Meliá Hotels International, S.A.

Financial Statements for the year ended 31 December 2019 and Directors' Report, together with Independent Auditor's Report

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

Report on the Financial Statements

Opinion

We have audited the financial statements of Meliá Hotels International, S.A. (the Company), which comprise the balance sheet as at 31 December 2019, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended.

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 December 2019, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2.1 to the accompanying financial statements for 2019) and, in particular, with the accounting principles and rules contained therein.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impairment test on assets associated with the hotel activity

Description

As indicated in Note 1 to the accompanying financial statements for 2019, the Company carries on its activity through the management and operation of more than 67 hotels (owned, leased, under management and franchised) in Spain. The Company considers that the assets associated with the hotel activity include property, plant and equipment, intangible assets and investment property with a carrying amount of EUR 526 million at 31 December 2019.

At each year-end management performs an impairment test in order to determine the recoverable amount of these assets. In order to calculate the recoverable amount of each cash-generating unit ("CGU"), management generally considers the calculation of the value in use of each of these units based on the estimate of future cash flows and applying growth rates and a discount rate adjusted for Spain.

In this context, the circumstance described represents a key audit matter, given the significance of the carrying amount of the assets associated with the hotel activity in the balance sheet and because the valuation method used requires the use of significant estimates involving a significant degree of uncertainty, such as certain operating assumptions, the discount rate and the long-term growth rate.

Procedures applied in the audit

Our audit procedures included, among others, evaluating the accounting policies for determining the recoverable amount the assets associated with the hotel activity described in Note 4.4 to the accompanying financial statements for 2019, in order to evaluate their consistency with the applicable regulatory financial reporting framework.

We also retrospectively reviewed the predictions made in prior years, in order to identify possible bias in management's assumptions, and evaluated the historical achievement of the Company's budgets. Moreover, we obtained the impairment test performed by management on the Company's hotel assets, and we verified its clerical accuracy and the appropriateness of the valuation methodology used, with the assistance of our internal valuation specialists. We also evaluated the reasonableness of the main operating assumptions applied for a sample of hotels by comparing them with trends observed in prior years. Additionally, we analysed the reasonableness of the discount rate and the long-term growth rate applied for a sample of hotels, also with the assistance of our internal valuation specialists, and we reviewed the sensitivity analyses performed in relation to these assumptions.

Lastly, we evaluated whether the disclosures made by the Company in relation to these matters, which are included in Notes 6, 7 and 8 to the accompanying financial statements, contained the information required by the applicable accounting regulations.

Measurement of net investment in Group companies and associates

Description

The Company has ownership interests in the share capital of various companies that form the Group of which it is the parent, which engage mainly in the operation of hotels, owned both by it and by third parties operated under a lease, management or franchise arrangement, with which it also has receivables and payables with varying maturity dates. The carrying amount of the Company's net investment in these companies, recognised mainly under "Current Investments in Group Companies and Associates", "Non-Current Investments in Group Companies and Associates", "Current Payables to Group Companies and Associates" and "Non-Current Payables to Group Companies and Associates" in the accompanying balance sheet at 31 December 2019 amounts to EUR 948 million. Under the applicable regulatory framework, at year-end the directors performed an impairment test on the aforementioned investment, determining its recoverable amount as the equity of the investee, adjusted by unrealised gains, especially the difference between the present value of the future cash flows of the investee and the carrying amount of its net assets.

This was a key audit matter in our audit due to the significance of the investment with respect to total volume of the Company's assets and liabilities, and since the calculation of the recoverable amount is complex and depends on assumptions and operating expectations, as well as on significant estimates relating mainly to the discount rates.

Procedures applied in the audit

Our audit procedures included, among others, the review of the accounting policies relating to the measurement of investments in Group companies and associates disclosed in Note 4.5 to the accompanying financial statements for 2019, in order to evaluate the consistency of these policies with the applicable regulatory financial reporting framework.

Also, we reviewed the degree to which the cash flow forecasts of the investees for 2019 actually materialised, and we obtained the impairment test performed by Company management on the net investment in Group companies and associates, verifying its clerical accuracy and the appropriateness of the valuation method used in relation to the investment held and the consistency of the equity of the investees with their accounting records.

We also reviewed the key assumptions used in the cash flow projections on a sample basis. Furthermore, we involved our valuation experts in order to analyse the methodology and certain financial assumptions (mainly the discount rate and long-term growth rate) used by management when determining the present value of the cash flows of each company. Also, we reviewed the sensitivity analysis performed by management on the key financial assumptions identified.

Lastly, we evaluated whether the disclosures included in Notes 9 and 17 and Appendix I to the accompanying financial statements for 2019 in connection with this matter are in conformity with those required by the applicable accounting regulations.

Other Matter

The financial statements of Meliá Hotels International, S.A. for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 27 February 2019.

Other Information: Directors' Report

The other information comprises only the directors' report for 2019, the preparation of which is the responsibility of the Company's directors and which does not form part of the financial statements.

Our audit opinion on the financial statements does not cover the directors' report. Our responsibility relating to the information contained in the directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report (ACGR), as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the Company obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the directors' report included a reference to the fact that the non-financial information described in section a) above was presented in the consolidated directors' report of the Meliá Hotels International Group of which the Company is the parent, that the information in the ACGR mentioned in that section was included in the directors' report, and that the other information in the directors' report was consistent with that contained in the financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and of the Audit and Compliance Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description, which is on the following pages, forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Company's audit and compliance committee dated 26 February 2020.

Engagement Period

The Annual General Meeting held on 6 June 2018 appointed us as auditors for a period of three year from the year ended 31 December 2018, i.e., for 2019, 2020 and 2021.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Pablo Hurtado March
Registered in ROAC under no. 20408

26 February 2020

AUDITORES
INSTITUTO DE CENSORES JURADOS DE CUENTAS DE ESPAÑA

DELOITTE, S.L.

Año 2020 Nº 13/20/00011
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Informe de auditoría de cuentas sujeto a la normativa de auditoría de cuentas española o internacional

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and compliance committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Individual Management Report and Annual Accounts 2019

MELIÃ HOTELS INTERNATIONAL

Leisure at heart, business in mind

Annual Accounts

Management Report

Balance Sheet at the End of 2019

(thousand €)		ASSETS	Notes	31/12/2019	31/12/2018
A		NON-CURRENT ASSETS		2.026.241	2.070.276
I		**Intangible assets**	6	**40.230**	**32.768**
	1	Patents, licences, trademarks and similar rights		47	54
	2	Software		27.595	26.728
	3	Other intangible assets		12.588	5.986
II		**Property, plant and equipment**	7	**468.719**	**485.973**
	1	Land and buildings		389.805	385.828
	2	Plant and other fixed assets		78.801	100.145
	3	Fixed assets under construction and advances		113	
III		**Investment property**	8	**17.293**	**17.691**
	1	Land		229	229
	2	Buildings		17.064	17.462
IV		**Long-term investments in group companies and associates**	9.1	**1.414.608**	**1.433.138**
	1	Equity instruments		1.013.652	1.016.724
	2	Loans to companies	17	400.956	416.414
V		**Long-term financial investments**	9.1	**26.526**	**35.634**
	1	Equity instruments		4.027	4.003
	2	Loans to companies		12.819	22.399
	3	Other financial assets		9.680	9.232
VI		**Deferred tax assets**	14	**58.865**	**65.072**
B		CURRENT ASSETS		418.985	347.976
I		**Inventories**	10.1	**4.497**	**4.404**
	1	Trade		168	161
	2	Raw materials and other supplies		3.972	4.024
	3	Advances to suppliers		357	219
II		**Trade and other receivables**	10.2	**90.883**	**92.418**
	1	Trade receivables for sales and services		16.895	20.460
	2	Trade receivables, group companies and associates	17	50.667	50.026
	3	Sundry debtors		2.761	5.735
	4	Staff		91	156
	5	Current tax assets	14	15.212	11.758
	6	Other receivables from Public Administrations	14	5.257	4.283
III		**Short-term investments in group companies and associates**	9.1, 17	**162.070**	**123.153**
	1	Loans to companies		37.025	29.712
	2	Other financial assets		125.045	93.441
IV		**Short-term financial investments**	9.1	**15.224**	**23.670**
	1	Equity instruments		403	103
	2	Loans to companies		2.410	9.315
	3	Other financial assets		12.411	14.252
V		**Short-term accruals and deferrals**		**2.060**	**2.209**
VI		**Cash and other cash equivalents**	10.3	**144.251**	**102.122**
	1	Cash		143.835	98.379
	2	Other cash equivalents		416	3.743
		TOTAL ASSETS		2.445.226	2.418.252

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the balance sheet as at 31 December 2019.

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

Balance Sheet at the End of 2019

(thousand €)		EQUITY AND LIABILITIES	Notes	31/12/2019	31/12/2018
A		NET EQUITY		872.133	905.770
I		**Equity**	11.1	**873.669**	**906.850**
	1	Capital		45.940	45.940
	2	Share premium		1.107.135	1.119.301
	3	Reserves		332.332	322.800
	4	Treasury stock and shares		(28.191)	(16.025)
	5	Prior-year results (profit/loss)		(606.871)	(643.269)
	6	Result (profit/loss) for the fiscal year	3	23.324	78.103
II		**Measurement adjustments**	11.2	**(2.558)**	**(2.148)**
	1	Hedging operations		(2.558)	(2.148)
III		**Grants, donations and bequests received**	11.3	**1.022**	**1.068**
B		NON-CURRENT LIABILITIES		1.193.089	1.078.397
I		**Long-term provisions**	12	**68.212**	**61.800**
	1	Long-term employee benefit liabilities		7.934	7.364
	2	Other provisions		60.278	54.436
II		**Long-term payables**	9.2	**574.484**	**531.197**
	1	Bonds and other negotiable securities		29.665	29.750
	2	Bank loans		540.450	497.875
	3	Derivatives		2.690	2.848
	4	Other financial liabilities		1.679	724
III		**Long-term payables to group companies and associates**	9.2, 17	**491.786**	**436.012**
IV		**Deferred tax liabilities**	14	**58.414**	**48.430**
V		**Long-term accruals and deferrals**		**193**	**958**
C		CURRENT LIABILITIES		380.004	434.085
I		**Short-term payables**	9.2	**108.257**	**186.516**
	1	Bonds and other negotiable securities		117	51.470
	2	Bank Loans		68.380	85.676
	3	Derivatives		2.214	2.428
	4	Other financial liabilities		37.546	46.942
II		**Short-term payables to group companies and associates**	9.2, 17	**135.917**	**113.804**
III		**Trade creditors and other payables**	13	**135.527**	**133.517**
	1	Suppliers		12.329	10.223
	2	Suppliers, group companies and associates	17.2	14.491	6.070
	3	Sundry creditors		51.173	47.132
	4	Accrued wages and salaries		23.647	30.323
	5	Other payables to Public Administrations	14	12.938	11.274
	6	Prepayments from customers		20.949	28.495
IV		**Short-term accruals and deferrals**		**303**	**248**
		TOTAL NET EQUITY AND LIABILITIES		2.445.226	2.418.252

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the balance sheet as at 31 December 2019.

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

Income Statement for the Year Ended 31/12/2019

(thousand €)		Notes	2019	2018
A	CONTINUED OPERATIONS			
1	**Net revenues**	16.1	**623.652**	**615.461**
a	Sales		545.073	529.269
b	Provision of services		78.579	86.192
2	**In-house work on assets**		**543**	**332**
3	**Supplies**	16.2	**(43.954)**	**(42.151)**
a	Consumption of goods		2.281	3.520
b	Consumption of raw materials and other consumables		(46.235)	(45.671)
4	**Other operating income**	16.1	**32.862**	**23.654**
a	Non-core and other current operating income		32.542	23.207
b	Operating grants included in profit/(loss) for the year		320	447
5	**Staff costs**	16.3	**(212.300)**	**(213.476)**
a	Wages, salaries and similar items		(164.562)	(165.726)
b	Social charges		(47.738)	(47.750)
6	**Other operating costs**	16.4	**(352.150)**	**(340.063)**
a	External services		(332.882)	(315.744)
b	Tax		(9.585)	(11.656)
c	Losses on, impairment of and change in trade provisions		(2.102)	(1.600)
d	Other current operating expenses		(7.581)	(11.063)
7	**Depreciation**	6, 7, 8	**(54.270)**	**(39.824)**
8	**Allocation of grants for non-financial fixed assets and other grants**	11.3	**62**	**62**
9	**Impairment and profit/(loss) on disposal of fixed assets**		**(1)**	**(3.002)**
a	Impairment and losses			(2.949)
b	Profit/(loss) on disposals and other disposals		(1)	(53)
A.1	OPERATING INCOME		(5.556)	993
10	**Financial income**	16.5	**62.931**	**131.276**
a	From equity interests		45.381	115.505
b	From negotiable securities and other equity instruments		17.550	15.771
11	**Financial expenses**	16.5	**(35.039)**	**(31.599)**
a	On payables to group companies and associates		(13.459)	(11.291)
b	On payables to third parties		(21.580)	(20.308)
12	**Change in fair value of financial instruments**		**(598)**	**(836)**
a	Trading portfolio and other financial instruments		(598)	(836)
13	**Exchange differences**	16.6	**3.213**	**(31.271)**
14	**Impairment and profit/(loss) on disposals of financial instruments**		**1.595**	**(6.694)**
a	Impairment and losses	9.1	866	(6.812)
b	Profit/(loss) on disposals and other disposals		729	118
A.2	NET FINANCIAL INCOME (EXPENSE)		32.102	60.876
A.3	NET INCOME BEFORE TAX		26.546	61.869
15	**Income tax**	14	**(3.222)**	**16.234**
A.4	PROFIT/(LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS		23.324	78.103
A.5	PROFIT/(LOSS) FOR THE YEAR		23.324	78.103

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the income statement as at 31 December 2019.

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

Statement of Changes in Net Equity for the Year Ended 31/12/2019

a) Statement of recognised income and expenses

(thousand €)	Notes	2019	2018
A) Income statement results		23.324	78.103
Income and expenses directly attributed to net equity			
I On cash flow hedges	9	(1.372)	(1.287)
II Actuarial gains and losses and other adjustments	12	(1.336)	(1.857)
III Tax effect	14	677	786
B) Total income and expenses directly attributed to net equity		(2.031)	(2.358)
Transfers to income statement			
IV On cash flow hedges	9	825	694
V Grants, donations and bequests received	11	(62)	(62)
VI Tax effect	14	(191)	(158)
C) Total transfers to income statement		572	474
Total recognised income and expenses		21.865	76.219

b) Statement of changes in net equity

(thousand €)	Notes	Share capital	Share premium	Reserves	Treasury shares	Prior-year profit/ (loss)	Profit/ (loss) for the fiscal year	Measur. adjust.	Grants, donations and bequests received	Total
A) BALANCE AT THE END OF YEAR 2017		45.940	1.120.303	282.129	(15.023)	(643.269)	77.024	(1.704)	1.115	866.516
B) ADJUSTED BALANCE, BEGINNING OF THE YEAR 2018		45.940	1.120.303	282.129	(15.023)	(643.269)	77.024	(1.704)	1.115	866.516
I. Total recognised income and expenses				**(1.393)**			**78.103**	**(445)**	**(47)**	**76.219**
II. Operations with shareholders or owners			**(1.002)**	**(34.961)**	**(1.002)**					**(36.965)**
1. (-) Distribution of dividends				(38.324)						(38.324)
2. Operations with treasury shares			(1.002)	1.002	(1.002)					(1.002)
3. Other operations with shareholders or owners				2.361						2.361
III. Other changes in net equity				**77.024**			**(77.024)**			
C) BALANCE AT THE END OF YEAR 2018		45.940	1.119.301	322.800	(16.025)	(643.269)	78.103	(2.148)	1.068	905.770
D) ADJUSTED BALANCE, BEGINNING OF YEAR 2019		45.940	1.119.301	322.800	(16.025)	(643.269)	78.103	(2.148)	1.068	905.770
I. Total recognised income and expenses				**(1.002)**			**23.324**	**(410)**	**(47)**	**21.865**
II. Operations with shareholders or owners			**(12.166)**	**10.534**	**(12.166)**		**(41.705)**			**(55.503)**
1. (-) Distribution of dividends	3						(41.705)			(41.705)
2. Operations with treasury shares	11.1		(12.166)	12.166	(12.166)					(12.166)
3. Other operations with shareholders or owners				(1.632)						(1.632)
III. Other changes in net equity						**36.398**	**(36.398)**			
E) BALANCE AT THE END OF YEAR 2019		45.940	1.107.135	332.332	(28.191)	(606.871)	23.324	(2.558)	1.022	872.133

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the statement of changes in net equity as at 31 December 2019.

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

Cash Flow Statement for the Year Ended 31/12/2019

(thousand €)	Notes	2019	2018
A) OPERATING ACTIVIES CASH FLOW			
1. Result (profit/loss) for the fiscal year before taxes		26.546	61.869
2. Result adjustments		32.579	(9.699)
a) Depreciation	6, 7, 8	54.270	30.354
b) Value adjustments for impairment	9.1,10.2	1.236	20.931
c) Change in provisions		5.508	10.625
d) Allocation of grants	11.3	(62)	(62)
e) Profit/loss on disposal of fixed assets		1	53
f) Profit/loss on disposal of financial instruments	9	(728)	(118)
g) Financial income	16.5	(62.931)	(131.276)
h) Financial expenses	16.5	35.039	31.600
i) Exchange rate differences		1.882	29.967
j) Change in fair value of financial instruments	9	598	836
k) Other income and expenses		1.551	
l) Profit/loss on asset management	16.1	(3.783)	(2.608)
3. Changes in working capital		16.678	30.380
a) Inventories	10.1	(92)	1.870
b) Trade and other receivables	10.2	16.151	22.151
c) Other current assets	10.3	149	466
d) Creditors and other payables	13	1.516	(643)
e) Other current liabilities			(1)
f) Other non-current assets and liabilities		(1.046)	6.536
4. Other cash flows from operating activities		(3.062)	43.693
a) Interest paid		(21.999)	(20.519)
b) Dividends received		14.258	43.658
c) Interest received		1.733	861
d) Collections (payments) on income tax		(936)	16.024
e) Collections (payments) on asset management		3.883	3.669
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		72.741	126.243
B) CASH FLOWS FROM INVESTMENT			
6. Payments on investments		(116.814)	(324.702)
a) Group companies and associates	9.1	(47.991)	(229.080)
b) Intangible assets		(12.609)	(17.250)
c) Property, plant and equipment		(38.538)	(54.131)
d) Investment property	8	(204)	(271)
e) Other financial assets	9	(17.472)	(23.970)
7. Collections on divestments		76.472	186.880
a) Group companies and associates	9.1	30.743	102.371
b) Property, plant and equipment	7	12.939	56.070
c) Other financial assets	9	32.790	28.440
8. Cash flows from investment (7-6)		(40.342)	(137.822)
C) CASH FLOWS FROM FINANCING			
9. Collections and payments on equity instruments		(12.166)	(1.002)
a) Acquisition of own equity instruments	11.1	(12.166)	(1.002)
10. Collections and payments on financial liability instruments		65.233	96.630
a) Issuance		**516.095**	**509.532**
1. Bonds and other negotiable securities	9.2	239.400	157.570
2. Bank loans	9.2	183.021	184.375
3. Payables to group companies and associates	17	91.039	167.587
4. Other payables		2.636	
b) Redemption and repayment of		**(450.862)**	**(412.902)**
1. Bonds and other negotiable securities	9.2	(290.800)	(147.940)
2. Bank loans	9.2	(160.062)	(264.962)
11. Payments on dividends and remuneration of other equity instruments		(41.705)	(38.323)
a) Dividends	3	(41.705)	(38.323)
12. Cash flows from financing (+/-9+/-10+/-11)		11.363	57.305
D) EFFECT OF CHANGES IN EXCHANGE RATES		(1.632)	2.361
E) NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		42.130	48.087
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		102.121	54.035
G) CASH AND CASH EQUIVALENTS AT THE YEAR-END	10	144.251	102.122

Notes 1 to 19 described in the attached notes to the accounts are an integral part of the cash flow statement as at 31 December 2019.

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

Notes to the 2019 Annual Accounts

Note 1. Company's Activity

MELIÁ HOTELS INTERNATIONAL, S.A (hereinafter, the "Company") is a public limited company that was legally incorporated in Madrid on 24 June 1986, under the registered name of Investman, S.A. The change to its current name, Meliá Hotels International, S.A., was approved on 1 June 2011. In 1998, the Company moved its registered address to Calle Gremio de Toneleros, 24, Palma de Mallorca [Spain].

MELIÁ HOTELS INTERNATIONAL, S.A. is the controlling company of Meliá Hotels International Group (hereinafter, the "Group"). On 26 February 2020, as required by the Commercial Code, the Group's consolidated annual accounts as at 31 December 2019 are prepared, pursuant to the International Financial Reporting Standards (IFRS) published by the International Accounting Standard Board (IASB) and adopted by the European Union, which show a consolidated profit attributable to the controlling company in the amount of EUR 112.9 million and a consolidated net equity attributable to the controlling company in the amount of EUR 1,242.4 million.

The Company's business activity, which was incorporated for an indefinite period according to its bylaws, is as follows:

- The acquisition, holding, operation, promotion, marketing, development, management and assignment under any title of hotel and tourism establishments, and of any other establishments intended for tourism, leisure, entertainment or recreation-related activities, in any way authorised by Law.
- The acquisition, subscription, ownership and transfer of all kinds of transferable securities, both public and private, national and foreign, representing the share capital of companies with the corporate purpose of owning and operating the business or activities mentioned above.
- The acquisition, ownership, operation, management, marketing and assignment under any title of all kinds of goods and services intended for tourism and hotel establishments and facilities, as well as for any leisure and entertainment or recreation-related activities.
- The acquisition, development, marketing and assignment under any title of know-how or technology in the tourism, hotel, leisure, entertainment or recreation sectors.
- The promotion of all kinds of businesses related to tourism and hotel sectors and to leisure, entertainment or recreation activities, as well as the participation in the creation, development and operation of new businesses, establishments or entities in the hotel and tourism sectors, and of any leisure, entertainment or recreations activities.

The activities comprising the corporate purpose may be developed by the Company, either totally or partially, directly or indirectly, through shareholdings or equity interests in companies having the same or similar corporate purpose.

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 purpose; in particular, the activities that the law restricts to Collective Investment Institutions or to Stock Market intermediary firms are excluded.

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With over 60 years of history, Meliá Hotels International has consolidated its international presence with more than 326 hotels in more than 40 countries. With a solid experience in seven brands to attend the different demands of its customers, which asserts its leadership in vacation hotel industry and leisure, Meliá Hotels International aims to position itself amongst the world's leading hotel groups in the upper-medium segment, as well as to be recognised as a world leader in terms of excellence, responsibility and sustainability.

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Secretary and Independent Director

Note 2. Basis of Presentation of the Annual Accounts

The figures on the balance sheet, the income statement, the statement of changes in net equity, the cash flow statement, and the accompanying notes to the accounts, are stated in thousands of Euro, rounded to thousands, except where otherwise indicated.

2.1 True image

The 2019 annual accounts have been prepared on the basis of the accounting records of Meliá Hotels International, S.A., in conformity with the accounting principles and measurement bases regulated by Royal Decree 1514/2007, approving the General Accounting Plan and the rest of accounting legal provisions in force, as well as any amendments thereto by means of Royal Decree 1159/2010 and Royal Decree 602/2016; and fairly present the equity, financial position and results of operations of the Company, as well as the truthfulness of the flows included in the cash flow statement.

2.2 Comparability

For comparison purposes, the annual accounts include the figures for year 2019 and for year 2018 of each of the items in the balance sheet, the income statement, the statement of changes in net equity, the cash flow statement and the notes to the annual accounts.

2.3 Critical issues on measurement and estimate of uncertainty

Directors have prepared the Company's annual accounts using judgements, estimates and assumptions which have an effect on the application of the accounting policies as well as on the balances of assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of these 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 based on these estimates. The relevant estimates and assumptions are verified continuously; the effects of the verifications of accounting estimations are recognised prospectively. However, the uncertainty inherent in the estimates and assumptions could lead to results that may require an adjustment to the carrying amounts of assets and liabilities affected in future periods.

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

Corporate income tax

The calculation of income tax requires the interpretation of the tax legislation applicable to the Company. There are also several factors related mainly, but not exclusively, to changes in tax laws and changes in the interpretation of tax laws currently in force that require the use of estimates by the Company's Management. Such calculation is detailed in Note 14.

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Deferred tax assets are recognised for all deductible temporary differences, tax loss carry forwards and unused tax credits, for which the Company probably will have future taxable profits which allow the application of these assets. Directors must carry out significant estimates to determine the amount of the deferred tax assets that can be recognised, by considering the amounts and the dates on which future taxable profits will be obtained and the reversal period of the taxable temporary differences.

Fair value of derivatives

The fair value of financial instruments that are not traded in an active market is determined using measurement techniques, as specified in Note 4.5.3. The Company uses a variety of methods and makes assumptions that are based mainly on market conditions at the balance sheet date. Most of these measurements are obtained from studies carried out by independent experts.

Post-employment benefits

The cost of defined benefit pension plans is calculated using actuarial valuations. Actuarial valuations require the use of assumptions on discount rates, asset yields, salary increases, mortality tables and rotation, as well as the retirement age of employees with right to these benefits. These estimates are subject to significant uncertainties due to the long-term settlement of these plans.

These commitments have been valued by reputable independent experts using actuarial valuation techniques. Note 12.1 gives details of the assumptions used to calculate these commitments.

Provision for onerous contracts

The Company must use its judgement significantly for the estimate of the amount of the provision for onerous contracts, since it depends on the projected cash flows deriving from those contracts, which mainly relate to lease agreements for hotel establishments.

The estimate of these future cash flows requires the application of assumptions on the percentage of occupation, the average room rate (ARR) and the evolution of the costs associated with the hotel operation, as well as the discount rate applied to update such flows.

The Company uses its expertise in operating and managing hotels to determine such assumptions and to make the relevant calculations, as described in Note 12.1.

Provision for negative equity

The Company recognises a provision for accumulated losses in group companies, when the interest in such controlled entities is fully impaired. This provision is measured through a method similar to that used in measuring the impairment of equity instruments in group companies (see Note 4.5.1).

If the recoverable amount of the investment is restored, then the Company reverses the provision.

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2.4 Accounting principles

The annual accounts have been prepared in accordance with the generally accepted accounting principles and measurement standards as described in Note 4. All mandatory accounting principles having a significant effect on the preparation of these annual accounts have been applied.

2.5 Cash flow statement

The cash flow statement includes the cash movements during the fiscal year, calculated using the indirect method. The expressions used in the cash flow statements have the following meanings:

- Cash flows: Inflows and outflows of cash or other cash equivalents, these being understood to be investments for a period of less than 3 months with high liquidity and low risk of changes in value.
- Operating activities: These are the activities that constitute the main source of the Company's ordinary income, as well as other activities that cannot be classified as investment or financing.
- Investment activities: The acquisition, sale or other disposal 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 liabilities of a financial nature.

For the purposes of the Company's cash flow statement, cash and other cash equivalents include the items as defined above less the overdrafts demandable by the bank, if any.

Cash flows from operating activities comprise the capital gains derived from the asset rotation activity, whilst the net carrying amount of the assets disposed of is recognised under heading Investment activities.

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Secretary and Independent Director

Note 3. Allocation of Results

The Board of Directors will propose to the General Shareholders' Meeting the approval of the allocation of income as follows:

(thousand €)	2019
Basis of distribution	
Gains and losses (year's revenue)	23.324
Allocation	
To offset prior years' losses	23.324
Total	**23.324**

The Board of Directors will propose to the General Shareholders' Meeting the payment of a gross dividend of EUR 0.1475 per share, by using a maximum amount to be distributed of EUR 33.87 million charged to available reserves of the Company.

On 18 June 2019, the General Shareholders' Meeting approved to pay a gross dividend to its shareholders of EUR 0.1830 per share, for which the amount of EUR 41.7 million was made available and paid during the second half of 2019.

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Note 4. Recognition and Measurement Standards

The accounting principles applied in relation to the different items are as follows:

4.1 Intangible Assets

Intangible assets relate to various software applications, as well as transfer rights, patents and licenses.

Software applications are valued at cost price and amortised using the straight-line method over their estimated useful life of 5 years. Software maintenance-related expenses are recognised as an expense when incurred. If expenses relate to tasks which involve an increase in capacity, productivity or useful life, these are added to the value of the asset.

The investments in technological innovation incurred by the Company in producing identifiable and unique software programmes controlled by the Company are included under this heading. In addition, these comply with the following conditions:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Company intends to use or sell the intangible asset.
- The Company can use or sell the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future financial benefits.
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

Transfer rights relate mainly to the acquisition costs of operating and management rights for various hotels and are amortised using the straight-line method over the term of the agreements related to these operating rights.

Patents, licences, brands and similar items include the amounts paid to acquire from third parties the ownership of, or the right to use, trademarks and patents. The amortisation of these items will depend on the expiration of the related agreements.

4.2 Property, Plant and Equipment

Property, plant and equipment is initially stated at cost, including additional expenses incurred to bring the assets into operating conditions, increasing their value according to legal revaluations and restatements, as described in Note 7, and deducting any accumulated depreciation and impairment losses, if any, according to the criterion mentioned in Note 4.4.

The repairs which do not extend the useful life of the assets and the maintenance expenses are charged directly to the profit and loss account. Costs that extend or improve the capacity, productivity or useful life of the assets, are capitalised as an increase in their value.

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Works performed by the Company for its fixed assets are stated at the cost of the necessary goods and required services or at the cost of production of the goods produced by the Company and of the necessary staff time.

Glassware, chinaware, silverware, linen as well as supplies and fixtures are included under the heading Other property, plant and equipment in the heading Property, plant and equipment. These fixed assets are stated at the average cost as per the stocktaking carried out in the different establishments at the year end. Breakages and losses are recorded as Disposals.

Property, plant and equipment items are depreciated using the straight-line method over their estimated useful life. The estimate for 2019 and 2018 is as follows:

	Years
Buildings	50
Plant	18
Machinery	18
Furniture	15
Fixtures	8
Software	6
Vehicles	5
Other fixed assets	8

The useful life and residual value of property, plant and equipment are reviewed at each balance sheet date. Land is not subject to systematic depreciation since it is considered to have indefinite useful life, however it is subject to impairment tests.

4.3 Investment Property

The investments made by the Company to obtain rental income or capital gains and which generate cash flows independently of the other assets held by the Company, are recorded under this caption.

Property, plant and equipment criteria are used for the measurement and depreciation of investment properties.

4.4 Impairment of property, plant and equipment, intangible assets and investment property.

At each year end, the Company assesses whether there is an indication that an asset may be impaired. If such indication exists, the Company estimates the asset’s recoverable amount. Periodically, the Company obtains valuations made by independent experts of its owned hotel assets, which are operated by the Company or leased to third parties, as well as of certain hotels under lease.

In 2018, a valuation of the Group’s owned assets was carried out. The valuation of the majority of such assets was conducted by the worldwide firm Jones Lang Lasalle Hotels, which specialises in hotel investment and consulting services. The valuation dated 30 July 2018 covered 60 owned assets, including 8 properties classified as Investment Property in the consolidated balance sheet. Additionally, the valuation also included 37 assets owned by associates and joint ventures.

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When determining the value of the assets, the valuation criterion most used by Jones Lang LaSalle was the discounted cash flow, since hotel investments are generally valued according to the potential future income. In certain cases, other valuation methods were used, such as the comparables method or the residual value method. The latter method was mainly used to value plots and land. Regardless of the valuation criterion, the result of the valuation was checked by comparing it with other elements such as stable returns, price per room or the leveraged IRR.

At the end of the years in which such valuations are not obtained, the Company assesses whether there is an indication that its tangible assets may be impaired. If such indication exists, or when annual impairment test for an asset is required, the Company estimates the asset's recoverable amount on the basis of the methodology used in the last valuation carried out by the independent expert for the relevant asset or cash-generating unit. An asset's recoverable amount is the higher of an asset's fair value less costs to sell or cash-generating unit and value in use, and is determined individually for each asset, unless the asset does not generate cash inflows that are independent of those from other assets or groups of assets.

For owned hotels, the Company considers whether there is any indication that they have suffered an impairment loss mainly based on the operating result of the various cash-generating units, as well as observable external sources of information revealing that the value of the asset during the period has decreased more than expected as a consequence of the passage of time or its normal use, due to changes that may have occurred in the environment in which the hotel operates. In addition, other factors such as geo-political circumstances, economic situation or natural disasters that may affect the recoverable amount of such assets are taken into account.

In assessing value in use, the Company projects future cash flows by considering the budget approved by the governing bodies of the Company for 2020, and applying growth assumptions that are consistent with the market in which the asset operates and its historical performance for a period of 5 years and estimating a residual value according to a long-term growth rate not higher than the expected growth of the economy and the sector in which the asset operates. Estimated future cash flows are discounted using a discount rate before taxes which reflects changes in the value of money over time in the current market and the specific risks of the asset which have not been adjusted in the estimated future cash flows, mainly the risks of the business and the country in which the asset is located.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and its carrying value is reduced to its recoverable value.

An assessment is made each year end as to whether there is any indication that previously recognised impairment losses no longer exist or have decreased. If such 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 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.

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4.5 Financial instruments

4.5.1 Financial assets

The Company has no financial assets included in the category of held-to-maturity investments.

Financial assets are classified into the following categories:

a) *Equity investments in group companies and associates*

Upon initial recognition, they are recognised at fair value which, unless there is evidence to the contrary, is the transaction price, which is equal to the fair value of the consideration given plus directly attributable transaction costs. After initial recognition, they are measured at cost less, where appropriate, the accumulated amount of the measurement adjustments for impairment which is recognised in the income statement in the year in which it occurs.

b) *Available-for-sale financial assets*

Financial assets available for sale are those non-derivative financial assets that are designated as available-for-sale or which are not classified under other captions of financial assets. They relate in full to unlisted investments in equity instruments of companies in which the Company does not have control or significant influence.

Regarding the investments recognised under the heading Available-for-sale financial assets, since they are not listed in an active market, the equity of the investee company adjusted by any unrealised capital gains existing at the measurement date is taken into account, unless there is better evidence of the recoverable amount of the investment.

The investments available for sale do not have a market price of reference in an active market.

The changes in their fair value are recorded directly against net equity. Impairment is detailed in Note 4.5.1. f)

c) *Financial instruments held for trading*

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

The changes in their fair value are recorded in the income statement for the year.

d) *Loans and other receivables*

Financial assets included in this category are initially measured at fair value and subsequently at amortised cost. Accrued interest is recognised in the income statement, using the effective interest rate method.

Nevertheless, credits from commercial operations with a due date not exceeding one year and which do not have a contractual interest rate, as well as advances to staff, dividends receivable and capital calls on equity instruments expected to be received at short term, are measured at face value, both at the initial and later measurement, when the effect of not adjusting the cash flows is not material.

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Loans and receivables with a maturity of less than 12 months as of the balance sheet date are classified as current, and those with a maturity greater than 12 months are classified as non-current.

In the case of financial assets measured at amortised cost, the amount of impairment loss is equal to the difference between the carrying amount of the financial asset and the present value of the expected future cash flows, discounted at the effective interest rate existing at the time of the initial recognition of the asset. Particularly, trade receivables are shown at their face value in the balance sheet, by carrying out the corresponding measurement adjustments and providing, where appropriate, the relevant provisions based on the risk of insolvency, which are applied where the debt is deemed to be uncollectible.

Non-current guarantees and deposits are measured at amortised cost using the effective interest rate method. Current guarantees and deposits are not discounted.

e) *Derecognition of financial assets*

The Company derecognises a transferred financial asset when it assigns all contractual rights to receive the cash flows generated by the asset or, even when retaining such 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 Company has transferred assets in which the risks and rewards related to the ownership of the financial 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 measured at amortised cost. The transferred financial asset continues to be measured according to the same criteria applied prior to the transfer. Both income from the transferred asset and the expenses of the related financial liability are recognised, without netting, in the income statement.

f) *Impairment of financial assets*

Investments in group companies, jointly controlled entities, and associates are measured at cost less, where appropriate, the accumulated amount of the measurement adjustments for impairment. Such adjustments are calculated as the difference between the carrying amount and the recoverable amount, the latter being the higher amount between the fair value less costs to sell and the present value of the future cash flows arising from the investment. Unless there is better evidence, the recoverable amount is based on the value of the equity of the investee, adjusted by the amount of the unrealised capital gains at the measurement date (including the goodwill, if any). Measurement adjustments for impairment and, where appropriate, their reversal, are recognised as income or expense, respectively, in the income statement.

The recoverable amount of 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. The Company's accounting policy consists in making a provision for all the receivables relating to the hotel business overdue for more than one year, as well as for any balance pending for less than one year where there are reasonable doubts as to its recovery.

4.5.2 Financial liabilities

Financial liabilities are classified in the category debts and items payable, measured at amortised cost, or in the category financial liabilities, measured at fair value through profit or loss. In both cases, financial liabilities are initially recognised at fair value. Financial liabilities measured at amortised cost are adjusted for directly attributable transaction costs. All non-derivative financial liabilities of the Company are included within the category debts and items payable.

a) *Issuance of debentures and other marketable securities*

Debt issues are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. They are subsequently measured at amortised cost applying the effective interest method. Bonds with a maturity exceeding twelve months are classified as non-current liabilities, while those with shorter maturity than that are included under current liabilities.

b) *Bank loans*

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

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

c) *Debts with group companies and associates*

Financial liabilities included in this category are measured at amortised cost. Accrued interest is recognised in the income statement, using the effective interest rate method.

d) *Derecognition of financial liabilities*

Financial liabilities are derecognised when all the risks are substantially transferred, and the liability that resulted in its recognition on the balance sheet is extinguished.

4.5.3 Hedge activities and derivatives

Derivative financial instruments 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 when the fair value is positive, and as liabilities when the fair value is negative.

a) *Accounting hedges*

The Company applies hedge accounting to those operations in which the hedge is expected to 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 by the changes in the fair value or cash flows of the hedging instruments with an effectiveness comprised between 80% and 125%. In addition, at the inception of the hedge, the relationship between the hedged item and the derivative financial instrument designated for that purpose is formally documented.

The Company has various interest rate swaps classified as cash flow hedges. Changes in the fair value of these derivative financial instruments are reflected in net equity, under the heading Other measurement adjustments, being allocated by the part considered an effective hedge to the profit and loss account insofar as the item being hedged is also settled. The fair value is entered in the accounts according to the trade date.

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The fair value of interest rate swaps is determined through the discounted cash flow measurement technique according to the characteristics of each contract, such as the face amount and the collection and payment schedule. The discount factors used to obtain said value are calculated based on the curve of the zero-coupon rates obtained from the deposits and rates listed in the market on the date of the measurement. The resulting fair value is adjusted for the own credit risk if significant. These values are obtained from studies carried out by the financial institutions with which the Company has contracted these instruments.

b) *Derivatives not qualifying for hedge accounting*

Any profit or loss arising from changes in the fair value of derivatives which do not qualify to be classified as hedging instruments are directly recognised in the net profit or loss for the year. The fair value of these derivative financial instruments is obtained from studies carried out by financial institutions.

4.6 Inventories

Inventories are valued at their average acquisition cost or production cost which is generally lower than their net realisable value. If their estimated realisable or replacement value is lower than their cost, any necessary measurement adjustments will be made.

4.7 Cash and other cash equivalents

Cash and other 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 less than three months from the date of subscription.

4.8 Treasury shares

Treasury shares are presented as a decrease in the Company's net equity and are stated at cost without carrying out any measurement adjustments.

The gains and losses obtained on disposals of treasury shares are recorded directly against equity.

4.9 Grants, donations and bequests received

Refundable grants are recognised as liabilities until all the conditions for them to be considered as non-refundable have been met, while non-refundable grants are recognised as such provided that the conditions established for their granting have been substantially met. Such criterion involves initially recognising in a particular item in equity the amount of the grant, net of the deferred tax effect which is taken to the income statement in proportion to the period depreciation taken on the assets for which the grants were received or, where appropriate, on disposal of the asset or on the recognition of an impairment loss. Non-refundable grants received from the shareholders are recognised directly in equity.

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4.10 Provisions and contingencies

Provisions are recognised when the Company:

- Has a present obligation, legal or implicit, because 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 or transfer to a third party the obligation. Adjustments due to updating the provision are recognised as a financial expense as they accrue. Provisions maturing in one year or less with a non-significant financial effect are not discounted. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimate of the liability at any time.

On the other hand, contingent liabilities are the possible obligations, arising from past events, the materialisation of which is subject to the occurrence of future events which are not entirely under the Company'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 for their settlement or which cannot be measured with sufficient reliability. These liabilities are not recognised in the accounts, but are disclosed in the notes to the annual accounts.

Onerous contracts

A contract is onerous when the unavoidable costs of meeting the contractual obligations exceed the expected economic benefits.

In the case of hotel lease agreements, the estimate of future results from these agreements is reviewed annually, based on the expected flows from the relevant cash-generating units, applying an appropriate discount rate. If the costs exceed the benefits, the Company records a provision for such difference. Details of the analysis performed by the Company are included in Note 12.1.

Post-employment benefits

Post-employment benefits are classified as defined contribution plans or defined benefit plans.

a) *Defined contribution plans*

Defined contribution plans are those plans under which the Company makes fixed contributions to an independent entity and does not have any legal, contractual or implicit obligation to make additional contributions if the independent entity does not hold sufficient assets to satisfy the commitments assumed.

Contributions are recognised as employee benefits when they accrue.

b) *Defined benefit plans*

Post-employment benefits that are not defined contribution plans are considered to be defined benefit plans. In general, these plans fix the amount of the benefit that the employee will receive on retirement, usually based on one or more factors such as age, number of years of service and remuneration.

The Company recognises in the balance sheet a provision for long-term defined benefit obligations in an amount corresponding to the difference between the present value of the committed benefits and the fair value of any assets linked to the benefit commitments which will be used to settle the obligations, less any past service costs still not recognised, if any.

If an asset results from the above-mentioned difference, its valuation may not exceed the current value of the benefits that may be returned to the Company in the form of direct reimbursements or lower future contributions, plus, where appropriate, the part not yet recognised in the income statement for past service costs.

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 recognises, directly in the statement of recognised income and expense, the profits and losses arising from the change in the current value and, where applicable, the plan assets, as a result of the changes in actuarial assumptions or adjustments made on the basis of experience.

Certain collective bargaining agreements in force and applicable to the Company establish that permanent staff for a specified number of years employed by the Company who opt to terminate their employment contract will be entitled to a cash award equal to a number of monthly salary payments which is proportional to the number of years of service. During the fiscal year, an assessment of these commitments has been performed in accordance with the actuarial assumptions contained in Meliá Hotels International, S.A.'s own rotation model, by applying the calculation method known as the Projected Unit Credit Method and the population assumptions corresponding to the PER2000P tables.

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

The Company has duly externalised the pension commitments and obligations stipulated in collective bargaining agreements subject to the Ministerial Order of 2 November 2006.

4.11 Leases

Finance Leases

The leases in which all the risks and rewards inherent in the ownership of the leased asset are substantially transferred, 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 two parts: the finance cost and the principal payment. The financial cost is taken directly to the income statement.

Assets being recognised under finance leases are depreciated using the straight-line method over the asset's estimated useful life.

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Operating leases

Leases where the lessor substantially maintains all the risks and economic benefits of ownership of the leased asset are classified as operating leases. Payments made under operating leases (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 by the Company in hotels operated under operating leases are depreciated over the shorter of their useful lives and the lease term.

4.12 Trade creditors and other payables

Trade payables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method.

However, trade payables with a maturity not exceeding one year and which have no contractual interest rate, as well as payments required by third parties for shares, the amount of which is expected to be paid in the short-term, are measured at their face value provided the effect of not adjusting the cash flows is not material.

4.13 Corporate income tax

The Company is taxed under the Consolidated Tax Regime, within the Tax Group 70/98, as controlling company thereof, so the tax expense and the current and deferred tax assets and liabilities are determined according to this tax regime.

The corporate income tax expense for the year is calculated as the sum of the current tax that results from the application of the corresponding tax rate to the tax base for the year, determined according to the consolidated tax regime, following the application of existing tax credits and deductions, and the change in the deferred tax assets and liabilities accounted for. The corresponding tax expense is recognised in the income statement, unless the tax relates to items recognised directly in equity, in which case the corresponding tax expense is also recognised in equity.

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

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 there will be taxable profits of the Company and the Tax Group allowing the application of such assets, 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 nor the taxable profit or loss.

The recovery of a deferred tax asset is reviewed at each balance sheet date and adjusted to the amount which is expected to be recovered based on the taxable profit available.

Deferred tax assets and liabilities are measured based on their expected materialisation and on the tax legislation and tax rates approved, or are about to be approved, on the balance sheet date.

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4.14 Classification of assets and liabilities as current and non-current

The classification of assets and liabilities as current and non-currents is made on the basis of the foreseeable date of maturity, disposal or cancellation of the Company's obligations and rights. Where such date exceeds 12 months following the year-end date, assets and liabilities are deemed to be non-current.

4.15 Transactions in foreign currency

Assets and liabilities denominated in foreign currency are recorded at the exchange rate prevailing on the corresponding transaction date, and are restated at the year end at the exchange rate then in effect. The exchange differences, both positive and negative, originated during this process, are recognised in the income statement in the year in which they arise.

Non-monetary entries valued at their historical cost are translated at the exchange rate prevailing on the transaction date.

4.16 Assets of an environmental nature

Expenses relating to activities of decontamination and restoration of contaminated sites, waste disposal as well as other costs resulting from compliance with the environmental legislation are recognised as an expense in the fiscal year in which they are incurred, unless they relate to the acquisition cost of elements that are to be included in the Company's equity for the purpose of using them on a lasting basis, in which case they are recognised as property, plant and equipment, as appropriate, being depreciated using the same criteria as indicated above.

4.17 Income and expenses

Income and expenses are recognised on an accrual basis regardless of when the resulting monetary or financial flow arises.

Income from the sale of goods or services is measured at the fair value of the consideration received or receivable. Volume rebates, prompt payment and any other discounts, as well as the interest added to the face amount of the consideration, are recognised as a reduction therein. However, the Company includes interest added to trade receivables with a maturity not exceeding one year and which have no contractual interest rate, provided the effect of not adjusting the cash flows is not material.

Ordinary income is recognised if it may be reliably measured, and the Company is likely to receive a future financial benefit and when certain conditions are met for each of the Company's activities as described below.

Sale of rooms and other related services

Income deriving from the sale of rooms and other related services is recognised daily based on the services provided 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 consideration received is divided among the contracted services. Direct services, such as room, food and beverages, consumption, etc. and other related services such as banquets, events, the lease of spaces, etc. are included.

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Provision of hotel management services

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

Sale of fixed assets

The Company actively manages its real estate assets portfolio. In general, the net capital gains on sales for asset rotation are recognised in the income statement once the carrying value of the relevant assets has been discounted from the selling price. The Company recognises the proceeds from the sale as operating income.

Interest income

Interest income is recognised using the effective interest rate method for all the financial instruments measured at amortised 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 recognised as financial income in the Company's income statement.

Dividends

Income from dividends is recognised in the income statement when the right of the Company to receive the corresponding payment is established. If dividends unequivocally derive from earnings generated before the acquisition date, they will not be recognised as income and will reduce the carrying amount of the investment.

Lease income

Income deriving from operating leases in investment properties is recognised on a straight-line basis over the term of the lease and is included as operating income.

4.18 Transactions with related parties

In general, transactions between group companies are recognised initially at fair value. If the agreed price differs from its fair value, the difference is recognised on the basis of the economic reality of the transaction. Subsequent recognition is made in accordance with the provisions of the applicable rules.

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Note 5. Financial Risk Management Policies

The Board of Directors of the Company approved in 2011 the General Policy for Risk Control, Analysis and Management, which establishes the risk management model, which is aimed at minimising the potential adverse effects of any risks on the annual accounts. Such policy is reviewed and, where appropriate, updated every year.

In geopolitical terms, the Company considers the outcome of Brexit negotiations to be one of the main geopolitical risks, and therefore, it develops contingency plans and business strategies intended to limit the impact of the UK's withdrawal from the European Union. In this respect, it is worth mentioning that in January 2020, Brexit has moved from being an uncertainty to being a reality, however, the impacts of such event are expected to take place by the end of 2020. The Company will follow up the negotiations that will arise throughout the year and, particularly, the changes in the exchange rate of the GBP against the EUR.

Nevertheless, the United Kingdom remains the primary source of tourists for Spain, with a total of 18.1 million of visitors, however, this figure represents a slight decrease in comparison with 2018 (2.4% less), according to the data published by the National Statistical Institute (data from the Survey of Tourist Movements on Borders - Frontur).

Likewise, the Company's activities are exposed to different financial risks: market risk (interest rate risk and foreign exchange risk), credit risk and liquidity risk. The policies pursued by Meliá Hotels International, S.A. try to minimise the potential adverse effects on its financial statements.

5.1 Interest rate risk

Meliá Hotels International, S.A.'s financial statements include 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 specified period of time that it applies to financing transactions with 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 hedging derivatives and to avoid incurring unnecessary payments, it has not been possible to continue applying hedge accounting (see Note 9.3).

The structure of the debt with third parties as at 31 December 2019 and 2018, without considering the heading of Other financial liabilities, is as follows (these face amounts do not include interest payable):

	31/12/2019			31/12/2018		
(thousand €)	Fixed interest	Variable interest	Total	Fixed interest	Variable interest	Total
Bank loans	260.054	305.926	565.980	280.264	128.890	409.154
Mortgage loans	31.854	10.708	42.561	33.657	139.528	173.185
Credit facilities		1	1		125	125
Leasing		2.007	2.007		3.308	3.308
ECP					51.400	51.400
Simple bonds	30.000		30.000	30.000		30.000
Total	321.908	318.642	640.550	343.921	323.250	667.171

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The variable interest rate debt is basically tied to Euribor.

As at 31 December 2019, the Company has various interest rate swaps contracted, with a notional value of EUR 123.4 million, considered as cash flow hedging instruments, as stated in Note 9.3. At the 2018-year end, the notional value of the swaps contracted was EUR 70.4 million. The variable rate bank loans and mortgages hedged by these swaps are shown in the Fixed Interest column for the part of the capital hedged.

The sensitivity of 2019 and 2018 profit or loss to interest rate variations (in base points), in thousand euro, is as follows:

(thousand €)	Variation	2019	2018
	+ 25	527	423
	- 25	(527)	(423)

The above 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 has been considered in this calculation.

5.2 Foreign exchange risk

Fluctuations in items of the currencies in which the bank accounts and debts are denominated and the purchases/sales are carried out, vis-à-vis the accounting currency, may have an impact on the result (profit/loss) for the fiscal year.

The following items may be affected by foreign exchange risks:

- Debt and liquid assets denominated in currencies other than the Euro.
- Collections and payments for supplies, services and investments in currencies other than the Euro.

In this regard, Meliá Hotels International, S.A is exposed to foreign exchange risks mainly for the transactions in foreign currency arranged by group companies and associates (see Note 16.6).

Likewise, the recoverable value of shares in a functional currency other than the Euro, changes due to movements in exchange rates. It is not the Company's policy to arrange derivatives for the hedge of net investments in businesses abroad.

5.3 Credit risk

The credit risk arising from default of a counterparty (customer, supplier, or financial entity) is mitigated by the Company's policies regarding the diversification of customer portfolios, source markets, oversight of concentration and on-going in-depth debt control. In addition, in some cases the Company carries out other financial operations which allow the reduction of credit risks, such as assignments of receivables.

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The credit periods established by the Company range between 21 and 90 days. The average period of collection of the Company's receivables is approximately 29.03 days, 31.22 in 2018. The age of trade receivables at the year end is as follows:

(thousand €)	31/12/2019	%	31/12/2018	%
Less than 90 days	12.335	73%	17.436	85%
More than 90 and less than 180	2.700	16%	1.705	8%
More than 180 and less than 365	1.860	11%	1.319	6%
Total	16.895	100%	20.460	100%

Trade receivables outstanding for more than 365 days have been fully provisioned. In addition, the Company uses other financial operations which allow the reduction of credit risks, such as assignments of receivables (see Note 10.2).

5.4 Liquidity Risk

Exposure to adverse situations experienced by debt or capital markets may prevent or hinder the coverage of financing needs required for the appropriate development of the Company's activities.

The liquidity policy applied by the Company ensures that payment obligations acquired will be met without having to obtain funds under burdensome terms. To do that, the Company uses different management procedures, such as the maintenance of credit facilities committed for sufficient amount and flexibility, the diversification of the coverage of financing needs through the access to different markets and geographical areas, and the diversification of the maturities of the issued debt.

Under the Euro-Commercial Paper Programme (ECP) executed in 2019 in the maximum of EUR 300 million, and which is subject to English law, during the fiscal year 2019, a total of EUR 239.4 million of issues have been made (a total of EUR 127.6 million in 2018), and there are no existing issues at the year end (EUR 51.4 million in 2018), as shown in the line of Short-term bonds and other negotiable securities (see Note 9.2).

In line with the diversification of funding sources, in 2018 the Company issued unsecured bonds in the total amount of EUR 30 million in the Luxembourg market, with a 12-year maturity (see Note 9.2).

The following table contains a summary of the maturities of the Company's financial liabilities as at 31 December 2019, based on face amounts excluding interest by maturity:

(thousand €)	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Simple bonds				30.000	30.000
Loans	5.617	60.269	397.077	145.578	608.541
Credit facilities		1			1
Leasing	260	676	1.071		2.007
Total	5.877	60.946	398.149	175.578	640.550

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The following table contains a summary of the maturities of the Company's financial liabilities as at 31 December 2018, based on face amounts by maturity:

(thousand €)	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Straight bonds				30.000	30.000
ECP		51.400			51.400
Loans	5.830	76.910	322.117	177.482	582.339
Credit facilities		125			125
Leasing	428	872	2.007		3.308
Total	6.259	129.306	324.124	207.482	667.171

5.5 Estimation of fair value

Fair value of financial assets and liabilities is the amount for which an asset can be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

- ✓ Hedging and other derivatives: As referred to in Note 4.5.3, hedging and other derivatives are calculated using discounted net flow techniques, calculated by the difference between variable interest payments and fixed interest payments.
- ✓ Available-for-sale financial assets: At the year end, the amounts posted, net of impairment losses, are not substantially different from their fair values.
- ✓ Assets and liabilities at amortised cost: Their fair value is mainly estimated on the basis of parameters such as interest rates, market risks, and by using discounted cash flow techniques.

