,227	38,735	44,962	5,519	56,881	62,400
Dividends payable		2,618	2,618		154	154
Other		295	295		340	340
TOTAL	8,061	46,866	54,926	7,331	63,210	70,541

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 2015:

	31/12/15			31/12/14		
(Thousand €)	LONG TERM	SHORT TERM	TOTAL	LONG TERM	SHORT TERM	TOTAL
Hedging derivative liabilities	3,227	2,277	5,504	4,951	2,099	7,050
Trading portfolio derivatives	5,090	1,810	6,901	6,372	1,893	8,265
TOTAL	8,317	4,088	12,405	11,323	3,992	15,315

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.

During 2015, 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 € 1.6 million. In 2014 there was a negative impact of € 3.5 million.

The liabilities relating to derivatives held for trading at the end of 2015 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, as they do not meet the requirements for their application according to IAS 39.

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

(Thousand €)	2016	2017	2018	2019	2020	> 5 years	TOTAL
Hedging derivative liabilities	2,277	1,594	1,005	422	37	170	5,504
Trading portfolio derivatives	1,810	1,396	1,127	808	1,112	648	6,901
TOTAL	4,088	2,989	2,132	1,230	1,149	818	12,405

For the purposes of comparison the maturity dates for 2014 are indicated 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

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. STOCKS

(Thousand €)	31/12/15	31/12/14
Goods for resale	1,761	1,739
Food and beverages	10,726	9,850
Fuel	699	800
Spare parts and maintenance	2,994	2,965
Ancillary materials	6,103	5,724
Office materials	1,488	1,493
Hotel Business	**23,770**	**22,572**
Vacation Club Business	**43,903**	**38,215**
Real Estate Business	**6,571**	**6,465**
Advances to suppliers	**7,216**	**5,021**
TOTAL	**81,460**	**72,273**

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

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

14.2. TRADE AND OTHER RECEIVABLES

The following table contains a breakdown of this heading at year-end 2015 and 2014:

(Thousand €)	31/12/15	31/12/14
Customers	140,266	131,785
Other receivables	114,222	117,385
TOTAL	**254,488**	**249,170**

Clients

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

(Thousand €)	31/12/15	31/12/14
Hotel	85,493	84,943
Real Estate	2,819	2,193
Vacation Club	29,474	25,169
Other operating activities	22,480	19,480
TOTAL	**140,266**	**131,785**

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 2015 the total assigned portfolio in this respect was €13.8 million, of which €5.3 million at 31 December 2014.

At December 31, 2015, the Group also assigns receivables relating to the sale of vacation club units, amounting to €58.6 million, through agreements with banking institutions. In 2014 the balance amounted to €79.7 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, 2015, the provision for bad debts amounts to €55.1 million. At December 31, 2014, the balance amounted to €54.2 million.

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

(Thousand €)	2015	%	2014	%
Less than 90 days	100,123	73%	95,141	73%
More than 90 and less than 180	18,618	14%	18,605	14%
More than 180	18,707	14%	15,846	12%
TOTAL	137,447	100%	129,592	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 2015 and 2014:

(Thousand €)	31/12/15	31/12/14
Prepayments and accrued income	10,668	12,279
Loans to employees	590	562
Taxes refundable	12,153	12,961
Input VAT deductible	16,029	14,190
Tax withholdings	104	62
Receivables from associates	36,087	37,354
Receivables	21,379	17,949
Current accounts	17,212	22,029
TOTAL	114,222	117,385

These balances relate to commercial transactions effected by the Group. Payables of associates are analysed in Note 19.

14.3. CASH AND OTHER CASH EQUIVALENTS

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/15
Cash	52,486	46,742	93,015	1,681	193,924
Other cash equivalents	44,678	103,291	6,724		154,693
TOTAL	97,164	150,033	99,739	1,681	348,617

(*) 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 2014 are set out below:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/14
Cash	34,215	37,250	84,974	1,897	158,337
Other cash equivalents	35,741	136,881	6,319		178,941
TOTAL	69,957	174,130	91,293	1,897	337,277

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

15. EQUITY

15.1. 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.

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.

At the Ordinary and Extraordinary General Shareholders' Meeting held on June 4, 2015, the Company Directors were authorised to agree a share capital increase, without prior consultation with a General Meeting of Shareholders, of up to nineteen million nine hundred and fifty thousand three hundred and four Euros, eighty cents (€19.905,304.80). 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 to run from the date of the said Meeting.

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 2015 and 2014, are as follows:

SHAREHOLDER	31/12/2015 SHAREHOLDING %	31/12/2014 SHAREHOLDING %
Hoteles Mallorquines Consolidados, S.A.	26.06	21.34
Hoteles Mallorquines Asociados, S.L.	13.56	15.24
Hoteles Mallorquines Agrupados, S.L.	12.91	12.91
Majorcan Hotels Luxembourg, S.A.R.L.	5.80	5.80
Other (less than 5% individual)	41.67	44.71
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 21).

The increase in the share premium during the fiscal year given by an increase of 12.1 million Euros thanks to the allocation of part of this reserve to the treasury stock reserve, this amount was 56.7 Euros in 2014.

The increase in the share premium during the 2014 fiscal year in the amount of 167 million Euro was 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 total payout for this item of 110.4 million Euro.

15.2. 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 15.5) 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.

15.3. TREASURY SHARES

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

(Thousand €)	SHARES	AVERAGE PRICE €	BALANCE
Balance 31/12/2014	**6,363,623**	**8.17**	**51,968**
Additions 2015	199,876	12.07	2,413
Disposals 2015	(1,777,758)	8.17	(14,518)
Bonds conversion	(7,223,872)	8.17	(58,987)
Balance 31/12/2015	**4,785,741**	**8.33**	**39,863**

Las enajenaciones de acciones propias realizadas durante el ejercicio 2015, corresponden principalmente a las acciones propias usadas como medio de pago en la combinación de negocios de la sociedad Inmotel Inversiones Italia, comentada en la Nota 5.1

El saldo de acciones propias no incluye 3,35 millones de acciones que la sociedad matriz ha tomado en préstamo con el accionista de control.

El número de títulos prestados a diversos bancos a 31 de diciembre de 2015 asciende a 7 millones de acciones (ver Nota 13.2).

Teniendo en cuenta lo anterior, el número de acciones en poder del Grupo es de 1,061 millones, que representan el 0,533% del capital social. La autocartera no supera el límite del 10% establecido en la Ley de Sociedades de Capital.

El valor de cotización de las acciones de Meliá Hotels International, S.A. al cierre del ejercicio es de 12,18 euros. A cierre del ejercicio 2014, el valor de cotización ascendía a 8,86 euros.

A efectos comparativos los movimientos del ejercicio 2014 fueron los siguientes:

(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 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 did not include 9.4 million shares that the parent Company has been loaned by the controlling shareholder.

The number of shares loaned to several banks at 31 December 2014 totalled 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 was 11,885 representing 0.006% of the share capital.

15.4. 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 2015 reflected Retailed earnings relate mainly to the distribution of prior-year results; a profit of €39.6 million from the fully-consolidated companies (including the parent company) and a loss of € 9.2 million from associates.

Also included is an increase of € 14.6 million due to the restatement of the Venezuelan companies' assets, since Venezuela is deemed to be a hyperinflationary economy at the year end, in accordance with IAS 29 (see Note 3.15). This movement is reflected on the line Other income charged to equity in the Statement of Comprehensive Income.

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.

In addition, an increase of 11.5 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.

15.5. 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 this instrument (see Note 13.2).

15.6. 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 €)		31/12/15	31/12/14
United Arab Emirates Dirham	AED	(3)	
Venezuelan Bolivar	VEF	(317,500)	(288,152)
Costa Rican Columbus	CRC	239	137
Morrocan Dinar	MAD	53	53
Tunisian Dinar	TND	3,321	3,768
United States Dollar	USD	98,637	63,454
Singapore Dollar	SGD	90	65
Swiss Franc	CHF	2,750	1,989
Croatian Crown	HRK	(423)	(406)
Great Britain Pound	GBP	7,311	(1,428)
Dominican Peso	DOP	(44,192)	(52,664)
Mexican Peso	MXN	(80,212)	(59,222)
Uruguayan Peso	UYU	(3)	(1)
Argentinian Peso	ARS	(1,036)	(741)
Brazilian Real	BRL	(23,478)	(12,181)
Chinese Renminbi Yuan	CNY	(193)	(198)
Indonesian Rupee	IDR	(149)	(162)
Peruvian Sol	PES	1,021	1,308
	TOTAL	(353,765)	(344,381)

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, €329.3 million in losses relate to fully consolidated companies and 24.5 million in losses relate to equity consolidated companies. In 2014 the figures were €322.3 million in losses and a loss of €22 million, respectively.

The main changes that occurred with regard to the previous year affected the Mexican peso, the Venezuelan Bolivar and the Brazilian Real, due to the depreciations of these currencies against the Euro.

The US dollar has appreciated in 2015 in relation to the euro by about 10% 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 € 20.6 million in negative translation differences was recognised in this item while in 2014 there was a negative translation difference of € 1.2 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 €7.6 million in losses. In 2014 the change in this respect totalled €8 million in gains.

15.7. 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%	70,699	9,633	61,066	(27,524)	(2,595)
Colón Verona, S.A.	50,00%	42,823	69,997	(27,173)	13,587	391
Idiso Hotel Distribution, S.A. (*)	25,00%	47,435	28,850	18,585	(7,368)	(142)
Realizaciones Turísticas, S.A. (*)	3,73%	342,153	181,283	160,870	(4,884)	(234)
Sierra Parima, S.A.	49,00%	40,769	13,684	27,085	(15,715)	(1,753)
Meliá Inversiones Americanas, N.V. (*)	0,31%	1,251,507	857,436	394,071	(7,947)	(436)
Other		144,927	93,326	51,601	(1,096)	229
TOTAL		**1,940,314**	**1,254,209**	**686,104**	**(50,947)**	**(4,540)**

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

The movements for the fiscal year 2015 mainly relate to the result and differences in conversion posted by these companies (and their affiliates), as well as the dividends, which came to 3.4 million Euros.

The acquisition of 20% of non-controlling stock in the company Idiso Hotel Distribution S.A. commented on in Note 5.2, generated a reduction in the balance of the non-controlling stock of 8.5 million Euros, of which 6.1 million relate to transfers to reserves in global integration and 2.4 million to the distribution of dividends.

For comparison purposes, the breakdown of quantities in 2014 is as follows:

(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 indicated in Note 5.2.

16. NON CURRENT LIABILITIES

16.1. CAPITAL GRANTS AND OTHER DEFERRED INCOME

The details of these balances are as follows:

(Thousand €)	31/12/15	31/12/14
Capital grants	5,130	5,499
Deferred income from customer loyalty programme	17,800	9,986
Other deferred income	6,205	1,132
TOTAL	29,134	16,617

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 €135 thousand. In 2014, income from grants amounted to €263 thousand.

Deferred income reflects the fair value assigned to points obtained by customers on the Company's loyalty programmes amounting to €17.8 million, under IFRIC 13.The large increase recorded in fiscal year 2015 is due in the main to the significant increase in customers participation in the Meliá Awards scheme, produced by the sales and marketing campaigns pursued by the Company.

The heading "Other Deferred Revenue" includes, basically, incentives received from lessors, according to the agreements reached in several leasehold contracts for hotels, in which the Group acts as lessee. The increase recorded in fiscal year 2015 relates mainly to the signing of the lease agreement for a hotel in the UK.

16.2. PROVISIONS

The balance sheet shows an amount of €49.5 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 €)	31/12/14	ADDITIONS	DISPOSALS	31/12/15
Provision for retirement, seniority bonus and personnel obligations	9,706	292	(1,102)	8,895
Provision for taxes	1,190	12,524	(228)	13,486
Provision for onerous contracts	8,791	1,764		10,555
Provision for liabilities	17,259	5,021	(5,747)	16,532
TOTAL	36,946	19,601	(7,078)	49,469

(*) EMEA (Europe, Middle East, Africa): Incluye las zonas de África, Oriente Medio y Resto de Europa excluída España

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 €12 million for 2015, €0.9 million of which has been charged to results for the period 2015. In 2014, the total amount accrued was €13.2 million, €1.3 million of which was charged to results.

The evaluation of these commitments undertaken by the Company has been conducted 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 1.94%, and a salary increase projection of 1.50%. In addition, the probability of remaining until retirement age has been applied, based on the Group's experience of staff departures, giving the following staff turnover coefficients according to the employee's current age:

AGE RANGE	% ROTATION
<45	9.04%
45-55	3.72%
>55	3.06%

In addition, said commitments have been externalised in order to comply with current legislation. In 2015, the balance for this item totalled €3 million, showing liabilities for its net amount. At the 2014 year end the balance externalised for this item amounted to €3.5 million.

Meanwhile, the negative figure shown in the overall Income Statement of 0.1 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 fiscal year 2014 the negative amount recognized in the Overall Income Statement was 1.7 million Euros.

The Provisions and contingencies section 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 increase of 12.5 million Euros recorded during fiscal year 2015 under this heading relates to the potential outcome of the tax inspections initiated towards the end of fiscal year 2014 into the fiscal group of the controlling company (see Note 18).

The balance of the provision for onerous contracts at the end of 2015 totalled €10.6 million and relates in full to lease agreements covering hotels in Spain. This provision was calculated for those hotels that in 2015 presented negative net cash flows, after discounting the relevant lease instalments.

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

The estimate of projected cash flows from these hotels was made internally by the Company, using the operating budget for 2016 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 2016, which stabilizes at 3% for future years. The discount rate applied to adjust cash flows was 10.5%.

With regard to provisions for liabilities, the main addition in the financial year in the amount of 3.5 million Euros is the estimate made by the Company of the potential fines which could be the outcome of the tax inspection initiated at the end of fiscal year 2014 by the Spanish Tax Agency of the parent company's fiscal group and which is still in progress as of the end of the fiscal year (see Note 18). The column of items written off shows the applications of provisions for several arbitration claims resolved as of the end of the fiscal year.

For comparison purposes, set out below is the breakdown of this balance by nature at the 2014 year end:

(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	1,190			1,190
Provision for onerous contracts	14,500		(5,709)	8,791
Provision for liabilities	12,030	5,738	(510)	17,259
TOTAL	**34,907**	**9,053**	**(7,013)**	**36,946**

The balance of the provision for onerous contracts at the end of 2014 totalled €8.8 million and relates in full to lease agreements covering hotels in Spain. The disposals in the fiscal year 2014 were principally due to reductions in revenue from some leasehold contracts, resulting from negotiations with the various owners during the fiscal year.

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

17. TRADE CREDIT AND OTHER PAYABLES

The following table contains a breakdown of this heading at year-end 2015 and 2014:

(Thousand €)	31/12/15	31/12/14
Creditors	251,829	196,076
Other payables	145,515	122,559
TOTAL	397,344	318,636

17.1. 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 €190.5 million Euro. At the end of the previous fiscal year it amounted to 146.5 million Euro.

Prepayments from customers, which at the 2015 year end amount to €61.3 million, are also included in this account (2014 year end: €49.5 million).

17.2. OTHER PAYABLES

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

(Thousand €)	31/12/15	31/12/14
Accruals and deferred income	4,595	4,147
Accrued wages and salaries	51,477	53,603
Taxes payable	22,222	21,077
Social security contributions payable	8,531	7,456
Sales output VAT	22,048	20,847
Trade payables, associates	24,283	13,448
Other liabilities	12,357	1,981
TOTAL	145,515	122,559

These balances relate to commercial transactions effected by the Group. Payables to associates are analysed in Note 19.

18. 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.

18.1. 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	2011-2014		2012-2015	2012-2015	2012-2015		
France	2012-2014		2013-2015	2013-2015			
England	2009-2014		2010-2015	2010-2015			
Italy	2009-2014		2010-2015	2010-2015		2009-2014	
Germany	2005-2014		2006-2015	2006-2015			
Croatia	2010-2014		2011-2015	2011-2015			
Holland	2011-2014		2011-2015	2011-2015			
USA	2012-2014						
Mexico	2010-2014	2006-2007		2011-2015			
Dom. Rep.	2012-2014			2011-2015			
Venezuela	2010-2014		2011-2015	2011-2015			
Brazil	2010-2014		2011-2015				2011-2015

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:

- Idiso Hotel Distribution S.A. is only being inspected for fiscal years 2012, 2013 and 2014 in respect of Corporation Tax.
- Realizaciones Turísticas S.A. is only being inspected for fiscal years 2013, 2014 and 2015 in respect of Corporation Tax and VAT.
- Sol Meliá Vacation Club España S.L.U. and Tenerife Sol S.A. are only being inspected for fiscal years 2013, 2014 and 2015 in respect of income tax.
- Hoteles Sol Meliá S.L.U. is only being inspected for fiscal years 2013, 2014 and 2015 in respect of VAT.
- Inversiones Hoteleras La Jaquita S.A. is being inspected for fiscal year 2010 in respect of Corporation Tax.

Meliá Hotels International S.A.'s tax unit continues to be under inspection for the years 2009 and 2010 in respect of Corporation Tax and for 2010 and 2011 for Income Tax and VAT.

During 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. These inspections are still ongoing and there has been no notification of a tax regularization decision to date. The Company is cooperating with the authorities and is confident that an agreement can be reached.

In accordance with the best available information and circumstances as of the dates of issue of these consolidated annual accounts, the Company believes that the result of these actions could have a significant effect, fundamentally, on the tax credits pending application of the Tax Group and this is on the basis of various interpretive criteria which the Tax Authority may adopt in the future with respect to those implemented by the Group. As a consequence thereof, the Group has estimated and has made provisions in the amount of 16 million Euros (see Note 16.2) and has deactivated tax credits in the amount of 17 million Euros in order to deal with the aforesaid potential outcome.

It should be noted that the Company has conducted an analysis of the possible impacts on the fiscal years under inspection and it does not expect that any possible modifications will have significant additional impacts on the Group's profit and loss accounts.

18.2. DEFERRED TAX ASSETS AND LIABILITIES

The composition of the balance of Group deferred tax assets and liabilities in 2015 and 2014 is as follows:

(Thousand €)	31/12/15	31/12/14
Non-current deferred tax asset is as follows:		
Capitalised tax credits	9,365	19,460
Credits for capitalised tax losses	36,832	50,238
Temporary differences for:		
Tax value of Tryp goodwill	27,420	28,273
Cash flow hedges (SWAP)	1,376	1,607
Reversal adjusments for inflation in non-inflationary countries	4,695	4,856
Tax deductible provisions at the payment time or when liability is generated	31,952	21,511
Different criteria for tax and accounting amortisation	6,599	7,657
Inter-group results elimination	10,340	13,126
Other	3,607	2,645
TOTAL	132,186	149,373
Non-current deferred tax liability is as follows:		
Fair values in business combinations	33,678	22,271
Finance lease operations	27,177	23,683
Land restatement and revaluation	55,849	62,173
Property investments fair value adjustment	30,485	28,362
Differences in accounting and fiscal asset value	160	918
Accounting revaluation for merger	3,516	3,571
Sales under reinvestment deferral	4,399	4,552
Other	6,451	2,165
TOTAL	161,715	147,695

Deferred taxes recognized in 2015 and 2014 by the Group reflect the following details:

	2015		2014	
(Thousand €)	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES	DEFERRED TAX ASSETS	DEFERRED TAX LIABILITIES
Opening Balance	149,373	147,695	153,281	154,664
Expenses / Income for the period	(16,295)	(14,318)	(3,567)	(6,709)
Taxes attributed directly to Equity	(291)		468	7,064
Scope changes	0	22,565		0
Translation differences	(601)	5,773	(809)	(7,324)
Final Balance	132,186	161,715	149,373	147,695

During the fiscal year there have been effects due to the changes in the scope arising from the purchase of an additional stake of 58.5% in the Italian company Inmotel Inversiones Italia S.R.L. (see Note 5.1).

The variation balance in deferred taxes affecting the Group's equity totals €0.3 million in losses, as is indicated in the Statement of Comprehensive income. The effect in 2014 was €-6.6 million.

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

18.3. 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 €)	2016	2017-2021	2022-2028	YEARS BEYOND	TOTAL 31/12/2015
Spain				445,867	445,867
Rest of Europe		4,557		19,393	23,950
America and rest of the world	3,112	7,928	68	12,911	24,019
TOTAL	3,112	12,485	68	478,171	493,836

In the Rest of Europe region, Italy stands out with 19.4 million and Holland with 4.5 million, while in America and ROW, Brazil stands out with 12.9, the Dominican Republic with 6.4 and Mexico with 4.2 million.

Below are listed the Group's main activated tax losses and the assets for deferred tax generated:

(Thousand €)	ACTIVATED TAX LOSSES	DEFERRED TAX ASSETS
Spain	110,774	27,693
Italy	14,552	4,002
Holland	4,557	1,119
Brazil	10	3
Mexico	2,451	735
Brazil	9,533	3,241
China	169	42
TOTAL	142,046	36,835

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 4.9 million Euro. The said figure relates to Spain with 4.5 million Euros, and to America and the rest of the world with 0.4 million Euros.

With regard to the provisions for financial investments pending to be integrated, it should be observed that the total amount is €43.9 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 negative tax bases.

For comparative purposes, set out below are tax-loss carry forwards by geographic area and maturity at year-end 2014:

(Thousand €)	2015	2016-2020	2021-2027	YEARS BEYOND	TOTAL 31/12/2014
Spain	0	0	0	461,078	461,078
Rest of Europe	4,379	4,557	0	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 Group's activated tax losses and the deferred tax asset in respect of the previous fiscal year are shown below:

(Thousand €)	ACTIVATED TAX LOSSES	DEFERRED TAX ASSETS
Spain	167,779	42,197
Holland	8,936	2,214
Brazil	12,252	4,166
Mexico	5,338	1,601
Dominican Rep.	13	3
China	240	60
TOTAL	194,558	50,241

18.4. TAX CREDITS

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

(Thousand €)	2016	2017-2021	2022-2028	YEARS BEYOND	TOTAL 31/12/2015
Spain	227	18,861	22,961	1,399	43,448
America and rest of the world	581	719		565	1,865
TOTAL	808	19,580	22,961	1,964	45,313

Accumulated tax credits at year end in America and rest of the world relate to Mexico and Venezuela and amount to €1.3 million and €0.5 million, respectively.

The Group has recognized deferred tax assets in Spain totalling €8.5 million, in Mexico totalling €0.2 million and in Venezuela totalling €0.5 million.

The tax credits offset during the year were generated this year and therefore the tax benefit totals €7.8 million and this amount is fully attributable to Spain

For comparative purposes, set out below are tax credits available for offset by geographic area and maturity at year-end 2014:

(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	0	5,942	7,784
TOTAL	1,501	18,737	26,761	11,246	58,245

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

18.5. RECONCILIATION OF THE CONSOLIDATED BOOK RESULT AND THE AGGREGATED TAX BASE

(Thousand €)	31/12/15	31/12/14
Consolidated Net Income		31,864
Income tax expense	61,103	24,951
Adjustments for impairment and provisions	10,310	(1,279)
Finance lease transactions	22,364	5,254
Non-deductible expense/income	19,842	78,143
Exchange differences	57,649	6,509
Inflation adjustments	(2,006)	1,361
Other adjustments	(6,956)	(8,243)
Previous Taxable Income	**202,821**	**138,560**
Offset of tax-loss carryforwards	(9,553)	(10,383)
Tax losses not recognised	(17,906)	(2,470)
Gross Tax Base	**175,362**	**125,707**
Tax expense at rate applicable by law (28%)	**49,101**	**37,712**
Effect of tax rate applicable in other countries	**(10,227)**	**(13,629)**
Corporate income tax for the period	**38,874**	**24,083**

18.6. INCOME TAX EXPENSE

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

(Thousand €)	31/12/2015 COST / (INCOME)	31/12/14 COST / (INCOME)
Current tax		
Income tax for the period	38,874	24,083
Other period taxes	5,182	2,356
Adjustments to income tax of prior years	15,070	1,668
Deferred taxes		
Net variation in credits for tax losses	5,728	(4,104)
Net variation in tax credits	17,511	941
Other	(21,262)	7
TOTAL INCOME TAX EXPENSE	**61,103**	**24,951**

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 greater part of the capital gains tax adjustments for the afore-mentioned fiscal years prior to 2015, relate to the provision of 12.5 million Euros which Meliá Hotels International S.A. made to prepare for the inspection in progress and which is explained in Note 18.1, the rest relates to modifications which emerged between the definitive tax and the provision for the tax made the previous year.

The following items are included in Other deferred taxes:

- 8 million Euros generated by the provision of a deferred tax asset, arising from unmaterialized exchange differences in the Venezuelan affiliates, in accordance with the criteria established in 2015 by that country's tax authorities.

- 10.1 million Euros due to the write-off of liabilities for deferred taxes generated by the voluntary revaluations of land, as well as the financial leasing contracts that led to the write-off following the sale of a series of hotels to the Advanced Group, see Note 10.

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 €)	31/12/15	31/12/14
Consolidated income statement effect		
Credits for capitalised tax losses	(1,749)	7,832
Temporary differences for:		
Tax value of Tryp goodwill		5,545
Tax deductible provisions at the payment time or when liability is generated	513	2,234
Inter-group results elimination	(10)	1,969
Finance lease operations	592	(4,636)
Property investments fair value adjustment	(4)	(2,470)
Sales under reinvestment deferral		(890)
Fair values in business combinations		(829)
Restatement and revaluation of fixed assets	815	
Different criteria for tax and accounting amortisation		(32)
TOTAL	157	8,723
Consolidated equity effect		
Land restatement and revaluation		7,065
Cash flow hedges (SWAP)	(28)	321
Tax deductible provisions at the payment time or when liability is generated		96
TOTAL	(28)	7,482

19. 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.

