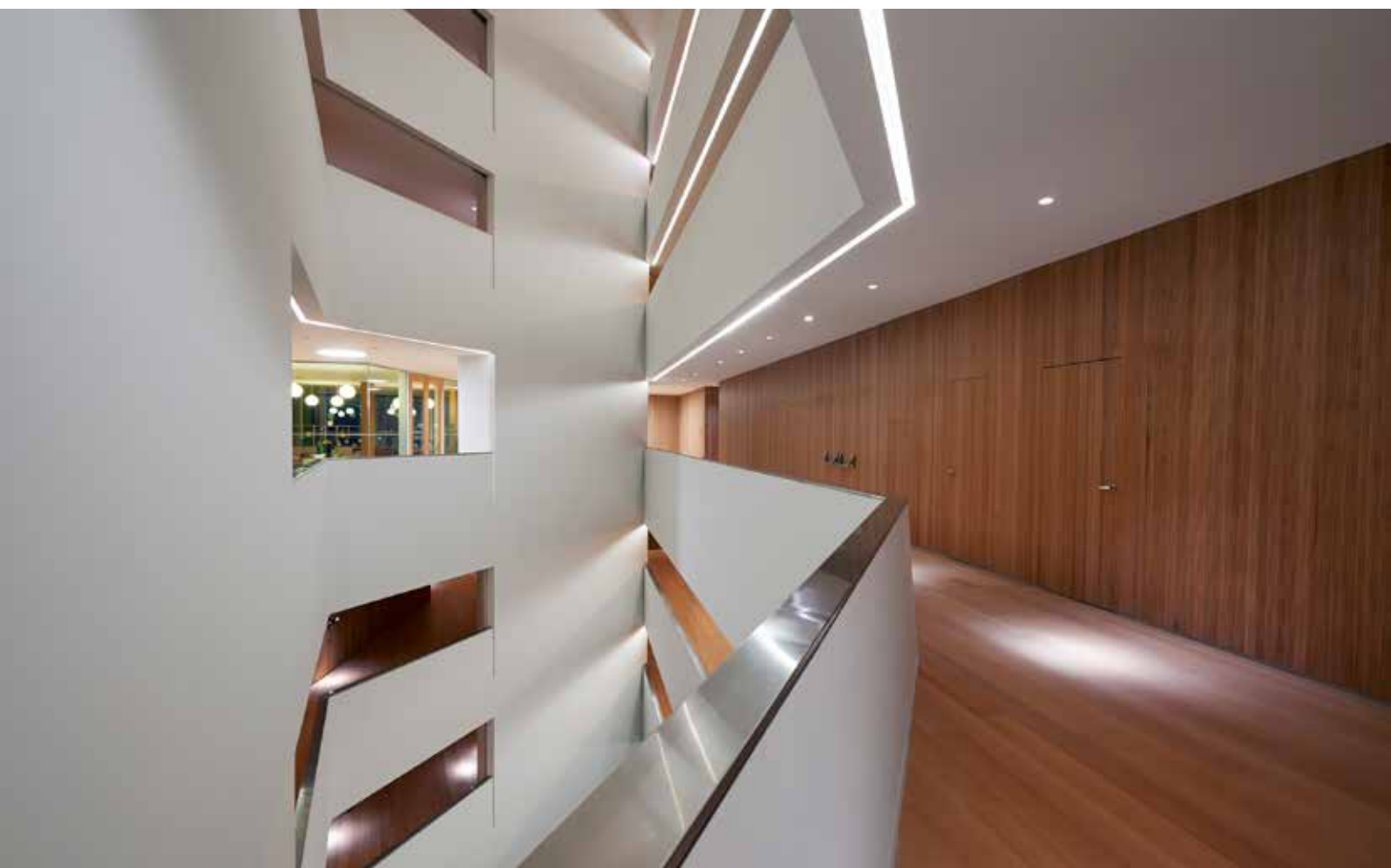


Herein is attached a translation of the individual and consolidated Annual Accounts and Management Report for 2018 financial year of Meliá Hotels International S.A. and its Consolidated Group, as well as the respective reports of the auditor.

These documents are a translation of a Spanish-language documents, and are provided only for information purposes. In the event of any discrepancy between the text of these translations and the Spanish-language documents, the text of the Spanish-language documents shall prevail.

Meliá Hotels International, S.A.
Palma de Mallorca, April 30th, 2019

Management Report and Consolidated Annual Accounts 2018



Integrated Report 2018

Consolidated Management Report



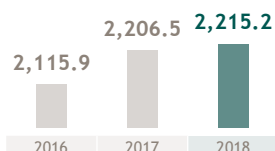
MELIÀ HOTELS
INTERNATIONAL

Leisure at heart,
business in mind

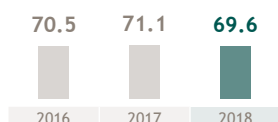
Main figures

Financial Information

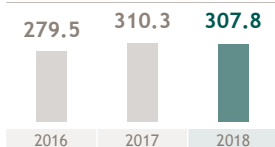
AGGREGATE INCOME (€ M)



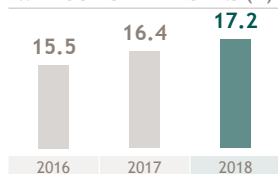
AGGREGATE REVPAR (€)



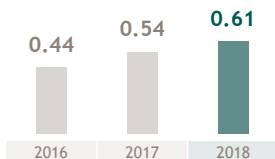
EBITDA WITHOUT CAPITAL GAINS (€ M)



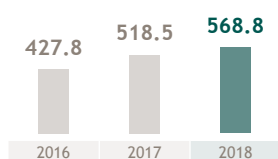
EBITDA MARGIN WITHOUT CAPITAL GAINS (%)



EARNINGS PER SHARE (€)



SALES MELIA.COM (€ M)



AMERICAS

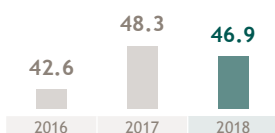
Hotel revenues (€ M)	470.3
Aggregate RevPAR (€)	77.0

CUBA

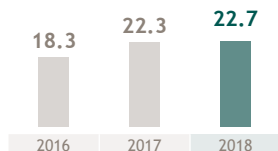
Hotel revenues (€ M)	14.4
Aggregate RevPAR (€)	45.2

Non-Financial Information

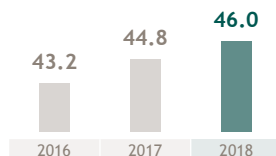
NPS (%)



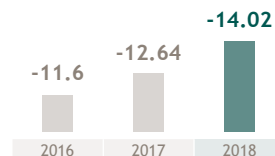
NPS - REPUTATION (%)



GLOBAL AVERAGE WORKFORCE (thousands)

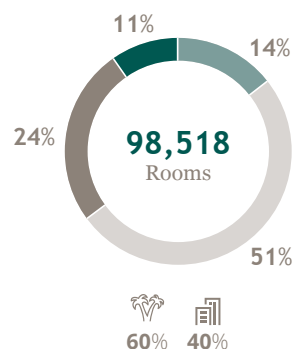
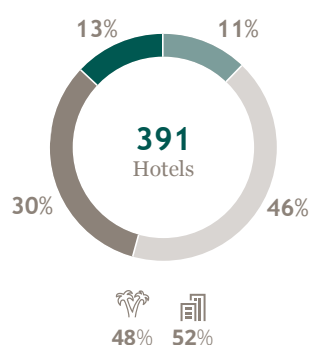


EMISSIONS REDUCTION CO₂ PER STAY (%)



Portfolio

- Owned property
- Management
- Leased
- Franchise
- Urban
- Resort





Silver Class
The Sustainability Yearbook 2019
(RobecoSAM CSA 2018)

SPAIN	
Hotel revenue (€ M)	339.8
Aggregate RevPAR (€)	71.5

EMEA	
Hotel revenue (€ M)	611.3
Aggregate RevPAR (€)	112.6

MEDITERRANEAN	
Hotel revenue (€ M)	305.2
Aggregate RevPAR (€)	66.9

BRAZIL	
Hotel revenue (€ M)	6.3
Aggregate RevPAR (€)	42.7

ASIA	
Hotel revenue (€ M)	8.5
Aggregate RevPAR (€)	43.7

CONSOLIDATED STATEMENT OF INCOME

millions of €	2018	2017	Diff. (%)
INCOME	1,831.31	1,859.18	-1.5%
EBITDAR	519.65	483.34	7.5%
EBITDA	326.53	305.08	7.0%
EBITDA (without capital gains)	307.77	305.08	0.9%
EBIT	205.55	179.64	14.4%
FINANCIAL RESULT	-25.47	-33.11	23.1%
PRE-TAX RESULT	185.39	169.74	9.2%
NET PROFIT	144.24	128.64	12.1%
Net profit attributed to parent company	140.08	123.92	13.0%

Letter from the Executive Vice-Chairman and CEO

GRI 102-14



Dear stakeholders,

The year 2018 was characterised by a favourable environment for the tourism industry in general, which, despite the growing international uncertainty driven by commercial and geopolitical tensions, the shadows of a looming deceleration in European economies, and the expected horizon of a Brexit in conditions that are still unknown, experienced a 4% growth, surpassing global economic growth for the eighth year in a row. Even Spain, the second most popular tourist destination in the world and one that has been particularly affected by the atypical climate in Central Europe and by the recovery and growing competition from destinations in North Africa and Turkey, maintained moderate growth in the number of and the spend by tourists over the year.

Tourism is strengthening its position as a resilient, growing industry. Accordingly, as a global business with a clear long-term vision, Meliá Hotels International expects to position itself, as stated in our “2020 Vision”, among the leading hotel groups in the medium and high, urban and leisure segments, reinforcing its position in the latter sector, and to be recognised as a benchmark around the world in excellence, responsibility and sustainability.

Strategic balance sheet and key factors in our positioning

This year, our company completed the Strategic Plan that had been in place since 2016, and I am pleased to state that over this period the Group made the right decisions within the framework of the Plan, taking full advantage of a positive outlook to consolidate significant advances in our process of transformation. The main achievements and results can be divided into the following five key factors:

1. Financial consolidation and resistance to cycles

The results show the strength of our balance sheet over the past ten years, which is confirmed by the net debt to EBITDA ratio remaining at under two over the past three years and by the reduction of our financing costs to the end of 2018 to 3.5%. Along these same lines, the increasing “managerial” and “asset-light” business model, which currently generates 32% of EBITDA, is helping achieve more agile and sustainable growth, as well as improved margins, with lower financial and property leveraging. Additionally, the company has maintained uninterrupted growth of the RevPAR (average revenue per available room) for 31 calendar quarters.

2. Creating value for shareholders

The process of creating long-term value for our investors and shareholders has, among other aspects, led to our assets appreciating by 20% compared with 2015 (up to €3.758 billion) and a 239% increase in earnings per share between 2015 and 2018. Despite the excessive “punishment” in the share price over the past year, attributable to fear over future impacts on the business including factors such as the uncertainty surrounding Brexit, the recovery of demand in alternative destinations such as Turkey and Egypt, which has affected tourism in Spain, and the travel warnings and problems with gulfweed in Mexico, Meliá Hotels International is seen, by market consensus, as one of the companies with greatest potential for share growth and a higher percentage of recommendations to buy on the IBEX 35.

3. Strengthening leadership in the leisure and bleisure hotels

Between 2016 and 2018, our company added 9,549 rooms, 80% of which were in the leisure and urban leisure segments, 67% of which were in upscale or premium category hotels. Currently, 70% of our rooms portfolio relates to leisure and urban-bleisure products.

Parallel to the organic growth, our company made the most of the positive outlook for the period to undertake an ambitious plan to reposition products, under the umbrella of which more than €400 million were invested during this period, which has boosted our positioning in the superior and premium segments.

4. Digital leap

The balance sheet of the Strategic Plan over these past three years reveals an ambitious digital transformation project, with an investment of €130 million and a commitment that transcends the purely technological and speaks of an unprecedented cultural evolution. The most palpable results were an increase in sales through our own channels, including 69% at melia.com, supported by a greater flow of customers using our online platform. All this is reflected in the satisfaction index of our customers, which reached 46.9%, above the set target of 44.2%.

Notably, during this period we enjoyed great success in transforming more than a thousand members of our conventional sales force into digital and “social” sales experts.

5. A benchmark in responsibility and sustainability

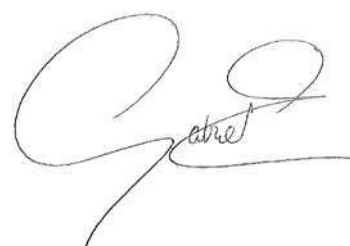
The Strategy Plan peaks for Meliá with the *Silver Class* recognition in the Sustainability Yearbook 2019, produced by the sustainable investment agency RobecoSAM in its 2018 Corporate Sustainability Assessment (CSA), an assessment used to determine world rankings in sustainable performance by companies in different sectors and to choose the businesses to be included on the Dow Jones Sustainability Index. This landmark was achieved thanks to the significant public commitments taken on by the Group, which include the United Nations Sustainable Development Goals for 2030, the degree of compliance with which is set out in this report, as well as working hard to ensure transparency so as to report with greater detail on our social, environmental and corporate governance positioning.

Challenges for the future

The advances reported over these years, focusing on the five key factors that I have summarised here, put us in a strong position to tackle a more unstable and uncertain year, as it seems that 2019 will be, with even greater global challenges, both on the business front and in terms of people, digitalisation, climate change and the geopolitical framework.

As Executive Vice-Chairman and Managing Director, I would like to recognise the excellent work produced by the whole Meliá team, as thanks to the level of commitment, the sense of belonging and the service culture that forms part of our DNA, we can keep moving forward in the major priorities of our 2020 Vision, and continue to generate value for our shareholders and our interest groups as a whole.

The year 2019 will bring an intensification in social and technological change, which is transforming our industry and our world, and it is at times like this when society needs a stronger, more ethical and more committed leadership from major companies such as ours.



Gabriel Escarrer Jaume

Vice-Chairman and Managing Director

About the report

GRI 102-48; GRI 102-49; GRI 102-53; GRI 102-54; GRI 102-55; GRI 102-56

Over the years, companies and their business models for generating value have evolved and changed, as a result, among other factors, of the global context in which they operate. These changes have required financial and non-financial reports to meet demands of greater transparency and information, as well as making them more relevant to material issues and to the use and application of the resources used, to increase, among other things, the trust of investors, consumers and society as a whole.

In this context, and following international standards and recommendations on matters of reporting, we are taking up the commitment to publish corporate information that reflects our performance, as well as the challenges and the current and future goals that we are working towards.

Equally, reporting along these lines requires us to do so with greater cohesion and transparency. For this reason, in 2018, with the aim of remaining at the forefront of reporting, we decided to keep moving forward in terms of producing our Annual Report by creating an Integrated Report.

In doing so, we can be sure that the information we share with our stakeholders is consistent and shows the alignment of our strategy, material issues, our model of governance and our performance in both financial and non-financial terms.

Verifying information

The information contained in the Consolidated Annual Accounts is produced according to the International Financial Reporting Standards (IFRS) and is submitted for review by the auditing firm PwC, which issues its own independent audit report.

The non-financial information has been submitted for external verification by the same auditing firm, a process that began in 2010, resulting in the independent review report, based on the GRI Standards and the performance indicators set out in its core option.

Additionally, and in accordance with the provisions of Act 11/2018, of 28 December, on matters of non-financial information and diversity, we have produced the Non-Financial Information Statement relating to the 2018 financial year, which as per the provisions in article 44 of the Commercial Code, forms part of this report.

The information referring to the Internal Control Systems for Financial Reporting (known in Spanish as SCIIF) contained section F (indicate reference to section F here) of the IAGC (Annual Corporate Governance Report) has also been submitted for review by the Group's accounting auditor.

Interpreting indicators

The economic indicators referring to the operating results, and the non-financial information, are included in the Management Report from a consolidated (owned and rented business units) and additional (owned, rented and managed) viewpoint.

The definition of alternative performance measurements used in this report can be found in Note 2 of the Consolidated Annual Accounts.

Contacts

If you have any questions or suggestions about this report, the following methods are available for contacting us directly:

Financial information:
Investor Relations Department
(investor.relations@melia.com)

Non-financial information
Corporate Responsibility Department
(csr@melia.com)



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01

Introduction

Essence of Meliá

Significant milestones

Presence map





Essence of Meliá

GRI 102-16

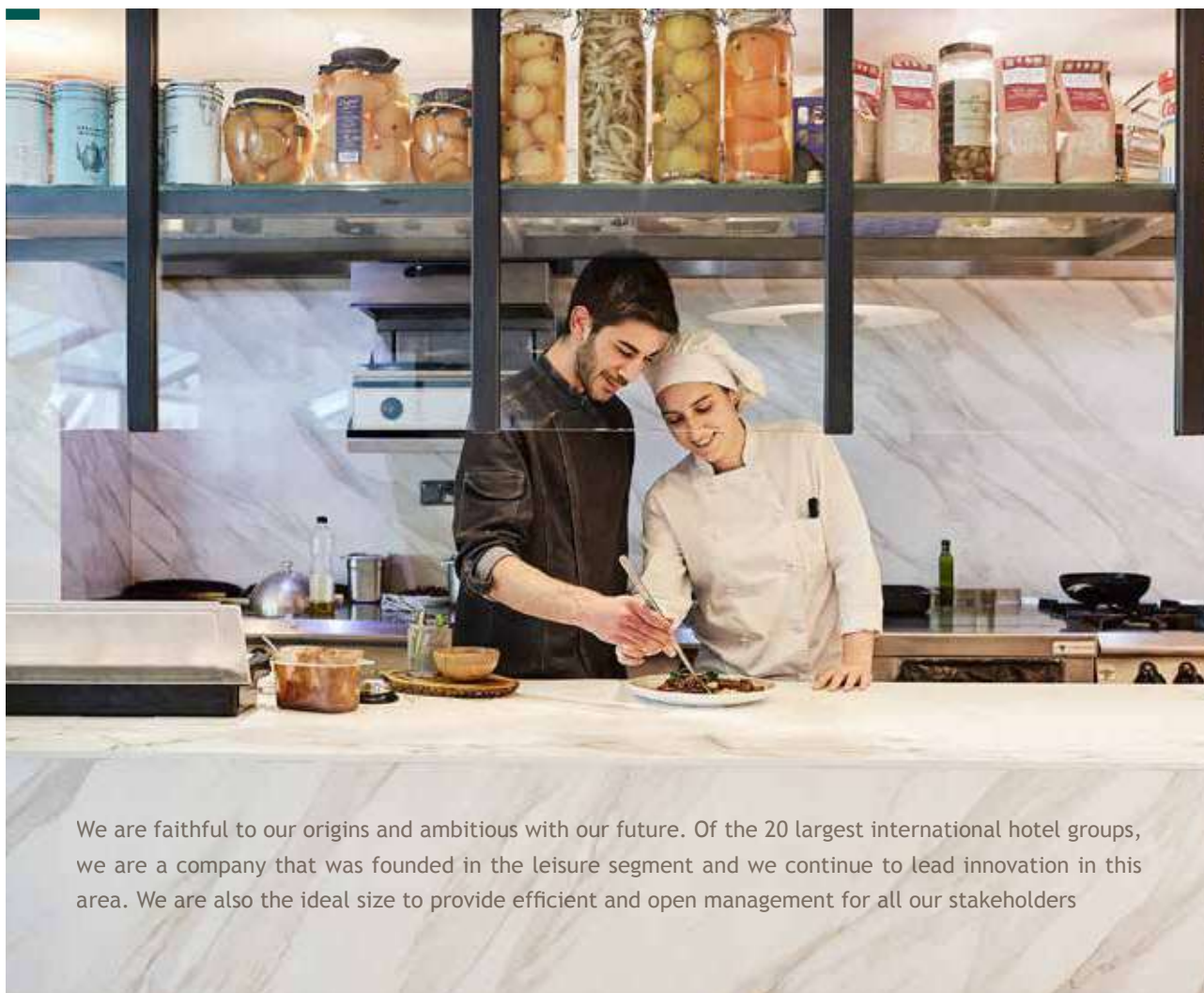


Leisure at heart, business in mind

The combination of the exceptional hospitality that we provide and our excellence and exactitude in management

Bringing together the instinct and data, feelings and observation, intuition and study. At Meliá Hotels International we blur the lines between what we think and what we feel, because we are holidays, getaways, emotions and wellbeing. **We are leisure**

But we are also success, effort and teamwork. **We are business**



We are faithful to our origins and ambitious with our future. Of the 20 largest international hotel groups, we are a company that was founded in the leisure segment and we continue to lead innovation in this area. We are also the ideal size to provide efficient and open management for all our stakeholders

We are a group with more than 60 years of history, defined by the four identity attributes of our company, cutting across all our brands...

Warmth and conviviality

Caring and nurturing

Little extras

Innovation

...which inspire the values of our business culture...

Proximity

Excellence and consistency

Service vocation

Innovation

...and which come to life in our day-to-day through our behaviour

Warm

Professional

Hospitable

Creative

This results in our particular way of being unique, which stems from the sense of belonging to one big family: ours. It is precisely this sentiment which inspires how we relate to our customers and our own team



VALUE PROPOSAL

Belonging Means More

We want to inspire loyalty and trust in our customers, and continue to surprise them every day with experiences wrapped in characteristic Spanish warmth and passion.

Belonging is about feeling special. This is why our programme offers a world of exclusive advantages for our most loyal customers, and nurtures a sense of belonging to a big family that cares for their wellbeing.

SERVICE CULTURE

Belonging Begins Here

We are the result of a united and committed group, which shares a passion for everything it does. Together, we help that feeling of belonging to grow every day, something that starts with each one of us.

EMPLOYEE VALUE PROPOSAL

Starring You

Because at Meliá, everyone's the star of their own story. Between us all we're building the future of this great family, where every achievement is a step forward together, and where success for one of us means success for us all.

This is...
Meliá Hotels International
This is who we are

Leisure at heart, business in mind



Significant Milestones

ME Sitges Terramar opens its doors, a cosmopolitan and sophisticated coastal vision with exclusive services and deluxe contemporary facilities

January



Meliá Hotels International disembarks in Mozambique with the opening of the Meliá Maputo

February



The Sol Beach House brand reaches the Canary Islands, with the opening of the first establishment in Fuerteventura, following a complete refurbishment of the former Meliá Gorrones

March



Opening of The Grand Reserve at Paradisus Palma Real, the new concept in luxury, which brings a superior experience to its resorts in the Dominican Republic

December



Amazon and Meliá permanently extend their commercial collaboration, offering hotel experiences and getting involved once again in Amazon's Black Friday

November



Recognised as the third most sustainable hotel company in the world by RobecoSAM CSA in 2018

October



Meliá joins the Incorpora programme, run by “Obra Social La Caixa”, to help people at risk of exclusion find work

April



The Palma Convention Centre celebrates its first anniversary, confirming the success of this infrastructure as a benchmark for European business tourism

May



During this year, Meliá Hotels International undertakes to stop using certain single-use plastic items, right across the globe

June



Meliá Hotels International joins the #PorElClima (For the Climate) community to reiterate its commitment to combating climate change

September



Alliances with major technological partners, such as WhatsApp Business, Amazon and Oracle, to improve the digital experience, communication and service for its customers

August



The transformation of Magaluf with the opening of the Calviá Beach The Plaza hotel and its commercial area Momentum Plaza

July



Presence map

GRI 102-4; GRI 102-7; GRI 102-10

Active Portfolio



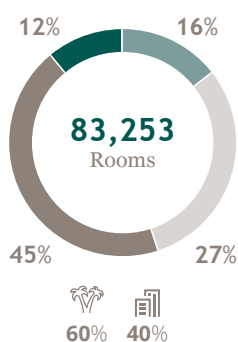
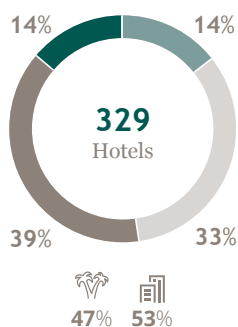
391
Hotels



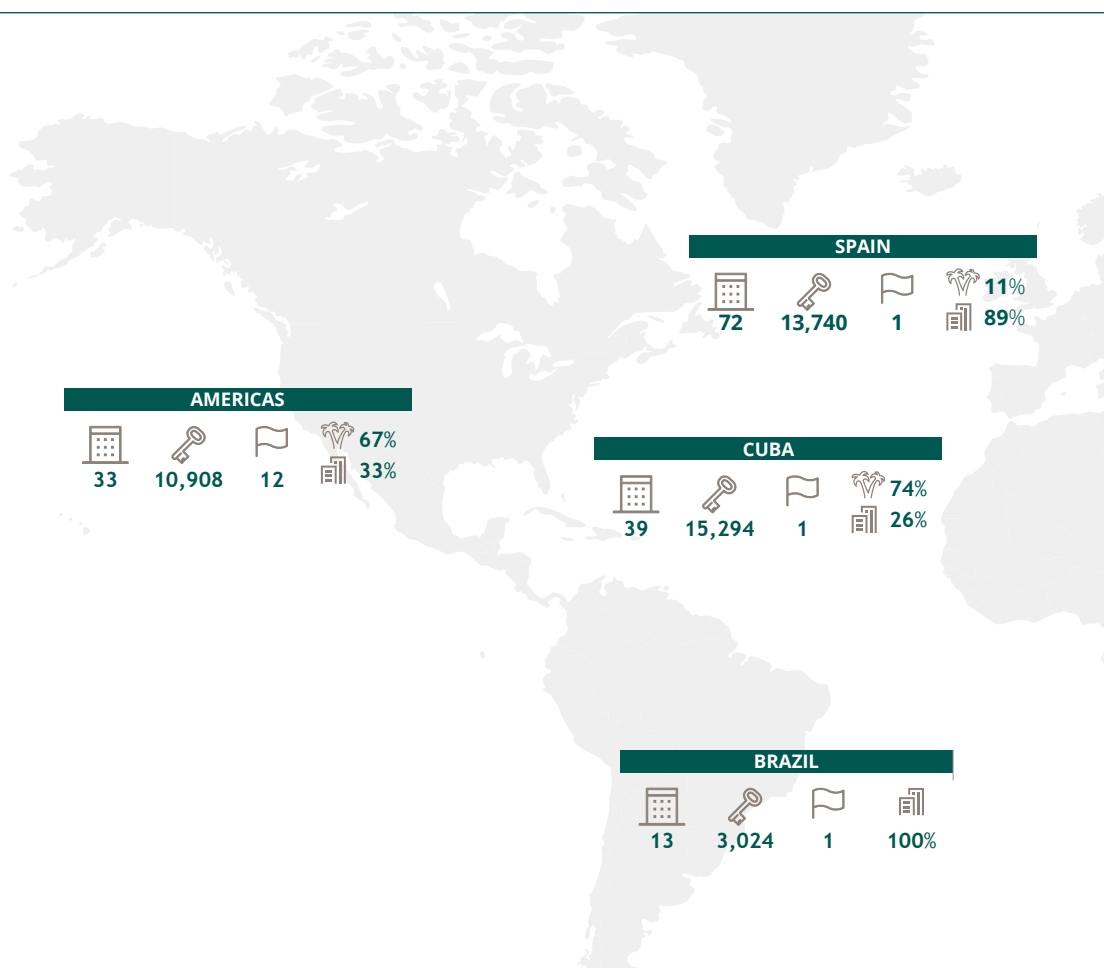
98,518
Rooms



44
Countries



- Owned property
- Leased
- Management
- Franchise





Evolution 2018

At Meliá Hotels International we have continued to develop our strategy for international diversification and growth, two strategic mainstays on which to strengthen our business model and Group profitability.

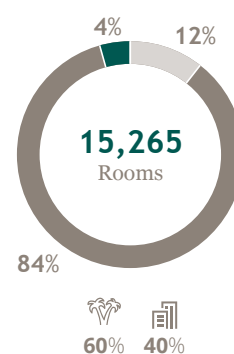
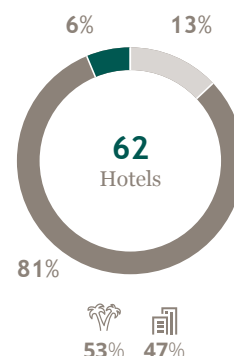
In 2018, we opened 19 new hotels in ten countries, which included adding two new countries to the roster, namely Montenegro (Meliá Budva Petrovac) and Mozambique (Meliá Maputo Sky), and increased our presence in important countries for the company such as Cuba (six hotels), United Kingdom, with the London Kensington hotel, and Vietnam (three hotels), doubling the number of hotels operating in the country.




Other highlights include the openings of the ME Sitges Terramar, the first ME brand hotel to open in Barcelona, the Calviá Beach The Plaza, the final link in the Magaluf (Mallorca) transformation project, and the new hotel The Grand Reserve at Paradisus Palma Real, a new luxury experience in the Dominican Republic.

In 2018 we signed 17 new hotels, reinforcing our leadership and recognition as a leisure and bleisure company, mainly under management contracts (88%), consolidating a long-term growth strategy in key countries such as Vietnam, Thailand, Tanzania and China, and entered new destinations, such as Albania.

 **48%**
Resort
  **52%**
Urban

Pipeline



 Owned property
 Leased
 Management
 Franchise

EMEA

Icon	Value	Percentage
	95	
	15,948	
	16	
		14%
		86%

MEDITERRANEAN

Icon	Value	Percentage
	96	
	29,391	
	8	
		99%
		1%

ASIA

Icon	Value	Percentage
	43	
	10,213	
	7	
		49%
		51%

Future evolution

Our expansion strategy will continue to reinforce our international vocation, which hinges on growth in the leisure and bleisure segments, consolidating the main destinations under formulas with low capital intensity and with the support of strategic partners who are with us on this adventure.

At the year's end, our pipeline totals 62 hotels, most of which are in the premium and upscale segments (95%) and under asset-light management models (87%). This expansion will mean six new countries can be added to the company's footprint.

The result of a strategy concentrating on international growth, in the main leading tourist destinations, can

be seen in a portfolio of openings in the next four years outside of Spain (98%), with more than 71% outside Europe.

The successful commitment to growth in Asia has translated into a pipeline of 26 hotels and a clear balance in our presence in countries such as Indonesia, Vietnam, Thailand and Malaysia. This pipeline is adding six new countries to our operation.

Over the coming year, we expect to open 18 hotels, securing the leadership of Meliá in the leisure segment, such as the future Paradisus Playa Mujeres (Cancún, Mexico).

02

Strategy and value creation

Vision of the environment

Materiality analysis

Business model

Social cash flow

Strategic focus

Our brands

Culinary experiences

Distribution and marketing

Meeting & Events

Asset strategy

Digitalisation

Awards and recognitions





Vision of the Environment

GRI 102-15

Macroeconomic vision

At Meliá, we are always monitoring the environment, as well as the perspectives and trends that represent challenges and opportunities for our operation. In this regard, our main goal is to be prepared for challenges in the environment and to ensure our capacity to respond, adapt and transform.

In 2018, global growth has dropped, but remains stable at around 3.7%, according to estimates by the World Bank. The moderate slowdown is due mainly to a downturn in activity following a long period of expansion. In the coming two years, global growth is expected to fall to 2.9%, commerce and investment to be more moderate and financing conditions to tighten.