As referred to in Note 4.5, there are no differences between fair values calculated for financial instruments recorded in the Company's accounts and their corresponding accounting values.

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Note 6. Intangible Assets

The movement of the gross value and accumulated amortisation of intangible assets is as follows:

(thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Gross value				
Patents, licences, trademarks and similar rights	4.415		(7)	4.408
Transfer rights	7.374	8.091		15.465
Software	50.188	12.360		62.548
Total	61.977	20.450	(7)	82.421
Accumulated amortisation				
Patents, licences, trademarks and similar rights	(4.361)	(7)	7	(4.361)
Transfer rights	(1.388)	(1.489)		(2.877)
Software	(23.460)	(11.493)		(34.953)
Total	(29.209)	(12.989)	7	(42.191)
Net carrying value	32.768			40.230

The additions recorded under section Transfer Rights mainly relate to the acquisition at net carrying amount of rights to operate one hotel under lease in Spain, previously operated by a Group company.

The additions recorded under section Software include EUR 11.7 million, as part of the technological innovation project carried out by the Company for the creation of a new framework for hotel management, by means of which the Company aims to improve the technological services provided to its customers.

For comparison purposes, the breakdown of these movements in 2018 was as follows:

(thousand €)	31/12/2017	Additions	Disposals	31/12/2018
Gross value				
Patents, licences, trademarks and similar rights	4.415			4.415
Transfer rights	1.645	6.674	(945)	7.374
Software	37.486	12.780	(78)	50.188
Total	43.546	19.454	(1.023)	61.977
Accumulated amortisation				
Patents, licences, trademarks and similar rights	(4.354)	(7)		(4.361)
Transfer rights	(560)	(1.019)	191	(1.388)
Software	(17.609)	(5.920)	69	(23.460)
Total	(22.523)	(6.946)	260	(29.209)
Net carrying value	21.024			32.768

The additions recorded under section Transfer Rights related to the acquisition of rights to operate one hotel under management in United Kingdom and three in Spain. The disposals related to the termination of rights to operate one hotel under management in Qatar.

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The amount of EUR 12.3 million included in section Additions of Software, related to the technological innovation project carried out by the Company and mainly developed by the subsidiary company Prodigios Interactivos S.A., for the creation of a new framework for hotel management, by means of which the Company seeks to improve the technological services provided to its customers.

The breakdown of intangible assets fully amortised as at 31 December 2019 and 2018 is as follows:

(thousand €)	31/12/2019	31/12/2018
Patents, licences, trademarks and similar rights	4.338	4.345
Software	12.387	12.186
Total	16.724	16.531

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Note 7. Property, Plant and Equipment

The movement of the gross value and accumulated depreciation of property plant and equipment in 2019 is as follows:

(thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Gross value				
Land	143.979		(86)	143.893
Buildings	378.758	20.168	(12.594)	386.333
Plant and machinery	233.662	7.682	(4.889)	236.455
Furniture and other fixed assets	217.434	9.822	(9.316)	217.940
Fixed assets under construction and advances		113		113
Total	973.833	37.785	(26.886)	984.732
Accumulated depreciation				
Buildings	(136.909)	(7.200)	3.689	(140.420)
Plant and machinery	(195.251)	(27.045)	3.503	(218.793)
Furniture and other fixed assets	(155.701)	(6.433)	5.334	(156.800)
Total	(487.860)	(40.678)	12.526	(516.013)
Net carrying value	485.973			468.719

The main new additions of property, plant and equipment recorded in 2019 relate to renovations performed in several hotels operated by the Company for EUR 37.8 million. The renovations were mainly made in Balearic Islands, Madrid and the Canary Islands.

The main disposals of property, plant and equipment relate to the sale of the hotel Valencia Azafata located in Valencia, with a carrying amount of EUR 4.5 million, giving rise to a capital gain of EUR 3.8 million (see Note 16.1). Additionally, other smaller assets have been disposed of and other disposals have been recorded by replacement.

For comparison purposes, the breakdown of these movements in 2018 was as follows:

(thousand €)	31/12/2017	Additions	Disposals	Transfers	31/12/2018
Gross value					
Land	153.654	2.366	(11.997)	(44)	143.979
Buildings	441.499	21.035	(80.529)	(3.247)	378.758
Plant and machinery	240.193	11.464	(17.867)	(129)	233.662
Furniture and other fixed assets	219.136	12.330	(14.032)		217.434
Fixed assets under construction and advances	463		(463)		
Total	1.054.944	47.196	(124.887)	(3.419)	973.833
Accumulated depreciation					
Buildings	(161.036)	(8.081)	31.093	1.116	(136.909)
Plant and machinery	(196.123)	(18.201)	19.074		(195.251)
Furniture and other fixed assets	(159.156)	(6.363)	9.818		(155.701)
Total	(516.315)	(32.645)	59.984	1.116	(487.860)
Net carrying value	538.629				485.973

The main new additions of property, plant and equipment recorded in 2018 related to renovations performed in several hotels operated by the Company for EUR 47.2 million, among others, the renovations were mainly made in Balearic Islands, Madrid and Catalonia.

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Main disposals of property, plant and equipment related to the sale, on 11 July 2018, of the hotels Meliá Sevilla and Sol La Palma, located in Seville and Santa Cruz de Tenerife, respectively, in the amount of EUR 59.7 million, and which generated a capital gain of EUR 2.6 million. According to the agreements reached with ATOM, purchaser company, the hotels continue to be operated by the Company under variable rate lease agreements.

Other considerations

The net carrying value of the assets of the Company that are financed through finance lease agreements amounts to EUR 4 million at the year end, and to EUR 6.3 million in 2018. These finance leases relate mainly to buildings, facilities and furniture.

There are 2.8 owned properties that have been mortgaged to secure several loans at the year end, and their net carrying value amounts to EUR 74.4 million, and to EUR 221.5 million in 2018.

As at 31 December 2019 and 2018 the Directors consider that there is sufficient insurance coverage for the Company's assets.

The breakdown of property, plant and equipment fully depreciated for 2019 and 2018 is as follows:

(thousand €)	31/12/2019	31/12/2018
Buildings	33.068	13.948
Plant and machinery	103.621	89.938
Furniture and other fixed assets	114.906	112.664
Total	251.595	216.550

Revaluation of assets

The Company, in different processes, has merged several companies owning hotels, with the revaluation of land and properties being carried out. As at 31 December 2019 and 2018 the difference between the carrying value and the tax value of the revalued elements is as follows:

(thousand €)	Land	Buildings
Revalued net carrying value at 31/12/2017	113.280	16.050
Depreciation		(384)
Disposals		(6.571)
Revalued net carrying value at 31/12/2018	113.280	9.095
Depreciation		(275)
Disposals		(756)
Revalued net carrying value at 31/12/2019	113.280	8.064

Disposals in 2019 relate to the sale of the hotel Meliá Valencia Azafata, while in 2018 they related to the sale of the hotel Meliá Sevilla.

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The capital gains derived from the revaluation of assets carried out by the Company, based on various legal regulations and voluntary revaluations prior to 1997, in order to correct the effects of inflation, were 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

The net carrying value of the assets subject to the revaluation according to the asset restatement approved by Royal Decree 7/96 amounts to EUR 0.8 million (0.9 million in the previous year), the value of the fully depreciated assets being EUR 16 million (16.5 million in the previous year). The impact of this restatement on the provision for depreciation of the year amounts to EUR 147 thousand (EUR 649 thousand in 2018).

Asset valuation

In 2018, Meliá Hotels International S.A. commissioned the valuation of the Group's owned assets. The valuation of most of the assets was conducted by the worldwide firm Jones Lang Lasalle Hotels (JLL), which specialises in hotel investment and consulting services. Such valuation determined their market value as at 30 June 2018 and included the assets fully consolidated in the consolidated Financial Statements.

The valuation of such assets amounted to a total of EUR 3,758 million, EUR 749.2 million in the Company. The overall figure included eight assets recognised under Investment Property in the consolidated balance sheet, 2 assets in the Company's balance sheet.

As at 31 December 2019 no significant variances were found between the provisions considered by the independent expert and the actual flows generated in the year.

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Note 8. Investment Property

The balance of investment property includes the net carrying value of investments made by the Company to obtain rental income or capital gains, such as interest in four apartment owners' associations and other properties. Said apartments relate to establishments which are managed by the Company.

The breakdown of the gross value and accumulated depreciation of investment property for 2019 is as follows:

(thousand €)	31/12/2018	Additions	31/12/2019
Gross value			
Apartments	23.618	204	23.822
Other properties	8.101		8.101
Total	31.718	204	31.922
Accumulated depreciation			
Apartments and other properties	(14.027)	(602)	(14.629)
Total	(14.027)	(602)	(14.629)
Net carrying value	17.691		17.293

The additions during 2019 mainly relate to the purchase of 2 apartments in one apartment owners' association.

The amount of the building costs fully depreciated in 2019 and 2018 was EUR 1.5 million.

Dividends earned in respect of apartments in apartment owners' associations are recognised in the income statement which amount to EUR 1.8 million at the end of 2019, EUR 1.7 million in 2018. Likewise, income from the lease of offices located in Madrid, operated under lease, amounts to EUR 119 thousand, EUR 118 thousand in 2018.

For comparison purposes, the breakdown of these movements in 2018 was as follows:

(thousand €)	31/12/2017	Additions	Disposals	Transfers	31/12/2018
Gross value					
Land and apartments	23.368	270	(21)		23.618
Other properties	4.682			3.419	8.101
Total	28.050	270	(21)	3.419	31.718
Accumulated depreciation					
Apartments and other properties	(12.321)	(592)	1	(1.116)	(14.027)
Total	(12.321)	(592)	1	(1.116)	(14.027)
Net carrying value	15.729				17.691

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Note 9. Financial Instruments

9.1 Financial investments

The following table shows the breakdown by categories of non-current and current assets for 2019 and 2018:

(thousand €)	31/12/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
1. Investments in group companies and associates:						
- Equity instruments	1.013.652		1.013.652	1.016.724		1.016.724
2. Available-for-sale financial assets:						
- Equity instruments	4.027		4.027	4.003		4.003
3. Financial instruments at fair value through profit or loss:						
- Equity instruments		403	403		103	103
4. Loans and other receivables:						
- Loans and other financial instruments to group companies and associat	400.956	162.070	563.026	416.414	123.153	539.567
- Loans to third parties	12.819	2.410	15.229	22.399	9.315	31.714
- Other financial instruments to third parties	9.680	12.411	22.091	9.232	14.252	23.484
Total	1.441.134	177.294	1.618.428	1.468.772	146.823	1.615.595

a) *Investments in group companies and associates*

Equity instruments:

Annex I attached to these annual accounts includes the information about the net equity situation as at 31 December 2019, which is obtained from the financial statements provided by the respective companies, and the shareholding in group companies and associates, indicating direct and indirect shareholding, activity and country in which this is exercised. Such annex also provides information broken down by company on the net carrying value and provisions made for each investment.

The activity carried out by these companies relates to the hotel and restaurant business. These companies' shares are not listed in a regulated market.

During 2019, the Company has recognised dividends from group companies and associates in the amount of EUR 43.5 million, and in 2018 in the amount of EUR 113.8 million.

Movements recorded during the fiscal year were as follows:

(thousand €)	31/12/2018	Additions	Disposals	Transfers	31/12/2019
Equity instruments in group companies (gross value)	944.579	5.444	(9.422)	(5.492)	935.109
Impairment	(108.652)	(6.321)	5.746		(109.227)
Equity instruments in associates and joint ventures (gross value)	205.724	40		5.492	211.256
Impairment	(24.927)		1.441		(23.486)
Total	1.016.724	(837)	(2.235)		1.013.652

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The most relevant additions in equity instruments in group companies for 2019, relate to the acquisition of 15% of the shares in Aparthotel Bosque, S.A., in the amount of EUR 3 million, and the contribution by the Company of equity to Meliá Europe & Middle East, S.L., in the amount of EUR 1.1 million.

Main disposals and transfers in the year relate to the shareholding in Sierra Parima, S.A.S., which changed its status from group company to associate.

Regarding the provisions, additions have mainly been recognised relating to the company Sol Meliá Vacation Club Puerto Rico, in the amount of EUR 5.2 million, and to the company Meliá Europe & Middle East, S.L., in the amount of EUR 1 million. The disposals mainly relate to the application for excess of the portfolio provision of Colón Verona, S.A.

For comparison purposes, movements for year 2018 were as follows:

(thousand €)	31/12/2017	Additions	Disposals	Transfers	31/12/2018
Equity instruments in group companies (gross value)	843.454	101.607	(76.551)	76.068	944.579
Impairment	(85.632)	(4.508)	5.087	(23.599)	(108.652)
Equity instruments in associates and joint ventures (gross value)	234.870	51.486	(4.565)	(76.068)	205.724
Impairment	(42.286)	(6.240)		23.599	(24.927)
Total	950.406	142.345	(76.028)		1.016.724

The most relevant additions in equity instruments in group companies for 2018, related to the contribution by the Company of equity to Hoteles Sol Meliá, S.L.U., in the amount of EUR 87.5 million. Main disposals related to the reimbursement to the Company by Inversiones Areíto, S.A.S., of cash contributions pending capitalisation in the amount of USD 58.2 million (EUR 73.6 million). Transfers recorded in the amount of EUR 76 million related to Adprotel Strand, S.L.U., which during the year changed its status from associate to group company, which was also reflected in the provisions item in the amount of EUR 23.6 million.

Most relevant additions in equity instruments in associates and joint ventures for 2018 mainly related to the shareholding in the capital of the company Melcom Joint Venture, S.L., in the amount of EUR 47.4 million, currently owing 50% of shares in such company.

b) *Available-for-sale financial assets*

Equity instruments:

Movements recorded during the fiscal year were as follows:

(thousand €)	31/12/2018	Additions	31/12/2019
Equity instruments (gross value)	4.082	24	4.106
Provisions	(79)		(79)
Total	4.003	24	4.027

Additions relate to the capital increase in the company Inveragua RD. S.A.S., in the amount of EUR 24 thousand.

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The equity situation as at 31 December 2019, obtained from the annual accounts provided by the corresponding companies, is as follows:

(thousand €)	% Sharehol.	Accounting figures			Underlying carrying amount	Investment value
		Capital	Reserves	Result		
Hotelera Sancti Petri, S.A.	19,50%	11.900	(869)	1.878	2.517	2.634
Inveragua RD, S.A.S. (*)	14,24%	810	(58)	(171)	83	131
Port Cambrils Inversions, S.A.	10,00%	6.000	987	276	726	980
Valle Yamuri, S.A. (*)	7,21%	4.870	(1.525)	92	248	279
Other companies						3
Total		23.580	(1.465)	2.076	3.574	4.027

(*) Balance sheets as at 31 December 2019 for these companies are not available.

These companies are not listed in the stock market.

Information concerning interest in securities portfolio, indicating activity and country in which it is exercised is included below:

COMPANIES	ADDRESS	COUNTRY	ACTIVITY	DIR. S
Hotelera Sancti Petri, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	Hotel Owner and Operator	19,50%
Inveragua RD, S.A.S.	Avda. Lope de Vega, 4 (Santo Domingo)	Dominican Rep.	Holding	14,24%
Port Cambrils Inversions, S.A.	Rambla Regueral, 11 (Tarragona)	Spain	Hotel Owner and Operator	10,00%
Valle Yamuri, S.A.	Velázquez, 106 (Madrid)	Spain	Holding y Propietaria	7,21%

For comparison purposes, movements for year 2018 were as follows:

(thousand €)	31/12/2017	Additions	31/12/2018
Equity instruments (gross value)	4.075	7	4.082
Provisions	(79)		(79)
Total	3.996	7	4.003

Additions related to the capital increase in the company Valle Yamury, S.A., in the amount of EUR 7 thousand.

Likewise, the equity situation as at 31 December 2018, obtained from the annual accounts provided by the corresponding companies, was as follows:

(thousand €)	% Sharehol	Accounting figures			Underlying carrying amount	Investment value
		Capital	Reserves	Result		
Hotelera Sancti Petri, S.A.	19,50%	13.510	(2.745)	3.285	2.740	2.634
Inveragua RD, S.A.S.	14,24%	731		(38)	99	107
Port Cambrils Inversions, S.A.	10,00%	6.000	931	223	715	980
Valle Yamuri, S.A. (*)	7,21%	4.870	(972)	(553)	241	279
Other companies (*)						3
Total		25.111	(2.785)	2.917	3.795	4.003

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(*) Balance sheets as at 31 December 2018 for these companies were not available.

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c) *Loans and other receivables*

Set out below is a breakdown by nature of financial assets included in this item as at 31 December 2019 and 2018:

(thousand €)	31/12/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
Loans to group companies	312.249	114.499	426.748	327.535	101.263	428.798
Loans to associates and joint ventures	88.707	47.571	136.278	88.879	21.890	110.769
Other loans	12.819	2.410	15.229	22.399	9.315	31.714
Created deposits and guarantees	9.680	730	10.410	9.232	671	9.903
Other loans and receivables		11.681	11.681		13.581	13.581
Total	423.455	176.891	600.346	448.045	146.720	594.766

Note 17 Transactions with Related Parties includes a breakdown of the balances recorded as loans to group companies, associates and joint ventures. Current and non-current assets in group companies and associates that are recognised in item Long-term and short-term investments in group companies and associates, relate mainly to loans granted for the financing of activities within the hotel business, including the hotel acquisition and reform. Likewise, the Company performs a centralised management of collections and payments between group companies through a current account which bears interest at a market rate which is accrued annually depending on the daily balance of the account.

Loans granted to several companies with which the Company does business in various operating segments are included under the heading Other loans; the most significant amounts are as follows:

- ✓ Loans granted to various unrelated companies with which the Company maintains commercial relationships in the amount of EUR 10 million.
- ✓ Loans to owners of several hotels operated by the Company under lease and management, in the amount of EUR 4.7 million.

The guarantees arranged by the Company relate basically to the rent for hotels leased by it. Since such guarantees are granted to ensure compliance with an obligation associated with such agreements, they are not recognised at their current value but at face value.

Heading Other loans and receivables mainly includes the dividends receivable as at 31 December 2019 in the amount of EUR 11.7 million, and at the end of 2018, these amounted to EUR 13.6 million.

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9.2 Financial liabilities

The following table shows the breakdown by categories of the financial liabilities, for 2019 and 2018:

(thousand €)	31/12/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
1. Debts and payable items:						
- Bonds and other negotiable securities	29.665	117	29.782	29.750	51.470	81.220
- Bank loans	540.450	68.380	608.830	497.875	85.676	583.551
- Other financial liabilities	1.679	37.546	39.225	724	46.942	47.666
- Payables to group companies and associates	491.786	135.917	627.703	436.012	113.804	549.816
2. Derivatives and hedges:						
- Derivative liabilities	2.690	2.214	4.904	2.848	2.428	5.276
Total	1.066.270	244.174	1.310.444	967.209	300.320	1.267.529

Below, each of the items included in the table of financial liabilities are detailed:

a) *Bonds and other negotiable securities*

The liability balances at the end of 2019 and 2018 are as follows:

(miles de €)	31/12/2019			31/12/2018		
	Largo plazo	Corto plazo	Total	Largo plazo	Corto plazo	Total
Obligaciones no convertibles	29.665		29.665	29.750		29.750
Otras deudas valores negociables (E.C.P.)					51.357	51.357
Intereses obligaciones y otros valores negociables		117	117		113	113
Total	29.665	117	29.782	29.750	51.470	81.220

On 19 November 2018 the Company issued straight bonds in the final amount of EUR 30 million with the following characteristics:

Amount of the issue:	30.000.000 €
Nominal value:	100.000,00 €
Maturity:	12 years
Debt rank	Senior unsecured
Issue price:	100%
ISIN Code:	ES0276252014
Issue date:	19 November 2018
Maturity date:	19 November 2030
Coupon:	Fixed 3,30%
Redemption price:	100%

The last commercial paper programme issued on 3 May 2018 (“Euro-Commercial Paper Programme” or ECP), which is subject to English law, expires on 3 May 2020, in the maximum amount of EUR 300 million, and whereby debt instrument issues can be made in Europe with a maturity of less than 364 days, up to the said amount.

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

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In 2019, a total of EUR 239.4 million of issues have been made, and there are no existing issues at year end. In 2018, the issues made were in the amount of EUR 127.6 million, with there being a total of EUR 51.4 million of existing issues (see Note 5.4).

b) *Bank loans*

The Company's bank borrowings at year-end 2019 and 2018 are analysed below by nature and maturity:

	31/12/2019			31/12/2018		
(thousand €)	Long term	Short term	Total	Long term	Short term	Total
Bank loans	501.067	61.325	562.392	350.291	57.328	407.619
Mortgage loans	38.322	3.975	42.297	145.608	24.638	170.246
Credit facilities		1	1		125	125
Leasing	1.061	915	1.976	1.976	1.260	3.236
Interest		2.164	2.164		2.326	2.326
Total	540.450	68.380	608.830	497.875	85.676	583.551

The detail of the maturities at year-end 2019 and 2018 is as follows:

(thousand €)	31/12/2019
2.020	68.380
2.021	102.526
2.022	59.789
2.023	55.329
2.024	113.158
2025 and subsequent years	209.648
Total	608.830

(thousand €)	31/12/2018
2.019	85.676
2.020	95.182
2.021	105.330
2.022	62.564
2.023	58.269
2024 and subsequent years	176.530
Total	583.551

Maximum limit of credit facilities is EUR 234 million. In 2018, the maximum limit was EUR 261 million.

Average interest rate accrued in 2019 on previous loans, credit facilities and leasing is 2.79%. Average interest rate accrued in 2018 was 2.97%.

c) *Other financial liabilities*

At the end of 2019 and 2018, the breakdown of other financial liabilities is as follows:

	31/12/2019			31/12/2018		
(thousand €)	Long term	Short term	Total	Long term	Short term	Total
Trade bills payable	32	4.068	4.100	53	6.522	6.575
Other payables	1.005	22.398	23.403	5	31.993	31.999
Guarantees and deposits received	642	3.994	4.636	666	30	696
Other current accounts		7.087	7.087		8.396	8.396
Total	1.679	37.546	39.225	724	46.942	47.666

Trade bills payable mainly include suppliers of fixed assets relating to reforms performed in various hotels operated by the Company.

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The detail of maturities at the end of 2019 and 2018 is as follows:

(thousand €)	31/12/2019
2020	37.546
2021	1.016
2022	11
2023	11
2024	
2025 and subsequent years	642
Total	39.225

(thousand €)	31/12/2018
2019	46.942
2020	11
2021	11
2022	11
2023	11
2024 and subsequent years	682
Total	47.666

d) *Debts with group companies and associates*

The balances included under this item which mainly relate to amounts due for the centralised cash management of the Group, are broken down in Note 17. Transactions with related parties.

e) *Derivative liabilities*

The balances under this heading are broken down in this Note 9.3 Hedge activities and derivatives. Cash flow hedge activities relate to interest rate swaps.

9.3 Hedge activities and derivatives

The fair values of the Company's derivative financial instruments at the end of 2019 and 2018 are analysed below by maturity:

	31/12/2019			31/12/2018		
(thousand €)	Long term	Short term	Total	Long term	Short term	Total
Hedging derivative liabilities	1.353	1.116	2.469	1.006	757	1.762
Other derivative liabilities	1.337	1.098	2.435	1.842	1.671	3.514
Total	2.690	2.214	4.904	2.848	2.428	5.276

Maturity by year is as follows:

	31/12/2019	
(thousand €)	Hedge	Others
2020	1.116	1.098
2021	589	637
2022	462	436
2023	214	208
2024 and subsequent year	88	55
Total	2.469	2.435

	31/12/2018	
(thousand €)	Hedge	Others
2019	757	1.671
2020	644	1.044
2021	359	597
2022	62	345
2023 and subsequent year	(60)	(143)
Total	1.762	3.514

a) *Accounting Hedges*

As part of its interest rate risk management policies (see Note 5.1), the Company, at the end of the fiscal year, has several interest rate swaps that qualify as cash flow hedging instruments, based on the contractual terms; therefore, changes in their fair value are taken directly to the Company's equity.

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The items hedged by these operations relate to a part of the variable interest rate financing in Euro. These financial instruments are used to exchange interest rates, so that the Company receives variable interest from the bank in exchange for a fixed interest payment on the same face 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 financing hedged.

At the end of 2019, these derivative financial instruments have been measured and recorded in liabilities in the amount of EUR 2.5 million (EUR 1.8 million in 2018). To determine these fair values, discounted cash flow techniques have been used based on the embedded amounts determined by the Euro interest rate curve in accordance with the market conditions at the measurement date. 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.

The Company has transferred to the income statement of the year an amount of EUR 0.8 million because of interest rate hedging; EUR 0.7 million in 2018. These amounts have been recorded in the financial expenses item, as well as the hedged item.

Likewise, as at 31 December 2019, the notional value of the interest rate swaps that qualify as hedges amounts to EUR 123.4 million, and as at 31 December 2018 such value amounted to EUR 70.4 million (see Note 5.1).

b) *Other derivatives*

Other derivative liabilities recognised at the end of 2019 relate to interest rate swaps contracted in the framework of the interest rate risk management performed by the Company (see Note 5.1.). These interest rate swaps are not deemed to be accounting hedges, since they have been contracted in the framework of a debt restructuring and thus, they do not meet the requirements for the application of hedge accounting according to the general accounting plan.

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.

The Company has recognised in the year’s income statement EUR 586 thousand of expense due to the change in fair value of such interest rate swaps, EUR 768 thousand of expense in 2018. These amounts are recognised under the heading Change in fair value of financial instruments.

As at 31 December 2019, the notional value of these financial instruments amounts to EUR 50.1 million, and as at 31 December 2018 such value amounted to EUR 61.4 million.

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Note 10. Current Assets

10.1 Inventories

The breakdown is as follows:

(thousand €)	31/12/2019	31/12/2018
Goods for resale	168	161
Raw materials	1.523	1.589
Fuel	196	178
Spare parts	288	271
Various materials	1.518	1.482
Office materials	447	504
Advances to suppliers	357	219
Total	4.497	4.404

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

10.2 Trade and other receivables

The breakdown of this heading is as follows:

(thousand €)	31/12/2019	31/12/2018
Customers	20.204	25.365
Trade receivables	1.799	1.553
Doubtful trade receivables	11.611	11.780
Impairment for trade operations	(16.719)	(18.238)
Total trade receivables	16.895	20.460
Trade receivables, group companies and associates	50.667	50.026
Sundry debtors	2.761	5.735
Staff	91	156
Current tax assets	15.212	11.758
Public administrations	5.257	4.283
Total other receivables	73.988	71.958
Total	90.883	92.418

At the end of 2019 and 2018, the receivable balances arising from the sale of rooms and other services provided, associated with the hotel business, are included under the heading Customer receivables for sales and services. Trade receivables with balances pending for more than 365 days, as well as those pending for less than that but for which there are reasonable doubts as to their recoverability, have been duly provisioned (see Note 5.3).

The Company has entered into a non-recourse Factoring agreement of hotel receivables of the Company with a financial institution, under which it periodically assigns the accounts receivable relating to certain customers of the hotel business, and collects the total amounts concerned in advance. As at 31 December 2019, the total balance assigned by the Company was EUR 13.4 million, EUR 13.8 million as at 31 December 2018. Meliá Hotels International, S.A. also assigns receivables from subsidiary companies under this agreement.

As a result of the "non-recourse" consideration of the assignment of receivables operation abovementioned, trade receivables are derecognised once assigned, therefore, they are not included in the table above.

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Trade receivables, group companies and associates heading mainly relates to commercial transactions for the provision of services and management at market prices. Breakdown by companies is shown in Note 17. Transactions with related parties.

The breakdown of trade receivables by age is included in Note 5.3, and the breakdown of Current tax assets and Public Authorities is included in Note 14.

10.3 Cash and other cash equivalents

Cash and bank balances include cash in hand and demand accounts in credit institutions. The heading Other cash equivalents includes short-term deposits, whose periods range between one day and three months since inception, so there are no significant risks of change in value and they are part of the normal cash management policy of the Company.

(thousand €)	31/12/2019	31/12/2018
Cash	143.835	98.379
Other cash equivalents	416	3.743
Total	144.251	102.122

This heading includes balances in currencies other than the Euro, in particular, US dollar and the British pound (see Note 16.6).

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Note 11. Net Equity

11.1 Equity

a) Share capital

According to the Company's Bylaws, the share capital of the company is fixed at EUR 45,940,000 represented by 229,700,000 shares with a par value of Euro 0.2 each. The shares are fully subscribed and paid-up, and constitute a single class and series.

All shares carry the same rights and are listed in the stock exchange (Continuous Market - Spain), except for treasury shares.

At the Ordinary and Extraordinary General Shareholders' Meeting held on 4 June 2015, the Company's Board of Directors was authorised to agree the Company's share capital increase, without having to consult the General Shareholders' Meeting beforehand, up to a maximum amount of nineteen million, nine hundred and five thousand, three hundred and four Euros and eighty cents (EUR 19,905,304.80). Consequently, the Board of Directors can exercise this right, in one or more times, 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, starting from the date of said Meeting.

Main shareholders with direct and indirect stake in the Company as at 31 December 2019 and 2018, are as follows:

Shareholders	31/12/2019 % Shareholding	31/12/2018 % Shareholding
Hoteles Mallorquines Consolidados, S.A.	23,38	23,38
Hoteles Mallorquines Asociados, S.L.	13,21	13,21
Hoteles Mallorquines Agrupados, S.L.	10,39	10,39
Tulipa Inversiones 2018, S.A.	5,03	5,03
Global Alpha Capital Management Ltd	3,02	
Rest of shareholders (less than 3% individual)	44,98	48,00
Total	100,00	100,00

In October 2018, Mr. Gabriel Escarrer Juliá ceased to exercise control over the Group, although, since that date, he still owns 5.025% of the shares in Meliá Hotels International, S.A., indirectly, through the company Tulipa Inversiones 2018, S.A., company that absorbed Majorcan Hotels Exlux, S.L.U., with effect from December 2018.

Notwithstanding the foregoing, the Escarrer family (namely, Mr. Escarrer Juliá, his spouse and their 6 children) hold 100% of the shares in the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., although no controlling shareholder exists in any of them.

b) Share premium

The share premium has the same restrictions and can be used for the same purposes as the Company's voluntary reserves.

The decrease in the share premium during the fiscal year in the amount of EUR 12.2 million, EUR 1 million in the previous fiscal year, arises from the release of part of this reserve to the reserve for treasury shares.

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c) Reserves

The following table shows the breakdown of the Reserves heading at the end of 2019 and 2018:

(thousand €)	31/12/2019	31/12/2018
Legal reserve	9.188	9.188
Revaluation reserves Royal Decree-Law 7/1996, of 7th June	16.076	16.076
Reserve for treasury shares	28.191	16.025
Reserves for actuarial gains and losses	(4.618)	(3.616)
Voluntary reserves	272.229	272.229
Translation reserves	11.267	12.899
Total	332.332	322.800

Legal reserve

The Company is obliged to transfer 10% of the profits of each year to a reserve fund until this fund reaches at least 20% of the share capital. This reserve is not available for distribution to the shareholders and, provided that other reserves are not available, may only be used to offset losses. At the end of 2019 and 2018 this reserve is fully constituted.

Revaluation reserves, Royal Decree-Law 7/1996, of 7th June

This reserve will be available to eliminate recognised losses and to increase the share capital of the Company and as of 31 December 2006 (10 years following the date of the balance sheet in which the restatement operations were reflected) it may be taken to unrestricted reserves, as the revalued assets are fully depreciated or are disposed of by other means. The balance of the reserve shall not be distributed, directly or indirectly, unless the related capital gain has been realised through the sale or total depreciation of the revalued assets.

Reserves for treasury shares

This is an available reserve for the acquisition of treasury shares, pursuant to the Spanish commercial law. The increase in 2019 is due to the increase of the number of treasury shares (see Note 11.1 d).

Reserves for actuarial gains and losses

The amount recognised in this reserve is derived from actuarial gains and losses recognised in equity. Such reserve relates to changes undergone in the calculation percentages and actuarial assumptions of remunerations and retirement bonuses undertaken by the Company (see Note 12). This reserve is not available for distribution.

Voluntary reserves

These reserves are unrestricted, after offsetting losses.

Translation reserves

These reserves relate to the incorporation of the balance sheet of the permanent establishment Sol Meliá Túnez.

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d) Own equity instruments

On 17 October 2019, the Company's Board of Directors agreed to implement a treasury share buy-back programme. Such Programme, which is implemented under the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014, is carried out in order to reduce the Company's share capital through the redemption of the treasury shares acquired under the Programme, subject to the resolution on capital reduction to be approved by the General Shareholders' Meeting that will be held in the first half of year 2020.

The Programme shall be carried out under the following terms:

- Maximum monetary amount allocated to the Programme: EUR 60,000,000.
- Maximum number of shares to be acquired: 8,500,000 shares.
- Maximum share price: the price must lie within a range of 90% to 110% with respect to the closing price of the trading session, and under no circumstances the limits provided for in Article 3.2 of the Delegated Regulation may be exceeded.

Breakdown and movement of treasury shares are as follows:

(thousand €)	No. Shares	Average price (€)	Balance
Balance as at 31/12/2018	1.822.968	8,79	16.025
Liquidity contract acquisitions	7.437.418	8,15	60.645
Liquidity contract disposals	(7.440.618)	8,15	(60.632)
Buy-back programme acquisitions	1.621.057	7,50	12.153
Balance as at 31/12/2019	3.440.825	8,19	28.191

At the end of 2019, the Company does not have securities loan agreements.

As at 31 December 2019, the total number of treasury shares held by the Company is 3,440,825, which represents 1.5% of the share capital, 0.79% in the preceding year. In any case, the treasury shares do not exceed the 10% limit established by the revised text of the Spanish Law on Corporations.

The price of Meliá Hotels International, S.A.'s shares at year end was EUR 7.86. At the 2018 year-end the share price amounted to EUR 8.21.

For comparison purposes, movements for year 2018 were as follows:

(thousand €)	No. Shares	Average price (€)	Balance
Balance as at 31/12/2017	1.722.464	8,72	15.023
Acquisitions	10.319.703	10,71	110.531
Disposals	(10.219.199)	10,72	(109.529)
Balance as at 31/12/2018	1.822.968	8,79	16.025

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11.2 Measurement adjustments

Details and movements of the measurement adjustments in 2019 and 2018 are as follows:

(thousand €)	2019	2018
Hedging operations:		
Opening balance	(2.148)	(1.704)
Results attributed to equity	(1.372)	(1.287)
Transfers to results	825	694
Tax effect	137	149
Final balance	(2.558)	(2.148)

11.3 Grants, donations and bequests received

Capital grants mainly relate to grants to finance property, plant and equipment purchases, which will be progressively transferred to the income statement depending on the useful life of such property, plant and equipment. In 2019 and 2018, the total amount recorded in the income statement for this item is EUR 62 thousand. Movements during the fiscal year are as follows:

(thousand €)	2019	2018
Opening balance	1.068	1.115
Transfer to results	(62)	(62)
Tax effect	16	15
Final balance	1.022	1.068

At the end of 2019 and 2018, the Company meets the conditions laid down in the grant awards.

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Note 12. Provisions and Contingencies

12.1 Provisions

The balance sheet includes a balance in the amount of EUR 68.2 million in respect of provisions, EUR 61.8 million in the previous year. As indicated in Note 4.10, this heading includes the Company's commitments with staff, as well as the provisions recorded to cover the various risks and contingencies arising from transactions carried out, commitments acquired and guarantees to group companies and third parties, risks for legal claims and lawsuits, as well as potential liabilities deriving from the possible different interpretations to which the applicable legislation is open.

Movements of the fiscal year in the provisions for risks and expenses are as follows:

(thousand €)	31/12/2018	Additions	Disposals	31/12/2019
Provision for retirement, seniority bonus and personnel obligations	7.364	2.172	(1.602)	7.934
Provision for taxes	46	5		51
Provision for onerous contracts	2.774	1.519		4.293
Provision for negative own funds	34.380	6.943		41.323
Provision for liabilities	17.235	91	(2.716)	14.611
Total	61.800	10.729	(4.317)	68.212

In respect of commitments established in supra-enterprise collective agreements, in 2019 an actuarial study has been performed to assess the past services, as defined in Note 4.10, which have been estimated at EUR 9.3 million. The value of assets associated with outsourced commitments in compliance with the legislation in force amounts to EUR 1.4 million.

The assessment of these commitments undertaken by the Company has been conducted in accordance with the actuarial assumptions of the model which pertains to it, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER2000P tables, using a capitalisation rate of 0.48%, and a salary increase assumption of 2.17%. In addition, the probability of tenure of employees until retirement has also been applied, based on the Company's experience in respect of employees leaving the Company, giving rise to the following rotation ratios according to the employee's current age:

Rotation	
Age range	%
<45	7,22
45-55	3,82
>55	3,01

Changes during the fiscal year include an impact recognised in net equity in the amount of EUR 1 million, due to some changes occurred in the actuarial assumptions used during the calculations made.

The balance of the provision for onerous contracts at the end of 2019 amounts to EUR 4.3 million; EUR 2.8 million at the end of 2018. This provision was calculated for the hotels that in 2019 presented negative net cash flows, after discounting the relevant lease instalments. To calculate this provision, it is considered that the costs of compliance with the agreements correspond to the present value of the projected cash flows, including lease commitments, and they are compared with the costs of non-compliance with the various agreements, the lower of both amounts being allocated to the provision.

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The estimate of projected cash flows of these hotels was made internally by the Company, using the operating budget for 2020 as a starting point and projecting results until the end of the agreement (excluding agreement extensions if they are not certain), based on increases in the average price of rooms in accordance with the business plan established for 2020. The discount rates applied range between 7% and 7.2%.

In the provisions for negative equity section, the additions in the fiscal year relate to Bedbank Trading, S.A., in the amount of EUR 6.9 million (see Annex I).

In March 2017 the European Commission initiated an investigation on the compliance with the antitrust rules in the hotel distribution sector. One of the companies subject of the investigation was Meliá Hotels International. Within the framework of the investigation, the European Commission analysed several agreements entered into between Meliá Hotels International and various tour operators in 2014 and 2015, which contained commercial terms and conditions that could give rise to misinterpretation depending on the nationality and/or country of residence of the customers.

In 2019, the Company actively and constructively has continued to participate in the investigation, by providing as many explanations as necessary with respect to the issue raised. Thus, after the reception, review and agreement as regards the contents of the case overview issued by the Commission in August 2019 during the course of the cooperation process, in November 2019, the Company received the statement of objections, which fully confirmed the report of events according to the exchanges of information carried out with the Commission and where an upper limit of penalty was established.

On 21 February 2020 (see Note 19), the European Commission announced the decision ending such investigation, imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision has been made at 31 December 2019.

Movements in 2018 were as follows:

(thousand €)	31/12/2017	Additions	Disposals	31/12/2018
Provision for retirement, seniority bonus and personnel obligations	7.065	2.347	(2.048)	7.364
Provision for taxes	91		(45)	46
Provision for onerous contracts	3.694		(919)	2.774
Provision for negative own funds	27.170	8.187	(977)	34.380
Provision for liabilities	15.952	1.283		17.235
Total	53.972	11.817	(3.989)	61.800

In respect of commitments established in supra-enterprise collective agreements, in 2018 an actuarial study was performed to assess the past services, which were estimated at EUR 8.7 million. The value of assets associated with outsourced commitments in compliance with the legislation in force amounted to EUR 1.5 million.

The assessment of these commitments undertaken by the Company was conducted by using a capitalisation rate of 1.32%, a salary increase assumption of 2.55% and in accordance with the following rotation ratios according to the employee's current age:

Age range	% Rotation
<45	7,28
45-55	3,66
>55	3,06

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Changes in 2018 included an impact recognised in net equity in the amount of EUR 1.4 million, due to some changes occurred in the actuarial assumptions used during the calculations made.

In the provisions for negative equity section, the additions in 2018 mainly related to Sol Mainvest, N.V., in the amount of EUR 4.4 million and Markserv, B.V, amounting to EUR 3.8 million.

12.2 Guarantee commitments to third parties and other contingent liabilities

Contingent liabilities relating to guarantees and deposits held for guarantees provided to third parties by the Company, as well as other contingent liabilities are detailed below. Through various contracts, the Company:

- Secures lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 66.5 million and through corporate guarantee in the amount of EUR 10.2 million.
- Secures several operations on behalf of its subsidiary companies and associates through bank guarantees, amounting to EUR 34.7 million.
- Acts as joint guarantor in the mortgage loan granted by Banco Santander to Meliá Zaragoza, S.L. The outstanding amount at the end of the fiscal year totals EUR 19.2 million.
- Secures several operations through bank guarantees and for various items, in the total amount of EUR 4 million.

Likewise, the Company secures through bank guarantees the deferred payment of several tax settlements amounting to EUR 2 million. Such guarantee is not considered as a contingent liability, since the corresponding amounts are recognised as liabilities.

On 3 July 2019 the Company received notice of a claim filed in Spain for unlawful enrichment during the last 5 years derived from its hotel management activities of two establishments in Cuba. The Company filed plea for lack of jurisdiction and international jurisdiction, which was accepted in full in September 2019. Such sentence was appealed by the petitioner, and is awaiting a decision as at the date of preparation of these consolidated financial statements. The directors, however, consider that such proceeding will not give rise to equity losses for the Company.

12.3 Operating leases

As at 31 December 2019, the Company operates under lease a total of 53 hotels with around 12 thousand rooms, as in the previous year.

The average term of these operating lease agreements is 4.83 years. These lease agreements have a contingent component relating to the consumer price index and, in 16 hotels, other contingent component relating to the evolution of the result obtained by each hotel establishment, which is not considered in the calculation of minimum lease payments. The contingent instalment in 2019 amounted to EUR 12.5 million.; EUR 10.5 million in 2018.

The following table shows a distribution by maturity of the minimum payments of such leases:

(thousand €)	31/12/2019	31/12/2018
Less than 1 year	101.951	92.792
Between 1 and 5 years	229.614	255.447
More than 5 years	86.839	140.451
Total	418.404	488.690

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Note 13. Trade Creditors and Other Payables

The breakdown of this heading at the end of 2019 and 2018 is as follows:

(thousand €)	31/12/2019	31/12/2018
Suppliers	12.330	10.223
Suppliers, group companies and associates (note 17)	14.491	6.070
Sundry creditors	51.173	47.132
Accrued wages and salaries	23.647	30.323
Public Administrations (note 14)	12.938	11.274
Prepayment from customers	20.948	28.495
Total	135.527	133.517

The information required on the average period of payments to suppliers pursuant to the third additional provision of Law 15/2010, of 5th July, is as follows:

No. of days	2019	2018
Average period of payment to suppliers	58,61	53,25
Ratio of operations paid	59,60	52,88
Ratio of outstanding operations	52,17	57,40
(thousand €)	2019	2018
Total payments made	278.597	320.552
Total outstanding payments	42.527	28.663

In 2019, the Company has monitored the ratios associated with the average period of payment to suppliers, as well as the administrative processes relating to the invoices from such suppliers and the capital own management, in order to reduce, as much as possible, the average period of payment to suppliers, according to the provisions of Law 15/2010 and any other applicable legislation in force. Thanks to this procedure, the number of days has been maintained below 60, as in the previous year.

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Note 14. Tax Situation

14.1 Current balances receivable from and payable to Public Authorities

From the 2017 tax period, the Company is taxed under the VAT Special Tax Consolidation Regime, under VAT number 40/17. The number of companies comprising this consolidated group is 15.

Every month, the Company submits the periodic aggregate tax returns-assessments of the Group by integrating the results of the individual self-assessment tax returns of the companies belonging to the Group of Companies.

Current balances receivable from and payable to Public Authorities are as follows:

(thousand €)	31/12/2019	31/12/2018
Income tax		
Deferred tax assets	58.865	65.072
Current tax assets	15.212	11.758
Total	74.077	76.830
Other taxes	653	
Tax Authorities, VAT receivable	4.604	4.283
Total	5.257	4.283
Total assets	79.334	81.113
Income tax		
Deferred tax liabilities	58.414	48.430
Total	58.414	48.430
Other taxes / rates		
Tax Authorities, IGIC (General Indirect Canary Islands) Tax payable	287	211
Tax Authorities, IRPF (Income Tax) payable	2.885	2.716
Tax Authorties, payables	2.838	2.949
Payables to social security bodies	6.929	5.398
Total	12.938	11.274
Total liabilities	71.352	59.704

14.2 Years open to tax inspections and audits

According to the legal provisions in force, taxes cannot be deemed definitively settled until the returns submitted are audited by the tax authorities or the four-year statute of limitations has lapsed. As at 31 December 2019, the years open for review for the main applicable taxes to which the Company is subject are as follows:

	Years
Corporate Income Tax	2013-2018
I.G.I.C (General Indirect Canary Islands Tax)	2016-2019
VAT	2016-2019
I.R.P.F. (Income Tax)	2016-2019

The first year open to inspection for the corporate income tax is 2013, due to the submission in 2017 of complementary tax returns from 2013 to 2015 in line with the criteria of the inspection.

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14.3 Deferred tax assets and liabilities

The breakdown of deferred tax assets and liabilities is as follows:

(thousand €)	31/12/2019	31/12/2018
Deferred tax assets		
Credits for tax losses available for carry forward	7.413	9.834
Tax credit carryforwards	4.887	4.984
Tax value of goodwill	12.187	15.995
Financial instruments	773	696
Amortisation costs pending deduction	2.418	2.901
Adjustments for the limitation on deductibility of financial expenses	21.276	18.855
Tax deductible provisions	9.911	11.807
Total	58.865	65.072
Deferred tax liabilities		
Finance lease operations	12.785	13.510
Land restatement and revaluation	30.336	30.594
Sales under reinvestment deferral	3.854	3.990
Non-refundable grants	260	336
Other deferred tax liabilities	11.179	
Total	58.414	48.430

The movements of the different items making up the deferred tax assets and liabilities are as follows:

(thousand €)	2019		2018	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Opening balance	65.072	48.430	64.390	51.733
Variations reflected in income statement:				
Credits for tax losses available for carry forward	(2.421)		(2.487)	
Tax credit carryforwards	(97)		(97)	
Tax deductible provisions	(2.229)		(549)	
Tax value of goodwill	(3.808)		(3.808)	
Finance lease operations		(725)		(1.413)
Land restatement and revaluation		(258)		(1.739)
Amortisation costs pending deduction	(483)		(483)	
Sales under reinvestment deferral		(136)		(136)
Adjustments for the limitation on deductibility of financial expenses	2.421		7.494	
Other deferred tax liabilities	(60)	11.119		
Variations reflected in net equity:				
Financial instruments	137		148	
Non-refundable grants		(16)		(15)
Tax deductible provisions-Actuarial gains and losses	333		464	
Final balance	58.865	58.414	65.072	48.430

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The Company has established a business plan covering ten years for the purposes of determining the recoverable value of tax credits, according to the deadlines set by tax legislation. In addition, the Company estimates the existence of deferred taxes with which to offset any tax losses in the future. Based on this criterion, the directors consider that it is probable that future taxable profit may lead to the recovery of all capitalised tax credits, within a reasonable period and never exceeding the periods allowed by the current legislation.

As a result, among others, of the different interpretations of the current tax legislation, additional liabilities may arise from an inspection. The Company assesses the uncertain tax treatments and reflects the effect of the uncertainty on the taxable profit (tax loss), tax bases, unused tax losses or unused tax credits and the corresponding tax rates. With the amount of EUR 9.4 million included in item ‘Other deferred tax liabilities’, the Company has covered the possible obligations derived from any tax claims without there being any disputes or uncertain tax treatments that are individually significant.

14.4 Corporate income tax

Pursuant to the Ministerial Order of 27 December 1989, since 1998 Meliá Hotels International, S.A. has filed consolidated corporate income tax returns in Spain for certain Group companies (assigned number 70/98). The number of companies comprising the consolidated tax group in 2019 and 2018 was 46 and 38, respectively.

During this year, ten companies have been included in the tax group: Adprotel Strand S.L, MIA Exhol SA, SM Investment Exhol SL, San Juan Investments exhold S.L, Desarrollos hoteleros San Juan Exhold S.L. Sol Melia Europe BV, Sol ManInvestment BV, Markserv BV, Sol Group BV and Farandole BV.

The companies of the Tax Group jointly determine the final result thereof, such result being distributed among them according to the criteria established by the ICAC [Institute of Accounting and Account Audits]. As a result, the Company includes in the accounts with group companies for tax effect, the balances resulting from the calculation of the corporate income tax settlement deriving from this special tax regime.

Benefits, determined in accordance with the tax legislation, are subject to taxation at the rate of 25% on the tax base.

The reconciliation of the net amount of income and expenses of the fiscal year and the tax base (tax result) of the corporate income tax is as follows:

(thousand €)	Income Statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**23.324**		**(1.459)**	**21.865**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax	3.222			486	**2.736**
Permanent differences	15.939	46.032			**(30.093)**
Temporary differences					
Arising in the fiscal year	9.470				**9.470**
Arising in previous fiscal years	3.446	51.392	1.945		**(46.001)**
Tax base (tax result)					(42.023)

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For comparison purposes, the reconciliation of the net amount of income and expenses of the fiscal year 2018 and the tax base (tax result) of the corporate income tax was as follows:

(thousand €)	Income Statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**78.103**		**(1.884)**	**76.219**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax		16.234		628	**(16.862)**
Permanent differences	45.395	110.332			**(64.937)**
Temporary differences					
Arising in the fiscal year	12.324	919			**11.405**
Arising in previous fiscal years	12.768	70.124	2.512		**(54.844)**
Tax base (tax result)					(49.019)

The information shown in the changes in equity relates to income and expenses directly recognised in net equity. In 2019 and 2018, none of these amounts affect the tax base of the Company.

The permanent and temporary differences of the fiscal year taken to the income statement are as follows:

(thousand)	2019	2018
Permanent differences		
Tax-exempted dividends	(40.965)	(110.172)
Non-deductible expenses and income	9.157	35.071
Other adjustments	1.715	10.164
Total	(30.093)	(64.937)
Temporary differences		
Finance lease	2.900	5.652
Provisions	(2.513)	4.191
Differences between tax amortisation and accounting amortisation	1	1
Adjustments for the limitation on deductibility of financial expenses	(22.242)	(45.743)
Temporary measures reversal (non-deduc. amort. expenses)	(1.934)	(1.934)
Other adjustments	(14.688)	(8.118)
Total	(38.476)	(45.951)

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The reconciliation of the income tax expense and the result of multiplying the tax rate applicable to the total of recognised income and expenses, differentiating the income statement balance, is as follows:

(thousand €)	2019		2018	
	Income statment	Income and expense recognised in equity	Income statment	Income and expense recognised in equity
Accounting profit/(loss) before tax	**26.546**	**(1.945)**	**61.869**	**(2.512)**
Theoretical tax burden (25% type)	6.637	(486)	15.467	(628)
Permanent differences	(7.523)		(16.234)	
Other adjusments	5.233		(18.259)	
Tax loss and tax credits	(1.689)		1.392	
Effective tax expense/income	2.657	(486)	(17.634)	(628)

Heading 'Other adjustments' mainly relate to the provisions made.

The breakdown of expenses/income for income tax in the fiscal year is as follows:

(thousand €)	2019		2018	
	Allocation to income statement	Allocation to net equity	Allocation to income statement	Allocation to net equity
Current tax	(13.455)		(12.876)	
Deferred tax	16.677	(486)	(3.358)	(628)
Total corporate income tax expense (income)	3.222	(486)	(16.234)	(628)

The difference between effective tax expenses and total expenses for corporate income tax is prompted by:

- Foreign income tax withholding in the amount of EUR 991 thousand in 2019 and EUR 924 thousand in 2018.
- Corporate income tax from previous fiscal years in the amount of minus EUR 426 thousand in 2019 and EUR 475 thousand in 2018.

14.5 Tax group's corporate income tax

The reconciliation of the net amount of income and expenses of the fiscal year and the tax base (tax result) of the corporate income tax is as follows:

(thousand €)	Income statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**67.681**		**(2.219)**	**65.462**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax	16.337		139		**16.476**
Permanent differences	11.796	43.073			**(31.277)**
Temporary differences					
Arising in the fiscal year		6.916			**(6.916)**
Arising in previous fiscal years	5.337	41.069	2.079		**(33.653)**
Offset of tax losses from previous years		2.523			**(2.523)**
Consolidated tax base (tax result)					7.570

For comparison purposes, the reconciliation of the net amount of income and expenses of the fiscal year 2018 and the tax base (tax result) of the corporate income tax was as follows:

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(thousand €)	Income statement		Income and expenses recognised directly in net equity		Total
Balance of income and expenses of the fiscal year					
Continued operations		**118.014**		**(1.568)**	**116.446**
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax		1.587	245	768	**(2.110)**
Permanent differences	63.502	114.600			**(51.098)**
Temporary differences					
Arising in the fiscal year	22.452	919			**21.533**
Arising in previous fiscal years	18.268	78.147	3.073	982	**(57.788)**
Offset of tax losses from previous years		6.746			**(6.746)**
Consolidated tax base (tax result)					20.237

The permanent and temporary differences of the fiscal year taken to the income statement are as follows:

(thousand €)	2019	2018
Permanent differences		
Tax-exempted dividends	(42.183)	(114.265)
Non-deductible expenses and income	11.796	45.053
Other adjustments	(890)	18.114
Total	(31.277)	(51.098)
Temporary differences		
Finance lease	3.143	9.662
Provisions	(2.253)	14.832
Non-deductible financial expenses	(23.524)	(49.084)
Temporary measures reversal (non-deduct. amort. expenses)		(2.878)
Differences between tax amortisation and accounting amortisation	(13.039)	240
Other adjustments	(6.975)	(11.118)
Total	(42.648)	(38.346)

The calculation of the corporate income tax is as follows:

(thousand €)	2019	2018
Current tax (consolidated total tax liability)	**1.892**	**5.059**
Deduction for double taxation	(946)	(1.029)
Adjusted total tax liability	**946**	**4.030**
Tax credits and deductions	(876)	(1.851)
Withholdings and prepayments	(1.610)	(869)
Tax payable or receivable	**(1.540)**	**1.310**
Instalment payments	**(13.570)**	**(12.989)**
Cash payable or receivable	(15.111)	(11.679)

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The net amount to be paid does not correspond to the current tax assets in the amount of EUR 101 thousand as a result of certain withholdings to be recovered.