19.1. 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 2015 and 2014, the amount recognised in operating results in the consolidated income statement and balances outstanding at the year-end:

	31/12/15			31/12/14		
(Thousand €)	NET INCOME 2015	ASSETS	LIABILITIES	NET INCOME 2014	ASSETS	LIABILITIES
Evertmel Group (*)	(7,130)	5,019	14,436	(6,394)	8,422	5,450
Meliá Zaragoza, S. L.	676	72	16	704	3	2,080
Adprotel Strand, S. L.	(2,361)	112	270	(3,168)	30	233
Producciones de Parques Group (*)	1,670	1,818	4,540	1,489	812	3,997
Fourth Project 2012, S.L.	(1,666)	155	3,386	11	1,948	1,296
Melia Hotels USA Group (*)		1,847	920	273	1,539	
TOTAL JOINT VENTURES	(8,812)	9,022	23,568	(7,085)	12,753	13,056
Turismo de Invierno, S.A.	494	978		454	1,129	
C.P. Meliá Castilla	3,250	1,465	99	2,785	1,764	76
C.P.Costa del Sol	1,567	1,002	16	1,296	523	15
Nexprom, S.A.	1,292	548	12	1,228	890	21
Altavista Hotelera, S. L.	(4,620)	11,666	356	(1,719)	7,500	19
Innwise Management, S.L.	(234)	60	71	(406)	184	181
Advanced Group (*)	4,147	3,318	83			
Inversiones Guiza, S. A.		3	4		1	3
Banamex S.A. Fideicomiso El Medano	53	3,590	74	758	2,382	68
Hellenic Hotel Management		52			47	
Detur Panamá, S. A.	137	4,381		77	2,936	10
Inmotel Inversiones Italia, S. R. L.	(3,479)			(2,678)	7,245	
TOTAL ASSOCIATED COMPANIES	2,607	27,065	716	1,795	24,601	392
TOTAL	(6,205)	36,087	24,283	(5,290)	37,354	13,448

(*) Companies belonging to the same line of business are shown together:
Evertmel Group, comprising the companies Evertmel, S.L., Mongamenda,S.L. and Kimel,S.L.
Producciones de Parques Group, which comprises the companies Producciones de Parques,S.L. and Tertian XXI,S.L.U.
Advanced Group, which comprises the companies: Leader inversiones 2014,S.L.,Advanced Inversiones 2014,S.L.,
Prompt Inversiones 2014,S.L., Counsel Inversiones 2014,S.L.,Abridge Inversiones 2014,S.L.,Entity Inversiones 2014,S.L.,
Additional Inversiones 2014,S.L.,Framework Inversiones 2014,S.L.
Meliá Hotels Group USA LLC, which comprises the company Meliá Hotels USA Llc. And Meliá Hotels Florida Llc..

With regard to changes to profits and losses, a major item was the acquisition of the Advanced Group, already mentioned in Note 5, which generated 4.1 million Euros of revenue, mainly in the form of management fees.

The greater part of the increase in the loss in Altavista Hotelera S.L. is due to the fact that the Group has been running the hotel owned by the company since July 2014, hence, the result for the previous fiscal year reflects no more than a six-month period of expenditure on rent.

The increase in liabilities is explained by the outstanding balance to the companies Evertmel, S.L. and Mongamenda, S.L. due to outstanding rentals for the hotels at the end of the fiscal year in the amount of 10.8 million Euro.

Financing operations

There follows a breakdown of financing granted to associates by the Group at year-end 2015 and 2014:

	31/12/15			31/12/14		
(Thousand €)	NET INCOME 2015	ASSETS	LIABILITIES	NET INCOME 2014	ASSETS	LIABILITIES
Evertmel Group (*)	1,359	28,120		623	22,000	
Meliá Zaragoza, S. L.	(15)			79		
Adprotel Strand, S. L.	6,491	47,644		2,792	40,190	
Producciones de Parques Group (*)	659	14,508		764	18,566	
Fourth Project 2012, S.L.	56			57		
Melia Hotels USA Group (*)	459	2,821		(401)	1,102	
TOTAL JOINT VENTURES	9,008	93,093	0	3,914	81,858	0
Turismo de Invierno, S.A.	59	1,162		59	1,189	
Altavista Hotelera, S. L.	(331)	21,091		(168)	20,767	
Advanced Group (*)	222	3,773				
Banamex S.A. Fideicomiso El Medano	(3)			(3)		
Detur Panamá, S. A.	1,033	58		113	1,120	
TOTAL ASSOCIATED COMPANIES	980	26,084	0	2	23,076	0
TOTAL	9,988	119,177		3,915	104,934	

(*) Companies belonging to the same line of business are shown together:
Evertmel Group, comprising the companies Evertmel, S.L., Mongamenda,S.L. and Kimel,S.L.
Producciones de Parques Group, which comprises the companies Producciones de Parques,S.L. and Tertian XXI,S.L.U.
Advanced Group, which comprises the companies: Leader inversiones 2014,S.L.,Advanced Inversiones 2014,S.L.,
Prompt Inversiones 2014,S.L., Counsel Inversiones 2014,S.L.,Abridge Inversiones 2014,S.L.,Entity Inversiones 2014,S.L.,
Additional Inversiones 2014,S.L.,Framework Inversiones 2014,S.L.
Meliá Hotels Group USA LLC, which comprises the company Meliá Hotels USA Llc. And Meliá Hotels Florida Llc.

The financial result with joint businesses increased from that of the previous fiscal year, mainly due to the reversion of the share portfolio provision in Adprotel Strand S.L. in the amount of 5 million Euros.

The principal movements of financial assets relate to the increase in long-term loans in the company Evertmel, S.L. and the drawdowns in addition to the line of credit of the company Adprotel Strand, S.L. for 6.1 and 7.4 million Euros, respectively.

Interest is calculated on loans and average current account balances at each year end. The rate has been applied in 2015 is 3.168%, in 2014 a rate of 4.475% was applied.

Guarantees and security deposits

As indicated in Note 20.2., the Group records bank guarantees for certain liabilities recognised by associates or joint ventures. At year-end 2015:

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 2015 is USD 0.7 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 12.8 million Euro.

19.2. TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

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

(Thousand €)	TRANSACTION TYPE	2015	2014
Hoteles Mallorquines Asociados, S.L.	Goods purchase	10,692	12,438
Hoteles Mallorquines Asociados, S.L.	Services provision	50	48
Hoteles Mallorquines Asociados, S.L.	Lease	436	441
TOTAL		11,177	12,927

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.

The balance pending payment to Carma Siglo XXI, S.A. by Group companies at year-end 2015 was € 505 thousand (2014: € 582 thousand).

19.3. TRANSACTIONS WITH EXECUTIVES AND BOARD DIRECTORS

Per diems for attending Board and committee meetings in 2015 and 2014 are as follows:

(Thousand €)	31/12/15	31/12/14
External independent director	**283**	**312**
Mr. Juan Arena de la Mora	75	54
Mrs. Amparo Moraleda Martínez	41	84
Mr. Luis María Díaz de Bustamante y Terminel	54	54
Mr. Fco Javier Campo García	55	57
Mr. Fernando D´Ornellas Silva	58	63
Dominical external director	**184**	**192**
Mr. Sebastián Escarrer Jaume	49	54
Mr. Juan Vives Cerdá	75	72
Holeles Mallorquines Consolidados S.A.	61	66
Other external director	**75**	**72**
Mr. Alfredo Pastor Bodmer	75	72
Executive director	**103**	**108**
Mr. Gabriel Escarrer Julia	49	54
Mr. Gabriel Juan Escarrer Jaume	54	54
TOTAL	646	685

Remuneration of executive directors and senior management in 2015 and 2014 is analysed below:

	2015		2014	
(Thousand €)	REMUNERATION FIXES	VARIABLE REMUNERATION	REMUNERATION FIXES	VARIABLE REMUNERATION
Executive director	1,081	1,221	677	237
D. Gabriel Escarrer Julia	265	497	265	
D. Gabriel Juan Escarrer Jaume	816	724	412	237
High direction	1,832	2,438	1,565	578
Total	2,913	3,659	2,242	815

The increase in variable compensation of senior management in fiscal year 2015 relates to the payment of accrued remunerations, in fulfilment of the milestones achieved in the Master Plan 2012-2014.

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 2015 and 2014:

(Thousand €)	OPERATION TYPE	2015	2014
Don Gabriel Escarrer Julia	Services rendered	4	142
Don Juan Vives Cerda	Services rendered	49	41
Don Juan Vives Cerda	Services rendered	374	438
TOTAL		426	621

20. 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.

20.1. LEASES

The Meliá Hotels International Group operates at December 31, 2013, 97 hotels under leases: eleven five-star hotels (1,855 rooms), 67 four-star (13,605 rooms), 15 three-star (3,145 rooms) and 4 three-key establishments (1,158 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	136,794	558,121	859,476	1,554,391

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 32 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 2015 amounted to €10.8 million.

The average term of these lease agreements, including those with Equity Inmuebles, S.L. is 8.8 years.

The information for 2014 is presented for comparative purposes:

(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

At the end of 2014 the Group leased a total of 93 hotels, of which 11 hotels were five stars with 2,021 rooms, 63 were four stars with 12,409 rooms and 15 were three stars with 2,891 rooms, and 4 establishments rated at three keys with 1,124 apartments.

The average term of these leases, excluding the land on which the 17 finance lease hotels stand, was 9.3 years.

20.2. COLLATERAL AND BANK GUARANTEES

Meliá Hotels International, S.A. secured payment of lease instalments in favour of the owners of various hotels through bank guarantees amounting to €63.7 million Euros 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. secures several operations through bank guarantees and various items, amounting to €11.4 million.

Meliá Hotels International, S.A. has furnished collateral and bank guarantees totalling € 13.5 million for operations undertaken by associates (see Note 19.1).

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

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.

20.3. 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.

21. OTRA INFORMACIÓN

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	116,087,747	58.32% (*)	Chairman
Mr. Gabriel Escarrer Jaume			Vice Chairman and CEO
Mr. Sebastián Escarrer Jaume			Director
Hoteles Mallorquines Consolidados, S.A.	51,871,167	26.06% (**)	Director
Mr. Alfredo Pastor Bodmer	6,000	0.003%	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 58.320% 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

Provided below is the information required under supplementary disposition 3 of the Law 15/2010 dated 5 July. The following table shows this breakdown in respect of Meliá Hotels International, S.A. and their Spanish affiliates:

YEAR	2015
Average payment to suppliers	88,07
Transactions payments ratio	79,10
Outstanding transactions ratio	132,19
AMOUNT	**EUROS**
TOTAL OUTSTANDING PAYMENTS	**368,627,631,08**
TOTAL PAYMENTS MADE	**74,864,533,09**

In accordance with the terms of the resolution of the Institute of Accounting and Account Auditing (ICAC) dated 29 January 2016, the comparative information for fiscal year 2014 with regard to the postponement of payments to suppliers in commercial transactions is not presented, these annual accounts are therefore classified as initial annual accounts exclusively for these purposes.

Audit fees

Fees corresponding to the audit of consolidated annual accounts of the parent and subsidiaries have amounted to €1,564 thousand, of which €817 thousand has been invoiced by PricewaterhouseCoopers España, €463 thousand by PricewaterhouseCoopers at an international level and the remaining €285 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 €580 thousand.

In 2014, the fees relating to the audit of the consolidated annual accounts and the subsidiaries totalled €1,370 thousand, of which PricewaterhouseCoopers España invoiced €541 thousand and PricewaterhouseCoopers International invoiced €471 thousand and the remaining amount, €358 thousand, was invoiced by other audit firms. In addition, fees invoiced during the year 2014 for other services rendered by other companies pertaining to the network of the auditors of the consolidated annual accounts totalled €359 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.

22. EVENTS AFTER THE REPORTING DATE

On 25 March 2016, the Company notified the shareholders and the Spanish National Securities Market Commission (CNMV) of its exercising of the right of early cancellation of the convertible bond issued in 2013 (see Note 13.2). The live nominal amount on that date was 250 million Euros, with redemption set for April 2018. The new redemption date is set as 25 April 2016. In application of IAS 1, the Company presents the amounts listed in the said issue in the non-current liabilities of the consolidated balance sheet.

The Group's right to early cancellation was subject to the market price of the Meliá Hotels International S.A. shares being above 9.5134 Euros per share for a certain period. The share closing price on 24 March 2016, the last closing price before the notification of early redemption was 10.23 Euros per share.

The convertible bond holders have until 14 April 2016 to exercise their right to convert the debentures to shares. The swap price set is 7.318 Euros per share. The bondholders who do no exercise their right to convert their bonds to shares will receive on the redemption date a cash amount of 100,259.61 Euros per bond, corresponding to 100,000 Euros of nominal value plus 259.61 Euros in accrued interest.

The Company will respond to requests for conversion by issuing new shares and giving treasury shares in a proportion to be determined, according to the volume of requests for conversion received.

APPENDIX 1. SUBSIDIARIES

		COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	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 (Cancun)	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	92.83%		92.83%
(A)		CORP.HOT.HISP.MEX., S. A. de C.V.	Boulevard Kukulkan km.12,5 (Cancún)	Mexico		9.22%	
						90.47%	99.69%
(A)		CORP.HOTELERA METOR, S. A.	Faustino Sánchez Carrión s/n (Lima)	Peru		75.87%	75.87%
(A)		DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49.85%	
						49.85%	99.69%
(A)		DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dominican 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%
		INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	100.00%		100.00%
		INNSIDE VENTURES, LLC	1029, Orange St. Wilmington (Delaware)	USA		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)	Dominican Rep.		99.69%	99.69%
(A)		INVERSIONES AREITO, S.A.S	Avda. Barceló, s/n (Bávaro)	Dominican Rep.	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)	Britain	100.00%		100.00%
(A)		LONDON XXI Limited	336-337 The Strand (Londres)	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)	(F1)	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%
(A)		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%
		MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	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)	Holland	51.00%	49.00%	100.00%
		MELIA HOTELS ORLANDO, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
(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 T5. Zona Hot (Cancún)	México	75.21%	24.79%	100.00%

(*) Participation in this entity is through the ownership of apartments which represent 92.8% of the total, which are recorded in the caption for the active material.

		MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	TOTAL
		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)	Holland	100.00%		100.00%
(A)		SOL MELIÁ BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100.00%		100.00%
		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.H	IND.H	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%
(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		75.00%	75.00%
		IMPULSE HOTEL DEVELOPMENT B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Holland	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)	Netherlands Antilles		99.69%	99.69%
	(F1)	MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
(A)	(F1)	PRODIGIOS INTERACTIVOS, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	53.98%	46.02%	100.00%
	(F1)	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 Republic	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 SM-B,KY1-1205	Cayman Islands		100.00%	100.00%
		SOL MELIÁ EUROPE, B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Holland	100.00%		100.00%
		SOL MELIÁ FINANCE, Ltd.	89 Nexus Way,Camana Bay,P.O.Box 31106 SM-B,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 Republic		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%

		HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	TOTAL
(A)	(F2)	CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France		100.00%	100.00%
	(F3)	DESARR.HOTEL. SAN JUAN, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
		DOMINICAN INVESTMENT, N.V.	Schottegatweg Oost 44 (Curaçao)	Netherlands Antilles		99.69%	99.69%
		DOMINICAN MARKETING SERVICES,N.V.	Schottegatweg Oost 44 (Curaçao)	Netherlands Antilles		65.73%	
						33.96%	99.69%
	(F3)	FARANDOLE, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		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)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51.49%		
						46.70%	98.19%
	(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 Rep.	100.00%		100.00%
		MHI UK, LTD.	Albany Street , Regents Park, London NW1 3UP	Britain	100.00%		100.00%

		HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	TOTAL
		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)	Holland	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)	Netherlands Antilles	100.00%		100.00%
		RANDLESTOP CORPORATION, N.V.	Schottegatweg Oost 44 (Curaçao)	Netherlands Antilles		99.69%	99.69%
	(F3)	SAN JUAN INVESTMENT, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
		SOL GROUP, B.V.	Strawinskylaan 915 WTC, Toren A, 1077 XX (Amsterdam)	Holland	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)	Holland	100.00%		100.00%
		SOL MELIA VACATION CLUB LLC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%

		DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	TOTAL
(A)		CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dominican Rep.		49.85%	49.85%
		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%
	(F1)	KABEGICO INVERSIONES, S .L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	MOTELES ANDALUCES, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	99.38%		99.38%
	(F1)	NAOLINCO HOTELES,S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	(F1)	THIRD PROJECT 2012, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%

		MARKETING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	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.H	IND.H	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	31.07%	0.09%	31.16%
	C.P. APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	0.66%	18.71%	19.37%
(A)	DETUR PANAMÁ S.A.	Antigua Escuela Las Américas (Colón)	Panama	32.72%	17.21%	49.93%
(A)	LEADER INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(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%
(A)	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.H	IND.H	TOTAL
(A)	ADPROTEL STRAND, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	50.00%		50.00%
(A)	ABRIDGE INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	ADDITIONAL INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 272 (Barcelona)	Spain	48.40%		48.40%
(A)	COUNSEL INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	ENTITY INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(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%
(A)	FOURTH PROJECT 2012, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)	FRAMEWORK INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
	MELIA HOTELS FLORIDA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)	PROMPT INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%

	COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	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		49.00%	49.00%

	DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	TOTAL
	HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	40.00%		40.00%
	JAMAICA DEVCO S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49.00%		49.00%

	HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.H	IND.H	TOTAL
(A)	ADVANCED INVERSIONES 2014, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	20.00%		20.00%
	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 31.16% and 19.37% of the total, respectively, and which are recorded under investment property

MANAGEMENT REPORT
YEAR 2015

1. COMPANY SITUATION

1.1. ORGANIZATIONAL 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 event, all those activities that special laws reserve for companies which meet certain requirements that are not met by the Company are expressly excluded from the corporate object. In particular, all those activities are excluded that the law restricts to Collective Investment Institutions or to stock market intermediary firms.

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 Group 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.

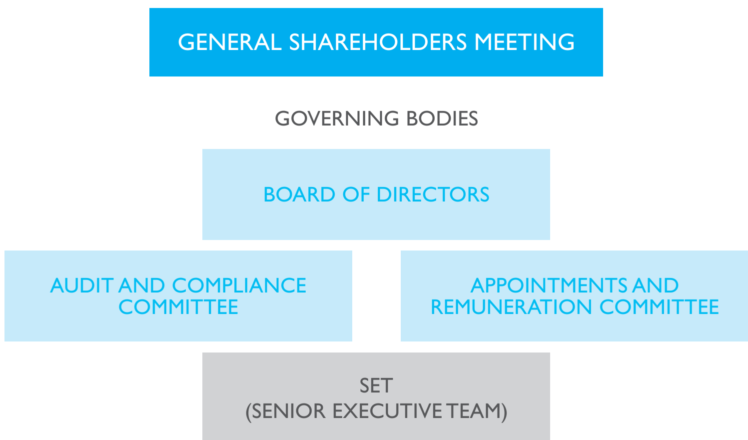
- **Other businesses associated with hotel management:** this segment includes income other than from the hotel business, such as casinos and tour-operator activities.

- **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.

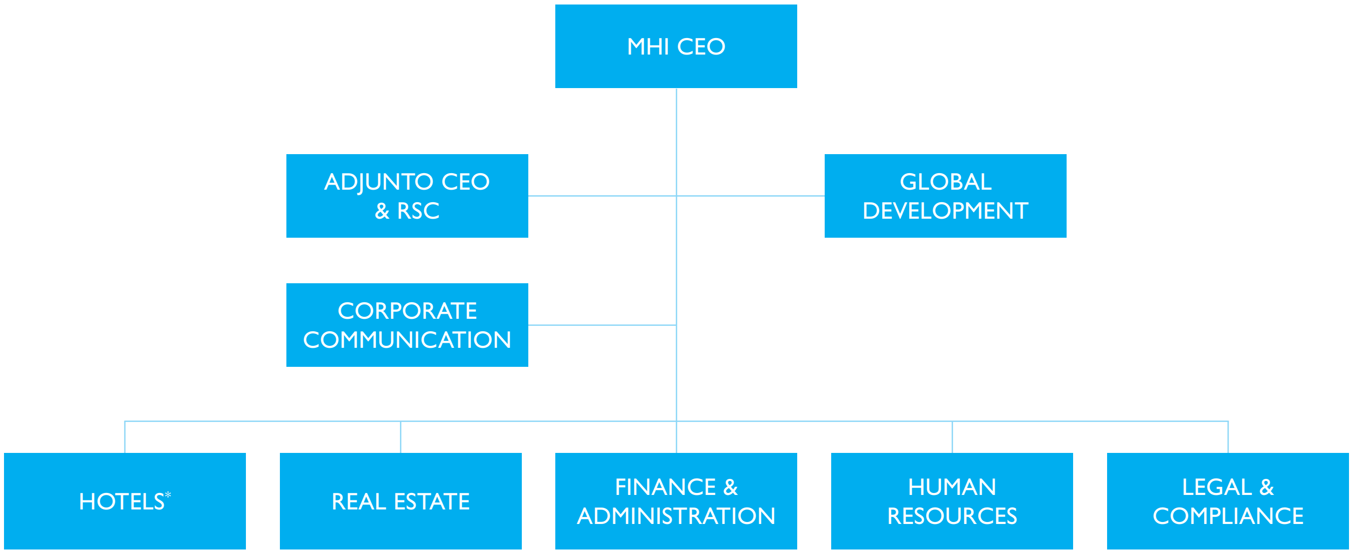
The organisational structure of the company is shown below:



1.2. CORPORATE ORGANIZATION CHART

The Company's current organizational model, called "Competing by Design", rolled out in 2013, is based on the decentralization of the operative functions and of support of the operation, with the aim of giving the business the highest degree of autonomy and agility in its decision-making, which in turn strengthens its proximity to the customer. In addition, the strategic and control functions, which ensure the present and future global vision of the Company, remain centralized.

In line with the definition of the organizational model "Competing by Design", the Company's current organizational structure is as follows:



* In 2015, the Company commenced a process of integration of the Hotel and Club Meliá divisions with the expectation that this process will be completed in the course of 2016.

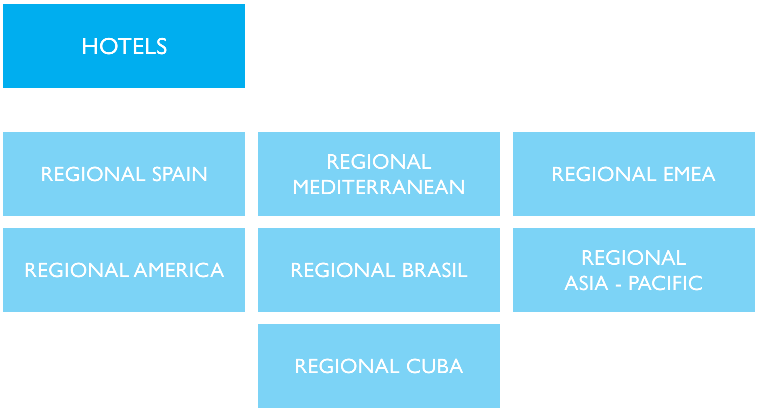
The Executive Committee = the SET (Senior Executive Team) - is comprised of the following executive vice-presidents (EVPs):

- EVP FINANCE & ADMINISTRATION
- EVP HOTELS
- EVP HUMAN RESOURCES
- EVP LEGAL & COMPLIANCE
- EVP REAL ESTATE

The fundamental objective of "Competing by Design" is to have an organizational model which is agile and excellent that constitutes a competitive advantage for the Group, providing the regional divisions with know-how and autonomy and maintaining the business's global vision and control: "Think Globally, Act Locally".

Based on the culture and values of Consistency, Excellence, Proximity, Dedication to Service and Innovation, the model's fundamental principles have been established: Leadership, Globalization and Efficiency. The principles underpin among other things, teamwork, consensus and collaboration in the decision-making process, the delegation of ultimate responsibility for the income statement to the senior executive of the regional management, the proximity of the operative functions and support of the business, the internationalization of the organizational processes, systems and structures and the quest for synergies among the functions and optimization of the corporate and regional structures.

Based on all of the foregoing, the current organizational structure of the Hotels division on which all of the decentralized functions depend (Regional) in addition to part of the global functions is as follows:



1.3. HOW THE CORPORATION OPERATES

Key strategic aspects

Over the last few years, the Company, inspired by the previous Strategic Plan 2012-2014, has seen its positioning consolidate as a hotel management firm fundamentally thanks to the opening of new hotels operated on a management basis, in addition to the signing of strategic agreements with external partners that had shareholdings in certain hotels, which are currently being operated under a management arrangement.

Furthermore, during this latest period, the Company has strengthened even further, if that were possible, its international character, thanks to an ambitious expansion plan which has enabled it to enter new, fast-growing markets, without relinquishing its leadership in the holiday segment in Spain and in traditional markets such as Germany.

In addition, one of the most successful aspects of the previous Strategic Plan was the achievements related to the Company's focus on the revenue-driven culture by making the most of opportunities presented by new technologies, which has enabled the Group to improve its results and position the direct sales channel, Meliá.com, as the Company's prime distribution channel.

The Company is currently implementing a new Strategic Plan which will cover the period 2016-2018. With regard to this new strategic plan, the main priorities are:

- To continue with the strengthening of the Company's current brand portfolio with innovative and attractive products and services for customers, which will make it possible to capture the new demand profiles and the new generations of tourists and holidaymakers.

- To consolidate a strategic vision of revenues and added value, sustained by our strength and extensive commercial footprint, and, in particular, by new technologies, where the strategy "MeliáDigital" provides competitive advantages.

- To drive business excellence through the optimization of revenues and customer retention with a business model that is adapted to the new environment, maximizing the commercial contribution in key segments and markets and boosting an optimal customer loyalty and retention model.

- To consolidate the Group's presence in strategic markets and boost sustainable growth in Leisure & Urban Leisure destinations, while consolidating its presence in urban destinations.

- To consolidate the real estate division as owner and developer, strengthening the quality of the Company's real estate portfolio and driving forward projects and initiatives to optimize the exploitation of assets.

- In the organizational sphere, the Company wants to build an organization that is constantly more competitive supported by an international talent pool that will be able to drive a process of cultural transformation.

- All of this must be accompanied by a sound financial model, which will be able to handle the business cycles by reducing as much as possible the potential risks.

- To continue to progress in key aspects in the areas of corporate reputation and recognition.

It is hoped that the elements set out above will contribute to the improvement in the operational results and an improved financial situation for the Group.

Business Model

The Company's growth model is based on a low intensity expansion of capital, which specializes in hotel management for third parties. This formula enables The Meliá Group to grow and strengthen the brands wherever it goes and, at the same time, adapt to new demands and profiles of hotel owners, facilitating continuous innovation and minimizing risks.

With a robust international focus, the Company has a presence today in 41 countries, with the operation of 87% of its hotels subject to management agreements, rental or franchise arrangements, maintaining relationships with over four hundred different proprietors.

The Company's aim to position itself in the medium term among the ten leading international hotel management firms is clearly shown in the planning of new hotels, which consists entirely of hotels under contracts of these forms of management.

This business model demands excellence and consistency in the management system, in order to transfer all of the benefits and strengths of belonging to the The Meliá Group network to the hotels and proprietors no matter what their origins or needs may be.

In order to offer a close and fluid communication with proprietors and thus stay in close contact with the market, the Company has executive teams at its disposal in every region. Thus, the support which the Group offers comes from a global network whose epicentre is in its Corporate Headquarters in Palma de Mallorca (Spain) and extends to its regional offices located in Madrid, Shanghai, Miami, Habana and Sao Paulo, as well as satellite offices in London, Dusseldorf and Dubai.

The principal objective of this global network is to satisfy the proprietor, meeting the needs of the properties and maximizing their return.

The Group's value generation is based on a model of success, which is the product of its evolution as a company, its internationalization and continuous striving to innovate to offer the best services on a global basis with criteria of excellence and proximity to the needs and expectations of its stakeholders.