Similarly, Spain has suffered from expansionary inertia in the economy, with growth results of 2.5% in 2018, less than the global economy's growth rate. In this regard, forecasts for evolution in the Spanish economy point to a continuation of the current slowdown phase, dropping to a growth rate of 2.2% in 2019 and 1.9% in 2020.

Faced with this conservative scenario, the company continues to reinforce its strategic vision and to direct the necessary transformation processes into an age of accelerated change, as well as focusing its internationalisation strategy on emerging economies that show greater potential for growth and opportunities, so as to respond to the global perspectives of moderate growth and help ensure that the tourism sector remains a dynamic, competitive and sustainable industry over the long term.

RESULTS 2018

3.7%

Growth
World GDP

2.0%

Growth
GDP Euro Zone

2.5%

Growth
GDP Spain

FORECAST 2019

2.9% - 3.7%

Growth
World GDP

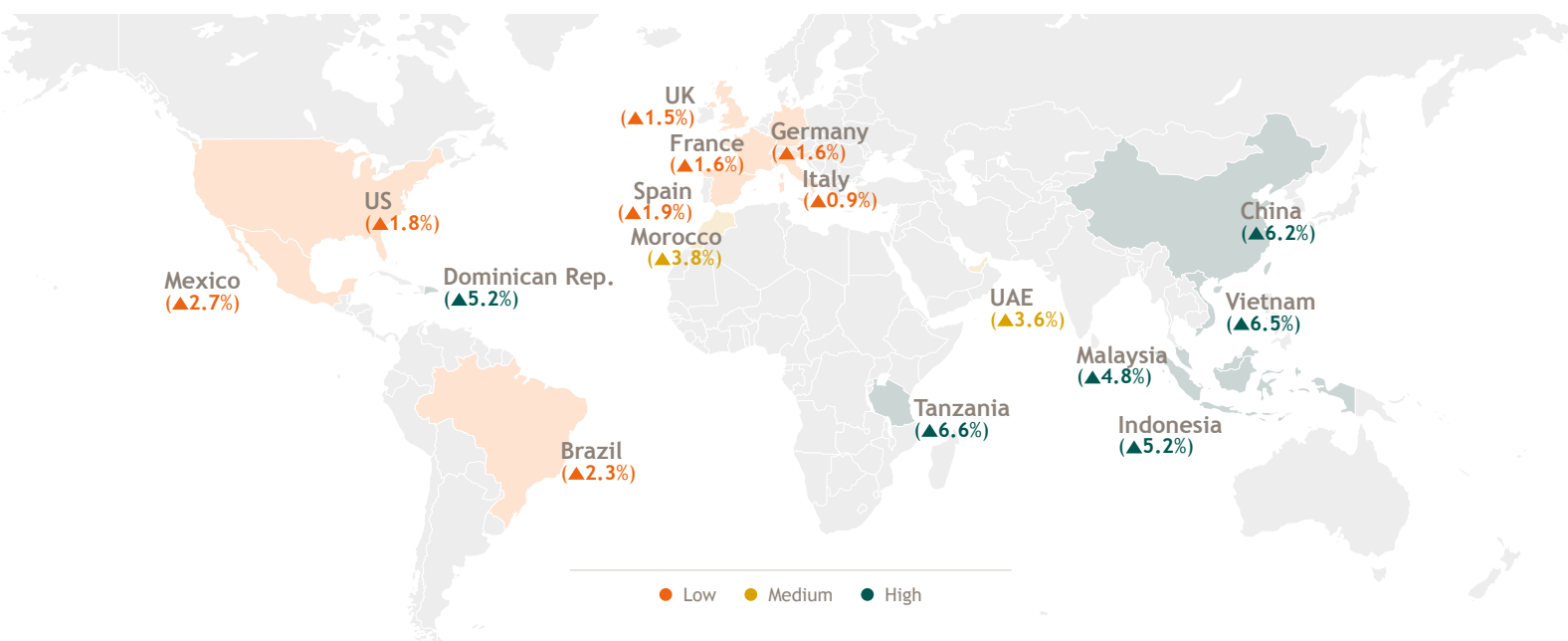
1.9%

Growth
GDP Euro Zone

2.2%

Growth
GDP Spain

PERSPECTIVES FOR GROWTH IN THE WORLD ECONOMY IN 2020



Sources: International Monetary Fund (IMF) | World Bank

Vision for the tourism sector

As one of the most important economic sectors in the world, tourism is a driving force behind employment and a generator of prosperity and economic development in tourist destinations. Over the past decade, the tourism sector has created one out of every five jobs and has indirectly contributed to 10% of global employment, becoming a dynamic engine of opportunities for growth. With the right environment and support from public institutions, tourism could create close to 100 million new jobs in the coming decade.

Global economic performance in 2018 was affected by the tourism sector, with growth of 4.0%, surpassing world economic growth for the eighth year in a row.

As in recent years, the trajectory was particularly solid in Asia, and countries such as Tunisia, Turkey and Egypt are today showing clear signs of recovery, after years of being affected by terrorist activity and security threats. Europe as a whole has also remained solid in terms of performance, with slow but stable growth. This resilience of the tourism sector is the main driving force behind strong growth and its contribution to the world economy, despite the challenges of the environment.

In Spain, the tourism sector confirms the trend towards progressive stabilisation, following a slowdown of the various different external elements that led to its extraordinary growth in recent years. According to estimates by Exceltur, tourism ended 2018 with a growth

of 2.0%, a figure that is lower than the Spanish economy as a whole (2.5%) for the first time in many years. The economic activity generated by tourism in Spain has proven to be notably resistant, reaching €142 billion, 11.8% of the entire Spanish economy.

In a situation of a slowdown of the national and international economy, 2019 is shaping up to have moderate growth in tourism activity, along with a need for transformation in the face of challenges such as digitalisation, climate change, improving profitability and sustainable, long-term growth, as well as remaining alert to a series of factors that create uncertainty in tourism. Internationally, it is worth highlighting Brexit and its potential impact on the most significant market in our country, namely the British market, as well as the uncertain evolution of the main European economies, markets and preferred partners in Spain. On the other hand, political instability in Spain, and particularly in Catalonia, could continue to affect investments and tourism results.

To face up to this scenario, at Meliá and in the tourism sector as a whole we need to ensure a new virtuous circle with greater co-ordination and collaboration, forming new alliances, raising the quality of jobs and incentivising investment in renewal and repositioning what tourism has to offer.

GLOBAL ECONOMIC IMPACT OF TOURISM (2018-2028)

2018	10.5%	3.3%	3.8%	6.7%	4.5%
	Tourism GDP (% of global GDP)	Direct contribution to GDP	Jobs created	Total exports	Total investment
2028	11.7%	3.6%	4.2%	6.9%	5.1%

Sources: WTTC - Travel & Tourism Economic Impact 2018 | EXCELTUR - Tourism Perspectives. Corporate Balance Sheet 2018

Challenges and opportunities of the environment

“The United Nations 2030 Agenda provides an opportunity to meet big global challenges, such as climate change, defending the environment, improving education and prosperity for all”

Gabriel Escarrer Jaume
Executive Vice-Chairman
and CEO

In the context of the UN Sustainable Development Goals (SDGs), sustainability has a holistic view of people, the planet and profitability, with the principal aim of “contributing to a fairer and more sustainable world”.

The tourism sector, which accounted for 10.5% of the world’s GDP in 2018, plays a key role in achieving the SDGs. The hotel sector faces six global challenges, which could define the future of our operations.

People

Talent, people,
culture and values

Climate change

Implementing measures to
combat climate change

Digitalisation

Impact of technology
on business, people
and innovation

Society

Promoting a responsible and
sustainable business model

Compliance

New legislative environments
and business ethics

Cybersecurity

Reinforcing business
resilience and data
security and privacy

The challenges that the environment produces requires a constant process of transformation and adaptation by companies and the tourism sector as a whole. In this context, it becomes hugely important to integrate sustainable criteria into the strategic vision, one that promotes a responsible business model and makes a

positive contribution to society in both the short and long term. At Meliá Hotels International, sustainability forms part of our essence, where our workforce and all our stakeholders are the chief driving force behind our public commitments and purpose.

TURNING CHALLENGES INTO OPPORTUNITIES

1

Collaborating

all along the value chain and generating new strategic alliances to accelerate innovation and ensure the integration of new technologies, standards and social challenges, putting tourism on the path to a low-carbon economy

2

Guaranteeing

the cultural and social integrity of destinations and showing a positive contribution by promoting the benefits (decent work, economic growth, safeguarding heritage) and tackling possible negative impacts (overcrowding, damaging cultural heritage, higher cost of living, etc.)

3

Mitigating

the threats of climate change and helping to create quality jobs to build stronger communities and make a positive impact on society

Source: WTTC - Understanding the critical issues for the future of travel and tourism

Global trends in the sector



Innovation-centric

New technologies such as artificial intelligence, robotics, virtual reality or the digitalisation of jobs and the automation of processes are trends affecting our sector right the way through the value chain. At Meliá, we create value through innovation, applying new technologies in our internal processes, to achieve excellence in management and to offer increasingly more digital environments to customers, creating personalised value experiences.

OMNICHANNEL STRATEGIES - DIGITALISATION - TECHNOLOGICAL PARTNERS - AUTOMATION

[*\(pages 64-67\)*](#)

Customer-centric

In the hotel sector, knowing the customer and personalising experiences are an essential component for customer satisfaction and loyalty. In this context, creating new channels of communication to boost proximity is essential to ensure the brand's promise can be delivered. Our customers are our *raison d'être*, which is why we work hard to get to know them better by providing them with increased personalisation throughout the entire customer journey.

BRAND PROMISE - CUSTOMER KNOWLEDGE - CUSTOMER LOYALTY - PERSONALISATION - EXPERIENCES

[*\(pages 36-61\)*](#)

Employee-centric

How human capital is managed is in the process of undergoing a transformation, in response to global trends such as process automation, the digitalisation of work positions, demographic growth and generational changes. At Meliá, alongside this transformation, we are reinforcing the role played by human resources and training our staff in new skills so that they can respond swiftly and efficiently to changes in our environment. Our aim is to turn their careers into experiences, leading to a high degree of commitment and helping embed our culture and values.

TEAMS LEADING TEAMS - TRANSFORMATION - CORPORATE CULTURE & VALUES

[*\(pages 130-139\)*](#)

Materiality analysis

GRI 102-21; GRI 102-29; GRI 102-31; GRI 102-44; GRI 102-46; GRI 102-47

In its 2020 Vision, the company aspires to be a worldwide benchmark in excellence, responsibility and sustainability, and to use its strategic approach to promote a model of long-term sustainable development that will ensure the creation of value for its internal and external stakeholders, and helping to improve the societies where we currently have a presence.

The materiality analysis carried out has helped Meliá Hotels International to understand what the expectations, requirements and relevant issues identified by the stakeholders groups are, making it possible to analyse and implement different initiatives that also ensure that the company stays on track with the Sustainable Development Goals (SDGs) and with the new requirements on environmental, social and governance matters, from both a global and a regional point of view.

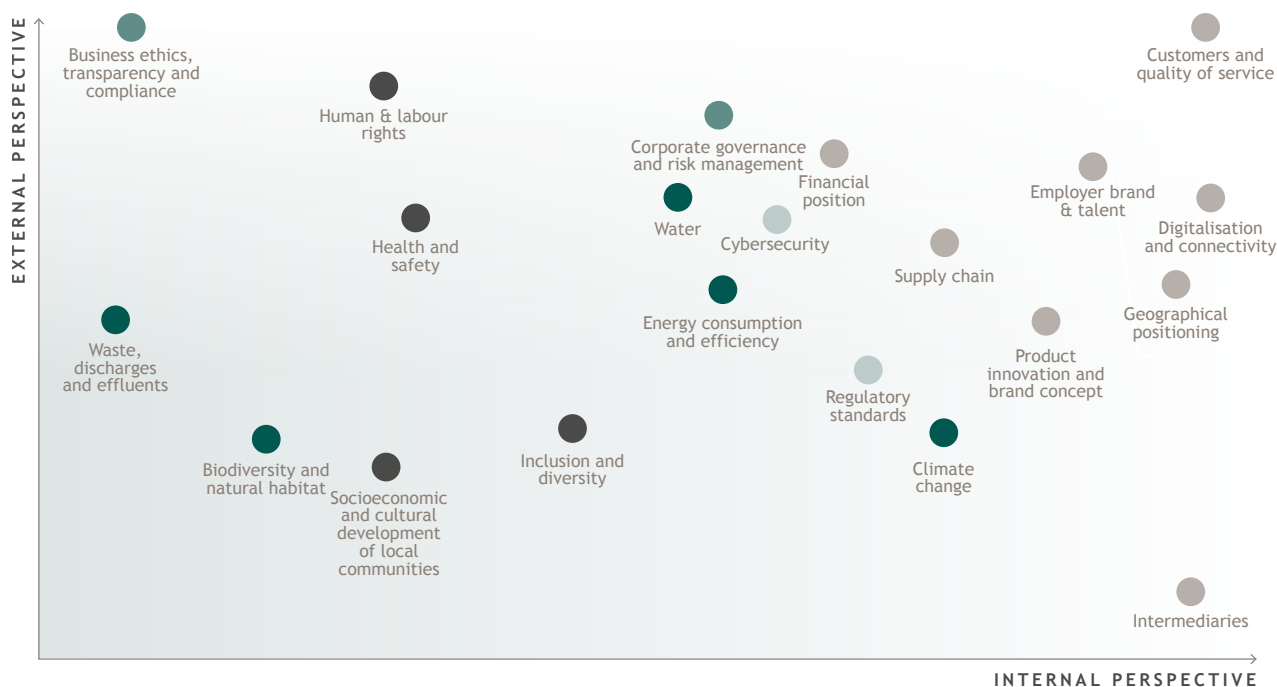
As a result of conversations with national and international experts in different fields, influencers in the sector and leading ESG analysts, along with the vision of the company's senior management, the most relevant material issues were identified, and which today make up our Materiality Matrix.

This framework of reference was designed by taking a range of factors into account, such as our activity and its impact on the environment, the scale of local features and characteristics where we operate and the sensitivity of certain stakeholders. In total, 24% of the participants responded, showing us a sufficiently significant internal and external vision.

- ✓ **Internal perspective**, which includes an assessment of the executives for the main areas of our company
- ✓ **External perspective**, which covers a broad sample of participants representing the world of our stakeholders

The resulting stakeholders highlighted issues relating to customer service, employee development, digitalisation and corporate governance.

In order to continue this exercise of dialogue with our stakeholders, we will be updating the analysis over the course of 2019.



The material issues shown in the table by order of priority, are the result of the calculations obtained and is enriched with other key aspects of this report, such as the Group's current core strategies, consideration of the Sustainable Development Goals (SDGs) and how they interact with the requirements of the Global Reporting Initiative (GRI). The most relevant material aspects are also linked to the company's variable remuneration.



	Material issues	Core strategies	SDG	GRI contents	GRI indicator
KEY MATERIAL ISSUES	1 Customer care and quality of service	● ●	8	Customer health and safety Customer privacy	416-2 / 418-1
	2 Digitalisation and connectivity	● ●	9		
	3 Employer brand and talent	● ●	4	Employment Training and education	401-1 / 404-1 / 404-3
	4 Geographic positioning	● ●	8	Indirect economic impacts	203-1
	5 Innovation in product and brand concepts	● ●	9		
	6 Financial position	● ● ●	8	Economic performance	201-1
	7 Supply chain	● ●	12	Procurement practices	204-1
	8 Cybersecurity	●			
	9 Brokers	●	17		
	10 Corporate governance and risk management	●		Governance	102-15 / 102-18 / 102-20 / 102-22 to 102-24 / 102-26 / 102-30
	11 Regulatory environment	●		Environmental compliance Public policy Socioeconomic compliance	307-1 / 415-1 / 419-1
	12 Climate change	● ●	13	Emissions	305-1 / 305-2 / 305-3 / 305-5
	13 Water	● ●	6	Water	303-1
	14 Power use and energy efficiency	● ●	7	Energy	302-1 / 302-3 to 302-5
	15 Human and employment rights	● ●	8, 10	Labour relations Child Labour Forced or involuntary labour Rights of indigenous peoples	402-1 / 408-1 / 409-1 / 411-1
	16 Health and safety	● ●	3	Occupational health and safety	403-1 to 403-4
	17 Business ethics, transparency and compliance	●	16	Governance Reporting practices Anti-corruption	102-16 / 102-17 / 102-56 / 205-1 to 205-3
	18 Inclusion and diversity	● ●	5	Diversity and equal opportunities Non-discrimination	405-1 / 406-1
	19 Socioeconomic development in local communities	●	11	Local communities	413-1
	20 Biodiversity and natural habitat	● ●	15	Biodiversity	
	21 Waste, discharges and effluents	● ●	6, 14	Emissions Discharges and waste	305-1 / 305-2 / 305-3 / 305-5 / 305-7 / 306-3

● Excellence in Management ● Asset Strategy ● Digitalisation & Innovation ● Culture & Transformation ● Reputation & Recognition

Business model

LEISURE AT HEART,

Strengthening our competitive advantage over 60 years of history



Brands & Experiences



Personalisation for our stakeholders

45,966

Employees

€4.5 M

Investment in training and development

391

Hotels

98,518

Rooms

44

Countries

€203.2 M

Investment in products and brands

€21.2 M

Investment in digitalisation and connectivity

€4.7 M

Environmental investment

5,360

Local suppliers

AN EXCELLENT AND SUSTAINABLE MANAGEMENT

OWNED (14%)*

The hotel is both owned and managed by Meliá

LEASED (33%)*

The hotel is rented and managed by Meliá

MANAGED (39%)*

Meliá manages the property of a third party under one of its brands. Fees are charged for running the hotel

FRANCHISE (14%)*

A hotel owner operates with a Meliá brand and hires our marketing channels

(*) Active portfolio

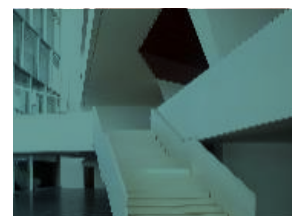
...WITH A VISION FOCUSED ON FIVE STRATEGIC

RESOURCES

Driving forward a more solvent and profitable company

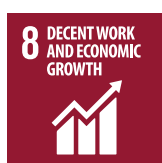


Consolidating the cultural transformation



Strengthening the model of Governance

...AND A STRONG COMMITMENT TO MEET THE SUSTAINABLE DEVELOPMENT GOALS, FOCUSING ON



BUSINESS IN MIND

Talent &
DiversityGlobal
PresenceMarketing
& distributionESG
Commitments

ENT MODEL...

OUR BRANDS

GRAN MELIÁ
HOTELS & RESORTSME
BY MELIÁPARADISUS
BY MELIÁMELIÁ
HOTELS & RESORTSINNSiDE
BY MELIÁSOL
BY MELIÁTRYP
BY WYNDHAMCIRCLE
BY MELIÁ

GIC GOALS...

Leadership in the
leisure
and bleisure segmentsEnsuring
consistency
with
2020 VisionEETING
OCUSING ON...**€2,215.2 M**

Aggregate income

€307.8 MEBITDA (without capital
gains)**€140,078.8 M**Net profit attributed to
parent company**€12.66**Highest
share price**€272 M**

Tax contribution

€207.2 MContribution by
shareholders and owners**€568.8 M**Online distribution
income (melia.com)**1.9867**

Human capital ROI

53%Green energy
consumption**€467,000**Funds raised for
children's causesSilver Class
The Sustainability
Yearbook 2019
(RobecoSAM CSA
2018)**84.9%**Commitment
index**44%**Women on the
workforce**16th**

Merco talent

19thMerco
reputation**22.7%**

NPS reputation

46.9%

NPS customers

11 MLoyal
customers**-14.02%**CO₂ emissions
per stay

RESULTS

CREATED VALUE

Social cash flow

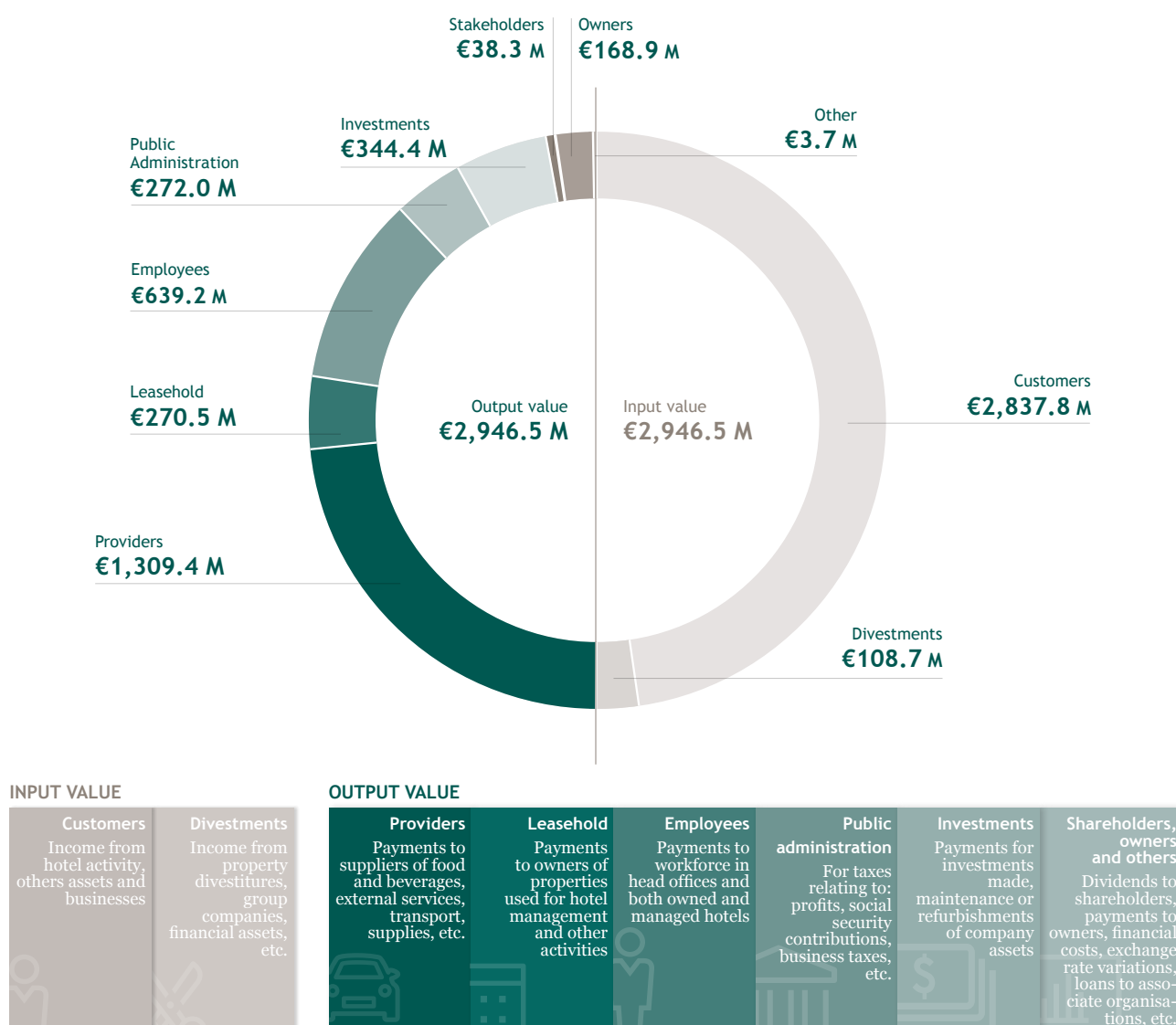
GRI 201-1

Tourist activity significantly affects the economic, social and environmental progress in destinations, having a direct and indirect impact on the supply chain, the employability and empowerment of the workforce, entrepreneurship, innovation and tax contribution, among other factors.

At Meliá Hotels International we measure the wealth generated and the positive impact that our activity

creates, translated into a direct benefit for the whole society in general and our stakeholders in particular.

In 2018 we generated wealth amounting to €2,946.5 million, corroborating the solid values on which our company is founded and showing the capacity of the tourism industry as a driving force for social and economic development in these locations.





Strategic focus

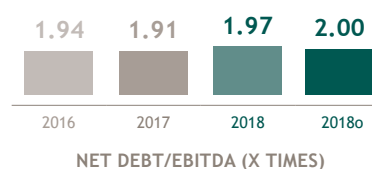
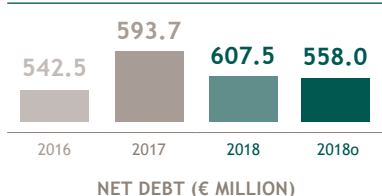
Strategic vision

In 2018 our 2016-2018 Strategic Plan came to an end. Designed in 2015, it defined five core strategies to focus on achieving the 2020 Vision set out six years ago.

Being recognised as a world benchmark in excellence, responsibility, and sustainability, and reinforcing our leadership in the leisure segment, is an integral part of our aspiration.

These goals set out in the Strategic Plan, which came to an end in 2018, seek to ensure a stronger and more solid company, and to bring about the transformation required by an environment that is increasingly competitive, changing and global, in a business currently operating in 44 countries.

Driving forward a more solvent and profitable company



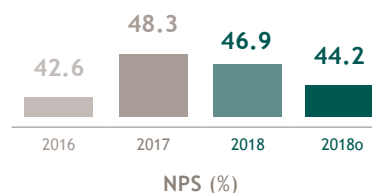
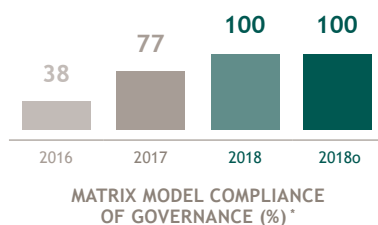
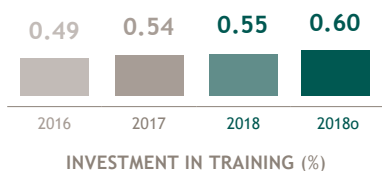
Consolidating the cultural transformation



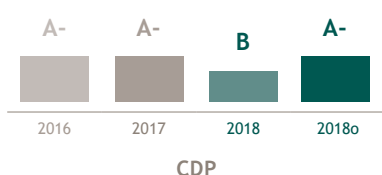
Strengthening the model of Governance



Leadership in the leisure and bleisure segments



Ensuring consistency with 2020 Vision



Silver Class
The Sustainability Yearbook 2019
(RobecoSAM CSA 2018)

(*) Internal indicator that measures the implementation of policies and procedures within the company

Core strategies

The international presence of Meliá means that our strategic focus needs to be directly integrated into the company's global nature, both during the formulation process and when assimilating, interiorising and achieving the goals set.

Over the year, as with previous years, we have prioritised integrating the strategic focus into the day-to-day activities of all our regional offices, adapting it where necessary to each individual environment, culture, needs and country.

The devised core strategies have paved the way in this regard and the change management has helped in the transformation that the strategic vision was calling for,

promoting a management model and brand portfolio to match the different customer segments, moving forward in customer experience digitalisation and in redesigning the core processes, improving the profitability of the hotel and property business, and promoting improved intangible asset management, which is particularly relevant in a sector such as ours, where people and talent are the keys to delivering on the brand's promise. The results obtained, which are provided throughout this report, confirm that implementation of the strategy and the processes of transformation have advanced significantly in our organisation.

We are already working on producing the next strategic plan, which will run until 2022 and will enable us to face future challenges in an increasingly demanding and volatile world.



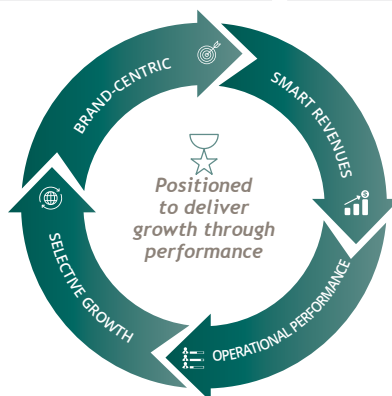
EXCELLENCE IN MANAGEMENT



Positioning our brands
as a lever for growth
and profitability



FOCUS	GOALS	Report section	KPIs
Brand-centric	Generate value through the successful and differential positioning of our brands, bringing about a paradigm shift where they are at the heart of the organisation and benchmarks in innovation and customer experience		
Smart revenues	Boost excellence in sales by optimising revenue and customer retention, adapting our sales model to the challenges and opportunities of each environment	Our brands Distribution and marketing	Aggregate RevPAR (€) 2016 70.5 2017 71.1 2018 69.6 2018o 72.7
Operative performance	Improve operative profitability within a process of continual improvement	Performance Presence map	No. openings (accumulated) 2016 17 2017 28 2018 47 2018o 50
Selective growth	Consolidate our presence in key markets and strengthen internationalisation, through sustainable growth in leisure and leisure destinations		



CULTURE & TRANSFORMATION



Driving forward the cultural transformation
through a comprehensive management
of our staff, our efficiency
and the company's competitiveness



FOCUS	GOALS	Report section	KPIs
People	Generate a comprehensive value proposal and strengthen our employer brand image		
Culture	Drive forward the cultural transformation of Meliá Hotels International	People	Commitment index (%) 2016 85.4 2017 85.6 2018 84.9 2018o 85.4
Organisation	Strengthen an agile, efficient and competitive company		

REPUTATION & RECOGNITION



Meeting the commitments undertaken with regard to our stakeholders, meeting their expectations and ensuring alignment with our culture and values



FOCUS	GOALS	Report section	KPIs
Corporate Governance	Drive forward a solid and consistent model of governance, with the aim of ensuring excellence and transparency	Corporate Governance	2016 18.3
Relations with stakeholders	Strengthen relations and dialogue with our stakeholders	Relations with our stakeholders	2017 22.3
Corporate Responsibility	Strengthen the national and international reputation and recognition as a feature valued by all our stakeholders	Responsible hotel management	2018 22.7
			2018o 25.0

ASSET STRATEGY



Consolidating how our property is run as the owner, generating value for the company



FOCUS	GOALS	Report section	KPIs
Portfolio asset	Strengthen the quality of the asset portfolio of Meliá Hotels International	Asset strategy	Gross value of assets €4.401 TRILLION (+23.2% vs 2015)

DIGITALISATION & INNOVATION



Digitally transforming the company to optimise processes, our capacity to generate revenue and personalise the customer experience



FOCUS	GOALS	Report section	KPIs
Customer	Personalise the relationship with our customers through the constant evolution and innovation of digital tools		2016 30.9
Hotel	Drive forward the implementation of new technologies to differentiate the experience of our customers and optimise operation in the hotels	Digitalisation and connectivity	2017 68.0
Associates	Digitalise corporate processes and implement tools to improve management		2018 114.6
			2018o 108.5

Our brands

Brand strength and diversity








GRI 102-2; GRI 102-6

Brand portfolio

The brand portfolio of Meliá Hotels International gives solidity to the Group's growth, based on mainly covering the premium and upscale segments, in order to meet customers' needs and expectations with differentiated and successful products.

Our experience in the holiday sector forms an integral part of our seven brands. Each one has its own distinctive personality, but they all share the values of Meliá Hotels International.