14.6 Tax group's tax loss

At the year end, the total of tax loss carryforwards of the Company and its consolidated Tax Group amount to EUR 334 million; of which EUR 286 million is generated by various companies before joining the Tax Group and, therefore, these must be offset in such companies.
The Tax Group has recognised deferred tax assets under such heading amounting to EUR 21.37 million, of which EUR 7.4 are capitalised in the Company.

14.7 Tax group's tax credits for deductions and rebates

Credits for international double taxation

The consolidated tax group has generated EUR 1.13 million of deductions for international double taxation of which EUR 946 thousand have been used, and EUR 184 thousand are still pending to be applied maturing in 2029.

Credits for creation of employment for workers with disabilities

The consolidated tax group has generated EUR 51 thousand of deductions relating to the creation of employment for workers with disabilities. Such credit has not been used during this year. The year of maturity is 2029.

Credits for donations to non-profit organisations

The consolidated tax group has generated EUR 128 thousand of deductions for donations of which EUR 33 thousand have been used, and EUR 95 thousand are still pending to be applied maturing in 2029.

Credits for reinvestment

Tax benefits deriving from the sale of assets and other assets allocated to reinvestment, as well as the amounts to be reinvested, is as follows:

(thousand €)	Year	Sale amount to reinv.	Reinvest. Year	Reinvest. made	Reinv. mat.	Reinvest. deduc.	Pending application	Deductions mat.
	2013	50.000	2012-13	14.793	2016	1.076	1.076	2.028
Total		50.000		14.793		1.076	1.076	

The reinvestment of such sales has been made by Meliá Hotels International, S.A., on new elements of property, plant and equipment and intangible assets, included in the renovation and improvements to its hotel establishments, and on investment property and securities representing holdings in companies of at least 5% in the share capital thereof.

Tax benefits obtained until year 2001 for the sale of assets allocated to reinvestment, are included in the tax base according to the amortisation period, a deferred tax being generated in respect thereof. The amount that has not yet been added to the tax base is EUR 15.42 million, which will be added on a straight-line basis until year 2048.

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Credits for investments in new fixed assets in Canary Islands

The consolidated tax group has generated EUR 2.2 million of deductions relating to investments in new fixed assets in Canary Islands, according to the provisions of Law 20/1991 on Corporate Income Tax, of which EUR 473 thousand have been used this year, and a deduction in the amount of EUR 1.7 million remains to be applied which matures in 2024.

Credits for technological innovation activities

(thousand €)	Source fiscal year	Amount to be deducted	Applied deductions	Deductions pending application	Deduction period
	2010	39		39	2028
	2011	181		181	2029
	2012	230		230	2030
	2013	250		250	2031
	2014	321	108	213	2032
	2015	767	129	638	2033
	2016	998		998	2034
	2017	1.252		1.252	2035
	2018	1.893		1.893	2036
Total		5.931	237	5.694	

In 2019, the Tax Group has carried out technological innovation projects which will generate tax credits. The Company recognises the credit once the reasoned report is available.

Credits for reversal of temporary measures

To avoid damaging the companies following changes in tax rates, the thirty-seventh transitional provision of Law 27/2014 on Corporate Income Tax included a regulation on the reversal of temporary measures, which states that taxpayers that have been subject to depreciation and amortisation limits, shall be entitled to a 5% deduction on the total tax liability of the amounts making up the tax base (2% in 2015), following the application of the rest of tax deductions and credits. The amounts not deducted due to insufficient total tax liability, may be deducted in subsequent tax periods.

Therefore, a tax credit has been generated in the Tax Group which can be deducted according to the table below:

(thousand €)	Fiscal year of application	Amount to be deducted	Applied in the fiscal year	Deduction pending application
	2015	1		1
	2016	2		2
	2019	133	133	
	2020	131		132
	2021	131		131
	2022	131		131
	2023	131		131
	2024	131		131
Total		790	133	658

From the tax credit of EUR 926 thousand, the Company has generated EUR 677 thousand.

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Capitalised tax credits

The Tax Group has a total of EUR 6.6 million of tax credits, of which EUR 4.9 million are recognised as deferred tax assets.

14.8 Other tax information of the Group

The information set out in Article 84 of Law 27/2014 of 27 November on corporate income tax applicable to mergers and spin-offs of business lines carried out in previous years, is included in the first notes to the annual accounts approved following each of these operations and is summarised as follows:

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

Provisions for financial investments

In 2019, Meliá Hotels International, S.A. has included in the tax base of the corporate income tax EUR 2.7 million due to changes in equity of investees at the beginning and at the end of the fiscal year or due to the application of 20% over the total amount pending reversal.

Regarding the portfolio provisions pending inclusion, the total figure amounts to EUR 1.5 million which will be reversed in 2020.

Non-deductible financial expenses

The net financial expenses which were not subject to deduction in previous years according to section 1 of Article 20 of the Consolidated Text of Law on Corporate Income Tax, amounted to EUR 170 million, of which the Group has deducted EUR 24 million this year, and there is a deduction to be applied in the amount of EUR 146 million.

The company has recognised deferred tax assets relating to these financial expenses that have not been subject to deduction in the amount of EUR 21.23 million.

Limit to tax deductible amortisations/depreciations

Pursuant to Law 16/2012, tax deductible amortisations/depreciations are limited for tax periods initiated within the years 2013 and 2014, representing only 70% of the accounting amortisation and depreciation of the property, plant and equipment, intangible assets and investment property which is tax deductible.

Such Law sets out that the accounting amortisation/depreciation which is not tax deductible will be deducted on a straight-line basis within a period of 10 years or, optionally, during the useful life of the asset, from the first tax period beginning in 2015 (the Company opted for the deduction on a straight-line basis). Therefore, the Company has posted prepaid taxes amounting to EUR 2.4 million (the Tax Group, EUR 3.4 million), resulting from such amortisation/depreciation not deducted (see Note 14.7).

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Note 15. Segment Reporting

Business segments identified depending on the nature of the risks and profitability of the Company, and which constitute the organisational structure, are as follows:

Hotel business: This segment includes the results obtained by means of the operation of hotel units that are owned or leased by the Company.

Asset management: This segment includes the capital gains on asset rotation, as well as real estate development and operations.

Management and structure: This relates to fees received for the operation of hotels under management and franchise agreements and other leisure-related operating activities.

The segmentation of net revenues in the income statement for 2019 and 2018 is detailed in the following table:

(thousand €)	2019	2018
Hotel business	530.915	516.054
Asset management	3.783	2.608
Management and structure	88.954	96.798
Total	623.652	615.461

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Note 16. Income and Expenses

16.1 Revenue by items

The Company's income allocated according to the diverse types of services provided for years 2019 and 2018 is the following:

(thousand €)	2019	2018
Room revenue	391.077	380.342
Food and beverage revenue	120.873	120.209
Management fees	42.400	42.745
Fees for transfer of brand use to subsidiaries	10.084	16.102
Property, plant and equipment capital gains (Note 7)	3.784	2.608
Other revenue	55.487	53.505
Sales rebates	(52)	(50)
Net revenues	623.652	615.461
(thousand €)	2019	2018
Sundry revenue	27.340	17.622
One-off revenue	5.522	6.032
Operating revenues	32.862	23.654

Regarding its allocation by geographical markets, almost the entire income has been generated in national territory.

16.2 Supplies

The breakdown of the balance of this caption in the income statement for 2019 and 2018 is as follows:

(thousand €)	2019	2018
Food and beverage consumptions	32.592	31.221
Changes in inventories	45	1.540
Fuel purchases	1.384	1.567
Ancillary materials and sundry purchases	9.933	7.822
Total	43.954	42.151

Regarding its allocation by geographical markets, almost the entire income has been generated in national territory.

16.3 Staff costs

Staff costs for 2019 and 2018 are broken down as follows:

(thousand €)	2019	2018
Wages and salaries	161.983	162.855
Termination benefits	2.579	2.872
Social security	44.625	44.121
Contribution to complementary schemes	221	440
Other amounts	2.893	3.188
Total	212.300	213.476

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The average number of employees in 2019 and 2018 is broken down by job category in the table below:

Category	No. Employees 2019	No. Employees 2018
Management	191	220
Middle management	1.022	1.067
Basic staff	4.344	4.379
Total	5.557	5.666

The distribution by gender categories at the end of 2019 and 2018 is as follows:

Category	2019			2018		
	Men	Women	Total	Men	Women	Total
Management	134	68	201	144	70	213
Middel management	460	430	890	531	389	920
Basic staff	1.657	1.910	3.567	1.540	1.883	3.423
Total	2.251	2.408	4.659	2.215	2.342	4.556

The average number of employed persons for years 2019 and 2018, with disabilities greater than or equal to 33%, is as follows:

Category	No. Employees 2019	No. Employees 2018
Management	1	
Middel management	5	7
Basic staff	18	25
Total	24	32

16.4 Other operating expenses

The breakdown of the balance of this caption in the income statement for 2019 and 2018 is as follows:

(thousand €)	2019	2018
Hotel rental	104.437	92.803
Sundry rentals	9.049	9.320
Maintenance and repairs	19.243	21.219
External services	66.082	58.029
Transport and insurance	2.664	2.715
Banking expenses	5.042	4.888
Advertising and promotions	17.039	17.166
Supplies	66.010	68.451
Travel and ticketing expenses	4.213	5.142
Other expenses	39.106	36.014
Tax	9.585	11.656
Losses, impairment and change of provisions	2.102	1.600
Other current operating expenses	7.581	11.063
Total	352.150	340.063

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16.5 Financial income and expenses

The breakdown of financial income and expenses of the Company reflected in the income statement for 2019 and 2018 is as follows:

(thousand €)	2019	2018
Dividends shar. in equity instr. group companies and associates	44.831	114.640
Dividends shar. in equity instr. third parties	550	865
Interest on group companies and associates	15.171	14.979
Interest on third parties and bank accounts	2.329	628
Other financial income relating to third parties	50	164
Total financial income	62.931	131.276
Interest on payables to group companies and associates	13.459	11.291
Interest on obligations and bonds	1.166	382
Interest on bank loans	19.438	18.628
Interest on bank leasing	40	89
Other financial expenses relating to third parties	936	1.209
Total financial expenses	35.039	31.599

Financial income in group companies and associates relates to received dividends on which the right to receive them as shareholders was recognised, and interest on loans and current accounts (see Notes 8, 9.1.a) and 17.2).

Interest on payables to group companies and associates relates mainly to loans and interest on current accounts with other group companies and associates (see Note 17.2).

Financial expenses on debts to third parties relate to interest on bank loans. Likewise, interest arising from bond issues is also included (see Note 9.2).

16.6 Foreign currency

The exchange differences recognised in the income statement amount to EUR 3.2 million of profit, EUR 31.3 million of loss in 2018, which arise mainly from accounts payable and receivable to/from group companies, associates and third parties, as well as short-term cash and other cash equivalents, in a currency other than Euro, including, mainly, US dollars and British pounds.

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The most important assets and liabilities in foreign currency are as follows:

(thousand €)	31/12/2019	Currency	31/12/2018	Currency
Assets				
Loans to group companies and third parties l/t	81.482	Usd	86.881	Usd
	15.760	Gbp	12.065	Gbp
Loans and other financial assets to group companies and third parties s/t	76.519	Usd	76.379	Usd
	14.878	Gbp	1.145	Gbp
	4.514	Otras	3.694	Otras
Cash and cash equivalents s/t	7.990	Usd	24.687	Usd
	128.025	Gbp	2.523	Gbp
Total assets	165.991	Usd	187.947	Usd
	158.664	Gbp	15.733	Gbp
	4.514	Other	3.694	Other
Liabilities				
Bank loans l/t	143.110	Usd	69.364	Usd
Payables to group companies l/t	109.705	Usd	74.765	Usd
Bank loans s/t	8.423	Usd	2.500	Usd
Other liabilities s/t	119.596	Usd	102.516	Usd
	2.345	Gbp	3.180	Gbp
Total liabilities	380.834	Usd	249.145	Usd
	2.345	Gbp	3.180	Gbp

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Note 17. Transactions with Related Parties

17.1 Identification of related parties

The Company's annual accounts include transactions with the following related parties:

- Group companies.
- Associates and joint ventures.
- Significant shareholders of the Company.
- Executives and members of the Board of Directors.

All transactions with related parties are carried out under market conditions.

17.2 Transactions with group companies, associates and joint ventures

Commercial transactions

The attached table shows, for years 2019 and 2018, the amount recognised in the operating results in the income statement, and the balances outstanding at the year end:

		31/12/2019			31/12/2018	
(thousand €)	Net inc. 2019	Assets	Liabilit.	Net inc. 2018	Assets	Liabilit.
Group companies						
Adprotel Strand, S.L.		2.303				
Aparthotel Bosque, S.A.	575	274	8	670	591	31
Apartotel, S.A.	4.135	243		3.919	186	
Colón Verona, S. A.	933	368	16	885	353	5
Comunidad de Prop. Hotel Melia Sol y Nieve	475	209	1	532	223	55
Dorpan, S.L.	(260)			(255)		
Gesmesol, S.A.		598			736	
Hotelpoint, S.L.	9.697	3.920	1.656	8.441		
Inversiones Hoteleras La Jaquita, S.A.	2.500	804	96	3.110	1.230	96
Inversiones y Explot. Turísticas, S.A.	3.853	2.252	112	3.582	4.142	46
Lomondo, LTD	3.270	3.440	1	3.110	1.724	5
Londim France, S.A.					807	
London XXI Limited	1.589	2.184	1	1.363	761	
Melia Brasil Administraçao Hoteleira		7.290			6.822	
MHI UK, L.T.D.		2.992			880	
Naolinco Aviation, S.L.	(4.055)			(2.783)		
New Continent Ventures		1.128	204			
Operadora Mesol		1.921		6.041	343	
Prodigios Interactivos, S.A.	(49.069)	535	2.926	(45.478)	236	
Prodisotel, S.A.	1.380	572	0	2.147	917	1
Securisol, S.A.	(399)			(594)		
Sol Melia Deutschland, GMBH	111	5.711	25	519	5.049	12
Sol Melia France, S.A.S.		487		1.825	10.630	
Sol Melia Italia, S.R.L.		2.266	4	1.455	266	20
Sol Melia Perú		778			486	
Sol Melia Shanghai CO LTD		250		(724)	235	
Tryp Mediterranee		2.573			2.347	
The Sol Group Corporation		359	1.182	(12.390)	337	2.887
Other group companies	1.564	3.331	2.115	119	4.811	2.727
Impairment loss		(2.627)			(2.396)	
Total group companies	**(23.702)**	**44.161**	**8.347**	**(24.505)**	**41.715**	**5.885**

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(thousand €)	Net inc. 2019	31/12/2019 Assets	31/12/2019 Liabilit.	Net inc. 2018	31/12/2018 Assets	31/12/2018 Liabilit.
Associates						
Altavista Hotelera, S. L. (J.V.)	(4.768)	327	485	(4.733)	945	
Grupo Evertmel (J.V.)	2.724	1.165	60	3.273	1.865	22
Grupo Melcom (J.V.)	(5.265)	728	5.384			
Grupo Producciones de Parques (J.V.)	1.573	804	14	1.619	907	12
Meliá Zaragoza, S. L. (J.V.)	50	133	6	37	229	
Nexprom, S.A.	1.177	770	31	1.205	874	2
Renasala, S.L.	155			230	46	
Starmel Hotels OP, S.L. (J.V.)	3.225	1.699	54	3.230	1.764	48
Starmel Hotels OP 2, S.L.U. (J.V.)	784	134	5	1.024	438	4
S'Argamassa Hotelera, S.L.	688	223	9	552	146	3
Turismo de Invierno, S.A.	383	223		351	291	
Other associates	213	328	94	216	836	93
Impairment loss		(29)			(29)	
Total associates	937	6.506	6.144	7.003	8.312	185
Total	(22.765)	50.667	14.491	(17.502)	50.026	6.070

(J.V.) Joint Ventures

Commercial transactions carried out with group companies, associates and joint ventures mainly relate to hotel management activities and other related services.

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Financial transactions

There follows a breakdown of the financing or the centralised management of treasury or dividends maintained by the group with group companies and associates at year-end 2019 and 2018:

(thousand €)	Net inc. 2019	31/12/2019 Assets	31/12/2019 Liabilit.	Net inc. 2018	31/12/2018 Assets	31/12/2018 Liabilit.
Group companies						
Adprotel Strand, S.L. (J.V.)	2.303	73.921		2.143	73.437	
Aparthotel Bosque, S.A.	44	4.003	2.273	76	3.715	42
Apartotel, S.A.	1.602	487	2.461	(19)	569	3.165
Bedbank Trading S.A.	3.707			26.275	3.125	
Bisol Vallarta, S.A.	(1.898)		43.139	(1.539)		33.054
Cala Formentor, S.A.	(598)		12.636	(726)		11.835
Caribotels de México, S.A. de C.V.	137	2.764	12	64	2.678	7
Cibanco S.A. IBM Fideicomiso		1.320				
Colón Verona, S.A.	378	16.714		385	16.936	819
Comunidad de Prop. Hotel Melia Sol y Nieve	629	32.368	350	636	34.618	
Corp. Hot. Hispano Mexicana, S.A. de C.V.			206	(409)		341
Desarrolladora del Norte, S.A.	(715)		26.928	58	8.262	
Expamihso Spain, S.A.U.	(1.725)	694	91.878	(1.616)	717	90.751
Gesmesol, S.A.	5.338	7		18.494		206
Hogares Batle, S.A.	69	3.639	109	67	3.732	121
Hoteles Sol Meliá, S.L.	30	6.413		1.034	850	302
Hotelpoint, S.L.	18.164	6.947	33.066	28.183	6.818	37.307
Inversiones Hoteleras La Jaquita, S.A.	1.410	71.853	7.781	975	73.723	4.553
Inversiones Inmobiliarias, IAR		1.033			1.032	
Inversiones y Explotaciones Turísticas, S.A.			601	1.754		168
Lomondo, LTD		11.673				1.163
Londim France, S.A.						13.370
London XXI LTD	198	4.950	281	92	1.969	253
Markserv, BV	(35)	3	1.768	703		1.782
Meliá Brasil Administraçao H.E.C.LTDA.	4.015	81.349	437	3.176	76.344	490
Melia Europe & Middle East	15	762	233	25	1.236	1
MHI UK LTD	3.155	10.811		10.763	10.198	
Naolinco Aviation, S.L.		679		20	1.315	5
Neale Expa Spain, S.A.U.	28	1.429	1.245	11	2.156	738
Network Investments Spain, S.A.			699	(7)	70	156
New Continent Ventures	638	12.384		664	14.824	
Operadora Costa Risol				(68)		
Operadora Mesol	(33)			4.323		
Prodigios Interactivos, S.A.	(109)	5.480	37.165	220	4.919	28.188
Prodisotel, S.A.	(154)	2.330	23.292	(230)	2.601	20.001
Punta Cana Reservations, S.L.	(2.453)	830	131.776	(1.115)	1.545	108.690
Realizaciones Turisticas, S.A.	(1.995)	767	105.348	(1.884)	736	104.649
Sol Melia Deutschland, GMBH	5.590		27.372	5.590		25.202
Sol Melia Europe, B.V.	(772)	32	4.506	2.186		4.249
Sol Melia France	765		2.991	1.831	33	
Sol Melia Funding		39.260			45.219	
Sol M. Greece H. And T. Enterprises, S.A.			2.534			884
Sol Melia Italia, S.R.L.	46	2.198	10.708	2.338	151	1.219
Sol Melia V.C. Dominicana, S.A.		9.169			9.022	
Sol Melia V.C. España, S.L.	244	12.416	624	239	13.003	694
Sol Melia V.C. Panamá, S.A.		1.628			1.603	
Sol Melia V.C. Puerto Rico			4.237		3.606	
Tenerife Sol, S.A.	(734)	168	33.879	(554)	2.871	38.984
The Sol Group Corporation	91	1.904	3	53	1.827	3
Other group companies	2.180	4.367	10.634	7.170	3.339	10.688
Total group companies	39.555	426.748	621.172	111.381	428.797	544.079

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(thousand €)	Net inc. 2019	31/12/2019 Assets	31/12/2019 Liabilit.	Net inc. 2018	31/12/2018 Assets	31/12/2018 Liabilit.
Associates						
Altavista Hotelera, S.L. (J.V.)	194	10.384		240	10.252	
Comunidad de Prop. Hotel Meliá Castilla	1.603		339	1.481		178
Detur Panamá, S.A. (J.V.)	117	9.147		93	8.790	
Grupo Evertmel (J.V.)	1.098	40.540		956	26.879	
Grupo Melcom (J.V.)	861	37.368	1.122	619	37.304	1.122
Grupo Producciones de Parques (J.V.)			1.886	(7)		1.439
Grupo Renasala (J.V.)	501	20.248	674	2.385	21.958	1.724
Grupo Starmel (J.V.)	646	5.493	824	588	4.967	415
Homasi, S.A.U.	1.575					
Meliá Zaragoza, S.L. (J.V.)	96	13.206		245	1.027	
S'Argamassa Hotelera, S.L.			14	114		29
Other associates	297	331	1.672	233	32	831
Impairmente		(438)			(438)	
Total associates	6.988	136.278	6.531	6.947	110.770	5.737
Total	46.543	563.026	627.703	118.328	539.567	549.816

(J.V.) Joint Ventures

The breakdown of assets and liabilities in group companies and associates, including currency, for years 2019 and 2018 is as follows:

(thousand €)	31/12/2019 Assets	31/12/2019 Liabilities	31/12/2018 Assets	31/12/2018 Liabilities
Eur	485.851	506.161	371.334	390.999
Usd	48.358	121.148	154.722	157.578
Other currencies	28.817	394	13.510	1.239
Total	563.026	627.703	539.567	549.816

There follows a breakdown of the maturity dates of assets and liabilities in group companies and associates at year-end 2019 and 2018:

(thousand €)	31/12/2019 Assets	31/12/2019 Liabilities
2020	162.070	135.917
2021	181.215	161.431
2022	27.931	18.986
2023	86.698	187.552
2024	83.567	
2025 and subseq.	21.546	123.817
Total	563.026	627.703

(thousand €)	31/12/2018 Assets	31/12/2018 Liabilities
2019	123.153	113.804
2020	41.123	88.274
2021	148.680	137.347
2022	29.756	21.733
2023	92.749	156.339
2024 and subseq.	104.107	32.319
Total	539.567	549.816

For the purposes of optimising the financial resources generated, the Company performs centralised management of collections and payments between group companies through current account, including debit or credit balances, depending on the circumstances of each subsidiary, and the return thereof is made according to the needs. These balances accrue interest at market rates, which is settled annually based on the daily balance of the account, so such collections and payments are deemed to be financing flows in the cash flow statement. The interest rate applied in 2019 is 1.5% and 2018 was 2%.

Likewise, the Company has granted loans to certain subsidiaries which are intended to finance the activities pertaining to Meliá Group's companies. On the other hand, it has been granted loans by some of its subsidiaries with excess funds or whose main activity is to obtain financial resources for the Group.

17.3 Transactions with significant shareholders

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

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Name or corporate name of significant shareholder	Type of transaction	(thousand €)	
		2019	2018
Tulipa Inversiones 2018, S.A.	Receipt of services	318	
Hoteles Mallorquines Asociados, S.L.	Receipt of services		1.066

17.4 Transactions with executives and members of the Board of Directors

Remuneration and other benefits of directors and members of the senior management are as follows:

Attendance fees for meetings of the Board and delegated committees are as follows:

(thousand €)	2019	2018
External independent directors	536	476
Mr. Juan Arena de la Mora	67	79
Mr. Luis María Díaz de Bustamante y Terminel	114	108
Mr. Fco Javier Campo García	112	90
Mr. Fernando D´Ornellas Silva	132	115
Mrs. Carina Szpilka Lazaro	84	84
Mrs. Mª Cristina Henriquez de Luna	27	
Proprietary directors	213	219
Mr. Gabriel Escarrer Juliá	49	49
Mr. Sebastián Escarrer Jaume	49	54
Mr. Juan Vives Cerdá	10	44
Hoteles Mallorquines Consolidados,S.A.	78	72
Hoteles Mallorquines Asociados, S.A.	27	
Other external directors	42	81
Mr. Alfredo Pastor Bodmer	42	81
Executive director	54	54
Mr. Gabriel Juan Escarrer Jaume	54	54
Total	845	830

Remuneration of executive directors and senior management is as follows:

(miles de €)	2019		2018	
	Retribución Fija	Retribución Variable	Retribución Fija	Retribución Variable
Consejeros ejecutivos	868	1.685	875	481
D. Gabriel Juan Escarrer Jaume	868	1.685	875	481
Alta dirección	1.930	2.907	1.819	650
Total	2.798	4.592	2.694	1.131

The Company has not assumed any obligation and has not made any advance payment nor granted any loans to directors.

The increase in variable remuneration in 2019 relates to the payment of long-term remunerations accrued in fulfilment of the milestones achieved in the 2016-2018 Strategic Plan.

The breakdown below relates to transactions between Meliá Hotels International, S.A. and the Company's directors or executives during 2019 and 2018:

(thousand €)	Type of transaction	2019	2018
Mr. Juan Vives Cerda	Receipt of services	3	5
Mr. Juan Vives Cerda	Provisions of services	158	263

The Company has arranged a civil liability policy (D&O) for the Group's directors and executives, under the terms and conditions that are common in insurance policies of this nature, with a premium for 2019 in the amount of EUR 100,842.5; EUR 91,289 in 2018.

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Note 18. Other information

18.1 Audit fees

Fees earned during the year by Deloitte, S.L., for the audit of the Company's accounts and other verification services amounted to EUR 155 thousand and EUR 97.5 thousand, respectively (fees for the audit of the consolidated annual accounts are not included).

In 2018, fees earned relating to accounts audit services and other verification services amounted to EUR 168 thousand and EUR 166 thousand, respectively (fees for the audit of the consolidated annual accounts were not included).

18.2 Environmental risks

The Company has in place an Environmental Policy which is applicable to all group companies, due to the nature of the activity they develop and the high level of dependence on social and environmental factors, such as the climate and natural resources.

For this reason, it favours a hotel management model which makes progress towards decarbonisation, energy and water consumption efficiency, circular economy promotion and the direct involvement of stakeholders, with the innovation and implementation of impact measurement metrics.

To do that, a road map has been designed which includes the following commitments:

- To boost a tourism model which makes progress towards carbon neutrality.
- To continue to spread the strategy of energy production from renewable sources.
- To support a circular hotel model as a lever to reduce waste, which encourages reuse and improves its management, thus reducing the impact of the activity at destination.
- To consolidate the commitment to innovation applied to the environmental management of the Company's activity, Artificial Intelligence and impact metrics.
- To reinforce the involvement of stakeholders in the achievement of commitments and shared goals, making them participants and involving them actively.

18.3 Situations of conflicts of interest in which the Company's directors are involved

According to the requirements of Articles 229 and 230 of the Revised Text of the Spanish Law on Corporations, the members of the Board of Directors of Meliá Hotels International, S.A., confirmed that neither they, nor any persons with whom they have ties, as referred to in Article 231 of the aforesaid Law, carry out any activities on their own account or for third parties which may involve any effective competition, present or future, with the Company or which, in any way whatsoever, would place them in a position of permanent conflict with the interests thereof.

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Direct or indirect shareholdings controlled by members of the Board of Directors of the Company are as follows:

Shareholder / Director	Number of direct or indirect voting rights	% of total voting rights	Position on the Board
Mr. Gabriel Escarrer Juliá	11.542.525	5,0250%	Chairman
Hoteles Mallorquines Consolidados, S.A.	53.700.867	23,3787%	Director
Hoteles Mallorquines Asociados S.A.	30.333.066	13,2060%	Director
Mr. Juan Arena de La Mora	1.000	0,0004%	Director
Mr. Luis Mª Díaz de Bustamante y Terminel	300	0,0001%	Secretary and Director

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

Note 19. Events after the Reporting Date

On 21 February 2020 the European Commission announced the decision ending the investigation initiated in 2017 (see Note 12.1), imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision has been made at 31 December 2019.

Meliá Hotels International has always considered that the mentioned agreements did not have adverse effects for competition in the market and with this intention they were entered into. However, focusing on the interest of customers and partners of the Company, it was decided to fully cooperate with the European Commission from the beginning, as disclosed by the Commission in its notice. Meliá Hotels International is fully committed to the competition rules and the single European market, and following the initiation of this investigation all the internal compliance procedures were initiated to ensure that all its agreements comply with such rules.

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

Annex I

The equity situation as at 31 December 2019, obtained from the annual accounts provided by the relevant companies, is as follows:

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairm.	Net value
		Capital	Reserves	Result				
Group companies								
Adprotel Strand, S. L. (J.V.)	50,00%	69.537	2.174	5.370	38.541	76.068	(21.753)	54.315
Adrimelco Inversiones, S.L.U.	100,00%	3	(1)	(0)	2	3		3
Apartotel, S.A.	99,79%	962	4.065	1.483	6.496	4.150		4.150
Aparthotel Bosque, S.A.	100,00%	1.659	7.346	1.353	10.358	9.497		9.497
Bedbank Trading, S.A.	100,00%	71	4.225	180	4.476	65	(65)	
Casino Tamarindos, S.A.U.	100,00%	3.005	(986)	108	2.127	13.532	(7.757)	5.775
Credit Control Corporation	100,00%	45	575	27	647	41		41
Colón Verona, S.A.	100,00%	15.000	9.440	3.255	27.695	43.075	(6.762)	36.313
Dorpan, S.L.U.	100,00%	1.202	321	30	1.553	1.623		1.623
Expamihso Spain, S.A.U.	100,00%	5.249	123.012	3.016	131.277	295		295
Gesmesol, S.A.	100,00%	45	80.616	2.848	83.509	1.803		1.803
Gestión Hotelera Turística Mesol, S.A.	100,00%	60	15	1	76	61		61
Guarajuba Empreendimientos	100,00%	3.096	(1.359)	(130)	1.607	8.755	(1.907)	6.848
Gonpons Inversiones, S.L.U.	100,00%	3	(1)	(0)	2	3		3
Hogares Batle, S.A.	51,49%	1.482	304	(80)	878	2.036	(868)	1.168
Hotelpoint, S.L.	100,00%	3	1	12.871	12.875	3		3
Hoteles Meliá, S.L.	100,00%	3	2	(0)	5	10		10
Hoteles Paradisus XXI, S.L.	100,00%	3	4	(0)	7	10		10
Hoteles Sol Meliá, S.L.	100,00%	676	95.316	73	96.064	88.176		88.176
Hoteles Sol, S.L.	100,00%	3	3	(0)	6	11		11
Ilha Bela Gestao e Turismo, LTD.	100,00%	49	3.478	(137)	3.390	3.698		3.698
Impulse Hotel Development, S.L.U.	100,00%	19	1.244	(36)	1.226	18		18
Infinity Vacations Dominicana	0,03%	89.034	11.462	26.839	38			
Infinity Vacations, S.A.	0,01%	0	(7)	(4)				
Inversiones Areito, S.A.S. (*)	64,54%	12.224	(26.653)	(6.151)	(13.282)	25.513		25.513
Inmotel Inversiones Italia, S.R.L.	100,00%	20	26.975	2.479	29.474	89.304		89.304
Inversiones Hoteleras la Jaquita, S.A.	50,00%	51.767	30.906	(1.126)	40.773	32.568		32.568
Inversiones Turísticas del Caribe, S.A.	100,00%	76	(76)			6		6
Inversiones y Explotaciones Turísticas, S.A.	54,93%	8.937	54.718	14.548	42.957	12.742		12.742
Markserv, B.V.	51,00%	36	8.224	19	4.222	1.503	(1.503)	
Melia Europe & Middle East	100,00%	3	4	(293)	(286)	3.707	(3.602)	105
Melia Inversiones Americanas, N.V.	82,26%	26.673	604.277	2.468	521.050	186.120		186.120
Meliá Vietnam CO	100,00%	770		(22)	749	777		777
MHI UK LTD.	100,00%	0	35.366	(3.315)	32.051	40.321		40.321
Naolinco Hoteles, S.L.	100,00%	3	(1)		2	1.355	(1.338)	17
Operadora Mesol S.A. de C.V.	75,21%	8.514	1.057	(497)	6.825	4.219		4.219
Prodigios Interactivos, S.A.	53,98%	42.216	34.016	14.143	48.785	35.718		35.718
P.T. Sol Melia Indonesia	90,00%	63	122	219	363	76		76
Punta Cana Reservations, S.L.	100,00%	5	163.443	2.491	165.940	8.277		8.277
Realizaciones Turísticas, S.A.	95,97%	7.210	130.576	2.339	134.478	42.236		42.236
René Egli, S.L.U.	100,00%	4	3.201	17	3.222	3.832		3.832
Securisol, S.A.	100,00%	66	266	19	351	66		66
Sol Group B.V.	100,00%	1.540	(488)	(8)	1.045	1.529		1.529
Sol Maninvest B.V.	100,00%	19	17.206	(296)	16.928	19	(31)	(12)
Sol Melia Balkans E.A.D.	100,00%	51	372	774	1.196	51		51
Sol Melia Deutschland, GMBH	100,00%	1.023		8.690	9.712	5.216		5.216
Sol Melia Europe, B.V.	100,00%	1.500	812	128	2.440	1.500		1.500
Sol Melia France S.A.S.	100,00%	49.800	5.055	2.870	57.726	49.801		49.801
Sol M. Greece H. And T. Enterprises, S.A.	100,00%	5.586	(3.747)	42	1.881	5.586	(3.655)	1.931
Sol Melia Italia S.R.L.	100,00%	100	2.819	1.358	4.276	3.880		3.880
S.M. Hotel Manag. Shanghai S.M.	100,00%	5.192	(3.600)	(110)	1.482	5.243	(2.730)	2.513
Sol Melia Investment, N.V.	100,00%	23.795	23.542	(9)	47.327	58.183		
Sol Melia Luxembourg, SARL	100,00%	200	145	1.608	1.952	206		
Sol Melia VC Puerto Rico Corp.	100,00%	66.363	(61.892)	(318)	4.153	60.921	(56.849)	4.072
Tenerife Sol. S.A.	50,00%	2.765	70.259	(859)	36.083	1.386		
Third Project 2012, S.L.	100,00%	3	(0)	(0)	2	3		3
Tryp Mediterranee, S.A.	85,40%					407	(407)	
Total group companies		507.730	1.458.153	98.273	1.626.732	935.207	(109.227)	825.980

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

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairment	Net value
		Capital	Reserves	Result				
Associates								
Altavista Hotelera, S.L.	7,55%	47.252	19.760	1.476	5.171	14.420	(5.969)	8.451
Detur Panamá, S.A. (J.V.)	32,72%	12.497	(29.571)	(1.561)	(6.097)	4.406	(4.406)	
Evertmel, S.L. (J.V.)	49,00%	35.157	16.039	(1.205)	24.496	38.126		38.126
Hellenic Hotel Management, S.A.	40,00%	587	(776)		(76)	245	(245)	
Homasi, S.A.	35,00%	18.220	76.760	9.836	36.685	48.953		48.953
Jamaica Devco, S.L.	49,00%	1.003	(1.058)	(284)	(166)	491		491
Meliá Zaragoza, S.L. (J.V.)	50,00%	6.820	(14.202)	(2.951)	(5.167)	8.067	(8.067)	0
Mosaico, B.V.	20,00%	85	72	(164)	(1)	668		668
Nexprom, S.A.	17,50%	4.591	21.073	4.195	5.225	1.081		1.081
Plaza Puerta del Mar, S.A.	12,30%	9.000	9.052	3.432	2.643	1.804		1.804
Producciones de Parques, S.L. (J.V.)	50,00%	39.884	(745)	(1.294)	18.923	27.680		27.680
Promedro, S.A.	20,00%	1.635	76	(9)	340	328		328
Melcom Joint Venture, S.L. (J.V.)	50,00%	8.130	76.873	(399)	42.302	47.401	(4.799)	42.602
Renasala, S.L.	30,00%	4	33.652	1.167	10.447	10.591		10.591
Sierra Parima, S.A.S.	50,00%	6.704	4.772	(498)	5.489	5.394		
Starmel Hotels JV, S.L. (J.V.)	20,00%	739	2.348	(1.227)	372	148		148
Turismo de Invierno, S.A.	21,42%	670	5.817	612	1.521	1.355		1.355
Total associates		192.979	219.940	11.126	142.107	211.158	(23.486)	187.672
Total group companies and associates		700.709	1.678.093	109.399	1.768.839	1.146.365	(132.713)	1.013.652

(*) The studies to determine the impairment losses of the shareholding in these group companies and associates are conducted taking into consideration the valuation of the trader companies of the hotels owned by these group companies and associates. (J.V.) Joint Ventures

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

The equity situation as at 31 December 2018, obtained from the annual accounts provided by the relevant companies, was as follows:

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairment	Net value
		Capital	Reserves	Result				
Group companies								
Adprotel Strand, S. L. (J.V.)	50,00%	65.594	(9.802)	12.463	34.128	76.068	(22.225)	53.843
Adrimelco Inversiones, S.L.U.	100,00%	3	(1)		2	3		3
Almeldik, S.R.L.A.U.	100,00%	10			10	10		10
Apartotel, S.A.	99,79%	962	4.065	1.648	6.661	4.150		4.150
Aparthotel Bosque, S.A.	85,00%	1.659	6.829	548	7.680	6.497		6.497
Bedbank Trading, S.A.	100,00%	70	7.007	682	7.759	65		65
Casino Tamarindos, S.A.U.	100,00%	3.005	(883)	(121)	2.001	13.532	(7.757)	5.775
Credit Control Corporation	100,00%	44	800	(238)	606	41		41
Colón Verona, S.A.	100,00%	15.000	5.171	4.246	24.417	43.075	(12.035)	31.040
Dorpan, S.L.U.	100,00%	1.202	291	30	1.523	1.623		1.623
Expamihso Spain, S.A.U.	100,00%	5.249	121.063	1.949	128.261	295		295
Gesmesol, S.A.	100,00%	44	78.794	5.217	84.055	1.803		1.803
Gestión Hotelera Turística Mesol, S.A.	100,00%	60	14	1	76	61		61
Guarajuba Empreendimientos	100,00%	3.161	(1.269)	(119)	1.773	8.755	(1.907)	6.848
Gonpons Inversiones, S.L.U.	100,00%	3	(1)		2	3		3
Hogares Batle, S.A.	51,49%	1.482	383	(76)	921	2.036	(868)	1.168
Hotelpoint, S.L.	100,00%	3	2	21.475	21.480	3		3
Hoteles Meliá, S.L.	100,00%	3	2		5	10		10
Hoteles Paradisus XXI, S.L.	100,00%	3	4		7	10		10
Hoteles Sol Meliá, S.L.	100,00%	676	92.248	3.068	95.992	88.176		88.176
Hoteles Sol, S.L.	100,00%	3	4	(1)	6	11		11
Ilha Bela Gestao e Turismo, LTD.	100,00%	48	3.369	31	3.448	3.698		3.698
Impulse Hotel Development, B.V.	100,00%	19	1.480	(236)	1.263	18		18
Infinity Vacations Dominicana	0,03%	85.229	(27)	9.332	28	0		0
Infinity Vacations, S.A.	0,01%	0	(2)	(5)		0		0
Inversiones Areito, S.A.S. (*)	64,54%	12.520	(28.687)	1.495	(9.469)	25.513		25.513
Inmotel Inversiones Italia, S.R.L.	100,00%	20	24.906	2.069	26.995	89.304		89.304
Inversiones Hoteleras la Jaquita, S.A.	50,00%	51.767	27.047	3.948	41.381	32.568		32.568
Inversiones Turísticas del Caribe, S.A.	100,00%	78	(78)			6		6
Inversiones y Explotaciones Turísticas, S.A.	55,31%	8.937	46.750	7.925	35.184	12.742		12.742
Markserv, B.V.	51,00%	36	6.820	1.404	4.212	1.503	(1.503)	0
Melia Europe & Middle East	100,00%	3	4	(1.192)	(1.185)	2.561	(2.561)	
Melia Inversiones Americanas, N.V.	82,26%	26.673	560.058	44.219	519.019	186.120		186.120
MHI UK LTD.	100,00%		33.769	(409)	33.360	40.321		40.321
Naolinco Hoteles, S.L.	100,00%	3	(1)	(15)	(13)	1.340	(1.338)	2
Operadora Mesol S.A. de C.V.	75,21%	7.967	645	2.422	8.299	4.219		4.219
Prodigios Interactivos, S.A.	53,98%	42.216	30.254	11.182	45.156	35.718		35.718
P.T. Sol Melia Indonesia	90,00%	59	1	113	156	76		76
Punta Cana Reservations, S.L.	100,00%	5	177.330	(13.886)	163.449	8.277		8.277
Realizaciones Turísticas, S.A.	95,97%	7.210	128.173	2.431	132.260	42.236		42.236
René Egli, S.L.U.	100,00%	4	3.058	144	3.205	3.832		3.832
Securisol, S.A.	100,00%	66	197	64	327	66		66
Sierra Parima, S.A.	100,00%	5.886	5.183	(296)	10.773	14.300		14.300
Sol Group B.V.	100,00%	1.540	(475)	(12)	1.053	1.529		1.529
Sol Maninvest B.V.	100,00%	19	15.842	1.363	17.224	19	(31)	(12)
Sol Melia Balkans E.A.D.	100,00%	51	365	926	1.342	51		51
Sol Melia Deutschland, GMBH	100,00%	1.023		6.438	7.461	5.216		5.216
Sol Melia Europe, B.V.	100,00%	1.500	572	239	2.311	1.500		1.500
Sol Melia France S.A.S.	100,00%	49.800	5.055	1.876	56.731	49.801		49.801
Sol M. Greece H. And T. Enterprises, S.A.	100,00%	5.586	(3.736)	(11)	1.839	5.586	(3.655)	1.931
Sol Melia Italia S.R.L.	100,00%	100	1.571	1.248	2.919	3.880		3.880
S.M. Hotel Manag. Shanghai S.M.	100,00%	5.172	(3.732)	146	1.586	5.243	(2.730)	2.513
Sol Melia Investment N.V.	100,00%	23.795	23.670	(128)	47.337	58.176		58.176
Sol Melia Luxembourg SARL	100,00%	200	104	1.330	1.634	206		206
Sol Melia VC Puerto Rico Corp.	100,00%	64.863	(82.818)	22.325	4.370	60.921	(51.635)	9.286
Tenerife Sol, S.A.	50,00%	2.765	64.415	5.849	36.514	1.386		1.386
Third Project 2012, S.L.	100,00%	3	(1)		2	3		3
Tryp Mediterranee, S.A.	85,40%					407	(407)	
Total group companies		503.396	1.345.804	163.101	1.617.536	944.579	(108.652)	835.926

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

(thousand €)	Shareholding	Accounting figures Capital	Reserves	Result	Underlying carrying amount	Investment value	Impairment	Net value
Associates								
Altavista Hotelera, S.L.	7,55%	47.252	15.310	4.450	5.059	14.420	(5.969)	8.451
Detur Panamá, S.A. (J.V.)	32,72%	12.212	(27.757)	(1.146)	(5.461)	4.406	(4.406)	
Evertmel, S.L. (J.V.)	49,00%	35.157	17.555	(1.642)	25.024	38.126		38.126
Hellenic Hotel Management, S.A.	40,00%	587	(776)		(76)	245	(245)	
Homasi, S.A.	35,00%	18.220	73.910	7.349	34.818	48.953		48.953
Jamaica Devco, S.L.	49,00%	1.003	(613)	770	568	491		491
Meliá Zaragoza, S.L. (J.V.)	50,00%	6.820	(10.154)	(4.048)	(3.691)	8.067	(8.067)	
Mosaico, B.V.	20,00%		3.183	(205)	596	648		648
Nexprom, S.A.	17,50%	4.591	18.107	3.923	4.659	1.081		1.081
Plaza Puerta del Mar, S.A.	12,23%	9.000	7.438	3.144	2.395	1.784		1.784
Producciones de Parques, S.L. (J.V.)	50,00%	39.884	(392)	(110)	19.691	27.680		27.680
Promedro, S.A.	20,00%	1.635	85	(9)	342	328		328
Melcom Joint Venture, S.L. (J.V.)	50,00%	8.130	76.203	670	42.502	47.401	(6.240)	41.161
Renasala, S.L.	30,00%	4	33.439	2.397	10.752	10.591		10.591
Starmel Hotels JV, S.L. (J.V.)	20,00%	739	2.836	(488)	617	148		148
Turismo de Invierno, S.A.	21,42%	670	5.502	569	1.444	1.355		1.355
Total associates		185.905	213.875	15.624	139.239	205.724	(24.927)	180.797
Total group companies and associates		689.301	1.559.679	178.725	1.756.775	1.150.303	(133.579)	1.016.724

(*) The studies to determine the impairment losses of the shareholding in these group companies and associates are conducted taking into consideration the valuation of the trader companies of the hotels owned by these group companies and associates. (J.V.) Joint Ventures

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

There follows the list of Subsidiary companies, Associates and joint ventures of the Group as at 31 December 2019:

Subsidiary companies

		HOTEL OPERATING COMPANIES	ADDRESS	COUNTRY	DIR S.	IND S.	TOTAL
(A)	(F1)	APARTHOTEL BOSQUE, S. A.	Camilo José Cela, 5 (Palma de Mallorca)	Spain	100,00%		100,00%
(A)		ARESOL CABOS S.A. de C.V.	Km 19,5 Ctra. Cabo San Lucas (S.Jose del Cabo)	Mexico		99,69%	99,69%
(A)		AYOSA HOTELES, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49,00%	49,00%
(A)		BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		99,68%	
						0,01%	99,69%
(A)		CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico		92,40%	
						7,29%	99,69%
(A)		CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico		16,41%	
						29,63%	
						53,70%	99,74%
(A)		CIBANCO SA IBM FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	Mexico		100,00%	100,00%
(A)	(F1)	COLÓN VERONA,S.A.	Canalejas, 1 (Sevilla)	Spain	100,00%		100,00%
		COM.PROP. SOL Y NIEVE (*)	Plaza del Prado Llano (Sierra Nevada)	Spain	93,27%		93,27%
(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)		DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		61,79%	
						20,25%	
						17,66%	99,69%
(A)	(F2)	HOTEL ALEXANDER, S. A. S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL COLBERT S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL FRANÇOIS S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL MADELEINE PALACE, S.A.S.	8, Rue Cambon 75001 (Paris)	France		100,00%	100,00%
(A)	(F2)	HOTEL ROYAL ALMA S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)		INFINITY VACATIONS DOMINICANA	Instal.Hotel Circle,Avda.Barceló,Bávaro (P.Cana)	Dom. Rep.	0,03%		
						99,97%	100,00%
		INNSIDE VENTURES, LLC	1029, Orange St. Wilmington (Delaware)	USA		100,00%	100,00%
(A)	(F7)	INVERS. EXP. TURISTICAS, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	54,93%		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.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		99,69%	99,69%
(A)		INVERSIONES AREITO, S.A.	Avda. Barceló, s/n (Bávaro)	Dom. 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%
		LOMONDO Limited	Albany Street-Regents Park (Londres)	United Kingdom		100,00%	100,00%
		LONDON XXI Limited	336-337 The Strand (Londres)	United Kingdom		100,00%	100,00%
(A)		MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain			100,00%
		MELIA HOTELS ORLANDO, LLC.	Brickell Avenue Suite 1000, 800	USA		50,00%	50,00%
(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.	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)	(F9)	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%		
						47,99%	97,99%

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		MANAGEMENT COMPANIES	ADDRESS	COUNTRY	DIR S.	IND S.	TOTAL
	(F1)	APARTOTEL, S. A.	Mauricio Legendre, 16 (Madrid)	Spain	99,79%		99,79%
		GESMESOL, S. A.	Elvira Méndez, 10 - Edif. Bco do Brasil	Panama	100,00%		100,00%
(A)		ILHA BELA GESTAÔ E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	100,00%		100,00%
	(F1)	MARKSERV, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	51,00%		
						49,00%	100,00%
		MELIÁ BRASIL ADMINISTRAÇAO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil		20,00%	
						80,00%	100,00%
(A)		MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		100,00%	100,00%
		MELIA VIETNAM COMPANY LIMITED	13th Floor, Plaza Saigon Building, 39 Le Duan Street, Ben	Vietnam		100,00%	100,00%
		NEW CONTINENT VENTURES, Inc.	800 Brickell Avenue Suite 1000 (Miami)	USA		100,00%	100,00%
		OPERADORA COSTARISOL, S.A.	Avenida Central, 8 (San José)	Costa Rica		100,00%	100,00%
(A)		OPERADORA MESOL, S. A. de C. V.	Blvd. Kukulkan Km 16.5 No 1 T.5. Zona Hot (Cancún)	México	75,21%		
						24,79%	100,00%
		PT SOL MELIÁ INDONESIA	Ed.Plaza Bapindo-Menara Mandiri Lt.16	Indonesia	90,00%		
			Jl.Jend.Sudirman Kav.54-55 (Jakarta)			10,00%	100,00%
	(F1)	SOL MANINVEST, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
(A)		SOL MELIÁ BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100,00%		100,00%
(A)		SOL MELIÁ HOTEL MANAG. SHANGHAI CO, LTD.	Suite 13-1A1,13th Floor,Hang Seng Bank Tower,1000	China	100,00%		100,00%
			Lujiazui Ring Road (Shanghai)				
		SOL MELIÁ GREECE, HOTEL & TOURISTIC	14th Chalkokondili Str & 28th October str (Atenas)	Greece	100,00%		100,00%
		SOL MELIÁ PERÚ, S. A.	Av. Salaberri, 2599 (San Isidro - Lima)	Peru		99,90%	
						0,10%	100,00%

		COMPANIES OF DIFFERENT ACTIVITIES	ADDRESS	COUNTRY	DIR S.	IND S.	TOTAL
(A)	(F1)	ADPROTEL STRAND, S.L.	Mauricio Legendre, 16 (Madrid)	Spain	50,00%	25,00%	75,00%
(A)		BAJA SERVICIOS ADMINISTRATIVOS S.A	Ctra Transpeninsular, km 19,5 (Los Cabos)	Mexico		100,00%	100,00%
	(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%
		GUARAJUBA EMPREENDIMENTOS, S.A.	Avda. Jorge Amado s/n, Bahía	Brazil	100,00%		100,00%
	(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51,49%		
						46,70%	98,19%
(A)	(F2)	HOTEL METROPOLITAN, S.A.S.	20, Rue du sentier 75002 (Paris)	France		100,00%	100,00%
(A)	(F1)	HOTELPOINT, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		IMPACT HOSPITALITY V3NTURES, LLC	Celebration Place, 225 (Miami)	USA		100,00%	100,00%
		INFINITY VACATIONS S.A. DE C.V.	Bvld.Kukulcan Km 16,5 Benito Juarez (Cancún)	Mexico	0,01%		
						99,99%	100,00%
(A)		INMOBILIARIA DISTRITO CIAL., C. A.	Avda. venezuela con Casanova (Caracas)	Venezuela		89,26%	89,26%
	(F9)	INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	100,00%		100,00%
	(F1)	MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	España	100,00%		100,00%
	(F1)	NAOLINCO AVIATION,S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	NETWORK INVESTMENTS SPAIN, S.L.U.	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%
(A)	(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)		SERVICIOS ARTEMISA, S.A.de C.V.	Boulevard Kukulkan Km 12 (Cancún)	Mexico		100,00%	100,00%
(A)		SERVICIOS INTEGRALES DE PERSONAL IRIS, S.A.de C.V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		100,00%	100,00%
(A)		SERVICIOS PERSONALES ORFEO, S.A.de C.V.	Boulevard Kukulkan Km 16,5 (Cancún)	Mexico		100,00%	100,00%
(A)		SERVICIOS PITEO, S.A.de C.V.	Avda Tulum 200, Sm 4 (B.Juarez)	Mexico		100,00%	100,00%
		SOL CARIBE TOURS, S. A.	Vía Grecia - Edif. Alamanda 6B (Panamá)	Panama		100,00%	100,00%
		SOL GROUP CORPORATION	800 Brickell Avenue, Suite 1000, FL, 33131 (Miami)	USA		100,00%	100,00%
	(F1)	SOL MELIÁ EUROPE, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	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)	Dom. Rep.		100,00%	100,00%
	(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%
		SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama		100,00%	100,00%
	(F1)	SMV NETWORK ESPAÑA, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100,00%	100,00%
		VACATION CLUB SERVICES INC.	Bickell Avenue, 800 (Miami)	USA		100,00%	100,00%

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		HOLDING COMPANIES	ADDRESS	COUNTRY	DIR. S	IND S.	TOTAL
(A)	(F2)	CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France		100,00%	100,00%
	(F1)	DESARROLLOS HOTELEROS SAN JUAN EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99,69%	99,69%
	(F1)	DOMINICAN INVESTMENTS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
	(F1)	DOMINICAN MARKETING SERVICES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		65,73%	
						33,96%	99,69%
	(F1)	EXPAMIHSO SPAIN. S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	FARANDOLE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Netherlands		99,69%	99,69%
	(F1)	HOTEL ROOM MANAGEMENT, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
	(F1)	HOTELES SOL MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	IMPULSE HOTEL DEVELOPMENT B.V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
	(F1)	INVERS. HOTELERAS LOS CABOS, S.A.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
		INVERS. TURIST. DEL CARIBE, S. A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.	100,00%		100,00%
		MELIÁ HOTELS INTERNAT. UK LIMITED	Albany Street , Regents Park, London NW1 3UP	United Kingdo	100,00%		100,00%
	(F1)	MIA EXHOL, S. A.	Sarria, 50, 08029 Barcelona	Spain	82,26%		
						17,43%	99,69%
	(F1)	NEALE EXPA SPAIN, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		99,69%	99,69%
	(F1)	PUNTA CANA RESERVATIONS, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	SAN JUAN INVESTMENTS EXHOLD, S. L.	Sarria, 50, 08029 Barcelona	Spain		99,69%	99,69%
	(F1)	SOL GROUP, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
(A)	(F2)	SOL MELIÁ FRANCE, S.A.S.	20 Rue du Sentier (Paris)	France	100,00%		100,00%
	(F1)	SM INVESTMENT EXHOL, S. L.	Sarria, 50, 08029 Barcelona	Spain	100,00%		100,00%
		SOL MELIA VACATION CLUB LLC.	Bickell Avenue, 800 (Miami)	USA		100,00%	100,00%
		COMPANIES WITH NO ACTIVITY	**ADDRESS**	**COUNTRY**	**DIR. S**	**IND S.**	**TOTAL**
	(F1)	ADRIMELCO INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		BEDBANK TRADING, S.A.	Rue St.Pierre, 6A (Fribourg)	Switzerland	100,00%		100,00%
(A)		CASINO PARADISUS, S. A.	Playas de Bavaro (Higuey)	Dom. Rep.		49,85%	49,85%
		COMP. TUNISIENNE GEST. HOTELIÉRE	18 Boulevard Khézama nº 44, 4051 Sousse (Túnez)	Tunisia		100,00%	100,00%
(A)		DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49,85%	
						49,85%	99,69%
	(F1)	GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	GONPONS INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	HOTELES MELIÁ, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	HOTELES PARADISUS, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1)	HOTELES SOL, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		INVERSIONES INVERMONT, S. A.	Av. Venezuela, Edif. T. América (Caracas)	Venezuela		100,00%	100,00%
(A)		SMVC PUERTO RICO	Sector Coco Beach, 200 Carretera 968 (Río Grande)	P.Rico	100,00%		100,00%
		SOL MELIA JAMAICA, LTD.	21, East Street (Kingston CSO)	Jamaica	100,00%		100,00%
		SOL MELIÁ MARROC, S.A.R.L.	Rue Idriss Al-Abkar, 4 - 1º Etage	Morocco		100,00%	100,00%
(A)		SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Switzerlan		100,00%	100,00%
	(F1)	THIRD PROJECT 2012, S. L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
		YAGODA INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%

(A) Audited companies

(F1) Companies included in the consolidated tax group together with Meliá Hotels International, S.A.