2. BUSINESS PERFORMANCE AND RESULTS

Below is a breakdown of the operative segments in which the Company is structured:

2.1. HOTEL BUSINESS PERFORMANCE

The evolution of the hotel business for the Company as a whole can be summarized in the following KPIs:

MAIN STATISTICS	2015	2014	CHG %
Owned. Leased & Managed			
% Occup.	66.7%	66.1%	0.9%
RevPAR (€) *	61.8	56.1	10.2%
ARR (€) *	92.6	84.8	9.2%
Owned & Leased			
% Occup.	70.8%	69.7%	1.5%
RevPAR (€) *	74.4	64.6	15.1%
ARR (€) *	105.2	92.7	13.4%

(*) ReVPAR: Revenue per available room
(*) ARR: Average room rate

OPERATING PORTFOLIO/ROOMS		2015	2014	CHG
Owned property				
	Hotels	48	58	(10)
	Rooms	14,713	18,257	(3,544)
Leased				
	Hotels	103	99	4
	Rooms	20,384	19,248	1,136
Management and Franchise				
	Hotels	163	152	11
	Rooms	48,155	44,778	3,377
	TOTAL			
	Hotels	**314**	**309**	**5**
	Rooms	**83,252**	**82,283**	**969**

FINANCIAL INDICATORS	2015	2014	CHG %
Revenue:			
Owned property and Leased	1,382.9	1,225.7	12.8%
Management	234.2	213.5	9.7%
EBITDA:			
Owned property and Leased	199.7	150.2	33.0%
Management	44.3	54.2	(18.3%)

In 2015, the revenues of the management division amounted to 135.9 million Euros in terms of management fees, of which 54.6 million is related to managing third-party hotels. In 2014, the total revenues of the management division amounted to 117.3 million Euros in terms of management fees, of which 43.5 million is related to managing third-party hotels.

It must be borne in mind that the contribution of the management division includes 47.2 million Euros in revenues and 37.8 million negative Euros in terms of EBITDA, which have not been attributed to any of the regional divisions. This compares with 27.2 million of revenue and 13.7 million negative Euros at the EBITDA level in 2014. These items relate to the revenues and costs associated with the management division at the corporate level.

Details on the evolution per areas can be found below:

AMERICA

As remarked upon in the consolidated annual accounts for the year ended 2014, the Venezuelan government introduced two new systems in 2014 for currency exchange, known as SICAD I and SICAD II. In the annual accounts for 2014, the Company believed that the most appropriate exchange rate to apply in the consolidation of its Venezuelan affiliates was SICAD II (49.99 Bolivars to the US dollar as of 31 December, 2014). In addition, 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. As and from the coming into effect of the new exchange system, the exchange rate to be applied by the Group to consolidate the balances of its Venezuelan affiliates was SIMADI, which is currently close to 200 Bolivars to the US dollar.

Owned and leased hotels have seen an improvement in average revenue per available room or RevPAR of 20.6% with an improvement in the average price of 21.3%. Excluding Venezuela from the scope, the RevPAR has improved by 24.6%, strongly influenced by the exchange rate between the Euro and the US dollar. In dollar terms, this improvement was 3.8%.

The evolution of the hotel business in the Brazil region can be summarized in the following KPIs:

MAIN STATISTICS	2015	2014	CHG %
Owned. Leased & Managed			
% Occup.	68.1%	68.9%	(1.2%)
RevPAR (€) *	79.8	74.0	7.9%
ARR (€) *	117.2	107.3	9.2%
Owned & Leased			
% Occup.	70.8%	69.7%	1.5%
RevPAR (€) *	74.4	64.6	15.1%
ARR (€) *	105.2	92.7	13.4%
(*) ReVPAR ó Revenue per available room (*) ARR ó Average room rate			

OPERATING PORTFOLIO/ROOMS		2015	2014	CHG
Owned property				
	Hotels	14	14	0
	Rooms	5,883	5,903	(20)
Leased				
	Hotels	1		1
	Rooms	236		236
Management and Franchise				
	Hotels	10	11	(1)
	Rooms	2,358	2,658	(300)
	TOTAL			
	Hotels	**25**	**25**	**0**
	Rooms	**8,477**	**8,561**	**(84)**

FINANCIAL INDICATORS	2015	2014	CHG %
Revenue:			
Owned property and Leased	413.3	327.4	26.2%
Management	52.0	52.2	(0.4%)
EBITDA:			
Owned property and Leased	108.3	80.2	35.0%
Management	13.1	18.3	(28.3%)

In 2015, the revenues of the management division amounted to 30.3 million Euros in terms of management fees, of which 3.5 million is related to managing third-party hotels. In 2014, the total revenues of the management division amounted to 27 million Euros in terms of management fees, of which 3.5 million was related to managing third-party hotels.

Aspects to note on the evolution of hotels

Within the America division the performance of the hotels in Mexico has been particularly noteworthy, especially the contribution of the hotel Paradisus Cancun, which has seen its total revenues grow by over 35% since the Company initiated a brand makeover process in the hotel. Equally noteworthy has been the performance of the two complexes Playa del Carmen (Paradisus La Perla and Paradisus La Esmeralda) which together in their fourth year of operations generated more than 36 million dollars in EBITDA, becoming the leading hotel contributor to the Group's Profit and Loss Account.

Equally positive has been the contribution of the hotels in the Dominican Republic. This is even more impressive given that this destination has been seriously affected by the weakness of the Russian market, which has fallen by almost 80% compared to the previous year, as well as a general slowdown in the group travel segment linked in part to the appreciation of the US dollar

Evolution of management fees

The trend in management and franchise fees for the running of hotels in America has been entirely in line with the figures for the previous year.

While the improvement in the results of the ME Cancun hotel (Mexico) and of the Meliá Nassau (Bahamas) has been impressive, the total figure for management fees has been affected negatively by the closure of the ME Cabo and Meliá Cabo hotels in Mexico, both of which are undergoing a refurbishment following the impact of hurricane Odile in September 2014.

Changes in the hotels portfolio in 2015

The America division underwent no changes in its hotels portfolio in 2015.

Prospects for 2016

In relation to the projected evolution of the holiday hotels in America, the current situation makes us expect a positive outcome in 2016, although the first quarter of the year started with the negative impact of the Zika virus. Although it is true that for the moment the Company has not noticed any significant negative impact, we are currently monitoring the situation so that we can reduce the impact of a possible increase in cancellations due to this issue.

In any event, even taking into account this possible effect, the results of the holiday complexes in Latin America in the first quarter are expected to be better than the figures for 2015, thanks in the main to an improvement in the average price.
It must also be borne in mind that 2016 will see the impact of the recent addition of Meliá Braco Village in Jamaica, which has recorded a solid performance in its first month of operations and which will improve considerably from March 2016 once the construction of the hotel is complete.

It should be recalled that in the coming months, the Company will have two new flagship hotels, the Innside New York NoMad and the ME Miami.

Expansion

The global portfolio of new launches, including all divisions, planned by the Company (henceforth referred to as "pipeline") at the end of fiscal year 2015 included a total of 62 hotels and around 16,000 rooms, of which 2 already opened their doors during the first months of 2016, one of them included in the America division, the Meliá Braco Village in Jamaica, with 226 rooms operated under a management arrangement. It is understood that the opening of the Meliá Braco Village will help to consolidate the Company's footprint in the English-speaking Caribbean following the opening of the Meliá Nassau.

At the end of the year the Company's pipeline in America included 12 hotels and 2,325 rooms. 5 of the hotels are planned to open in 2016, including the afore-mentioned Meliá Braco Village. Hence, the Company will soon open the Meliá Cartagena in Colombia and 3 hotels in the United States: the ME Miami and Meliá Costa Hollywood in Miami, and the Innside New York NoMad. The latter is the only hotel run under a management agreement in the entire pipeline of the America division.

EUROPE. MIDDLE EAST & AFRICA (EMEA)

The evolution of the hotel business in the EMEA region can be summarized in the following KPIs:

MAIN STATISTICS	2015	2014	CHG %
Owned. Leased & Managed			
% Occup	67.7%	69.7%	(2.8%)
RevPAR (€) *	94.0	84.6	11.2%
ARR (€) *	138.9	121.4	14.4%
Owned & Leased			
% Occup	72.8%	72.7%	0.1%
RevPAR (€) *	105.3	94.7	11.2%
ARR (€) *	144.6	130.2	11.0%

(*) ReVPAR ó Revenue per available room
(*) ARR ó Average room rate

OPERATING PORTFOLIO/ROOMS		2015	2014	CHG
Owned property				
	Hotels	13	12	1
	Rooms	3,049	2,765	284
Leased				
	Hotels	39	38	1
	Rooms	6,606	6,546	60
Management and Franchise				
	Hotels	21	22	(1)
	Rooms	3,576	3,582	(6)
	TOTAL			
	Hotels	**73**	**72**	**1**
	Rooms	**13,231**	**12,893**	**338**

FINANCIAL INDICATORS	2015	2014	CHG %
Revenue:			
Owned property and Leased	511.5	444.9	15.0%
Management	44.9	43.8	2.5%
EBITDA:			
Owned property and Leased	66.9	50.9	31.5%
Management	19.8	16.0	23.5%

In 2015, the revenues of the management division amounted to 31.3 million Euros in terms of management fees, of which 2.7 million were related to managing third-party hotels. In 2014, the total revenues of the management division amounted to 25.8 million Euros in terms of management fees, of which 1.8 million was related to managing third-party hotels.

Aspects to note on the evolution of hotels

The most noteworthy aspects for each of the countries that comprise this regional unit were:

FRANCE

The tragic terrorist attacks that took place in Paris on 13 November had a negative impact on the results reported in the fourth quarter in hotels in France, with a sharp fall in demand in Paris, especially in the leisure segment. Specifically, the hotels operated by the Company recorded a fall in average revenues of 12%, which compared with a fall of 18% recorded by the competitive set, hotels of the competition that on account of their characteristics make up the set with which we can compare the Group's results.

The best performance in the The Meliá Group in comparison with the competitive set has been partially thanks to the contribution of the Meliá París La Défense, which is less dependent on the leisure segment given its bias towards the business segment, and which helped to contain the fall in demand and cancellations of reservations.

GERMANY

The results of hotels in Germany were very positive throughout fiscal year 2015, especially in Düsseldorf. The results of the hotels Innside Dusseldorf Seestern, Innside Dusseldorf Derendorf and Innside Dusseldorf Hafen, Wolfsburg and Munich are particularly noteworthy.

In the German-speaking market, the contribution of the hotel Meliá Vienna was also outstanding, which has been progressively consolidating its positioning in the market and reported highly positive figures at the beginning of 2016.

ITALY

2015 was an excellent year for the hotel industry in Italy, with the Company's hotels reporting very positive figures.

It must be emphasised that during the fiscal year, the Milan Expo contributed to all of the Company's hotels in the city posting excellent figures, in particular the Meliá Milano and the ME Milan. The latter posted figures in 2015 above the Company's expectations, achieving an average price of 370 Euros per room per night, in line with the country's best hotels.

UNITED KINGDOM

Although 2015 was a difficult year for the Company's hotels in the UK, it is worth noting that during the last quarter of 2015 a change in trend was noticeable, recovering growth levels of the previous year, fundamentally thanks to the improved performance of the Meliá White House and ME London hotels, the latter of which achieved an average room price of 300 pounds sterling per night.

PREMIUM SPAIN

It should be remembered that this division also includes the contribution of series of hotels located in Spain, as the segmentation of their revenues is included in the Premium category.

Hence, the EMEA division also benefited from the excellent performance of some Spanish holiday hotels included here, such as ME Mallorca, ME Ibiza, Gran Meliá de Mar and Gran Meliá Palacio de Isora.

In the latter case, it is worth noting that in 2015 the Gran Meliá Palacio de Isora consolidated its position as one of the Group's flagships, as it became one of the top 5 contributors to the Group's bottom line, contributing an EBITDA of about 17.5 million Euros, 20% higher than the previous year .

In relation to the urban hotels included under this heading, we would highlight the positive results contributed by the Gran Meliá Phoenix and Meliá Barcelona Sky hotels.

Changes in the hotels portfolio in 2015

In 2015, the Company added 13 new properties to its hotel portfolio which together account for 2,167 rooms. 77% of the new rooms were added under a management arrangement or franchise agreement, while 23% are subject to lease contracts.

The new lease contracts comprise just 3 hotels added for the whole of 2015 thus maintaining the strategy followed during recent years, characterized by low capital intensive activity, with growth in lease arrangements only in those markets which are considered to be strategic for the Company.

It should be noted that 3 new leasehold contracts have been included under the umbrella of the EMEA division: Meliá La Défense (France), ME Milán Il Duca (Italy), and Innside Manchester (UK).

As for management and franchise contracts, during the fiscal year the new hotels added are: Meliá Doha (Qatar), Tryp Leiria (Portugal) and Meliá Il Campione (Italy).

With regard to hotels that have left the Group, in the EMEA division these were the former hotel Meliá Roma Aurelia Antica (Italy) and the Meliá Sinai (Egypt), the latter being a market in which the Company currently operates just two hotels on a management basis.

Prospects for 2016

European cities are having a positive first half of 2016 and the hope is that they will maintain the healthy growth rates for the year as a whole.

The principal aspects on a country-by-country basis are as follows:

In the first quarter of this year, Germany posted results above those of the previous year and beyond the initial expectations taking into account that in 2016 the country will host a larger number of trade fairs. Also worthy of note is the excellent performance of the Meliá Vienna.

In the UK it is expected that the ME London will reach cruising speed in 2016 with an average price for the year of almost 300 pounds and an occupancy level of close to 75%. Meanwhile, the Innside Manchester, following its opening in May 2015, is expected to consolidate its positioning in the market.

In Italy, the prospects are also positive although it will be difficult to make comparisons for the hotels in Milan, given the holding of the EXPO in 2015.

In France, the first quarter showed a slow but progressive recovery. Since the terrorist attacks in November, the situation continues to be weak, especially for hotels in the centre of Paris. However, the excellent performance of the hotel Meliá Paris la Défense, with a biased segmentation to business travellers, has helped the Company to recover part of the initial deviation.

To conclude, with regard to the projected evolution of the EMEA division in the Middle East, the Company is making progress in adapting its sales and marketing strategy in order to consolidate its presence in the market, in the hope that in 2016 the figures for Dubai and Doha will improve.

Expansion

The firms portfolio in EMEA includes at the end of 2015, 20 hotels and approximately 4,000 rooms, with a good balance between lease agreements and management arrangements.

In 2016, the Company plans to open 3 hotels on a leasehold basis in Germany under the umbrella of the Innside brand (Innside Frankfurt, Innside Aachen and Innside Leipzig) in addition to two hotels that it will manage, one in Italy and the other in Morocco.

MEDITERRANEAN

The evolution of the hotel business in the Mediterranean region can be summarized in the following KPIs:

MAIN STATISTICS	2015	2014	CHG %
Owned. Leased & Managed			
% Occup	67.4%	67.1%	0.4%
RevPAR (€) *	45.3	42.7	6.1%
ARR (€) *	67.2	63.6	5.7%
Owned & Leased			
% Occup	72.4%	71.5%	1.2%
RevPAR (€) *	52.3	48.1	8.7%
ARR (€) *	72.3	67.3	7.5%
(*) ReVPAR ó Revenue per available room (*) ARR ó Average room rate			

OPERATING PORTFOLIO/ROOMS		2015	2014	CHG
Owned property				
	Hotels	12	23	(11)
	Rooms	3,323	7,131	(3,808)
Leased				
	Hotels	21	18	3
	Rooms	6,464	5,597	867
Management and Franchise				
	Hotels	48	40	8
	Rooms	18,084	15,339	2,745
	TOTAL			
	Hotels	**81**	**81**	**0**
	Rooms	**27,871**	**28,067**	**(196)**

FINANCIAL INDICATORS	2015	2014	CHG %
Revenue:			
Owned property and Leased	205.7	227.3	(9.5%)
Management	29.4	31.6	(6.8%)
EBITDA:			
Owned property and Leased	16.5	25.5	(35.3%)
Management	15.5	14.9	3.8%

In 2015, the revenues of the management division amounted to 25.7 million Euros in terms of management fees, of which 14.3 million is related to managing third-party hotels. In 2014, the total revenues of the management division amounted to 23.4 million Euros in terms of management fees, of which 9.9 million is related to managing third-party hotels.

Aspects to note on the evolution of hotels

Since most of the production generated by the Mediterranean division takes place in the third quarter, coinciding with the peak season for resort hotels in Spain, it is worth mentioning that the summer season witnessed a sharp increase in tourism demand, both Spanish domestic and foreign (except for the shrinkage in the Russian market), with a convergence of endogenous factors such as the recovery of the economy and employment in Spain, and exogenous ones, such as the falling price of oil, changes in interest rates with the dollar and the pound, and unfortunately, the instability of some competitor sun and sand destinations in the Mediterranean and North Africa.

Along with this favourable situation, the excellent performance of resort hotels delivered the fruits of a clear commitment to product innovation and customer experience, striving to position the hotels as the best in each category and to enrich the sun and sand experience through innovative concepts in terms of food and beverage, entertainment, shopping, entertainment and wellness.

Thus, a stand-out is the evolution of the average revenue in recently renovated hotels such as the Meliá Cala Galdana and Sol Beach House Menorca, Sol House Aloha in Malaga, and the Sol House Trinidad in Mallorca, which after the renovation and subsequent rebranding have achieved a change in segmentation and significant price increases, with a higher percentage of early bookings .

The most popular destinations were the Balearic Islands, with an outstanding performance of Ibiza and Mallorca, a marked improvement in the segmentation and results of the hotels in Magalluf (Project Calviá Beach) and the Canary Islands, where the Company achieved record results in 2015.

The Canary Islands saw a good performance in the fourth quarter of the year, when improved results on the previous year were further boosted mainly due to differences arising between Russia and Turkey, a fact that reinforced the view of Spain as a destination holiday "refuge".

Evolution of Management Fees

Improving management fees compared to the previous year is due to the general improvement in the results of resort hotels in Spain, as well as to the inclusion in 2015 of the results reported by the hotels sold in June to Starwood Capital Group. After the sale, the package of hotels sold have been operated under management by Meliá Hotels International, formerly operated as wholly owned properties.

Generally, political instability in competing destinations has also contributed to the better performance of hotels in Croatia and Cape Verde, where the company has about 1,500 rooms under management.

Changes in the hotels portfolio in 2015

During the fourth quarter, the Mediterranean division added a hotel to its portfolio, the Meliá La Hacienda del Conde (Tenerife), which began operations successfully under a management agreement last October.

Also worth noting is the change in the management arrangement of the hotels sold in June to Starwood Capital Group.

Prospects for 2016

Looking ahead to 2016, the performance of the resorts in the Mediterranean will be influenced by the fact that Spain is currently perceived as a "safe destination" given the political instability in competing destinations, particularly in North Africa.

According to currently available data on progress in negotiations with major tour operators, everything points to a better summer season in 2016 than in 2015. Although it is still early days, the most important markets for the Company have been posting reservation figures which are higher than last year, especially the United Kingdom where the number of reservations is currently in figures of double digit growth. The German market also points to an average growth of a single digit, while in relation to the expected development of the Spanish market is still too early to make a projection, since it is usually a last-minute market.

The Company prefers to maintain a moderate optimism. With regard to advance bookings for next summer, the Company is achieving improvements in average rates in general.

With regard to the projected performance according to tourist destinations in the Mediterranean, the Company is particularly optimistic about the projected trends for the Balearic islands and in particular for Mallorca, which is expected to set new records. In Minorca, Ibiza and Mallorca, the Company will benefit from renewals in terms of products and repositioning that have recently been conducted in the hotels Meliá Cala Galdana, Sol Beach House Menorca and Sol Beach Cala Blanca.

In 2016, the Company will also benefit from the change in brand of Meliá Antilles Barbados, which in 2015 was operated under the brand name Sol and the Sol House Ibiza Sant Antoni.

In the Canary Islands, the Company is also optimistic expecting further improvements in all of the islands, even taking into account the success reported in 2015. Note that in 2016, tour operators have set up new routes to Fuerteventura, Lanzarote and La Palma, which will benefit the hotel industry in general.

In addition, in 2016 the Company has also included in its portfolio new hotels in the area: the Meliá Costa Atlantis hotel and the Meliá La Hacienda del Conde.

In peninsular Spain the outlook is also positive with Benidorm forging ahead, one of the most popular destinations in 2016 especially for the UK market.

Expansion

Within the portfolio of upcoming openings at the end of 2015 (62 hotels) it is interesting to highlight one of the hotels already in operation in the Mediterranean division, the Sunshine Coast Atlantis, located in Tenerife with 289 rooms and operated on a leasehold basis. It is making the most of the momentum in the tourism industry in Spain and the great experience of the company in this market.

The pipeline in this region includes 3 hotels and 1,725 rooms, including the above-mentioned hotel, as well as 2 other contracts under management in Cape Verde, one of which is expected to open in 2016.

SPAIN (URBAN SPAIN)

The evolution of the hotel business in the Spanish region can be summarized in the following KPIs:

MAIN STATISTICS	2015	2014	CHG %
Owned. Leased & Managed			
% Occup.	64.7%	61.3%	5.7%
RevPAR (€) *	53.2	47.7	11.6%
ARR (€) *	82.2	77.8	5.6%
Owned & Leased			
% Occup.	67.0%	63.9%	4.9%
RevPAR (€) *	53.8	47.6	13.1%
ARR (€) *	80.3	74.5	7.8%
(*) ReVPAR ó Revenue per available room (*) ARR ó Average room rate			
OPERATING PORTFOLIO/ROOMS	**2015**	**2014**	**CHG**
Owned property			
Hotels	9	9	0
Rooms	2,458	2,458	0
Leased			
Hotels	42	43	(1)
Rooms	7,078	7,105	(27)
Management and Franchise			
Hotels	31	29	2
Rooms	5,533	5,440	93
TOTAL			
Hotels	**82**	**81**	**1**
Rooms	**15,069**	**15,003**	**66**
FINANCIAL INDICATORS	**2015**	**2014**	**CHG%**
Revenue:			
Owned property and Leased	252.4	226.1	11.6%
Management	30.8	31.0	(0.7%)
EBITDA:			
Owned property and Leased	8.0	(6.5)	223.6%
Management	16.2	11.5	41.0%

In 2015, the revenues of the management division amounted to 21.6 million Euros in terms of management fees, of which 7.1 million were related to managing third-party hotels. In 2014, the total revenues of the management division amounted to 18.1 million Euros in terms of management fees, of which 5.3 million is related to managing third-party hotels.

Aspects to note on the evolution of hotels

The Spain Urban Division attributed its success to the consistent recovery observed in all segments, which has enabled the Company to maintain its leadership in the most tourist-oriented cities, benefiting from its extensive experience in urban and resort segments where the "bleisure " (business + leisure) strategy, focused on both the both leisure and business guest, has optimized occupations and rates.

The improvement in sales of the website Meliá.com and the optimization of the sales and marketing strategy have favoured a positive trend, together with the intensive programme of refurbishments, brand changes and renewal of city hotels.

The main headlines in each area are as follows;

Madrid

During 2015, the overall trend has been a business recovery in the leisure and business segments, as well as in MICE (meetings, incentives, conferences and events). During the period, an increase in airport business incidents also occurred, which had a very positive impact on hotels in the vicinity of Barajas Airport near Madrid.

A highlight was the excellent performance of the Meliá Galgos, which has improved its results by more than 25 % compared to the previous year, after the completion of the refurbishment of the hotel.

Hotels in the north of Spain

The increase in demand, thanks in part to better weather conditions in the region, especially during the third and fourth quarters of the year, as well as a greater number of flight connections, together with the fact that the Company has made improvements in some hotels, has enabled Meliá to implement more aggressive management of rates. The improved results in Bilbao and Zaragoza are particularly noteworthy.

Hotels in the south of Spain

The good performance of the leisure segment was also reflected in the favourable results in Marbella, Cadiz, Granada and Seville. The city of Seville also benefited from an intense activity in the conferences segment, since 2015 was a record year in terms of the number of events held.

Eastern Spain Region

The Company recorded positive results in Catalonia, Valencia, Alicante and Palma de Mallorca, with special mention of those specialized hotels in the M & E segment (Meeting & Events), which posted significant improvements. Of particular interest are the hotels Meliá Valencia, Meliá Sitges and Meliá Palas Atenea.

Changes in the hotels portfolio in 2015

The Spain Division has added two new contracts to its portfolio, the Tryp Castellón Center and the Tryp Valencia Feria, which together with the Tryp Leiria in Portugal (in the EMEA area) are included within the agreement with Wyndham, which aims to jointly expand the Tryp by Wyndham brand globally.

The region with the most disaffiliations was Spain, where the company wrote off 4 hotels: the Tryp Oviedo, which was an unprofitable lease contract; and 3 are managed and franchised hotels, the Meliá Palacio Tudemir, Meliá Golf Vichy Catalan and Marbella La Quinta Golf & Spa.

Evolution of management fees

Management fees in this division improved on the previous year at 1.9 million euros, mainly due to a greater contribution of the hotels located in Madrid.

Prospects for 2016

As regards the prospects for urban business, the statement of stocks on the books for the first quarter of 2016 for the Spain division is 2.5 million above last year's figures, so the Company is confident that there will be a consolidation of the recovery of this division in 2016, benefiting from the upward trend in domestic consumption.

In any case, the Company is still awaiting greater visibility in terms of the stability needed to ensure continued recovery.

It should be noted in any case that in the first quarter healthy growth has been seen in all (major and minor) Spanish cities, a positive development considering that the lack of snow is hurting hotels in the Sierra Nevada, in Granada.

Finally, we can report that the Spain division in 2016 is likely to present a hotel with low profitability, while it will also see the refurbishment of the Meliá Lebreros Hotel in Seville and the Tryp Apolo in Barcelona, and will delete the Tryp Ambassador in Madrid (now Gran Meliá Palacio de Dukes), which will be included in the portfolio of the EMEA division.

Expansion

Considering the portfolio of hotels signed at the end of 2015, no hotel has been included in the Spain division, since the only two hotels located in Spain are included in the Mediterranean and EMEA regions, as the premium category of one of them means they should be included in this division.

This is entirely in line with the global expansion strategy at the group level, which focuses primarily on the expansion of the company in international markets, and in the Premium category.

CUBA

The evolution of the hotel business in the Cuba region can be summarized in the following KPIs:

MAIN STATISTICS		2015	2014	CHG %
Managed				
% Occup.		70.4%	66.7%	5.5%
RevPAR (€) *		58.9	46.1	28.0%
ARR (€) *		83.7	69.0	21.3%
(*) ReVPAR ó Revenue per available room (*) ARR ó Average room rate				
OPERATING PORTFOLIO/ROOMS		2015	2014	CHG
Management and Franchise				
	Hotels	29	29	0
	Rooms	12,552	12,310	242
FINANCIAL INDICATORS		2015	2014	CHG %
Revenue:				
Management		19.1	14.6	30.3%
EBITDA:				
Management		9.4	6.5	43.5%

In 2015, the management division's revenues included 19.5 million Euros which was related to the management of third-party hotels. In 2014, gains in this section rose to 14.2 million Euro.