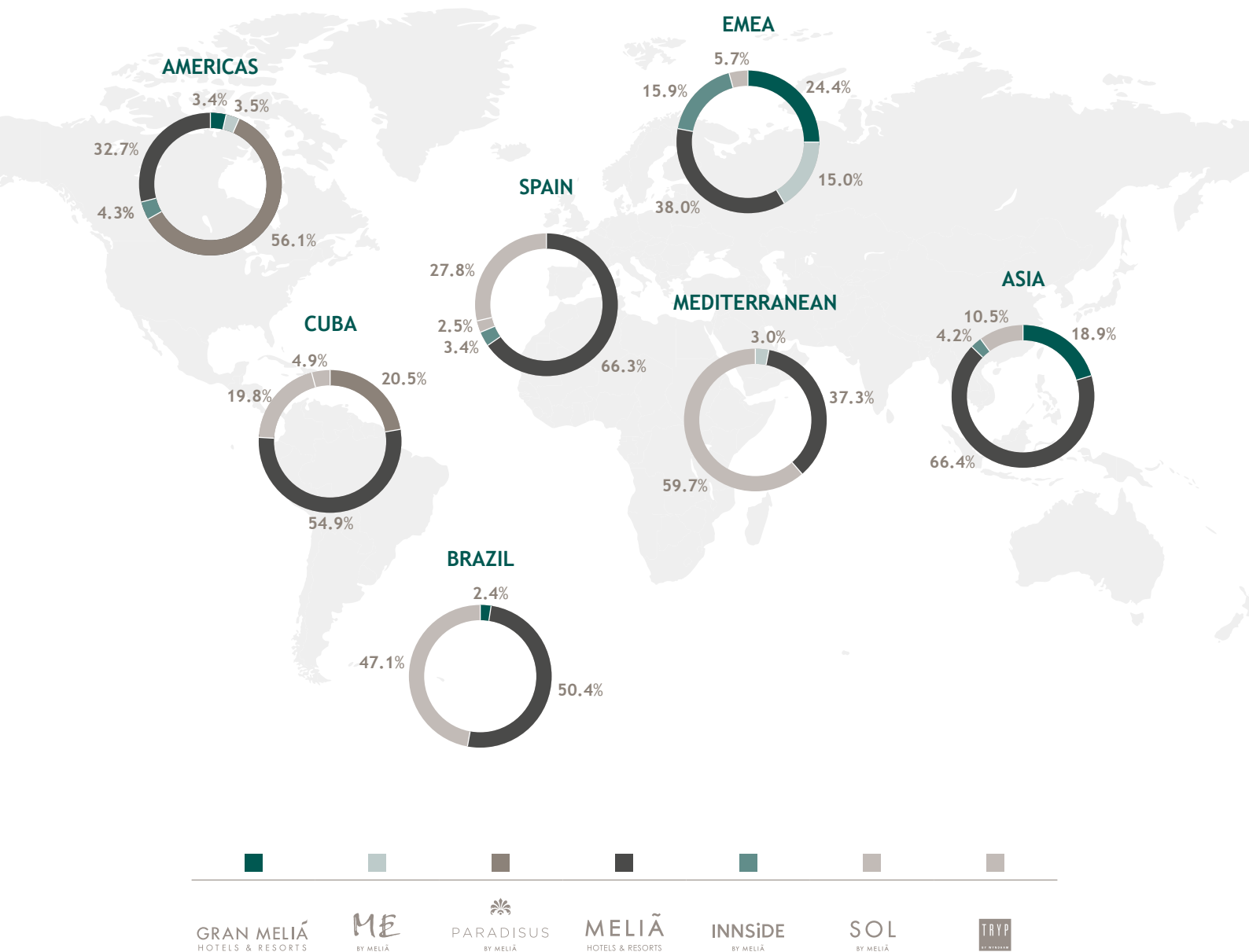
Each of our brands is aimed at clearly defined psychographic and demographic profiles, in order to meet the different needs of our current clientele, adapting to changes and new trends as a result of an ongoing review process that champions constant evolution and innovation.

	+ DEMOGRAPHIC	+ PSYCHOGRAPHIC
Upper upscale 11% 4% Gran Meliá Hotels & Resorts 3% ME by Meliá 4% Paradisus by Meliá		 
Upscale 47% 38% Meliá Hotels & Resorts 10% Innside by Meliá		
Midscale 37% 20% Sol by Meliá 17% Tryp by Windham	 	

Other Hotels managed by Meliá 5%



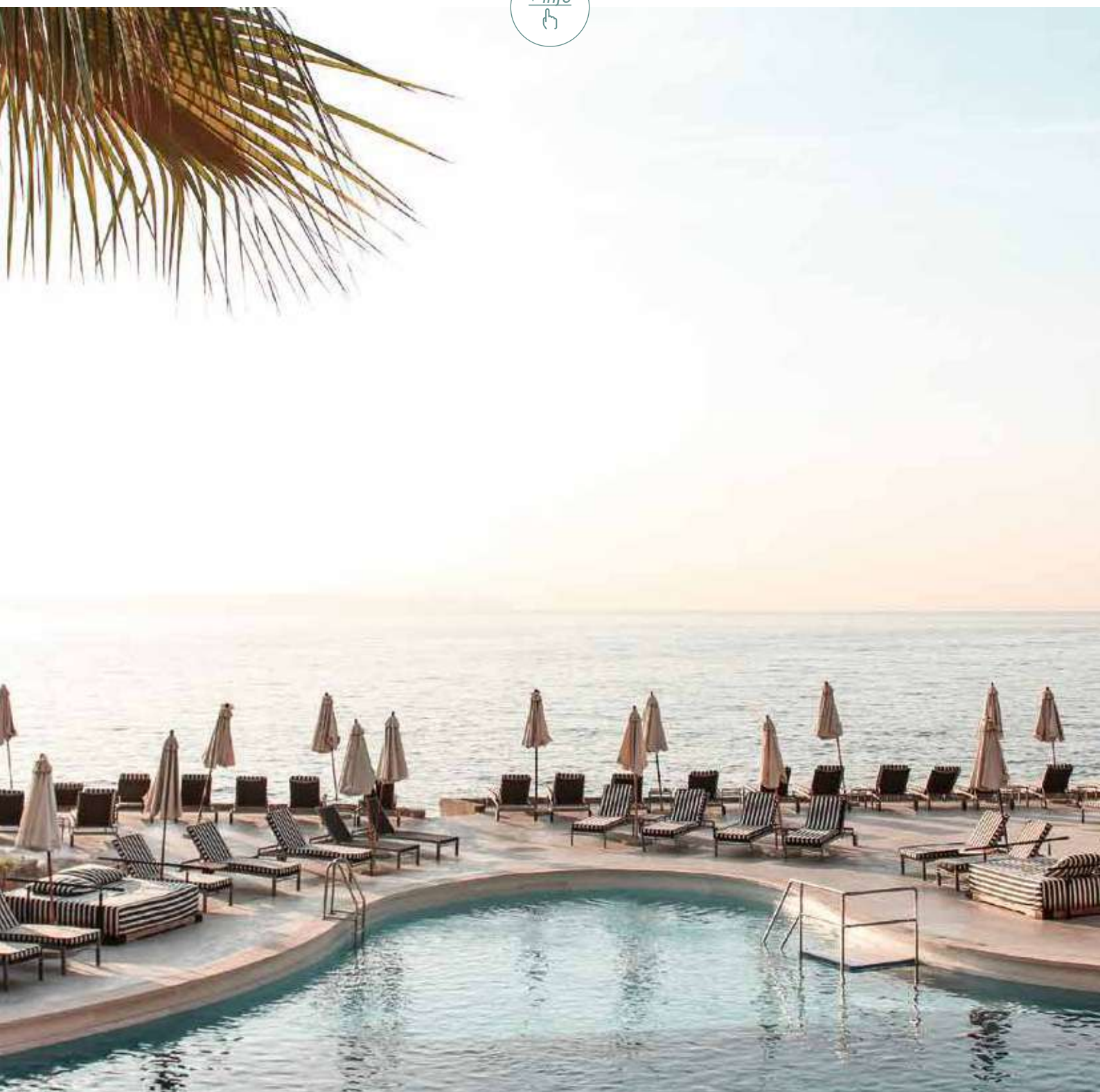
CONTRIBUTION PER BRAND IN EACH REGION



GRAN MELIÁ

HOTELS & RESORTS

A life well lived



Gran Meliá del Mar · Spain

Brand positioning

Gran Meliá evokes the essence of Spanish culture and good living - the simple pleasures, the connection to the land, a respect for things done well and natural luxury.

Our philosophy runs through every one of the elements that shape the Gran Meliá experience. From the iconic architecture of our hotels to the quality of the dishes that reflect local flavours and the friendly, respectful nature of the service.

Each experience reveals an appreciation for the authenticity of the everyday, the creativity and the talent of both the local culture and our own. The smallest details are deeply rooted in what is true luxury - the Spanish way of life.

2018 Milestones

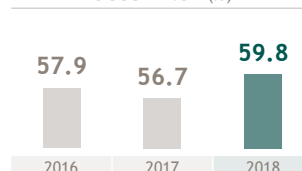
- ✓ Signing of the Gran Meliá Jincheng Lake, in Chengdu (China)
- ✓ Gran Meliá Xian receives “Luxury Architecture Design” award from the Hotel World Luxury Hotels Awards
- ✓ Gran Meliá Roma listed in the Condé Nast Traveller “35 Best Hotels in Rome”
- ✓ Gran Meliá Jakarta awarded “Best Guest Experience in Service Prestige” by Traveloka
- ✓ Gran Meliá Palacio de Isora selected at the “Innovation and Health Awards” by Mutua Universal

Main figures

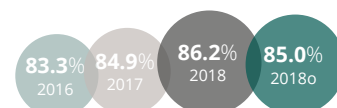
REVENUE SEGMENTATION

Direct Sales	42%
Leisure	25%
E-commerce	21%
Meeting & Events	6%
Business Travel	6%

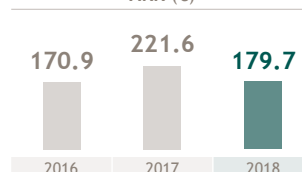
OCCUPANCY (%)



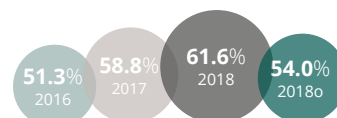
GUEST SATISFACTION SCORE (GSS)



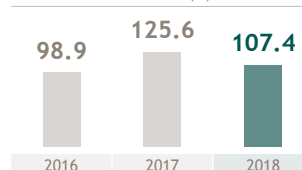
ARR (€)



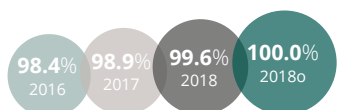
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



Presence



Hotels

Rooms

Countries

13 Operational	3,323 Operational	6 Operational
4 Pipeline	994 Pipeline	2 Pipeline
Customers +1 million		



A collection of contemporary resorts and urban hotels



ME Ibiza · Spain

Brand positioning

Taking its inspiration from the most innovative contemporary European scene, ME by Meliá connects its guests to the true essence of the destination. Combining architecture, design, art and cuisine with a unique service culture that anticipates the needs of each guest, ME guarantees to make each stay truly memorable.

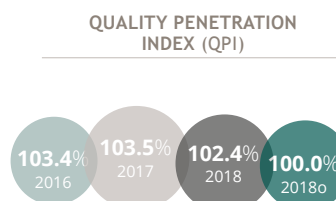
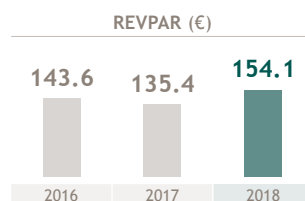
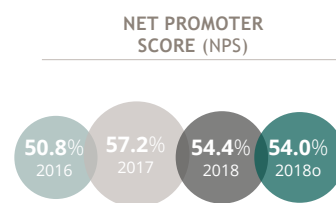
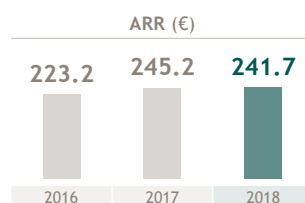
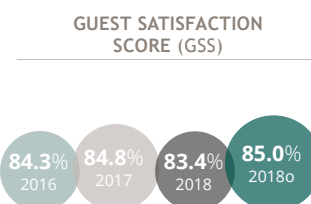
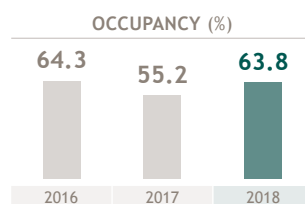
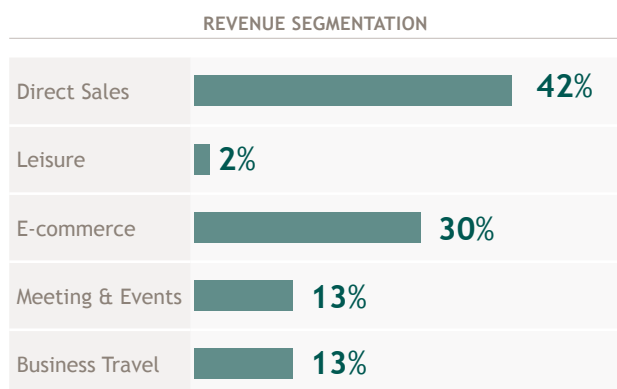
By considering the defining characteristics of each destination, we create a guest experience that draws together the best of the local scene so that each ME hotel is a reflection of the place it forms part of. Through our strong cultural connections, we attract local and international talent to our hotels, working with artists, influencers and experts in technology to create social epicentres that radiate energy and inspiration.

2018 Milestones

- ✓ ME Cabo receives the "Blue Flag" badge from the European Foundation for Environmental Education (FEE)

- ✓ Opening of the ME Sitges Terramar, which in its first year has received the following recognitions: "Luxury New Hotel for Southern Europe" by the World Luxury Hotels Awards, "Best Large Hotel Spain" by The International Hotel Awards and "Best Hotel Repositioning" by the Hostelco Awards
- ✓ The ME by Meliá brand enjoys a global collaboration with Sónar+D, the conference that forms part of the SÓNAR festival and which sets the standard in the world of technology, creativity and innovation. Together with Sónar+D, the brand has devised "Voices of Sónar+D for ME", a series of talks held at ME Madrid and ME London, as well as collaborating on the annual conference, establishing the brand's positioning in conjunction with a world leader in innovation and technology.
- ✓ ME hotels have created a powerful cultural programme that includes a content-packed schedule of events, as well as internationally relevant brand activations, such as the NEO2 x ME Madrid event during Madrid Art Week, and Rossana Orlandi x ME Milan during the Salone del Mobile furniture fair in Milan.

Main figures



Presence



Hotels	Rooms	Countries
8 Operational	1,446 Operational	5 Operational
4 Pipeline	752 Pipeline	3 Pipeline
Customers	+1 million	



PARADISUS

BY MELIÀ

Luxurious all-inclusive waterfront resorts



Paradisus Palma Real · Dominican Republic

Brand positioning

Located in renowned and emerging tourist destinations all over the world, Paradisus by Meliá transports guests to a paradise resort that reflects the natural beauty of each destination.

Mindful of their presence in these natural settings, these resorts are committed to achieving a balance between their activity and the surrounding area.

This commitment to achieve equilibrium with the destination can be felt in every element of the resort, from menus inspired by the local cuisine to environmentally responsible products in the rooms.

Our guests will be immersed in an experience that combines the perfection of the sense of luxury in an unpretentious environment.

2018 Milestones

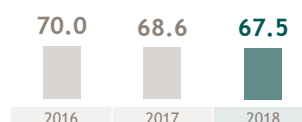
- ✓ Opening of The Grand Reserve at Paradisus Palma Real, the first resort of these characteristics in the company and an emblem of luxury as understood by Meliá Hotels International.
- ✓ Finalists in the “Tourism for Tomorrow Awards” of the World Travel and Tourism Council (WTTTC) for the project “Paradisus Playa del Carmen, on the right track for sustainable tourism”

Main figures

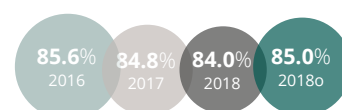
REVENUE SEGMENTATION

Direct Sales	31%
Leisure	29%
E-commerce	18%
Meeting & Events	17%
Business Travel	5%

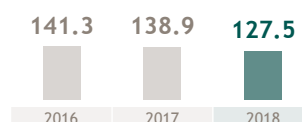
OCCUPANCY (%)



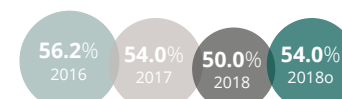
GUEST SATISFACTION SCORE (GSS)



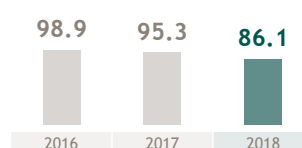
ARR (€)



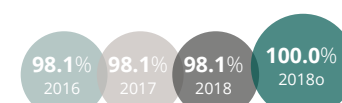
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



Presence



Hotels

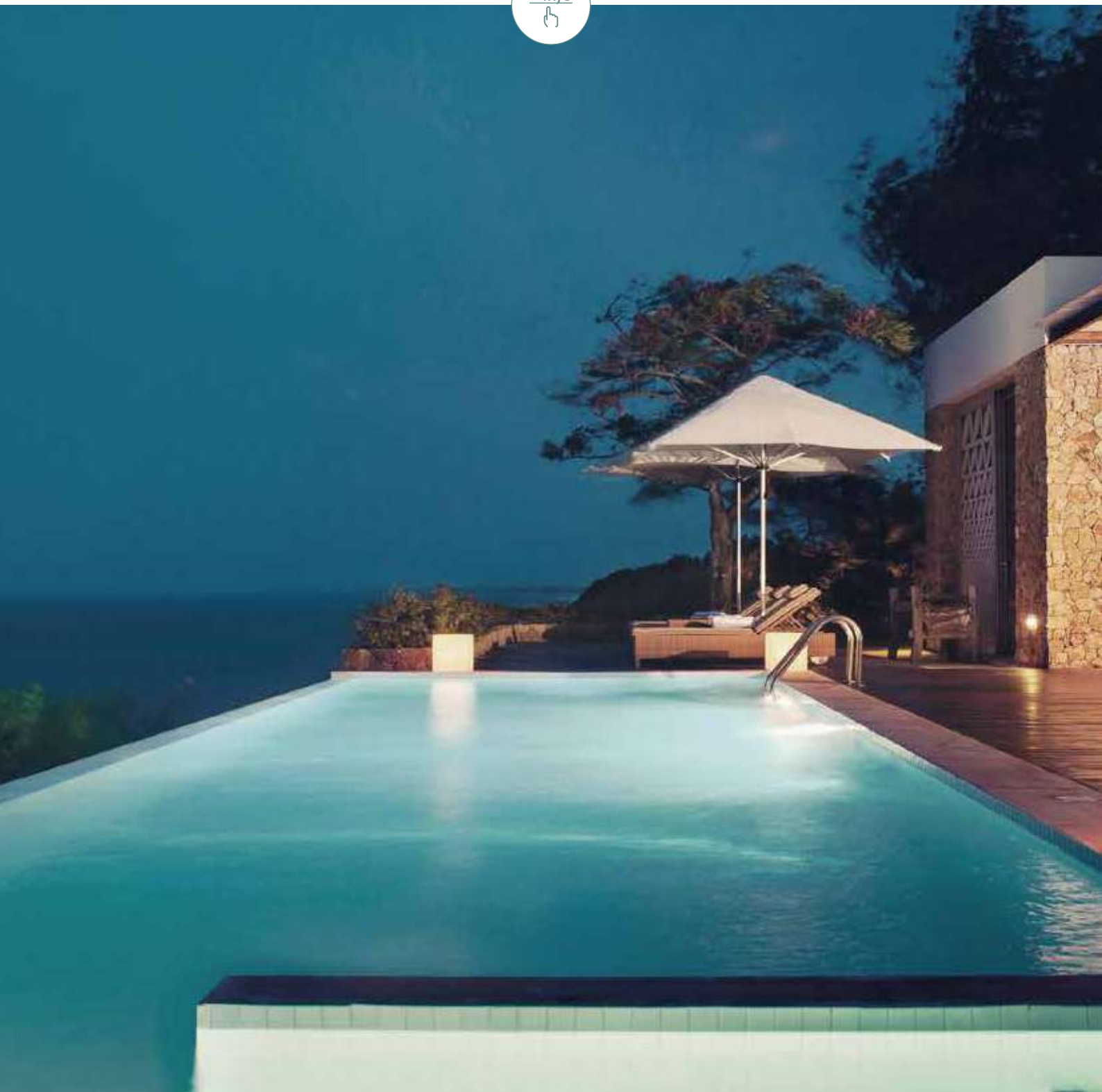
Rooms

Countries

12 Operational	6,312 Operational	3 Operational
2 Pipeline	998 Pipeline	1 Pipeline
Customers +2.5 million		

MELIÀ
HOTELS & RESORTS

Soul Matters



Meliá Zanzibar · Zanzibar

Brand positioning

Meliá Hotels & Resorts is a welcoming brand that inspires a sense of security. With internationally renowned hotels, it is characterised by its passion for service and by the personalised care received by its guests.

With guests' wellbeing as its priority, Meliá provides the warmth of Spanish hospitality through its personalised services and ongoing evolution to create new experiences so as to meet the needs and wishes of all kinds of guests, without exception.

Unique culinary experiences adapted to the latest trends, rooms furnished to ensure the highest level of wellbeing, personalised and exclusive services with The Level programme, innovative meeting rooms fitted out with everything necessary to ensure maximum success, activity programmes that enrich and complement the guest experience, and a kids' clubs to ensure all members of the family are happy, are just some of the brand expressions that make Meliá a guarantee for meeting the needs of its guests.

Main figures

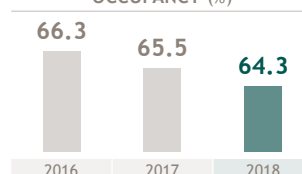
REVENUE SEGMENTATION

Direct Sales	36.0%
Leisure	14%
E-commerce	22.0%
Meeting & Events	14%
Business Travel	14%

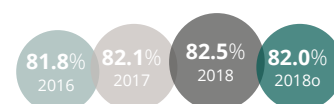
2018 Milestones

- ✓ Opening of the Meliá Maputo, the company's first hotel in Mozambique
- ✓ Signing of the Meliá Tirana, the company's first hotel in the Albanian capital
- ✓ Signing of the Meliá Hoi An (Vietnam), located in the Ancient Town, recognised as a World Heritage Site by UNESCO
- ✓ The Brand Finance annual report on the most valuable Spanish brands ranks us eighth in the "Top 10 of the strongest brands" and in 32nd place in the "Top 100 of the most valuable Spanish brands"
- ✓ The Palma Convention Centre and Meliá Palma Bay receive the gold award in the "Best Space" category of the Eventplus awards
- ✓ The Ángel León Restaurant at Meliá Sancti Petri (Cádiz, Spain) receives its first Michelin star

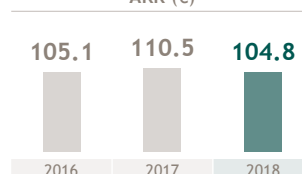
OCCUPANCY (%)



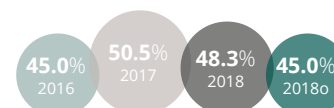
GUEST SATISFACTION SCORE (GSS)



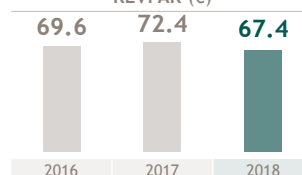
ARR (€)



NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



Presence



Hotels

Rooms

Countries

116 Operational	33,510 Operational	33 Operational
32 Pipeline	8,670 Pipeline	4 Pipeline
Customers +12 million		

INNSiDE

BY MELIÀ

Stay Curious

+ info
👉



InNSiDE Palma Center · Spain

Brand positioning

INNSIDE brand hotels are the collection of lifestyle by Meliá hotels. With these hotels we seek to make every moment a series of unforgettable experiences combined with great ideas. They're the place where work trippers, explorers, adventurers and those who are up for anything come together. Our purpose is to enable our guests to move seamlessly from work to leisure, to wellbeing, feeling right at home and providing them with a stay that becomes a unique experience.

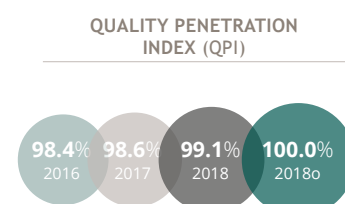
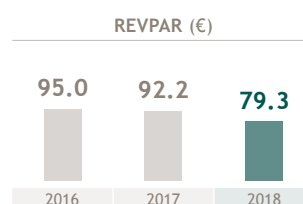
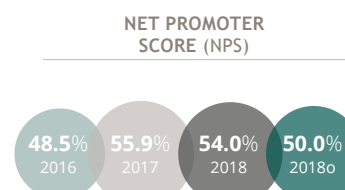
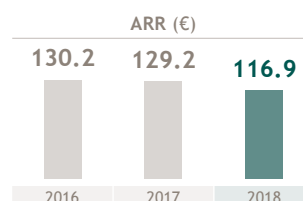
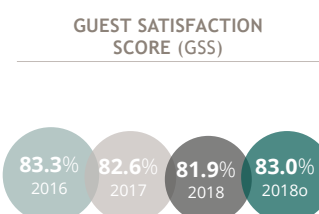
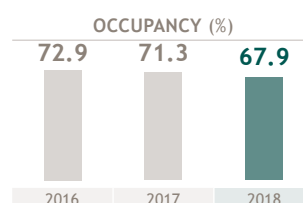
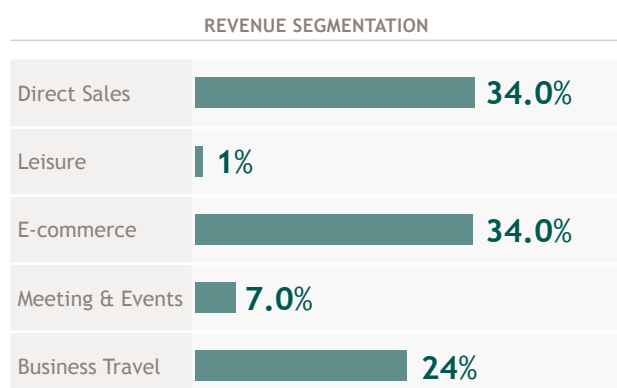
We're always thinking about how to care for our planet at all times, which is why we've reduced the amount of paper and single-use plastic in our hotels and made sure that the amenities in your room, the bed linen and the towels are made using organic materials.

And we've also become ambassadors for the local culture, with city guides and a programme of surprising events, displaying creations by local artists on the hotel walls, on our merchandising and even on our uniforms.

2018 Milestones

- ✓ Signing of the Ininside Luxembourg, the brand's first hotel and the company's second hotel in Luxembourg
- ✓ Ininside Palma Bosque in the Top 10 of "Best Hotel Sustainability and Renovation Projects in Spain" in the fourth Rethink Hotel Awards
- ✓ The Ininside Frankfurt Eurotheum and Ininside Frankfurt Ostend hotels (Germany) receive the "Hospitality Human Resources Award of Hotel Cooperation" from Deutsche Hospitality

Main figures



Presence

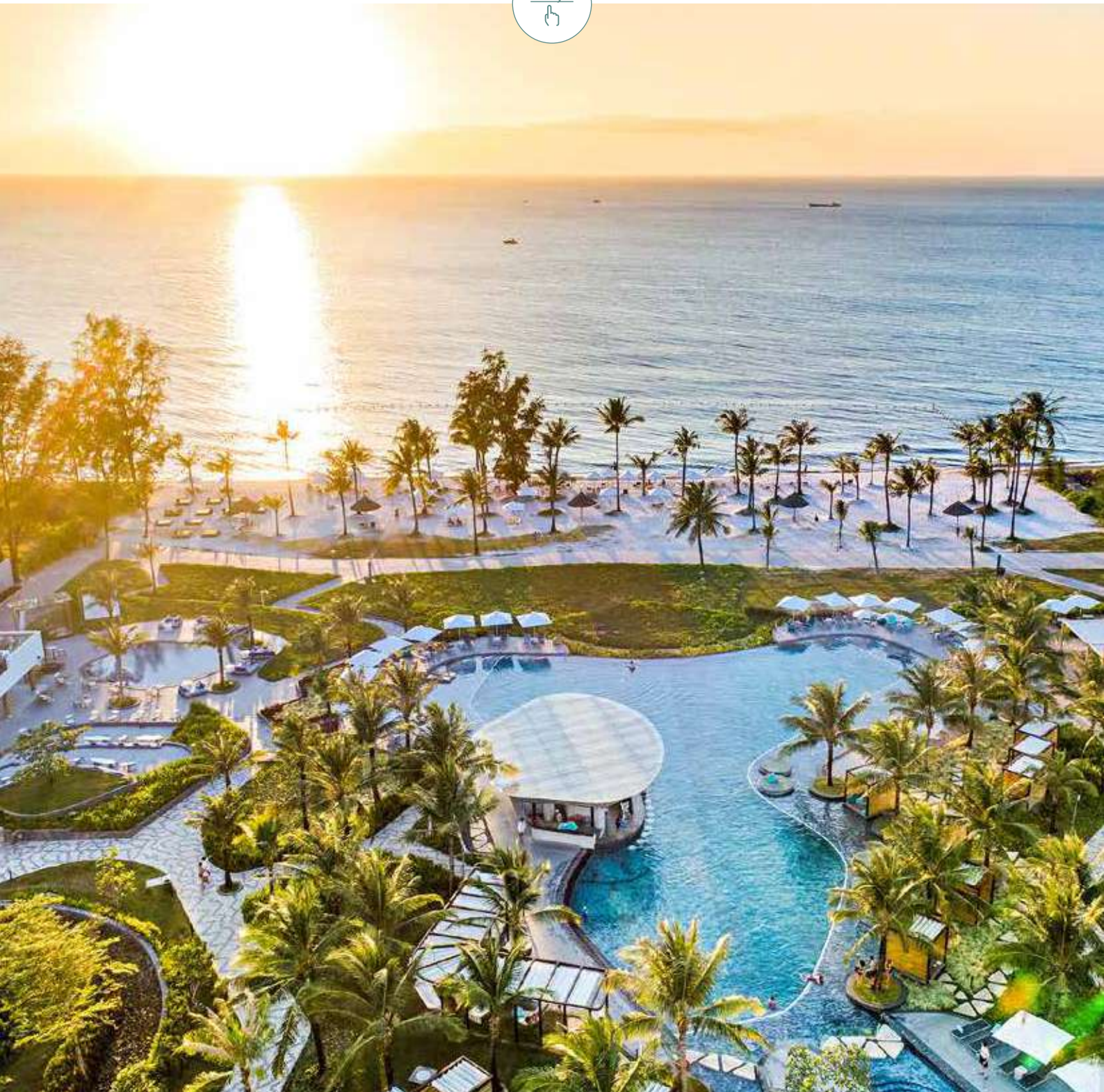


Hotels	Rooms	Countries
20 Operational	3,666 Operational	6 Operational
17 Pipeline	3,241 Pipeline	13 Pipeline
Customers +1.3 million		

SOL

BY MELIÁ

#LetYourSolShine



Sol by Meliá Phu Quoc · Vietnam

Brand positioning

Sol by Meliá is dedicated to the most important type of holiday - the one you share with the people you love. A place where you feel the joy, fun and relaxation that are so vital during your time away, and where the memories created last a lifetime.