(F2) Companies included in the consolidated tax group together with Sol Meliá France, S.A.S.

(F7) Companies included in the consolidated tax group together with Inextur, S.A.

(F9) Companies included in the consolidated tax group together with Inmotel Inversiones Italia S.r.l.

(*) Shareholding in this company is through the ownership of apartments representing 93.27%.

Associates and joint ventures

		HOTEL OPERATING COMPANIES	ADDRESS	COUNTRY	DIR.S	IND. S	TOTAL
(A)		COM. PROP. APARTOTEL MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	31,77%		
						0,09%	31,86%
		C.P.APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	2,79%		
						18,75%	21,54%
		DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	32,72%	17,21%	49,93%
(A)	(F3)	STARMEL HOTELS OP, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
		MELIÁ ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	50,00%		50,00%
(A)		NEXPROM, S. A. (JV)	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	12,30%		
						7,81%	20,11%
(A)	(F5)	PRODUCCIONES DE PARQUES, S.L. (JV)	Avda. P.Vaquer Ramis , s/n (Calviá)	Spain	50,00%		50,00%
(A)	(F4)	STARMEL HOTELS OP 2, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20,00%	20,00%
(A)	(F5)	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%
		COMPANIES OWNING HOTELS	**ADDRESS**	**COUNTRY**	**DIR.S**	**IND. S**	**TOTAL**
(A)	(F7)	ALTAVISTA HOTELERA, S.L.	Avda. Pere IV, 272 (Barcelona)	Spain	7,55%		
						41,19%	48,74%
		EL RECREO PLAZA & CIA., C.A. (JV)	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		1,00%	
						18,94%	19,94%
(A)	(F6)	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49,00%		49,00%
(A)		FOURTH PROJECT 2012, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
(A)	(F4)	FUERTEVENTURA BEACH PROPERTY, S.L. (JV)	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%
	(F6)	MONGAMENDA, S.L. (JV)	Alexandre Rosselló, 15 (Palma de Mallorca)	Spain		49,00%	49,00%
(A)	(F3)	PALMANOVA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F3)	PUERTO DELCARMEN BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F3)	SAN ANTONIO BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F4)	SANTA EULALIA BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20,00%	20,00%
(A)	(F3)	TORREMOLINOS BEACH PROPERTY, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	(F8)	PELÍCANOS PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
(A)	(F8)	BELLVER PROPERTY, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
		COMPANIES OF DIFFERENT ACTIVITIES	**ADDRESS**	**COUNTRY**	**DIR.S**	**IND. S**	**TOTAL**
	(F5)	GOLF KATMANDU, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
(A)		INVERSIONES GUIZA, S. A.	Avda. Lope de Vega, 4 (Sto. Domingo)	Dom. Rep.		49,84%	49,84%
	(F6)	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49,00%	49,00%
(A)		JAMAICA DEVCO S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49,00%		49,00%
(A)		SIERRA PARIMA, S.A.	Avda. Barceló, s/n (Bávaro)	Dom. Rep.	50,00%		50,00%
		COMPANIES WITH NO ACTIVITY	**ADDRESS**	**COUNTRY**	**DIR.S**	**IND. S**	**TOTAL**
		HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	40,00%		40,00%
		HOLDING COMPANIES	**ADDRESS**	**COUNTRY**	**DIR. S**	**IND. S**	**TOTAL**
(A)	(F4)	STARMEL HOTELS JV, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	20,00%		20,00%
		EL RECREO PLAZA, C.A. (JV)	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. (JV)	Avda. del Lido s/n (Torremolinos)	Spain	20,00%		20,00%
(A)	(F3)	RENASALA, S.L. (JV)	Zurbarán, 9 (Madrid)	Spain	30,00%		30,00%
		HOMASI, S.A.	C/ Cavanilles 15,Pl.baja (Madrid)	Spain	34,99%		34,99%
		MOSAICO HOTELES, S. A.	C/ cavanilles, 15 - Bajo Madrid 28000	Spain		20,00%	20,00%
		MOSAICO, B.V.	Nieuwe Uitleg, 34, Den Haag	Netherlanc	20,00%		20,00%
	(F8)	SISTEMAS RIBEY CLOUD, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
	(F8)	MELCOM JOINT VENTURE (JV)	C/ Recoletos 3, 1º (Madrid)	Spain	50,00%		50,00%

(A) Audited companies
(JV) Joint Ventures
(F3) Companies included in the consolidated tax group together with Renasala, S.L.
(F4) Companies included in the consolidated tax group together with Starmel Hoteles JV, S.L.
(F5) Companies included in the consolidated tax group together with Producciones de Parques, S.L.
(F6) Companies included in the consolidated tax group together with Evertmel, S.L.
(F7) Companies included in the consolidated tax group together with Inextur, S.A.
(F8) Companies included in the consolidated tax group together with Proy.Corporativos Noah II, S.L.

(*) Shareholding in these companies is through the ownership of apartments representing 31.86% and 21.54%, respectively.

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Secretary and Independent Director

1. Situation of the Entity

1.1 Corporate Structure

Meliá Hotels International, S.A. (“the Company”) is the parent company of the Meliá Hotels International Group (“the Group” or “the Company”), which is an integrated group of companies mainly engaged in tourism activities in general, and more specifically in the management and operation of hotels owned, rented, managed or “franchised” by it, as well as in asset management.

In any case, those activities that special laws reserve to companies that meet certain requirements that are not met by the Company are expressly excluded from the corporate purpose. In particular, all activities reserved by law for collective investment undertakings or brokerage firms in the securities market are excluded.

The operating segments that make up the Company's organizational structure and whose results are reviewed by the highest decision-making authority of the entity are detailed below:

- ✓ Hotel management: this refers to the income from fees received for the operation of hotels under a management and franchise system. In addition, it includes intergroup charges to the Group's owned and rented hotels.

- ✓ Hotel business: this segment includes the results obtained from the operation of the hotel units owned or rented by the Group. Likewise, the income produced in the catering sector is presented because of the consideration of this activity as a source of income fully integrated into the hotel business, due to the majority sale of joint packages whose price includes accommodation and food, and which would make a real segmentation of assets and associated liabilities impracticable.

- ✓ Other businesses related to hotel management: this segment includes additional revenues from the hotel business, such as casinos and tour operators.

- ✓ Real Estate: includes capital gains from asset turnover, as well as real estate development and operation activities.

- ✓ Club Meliá: this area reflects the results derived from the sale of shared use rights for specific units of holiday resorts.

- ✓ Corporate: this relates to structural costs, results linked to the mediation and marketing of room reservations and tourism services, as well as the Group's corporate costs not attributable to any of the three business divisions mentioned above.

The Company's organizational structure is detailed below:

The SET (Senior Executive Team) is the collegiate body that drives the day-to-day management of the business and the critical and continuous review of the business, ensuring compliance with the objectives defined by the Board of Directors and supporting the CEO in his management of the company.

The SET's key objectives are the day-to-day management of the business, ensuring the sustainable growth of its activity and the creation of value for shareholders, promoting the projects attributed to them, defining priorities and allocating the required resources while ensuring they achieve the objectives defined. The SET is also responsible for providing the Board of Directors with updated, objective and sufficient information to allow the Board to carry out its supervisory functions.

1.2 Strategy

TOURISM INDUSTRY VISION

2019 has been a turbulent year for the tourism industry, but it continues to be one of the main drivers of growth in the world economy. Tourism GDP saw growth of 3.6% in 2019, slightly lower than the 3.9% achieved in 2018. Although the growth rate is lower than in previous years, we remain optimistic about the future, bearing in mind the transformation process that must be undertaken to adapt to rapid change in the business environment.

Among many other factors, this slowdown is due to geopolitical issues such as the worsening of relations between the United States and China, which have affected practically all the other countries in the world, with real effects between neighboring countries and regions; protests in Hong Kong and Latin America; political conflict in Catalonia; and the uncertainty caused by Brexit which still continues as the means in which it will be resolved remain unclear. All of this in a context in which the world economy is presenting the first signs of a slowdown and where we are also seeing the economic impact of climate change.

This situation has combined with other contingencies and events that have had a significant impact on the international tourism industry, such as the sargassum seaweed crisis on the Caribbean coast, the smear campaign that questioned security levels in the Dominican Republic or the collapse of the British tour operator, Thomas Cook, with important repercussions throughout the tourism industry value chain.

On the other hand, the so-called Greta Thunberg effect also went global in 2019, making climate change a priority issue on both public and private agendas and having an increasing impact on the decision-making process in companies, governments, investment funds and other key stakeholders in the tourism industry.

According to estimates by Exceltur, tourist activity in Spain ended 2019 with an increase of 1.5%, below the level of growth in Spanish GDP (2%), and the lowest figure since 2013, confirming the trend towards a progressive stabilisation in the industry. Despite this low growth, in 2019 the tourism industry maintained its capacity to generate employment, creating about 65 thousand jobs in Spain, 3.5% higher than the previous year and 1.2 percentage points above other industries in the economy.

FUTURE OUTLOOK

Despite the slowdown in the global economy, the outlook for the tourism industry in 2020 is favourable.

Forecasts point towards another good year for international tourist arrivals, which are estimated to grow by around 40 million, 3% higher than 2019 and getting closer to the 2024 forecast of 1,600 million trips. According to the World Travel & Tourism Council (WTTC), the economic contribution of tourism will grow by 3.5% in 2020, contributing USD 3 billion to the global economy.

Despite these huge numbers for tourism forecasts for 2020, it is important to note that international tourism continues to have significant potential for future growth. The proportion of the world population that take part in international tourism is estimated at only 3.5%.

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Europe will continue to be the most visited destination in the world, with expected total arrivals at around 700 million in 2020 and an estimated growth rate of 3%, although this is below the world average and so will lead to a loss in market share.

East Asia and the Pacific will grow at a rate of 6.5% and surpass America, allowing it to reach a market share of around 25%.

We also expect employment in the travel industry to grow and that the industry will contribute 341 million jobs by 2020 compared to 323 million in 2018. This would consolidate the leadership of the travel industry as a generator of employment and driver of the world economy.

However, favourable forecasts for travel must also be accompanied by a vital transformation of the current tourism model in the face of global challenges that will drive the future of the industry towards a more profitable, responsible and sustainable model.

REFLECTION ON THE STRATEGIC PLAN 2016-2018

As in previous periods, 2019 was a transition year for the company between the finalisation of its three-year strategic plan and the publication of its next strategic plan.

In line with the company's vision, the 2016-2018 strategic plan contained major objectives that acted as a beacon to everyone at Meliá Hotels International in driving the transformation processes that have prepared the ground for the new strategy:

Consolidate the cultural transformation of Meliá Hotels International

A transformation process which focused on implementing projects as quickly as possible and ensuring changes were assimilated throughout the organisation. A management model where new technologies and tools allow management to make progress towards excellence and data management across the entire organisation.

In a similar fashion, the acquisition of new competencies and skills to face the new decade and, finally, the consolidation of our essence as a company, which allows our values to take root in new destinations and through the diversity of our team.

Strengthen the Company's governance model

The progressive and orderly incorporation of recommendations on good governance has guided our activities over recent years. We have modified the regulations of our governing bodies, consolidated and strengthened our regulatory policies, aligned ourselves with the demands of our stakeholders, ensured a more company-wide culture to mitigate the impact of risks, and finally, appointed a Compliance Officer to help promote a culture of compliance that responds to global challenges.

Leadership in resort and bleisure hotels

Growth has consolidated our international presence, and we now operate in more than forty countries, with a portfolio of 388 business units and almost one hundred thousand rooms.

Our acknowledged experience in the resort hotel industry based on seven different brands, each with its own personality and each aimed at different customer types to respond to the expectations of increasingly demanding customer that seek new experiences that combine both business and leisure.

STRATEGIC PLAN 2020-2022

After the 2016-2018 Strategic Plan, and in an environment of increasing volatility, complexity and uncertainty, we faced two major challenges: on the one hand, to strengthen and optimise the basic drivers of value in the company, and on the other hand, to promote a growth model based on new premises.

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2030 vision

"We aspire to position ourselves among the leading hotel companies in the world in the midscale and upscale segments, strengthen our leadership in resort and bleisure hotels, and be seen as a world leader in excellence, responsibility, and sustainability".

To make this vision come true, we have taken on new commitments for the coming three years through a Strategic Plan that indicates the objectives we wish to achieve in 2022, as well as the key drivers and strategic areas where we need to act to achieve them. The motto for the Strategic Plan has thus been defined as: "Reinventing value", and the statement that defines its purpose as:

"To promote a transformation that makes the company more profitable and sustainable based on three fundamental drivers: the consolidation of our core values and strengths; efficiency, simplification and digitalisation; and a new strategy for responsible growth consistent with our vision."

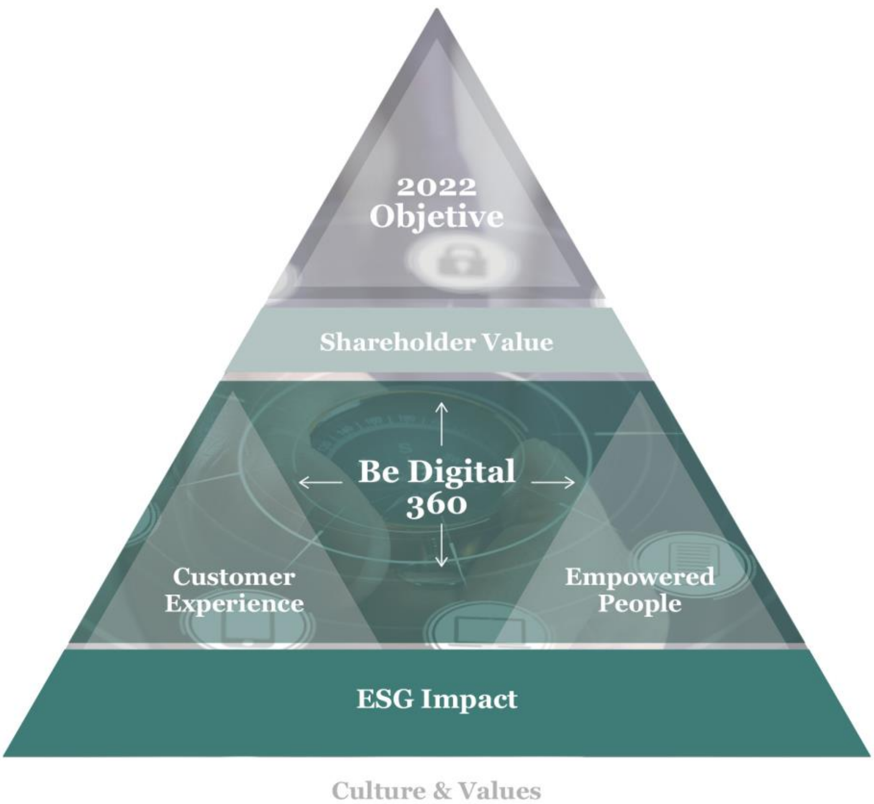
The objective defined for 2022 is thus to provide differential value to our stakeholders, becoming a global benchmark in leisure and bleisure hotels through a profitable and agile business model focused on excellence and sustainability.

To achieve this, we will act in five key areas:

- ✓ The value we create for shareholders
- ✓ The digital transformation of the Company seeking greater profitability and efficiency.
- ✓ Evolution to offer experiences rather than more hotel stays
- ✓ The value and development of our people
- ✓ Our ESG commitment (environmental, social and governance)

Each area contains several different projects that form the basis of our road map for the coming years, each being led by a multi-disciplinary and diverse work team with three key aims:

- ✓ Implement a new, coherent, profitable and responsible strategy which reinforces our core values and strengths
- ✓ To build a competitive operating model that guarantees the efficiency and professionalism of the services offered to our customers, business units and our other stakeholders through innovation, technology, more efficient processes and the commitment of our people
- ✓ To ensure our shareholders perceive the differential value this transformation brings to our business model



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2. Performance

2.1 Financial indicators

The evolution of the hotel business for the whole of the Company can be summarised in the following key indicators or KPIs, broken down by type of management:

(millions of €)	2019	2018	Change (%)
Total Aggregate Revenues	540,1	525,6	2,8%
Owned	141,5	141,5	
Leased	398,7	384,2	
Of which Room Revenues	391,5	379,8	3,1%
Owned	101,3	101,3	
Leased	290,2	278,5	
EBITDAR	149,8	137,7	8,8%
Owned	34,7	32,0	
Leased	115,1	105,7	
EBITDA	137,8	40,4	241,1%
Owned	34,7	32,0	
Leased	103,1	8,5	
EBIT	29,8	7,6	290,4%
Owned	23,3	19,4	
Leased	6,5	(11,8)	

The evolution of the hotel management model by type of income is summarised in the following table:

(millions of €)	2019	2018	Change (%)
Total Management Model Revenues	93,8	96,2	(2,6%)
Owned and Leased Fees (*)	72,2	77,2	
Other revenues	21,5	19,0	
Total EBITDA Management Model	43,2	36,1	19,7%
Total EBIT Management Model	43,2	36,1	

(*) The Owned and Leased Fees caption includes the analytical fees for hotels operated by the Company and the fees billed to hotels operated by other Group companies.

The evolution of Other businesses related to hotel management has been as follows:

(millions of €)	2019	2018	Change (%)
Revenues	5,0	7,4	(32,6%)
EBITDAR	0,1	1,0	
EBITDA	(0,1)	(0,2)	
EBIT	(0,1)	(0,3)	

The number of rooms available in 2019 and 2018 was 4,8 million.

REGIONAL SPAIN ECONOMIC PERFORMANCE

In 2018, we optimised our regional structure to ensure a model which is better aligned with our strategic vision and the future growth of the company. The reorganisation was completed in 2019 with the merger of the Mediterranean and Spain regions under the same management structure, further centralising responsibilities in Spain under a single Regional VP and encouraging an organisational structure which is closer to the hotels and hotel operations.

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Economic context

- RevPAR (owned, leased and managed hotels) rose by +3,6% in 2019 compared to the previous year.
- Total fee revenues ended the period with the previous year, with a reduction of-2,6% compared to 2018.
- Sales of the destination through Meliá.com amount to 87,3 million.
- Sales of Contact Center amount to 46,3 million.

The moderate growth in Spain in 2019 is expected to continue through 2020 and 2021, with a growth rate of around 1.5% and moderate growth in employment and domestic demand accompanied by greater uncertainty about investment. The balance of payments indicates lower export growth and changes in inflation are expected to be moderate.

Recent improvements in public finances have benefited from the favourable evolution of macroeconomic conditions, although Spain still has high public debt ratios and must tackle pending issues such as low productivity, and improvements to skills and innovation as key drivers to improving its competitiveness.

In 2019, domestic demand was less dynamic than in recent years within a general context of increasing uncertainty. The constant creation of employment, wage increases, and low inflation have boosted the real disposable income of households and their saving capacity.

The services sector, which represents approximately 70% of Spanish GDP, continues to evolve favourably, after 68 months of continued growth, although growth decrease with respect to previous trends and stands at around 1.1%.

The unemployment rate was around 13.7%, a percentage that unfortunately will not improve given the signs of economic slowdown that were already apparent in the final months of 2019. Business investment will be less dynamic but may be boosted by favourable financing conditions.

Once the uncertainty caused by Brexit has been overcome, the value of the British pound is expected to increase (+1.6%) until the end of 2020, which will favour the spending capacity of travellers in Spain, although accompanied by reduced economic growth (+1.1%) and consumption by families (+1.3%).

Performance

RevPAR compared to 2018 improved by +3,6% thanks increases in room rates, but weighed down by market developments in 2019 in the Canary Islands and Balearic Islands and the decrease in demand caused by the growing popularity of alternative destinations, adverse conditions in the German market, and a lower number of available flights.

The market evolution in the Canary Islands and Balearic Islands influenced the difference in performance between resort and city Hotels, with resorts seeing a RevPAR decrease of-1,6% compared to growth of +6,8% in city hotels. Highlights by area or city include:

Northern Spain: Very positive RevPAR performance driven by Madrid and Barcelona. Madrid, thanks to the impact of the Champions League Final and Eular, as well as the unplanned COP25 summit in December. Of note is the closure in stages of different floors at the Meliá Madrid Serrano, which meant there was a lower number of rooms available throughout most of the year. Barcelona grew thanks to a change in the trend in the hotel industry, achieving historic performance levels in 2019, highlighting the growth in RevPAR of the hotels in the centre of the city: Meliá Barcelona Sarriá, Meliá Barcelona Sky and the Hotel Barcelona Apolo.

Southern Spain: Hotels in the south saw RevPAR growth in both city hotels and resort hotels. The best performance was seen in hotels on the Costa del Sol, with excellent summer results, especially in August where stable occupancy was accompanied by qualitative growth in RevPAR. The best performance at the RevPAR level was achieved by city hotels due to the excellent performance of hotels in Seville where the Hotel Meliá Sevilla stood out.

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Balearic Islands: Despite the negative performance caused by a decrease in demand for the destination that negatively impacted RevPAR in both city and resort hotels, an improvement was seen at the end of each four-month period, with the months of April, September, October and November being more positive. The positive results for these months were achieved through rate adjustments. Meliá Palma Marina performed well and with a positive ramp-up.

Canary Islands: negative performance in general, mainly affecting the islands of Gran Canaria and Tenerife, due to a decrease in demand and a decrease in flights from the main feeder markets, damaging both the Tour Operator and direct sales segments.

Portfolio and projects

In 2019, no new hotels were added to the portfolio and three hotels were disaffiliated, one of them owned hotels after the sale of assets in Valencia (Tryp Azafata). The other disaffiliated hotels were Tryp Zaragoza and Tryp Indalo (Almería).

Outlook 2020

Currently, and thanks in large part to the early booking sales campaigns on Meliá.com, there is an improvement in the booking for the first quarter of 2020 of a medium single digit, leading us to expect an improvement on the results for 1Q 2019.

In the Canary Islands, although booking data shows some improvement over the previous year, the major positive impact is caused by the opening of Meliá Salinas, which was closed last year. The decrease in flights to the Canary Islands due to the closure of the Ryanair base and the collapse of the tour operator Thomas Cook, has not been taken up by other travel companies and this may have an impact on results in 2020. A decrease in flight is also expected in the first two months of the year from both the United Kingdom and Germany.

The impact of the health crisis in China caused by the coronavirus could also significantly affect both leisure and business trips to Spain, also putting at risk certain international events which have already been scheduled (Mobile World Congress in Barcelona).

2.2 Corporate Responsibility

Employability & development of young talent

Enhancing the talent of people at risk, developing their skills and offering young people opportunities is one of the Group's commitments. We support projects that develop the employability of people who are in a position to be able to develop their potential but require genuine opportunities to do so to be offered in the private sector.

2019 involved intense work in consolidating two major projects promoted by the regions with two leading partners. Firstly, the First Professional Experience, with the Pinardi Foundation. The project is now in its fifth year and has become a benchmark for how we can help reduce abandonment in education, opening opportunities for talented and motivated youngsters without any apparent opportunities.

Together with Pinardi we continue to combine training in technical know-how and values with work experience in hotels to better prepare people who are more qualified to face their first opportunity and work experience.

Secondly, Dual Training together with the Amadip Professional School, an organisation we have been working with since 2016, with which we share a commitment to future talent with a long-term vision, providing technical and practical know-how with a two-track approach. We believe that this training model will become a true driver of competitiveness to combat high rates of unemployment and academic failure in Spain through a three-year training programme.

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Circular economy and tourism

Encouraging our business units and teams to promote a circular economy model and showing how companies can contribute to this is an area in which we have cooperated intensively with two different and complementary approaches.

We have joined Circular Hotels, a public-private alliance supported in the Balearic Islands (Spain) to promote transition by the hotel industry towards a circular economy model involving better waste management and reintegration into the economic cycle, thus minimising the environmental impact of waste.

The project together with TIRME, a private company that manages urban waste in Mallorca (Spain), involves several hotel companies and the agricultural sector, and includes the full cycle of food production and consumption, defining solutions that contribute to environmental sustainability based on an economic and tourism model that operates with limited resources due to the fact that Mallorca is an island.

The project has a direct impact on ten of the Sustainable Development Goals defined by the UN, with particular relevance in innovation, sustainable communities, responsible production and consumption, climate action and partnerships to achieve objectives.

The Palma Convention Centre and Meliá Palma Bay Hotel, a leading venue for international events, has launched several projects to contribute to the paradigm shift in the hotel industry based on a sustainable growth model that aims to:

- ✓ Raise awareness among employees and customers about the correct separation and use of waste
- ✓ Quantify the amount of organic waste
- ✓ Reduce food waste
- ✓ Use organic waste to generate compost
- ✓ Make compost available to local agriculture
- ✓ Purchase agricultural production and thus return it to the supply chain

Since 2018, we also support Circular Seas, a coast and seabed cleaning programme run by Coca Cola to encourage volunteer activities focused on the environment. The comprehensive and circular project is co-financed by The Coca-Cola Foundation and includes the recovery of natural spaces, citizen awareness campaigns and the scientific research and research on circular economies.

It is supported by the Spanish Ministry of Agriculture, Fisheries and Food through the General Secretariat of Fisheries, the Chelonia Association, Ecomar Foundation and Zero Discharges Association. It also has support from citizens through more than one hundred public and private organisations including local municipalities, social bodies, universities and associations.

Since then, we have taken part in seven volunteer days in which customers and employees had the chance to help collect plastic and micro-plastic waste on Spanish beaches in Sitges, Ibiza, Mallorca, Cadiz and Alicante.

Along with the help of significant business partners, this has helped us extend our commitment to protecting the environment and raise awareness among our customers and partners about the need to combat climate change and protect natural environments, essential for the development of more sustainable and responsible tourism.

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3. Environmental & Social Performance

3.1 Environment

The current climate emergency requires companies to make ambitious commitments, as seen during the COP25 summit held in Madrid in December 2019.

Meliá is well aware that society not only requires us to provide first-class service, but also to provide a responsible and sustainable service committed to the preservation of the planet. We have therefore set ourselves the challenge of becoming an international benchmark for excellence, responsibility and sustainability.

Our commitment is especially relevant given the nature of our activity and the importance of tourism to the world economy, as well as our high level of dependence on social and environmental factors such as the climate and natural resources.

"Meliá achieved 100 points out of 100 in the SAM Corporate Sustainability Assessment made by S&P Global (CSA 2019) for its approach to climate strategy and its performance in this area"

In 2019, the top position achieved by Meliá in the Corporate Sustainability Assessment made by SAM (S&P Global), an international sustainability rating agency, placed us at the forefront of international efforts focused on sustainability.

2019 was an intense year regarding the adoption of measures and implementation of plans and actions that allow us to help combat climate change and its effects, following the public commitments we already made in 2015 after COP21 in Paris and in line with our own 360° Environmental Management Model.

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We are aware of the challenges we face and have therefore designed a roadmap with the following commitments:

- ✓ Promote a tourism model that moves towards carbon neutrality
- ✓ Continue to extend our purchasing of renewable energy
- ✓ To work towards a circular hotel industry as a means of reducing waste, encouraging its reuse and improving its management, reducing the impact of our activity on the destination
- ✓ Consolidate our commitment to innovation applied to environmental management of our activity, artificial intelligence an impact measurement
- ✓ Increase the involvement of our stake holders in achieving shared commitments and objectives, getting them involved and actively engaged

Impacts & Preventive Measures

	Impact or risk	Preventive measures
Construction, renovation & operation	• Alterations to the natural environment such as changes in soil use, deforestation, changes to water resources, soil degradation, water deficit stress, contributing to the loss of coral reefs in the area, etc.	• Compliance with applicable urban planning and environmental regulations • Hotel design and construction manual with integrated sustainability criteria • Certified Energy Management System (ISO 50001) and Certified Environmental Management Systems (ISO 14001)
Use and management of consumables and natural resources	• Contamination of soil, subsoil and sea water due to poor management of chemicals, fertilisers, pesticides, waste or sewage	• Compliance with applicable urban planning and environmental regulations • Impact of inappropriate, excessive or unjustified use of natural resources in the destination • Responsible supply chain and acquisition of chemicals with low environmental impact • Training in waste management • Leakage management and safety protocols • Plastic reduction programmes • Investment in efficient energy and water equipment • Energy efficiency measures and raising awareness among employees and customers • Certified sustainable hotel management model
Emissions and externalities affecting the environment, flora and fauna	• Emission of pollutants that are toxic or harmful to the atmosphere, as well as chemical-based atmospheric pollutants • Sound, light or electromagnetic radiation pollution: artificial light, vibrations or noise generated by a hotel which can affect the life cycle of different species and their habitat. • Greenhouse gas emissions as a result of the hotel activity	• Compliance with applicable environmental regulations • Constant monitoring of energy resource consumption (SAVE) • Investment in efficient energy and water equipment, infrastructure and low-impact systems • Carbon footprint measurement • Efficient lighting systems with a low-energy and light impact • Customer awareness about respect for local flora and fauna
Flora & fauna	• Introduction of invasive exotic species which can cause serious damage or imbalances in the local ecosystem • Alteration of local flora and fauna due to the number of people and inappropriate behaviour in high-value biodiversity areas	• Design of gardens and wooded areas that respecting local diversity • No use of native animals or species as part of the hotel offer • Protection of local animals and plants and ecosystem recovery and cleaning actions • Customer and employee awareness about respect for local flora and fauna • Protection and conservation projects: partnership with Palma Aquarium

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3.2 People

Our employees are the fundamental drivers of unforgettable and unique customer experiences, delivered through excellent service, friendliness and warmth to help maintain our industry leadership. The professional development of our employees is therefore at the heart of our approach and, as a company, we aspire to assure we deliver to our employees the specific brand promise of each of our brands. This commitment is reflected in our Human Resources Policy.

The company's previous Strategic Plan began a process of cultural transformation that has reinforced our comprehensive people management model, our efficiency, productivity and competitiveness, all driven by the commitment and pride of belonging of our people.

Since then, we have worked on achieving this objective, promoting internal talent, generating opportunities for development and improving skills and competencies in an increasingly digital context that requires us to introduce new roles and functions to ensure we are more competitive. This allows us to face new and increasingly demanding and variable trends in the best possible conditions, while also being able to respond to our employees' expectations.

The new digital age requires that we continue to make progress in integrating new tools and skills that allow our people to evolve and adapt to the new business environment. To optimise their performance in an ecosystem that requires new skills, we support our team and inspire them to understand the key role they play in this change process while responding to their needs for development and growth.

"Meliá scored 97 points out of 100 for its human capital development model in the SAM Corporate Sustainability Assessment made by S&P Global (CSA 2019)"

Occupational Health & Safety

In 2018, we took an important step in reinforcing preventive measures with the publication of our Occupational Health and Safety Policy, which places our people at the heart of preventative activity, promoting working methods that guarantee high levels of safety, health and well-being, and that support improvements in working conditions.

This policy completes the development we carry out through several occupational health and safety programmes and projects to improve work environments or nutrition, among others. This policy explicitly defines the guiding principles and commitments acquired by Meliá in regard to Occupational Health and Safety.

As it is our duty to ensure the health, well-being and protection of our employees in the workplace, we have prepared an Occupational Health and Safety Management System Manual based on the OH-SAS 18001 standard which also acts as a prevention plan, allowing the identification of requirements for ensuring the appropriate control of the risks to which our employees are exposed in their normal daily activity.

The Manual is also the basis of our preventative system and is adapted to our entire organisational structure, forming part of our general management system and also perfectly aligned with our quality and environmental systems. It also allows the progressive enhancement of current activities and procedures and correct organisational management in occupational health, defining the related functions, responsibilities and authority.

With regard to workplace health and safety procedures, the Manual defines twenty-five specific processes that, where appropriate, are also accompanied records and metrics such as the percentage of absenteeism, number of workplace accidents and their frequency, severity and average duration, and occupational diseases, all broken down by gender.

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In addition, we also encourage healthy living habits among our teams, providing support, advice and activities that enable workplaces not only to comply with current regulations on prevention, but also encourage healthy lifestyles.

In 2019, we have made significant progress in this respect, having started the process of adapting our OHSAS 18001 occupational health and safety system to the criteria defined in the ISO 45001 standard, in parallel with certification under the World Health Organisation Healthy Work Environment Model. Meliá also forms part of the Spanish Association of Labour Prevention Services since 2019.

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4. Risk Management

Meliá Hotels International has implemented a comprehensive risk management system considered a best practice in the industry according to the latest Corporate Sustainability Assessment made by the sustainable investment agency SAM (S&P Global). In addition to this, we constantly strive to foster a culture of control and risk management that provides confidence and transparency in our activities.

Our Risk Control Policy, approved by the Board of Directors and last updated in 2017, defines the basic principles and general framework for risk management. This Policy is further developed through Internal Regulations that define the rules, guidelines and criteria to be implemented in the Risk Management System to ensure its alignment with strategy.

4.1 Risk management governance

Risk management is an activity that affects the entire company and is ultimately the responsibility of the Board of Directors and the Executive Committee, thus ensuring that all organisational units are involved and committed to risk management.

The company follows the Three Lines of Defence model to ensure effective risk management and control. According to this model:

GOVERNING BODIES

Board of Directors: Responsible for approving the Risk Management Policy

Audit and Compliance Committee: Supervises internal control and risk management systems. The regular Committee meetings review detailed reports on the company's top risks.

EXECUTIVE COMMITTEE

Guarantees the inclusion of risk management in critical processes, assigning ownership of risks and monitoring their evolution.

1st LINE OF DEFENCE

This includes all the functions that have ownership of the identified risks and how they are managed.

- Identify and assess risks
- Define and implement the measures required for risk management
- Use the Risk Map as a management tool

2nd LINE OF DEFENCE

These are the functions that monitor risks. Among them, the Risk Control and Compliance Department is responsible for:

- Ensuring compliance with the policy and regulations
- Providing support to identify, analyse and assess risks
- Managing and monitoring key risks
- Defining standardised reporting, especially to the Executive Committee and Governing Bodies

3rd LINE OF DEFENCE

This refers to the Internal Audit, which as a third line of defence oversees the appropriate functioning of the Risk Management System and the Crime Prevention and Detection Model, systematically carrying out different types of audits on the first and second line of defence.

As a guarantee of maximum Independence, both the Internal Audit Department and the Risk and Compliance Department, report directly to the Audit and Compliance Committee.

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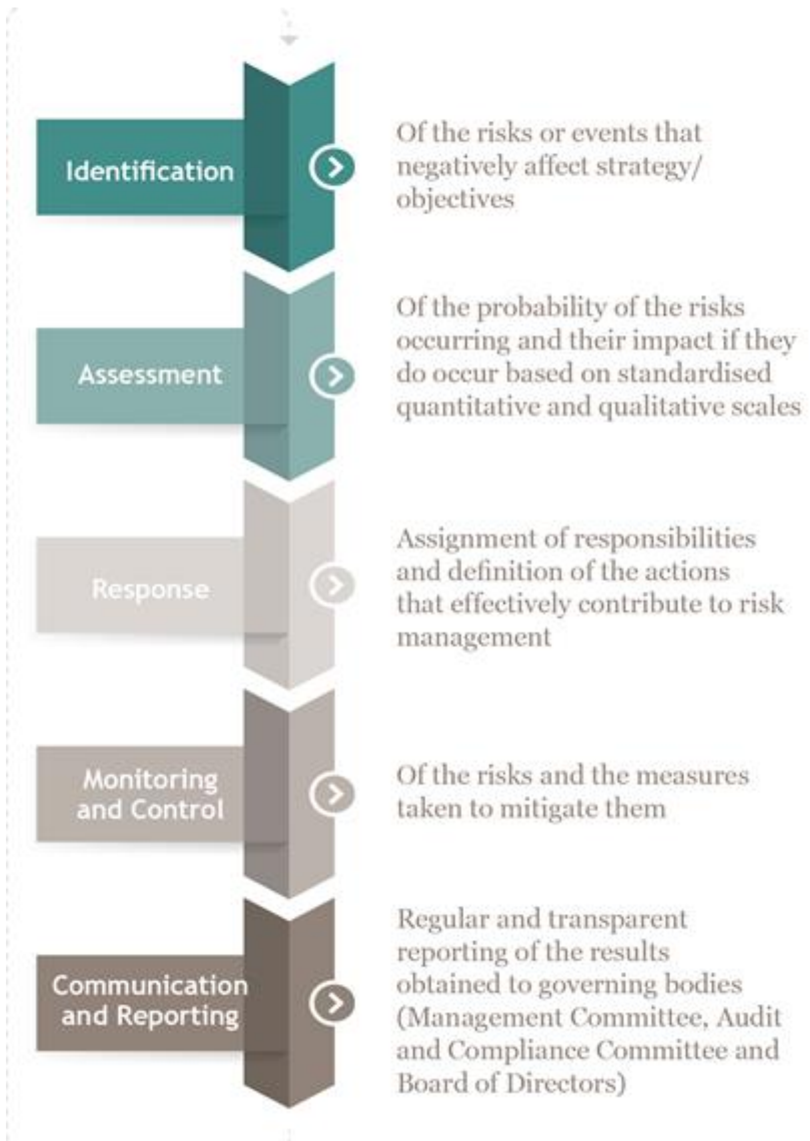
4.2 Risk management model

The Meliá Risk Management Model aims to ensure that the main risks that could affect the company's strategy and objectives are identified, analysed and assessed based on standardised criteria, and are managed and controlled systematically.

It is a company-wide model in which all the areas of the company are involved, and is aligned with the integrated framework of COSO Corporate Risk Management.

Process Stages



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Risk Structure

The Meliá Hotels International Group has identified a total of103 risks in the following categories:

Global Risks: Resulting from events not related to the company's actions and for which management capacity is more limited, such as natural disasters, geopolitical risks, etc.

Financial Risks: Those that affect financial variables of the business such as liquidity, credit, debt, interest rates, etc.

Business Risks: Resulting from the variables inherent to the business, such as strategy, reputation, competition and the market.

Operational Risks: : Relating to failures in internal processes and operations, human resources, customers, physical equipment or their inappropriateness.

Compliance Risks: Consequence of regulatory changes defined by the different regulators and/or non-compliance with applicable law, internal policies and regulations.

Information Risks: Related to events caused by the improper use, generation and communication of information.

The Risk Control Policy defines tolerance levels for the different risk categories.

In addition to these categories, the company uses other risk classifications to gather information and appropriately manage and monitor certain types of risk. In this sense, we may also consider:

Emerging Risks

The volatility, uncertainty and complexity of the current environment, together with other factors such as our operations in different countries, industries and markets, exposes us to new risks that are more difficult to anticipate and to quantify their impact or effect.

We consider these to be emerging risks and the company regularly analyses and monitors them in order to anticipate them as far as possible and/or ensure appropriate preparation to face them should they occur.

These emerging risks are linked to certain global changes such as:

Geopolitical changes and trends trends which involve political crises (Brexit, independence campaigns, radicalisation, terrorism, etc.), regulatory changes, trade wars, economic bubbles or general economic uncertainty.

Technological progress that, among other risks, includes the growing threat of cyber attacks, the questionable use of technology or technological obsolescence.

Changes in the environment that bring risks such as more frequent natural disasters, the depletion or scarcity of resources or a demand for environmental responsibility.

Socio-demographic trends such as the ageing population, lifestyle changes, etc. that have an impact on consumer behaviour.

The company constantly monitors and analyses available information to identify cause-effect relationships with other types of risks and the effect they have had on the business when they have happened in the past, and also to define protocols and mechanisms to be implemented to mitigate the negative effect they could have on the business if they happened in the future.

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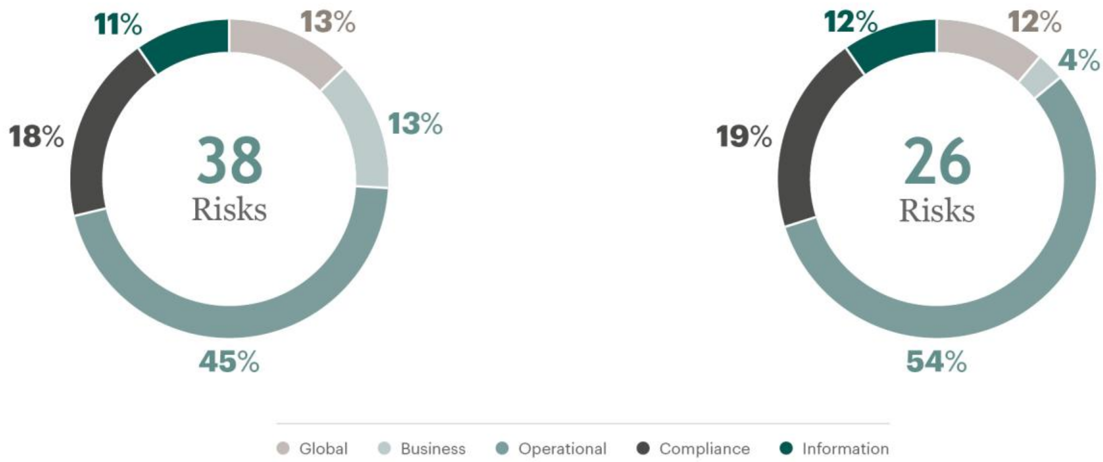
ESG Risks & Human Rights Risks

Of the 103 risks identified globally, two categories have been created to define those linked to ESG criteria (Environmental, Social & Governance) and those that have a potential impact on the commitments in our Human Rights Policy.



Note 5 of the financial statements provides additional information on the management of the financial risks to which the group's activities are exposed: market risk (exchange rate and interest rates), credit risk and liquidity risk.

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5. Digital Transformation

As part of the new Strategic Plan 2020-2022, we are committed to creating a more agile operational model, standardising and digitalising all of our processes to improve efficiency and profitability and offer differential experiences for both internal and external customers.

In 2019, a year of transition between the Strategic Plan 2016-2018 and the new Strategic Plan, the Be Digital 360 programme was launched to consolidate Meliá's digital transformation, working with technology and people to design new operating models that optimise and simplify our processes and provide the company with an analytical capacity that adds value to the business.

In an initial phase, the programme is focused on two projects aimed at increasing process efficiency. On the one hand, reviewing and optimising the way things are done, and on the other hand implementing robotics, analytics and artificial intelligence technology to allow employees to focus on offering the best possible customer experience rather than on performing tasks that add little value.

Big Data

Understanding the customer purchase process and how marketing actions influence their behaviour is key to improving their experience and allowing Meliá to optimise its marketing investments. With this objective in mind, we have developed an attribution model based on artificial intelligence using a Big Data platform that allows us to analyse the true impact of all our campaigns throughout the customer journey.

The Big Data platform has also helped us create predictive algorithms that use relevant customer information in different channels to personalise the experience in real time with content tailored to their needs.

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Revenue Management System

The digital transformation in revenue management is extremely important, allowing us to personalise our response to the needs of different markets, market segments and customer profiles in each of our brands. A new rate structure has been defined and implemented using a cloud-based system to operate the new revenue and demand management model for each destination or hotel, with the corresponding Revenue Management System also installed in all hotels. All combined with the use of artificial intelligence to allow planned decision making and a medium-term vision based on real-time demand.

Intelligence Experience Contact Center

The decision to make the Contact Centre a strategic channel and the implementation of Meliá Assistant, a virtual assistant that uses artificial intelligence to facilitate customer interactions, represent a turning point in improving service efficiency, channel profitability and agent productivity.

The implementation of the Meliá Assistant was a significant milestone for the company, becoming one of the first hotel chains to connect Google Dialog Flow technology with our CTI/Switchboard. In 2020 we will continue to work on using voice technology coherently across all customer contact channels and on personalising the Meliá Voice as an umbrella for the entire company Voice strategy.

Website and App Transformation

After launching a new mobile app in 2018, 2019 was a year of spectacular growth in both sales and downloads, with three-digit percentage increases in both. We remain firmly committed to our mobile app as a tool for the most important interactions both during the booking and the hotel stay, as well as a source of inspiration, offering local guides to optimise the customer experience both inside and outside our hotels.

With Meliá.com, we worked on creating a much more efficient channel with numerous improvements in the user experience, allowing us to increase the conversion rate through greater personalisation and improved page download and transaction speeds. Greater speed was achieved through the migration of the website to a new technology platform, helping maximise agility, flexibility, scalability and the response to current demand from customers.

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6. Other Information

6.1 Acquisition and disposal of own shares

Share repurchase programme

During its meeting of October 17, 2019, the Board of Directors of Meliá Hotels International S.A. agreed to buy back some of its own shares to reduce share capital subject to the capital reduction agreement adopted by the General Shareholders' Meeting held in the first half of 2020.

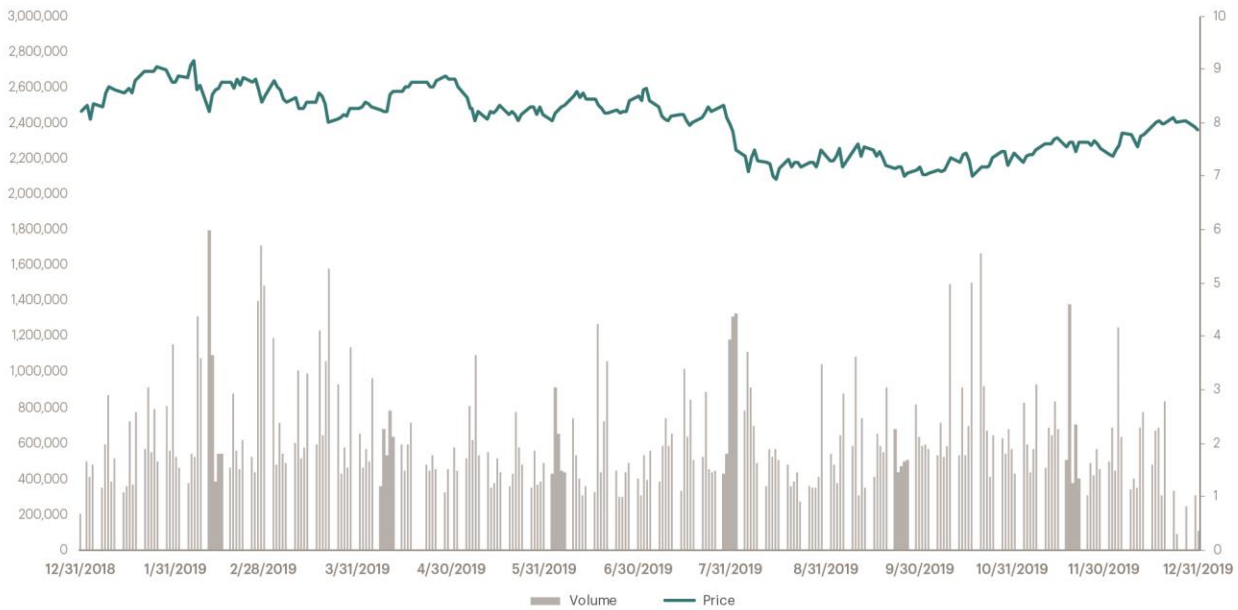
The programme is being carried out under the following conditions:

- Maximum amount allocated to the programme: € 60,000,000
- Maximum number of shares to be purchased: 8,500,000 shares, representing 3.70% of the company's share capital as of this date
- Duration: the repurchase programme will begin the day after the publication of this Relevant Information statement and will be valid until June 4, 2020. It may be terminated beforehand if the company has acquired the maximum number of shares authorised by the agreement of the Board of Directors has reached the maximum monetary amount allowed under the programme, or if any other circumstances advise its termination or interruption

At the end of 2019, the amount acquired under the programme stood at 12.1 million euros, representing 1,621,057 shares.

6.2 Stock market evolution

In 2019 our shares lost 4.3% of their value while the Ibex 35 grew by +11.8%.



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Main stock market indicators

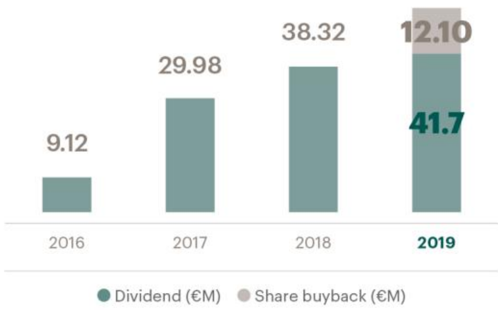
	2019	2018
Number of shares (millions)	229.70	229.7
Average daily volume (thousands of shares)	623.87	724.36
Maximum price (euros)	9.18	12.66
Minimum price (euros)	6.93	7.96
Final price (euros)	7.86	8.21
Market capitalisation (millions of euros)	1,805.44	1,885.84
Dividend (euros)	0.183	0.17

6.3 Dividend policy

Shareholder remuneration policy aims to offer an attractive, predictable and sustainable dividend over time. This policy is compatible with the maximum priority of ensuring a sufficient amount of resources to guarantee investments for the future growth of the company and value creation.

In line with this policy, in July 2019 the dividend paid out for the 2018 fiscal year was 0.1830 euros per share, a 30% payout. This was an increase of 8.9% over the amount paid in 2017.

Stock market evolution



6.4 Environmental risks

The company has an Environmental Policy applicable to all group companies, given the nature of the activity carried out and given the high level of dependence on social and environmental factors, such as the climate and natural resources. This policy is detailed in note 18.2 to the financial statements.

6.5 Average payment period to suppliers

As indicated in the corresponding note in the consolidated anual accounts, the average period of payment to suppliers of Meliá Hotels International, S.A. was 58,61 days in 2019, which compares with 53,25 days in 2018.

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In 2019, the Company has monitored the ratios associated with the average period of payment to suppliers, as well as the administrative processes relating to the invoices from such suppliers and the capital own management, in order to reduce, as much as possible, the average period of payment to suppliers, according to the provisions of Law 15/2010 and any other applicable legislation in force. Thanks to this procedure, the number of days has been maintained below 60, as in the previous year.

6.6 Headcount evolution

Detailed in note 16.3 of the report.

6.7 Events subsequent to year end

On 21 February 2020 the European Commission announced the decision ending the investigation initiated in 2017 (see Note 12.1), imposing a fine to the Company in the amount of EUR 6.7 million, amount for which full provision has been made at 31 December 2019.

Meliá Hotels International has always considered that the mentioned agreements did not have adverse effects for competition in the market and with this intention they were entered into. However, focusing on the interest of customers and partners of the Company, it was decided to fully cooperate with the European Commission from the beginning, as disclosed by the Commission in its notice. Meliá Hotels International is fully committed to the competition rules and the single European market, and following the initiation of this investigation all the internal compliance procedures were initiated to ensure that all its agreements comply with such rules.

7. Annual Corporate Governance Report

The model Annual Corporate Governance Report is presented below as an appendix.

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Secretary and Independent Director

Annual Report on Corporate Governance

Year 2019

IDENTIFICATION OF ISSUER

Ending date of reference financial period: 31/12/2019

CIF: A78304516

Registered name: MELIÁ HOTELS INTERNATIONAL S.A.

Registered office: GREMIO DE TONELEROS, 24, POL. IND. SON CASTELLO (PALMA DE MALLORCA) BALEARES

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A. Capital 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
25/04/2016	45,940,000.00	229,700,000	229,700,000

Remarks

Indicate whether there are different classes of shares with different rights attaching thereto:

YES ☐ NO ☒

Class	Number of shares	Nominal value per share	Number of voting rights per share	Vested rights and obligations

A.2 Provide details of direct and indirect holders of significant shareholdings in the company at year end, excluding directors:

Name or corporate name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
Hoteles Mallorquines Agrupados, S.L.	10.388%				10.388%
Global Alpha Capital Management Ltd	3.02%				3.02%

Remarks

Breakdown of the indirect holding:

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

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights

Remarks

State the most significant changes in the shareholding structure during the year:

Most significant movements
Global Alpha Capital Management Ltd. 09/12/2019 Increase to above 3% of Share Capital

A.3 In the following tables, list the members of the company's Board of Directors with voting rights attaching to shares of the company:

Name or corporate name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr. Juan Arena De La Mora	0.0004%				0.0004%		
Hoteles Mallorquines Asociados, SL	13.206%				13.206%		
Mr. Gabriel Escarrer Juliá		5.025%			5.025%		
Mr. Luis María Díaz de Bustamante y Terminel	0.0001%				00001%		
Hoteles Mallorquines Consolidados, S.L.	23.379%				23.379%		

Total percentage of voting rights held by the Board of Directors
41,61%

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Remarks

Breakdown of indirect holding:

Name or corporate name of director	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018 S.A.	5.025%		5.025%	

Comments

A.4 Indicate, if applicable, any family, commercial, contractual or corporate relationships between significant shareholders to the extent they are known to the company, unless they are insignificant or result from the ordinary course of business, except those that are included in Section A.6:

Name or corporate name of related party	Type of relationship	Brief description
Hoteles Mallorquines Agrupados, S.L. / Hoteles Mallorquines Asociados, S.L. / Hoteles Mallorquines Consolidados, S.L.	Corporate	According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), the companies Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Asociados, S.L., for the sole purpose of complying with the notification requirements for significant shareholdings, jointly notified the total percentage of voting rights in Meliá Hotels International, i.e. 46.972 %, resulting from the sum of their direct and individual shareholding in Meliá Hotels International (23.379%, 10.388% and 13.206%, respectively). The said notification of significant shareholdings stated that the members of the Escarrer family continue to hold 100% of the share capital (namely, Mr. Escarrer Juliá, his wife and their six children) and that there is no controlling shareholder in any of the companies, although, they have the same shareholders.