Aspects to note on the evolution of hotels

With almost 30 hotels, grouped into 23 management contracts, and a total of 12,000 rooms, the Cuba division set an historic record of 435.4 million US dollars revenue in 2015 and a total of 5.7 million stays. These results were achieved thanks to a major growth in occupancy rates (70.4% annual average) and the opening of the Meliá Jardines del Rey (1,176 rooms) the latest addition to the Company's hotels portfolio at the end of 2014.

Thanks to improved relations with the United States, the performance of urban hotels was especially noteworthy. Their epicentre in Habana permitted significant growth in occupancy (almost 89% annual average) and a take-off of average revenues in the three hotels the Company manages in that city.

Prospects for 2016

In a progressive context of rebuilding relations between Cuba and the US, we can predict a major growth in the tourist sector in 2016. The resumption of regular direct flights from the second half of the year will perhaps be the most symbolic manifestation of this. In this context, the division hopes to see a new leap in revenues, reaching figures in excess of 480 million US dollars in total revenues, with a growth in RevPar of 5.4% compared to 2015. Crucial for this growth will be the opening of 294 new rooms for the Family Concierge segment in the Paradisus Varadero, as well as the roll-out and development of the Club Meliá in the apartments of the Meliá Marina Varadero.

Expansion

In line with the positive global prospects of the industry in the country, the division hopes to be able to materialize major new projects in the next two years, among which a stand-out is the opening of the Meliá Internacional de Varadero (1,174 rooms in 2018), the renovation of the Tryp Habana Libre and its conversion to the Meliá brand (2017-2018), the construction of the Meliá Trinidad (400 rooms in 2018) and the possible introduction of brands such as Innside and Me in two new projects in the historic Old Quarter of Habana.

The Company's portfolio at the end of the year included 3 hotels and around 2.000 rooms.

ASIA

The evolution of the hotel business in the Asia region can be summarized in the following KPIs:

MAIN STATISTICS	2015	2014	CHG %
Managed			
% Occup.	61.2%	65.3%	(6.3%)
RevPAR (€) *	47.0	39.6	18.7%
ARR (€) *	76.8	60.6	26.7%

(*) ReVPAR ó Revenue per available room
(*) ARR ó Average room rate

OPERATING PORTFOLIO/ROOMS	2015	2014	CHG
Management and Franchise			
Hotels	10	8	2
Rooms	2,836	2,505	331

FINANCIAL INDICATORS	2015	2014	CHG %
Revenue:			
Management	5.4	4.9	12.0%
EBITDA:			
Management	(2)	(1)	(166.6%)

In 2015, the management division's revenues included 3.2 million Euros which was related to the management of third-party hotels. In 2014, this section totalled 2.8 million Euro.

Aspects to note on the evolution of hotels

The results reported by the division have been heavily affected by developments in the exchange rate. If we analyse the evolution of the division in dollar terms, the average revenue per available room (RevPAR) would appear to have improved by 0.2 % compared to 2014.

The principal negative deviation was in the Meliá Bali and Gran Meliá Jakarta hotels. This deviation in dollar terms is explained in part by the devaluation of the Indonesian rupee.

On the positive side is the contribution made by the Gran Meliá Xian hotel, which was added to the Company's portfolio in October 2014. It is worth noting that this hotel is delivering results above projections in its budgets.

Projections for 2016 and Expansion

The commitment of the Company's geographical diversification, especially focused on the Asia Pacific region, has been fully demonstrated in recent years where it has nearly multiplied almost five-fold the number of hotels in the regions with the brands Gran Meliá, Meliá Innside and Sol .

Today, the region has 30 hotels between operating and pipeline and nearly 8,000 rooms, in countries such as China, Mongolia, Malaysia, Vietnam, Myanmar and Indonesia, all in a pure hotel management model.

According to the Strategic Plan 2016 - 2018 drawn up by the Company, this will continue to be the model having set the goal to grow by no fewer than 10 hotels per year, which will take us to no fewer than 60 hotels by the end of 2018. In any case, no strategic move is to be ruled out in the region in the case of key destinations.

For this business model the relationship with stakeholders is key in the region, especially with hotel owners and strategic customers. Therefore, the organization pays special attention to them in the long-term strategy and sustainability. Partnerships with first-rank local partners have been a key factor in this sustainable strategy.

The presence of the Company in the Asia Pacific region is not only relevant for development in the region, but also because the management thereof is a source of business for the Company´s other hotels in the rest of the world. The region has more than 2,000 million inhabitants, and between China and Indonesia alone, where the company focuses much of its efforts, they total nearly 1.8 billion. The outbound market is very relevant in the area, and we are working to capture this market and increase the recognition of our brands. According to the Chinese authorities in 2015, more than 120 million Chinese tourists travelled abroad, with a purchasing power higher than the average of travellers from leading tourism countries

The knowledge of the behaviour of the Asian customer, their customs, their languages, their preferences and management of their social networks gives us as a company a sustainable competitive advantage in the years ahead for what will certainly be a milestone in the hotel sector and which is none other than Asian customer management and especially the Chinese customer, which will have a global impact.

Therefore, the Asia Pacific is a region for which the Company has a long-term vision of sustainability, while also it is strategically very important for its ability to improve geographic diversification and profitability, given the low intensive model resources implanted there, not to mention the huge market that the continent represents to the rest of the world.

BRAZIL

The evolution of the hotel business in the Brazil region can be summarized in the following KPIs:

MAIN STATISTICS	2015	2014	CHG %
Managed			
% Occup.	54.9%	59.7%	(7.9%)
RevPAR (€) *	48.0	65.3	(26.5%)
ARR (€) *	87.4	109.5	(20.2%)

(*) ReVPAR ó Revenue per available room
(*) ARR ó Average room rate

OPERATING PORTFOLIO/ROOMS	2015	2014	CHG
Management and Franchise			
Hotels	14	13	1
Rooms	3,216	2,944	272

FINANCIAL INDICATORS	2015	2014	CHG %
Revenue:			
Management	5.3	7.6	(29.7%)
EBITDA:			
Management	(0.5)	1.4	(138.2%)

In 2015, the management division's revenues included 4.1 million Euros which was related to the management of third-party hotels. In 2014, this section totalled 5.9 million Euro.

Aspects to note on the evolution of hotels

The year 2015 has been particularly difficult for the Brazilian division, given the complicated political and economic situation in the country. Factors such as the decline in the level of investment in the country, falling GDP, rising interest rates, high unemployment rates and the devaluation of the local currency (the Real) against the Euro and US dollar, almost 40%, generated a significant slowdown in domestic consumption, affecting the hotel industry in general and specifically the Meliá Group, since the hotels the Company manages in the country are mainly urban hotels which are very exposed to the business segment.

Prospects for 2016

Economic projections for 2016 are not very optimistic, foreseeing a new contraction of GDP. Besides this, the Zika virus epidemic has hit Brazil particularly hard, with the largest number of people affected. For the Company, as has been said with regard to the America division, a significant impact is not expected, although currently it is monitoring the situation and implementing measures to minimize the possible impact. Among the measures implemented are strengthening the business acquisition strategy or adjustment being made in the cost structure according to demand forecasts.

On the positive side, factors such as the current exchange rate, which favours exports, and the holding of the Olympic Games in the City of Rio de Janeiro, should help generate better results. It should be noted also that in June 2016, if everything goes according to schedule, the company will open its first hotel in the city of Rio de Janeiro, the Grand Meliá Nacional.

The Company is currently focusing its strategy on capturing business in alternative markets with a healthier economic situation, such as the United States, Europe and certain Latin American countries. In addition, future hotel openings in cities like Rio de Janeiro and Recife, with a more holiday-oriented tendency, should provide a balance of more sanitized balance to the Company's hotel portfolio between urban and resort hotels. On the other hand, the Group's positioning against the competition is very positive, with many of its hotels leaders in their segments, thanks in part to the Group's commitment to innovation.

Expansion

The portfolio of upcoming openings at year end includes 4 hotels and about 1,200 rooms, including two hotels that are expected to open in 2016, including the Grand National Meliá Rio, with 472 rooms.

OTROS NEGOCIOS VINCULADOS A LA EXPLOTACIÓN HOTELERA

The heading "Other Hotel Income" basically includes the contribution of casinos, golf courses and Sol Caribe Tours, a tour operator based in Latin America.

Compared with 2014, the better performance is linked to the increased contribution of Sol Caribe Tours, as well as the impact associated with the appreciation of the US dollar.

To a lesser extent, the major contribution of the Company's casinos located in their hotels.

2.2. REAL ESTATE

In 2015 the total revenue generated by the Real Estate business unit was 69.9 million euros, of which 61.2 million euros are linked to sales as well as asset revaluations.

In terms of asset turnover, the most important events were:

- The sale of a package of 6 holiday hotels located in Spain to a joint venture in which the Starwood Capital Group holds an 80% stake and Meliá Hotels International, S.A. holds the remaining 20%. The sale price was 178.2 million Euros, with a net impact on cash of 150 million Euros. The net capital gain obtained in this operation in terms of EBITDA was 40.1 million Euros.
- The sale of the Calas de Mallorca complex in Mallorca, with 875 rooms. The transaction price was 23.6 million Euros and this translates as 3.3 million Euros of net capital gain.
- The sale of the Sol Falco Hotel in Minorca, with 450 rooms. The sale price was 20 million Euros and this generated a net capital gain of 3.9 million Euros.

All of the transactions described above generated total net capital gains in EBITDA terms of 47.3 million Euros, which compares with 14.9 million Euros in 2014 associated with the sale of the Sol Aloha Puerto hotel.

In relation to the revenues associated with asset revaluations, we report that in 2015, 2.4 million Euros were generated for this item, while in 2014 revenues of 7.8 million Euros were generated, mostly related to the shopping malls which the Group owns in America.

Looking ahead to 2016, the company aims to generate sales of additional assets, taking advantage of real estate cycles in different strategic markets, while continuing progress in consolidating the model of Joint Ventures as a dynamic and essential element in the Group strategy, which aims to strengthen the role of the Company as a manager of hotels.

2.3. CLUB MELIÁ

Sales generated by the Club Meliá grew in 2015, helped by the appreciation of the dollar against the euro, since almost all Club Meliá revenues are denominated in US dollars.

The number of weeks sold, the main source of income for the vacation club, was slightly below the figure for the previous year, partly due to the slowdown in sales in Puerto Rico, as well as lower sales to customers from certain emerging markets such as Argentina, Brazil and Venezuela, in order to minimize, as far as possible, the effects associated with country risk.

As for the operations in Mexico, the strong appreciation of the US dollar against the Mexican peso strongly affected the local market (the main client in the vacation units located in Mexico), since payments are made in US dollars.

To conclude with the performance of Club Meliá in 2015, we note that in the third quarter, the Company shut down its sales and marketing activity in Spain. While Club Meliá will continue to serve existing customers, the Company will not sell additional units in Spain, a move that had a significant increase on sales in the fourth quarter and which will likewise have an impact on projected sales in 2016.

- Going forward, the current Strategic Plan 2016-2018, will focus on the following aspects:
- Redefine the products and services strategy of Club Meliá and its position on the Company's brand map.
- Redesign and implement lead generation strategy focused on the digital dimension.
- Redefine, optimize and standardize sales processes creating a single systematic approach of its own.
- Identify opportunities with strategic partners.

2.4. CORPORATE STRUCTURE

This item includes the Group's overheads.

For a better understanding of the evolution of this item, extraordinary items that have had an impact on the comparability of the figures are shown below:

The evolution of provisions associated with contracts for payment had an impact in 2015 of around 7.5 million euros which contrasts with that of 2014.

Remember that 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.

3. REPUTATION AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Company has consolidated its corporate reputation and CSR strategy, positioning itself as a market leader in the tourism sector, above all in Spain. In this regard, consolidation has been proven to have advanced important positions in some of the rankings that measure corporate reputation as well as numerous awards received during the year:

mE	Corporate Reputation: Position 18 (+13)
mR	Merco Responsible Executives: Position 21 (+43)
mT	MERCO Talent: Position 20 (+11)
CDP A LIST 2015	CDP – Top "A + List" worldwide and among the 113 leading companies
THE CODE .ORG	Renewal as a TOP Member firm at the international level
UNWTO	2nd UNWTO Prize for Social Innovation
EUROPEAN Hospitality AWARDS 2015	Best Hotel Chain in Europe and also recognizes the Company with the most nominations in the history of these awards.

KEYS FIGURES RSC

113	Hotels Participating
665	Initiatives Reported
30,754	Employees Involved
302,871	Clients Participating
1,453,389	Beneficiaries*
802,613 €	Directs Economic Impact

* Direct and Indirect

The Company continues to strengthen its commitment and social positioning for children in close cooperation with UNICEF. In 2015 it raised, with the support of its stakeholders, 414,000 euros for projects with children in the Dominican Republic, Mexico, Brazil, Venezuela and Asia Pacific.

To back this up, the Group advances in measuring the impact of initiatives in terms of Social Responsibility internationally. From the definition of its global model, it has promoted the regionalization of its strategy in order to maximize the impact on the destinations in which it operates through the direct involvement of its hotels.

The Company's strategic focus in its commitment to contribute to climate change has been conceptualized in a range of initiatives whose main objective is the reduction of CO2 emissions and, therefore, in lower energy and water consumption per stay in business units.

The SAVE program currently implemented by 77% of the hotels in the portfolio is backed up by direct or third party investments, and with the collaboration of Energy Saving Companies (ESCO) This collaboration, implemented now in 15 hotels, has delivered improvements of around 20% in the reduction of energy consumption and savings of over one million Euros, in these business units.

The global impact of all of these measures has enabled the Company to reduce the following indicators, comparing the periods 2007-2011 and 2012-2015.

CO2 Emissions (kg)	Energy consumption (kwh)	Water consumption (m3)
11% per stay	9% per stay	7% per stay

Its equivalent economic impact, on the same calculation bases, has meant a saving in energy costs of 6.4 million Euros.

In addition, the contract signed in 2014 and renewed in 2015 with the electricity utility company Endesa for all of the hotels in Spain (47% of the hotels portfolio) for the use of green energy has also contributed to the same objectives by reducing a total of 58,298 tonnes of CO2, including the addition of 21 new hotels in its measurement.

4. PERSONNEL-RELATED ISSUES

The management and development of personnel is a key element in Meliá Hotels International, not just to meet the needs of a growing company but also as a key element of the service culture and brand proposition.

Meliá's new international scale has generated an evolution in the talent management model by boosting the generation of new initiatives and projects that ensure that key talent can be identified which enables us to meet our present and future needs.

The Inside Customer

2015 was the year of consolidation of key tools such as Performance Review, whose main objective is to assess, in a frank and open interview, the opportunities and potential future development of employees in the corporate offices and business units.

"You have the Mike" is a space for communication and participation through which over 27,000 employees express and share their opinion, in a direct and confidential way, driving forward action plans aimed at continuous improvement, and to building a culture of the future that will make Meliá a better company every day that is committed to its inside customer.

The results obtained in 2015 have once again been maintained at the high-test level. Both the Commitment index and the Pride of Belonging are close to 90%, which are evidence of the loyalty that Meliá's staff feel for the Company.

The internationalization and diversity of the Meliá's people is a valuable asset that contributes to expanding the organization's know-how. The internal development programmes have advanced over the last year with the boosting of initiatives developed by employees grouped in the Talent Pool, whose mission is to prepare groups of people to take on new responsibilities, maximizing their cross-company ability and their leadership competencies.

In 2015, Meliá launched e-MELIÁ, a digital project to boost knowledge and learning, aimed at staff in corporate offices as well as business units worldwide. Putting into service training and development tools and contents to reinforce continuous improvement and keeping up to date, as well as a shared access window to the Company's know-how.

Talent Development

Meliá's commitment to the development of its teams is the main focus in personnel management. From this point of view, 2015 has been a key year in the consolidation of talent spotting processes and the driving of professional development programmes as a key lever associated with the growth and development of the Company's internal talent.

In this way, the Talent Pool of executive profiles launched in 2014 has been joined by a manager-focused Talent Pool in which the online learning environments have played a predominant role, through which collaborators worldwide configure multi-disciplinary teams that work on identifying and conceptualizing opportunities for development and improvement which are presented to Meliá's Senior Management for evaluation before being implemented definitively.

The Leadership Model

The real driver of this cultural transformation has been taken on board by Meliá's leaders, who, by their example, inspire their teams to improve their professional development and to whom they must give the necessary tools to enrich their roles and responsibilities, strengthening and developing talent through inspirational leadership model based on trust, honesty and integrity.

A clear example of this aim is precisely the management that the Talent Pool team initiated in 2015 with the development of a community of leadership which permits, as well as sharing challenges and coming up with joint solutions, certifying the leader-coach collaboration model, which is key to the personnel management strategy in Meliá.

The Employment Framework

With the aim of filling vacancies from outside the Company and strengthening our image as a Brand of Employment, through social and professional networks, Meliá has succeeded in improving its capacity to attract future talent by focussing on the post of Hotel Manager.

Social Benefits of the Inside Customer

Meliá offers its employees a complete Social Benefits Plan which, encompassed in the Group's Human Resources Policy, complements the Compensation and Benefits Policy and strengthens the Company's commitment to its employees.

This plan has two aspects with social benefits of a global nature, within reach of all of Meliá's members and special benefits, to which certain countries and groups can access according to their role in the organization and to a model of adaptation to cultural diversity, of the environment and the habits and customs of each country, which strengthens the bond between Meliá and its teams.

The employee loyalty programme for Meliá employees, MAS Stars, with a complete range of offers in accommodation and other services, has generated a sales volume of 12 million Euros (2% greater than in fiscal year 2014).

New Purchases Portal PRIVILEGE

In addition to its social benefits, Meliá provides its employees with an internal shopping portal in which they can access numerous additional advantages.

Thus, Meliá's employees can gain direct access to special prices and discounts with suppliers in all sectors, totalling over 300 leading brands through direct online discounts, physical coupons, and a VIP account. This portal complements the agreements that Meliá maintains with first-rank firms, exclusively for its employees.

Healthy Living Habits and Occupational Risk Prevention

Meliá's personnel are the Company's principal asset and for this reason, Meliá ensures that there is safe and healthy working environment wherever it is present .

This drives its efforts in terms of occupational health and the prevention of industrial risks, considering the current law in the locations where it operates, and strengthening them with the best practices identified in this area, in some cases exceeding the demands of strict compliance with the regulations in each country.

The Company has integrated on an international basis the preventive health and safety criteria of industrial risks from the perspective of anticipating them rather than reacting to them.

Meliá Hotels International, as a responsible employer, also follows the recommendations of the International Labour Organization (ILO) and submits to an external audit by an accredited firm.

To care for the health and safety of its employees, Meliá has Health and Safety committees which in an equal and collegiate manner offer an opportunity in the various work locations for regular and periodic consultation with regard to the actions that the Company takes in this regard.

As well as ensuring that there is a suitable working environment, the Company promotes healthy lifestyles among its employees.

5. LIQUIDITY AND CAPITAL RESOURCES

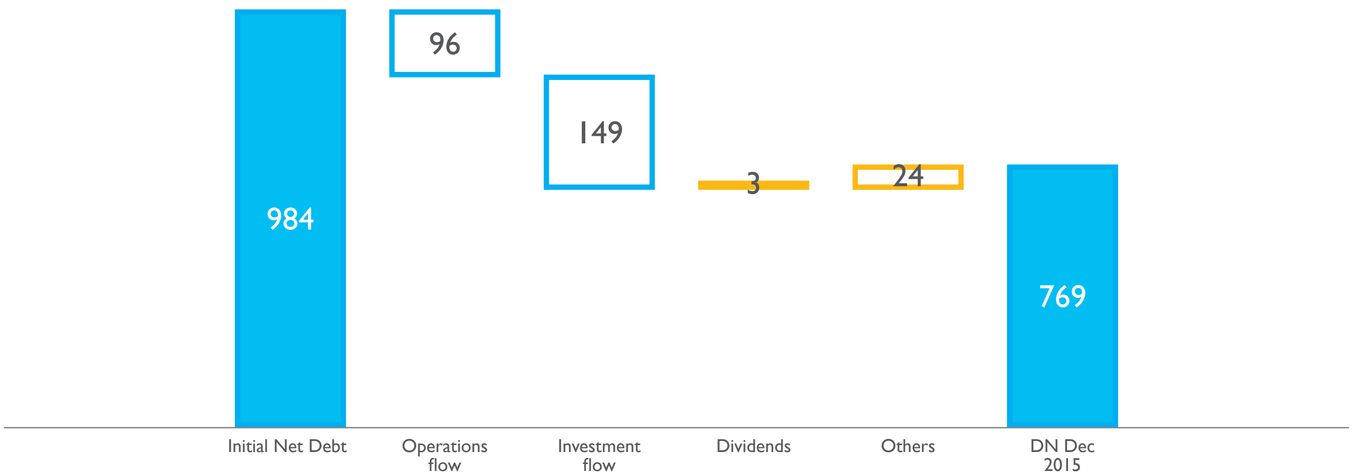
In 2015, the Company achieved a level of net debt below 770 million Euros, which is a reduction in debt of more than 200 million Euros compared to the end of fiscal year 2014.

The principal bases for achieving this financial deleveraging have been the greater generation of cash, given the improvements in all of the Company's businesses, as well as the revenue generated by the asset turnover activity, which in 2015 generated approximately 200 million Euros in sales.

In this way, the Company has achieved its objective of reaching a net debt ratio to EBITDA below x 3.5, with a level of x 3.1.

With a view to fiscal year 2016 the Company expects that with the generation of a net flow of operations alone, it will be able to situate itself below the X3 threshold, a comfortable situation which is reassuring for the Company.

Below is a table summarizing the evolution of net debt throughout fiscal year 2015:



The operations flow includes:

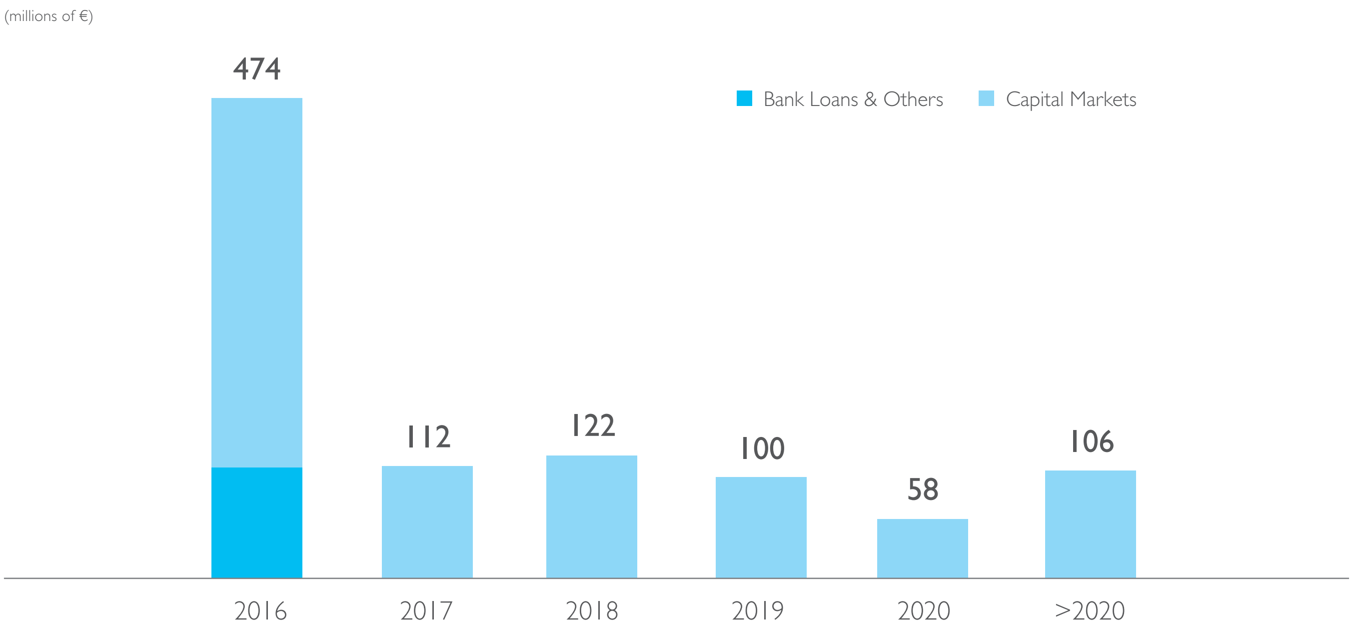
- The generation of a net operations flow of 223 million Euros (excluding 47.3 million Euros of net capital gains).
- An interest payment of 63 million Euros.
- A maintenance capex of 64 million Euros.

The investment flow includes:

- The disinvestments made by the Company through asset turnover of 222 million Euros (178.2 million Euros from the sale of six hotels to the sub-group set up in conjunction with the Starwood Capital Group and in which the Meliá Group holds a 20% stake, 23.6 million Euros from the sale of the Calas de Mallorca hotel and 20 million Euros from the sale of the Sol Falco hotel).
- Investments in the region of 73 million Euros, mainly concerning the repurchase of the Meliá Milano hotel in June 2015 for 48 million Euros, in addition to the contribution made by the Group to the company incorporated in conjunction with the Starwood Group, discussed above, for 18.5 million Euros.

In relation to the cost of the debt, the Company has also achieved an improvement in the average interest rate, at 4.36% compared to 4.84% in 2014.

Going forward, the Company has the following redemption schedule. The figures shown below exclude the loans drawn down:



It is important to note that the 2016 redemptions include convertible bonds with a value of 250 million Euros, following the decision taken by the Company on 25 March 2016 to exercise the purchase option (or call) for their early redemption and which is shown in the non-current liabilities in the consolidated balance sheet, as stated in Note 22 of the consolidated annual accounts.