A new generation of resorts designed for new families and modern travellers that includes fantastic facilities for children and experiences geared towards adults.

Our design is colourful, vibrant and full of energy, as well as welcoming and homely, something that becomes clear in the service that we provide.

From the moment you arrive, we make the whole family feel right at home. A unique and unforgettable experience created through the hospitality and friendliness of the staff and the small details that make all the difference. A place in which to dream, jump and play.

At SOL, our goal is to satisfy our guests, personalise their experience and anticipate their every need.

2018 Milestones

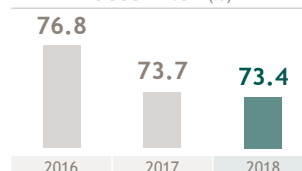
- ✓ Signing of Sol Marrakesh, the fifth addition to the hotel group in Morocco

Main figures

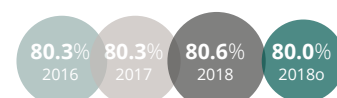
REVENUE SEGMENTATION

Direct Sales	30%
Leisure	48%
E-commerce	17%
Meeting & Events	1%
Business Travel	4%

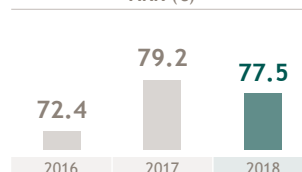
OCCUPANCY (%)



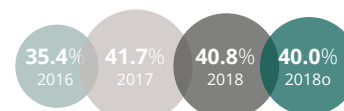
GUEST SATISFACTION SCORE (GSS)



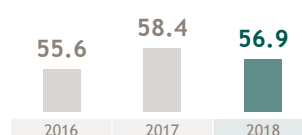
ARR (€)



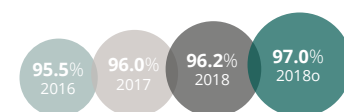
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



Presence



Hotels

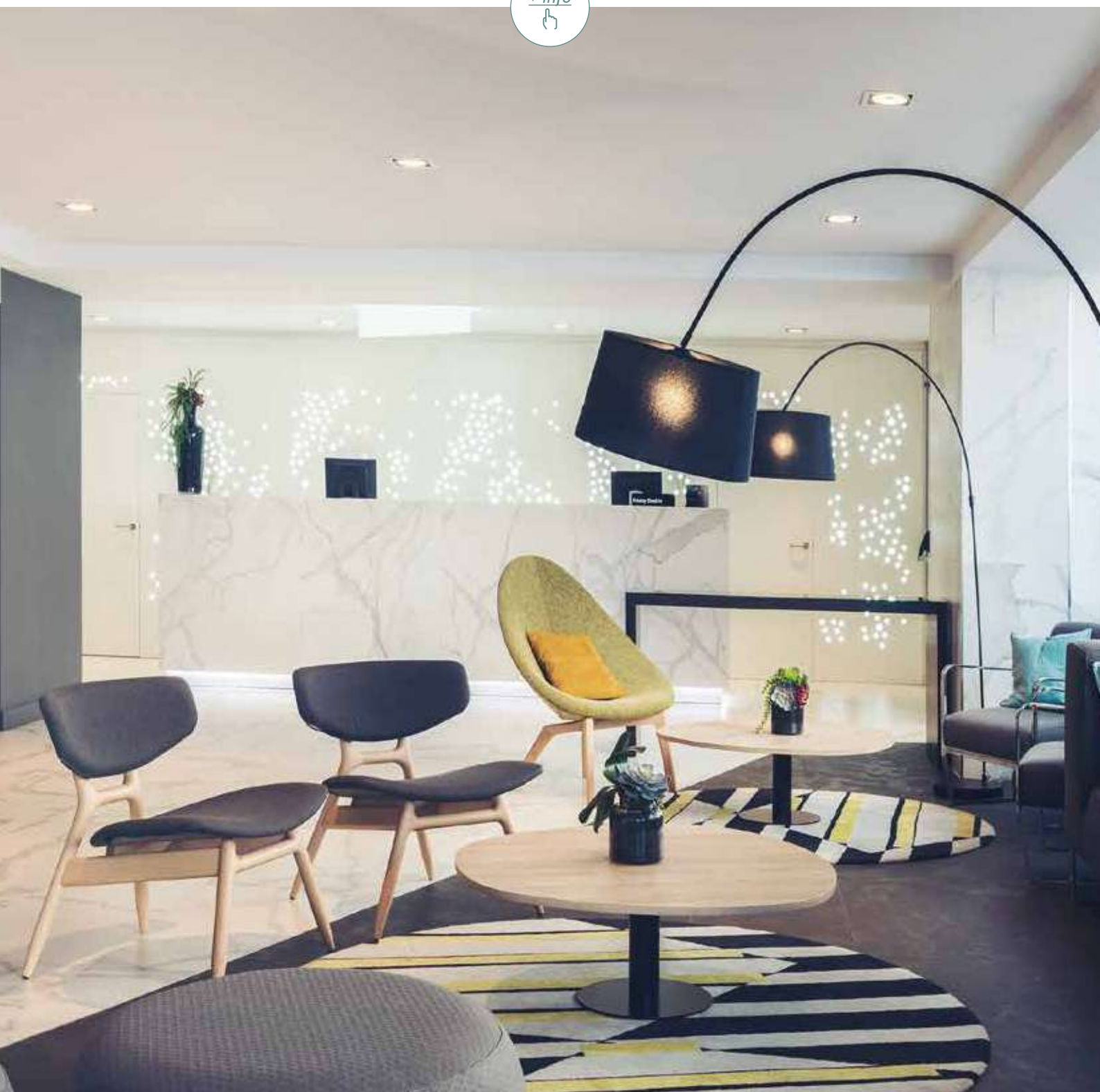
Rooms

Countries

75 Operational	21,736 Operational	9 Operational
2 Pipeline	490 Pipeline	0 Pipeline
Customers	+1.3 million	



Powered by the city



Tryp Gran Sol · Spain

Brand positioning

From city centre locations with services that include social lobbies, bars, healthy breakfasts and concept rooms, TRYP is the best option when staying in the city centre.

Inspired by the city, TRYP knows how to flourish in the city better than anyone. We take the energy and modernity of the city to the hotel so that our guests can explore and discover the secrets that don't appear in the guide-books. This culture is shared by all our staff, who create a stronger and more open relationship with guests that is both creative and tangible.

The concept of TRYP Powered by the City gives guests the sense of discovering and falling in love with the city's unique secrets.

2018 Milestones

- ✓ Opening of the Tryp Lima Miraflores (Peru)



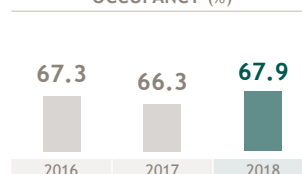
Tryp Lisboa Aeroporto

Main figures

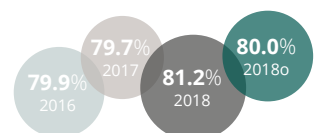
REVENUE SEGMENTATION

Direct Sales	26%
Leisure	7.0%
E-commerce	27%
Meeting & Events	10.0%
Business Travel	30%

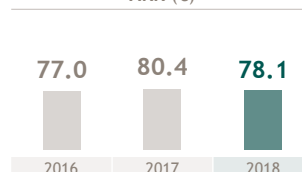
OCCUPANCY (%)



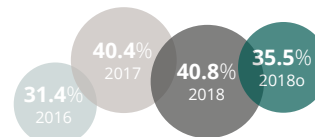
GUEST SATISFACTION SCORE (GSS)



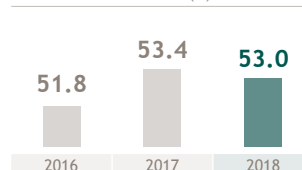
ARR (€)



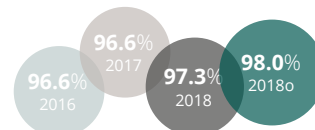
NET PROMOTER SCORE (NPS)



REVPAR (€)



QUALITY PENETRATION INDEX (QPI)



Presence



Hotels

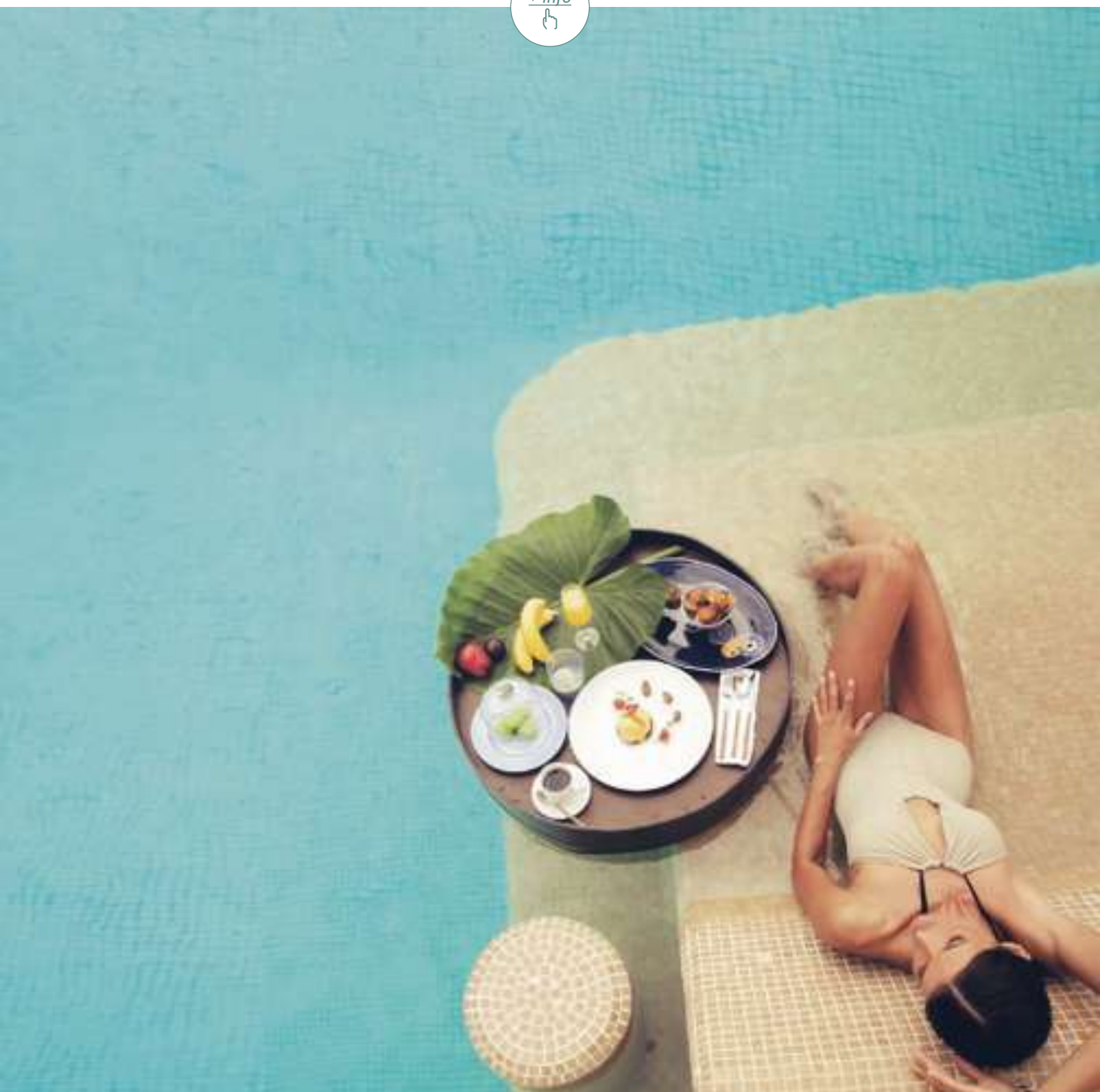
Rooms

Countries

67 Operational	10,653 Operational	7 Operational
1 Pipeline	120 Pipeline	0 Pipeline



A world of Infinite Vacation



Brand positioning

At Circle by Meliá we want guests to enter a world of Infinite Vacations.

The Circle experience is a new, unique, innovative and dynamic concept in timeshare vacations. Circle by Meliá focuses on all its members to provide an exceptional service and a luxury experience.

A new concept of membership that extends the benefits of its affiliates to before and after their stay, and always with a personal touch.

Fully integrated into the MeliáRewards programme, year after year Circle members will receive the best experience from all our brands.

To that end, we provide three levels of affiliation: Infinite Red, Infinite Blue and Infinite Black

2018 Milestones

- ✓ In December 2018 we opened the first The Grand Reserve at Paradisus Palma Real, a new resort in the Dominican Republic and an emblem of luxury as understood by Meliá Hotels International
- ✓ With an investment of €110 million, The Grand Reserve is designed in the form of a circle, a symbol of perfection, and with an attractive range of complementary features, it combines sophistication, modernity and exclusive services for a superior experience
- ✓ Of the 432 suites that this new resort has, 114 are intended for Circle by Meliá members. With this resort, we have become the best luxury offer in Punta Cana

INFINITE BLUE	INFINITE RED	INFINITE BLACK
<ul style="list-style-type: none"> ✓ MeliáRewards Silver ✓ Premium Wine List ✓ Superior Culinary Options ✓ Members' Party ✓ Restaurant Priority Reservations ✓ Kids' Welcome Pack ✓ Golf 	<p>In addition to the benefits of Infinite Blue, this membership also offers:</p> <ul style="list-style-type: none"> ✓ MeliáRewards Gold ✓ Candlelit Dinner ✓ Home Collection Dine Around ✓ Babysitting Service ✓ Family Photo Shoot ✓ Preferred Tier 	<p>In addition to the benefits of Infinite Red, this membership also offers:</p> <ul style="list-style-type: none"> ✓ MeliáRewards Platinum ✓ Infinite Butler ✓ Image, recognition and benefits ✓ Exclusive hotline ✓ Priority Pass ✓ Private airport transfer ✓ RCI partnership



Culinary experiences

A healthy, personalised culinary experience

Catering is a strategic concept for the Group, one that enables us to provide complete, innovative and healthy experiences, and with the highest possible degree of personalisation. Our excellent evolution in this area and the redefining of our culinary spaces as places for social gatherings enables us to target both guests staying with us and local residents with an excellent incentive.

We aspire to provide cutting-edge and innovative experiences that include the essence of the local area and help to promote its cultural heritage and culinary traditions, while being mindful of our guests' health, by offering healthy, balanced and sustainable experiences.

Promoting ecosystems of culinary innovation

The stimulus behind the concept is a response to, among other aspects, the fact that quality, innovation and sustainability are real issues for our customers. Accordingly, we bring in innovative concepts together with prestigious, renowned chefs, and with help from local and international partners.

Since 2016, we have backed innovation with Eatable Adventures and Gastro Entrepreneurs to make our hotels places of culinary reflection open to entrepreneurs to try out their projects, provide access to professionals and knowledge, and compare and contrast with mentors, among others. We have jointly launched a gastro incubator to detect, develop and test innovative and high-quality projects, with criteria of profitability, scalability, and the actual impact on people's lives and on their food habits.

Responsible consumption and sustainability applied to gastronomy

Aware as we are that sustainability goes beyond the drive to provide a healthy, local and environmentally sustainable cuisine, we are experimenting with options that help us to manage processes more efficiently, that reduce waste and that enable us to ensure that what we offer meets customer expectations in a way that is profitable and that has a minimal impact on an environment with limited resources. To that end, our management system, based on recipes and cost breakdowns, adapts our offer depending on the number of diners and services requested to produce only what is needed and almost right away, while also ensuring both the quantity and quality of what we serve.

1,935

Points of sale

17,168

 People involved in
F&B areas

+€870 M

F&B Revenue

+24 M

Breakfast services

+70 M

 Food and beverage
services

+12%

 Revenue from
banquets

Aggregate data



2018 Milestones

- ✓ Renewal of the collaboration with FACE (the Spanish Federation of Coeliacs), which began in 2012, to meet the needs of people with gluten intolerance in Spain
- ✓ ME by Meliá has signed an association agreement with Zela Restaurant Group to run a new restaurant in our ME London hotel
- ✓ We have started running trials to renovate our Room Service
- ✓ All-Day Dining, a Meliá concept, at the Arado Madrid (Meliá Serrano) and Arado Palma (Meliá Palma Marina) restaurants
- ✓ First Edition of the Spanish Gastronomy Training Programme. Agreement with the Spanish Institute for Foreign Trade (ICEX) through which our chefs in America extended their knowledge on Spanish food culture at the Basque Culinary Center in San Sebastián
- ✓ We are moving forward with the capacity for real-time self-management of hotel restaurant reservations together with TableRest, a centralised bookings system, and moving forward with 100% customisable websites that allow customers to book online
- ✓ Launch of Meliá Challenge, together with the culinary accelerator Eatable Adventures, a challenge aimed at start-ups that is geared towards detecting the most innovative gastronomic solutions, by connecting the talent and agility of start-ups which will then enable us to evolve our own cuisine and find innovative solutions that have an impact on the real experiences of our customers

GASTRO EMPREENDEDORES

43

Projects

76%

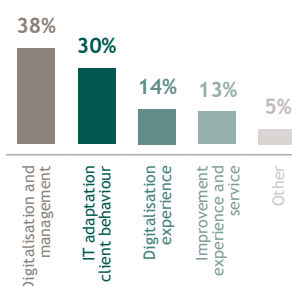
Europe

18%

North
America

6%

South
America



Our challenge is to put our customers' health at the heart of our cuisine, generating wealth from a position of managing resources responsibly

RAW MATERIALS	PRODUCTION METHODS	CULINARY PROPOSAL	MANAGEMENT SYSTEM	AWARENESS RAISING
<p>Committed to using local and seasonal ingredients in order to:</p> <ul style="list-style-type: none"> ✓ Contribute to the prosperity of local economies (farmers, producers and retailers whose employees enjoy a safe and hygienic working environment) by supporting rural economies ✓ Boost their knowledge and promotion ✓ Minimise the energy used in their production, transport and storage 	<ul style="list-style-type: none"> ✓ Protect plant and animal biodiversity ✓ Prevent or minimise damage to natural resources with the lowest possible impact ✓ Respect biophysical and environmental limits in production and processing ✓ Select foods from farming systems with low environmental impact, organic products that are produced using integrated production systems ✓ Meat, dairy products and eggs that form part of our culinary supply must be produced respecting environmental standards and animal welfare ✓ Commit to aquaculture products and seafood obtained by environmentally responsible and sustainable production and capture methods 	<ul style="list-style-type: none"> ✓ Offer safe, healthy and nutritious food that meets the highest health and animal welfare standards ✓ Give more space to plant-based products, with foods rich in vegetables, whole grains, fruit, etc. ✓ Reduce the amount of red meats offered on menus ✓ Increase the offer of pulses due to their high content in carbohydrates, protein, fibre, iron and vitamins ✓ Exclude fish species from our food supply that are identified as most under threat by the Marine Conservation Society ✓ Choose fair trade products for food and beverages imported from developing countries in order to ensure a fair deal for producers ✓ Reduce the amount of highly processed products and sugary carbonated drinks 	<ul style="list-style-type: none"> ✓ Review and adapt our procurement systems and processes, and the preparation of menus ✓ Everyone involved in catering should be aware and work to improve the established catering policy 	<ul style="list-style-type: none"> ✓ Press ahead with a communication on promoting healthier and more sustainable food practices ✓ Promote healthy food habits among our customers and staff

Distribution and marketing

From a global perspective to a local reality

Sales strategy

To achieve the goals set in the 2016-2018 Strategic Plan, it was of major importance to have a core strategy focused on transforming marketing, with a solid focus on reinforcing the customer relationship.

This sales strategy has been designed so that it goes from a global perspective to a local reality, where guidelines and directives are established at the global level, for each business segment, but considering the particular characteristics of the regions and resorts where we operate, with the collaboration of the specialist teams for each segment.

This approach has enabled the company to increase the profitability of the business:

Strengthening the culture of total revenue management:

- ✓ Managing and developing a Big Data technology platform to strengthen revenue management
- ✓ In 2018, 84% of sales were made through the Meliá System sales force

Maximising Average Room Rate (ARR) as a main driver for generating revenue:

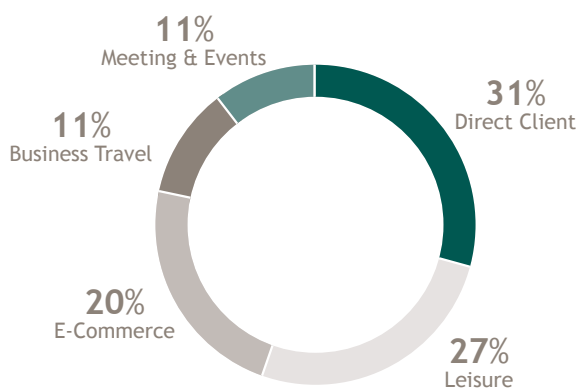
- ✓ Price dynamics, in response to in-depth knowledge of customer or end user behaviour
- ✓ Strategic optimisation of sales channels

Positioning in high-growth segments:

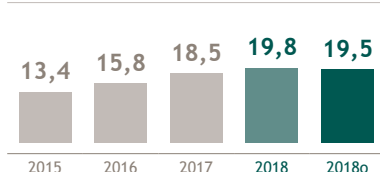
- ✓ Reinforcing regional strategy
- ✓ Focusing on emerging markets
- ✓ Developing strategic alliances



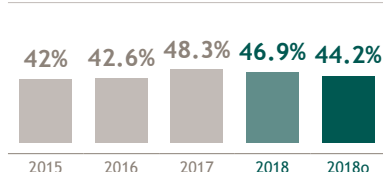
MELIÁ SYSTEM SOURCES



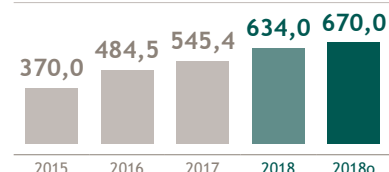
MELIA.COM CLIENTS (%)



NPS CLIENTS (GLOBAL)



PREMIUM TIERS (THOUSANDS)



Own channels

For several years at Meliá, we have been leading the online development of the sector and reinforcing our omnichannel presence, both in our interaction with the end client (B2C), through melia.com, and with professional clients (B2B), through meliapro.com.

Our website melia.com has become our most relevant sales channel, and is essential leverage with which to improve performance and increase the company's RevPAR, reaching in recent years levels of growth that surpass our competing international brands.

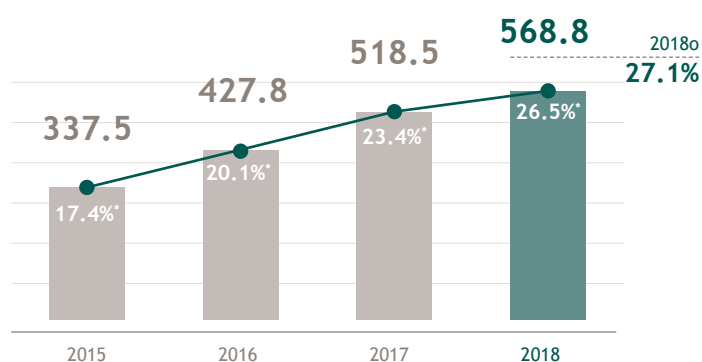


In this regard, we have designed an ambitious investment plan with the aim of:

- ✓ Anticipating the future
- ✓ Leading the industry's technological evolution
- ✓ Optimising the relationship with the customer
- ✓ Increasing satisfaction and loyalty
- ✓ Maximising hotel profitability
- ✓ Increasing sales through our digital channels

Every year, we generate more than 30% of our sales through our own distribution channels, contact centres, melia.com and the loyalty programme

EVOLUTION OF REVENUE PER DIRECT CUSTOMER (€ M)



(*) Percentage calculated on Aggregate Revenue (Room + Board)



MeliáPRO. We're going further

Recently, Meliá Hotels International relaunched its reservations portal for professionals: travel managers, meetings and event organisers, travel agents and tour operators.

With MeliáPRO, we empower users to manage and control their professional activity flexibly, with a wide selection of hotels in the main cities and resorts around the world, offering the best guaranteed rate, large discounts and commissions, and a simplified bookings process, giving professionals agility, helping them to save time and work more.

As it is also linked to the MeliáRewards loyalty programme, points can be obtained that can be exchanged for a wide range of benefits.

As a result, MeliáPRO has become the umbrella brand for all B2B segments. Accordingly, we have designed a new digital sales strategy and implemented a new relationship model for each type of professional partner.

Competitive advantage



MeliáRewards - Belonging Means More

At Meliá we understand leisure as an attitude towards life, a way of seeing the world that defines how we relate to our customers, to our professional segments and also to our employees. That's why our loyalty programme, MeliáRewards, is one of the main pillars of the company.

We have more than 11 million members who accumulate points on each of their stays, and who can then exchange them for free hotel nights and other benefits, as offered by more than 40 partners from different sectors around the world.

Members of our programme can transfer and exchange their points through our website meliarewards.com. This system is a pioneer in the industry and offers a range of competitive benefits, such as:



- ✓ Strengthening the winning of new customers
- ✓ Reinforcing loyalty and satisfaction
- ✓ Generating greater value for customers
- ✓ Increasing the usability of our channels
- ✓ Strengthening knowledge for our portfolio of brands and products
- ✓ Personalising the services and products that are offered exclusively to members of MeliáRewards



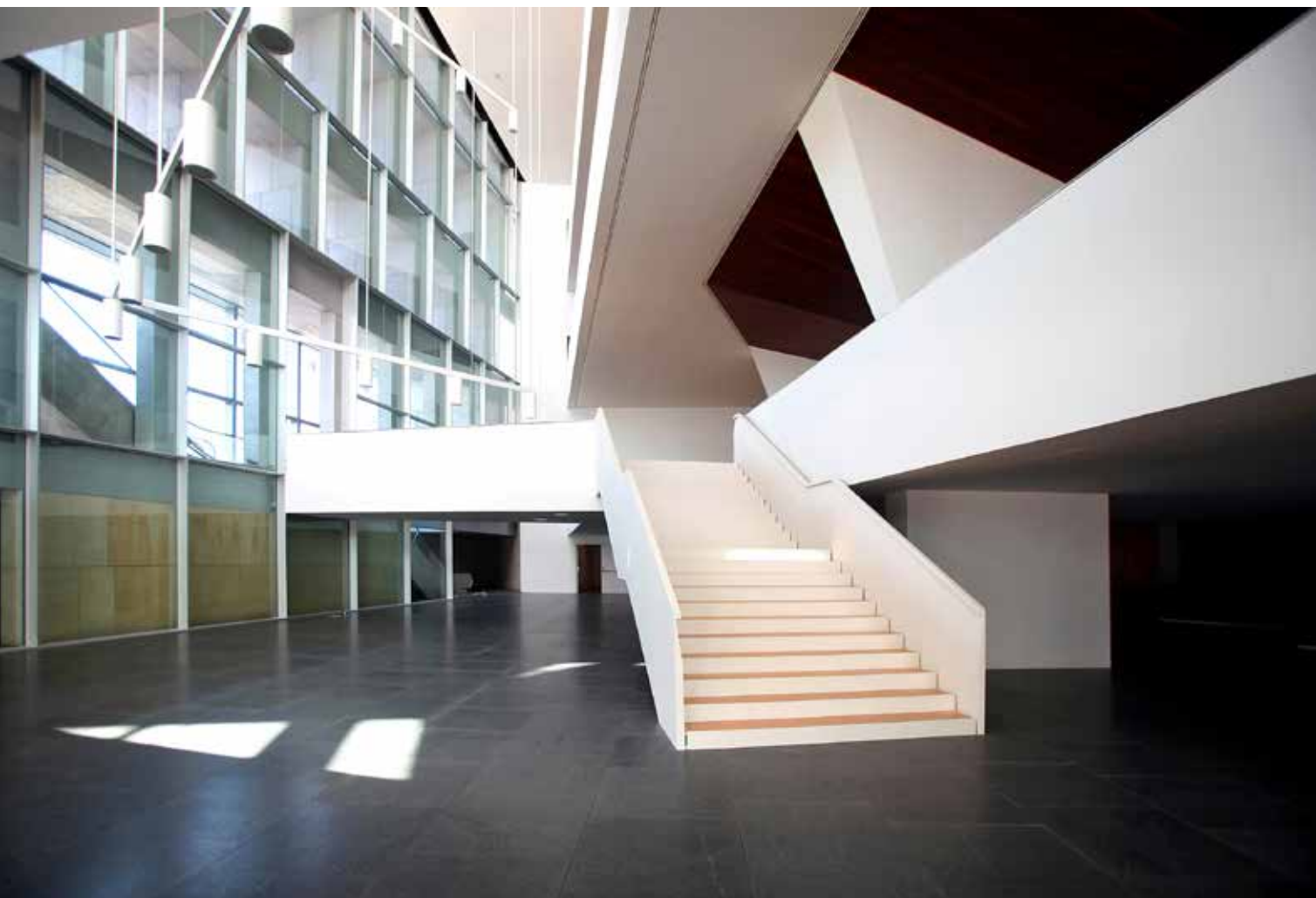
Meetings & Events

MICE strategy

The MICE segment is a key strategic lever that has a huge impact for the tourism sector in general and for Meliá Hotels International, as a business concerned with strengthening the bleisure concept. According to a study by the Global Business Travel Association (GBTA), in the coming years an increase in revenue generated by this segment can be expected, which could be around +11% in 2020, with a type of customer whose expectations are for personalised experiences and an immersion in new technologies.

Within the transformation process that the company has designed in its strategic vision, one of the core strategies set out is to assign significant economic and human resources to ensure a business model that will guarantee an innovative experience, with criteria of excellence and in order to make the most of the benefits that new technologies bring to provide a personalised and attractive proposal for each and every one of our customers.

The results obtained are a testament to the work carried out and help us to reach positions from which we can see a firm and solid trajectory to achieve leadership in the sector, while also reflecting the opportunities to improve profitability in this market niche.





We are driving forward a model for digitally connecting with our customers

We have relaunched the meliapro.com portal with new, attractive and interactive content in the MeliáPro Meetings & Events section and by updating the RFP to help customers generate online requests

MeliáPro Rewards loyalty programme for event organisers, with the aim of being able to meet and guarantee the specific needs of this segment

+58%
meliapro.com sales

+130
Hotels



The Melia Group Booking Tool, created to help manage online reservations for participants in groups or events held at our hotels

Integration of meliapro.com with Meliá CRM and also with the PMS of hotels, allowing for a complete connection of the RFPs generated both from the website and through sales teams

Direct integration of our CRM with CVENT, the world's leading platform in generating RFPs

+20%
Conversion rate
5% above industry rate

+1,400
Meeting rooms



Innovative concepts per brand developed for this segment, such as our Power Meetings for Meliá Hotels & Resorts, and Big Idea Spaces for Innside by Meliá

Cutting-edge technology, such as 360° projection walls, interactive televisions and multiconference technologies

Global alliances with the main industry partners

11%
Own channel sales

+187 km²
meetings space

Asset strategy

Meliá is consolidating the property side of its business as an area of multidisciplinary asset management, the functions and knowledge of which ensure the constant creation of equity value while also complementing or adding to hotel activity.