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A.5 If applicable, state the commercial, contractual or corporate relationships between significant shareholders and the company and/or its group, unless they are insignificant or result from the ordinary course of business:

Name or corporate name of related party	Type of relationship	Brief description:

A.6 Describe the relationships, unless insignificant for the two parties, between significant shareholders or shareholders represented on the Board and the directors, or their representatives, in the case of proprietary directors.

Explain, where appropriate, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or those linked to significant shareholders and/or companies in its group, specifying the nature of such relationships or ties. In particular, mention the existence, identity and position of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shareholdings in the listed company or in group companies of these significant shareholders.

Name or corporate name of related director or representative	Name or corporate name of related significant shareholder	Name of the group company of the significant shareholder	Description of relationship / position
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018, S.A.		Mr. Gabriel Escarrer Juliá notified the control of 5.025% of the voting rights in Meliá Hotels International, S.A. indirectly, through the company Hotels Exlux, S.L.U. (currently Tulipa Inversiones 2018, S.A.) It should be also noted that Mr. Gabriel Escarrer Jaume and Mr. Sebastián Escarrer Jaume, without exercising control, are likewise minority shareholders of the significant shareholders of the company (Hoteles Mallorquines Asociados, S.L., Hoteles Mallorquines Agrupados, S.L. and Hoteles Mallorquines Consolidados, S.L.). The company Hotels Exlux, SLU, was acquired by its

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			sole shareholder Majorcan Exhold SLU which in turn has been subsequently acquired by its sole shareholder,Tulipa Inversiones 2018, SA with effect date as at December 2018

A.7 State whether any shareholders' agreements affecting the company pursuant to Articles 530 and 531 of the *Ley de Sociedades de Capital* (Spanish Corporate Enterprises Act) have been reported to the company. If so, briefly describe them and list the shareholders bound by the agreement:

YES ☐ NO ☒

Parties to the shareholders' agreement	% of share capital affected	Brief description of the agreement	Date of termination of the agreement, if applicable

Remarks
According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), Mr. Gabriel Escarrer Juliá, Mrs. Ana María Jaume Vanrell and their six children (namely, Mrs. María Magdalena, Mrs. Ana María, Mrs. María Antonia, Mrs. María Mercedes, Mr. Sebastián and Mr. Gabriel Escarrer Jaume), in their capacity as direct or indirect shareholders of the commercial companies through which they hold interest in the share capital of Meliá Hotels International, S.A. (i.e., Hoteles Mallorquines Consolidados, S.L., Hoteles Mallorquines Agrupados, S.L., Hoteles Mallorquines Asociados, S.L. and Majorcan Hotels Exlux, S.L.U., (hereinafter, the "Commercial Companies"), notified the CNMV and the Company that a shareholders' agreement was executed on 5 October 2018, whose purpose was to reinforce, on a temporary basis, the majority system required to adopt a specific and limited number of resolutions by the General Shareholders' Meeting and the Board of Directors in Commercial Companies which affect some specific matters, with each of their signatories maintaining free vote and, therefore, without negotiation on the management of the Commercial Companies or Meliá Hotels International. In the signatories' opinion, the Shareholders' Agreement does not have the status of an 'agreement subject to disclosure' within the meaning of Articles 530 and 534 of the Spanish Corporate Enterprises Act, and its registration with the Commercial Register is not required, although, for the sake of transparency, the signatories sent a copy of the Agreement to both Meliá Hotels International and the CNMW.

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State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

YES ☐ NO ☒

Parties to the concerted action	% of share capital affected	Brief description of the agreement	Date of termination of the agreement, if applicable:

Remarks
According to that indicated in the Significant Event dated 11 October 2018 (registered with number 270438), as well as in the above remarks, after the execution of the said Shareholders' Agreement, there is no negotiation on the management of the Commercial Companies or Meliá Hotels International. The company Majorcan Hotels Exlux S.L.U was acquired by its sole shareholder, Majorcan Exhold S.L.U, which in turn has been subsequently acquired by its sole shareholder, Tulipa Inversiones 2018, S.A., effective as at December 2018.

If any of the abovementioned agreements or concerted actions have been modified or terminated during the year, please specify expressly:

A.8 State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the *Ley de Mercados de Valores* ("Spanish Securities Market Act"). If so, please identify them:

YES ☐ NO ☒

Name of individual or company

Remarks

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A.9 Complete the following tables on the company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
3,440,825	N/A	1.498%

Remarks
By means of the Significant Event of 21 October 2019, registration number 282703, the agreement on behalf of its Board of Directors was communicated by the Company, to initiate a program of repurchase of own shares covered by (EU) Regulation No. 596 / 2014 of the European Parliament and its Council, of 16 April 2014, on market abuse and using the authorization granted by the General Meeting of Shareholders held on 4 June 2015, under item 12 of the Agenda. During the 2019 financial year, the following stock purchase transactions have been notified under the program of repurchase of own shares under the following Significant Events: no 282908 of 28/10/2019, no 283246 of 04/11/2019, no283483 of 11/11/2019, no283722 of 18/11/2019, no283880 of 25/11/2019, no284052 of 02/12/2019, no284277 of 09/12/2019 and no284517 of 16/12/2019.

(*) Through:

Name or corporate name of the direct shareholder	Number of direct shares
Total:	

Remarks

Explain any significant changes during the year:

Explain any significant changes

A.10 Describe the terms and conditions and the duration of the authority currently in force given by the General Shareholders' Meeting to the Board of Directors in order to issue, repurchase, or dispose of treasury shares.

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The General Shareholders' Meeting held on 4 June 2015 adopted, among others, the following resolution: Authorisation to the Board of Directors which, in turn, may delegate and empower, as it deems appropriate, the Directors it deems appropriate, to acquire and dispose of treasury shares in the Company by sale, exchange, allotment of shares, or any other 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 meeting and for a period of five years from the date of adoption of this resolution. All this subject to the limits and requirements laid down in the Spanish Corporate Enterprises Act and in the Company's Internal Code of Conduct on matters related to the Securities Market. By means of the Significant Event of 21 October 2019, registration number 282703, the agreement on behalf of its Board of Directors was communicated by the Company, to initiate a program of repurchase of own shares covered by (EU) Regulation No. 596 / 2014 of the European Parliament and its Council, of 16 April 2014, on market abuse and using the authorization granted by the General Meeting of Shareholders held on 4 June 2015, under item 12 of the Agenda.

A.11 Estimated free float:

Estimated free float	%
99,882,316 shares	43.48%

Remarks

A.12 State whether there are any restrictions (bylaw, legislative or of any other nature) placed on the transfer of shares and/or any restrictions on voting rights. In particular, state the existence of any type of restriction that may inhibit a takeover attempt of the company through acquisition of its shares on the market, and those systems for the prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the company's financial instruments.

YES ☐ NO ☒

Description of restrictions

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A.13 State whether the shareholders acting at a general shareholders' meeting have approved the adoption of measures to neutralise a takeover bid pursuant to the provisions of Law 6/2007.

YES ☐ **NO ☒**

If applicable, explain the measures adopted and the terms under which these restrictions will cease to apply:

Explain the measures approved and the terms under which these restrictions will cease to apply

A.14 State whether the company has issued securities that are not traded on a regulated EU market.

YES ☐ **NO ☒**

If applicable, list the different classes of shares, if any, and the rights and obligations attaching to each class of shares.

List the different types of shares

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B. General Shareholders' Meeting

B.1 Indicate and, as applicable, describe any differences between the quorum established by the Spanish Corporate Enterprises Act (or "LSC" according to its acronym in Spanish) for General Shareholders' Meeting and that set by the company.

YES ☐ **NO ☒**

	% quorum different from that established in Article 193 LSC for general matters	% quorum different from that established in Article 194 LSC for the special circumstances described in Article 194 LSC.
Quorum required at 1st call		
Quorum required at 2nd call		

Description of differences
Notwithstanding the above, article 24.4 of the Bylaws establishes that, in order that the General Shareholders' Meeting may validly approve the change in the object of the Company, the request for delisting of shares of the Company, or the transformation or winding up of the Company, shareholders representing FIFTY PERCENT (50%) of subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders' Meeting, and at the second call, the attendance of shareholders representing TWENTY-FIVE PERCENT (25%) of the subscribed share capital with voting rights will suffice. The merger, as well as the demerger, either total or partial, segregation and global assignment of assets and liabilities of the Company will also require this quorum, except when such transactions involve companies that, either directly or indirectly, are majority owned by the Company, in which case the quorum required by the legislation in force at any given time for each case shall apply.

B.2 State whether there are any differences in the company's manner of adopting corporate resolutions and the manner for adopting corporate resolutions described by the LSC and, if so, explain:

YES ☒ NO ☐

Describe how it is different from that contained in the LSC.

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	Qualified majority other than that established in Article 201.2 LSC for the cases set forth in Article 194.1 LSC	Other cases requiring a qualified majority
% established by the company for adoption of resolutions	0.00%	60.00%

Description of differences
Pursuant to Article 28.2 of the Bylaws, in order that the General Shareholders' Meeting may validly approve the change in the Company's object, the request for delisting of the Company's shares, or the transformation or winding up of the Company, a favourable 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 first and second call. Nevertheless, when, at second call, the Shareholders representing less than FIFTY PERCENT (50%) of the subscribed share capital with voting rights are in attendance, the resolutions mentioned in this section may only be passed with the favourable vote of TWO THIRDS (2/3) of the share capital present or represented at the General Shareholders' Meeting. The merger, as well as the demerger, either total or partial, segregation and global assignment of assets and liabilities of the Company will also require the favourable vote of the abovementioned qualified majority, except when said merger or demerger involves companies that, either directly or indirectly, are majority owned by the Company, in which case the general system provided for in Section 28.1 (simple majority of votes of shareholders present or represented at the meeting, except in those cases where the Law or the Bylaws require a higher majority) shall apply. On the other hand, Article 28.3 of the Bylaws states that in order to change Articles 3 (Registered Address), 7 (Accounting Register of Shares and Register of Shareholders), 8 (Legitimation of Shareholders), 24.3 (Quorum), 24.4 (Special quorum), 28 (Majorities for the approval of resolutions), 33 (Appointments to the Board of Directors) and 38 (Delegation of powers) of the Company Bylaws, a favourable vote of at least SIXTY PERCENT (60%) of the

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share capital with voting rights present or represented at the General Shareholders' Meeting will be required, both at first and second call.

B.3 State the rules for amending the company's Bylaws. In particular, indicate the majorities required to amend the bylaws and any provisions in place to protect shareholders' rights in the event of amendments to the bylaws.

According to Article 30.1.h) of the Bylaws, the General Shareholders' Meeting has the authority to approve any amendments to the Bylaws.

Pursuant to Article 24 of the Bylaws, the Ordinary or Extraordinary General Shareholders' Meeting shall be validly convened at first or second call when the shareholders in attendance or represented meet the legal and statutory minimum quorums regarding the percentage of share capital for the different matters on the Agenda according to current legislation.

Notwithstanding the foregoing, in order that the General Shareholders' Meeting may validly approve the change in the Company's object, the request for delisting of the Company's shares, or the transformation or winding up of the Company, shareholders representing fifty percent (50%) of the subscribed share capital with voting rights must be in attendance at the first call to the General Shareholders' Meeting. At the second call, the attendance of shareholders representing twenty-five (25%) of the subscribed share capital with voting rights will suffice.

According to Article 28 of the Bylaws, in order to approve the resolutions of the General Shareholders' Meeting, a simple majority of votes of shareholders present or represented at the Meeting will be required, except in the circumstances where the Law or the Bylaws provide for an increased majority. Therefore, in order that the General Shareholders' Meeting may validly approve the change in the Company's object, the request for delisting of the Company's shares, or the transformation or winding up of the Company, a favourable 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 first and second call. Nevertheless, when, at second call, shareholders representing less than fifty percent (50%) of the subscribed share capital with voting rights are in attendance, the resolutions mentioned in this section may only be passed with the favourable vote of two thirds (2/3) of the share capital present or represented at the General Shareholders' Meeting.

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B.4 Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

	Attendance data					Of which, free float				
Date of General Meeting	% physically present	% present by proxy	% distance voting		Total	% physically present	% present by proxy	% distance voting		Total
			Electronic voting	Other				Electronic voting	Other	
18/06/2019	52.43%	10.37%	0.00%	14.03%	76.83%	0.02%	10.37%	0.00%	14.03%	24.42%
06/06/2018	52.38%	19.91%	0.00%	5.00%	77.29%	0.00%	19.91%	0.00%	5.00%	24.91%
08/06/2017	52.50%	35.15%	0.00%	0.00%	8.65%	0.00%	35.15%	0.00%	0.00%	35.15%

Remarks

B.5. Indicate whether any item on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

YES ☐ **NO ☒**

Items on the agenda not approved	% votes against (*)

(*) If the non-approval of the item is for a reason other than the votes against, this shall be explained in the text part and "n/a" shall be placed in the "% votes against" column.

B.6. Indicate whether the Bylaws contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

YES ☒ NO ☐

Number of shares required to attend General Shareholders' Meetings	300
Number of shares required for distance voting	1

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Secretary and Independent Director

Remarks
An explanatory document regarding the exercise by the shareholders of information, attendance and representation rights at the General Shareholders' Meeting is available on the Company's corporate website: https://www.meliahotelsinternational.com/es/shareholdersAndInvestors/ShareholdersDocs/2019/4.%20MHI_2019%20JGA_Documento%20informaci%C3%B3n%20derechos%20de%20informaci%C3%B3n%20voto%20a%20distancia_Eng.pdf

B.7. Indicate whether it has been established that certain decisions other than those established by Law exist that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions that must be subject to the approval of the General Shareholders' Meeting.

YES ☐ **NO ☒**

Explanation of the decisions that must be subject to the General Shareholders' Meeting, other than those established by Law
According to paragraph (j) of the article 30 of the Bylaws of the Company, the General Shareholders' Meeting has powers to "Approve the acquisition, disposal or contribution to another company of essential assets and transfer to subsidiary companies of essential activities carried out until then by the Company. Activities and assets are essential when the volume of the operation exceeds twenty-five per cent of the total assets in the balance sheet".

B.8 State the address and method for accessing the company's website to find information on corporate governance and other information regarding General Shareholders' Meetings that must be made available to shareholders through the company's website.

Address for accessing the company's website is: www.meliahotelsinternational.com, and the Company's corporate governance documentation is displayed by clicking on 'Shareholders and Investors' section, where the information on General Shareholders' Meetings is also included: https://www.meliahotelsinternational.com/en/shareholders-investors/corporate-governance

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C. Structure of the Company's Management

C.1 Board of Directors:

C.1.1. Maximum and minimum number of directors established in the Bylaws and the number set by the General Shareholders' Meeting:

Maximum number of directors	15
Minimum number of directors	5
Total number of directors set by the General Shareholders' Meeting	11

Remarks

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C.1.2. Complete the following table identifying the members of the Board:

Name or corporate name of director	Representative	Director category	Position on the Board	First appointment date	Last appointment date	Election procedure	Date of birth
Mrs. Carina Szpilka Lázaro		Independent	Director	25/02/2016	23/06/2016	Resolution at General Shareholders' Meeting	13/12/1968
Mr. Fernando D'Ornellas Silva		Independent	Coordinating Director	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting	29/10/1957
Mr. Juan Arena De La Mora		Independent	Director	31/03/2009	06/06/2018	Resolution at General Shareholders' Meeting	23/09/1943
Hoteles Mallorquines Asociados SL	Don Alfredo Pastor Bodmer	Proprietary	Director	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting	30/09/1944
Mr. Gabriel Escarrer Juliá		Proprietary	Chairman	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting	02/03/1935
Mrs Cristina Henríquez de Luna Basagoiti		Independent	Director	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting	15/09/1966
Mr. Sebastián Escarrer Jaume		Proprietary	Director	07/02/1996	08/06/2017	Resolution at General Shareholders' Meeting	09/05/1966

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Mr. Gabriel Escarrer Jaume		Executive	Vice Chairman - CEO	07/04/1999	08/06/2017	Resolution at General Shareholders' Meeting	28/01/1971
Mr. Francisco Javier Campo García		Independent	Director	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting	01/05/1955
Mr. Luis Mª Diaz de Bustamante Terminel		Independent	Secretary Director	30/11/2010	08/06/2017	Resolution at General Shareholders' Meeting	25/08/1952
Hoteles Mallorquines Consolidados S.L.	Mrs. María Antonia Escarrer Jaume	Proprietary	Director	23/10/2000	08/06/2017	Resolution at General Shareholders' Meeting	05/01/1963

Total number of directors	11

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State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name or corporate name of director	Director category at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
Mr Juan Vives Cerdá	Propietary	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO
Mr Alfredo Pastor Bodmer	Other External	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO

Reasons for leaving and other remarks
Mr Juan Vives Cerdá left the Board as Propietary Director of the company on 18/06/2019 when his last appointment expired and his position on the Board of Directors was not renewed. Mr Alfredo Pastor Bodmer terminated in the Company as External Director “others” on 18/06/2019 at the expiration of his last appointment, on that date he was appointed as Proprietary Director of the company at Hoteles Mallorquines Asociados SL, whose legal representative is Mr Alfredo Pastor Bodmer.

C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS

Name or corporate name of director	Position held in the company's organisation chart
Mr. Gabriel Escarrer Jaume	Vice Chairman and Chief Executive Officer
Profile	
In 1993, Mr. Gabriel Escarrer Jaume graduated in Finance and Business Management from the prestigious Wharton School, University of Pennsylvania (USA). He then worked for 3 years in the International Corporate Finance Department at the Salomon Smith Barney Investment Bank in New York. From there, in 1996, he took part in the successful IPO of Meliá Hotels International, a company founded by his father, Mr. Gabriel Escarrer Juliá, which he joined immediately afterwards, simultaneously working on a tailored postgraduate degree in Business Administration at ESADE, one of the top ten business schools in Europe. Mr. Gabriel Escarrer Jaume led a strong advance in the Company's expansion and technological transformation, providing Meliá with greater corporate strength in an increasingly complex environment in the international tourism sector. As Chief Executive Officer -position to which he was appointed in 1999-, Gabriel Escarrer addressed another important challenge when he launched an extensive renovation plan of the hotel assets, and since then, he has never stopped striving to ensure that Meliá continues to be at the forefront in the Spanish and international hotel sector and its growing presence and international influence Escarrer combines a strong vision and financing approach, supported by its solid training and a career in the field that has led him to be appointed Chairman of the Advisory Council of BBVA in the Levante Region, with the vocation and concerns of a true "hotelier", such as customer focus, innovation in services and experiences, and he is a prescriber of the trends and digitalization that are transforming the industry and the general business environment.	

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As Vice Chairman and Chief Executive Officer of Meliá Hotels International since 2009, Gabriel Escarrer has consolidated his leadership through the Company's financial strengthening and the management of an unprecedented cultural and organisational transformation, including a successful digital transformation of the Group, which today is one of the keys to its competitiveness.

In 2016, after 60 years at the helm of the Company, the founder became Non-Executive Chairman, transferring his executive powers to Gabriel Escarrer Jaume with the unanimous support of the Board of Directors. As the Group's first executive, Escarrer Jaume retains the positions of Vice-Chairman and CEO.

As a leader of a responsible, family company, Gabriel Escarrer has always promoted the corporate responsibility and sustainability policy in the social, economic and environmental aspects, as well as the ethics and corporate values that support the performance of a Company which, as the leader and a reference in the industry, has greater public visibility and responsibility.

Thanks to all this, Meliá has been recognized by the agency of the responsible investments SAM, as the 2019 Most Sustainable Hotel Company in the world, as per the ranking established by the prestigious Dow Jones Sustainability Index, leader in Corporate Reputation in the tourism industry according to the prestigious MERCO ranking (a recognition it has achieved for 7 consecutive years). . Escarrer is currently one of the emerging business leaders in his country, where Forbes magazine ranks him in the top 20 Spanish CEOs.

In January 2019, Gabriel Escarrer was named Chairman of Exceltur, the Alliance for Tourism Excellence and one of the most important lobbies in the country. As proof of its commitment to the renewal of the sector and its adaptation to current demands, Escarrer has promoted some of the largest projects for the conversion and repositioning of mature tourist destinations in Europe, such as Magaluf, in Mallorca, or Torremolinos in Malaga, and the maritime façade of Palma, among others, after assuming in 2017 the management of the new and spectacular "Palacio de Congresos" in Palma.

As the only Group of the top-20 international hoteliers with a holiday background, Melia has consolidated its leadership in the resorts segment and its growing positioning in the urban leisure or "bleisure" segment, and maintains among its priorities an unprecedented boost of internationalization, with a

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special focus on the main holiday destinations in the world such as the Mediterranean, the Caribbean, Africa and Southeast Asia, where it is already among the leading hotel chains in countries such as Indonesia and Vietnam.

Total number of executive directors	1
% of the Board	9.09%

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EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018, S.A.

Profile

In 1956 Mr. Gabriel Escarrer Juliá was only 21 years old when he founded what is now called the Meliá Hotels International group, by acquiring and managing a 60-room hotel on the island of Majorca, where he was born, and where he still maintains the headquarters of what has now become one of the most successful hotel companies in the world. Prior to that and for 6 years, Escarrer worked in tour operations, where he had access to the emerging tourism industry, of which he later became a visionary, pioneer and transforming entrepreneur.

Over his six decades as Chairman, the Group consolidated its leadership in Spain, hub of the vacation travel in Europe, which later was extended to the American Caribbean and Southeast Asia, where today the Group is still growing and is considered as one of the reference companies in the hotel sector. Over these years, Escarrer built strategic alliances that strengthened the Group's positioning in destinations such as Cuba and Indonesia, and in the 1990s, he extended the strategy to urban hotels in Spain, Europe, Asia and Americas, an approach that has led him to be considered one of the drivers of the internationalisation of the Spanish enterprise.

One decisive event in the history of the company took place in the 80s, when the Group founded by Escarrer acquired two of the most important hotel chains at that time in Europe: Hotasa and Meliá, which represented the incorporation of nearly 70 hotels in just one year. Thanks to this acquisition, the Group founded by Escarrer achieved national and international presence, as well as a valuable brand recognition.

In 1996, the Company's IPO marked a new stage of growth which was strengthened by the Group's strategic plans, and the debut of the second generation of family members in management, marking the beginning of a deep cultural transformation in the Group to address the challenges of the new business environment in the 21st century.

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After emerging stronger from the financial crisis that shook the sector between 2008 and 2013, and after making sure that the Company was in safe hands, Mr. Gabriel Escarrer Juliá resigned its executive powers in December 2016, which were transferred to his son Mr. Gabriel Escarrer Jaume as Vice Chairman and Chief Executive Officer, with the founder becoming Non-Executive Chairman of the Board of Directors and the General Shareholders' Meeting.

As a result of its extensive experience in the tourism industry, Mr. Gabriel Escarrer Juliá has received numerous awards which demonstrate its important contribution to national and international hospitality. One of the most important for the founder of Meliá Hotels International was the granting of the Doctor Honoris Causa degree by the Universidad de les Illes Balears (UIB) in December 1988. In 1998 he received the "Personalidad Turística del Siglo" (Tourism Personality of the Century) award winning a large majority in a survey of 300 executives and professionals in the travel industry.

A year later, he obtained other 3 prestigious awards: "Mejor Empresario de la Construcción y Promoción Inmobiliaria" (Best Entrepreneur in Construction and Real Estate Promotion) awarded by the Máster en Dirección de Empresas Constructoras e Inmobiliarias (M.D.I.) and the 'Actualidad Económica' magazine; Corporate Hotelier of the World, awarded by the well-known American 'Hotels' magazine, and several Lifetime Achievement Awards from prestigious organisations such as the International Hotel Investment Forum, the World Tourism Organisation, or the European Hospitality Awards.

In May 2001, Escarrer was elected as member of the exclusive Hall of Fame of the British Travel Industry. His nomination was proposed and supported by some of the most important people in the international tourism industry, as well as relevant members of the Hall of Fame such as Martin Brackenbury (Federation of Tour Operators and Airtours), Richard Branson (Virgin), Michael Bishop (British Midland) and David Crossland (Airtours). That same year, the Chairman of Meliá Hotels International became member of the Hall of Honour at the Conrad N. Hilton of Hotel Management at the University of Houston (USA), sharing honours with Lynn & Ed Hogan (Pleasant Holidays), Alice Sheets Marriott (Marriott Corporation) and Marilyn Carlson Nelson (Carlson Companies.)

In 2002, Meliá Hotels International signed an agreement with the Universidad de las Illes Balears (UIB) for the creation of the "Cátedra Meliá de Estudios Turísticos" (Melia Chair in Tourism Studies) which, since then, organises an annual "Premio de Estudios Turísticos Gabriel Escarrer" (Gabriel Escarrer Tourism Studies Award).

Gabriel Escarrer received recognition to his professional career from the CIMET (Ibero-American Conference of Tourism Ministers and Entrepreneurs) and in 2006, coinciding with the 50th anniversary of the Company, he won the "Medalla de les Illes Balears" (Balearic Islands Medal), the highest distinction of the autonomous community, in recognition of his work, and the “Medalla de la Cámara de Comercio de Mallorca, Ibiza y Formentera “ (Medal of the Chamber of Commerce of Majorca, Ibiza and Formentera). In 2011, Escarrer received the Lifetime Achievement Award at the European Hospitality Awards in London, also in recognition of his long career as the founder and promoter of the largest hotel chain in Spain and the third largest in Europe. In 2012 MKG also granted him a lifetime achievement award at the Worldwide Hospitality Awards in Paris, and he won the prestigious Ulysses Award from the OMT for his lifetime achievement. In 2016, Gabriel Escarrer received the Hall of Fame of the Hotel-E Investment Conference, one of the most important international hotel investment forums, and also received the distinction of Honorary Ambassador of Brand Spain.

Recognised as one of the key figures in the history of international tourism, Gabriel Escarrer, as Non-Executive Chairman of Meliá Hotels International and Chairman of the Board of Directors and the General Shareholders’ Meeting, is still contributing the expertise and know-how acquired over more than 60 years leading the company, and he is still dreaming about the transforming power of tourism in society, an industry that, in his words, “connects countries, crosses borders, and promotes people’s social and economic welfare”.

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Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Hoteles Mallorquines Asociados SL legal representative Mr Alfredo Pastor Bodmer	Hoteles Mallorquines Asociados, S.L.

Profile
Bachelors Degree in Economic Sciences Ph D in Economics, Massachusetts Institute of Technology, Doctor in Economic Sciences. Professor of Economic Theory since 1976, he has held different positions since 1980 as Professor of Economics, Boston University (1980-1981), Country Economist, World Bank (1981-1983), Director in Planning , INI (1983-84), Director General, INI (1984-85), Chairman, ENHER (1985-90), Counselor of the Bank of Spain (1990-93), Director of the Family Business Institute (1992-93), Secretary of State for the Economy (1993 - 95), Director Instituto de la Empresa Familiar (IESE): Extraordinary Professor (1996-97) and Ordinary Professor (1997 - 2015); Chair of Spain, CEIBS (since 2000), Dean of CEIBS (China Europe International Business School), Shanghai, China (2001-2004), Chair of Emerging Economies, Banco Sabadell, 2009. He is currently a member of the Board of Directors of Meliá Hoteles International, Copcisa and Bansabadell Inversión, having previously been part of other Boards such as of Miquel y Costas e Hidroeléctrica del Cantábrico, among others. Author of multiple publications, he received in 2011 the Conde de Godó Award.

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Secretary and Independent Director

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Mr. Sebastián Escarrer Jaume	Hoteles Mallorquines Agrupados, S.L.

Profile

Sebastián Escarrer is a member of Wharton Board of Overseers since 2013 and he was Chairman of Wharton Board for EMEA (Europe, Africa and Middle East) between 2009 and 2015. Chairman of the Spanish Executive Committee of the International Chamber of Commerce, as well as member of the Commission on Corporate Responsibility and Anti-Corruption and the Executive Board Policy and Commissions Committee. He was Vice-Chairman of Exceltur between 2012 and 2016 - the Spanish Tourist Lobby-, Chairman of APD Illes Balears and also member of the governing national board. Escarrer is a member of the Premium Brands Fund Advisory Board of the Swiss Bank Pictet and a member of the Advisory Board of Caixabank in the Balearic Islands.

As a leader engaged in the fields of tourism, business ethics, education and social responsibility, he is committed to combating the current social and values crisis. Accordingly, he is an active member of various Foundations committed to the improvement of our society, such as the Fundación SERES and the "Fundación Princesa de Girona", being a member of the Board of Trustees, the Auditing Committee, the Executive Committee of the Board of Trustees and responsible for the Working Group on Education of the said foundation.

He is graduate from ICADE and Master from Wharton of the University of Pennsylvania with three Majors: Business Strategy, Finance and Multinational Management. He worked for several multinationals in USA and London, such as Coca-Cola Corporation (Boston), IBM Corporation (New York), First Boston Corporation (New York and London) Hyatt International (London) or The Mac Gemini Group (Madrid).

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Sebastián Escarrer is member of the Board of Directors of Meliá Hotels International with 19 years of experience as executive for the multinational, joining the family business in 1993. In 1994 he was appointed Chief Executive Officer, a position he held for 16 years while in 1997, he was appointed as Vice-Chairman of Sol Meliá for 15 years. During those years he led the refinancing of Sol Group, its transformation into Sol Meliá and the successful IPO of the Company in 1996. He also led various key processes for the growth and strengthening of the Company, such as the diversification of the business and the creation and incorporation of new brands.

Sebastián Escarrer has won several awards for his career in the tourism and financial industries, including his designation as one of the 100 leading businessmen of the 21st century by the 9 World Economic Forum in Davos. Also, in 1997 the prestigious American magazine 'Travel Agent' selected him as Personality of the Year in Latin America, and a year later named him Personality of the Year in Europe. In 2002, Sebastián Escarrer won the "Mejor Empresario de Baleares" (Best Entrepreneur of Balearic Islands) award granted by the magazine 'Actualidad Económica'. In 2018 he received the award "Merchant of Peace" of the International Chamber of Commerce.

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Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Hoteles Mallorquines Consolidados, S.L. Mrs. María Antonia Escarrer Jaume, natural person representative	Hoteles Mallorquines Consolidados S.L.

Profile
Mrs. María Antonia Escarrer Jaume studied in prestigious schools such as ESASDE, EADA and Cornell University, where he completed studies related mainly to Marketing and Human Resources. She specialised in the development of leadership and managerial competencies, promoting programmes of Management Development, Leadership, Marketing and Negotiation. Trained by the IE Business School as an executive coach and as an ontological Senior Coach by Newfield Consulting, she is ACC accredited by ICF (International Coaching Federation). Maria Antonia Escarrer held various positions at Melia, innovating policies and business processes. From 1991 to 1994 she joined the General Directorate of Marketing, period in which she implemented the Communication, Loyalty and Market Research policy, as well as the introduction of Marketing plans into the business units. From 1996 to April 2000 she was in charge of the General Directorate of Human Resources, she was involved in the introduction of performance and competency-based management as well as the definition, implementation and development of the different aspects of the Company's remuneration policies. She participated in the design of training and career plans and the implementation and coordination of all aspects related to the organisational structure. Between 2005 and 2011, she was responsible for the General Directorate of Sustainability, developing the social action department towards a General Directorate of Sustainability and making sustainability as a strategic line of action within the Company. Since October 2000, she is member of the Board of Directors of Meliá Hotels International and the Appointments and Remuneration Committee. She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal. Currently and since 2012, she works as coach at an executive and personal level specialised in accompanying professionals in times of career change as well as in the development of managerial skills.

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Total number of proprietary directors	4
% of the Board	36.36%

Remarks

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director
Mrs. Carina Szpilka Lázaro
Profile
Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid. She has held positions at Santander Investment, Argentaria (currently, BBVA) and ING Direct between 1991 and 2013, being the CEO of ING Direct in France for the last five years and then in Spain. She has also developed her activity as volunteer as Vice-Chairman of Unicef Spain and as member of the Board of Trustees of Fundación Create. She is currently Independent Director of Abanca, Grifols and Meliá Hotels International; founding member and Chairman of K Fund Venture Capital and Chairman of ADigital. She has received numerous awards, including: “Mujer Directiva del Año” (Female Director of the Year) award, Fedepe (2011), “Premio a la carrera fulgurante” (The Brilliant Career Award), ICADE (2012), “Medalla de oro del forum alta dirección” (Gold Medal of Senior Management Forum) (2012), “Premio Emprendedores al Mejor Directivo del año” (Entrepreneurs Award to the Best Director of the Year) (2013), “Premio #ElTalento Cinco Días al Talento Ejecutivo” (Cinco Días #TheTalent Award for Executive Talent) (2014), “Premio a la Excelencia Profesional” (Award for Professional Excellence), ADigital (2014) and Eisenhower Innovation Fellow, (2014).

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Name or corporate name of director
Mr. Fernando D'Ornellas Silva
Profile
Degree in Law and Economics from ICADE-E and MBA from IESE in Barcelona (International Section), from 1983 to 1985 he worked as Deputy Financial Director at Johnson & Johnson Spain. Also, he has held several positions within the Bergé Group since 1985, Chief Financial Officer at Toyota Spain until 1992, Chief Executive Officer at Chrysler Spain from 1992 to 2004, Chairman of Chrysler Portugal from 1997 to 2012, Chairman of Chrysler Colombia from 2010 to 2012, Chairman of KIA for Argentina, Peru and Portugal from 2004 to 2012, Chairman at Mitsubishi Motor Peru from 2010 to 2012, Vice-Chairman of Mitsubishi Motors Chile from 2001 to 2012, Vice-Chairman of SKBergé Latin America from 2001 to 2012, Chairman of Bergé Automotive from 2004 to 2012 and Chief Executive Officer at Bergé Group from 2007 to 2012. Since 2004 he has held, among others, the following positions: member of the Board of Directors, Chairman of the Remuneration Committee between 2007 and 2009, and Chairman of the Auditing Committee of ENDESA S.A. in 2009. Member of the Board of Directors and Chairman of the Auditing Committee between 2007 and 2009 and Director in charge of supervising the activities of subsidiaries in Peru, Colombia, Argentina and Brazil for ENDESA CHILE. Member of the Board of Directors (2013-2015) and Chairman of the Auditing Committee (2014-2015) of DINAMIA. Vice-Chairman of the Asociación de Nacional de Importadores de Automóviles, Camiones, Autobuses y Motocicletas from 2004 to 2012. Founding member of the Fundación España-Chile and Fundación España-Perú in 2011 and 2012. Member of the Fundación Consejo España-China y España-Japón, Adviser for Mitsubishi Corporation in the acquisition of shares in Acciona Termosolar, S.A. in 2010 and 2011, and Vice-Chairman of the Real Club de la Puerta de Hierro between 2006 and 2010. He has been a member of the Advisory Board of WILLIS IBERIA between March 2013 and December 2017. Currently, he is member of the Board of Directors since June 2012, Coordinating Director, Chairman of the Auditing and Compliance Committee and member of the Appointments and Remuneration Committee at Meliá Hotels International S.A. He is member of the Board of Directors of Prosegur since April 2016, , Chairman of the Auditors and Compliance Committee (since April 2017) and Member of the Appointments and Remuneration Committee. Senior Advisor Spain and Latam for Mitsubishi Corporation since March 2013; Senior Advisor Spain and Latam for Lazard Financial Advisers S.A. since June

2013. Member of the International Advisory Board of Hispanic Society of America and its representative for Spain, member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010 and Vice-Chairman of the International Board of the Madrid Teatro Real since 2015 and member of the Executive Committee at the Fundación Board Spain-Japan since 2017.

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Name or corporate name of director
Mr. Juan Arena De La Mora

Profile
Ph.D. in Engineering from ICAI, Mr. Juan Arena graduated in Business Science from ICADE, and also in Psychology, and he holds a diploma in Tax Studies and completed the AMP at Harvard Business School. Member of the Board of Meliá Hotels International Chairman of the Professional Council of ESADE, member of the International Advisory Board of Everis and Advisory Board of Marsh; Operating Partner of Advent International Corporation, member of the Board of Directors of Deusto Business School. Member of the Executive Committee of Fundación SERES and Chairman of its Governance Committee. He has been a member of the Board and Executive Chairman of Bankinter, Board member of Ferrovial, and Almirall Laboratories of UBS España, TPI, Everis, Dinamia and Prisa, Chairman of the Advisory Council of Panda, Consulnor, member of the Board of Trustees of ESADE and of the Advisory Board of Spencer Stuart, Wold Advisory Board and professor of Harvard Business School and IESE. He was awarded the "Gran Cruz de la Orden del Mérito Civil" (Grand Cross of the Order of Civil Merit) for his contribution to research and development of the Information Society.

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Name or corporate name of director
Mr. Francisco Javier Campo García
Profile
Industrial Engineer from the Universidad Politécnica de Madrid, he began his career in 1980 at Arthur Andersen. In 1985 he joined Día Group, where for 24 years he has held the position of World Chairman of the Dia International Group and he was also a member of the Carrefour Group's Global Executive Committee for 15 years. Since 2009 until November 2014, he was Chairman of the Zena group, the leading multi-brand restaurant chain company in Spain. The group comprises five brands: Foster's Hollywood, La Vaca Argentina, Cañas y Tapas, Domino's Pizza and Burger King. He has also been Chairman of the Cortefiel Group (Cortefiel, Springfield, WomenSecret) from 2014 to 2016. He is currently Chairman of AECOC (Association of Fast-Moving Consumer Goods Companies) which represents more than 20% of the Spanish GDP and has more than 29,000 associated companies. He is member of the Board of Directors of Bankia and Chairman of its Advisory Committee on Risks, he is also member of the Board of Directors of Meliá Hotels International, member of the Advisory Board of the Palacios Food Group, member of the Advisory Board of AT Kearney, and member of the Advisory Board of Azkoyen. He is also member of the Board of Trustees of Fundación ITER, honorary member of Fundación Carlos III, vocal member of Fundación Bankia and board member of A.P.D. (*Asociación para el Progreso de la Dirección*).

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Name or corporate name of director
Mr. Luis Mª Diaz de Bustamante Terminel
Profile
Born in Torrelavega (Cantabria, Spain) on 25 August 1952. Graduated in Law from the Universidad Complutense de Madrid. Practising lawyer since 1975 and Partner of the law firm Isidro D. Bustamante (since 1942 – 1980/2018). His professional career is mainly focused on the areas and practice of civil, trade and civil procedural and international law, as well as on consultancy services for entrepreneurs and corporations.

Name or corporate name of director
Mrs Cristina Henríquez de Luna Basagoiti
Profile
Mrs. Cristina Henríquez de Luna Basagoiti has a Degree in Law and Economics from the University Pontificia de Comillas of Madrid (ICADE-2). At present she is Chairman and General Manager in Spain and Responsible for Iberia and Israel for GlaxoSmithKline (GSK), where in the past she has held several financial positions (SVP Finances). Before joining GSK she worked for Procter & Gamble, where she held the post of General Director for Finances and Accounts, International Operations for Western Europe (2006 a 2010), as well as other financial positions since 1989, when she joined as financial analyst. She is also an independent Board Member of Applus Services since July 2016, and a member of the Auditors Committee of the same entity. Vice-Chairman of the Fundación Ciencias de la Salud and member of the Governance Board and Board of Directors of Farmaindustria.

Total number of independent directors	6
% of the Board	54.54%

Remarks

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State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If applicable, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or corporate name of the director	Description of the relationship	Statement of the Board

State any changes in category that have occurred during the period for each director:

Name or corporate name of director	Date of change	Previous category	Current category

Remarks
Mr Alfredo Pastor Bodmer terminated in the Company as External Director “others” on 18/06/2019 at the expiration of his last appointment, on that date he was appointed as Proprietary Director of the company at Hoteles Mallorquines Asociados SL, whose legal representative is Mr Alfredo Pastor Bodmer.

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Secretary and Independent Director

C.1.4 Complete the following table with information on the number of female directors at the close of the past four years, as well as the category of each.

	Number of female directors				% of directors for each category			
	Year t	Year t-1	Year t-2	Year t-3	Year t	Year t-1	Year t-2	Year t-3
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	1	1	1	1	25.00%	25.00%	25.00%	25.00%
Independent	2	1	1	1	33.33%	20%	20%	20%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	2	2	2	1	27.27%	18.18%	18.18%	10.00%

Remarks

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C.1.5. State whether the company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability and training and professional experience. In accordance with the definition set out in the Accounts Audit Act, small and medium-sized entities, will have to report at least the policy they have implemented in relation to gender diversity.

YES ☒ NO☐ PARTIAL POLICIES ☐

If so, describe these diversity policies, their objectives, the measures and way in which these have been applied and the results over the year. Also, indicate the specific measures taken by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

If the company does not apply a diversity policy, explain the reasons why.

Description of policies, objectives, measures and how they have been implemented, as well as the results achieved.
The Company has been implementing its Selection Policy for Directors, which was approved in 2017, according to the provisions of Recommendation 14 of the Good Governance Code and which is based on the following principles: a. The composition of the Board of Directors at the time of execution of the corresponding proposal and the planning and structuring thereof will be carried out based on the expiration dates of the offices in force and must contain, at least: i. The analysis of profiles and professional skills of the Directors who are already members of such decision-making body. ii. The maintenance of a proper balance between the different experience and know-how the Directors contribute to the Company and its Group (knowledge of the sector or supplementary sectors operation, experience in internationalisation, digitalisation, etc.). This balance and the need to incorporate these different experiences and know-how will depend at every moment on the Company's activity. b. The analysis of potential situations of conflict, prohibition or incompatibility, at the legislative and the company's internal policy levels. c. **The assessment of potential candidates under the criteria of equality and objectivity, avoiding any kind of implicit bias that may involve discrimination.** d. The time available for the potential candidate to properly perform his/her duties which guarantee added value to the Company's bodies.

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e. The maintenance of a proper balance between the different categories of directors ensuring the correct representation of the total interests within the Board, especially according to the recommendations concerning Corporate Governance.

f. **The trend towards the progressive increase of the number of women on the Board of Directors**, always based on an unbiased assessment of skills, profiles, know-how, experiences and professional abilities, **aiming insofar as is possible to ensure that by 2020 at least one third of the members of the Board of Directors are women**.

For all the re-elections of directors made since the approval of this policy, the above principles have been taken into account in preparing reports and proposals subsequently submitted to the General Shareholders' Meeting, trying to promote diversity of knowledge, expertise and gender among the members of the Board of Directors.

During 2019 it has taken place the reelection of Mr Gabriel Escarrer Juliá as Proprietary Board Member and also the election as an independent board member of Mrs Cristina Henríquez de Luna Basagoiti, as well as the election of the company Hoteles Mallorquines Asociados SL as a Proprietary Board Member represented by Mr Alfredo Pastor Bodmer.

As a result of such election, the percentage of women on the Board has gone from an 18.18% to a 27.27% in the year 2019.

C.1.6 Explain the measures taken, if any, by the appointments committee to ensure that selection procedures do not contain hidden biases which impede the selection of female directors, and that the company deliberately seeks and includes women who meet the target professional profile among potential candidates, and which makes it possible to achieve a balance between men and women.

Explanation of measures
The Company acknowledges full equality of opportunities, without any discrimination, in all its activities. This criterion is assumed by the Appointments and Remuneration Committee when beginning the selection process for a new Director, ensuring that there is no implicit bias that might hinder the selection of female Directors. During the selection procedures for Directors, the Appointments and Remuneration Committee objectively assesses the skills and experience of candidates, among other parameters, evaluating the profile of candidates and ensuring equal opportunities between women and men so that there is no discrimination based on gender.

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In the selection of Board members, the profile of the candidate is assessed, including among potential candidates those women who meet the professional profile sought in order to increase the stock of knowledge and experience they can contribute in the performance of their functions as Directors. The selection procedures are focused on the search for specific skills, evaluating candidates based on these skills and their know-how, attitude and skills required, while guaranteeing equal treatment and opportunities and ensuring transparency throughout all processes. Likewise, in the selection of executives, internationally-renowned firms are entrusted with the search for potential candidates who fit the profile.

Specifically, the Selection Policy for Directors establishes the guiding principle to be observed during the processes: "The assessment of potential candidates based on criteria of equality and objectivity, avoiding any implicit bias that may involve any type of discrimination."

During the year 2019, it has taken place the selection process, according to the guidelines established by the Board of Directors Regulation as well as in the Policy for the selection process of Board Members, to cover for the vacancy of an external independent Board member.

The selection process of the different candidates was assisted by an independent external expert of recognized prestige in the matter, who was previously instructed, by the Appointments and Remuneration Committee, in the competences that wanted to be reinforced on the diversity of the Board of Directors itself and was veiled, at all times, so that the process it did not suffer from implicit biases that hindered the selection of women Directors.

This process led to the prescriptives: proposal of the Appointments and Remuneration Committee, report of the Board of Directors and proposed proposal contained in the agenda of the General Meeting of Ordinary Shareholders of June 18, 2019. Following the favorable adoption of the said proposal, by the Board, was determined, as an Independent External Director, of Meliá Hotels International, of Ms Cristina de Luna Henríquez Basagoiti.

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In the event that there are few or no female directors in spite of any measures adopted, explain the reasons that justify such a situation:

Explanation of reasons

C.1.7 Explain the conclusions of the appointments committee regarding verification of compliance with the selection policy for directors. Particularly explain how said policy is promoting the goal that the number of female directors represents at least 30% of all members of the Board of Directors by 2020.

Explanation of conclusions
During 2019, and in relation to the proposal on re-election of Directors subject to the approval of the General Shareholders' Meeting, an assessment of compliance with the Selection Policy for Directors was carried out by the Appointments and Remuneration Committee when preparing the legally enforceable Reports and Proposals, which were made available to the shareholders on the Company's website. In summary, they established that "... the Board of Directors must include among its members Directors who have extensive experience in various sectors and knowledge of the Company's operations, who respect the corporate values and have ability to adapt in a constantly-changing industry growing both geographically and technologically". Regarding the goal on the number of female directors by 2020, the Company's Selection Policy for Directors approved on 27 February 2017, includes, among others, the following principles: "f. The trend towards the progressive increase of the number of women on the Board of Directors, always based on an unbiased assessment of skills, profiles, know-how, experiences and professional abilities, aiming insofar as is possible to ensure that by 2020 at least one third of the members of the Board of Directors are women." Therefore, this will be one of the issues that must be assessed by the Appointments and Remuneration Committee in any appointment, ratification or re-election processes are carried out. With the new elections, during this year a percentage of 27.27% of female directors has been reached. Despite being below the recommendation of the CNMV in this regard (30%), Melia Hotels International is above the IBEX 35 average.

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C.1.8 Explain, when applicable, the reasons for the appointment of any proprietary directors at the request of shareholders with less than a 3% equity interest:

Name or corporate name of shareholder	Reason

State whether the Board has failed to meet any formal requests for presence on the board received from shareholders whose equity interest is equal to or higher than that of others at whose request proprietary directors have been appointed. Where applicable, explain why these requests have been ignored:

YES ☐ **NO ☒**

Name or corporate name of shareholder	Reason

C.1.9 State the powers delegated by the Board of Directors, as the case may be, to directors or Board committees:

Name or corporate name of director or committee
Mr. Gabriel Escarrer Jaume
Brief description
The Board of Directors has vested all delegable powers under the Law according to Article 34 of the Company's Bylaws:. To this effect and within this scope, the Board of Directors is responsible for acts or business activities including, but not limited to, the following: (a) To represent the Company before all types of individuals, organisations, authorities, public administration, Spanish General Savings Deposit and other entities, both private and official, both judicial and extrajudicial, absolving positions, compromising and desisting from all types of actions and procedures, and even ratifying said acts before the courts. (b) To pay debts and receive payments due of all types, including those with origin in national, regional, provincial or municipal authorities. (c) To prepare and execute all types of contracts, deeds and documents, public or private, of any type, in relation to capital assets, livestock, merchandise, insurance policies, transport and real estate, including the purchase, subscription, sale or exchange of all types of capital assets, both public and private, both Spanish and international. (d) To request, obtain, acquire, grant and exploit patents, brands, privileges, licences and administrative concessions, as well as performing any transactions regarding industrial property.

(e) To convene the General Shareholders' Meeting and execute and ensure compliance with resolutions adopted by the meeting.

(f) To intervene in tenders and auctions, both judicial and extrajudicial.

(g) To establish, monitor, liquidate, settle, and cancel current accounts, savings accounts and credit accounts with the Bank of Spain, and with any other banking organisation, savings bank, companies or other entities both in Spain and abroad.

(h) To draw, endorse, accept, take, discount, negotiate and protest bills of exchange, financial and credit bills, cheques, promissory notes and money orders.

(i) To request and obtain from banking, credit and financial organisations all types of credits, including mortgages, subscribing the appropriate policies and documents and employing and repaying the funds obtained.

(j) To grant guarantees and deposits by any means for the obligations of third parties.

(k) To provisionally approve inventories, balances and the Annual Report due for presentation to the General Shareholders' Meeting and in the public offices required by tax laws, as well as the distribution of profits.

(l) To appoint and remove executives, employees and dependents of the Company, and establish categories, salaries and other remuneration that they must receive within applicable market or labour regulations.

(m) To make and liquidate deposits of all kinds, including with banking or credit organisations, even the Bank of Spain and the Spanish General Savings Deposit.

(n) To confer and revoke powers for court lawyers and attorneys and of any third parties so that they may represent the Company in all types of cases and, in particular, so that they may intervene in civil, criminal, administrative, economic administrative, litigious-administrative, governmental and labour jurisdictions.

(o) To appoint one or more proxies, that may also be called Director, Manager or similar, if so authorised, to exercise the powers defined in each case, individually or jointly, and which may be delegated.

(p) To decide the establishment of subsidiaries, agencies, deposits, delegations, and representations.

(q) To accept, when appropriate, the resignation of the members that form part of the Board.

(r) To set up, modify and wind-up all types of civil law and commercial companies, to intervene and vote in their General Shareholders' Meetings and accept or designate positions in the management and administrative bodies.

The Board of Directors has delegated the aforementioned powers in favour of Mr. Gabriel Escarrer Jaume by means of the Board decision dated June 8, 2017, and granted before the Notary Public on June 23, 2017 with number 2008 of protocol, duly registered in the Mercantile Registry of Mallorca.

C.1.10 Identify, where appropriate, any members of the Board who are also directors, representatives of directors or officers in other companies that belong to the group of the listed company:

Name or corporate name of director	Corporate name of the group company	Position	Does the Director have executive functions?
Gabriel Escarrer Jaume	SOL MELIA VACATION NETWORK ESPAÑA S.L.	Chairman of the Board of Directors Joint Chief Executive Officer	Yes
Gabriel Escarrer Jaume	SOL MELIA VACATION CLUB ESPAÑA S.L.	Chairman of the Board of Directors Joint Chief Executive Officer	Yes
Gabriel Escarrer Jaume	SECURI SOL S.A.	Chairman of the Board of Directors General representative	Yes
Gabriel Escarrer Jaume	IDISO HOTEL DISTRIBUTION S.A.	General representative	Yes
Gabriel Escarrer Jaume	SOL MELIA FRANCE S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	MADELEINE PALACE S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL ROYAL ALMA S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL METROPOLITAN S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL FRANÇOIS S.A.S.	Chairman	Yes

Gabriel Escarrer Jaume	HOTEL COLBERT S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	HOTEL ALEXANDER S.A.	Chairman	Yes
Gabriel Escarrer Jaume	CADSTAR FRANCE S.A.S.	Chairman	Yes
Gabriel Escarrer Jaume	SOL MELIA LUXEMBOURG, S.À R.L.	Director	No
Gabriel Escarrer Jaume	MELIÁ HOTELS INTERNATIONAL UK.	Manager	Yes
Gabriel Escarrer Jaume	LONDON XXI.	Manager	Yes
Gabriel Escarrer Jaume	LOMONDO LTD.	Manager	Yes
Gabriel Escarrer Jaume	HOGARES BATLE S.A.	Chairman	Yes
Gabriel Escarrer Jaume	DESARROLLOS SOL S.A.	Chairman	No
Gabriel Escarrer Jaume	INVERSIONES AREITO,S.A.	Joint Administrator	Yes
Gabriel Escarrer Jaume	HOTELES SOL MELIÁ S.L	Director	No
Gabriel Escarrer Jaume	SOL MELIÁ GREECE.	Director	Yes
Gabriel Escarrer Jaume	SOL MELIA ITALIA, S.R.L.	Sole Administrator	Yes
Gabriel Escarrer Jaume	INMOTEL INVERSIONES ITALIA S.R.L.	Sole Administrator	Yes

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Gabriel Escarrer Jaume	ADPROTEL STRAND, S.L.	Director (Chairman of the Board of Directors)	No
Gabriel Escarrer Jaume	ALTAVISTA HOTELERA S.L	Director (Chairman of the Board of Directors)	No
Gabriel Escarrer Jaume	AYOSA HOTELES S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	EVERTMEL,S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	GESTIÓN HOTELERA TURÍSTICA MESOL, S.A.	Sole Administrator	Yes
Gabriel Escarrer Jaume	KIMEL MCA, S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	MONGAMENDA, S.L.	Director CO-Chief Executive Officer	No
Gabriel Escarrer Jaume	PRODIGIOS INTERACTIVOS, S.A.	Director (Chairman of the Board of Directors) Chief Executive Officer	Yes
Gabriel Escarrer Jaume	TENERIFE SOL S.A.	Director (Chairman of the Board of Directors) Chief Executive Officer	Yes
Gabriel Escarrer Jaume	DESARROLLOS HOTELEROS SAN JUAN, B.V.	Director	No
Gabriel Escarrer Jaume	IMPULSE HOTEL DEVELOPMENT B.V.	Director (Chairman of the Board of Directors)	No
Gabriel Escarrer Jaume	MARKSERV B.V.	Director	No
Gabriel Escarrer Jaume	MELIA INVERSIONES AMERICANAS N.V,	Director CO- Chief Executive Officer	No
Gabriel Escarrer Jaume	SAN JUAN INVESTMENTS, B.V.	Director	No

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Gabriel Escarrer Jaume	SOL GROUP, B.V.	Director	No
Gabriel Escarrer Jaume	SOL MANINVEST,B.V.	Director	No
Gabriel Escarrer Jaume	SOL MELIA EUROPE, B.V.	Director CO- Chief Executive Officer	No
Gabriel Escarrer Jaume	SOL MELIA INVESTMENT, N.V.	Director	No
Gabriel Escarrer Jaume	FARANDOLE B.V.	Co-director	No
Gabriel Escarrer Jaume	COLÓN VERONA S.A.	Chairman of the Board of Directors	No
Gabriel Escarrer Jaume	APARTOTEL S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Gabriel Escarrer Jaume	INVERSIONES Y EXPLOTACIONES TURISTICAS, S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Gabriel Escarrer Jaume	REALIZACIONES TURISTICAS, S.A.	Chairman of the Board of Directors/Chief Executive Officer	Yes
Gabriel Escarrer Jaume	SOL MELIA BALKANS EAD	Manager, Member of the Board of Directors	No
Gabriel Escarrer Jaume	CASINO TAMARINDOS, S.A.	Chairman of the Board of Directors	No
Gabriel Escarrer Jaume	INVERSIONES HOTELERAS LA JAQUITA, S.A.	Chairman of the Board of Directors	No
Gabriel Escarrer Jaume	DORPAN, S.L.U.	Chairman of the Board of Directors + General attorney	Yes
Gabriel Escarrer Jaume	HOTELPOINT, S.L.	Chairman of the Board of Directors	No

Gabriel Escarrer Jaume	SOL MELIA HOTEL MANAGEMENT (SHANGHAI) Co. Ltd.	Manager	No
Gabriel Escarrer Jaume	PT SOL MELIA INDONESIA	Chairman manager	No
Gabriel Escarrer Jaume	OPERADORA COSTARISOL	Secretary	No
Gabriel Escarrer Jaume	MELIÁ HOTELS USA, LLC	Manager	No
Gabriel Escarrer Jaume	BISOL VALLARTA S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	CALA FORMENTOR S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	CARIBOTELS DE MEXICO, S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	CORP. HOT. HISP. MEXICANA S.A. de C.V.	Chairman	No
Gabriel Escarrer Jaume	OPERADORA MESOL, S.A. DE C.V.	Chairman	No
Gabriel Escarrer Jaume	DETUR PANAMA S.A.	Manager	No
Gabriel Escarrer Jaume	SOL MELIA PERU, S.A.C	Chairman	No
Gabriel Escarrer Jaume	EL RECREO PLAZA & CIA,C.A.	Manager	No
Gabriel Escarrer Jaume	INMOBILIARIA DISTRITO COMERCIAL	Chairman	No
Gabriel Escarrer Jaume	INVERSIONES INMOBILIARIAS I.A.R.1997 C.A.	Chairman	No

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Remarks

C.1.11 List, where appropriate, any legal-person directors or representatives of legal-person directors of your company, who are members or representatives of legal-person members of the Board of Directors of other companies listed on official securities markets other than group companies, who have communicated that status to the company:

Name or corporate name of director	Name of listed company	Position
Mrs. Carina Szpilka Lázaro	Grifols S.A.	Director
Mr. Fernando D'Ornellas Silva	Prosegur S.A.	Director
Mr. Francisco Javier Campo García	Bankia S.A.	Director
Cristina Henríquez de Luna Basagoiti	Applus Services, S.A.	Director

Remarks
Mr. Juan Arena de la Mora was also director of Almirall S.A. until 25 February 2019.