6. PRINCIPAL RISKS AND UNCERTAINTIES

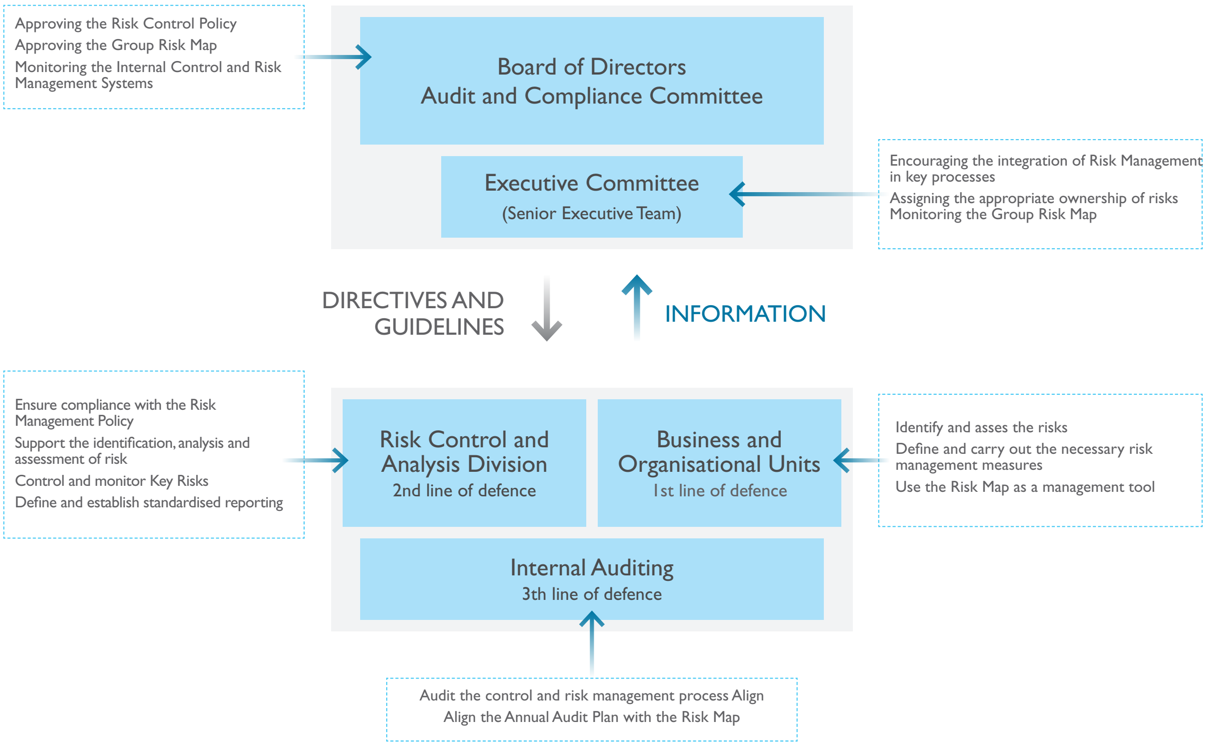
6.1. RISK MANAGEMENT

The Group is exposed to various risk factors, due, among other factors, to the nature of the business and to the [conditions in the] various countries and markets in which it carries on its business activities.

For this purpose, the Company has Group-wide Comprehensive Risk Management Model which enables it to identify and rate the main risk factors for the Company, guaranteeing consistency in the risk valuation criteria and ensuring that the requisite control measures and action plans are implemented.

Risk management is seen as a differentiating factor and its ultimate aim is to improve the capacity to generate value in a sustainable manner and to offer security and confidence to various stakeholders. For this purpose it has several corporate governance bodies and organizational units that have responsibilities assigned to them in terms of risk management.

There follows an organizational chart showing the main functions and responsibilities assigned:



The Risk Management model is based on the international methodological framework COSQ II (Committee of Sponsoring Organizations of the Treadway Commission) and is a continuous improvement model.

The various risk events, once identified, analysed and evaluated, are classified into six major types of risk:

In Note 4 of the consolidated annual accounts, additional information is provided regarding the management of financial risks to which the Group's activities are exposed: market risk (exchange rate risk, interest rate risk), credit risk and liquidity risk.

In addition, in section E of the Annual Corporate Governance Report, further details are provided on the risk management conducted by the Group.

6.2. PRINCIPAL RISKS

RIESGOS	DESCRIPCIÓN	TENDENCIA	MATERIALIDAD	GESTIÓN
HR Process and Talent Management	Opening the job market may lead to: Loss or rotation of key staff Difficulty in attracting or recruiting talent. Dificultad para atraer o captar talento Dependence on key staff for certain positions		People management, attracting and retaining talent	Annual talent potential identification plan and development programmes. Training and development plan of the various talent pools Digital environments for knowledge dissemination, learning and continuous improvement Internal promotion policy Agreements with Universities and Tourism and Business Schools Visibility on reputational, brand and sector employer rankings
Growth and Expansion	Expansion Plan requiring: Resource requirements and capacity to absorb the rate of growth Correct choice of areas, countries and partners		Current presence and future growth	Existence of an Expansion Committee to define, approve and monitor projects Individualised risk analysis for each project
Dependence on Areas and/or Regions	Improve the distribution balance of Meliá's portfolio: Concentration of hotels in some areas Difficulty of adapting certain hotels to the brand's standards		Business evolution and results Brand and product strategy Innovation	Development of the Strategic Expansion Plan Expansion mainly through management models, but also rental and, to a lesser extent, franchising Annual Investment Plan for product and brand improvement
Profitability of the Hotel Management Model	As a hotel management company, ensure: Management and policy for pricing and revenue Competitiveness of the management model Ability to adapt the model to each country		Canales de venta Innovación Estrategia de marcas y productos	Strengthening of distribution channels (melia.com, call centres) Loyalty programmes for direct customers, travel agencies,etc.
New Competitors	Emergence of new competitors and forms of collaborative consumption: Possible loss of leadership in certain areas More numerous, aggressive, renewed competition, with strong customer relations Possible sectorial restructuring (mergers, acquisitions, emergence of new competitors)		Tourist sector and economic context Innovation	Creating models of relations with the owner: website owner Adaptation of the organisational model to the needs of the business Digital transformation of the sales force Optimisation of on/offline marketing Incorporation of new attributes, services
Investment. Maintenance and Asset Renewal	Consistency regarding the Annual Investment Plan, with key points being: Investment process (allocation, execution, control and monitoring) Profitability of investment Wear and tear of facilities and equipment		Financial solvency Brand and product strategy Product quality and customer satisfaction	Existence of an Investment Committee responsible for identifying, monitoring and controlling the investment plan Defining an annual maintenance plan Risk prevention or its minimisation to be integrated in the annual investment plan
Cybersecurity	Refers to: Protection and security of information Cybercrime, cloud computing User management, access and profiles System failures or crashes		New technologies, digitalisation	Development of a specific annual Internal Audit Plan of the computer systems Twice-yearly control process of personal data protection Obtainment of annual PCI Compliant certification. Protection of payment information for card holders, minimize risk of intrusion and increase customer trust Continuous improvement in the adaptation of access to software tools available and security of information Control and monitoring of the configuration of navigation proxies for increased protection
Legal and Regulatory	The fact that we operate in 41 countries involves exposure to risks such as: Legislative or regulatory changes (of any kind: tax, accounting, jobs, environmental etc.) Complexity and regulatory dispersion which could lead to breaches		Tourist and Economic sector context Human rights Transparency of information	Establishment of a Code of Ethics and Whistle-blower Channel Behaviour Policy Directive signed annually Identification, communication and continuous monitoring of regulatory changes Relations with prestigious external legal advisers
Geopolitics	Situations arising from geopolitical instability: Terrorist attacks Wars, civil unrest or military uprisings, etc. Crises or political insecurity in countries where we operate		Tourist sector and economic context	Creation and implementation of emergency crisis plans Crisis Management Protocol according to the nature of the situation

NOTE: The identification of these risks does not mean that they have actually materialized during the fiscal year. Notwithstanding, the Company strives to set in motion the mechanisms it deems appropriate to reduce the probability of occurrence or the impact they would have were they to occur.

7. RDI ACTIVITIES

Technology and its adaptation to the current needs of the business is one of the priorities of the Company's strategy. In Meliá, technology is regarded as a lever for excellence in management.

Meliá Hotels International is undertaking the RDI project, Be more Digital, which will steer the chain's digital conversion with an investment of over 100 million Euros over three years. The new customer relationship strategy will be the spearhead of a comprehensive transformation, which will also revolutionise the staff's working experience and relationships with hotel investors and owners.

The digital challenge is transforming the way companies relate to their customers, and it is particularly in the tourism and hotel business that the new digital paradigm is having a major impact. More than half the searches related to travel and tourism in Spain are now made using mobile devices.

The aim of the project is that by 2017, 40% of the Company's revenue will come from direct channels, above all from customers affiliated to Meliá Rewards, the Company's customer loyalty programme. In parallel, the rest of the channels will also continue to grow and will provide the remaining 60% of the turnover. With all of this, the online channels as a whole (own and intermediaries such as online travel agencies or online tour operators) will surpass the offline or conventional channels.

This transition by Meliá to the digital world will not be restricted to the commercial relationship with the customer, but will extend to the entire value chain, and will pivot on three clear points:

- **The Customer:** All transactions with the customer/guest will be transformed:
    - With the final customer (B2C) through the development of Meliá.com and mobile apps
    - With the professional customer (B2B) through the development of the tool MeliáPro
    - For business trips, through the development of Business Travel by Meliá which currently has 125,000 companies subscribed.
    - The revolution will also extend to hotel front desks since customers will be able to check in using their cell phones or tablets, among other innovations.

- **The Employee:** More than 300 commercial representatives have already experienced the digital leap and the new functionalities which the "Meliá Sales App" provides: a simple tablet brings together all of the tools a sales representative needs. Meliá is also implementing digital evolutions in all aspects of the Company's management, including Finance, Expansion, Human Resources, etc

- **The hotel investor / owner:** One of the main actions to bring on board this stakeholder group - whose importance and relative weight is growing as Meliá adds more third-party owned hotels under management agreements - includes setting up a new Owners Portal in which they will be able to find all of the necessary information on the Company in both corporate and product terms, find out about its advantages and make their reservations and other processes.

To sum up, the great revolution is the personalization of Meliá's value proposition to the customer: multi-device technology, personalization and prediction drivers, and new digital marketing platforms make it possible to achieve a true personalization of the customer experience at all times during what is known as the 'customer journey' (making travel preparations, reservation, stay and post-trip). Be More Digital is undoubtedly a cutting-edge and innovative project, which calls for a major technological boost and a change of attitude by people, a new way of thinking, a new digital culture.

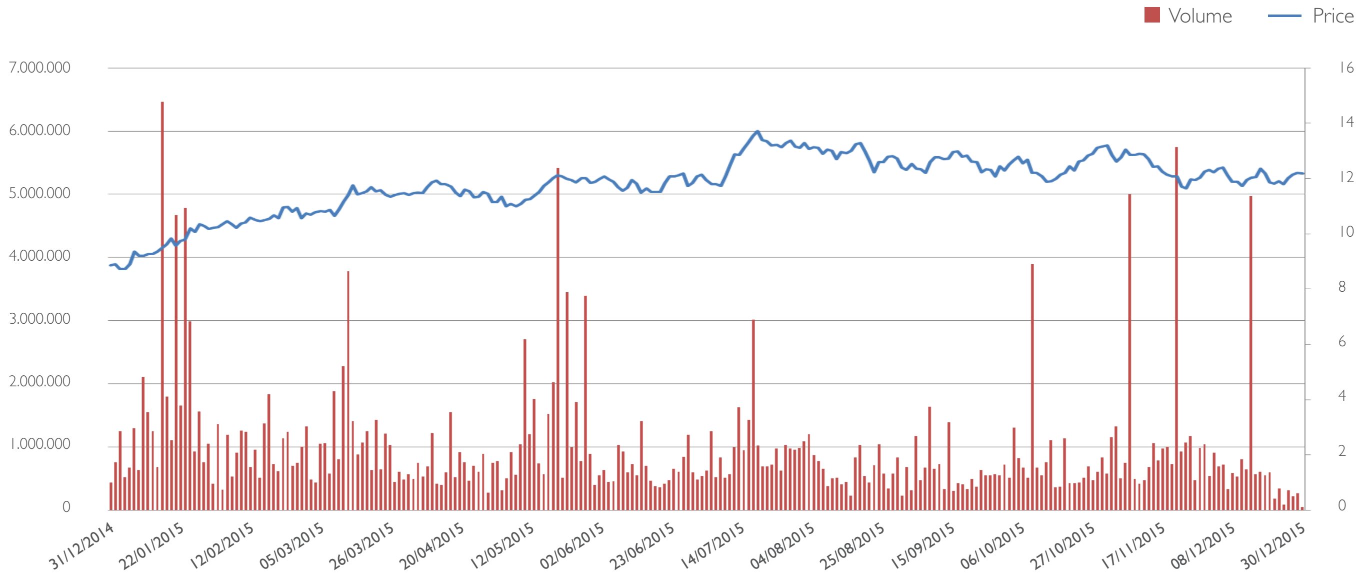
In addition, the multinational group Accenture, a leader in business consulting and digital conversion, has joined this project bringing its capabilities, technology and experience in digital conversion in the global hotel sector. Its track record and significant international presence are, without a doubt, of vital importance to adapt the strategy to all of the countries in which Meliá has a presence.

8. OTHER INFORMATION

8.1. STOCK MARKET INFORMATION

The Meliá share experienced a revaluation in 2015 of 37.5%, in the context of an evolution of the Ibex Medium Cap and the Ibex35 of 14 and -7%. respectively.

The following graph shows the evolution of the share value, as well as the volume of share operations recorded during fiscal year 2015:



	1T.2015	2T.2015	3T.2015	4T.2015	2015
Average daily volume (thousand shares)	1,303.61	958.34	751.26	919.65	980.10
Meliá preformance	30%	3%	5%	(2%)	37%
Ibex Medium Cap performance	21%	(6%)	(5%)	6%	14%
Ibex 35 performance	12%	(7%)	(11%)	0%	(7%)

	31/12/2015	31/12/2014
Number of shares	199,053,048	184,776,777
Average daily volume (euros)	980.10	767.26
Maximum share price (euros)	13.71	9.93
Minimun share price (euros)	8.73	7.33
Last price	12.18	8.86
Market capitalisation (millions euros)	2,424.47	1,637.12
Dividend (euros)	0.03	0.04

In Note 15.3 on the consolidated annual accounts a breakdown is given of the acquisitions and alienations of treasury stock by the Company during fiscal year 2015.

8.2. DIVIDEND POLICY

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

8.3. 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 consolidated annual accounts.

8.4. AVERAGE PAYMENT PERIOD TO SUPPLIERS

As stated in Note 21 on the consolidated annual accounts. the average payment period to suppliers of Meliá Hotels International, S.A. and its Spanish subsidiaries in fiscal year 2015 was 88.07 days.

With a view to future fiscal years, the Company is conducting a review of the administrative processes from the receipt of invoices to the making of payments in order to reduce the average payment period.

9. EVENTS AFTER THE REPORTING DATE

The relevant events that occurred after the balance sheet closing date and which will have significant impacts are detailed in Note 22 of the consolidated annual accounts.

10. ANNUAL CORPORATE GOVERNANCE REPORT

The Annual Corporate Governance Report for fiscal year 2015 is enclosed as an attachment.

ANNUAL CORPORATE GOVERNANCE REPORT ON THE PUBLICLY TRADED COMPANIES

YEAR 2015

A. OWNERSHIP STRUCTURE

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

Date of last change	Share Capital (€)	Number of shares	Number of voting rights
23/12/2014	39,810,609.60	199,053,048	199,053,048

Point out if there are different classes of shares with different rights associated with them:	Yes		No	X

A.2. List the direct and indirect owners of significant holdings in your company at year-end, excluding 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.	26,983,066	0	13.56%
MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11,542,525	0	5.80%

Point out the most significant movements in the shareholding structure during the year.

A.3. Complete the following tables with the members of the company's Board of Directors with voting rights on company shares:

Name or corporate name of shareholder	Number of voting rights directly	Number of voting rights indirectly	% of total voting rights
MR.FERNANDO D´ORNELLAS SILVA	0	0	0.00%
MR.JUAN ARENA DE LA MORA	1,000	0	0.00%
MR.ALFREDO PASTOR BODMER	0	6,000	0.00%
MR.GABRIEL ESCARRER JULIA	0	116,087,747	58.32%
MR.JUAN VIVES CERDA	0	375	0.00%
MR.SEBASTIAN ESCARRER JAUME	0	0	0.00%
MR.GABRIEL ESCARRER JAUME	0	0	0.00%
MR.FRANCISCO JAVIER CAMPO GARCIA	0	0	0.00%
MR.LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	300	0	0.00%
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	51,871,167	0	26.06%

Name or corporate name of indirect shareholder	Through: Name or corporate name of the direct shareholder	Number of voting rights
MR.ALFREDO PASTOR BODMER	MS. MARÍA DEL CARMEN OLIVES PUIG	6.000
MR.GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	51.871.167
MR.GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS, S.L.	25.690.989
MR.GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	26.983.066
MR.GABRIEL ESCARRER JULIA	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	11.542.525
MR.JUAN VIVES CERDA	FINCA LOS NARANJOS, S.A	375
	% of total voting rights held by the Board of Directors	58,32%

Complete the following tables with the members of the company's Board of Directors with voting rights on company shares

A.4. If applicable, point out any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities:

Related name (person or company)	
MR. GABRIEL ESCARRER JULIA	
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	
Type of relationship:	Family
Brief description:	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.

Related name (person or company)	
MR. GABRIEL ESCARRER JULIA	
HOTELES MALLORQUINES ASOCIADOS, S.L.	
Type of relationship:	Family
Brief description:	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.

Related name (person or company)	
MR. GABRIEL ESCARRER JULIA	
HOTELES MALLORQUINES AGRUPADOS S.L.	
Type of relationship:	Family
Brief description:	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.

Related name (person or company)	
MR. GABRIEL ESCARRER JULIA	
MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	
Type of relationship:	Family
Brief description:	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. If applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings, and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

A.6. Point out if the company has been informed of any shareholder agreements that may affect it as set out under articles 530 and 531 of the Corporate Enterprises Act. If applicable, briefly describe them and list the shareholders bound by such agreement:

Yes		No	X

Point out if the company is aware of the existence of concerted actions amongst its shareholders. If so, detail them briefly:

Yes		No	X

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions, point out this expressly:

A.7. Point out if any person or organization exercises or may exercise control over the company pursuant to article 4 of the Securities Exchange Act. If so, identify names:

Yes	X	No	

Name (person or company)
MR. GABRIEL ESCARRER JULIA

Comments
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 attributed exclusively to Gabriel Escarrer Julia, those shares are directly or indirectly owned by Gabriel Escarrer Julia, his wife and children.

A.8. Complete the following tables regarding the company's treasury stock:

At year end:

Number of direct shares	Number of indirect shares (*)	total % share capital
1,061,312	0	0.53%

(*) Throught:

Give any details of any significant changes during the year, pursuant to Royal Decree 1362/2007:

Explain the significant changes
Communication date: 05/01/2015. Number of direct share acquired: 2,984,000. % total share capital: 1.616% Communication date: 16/01/2015. Number of direct share acquired: 6,633,000. % total share capital: 3.333% Communication date: 24/07/2015. Number of direct share acquired: 2,371,331. % total share capital: 1.191% Communication date: 09/11/2015. Number of direct share acquired: 3,462,943. % total share capital: 1.740%

A.9. Detail the conditions and the term of the current mandate from the general meeting to the Board of Directors to issue, buy back and transfer treasury stock.

The General Meeting of Shareholders held on 4th June 2015, approved, among others, the following agreement:
Authorize the Board of Directors, which in turn may delegate and empower as it deems appropriate to the Directors it deems appropriate, to acquire and dispose of shares in the Company, directly or through controlled companies, by sale, exchange, adjudication, payment, or any other of manner permitted by law, to the extent permitted by law, for a price which shall be not less than 90% or more than 110% of the closing price of the previous day's session, with a term of five years from the date of adoption of this resolution. All this within the limits and requirements of the Corporate Enterprises Act and the Company Internal Code of Conduct on matters relating to Securities Markets.

A.9. bis Estimated floating capital

	%
Estimated floating capital	41.14

A.10. Point out if there is any restriction at all on the transferability of securities and/or any restriction on voting rights. In particular, report of the existence of any restrictions that might hinder the take-over of control of the company by purchasing its shares on the market.

Yes		No	X

A.11. Point out if 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, detail the measures approved and the terms and conditions under which the restrictions would become inefficient:

A.12. Point out if the company has issued securities that are not traded on a regulated market in the EU.

Yes		No	X

If applicable, detail the different classes of shares, and what rights and obligations each share class confers.

B. GENERAL MEETING

B.1. Point out, and if applicable give details, if there are any differences at all from the minimum standards to the quorum and constitution of the General established under the Corporate Enterprises Act (CEA) with respect to the General Meeting.

Yes	X	No	

	% quorum different from quorum in art. 193 of CEA for general circumstances	% quorum different from quorum in art. 194 of CEA for special circumstances in art. 194 CEA
Quorum required on first call	0.00%	0.00%
Quorum required on second call	0.00%	0.00%

Description of the differences
Article 24.4 of the Bylaws, states that in order the General Shareholders Meeting validly approves the replacement of the corporate objective, a request for delisting of Company shares, or the transformation or winding up of the Company, the first calling of the General Shareholders Meeting must be attended by FIFTY PERCENT (50%) of the share capital with voting rights. In a second calling, the attendance of TWENTY-FIVE PERCENT (25%) of share capital with voting rights will suffice. The merger, or demerger, either total or partial, segregation and global assignment of assets and liabilities of the Company will also require this mentioned special quorum, except when such operations involve companies that, either directly or indirectly, are majority-owned by the Company, in which case the quorum requirements stated in the then current legislation for each case shall apply.

B.2. Point out, and if applicable give details, if there are any differences from the minimum standards established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

Yes	X	No	

Detail any differences from the minimum standards established under the CEA.

	Qualified majority different to the established in article 201.2 of CEA for the special circumstances of the article 194.1 of CEA	Other case of qualified majority
% established by the Company for adopting resolutions	0,00%	60,00%

Description of the differences
According to article 28.2 of the Bylaws, for the General Shareholders Meeting to validly approve the replacement of the corporate objective, a request for delisting of Company shares, or the transformation or winding-up of the Company, a favorable vote of SIXTY PERCENT (60%) of the share capital with voting rights present or represented at the General Shareholders Meeting will be required both at the first and second calling. Nevertheless, when a second calling is attended by Shareholders that represent less than FIFTY PERCENT (50%) of the share capital with voting rights, the resolutions mentioned in this section may only be passed with the favorable vote of TWO THIRDS (2/3) present or represented at the General Shareholders Meeting. The merger, or demerger, either total or partial, segregation and global assignment of the assets or liabilities of the Company will also require the favorable vote of this special majority, except when such a merger or demerger involves companies that, either directly or indirectly, are majority owned by the company, in which case the majority vote requirements stated in 28.1 (simple majority vote of the shareholders present or represented at the meeting, except in those cases where the Law or these Bylaws require a higher majority) will be applicable. Article 28.3 states that resolutions to change articles 3 (Company domicile), 7 (Accounting Register of Shares and Register of Shareholders), 8 (Legitimation of Shareholders), 24.3 (Quorum), 24.4 (Special quorum), 28 (Majorities for the approval of resolutions), 33 (Appointments to the Board of Directors) and 38 (Delegation of powers) of these Company Bylaws will require a favorable vote of at least SIXTY PERCENT (60%) of the share capital with voting rights present or represented at the General Shareholders Meeting both at the first and second calling.

B.3. Point out the rules applicable to the amendments of the company bylaws. Specially, report the majorities established to amend the bylaws, and the rules, whether there are any, to safeguard shareholders' rights when amending the bylaws.

Article 30.1.h) of the Bylaws establishes that the General Meeting of Shareholders has the authority to approve the modification of the Bylaws.

Pursuant to article 24 of the Bylaws, the Ordinary or Extraordinary General Shareholders Meeting shall be constituted at first or second calling whenever the shareholders in attendance or represented meet the legal and statutory minimum quorums regarding percentage of capital for the different matters on the Agenda according to current legislation.

Notwithstanding the terms of the previous point, in order that the General Shareholders Meeting validly approve the replacement of the corporate objective, a request for delisting of Company shares, or the transformation or winding up of the Company, the first calling of the General Shareholders Meeting must be by FIFTY PERCENT (50%) of the share capital with voting rights. In a second calling, the attendance of TWENTY-FIVE PERCENT (25%) of share capital with voting rights will suffice.

Pursuant to article 28 of the Bylaws, Resolutions at the General Shareholders Meeting will be passed by a simple majority vote of the shareholders present or represented at the meeting, except in those cases where the Law or these Bylaws require a higher majority. For the General Shareholders Meeting to validly approve the replacement of the corporate objective, a request for delisting of Company shares, or the transformation or winding-up of the Company, a favorable vote of SIXTY PERCENT (60%) of the share capital with voting rights present or represented at the General Shareholders Meeting will be required both at the first and second calling.

Nevertheless, when a second calling is attended by Shareholders that represent less than FIFTY PERCENT (50%) of the share capital with voting rights, the resolutions mentioned in this section may only be passed with the favorable vote of TWO THIRDS (2/3) present or represented at the General Shareholders Meeting.

Notwithstanding the previous terms, resolutions to change articles 3 (Company domicile), 7 (Accounting Register of Shares and Register of Shareholders), 8 (Legitimation of Shareholders), 24.3 (Quorum), 24.4 (Special quorum), 28 (Majorities for the approval of resolutions), 33 (Appointments to the Board of Directors) and 38 (Delegation of powers) of these Company Bylaws will require a favorable vote of at least SIXTY PERCENT (60%) of the share capital with voting rights present or represented at the General Shareholders Meeting both at the first and second calling.

B.4. Detail the data on attendance at the general meetings held during the year to which this report refers and the previous year also:

	Attendance figures				
General Meeting Date	% Shareholders present	% attending by proxy	% voting remotely		Total
			Electronic vote	Other	
04/06/2014	65.30%	13.77%	0.00%	0.00%	79.07%
04/06/2015	70.16%	9.45%	0.00%	0.00%	79.61%

B.5. Point out the number of shares, whether there are any, that are required to be able to attend the General Meeting and whether there are any restrictions on such attendance in the bylaws:

Yes	X	No	

Number of shares necessary to attend the General Meetings	**300**

B.6. Section repealed.