Under this framework, managing the portfolio of owned property has become a key aspect of the asset strategy, overseeing the maximisation of the economic value of assets throughout their life cycle and guaranteeing their profitability and liquidity on the markets.

To that end, it is essential for this to be managed with a comprehensive vision, one that can assess the interests in the short and long term, the life cycle, the liquidity of the assets and even explore other options or alternatives to their use as hotels.

“Building based on criteria of sustainability and innovation”

Having a portfolio of owned assets that helps to maximise the company's value with a long-term vision at the economic, brand and reputational level helps support opportunities for the growth and expansion of the company as a management business.

In 2018 we reported to the market the result of a new asset valuation, carried out by the firm Jones Lang LaSalle, which reflected an increase in the value of our

consolidated assets of almost 15% (on comparable bases), compared with the 2015 valuation, helped in part by the successful policy of investments implemented by the company.

Investment

For Meliá, being a company of excellence in the hotel investment model, boosting our strengths of creativity and agility as a proprietor company, integrating the different investment criteria, and overseeing the balance between the short and long term, are all fundamental aspects of its strategy.

In 2018, we invested around €40 million in owned and leased assets in Spain and the rest of Europe, including investments in the hotels Meliá Palma Marina (Mallorca, Balearic Islands), Meliá Madrid Serrano (Madrid), Meliá Salinas (Canary Islands) and Meliá White House (London). All these are strategic assets that strengthen the company's brand equity, as well as being excellent ambassadors for what the Meliá brand represents.

Additionally, the most relevant investment in America in 2018 was the launch of the product called The Circle, notable not only due to the amount of the investment made, but also as a great example of construction based on criteria of sustainability and innovation. Efforts made in conserving water, implementing sustainable heating, air conditioning and ventilation facilities, the use of local materials in construction, and the actual design of the project, with 40% of the surface area consisting of greenery, are generating a positive impact for the environment and competitiveness of the tourist resort itself.



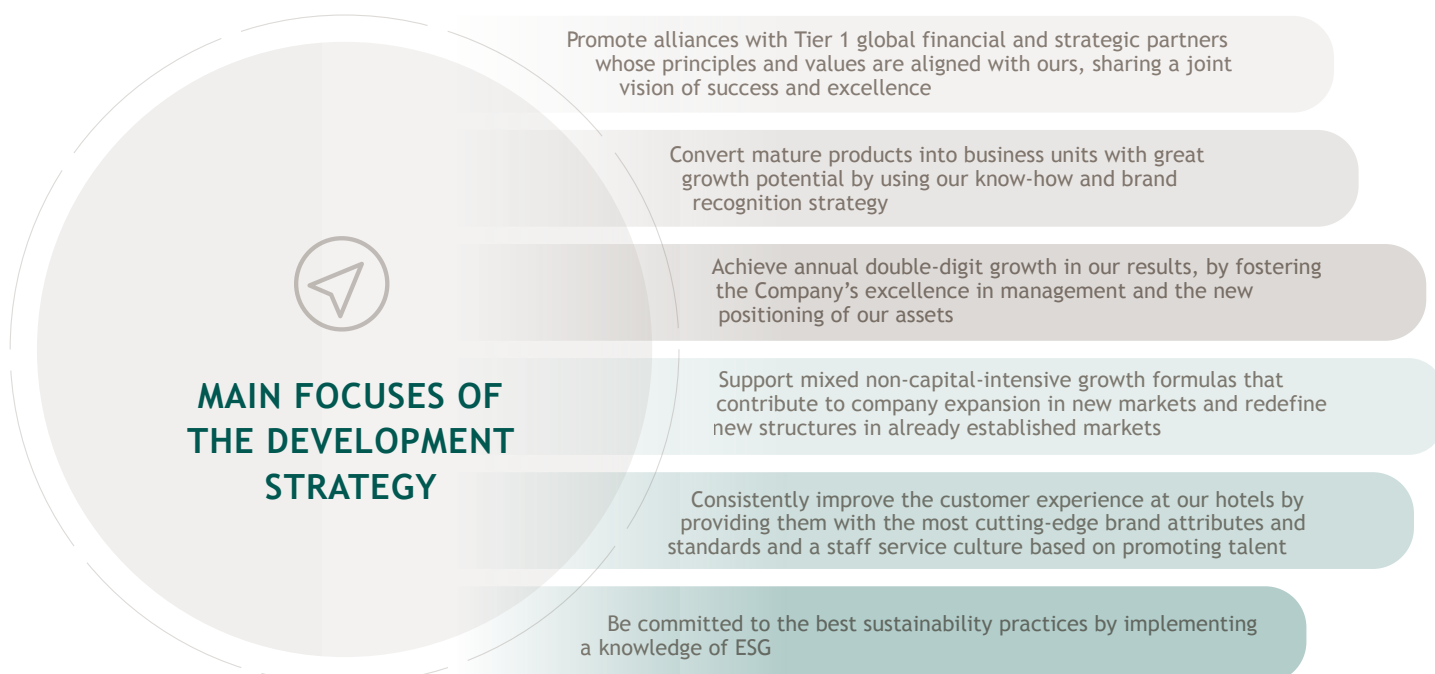
“We continue to consolidate the Joint Ventures model as a dynamic and essential element to consolidate the company’s strategy as a manager”

Joint Ventures

With regard to hotels included in mixed capital structures, we strive to continue consolidating the Joint Ventures model as a dynamic and essential element to consolidate the company’s strategy as a manager, with a selective group of partners, whose different profiles as investors ensures our ability to take on the company’s expansion projects and provide impetus for the complementary businesses integrated into the hotel business.

In this context, and following the efforts to renovate the Meliá brands (particularly Sol) on the Spanish market, the company has invested around €50 million, almost

half of this on the Calvià Beach The Plaza and Momentum Plaza project. It is worth remembering that 2018 was the launch year for the new hotel, which was the “icing on the cake” of the great repositioning project for the resort of Magaluf in the town of Calvià (Mallorca) that began seven years ago, where the company has acquired high levels of know-how in reconverting mature resorts. As well as this refurbishment project, other relevant investments include those made at the Sol Beach House Fuerteventura hotel and at the future Inside Zaragoza.



Digitalisation and connectivity

FROM GOING DIGITAL...

“As a result of our international presence and our firm commitment to digital transformation, at Meliá Hotels International we have the best allies to keep moving forward as leaders in digitalisation and connectivity.”

BIG DATA

By applying big data environments, we can use large volumes of information in real time, thus improving the content of communications and achieving a high degree of personalisation in our customers' experience.

Furthermore, advanced predictive models enable us to adapt the brand promise to consumers who are increasingly well informed and demanding, by studying behaviours and patterns in order to anticipate their needs and expectations, and create more efficient propensity models, among other aspects.

HOTEL SERVICE MANAGEMENT

With this technology, our digitalisation strategy has reached the most operative departments in our hotels, helping to improve management and control in real time of the requirements and tasks that form part of the business of hotel management.

This means a personalised and open service by enabling customers to inform us of their needs or request for services, or to report incidents so they can be resolved. In 2018 it was implemented in 118 hotels, with both the APP and Alexa preference systems implemented.

REVENUE MANAGEMENT SYSTEM

The digital transformation in revenue management has been hugely significant, in order to respond to the personalisation and to cover the needs of the different markets, segments and profiles of each one of our brands.

A new pricing structure has been defined and put into use, and a cloud tool has been implemented to manage the new revenue management and demand-side management for each resort or hotel. In 2018 this was implemented in 57 hotels.

MELIÁ ASSISTANT & INTELLIGENT CONTACT CENTER

We are committed to improving the quality and agility of the service, increasing the productivity and efficiency of our contact center agents and optimising our reservations process, with support from voice assistants.

We have developed Meliá Assistant, a virtual assistant that uses artificial intelligence to facilitate customer interaction. In 2019, Meliá will continue to advance in voice technologies for the contact center.

ALEXA AT CIRCLE

Alexa, Amazon's virtual assistance technology, consolidates the values of openness and permanent contact with our customers located at The Grand Reserve Paradisus Palma Real in the Dominican Republic. This system has been incorporated into the rooms of members of our "Circle" programme to provide an agile and quick response to requests from our guests for the different departments of a hotel.

SMART BRACELETS

In order to provide an innovative experience for our guests, our hotels in Calvià (Mallorca) have incorporated the use of Smart Bracelets, a new technology that can open room doors, pay at points of sale in any Meliá hotel in the area and pay for shopping in the stores located in the hotel's shopping area.

MARKETING CLOUD

In 2018 personalised campaigns were launched that were integrated into our channels and systems that have strengthened the model of the relationship with our customers and boosted a more direct and open form of communication, through notifications on the mobile app and WhatsApp. Meliá is the first European hotel chain to use these channels of communication.

...TO BEING DIGITAL

NEW APP

The new design of our mobile app adds a new channel of communication, which provides permanent contact with our customers and meets their needs with greater agility and speed. Through this channel, our aim is to improve the customer experience, add new functionalities such as the digital key, remove the check-in process and having to obtain a physical key card for the room, 24/7 communication with the front desk via a chat system and geolocation in the company's hotel complexes (hotels in the Caribbean), as well as attending to customers' preferences during their stay (such as pillows, allergies and reservations for services in the establishment).

BACK MORE DIGITAL

The digital transformation is also affecting administrative service or back-office areas to improve the efficiency, agility and productivity of our teams. The aim of this project is to create a Centre of Excellence, led by multidisciplinary and cross-functional teams that will integrate leading technologies such as big data, robotics, artificial intelligence and the re-engineering of critical processes for the company. To that end, Meliá will be supported by the experience of technological partners that will help bring about a 360° digital transformation.

DIGITALISING MAINTENANCE DUTIES

An optimisation of preventive and corrective maintenance, using the available technology, to improve the planning and monitoring of incidents received, has been implemented in more than a hundred hotels. This tool has led to significant changes in response times, preventive task planning and team performance, as well as having an effect on the Meliá sustainability strategy by reducing emissions and the amount of electricity and water used. Developed in collaboration with a start-up from Mallorca, this project has led to an environment of entrepreneurship and innovation among the teams involved. In 2019 we expect to cover 100% of our hotels portfolio.

CYBERSECURITY & DATA PRIVACY

Our customers trust in us with their times of leisure, relaxation and work, as well as additional information that enables us to personalise their experiences. Meliá has an [Information Security Policy](#) and a [Privacy Policy](#) that are well known throughout the organisation. These policies are developed in a series of organisational processes and systems by applying best practices with regard to information security and GDPR compliance. In 2018 a total of 9,224 employees from all over the world signed up to training session on matters of cybersecurity and PCI (Payment Card Industry) protection, with the aim of equipping them with the necessary tools and to raise awareness in the organisation of the importance of information security.

€45.6 M

Investment in digitalisation

12 M customers

No. customers informed of Privacy Policy update

7,000

No. exercises of rights covered



We're focusing digital transformation on the customer experience

"Alexa, tell Circle I've arrived"

Circle at Paradisus Palma Real
(Dominican Republic)



Chromecast: share your screen on the TV

INNSIDE by Meliá



Tech rooms: advanced connectivity

Meliá Hotels & Resorts



No keys or cards: Smart bracelets

Calviá Beach complex (Mallorca)



E-gym: virtual classes 24-7

INNSIDE by Meliá

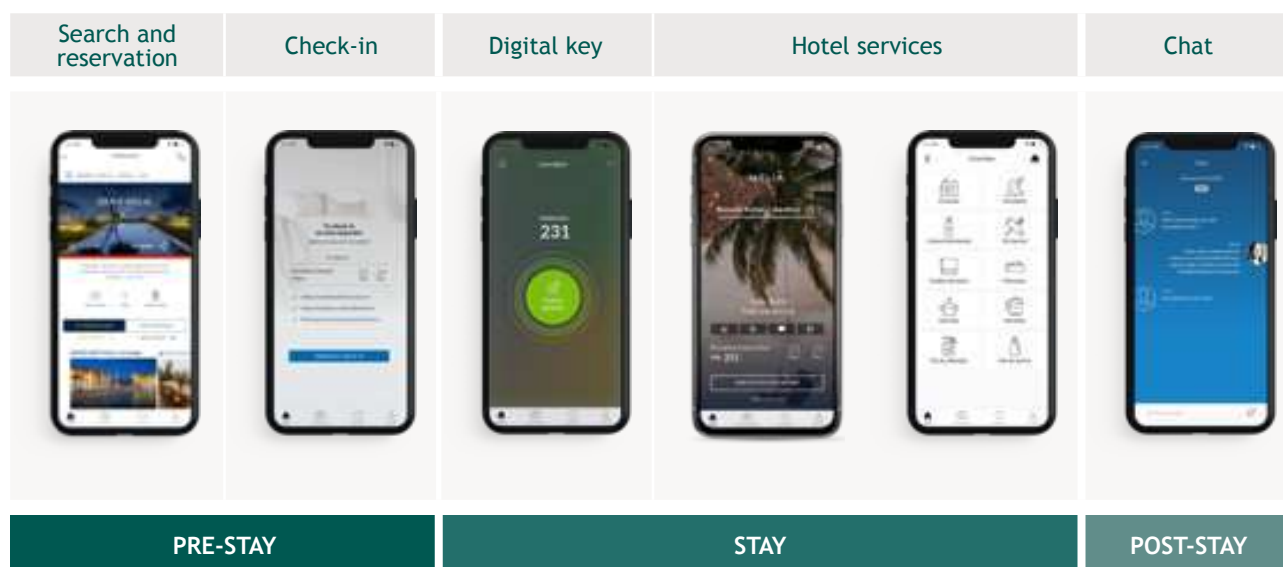


Digital key and much more

Meliá app



Incorporating technology throughout the customer journey...



Transforming sales profiles for working in a digital environment

In 2018 we held the second edition of the programme *The Change Makers*, the main objective of which is to drive the digital transformation forward into the sales area. A project with a global focus, based on promoting, transforming and mobilising our employees.

Aimed at a collective of more than a thousand people with different profiles, responsibilities and roles in the company, *The Change Makers*, it promotes a positive transformation and empowers the participants to bring about change, with the motivation to ensure the digital transformation of sales processes.



THE
CHANGE
MAKERS

DIGITAL & SOCIAL SELLING

- Learning agility
- Emotional intelligence
- Social Selling (Hootsuite)
- Neuromarketing
- Motivation, innovation and change management

Consolidation on social networks

“The influence of social networks on business reputation and performance is today unquestionable. Being active in this environment has given us the opportunity to disseminate information more frequently and with greater impact about our company, and to reach a better understanding of our stakeholders, strengthening a closer and more transparent relationship model”

Gabriel Escarrer Jaume

Executive Vice-Chairman
and CEO

As part of the digital transformation process, and with the aim of upholding our position as a leader in the hotel sector, we have consolidated our influence on social networks to increase the recognition of our brands, improve the relationship with our stakeholders and adapt with agility to their needs and demands, increase traffic to our sales website (www.melia.com) and attract talent. We are aware of the importance social networks have on the reputation and performance of the hotel business, which is why we are driving a social communication strategy through all our corporate profiles and hotel brands, based on people as brand ambassadors: customers, employees, influencers and the Executive Vice-Chairman and CEO. As a result, we were among the ten most influential IBEX 35 companies on social networks during the first eight months of 2018, according to the Icarus Analytics Panel held by Epsilon Technologies.

Amplify

Our employees are the best ambassadors for Meliá. Through the “Amplify” programme, associates share corporate content and information about our hotel brands on social media, putting them in the limelight and maximising their great power of social influence. This personal commitment contributes to our brand awareness, helps us value our employees’ high degree of commitment and their pride in belonging, and ensures a more agile communication that is in line with our social communication strategy.



+300

Employees
involved

61,000

Posts
shared

143 M

Impressions caused
by our employees

#askCEOMeliá

In April 2018, the Executive Vice-Chairman and CEO, Gabriel Escarrer, opened up his profiles on the social networks Twitter ([@GabrielEscarrer](https://twitter.com/GabrielEscarrer)) and LinkedIn (www.linkedin.com/in/GabrielEscarrer), with the aim of helping to strengthen the positioning and reputation of Meliá as a company that is ethical, responsible and committed to all its stakeholders. Through #askCEOMeliá, his followers ask questions on different issues and receive answers through videos, in which the CEO addresses their doubts and concerns.



+7,100

Followers
2,200
4,900

+131,000

Impressions

+1,000

Participation
(comments, likes,
recommendations,
retweets)

Results 2018

485

Hotel and brand profiles on different social media

6.7 Million

Total number of followers on social media

Top 10

IBEX 35 companies with most influence on social networks in 2018 (Epsilon Technology study)

16%

European traffic to melia.com via our social media

Main social media followers 2018

**5,216,043**

(+22.63% vs 2017)

**324,132**

(+19.74% vs 2017)

**845,777**

(+113.81% vs 2017)

**12,698**

(+45.70% vs 2017)

- ✓ User reach through Facebook in 2018 of more than 1.3 billion
- ✓ More than 138,000 hours of video shared through all our YouTube channels
- ✓ Collaboration with more than 200 influencers, representing a potential reach of 210 million users

Growth by brand

	GRAN MELIÁ HOTELS & RESORTS	ME BY MELIÁ	PARADISUS BY MELIÁ	MELIÁ HOTELS & RESORTS	INNSiDE BY MELIÁ	SOL BY MELIÁ	TRYP BY MELIÁ	MELIÁ HOTELS INTERNATIONAL
	16.8%	19.0%	34.5%	19.9%	47.9%	34.9%	12.9%	34.4%
	10.0%	1.2%	6.9%	8.5%	3.1%	2.0%	9.9%	9.4%
	157.5%	32.8%	48.7%	85.3%	28.5%	91.8%	24.0%	New
	12.0%	14.3%	140.8%	27.2%	2.5%	18.5%	-	12.4%



Awards and recognitions

As we established in our 2020 Vision, Meliá Hotels International aspires to be recognised as a world leader in **excellence, responsibility and sustainability** in the hotel sector. As a result, the number of awards and recognitions garnered by the company over the past year highlights its leading position in the industry, having been recognised for its advances and successes in a range of areas, from business results to other less tangible aspects, such as sustainability, corporate responsibility, people management and the leadership shown by senior management.

In 2018 we also voluntarily took part in the **Corporate Sustainability Assessment by RobecoSAM 2018**, which selects leading companies in sustainable performance for their inclusion in the Sustainability Yearbook and the composition of the Dow Jones Sustainability Index, obtaining Silver Class recognition in said yearbook. This achievement is an unprecedented milestone for the company, positioning it as the first Spanish hotel company to form part of this internationally renowned group.



Silver Class
The Sustainability Yearbook 2019
(RobecoSAM CSA 2018)

#3 Best European CEO

Institutional Investor All-Europe Executive Team Survey
(Small & Medium Tourism Sector)

#15 Top 50 Most Influential Hotel Professionals

Hotelier Middle East's Annual Power 50 Ranking

Top Leader of the Family Business

Campden Wealth Awards

Top 20 Best Business Managers in Spain

Advice Business Success Study

Top 10 CSR Senior Management

Advice Study on Large Businesses and Systemically Important Financial Institutions in Spain, Leaders and CSR



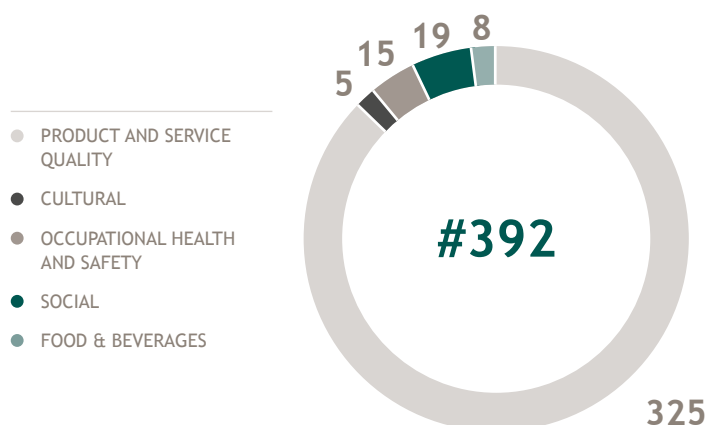
GABRIEL ESCARRER JAUME

Executive Vice-Chairman
and Managing Director



#29

RECOGNITIONS RECEIVED BY HOTELS



MAIN RECOGNITIONS

#19



#16



LEADERSHIP & REPUTATION

- #1 Top 10 Empathic Brands IBEX35 *Summa Top Study*
- #10 Top 10 IBEX 35 companies with the most influence on social networks
Icarus Analytics IBEX 35 Panel (Epsilon Technologies)
- #1 Website for Investors and Analysts
- #3 Day of the Analyst
Institutional Investor All-Europe Executive Team Survey (Small & Medium Tourism Sector)
- #22 Top 50 Most Valuable Hotel Brands *Brand Finance Annual Report*
The Business of the Year European Business Awards (National Winner)
Influential Brand Spain Award
El Confidencial & Herbert Smith Freehills
- #1 Establishments and Rooms & Presence in Spain
Hosteltur Ranking



INNOVATION & TECHNOLOGY

- Best 'Fast Delivery Project'
IV Computing de la Era Digital Awards
- Integration - SOA Cloud
Oracle Cloud Platform Innovation Awards

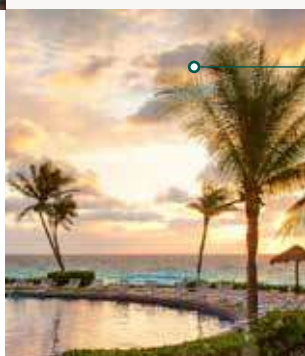
EMPLOYMENT QUALITY & EMPLOYER BRANDING

- #1 Happiest workplace
IV Adecco Survey (hotel, catering & tourism sector)
- #9 Attractive companies to work for business/commerce university students in Spain
Universum Ranking

#B



Ranking of companies fighting climate change.
Carbon Disclosure Project 2018



CORPORATE RESPONSIBILITY & SUSTAINABILITY

- #6 Top 10 of Spanish companies that best integrate sustainability into their business model
Ecoact: Ecoact Study on the State of Sustainability Reporting in the IBEX 35.
- Best practice in employment inclusivity: First Professional Experience
I Diversity and Inclusion Awards. Adecco Foundation and Club for Excellence in Sustainability
- I Responsible Tourism Award: Calvià Beach (Mallorca)
InterMundial Foundation (Hotel and Catering)
- Top 10 Best Hotel Sustainability and Renovation Projects in Spain:
Inside Palma Bosque IV Rethink Hotel Awards
- Medal of Honour: Historic Collaboration Spanish Association Against Cancer, Balearic Islands
- Child-Friendly Business *Fundação Abrinq*



EXECUTIVE WORK

- #22 Best Investor Relations Director: Stephane Baos
Institutional Investor All-Europe Executive Team Survey (Small & Medium Tourism Sector)
- The 25 Most Influential People in the Incentive Industry: John J. Iannini
Incentive Travel Industry Index (Society For Incentive Travel Excellence)
- Meritorious Performance: Christian Palomino
Isaca Global Achievement Award
- Career Development: Coloma Crespi
Ewoman Awards



QUALITY OF PRODUCT, SERVICE & EXPERIENCE & BRANDS

- #1 Best chain for foreign holiday and Best value for money
XXVI Travelranking Awards
- #26 Travellers' Choice awards received
Tripadvisor
- #Gold Best Space: Meliá Hotels International Convention Centre of Palma & Meliá Palma Bay
Eventoplus Awards

Brand Finance®

Top 100 Most Valuable Brands in Spain	#32	#53	#71	#78	#80	#86	#96	Top 10 strongest Spanish brands Spain	#8
	MELIÁ HOTELS & RESORTS	TRYP	SOL BY MELIÁ	PARADISUS BY MELIÁ	INNSIDE BY MELIÁ	ME BY MELIÁ	GRAN MELIÁ HOTELS & RESORTS		MELIÁ HOTELS & RESORTS

03

Performance

Global and Regional Vision

Future Perspectives

Investors & *Shareholders*





Global Figures

FINANCIAL INDICATORS

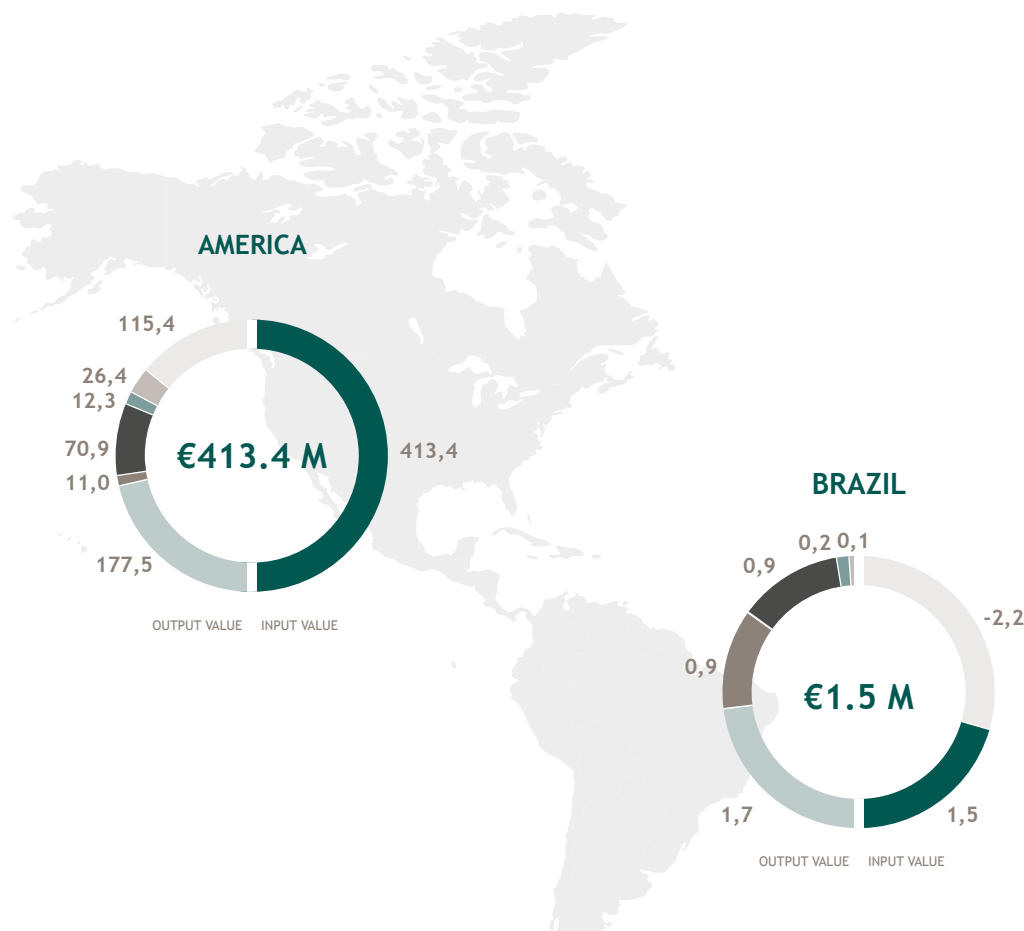
	12M 2018 €M	12M 2017 €M	% Change
HOTELS OWNED & LEASED			
Revenue	1,554.2	1,590.7	-2.3%
Owned	762.4	807.0	
Leased	791.8	783.7	
Of which Room Revenue	989.7	986.0	0.4%
Owned	410.4	430.2	
Leased	579.3	555.9	
EBITDAR	426.9	424.6	0.6%
Owned	210.5	223.5	
Leased	216.4	201.1	
EBITDA	234.4	239.9	-2.3%
Owned	210.5	223.5	
Leased	23.9	16.4	
EBIT	137.4	143.7	-4.4%
Owned	142.8	154.6	
Leased	-5.4	-10.8	

	12M 2018 €M	12M 2017 €M	% Change
MANAGEMENT MODEL			
Revenue	295.0	294.4	0.2%
Third Parties Fees	50.8	54.8	
Owned & Leased Fees	95.2	98.2	
Other revenue*	149.0	141.4	
EBITDA	93.2	88.3	5.5%
EBIT	92.3	86.3	

* Other Revenues in 12M 2018 include €93.4M of Corporate Revenues not directly attributable to any specific division. Idem in 12M 2017 data by €70.1M.

OTHER HOTEL BUSINESS			
Revenue	58.0	66.5	-12.8%
EBITDAR	3.8	4.9	
EBITDA	2.2	3.9	
EBIT	1.3	2.9	

CONTRIBUTION TO SOCIETY OWNED AND LEASED HOTEL BUSINESS. SOCIAL CF BY REGIONS



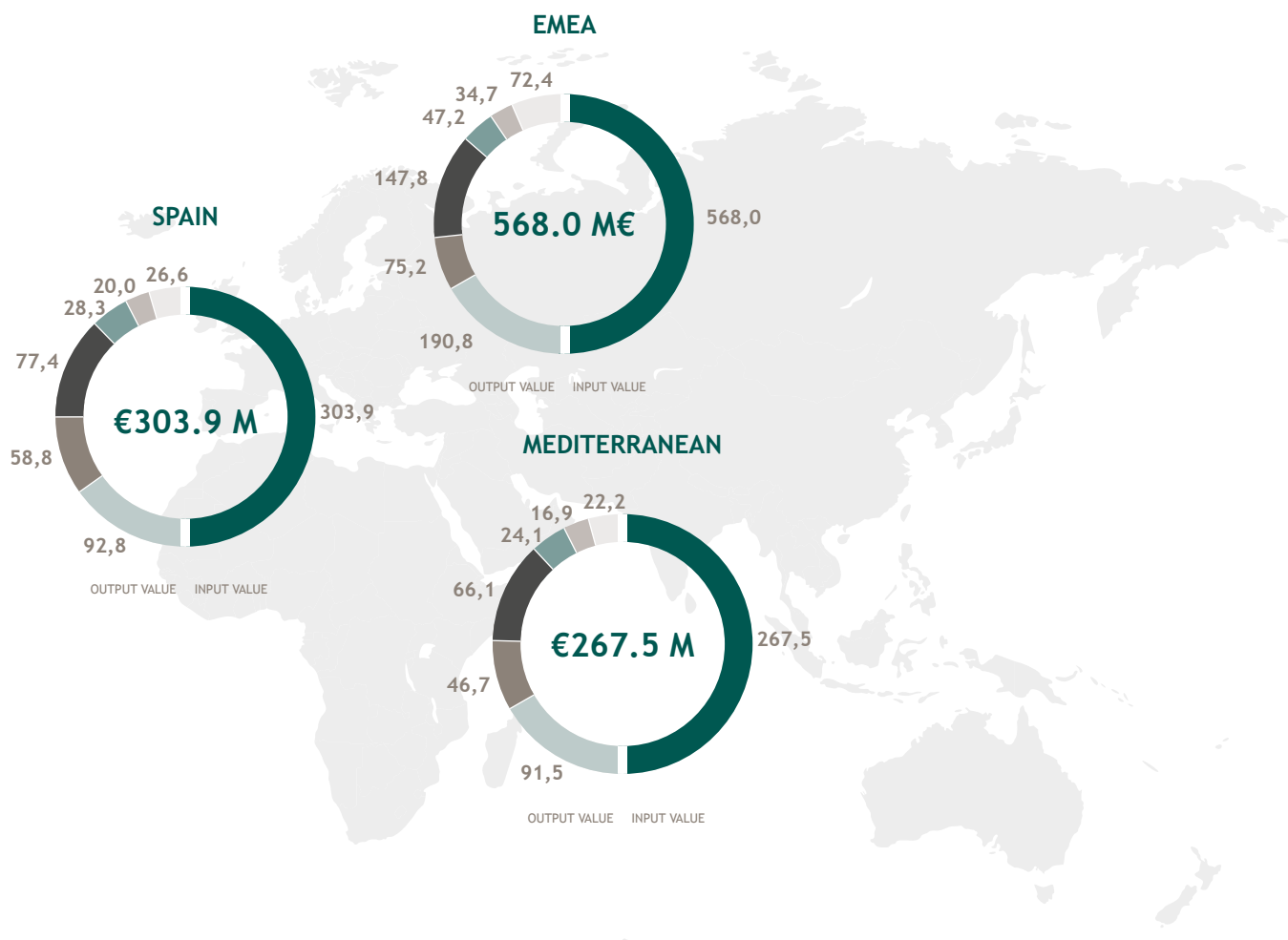
● CUSTOMERS ● SUPPLIERS ● RENTALS ● EMPLOYEES ● PUBLIC ADMINISTRATIONS ● MANAGEMENT FEES ● OWNERS



MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. Change	€	% Change	€	% Change	%	p.p. Change	€	% Change	€	% Change
TOTAL HOTELS	72.0%	0,7	120,0	0.7%	86,4	1.7%	66.7%	0,0	104,3	-2.7%	69,6	-2.7%
TOTAL HOTELS SAME STORE BASIS	73.9%	0,7	124,0	-1.1%	91,7	-0.1%	68.0%	0,2	106,9	-3.2%	72,5	-2.9%
AMERICA	67.7%	-3,4	116,1	-0.2%	78,5	-5.0%	65.8%	-1,8	117,1	-0.7%	77,0	-3.2%
EMEA	72.8%	1,2	155,4	-0.1%	113,2	1.5%	71.9%	1,4	156,5	1.8%	112,6	3.9%
SPAIN	72.1%	2,7	101,7	2.6%	73,4	6.5%	70.7%	2,7	101,2	2.3%	71,5	6.3%
MEDITERRANEAN	75.4%	-1,4	96,9	1.8%	73,0	-0.1%	73.4%	-1,9	91,1	-0.1%	66,9	-2.6%
CUBA	-	-	-	-	-	-	55.9%	-3,6	80,8	17.2%	45,2	-22.2%
BRAZIL	24.3%	1,4	117,9	-31.6%	28,7	66.5%	56.9%	5,5	75,1	-11.7%	42,7	-2.2%
ASIA	-	-	-	-	-	-	60.2%	3,1	72,5	-3.6%	43,7	1.6%

* Available Rooms 12M 2018 (thousands): 11,455.7k (vs 11,611.2k in 12M 2017) in O&L // 23,489.7k (vs 23,315.4 in 12M 2017) in O, L&M.