C.1.12 Indicate and, where applicable, explain whether the company has established rules on the maximum number of boards on which its directors may hold seats, identifying, where appropriate, where this is regulated:

YES ☐ NO ☒

Explanation of the rules and identification of the document where this is regulated
The Company's Selection Policy for Directors establishes that the procedures for the selection of the members of the Board of Directors, as well as the proposals for appointment, ratification or re-election must be based on a prior and individualised analysis which shall meet, among others, the following guiding principle: "The time available for the potential candidate to properly perform his/her duties which guarantee added value to the Company's bodies."

C.1.13 State the overall remuneration of the Board of Directors:

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Board remuneration in financial year (thousand euros)	3,398.00
Amount of vested pension interests for current directors (thousand euros)	-
Amount of vested pension interests for former members (thousand euros)	-

Remarks

C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name or corporate name	Position(s)
Mr. Gabriel Cánaves Picornell,	Chief Human Resources Officer
Mr. Mark Maurice Hoddinott	Chief Real Estate Officer
Mrs. Pilar Dols Company	Chief Financial Officer
Mr. Juan Ignacio Pardo Garcia	Chief Legal & Compliance Officer
Mr. Andre Philippe Gerondeau	Chief Operating Officer
Mr. Jose Luis Alcina Jaume	Internal Audit VP

Total senior management remuneration (thousand euros)	4,837

Remarks

C.1.15 State whether the regulations of the Board have been amended during the financial year:

YES ☐ NO ☒

Description of amendments
The Board of Directors of the company, in accordance with article 528 of the Law on Capital Companies and articles 3 and 4 of the Regulations of the Board of Directors, has proceeded, during the year 2019, to the modification of articles 14 and 15 of the Regulations of the Board of Directors, corresponding to the "Auditing and Compliance Committee" and the

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"Appointments and Remuneration Committee", based on Recommendations number 50 and 53 of the Unified Code of Good Government for Listed Companies.

This modification was approved by the Board of Directors meeting on April 4, 2019; having been registered in the Mercantile Registry of Mallorca on April 26, 2019 in sheet PM-22603, Volume 2657, Folio 21, inscription 147. For this purpose, the Board of Directors prepared the corresponding informative document, on the modifications adopted in the Regulations of the Board of Director, which was presented to the General Meeting of Shareholders held on June 18 2019, within its Sixth Agenda Item.

The wording of articles 14 and 15 of the Regulations of the Board of Directors, corresponding to the "Auditing and Compliance Committee" and the "Appointments and Remuneration Committee" is as follows:

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/MHI_Reglamento%20del%20Consejo_ENG%20(2019).pdf

C.1.16 Specify the procedures for selection, appointment, re-election, and removal of directors. List the competent bodies, steps to follow and criteria applied in each procedure.

According to Article 15 of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must define and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates, proposing to the Board as appropriate the appointment of independent directors as well as reporting proposals for other directors so that the Board may proceed with the appointment (in case of co-optation) or submit the decision to the General Shareholders' Meeting.

Directors are appointed for a period of four years and may be re-elected once or several times for periods of equal duration.

With regard to the removal of directors, the procedures provided for in current legislation as well as in the Company's Bylaws, are followed.

The criteria applied by the Company in each procedure are described in the Selection Policy for Directors, approved by the Board of Directors on 27 February 2017, and which is available on the company's website. Among others, these criteria include:

- An analysis of profiles and professional skills of Directors who are already members of such decision-making body.

- The maintenance of a proper balance between the different experience and know-how the Directors contribute to the Company and its Group.

- An analysis of potential situations of conflict, prohibition or incompatibility.

- The assessment of potential candidates under the criteria of equality and objectivity, avoiding any kind of implicit bias that may involve discrimination.

- The time that potential candidates may be available.

- The maintenance of a proper balance between the different categories of directors.

- The trend towards the progressive increase of the number of women on the Board of Directors, always based on an unbiased assessment of skills, profiles, know-how, experiences and professional abilities.

C.1.17 Explain the extent to which the annual assessment of the Board has given rise to significant changes in its internal organisation and to procedures applicable to its activities:

Description of changes
Throughout the year 2018, the Board of Directors has monitored the actions and organisational changes at the highest level, which were announced and implemented in 2017. Such actions and changes have not given rise to significant changes in the internal organisation or to the usual procedures. Likewise, the Board of Directors, through the Auditing and Compliance Committee, has driven several initiatives which involve a continuous adaptation of the information reported to the Board of Directors. The aim of these initiatives is to ensure the dynamic evolution of financial and non-financial reporting, including supervision and monitoring of the strategic objectives of the Company and its main risks.

Describe the assessment process and the areas assessed by the Board of Directors with the help, if any, of external advisors, regarding the operation and composition of the Board and its committees and any other area or aspect that has been assessed.

Description of the assessment process and the assessed areas
The Directors have carried out the assessment for 2019, by completing the relevant assessment questionnaires.

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The main areas that have been assessed are:

a) Regarding the Board:

- Operation of the Board
- Composition/Remuneration of the Board
- Information/Training of the Board
- Organisation
- Culture of the Board
- Committees of the Board
- Other aspects

b) Regarding the Chief Executive:

- Strategic vision and leadership
- Achievement of results
- Talent management
- Management style
- Relationship with the Board
- Innovation
- Culture

The questions include an extra field for Directors to add comments and/or suggestions as well as other issues to those raised that may improve the operation of the Board.

The results of these assessments are analysed by the Appointments and Remuneration Committee and, subsequently, they are presented by its Chairman to the Board of Directors in order to hold discussions and propose improvements, as appropriate.

The assessment carried out during 2019 has been carried out without the help of an external consultant, as it is foreseen that this system will be used every three years, as established in the recommendations of the Unified Code of Good Government.

C.1.18 Describe, in those years in which the external advisor has participated in the assessment, the business relationships that the external advisor or any group company maintains with the company or any company in its group.

N/A

C.1.19 Indicate the circumstances under which directors are required to resign.

Directors' duties are regulated in Chapter VIII of the Regulations of the Board, including the obligation to act with the proper care of a dedicated professional and loyal representative, and in accordance with any other standard of diligence as required by law. In particular, Article 29

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of the Regulations of the Board establishes 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.

Failure to comply with any of these duties or obligations shall therefore be considered grounds for dismissal or resignation, as the case may be, of a Director.

C.1.20 Are qualified majorities, other than those established by law, required for any specific decision?

YES ☐ **NO ☒**

If so, describe the differences.

Description of differences

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

YES ☒ NO ☐

Description of requirements
According to Article 33.2 of the Bylaws, in order for a Director to be appointed as Chairman or Vice-Chairman of the Board of Directors, at least one of the following conditions must be met: a) to have formed part of the Board of Directors for at least the THREE (3) years preceding the date of said appointment; or b) to have previously held the position of Chairman of the Board of Directors, regardless of the duration of the term of office as Director. If a Director is appointed as Chairman or Vice-Chairman by a unanimous decision of SEVENTY-FIVE PERCENT (75%) of the members of the Board of Directors, the above-mentioned conditions will not be applied. Likewise, re-election as a Director of any members of the Board who hold the positions of Chairman and Vice-Chairman and, where appropriate, Coordinating Director, provided the legal requirements are met, will imply the automatic continuity in those positions.

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C.1.22 State whether the Bylaws or the Regulations of the Board establish any limit as to the age of directors:

YES ☐ **NO ☒**

Remarks

C.1.23 State whether the Bylaws or the Regulations of the Board establish any term limits for independent directors other than those required by law:

YES ☐ **NO ☒**

Additional requirements and/or maximum number of term limits

C.1.24 Indicate whether the Bylaws or the Regulations of the Board establish specific proxy rules for votes at Board meetings, how they are to be delegated and, in particular, the maximum number of proxies that a director may hold, as well as whether any restriction has been established regarding the categories of directors to whom proxies may be granted beyond the restrictions imposed by law. If so, briefly describe such rules.

Remarks
Pursuant to Article 18.3 of the Regulations of the Board, representation by proxy shall be made in writing through a letter addressed to the Chairman for each particular meeting, including the relevant instructions, and must be in favour of another member of the Board. External Independent Directors may only be represented by another External Independent Director. There is no maximum number of proxies provided per director.

C.1.25 Indicate the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Proxies granted with specific instructions shall be counted as attendance

Number of Board meetings	7

Number of Board meetings without the chairman	0

Remarks
During the year 2019, a total of 7 meetings of the Board of Directors have been held, six (6) of them face-to-face and one (1) in writing and without a session.

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings
0

Remarks
The Coordinating Director (Mr Fernando d'Ornellas) is also Chairman of the Auditing and Compliance Committee, and a member of the Appointments and Remuneration Committee. The sole Executive Director of the company (Mr Gabriel Escarrer Jaume) is not part of these commissions, although he occasionally attends as a guest to the Auditing and Compliance Committee. Therefore, the Coordinating Director meets with some external directors without the assistance of the Executive Director, although such meetings take place within the framework of the Commissions sessions.

Indicate the number of meetings held by each committee of the Board during the year:

Committee	No. of meetings
Number of meetings held by the Auditing and Compliance Committee	10
Number of meetings held by the Appointments and Remuneration Committee	8

C.1.26 Indicate the number of meetings held by the Board of Directors during the year and the data on attendance by its members.

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Number of meetings with on-site attendance of at least 80% of directors	6
% of on-site attendance over total votes during the year	87.87%
Number of meetings with on-site attendance or representations by proxy made with specific instructions of all directors	7
% of votes cast with on-site attendance and representations by proxy made with specific instructions of all directors	100%

Remarks
During the year 2019, a total of 7 meetings of the Board of Directors have been held, six (6) of them face-to-face and one (1) in writing and without a session.

C.1.27 State whether the individual and consolidated financial statements submitted to the Board for approval are previously certified:

YES ☒ NO ☐

Identify, where applicable, the person(s) who certified the individual and consolidated financial statements of the company for preparation by the Board:

Name	Position
Mrs. Pilar Dols Company	Chief Financial Officer
Mr. Gabriel Escarrer Jaume	Vice Chairman and CEO

Remarks

C.1.28 Explain any measures, if any, established by the Board of Directors to prevent the individual and consolidated financial statements prepared by the Board from being submitted to the General Shareholders' Meeting with a qualified audit report.

The Auditing and Compliance Committee's duties include liaising with the external auditors to receive information related to the account auditing process and to have available all the communications laid down in auditing laws and technical auditing standards, conducting direct monitoring with the external auditors. In doing so, the Committee holds several meetings with the auditors throughout the year in order to monitor the performance of their work and to detect and resolve any incidents that may affect the annual accounts.

C.1.29 Is the secretary of the Board also a director?

YES ☒ NO ☐

If the Secretary is not a director, fill in the following table:

Name or corporate name of the secretary	Representative

Remarks
Without prejudice to what is indicated in this question, the Company also has a Deputy Secretary who is not a member of the Board of Directors.

C.1.30 State, if any, the specific measures established by the company to ensure the independence of its external auditors, as well as, where appropriate, the measures established to ensure the independence of financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

The Auditing and Compliance Committee's duties include liaising with the external auditors in order to receive information regarding such issues as may jeopardise the independence of the latter.

In fact, there is a direct relationship between the members of the Committee and the external auditors, with the latter attending the meetings held by this Committee in person. As a general rule, in each meeting of the Auditing and Compliance Committee, the Directors meet with the external auditor without the presence of the managers of the Company.

Likewise, the Auditing and Compliance Committee annually prepares a report that deals with the independence of the external audit.

Regarding the measures established to ensure the independence of financial analysts, it is worth noting that the company provides information requested by any analysts with no discrimination and offering the maximum transparency, the same thing happens in carrying out road shows.

Likewise, at all times during the information exchange process, the Company avoids influencing the opinions or points of view of the analysts.

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According to Article 34.4 of the Regulations of the Board of Directors, under no circumstances will any information be provided to financial analysts that could put them in a privileged or advantageous position compared to the rest of the shareholders.

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming auditor and outgoing auditor:

YES ☐ **NO ☒**

Outgoing Auditor	Incoming Auditor
PricewaterhouseCoopers, S.L.	Deloitte, S.L.

Remarks
In the General Shareholders' Meeting held on 6 June 2018, in line with the proposal the Auditing and Compliance Committee made to the Board of Directors, it was agreed to appoint the firm Deloitte, S.L. as the external auditor for the verification of the annual accounts and the management report of the Company and its consolidated Group for years 2019, 2020 and 2021.

If there has been any disagreement with the outgoing auditor, provide an explanation thereof:

YES ☐ **NO ☒**

Explanation of disagreements

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its group and, if so, the fees paid, and the corresponding percentage of total fees invoiced to the company and/or its group:

YES ☒ NO ☐

	Company	Group companies	Total
Amount invoiced for non-audit services (thousand euros)	150.28	48.50	198.78

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Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	39.55%	7.03%	18.58%

Remarks
Highlight that the Company has in place an approval process for services other than auditing provided by the statutory auditor. This process includes a list of prohibited services, as well as a procedure for the approval of services classified as permitted. Likewise, the list of services other than auditing, with the breakdown of fees, is presented annually to the Auditing and Compliance Committee. The said process was revised and updated by the Auditing and Compliance Committee during the year 2019.

C.1.33 State whether the auditor's report on the annual accounts for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders by the chairman of the Audit Committee to explain the content and scope of such qualified opinion or reservations.

YES ☐ NO ☒

Explanation of reasons

C.1.34 State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated annual accounts of the company. Likewise, state the number of years audited by the current audit firm as a percentage of the total number of years that the annual accounts have been audited:

	Individuals	Consolidated
Number of consecutive years	1	1

	Individuals	Consolidated

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Number of years audited by current audit firm/Number of years the company or its group have been audited (%)	0.043%	0.043%

Remarks

C.1.35 Indicate and, if applicable, give details of any procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time:

YES ☒ NO ☐

Explanation of procedure
Although according to Article 17 of the Regulations of the Board, meetings shall be called a minimum of three days before the day on which the meeting is to be held and the call to meeting shall include the session's agenda along with the relevant information properly summarised and prepared, unless there are exceptional circumstances, the information shall be made available to Directors (8) eight days before the meeting is held. Furthermore, Article 22 of the Regulations of the Board establishes that Directors have the broadest powers to receive information on any aspect of the Company, to examine its books, records and documents and other evidence of the company's transactions and to inspect all its facilities. Exercise of the powers of information shall be channeled through the Chairman or the Secretary of the Board of Directors, who will attend to the requests of the director by providing him/her with the information directly, offering appropriate interlocutors at the appropriate level in the organisation or establishing such measures so as to enable him/her to conduct the desired examinations in situ.

C.1.36 State whether the company has established rules whereby directors must provide information and, if applicable, resign, in circumstances that may damage the company's standing and reputation. If so, provide details:

YES ☒ NO ☐

Explain the rules

Article 31.2 of the Regulations of the Board expressly establishes that Directors should inform the Board, and where applicable, resign under any circumstances that may jeopardise the company's standing and reputation and shall in any event report any criminal charges brought against them, and the status of any subsequent court or legal proceedings, and the Board of Directors shall examine the case as soon as possible and decide, in consideration of the specific circumstance, whether or not the Director in question should remain in office. Likewise, in section 3.1.37 of this report it has been reported that no member of the Board of Directors has informed the company that it has been prosecuted or has been ordered to open a trial for any of the crimes indicated in Article 213 of the Capital Companies Law.

C.1.37 State whether any member of the Board of Directors has notified the company that he or she has been tried or notified that legal proceedings have been filed against him or her, for any offences described in Article 213 of the Corporate Enterprises Act:

YES ☐ **NO ☒**

Name of director	Criminal proceedings	Remarks

Indicate whether the Board of Directors has examined the case. If so, provide a justified explanation of the decision taken as to whether the director in question should continue to hold office or, if applicable, describe any actions taken or to be taken by the Board up to the date of this report, or which it intends to take.

YES ☐ **NO ☒**

Decision/action taken	Justified explanation

C.1.38 List the significant agreements entered into by the company that come into force, are amended or are terminated in the event of a change of control of the company following a takeover bid, and their effects.

N/A

C.1.39 Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing compensation or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Beneficiary: Chief Executive Officer

Description of the agreement:

In 2015, the Chief Executive Officer signed a contract with the Company for the provision of services pursuant to Article 249 of the Corporate Enterprises Act, which, in relation to compensation, provides:

- **Post-contract non-compete agreement,** for one year, with the Company's commitment to pay the Chief Executive Officer one year's total annual remuneration under the conditions in force at the time of termination of the contract.

  If the Chief Executive Officer breaches the post-contract non-compete obligation, he must return to the Company any amounts received in this connection and compensate the Company with an amount equivalent to 150% of the amount received in this connection.

- **Termination of contract**: termination of service of the Chief Executive Officer shall take place in the cases contemplated in the Corporate Enterprises Act, in which case he must place his position at the disposal of the Board of Directors and, where appropriate, execute immediately his dismissal from office.

- **Compensation:** The Chief Executive Officer shall be compensated with an amount equal to one year's total annual remuneration, under the following circumstances:

- **Unilateral termination by the Chief Executive Officer**: due to serious and negligent breach by the Company of its contractual obligations under the contract or to a substantial modification of his functions, powers or service conditions for reasons not attributable to the Chief Executive Officer.

- **Unilateral termination by the Company:** not due to a serious and negligent breach by the Chief Executive Officer of the duties of loyalty, diligence or good faith or any of those established by law, according to which he must perform his function.

Also, following the recommendations of the United Code of Good Governance of the CNMV, during the year 2019 the aforementioned service provision contract was modified, in order to include a clawback clause.

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State if these contracts have been communicated to and/or approved by the management bodies of the company or its group. If so, specify the procedures, expected events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	Yes	No

	YES	NO
Are these clauses notified to the General Shareholders' Meeting?	Yes	

Remarks

C.2. Committees of the Board of Directors

C.2.1. Give details of all committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors that comprise them:

AUDITING AND COMPLIANCE COMMITTEE

Name	Position	Category
Mr. Juan Arena de la Mora	Member	External Independent Director
Mr. Francisco Javier Campo García	Member	External Independent Director
Mrs. Carina Szpilka Lázaro	Member	External Independent Director
Mr. Fernando D'Ornellas Silva	Chairman	External Independent Director

% of proprietary directors	0%
% of independent directors	100%
% of other external	0%

Remarks

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The Board of Directors in its session held on June 18, 2019, unanimously adopted the appointment of Mr Francisco Javier Campo García as a member of the Auditing and Compliance Committee.

During fiscal year 2019, Mr Juan Vives Cerdá and Mr Alfredo Pastor Bodmer, ceased as members of the Auditing and Compliance Committee for the expiration of their mandate as directors.

Explain the functions, including, where appropriate, functions other than those provided for by law, exercised by this committee, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the bylaws or other corporate resolutions.

The functions attributed to the Auditing and Compliance Committee are regulated in Article 14 of the Regulations of the Board of Directors, and can be classified as follows:

(a) In relation to the external auditor

- Submit proposals to the Board for the selection, appointment, re-election and replacement of the Accounts Auditors, taking responsibility for the selection process, in accordance with what is established in current regulations, as well as the conditions of hiring and obtaining norms from it, information on the audit plan and its execution, in addition to preserving its independence in the exercise of its functions.
- Maintain a relationship with the External Auditors to receive information on those issues that may pose a threat to their independence and any others related to the process of developing the Audit of Accounts, and where appropriate, the authorization of services other than audit services in accordance with current legislation, as well as those other communications provided for in the Accounts Audit legislation and in the Technical Audit norms.
- Serve as a communication channel between the Board of Directors and the auditors (internal and external), evaluate the results of each audit and the management team's responses to its recommendations. Ensure that the External Auditor holds, at least once a year, a meeting with the Board of Directors in full to inform him of the work done.
- Receive annually from the External Auditors the declaration of their independence in relation to the entity or entities linked to it directly or indirectly, as well as the detailed and individualized information of the additional services of any kind provided and the corresponding fees received from these entities by the External

Auditor or by the persons or entities linked to it in accordance with the provisions of the applicable regulations.

- Issue annually, prior to the issuance of the Audit Report, a report expressing an opinion of the independence of the Auditor, in accordance with the Law.
- Supervise compliance with the Audit Contract.

(b) Monitoring of the effectiveness of the Company's internal control and risk management systems

- Supervise the effectiveness of the internal control of the Company, Internal Audit services and risk management systems, including tax, as well as discuss with the Accounts Auditor the significant internal control weaknesses detected in the development of the audit, all this without breaking its independence, being able to present recommendations or proposals to the Board of Directors and the corresponding deadline for compliance.
- Supervise and evaluate non-financial risks: operational, technological, legal, social, environmental, political and reputational, without prejudice to the functions entrusted and the work to be performed by the Appointments and Remuneration Committee in this area.

(c) Monitoring financial and non-financial information:

- Supervise the process of preparing and presenting mandatory financial and non-financial information and submit recommendations or proposals to the Board of Directors to safeguard their integrity.
- Review the designation or replacement of those responsible for the processes of financial, non-financial information, internal control systems of the Company and those of risk management. Ensure that the financial and non-financial information offered to the markets is prepared in accordance with the same principles, criteria and professional practices with which the Annual Accounts are prepared.
- Review the Accounts of the Company (including the Annual Corporate Governance Report) and monitor compliance with legal requirements and the correct application of generally accepted accounting principles, with the direct collaboration of External and Internal Auditors.
- Inform the Board of Directors about the related financial and non-financial information that the Company must publish periodically, ensuring its clarity, truthfulness and integrity.

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- Verify and coordinate the process of reporting non-financial information, in accordance with applicable regulations and international reference standards, without prejudice to the functions specifically entrusted and the work to be performed in this regard by the Appointments and Remuneration Committee in this subject.

(d) Monitoring of the preparation and presentation of regulated financial information

- Ensure the independence and effectiveness of the Internal Audit, Risk and Compliance functions.
- Supervise and evaluate the performance of the Internal Audit, Risks and Compliance areas, whose managers will report directly to the Commission on the incidents presented in their annual work plan and submit a report of activities at the end of each year.
- Review the annual working plan of the said areas and carry out the follow up of the same.
- Approve the annual budget of the Internal Audit, Risk and Compliance departments.
- Supervise the selection, appointment and dismissal of the person responsible for the Internal Audit, Risk and Compliance functions.
- Supervise the operation of the Company's Wistleblower channel (from employees and suppliers), receiving periodic reports regarding the operation of the channel, and in particular, on the number of complaints received, their type, results and proposals for action.

(e) **General Shareholders Meeting**:

- Report to the General Shareholders meeting on the issues raised by the shareholders in the matters of their competence and, in particular, on the result of the audit explaining how it has contributed to the integrity of the financial and non-financial information and the role that the Commission has played in that process.

- Prepare the annual report or report on the operation of the Commission to make it available to shareholders and other groups of interest.

(e) Other functions:

- Examine the compliance with the Internal Rules of Conduct in the Securities Markets, the Regulations of the Board of Directors, internal regulations and, in general, the rules of Corporate Governance of the Company and make the necessary proposals for improvement.

- Inform beforehand, to the Board of Directors of all matters provided for in the Law, the Bylaws and these Regulations and, in particular, on (i) the financial information that the Company must publish periodically; (ii) the creation and acquisition of interests in special purpose entities or domiciled in countries or territories that are considered tax havens,(iii) operations with related parties and (iv) operations of structural and corporate modifications of special relevance.
- Establish and monitor the existence of a crime prevention and detection model.

The activities carried out by the Auditing and Compliance Committee in 2019, are described in the committee's activity report, published on the website of Meliá Hotels International.

Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairman of this committee was appointed.

Name of directors with experience	Mr. Fernando D'Ornellas Silva
Date of appointment of the chairman in office	23 June 2016

Remarks
According to the recommendations of the Uniform Good Governance Code and the Technical Guide 3/2017 of the CNMV, the Chairman of the Committee, Mr. Fernando D'Ornellas Silva, has extensive knowledge and experience in accounting and financial management as well as in audit matters. As for Mrs. Carina Szpilka Lázaro, she has experience in the field of information technologies (IT), and she is the current chairman of the Asociación Española de la Economía Digital (ADigital).

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
Hoteles Mallorquines Consolidados, S.L. (represented by Mrs. Maria Antonia Escarrer Jaume)	Member	External Proprietary Director

Mr. Fernando D'Ornellas Silva	Member	External Independent Director
Mr. Luis María Díaz De Bustamante Y Terminel	Member	External Independent Director
Mr. Francisco Javier Campo García	Chairman	External Independent Director

% of proprietary directors	25%
% of independent directors	75%
% of other external	0%

Comments

Explain the functions, including, where appropriate, functions other than those provided for by law, exercised by this committee, and describe the rules and procedures it follows for its organisation and function. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the bylaws or other corporate resolutions.

The functions attributed to the Appointments and Remuneration Committee are regulated in Article 15 of the Regulations of the Board of Directors, and can be classified as follows:

(a) Appointment and re-election of directors:

- Define and review the criteria to be followed for the composition of the Board of Directors and selection of candidates and in particular, evaluate the competencies, knowledge, capacities and experience necessary in the Board of Directors to define the necessary competences and aptitudes of the candidates that must fill the vacancies.
- Develop and, where appropriate, periodically update a matrix with the necessary powers of the Board that defines the skills and knowledge of the candidates for directors.
- To submit to the Board the proposals for the appointment of Independent Directors so that they may proceed directly to designate them (co-option) or make them their own to submit to the decision of the General Meeting, as well as their re-election or separation by the General Meeting.
- Inform the proposals for the appointment of the remaining directors so that the Board may proceed directly to designate them (co-option) or make their own to submit to the

decision of the General Meeting, as well as their re-election or separation by the General Meeting.

- Propose to the Board of Directors the members that must be part of each of the Committees.
- Propose to the Board of Directors the Policy for the Selection of Directors and verify the compliance annually.

(b) Appointment and removal of senior executives and the basic terms and conditions of their contracts:

- Report any proposals for the appointment or removal of senior executives and the basic terms and conditions of their contracts.

(c) Remuneration policy:

- Propose to the Board the remuneration policy for Directors and Senior Managers or those who perform senior management functions under the direct supervision of the Board, Executive Committees or Chief Executive Officers, as well as individual remuneration and other contractual conditions for Executive Directors, also ensuring their observance.
- Regularly review the remuneration policy to ensure its appropriateness and performance. In particular, periodically review the evaluation of objectives or parameters that are part of the remuneration schemes of the executive director and senior management.
- Ensure the transparency of the remuneration, as well as the inclusion in the Annual Report on the Remuneration of Directors and in the Annual Report of the Corporate Governance information on the remuneration of directors, and sometimes to the Board for the approval of the Annual Report of Remuneration of Directors.

(d) Examination and organization of the succession of the President of the Council and the First Executive and Senior Executives.

- Examine and organize the succession of the President and the Chief Executive of the Company and, where appropriate, make proposals to the Board of Directors so that such succession occurs in an orderly and planned manner.

(e) Evaluation of the Board of Directors and the specialized Committees:

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- Lead the evaluation that periodically, and at least once a year, should be carried out on the structure, size, composition and performance of the Board of Directors and the specialized committees, making the recommendations it deems necessary and appropriate in each case.

- Periodically evaluate, and at least once a year, the suitability of the Board of Directors and its members, and inform the board of directors about it.

(f) Conflicts of interest:

- Report in relation to transactions that imply or may imply conflicts of interest and, in general, about matters related to the duties of directors, in accordance with this Regulation.

- Ensure that any conflicts of interest do not prejudice the independence of the external advice provided to the Commission.

(g) Corporate Responsibility:

- Supervise the Corporate Responsibility Policy, ensuring that it is oriented to value creation.

- Follow up on the strategy and practices of the said corporate responsibility and assess its degree of compliance. The environmental, social and reputational issues, recognition and visibility shall be understood as included in this aspect, as the competence of the Commission.

- Verify and coordinate the process of reporting non-financial information, in accordance with applicable regulations and international reference standards, in relation to the matters indicated in the previous paragraph.

- Receive from the corresponding department, at least once a year and whenever it considers it appropriate for the proper exercise of its functions, information on the responsibility policy and, specifically, on the following topics:

- Positioning of the Company in the existing measuring indexes in terms of sustainability and corporate responsibility.

- Monitoring of participation in institutions within the framework of the Philanthropy Policy.

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(h) Diversity:

- Set the Company's Diversity Policy applied in relation to the Board of Directors, management and specialized commissions, establishing, among others, representation objectives for the least represented sex, as well as developing guidelines on how to achieve the said objective.
- Ensure that in the selection processes diversity is favoured regarding issues such as age, gender, or disability or professional training and experience and do not suffer from implicit biases that may imply any discrimination.

- Supervise and evaluate the relationship processes with the different interest groups within the scope of their competence.
- Inform, beforehand, to the Board of Directors of all matters provided for in the Law, the Bylaws and these Regulations.
- Promote and monitor the training plan of the Board of Directors.
- Prepare the annual report or report on the operation of the Commission to make it available to shareholders and other interest groups.
- Lead the launch of employment climate and quality surveys and monitor the results and action plans.

The activities carried out by the Appointments and Remuneration Committee during fiscal year 2019 are detailed in the commission's activities report, published by Melia Hotels International website.

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors			
	Year 2019	Year 2018	Year 2017	Year 2016
Auditing and Compliance Committee	1 (25%)	1 (20%)	1 (20%)	1 (20%)
Appointments and Remuneration Committee	1 (25%)	1 (25%)	1 (25%)	1 (25%)

Remarks

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C.2.3. Indicate, where appropriate, the existence of regulation of the committees of the board, the place where they are available for consultation, and the modifications that have been made during the year. In turn, it will be indicated if an annual report on the activities of each commission has been voluntarily prepared.

Auditing and Compliance Committee

The composition, functions and performance regime of the Auditing and Compliance Committee of Meliá Hotels International, SA, are regulated in articles 39 Bis of the Bylaws and 14 of the Regulations of the Board of Directors. All this without prejudice to the provisions of the Capital Companies Law and other applicable regulations.

The Auditing and Compliance Committee has prepared and approved its annual report of activities for the year 2019. This report will be published on the corporate website.

Appointments and Remuneration Committee

The composition, functions and performance of the Appointments and Remuneration Committee of Meliá Hotels International, SA, is regulated in articles 39 Ter of the Bylaws and 15 of the Regulations of the Board of Directors. All thus without prejudice to the provisions of the Capital Companies Law and other applicable regulations.

The Auditing and Compliance Committee has prepared and approved its annual report of activities for the year 2019. This report will be published on the corporate website.

Both the Bylaws and the Regulations of the Board of Directors are available on the corporate website of Melia Hotels International SA.

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/Documents/Reglamento_Consejo/MHI_Reglamento%20del%20Consejo_ENG%20(2019).pdf

During fiscal year 2019, articles 14 (Auditing and Compliance Committee) and 15 (Appointments and Remueration Committee) of the Regulations of the Board of Directors have been modified, by agreement of the Board of Directors dated April, 4 2019, also reported within the Sixth point of the Agenda to the General Meeting of Shareholders held on June, 18 2019 by making available to the shareholders the following informative document:

https://www.meliahotelsinternational.com/en/shareholdersAndInvestors/ShareholdersDocs/2019/15.%20MHI_JGA_Documento%20informativo%20modificacion%20Reglamento_ENG.pdf

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D. Linked Operations and Intragroup Operations

D.1. Explain, where appropriate, the procedure and competent bodies for the approval of transactions with related parties and intragroup.

In accordance with art.32.1 of the Regulations of the Board of Directors, the Board must know and authorize any transaction of the Company with its significant shareholders and Directors. Likewise, in accordance with article 32.2 of the Regulations of the Board of Directors, in no case shall the transaction be authorized if a report has not previously been issued by the Auditing and Compliance Committee assessing the operation from the point of view of equal treatment of shareholders and market conditions, establishing art.32.2 of the Regulations of the Board of Directors that the Board will also ensure compliance with the legality and the duties of information and transparency that the Company must comply with regarding the communication of these operations.

D2. Detail those significant transactions by their amount or relevant for their matter carried out between the company or entities of their group, and the significant shareholders of the company.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousand euros)
Tulipa Inversiones 2018, S.A..	Meliá Hotels International, S.A.	Contractual	Reception of Services	317
Tulipa Inversiones 2018, S.A.	Infinity Vacations Dominicana	Contractual	Reception of Services	285
Tulipa Inversiones 2018, S.A.	Desarrolladora Hotelera del Norte	Contractual	Reception of Services	108
Tulipa Inversiones 2018, S.A.	Inversiones Areito S.A.S.	Contractual	Reception of Services	69
Tulipa Inversiones 2018, S.A.	Sol Melia Italia S.R.L	Contractual	Reception of Services	6
Tulipa Inversiones 2018, S.A.	Corporación Hotelera Hispano Mexicana S.A.	Contractual	Reception of Services	28

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Tulipa Inversiones 2018, S.A.	Desarrollos Sol, S.A.S.	Contractual	Operational lease contracts	185
Tulipa Inversiones 2018, S.A.	Desarrollos Sol, S.A.S.	Contractual	Reception of Services	407

Remarks

D.3. State any transactions that are significant because of their amount or relevant because of their subject matter, carried out between the company or its group companies, and the directors or managers of the company:

Name or corporate name of director or manager	Name or corporate name of the related party	Relationship	Type of transaction	Amount (thousand euros)
Mr. Juan Vives Cerdá	Meliá Hotels International, S.A.	Commercial	Provision of services	157.8
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Provision of services	108.24
Mr. Juan Vives Cerdá	Meliá Hotels International, S.A.	Commercial	Receipt of services	3.23
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Receipt of services	15.39

Remarks

D.4 Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, list any intragroup transaction conducted with entities in countries or territories which are considered tax havens:

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Name of the group company	Brief description of the transaction	Amount (thousand euros)
Sol Meliá Funding	Assignment of the customer portfolio of American companies in the vacation club segment to Sol Meliá Funding for its management	-91
Sol Meliá Funding	Modification of the inter-group loan agreement with the parent company, in line with the centralised cash management policy	-5,171

Remarks

D.5 List any material transactions between the company or its group companies and other related parties, not recorded under the previous items.

Name of related party	Brief description of transaction	Amount (thousand euros)

D.6 List the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, senior management or significant shareholders.

Directors are obliged to inform the Company of any situation of direct or indirect conflict which they might have with the interests of the Company, pursuant to Article 28 of the Regulations of the Board of Directors. Likewise, pursuant to Article 15.2. of the Regulations of the Board of Directors, the Appointments and Remuneration Committee must inform the Board of Directors of any transactions that involve or may involve conflicts of interest and propose, if applicable, any measures to be adopted.

D.7 Is there more than one company in the group listed in Spain?

YES ☐ NO ☒

Identify the other companies that are listed in Spain and their relationship with the company:

Identity and relationship with other listed group companies

State if the respective areas of activity and business relationships between the listed companies have been defined publicly and precisely, as well as between the subsidiary and other members of the group:

YES ☐ NO ☒

Describe the possible business relationships between the parent company and the listed subsidiary, and between the subsidiary and the other group companies

Identify the mechanisms established to resolve potential conflicts of interest between the listed subsidiary and other group companies:

Mechanisms established to resolve potential conflicts of interest

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E. Risk control and management systems

E.1 Explain the scope of the Company's Risk Control and Management System, including the system for managing tax risks.

The Control and Risk Management System has not changed compared to previous years. The Company maintains a risk management model based on the Enterprise Risk Management (ERM) COSO II methodology and consists of the following stages:

1. **Identification of relevant risks**, including tax risks, through the compilation of internal and external information.

2. **Evaluation of those risks**, for each of the business areas and support the most relevant risks and obtaining the different Individual Risk Maps.

3.**Response to risk** through the allocation of responsibilities for the most relevant Risks and the definition of action plans to contribute effectively to their management.

4.**Regular monitoring and control** of risks, through indicators defined in respect of most of the relevant risks, the annual update of Risk Maps, and the monitoring of actions designed for their mitigation.

5. **Regular and transparent communication** of the results to Senior Management, the Auditing and Compliance Committee and the Board of Directors, providing feedback and thus contributing to the continuous improvement of the process.

This model works in an integral and continuous way, and allows obtaining the Group Risk Map from the consolidation of the Individual Risk Maps of the different Departments and Business Areas, through the periodic identification by the management team, of the risks that threaten the objective and strategy of the Group (Stage 1), and of the valuation of the said risks in terms of the variables of probability of occurrence and impact in case of materialization (Stage 2). The Group's Fiscal Risk Map is obtained and updated annually.

The company has a Risk Control Analysis and valuation Policy approved by the Board of Directors (last updated in 2017 and accessible through the web: https://www.meliahotelsinternational.com/es).

It is a policy of global application and establishes the basic principles that govern risk management, as well as the general framework for the control, analysis and assessment of risks, including tax. Those basic principles are:

a. Promote an appropriate internal environment and a culture of risk awareness.

b. Adapt the strategy to the risks identified.

c. Ensure an appropriate degree of independence between the areas responsible for risk management (and their elimination or mitigation) and the area responsible for their control and analysis.

d. Identify and evaluate the range of risks that affect the Group, ensuring their correct allocation.

e. Ensure the appropriate management of the most relevant risks.

f. Improve processes and decisions of risk response.

g. Provide integrated responses to multiple risks.

h. Report and communicate with transparency and in a consistent manner the Group's risks to the entire Organisation.

i. Ensure that the Group acts at all times in compliance with current legislation, the Group's internal regulations and the Code of Ethics.

In order to develop this Policy, the Company also has an internal Control and Risk Analysis Standard whose objective is to ensure the operation of the Risk Control System, establishing the rules, guidelines and criteria that the process of updating the Map of Risks within the Group. The Regulations also define the basic responsibilities in risk management of governance bodies and the different areas within the organisation.

In the area of taxation, Meliá Hotels International has in place a Tax Strategy Policy -which has been approved by the Board of Directors. The Fiscal Strategy is governed by the following fundamentals:

- Regulatory compliance and responsible fiscal management.
- Cooperative relations with administrations and control and risk management system.
- Fiscal efficiency, effectiveness defense of our fiscal positions and transparency.

This fiscal strategy is in turn developed by an Internal Standard for Control and Management of Fiscal Risk.

E.2 Identify the company's bodies responsible for creating and executing the Risk Control and Management System, including the system for managing tax risks:

The Board of Directors of Meliá Hotels International has the power to delegate, with the assistance, in those cases where it is necessary, of the Committees or Committees established within the Board, in particular and among others, the identification of the main risks of the Company, in particular, tax risks and those arising from operations with derivatives, and implementation and monitoring of adequate internal control and information systems. (Art. 5 of the Board of Regulations).

On the other hand, the Auditing and Compliance Committee is responsible for supervising internal audit services and the financial reporting and internal control systems processes (Art. 14.2 of the Regulations of the Board).

- The effectiveness of the Internal Control and Risk Management Systems of the company.
- Financial and non-financial information.
- The functions of Internal Audit, Risks and Compliance
- The existence of a Crime Prevention and Detection Model.

The Risk Control & Compliance Department, which depends directly on the Auditing Committee (although integrated into the Legal & Compliance Department) is responsible for ensuring Compliance with both the Policy and the Internal Standard related to Risk Management and Compliance, therefore, ensuring the operation and development of the Group's risk management and Criminal Crime Prevention and Detection models. In addition, it coordinates the process of priorization of investments based on risk criteria.

Therefore, as a second line of defense it has assigned control and analysis functions, being the responsibility of risk management in the first line of defense, that is, directly in each of the different Departments and Business Areas that form the Group.

This Department reports on its activities to the Auditing and Compliance Committee, both periodically and through an Annual Report established for this purpose.

Other bodies/departments with responsibilities and/or functions related to risk management:

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- **Committees:**

Name	Specific risk function
Executive Committee	It has the duty to develop and promote control to improve the quality of corporate governance and risk management in the Group.
Strategic Planning Committee	Its tasks include the monitoring of the results and the level of compliance with the strategic plan and the alignment with the Risk Map
Development Committee	One of its functions consists of preparing and approving risk evaluation sheets for expansion projects.
Investment Committee	It ensures that part of the Group's annual resources is devoted to executing investments classed and prioritised according to risk criteria.

- **Committees:**

Name	Specific risk function
Internal Audit	The department in charge of verifying the proper operation of internal control systems, by ensuring that risks are identified, quantified and controlled, as well as verifying compliance with regulations.
Corporate Governance	Writes and updates the Group's policies and internal regulations
Fiscal	Coordinates and centralizes the actions of control and management of fiscal risks. Periodically reports to the Executive Committee, Auditing and Compliance Committee and to Risk Control regarding the valuation of both fiscal risks and the validity of the controls established in this regard.
Credit and Insurance Management	It manages credit risk and the contracting of insurance policies at corporate level to cover certain risks, always under the guidelines set forth in the Internal Insurance Standard.
Health and Safety	Has responsibilities in matters of health and safety and risk prevention
Global Technical Services and Works	Identify and catalog risks in the facilities based on criteria that allow the priorization of certain investments later and centrally

The bodies/departments responsible for the preparation and implementation of the Risk Management System have available the Code of Ethics, the Whistleblowing Channel, and the Internal Policies and Regulations of Meliá Hotels International as key tools for risk management.

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E.3 State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.

Melia Hotels International is a hotel group with a strong international presence. It develops its activities in various countries and markets, with different socio-economic environments and regulatory frameworks. In this context, it is essential to identify, assess and control the risks that the Group faces in order to achieve its objectives and strategy.

The risks identified are classified in the following categories:

1.Global Risks. They go beyond the capacity for action of the Company itself and economic agents. Some examples are:

- Geopolitical risks
- Natural disasters or catastrophes
- Pandemics or health crisis
- Climate change

The Company has in place the relevant coverages required for this type of events, as well as the action protocols to ensure the health and safety of customers and employees, as well as the normal operation of business and, where appropriate, its protection and restoration.

2.Financial Risks. The risks that make it difficult for the Company to meet its financial commitments or make its assets liquid. For instance:

- Liquidity
- Credit
- Exchange rate
- Investment

The management of these risks lies mainly with the Finance and Administration Department.

3.Business Risks. They arise from changes in the variables inherent to the business, such as:

- Strategy
- Reputation
- Market
- Competition

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4. Operational Risks. The result of possible deficiencies in internal processes, related to:

- Operations
- Clients
- Human Resources
- Equipment
- Internal control and processes

5. Compliance Risks. Risks derived from regulatory changes established both externally and internally, and/or its possible non-compliance. Include among others:

- Legal risks
- Fiscal risks
- Procedural compliance risks (internal and external)

The Company has a set of internal policies and standards, as well as the Code of Ethics and the Whistleblowing Channel which are some of the tools the Group has to mitigate this type of risk, and the Policy on Compliance Approved on by the Board of Directions in 2018, and through which Melia assumes the commitments of:

- Comply with the legislation and regulatory obligations (both internal and external).
- Ensure that internal regulations and actions carried out by its executives and managers are based on ethical standards which are aligned with the Company's principles and values, as well as its Code of Ethics.

6. Information Risks They are mainly caused by the inappropriate use, generation and disclosure of information. Mainly related to:

- Reporting
- Internal and external communication

In relation to fiscal risks and those derived from corruption, depending on the specific risk, they are included in any of the categories indicated above, mainly within the Operational or Compliance Risks.

In this regard, one of Melia Hotels International's global commitments established in its Code of Ethics is to act with rigor and forcefulness against any practice of corruption, fraud or bribery. In this regard, the Group has an Anti-Corruption Policy approved by the Board of Directors in 2017 (available through the corporate website). This Policy establishes the commitments of:

- Act against any practice of corruption, fraud or bribery
- Reject gifts and attention from third parties if they exceed the fair value of mere courtesy
- Not accept from our suppliers any type of financial consideration, gift or invitation that, due to its value, may exceed the symbolic and mere courtesy

Both fiscal risk and corruption are part of the Crime Prevention and Detection Model that the Company has implemented, which was certified in 2019 according to UNE 19601:2017. Within that Model and related to fiscal and corruption risks, the company has implemented a series of controls that are evaluated annually.

The Internal Financial Information Control System (SCIIF) widely developed in section F of this report, deserves special attention.

E.4 Identify whether the company has a risk tolerance level, including tolerance for tax compliance risk.

Tolerance levels according to the different risk categories are established in the Risk Control, Analysis and Assessment Policy, which was updated in February 2017.

The 2 Stage of the model (Risk Assessment) is carried out at residual risk level, i.e., considering existing control mechanisms, and is based on probability and impact variables using quantitative and qualitative criteria (financial, operational, regulatory, reputational, strategic, etc.) whose different ranges constitute a standardised rating scale on the basis of which risks are prioritised and acceptable risk is set.

Once the Group's Risk Map is completed, an analysis is made by risk type at Group Area or Management level. All this information is included in an annual report submitted to the Auditing and Compliance Committee and the Board of Directors.

The Risk Map is aligned with the Strategic Plan and the objective setting process. Every year we aim to ensure that measures for mitigating the most important risks are linked to annual objectives and/or the Strategic Plan. Therefore, monitoring and degree of achievement of objectives, as well as the Strategic Plan also define risk tolerance levels.

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E.5. Identify which risks, including tax compliance risks, have materialised during the year.

Global Risks: Geopolitical Risks

The following risks should be noted:

- **Worsening relations between the governments of the United States and Cuba**. The measures taken by the Trump Administration such as the ban on cruise operations in Cuba, the elimination of travel licenses for educational programs for US citizens known as "People to People", the entry into force of Title III of the Helms Burton Law that has caused reactions among operators such as Trivago, which decided to withdraw numerous hotels from Cuba from its sales channels, and other measures that affected the shipping companies responsible for transporting fuel to Cuba, impacted the operation of the hotels.

  In this context, some representatives of the Company have received a notification from the Department of State of the United States under Title IV of the Helms Burton Act.

- **Brexit**. Throughout the year 2019, the uncertainly generated by Brexit and the possible scenarios that were being considered (with agreement or without agreement) have had an impact on the Spanish hotel sector, which has a strong dependence on the British market.

- **Insecurity in certain destinations**. Destinations such as Mexico and Punta Cana have been impacted by this risk during 2019. In the specific case of Punta Cana, as a result of sensationalist information spread by some Media that was finally discredited it, caused a drop in the North American market confidence in that destination.

Business Risks: Increase in Competition

Emerging destinations such as Turkey, Egypt and Tunisia continue to recover and the German Tour Operators have opted for these destinations in 2019 negatively impacting the air traffic capacity of destinations such as the Canary Islands.

In this regard, both geopolitical risks and increased competition, the Company has implemented different strategies and commercial campaigns in the destinations affected by these risks that have helped to limit the potential impact on the operation.

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E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the Board of Directors responds to any new challenges that arise.

As a first line of defense, each of the different departments/areas (business and support units) are responsible for managing their most important risks, including tax compliance risks. Therefore, this management is fully integrated into the day-to-day activities of the areas themselves and fully aligned with the strategy.

Once the Map of Risks of the Group is updated, the Executive Committee (SET) is whom assigns the responsibilities on the said and that define the action plans to be carried out throughout to mitigate the risks (Stage 3 of the model).

The Risk Control & Compliance Department, together with the affected parties, defines KRI's indicators (Key Risk Indicators) in relation to the main risks identified that allow them to be monitored and controlled (Stage 4 of the model). These indicators are part of the periodic reporting to the Executive Committee.

Within its responsibilities in relation to this matter, the Board of Directors and the Auditing and Compliance Committee are periodically informed about the Company's risk management, which includes, among others, information on the results of the Risk Map, action plans and monitoring and control mechanisms and other possible derivative actions that allows the Board to know and respond to the challenges presented by the Company.

Throughout 2019, after the presentation of the Risk Map to the Board of Directors, reports and in-depth analysis have been reported to the Auditing and Compliance Committee regarding the main risks that they include (Stage 5 of the model):

- A brief analysis of the context and evolution of the risks.
- The indicators defined for control and monitoring.
- The action plans carried out or planned for risk mitigation.

The Risk Control & Compliance Department is responsible for coordinating, supporting, controlling and monitoring all stages of the model and, due to its direct dependence on the Auditing and Compliance Committee, reports on a recurring basis.

F. Internal Risk Control and Management Systems in connection with the Process of Publishing Financial Information (ICFR)

Describe the mechanisms comprising the system of Internal Control over Financial Reporting (ICFR) of your company.

F.1 Company's control environment

Specify at least the following components with a description of their principal features:

F.1.1. The bodies and/or departments that are responsible for (i) the existence and maintenance of an adequate and effective ICFR; (ii) their implementation; and (iii) their supervision.

The Internal Control System of Financial Information (hereinafter "SCIIF") of Melia Hotels International Group is part of its general internal control system and is configured as the set of processes that the Board of Directors, the Auditing and Compliance Committee (hereinafter, "CAC") Senior Management and Group personnel, carry out to provide reasonable assurance regarding the reliability of the financial information published in the markets. The functions and responsibilities attributed to these bodies are the following:

Board of Directors

According to the provisions of article 529 ter of the Corporate Enterprises Act, the Board of Directors is directly responsible for determining the risk control and management policy, including tax compliance risks, and for monitoring internal reporting and control systems. In this sense, Article 5 of the Regulations of the Board of Directors gives the Board the responsibility, among others, to "Identify the most important risks for the Company, especially tax compliance risks and those arising from transactions with derivatives, and the implementation and monitoring of appropriate internal control and reporting systems."

Auditing and Compliance Committee

Article 14 of the Regulations of the Board of Directors gives the Auditing and Compliance Committee the responsibility, among others, to " monitor the effectiveness of internal control in the company, Internal Audit services and risk management systems, including tax compliance risks, as well as discuss with the auditor any significant weaknesses in internal control detected during the audit, all without prejudice to their independence, being able to submit recommendations or proposals to the Board of Directors and the corresponding deadline for compliance." and " monitor and evaluate the non-financial risks (operational, technological, legal, social, environmental, political and reputational) without prejudice of the duties to be carried out by the Appointments and Remuneration Committee (hereinafter "CNR") in this matter and "supervise the preparation and presentation of mandatory financial

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preceptive information and recommendations or proposals to the Board of Directors designed to safeguard its integrity".

Among the attributes of the CAC that affect the Internal Audit Department are (i) ensure the independence and effectiveness of the internal audit function, (ii) approve the budget and annual audit plan (iii) receive periodic information on its activities and (iv) verify that Senior Management takes into account the conclusions and recommendations of its reports.

Senior Management

The Meliá Hotels International Group gives Senior Management the responsibility to design, implement and maintain the ICFR, with each Region or Department responsible for its area of influence. This responsibility thus affects the entire Organisation insofar as the financial information is based on the activity and the information generated by the business areas and by the rest of the support areas.

Internal Audit Department

The Group has an Internal Audit Department that depends hierarchically on the CAC and functionally to the Chief Legal & Compliance Officer, who in turn reports to the Group's Vice President and CEO. Among the responsibilities of the Internal Audit Department is to verify the proper functioning of the SCIIF, keeping the Board of Directors, through the CAC and Senior Management informed on whether the mechanisms enabled effectively mitigate the risk of errors with material impact on the financial information.

In order to ensure the independence of the Internal Audit Department with respect to the operations or areas that they audit and over which have no authority or responsibility, the internal auditors are not assigned other powers and functions other than those of internal audit. With the exception of the internal systems auditor, who in turn is part of the Data Protection Office and combines the two functions.

F.1.2. Whether the following components exist, especially in connection with the financial reporting process:

The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clearly the lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) assurance that adequate procedures exist for proper communication throughout the company.

The definition and review process of the organisational structure is regulated by the Group's Human Resources Regulations and applies to all the Group companies. According to the provisions of such Regulations, which were approved by the Group's Senior Management in January 2012, the Human Resources Department is responsible for ensuring equity, balance and the optimisation of the Company's organisational structure and its periodic review. The heads of the different areas within the Group must ensure that the size of its staff is appropriate and optimal to address the department and business unit operations.