B.7. Point out the address and means of access through the company website to the information regarding corporate governance and other information on the general meetings that must be made available to shareholders on 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, including the General Meeting:

http://www.meliahotelsinternational.com/es/accionistas-e-inversores/gobierno-corporativo/junta-general-accionistas

C. CORPORATE GOVERNANCE STRUCTURE

C.1. Board of Directors

C.1.1. Maximum and minimum number of directors established in the bylaws:

Maximum number of directors	15
Minimum number of directors	5

C.1.2. Complete the following table on the Board members:

Name of Director	Representative	Type of directorship	Position on the Board	Date of first appointment	Date of last appointment	Election procedure
FERNANDO D´ORNELLAS SILVA		INDEPENDENT	DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
JUAN ARENA DE LA MORA		INDEPENDENT	DIRECTOR	31/03/2009	04/06/2014	VOTE AT SHAREHOLDERS' MEETING
ALFREDO PASTOR BODMER		OTHER EXTERNAL	DIRECTOR	31/05/1996	04/06/2015	VOTE AT SHAREHOLDERS' MEETING
GABRIEL ESCARRER JULIA		EXECUTIVE	CHAIRMAN	07/02/1996	04/06/2015	VOTE AT SHAREHOLDERS' MEETING
JUAN VIVES CERDA		PROPIETARY DIRECTOR	DIRECTOR	07/02/1996	04/06/2015	VOTE AT SHAREHOLDERS' MEETING
SEBASTIAN ESCARRER JAUME		PROPIETARY DIRECTOR	DIRECTOR	07/02/1996	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
GABRIEL ESCARRER JAUME		EXECUTIVE	VICE PRESIDENT AND CEO	07/04/1999	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
FRANCISCO JAVIER CAMPO GARCIA		INDEPENDENT	DIRECTOR	13/06/2012	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
LUIS Mª DIAZ BUSTAMANTE TERMINEL		INDEPENDENT	SECRETARY DIRECTOR	30/11/2010	13/06/2012	VOTE AT SHAREHOLDERS' MEETING
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MARIA ANTONIA ESCARRER JAUME	PROPIETARY DIRECTOR	DIRECTOR	23/10/2000	13/06/2012	VOTE AT SHAREHOLDERS' MEETING

Total number of board members	10

Point out the severances that have occurred on the Board of Directors during the reporting period:

Name of director (person or company)	Condition of director at time of severance	Date of leaving
MS. AMPARO MORALEDA MARTINEZ	Independent	08/06/2015

C.1.3. Complete the following tables on the Board members and their different kinds of directorship:

EXECUTIVE DIRECTORS	
Name of Director (person or company)	**Position in the company organization**
MR. GABRIEL ESCARRER JULIA	CHAIRMAN
MR. GABRIEL ESCARRER JAUME	VICE PRESIDENT AND CEO

Total number of executive directors	2
% of total directors	20.00%

EXTERNAL PROPRIETARY DIRECTORS	
Name of Director (person or company)	Name (person or company) of the significant shareholder they represent or which proposed their appointment
MR. JUAN VIVES CERDA	HOTELES MALLORQUINES ASOCIADOS, S.L.
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	HOTELES MALLORQUINES CONSOLIDADOS, S.A.

Total number of external proprietary directors	3
% of total directors	30.00%

EXTERNAL INDEPENDENT DIRECTORS	
Name or corporate name of the Director	Profile
MR. FERNANDO D'ORNELLAS SILVA	EDUCATION Degree in Law and Economics from ICADE- E3. MBA from IESE, Barcelona (International Section). PROFFESIONAL TRAJECTORY 1. GRUPO BERGE- 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; 2. Johnson & Johnson España (1983-1985) Financial Director OTHERS - 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. - DINAMIA, Member of the Board of Directors (2013-2015) - Vice president of the National Association of Cars, Trucks, Buses and Motorcycles importers (2004-2012) - Founding member of the Spain-Chile and Spain-Perú foundations (2011-2012) - Member of the foundation council Spain-China and Spain-Japan. - Advisor of MITSUBISHI CORPORATION in the acquisition of the participation of Acciona Termosolar, S.A. (2010-2011). - Vice President of the Advisory Board of the Real Club de la Puerta de Hierro CURRENTLY MELIA HOTELS INTERNATIONAL, MEMBER of the Board of Directors (since June 2012) WILLIS IBERIA, Member of the Advisory Board (since March 2013); MITSUBISHI CORPORATION, Senior Advisor for Spain and LATAM (since March 2013); Water , Energy and Infrastructures. LAZARD ASESESORES FINANCIEROS, S.A., Senior Advisor for Spain and LATAM (since June 2013); Water , Energy and Infrastructures. GPIAC (GP Investments Acquisition Corp.), member of the Board of Directors since June 2015) Member of the International Advisory Board of the Hispanic Society of America; Member of the Advisory Board of the Real Club de la Puerta de Hierro (since 2010).
MR. 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. Mr. Arena joined Bankinter in 1970 when he was 26 years old, where he held a number of posts including the Presidency from 2002 until 2007. He currently sits on the boards including Ferrovial, Laboratorios Almirall, Everis, Meliá hotels International, UBS Bank and Panda he also holds different positions in the 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 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 Senior Lecturer of the Harvard Business School during the year 2009-10 and in the current year. 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 (Comisión Soto).
MR. FRANCISCO JAVIER CAMPO GARCIA	Degree in Industrial Engineering from the Madrid Polytechnic University, he began his career in 1980 with Arthur Andersen. In 1985 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: Foster's Hollywood, La Vaca Argentina, Cañas y Tapas, Il Tempietto, Domino's Pizza y Burger King. With more than 500 restaurants and more than 7.000 employees. Currently he is the President of the Cortefiel Group (Cortefiel, Pedro del Hieero, Springfiled, Women's secret), President of AECOC, the Spanish Consumers' Association which has more than 25,000 member companies representing more than 20% of Spain's GDP, with more than 26.000 associated companies 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, of the F. Campo Foundation for helping children and member of the Board of Governors of the Carlos III Foundation and the Forum de Alta Dirección.

EXTERNAL INDEPENDENT DIRECTORS	
Name or corporate name of the Director	Profile
MR. 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	**4**
% of total directors	**40.00%**

Point out if any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for his/her directorship, or maintains or has maintained over the last year a business relationship with the company or any company in its group, whether in his/her own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

If applicable, give a reasoned statement from the Board with the reasons why it considers that this director can perform his/her duties as an independent director.

OTHER EXTERNAL DIRECTORS

Name all other external Directors and explain why these cannot be considered proprietary or independent Directors and explain their relationships with the company, its executives or its shareholders:

Name or corporate name of the Director:	Company, executive or shareholder to which related:
MR. ALFREDO PASTOR BODMER	MELIA HOTELS INTERNATIONAL.S.A.
Reasons:	Mr.Alfredo Pastor Bodmer has been a director for a continuous period of more than 12 years, which pursuant to article 529 duodecies, paragraph 4 i) of Corporate Enterprises Act (CEA) it's a period of time considered as one of the reasons why a Director can't be considered as Independent.

Total number of other external directors	**1**
% of total directors	**10.00%**

Point out any changes that may have occurred during the period in the type of directorship of each director:

Name of director (person or company)	Date of change	Previous category	Current category
MR. ALFREDO PASTOR BODMER	04/06/2015	Independent	Other External

C.1.4. Complete the following table with information regarding the number of female directors over the last 4 years, and the category of their directorships:

	Number of female directors				% of total female directors of each category			
	Year 2015	Year 2014	Year 2013	Year 2012	Year 2015	Year 2014	Year 2013	Year 2012
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	33.33%	33.33%	33.33%	25.00%
Independent	0	1	1	1	0.00%	16.67%	16.67%	16.67%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
TOTAL	**1**	**2**	**2**	**2**	**10.00%**	**18.18%**	**18.18%**	**16.67%**

C.1.5. Detail the measures, whether there are any, that have been adopted to try to include a number of female directors on the Board that would mean a balanced presence of men and women.

Explanation of the measures
The Company, in the process of carrying out all its actions, recognizes equal opportunities without discrimination, a criterion that assumes as its own the Appointments and Remuneration Committee at the time of initiating the process of selecting a new Director, by ensuring that they do not suffer from implicit bias that may hinder the selection of female directors.

C.1.6. Detail the measures, whether there are any, agreed by the Appointments and Remuneration Committee to ensure that the selection procedures do not suffer from any implicit biases that may hinder the selection of female directors, and that the company deliberately seeks and includes potential female candidates that meet the professional profile sought:

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 in order to maximize the knowledge and experience that can contribute in the development of their own roles as Directors, focusing the selection processes in the search for specific skills, assessing candidates based on these and the knowledge, attitudes and skills required, ensuring equal treatment and opportunities and ensuring transparency in all the processes.

When, despite any measures that might have been adopted, the number of female directors is low or none, explain the reasons:

Explanation of the measures

C.1.6. bis Explain the conclusions of the Appointments Committee regarding the verification of the compliance with the board member selection policy. And, in particular, explain how this policy is fostering the goal for 2020 to have the number of female board members represent at least 30% of the total number of members of the board of directors .

Explanation of the conclusions
Pursuant to the information contained in paragraph G.14, currently the Company does not have a policy of selection of directors, but it will consider the need of development.

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. Detail, if applicable, the reasons why proprietary directors have been appointed at the behest of a shareholder whose holding is less than 3% of the capital:

Point out if formal petitions have been ignored for the presence on the Board from shareholders whose holding is equal to or higher than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions have been ignored:	Yes		No	X

C.1.9. Point out whether any director has stood down before the end of his/her term of office, if the director has explained his/her reasons to the Board and using which channels, and if reasons were given in writing to the entire Board, explain below, at least the reasons that were given:

Name or corporate name of the Director:	
MS. AMPARO MORALEDA MARTÍNEZ	
Reasons for leaving:	Ms. Moraleda through a communication addressed to the Presidency of the Company dated 8th June 2015, submitted her resignation as director of Melia Hotels International, S.A., pursuant to the provisions of Law 10/2014, of 26th June, on the Regulation, supervision and solvency of credit institutions, for also being a member of the board of an entity of credit.

C.1.10. Indicate any powers delegated to the managing directors(s):

Name or Company name of the Director:	
MR. GABRIEL ESCARRER JAUME	
Brief description:	Vested with all of the faculties of the Board that may be delegated under the law and the Bylaws.

C.1.11. Identify any members of the Board holding positions as directors or managers in other companies belonging to the listed company's group:

Name or corporate name of the member	Corporate name of the group company	Position	Does the Director hold executive functions?
GABRIEL ESCARRER JULIA	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR	NO
GABRIEL ESCARRER JULIA	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN	NO
GABRIEL ESCARRER JULIA	LOMONDO LIMITED	DIRECTOR	NO
GABRIEL ESCARRER JULIA	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR	NO
GABRIEL ESCARRER JULIA	GEST.HOT.TURISTICA MESOL S.A.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIÁ SUISSE S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	FARANDOLE B.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	INVERSIONES INMOBILIARIAS IAR 1997 C.A.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIA ITALIA. S.R.L.	CO-DIRECTOR	NO
GABRIEL ESCARRER JAUME	DESARROLLOS SOL S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	INVERSIONES AREITO. S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MELIA MAROC - S.A.R.L. D´ASSOCIÉ UNIQUE	MANAGER	NO
GABRIEL ESCARRER JAUME	INMOTEL INVERSIONES ITALIA S.R.L.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIA VC PUERTO RICO CORPORATION	DIRECTOR	NO
GABRIEL ESCARRER JAUME	LONDON XXI. LIMITED	DIRECTOR	NO
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA METOR S.A.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIA VC MÉXICO. S.A. DE C.V.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MELIA BALKANS EAD	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MELIÁ SERVICES. S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MELIA FRIBOURG S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	LOMONDO LIMITED	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) COMPANY LTD.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MELIA FRANCE S.A.S.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	DETUR PANAMÁ. S.A.	TREASURER	NO
GABRIEL ESCARRER JAUME	SOL MELIA DEUTSCHLAND GMBH	CO-DIRECTOR	NO
GABRIEL ESCARRER JAUME	MADELEINE PALACE S.A.S.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	CADSTAR FRANCE SAS	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	HOTEL ALEXANDER SAS	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	HOTEL COLBERT. S.A.S.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	HOTEL FRANCOIS SAS	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	GUPE ACTIVIDADES HOTELEIRAS S.A.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	ILHA BELA GESTAO E TURISMO LIMITADA	MANAGER	NO
GABRIEL ESCARRER JAUME	COMPAGNIE TUNISIENNE DE GESTION HOTELEIRE S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	HOTEL METROPOLITAIN S.A.S.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	INMOBILIARIA DISTRITO COMERCIAL C.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MANINVEST B.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	HOTEL ROYAL ALMA S.A.S.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MELIÁ VC PANAMÁ. S.A.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL GROUP B.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	MELIÁ INVERSIONES AMERICANAS	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIÁ INVESTMENT N.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	IMPULSE HOTEL DEVELOPMENT B.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SAN JUAN INVESTMENT B.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	DESARROLLOS HOTELEROS SAN JUAN	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIA EUROPE. B.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	CARIBOTELS DE MÉXICO S.A.DE C.V.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	BISOL VALLARTA S.A.DE C.V.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	MARKSERV	DIRECTOR	NO

Name or corporate name of the member	Corporate name of the group company	Position	Does the Director hold executive functions?
GABRIEL ESCARRER JAUME	OPERADORA MESOL S.A. DE C.V.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	SOL MELIÁ GREECE. S.A.	DIRECTOR AND CHAIRMAN	NO
GABRIEL ESCARRER JAUME	HOGARES BATLE S.A.	CHAIRMAN / CEO	YES
GABRIEL ESCARRER JAUME	TENERIFE SOL S.A.	CHAIRMAN/CEO	YES
GABRIEL ESCARRER JAUME	SECURISOL S.A.	CHAIRMAN / CEO	YES
GABRIEL ESCARRER JAUME	PRODIGIOS INTERACTIVOS, S.A.	CHAIRMAN / CEO	YES
GABRIEL ESCARRER JAUME	MOTELES ANDALUCES S.A.	CEO	YES
GABRIEL ESCARRER JAUME	INVERSIONES Y EXPLOTACIONES TURÍSTICAS S.A.	CEO	YES
GABRIEL ESCARRER JAUME	APARTOTEL S.A.	CEO	YES
GABRIEL ESCARRER JAUME	REALIZACIONES TURÍSTICAS S.A.	CEO / MEMBER	YES
GABRIEL ESCARRER JAUME	CASINO TAMARINDOS. S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	INVERSIONES HOTELERAS LA JAQUITA. S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	GEST.HOT.TURÍSTICA MESOL S.A. (SOC. UNIP)	DIRECTOR	NO
GABRIEL ESCARRER JAUME	KIMEL MCA S.L.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIÁ LUXEMBOURG. S.À.R.L.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	HOTELES SOL MELIÁ S.L	CHAIRMAN / CEO	YES
GABRIEL ESCARRER JAUME	EVERTMEL S.L.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIA VACATION CLUB ESPAÑA S.L.	CHAIRMAN / CEO	YES
GABRIEL ESCARRER JAUME	MONGAMENDA S.L.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	AYOSA HOTELES S.L.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	ALTAVISTA HOTELERA. S.L.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	SOL MELIA VACATION NETWORK ESPAÑA S.L.	CHAIRMAN / CEO	YES
GABRIEL ESCARRER JAUME	DORPAN S.L.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	ADPROTEL STRAND S.L.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	NYESA MELIA ZARAGOZA S.L.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	PT SOL MELIÁ INDONESIA	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	CALA FORMENTOR S.A. DE C.V.	DIRECTOR	NO
GABRIEL ESCARRER JAUME	CORPORACIÓN HOTELERA HISPANO MEXICANA S.A.	CHAIRMAN	NO
GABRIEL ESCARRER JAUME	MELIÁ HOTELS INTERNATIONAL UK. LTD.	DIRECTOR	NO

C.1.12. Point out, if applicable, any company directors that sit on the Boards of other companies publicly traded on regulated securities markets outside the company's own group, of which the company has been informed:

Name of Director (person or company)	Corporate name of the group company	Position
JUAN ARENA DE LA MORA	ALMIRALL S.A.	DIRECTOR
JUAN ARENA DE LA MORA	FERROVIAL S.A.	DIRECTOR
FRANCISCO JAVIER CAMPO GARCIA	BANKIA, S.A.	DIRECTOR
FERNANDO D´ORNELLAS SILVA	GP INVESTMENT ACQUISITION CORP	DIRECTOR

C.1.13. Point out and, where applicable, if board regulations have established rules on the maximum number of company boards on which its directors may sit:

Yes		No	X

C.1.14. Section repealed.

C.1.15. Detail the overall remuneration for the Board of Directors:

Remuneration of the Management Board (thousands of euros):	2,949
Cumulative amount of rights of current Directors in pension scheme (thousands of euros)	0
Cumulative amount of rights of former Directors in pension scheme (thousands of euros)	2,949

C.1.16. Identify members of the senior management that are not in turn executive directors, and indicate the total remuneration accruing to them during the year:

Name (person or company)	Position
MR. GABRIEL CÁNAVES PICORNELL	HUMAN RESOURCES E.V.P.
MR. ONOFRE SERVERA ANDREU	CLUB MELIA E.V.P.
MS. PILAR DOLS COMPANY	FINANCE AND ADMINISTRATION E.V.P.
MR. JUAN IGNACIO PARDO GARCIA	LEGAL COMPLIANCE E.V.P.
MR. ANDRE PHILIPPE GERONDEAU	HOTELS E.V.P.
MR. MARK MAURICE HODDINOTT	REAL STATE E.V.P.

Total senior management remuneration (€k)	4,270

C.1.17. Point out the identity of the Board members, whether there are any, who are in turn members of the Board of Directors in companies of significant shareholders and/or in entities of their group:

Name (person or company)	Corporate name of the significant shareholder	Position
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES AGRUPADOS S.L.	CHAIRMAN
MR. GABRIEL ESCARRER JULIA	HOTELES MALLORQUINES ASOCIADOS, S.L.	CHAIRMAN
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	SECRETARY/DIRECTOR
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	DIRECTOR
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES CONSOLIDADOS, S.A.	DIRECTOR
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	SECRETARY/DIRECTOR
MR. GABRIEL ESCARRER JAUME	HOTELES MALLORQUINES ASOCIADOS, S.L.	SECRETARY/DIRECTOR
MR. GABRIEL ESCARRER JAUME	MAJORCAN HOTELS LUXEMBOURG, S.A.R.L.	DIRECTOR

Point out the relevant affiliations, other than those considered in the above paragraph, that link Board members to significant shareholders and/or companies in their group:

Name or corporate name of the related Director:	
MR. GABRIEL ESCARRER JULIA	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES CONSOLIDADOS, S.A.
Description of relationship:	Mr.Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

Name or corporate name of the related Director:	
MR. GABRIEL ESCARRER JULIA	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES AGRUPADOS S.L.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

Name or corporate name of the related Director:	
MR. GABRIEL ESCARRER JULIA	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES ASOCIADOS, S.L.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

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

Name or corporate name of the related Director:	
MR. GABRIEL ESCARRER JAUME	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES CONSOLIDADOS, S.A.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

Name or corporate name of the related Director:	
MR. GABRIEL ESCARRER JAUME	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES AGRUPADOS S.L.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

Name or corporate name of the related Director:	
MR. GABRIEL ESCARRER JAUME	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES ASOCIADOS, S.L.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

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

Name or corporate name of the related Director:	
MR. SEBASTIAN ESCARRER JAUME	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES CONSOLIDADOS, S.A.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

Name or corporate name of the related Director:	
MR. SEBASTIAN ESCARRER JAUME	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES AGRUPADOS S.L.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

Name or corporate name of the related Director:	
MR. SEBASTIAN ESCARRER JAUME	
Name or corporate name of the related significant shareholder:	HOTELES MALLORQUINES ASOCIADOS, S.L.
Description of relationship:	Mr. Gabriel Escarrer Juliá, his wife and children (including Mr. Sebastián Escarrer Jaume and Mr. Gabriel Escarrer Jaume) own shares in the company

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

C.1.18. Point out if there has been any change in the Board regulations during the year:

Yes	X	No	

Description of changes
The Board of Directors of Meliá Hotels International, SA, during its meeting held on November 26th, 2015, approved the amendment of the Regulations of the Board of Directors, in order to adapt its content to the bylaw amendments already approved by the General Shareholders Meeting. Such amendment includes, among others, the setting of the roles of the Board committees, the figure of the Lead Director ("Consejero Coordinador") and the removal of the Strategy Committee given that the responsibilities and functions related to the overall strategy are entrusted into the Board of Director duties.

C.1.19. Indicate the procedures for the selection, appointment, re-election, assessment and removal of directors. Indicate the competent bodies, the procedures to be followed and the criteria employed in each procedure.

Pursuant 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 Independent Directors as well as informing the proposals for the rest of the members (in the case of co-option) or to make them their own in order to have them submitted for decision by the General Meeting of Shareholders.

Directors are appointed for a period of four years and may be re-elected, once or more, for periods of equal time.

C.1.20. Explain to what degree the self- assessment has led to significant changes in its internal organization and the procedures applicable to its activities:

Description of the changes
Self-assessment has not led to significant changes to the internal organization or internal procedures applicable to the Company's operations.

C.1.20.bis Indicate the assessment process and the assessed areas conducted by the board of directors assisted, as the case may be, by an external consultant, regarding the diversity in its composition and capacities, duties and composition of its committees, the performance of the chair of the board of directors and the first executive of the company, and the performance and contribution of each board member.

Pursuant to paragraph 15.2 i) of the Regulations of the Board of Directors it corresponds to the Appointments and Remuneration Committee the coordination of the report for assessing the quality and efficiency of the Board of Directors and the Committees established by the Council in order to be accountable before it.

The evaluation process is done by filling in questionnaires by all directors, in which there are included certain aspects of the functioning of the Board and its committees, as well as issues regarding the composition of these bodies.

The Chairman of the Appointments and Remuneration Committee is responsible for submitting to the Board the results of the evaluation for the purposes of its analysis.

C.1.20.ter Break down, if pertinent, the business relationship that the consultant or any company of its group maintains with the company or any company of its group.

Not applicable.

C.1.21. Point out the circumstances under which directors 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 organized businessman and a loyal proxy, and in accordance with any other legally required standard of diligence. More specifically, article 29 of the Regulations of the Board states that directors must observe all regulations on behavior established in the applicable Stock market legislation and, particularly, those contained in the Internal Code of Conduct.

Therefore, a breach of any of these duties or obligations shall be considered grounds for relieving the Director of his/her duties or of his/her resignation.

C.1.22. Section repealed.

C.1.23. Are reinforced qualified majorities required, other than the legal majorities, for any type of resolution?:

Yes		No	X

If applicable, describe the differences.

C.1.24. Indicate if there are specific requirements, other than those regarding directors, in order to be appointed Chairman of the Board of Directors.

Yes	X	No	

Description of the requirements
Article 33.2 of the Bylaws states that in order for a Director to be to be appointed Chairman or Vice-Chairman of the Board of Directors, at least one of the following circumstances must occur: (i) To have formed part of the Board of Directors during at least the THREE (3) years prior to said designation; or, (ii) To have previously occupied the position of Chairman of the Board of Directors, regardless of the period of time spent as a Director. Neither of the previous conditions will be required to be met whenever the designated Director is supported by SEVENTY-FIVE PERCENT (75%) or more of the members of the Board of Directors. The re-election as a Director of members of the Board that are currently Chairman and Vice-Chairman and, if appropriate, Leading Director if he meets the legal requirements, 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. Point out if the bylaws or the Board Regulations establish an age limit for directors:

Yes		No	X

C.1.27. Point out if the bylaws or the Board Regulations establish a limited term of office for independent directors, other than that established by law:

Yes		No	X

C.1.28. Point out if the bylaws or the Board Regulations establish specific rules for proxy voting in the Board of Directors, the way this is done and, in particular, the maximum number of proxies a director may have, and if it has established any limit regarding the categories that may be delegated beyond the limits stipulated by legislation. If that's the case, briefly give details on such standards.

Pursuant to article 18.3 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 Independent Directors may only be represented by another External Independent Director.

C.1.29. Point out the number of meetings the Board of Directors has held during the year. If applicable, point out how many times the Board has met without the Chairman in attendance. In calculating this number, proxies with specific instructions will be counted as attendances.

Number of Board meetings	6
Number of Board meetings not attended by the Chairman	0

If the Chairman is an executive Director, indicate the number of meetings held without an executive director present or represented and chaired by the Lead Director.

Number of meetings	0

Point out the number of meetings of the Board's different committees have held during the year:

Committee	Meetings
AUDIT AND COMPLIANCE COMMITTEE	7
APPOINTMENTS AND REMUNERATION COMMITTEE	4

C.1.30. Point out the number of meetings held by the Board of Directors during the year attended by all its members. In calculating this number, proxies with specific instructions will be counted as attendances:

Number of meetings attended by all directors	6
% of attendances to total votes during the year	100.00%

C.1.31. Point out if the individual and consolidated financial statements presented for Board approval are certified beforehand:

Yes	X	No	

If applicable, identify the person(s) who has(have) certified the Company's individual and consolidated financial statements to be filed by the Board:

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

C.1.32. Explain the mechanisms, whether there are any, established by the Board of Directors to prevent the individual and consolidated financial statements that it files from being presented to the General Meeting with a qualified auditors 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 company Secretary a director?

Yes	X	No	

If the Secretary is not a director, complete the following table:

C.1.34. Section repealed.

C.1.35. Point out what mechanisms the company has established, whether there are any, to preserve the independence of the external auditors, the financial analysts, 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 the aim is to ensure that the company does not influence the opinion or point of view of any analyst when providing this information.

According to article 34.4 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. Point out if the company has changed its external auditor during the year. If so, identify the incoming and outgoing auditors:

Yes		No	X

If there were disagreements with the outgoing auditor, explain their motives.

C.1.37. Point out if the audit firm does other work for the company and/or its group other than the audit. If so, detail the amount of fees received for such work and the percentage of such fees on the total fees charged to the company and/or its group:

Yes	X	No	

	Company	Group	Total
Amount of non-audit work (thousands euros)	439	140	579
Amount of non-audit work / total amount billed by the audit firm (%)	50.55%	14.18%	31.18%

C.1.38. Point out if the audit report on the annual financial statements for the previous year contained reservations or qualifications. If so, indicate the motives given by the chair of the audit committee to explain the content and scope of such reservations or qualifications.

Yes		No	X

C.1.39. State the number of consecutive years during which the current audit firm has been auditing the financial statements for the company and/or its group. State the percentage of the number of years audited by the current audit firm to the total number of years in which the annual financial statements have been audited:

	Company	Group
Number of consecutive years	7	7
Number of years audited by the current audit firm / Number of years that the company has been audited (in %)	35.00%	35.00%

C.1.40. Point out and, if applicable, give details on the existence of a procedure for directors to engage external advisory services:

Yes	X	No	

Details of the procedure
Pursuant 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 External Directors; (b) its cost is not reasonable in relation to the importance of the problem and the assets and revenues of the company; or (c) the help requested from External experts may be provided satisfactorily by experts employed by the company.

C.1.41. Indicate and, where applicable, give details on the existence of a procedure for directors to obtain the information they need to prepare the meetings of the governing 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 convened at least THREE (3) days before it is held and the announcement of the meeting will always include the agenda for the session along with a summary of all 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 must have full access to information on any aspect of the company, to review all of the company's books and files, and any other registers of company activities and to examine all facilities. The right to information will be channeled through the Chairman or Secretary of the Board of Directors whom will either provide the information directly to the Director, provide access to the most appropriate person in the organization to provide such information or organize any measures required so that the Directors may examine whatever they may require.

C.1.42. State and, if applicable give details, if the company has established rules requiring directors to inform and, where applicable, resign under circumstances that may undermine the company's credit and reputation:

Yes	X	No	

Explanation of the rules
Article 31.2 of the Regulations of the Board states that Directors should inform and, if appropriate, to resign in those cases which may damage the credit and reputation of the Company and shall in any event inform the criminal cases in which they are involved, and their subsequent trial, in which case the Board of Directors must examine the case as soon as possible, and in view of the specific circumstances, decide whether or not, that the Director should remain in office.