America

FINANCIAL INDICATORS

	12M 2018 € M	12M 2017 € M	% Change
HOTELS OWNED & LEASED			
Revenue	413.4	473.9	-12.8%
Owned	381.9	440.5	
Leased	31.5	33.4	
Of which Room Revenue	184.1	202.8	-9.3%
Owned	156.8	175.1	
Leased	27.2	27.8	
EBITDAR	126.3	136.3	-7.3%
Owned	116.2	128.2	
Leased	10.1	8.1	
EBITDA	115.4	126.0	-8.5%
Owned	116.2	128.2	
Leased	-0.8	-2.2	
EBIT	82.3	89.7	-8.2%
Owned	83.4	92.0	
Leased	-1.0	-2.3	

	12M 2018 € M	12M 2017 € M	% Change
MANAGEMENT MODEL			
Revenue	56.9	61.2	-7.1%
Third Parties Fees	4.2	4.3	
Owned & Leased Fees	26.4	30.4	
Other revenue	26.3	26.5	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. Change	€	% Change	€	% Change	%	p.p. Change	€	% Change	€	% Change
TOTAL AMERICA	67.7%	-3,4	116.1	-0.2%	78.5	-5.0%	65.8%	-1,8	117.1	-0.7%	77,0	-3.2%
TOTAL AMERICA SAME STORE BASIS	73.6%	0,1	121.8	-6.3%	89.7	-6.2%	69.9%	-0,2	122.8	-5.1%	85,9	-5.4%
Mexico	73.7%	0,6	116.1	-3.5%	85.5	-2.7%	71.8%	4,8	122.6	-3.6%	88,0	3.2%
Dominican Republic	66.3%	-7,7	111.7	-2.5%	74.1	-12.6%	66.3%	-7,7	111.7	-2.5%	74,1	12.6%
Venezuela	42.0%	-10,2	78.3	54.4%	32.9	24.2%	42.0%	-10,2	78.3	54.4%	32,9	24.2%
U.S.A.	78.8%	-1,8	157.4	-0.8%	124.1	3.0%	74.0%	-1,2	161.6	0.0%	119,5	-1.5%

* Available Rooms 12M 2018 (thousands): 2,343.4 (vs 2,454.7 in 12M 2017) in O&L // 2,996.7 (vs 3,154.2 in 12M 2017) in O, L&M.

CHANGES IN PORTFOLIO

Openings between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
Tryp Lima Miraflores	Peru/Lima	Management	140
Grand Reserve at Paradisus Palma Real	Dominicana Republic/Punta Cana	Owned	432
Disaffiliations between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
Tryp Montevideo	Uruguay/Punta Carretas	Franchise	74

FUTURE DEVELOPMENT

	CURRENT PORTFOLIO				PIPELINE									
	12M 2018		2017 YE		2019		2020		2021		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL AMERICA	28	9,408	27	8,890	2	644	2	356	1	500	0	0	5	1,500
Management	9	1,996	8	1,850	2	644	2	356	1	500	0	0	5	1,500
Franchised	1	140	2	214	0	0	0	0	0	0	0	0	0	0
Owned	16	6,723	15	6,277	0	0	0	0	0	0	0	0	0	0
Leased	2	549	2	549	0	0	0	0	0	0	0	0	0	0

2018 has been a challenging year for our American division, as in the first half of the year, particularly in Q1 during the high season in the region, we were negatively impacted by the USD/EUR exchange rate and the closure of our hotel located in Puerto Rico, while in the second half a number of refurbishments and repositionings negatively impacted our operations. Additionally, we were hit by a number of one offs beyond our control that affected our operations, such as the impact of certain natural disasters like Hurricanes Irma and Maria or the earthquake that took place in Mexico in 2017, the USD depreciation against the EUR, the situation in Venezuela, the travel warnings and sargassum (seaweed) issues affecting some destinations in Mexico, such as Playa del Carmen and Cancún, the closure of Meliá Coco Beach and, most important, the full refurbishment and repositioning of Meliá Caribe Tropical that motivated its partial closure for some months and its subsequent transformation into two differentiated hotels (Meliá Punta Cana Beach and Meliá Caribe Beach).

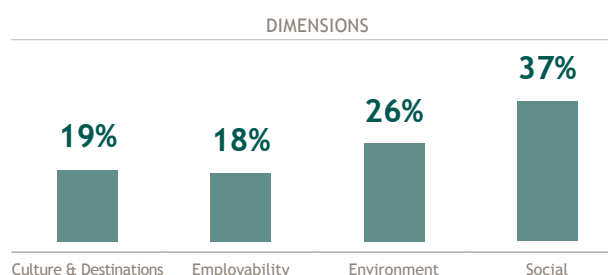
On a regionwide basis, RevPAR (in USD) grew by +1.2% during the year vs 2017, mainly as a result of price hikes. By country, RevPAR (in USD and on a like-for-like basis) in Mexico increased by +8.6% thanks to the good performance posted by Paradisus Los Cabos, which is still in ramp up, and Paradisus Cancún, given the strong demand posted by the groups segment during the last months of the year. In the Dominican Republic, RevPAR dropped by -7.5% in 2018 vs 2017 mainly due to the severe decline in occupancy rates that resulted from the partial closure of Meliá Caribe Tropical and the different refurbishments that affected the hotel during the year, particularly during Q4, which reduced demand of all segments. However, as a result of its reopening in mid December after having completed the refurbishment, we expect to partially offset some of these issues faced in the country with the new opening of Grand Reserve at Paradisus Palma Real, which will become our new flagship in the region. Finally, in the United States, RevPAR rose by +2.0% during the year vs 2017.

Project Portfolio

In 2018, we incorporated 2 new hotels to our American portfolio: Innside Lima Miraflores (Perú, management, 140 rooms) and Grand Reserve at Paradisus Palma Real (Dominican Republic, owned, 432 rooms), within which 288 rooms will be allocated to our hotel business and the remaining to our timesharing product The Circle, and re-opened Meliá Caribe Tropical as 2 different and separated hotels: Caribe Beach for Everyone (611 rooms) and Punta Cana Beach Adults Only (544 rooms), that will reinforce our leadership position among upper segments in the country. Furthermore, we disaffiliated 1 hotel, Tryp Montevideo (Uruguay, franchise, 74 rooms) to focus on more profitable properties.

Corporate Responsibility

Our work in the social dimension has a special focus on the defense of children's rights, not only with traditional partners such as Unicef, but also with local schools and educational entities such as the Dos Jardas School or the Community of San Pablo (CSP), both in the Dominican Republic. Together with CSP we have launched an internship program for your talent at risk. Meliá's commitment to the protection of destinations and ecosystems is a stable work pattern in this region. Our approach includes turtle and mangrove protection programs and natural dune area protection and cleaning, amongst others. These actions are intended to bring our customers the wealth of the destinations and get them involved in take care of it.



EMEA

FINANCIAL INDICATORS

	12M 2018 € M	12M 2017 € M	% Change
HOTELS OWNED & LEASED			
Revenue	568.0	555.2	2.3%
Owned	241.5	211.2	
Leased	326.5	343.9	
Of which Room Revenue	396.8	390.4	1.6%
Owned	162.2	148.7	
Leased	234.6	241.7	
EBITDAR	147.6	144.0	2.5%
Owned	59.3	58.0	
Leased	88.3	86.0	
EBITDA	72.4	72.8	-0.6%
Owned	59.3	58.0	
Leased	13.1	14.8	
EBIT	39.5	43.4	-9.1%
Owned	36.4	38.5	
Leased	3.0	4.9	

	12M 2018 € M	12M 2017 € M	% Change
MANAGEMENT MODEL			
Revenue	43.4	58.8	-26,2
Third Parties Fees	2.2	1.6	
Owned & Leased Fees	32.1	31.8	
Other Revenues	9.1	25.4	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. Change	€	% Change	€	% Change	%	p.p. Change	€	% Change	€	% Change
TOTAL EMEA	72.8%	1,2	155.4	-0.1%	113.2	1.5%	71.9%	1,4	156.5	1.8%	112.6	3.9%
TOTAL EMEA SAME STORE BASIS	72.9%	0,9	157.0	0.6%	114.5	1.9%	72.6%	0,6	157.4	1.2%	114.3	2.1%
Spain	70.2%	-0,3	211.2	-1.3%	148.3	-1.8%	68.8%	-1,2	210.9	-2.0%	145.0	-3.6%
United Kingdom	75.7%	0,3	172.3	3.9%	130.4	4.3%	75.6%	0,2	172.0	3.7%	130.0	4.0%
Italy	70.5%	70,5	211.4	3.1%	149.0	5.3%	69.6%	1,2	213.8	2.9%	148.8	4.8%
Germany	72.0%	0,7	109.0	0.0%	78.5	0.9%	72.0%	0,7	109.0	0.0%	78.5	0.9%
France	81.7%	9,4	184.7	6.2%	150.8	20.1%	81.7%	9,4	184.7	6.2%	150.8	20.1%

* Available Rooms 12M 2018 (thousands): 3,506.4 (vs 3,502.3 in 12M 2017) in O&L // 3,817.1 (vs 3,887.2 in 12M 2017) in O, L&M.

CHANGES IN PORTFOLIO

Openings between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
ME Sitges Terramar	Spain/Sitges	Management	213
Meliá Setúbal	Portugal/Setúbal	Franchise	112
Meliá Desert Palm	UAE/Dubai	Management	38
Meliá Maputo	Mozambique/Maputo	Management	171
London Kensington	London/United Kingdom	Management	81
Disaffiliations between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
Meliá Dubai	UAE/Dubai	Management	164

* In order to properly compare the current and historical portfolio, it must be highlighted that in 2018, 4 hotels have been moved from the EMEA to the Mediterranean division.

FUTURE DEVELOPMENT

	CURRENT PORTFOLIO				PIPELINE									
	12M 2018		2017 YE		2019		2020		2021		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL EMEA	77	12,953	77	13,396	4	672	13	2,665	3	468	0	0	20	3,805
Management	9	939	10	1,396	2	261	6	1,156	0	0	0	0	8	1,417
Franchised	15	2,198	13	1,915	0	0	1	96	3	468	0	0	4	564
Owned	14	3,177	13	3,029	0	0	0	0	0	0	0	0	0	0
Leased	39	6,639	41	7,056	2	411	6	1,413	0	0	0	0	8	1,824

In general terms, our hotels located in the EMEA region posted positive results during the entire 2018 after having posted a +1.5% RevPAR increase, being the main aspects to highlight for each of the countries in which we operate discussed below:

Germany/Austria

The German market faced a challenging period during the first months of 2018 as a result of the decline in the number of trade fairs held within the country and the negative impact of the bankruptcy of Air Berlin, although it partially recovered during the second half of the year, which allowed our hotels to close the year with a +0.9% RevPAR increase vs the previous year, mainly explained by the recovery shown by occupancy rates as a result of the significantly higher contribution of our hotels in ramp up, which in many cases became the hippest hotels within their cities, including Hamburg, Leipzig, Aachen and Frankfurt Oostend, plus the solid performance of certain destinations, such as Celle, Wolfsburg, Oberhausen significant or Munich, as they benefitted from a number of trade fairs that took place in the areas.

UK

Our hotels located in London closed a positive year in general terms when compared with 2017, even though the current situation regarding Brexit negotiations is still complicated and no agreement has been reached yet, thus limiting our visibility and impact going forward in terms of demand implications for inbound and outbound travelers. In this regard, our hotels benefitted from an excellent summer season that resulted from the unusual and particularly positive weather conditions during the summer season, which boosted the performance of ME London after having posted a double-digit RevPAR increase (in GBP), and being the only exception the slight decline in demand, particularly for long stays due to Brexit concerns and in the last half of the year, that we witnessed in the apartments that we operate within Meliá White House. Moreover, our recent opening in the city, Hotel London Kensington, a charming and unique boutique hotel located in one of the most demanded areas within the city and which opened in December is starting to position itself in the market, while Inside Manchester closed the year in line with 2017.

France

The performance of our hotels located in Paris has been remarkable during the entire 2018, as we managed to post a +20.1% RevPAR growth vs 2017 as a result of significant increases in both prices and occupancy rates, which allowed to recover and surpass the levels registered prior to the terrorist attacks that took place in the city in late 2015, and despite the negative impact that the “Gilet Jaunes/Yellow Vests Movement” is having in the destination. These series of riots started to limit the growth and negatively impacted the performance of our hotels from December onwards, where pick ups fell sharply, particularly among leisure travelers. However, now the situation seems to be better and the trend has started to revert.

Italy

In general terms, we posted a positive set of results in Italy during 2018, as we closed the year posting a +5.3% RevPAR increase vs the same period last year as a result of rises in both prices and occupancy rates. In this regard, our hotels located in Milano (ME Milan Il Duca and Meliá Milano), Rome (Gran Meliá Rome) and Capri had a great performance and closed the period with RevPAR increases, in which individual and transient demand surged, as well as due to the strong demand in both MICE and corporate segments, particularly in Milano and over the last quarter of the year. However, during the second half of the year, the overall figures reported were hit by certain issues that we faced in both Genova and Campione, such as the decline in demand that resulted from the negative impact of the Ponte Morandi disaster in the case of the former and the closure of the casino in the latter, which negatively affected the performance of our hotels located in both regions.

Premium Spain

URBAN

In general terms, our urban and premium hotels located in Spain closed a positive year after having posted a RevPAR increase of +5.0% vs 2017 thanks to the very positive performance in Madrid and Seville, being a good example Gran Meliá Palacio de los Duques, as well as due to the recovery that we witnessed in Barcelona and Catalonia during the last quarter and after having suffered a number of difficulties and challenging situation during the first months of the year that negatively impacted the performance of our hotels located in the region. In this regard, we started to witness a number of signals pointing to a recovery in Barcelona during the last months of the year, as while in Q4 2017 demand, particularly of the MICE and individual segments, was heavily affected by the different riots that took place in the city, during Q4 2018 a number of corporates started to reconsider Barcelona again to held congresses and events, being this the main cause of the significant growth posted by hotels like Meliá Barcelona Sarriá.

RESORT

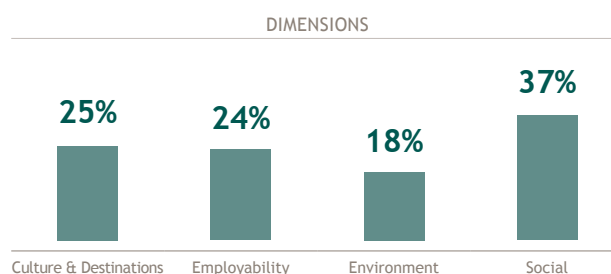
During the entire 2018, the performance of our Spanish resorts has been hit by the slowdown of the international tourist sector in the country, particularly in Q1 and during the summer season, due to several factors, such as the decline in the number of both British and German tourists, the increasing competition from alternative destinations (Turkey, Egypt, Greece, etc.), the celebration of the 2018 FIFA World Cup and the unusual good weather conditions in Europe, which negatively impacted our operations in the country, particularly in destinations like Mallorca, Ibiza and Tenerife, as some hotels located in Southern Spain are more dependent on Spanish visitors and thus more resilient to the above mentioned pressures. In this challenging context, our Spanish resorts posted a RevPAR decrease when compared with 2017, with mostly of this decrease being explained by the severe drop posted by Gran Meliá Palacio de Isora.

Project Portfolio

In 2018, we added 5 hotels to our portfolio in EMEA: ME Sitges Terramar (Spain, management, 213 rooms), Meliá Setúbal (Portugal, franchise, 112 rooms), Meliá Desert Palm (UAE, management, 38 rooms), London Kensington (UK, management, 81 rooms) and Meliá Maputo (Mozambique, management, 171 rooms), our first hotel in the country.

Corporate Responsibility

The great diversity of the EMEA region encourages us to bring our clients closer to the rich heritage of the different countries that make up this area, and especially to the major European capitals such as Paris, London, Rome and Berlin. The great sensitivity existing in Europe regarding environmental matters becomes a pretext to promote awareness of initiatives for responsible consumption and recycling, inviting customers and employees to work together to clean up destinations and create art based actions for recycled materials, amongst others. Our hotels located on the African continent have shown a special bond, working with local communities. As an example, our Meliá Zanzibar works directly with the resident population, and our Meliá Serengeti Lodge sponsors an orphanage managed by the Spanish NGO Born to Learn.





Mediterranean

FINANCIAL INDICATORS

	12M 2018 € M	12M 2017 € M	% Change
HOTELS OWNED & LEASED			
Revenue	267.5	265.1	0.9%
Owned	65.3	82.7	
Leased	202.1	182.5	
Of which Room Revenue	182.0	177.0	2.8%
Owned	43.6	54.8	
Leased	138.4	122.3	
EBITDAR	68.9	69.0	-0.1%
Owned	17.8	19.9	
Leased	51.1	49.1	
EBITDA	22.2	28.8	-22.9%
Owned	17.8	19.8	
Leased	4.4	9.0	
EBIT	10.5	17.2	-39.0%
Owned	13.2	14.2	
Leased	-2.8	3.0	

	12M 2018 €M	12M 2017 € M	% Change
MANAGEMENT MODEL			
Revenue	37.8	37.8	-0.1%
Third Parties Fees	16.5	15.1	
Owned & Leased Fees	16.8	17.0	
Other revenue	4.4	5.7	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. Change	€	% Change	€	% Change	%	p.p. Change	€	% Change	€	% Change
TOTAL MEDITERRANEAN	75.4%	-1,4	96.9	1.8%	73.0	-0.1%	73.4%	-1,9	91.1	-0.1%	66.9	-2.6%
TOTAL MEDITERRANEAN SAME STORE BASIS	76.5%	-0,3	100.4	-1.1%	76.8	-1.5%	75.2%	0,2	93.1	-1.2%	70.1	-0.9%
Spain	75.4%	-1,4	96.9	1.8%	73.0	-0.1%	75.2%	-1,5	94.4	0.6%	71.0	1.4%
Cape Verde	-	-	-	-	-	-	69.2%	1,9	72.3	-2.8%	50.1	0.0%

* Available Rooms 12M 2018 (thousands): 2,492.2 (vs 2,421.1 in 12M 2017) in O&L // 5,308.8 (vs 4,959.9 in 12M 2017) in O, L&M.

CHANGES IN PORTFOLIO

Openings between 01/01/2018 - 31/12/2018

Hotel	Country/City	Contract	Rooms
Sol Beach House at Meliá Fuerteventura	Spain/Fuerteventura	Management	142
Sol Marbella Estepona - Atalaya Park	Spain/Estepona	Management	468
Calviá Beach The Plaza	Spain/Magaluf	Leased	272
Meliá Budva Petrovac	Montenegro/Budva	Management	114

Disaffiliations between 01/01/2018 - 31/12/2018

Hotel	Country/City	Contract	Rooms
-	-	-	-

* In order to properly compare the current and historical portfolio, it must be highlighted that in 2018, 4 hotels have been moved from the EMEA to the Mediterranean division.

FUTURE DEVELOPMENT

	CURRENT PORTFOLIO				PROJECTS									
	12M 2018		2017 YE		2019		2020		2021		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL MEDITERRANEAN	84	25,687	76	23,778	2	403	7	2,343	2	388	0	0	11	3,134
Management	30	9,488	24	8,131	2	403	7	2,343	2	388	0	0	11	3,134
Franchised	19	5,908	19	5,908	0	0	0	0	0	0	0	0	0	0
Owned	7	1,838	10	2,610	0	0	0	0	0	0	0	0	0	0
Leased	28	8,453	23	7,129	0	0	0	0	0	0	0	0	0	0

The performance of our hotels located in the Mediterranean region has faced a number of challenges, as our hotels located in Spain continued to benefit from the steady flow of visitors coming to the country from all over the world, as shown by the increase in the number of international tourists, which grew by almost a +1.1% vs 2017 and stood at almost 83 million visitors according to recent data published by the INE (Spain's National Statistics Institute). However, results were slightly below 2017 figures, as the performance of the division was impacted by a number of aspects that negatively impacted the performance of our hotels, particularly during the summer season period, such as the unusual good weather conditions in Northern Europe, the celebration of the 2018 FIFA World Cup, the impact of certain hotels that were closed due to refurbishments, as well as the recovery in demand of alternative destinations, such as Turkey or Egypt, that resulted in a decline in demand of both German and British tourists. Nevertheless, we have been heavily investing in repositionings and refurbishments in order to adapt our properties to upper and luxury segments, as these are more resilient to cycle downturns and less price sensitive and therefore will allow us to limit the impact certain negative impacts in our operations going forward.

Our hotels located in the **Canary Islands** have been the ones that suffered the most during 2018 after having posted a -3.7% RevPAR decrease due to the above mentioned. Additionally, the number of refurbishments in certain hotels, like Sol Beach House at Meliá Fuerteventura, Meliá Salinas or Sol La Palma, or the weakness of the Swedish Krona during the last months of the year, were also factors that negatively impacted our operations in the region.

In the **Balearic Islands**, the performance was positive in general terms during the year vs 2017, with both prices and occupancy. Moreover, we would like to highlight the good performance of Calvià Beach The Plaza, the brand new landmark project that will come to transform the Magaluf area with a shopping and leisure complex comprising a 5.000 sqm mall plus 3 hotels connected through the largest hanging pool in Europe located in the roof, and that came to reinforce our presence in the destination and particularly during low season months.

Our hotels located in **Coasts** posted a +0.4% RevPAR increase and delivered a positive performance during

the year vs 2017 been positive in general terms, mainly thanks to the increasing demand from national tourists and the higher number of road trips, which helped us to improve both prices and occupancy rates, despite the fact that due to delays in certain refurbishments, particularly in Sol Costablanca and Meliá Costa del Sol, the number of available rooms during the summer season has been lower than initially expected.

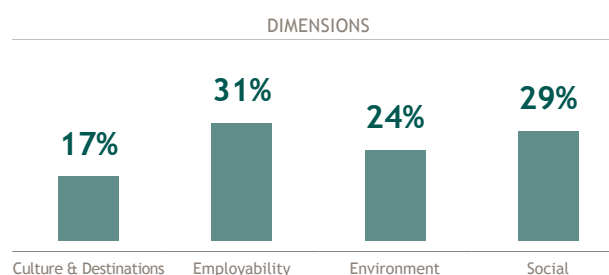
Finally, our hotels located in **Cape Verde** closed a flat year when compared with 2017, although we would like to mention that our hotels are no longer in ramp up, so we are optimistic and expect to start benefitting from the increasing penetration of our brands among visitors.

Project Portfolio

During 2018 we added 4 new Hotels to our portfolio in Mediterranean: Sol Beach House at Meliá Fuerteventura (Spain, management, 142 rooms), Sol Marbella Estepona - Atalaya Park (Spain, management, 468 rooms), Calvià Beach The Plaza (Spain, lease, 272 rooms) and Meliá Budva Petrovac (Montenegro, management, 114 rooms), being this one our first hotel in the country. In addition, on July we sold 2 Hotels: Sol La Palma (Spain, 473 rooms) and Sol Jandía Mar (Spain, 294 rooms), but they continue to be a part of our portfolio under lease contracts.

Corporate Responsibility

Our teams have already consolidated a working model to promote knowledge of Dual Training, establishing technical and practical learning environments together with a partner of reference. Furthermore, the Mediterranean region portfolio, eminently vacational, attracts a very sensitive client with environmental challenges, strongly aware and open to support initiatives such as cleaning beaches and environments, solidarity actions, etc.



Spain

FINANCIAL INDICATORS

	12M 2018 € M	12M 2017 € M	% Change
HOTELS OWNED & LEASED			
Revenue	303.9	291.7	4.2%
Owned	73.7	72.6	
Leased	230.2	219.1	
Of which Room Revenue	225.8	212.7	6.1%
Owned	47.7	51.6	
Leased	178.0	161.1	
EBITDAR	85.4	80.2	6.5%
Owned	17.1	17.4	
Leased	68.3	62.8	
EBITDA	26.6	25.1	5.7%
Owned	17.1	17.4	
Leased	9.4	7.8	
EBIT	7.8	7.7	1.4%
Owned	9.7	9.8	
Leased	-1.9	-2.1	

	12M 2018 € M	12M 2017 € M	% Change
MANAGEMENT MODEL			
Revenue	35.9	34.7	3.6%
Third Parties Fees	7.1	6.8	
Owned & Leased Fees	19.8	18.7	
Other revenue	9.0	9.1	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. Change	€	% Change	€	% Change	%	p.p. Change	€	% Change	€	% Change
TOTAL SPAIN	72.1%	2,7	101.7	2.6%	73.4	6.5%	70.7%	2,7	101.2	2.3%	71.5	6.3%
TOTAL SPAIN SAME STORE BASIS	73.3%	1,9	96.4	1.0%	70.6	3.8%	71.4%	2,2	97.2	0.5%	69.4	3.7%
Spain	72.1%	2,7	101.7	2.6%	73.4	6.5%	70.7%	2,7	101.2	2.3%	71.5	6.3%

* Available Rooms 12M 2018 (thousands): 3,076.6 (vs 3,088.0 in 12M 2017) in O&L // 4,177.2 (vs 4,209.8 in 12M 2017) in O, L&M.

CHANGES IN PORTFOLIO

Openings between 01/01/2018 - 31/12/2018

Hotel	Country/City	Contract	Rooms
-	-	-	-

Disaffiliations between 01/01/2018 - 31/12/2018

Hotel	Country/City	Contract	Rooms
Tryp Madrid Getafe Los Ángeles	Spain/Getafe	Franchise	121
Tryp Mallorca Santa Ponsa	Spain/Santa Ponsa	Franchise	60

FUTURE DEVELOPMENT

	CURRENT PORTFOLIO				PIPELINE									
	12M 2018		2017 YE		2019		2020		2021		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL SPAIN	72	13,740	74	13,996	0	0	0	0	0	0	0	0	0	0
Management	13	3,668	11	3,217	0	0	0	0	0	0	0	0	0	0
Franchised	12	1,468	14	1,649	0	0	0	0	0	0	0	0	0	0
Owned	8	1,997	9	2,424	0	0	0	0	0	0	0	0	0	0
Leased	39	6,607	40	6,706	0	0	0	0	0	0	0	0	0	0

The performance of our Spanish non-premium urban hotels has been positive in general terms during the entire year after having posted a RevPAR increase of +6.5% vs 2017 as a result of increases in both prices and occupancy rates, although there have been differences between regions that we would like to highlight:

Central Area - Madrid

Our hotels located in Madrid closed a positive year after having posted a +6.4% RevPAR increase vs last year thanks to the a number of congresses and events that were held in the city, including the CPHI congress and the Fruit Attraction fair, among others, that boosted both the corporate and MICE segments and therefore the performance of certain hotels, such as Meliá Barajas, Tryp Alameda Aeropuerto, Tryp Cibeles, Tryp Chamartín, Meliá Madrid Princesa and Tryp Airport Suites, as well as Meliá Madrid Serrano, even though the latter was and still is affected by a refurbishment that will last until October 2019. Moreover, the higher demand of the individual and transient leisure segment plus the increasing penetration of our direct channel, particularly among Spanish clients, was positively reflected in the figures posted by the rest of the hotels within the city.

Southern Spain

The increasing demand and attractiveness of certain destinations and cities located in the Southern region of Spain, combined with the strong increase in demand of both the MICE and groups segments, allowed our hotels located in the region to deliver a strong set of results and to close 2018 with a +5.6% RevPAR increase vs the same period last year. In this regard, the sharp increase of both local and international tourists, which was reflected in the individual and groups segments, motivated a significant rise in prices that was notorious in the case of certain hotels like Meliá Marbella Banús, Meliá Sevilla, Meliá Lebreros or Meliá Sierra Nevada, which was also boosted by the good weather conditions during both the summer and ski seasons. However, we would like to highlight that the performance of our hotels was impacted due to a number of aspects, such as the fact that the Easter break took place in March, as well as a result that last year the Seville Fair took place in the same days as the May break in Madrid.