Any change in the organisational structure, as well as the appointment and dismissal of senior executives and their compensation, must be proposed by the Appointments and Remuneration Committee and approved by the Board of Directors.

Likewise, the Organisation area, which reports to the Human Resources Department, is responsible, together with the different areas within the Group, for the analysis and determination of processes, as well as the job descriptions, functions and responsibilities, including positions related to the preparation of financial reporting. The Human Resources Regulations and the Group's organisational chart duly updated are available to employees through the Employee Portal.

With regard to the process of preparing financial information, in addition to detailed organizational charts, there are rules and instructions that establish the specific guidelines and responsibilities of each closure in which the main tasks are explained, both at the corporate level and at the branch level.

Code of conduct, the body approving it, degree of dissemination and instruction, principles and values covered (stating whether it makes specific reference to record keeping and financial reporting), body in charge of reviewing breaches and proposing corrective actions and sanctions.

The Meliá Hotels International Group has several documents relating to conduct of its employees, suppliers and other stakeholders:

Code of Ethics

The Meliá Hotels International Group has a Code of Ethics that was approved by the Board of Directors in 2012 and which has been updated in 2018.

The Code of Ethics is a set of principles of action that organise and give meaning to the values of the Company, helping to understand them and learn how they should be applied and prioritised. The Code of Ethics is the summit of the entire internal regulatory framework. It establishes the bases on which policies, regulations, processes and internal procedures are created.

This Code and all the information necessary for a proper understanding thereof, is available to the Group's employees through the Employee Portal, as well as to any stakeholder through the company's corporate website (www.meliahotelsinternational.com). The Code

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of Ethics is available in the following languages: Spanish, English, German, Italian, Chinese, Vietnamese, Bahasa and Portuguese.

The Code of Ethics is divided into five main areas:

1. Universal values.

2. Values and principles of action.

3. Commitments of Meliá Hotels International.

4. Principles of action for employees.

5. Operating systems.

Corporate values included in the Code of Ethics are proximity, excellence and consistency, commitment to service and innovation

Regarding commitments and principles, the Code of Ethics organises them depending on the different parties concerned: (i) Employees, (ii) Customers,(iii) Shareholders and investors, (iv) Owners and partners, (v) Suppliers (vi) Tourism sector and competition, (vii) Community, (viii) Environment, (ix) Public administrations, (x) Media

In particular, the Code of Ethics includes a section that regulates the principles applicable to the relationship with shareholders and investors, where the following commitments are expressly stated: i) ensuring maximum reliability and accuracy of accounting and financial records, ii) complying with the obligations regarding transparency in the stock markets, iii) maintaining a proactive attitude towards the identification, prevention and mitigation of financial and non-financial risks, and iv) providing the shareholders and investors with transparent, sufficient, accurate, timely and clear financial and non-financial information.

The responsibility for maintaining it operational lies with the Office of the Code of Ethics, which is an body created in order to resolve the queries that may arise in the ordinary operation regarding its content, interpretation and application.

In 2018, a mandatory internal training of three modules was launched, one of them related to the Code of Ethics. This training was sent to all corporate personnel worldwide and to the Directors, Deputy Directors and Headquarters in the different hotels and is still accessible through the Group's internal online training platform.

Supplier's Code of Ethics

In 2018, the Board of Directors approved the Supplier's Code of Ethics, which contains the principles and commitments expected from suppliers, including those providing services. This document reinforces the management and relationship model that the Company aims to promote globally, including the principles and commitments of the Company's Code of Ethics itself, and transmitting our commitments to the supply chain.

Like the Code of Ethics, the Supplier's Code of Ethics is available on the corporate website of the Company. In November 2018, the CEO issued a release informing on its approval and implementation and prompting its dissemination among the suppliers of the Group. Currently, the Supplier's Code of Ethics is available in Spanish and English.

Internal Code of Conduct on Matters Relating to the Stock Market

This code is applicable to all members of the Board of Directors and the recipients defined in the subjective scope of application. Among other things, the code contains the procedures for the treatment of privileged information.

This code is communicated and delivered in writing to the people to whom it applies at the time of their recruitment and/or according to the provisions of the code, at the time they are considered as Recipients. It must be signed and accepted by Recipients. The Chief Legal & Compliance Officer is in charge of monitoring and controlling compliance with such code, reporting any matters in relation thereto to the Auditing and Compliance Committee.

The Internal Code of Conduct in matters related to the stock market has been updated during the year 2019 and is available on the corporate website

Executive Behaviour Regulations and Human Resources Regulations

Meliá also has Executive Behaviour Regulations and Human Resources Regulations, (the first one) regulating the conduct of its executives and (the second one) of the Group's employees, in respect of certain matters.

The Management Behavior Regulations has been updated during the year 2019 and is available on the Employee Portal.

Whistleblowing channel, which makes it possible to report any irregularities of a financial or accounting nature to the audit committee, as well as possible breaches of the code of conduct and irregular activities at the organisation, stating whether reports made through this channel are confidential.

Employee Wistleblowing channel

On the occasion of the Code of Ethics in 2012, the Meliá Hotels International Group set up a Whistleblowing Channel for employees to register any complaints related to non-compliance with the contents of the Code of Ethics, especially business principles, current regulations, potential conflicts of interest or any other issue related to irregularities or potential or existing anomalous situations detected as a result of regulatory breaches, lack of internal control, financial irregularities or situations or events that may require the attention and immediate action of Senior Management. The procedure ensures, in every case, an independent and confidential analysis.

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The channels available for filing complaints are: Intranet (Employee Portal), Internet (corporate website) and regular mail addressed to the Ethics Committee. Likewise, in relation to the confidentiality and in compliance with the provisions of the Law on Data Protection and Digital Rights, anonymous complaints are also accepted in the Complaints Channel.

The Ethics Committee is the independent body in charge of receiving, managing and coordinating the complaints and investigation procedure, being the only body that will have access to the complaints received and thus guaranteeing their confidentiality. The ultimate responsibility lies with the Board of Directors itself, who through the Auditing and Compliance Committee assumes the obligation to implement it.

The operation of the Employee Complaint Channel is described in the Regulations of the Employee Complaint Channel, published on the Employee Portal. At the end of 2019, a campaign to spread the Employee Complaints Channel was launched, which aim to reach all employees of the Group. As part of that campaign, a triptych was prepared in which the most relevant aspects related to it were informed, such as its objective, the types of complaints that can be presented along with some examples therof, the procedure that follow a complaint and the existing mechanisms or ways to file them.

Supplier Complaints Channel

Following the approval of the Supplier Code of Ethics, a Whistleblower Channel was enabled for suppliers through which those behaviors contrary to the aforementioned Supplier Code of Ethics can be communicated or reported. The Supplier Complaints Channel is managed by the Group Ethics Committee and can be accessed through the corporate website (meliahotelsinternational.com) or by regular mail addressed to the Ethics Committee.

The operation of the Suppliers Complaints Channel is described in the Regulations of the Supplier Complaints Channel, accessible by any provider through the platform for accessing the complaints channel.

Training and refresher programmes for personnel involved in the preparation and review of the financial information, as well as in the evaluation of ICFR, which address, at least, accounting rules, auditing, internal control and risk management.

Managers responsible for departments that prepare financial information must ensure that employees working in these areas have access to updated information and appropriate training.

Corporate team members who take part in the preparation and review of financial information receive specific training every year to update their knowledge in different matters related to

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their functions. During the year 2019, they took part in training sessions on the implementation of new international accounting standards, new requirements for the disaggregation of non-financial information and alternative performance measures, workshops on the prevention, detection and investigation of fraud and workshops on the evaluation of business processes.

The departments involved in training programmes and regular updates are: Internal Audit, Risk Control & Compliance, and Global Administration and more than 90 hours a year have been dedicated to such training programmes.

In particular, in 2019, the following training activities have been carried out, among others, (for the purposes of this report, the most relevant ones have been included):

Training activity	Duration (hours)	Date	Provider	Department
Guide for the successful on-going audit implementation (online)	4	05/02/2019	Instituto de Auditores Internos (IA)	Internal Audit
Scorecard and reporting of the internal audit activity	8	21/05/2019	Instituto de Auditores Internos (IA)	Internal Audit
Internal Audit of the non-financial information	16	22/05/219	Instituto de Auditores Internos (IA)	Internal Audit
Course on Cibersecurity and Blockchain	8	12/02/2019	APD	Internal Audit
Criminal Responsibility for senior positions and its consequences in the company	3	07/03/2019	APD	Internal Audit
Course: Due diligence with business partners. 3M case	1.5	23/01/2019	ASCOM	Risk Control & Compliance
Conference: Corporate Responsibility in crimes against workers' rights	2	30/01/2019	ICAIB	Risk Control & Compliance

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Session: Criminal Responsibility of high positions and its consequences on the criminal responsibility of the company	2	07/03/2019	Garrigues - APD	Risk Control & Compliance /
Conference: Active Risk Management: A boost for companies	2	04/04/2019	CAEB	Risk Control & Compliance
Webinar: Crimes and Criminal Responsibilities affecting legal persons based on the recent Organic Law 1/2019	1	08/05/2019	IOC	Risk Control & _Compliance
IV Congress on International Compliance	16	27-28/05/2019	ASCOM	Risk Control & Compliance
I National Congress of Compliance Officers	8	13/06/2019	WCA	Risk Control & Compliance
Digital Management of Technological Risk and Third Parties	4,5	11/07/2019	Deloitte	Risk Control & Compliance
XIV Conference on Risk Management in the Tourism Sector	4	20/09/2019	Wiillis Tower	Risk Control & Compliance
Tax Compliance: fiscal crime and tax risk prevention	2	24/10/2019	Cuatrecasas	Risk Control & Compliance
V National Congress on Compliance	8	12/12/2019	Thomsons Reuters	Risk Control & Compliance
NIIF Meetings 2nd Quarter	4	13/06/2019	EY	Global Administration
NIIF Meetings 3rd Quarter	4	19/09/2019	EY	Global Administration
VI Conference on standardization and Accounting Law	4	07/05/2019	AECA	Global Administration
Course on accounting consolidation	12	20 & 21/06/19	AECA	Global Administration

IFRS 15: One year later	1	26/09/2019	KPMG	Global Administration
IFRS Update end of year	1	21/12/2019	KPMG	Global Adminsitration
RICAC project on revenue from contracts with customers for the sale of goods and services rendered	4	06/06/2019	AECA	Global Administration
Course on ESEF broadcasting	4.5	22/10/2019	CNMV	Global Administration
Practical solutions for NIIF 16 and NIIF 19	5	26/11/2019	EY	Global Administration
ESEF, standard format for EEFF Europe	5	25/11/2019	XBRL Association	Global Administration
Financial Instruments	7	25/06/2019	AECA	Global Administration

The Company also receives external advice to support the knowledge development of the team members involved, and also collaborates with IAI [Internal Audit Institute] and AECA [Spanish Accounting and Business Administration Association] as corporate partner.

Likewise, the Company is subscribed to the following publications:

Subscription	Frequency	Provider
Asociación Española de Contabilidad y Administración de Empresas	Weekly	Asociación Española de Contabilidad y Administración de Empresas (AECA)
Instituto Auditores Internos - Revista IAI (IAI Magazine)	Monthly	Instituto de Auditores Internos (IAI)
Breaking News	Monthly	KPMG

F.2 Risk assessment in financial reporting

F.2.1 Indicate what are the key features of the risk identification process, including error and fraud risk, with regard to:

• Whether the process exists and is documented.

The Meliá Hotels International Group has a global and permanent control, analysis and risk assessment model. This model is formalized in the following documents accessible to all employees through the Employee Portal:

- The Risk Control Analysis and Valuation Policty establishes the basic principles that will govern Risk Management and the general framework for the control, analysis and valuation thereof that the Group faces.
- Risk Control and Analysis Standard and that develops the previous policy and establishes the rules, guidelines or criteria that the Group Risk Maps update process must follow, as well as the operation of other mechanisms or tools used for the prevention and risk management.
- Fiscal Risk Control and Analysis Standard that aims to develop the Risk Analysis and Assessment Policy in the fiscal field.
- Process of elaboration of the Map of Risks that defines the flowchart of tasks for the design of the Map of Risks of the Group.

The Risk Control Department leads the process of periodically updating the Group's Risk Map and ensures the promotion of the definition of actions and assignment of responsibilities in order to mitigate the main risks. In in, the heads of all the departments and areas of the Group participate, identifying and assessing the different risks that affect them, including those related to financial information. Therefore, in addition to the Group's Consolidated Risk Maps, Risk Maps are also obtained from each of the different departments and areas that make up the organization.

• Whether the process covers all financial reporting objectives (existence and occurrence, completeness, valuation, presentation, disclosure and comparability, and rights and obligations), and if it is updated and how often.

In cooperation with the Internal Audit Department, every year the Risk Inventory is reviewed to detect which of the identified risks may affect the financial reporting objectives defined by the CNMV: existence and occurrence, completeness, valuation, presentation, disclosure and comparability.

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Each of the risks identified in the process of preparing the consolidated financial statements is associated with the processes and the different financial lines considered significant.

• A specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

For the purpose of identifying the scope of consolidation at all times, the Annual Accounts and Consolidation Department maintains an up-to-date corporate register that includes all of the Group's interests, whatever their nature.

The procedures for updating the scope of consolidation are defined in a manual which complements the provisions of Corporate and Joint Venture Regulations. The scope of consolidation is updated monthly according to the provisions of the International Accounting Standards and other local accounting regulations.

Regarding the possible existence of complex corporate structures, special purpose vehicles or holding companies, in general, prior approval of the Board of Directors is required for their creation.

Likewise, according to the provisions of the Tax Strategy Policy (as amended by the Board of Directors on 6 June 2018 and available on the corporate website), one of the guiding principles is "to avoid the creation of companies of opaque nature or residing in tax havens as interpreted by the European Union, unless their existence is motivated by economic or business reasons. It is reiterated that "the creation or acquisition of interests in special purpose vehicles or entities residing in countries or territories considered as tax havens" must be approved by the Board of Directors.

• Whether the process addresses other types of risk (operational, technological, financial, legal, reputational, environmental, etc.) insofar as they may affect the financial statements.

The impact that risks may have on financial statements is considered in updating the Risk Map, regardless of the type of risk. The Meliá Hotels International Group has categorised risks as follows:

- Global Risks.
- Financial Risks.
- Business Risks.
- Operational Risks.

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• Compliance Risks.

• Information Risks.

• What governing body of the company is responsible for overseeing the process.

The results obtained in the process of updating the Risk Map are reported to and reviewed by Senior Management, the Auditing and Compliance Committee and the Board of Directors.

F.3 Control activities

Please inform, indicating its main characteristics, if the Company has at least:

F.3.1 Procedures for reviewing and authorising the financial information and description of ICFR to be disclosed to the securities markets, stating who is responsible in each case and the documentation describing the flow of activities and controls (including those addressing the risk of fraud) for each type of transaction that may materially affect the financial statements, including procedures for the closing of accounts and for the separate review of critical judgements, estimates, evaluations and projections.

Meliá Hotels International provides securities markets with financial information for the consolidated group on a quarterly basis. This financial information is prepared by the Administration and Finance Department.

The Chief Financial Officer analyses the reports received, provisionally approving the financial information for submission to the Auditing and Compliance Committee, which is then responsible for supervising the financial information that it receives. The Group submits the financial statements for the first half of the year to a limited review by the Company's external auditor. Thus, in the semi-annual accounting closings, the Auditing and Compliance Committee has revised information by the Group’s external auditors.

In the semi-annual closures, the Auditing and Compliance Committee reports its conclusions to the Board of Directors on the financial information presented so that, once approved by the Board of Directors, it can be published in the securities markets. Likewise, two ad hoc meetings of the Auditing and Compliance Committee have been established to approve the Intermediate Management Report for the first and third quarter. Once approved and for information purposes, the information is made available to the Board of Directors for approval.

The Meliá Hotels International Group has a procedure manual which defines the internal process for the preparation and submission of consolidated financial information. This covers the entire process of preparation, approval and publication of the financial information to be sent periodically to the CNMV.

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All the areas that potentially may affect in a significant manner the Group's Annual Accounts, have controls in the critical processes to ensure the reliability of financial information. These controls are included in internal procedures or in the IT systems used for the preparation of financial information.

Most of the processes considered as critical and the control activities associated with them have been systematically documented. This documentation is made up of descriptions and flowcharts of the processes and of risk and control matrices. Additionally, and throughout this process, possible fraud risks have been identified for which controls are also formalized to mitigate these risks.

The activities that are required to be formally documented are included in the processes within the areas of Administration, Tax, Treasury and Finance, Personnel Administration, Hotel Business and Vacation Club.

The different Departments are responsible for documenting and updating each of these processes, detecting possible control weaknesses, and defining appropriate corrective measures.

The critical judgements, estimates and projections needed to measure certain assets, liabilities, revenues, expenses and commitments recorded or disclosed in the Annual Accounts are carried out by the Administration and Finance Department with the support of the other Departments.

The annual accounts of the Meliá Hotels International Group report the most relevant areas in which there are elements of judgement or estimation, as well as the key assumptions related to them. The most important estimates relate to the valuation of goodwill, provision for taxes on profits, fair value of derivatives, fair value of property investment, pension contributions and the useful life of property, plant and equipment and intangible assets.

One of the documented processes is an accounting closure procedure which defines the closure, review and authorisation of financial information generated by the different units before all the information is consolidated.

F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key processes of the company regarding the preparation and publication of financial information.

The IT Department at the Meliá Hotels International Group has a set of security regulations and procedures designed to guarantee the control of access to business applications and systems to ensure the confidentiality, availability and integrity of information.

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In 2017, the Board of Directors approved the Information Security Policy, which is available on the corporate website. In development of this Policy, the Information Security Standard has also been developed as well as the Systems Use Manual and the IT Security Framework.

The Meliá Hotels International Group has formalised procedures for changes to the financial management platform and a transaction development and maintenance process. These procedures establish the controls that ensure a proper development and maintenance of applications, evaluating the impact of changes and associated risks, and they also have processes to test changes before they are implemented in production systems.

There is a management model for access and authorisation based on the segregation of functions on the systems that support financial management processes, having defined the control procedures and avoiding users to be involved in the handling of such information.

Additionally, controls have been established for the appropriate management and monitoring of the assignment of special privileges in systems that support financial information.

F.3.3 Internal control policies and procedures for overseeing the management of outsourced activities, and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.

Outsourcing is governed by the Regulation on Service Contract that regulates the approval by the General Management of the contracting area and the verification that the supplier has sufficient professional qualifications to deliver the contracted services and that, where appropriate, he/she is registered with the corresponding professional body. This Regulation is available to all employees on the Employee Portal.

Additionally, the Group has in place an Approval Process for services other than audit services carried out by the account auditor, under which the authorisation process for procurement of audit and non-audit services is established, related to the audit and services other than the audit performed by the account auditor. This process has been updated in 2019 in order to include, among other aspects, the prohibition of contracting tax services from the Group's auditor

When the Group uses the services of independent experts, it ensures their competence and technical skills by only hiring third parties with proven experience and prestige.

To validate the reports of independent experts, the Group has trained personnel capable of validating the reasonableness of the conclusions thereof, defining and managing the appropriate service levels in each case.

It is to be noted that the new Fiscal Strategy Policy establishes that “the Fiscal Department may rely on the advice of independent experts or recognized tax standing, with the exception of the auditor and/or audit firm that performs the audit of the Group’s financial statements.

F.4 Information and Communication

Please inform, indicating its main characteristics, if the Company has at least

F.4.1 A specifically assigned function for defining and updating accounting policies (accounting policy area or department) and resolving doubts or conflicts arising from their interpretation, maintaining fluid communications with those responsible for operations at the organisation, as well as an up-to-date accounting policy manual distributed to the business units through which the company operates.

The Annual Accounts and Consolidation Department is in charge of the definition and updating of accounting policies, as well as the interpretation thereof, and other accounting regulations that affect the financial statements of the Meliá Hotels International Group. Among others, the functions of this department are as follows:

- Definition of the Group’s accounting policies.
- Analysis of the operations and individual transactions carried out or to be carried out by the Group to determine their appropriate accounting treatment.
- Monitoring of the new regulations planned as well as the new rules approved by the International Accounting Standards Board (IASB) which are adopted by the European Union, and analysis of the impact that their implementation will have on the Group's Consolidated Accounts.
- Resolution of any doubts of Group companies regarding the application of Group’s accounting policies.

The Meliá Hotels International Group presents its Consolidated Annual Accounts in accordance with the International Financial Reporting Standards adopted by the European Union. The company has an updated accounting policy manual that is reviewed whenever the accounting regulations applicable to the financial statements of the Group are modified in any significant respect. All personnel responsible for preparing the financial statements of the companies within the Group have access to this document through the Intranet.

There is a formal communication channel to coordinate doubts about the interpretation of the accounting policies, consisting of a general inbox for electronic mail managed by the Annual and Consolidated Accounts Department. Through which the different business areas can ask for advice on specific issues which, due to their specificity or complexity, may raise doubts about the way they should be registered in the Group's accounting books.

F.4.2 Mechanisms for capturing and preparing financial information with consistent formats for application and use by all of the units of the company or the group, and which contain the main financial statements and notes, as well as detailed information regarding ICFR.

The Meliá Hotels International Group has an integrated financial management tool to address the reporting needs of individual financial statements and which facilitates the subsequent consolidation and analysis process.

This tool centralises in a single system all the accounting information of the Group subsidiaries, which is the basis for the preparation of individual annual accounts and the consolidated annual accounts for the Group. The system is managed centrally from the Head Office.

F.5 Supervision of system performance

Please inform, indicating its main characteristics, if the Company has at least

F.5.1 The activities of the audit committee in overseeing ICFR, as well as whether the
entity has an internal audit function whose duties include providing support to the committee in its work of supervising the internal control system, including ICFR. Additionally, describe the scope of ICFR assessment made during the year and the procedure through which the person responsible prepares the assessment reports on its results, whether the company has an action plan describing possible corrective measures, and whether its impact on financial reporting is considered.

The activities of supervision of SCIIF carried out by the Auditing and Compliance Committee in 2019 include:

- Regular meetings with external auditors, internal auditors and senior management to review, analyse and comment on the financial information, the applied accounting criteria, and, where applicable, any significant internal control identified weaknesses
- Review with the Internal Audit Department of the effectiveness of and compliance with the processes within the internal control system.

As indicated in section F.1.1.previously, it is the responsibility of the Internal Audit Department to verify the proper functioning of the Internal Control System, including the

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reliability of the Financial Information (SCIIF), keeping the Board of Directors, through the CACA and Senior Management informed about the existence, adequacy and effectiveness of existing methods, procedures, standards, policies and instructions, which are available to Group employees.

In this regard, the Internal Audit Department prepares an Annual Internal Audit Plan that includes various actions aimed at assessing the degree of compliance with internal control through audits of different types, mainly business or operational (hotels, vacation clubs and other businesses), computer systems audits, financial audits and evaluation of control activities associated with processes in corporate and regional areas of Administration and Finance, including those processes associated with SCIIF. The areas and processes to be audited, as well as the checklist of audit control points is renewed and updated annually.

The methodology of the activities carried out by the Internal Audit team in 2019 has mainly consisted of direct on-site evaluation by the Group's auditors, although continuous monitoring, massive data analysis and self-evaluations of controls have also been carried out. The use of new review models has allowed the Group to get a company-wide vision of the degree of alignment of processes and focus resources on situations potentially involving a risk for the organisation.

Additionally, regarding the control of the financial information in the business area, in 2019, two cycles have been audited (revenues cycle and inventories cycle), which contain eight processes, divided into twenty-five sub-processes, and two thousand and sevend hundred and three control activities have been carried out.

According to the Auditing Regulations, if a review by the Audit Department detects control weaknesses in the audited area or process, these are reported to the Management of the audited area, and also to Senior Management and the Audit and Compliance Committee, if deemed appropriate. The heads of such areas must then respond to the weaknesses, either through corrective measures or the implementation of preventive plans.

Likewise, the external auditor, as mentioned in section F.7.1., annually issues a report of agreed procedures on the description of the ICFR carried out by the Group in which no outstanding aspects have been revealed.

F.5.2 Whether there is a procedure by which the account auditor (as provided in the Technical Auditing Standards), the internal auditor and other experts may inform senior management and the audit committee or senior managers of the company of the significant internal control weaknesses detected during the review of the annual accounts or such other reviews as may have been entrusted to them. Information shall also be provided on whether an action plan is available for correcting or mitigating the weaknesses found.

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The Board of Directors, according to its Regulations, must meet at least six (6) times a year. Coinciding with these meetings, the Auditing and Compliance Committee also meets, with the meetings being regularly attended by the internal and external auditors as guests, and also by Senior Management, when appropriate.

The external auditor must attend, at least, the Board meeting in which Annual Accounts are prepared and, additionally, any other Board meeting at which his/her attendance is required. The Internal Audit Department is in constant communication with Senior Management and periodically informs the Auditing and Compliance Committee of any internal control weaknesses detected in internal audits.

Likewise, on an annual basis, the external auditor provides the Auditing and Compliance Committee with a report detailing the internal control weaknesses detected. The action plans related to the weaknesses detected are implemented in the form of recommendations that follow the circuit of priorization, assignment of responsible and follow-up.

F.6 Other relevant information

No additional aspects to be broken down have been identified.

F.7 External auditor's report

Report on:

F.7.1 Whether the ICFR information submitted to the markets has been subject to review by the external auditor, in which case the entity shall include its report as an attachment. If not, reasons why should be given.

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

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G. Extent of Compliance with Corporate Governance Recommendations

1. That the Bylaws of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies ☒ Explanation ☐

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.

b) The mechanisms in place to resolve possible conflicts of interest.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors verbally informs shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, and in particular:

a) Changes taking place since the last General Shareholders' Meeting.

b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies ☒ Complies Partially ☐ **Explanation** ☐

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies ☒ Complies Partially ☐ Explanation ☐

5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

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And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies ☐ Complies Partially ☐ **Explanation ☒**

The Company submitted to the General Shareholders' Meeting held on 4 June 2015 a proposal for delegation of powers allowing an increase capital and the issuance of bonds. Although the amounts subject to approval exceed the percentage indicated in the recommendation, as explained in the relevant reports (which are available to shareholders), this power was considered to be necessary to raise on the stock markets the funds necessary for the appropriate management of company interests, giving the Board the broadest capacity to respond. The possibility of exclusion of pre-emptive rights is a power that must be analysed and applied in each specific case, depending on the specific conditions for the issuance. Likewise, the approved authorisation is within the legal maximum.

Also, indicate that the Company has not made use of the aforementioned authorization and that for the General Meeting of Shareholders of the year 2020 the renewal of the same is foreseen, pending the date of issuance of this report the setting of the conditions (including the percentage of capital stock) of the delegation to be submitted for approval by the Board.

6. That listed companies which draft any reports listed below, whether under a legal obligation or voluntarily, publish them on their website with sufficient time before the General Shareholders’ Meeting, even when their publication is not mandatory:

a) Report on the auditor’s independence.
b) Reports on the operation of the audit committee and the appointments and remuneration committee.
c) Report by the audit committee regarding related-party transactions
d) Report on the corporate social responsibility policy.

Complies ☒ Complies Partially ☐ Explain ☐

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders’ Meetings.

Complies ☒ Explanation ☐

8. That the audit committee ensures that the Board of Directors presents the financial statements to the General Shareholders’ Meetings without qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies ☒ Complies Partially ☐ Explain ☐

9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory manner.

Complies ☒ Complies Partially ☐ Explain ☐

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

a) Immediately distributes the additions and new proposals.

b) Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.

c) Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.

d) Communicates a breakdown of the results of said additions or alternative proposals after the General Shareholders' Meeting.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

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And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies ☒ Complies Partially ☐ Explain ☐

13. That the Board of Directors is of an adequate size to perform its duties effectively and in a participatory manner, and that its optimum size is between five and fifteen members.

Complies ☒ Explanation ☐

14. That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.
b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies ☒ Complies Partially ☐ Explain ☐

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies ☒ Complies Partially ☐ Explain ☐

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

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This criterion may be relaxed:

a) In large cap companies in which interests that are legally considered significant are minimal.

b) In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies ☒ Explanation ☐

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a large cap company with one shareholder or a group acting in a coordinated manner who together control more than 30% of the company's capital, the number of independent directors represents at least one third of the total number of directors.

Complies ☒ Explanation ☐

18. That companies publish and update the following information regarding directors on the company website:

a) Professional profile and biography.

b) Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.

c) Category of directorship, indicating, in the case of proprietary directors, the shareholder that they represent or to which they are connected.

d) The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.

e) The shares and options they own.

Complies ☒ Complies Partially ☐ Explain ☐

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

20. That proprietary directors must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional manner, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors

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representing this shareholder.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Bylaws, unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies ☒ Explanation ☐

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies ☒ Complies Partially ☐ Explanation ☐

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the

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appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.

And that the Regulations of the Board establish the maximum number of company Boards on which directors may sit.

Complies ☐ **Complies Partially** ☒ Explain ☐

The Company does not consider it necessary to establish a maximum number of company Boards on which directors may sit since, prior to the appointment or re-election of directors the availability of candidates is reviewed, as provided for in the Selection Policy for Directors. The Company considers that this availability analysis achieves the same objective pursued by Recommendation 25, i.e. to make sure that Directors will devote sufficient time to collect information, be aware of the reality of the company and the evolution of its business, and participate in Board meetings and Commissions of which they are members, if any.

In fact, no Director sits in more than two Board of Directors of public companies, as indicated in paragraph C.1.11 of this report.

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies ☐ **Complies Partially** ☒ Explain ☐

The Regulations of the Board of Directors establish a minimum of six meetings. In fiscal year 2019 it was not necessary to increase this number to meet the needs of the company, having taken place a total of SEVEN (7) meetings, one of them in writing and without a face-to-face session.

Likewise, Article 25 of the Regulations of the Board of Directors states that the obligations of Directors include asking persons with capacity to call meetings to call an extraordinary meeting of the Board or to include such items as they deem appropriate in the agenda of the next meeting to be held.

In any case, at the beginning of each fiscal year, the Board examines, proposes and approves the schedule of meetings for the next year, taking into account the needs of the Company.

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies ☒ Complies Partially ☐ Explanation ☐

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies ☒ Complies Partially ☐ Explanation ☐

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies ☒ Explanation ☐ Not applicable ☐

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

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Complies ☒ Complies Partially ☐ Explanation ☐

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies ☒ Complies Partially ☐ Explanation ☐

33. That the chairman, as the person responsible for the efficient operation of the Board of Directors, in addition to carrying out his duties required by law and the Bylaws, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; should organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its operation; should ensure that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies ☒ Complies Partially ☐ Explanation ☐

34. That when there is a coordinating director, the Bylaws or the Regulations of the Board should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies ☐ **Complies Partially** ☒ Explanation ☐ Not Applicable ☐

The Company considers that, given the absence of an Executive Chairman since December 2016, the figure of a Coordinating Director is not mandatory. Nevertheless, in line with current best practices, it decided to maintain the figure of a Coordinating Director, although the functions assigned to the Director do not entirely match the content in the recommendation, with the Director being especially empowered to: (i) request the convening of meetings of the Board of Directors or the inclusion of new items on the agenda for a meeting already convened, (ii) coordinate and arrange meetings with external directors, and (iii) lead, if appropriate, the periodic appraisal of the Chairman of the Board of Directors. These powers do not entirely match the powers included in the recommendation.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the

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recommendations regarding good governance contained in this Good Governance Code and which are applicable to the company.

Complies ☒ Explanation ☐

36. The Board of Directors in full session should conduct an annual evaluation, adopting, when necessary, an action plan to correct weaknesses detected in:

a) The quality and efficiency of the Board of Director's operation.

b) The performance and composition of its committees.

c) Diversity of membership and competence of the Board of Directors.

d) Performance of the chairman of the Board of Directors and the chief executive officer of the company.

e) Performance and input of each director, paying particular attention to those in charge of the various Board committees.

In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Any business relationships between the external advisor or any member of the advisor's group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies ☒ Complies Partially ☐ Explanation ☐

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

38. That the Board of Directors must always be aware of the matters discussed and decisions adopted by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

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39. That the members of the audit committee, particularly its Chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management matters, and that a majority of its members be independent directors.

Complies ☒ Complies Partially ☐ Explanation ☐

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies ☒ Complies Partially ☐ Explanation ☐

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

With respect to information systems and internal control:

a. Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b. Ensure the independence and effectiveness of the unit charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c. Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

In relation to the external auditor:

a. In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b. Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

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c. Ensure that the company files a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d. Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e. Ensure that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, the limits on concentration of the auditor's business, and all other rules regarding the auditor's independence.

Complies ☒ Complies Partially ☐ Explanation ☐

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies ☒ Complies Partially ☐ Explanation ☐

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

45. That the risk control and management policy identify at least:

a) The different types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.

b) Fixing of the level of risk the company considers acceptable.

c) Measures identified in order to minimise identified risks in the event they occur.

d) Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.

Complies ☒ Complies Partially ☐ Explanation ☐

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46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

a) Ensure the proper operation of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.

b) Actively participate in the creation of the risk strategy and in important decisions regarding risk management.

c) Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies ☒ Complies Partially ☐ Explanation ☐

47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies ☒ Complies Partially ☐ Explanation ☐

48. That large cap companies have formed separate appointments and remuneration committees.

Complies ☐ Explanation ☐ **Not applicable** ☒

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies ☒ Complies Partially ☐ Explanation ☐

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

a) Propose basic conditions of employment for senior management.

b) Verify compliance with company remuneration policy.

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c) Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.

d) Ensure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.

e) Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies ☒ Complies Partially ☐ Explanation ☐

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies ☒ Complies Partially ☐ Explanation ☐

52. That the rules regarding composition and operation of supervision and control committees appear in the Regulations of the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of external advice when they consider it necessary to perform their duties.

e) That their meetings be recorded, and the minutes be made available to all directors.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

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b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies ☒ Complies Partially ☐ Explanation ☐

54. That the corporate social responsibility policy includes principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Mechanisms for supervising non-financial risk, ethics and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies ☒ Complies Partially ☐ Explanation ☐

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55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies ☒ Complies Partially ☐ Explanation ☐

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies ☒ Explain ☐

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies ☒ Complies Partially ☐ Explanation ☐

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.
b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.
c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies ☐ Complies Partially ☐ **Explanation** ☒ Not Applicable ☐

The Company understands that the recommendation intends to ensure the involvement of Executive Directors in the results of the Company and its performance.

In view of the specific situation and given that the Company is a family-owned business, the distribution of shares to the Executive Director is deemed unnecessary.

Notwithstanding the above, the new Remuneration Policy for Directors, "establishes that remuneration systems may be established that are referenced to the quoted value of the shares or that entail the delivery of shares or option rights over these".

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.
The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies ☐ Complies Partially ☐ Explanation ☐ **Not Applicable** ☒

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

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Complies ☒Complies Partially ☐ **Explanation** ☐ Not Applicable ☐

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

H. Further information of interest

H.1 If there is any aspect regarding corporate governance in the company or other companies in the group that has not been included in other sections of this report, but which is necessary in order to obtain a more complete and comprehensible picture of the structure and governance practices in the company or group, describe it briefly below.

N/A

H.2 This section may also include any other information, explanation or clarification relating to previous sections of the report, so long as it is relevant and not redundant.

Specifically, state whether the company is subject to any corporate governance legislation other than that prevailing in Spain and, if so, include any information required under this legislation that differs from the data requested in this report.

H.3 The company may also state whether it voluntarily complies with other ethical or best practice codes, whether international, sector-based, or other.

In such a case, name the code in question and the date the company began following it. It should be specifically mentioned that the company adheres to the Code of Good Tax Practices of 20 July 2010.

Meliá Hotels International adheres to the following ethical or best practice codes:

Code	Organisation	Scope	Year
ECPAT - Code of Conduct for the Protection of Children from Sexual Exploitation in Travel and Tourism	The Code International	Global	2006
Principles of Global Compact	UN Global Compact	Global	2008
CSR Best Practices and Suitability	FTSE4 Good Ibex	Spain	2008
Global Code of Ethics for Tourism	UNWTO	Global	2011
Climate change	CDP - Carbon Disclosure Project	Global	2011
Social dialogue and employment rights	IUF-UITA International Trade Unions	Global	2013
Paris Agreements	United Nations Conference on Climate Change in Paris (COP21)	Global	2015
Corporate Responsibility and Anti-corruption Commission	International Chamber of Commerce (ICC)	Global	2016
World Travel & Tourism Council	WTTC	Global	2016

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Transparency, Governance and Integrity Cluster	Forética	Spain	2017
Climate Change Cluster	Forética	Spain	2017
Cluster Closingap for the gender gap reduction	N/A	Spain	2019

Since 2018, Meliá Hotels International has strengthened its link with Global Compact as a signatory company.

The Meliá Hotels International Group has a Code of Ethics that was approved by the Board of Directors in 2012 and which has been updated in 2018.

The Company does not adhere to the Code of Good Tax Practices of 20 July 2010.

This annual corporate governance report has been approved by the Board of Directors of the Company, at its meeting held on February 26, 2020.

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

YES ☐ **NO ☒**

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Secretary and Independent Director

IDENTIFICATION OF ISSUER

Ending date of reference financial period: [31/12/2019]

CIF: [A78304516]

Registered name:

[**MELIA HOTELS INTERNATIONAL S.A.**]

Registered office:

[GREMIO DE TONELEROS,24 POL.IND. SON CASTELLO (PALMA DE MALLORCA) BALEARES]

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A. CAPITAL 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
25/04/2016	45,940,000.00	229,700,000	229,700,000

Indicate whether there are different classes of shares with different rights attaching thereto:

[ ] Yes
[√] No

A.2. Provide details of direct and indirect holders of significant shareholdings in the company at year end, excluding directors:

Name or corporate name of shareholder	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
HOTELES MALLORQUINES AGRUPADOS S.L.	10.39	0.00	0.00	0.00	10.39
GLOBAL ALPHA CAPITAL MANAGEMENT LTD	3.02	0.00	0.00	0.00	3.02

Breakdown of the indirect holding:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights

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A.3. In the following tables, list the members of the company's Board of Directors with voting rights attaching to shares of the company:

Name or corporate name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
DON JUAN ARENA DE LA MORA	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DON GABRIEL ESCARRER JULIA	0.00	5.03	0.00	0.00	5.03	0.00	0.00
DON LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HOTELES MALLORQUINES CONSOLIDADOS S.L.	23.38	0.00	0.00	0.00	23.38	0.00	0.00
HOTELES MALLORQUINES ASOCIADOS, S.L.	13.21	0.00	0.00	0.00	13.21	0.00	0.00

Total percentage of voting rights held by the Board of Directors	41,61

Breakdown of indirect holding:

Name or corporate name of director	Name or corporate name of direct shareholder	% of shares carrying voting rights	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transmitted through financial instruments
Mr. Gabriel Escarrer Juliá	Tulipa Inversiones 2018 S.A.	5.025%		5.025%	

A.7. State whether any shareholders' agreements affecting the company pursuant to Articles 530 and 531 of the Ley de Sociedades de Capital (Spanish Corporate Enterprises Act) have been reported to the company. If so, briefly describe them and list the shareholders bound by the agreement:

[ ] Yes
[√] No

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State whether the company is aware of any concerted actions among its shareholders. If so, provide a brief description:

[ ] Yes
[√] No

A.8. State whether any individual or company exercises or may exercise control over the company in accordance with Article 5 of the Ley de Mercados de Valores ("Spanish Securities Market Act"). If so, please identify them:

[ ] Yes
[√] No

A.9. Complete the following tables on the company's treasury shares:

At year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
3,440,825		1,49

(*) Through:

Name or corporate name of the direct shareholder	Number of direct shares

A.11. Estimated free float:

	%
Estimated free float	43.48

A.14. State whether the company has issued securities that are not traded on a regulated EU market.

[ ] Yes
[√] No

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B. GENERAL SHAREHOLDERS' MEETING

B.4. Give details of attendance at General Shareholders' Meetings held during the year of this report and the two previous years:

	Attendance data					Of which, free float				
			% distance voting					% distance voting		
Date of General Meeting	% physically present	% present by proxy	Electronic voting	Other	Total	% physically present	% present by proxy	Electronic voting	Other	Total
18/06/2019	52.43%	10.37%	0.00%	14.03%	76.83%	0.02%	10.37%	0.00%	14.03%	24.42%
06/06/2018	52.38%	19.91%	0.00%	5.00%	77.29%	0.00%	19.91%	0.00%	5.00%	24.91%
08/06/2017	52.50%	35.15%	0.00%	0.00%	8.65%	0.00%	35.15%	0.00%	0.00%	35.15%

B.5. Indicate whether any item on the agenda of the General Shareholders' Meetings during the year has not been approved by the shareholders for any reason.

[ ] Yes
[√] No

B.6. Indicate whether the Bylaws contain any restrictions requiring a minimum number of shares to attend General Shareholders' Meetings, or on distance voting:

[√] Yes
[ ] No

Number of shares required to attend General Shareholders' Meetings	300
Number of shares required for distance voting	1

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Secretary and Independent Director

C. STRUCTURE OF THE COMPANY'S MANAGEMENT

C.1. Board of Directors:

C.1.1 Maximum and minimum number of directors established in the Bylaws and the number set by the General Shareholders' Meeting:

Maximum number of directors	15
Minimum number of directors	5
Total number of directors set by the General Shareholders' Meeting	11

C.1.2 Complete the following table identifying the members of the Board:

Name or corporate name of director	Representative	Director category	Position on the Board	First appointment date	Last appointment date	Election procedure
MS. CARINA SZPILKA LÁZARO		Independent	DIRECTOR	25/02/2016	23/06/2016	Resolution at General Shareholders' Meeting
MR.FERNANDO D´ORNELLAS SILVA		Independent	COORDINATING DIRECTOR	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting
MR. JUAN ARENA DE LA MORA		Independent	DIRECTOR	31/03/2009	06/06/2018	Resolution at General Shareholders' Meeting
MR. GABRIEL ESCARRER JULIA		Proprietary	CHAIRMAN	07/02/1996	04/06/2015	Resolution at General Shareholders' Meeting
MR.SEBASTIAN ESCARRER JAUME		Proprietary	DIRECTOR	07/02/1996	08/06/2017	Resolution at General Shareholders' Meeting
MR. GABRIEL ESCARRER JAUME		Executive	VICECHAIRMAN CEO	07/04/1999	08/06/2017	Resolution at General Shareholders' Meeting
MR. FRANCISCO JAVIER CAMPO		Independent	DIRECTOR	13/06/2012	08/06/2017	Resolution at General Shareholders' Meeting

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MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL		Independent	SECRETARY DIRECTOR	30/11/2010	08/06/2017	Resolution at General Shareholders' Meeting
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MS. MARIA ANTONIA ESCARRER JAUME	Proprietary	DIRECTOR	23/10/2000	08/06/2017	Resolution at General Shareholders' Meeting
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI		Independent	DIRECTOR	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting
HOTELES MALLORQUINES ASOCIADOS, S.L.	MR. ALFREDO PASTOR BODMER	Proprietary	DIRECTOR	18/06/2019	18/06/2019	Resolution at General Shareholders' Meeting

Total number of directors	11

State if any directors, whether through resignation, dismissal or any other reason, have left the Board during the period subject to this report:

Name or corporate name of director	Director category at time of leaving	Date of last appointment	Date director left	Specialised committees of which he/she was a member	Indicate whether the director left before the end of the term
MR. JUAN VIVES CERDA	Proprietary	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO
MR. ALFREDO PASTOR BODMER	Other External	04/06/2015	18/06/2019	Auditing and Compliance Commitee	NO

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C.1.3 Complete the following tables regarding the members of the Board and their categories:

EXECUTIVE DIRECTORS		
Name or corporate name of director	Position held in the company's	Profile
MR. GABRIEL ESCARRER JAUME	Vice Chairman and Chief Executive Officer	In 1993, Mr. Gabriel Escarrer Jaume graduated in Finance and Business Management from the prestigious Wharton School, University of Pennsylvania (USA). He then worked for 3 years in the International Corporate Finance Department at the Salomon Smith Barney Investment Bank in New York. From there, in 1996, he took part in the successful IPO of Meliá Hotels International, a company founded by his father, Mr. Gabriel Escarrer Juliá, which he joined immediately afterwards, simultaneously working on a tailored postgraduate degree in Business Administration at ESADE, one of the top ten business schools in Europe. Mr. Gabriel Escarrer Jaume led a strong advance in the Company's expansion and technological transformation, providing Meliá with greater corporate strength in an increasingly complex environment in the international tourism sector. As Chief Executive Officer -position to which he was appointed in 1999-, Gabriel Escarrer addressed another important challenge when he launched an extensive renovation plan of the hotel assets, and since then, he has never stopped striving to ensure that Meliá continues to be at the forefront in the Spanish and international hotel sector and its growing presence and international influence Escarrer combines a strong vision and financing approach, supported by its solid training and a career in the field that has led him to be appointed Chairman of the Advisory Council of BBVA in the Levante Region, with the vocation and concerns of a true "hotelier", such as customer focus, innovation in services and experiences, and he is a prescriber of the trends and digitalization that are transforming the industry and the general business environment As Vice Chairman and Chief Executive Officer of Meliá Hotels International since 2009, Gabriel Escarrer has consolidated his leadership through the Company's financial strengthening and the management of an unprecedented cultural and organisational transformation, including a successful digital transformation of the Group, which today is one of the keys to its competitiveness. In 2016, after 60 years at the helm of the Company, the founder became Non-Executive Chairman, transferring his executive powers to Gabriel Escarrer Jaume with the unanimous support of the Board of Directors. As the Group's first executive, Escarrer Jaume retains the positions of Vice-Chairman and CEO. As a leader of a responsible, family company, Gabriel Escarrer has always promoted the corporate responsibility and sustainability policy in the social, economic and environmental aspects, as well as the ethics and corporate values that support the performance of a Company which, as the leader and a reference in the industry, has greater public visibility and responsibility.

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CONSEJEROS EJECUTIVOS		
Name or corporate name of director	Position held in the company's	Profile
		Thanks to all this, Meliá has been recognized by the agency of the responsible investments SAM, as the 2019 Most Sustainable Hotel Company in the world, as per the ranking established by the prestigious Dow Jones Sustainability Index, leader in Corporate Reputation in the tourism industry according to the prestigious MERCO ranking (a recognition it has achieved for 7 consecutive years). . Escarrer is currently one of the emerging business leaders in his country, where Forbes magazine ranks him in the top 20 Spanish CEOs. In January 2019, Gabriel Escarrer was named Chairman of Exceltur, the Alliance for Tourism Excellence and one of the most important lobbies in the country. As proof of its commitment to the renewal of the sector and its adaptation to current demands, Escarrer has promoted some of the largest projects for the conversion and repositioning of mature tourist destinations in Europe, such as Magaluf, in Mallorca, or Torremolinos in Malaga, and the maritime façade of Palma, among others, after assuming in 2017 the management of the new and spectacular "Palacio de Congresos" in Palma. As the only Group of the top-20 international hoteliers with a holiday background, Melia has consolidated its leadership in the resorts segment and its growing positioning in the urban leisure or "bleisure" segment, and maintains among its priorities an unprecedented boost of internationalization, with a special focus on the main holiday destinations in the world such as the Mediterranean, the Caribbean, Africa and Southeast Asia, where it is already among the leading hotel chains in countries such as Indonesia and Vietnam.

Total number of executive directors	1
% of the Board	9.09

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
MR. GABRIEL ESCARRER JULIA	TULIPA INVERSIONES 2018, S.A.	In 1956 Mr. Gabriel Escarrer Juliá was only 21 years old when he founded what is now called the Meliá Hotels International group, by acquiring and managing a 60-room hotel on the island of Majorca, where he was born, and where he still maintains the headquarters of what has now become one of the most successful hotel companies in the world.

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		Prior to that and for 6 years, Escarrer worked in tour operations, where he had access to the emerging tourism industry, of which he later became a visionary, pioneer and transforming entrepreneur. Over his six decades as Chairman, the Group consolidated its leadership in Spain, hub of the vacation travel in Europe, which later was extended to the American Caribbean and Southeast Asia, where today the Group is still growing and is considered as one of the reference companies in the hotel sector. Over these years, Escarrer built strategic alliances that strengthened the Group's positioning in destinations such as Cuba and Indonesia, and in the 1990s, he extended the strategy to urban hotels in Spain, Europe, Asia and Americas, an approach that has led him to be considered one of the drivers of the internationalisation of the Spanish enterprise. One decisive event in the history of the company took place in the 80s, when the Group founded by Escarrer acquired two of the most important hotel chains at that time in Europe: Hotasa and Meliá, which represented the incorporation of nearly 70 hotels in just one year. Thanks to this acquisition, the Group founded by Escarrer achieved national and international presence, as well as a valuable brand recognition. In 1996, the Company's IPO marked a new stage of growth which was strengthened by the Group's strategic plans, and the debut of the second generation of family members in management, marking the beginning of a deep cultural transformation in the Group to address the challenges of the new business environment in the 21st century. After emerging stronger from the financial crisis that shook the sector between 2008 and 2013, and after making sure that the Company was in safe hands, Mr. Gabriel Escarrer Juliá resigned its executive powers in December 2016, which were transferred to his son Mr. Gabriel Escarrer Jaume as Vice Chairman and Chief Executive Officer, with the founder becoming Non-Executive Chairman of the Board of Directors and the General Shareholders' Meeting. As a result of its extensive experience in the tourism industry, Mr. Gabriel Escarrer Juliá has received numerous awards which demonstrate its important contribution to national and international hospitality. One of the most important for the founder of Meliá Hotels International was the granting of the Doctor Honoris Causa degree by the Universidad de les Illes Balears (UIB) in December 1988.

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EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		In 1998 he received the "Personalidad Turística del Siglo" (Tourism Personality of the Century) award winning a large majority in a survey of 300 executives and professionals in the travel industry. A year later, he obtained other 3 prestigious awards: "Mejor Empresario de la Construcción y Promoción Inmobiliaria" (Best Entrepreneur in Construction and Real Estate Promotion) awarded by the Máster en Dirección de Empresas Constructoras e Inmobiliarias (M.D.I.) and the 'Actualidad Económica' magazine; Corporate Hotelier of the World, awarded by the well-known American 'Hotels' magazine, and several Lifetime Achievement Awards from prestigious organisations such as the International Hotel Investment Forum, the World Tourism Organisation, or the European Hospitality Awards. In May 2001, Escarrer was elected as member of the exclusive Hall of Fame of the British Travel Industry. His nomination was proposed and supported by some of the most important people in the international tourism industry, as well as relevant members of the Hall of Fame such as Martin Brackenbury (Federation of Tour Operators and Airtours), Richard Branson (Virgin), Michael Bishop (British Midland) and David Crossland (Airtours). That same year, the Chairman of Meliá Hotels International became member of the Hall of Honour at the Conrad N. Hilton of Hotel Management at the University of Houston (USA), sharing honours with Lynn & Ed Hogan (Pleasant Holidays), Alice Sheets Marriott (Marriott Corporation) and Marilyn Carlson Nelson (Carlson Companies.) In 2002, Meliá Hotels International signed an agreement with the Universidad de las Illes Balears (UIB) for the creation of the "Cátedra Meliá de Estudios Turísticos" (Melia Chair in Tourism Studies) which, since then, organises an annual "Premio de Estudios Turísticos Gabriel Escarrer" (Gabriel Escarrer Tourism Studies Award). Gabriel Escarrer received recognition to his professional career from the CIMET (Ibero-American Conference of Tourism Ministers and Entrepreneurs) and in 2006, coinciding with the 50th anniversary of the Company, he won the "Medalla de les Illes Balears" (Balearic Islands Medal), the highest distinction of the autonomous community, in recognition of his work, and the "Medalla de la Cámara de Comercio de Mallorca, Ibiza y Formentera " (Medal of the Chamber of Commerce of Majorca, Ibiza and Formentera).

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EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		In 2011, Escarrer received the Lifetime Achievement Award at the European Hospitality Awards in London, also in recognition of his long career as the founder and promoter of the largest hotel chain in Spain and the third largest in Europe. In 2012 MKG also granted him a lifetime achievement award at the Worldwide Hospitality Awards in Paris, and he won the prestigious Ulysses Award from the OMT for his lifetime achievement. In 2016, Gabriel Escarrer received the Hall of Fame of the Hotel-E Investment Conference, one of the most important international hotel investment forums, and also received the distinction of Honorary Ambassador of Brand Spain. Recognised as one of the key figures in the history of international tourism, Gabriel Escarrer, as Non-Executive Chairman of Meliá Hotels International and Chairman of the Board of Directors and the General Shareholders' Meeting, is still contributing the expertise and know-how acquired over more than 60 years leading the company, and he is still dreaming about the transforming power of tourism in society, an industry that, in his words, "connects countries, crosses borders, and promotes people's social and economic welfare".