C.1.43. Point out if any member of the Board of Directors has informed the company of any legal suit or court proceedings against him/her for any of the offences listed in article 213 of the Corporate Enterprises Act:

Yes		No	X

State if the Board of Directors has analyzed the case. If that's case, explain the motives for the decision taken as to whether or not the director should retain his/her directorship or, if applicable, detail the actions taken or planned to be taken by the Board of Directors on the date of this report.

C.1.44. State the significant agreements reached by the Company that come into force, are amended or concluded in the event of a change in the control of the company from a public takeover bid, and its effects.

None.

C.1.45. Identify in aggregate terms and state in detail any agreements between the company and its directors, managers or employees that have guarantee or ring-fencing severance clauses for when such persons resign or are wrongfully dismissed or if the contractual relationship concludes due to a public takeover bid or other kinds of transactions.

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

State if these contracts must be disclosed to and/or approved by the company or group governance bodies:

	Board of Directors	General Meeting
Body authorising the clauses	No	No

Is the General Meeting informed of the clauses?	Yes		No	X

C.2. Board of Directors Committees

C.2.1. Detail all the Board Committees, their members and the proportion of executive, proprietary, independent and other external directors sitting on them:

AUDIT AND COMPLIANCE COMMITTEE		
Name	Position	Type
MR. JUAN ARENA DE LA MORA	CHAIRMAN	Independent
MR.ALFREDO PASTOR BODMER	MEMBER	Other External
MR.JUAN VIVES CERDA	MEMBER	Proprietary
MR. FERNANDO D'ORNELLAS SILVA	MEMBER	Independent

% of proprietary directors	**25,00%**
% of independent directors	**50,00%**
% of other external directors	**25,00%**

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year:

Article 14. 2 of the Regulations of the Board of Directors states that the Auditing and Compliance Committee will meet at least once per quarter, and as many times as is deemed appropriate with regard to the needs of the company, as proposed by the Chairman of the Committee or on request from the majority of its members or from the Board of Directors.

The responsibilities of the Auditing and Compliance Committee, and without prejudice to any others that the Law, the company Bylaws and these Regulations may determine, or the Board of Directors may specifically assign to the Committee, are as follows:

(a) To report to the General Shareholders Meeting with regard to matters, raised by shareholders in the meeting, that are within the competence of the Committee.

(b) To propose to the Board of Directors for submission to the General Shareholders Meeting the appointment or reelection of external auditors. The Auditing and Compliance Committee must inform the Board of Directors with regard to the conditions under which the external auditor will be employed, the scope of its activities and, whenever appropriate, whether the appointment is revoked or not renewed.

(c) To supervise the services of the internal audit.

(d) To supervise the financial information process, the company internal control systems and those of risk management, including tax, and the effectiveness of them all and to review the designation or situation of the people responsible for said matters.

(e) To maintain a relationship with external auditors so as to receive information on those matters that may endanger their independence and any other matters related to the performance of the Audit of Accounts, as well as any other communications foreseen in legislation on the Audit of Accounts and technical aspects of the Audit.

(f) To review company accounts and oversee compliance with legal requirements and the appropriate application of generally accepted accounting principles, receiving the direct cooperation of the both internal and external auditors.

(g) 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.

(h) 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.

(i) To issue annually, prior to the issuance of the Audit Report, a report in which an opinion on the independence of the Auditor shall be expressed, in accordance with the law.

(j) To inform, in advance, the Board of Directors on all matters under the Law, the Company Bylaws and these Regulations and, in particular, (i) the financial information that the Company must periodically disclose; and (ii) the creation or acquisition of shares in special purpose entities or domiciled in countries or territories considered tax havens and (iii) transactions with related parties.

The Executive Directors may attend with voice but no vote the meetings of the Committee, at the request of the President of the same.

He is obliged to attend the meetings of the Committee and to provide his collaboration and access to the information available to any member of the management or staff of the Company that may be required for that purpose. The Committee may also request the attendance at its meetings of the external auditors.

For the best performance of its functions, the Audit and Compliance Committee may seek the advice of outside professionals.
The most important actions carried out during the year 2015 are the following:
- Relationship with external auditors.
- Revision of the mandatory financial information to be published periodically.
- Supervision of the internal audit, risk map and complaints channel.
- Review of the Annual Report on Corporate Governance for submission to the Board of Directors for approval.
- Review of the proposed amendments of the Bylaws and Regulations of the general meeting for submission to the Board of Directors.
- Development of the explanatory report for the amendment of the Regulations of the Board and consolidated text.
- Proposal for the reelection of the external auditor.

Name the Director who has been appointed on the basis of knowledge and experience of accounting or auditing, or both, and state the number of years that the Chairman has been appointed as such.

Name of Director	**MR. JUAN ARENA DE LA MORA**
Number of years as Chairman	**3**

APPOINTMENTS AND REMUNERATION COMMITTEE		
Name	Position	Type
MR. FRANCISCO JAVIER CAMPO GARCIA	CHAIRMAN	Independent
HOTELES MALLORQUINES CONSOLIDADOS, S.A.	MEMBER	Proprietary
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	MEMBER	Independent
MR. FERNANDO D´ORNELLAS SILVA	MEMBER	Independent

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

Explain the committee's duties, describe the procedure and organizational and operational rules and summarize the main actions taken during the year.

Article 15. 2 of the Regulations of the Board of Directors states that the Appointments and Remuneration Committee will meet whenever the Board, its Chairman or the majority of its members requests a report or the approval of proposals and, in any case, whenever it may be appropriately according to the needs of the company.

The responsibilities of the Appointments and Remuneration Committee, and without prejudice to any others that the Law, the Company Bylaws and these Regulations, are at least as follows:

(a) To define and review the criteria to be applied with regard to the composition of the Board of Directors and the selection of candidates.

b) To submit to the Board any proposals on the appointment of Independent Directors so that the Board may directly designate such Directors (Co-opt) or adopt the proposals for their submission to the General Shareholders Meeting for approval as well as their re-election or removal by the General Shareholders Meeting.

(c) To report the proposals for appointment of other Directors so that the Board can directly appoint them (co-option) or take on such proposals for submission to the decision of the General Shareholders Meeting as well as their re-election or removal by the General Shareholders Meeting.

(d) To report on the proposals for appointment and removal of senior managers and the basic terms of their contracts.

(e) To propose members of Committees to the Board.

(f) To propose to the Board the remuneration policy for Directors and CEOs or those who develop their senior management functions under direct control of the Board, of Executive Committees or CEOs, as well as individual remuneration and other contractual conditions of the Executive Directors, ensuring its compliance. To regularly review said remuneration policy, assessing their appropriateness and return.

(g) To ensure transparency in remuneration.

(h) To report on any transactions that imply or may imply conflict of interest and, in general, on the matters related to the duties of Directors in accordance with the current Regulations.

(i) The coordination of the report for assessing the quality and efficiency of the Board of Directors and the Committees established by the Board in order to be accountable before it.

(j) To examine and organize the succession of the chairman and chief executive of the Company and, where appropriate, to make proposals to the Board of Directors for such succession to occur in an orderly and planned manner.

(k) To inform, in advance, the Board of Directors on all matters under the Law, the Company Bylaws and these Regulations.

The Committee must consider the suggestions made by the Chairman, the members of the Board, company executives or shareholders.

The Executive Directors may attend with voice but no vote the meetings of the Commission, at the request of the President of the same.

He is obliged to attend the meetings of the Committee and to provide his collaboration and access to the information available to any member of the management or staff of the Company that may be required for that purpose.

For the best performance of its duties, the Appointments and Remuneration Committee may seek the advice of outside professionals.

The most important actions carried out during the year 2015:
- Analysis self-assessment of the Board and its Committees and evaluation of the chief executive.
- Remuneration system and benefits Board and senior management.
- Verification of the nature of the directors.
- Reports on the reelection of the Directors.
- Revision of the amendments to the Bylaws and the Regulations of the board of directors.
- Proposal for the appointment of Lead Director and reports proposal on the restructuring of the committees.
- Review of the Annual Remuneration Report for submission to the Council

C.2.2. Complete the following table with information on the number of female directors sitting on Board Committees over the last four years:

	NUMBER OF FEMALE DIRECTORS							
	Year 2015		Year 2014		Year 2013		Year 2012	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND COMPLIANCE COMMITTEE	0	0.00%	1	25.00%	1	25.00%	1	25.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	1	25.00%	2	50.00%	2	50.00%	2	50.00%

C.2.3. Section repealed

C.2.4. Section repealed

C.2.5. State, if applicable, the existence of regulations for the Board Committees, where they can be consulted and any amendments made to them during the year. State if an annual report on the activities of each committee has been drawn up voluntarily.

1. APPOINTMENTS AND REMUNERATION COMMITTEE

It is regulated in Article 39 ter of the Bylaws (incorporated under the resolutions adopted by the

General Meeting held on June 4th, 2015) and Article 15 of the Regulations of the Board (modified under the agreements of the Board of Directors dated November 26th, 2015). Both documents are available on the website of the company.

At each session of the Board of Directors there is a report on the main aspects and most relevant conclusions discussed in the sessions of the Committee.

The Committee has drafted a report of the activities of 2015.

2. AUDIT AND COMPLIANCE COMMITTEE

It is regulated in Article 39 bis of the Bylaws (incorporated under the resolutions adopted by the

General Meeting held on June 4th, 2015) and Article 14 of the Regulations of the Board (modified under the agreements of the Board of Directors dated November 26th, 2015). Both documents are available on the website of the company.

At each session of the Board of Directors there is a report on the main aspects and most relevant conclusions discussed in the sessions of the Committee.

The Committee has drafted a report of the activities of 2015.

C.2.6. Section repealed

D. RELATED PARTY TRANSACTIONS AND INTRAGROUP TRANSACTIONS

D.1. State the procedure, in case there is any, for approving related-party and intra-group transactions.

Procedures for approving related party transactions
According to article 32.1 of the Regulations of the Board of Directors, the Board of Directors must be aware of and authorise any transaction made by the Company with its significant shareholders and directors and executives. According to article 32.2 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 of treatment of the shareholders and of the market conditions. Article 32.3 of the Regulations of the Board of Directors states that the Board of Directors must also ensure compliance with legal and information requirements and transparency in the communication of such operations.

D.2. State any significant transactions, entailing a transfer of a significant amount or obligations between the company or its group companies, and the company's significant shareholders:

Name of significant shareholder (person or company)	Name or the company or group entity	Nature of relationship	Type of operation	Amount (thousand euros)
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIÁ HOTELS INTERNATIONAL,S.A.	Commercial	Sale of goods, finished or in progress	7,800
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES Y EXPLOTACIONES TURISTICAS	Commercial	Sale of goods, finished or in progress	222
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	67
HOTELES MALLORQUINES ASOCIADOS, S.L.	APARTHOTEL BOSQUE, S.A.	Commercial	Sale of goods, finished or in progress	62
HOTELES MALLORQUINES ASOCIADOS, S.L.	TENERIFE SOL, S.A.	Commercial	Sale of goods, finished or in progress	467
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODISOTEL, S.A.	Commercial	Sale of goods, finished or in progress	285
HOTELES MALLORQUINES ASOCIADOS, S.L.	INVERSIONES HOTELERAS LA JAQUITA S.A.	Commercial	Sale of goods, finished or in progress	559
HOTELES MALLORQUINES ASOCIADOS, S.L.	COLON VERONA S.A.	Commercial	Sale of goods, finished or in progress	45
HOTELES MALLORQUINES ASOCIADOS, S.L.	SARGAMASSA HOTELERA S.L.	Commercial	Sale of goods, finished or in progress	58
HOTELES MALLORQUINES ASOCIADOS, S.L.	AYOSA HOTELES S.L.	Commercial	Sale of goods, finished or in progress	790
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS S.A.	Contractual	Services received	288
HOTELES MALLORQUINES ASOCIADOS, S.L.	MELIA HOTELES INTERNATIONAL S.A.	Contractual	Services rendered	50
HOTELES MALLORQUINES ASOCIADOS, S.L.	PRODIGIOS INTERACTIVOS S.A.	Contractual	Operating lease	436

D.3. State any significant transactions entailing a transfer of a significant amount or obligations between the company or its group companies, and the directors and/or senior managers:

Name of the directors and/or senior managers (person or company)	Name of the related party (person or company)	Nature of relationship	Nature of transaction	Amount (thousand euros)
MR. GABRIEL ESCARRER JULIA	MELIA HOTELS INTERNATIONAL, S.A.	Commercial	Services rendered	4
MR. JUAN VIVES CERDA	MELIA HOTELS INTERNATIONAL, S.A.	Commercial	Services rendered	14
MR. JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	Commercial	Services rendered	35
MR. JUAN VIVES CERDA	MELIA HOTELS INTERNATIONAL S.A.	Commercial	Services received	192
MR. JUAN VIVES CERDA	PRODIGIOS INTERACTIVOS, S.A.	Commercial	Services received	182

D.4. State the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its object and conditions.

In any case, provide information on any intragroup transaction with companies established in countries or territories considered tax havens:

Group Company:	
SOL MELIA COMMERCIAL	
Amount (thousands of euros):	3,520
Description of the operation:	Services received from The Sol Group Corporation (USA) which is the group's corporate headquarters in America

Group Company:	
SOL MELIA FINANCE, LTD	
Amount (thousands of euros):	1,333
Description of the operation:	Generated interests on Intergroup loan's Sol Melia Finance Ltd to Sol Melia Europe (Netherlands)

Group Company:	
SOL MELIA FINANCE, LTD	
Amount (thousands of euros):	25,192
Description of the operation:	Cancellation of Intergroup loan's Sol Melia Finance Ltd to Sol Melia Europe (Netherlands)

Group Company:	
SOL MELIA FUNDING	
Amount (thousands of euros):	13,893
Description of the operation:	Transfer of the customer portfolios of the American companies operating in the vacation club segment to be managed by Sol Melia Funding

Group Company:	
SOL MELIA FUNDING	
Amount (thousands of euros):	963
Description of the operation:	Update of interests provided by the operation of portfolio transfer

Group Company:	
SOL MELIA FUNDING	
Amount (thousands of euros):	9,553
Description of the operation:	Variation of the intercompany loan with parent company, as part of the group's centralized cash management

D.5. Detail the amount of the transactions carried out with other related parties.

0 (Thousand Euros).

D.6. State the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, managers and/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 to the Board of Directors on transactions on which direct or indirect conflict of interest may arise and propose the measures which should be taken to avoid such situations.

D.7. Are more than one of the Group's companies listed in Spain as publicly traded companies?

Yes		No	X

Identify the subsidiaries listed in Spain:

Subsidiary listed

Point out if the respective areas of business and any potential relations between them and any potential business relations between the holding company and the listed subsidiary and other group companies have been publicly defined;

Define any potential business relations between the holding company and the listed subsidiary company and between the listed subsidiaries and other group companies

Identify the mechanisms established to resolve any potential conflicts of interest between the listed subsidiary and other companies of the group:

Mechanisms to resolve potential conflicts of interest

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1. Detail the scope of the company's Risk Management System, including risks of a tax-related nature.

The Risk Management system functions as an integral, ongoing system that focuses management on business units or areas, affiliates, geographical areas and support areas at the corporate level.

The General Policy on Risk Control, Analysis and Management of the Meliá Hotels International Group (MHI)), is based on a series of basic principles that must guide all risk management activities as well as the general framework of action for control, analysis and assessment of potential risks that the Group faces, including tax.

This Policy applies to the entire Group in the countries in which it operates and is under a set of basic principles and commitments that should guide any action aimed at managing risks, which are:
(a) Promote an appropriate internal environment and a culture of risk awareness.
(b) Align strategy with the risks detected.
(c) Ensure appropriate levels of independence between areas responsible for risk management (and its elimination or mitigation) and areas responsible for their control and analysis.
(d) Identify and evaluate the different risks faced by the group, ensuring its correct assignment.
(e) Guarantee the appropriate management of the most relevant risks.
(f) Improve the processes and responses to risk.
(g) Provide integrated responses to multiple risks.
(h) Report and communicate openly and consistently on Group risks to all levels of the organization.
(i) Promote the Group's action at all times perfectly aligned with current legislation, the internal regulations of the Group, and the Code of Ethics.

With the basis of these principles and commitments, Meliá Hotels International has a model created for risk management based on the Enterprise Risk Management (ERM) COSO II methodology and makes it possible to draw up the Group Risk Map based on bringing together the various individual risk maps of the different departments and business areas.

The Internal Rule for Control and Risk Analysis which develops the Internal Policy and ensures the correct and efficient operation of MHI's 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, a date on which the first Risk Map was obtained on the basis of this model.

During 2015 the company has initiated a project to replace the tool so far used for the preparation of the Risk Map in order to implement SAP GRC (Governance, Risk & Compliance), a tool that aims to cover risk management and internal control in a comprehensive and unified way.

The Risk Control Department (forming part of the Legal & Compliance Department) is responsible for ensuring the implementation of the model and, 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 within the Group.

E.2. Identify the corporate bodies responsible for drawing up and enforcing the Risk Management System, including tax-related risks.

1.- The Board of Directors. The Board, has among others, the role of overall supervision and in particular, the responsibility for identifying the most serious risks, including tax-related risks, 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 14.2 d of the Regulations of the Board of Directors).

3.- Senior Executive Team (SET) or Executive Committee. 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: among other considerations the Group Risk Map is analyzed and the risks identified for the strategic planning process are taken into account.
- Operations Committee: Its mission is to oversee business management, set objectives and review and monitor them. It incorporates in its daily management the results of the Risk Map.
- Development Committee: Its mission is to monitor the company's expansion/development plan and project approval. In each project and individually their main risks are analyzed by a specific tab risk analysis.
- Investment Committee: Its mission is to monitor the investments that are approved annually. It also establishes, assigns and controls the amount devoted to investments that mitigate identified risks (Risk PAI).

5.- Departments. Within the organization there are different departments with specific risk management responsibilities:

- Risk Control, Analysis and Evaluation: It is responsible for ensuring the functioning and ongoing development of the risk management model, besides coordinating the process of prioritizing investments based on risk criteria. Reports its activities to the Audit and Compliance Committee both periodically and through an Annual Report established for this purpose.
- Internal Audit: Among other things it is responsible for verifying the correct operation of the internal control systems, including Financial Reporting Internal Control Systems (FRICS). Reports its activities to the Audit and Compliance Committee.
- Corporate Governance: One of its tasks is to oversee the updates of the Company's internal regulations.
- 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 attached to the Group's activity, following the guidelines in the Internal Regulation on Insurance.
- 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.
- Occupational Health: It has responsibilities in the prevention of occupational risks. Through the Policy of occupational risk prevention it's recognized the importance and priority attention to these aspects.

The bodies/departments responsible for drafting and implementing the Risk Management System have at their disposal the following tools:

Code of Ethics

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.

Internal Rules and Policies

They regulate the basic aspects of certain processes and functions and to serve as the basis for the implementation of control systems and mechanisms. All this Internal Rules and Policies are mandatory.

All Policies and Internal Rules are available on the Group's Intranet (Employee's Portal).

Complaints channel

MHI has implemented a complaints channel for employees, where employees can file complaints in case of knowledge of any type of behavior which does not comply with the Code of Ethics, non-compliance, absence of internal control or situations or facts that may require the attention and immediate action of senior company management or any other matter related to irregularities or anomalies detected.

The handling of communications is processed by the Ethics Committee, dependent on and reporting to the President of the Audit and Compliance Committee. In fact and as a way to ensure the independence and neutrality of the Complaints Channel, the President of the cited Committee has direct and immediate access to any complaint that is submitted through that channel. The Board of Directors under the lead of the Audit and Compliance Committee and the Senior Executive Team have expressed a firm commitment to deal with all reports and complaints with total confidentiality and urgency.

Protocol for prevention and detection of crime

In 2015 MHI began a project to update its protocol for prevention and detection of crimes to ensure that it covers the legislative changes undertaken in criminal matters. In addition and in parallel, a project has started for the implementation of the SAP GRC tool that will also allow monitoring and controlling the protocol, through the identification of behaviors and associated control mechanisms.

E.3. State the principal risks, including tax-related risks that could prevent business targets from being met.

Meliá Hotels International is a company with a strong international presence, allowing the diversification of its activity in various countries and regions. For the same reason, in the course of business, MHI is exposed to a variety of risks inherent in the different businesses and developing countries in which it operates.

The structure of the risks the Group is facing is divided into the following categories:

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, geopolitics risks…

   In destinations where there is more exposure to these risks, the Company has appropriate coverage for such events, as well as the protocols necessary to protect the health and safety of customers and employees, and to ensure the normal functioning of the operations and, if necessary, their protection and restoration.

2. Financial Risks. Related to financial variables and derivatives of the possible market situation or the company that may hinder the power to meet its commitments or turn its assets into cash.

   Included in this category are, as an example, liquidity, credit or exchange risks. The management of these risks lies primarily and in a centrally in the Finance and Administration 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.

   The Internal Policies of MHI, the Code of Ethics and the Complaints Channel are tools available to MHI Group companies in order to mitigate these risks

6. Information Risks. These are related to events caused by inappropriate use, generation and communication of information.

   Special attention is given to the Financial Reporting Internal Control Systems (FRICS) which is discussed in detail in Part F of this report.

   As a result of the risk analysis carried out during 2015, a total of 103 risks have been identified that may affect the achievement of the objectives of the Company. The distribution of these risks within the above categories is the following:

   - Global: 8 risks identified
   - Financial: 14 risks identified
   - Business: 18 risks identified
   - Operations: 47 risks identified
   - Compliance 11 risks identified
   - Information: 5 risks identified

Tax- related risks, depending on the particular risk, are included within the category of Operational Risk or Compliance Risk.

E.4. Identify if the entity has a risk tolerance level, including tax-related risks.

The Comprehensive Risk Management model ensures a standardized and common work structure, through the following stages or processes:

1. The identification of relevant risks, including tax-related risks. By way of an exercise of compiling and analyzing internal and external information.
2. The analysis and assessment of these risks, 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.
3. 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.
4. Regular risk monitoring by way of annual updates of the more important risks through annual updates of the Risk Map and monitoring the initiatives adopted to mitigate these risks.
5. Regular and transparent communication of the results obtained to the 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.

The MHI management team periodically identifies risks that threaten the achievement of the goals (Phase 1) and assesses them as to the variables of likelihood and impact in case of realization (Phase 2).

For each one of these variables certain ranges or intervals are established using specific quality and quantity criteria (financial, operational, regulatory, reputational, strategic, etc.). Depending on these two variables, each risk is located in a matrix probability / impact made by the Company and categorizes risks and also serves as the basis for establishing the risk levels that are considered acceptable at the corporate level.

Based on this matrix, 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.

Furthermore, there is a close link between the Risk Map, the Strategic Plan and the process of setting objectives. That's why, an effort is made to ensure that most of the action plans defined to mitigate the main risks are related to annual targets and / or Strategic Plan giving the widest possible coverage and ensuring both permanent attention to them as well as the goal that the management team has among its objectives to mitigate the main risks.

Therefore, monitoring and levels of achievement of objectives and strategic plan, also set the level of risk tolerance.

E.5. Identify what risks, including tax-related risks, have occurred during the year.

Global Risks: Geopolitical risks.

The Instability in North Africa, the political situation in Greece, the terrorist attacks in Paris, the growing threat of the so called Islamic State. These risks continue to affect negatively the areas where they materialize and the Company has presence.

This negative effect is offset by the good performance of alternative destinations where MHI is also present, such as the Canary and Balearic Islands, which have benefited from an increase in the flow of travelers.

Financial Risks: Valuation of assets.

The assets and liabilities of the Group subsidiaries domiciled in Puerto Rico are presented as held for sale. The economic situation of the country makes it difficult to find active agents interested in purchasing them, so the Group has made a new valuation of its alienable assets and liabilities, resulting in an adjustment during the first half of 2015 with a negative result of 28.6 million euros. The recognition of the impairment of the assets, even though it does not involve a cash outflow, has nonetheless negatively affected the results.

The fair value of the assets has been estimated by the method of comparables, using for this purpose and in accordance with what is usual practice, observable data in the sales transactions of the comparable properties market and using as unit for comparison the price per room. This assessment has been conducted on June 2015 by the independent expert Jones Lang Lasalle.

Except for the above risks, no other risk which would have had a significant impact has materialized. Nevertheless the assessment and detection risk systems of the Company have allowed identifying and assessing the risks that threaten the achievement of the business objectives with sufficient time to establish appropriate measures to mitigate or reduce the effect of the risks.

E.6. Explain the response and supervision plans for the principal risks faced by the company, including tax-related risks.

For risks that have materialized, in the previous point the actions carried out are explained.

The management of the principal risks of the MHI Group, including tax related risks, falls directly on the affected areas, therefore, this management is fully linked to the daily life of their affected areas and fully aligned with the strategy and objectives.

The Executive Committee of Meliá Hotels International (SET) assigns responsibilities regarding the main risks identified.

Subsequently, the areas involved in mitigating the risks identified are the one which define and identify the action plans that will be carried out throughout the year to mitigate risks (Phase 3 of the model).

For the main risks identified, indicators called KRI's (Key Risk Indicators) are defined which, together with the tracking of the identified initiatives, allows monitoring and controlling the evolution of risks (Phase 4 of the model).

The results obtained of the updated Risk Map are under discussion and are part of the Executive Committee's agenda, as well as other governing bodies of MHI. In addition, the Audit and Compliance Committee, and the Board of Directors are both regularly informed of the results of the Risk Map, as well as of the actions derived therefrom (Phase 5 of the model).

The Department of Control, Analysis and Risk Assessment is responsible for coordinating, supporting, monitoring and tracking all the phases of the model.

F. SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (SCIIF)

Detail the mechanisms comprising the risk management and control systems for financial reporting (SCIIF) in your entity.

F.1. The entity's control environment

Provide details, in order to describe the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.

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, two of whom are independent, one external with the category of "other" 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. If, especially in the process of drawing up the financial information, the following elements exist:

- **Departments and/or mechanisms responsible for: (i) the design and review of the organizational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct propagation within the entity.**

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 the 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, approval body, degree of dissemination and instruction, principles and values included (indicating if specific mention is made of recording the transactions and drawing up of the financial information), body in charge of analyzing non-compliance and proposing corrective measures and sanctions.**

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 Appointments and Remuneration 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 or rules, 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 the Legal and Compliance area is responsible for monitoring and controlling compliance with the regulation, reporting on the issue to the Audit and Compliance Committee.

Management Behavior Regulations and Human Resources Internal Rule

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

- **Complaints channel, to allow financial and accounting irregularities to be communicated to the Audit Committee, as well as possible non-compliance with the code of conduct and irregular activities in the organization, reporting if applicable if this is confidential in nature.**

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.