Eastern Spain

We closed the year with a +4.5% RevPAR increase when compared with 2017. Tryp Barcelona Apolo, Tryp Barcelona Aeropuerto, Inside Palma Bosque and Meliá Palma Marina, were not affected by refurbishments as in the case of 2017, and therefore we were able to properly market their rooms and benefit from the increasing demand of the groups and MICE segments during the year. Palma Bellver, among others, which also benefitted from the recovery of the individual segment given the increasing demand of leisure travelers, both national and international, as well as due to the fact that Palma de Mallorca became a key destination to held international and national congresses and corporate events. Moreover, we would like to highlight that, after having faced a number of challenges derived from the unstable political situation during the entire year or the reduction in the number of rooms available that resulted from different refurbishments, when looking at Barcelona, particularly since Q4 and after having had a negative performance during the first 9 months of the year, our hotels started to revert the negative trend shown over the past months, as RevPAR grew by a double-digit in the city in Q4 2018 vs the same period last year.

Northern Spain & East (Levante)

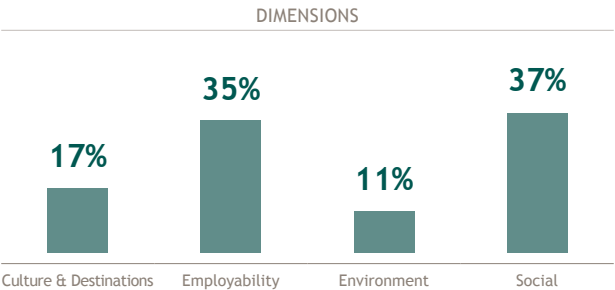
The Northern and Eastern (Levante) areas of Spain also benefitted from the increasing flow of visitors, both national and international, that decided to visit a number of cities located in both regions, such as Bilbao, San Sebastián, La Coruña, Zaragoza, Benidorm, Alicante or Valencia, among others, which allowed us to improve past year's figures and to increase RevPAR by +7.2%. The individual and groups segments were the ones that explained the positive performance of our hotels. Moreover, the higher contribution of successfully repositioned hotels, such as Tryp Coruña and Tryp Sebastián Orly. Even though our overall figures were partially affected by the increasing importance of unregulated supply and the decline in demand from the UK due to Brexit concerns and increasing demand from alternative destinations.

Project Portfolio

No hotels were added to our Spanish non-premium urban portfolio recently nor we expect to add additional ones over the short term, as we strongly believe that our current hotel base is well prepared to face market demands and to develop our future strategy within the country. Also, we disaffiliated 2 hotels, Tryp Mallorca Santa Ponsa (60 rooms) and Tryp Madrid Getafe Los Ángeles (121 rooms), both with a very limited impact on our fees' generation capabilities, and as part of our actively managed portfolio strategy. In this regard, over the past months we have been actively investing in refurbishments and repositionings aimed at positioning them among premium clients, increasing the attractiveness of current facilities, as well as to expand the services and unique experiences offered to our clients, as these will help us to mitigate potential challenges that we might face in the future and to increase the resilience of our business model, while going forward we will continue focusing on adding additional value to our properties in order to improve the penetration of our hotels and brands in the upscale and luxury segments.

Corporate Responsibility

Training and development of young talent at risk of social exclusion is a fundamental pillar of this regional. Projects become reality by joint collaborations with social entities with proven expertise of working with these targets, such as Federation Pinardi and Down Spain. This year, Meliá has involved 40 hotels in the Incorpora Program of Obra Social La Caixa. This program aims to promote the inclusion of excluded people in the labor market. Also, the consolidation of Juntos por el Empleo, together with Fundación Accenture, is especially active in advancing the development of digital skills in basic profiles. In terms of assistance, the renewal of the collaboration agreement with the Fundación Pequeño Deseo, support to the San Juan de Dios Hospital (childhood cancer research) and the collaboration with the Alpan Program of the Rotary Foundation for food assistance to people without resources are being especially effective.



Gran Meliá Palacio de los Duques · Spain



Cuba

FINANCIAL INDICATORS

	12M 2018 € M	12M 2017 € M	% Change		12M 2018 € M	12M 2017 € M	% Change
HOTELS OWNED & LEASED				MANAGEMENT MODEL			
Revenue	N/A	N/A	-	Revenue	14.4	19.4	-25.9%
Owned	-	-		Third Parties Fees	11.9	19.1	
Leased	-	-		Owned & Leased Fees	-	-	
Of which Room Revenue	N/A	N/A	-	Other revenue	2.4	0.4	-
Owned	-	-					
Leased	-	-					

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. Change	€	% Change	€	% Change	%	p.p. Change	€	% Change	€	% Change
TOTAL CUBA	-	-	-	-	-	-	55.9%	-3,6	80.8	-17.2%	45.2	-22.2%
TOTAL CUBA SAME STORE BASIS	-	-	-	-	-	-	56.0%	-3,1	82.9	-17.5%	46.5	-21.8%

* Available Rooms 12M 2018 (thousands): 4,388.6 (vs 4,311.5 in 12M 2017) in O, L&M.

CHANGES IN PORTFOLIO

Openings between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
La Unión San Carlos	Cuba/Cienfuegos	Management	49
Jagua	Cuba/Cienfuegos	Management	173
Meliá San Carlos	Cuba/Cienfuegos	Management	56
Gran Hotel Camagüey	Cuba/Cienfuegos	Management	72
Meliá Colón	Cuba/Cienfuegos	Management	58
Paradisus Los Cayos	Cuba/Cayo Santa María	Management	802
Disaffiliations between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
-	-	-	-

FUTURE DEVELOPMENT

	CURRENT PORTFOLIO				PIPELINE									
	12M 2018		2017 YE		2019		2020		2021		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL CUBA	34	13,425	28	12,517	1	946	4	923	0	0	0	0	5	1,869
Management	34	13,425	28	12,517	1	946	4	923	0	0	0	0	5	1,869
Franchised	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Performance Cuba Our operations in Cuba closed the year posting a set of results that were below 2017 figures, after having posted a RevPAR decline of -16.6% (in USD) vs 2017 that was explained by decreases in both prices and occupancy rates due to a number of factors that negatively affected our operations within the country. Among these factors were the negative impact of Hurricanes Irma and Maria, which hit the country during Q3 2017 and that impacted 11 of our hotels and motivated a severe delay in the reopening of the destination by the main tour operators that made us unable to properly market our rooms available during Q1 2018, the high season of the year; the new restrictions imposed by the Trump Administration to US nationals planning to visit Cuba, which added uncertainties to international visitors, since they opted for alternative destinations and that affected particularly our hotels located in La Habana; or the bankruptcy of Air Berlin, which had a number of weekly routes to Cuba. Furthermore, and to top it off, this situation aggravated by the crisis of Cubana de Aviación, that resulted in the cancelations of all internal and external connections, as well as due to the fact that a number of our hotels, including Paradisus Rio de Oro, Meliá Cayo Guillermo, Sol Sirenas or Meliá Las Dunas, were partially closed as a result of refurbishments aimed at modernizing technical equipment and current facilities, which resulted in a reduction of the number of rooms available for sale.

Having said that, and on the positive side, we would like to highlight that over the last months of the year we have witnessed a slight recovery in the touristic activity in the country.

Finally, we would like to mention that, in general terms, all of the main feeder markets showed significant advances over the last months of the year, including Canada, Spain, France, Russia and also the Cuban internal market itself. On the negative side, the number of visitors coming from the United States, due to the above mentioned restrictions, which affected both individual and groups segments, or countries such as Argentina and Germany, dropped mainly as a result of certain aspects that include the current economic situation faced by the country in the case of the former and the bankruptcy of Air Berlin in the latter, as this reduced the number of air routes connecting both regions.

Project Portfolio

Creemos firmemente que Cuba sigue ofreciendo un amplio rango de oportunidades a capitalizar, particularmente en los segmentos superiores. Con esto en mente, aumentamos nuestra huella en el país tras haber abierto 6 nuevos hoteles, todos ellos bajo contratos de gestión: La Unión San Carlos (Cienfuegos, 49 habitaciones), Meliá San Carlos (Cienfuegos, 56 habitaciones), Meliá Jagua (Cienfuegos, 173 habitaciones), Meliá Colón (Camagüey, 58 habitaciones), Gran Hotel Camagüey (Camagüey, 72 habitaciones) and Paradisus Los Cayos (Cayo Santa María, 802 habitaciones), un resort todo incluido que reforzará nuestra oferta en el segmento de lujo y nuestra posición de liderazgo en el país. Este hotel actualmente permanece parcialmente abierto, con 250 habitaciones disponibles para venta, ya que las habitaciones restantes serán incorporadas en los siguientes meses dado el hecho de que están actualmente siendo renovadas y adaptadas a las demandas del mercado.



Paradisus Varadero · Cuba

Brazil

FINANCIAL INDICATORS

	12M 2018 € M	12M 2017 € M	% Change
HOTELS OWNED & LEASED			
Revenue	1.5	4.8	-67.4%
Owned	0.0	0.0	
Leased	1.5	4.8	
Of which Room Revenue	1.1	3.0	-65.0%
Owned	0.0	0.0	
Leased	1.1	3.0	
EBITDAR	-1.3	-4.9	73.6%
Owned	0.0	0.0	
Leased	-1.3	-4.9	
EBITDA	-2.2	-13.0	83.3%
Owned	0.0	0.0	
Leased	-2.2	-13.0	
EBIT	-2.7	-14.3	81.0%
Owned	0.0	0.0	
Leased	-2.7	-14.3	

	12M 2018 € M	12M 2017 € M	% Change
MANAGEMENT MODEL			
Revenue	4.8	5.2	-9.1%
Third party fees	3.2	3.4	
Owned and leased fees	0.1	0.2	
Other revenue	1.5	1.9	

MAIN STATISTICS

	OWNED AND LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. Climate	€	% change	€	% change
TOTAL BRAZIL	24.3%	-	117.9	-	28,7	-	56.9%	5,5	75.1	-11.7%	42.7	-2.2%
TOTAL BRAZIL SAME STORE BASIS	-	-	-	-	-	-	58.0%	1,6	74.5	-10.0%	43.2	-7.5%

* Available rooms 12M 2018 (thousands): 37.2 (vs 145.2 in 12M 2017) in O&L // 1,138.6 (vs 1,247.5 in 12M 2017) in O,L&M.

CHANGES IN PORTFOLIO

Openings between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
-	-	-	-
Disaffiliations between 01/01/2018 - 31/12/2018			
Hotel	Country/City	Contract	Rooms
Gran Meliá Nacional de Rio de Janeiro	Brazil/Rio de Janeiro	Leased	413
Tryp Pernambuco	Brazil/Recife	Franchise	126

FUTURE DEVELOPMENT

	CURRENT PORTFOLIO				PIPELINE									
	12M 2018		2017 YE		2019		2020		2021		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL BRAZIL	13	3,024	15	3,563	0	0	0	0	0	0	0	0	0	0
Management	13	3,024	13	3,024	0	0	0	0	0	0	0	0	0	0
Franchise	0	0	1	126	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	0	0	1	413	0	0	0	0	0	0	0	0	0	0

Our hotels located in Brazil closed 2018 posting a positive performance when compared with 2017, in general terms and in local currency, and extended the recovery shown by our operations in the country over the entire year, as shown by the +10.2% RevPAR increase (in BRL and on a like-for-like basis). In this regard, the improvement shown by the macro environment and business conditions, being the latter also one of the main causes behind the significant rise in the number of international events held within the country, particularly in Sao Paulo, and thus the deep recovery of both MICE and groups segments. However, we would like to highlight that the overall figures posted by the division were affected by the depreciation suffered by the BRL against the EUR during the year, the celebration of the 2018 FIFA World Cup, as well as due to uncertainties among international visitors that resulted from the 2018 Presidential Election that took place in October and which was won by the Social Liberal Party headed by Jair Bolsonaro, which motivated a slight decline in demand. However, during November and December, results were particularly positive given the recovery shown in the number of visitors, both national and international, that resulted from the higher number of events that took place in the country, mainly in Sao Paulo, such as the F1 Brazilian Grand Prix, the Sao Paulo International Motor Show, the HSM Expo, the Comic Con and a number of important music festivals, among others, that combined with different medical congresses that were held in the city boosted demand in a number of market segments ranging from individual/transient visitors to groups and MICE.

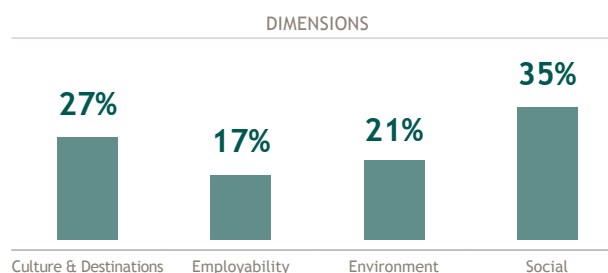
Furthermore, it is worth to highlight the significant advances posted by the division when looking at sales through our direct channel melia.com, which grew at a healthy rate during the entire year vs 2017 as a result of the different actions developed and launched on a regionwide basis in order to benefit from the above mentioned positive market dynamics and the recovery shown by both national and international demand, such as targeted marketing campaigns aimed at increasing conversion rates by offering new payment options to our clients and effectively managing our relationships with the main internet providers to increase the profitability of our operations. Moreover, these actions also motivated a transformation of the country in a significant feeder market for a number of our hotels located in areas like Mexico and Dominican Republic, particularly Punta Cana, Playa del Carmen and Cancún, and Spain, among others.

Project Portfolio

During 2018, and after having disaffiliated Gran Meliá Nacional de Rio (413 rooms) in late March as part of our active portfolio management strategy, we have not added any hotels to our Brazilian portfolio and we do not intend to add any in the short term, as we will continue focusing on improving the profitability levels of the division, optimizing its current structure, as well as on increasing the penetration of our brands to better position ourselves within the bleisure and leisure segments, particularly among premium clients, as this will increase our resilience levels if the economic cycle enters into a decline period.

Corporate responsibility

On a social level, and with a clear focus on working with the local community by providing direct support to groups at risk, the Meliá Brazil has promoted initiatives aimed at giving visibility to social challenges. Furthermore, the teams have helped NGOs to raise funds through different initiatives. Awareness of the environment and the need to protect it is still in force in close collaboration with the WWF, as well as reinforcement of the promotion of recycling and responsible consumption. Meliá Brasil has also supported programs such as Jovem Apprentice Brazil, aimed at offering learning opportunities to talented young people in real learning environments. Meliá's commitment to child protection has once again been recognized as an Amiga da Criança Company.



Asia

FINANCIAL INDICATORS

	12M 2018 €M	12M 2017 €M	% change
HOTELS OWNED & LEASED			
Revenue	N/A	N/A	-
Owned	-	-	
Leased	-	-	
Of which room revenue	N/A	N/A	-
Owned	-	-	
Leased	-	-	

	12M 2018 €M	12M 2017 €M	% change
MANAGEMENT MODEL			
Revenue	8.5	6.9	23.7%
Third party fees	5.7	4.6	
Owned and leased fees			
Other revenue	2.8	2.3	

MAIN STATISTICS

	OWNED AND LEASED						OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR		Occupancy		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL ASIA	-	-	-	-	-	-	60.2%	3,1	72.5	-3.6%	43.7	1.6%
TOTAL ASIA SAME STORE BASIS	-	-	-	-	-	-	60.9%	2,6	86.1	11.9%	52.4	16.8%
Indonesia	-	-	-	-	-	-	60.2%	6,6	66.4	6.5%	40.0	19.7%
China	-	-	-	-	-	-	67.0%	6,1	68.0	-7.9%	45.5	1.3%
Vietnam	-	-	-	-	-	-	58.5%	-1,8	98.4	1.5%	57.5	-1.5%

* Available rooms 12M 2018 (thousands): 1,662.6 (vs 1,545.6 in 12M 2017) in O,L&M.

CHANGES IN PORTFOLIO

Openings between 01/01/2018 - 31/12/2018

Hotel	Country/City	Contract	Rooms
Lavender Boutique Hotel	Vietnam/Ho Chi Minh	Management	107
Amena Residences and Suites	Vietnam/Ho Chi Minh	Management	75
Meliá Ba Vi Mountain	Vietnam/Hanoi	Management	55

Disaffiliations between 01/01/2018 - 31/12/2018

Hotel	Country/City	Contract	Rooms
-	-	-	-

FUTURE DEVELOPMENT

	CURRENT PORTFOLIO				PIPELINE									
	12M 2018		2017 YE		2019		2020		2021		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL ASIA	21	5,016	18	4,617	9	1,921	6	1,570	4	771	2	695	21	4,957
Management	21	5,016	18	4,617	9	1,921	6	1,570	4	771	2	695	21	4,957
Franchise	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Our hotels located in Asia closed the year posting a positive performance in general terms, as shown by the double-digit RevPAR increase (in USD) of +15.7% posted vs the same period last year thanks to the new incorporations and the recovery of certain destinations, such as Bali, from some one-offs that affected our activities in the region over the last months of 2017. Additionally, we would like to highlight that 2018, as we initially expected, has been an inflection point for our Asian division, as this has been the first year in which its contribution to our global operations was positive at EBITDA level thanks to the significant improvement in fees collected, which rose by +30.0% (in USD) vs 2017 and that resulted in a flow through to EBITDA of around +75.0%. In this regard, our recently repositioned and refurbished hotels plus the new hotels incorporated over the past year to our portfolio, which are increasing their degree of penetration and influence, contributed to a greater extent to the division figures, even though they are still affected by a number of hotels in ramp up that will not yield optimal results until their operations normalize. Furthermore, the division did not only contribute to a greater extent to our consolidated numbers, but also became an important feeder market for a number of our hotels located in EMEA and, particularly, in the Caribbean, where we witnessed an increasing demand from Chinese, Japanese and Korean tourists.

On a country basis, in **China** both revenues and margins improved and RevPAR (in USD) grew by a healthy +4.3% during the year vs 2017 mainly thanks to the different initiatives launched at increasing the penetration and reputation of our brands through further agreements with Ctrip, as well as a result of long-term strategic agreements with Tier 1 partners, such as Greenland and Greentown. Additionally, we would like to highlight the positive market trends shown by the Shanghai market, particularly due to the celebration of the China Import & Export Fair, which boosted demand in Meliá Shanghai Hongqiao. Additionally, some of our hotels, including Meliá Jinan or Gran Meliá Xian, extended the positive growth shown recently in one of the most competitive markets of the world, and Innside Zhengzhou, which closed its first year of operations posting significant acceptance levels among customers and a positive performance.

In **Vietnam**, we benefitted from the strong potential of the country, the increasing number of international visitors and its political stability, which reinforced the attractiveness of the destination. All these factors allowed our hotels to close 2018 also posting positive results in general terms and RevPAR (in USD) increased by +2.3% vs 2017, with Meliá Hanoi and Sol Beach House Phu Quoc leading the growth, and being Meliá Danang the only negative exception as a result of the refurbishment that affected its facilities combined with the decline in demand suffered by the destination, as this year an important Asia-Pacific Economic Cooperation Congress was not held in the area.

In **Indonesia**, RevPAR (in USD) jumped by +29.7% in the year vs 2017, although there were significant differences if we analyze certain locations within the country, as for example in Bali, its largest touristic market and most well known and demanded region, the evolution was positive due to the fact that during the last quarter of 2017 it was negatively impacted by the Agung Volcano eruption and in Q4 2018 it benefitted from the IMF Annual Meeting that was held in the area and that had a significant impact in the performance of the area. However, in other cities, such as Jakarta, growth was more limited, although Gran Meliá Jakarta continued its recovery and started to revert its trend into positive, as shown by the significant improvement in terms of profitability posted during the period. Additionally, Yogyakarta and Makassar are cities highly dependent on the local traveler and activity generated by the public sector, so a normalization and pick up of activity levels is still expected during the upcoming months.

In **Myanmar**, the increasing competition combined with the unstable political situation in the country negatively impacted the tourism industry and thus the performance of Meliá Yangon deteriorated vs the same period last year, while in Thailand our hotel Imperial Boat House, which will reopen in the future as Meliá Koh Samui, has remained closed in order to carry on a full refurbishment and subsequent repositioning to properly target upper and luxury segments, although however we have positive expectations for our operations in the country, where we expect to operate 5 hotels by 2021. Finally, in Malaysia, our hotel located in Kuala Lumpur had a positive performance during the year when compared with 2017 thanks to the positive effect that the refurbishment that took place in late 2017 had in demand, which we expect to continue growing at a healthy pace over the upcoming months.

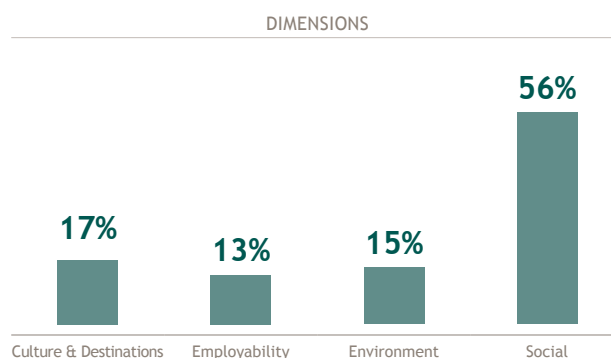
Furthermore, we would like to mention that sales through our direct channel melia.com grew to a large extent during the entire 2018 vs the last year, being particularly relevant the increases shown by specific markets such as China, Indonesia and Vietnam, as well as India, Australia, Japan and South Korea, which also became important feeder markets for a number of our hotels located in the Caribbean and EMEA, particularly Spain, as the latter is considered as one of the most desired countries for APAC visitors when looking at long-haul trips.

Project Portfolio

During 2018, 3 hotels were added to our Asian portfolio, all of them under management contracts and located in Vietnam: Lavender Boutique Hotel (107 rooms) and Amena Residences and Suites (75 rooms), which were added to our portfolio as white label hotels but that will become part of our Inside brand (Inside Saigon Central and Inside Saigon Mariamman) after a deep refurbishment and repositioning process, as well as Meliá Ba Vi Mountain Retreat (55 rooms).

Corporate responsibility

In environmental matters, Meliá Asia has been an internal pioneer in the promotion of circular economy projects by improving hygiene conditions of vulnerable population through the development of soap bars from waste together with Diversey, Meliá's *partner*. The proximity to local communities and the understanding of the many realities and needs make our hotels in the region very active in the development of actions focused on the coverage of all kinds of basic needs through donation, especially after the tsunamis suffered in areas such as Sulawesi. In coordination with Unicef, Meliá mobilized its stakeholders to raise funds to support the victims of these catastrophes.





Future outlook

AMERICA

Going forward, we expect to incorporate and develop new hotels in locations benefitting from strong growth potential, such as Paradisus Playa Mujeres (Mexico, management, 498 rooms) that will start its operations in H1 2019, and positive market dynamics, as well as in unique spots in order to further penetrate into upper and luxury segments by offering unforgettable experiences to our guests.

When looking at Q1 2019, the high season for our hotels located in America, we remain positive in general terms and expect an increase in both revenues and EBITDA (in USD) thanks to the opening of our new flagship in the region, Gran Reserve at Paradisus Palma Real, plus the ramp up of the two new hotels that resulted from the refurbishment and repositioning of Meliá Caribe Tropical and that will reinforce our position in both the families and adults only segments.

EMEA

We will continue adding value to our existing hotel base through refurbishments and repositionings, as well as evaluating different high value added projects in Tier 1 cities and unique locations benefitting from positive market dynamics and strong growth potential in order to maximize our footprint in the region and provide alternative and unforgettable experiences to our guests.

The first quarter of 2019 looks good in general terms and therefore we are optimistic for all the EMEA region where we operate, being the main aspects that we would like to highlight on a country basis the following:

In **Germany**, we expect RevPAR to increase by a low-to-mid single digit thanks to the different refurbishments and repositionings implemented and their positive impact in our brands' strength and positioning of the properties among upper segments. Also, in the **United Kingdom**, and considering that Brexit is still something that might be considered as a potential source of instability and concerns, we foresee a RevPAR growth of a mid-single digit, while in **France** the Yellow Vest Movement has reduced pick ups during the first weeks of January, although are almost as high as last year and therefore we remain optimistic for the first quarter of the year. In **Italy**, we foresee a flat-to-low-digit RevPAR growth given the slight decline expected in the MICE segment in Milano combined with the historically relatively low demand shown in the leisure segment in the rest of the areas of the country during the period. Finally, in **Spain** we are optimistic and expect a positive performance of our urban hotels, as they will benefit from a number of events, such as FITUR (International Tourism Fair, January) in Madrid, the Mobile World Congress (February) in Barcelona and the Easter Break. Finally, in our Spanish resorts we do not foresee significant changes and expect recent performance to continue over the first months of the year.

MEDITERRANEAN

We will incorporate 2 new hotels during the first months of 2019, both under management contracts, in Morocco. Additionally, and after having heavily invested in ambitious refurbishments and repositionings to adapt all of our hotels located in the region to market demands and quality standards, our current hotel base is well prepared and adapted to properly target luxury and upper segments, as these tend to be historically less price sensitive and more focused on enjoying unique experiences and therefore are more resilient to aggressive discounts offered by competitors in alternative destinations, thus allowing us to partially offset the increasing demand in certain countries like Egypt or Turkey, among others.

For the first quarter of the year, which has been historically a very important period along with the summer season for our hotels located in the Canary Islands, we remain cautious given the different challenges faced by the market and the recent industry trends, where competition became fierce as a result of the recovery shown by demand in alternative destinations, such as Egypt, where hotel chains have been recently offering significant discounts and low prices in 5-star all inclusive resorts that motivated similar movements and marketing campaigns in competing destinations in order to partially offset this impact not only in prices, but also in occupancy rates. Considering all these aspects, we foresee a decline in demand of international visitors in Q1 2019 vs the same period last year in our hotels located in the Canary Islands, particularly among German and Nordic visitors, although however we have witnessed an increase in pick ups that allowed us to partially mitigate the above mentioned declines.

SPAIN

For the first quarter of the year, we remain cautious for our non-premium urban hotels located in Spain and expect a mixed performance depending on the area. In Madrid, we foresee a slight decline in demand, particularly in February and March, motivated by the expected Easter break effect plus a minor deterioration of the transient leisure segment, although the MICE segment is expected to remain strong, while for our hotels located in Southern Spain we expect a similar trend than in Madrid given the decline in individual leisure demand, particularly in Sierra Nevada due to unfavorable weather conditions, but that however we expect to partially offset with the increase in the number of MICE events that will be held in Seville during the period. In Eastern Spain, we are optimistic and expect the positive trend started recently to continue, particularly in Barcelona, while in Northern Spain and East (Levante) results are expected to be impacted by the full refurbishment and repositioning of Meliá

Zaragoza combined with the lower number of bi-annual fairs that Will be held in the city and that Will negatively impact the MICE segment, although we forecast positive figures in certain hotels, such as Tryp León or Meliá María Pita, among others.

CUBA

For the high season in the country, we will open Meliá Internacional (Varadero, management, 946 rooms), which will soon become a flagship and iconic hotel in the city for visitors that will definitely allow us to continue benefitting from the positive market dynamics shown by the country. Going forward, we will continue actively looking for new projects with attractive growth potentials in order to expand our offering in the country, particularly among upper segments, as these have shown a proven degree of resilience against cycle downturns.

We expect price pressures to continue in order to maintain a certain degree of competitiveness, particularly in areas like La Habana. Additionally, and to top it off, our hotel Sol Sirenas located in Varadero will remain partially closed due to a full refurbishment aimed at improving and expanding its current facilities for some months, while air seats capacity from Canada also dropped as a result of the operating problems suffered by Cubana de Aviación and the increasing demand of Mexico and Dominican Republic destinations. Furthermore, uncertainties surrounding the Brexit process are expected to negatively impact UK visitors, Italy and Scandinavian countries, are affected by declines in air seats available and visitors from Argentina are expected to decline due to the above mentioned issues.

BRAZIL

For the first quarter of 2019, we foresee a relatively low demand during January, as historically this is a vacation period within the country and therefore the increase in the number of visitors will not be significant until the second half of the month. In this regard, we are particularly optimistic for February, particularly for the individual and transient segments, and we also expect a positive Carnival season during the first half of March, since OTB sales for the first quarter of the year are around +20.0% above past year's numbers. However, and resulting from the fact that the Carnival season will take place in 2019 during March, we foresee a slight drop in both MICE and groups segments, as they usually tend to post a slight decline in demand due to celebrations.

ASIA

We expect to incorporate 3 new hotels in the first quarter of 2019, all of them under management contracts: Meliá Ho Tram (Vietnam, 213 rooms), Meliá Shanghai Parkside (China, 88 rooms) and Meliá Hoi An (Vietnam, 150 rooms) that will boost our footprint in the region and strengthen our brands among upper segments. Going forward, we will focus on achieving a critical mass of hotels with new and attractive openings in countries with high growth potential in order to increase the profitability and the contribution of the Asian division to our global operations, as well as to further penetrate into the bleisure and leisure luxury segments.

For Q1 2019, we have positive expectations for our hotels located in China and Vietnam, as both regions will continue benefitting from the new openings plus the higher contribution of a number of hotels that were recently refurbished and repositioned and therefore are still in ramp up. However, we are cautious in Indonesia and foresee a slight decline in demand for our hotels due to the Presidential elections that will take place in the country. Finally, in Malaysia and Myanmar we do not foresee significant changes and expect the positive trend of the last quarter of 2018 to continue during the first months of 2019, while in Thailand our hotel Imperial Boat House will remain closed for the entire year due to the full refurbishment and repositioning of the property that we will carry on.



Meliá Shanghai Parkside · China



Other business

Club Meliá & The Circle

2018 has been an exciting period and inflection point for The Circle, our brand new, flexible and innovative product that came to replace the former Club Meliá and that will become the core of our timesharing business for the upcoming years, as the 5-stars all-inclusive resort located in the Dominican Republic, Grand Reserve The Circle, finally started its operations in December. In this regard, this new opening will allow us to customize the selling process, as potential clients will have the chance to visit and fully experience the different amenities included in the resort facilities.

When looking at the overall figures posted by the division, 2018 has been positive in general terms, as we managed to post a rise in the number of total members, as well as in the number of migrations from Club Meliá to the new product, vs the same period last year.

By region, when looking at the **Dominican Republic**, mainly in Punta Cana, the performance of our new and recently introduced product The Circle has been positive during the year when compared with the 2017 after having posted an increase in revenues (in USD), average price per contract, new memberships and migrations, particularly thanks to the positive impact on sales during Easter Break and Q4, despite the fact that overall figures were affected by the closure of Meliá Caribe Tropical during the year, as one of our selling points was located in the hotel, as well as due to the fact that Grand Reserve The Circle opened in December. In Mexico, the situation has been similar, with revenues, memberships and migrations growing at a healthy pace, although growth has been slightly more limited and average price per contract deteriorated given the fact that some issues that affected the country during the year reduced the number of US visitors, which tend to be more attracted and inclined for this type of product when compared to local customers.

Important disclosure: The division results have been affected by the implementation of the accounting principles included in IFRS 15. In this regard, both 2018 and 2017 restated revenues and EBITDA are lower than the figures prior to the implementation of the new standard. According to the new standard, a long term liability has been recognized in our balance sheet in order to reflect payments received from clients for services not delivered yet. Once the services are delivered, the liability will flow into equity through the P&L. For comparison purposes, during 12M 2017 the impact was of around -€25.9 M in revenues and -€5.2 M in EBITDA, although 2018 figures have been negatively impacted by the severe depreciation suffered by the USD against the EUR.