CONSEJEROS EXTERNOS DOMINICALES		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
MR. SEBASTIAN ESCARRER JAUME	HOTELES MALLORQUINES AGRUPADOS S.L.	Sebastián Escarrer is a member of Wharton Board of Overseers since 2013 and he was Chairman of Wharton Board for EMEA (Europe, Africa and Middle East) between 2009 and 2015. Chairman of the Spanish Executive Committee of the International Chamber of Commerce, as well as member of the Commission on Corporate Responsibility and Anti-Corruption and the Executive Board Policy and Commissions Committee. He was Vice-Chairman of Exceltur between 2012 and 2016 - the Spanish Tourist Lobby-, , Chairman of APD Illes Balears and also member of the governing national board. Escarrer is a member of the Premium Brands Fund Advisory Board of the Swiss Bank Pictet and a member of the Advisory Board of Caixabank in the Balearic Islands. As a leader engaged in the fields of tourism, business ethics, education and social responsibility, he is committed to combating the current social and values crisis. Accordingly, he is an active member of various Foundations committed to the improvement of our society, such as the Fundación SERES and the "Fundación Princesa de Girona", being a member of the Board of Trustees, the Audit Committee, the Executive Committee of the Board of Trustees and responsible for the Working Group on Education of the said foundation. He is graduate from ICADE and Master from Wharton of the University of Pennsylvania with three Majors: Business Strategy, Finance and Multinational Management. He worked for several multinationals in USA and London, such as Coca-Cola Corporation (Boston), IBM Corporation (New York), First Boston Corporation (New York and London) Hyatt International (London) or The Mac Gemini Group (Madrid). Sebastián Escarrer is member of the Board of Directors of Meliá Hotels International with 19 years of experience as executive for the multinational, joining the family business in 1993. In 1994 he was appointed Chief Executive Officer, a position he held for 16 years while in 1997, he was appointed as Vice-Chairman of Sol Meliá for 15 years. During those years he led the refinancing of Sol Group, its transformation into Sol Meliá and the successful IPO of the Company in 1996. He also led various key processes for the growth and strengthening of the Company, such as the diversification of the business and the creation and incorporation of new brands. Sebastián Escarrer has won several awards for his career in the tourism and financial industries, including his designation as one of the 100 leading businessmen of the 21st century by the 9 World Economic Forum in Davos. Also, in 1997 the prestigious American magazine 'Travel Agent' selected him as Personality of the Year in Latin America, and a year later named him Personality of the Year in Europe. In 2002, Sebastián Escarrer won the

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CONSEJEROS EXTERNOS DOMINICALES		
Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment	Profile
		"Mejor Empresario de Baleares" (Best Entrepreneur of Balearic Islands) award granted by the magazine 'Actualidad Económica'. In 2018 he received the award "Merchant of Peace" of the International Chamber of Commerce.
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MS. MARIA ANTONIA ESCARRER JAUME	Mrs. María Antonia Escarrer Jaume studied in prestigious schools such as ESASDE, EADA and Cornell University, where he completed studies related mainly to Marketing and Human Resources. She specialised in the development of leadership and managerial competencies, promoting programmes of Management Development, Leadership, Marketing and Negotiation. Trained by the IE Business School as an executive coach and as an ontological Senior Coach by Newfield Consulting, she is ACC accredited by ICF (International Coaching Federation). Maria Antonia Escarrer held various positions at Melia, innovating policies and business processes. From 1991 to 1994 she joined the General Directorate of Marketing, period in which she implemented the Communication, Loyalty and Market Research policy, as well as the introduction of Marketing plans into the business units. From 1996 to April 2000 she was in charge of the General Directorate of Human Resources, she was involved in the introduction of performance and competency-based management as well as the definition, implementation and development of the different aspects of the Company's remuneration policies. She participated in the design of training and career plans and the implementation and coordination of all aspects related to the organisational structure. Between 2005 and 2011, she was responsible for the General Directorate of Sustainability, developing the social action department towards a General Directorate of Sustainability and making sustainability as a strategic line of action within the Company. Since October 2000, she is member of the Board of Directors of Meliá Hotels International and the Appointments and Remuneration Committee. She is also an expert in Transpersonal Mindfulness by the Escuela Transpersonal. Currently and since 2012, she works as coach at an executive and personal level specialised in accompanying professionals in times of career change

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HOTELES MALLORQUINES ASOCIADOS, S.L.	MR. ALFREDO PASTOR BODMER	Bachelors Degree in Economic Sciences Ph D in Economics, Massachusetts Institute of Technology, Doctor in Economic Sciences. Professor of Economic Theory since 1976, he has held different positions since 1980 as Professor of Economics, Boston University (1980-1981), Country Economist, World Bank (1981-1983), Director in Planning , INI (1983-84), Director General, INI (1984-85), Chairman, ENHER (1985-90), Counselor of the Bank of Spain (1990-93), Director of the Family Business Institute (1992-93), Secretary of State for the Economy (1993 - 95), Director Instituto de la Empresa Familiar (IESE): Extraordinary Professor (1996-97) and Ordinary Professor (1997 - 2015); Chair of Spain, CEIBS (since 2000), Dean of CEIBS (China Europe International Business School), Shanghai, China (2001-2004), Chair of Emerging Economies, Banco Sabadell, 2009. He is currently a member of the Board of Directors of Meliá Hoteles International, Copcisa and Bansabadell Inversión, having previously been part of other Boards such as of Miquel y Costas e Hidroeléctrica del Cantábrico, among others. Author of multiple publications, he received in 2011 the Conde de Godó Award.

Total number of proprietary directors	4
% of the Board	36,36

EXTERNAL INDEPENDENT DIRECTORS	
Name or corporate name of director	Profile
MS. CARINA SZPILKA LÁZARO	Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid. She has held positions at Santander Investment, Argentaria (currently, BBVA) and ING Direct between 1991 and 2013, being the CEO of ING Direct in France for the last five years and then in Spain. She has also developed her activity as volunteer as Vice-Chairman of Unicef Spain and as member of the Board of Trustees of Fundación Create. She is currently Independent Director of Abanca, Grifols and Meliá Hotels International; founding member and Chairman of K Fund Venture Capital and Chairman of ADigital. She has received numerous awards, including: "Mujer Directiva del Año" (Female Director of the Year) award, Fedepe (2011), "Premio a la carrera fulgurante" (The Brilliant Career Award), ICADE (2012), "Medalla de oro del forum alta dirección" (Gold Medal of Senior Management Forum) (2012), "Premio Emprendedores al Mejor Directivo del año" (Entrepreneurs Award to the Best Director of the Year) (2013), "Premio #ElTalento Cinco Días al Talento Ejecutivo" (Cinco Días #TheTalent Award for Executive Talent) (2014), "Premio a la Excelencia Profesional" (Award for Professional Excellence), ADigital (2014) and Eisenhower Innovation Fellow, (2014).
MR. FERNANDO D ´ORNELLAS SILVA	Degree in Law and Economics from ICADE-E and MBA from IESE in Barcelona (International Section), from 1983 to 1985 he worked as Deputy Financial Director at Johnson & Johnson Spain. Also, he has held several positions within the Bergé Group since 1985, Chief Financial Officer at Toyota Spain until 1992, Chief Executive Officer at Chrysler Spain from 1992 to 2004, Chairman of Chrysler Portugal from 1997 to 2012, Chairman of Chrysler Colombia from 2010 to 2012, Chairman of KIA for Argentina,

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Name or corporate name of director	Profile
	Peru and Portugal from 2004 to 2012, Chairman at Mitsubishi Motor Peru from 2010 to 2012, Vice-Chairman of Mitsubishi Motors Chile from 2001 to 2012, Vice-Chairman of SKBergé Latin America from 2001 to 2012, Chairman of Bergé Automotive from 2004 to 2012 and Chief Executive Officer at Bergé Group from 2007 to 2012. Since 2004 he has held, among others, the following positions: member of the Board of Directors, Chairman of the Remuneration Committee between 2007 and 2009, and Chairman of the Audit Committee of ENDESA S.A. in 2009. Member of the Board of Directors and Chairman of the Audit Committee between 2007 and 2009 and Director in charge of supervising the activities of subsidiaries in Peru, Colombia, Argentina and Brazil for ENDESA CHILE. Member of the Board of Directors (2013-2015) and Chairman of the Audit Committee (2014-2015) of DINAMIA. Vice-Chairman of the Asociación de Nacional de Importadores de Automóviles, Camiones, Autobuses y Motocicletas from 2004 to 2012. Founding member of the Fundación España-Chile and Fundación España-Perú in 2011 and 2012. Member of the Fundación Consejo España-China y España-Japón, Adviser for Mitsubishi Corporation in the acquisition of shares in Acciona Termosolar, S.A. in 2010 and 2011, and Vice-Chairman of the Real Club de la Puerta de Hierro between 2006 and 2010. He has been a member of the Advisory Board of WILLIS IBERIA between March 2013 and December 2017. Currently, he is member of the Board of Directors since June 2012, Coordinating Director, Chairman of the Audit and Compliance Committee and member of the Appointments and Remuneration Committee at Meliá Hotels International S.A. He is member of the Board of Directors of Prosegur since April 2016, , Chairman of the Auditors and Compliance Committee (since April 2017) and Member of the Appointments and Remuneration Committee. Senior Advisor Spain and Latam for Mitsubishi Corporation since March 2013; Senior Advisor Spain and Latam for Lazard Financial Advisers S.A. since June 2013. Member of the International Advisory Board of Hispanic Society of America and its representative for Spain, member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010 and Vice-Chairman of the International Board of the Madrid Teatro Real since 2015 and member of the Executive Committee at the Fundación Board Spain-Japan since 2017.
MR. JUAN ARENA DE LA MORA	Ph.D. in Engineering from ICAI, Mr. Juan Arena graduated in Business Science from ICADE, and also in Psychology, and he holds a diploma in Tax Studies and completed the AMP at Harvard Business School. Member of the Board of Meliá Hotels International Chairman of the Professional Council of ESADE, member of the International Advisory Board of Everis and Advisory Board of Marsh; Operating Partner of Advent International Corporation, member of the Board of Directors of Deusto Business School. Member of the Executive Committee of Fundación SERES and Chairman of its Governance Committee. He has been a member of the Board and Executive Chairman of Bankinter, Board member of Ferrovial, and Almirall Laboratories of UBS España, TPI, Everis, Dinamia and Prisa, Chairman of the Advisory Council of Panda, Consulnor, member of the Board of Trustees of ESADE and of the Advisory Board of Spencer Stuart, Wold Advisory Board and professor of Harvard Business School and IESE. He was awarded the "Gran Cruz de la Orden del Mérito Civil" (Grand Cross of the Order of Civil Merit) for his contribution to research and development of the Information Society.

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MR. FRANCISCO JAVIER CAMPO GARCIA	Industrial Engineer from the Universidad Politécnica de Madrid, he began his career in 1980 at Arthur Andersen. In 1985 he joined Día Group, where for 24 years he has held the position of World Chairman of the Dia International Group and he was also a member of the Carrefour Group's Global Executive Committee for 15 years. Since 2009 until November 2014, he was Chairman of the Zena group, the leading multi-brand restaurant chain company in Spain. The group comprises five brands: Foster's Hollywood, La Vaca Argentina, Cañas y Tapas, Domino's Pizza and Burger King. He has also been Chairman of the Cortefiel Group (Cortefiel, Springfield, WomenSecret) from 2014 to 2016. He is currently Chairman of AECOC (Association of Fast-Moving Consumer Goods Companies) which represents more than 20% of the Spanish GDP and has more than 29,000 associated companies. He is member of the Board of Directors of Bankia and Chairman of its Advisory Committee on Risks, he is also member of the Board of Directors of Meliá Hotels International, member of the Advisory Board of the Palacios Food Group, member of the Advisory Board of AT Kearney, and member of the Advisory Board of Azkoyen. He is also member of the Board of Trustees of Fundación ITER, honorary member of Fundación Carlos III, vocal member of Fundación Bankia and board member of A.P.D. (Asociación para el Progreso de la Dirección).

Name or corporate name of director	Profile
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	Born in Torrelavega (Cantabria, Spain) on 25 August 1952. Graduated in Law from the Universidad Complutense de Madrid. Practising lawyer since 1975 and Partner of the law firm Isidro D. Bustamante (since 1942 – 1980/2018). His professional career is mainly focused on the areas and practice of civil, trade and civil procedural and international law, as well as on consultancy services for entrepreneurs and corporations.
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	Mrs. Cristina Henríquez de Luna Basagoiti has a Degree in Law and Economics from the University Pontificia de Comillas of Madrid (ICADE-2). At present she is Chairman and General Manager in Spain and Responsible for Iberia and Israel for GlaxoSmithKline (GSK), where in the past she has held several financial positions (SVP Finances). Before joining GSK she worked for Procter & Gamble, where she held the post of General Director for Finances and Accounts, International Operations for Western Europe (2006 a 2010), as well as other financial positions since 1989, when she joined as financial analyst. She is also an independent Board Member of Applus Services since July 2016, and a member of the Auditors Committee of the same entity. Vice-Chairman of the Fundación Ciencias de la Salud and member of the Governance Board and Board of Directors of Farmaindustria.

Total number of independent directors	6
% of the Board	54,55

State whether any independent director receives from the company or any company in the group any amount or benefit other than compensation as a director, or has or has had a business relationship with the company or any company in the group during the past year, whether in his or her own name or as a significant shareholder, director or senior executive of a company that has or has had such a relationship.

If applicable, include a statement by the Board explaining why it believes that the director in question can perform his or her duties as an independent director.

Name or corporate name of the director	Description of the relationship	Statement of the Board

OTHER EXTERNAL DIRECTORS			
The other external directors will be identified and the reasons why they cannot be considered proprietary or independent and their links, whether with the company, its directors, or its shareholders, will be detailed:			
Name or corporate name of the director	Reasons	Company, manager or shareholder with whom it maintains	Profile

Número total de otros consejeros externos	N.A.
% sobre el total del consejo	N.A.

State any changes in category that have occurred during the period for each director:

Name or corporate name of the director	Date of change	Previous category	Current category

C.1.4 Complete the following table with information on the number of female directors at the close of the past four years, as well as the category of each.

	Number of female directors				% of directors for each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executive					0.00	0.00	0.00	0.00
Proprietary	1	1	1	1	25.00	25.00	25.00	25.00
Independent	2	1	1	1	33.33	20.00	20.00	20.00

	Number of female directors				% of directors for each category			
	Year 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Other External					0.00	0.00	0.00	0.00
Total	3	2	2	2	27.27	18.18	18.18	18.18

C.1.11 List, where appropriate, any legal-person directors or representatives of legal-person directors of your company, who are members or representatives of legal-person members of the Board of Directors of other companies listed on official securities markets other than group companies, who have communicated that status to the company:

Name or corporate name of director	Name of listed company	Position
MS. CARINA SZPILKA LÁZARO	GRIFOLS S.A.	DIRECTOR
MR. FERNANDO D´ORNELLAS SILVA	PROSEGUR S.A.	DIRECTOR
MR. FRANCISCO JAVIER CAMPO GARCIA	BANKIA S.A.	DIRECTOR
MS. CRISTINA HENRÍQUEZ DE LUNA BASAGOITI	APPLUS SERVICES, S.A.	DIRECTOR

C.1.12 Indicate and, where applicable, explain whether the company has established rules on the maximum number of boards on which its directors may hold seats, identifying, where appropriate, where this is regulated:

[ ] Yes
[√] No

C.1.13 State the overall remuneration of the Board of Directors:

Board remuneration in financial year (thousand euros)	3,398
Amount of vested pension interests for current directors (thousand euros)	
Amount of vested pension interests for former members (thousand euros)	

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C.1.14 Identify senior management staff who are not executive directors and their total remuneration accrued during the year:

Name or corporate name	Position(s)	
MR. GABRIEL CÁNAVES PICORNELL	CHIEF HUMAN RESOURCES OFFICER	
MS. PILAR DOLS COMPANY	CHIEF FINANCIAL OFFICER	
MR. JUAN IGNACIO PARDO GARCIA	CHIEF LEGAL & COMPLIANCE OFFICER	
MR. ANDRE PHILIPPE GERONDEAU	CHIEF OPERATING OFFICER	
MR. MARK MAURICE HODDINOTT	CHIEF REAL ESTATE OFFICER	
MR. JOSÉ LUÍS ALCINA JAUME	Internal Audit VP	
Total senior management remuneration (thousand euros)		4,837

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C.1.15 State whether the regulations of the Board have been amended during the financial year:

[√] Yes
[ ] No

C.1.21 Explain whether there are any specific requirements, other than those relating to directors, to be appointed as chairman of the Board of Directors.

[√] Yes
[ ] No

C.1.23 State whether the Bylaws or the Regulations of the Board establish any term limits for independent directors other than those required by law::

[ ] Yes
[√] No

C.1.25 Indicate the number of meetings held by the Board of Directors during the year, and if applicable, the number of times the Board met without the chairman present. Proxies granted with specific instructions shall be counted as attendance

Number of Board meetings	7
Number of Board meetings without the chairman	0

Indicate the number of meetings held by the coordinating director with the other directors, where there was neither attendance nor representation of any executive director:

Number of meetings	0

Indicate the number of meetings held by each committee of the Board during the year:

Number of meetings held by the Auditing and Compliance	10
Number of meetings held by the Appointments and Remuneration Committee	8

C.1.26 Indicate the number of meetings held by the Board of Directors during the year and the data on attendance by its members.

Number of meetings with on-site attendance of at least 80% of directors	6
% of on-site attendance over total votes during the year	87.87
Number of meetings with on-site attendance or representations by proxy made with specific instructions of all directors	7
% of votes cast with on-site attendance and representations by proxy made with specific instructions of all directors	100.00

C.1.27 State whether the individual and consolidated financial statements submitted to the Board for approval are previously certified:

[√] Ys
[ ] No

Identify, where applicable, the person(s) who certified the individual and consolidated financial statements of the company for preparation by the Board:

Nombre	Cargo
MS. PILAR DOLS COMPANY	CHIEF FINANCIAL OFFICER
MR. GABRIEL ESCARRER JAUME	VICECHAIRMAN AND CEO

C.1.29 Is the secretary of the Board also a director?

[√] Ys
[ ] No

If the Secretary is not a director, fill in the following table:

C.1.31 Indicate whether the company changed its external auditor during the year. If so, identify the incoming auditor and outgoing auditor:

[√] Yes
[ ] No

Outgoing Auditor	Incoming Auditor
PricewaterhouseCoopers, S.L.	Deloitte, S.L.

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If there has been any disagreement with the outgoing auditor, provide an explanation thereof:

[√] Yes
[ ] No

C.1.32 State whether the audit firm provides any non-audit services to the company and/or its group and, if so, the fees paid, and the corresponding percentage of total fees invoiced to the company and/or its group:

[√] Yes
[ ] No

	Company	Group Companies	Total
Amount invoiced for non-audit services (thousand euros)	150	48	198
Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	39.55	7.03	18.58

C.1.33 State whether the auditor's report on the annual accounts for the preceding year contains a qualified opinion or reservations. If so, indicate the reasons given to shareholders by the chairman of the Audit Committee to explain the content and scope of such qualified opinion or reservations.

[ ] Yes
[√] No

C.1.34 State the number of consecutive years the current audit firm has been auditing the individual and/or consolidated annual accounts of the company. Likewise, state the number of years audited by the current audit firm as a percentage of the total number of years that the annual accounts have been audited:

	Individuals	Consolidated
Number of consecutive years	1	1

	Individuals	Consolidated
Number of years audited by current audit firm/Number of years the company or its group have been audited (%)	0.04	0.04

C.1.35 Indicate and, if applicable, give details of any procedure whereby directors have the information necessary to prepare the meetings of the governing bodies with sufficient time:

[√] Yes
[ ] No

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Explanation of procedure

S Although according to Article 17 of the Regulations of the Board, meetings shall be called a minimum of three days before the day on which the meeting is to be held and the call to meeting shall include the session's agenda along with the relevant information properly summarised and prepared, unless there are exceptional circumstances, the information shall be made available to Directors (8) eight days before the meeting is held.

Furthermore, Article 22 of the Regulations of the Board establishes that Directors have the broadest powers to receive information on any aspect of the Company, to examine its books, records and documents and other evidence of the company's transactions and to inspect all its facilities.

Exercise of the powers of information shall be channeled through the Chairman or the Secretary of the Board of Directors, who will attend to the requests of the director by providing him/her with the information directly, offering appropriate interlocutors at the appropriate level in the organisation or establishing such measures so as to enable him/her to conduct the desired examinations in situ.

C.1.39 Identify individually for directors, and generally in other cases, and provide detail of any agreements made between the company and its directors, executives or employees containing compensation or golden parachute clauses in the event of resignation or dismissal or termination of employment without cause following a takeover bid or any other type of transaction.

Nº Beneficiary:	1
Beneficiary	Description of the agreement:
CEO	In 2015, the Chief Executive Officer signed a contract with the Company for the provision of services pursuant to Article 249 of the Corporate Enterprises Act, which, in relation to compensation, provides: - Post-contract non-compete agreement, for one year, with the Company's commitment to pay the Chief Executive Officer one year's total annual remuneration under the conditions in force at the time of termination of the contract. If the Chief Executive Officer breaches the post-contract non-compete obligation, he must return to the Company any amounts received in this connection and compensate the Company with an amount equivalent to 150% of the amount received in this connection. - Termination of contract: termination of service of the Chief Executive Officer shall take place in the cases contemplated in the Corporate Enterprises Act, in which case he must place his position at the disposal of the Board of Directors and, where appropriate, execute immediately his dismissal from office. - Compensation: The Chief Executive Officer shall be compensated with an amount equal to one year's total annual remuneration, under the following circumstances: - Unilateral termination by the Chief Executive Officer: due to serious and negligent breach by the Company of its contractual obligations under the contract or to a substantial modification of his functions, powers or service conditions for reasons not attributable to the Chief Executive Officer. - Unilateral termination by the Company: not due to a serious and negligent breach by the Chief Executive Officer of the duties of loyalty, diligence or good faith or any of those established by law, according to which he must perform his function.

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	Also, following the recommendations of the United Code of Good Governance of the CNMV, during the year 2019 the aforementioned service provision contract was modified, in order to include a clawback clause.

State if these contracts have been communicated to and/or approved by the management bodies of the company or its group. If so, specify the procedures, expected events and nature of the bodies responsible for their approval or for communicating this:

	Board of Directors	General Shareholders' Meeting
Body authorising the clauses	√	

	Yes	No
Are these clauses notified to the General Shareholders'	√	

C.2. Committees of the Board of Directors

C.2.1 Give details of all committees of the Board of Directors, their members and the proportion of executive, proprietary, independent and other external directors that comprise them:

Auditing and compliance Committee		
Name	Position	Category
MS. CARINA SZPILKA LÁZARO	MEMBER	Independient
MR. FERNANDO D´ORNELLAS SILVA	CHAIRMAN	Independient
MR. JUAN ARENA DE LA MORA	MEMBER	Independient
MR. FRANCISCO JAVIER CAMPO GARCIA	MEMBER	Independient

% of executive directors	0.00
% of proprietary directors	0.00
% of independent directors	100.00
% of other external	0.00

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Identify the directors who are member of the audit committee and have been appointed taking into account their knowledge and experience in accounting or audit matters, or both, and state the date that the Chairman of this committee was appointed.

Name of directors with experience	MR. FERNANDO D´ORNELLAS SILVA
Date of appointment of the chairman in office	23/06/2016

Appointments and Remuneration Committee		
Name	Position	Category
MR. FERNANDO D´ORNELLAS SILVA	MEMBER	Independient
MR. FRANCISCO JAVIER CAMPO GARCIA	CHAIRMAN	Independient
MR. LUIS Mª DIAZ DE BUSTAMANTE TERMINEL	MEMBER	Independient
HOTELES MALLORQUINES CONSOLIDADOS S.L.	MEMBER	Propietary

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

C.2.2 Complete the following table with information regarding the number of female directors who were members of Board committees at the close of the past four years:

	Number of female directors							
	Year 2019		Year 2018		Year 2017		Year 2016	
	Number	%	Number	%	Number	%	Number	%
Auditing and compliance Committee	1	20.00	1	20.00	1	20.00	0	0.00
Appointments and Remuneration Committee	1	25.00	1	25.00	1	25.00	1	25.00

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D. LINKED OPERATIONS AND INTRAGROUP OPERATIONS

D.2. Detail those significant transactions by their amount or relevant for their matter carried out between the company or entities of their group, and the significant shareholders of the company.

Name or corporate name of significant shareholder	Name or corporate name of the company or its group company	Nature of the relationship	Type of transaction	Amount (thousand euros)
TULIPA INVERSIONES 2018, S.A.	Meliá Hotels International S.A.	Contractual	Reception of Services	317
TULIPA INVERSIONES 2018, S.A.	Infinity Vacations Dominicana	Contractual	Reception of Services	285
TULIPA INVERSIONES 2018, S.A.	Desarrolladora Hotelera del Norte	Contractual	Reception of Services	108
TULIPA INVERSIONES 2018, S.A.	Inversiones Areito, S.A.S.	Contractual	Reception of Services	69
TULIPA INVERSIONES 2018, S.A.	Sol Meliá Italia S.R.L.	Contractual	Reception of Services	6
TULIPA INVERSIONES 2018, S.A.	Corporación Hotelera Hispano Mexicana, S.A.	Contractual	Reception of Services	28
TULIPA INVERSIONES 2018, S.A.	Desarrollos Sol, S.A.S.	Contractual	Operational lease contracts	185
TULIPA INVERSIONES 2018, S.A.	Desarrollos Sol, S.A.S.	Contractual	Reception of Services	407

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D.3. State any transactions that are significant because of their amount or relevant because of their subject matter, carried out between the company or its group companies, and the directors or managers of the company:

Name or corporate name of director or manager	Name or corporate name of the related party	Relationship	Type of transaction	Amount (thousand euros)
MR. JUAN VIVES CERDA	Meliá Hotels International S.A.	Commercial	Provision of services	158
MR. JUAN VIVES CERDA	Meliá Hotels International S.A.	Commercial	Receipt of services	3
MR. JUAN VIVES CERDA	Prodigios Interactivos S.A.	Commercial	Provision of services	108
MR. JUAN VIVES CERDA	Prodigios Interactivos S.A.	Commercial	Receipt of services	15

D.4. Report any material transactions carried out by the company with other entities belonging to the same group, provided that these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's ordinary business activities in terms of their purpose and conditions.

In any case, list any intragroup transaction conducted with entities in countries or territories which are considered tax havens:

Name of the group company	Brief description of the transaction	Amount (thousand euros)
Sol Meliá Funding	Assignment of the customer portfolio of American companies in the vacation club segment to Sol Meliá Funding for its management	91
Sol Meliá Funding	Modification of the inter-group loan agreement with the parent company, in line with the centralised cash management policy	5.171

D.5. List any material transactions between the company or its group companies and other related parties, not recorded under the previous items.

Name of the group company	Brief description of the transaction	Amount (thousand euros)
		N.A.

D.7. Is there more than one company in the group listed in Spain?

[ ] Yes
[√] No

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G. EXTENT OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the degree of monitoring of the company with respect to the recommendations of the Code of good governance of listed companies.

In the event that any recommendation is not followed or partially followed, a detailed explanation of its reasons should be included so that shareholders, investors and the market in general have sufficient information to assess the company's behavior. General explanations will not be acceptable.

1. That the Bylaws of listed companies do not limit the maximum number of votes that may be cast by one shareholder or contain other restrictions that hinder the takeover of control of the company through the acquisition of shares on the market.

Complies [X] Explanation [ ]

2. That when the parent company and a subsidiary are listed on the stock market, both should publicly and specifically define:

   a) The respective areas of activity and possible business relationships between them, as well as those of the listed subsidiary with other group companies.
   b) The mechanisms in place to resolve possible conflicts of interest.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

3. That, during the course of the ordinary General Shareholders' Meeting, complementary to the distribution of a written Annual Corporate Governance Report, the chairman of the Board of Directors verbally informs shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, and in particular:

   a) Changes taking place since the last General Shareholders' Meeting.
   b) Specific reasons why the company did not follow one or more of the recommendations of the Code of Corporate Governance and, if so, the alternative rules that were followed instead.

Complies [X] Complies Partially [ ] Explanation [ ]

4. That the company has defined and promoted a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in all aspects with rules preventing market abuse and gives equal treatment to similarly situated shareholders.

   And that the company has made such a policy public through its web page, including information related to the manner in which said policy has been implemented and the identity of contact persons or those responsible for implementing it.

Complies [X] Complies Partially [ ] Explanation [ ]

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5. That the Board of Directors should not propose to the General Shareholders' Meeting any proposal for delegation of powers allowing the issuance of shares or convertible securities without pre-emptive rights in an amount exceeding 20% of equity at the time of delegation.

   And that whenever the Board of Directors approves any issuance of shares or convertible securities without pre-emptive rights the company immediately publishes reports on its web page regarding said exclusions as referenced in applicable company law.

Complies [ ]   Complies Partially [ ]   Explanation [X]

The Company submitted to the General Shareholders' Meeting held on 4 June 2015 a proposal for delegation of powers allowing an increase capital and the issuance of bonds. Although the amounts subject to approval exceed the percentage indicated in the recommendation, as explained in the relevant reports (which are available to shareholders), this power was considered to be necessary to raise on the stock markets the funds necessary for the appropriate management of company interests, giving the Board the broadest capacity to respond. The possibility of exclusion of pre-emptive rights is a power that must be analysed and applied in each specific case, depending on the specific conditions for the issuance. Likewise, the approved authorisation is within the legal maximum.

Also, indicate that the Company has not made use of the aforementioned authorization and that for the General Meeting of Shareholders of the year 2020 the renewal of the same is foreseen, pending the date of issuance of this report the setting of the conditions (including the percentage of capital stock) of the delegation to be submitted for approval by the Board.

6. That listed companies which draft any reports listed below, whether under a legal obligation or voluntarily, publish them on their website with sufficient time before the General Shareholders' Meeting, even when their publication is not mandatory:

   a) Report on the auditor's independence.
   b) Reports on the operation of the audit committee and the appointments and remuneration committee.
   c) Report by the audit committee regarding related-party transactions
   d) Report on the corporate social responsibility policy

Complies [X]   Complies Partially [ ]   Explanation [ ]

7. That the company reports in real time, through its web page, the proceedings of the General Shareholders' Meetings.

Complies [X]   Explanation [ ]

8. That the audit committee ensures that the Board of Directors presents the financial statements to the General Shareholders' Meetings without qualifications or reservations and that, in the exceptional circumstances in which qualifications may appear, that the chairman of the audit committee and the auditors clearly explain to the shareholders the content and scope of said qualifications or reservations.

Complies [X]   Complies Partially [ ]   Explanation [ ]

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9. That the company permanently maintains on its web page the requirements and procedures for certification of share ownership, the right of attendance at the General Shareholders' Meetings, and the exercise of the right to vote or to issue a proxy.

And that such requirements and procedures promote attendance and the exercise of shareholder rights in a non-discriminatory manner.

Complies [X] Complies Partially [ ] Explanation [ ]

10. That when a verified shareholder has exercised his right to make additions to the agenda or to make new proposals to it with sufficient time in advance of the General Shareholders' Meeting, the company:

Immediately distributes the additions and new proposals.

Publishes the attendance card credential or proxy form or form for distance voting with the changes such that the new agenda items and alternative proposals may be voted upon under the same terms and conditions as those proposals made by the Board of Directors.
Submits all of these items on the agenda or alternative proposals to a vote and applies the same voting rules to them as are applied to those drafted by the Board of Directors including, particularly, assumptions or default positions regarding votes for or against.
Communicates a breakdown of the results of said additions or alternative proposals after the General Shareholders' Meeting.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

11. That, in the event the company intends to pay for attendance at the General Shareholders' Meeting, it establishes in advance a general policy of long-term effect regarding such payments.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

12. That the Board of Directors completes its duties with a unity of purpose and independence, treating all similarly situated shareholders equally and that it is guided by the best interests of the company, which is understood to mean the pursuit of a profitable and sustainable business in the long term, and the promotion of continuity and maximisation of the economic value of the business.

And that in pursuit of the company's interest, in addition to complying with applicable law and rules and in engaging in conduct based on good faith, ethics and a respect for commonly accepted best practices, it seeks to reconcile its own company interests, when appropriate, with the interests of its employees, suppliers, clients and other stakeholders, as well as the impact of its corporate activities on the communities in which it operates and the environment.

Complies [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

13. That the Board of Directors is of an adequate size to perform its duties effectively and in a participatory manner, and that its optimum size is between five and fifteen members.

Complies [X] Explanation [ ]

14. That the Board of Directors approves a selection policy for directors that:

a) Is concrete and verifiable.
b) Ensures that proposals for appointment or re-election are based upon a prior analysis of the needs of the Board of Directors.
c) Favours diversity in knowledge, experience and gender.

That the resulting prior analysis of the needs of the Board of Directors is contained in the supporting report from the appointments committee published upon a call from the General Shareholders' Meeting submitted for ratification, appointment or re-election of each director.

And that the selection policy for directors promotes the objective that by the year 2020 the number of female directors accounts for at least 30% of the total number of members of the Board of Directors.

The appointments committee will annually verify compliance with the selection policy of directors and explain its findings in the Annual Corporate Governance Report.

Complies [X] Complies Partially [ ] Explanation [ ]

15. That proprietary and independent directors constitute a substantial majority of the Board of Directors and that the number of executive directors is kept at a minimum, taking into account the complexity of the corporate group and the percentage of equity participation of executive directors.

Complies [X] Complies Partially [ ] Explanation [ ]

16. That the percentage of proprietary directors divided by the number of non-executive directors is no greater than the proportion of the equity interest in the company represented by said proprietary directors and the remaining share capital.

This criterion may be relaxed:

In large cap companies in which interests that are legally considered significant are minimal.
In companies where a diversity of shareholders is represented on the Board of Directors without ties among them.

Complies [X] Explanation [ ]

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Secretary and Independent Director

17. That the number of independent directors represents at least half of the total number of directors.

Nonetheless, when the company does not have a high level of market capitalisation or in the event that it is a large cap company with one shareholder or a group acting in a coordinated manner who together control more than 30% of the company's capital, the number of independent directors represents at least one third of the total number of directors.

Complies [X]   Explanation [ ]

18. That companies publish and update the following information regarding directors on the company website:

Professional profile and biography.
Any other Boards to which the director belongs, regardless of whether the companies are listed, as well as any other remunerated activities engaged in, regardless of type.
Category of directorship, indicating, in the case of proprietary directors, the shareholder that they represent or to which they are connected.
The date of their first appointment as a director of the company's Board of Directors, and any subsequent re-election.
The shares and options they own.

Complies [X]   Complies Partially [ ]   Explanation [ ]

19. That the Annual Corporate Governance Report, after verification by the appointments committee, explains the reasons for the appointment of proprietary directors at the proposal of the shareholders whose equity interest is less than 3%. It should also explain, where applicable, why formal requests from shareholders for membership on the Board meeting were not honoured, when their equity interest is equal to or exceeds that of other shareholders whose proposal for proprietary directors was honoured.

Complies [ ]   Complies Partially [ ]   Explanation [ ]   Not Applicable [X]

20. That proprietary directors must resign from the Board if the shareholder they represent disposes of its entire equity interest. They should also resign, in a proportional manner, in the event that said shareholder reduces its percentage interest to a level that requires a decrease in the number of proprietary directors representing this shareholder.

Complies [ ]   Complies Partially [ ]   Explanation [ ]   Not Applicable [X]

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21. That the Board of Directors may not propose the dismissal of any independent director before the completion of the director's term provided for in the Bylaws, unless the Board of Directors finds just cause and a prior report has been prepared by the appointments committee. Specifically, just cause is considered to exist if the director takes on new duties or commits to new obligations that would interfere with his or her ability to dedicate the time necessary for attention to the duties attendant to his post as a director, fails to complete the tasks inherent to his or her post, or enters into any of the circumstances which would cause the loss of independent status in accordance with applicable law.

The dismissal of independent directors may also be proposed as a result of a public takeover bid, merger or similar transaction entailing a change in the shareholder structure of the company, provided that such changes in the structure of the Board are the result of the proportionate representation criteria provided for in Recommendation 16.

Complies [X]   Explanation [ ]

22. That companies establish rules requiring that directors inform the Board of Directors and, where appropriate, resign from their posts, when circumstances arise which may damage the company's standing and reputation. Specifically, directors must be required to report any criminal acts with which they are charged, as well as the consequent legal proceedings.

And that should a director be indicted or tried for any of the offences set out in company law legislation, the Board of Directors must investigate the case as soon as possible and, based on the particular situation, decide whether the director should continue in his or her post. And that the Board of Directors must provide a reasoned written account of all these events in its Annual Corporate Governance Report.

Complies [X]   Complies Partially [ ]   Explanation [ ]

23. That all directors clearly express their opposition when they consider any proposal submitted to the Board of Directors to be against the company's interests. This particularly applies to independent directors and directors who are unaffected by a potential conflict of interest if the decision could be detrimental to any shareholders not represented on the Board of Directors.

Furthermore, when the Board of Directors makes significant or repeated decisions about which the director has serious reservations, the director should draw the appropriate conclusions and, in the event the director decides to resign, explain the reasons for this decision in the letter referred to in the next recommendation.

This recommendation also applies in the case of the secretary of the Board of Directors, despite not being a director.

Complies [X]   Complies Partially [ ]   Explanation [ ]   Not Applicable [ ]

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Secretary and Independent Director

24. That whenever, due to resignation or any other reason, a director leaves before the completion of his or her term, the director should explain the reasons for this decision in a letter addressed to all the directors of the Board of Directors. Irrespective of whether the resignation has been reported as a relevant fact, it must be included in the Annual Corporate Governance Report.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

25. That the appointments committee ensures that non-executive directors have sufficient time in order to properly perform their duties.
And that the Regulations of the Board establish the maximum number of company Boards on which directors may sit.

Complies [ ] Complies Partially [X] Explanation [ ]

The Company does not consider it necessary to establish a maximum number of company Boards on which directors may sit since, prior to the appointment or re-election of directors the availability of candidates is reviewed, as provided for in the Selection Policy for Directors. The Company considers that this availability analysis achieves the same objective pursued by Recommendation 25, i.e. to make sure that Directors will devote sufficient time to collect information, be aware of the reality of the company and the evolution of its business, and participate in Board meetings and Commissions of which they are members, if any.

In fact, no Director sits in more than two Board of Directors of public companies, as indicated in paragraph C.1.11 of this report.

26. That the Board of Directors meet frequently enough so that it may effectively perform its duties, at least eight times per year, following a schedule of dates and agenda established at the beginning of the year and allowing each director individually to propose items do not originally appear on the agenda.

Complies [ ] Complies Partially [X] Explanation [ ]

The Regulations of the Board of Directors establish a minimum of six meetings. In fiscal year 2019 it was not necessary to increase this number to meet the needs of the company, having taken place a total of SEVEN (7) meetings, one of them in writing and without a face-to-face session.

Likewise, Article 25 of the Regulations of the Board of Directors states that the obligations of Directors include asking persons with capacity to call meetings to call an extraordinary meeting of the Board or to include such items as they deem appropriate in the agenda of the next meeting to be held.

In any case, at the beginning of each fiscal year, the Board examines, proposes and approves the schedule of meetings for the next year, taking into account the needs of the Company.

27. That director absences only occur when absolutely necessary and are quantified in the Annual Corporate Governance Report. And when absences occur, that the director appoints a proxy with instructions.

Complies [X] Complies Partially [ ] Explanation [ ]

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

28. That when directors or the secretary express concern regarding a proposal or, in the case of directors, regarding the direction in which the company is headed and said concerns are not resolved by the Board of Directors, such concerns should be included in the minutes, upon a request from the protesting party.

Complies [ ] Complies Partially [X] Explanation [ ] Not Applicable [ ]

29. That the company establishes adequate means for directors to obtain appropriate advice in order to properly fulfil their duties including, should circumstances warrant, external advice at the company's expense.

Complies [X] Complies Partially [ ] Explanation [ ]

30. That, without regard to the knowledge necessary for directors to complete their duties, companies make refresher courses available to them when circumstances require.

Complies [X] Explanation [ ] Not applicable [ ]

31. That the agenda for meetings clearly states those matters about which the Board of Directors are to make a decision or adopt a resolution so that the directors may study or gather all relevant information ahead of time.

When, under exceptional circumstances, the chairman wishes to bring urgent matters for decision or resolution before the Board of Directors which do not appear on the agenda, prior express agreement of a majority of the directors shall be necessary, and said consent shall by duly recorded in the minutes.

Complies [X] Complies Partially [ ] Explanation [ ]

32. That directors shall be periodically informed of changes in equity ownership and of the opinions of significant shareholders, investors and rating agencies of the company and its group.

Complies [X] Complies Partially [ ] Explanation [ ]

33. That the chairman, as the person responsible for the efficient operation of the Board of Directors, in addition to carrying out his duties required by law and the Bylaws, should prepare and submit to the Board of Directors a schedule of dates and matters to be considered; should organise and coordinate the periodic evaluation of the Board as well as, if applicable, the chief executive of the company, should be responsible for leading the Board and the effectiveness of its operation; should ensure that sufficient time is devoted to considering strategic issues, and approve and supervise refresher courses for each director when circumstances so dictate.

Complies [X] Complies Partially [ ] Explanation [ ]

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

34. That when there is a coordinating director, the Bylaws or the Regulations of the Board should confer upon him the following competencies in addition to those conferred by law: chairman of the Board of Directors in the absence of the chairman and deputy chairmen, should there be any; reflect the concerns of non-executive directors; liaise with investors and shareholders in order to understand their points of view and respond to their concerns, in particular as those concerns relate to corporate governance of the company; and coordinate a succession plan for the chairman.

Complies [ ] Complies Partially [X] Explanation [ ] Not Applicable [ ]

The Company considers that, given the absence of an Executive Chairman since December 2016, the figure of a Coordinating Director is not mandatory. Nevertheless, in line with current best practices, it decided to maintain the figure of a Coordinating Director, although the functions assigned to the Director do not entirely match the content in the recommendation, with the Director being especially empowered to: (i) request the convening of meetings of the Board of Directors or the inclusion of new items on the agenda for a meeting already convened, (ii) coordinate and arrange meetings with external directors, and (iii) lead, if appropriate, the periodic appraisal of the Chairman of the Board of Directors. These powers do not entirely match the powers included in the recommendation.

35. That the secretary of the Board of Directors should pay special attention to ensure that the activities and decisions of the Board of Directors take into account the recommendations regarding good governance contained in this Good Governance Code and which are applicable to the company.

Complies [X] Explanation [ ]

36. The Board of Directors in full session should conduct an annual evaluation, adopting, when necessary, an action plan to correct weaknesses detected in:

The quality and efficiency of the Board of Director’s operation.
The performance and composition of its committees.
Diversity of membership and competence of the Board of Directors.
Performance of the chairman of the Board of Directors and the chief executive officer of the company.
Performance and input of each director, paying particular attention to those in charge of the various Board committees.
In order to perform its evaluation of the various committees, the Board of Directors will take a report from the committees themselves as a starting point and for the evaluation of the Board, a report from the appointments committee.

Every three years, the Board of Directors will rely upon the assistance of an external advisor for its evaluation, whose independence shall be verified by the appointments committee.

Any business relationships between the external advisor or any member of the advisor’s group and the company or any company within its group shall be specified in the Annual Corporate Governance Report.

The process and the areas evaluated shall be described in the Annual Corporate Governance Report.

Complies [X] Complies Partially [ ] Explanation [ ]

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Secretary and Independent Director

37. That if there is an executive committee, the proportion of each different director category must be similar to that of the Board itself, and its secretary must be the secretary of the Board.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

38. That the Board of Directors must always be aware of the matters discussed and decisions adopted by the executive committee and that all members of the Board of Directors receive a copy of the minutes of meetings of the executive committee.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

39. That the members of the audit committee, particularly its Chairman, are appointed in consideration of their knowledge and experience in accountancy, audit and risk management matters, and that a majority of its members be independent directors.

Complies [X] Complies Partially [ ] Explanation [ ]

40. That under the supervision of the audit committee, there must be a unit in charge of the internal audit function, which ensures that information and internal control systems operate correctly, and which reports to the non-executive chairman of the Board or of the audit committee.

Complies [X] Complies Partially [ ] Explanation [ ]

41. That the person in charge of the unit performing the internal audit function should present an annual work plan to the audit committee, reporting directly on any issues that may arise during the implementation of this plan, and present an activity report at the end of each year.

Complies [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

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

42. That in addition to the provisions of applicable law, the audit committee should be responsible for the following:

With respect to information systems and internal control:

a. Supervise the preparation and integrity of financial information relative to the company and, if applicable, the group, monitoring compliance with governing rules and the appropriate application of consolidation and accounting criteria.

b. Ensure the independence and effectiveness of the unit charged with the internal audit function; propose the selection, appointment, re-election and dismissal of the head of internal audit; draft a budget for this department; approve its goals and work plans, making sure that its activity is focused primarily on material risks to the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.

c. Establish and supervise a mechanism that allows employees to report confidentially and, if appropriate, anonymously, any irregularities with important consequences, especially those of a financial or accounting nature, that they observe in the company.

In relation to the external auditor:

a. In the event that the external auditor resigns, examine the circumstances which caused said resignation.

b. Ensure that the remuneration paid to the external auditor for its work does not compromise the quality of the work or the auditor's independence.

c. Ensure that the company files a relevant fact with the CNMV when there is a change of auditor, along with a statement on any differences that arose with the outgoing auditor and, if applicable, the contents thereof.

d. Ensure that the external auditor holds an annual meeting with the Board of Directors in plenary session in order to make a report regarding the tasks accomplished and regarding the development of its accounting and risks faced by the company.

e. Ensure that the company and the external auditor comply with applicable rules regarding the provision of services other than auditing, the limits on concentration of the auditor's business, and all other rules regarding the auditor's independence.

Complies [X]   Complies Partially [   ]   Explanation [ ]

43. That the audit committee may require the presence of any employee or manager of the company, even without the presence of any other member of management.

Complies [X]   Complies Partially [   ]   Explanation [ ]

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

44. That the audit committee be kept abreast of any corporate and structural changes planned by the company in order to perform an analysis and draft a report beforehand to the Board of Directors regarding economic conditions and accounting implications and, in particular, any exchange ratio involved.

Complies [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

45. That the risk control and management policy identify at least:

The different types of financial and non-financial risks (among those operational, technological, legal, social, environmental, political and reputational) which the company faces, including financial or economic risks, contingent liabilities and other off-balance sheet risks.

Fixing of the level of risk the company considers acceptable.

Measures identified in order to minimise identified risks in the event they occur.
Internal control and information systems to be used in order to control and manage identified risks, including contingent liabilities and other off-balance sheet risks.

Complies [X] Complies Partially [ ] Explanation [ ]

46. That under the direct supervision of the audit committee or, if applicable, of a specialised committee of the Board of Directors, an internal control and management function should exist delegated to an internal unit or department of the company which is expressly charged with the following responsibilities:

Ensure the proper operation of risk management and control systems and, in particular, that they adequately identify, manage and quantify all material risks that may affect the company.
Actively participate in the creation of the risk strategy and in important decisions regarding risk management.
Ensure that the risk management and control systems adequately mitigate risks as defined by policy issued by the Board of Directors.

Complies [X] Complies Partially [ ] Explanation [ ]

47. That members of the appointment and remuneration committee – or of the appointments committee and the remuneration committee if they are separate – are chosen taking into account the knowledge, ability and experience necessary to perform the duties they are called upon to carry out and that the majority of said members are independent directors.

Complies [X] Complies Partially [ ] Explanation [ ]

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

48. That large cap companies have formed separate appointments and remuneration committees.

Complies [ ] Explanation [ ] Not Applicable [X]

49. That the appointments committee consult with the chairman of the Board of Directors and the chief executive of the company, especially in relation to matters concerning executive directors.

And that any director may ask the appointments committee to consider potential candidates he or she considers appropriate to fill a vacancy on the Board of Directors.

Complies [X] Complies Partially [ ] Not Applicable [ ]

50. That the remuneration committee exercises its functions independently and that, in addition to the functions assigned to it by law, it should be responsible for the following:

Propose basic conditions of employment for senior management.
Verify compliance with company remuneration policy.
Periodically review the remuneration policy applied to directors and senior managers, including remuneration involving the delivery of shares, and guarantee that individual remuneration be proportional to that received by other directors and senior managers.
Ensure that potential conflicts of interest do not undermine the independence of external advice rendered to the Board.
Verify information regarding remuneration paid to directors and senior managers contained in the various corporate documents, including the Annual Report on Director Remuneration.

Complies [X] Complies Partially [ ] Not Applicable [ ]

51. That the remuneration committee consults with the chairman and the chief executive of the company, especially in matters relating to executive directors and senior management.

Complies [X] Complies Partially [ ] Not Applicable [ ]

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

52. That the rules regarding composition and operation of supervision and control committees appear in the Regulations of the Board of Directors and that they are consistent with those that apply to mandatory committees in accordance with the recommendations above, including:

a) That they are comprised exclusively of non-executive directors, with a majority of them independent.

b) That their chairmen be independent directors.

c) That the Board of Directors select members of these committees taking into account their knowledge, skills and experience and the duties of each committee; discuss their proposals and reports; and detail their activities and accomplishments during the first plenary session of the Board of Directors held after the committee's last meeting.

d) That the committees be allowed to avail themselves of external advice when they consider it necessary to perform their duties.

e) That their meetings be recorded, and the minutes be made available to all directors.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

53. That verification of compliance with corporate governance rules, internal codes of conduct and social corporate responsibility policy be assigned to one or split among more than one committee of the Board of Directors, which may be the audit committee, the appointments committee, the corporate social responsibility committee in the event that one exists, or a special committee created by the Board of Directors pursuant to its powers of self-organisation, which at least the following responsibilities shall be specifically assigned thereto:

a) Verification of compliance with internal codes of conduct and the company's corporate governance rules.

b) Supervision of the communication strategy and relations with shareholders and investors, including small- and medium-sized shareholders.

c) The periodic evaluation of the suitability of the company's corporate governance system, with the goal that the company promotes company interests and take into account, where appropriate, the legitimate interests of other stakeholders.

d) Review of the company's corporate social responsibility policy, ensuring that it is orientated towards value creation.

e) Follow-up of social responsibility strategy and practice, and evaluation of degree of compliance.

f) Supervision and evaluation of the way relations with various stakeholders are handled.

g) Evaluation of everything related to non-financial risks to the company, including operational, technological, legal, social, environmental, political and reputational.

h) Coordination of the process of reporting on diversity and reporting non-financial information in accordance with applicable rules and international benchmarks.

Complies [X] Complies Partially [ ] Explanation [ ]

54. That the corporate social responsibility policy includes principles or commitments which the company voluntarily assumes regarding specific stakeholders and identifies, as a minimum:

a) The objectives of the corporate social responsibility policy and the development of tools to support it.

b) Corporate strategy related to sustainability, the natural environment and social issues.

c) Concrete practices in matters related to shareholders, employees, clients, suppliers, social issues, the natural environment, diversity, fiscal responsibility, respect for human rights, and the prevention of unlawful conduct.

d) Means or systems for monitoring the results of the application of specific practices described in the immediately preceding paragraph, associated risks, and their management.

e) Mechanisms for supervising non-financial risk, ethics and business conduct.

f) Communication channels, participation and dialogue with stakeholders.

g) Responsible communication practices that impede the manipulation of data and protect integrity and honour.

Complies [X] Complies Partially [ ] Explanation [ ]

55. That the company reports, in a separate document or within the management report, on matters related to corporate social responsibility, following internationally recognised methodologies.

Complies [X] Complies Partially [ ] Explanation [ ]

56. That director remuneration be sufficient in order to attract and retain directors who meet the desired professional profile and to adequately compensate them for the dedication, qualifications and responsibility demanded of their posts, while not being so excessive as to compromise the independent judgment of non-executive directors.

Complies [X] Explanation [ ]

57. That only executive directors receive remuneration linked to corporate results or personal performance, as well as remuneration in the form of shares, options or rights to shares or instruments whose value is indexed to share value, or long-term savings plans such as pension plans, retirement accounts or any other retirement plan.

Shares may be given to non-executive directors under the condition that they maintain ownership of the shares until they leave their posts as directors. The forgoing shall not apply to shares that the director may be obliged to sell in order to meet the costs related to their acquisition.

Complies [X] Complies Partially [ ] Explanation [ ]

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

58. That as regards variable remuneration, the policies incorporate limits and administrative safeguards in order to ensure that said remuneration is in line with the work performance of the beneficiaries and is not based solely upon general developments in the markets or in the sector in which the company operates, or other similar circumstances.

And, in particular, that variable remuneration components:

a) Are linked to pre-determined and measurable performance criteria and that such criteria take into account the risk undertaken to achieve a given result.

b) Promote sustainability of the company and include non-financial criteria that are geared towards creating long term value, such as compliance with rules and internal operating procedures and risk management and control policies.

c) Are based upon balancing short-, medium- and long-term objectives, permitting the reward of continuous achievement over a period of time long enough to judge creation of sustainable value such that the benchmarks used for evaluation are not comprised of one-off, seldom occurring or extraordinary events.

Complies [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

59. That a material portion of variable remuneration components be deferred for a minimum period of time sufficient to verify that previously established performance criteria have been met.

Complies [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

60. That remuneration related to company results takes into account any reservations which may appear in the external auditor's report which would diminish said results.

Complies [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

61. That a material portion of variable remuneration for executive directors depends upon the delivery of shares or instruments indexed to share value.

Complies [ ] Complies Partially [ ] Explanation [X] Not Applicable [ ]

The Company understands that the recommendation intends to ensure the involvement of Executive Directors in the results of the Company and its performance.

In view of the specific situation and given that the Company is a family-owned business, the distribution of shares to the Executive Director is deemed unnecessary.

Notwithstanding the above, the new Remuneration Policy for Directors, establishes that remuneration systems may be established that are referenced to the quoted value of the shares or that entail the delivery of shares or option rights over these".

62. That once shares or options or rights to shares arising from remuneration schemes have been delivered, directors are prohibited from transferring ownership of a number of shares equivalent to two times their annual fixed remuneration, and the director may not exercise options or rights until a term of at least three years has elapsed since they received said shares.

The forgoing shall not apply to shares which the director may need to sell in order to meet the costs related to their acquisition.

Complies [ ] Complies Partially [ ] Explanation [ ] Not Applicable [X]

63. That contractual arrangements include a clause which permits the company to seek reimbursement of variable remuneration components in the event that payment does not coincide with performance criteria or when delivery was made based upon data later deemed to be inaccurate.

Complies [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

64. That payments made for contract termination shall not exceed an amount equivalent to two years of total annual remuneration and that it shall not be paid until the company has verified that the director has fulfilled all previously established criteria for payment.

Complies [X] Complies Partially [ ] Explanation [ ] Not Applicable [ ]

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

[ ] Yes
[√] No

We state that the data included in this statistical annex coincide and are consistent with the descriptions and data included in the annual corporate governance report published by the company.

Preparation of the Consolidated Management Report and Consolidated Annual Accounts for 2019

The preparation of the Consolidated Management Report and Annual Accounts has been approved by the Board of Directors, in the meeting held on 26 February 2020, subject to verification by the Auditors and subsequent approval by the General Shareholders' Meeting.

The Consolidated Management Report and Annual Accounts are issued in 448 sheets, all of them signed by the Secretary, and being this last sheet signed by all Directors.

Signed Mr. Gabriel Escarrer Juliá
Chairman

Signed Mrs. Cristina Henríquez de Luna Basagoiti
Director

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

Signed Mr. Sebastián Escarrer Jaume
Director

Signed Mr. Juan Arena de la Mora
Director

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

Signed Mr. Fernando d'Ornellas Silva
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Hoteles Mallorquines Asociados, S.L. (Represented by Mr. Alfredo Pastor Bodmer)
Director

Signed Mrs. Carina Szpilka Lázaro
Director

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

MELIÃ HOTELS INTERNATIONAL

Leisure at heart,
business in mind