- **Periodical training and updating courses for employees involved in preparing and revising the financial information, and in SCIIF assessment, covering at least accounting standards, audit, internal control and risk management.**

The heads of the departments responsible for the preparation of financial information must ensure the training and update 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 2015 the corporate staff have participated in training sessions related to accounting and tax legislation, including topics such as assessment of swaps, hedge accounting management of exchange rate risk, dischargement of assets and financial accounts, preparation of cash flow statements, accounting loyalty programs and news regulations such as the new rule concerning revenue recognition issued by the IASB.

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), IAI (Internal Audit Institute) and AECA (Spanish Association of Accounting and Business Administration).

F.2. Financial reporting risk assessment, Provide information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, regarding:

- **If 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 Internal Rule developed and approved by the Audit and Compliance Committee.
  - A process for the preparation of the company Risk Map

- **If the process covers all the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and with what frequency.**

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

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

  On an annual basis and in collaboration, 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 consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, instrumental or special purpose vehicles.**

  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 risks (operational, technological, financial, legal, tax-related, reputational, environmental, etc.) insofar as they impact the 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 of the entity's governance bodies supervises 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

Provide information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorization of the financial information and the description of the SCIIF, to be published on the securities markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, among them the procedure for closing the accounts and the specific review of the relevant judgments, estimates, valuations 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 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. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to the drawing up and publication of the 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.

Additionally, there are controls in place for managing and monitoring the assignment of special privileges to access the systems that support the financial information.

Likewise, the Company is evaluating a solution of identity and access management in order to optimize the management and government model of users throughout their life cycle.

During the year 2015 the development and validation of the proper functioning of continuity services for environments that support the processes of financial information as well as the hotel management environments, has been completed.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties, and those aspects of the evaluation, calculation and assessment outsourced to independent experts, which may materially impact 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

Provide information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and keeping the accounting policies up to date (accounting policy department or area) and dealing with queries or conflicts arising from their interpretation, ensuring fluent communication with those in charge of operations in the organization, and an updated manual of accounting policies, communicated to the units through which the entity operates.

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 the 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. Mechanisms to capture and prepare the financial reporting in standardized formats, for application and use by all the units of the entity or the group, that support the main financial statements and the notes, and the information detailed 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

Provide information, describing the key features of at least:

F.5.1. The SCIIF supervision activities carried out by the Audit Committee and if the entity has an internal audit function whose powers include providing support to the Audit Committee in its task of supervising the internal control system, including the SCIIF. Likewise, provide information on the scope of the SCIIF assessment carried out during the year and of the procedure by which the person in charge of performing the assessment communicates its results, if the entity has an action plan listing the possible corrective measures, and if its impact on the financial reporting has been taken into account.

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

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

As stated in the Bylaws and the Group Internal Audit Rule, verifying the correct operation of internal control systems is a fundamental responsibility of the department, including the reliability of financial reporting (SCIIF), keeping the Board of Directors (through the Audit and Compliance Committee) and senior management informed of the existence, adequacy and effectiveness of methods, procedures, standards or rules, 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 2015 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 2015 two processes were audited, divided into 8 sub-processes and 1.939 control activities. These reviews have been carried out in 89 hotels in Europe (77), America (9), and Asia (3).

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

F.5.2. Whether there is a discussion procedure by which the auditor (in line with the technical auditing notes or NTA), the internal audit function and other experts can inform the senior management and the audit committee or the directors of the entity of significant weaknesses in the internal control encountered during the review processes for the annual accounts or any others that may have been assigned. Likewise, provide information on whether there is an action plan to try 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 six 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. External auditor report

Report on:

F.7.1. If the SCIIF information disclosed to the markets has been submitted by the external auditor, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was 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 CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations of the Good Governance Code of the listed companies.

Should any recommendation not be followed or only partially, a detailed explanation should be given of the reasons so that the shareholders, investors and the market in general have enough information to assess the way the company works. General explanations will not be acceptable.

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

Complies	X	Explain	

2. **When a dominant and a subsidiary company are both listed, they should provide detailed disclosure on:**

   a) The activity they engage in and any business dealings between them, as well as between the listed subsidiary and other group companies.
   b) The mechanisms provided to resolve possible conflicts of interest.

Complies		Partially compliant		Explain		Not applicable	X

3. **During the annual general meeting the chairman of the board should verbally inform shareholders in enough detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

   a) Changes taking place since the previous annual general meeting.
   b) The specific reasons for the company not to follow a given Good Governance Code recommendation and any alternative procedures followed instead.

Complies		Partially compliant		Explain	X

Relevant changes in corporate governance matters are being explained by the Company in the Annual Corporate Governance Report, available to all shareholders, notwithstanding any information or clarification they may require, both in relation to changes in Corporate Governance matters and in relation to the degree of compliance with the recommendations.

4. **The company should draw up and implement a policy of communication and contacts with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and provides equitable treatment to shareholders in the same position.**

   This policy should be disclosed on the company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Complies		Partially compliant	X	Explain	

While the Company does not have a specific policy communication and contacts with shareholders, Article 34 of the Regulation of the Board regulates the criteria that should govern the relations of the Board with shareholders, institutional investors and financial analysts.

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding the 20% of the capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as stated in the mercantile legislation.

Complies		Partially compliant		Explain	X

The Company submitted to the General Meeting of Shareholders held on June 4th, 2015, a proposal for the delegation of powers to increase capital and to issue bonds. While the amounts subject to submission for approval exceed the percentage indicated in the recommendation, as explained in the relevant reports made available to shareholders, it was needed that power to be able to capture in the securities markets the funds that are necessary for the proper management of the social interests, giving the Board the broadest capacity to respond. The possible suppression of the pre-emptive subscription right, is an option that should be analyzed and applied, in each case, taking into account the specific conditions for the development of the issue.
It should also be noted that the authorization approved complies with the maximum provided by law.

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general meeting, even if their distribution is not mandatory:

a) Report on auditor independence.
b) Reviews of the operation of the audit committee and the appointments and remuneration committee.
c) Audit committee report on third-party transactions.
d) Report on corporate social responsibility policy.

Complies		Partially compliant	X	Explain	

While the Company prepares most of these reports, none are subject to publication on the web, although the relevant processes will be reviewed in order to analyze the need for publication for future exercises.

7. The company should broadcast its general meetings live on the corporate website.

Complies	X	Explain	

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without limitations or qualifications in the auditor's report. In the exceptional case that qualifications do exist, both the chairman of the audit committee and the auditors should give a clear account to the shareholders of their scope and content.

Complies	X	Partially compliant		Explain	

9. The company should display permanently on its website, the requisites and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights.

Such requisites and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Complies	X	Partially compliant		Explain	

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

a) Immediately circulate the supplementary items and new proposals.
b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.
c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular notice to presumptions or deductions about the direction of votes.
d) After the general meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Complies		Partially compliant		Explain		Not applicable	X

11. In the event that the company plans to pay for attendance at the general meeting, it should first establish a general policy in this respect. This policy should also be a stable one.

Complies		Partially compliant		Explain		Not applicable	X

12. The board of Directors should perform its duties with unity of purpose and independent judgment, giving the same treatment to all shareholders in the same position, being guided by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success in the long term, while maximizing the economic value of the company.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders that may be involved, as well as with the impact of its activities on the broader community and the natural environment.

Complies	X	Partially compliant		Explain	

13. The Board of Directors should have an optimal size to achieve efficient functioning and participation, recommending between five and fifteen members.

Complies	X	Explain	

14. The board of directors should approve a director selection policy that:
a) Is concrete and verifiable.
b) Ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs.
c) Favors a diversity of knowledge, experience and gender.

The results of the prior analysis of the board needs should be written in the appointments committee's explanatory report, to be published when the general meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should seek the goal of having at least 30% of total board seats occupied by female directors before the year 2020.

The appointments committee should verify an annual check on compliance with the director selection policy and state its findings in the annual corporate governance report.

Complies		Partially compliant		Explain	X

As of year-end 2015, the Company does not have a director selection policy, although it will consider in the short term the analysis regarding the need of its development. Notwithstanding the foregoing, the procedures for the selection of the directors, take into account favoring the diversity of knowledge, experience and gender, and the particular composition of the Board, in which the Appointment and Remuneration Committee is actively involved along with the Board of Directors, in determining the needs.

15. Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum required, taking into account the complexity of the corporate group and the ownership interests they control.

Complies	X	Partially compliant		Explain	

16. The percentage of proprietary directors out of the total of non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.
This criterion can be loosened:

a) In large capitalized companies where only a few equity stakes can be considered legally significant shareholdings.
b) In companies with a plurality of shareholders represented on the board but not related.

Complies	X	Explain	

17. Independent directors should be at least half of the board members.

However, when the company does not have a large market capitalization, or when a large capitalized company has shareholders individually or concertedly controlling over 30 percent of the capital, the number of independent directors should be, at least, a third of the board.

Complies	X	Explain	

18. Companies should disclose on their websites and keep them regularly updated the following information concerning the directors:

a) Background and professional experience.
b) Directorships held in other companies, listed or otherwise, and other paid activities they carry out, whatever their nature.
c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.
d) Dates of their first appointment as a board member of the company and subsequent re-elections.
e) Shares held in the company, and any options on them.

Complies	X	Partially compliant		Explain	

19. The annual corporate governance report, following prior verification by the appointments committee, should state the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3 percent of the capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

Complies		Partially compliant		Explain		Not applicable	X

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. Also, if such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latters' number should be reduced accordingly.

Complies	X	Partially compliant		Explain		Not applicable	

21. The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as established by the Bylaws, except where there is just cause, based on a proposal from the Appointments Committee. In particular, just cause will be presumed when the directors take up new posts or responsibilities that prevent them from allocating enough time to the work as a board member, or are in breach of their duties as members or come under one of the disqualifying grounds for classification as independent director enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, in case the changes in board membership arise from the proportionality criterion established in recommendation 16.

Complies	X	Explain	

22. Companies should establish rules obliging directors to disclose, tendering their resignation if necessary, any circumstance that might harm the company's name or reputation, and in particular, to inform the board of any criminal charges brought against them and the progress of the trial.

When a director is indicted or tried for any of the offences stated in company legislation, the board of directors should open an investigation and, in light of the particular circumstances, decide if he or she should resign. The board of directors should give a reasoned account of all such determinations in the annual corporate governance report..

Complies	X	Partially compliant		Explain	

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should oppose any decision that could harm the interests of shareholders without board representation.

When the board makes significant or reiterated decisions about which a director has expressed serious reservations then he or she must draw the pertinent conclusions. If the director resigns for such causes he or she should explain his/her reasons in the letter referred to in the next recommendation.

This recommendation also applies to the secretary of the board, even if he or she is not a director.

Complies	X	Partially compliant		Explain		Not applicable	

24. Directors who step down their place before their tenure expires, through resignation or otherwise, should explain their reasons in a letter sent to all members of the board of directors. And whether or not such resignation is disclosed as a material event, the motivations should be explained in the annual corporate governance report.

Complies	X	Partially compliant		Explain		Not applicable	

25. The Appointments committee should ensure that non-executive directors have enough time available to properly perform its functions.

The regulations of the board of directors should establish the maximum number of company boards on which directors can serve.

Complies		Partially compliant	X	Explain	

While all necessary measures are taken to provide information in good time in order to facilitate its analysis, it has not been established by the Company the maximum number of Boards of Directors of which its directors may be part of.
It should be noted that, among the points reviewed prior to the nomination of a new Director, one of them is the availability the candidates have.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set out at the start of the year, to which each director may propose the addition of initially unscheduled items on the agenda.

Complies		Partially compliant	X	Explain	

The Board of Directors meets as often as necessary to perform its functions ordinarily, meeting also whenever the adoption of certain decisions is required. The minimum number of annual sessions established by the Company is 6 meetings per year, thus being more than the legally established number.

27. Director's absences should be kept to a minimum and quantified in the Annual Corporate Governance Report. And in the event of an absence, directors should delegate their powers of representation with the proper instructions.

Complies	X	Partially compliant		Explain	

28. When directors or the secretary express concern over some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the board of directors, they should be recorded in the minute of the board if the person expressing them so requests.

Complies	X	Partially compliant		Explain		Not applicable	

29. The company should provide suitable channels for directors to obtain the advice they need to properly perform its functions, including if necessary external assistance at the company's expense.

Complies	X	Partially compliant		Explain	

30. Regardless of the knowledge directors must possess to properly perform its functions, they should also be offered refresher programs when the circumstances so advise.

Complies	X	Explain		Not applicable	

31. The agendas of the board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the information they need for them to arrive at such a decision.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda, their inclusion will require the express prior consent of the majority of directors present, duly expressed on the minute of the board.

Complies	X	Partially compliant		Explain	

32. Directors should be regularly informed of movements in share ownership and of the opinions major shareholders, investors and rating agencies have on the company and its group.

Complies	X	Partially compliant		Explain	

33. The chairman, as the person in charge of the efficient functioning of the board of directors, in addition to the functions assigned by law and bylaws, should prepare and submit to the board of directors a schedule of meeting dates and agendas; organize and coordinate regular evaluations of the board and, if appropriate, the company's chief executive officer; exercise headship of the board and be responsible for its proper functioning; ensure that enough time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Complies	X	Partially compliant		Explain	

34. When a lead director has been appointed, the Bylaws or the regulations of the Board of Directors should grant him or her the following powers besides those conferred by law: chair the board of directors in the absence of the chairman and vice chairmen, in case there are, give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views in order to understand their concerns, especially those that have to do with the company's corporate governance; and coordinate the chairman's succession plan.

Complies		Partially compliant	X	Explain		Not applicable	

Pursuant to Articles 33.7 of the Bylaws and 16.bis.3 of the Regulations of the Board of Directors, the Lead Director will be specially authorized to: (i) request the call of Board of Directors or the inclusion of new items on the agenda of an already convened Board, (ii) coordinate and bring together the external directors, and (iii) direct, where appropriate, the periodic evaluation of the Chairman of the Board of Directors, faculties that do not correspond fully with the established in the recommendation of reference.

35. The secretary of the board of directors should attempt to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.

Complies	X	Explain	

36. The board of directors in full should conduct an annual evaluation, adopting, if necessary, an action plan to correct weakness detected in:

a) The quality and efficiency of the board's performance.
b) The performance and membership of its committees.
c) The diversity of board membership and competences.
d) The performance of the chairman of the board of directors and the company's chief executive.
e) The performance and contribution of each individual director, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the report they send to the board of directors, while that of the board itself should start from the report of the appointment committee.

Every three years, the board of directors should seek an external facilitator to help in the evaluation process, whose independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process and areas evaluated should be described in the annual corporate governance report.

Complies		Partially compliant	X	Explain	

The Company complies with the recommendation concerning the annual evaluation of the Board, its Committees and the chief executive, not having used in the year 2015 external advice for its implementation, the Appointments and Remuneration Committee is responsible for overseeing its performance and the President of the Appointments and Remuneration Committee submits to the Board of Directors the report of the results of the evaluation.

37. When an executive committee exists, its membership mix by director class should resemble that of the board of directors and the secretary of the board should also act as secretary to the executive committee.

Complies		Partially compliant		Explain		Not applicable	X

38. The board of directors should be always informed of the business transacted and decisions made by the executive committee. In order to achieve this goal, all board members should receive a copy of the committee's minutes.

Complies		Partially compliant		Explain		Not applicable	X

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, and the majority of its members should be independent directors.

Complies		Partially compliant	X	Explain	

The members of the Committee are designated according to the knowledge described, although, as of year-end 2015, the Committee was composed of two External Independent Directors, an External Proprietary Director and an "Others" External Director.

40. Under the supervision of the audit committee, the company should have a unit in charge of the internal audit function to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Complies	X	Partially compliant		Explain	

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents emanating from its implementation and submit an activities report at the end of each year.

Complies	X	Partially compliant		Explain		Not applicable	

42. The audit committee should have the following functions besides those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor the preparation and the integrity of the financial information prepared on the company and, if appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its preferences and work programmes, ensuring that it focuses primarily on the main risks of the company; receive regular reports on its activities; and verify that the senior management takes into account the findings and recommendations of its reports.

c) Establish and supervise a mechanism that enables staff to report, confidentially and, if appropriate and possible, anonymously, any significant irregularities, in particular financial or accounting, that they detect in the company.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this occur.

b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.

c) Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements with the outgoing auditor and the reasons.

d) Ensure that the external auditor has an annual meeting with the board of directors in full to inform it of the work undertaken and the developments in the company's risk and accounting status.

e) Ensure that the company and the external auditor follow the current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and, in general other requirements concerning auditor independence.

Complies	X	Partially compliant		Explain	

43. The audit committee should be able to meet with any employee or manager of the company, even ordering their appearance without the presence of another manager.

Complies	X	Partially compliant		Explain	

44. The Audit Committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyze the operation and report to the board beforehand on its economic conditions and accounting impact and, if applicable, the exchange ratio proposed.

Complies	X	Partially compliant		Explain		Not applicable	

45. Risk control and management policy should identify at least:
a) The different types of financial and non-financial risks the company faces (including operational, technological, financial, legal, social, environmental, political and reputational), including among the financial or economic risks the contingent liabilities and other off balance-sheet risks.
b) The determination of the risk level the company considers acceptable.
c) The measures in place to mitigate the impact of identified risks in case they occur.
d) The internal control and reporting systems to be used to control and manage the abovementioned risks, including contingent liabilities and off-balance sheet risks.

Complies	X	Partially compliant		Explain	

46. Under the direct supervision of the audit committee or other specialized board committee, the company should establish a risk control and management function attributed to one of the company's internal department or units with the following responsibilities:
a) To ensure that risk control and management systems are functioning correctly and, specifically, that the major risks that may affect the company are correctly identified, managed and quantified.
b) To participate actively in the preparation of risk strategies and in key decisions about their management.
c) To ensure that risk control and management systems mitigate risks effectively in the frame of the policy defined by the board of directors.

Complies	X	Partially compliant		Explain	

47. Appointees to the appointments and remuneration committee – or of the appointments committee and remuneration committee, if separately constituted – should have the right knowledge, skills and experience for the functions they are called to perform and the majority of their members should be independent directors.

Complies	X	Partially compliant		Explain	

48. Large capitalized companies should have a separately constituted appointments and remuneration committees.

Complies		Explain		Not applicable	X

49. The Appointments Committee should consult with the company's Chairman and chief executive, especially on matters relating to executive Directors.

Any Director may approach the Appointments Committee to propose candidates that it might consider suitable if there are vacancies on the board.

Complies	X	Partially compliant		Explain	

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

a) To propose to the board of directors the standard conditions for the contracts of the senior officers.
b) To monitor compliance with the remuneration policy established by the company.
c) To periodically review the remuneration policy established for directors and senior officers, including share-based remuneration systems and their application, and to ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.
d) To ensure that conflicts of interest do not undermine the independence of any external advice the committee has.
e) To verify the information on director and senior officers' remuneration contained in corporate documents, including the annual directors' remuneration statement.

Complies	X	Partially compliant		Explain	

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

Complies	X	Partially compliant		Explain	

52. The terms of reference of supervision and control committees should be established in the regulations of the board of directors and in accordance with the legally mandatory board committees as specified in the preceding recommendations, including:

a) Committees should be formed exclusively by non-executive directors, with a majority of independents.
b) Their chairmen must be independent directors.
c) The board of directors should appoint the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report on their activities and work at the first board of directors following each committee meeting.
d) The committees may seek external advice, when they feel it necessary for the performance of their functions.
e) Meetings should be minuted and a copy of such minute made available to all board members.

Complies		Partially compliant		Explain		Not applicable	X

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, if it exists, or a specialized committee established ad hoc by the board of directors under its powers of self-organisation, with at the least the following functions:

a) Monitor compliance with the company's internal codes of conduct and corporate governance rules.
b) Supervision of the communication and relations strategy with shareholders and investors, including small and medium-sized shareholders.
c) The periodical evaluation of the effectiveness of the company's corporate governance system, to confirm that it is accomplishing its mission to promote the corporate interest and taking into account, as appropriate, to the legitimate interests of remaining stakeholders.
d) Review the company's corporate social responsibility policy, ensuring that it is aimed to the creation of value.
e) Monitor corporate social responsibility strategy and practices and assess compliance in their respect.
f) Monitor and evaluate the company's interaction with its stakeholder groups.
g) The evaluation of all aspects of the non-financial risks of the company is exposed, including operational, technological, legal, social, environmental, political and reputational risks.
h) The coordination of the non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Complies		Partially compliant	X	Explain	

The Regulations of the Board of Directors of the Company, does not explicitly include the detail of some of the recommendations incorporated, although, especially the Audit and Compliance Committee effectively assumes the supervision of the rules of Corporate governance of the Company, having expressly been assigned among its functions, in accordance with the provisions of the Article 14.2 paragraph h) of the Regulations of the Board of Directors, 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. Certain functions listed are assumed directly by the Board of Directors.

54. The corporate social responsibility policy should include the principles or commitments the company will voluntarily adhere to in its dealings with stakeholder groups, specifying at least:

a) The objectives of its corporate social responsibility policy and the support instruments to be deployed.
b) The corporate strategy regarding sustainability, the environment and social issues.
c) Concrete practices in matters relative to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
d) The methods or systems for monitoring the results of the practices referred to above and identifying and managing related risks.
e) The mechanisms for the supervision of non-financial risk, ethics and business conduct.
f) The channels for stakeholder communication, participation and dialogue.
g) Responsible communication practices that prevent the manipulation of information and protect the company's honor and integrity

Complies		Partially compliant	X	Explain	

The Company, in addition to its Code of Ethics in which their values, principles of action and commitments are defined, has a Policy of Global Sustainability. Additionally, in the Annual Report & CSR of the Company, specific information is included regarding the actions carried out in the field of Corporate Social Responsibility.

55. The company should report, in its directors' report or in a separate document, on corporate social responsibility developments, using an internationally accepted methodology.

Complies	X	Partially compliant		Explain	

56. Director's remuneration should be enough to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgment of non-executive directors.

Complies	X	Explain	

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate as directors. This condition, however, will not apply to shares that the director must dispose of to satisfy the costs related to their acquisition.

Complies	X	Partially compliant		Explain	

58. In the case of variable remuneration, 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, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
b) Promote the long-term sustainability of the company and include non-financial criteria that are relevant for the company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
c) Be focused on acomplishing a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over enough time to appreciate its contribution to long-term value creation so that performance measurement is not based exclusively on one-off, occasional or extraordinary events.

Complies	X	Partially compliant		Explain		Not applicable	

59. A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been accomplished.

Complies	X	Partially compliant		Explain		Not applicable	

60. Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.

Complies	X	Partially compliant		Explain		Not applicable	

61. A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Complies		Partially compliant		Explain		Not applicable	X

62. Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The condition mentioned above will not apply to any shares that the director must dispose of to satisfy costs related to their acquisition.

Complies		Partially compliant		Explain		Not applicable	X

63. **Contractual arrangements should include a clause that allows the company to reclaim variable components of remuneration when payment was out of step with the Director's actual performance or based on data afterwards found to be missrepresented.**

Complies		Partially compliant	X	Explain		Not applicable	

This type of clause is not provided for, although in line with the criteria of Good Governance, payment of the variable remuneration in the short-term occurs after a reasonable time after the end of the year, taking place within the first 60 calendar days following the formulation of the annual accounts, prior approval of the Board on a proposal from the Appointments and Remuneration Committee.

64. **Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that the director has met the predetermined performance criteria.**

Complies	X	Partially compliant		Explain		Not applicable	

H. OTHER INFORMATION OF INTEREST

1. If there is any other aspect relevant to the corporate government in the company or in the group entities that has not been reflected in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in your entity or its group, detail them briefly.

2. This section may also include any other relevant information, clarification or detail related to previous sections of the report insofar as they are relevant and not reiterative.

   Specifically indicate if the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided when different from that required by this report.

3. The company may also indicate if it has voluntarily signed other international, industry-wide or any other codes of ethical principles or best practices. If applicable, the code in question will be identified along with the date of signing.

The company is adhered to:

- ECPAT - Code of Conduct for the Protection of Children (2006)
- The Code (2007)
- Pacto Mundial - Global Compact (2008)
- FTSE4Good Ibex (2008)
- UNWTO Private Sector Commitment to the Global Code of Ethics for Tourism (2011)
- Agreement with the International Union of Workers IUF-UITA (2013)

In 2012 Meliá Hotels International proceeded to the approval of the Code of Ethics.

The company is not adhered to the Code of Good Tax Practices of July 20th, 2010.

Note to paragraph A.2:
In relation to movements in the shareholding structure, as of 06.11.2015 the company Hoteles Mallorquines Asociados, SL lends to the treasury stock of Meliá Hotels International, S.A., 3,350,000 titles. The participation of this company within Melia' s capital changes from 15,239% to 13,556%.

Note to paragraph C.2.1:
Mr. Juan Arena de la Mora, holds the position of Chairman of the Audit and Compliance Committee since June 13th, 2012.

This annual report on corporate governance has been approved by the Company's Board of Directors on 31/03/2016.

List whether any Directors voted against or abstained from voting on the approval of this Report.

YES		NO	X

PREPARATION OF THE ANNUAL ACCOUNTS AND CONSOLIDATED MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2015

These Consolidated Annual Accounts and Directors' Report were approved by the Board of Directors at its meeting held on 31 March 2016 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 196 pages, all signed by the Secretary and the last page signed by all of the Directors.

Fdo. D. Gabriel Escarrer Juliá
Chairman

Fdo. D. Juan Vives Cerdá
Honorary Vice Chairman

Fdo. D. Gabriel Escarrer Jaume
Vice Chairman and CEO

Fdo. D. Sebastián Escarrer Jaume
Director

Fdo. D. Alfredo Pastor Bodmer
Director

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

Fdo. D. Juan Arena de la Mora
Director

Fdo. D. Francisco Javier Campo García
Director

Fdo. Fernando d'Ornellas Silva
Director

Fdo. Dña. Carina Szpilka Lázaro
Director

Fdo. D. 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

Auditor´s report on "information regarding the internal control system over financial reporting (ICSFR)" of Meliá Hotels International, S.A. for the 2015 financial year

To the Directors:

In accordance with the request of the Board of Directors of Meliá Hotels International, S.A. (the Entity) and our engagement letter dated February 2, 2016, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" (ICSFR)" included in section F of the Annual Corporate Governance Report for listed companies of Meliá Hotels International, S.A. for the 2015 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

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

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Technical Audit Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of 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 effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below and indicated in the "*Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities*" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, 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 2015 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which would you have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned.

The procedures applied are as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular nº7/2015 of the National Securities Market Commission dated December 22, 2015.

2. Making enquiries of personnel responsible for preparing the information mentioned 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 have been implemented and are functioning in the Entity.

3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.

4. Comparison of the information described in point 1 above with our knowledge of the Entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the annual accounts.

5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.

6. Obtaining a representation letter 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 in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular nº 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular nº7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Mireia Oranias Casajoanes

7 April 2016

MELIÃ HOTELS INTERNATIONAL

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FTSE4Good

THE CODE .ORG We protect children from sex tourism.