Real Estate

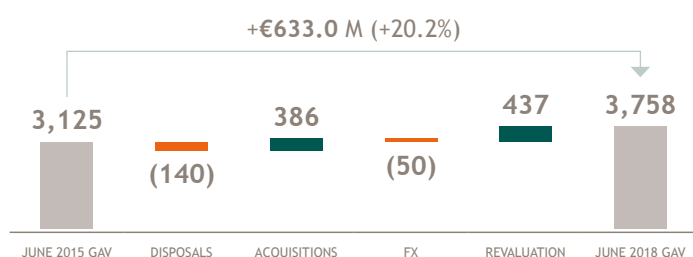
2018 has been an active year for our Real Estate division, as we sold a number of our non-core assets located in Spain and also updated the latest valuation of our fully-owned assets that dated back from 2015.

On the disposals side, in July we closed the sale of 3 of our hotels: (Seville, 365 rooms), Sol La Palma (Tenerife, 473 rooms) and Sol Jandia Mar (Fuerteventura, 294 rooms). The hotels were sold to Atom, a Spain-based REIT. The deal, which encompassed both in the strategy of adaptation of our hotels to our brands attributes, as well as in the asset rotation strategy for our non-core assets by taking advantage from the real estate market momentum, generated total proceeds of €73.4 M and a net capital gain at EBITDA level of €6.8 M. Moreover, as part of the agreement, the buyer will invest €20.2M of CAPEX in a full renovation of 2 of the properties, adapting them to the current Sol brand standards and market potential. Accordingly, we will continue operating the hotels under variable lease contracts that will last for 5-year periods and that could be extended, at our sole discretion, of up to a maximum of 25 years.

Furthermore, in Q4 and given the fact that we are currently negotiating the sale of our hotel located in Puerto Rico, which is still pending on a positive conclusion of an ongoing due diligence process and that we expect to close in Q1 2019, we recognized a +€5.5M capital gain in our consolidated P&L account that resulted from the fact that the asset was recognized as an “asset available for sale” and therefore, according to current accounting standards, had to be reflected in our financial statements at its fair market value. Additionally, we recognized a -€6.1M impairment loss that resulted from the updated appraisal of the shopping mall that we own and operate in Venezuela and that we decided to carry on in order to properly reflect its fair market value given the unstable and complex political and economic situation faced by the country at the moment.

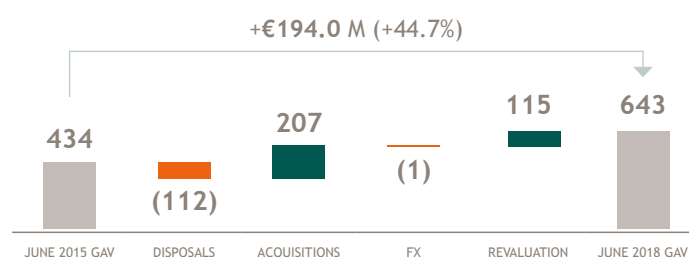
On the other hand, in June we published the results of the new valuation of our fully-owned assets, which was performed by JLL, a leading independent appraiser. In this regard, the updated GAV rose by +23.2% vs June 2015 valuation to €4.401 Trillion. Within this figure, €3.758B corresponds to the value of our assets in full consolidation, while the remaining €643M reflects the value of assets in equity method, being this value arrived at by applying Meliá’s percentage of the equity stake held in these assets.

ASSETS IN FULL CONSOLIDATION



	June 2018
Value of assets in full consolidation	€3,758 M
Total rooms	14.323
Average price per room	€253,588
% change price per room since 2015	+36.8%
Discount rate/exit yield	10.68%/7.58%

ASSETS IN EQUITY METHOD



	June 2018
Value of assets in equity method	€643 M

A detailed overview of the valuation conducted by JLL is shown below.

HOTELS VALUATION PER ROOM

	TYPE	2015	2018	June 2018
LATAM		€213,504	€243,043	+13.8%
Spain	Urban	€204,193	€243,611	+19.3%
	Resort	€113,337	€211,310	+86.4%
Europe		€312,231	€415,674	+33.1%
TOTAL HOTELS VALUATION		€185,314	€253,588	+36.8%

RESULTS OF THE VALUATION

	TYPE	2015	2018	June 2018
America		€1,257 B	€1,630 M	+29.7%
Spain	Urban	€696 M	€718 M	+3.2%
	Resort	€623 M	€679 M	+9.0%
Rest of Europe		€407 M	€605 M	+48.6%
TOTAL HOTELS		€2.983 B	€3.632 B	+21.7%
Real Estate	America	€59 M	€42 M	-29.4%
	Europe	€9 M	€13 M	+52.0%
TOTAL REAL ESTATE		€68 M	€54 M	-18.7%
Other assets	America	€52 M	€51 M	-2.6%
	Europe	€22 M	€21 M	-7.8%
TOTAL OTHER ASSETS		€74 M	€72 M	-4.2%
TOTAL ASSETS FULL CONSOLIDATION METHOD		€3,125 M	€3,758	+20.2%
TOTAL ASSETS EQUITY METHOD		€434 M	€628 M	+44.8%

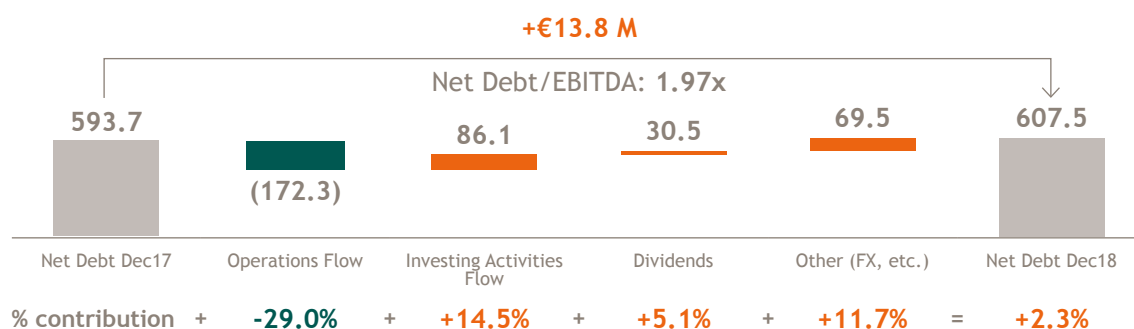
Investors & Shareholders

Debt & Cash Flow

During the last twelve months of the year, Net Debt rose by +€13.8M and reached +€607.5M at the end of the period, which compares with the +€51.2M increase reported during 12M 2017. The main factors explaining this slight increase have been the full consolidation of ME London, which was reflected in both the Investing Activities Flow and Other items of our Cash Flow Statement, and that

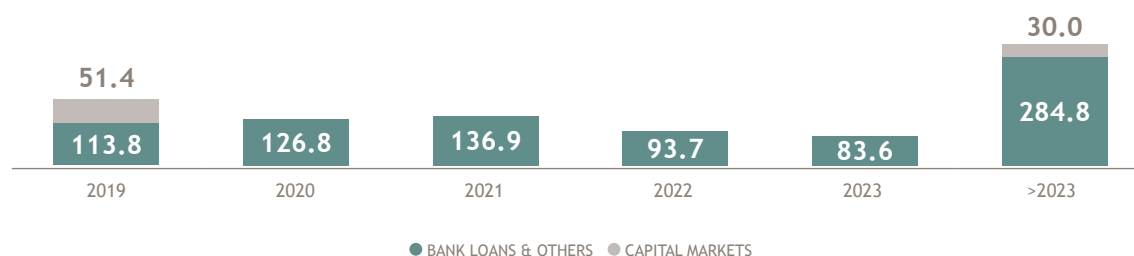
was partially offset by the disposal of 3 hotels in July and by the €12.3M payment collected in advance due to the ongoing sale process of our hotel located in Puerto Rico. Furthermore, we would like to reiterate our strong commitment to maintain a Net Debt/EBITDA leverage ratio below 2.0x for the upcoming years.

NET DEBT EVOLUTION: DECEMBER 2017 - DECEMBER 2018 (€ MILLIONS)



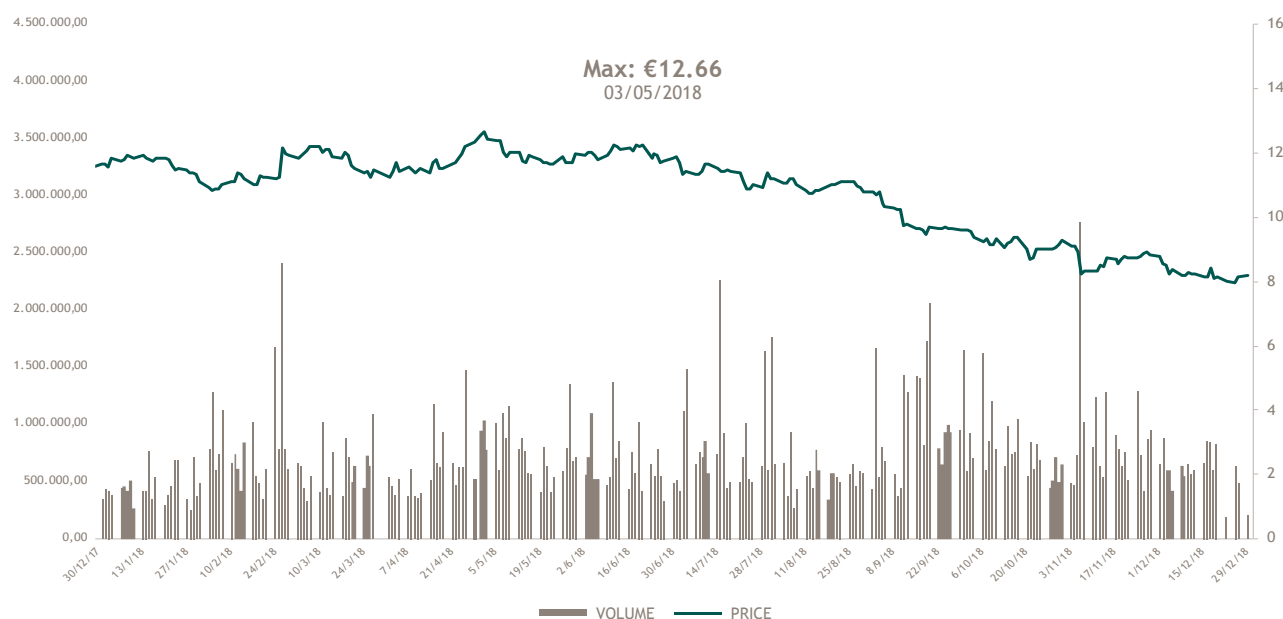
Furthermore, the maturity profile of current debt is shown below:

DEBT MATURITY PROFILE¹ (€ MILLIONS)



Stock Market

On a yearly basis, our stock price dropped by -29.6%, while the IBEX 35 Index fell by -15.3%.



	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018
Average daily volume (thousand shares)	627.38	693.88	798.2	774.9	724.4
Meliá (% change)	-0.1%	+4.4%	-18.6%	-14.7%	-29.6%
Ibex 35 (% change)	-4.4%	+0.8%	-1.8%	-9.2%	-15.3%

	2018	2017
Number of shares (millions)	229.70	229.70
Average daily volume (thousand shares)	724.36	714.88
Maximum share price (euros)	12.66	13.89
Minimum share price (euros)	7.96	10.42
Last price (euros)	8.21	11.5
Market capitalisation (million euros)	1,885.84	2,641.55
Dividend (euros)	0.17	0.13

Source: Bloomberg. Note: Meliá's shares are listed on the Ibex 35 and FTSE4Good Ibex Index.

Main Highlights of 2018

- ✓ On July 10, 2018, a €0.1681 ordinary dividend per share was paid to shareholders.
- ✓ On October 8, 2018, RobecoSAM, the leading investment specialist focused exclusively on sustainability investing that is in charge of analyzing companies to define the composition of the Dow Jones Sustainability Index, ranked us 3rd among the World's Best Sustainable Companies in the Hotels, Resorts and Cruise Lines category.

Dividend policy

In the 2018 financial year, the dividend of the group or payout reached a level of 30% of the consolidated income attributed to the Parent Company (same percentage as the one approved for 2017 financial year results). Therefore, the gross dividend per share will reach 0.183 euros, which is an improvement of 8.9 % as compared to that of 2017.

Average payment period to suppliers

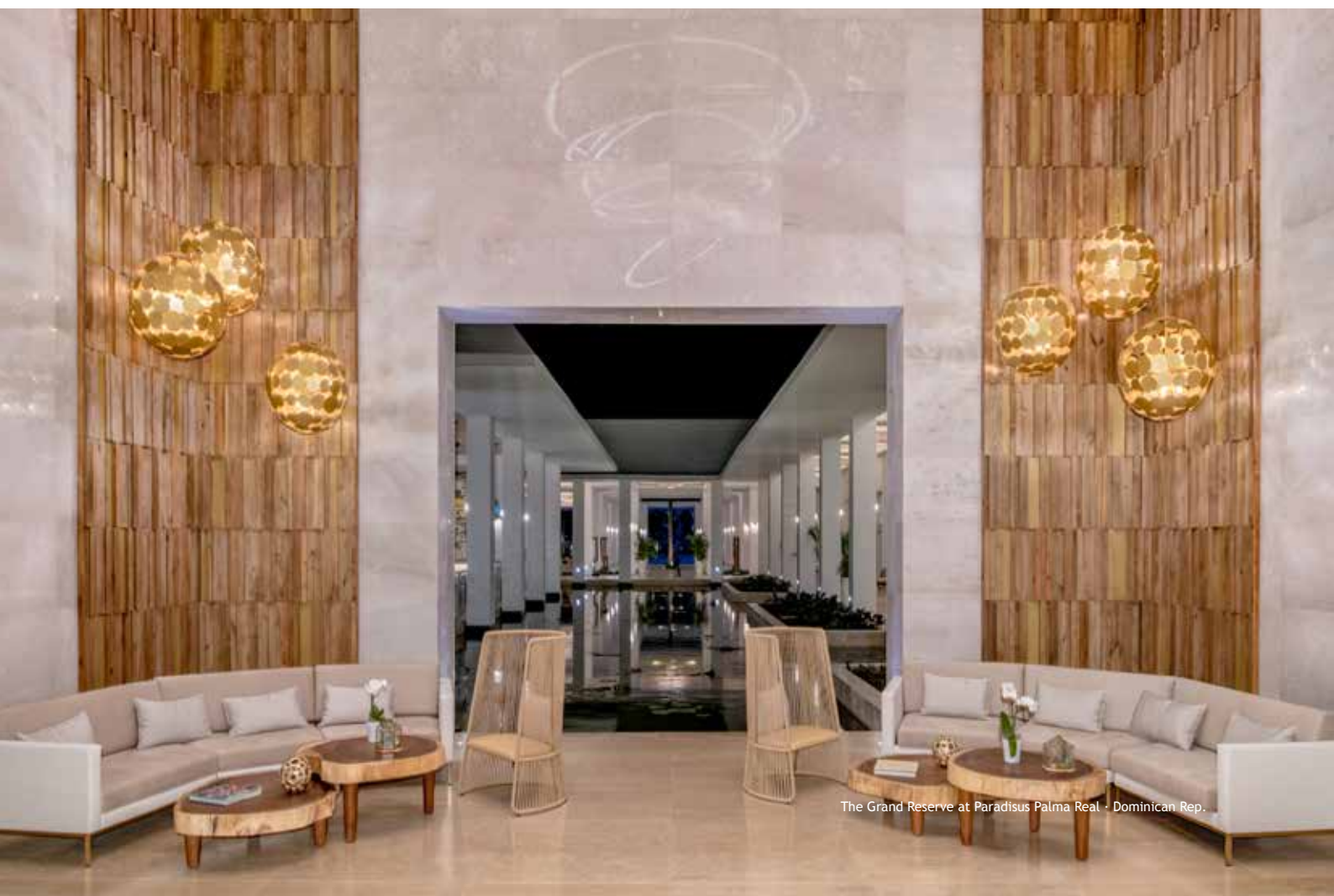
As indicated in the corresponding note in the consolidated annual accounts, the average period of payment to suppliers of Meliá Hotels International S.A. and its Spanish subsidiaries was 55.1 days in 2018, which compares with 72.9 days in 2017. During fiscal year, the Company has carried out a process review of administration processes from the reception of the invoice to payment minimizing the average payment period.

Treasury stock

The total of treasury shares held by the Company financial year end was 1,822,968 which represents 0.79% of the share capital. At financial year end 2017 was 1,722,464 which represents 0.75% of the share capital. See Note 15.3 of the Consolidated Annual Accounts for further information.

Events subsequent to year-end

There have been no subsequent events between the end of the reporting period and the drawing up of these consolidated annual accounts that involve adjustments because they show conditions that already existed at the closing date, or facts indicating conditions that could have appeared after the date of closure that could affect the capacity of the users of the Financial Statements to carry out the pertinent evaluations and make economic decisions of any kind.



The Grand Reserve at Paradisus Palma Real - Dominican Rep.

04

Non-financial information statement

Introduction

Corporate responsibility strategy

Stakeholders relationship

Environmental management

Supply chain

People

Human rights

Society and philanthropy

Calvià Beach project

Corporate governance

Risk management and compliance





Corporate responsibility strategy

GRI 413-1

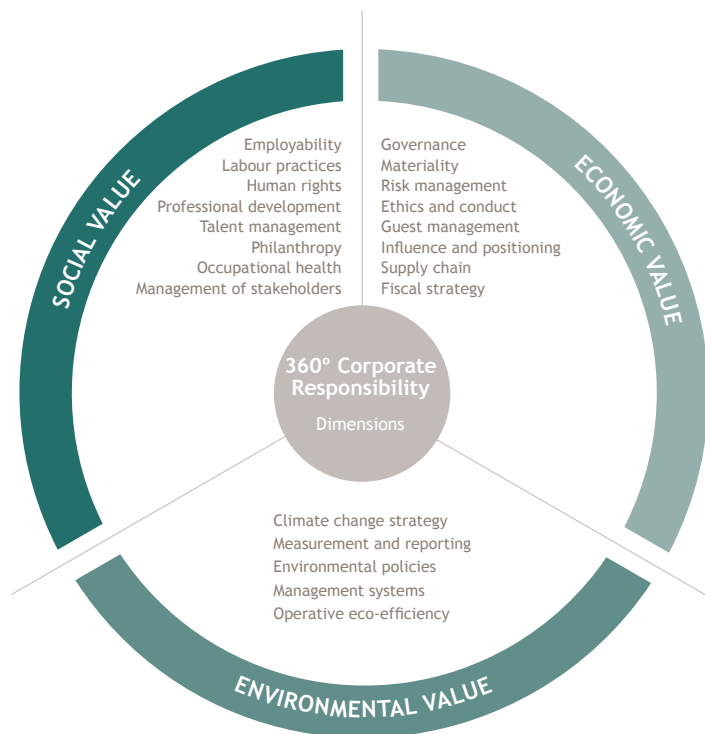
Leaders in excellence, sustainability and responsibility

Our family origins mean our culture and our values are deeply rooted and inform how we behave, govern our daily activity and the way in which we relate to our environment.

Corporate responsibility (CR) is an essential lever of our business strategy, one that helps us advance in our drive to create a hotel model that is more responsible and sustainable, and a generator of wealth for society as well.

Being recognised as a world leader in excellence, sustainability and responsibility is our ambition, and in fact forms part of our 2020 Vision. To achieve it, we see CR from a holistic perspective, and consider its three dimensions as a whole.

Our commitments in this field and the improvement that we have shown have led to us receiving Silver Class recognition in the RobecoSAM Sustainability Yearbook.



Governance sustainability

Increasing the integration of CR in our value chain is a high-impact factor for the company's own governance, and reinforces our body of regulations, getting across who we are much more forcefully, as it defines the environment and the business, provides financial and non-financial information, enables us to identify and manage the challenges we face, manage and mitigate risks, strengthen our openness and bond with our stakeholders, and strengthen our reputation, among other aspects.

Responsible hotel management: global impulse, local implementation

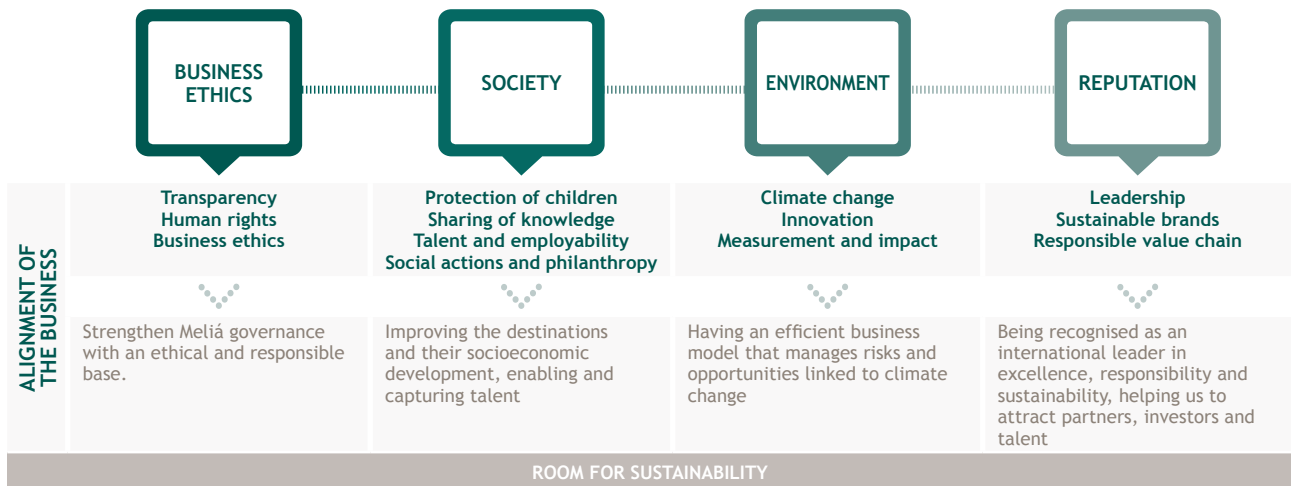
Our strategy, which aligns with and is integrated into the hotel business, is based on four key aspects, propelling us to change at the global level and ensuring their implementation in our hotels at the local level. All our regions are directly involved in implementing our responsibility strategy, bringing us nearer to the local community.

We understand GDSs as an excellent opportunity to move forward in this field, as it draws us nearer to the different realities that we live with, understanding them better so we can help to improve them, through four main or primary approaches that we feel need a little more focus because of our business, and which are based on other, secondary approaches, which complement our activity.

To ensure implementation, we are working on a digital system for capturing and reporting information linked to our corporate responsibility, and giving greater weight and initiative to business units to drive forward the strategy's implementation at the destinations, in line with our strategy and with the Sustainable Development Goals.



PILLARS OF CORPORATE RESPONSIBILITY



ROOM FOR SUSTAINABILITY

REGIONAL CORPORATE RESPONSIBILITY DRIVE

AMERICA			SPAIN			EMEA			BRAZIL			MEDITERRANEAN			ASIA		
121	182	+€356,000	461	558	+€528,000	291	435	+€191,000	78	286	+€94,000	188	262	+€312,000	114	241	+€61,000
+29,000	+35,900	+32,000	+5,600	+27,700	+26,800	+7,000	+52,000	+19,000	+2,900	+2,6	+5,200	+8,400	+165,000	+10,100	+2,300	+1,4	+4,400
GLOBAL VISION			GLOBAL VISION			GLOBAL VISION			GLOBAL VISION			GLOBAL VISION			GLOBAL VISION		
Entities supported	Actions promoted	Economic impact	Employees implicated	Participating customers	Beneficiaries	Entities supported	Actions promoted	Economic impact	Employees implicated	Participating customers	Beneficiaries	Entities supported	Actions promoted	Economic impact	Employees implicated	Participating customers	Beneficiaries
1,253	1,964	€1.5 M	+55,700	+285,400	+97,700	1,253	1,964	€1.5 M	+55,700	+285,400	+97,700	1,253	1,964	€1.5 M	+55,700	+285,400	+97,700

Aggregate data

Stakeholders relationship

GRI 102-12; GRI 102-42; GRI 102-43

Presence and public commitments

To strengthen our leadership and reputation, and to meet our public commitments, we have set the goal of being present in environments, institutions and leading forums that are aligned with our strategic vision. Our public presence enables us to understand the context in which we live; and play an active role in continual improvement, getting our vision across to others, and pushing important global issues, such as the United Nations 2030 Agenda and SDGs, and responding to the issues surrounding materiality.

These issues include the drive for a more responsible and sustainable tourism industry, protecting human rights, combating climate change and labour rights, among others.

Taking part in reference forums helps us get closer to the trends, challenges and risks we face in our activity to continue to meet the expectations of our stakeholders and generate a positive impact for them and for society through our activity.

+370	32%	+85	+25
Participations in forums	International scope	Speakers in forums	Countries

Two-way dialogue

Relations with our stakeholders are upheld through various channels and tools to meet their needs and ensure the relationship is a close one. To move forward in this regard, in 2018 we approved a [Stakeholders Relations Policy](#), which formalises and strengthens the relationship model.

Our policy is based on Accountability AA1000SES (2011) international principles to provide an exhaustive and balanced response to commitments, relevant questions, impacts, opportunities and risks in our relationship with them.

For Meliá, our stakeholders are key actors, which is why we ensure they are involved to contribute towards the development and compliance of our commitments, and that we are able to move forward together towards a sustainable model for running a hotel. Although all our stakeholders are important, we apply prioritisation criteria based on the volume, critical nature or impact on the business to determine how to direct our relationship with them.

However, and in connection with our Materiality Analysis, we include in this dialogue the key issues that are also of material, transcendent and significant interest to them, to which we respond, offer solutions and provide information on our performance on these matters on a regular basis.

Incident management

Our customers can contact us via miexperiencia@melia.com or myexperience@melia.com to share any incident, suggestion or reflection they may have or wish to report with regard to both hotel and non-hotel products, the service provisions, the cuisine, or any aspect linked to our delivery of the brand promise. Our hotels have a commitment to respond within 48 hours.

7,967	99.8%
Incidents in 2018	Incidents resolved in less than 48 hours

Aggregate data

PUBLIC COMMITMENTS

PEOPLE

A commitment to people and to helping them develop is key for us

INDUSTRY & TOURISM

We are involved in continuing to make tourism an industry that generates prosperity and value

CLIMATE CHANGE

We seek to lead the fight against climate change in the hotel industry

CHILDREN AND HUMAN RIGHTS

Ethics and the defence of human rights are key principles in our business

SUSTAINABILITY

Ongoing progress in integrating sustainable criteria into our hotels

Management and power of influence

STAKEHOLDERS							
	SHAREHOLDERS & INVESTORS	OWNERS & PARTNERS	SUPPLIERS	CUSTOMERS	EMPLOYEES	PUBLIC ADMINISTRATION	LOCAL COMMUNITY
CHANNELS	Roadshows General shareholders meeting Investor relations office Newsletters Proxy Advisors	Government bodies Owner's office Press office Owner portal Corporate newsletters	Central purchasing body Newsletters Press and relations office	Satisfaction surveys Melia.com Loyalty model Social networks Advertising actions Campaigns Videos	Employee portal Internal magazines Satisfaction surveys Internal communications	Institutional relations Institutional presence Associations and employers' groups	Neighbourhood associations Media Social networks Social activities Videos
INFLUENCE	229,700,000 no. of actions 30 roadshows 11 countries visited	606 owners 34 nationalities 5 JV partners	5,883 suppliers €414.5 M billed by local suppliers	11 million loyal customers 26.5% sales from melia.com	45,966 employees 84.9% Commitment index		€467,000 raised for children's causes 1,254 social entities with which we cooperate €1.54 M economic value for CR actions promoted
WEALTH CREATED vs 2017	€38.3 M	€168.9 M	€1,209.4 M	€2,837.8 M	€639.2 M	€272 M	

Commitments with stakeholders

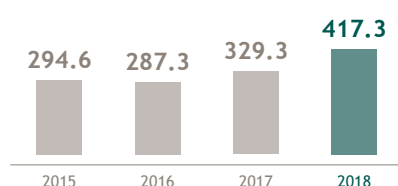
Transparent institutional relations

We engage in different ways of collaborating with organisations, associates and partners who share our concerns and push forward projects and initiatives aimed at achieving shared goals.

The areas in which we work in collaboration are based on our knowledge of the hotel business and take on a global or local perspective depending on the needs and requirements of each partner, and always under solid values such as a vocation for service and an openness in the relationship.

Our leadership leads us to form part of organisations and institutions and participate in their activities, playing an active role and to which we devote resources for continual improvement, sharing knowledge and experiences, and strengthening our influence, among others. Sharing our contribution and making it public in this way is, among other aspects, about being coherent with our [Philanthropy Policy](#), which was approved in 2018 and which enables us to respond directly to our stakeholders on matters of business ethics, transparency and compliance.

REPRESENTATION IN ORGANISATIONS & ASSOCIATIONS ANNUAL CONTRIBUTION (€ THOUSANDS)



MAIN CONTRIBUTIONS (2018)

Name of the organisation	Contribution (€)
Official Spanish Chamber of Commerce, Industry, Services and Navigation	75,000
Exceltur	27,000
World Travel & Tourism Council (WTTC)	33,816

RELEVANT ISSUES FOR MELIÁ (2018)

Subject	Contribution (€)
Sustainable tourism	150,003
Promoting employment	61,298

* The list of organisations for 2018 can be found in the Appendices chapter.

Environmental management

GRI 201-2

Committed to the fight against climate change

We work to lead the fight against climate change in the hotel industry and to help preserve the natural environment and the landscape, by promoting a culture of sustainable tourism.

Our concern over the potential negative effects of hotel activity covers all aspects of tourism, which is why we are working to bring about a hotel model that helps reduce the activity's impact on the climate, on resorts and on their ecosystems. In order to contribute from our position as a leading hotel company, in 2015 we made the commitment to contribute to the global agreements reached at COP 21 in Paris.

We are committed to innovation and technology to be more efficient and to ensure a better and more responsible management of the use of resources, lower emissions, incorporating alternative sustainable mobility solutions and respect for biodiversity.

We know that our customers are increasingly more motivated about, concerned for and aware of environmental issues.

As part of our journey to bring about a more sustainable form of tourism, our customers play an essential role, and to ensure they take part, we make sure they are involved in helping us achieve our objectives.

This becomes particularly relevant in emerging resorts or developing countries, for which environmental protection is a clear competitive advantage.

The sustainable development model that we are working on actively seeks to contribute not only to meeting the environmental commitments that we have taken on, but also to our advances with regard to the Sustainable Development Goals (SDGs) for which we have set specific goals.



Climate change: risks and opportunities

We are aware of the risks and opportunities that climate change poses for our industry, which is why we monitor them from a global perspective, with a particular focus on ensuring that our investments are appropriate, efficient and viable from an economic and environmental perspective, integrating aspects that open up opportunities to improve our management and enrich our value proposal into the decision-making process. Given the form of preventive management that we currently operate, we do not resort to guarantees and provisions for environmental risks.

We base our risk-management model on the COSO II international risk framework and methodology. Once a year, we update our Risk Map, which is then inspected by the Audit and Compliance Committee and by the Executive Committee.

The Meliá Technical Global Office co-ordinates the implementation of measures focusing on managing risks associated with climate change, in a way that is in line with the areas of Engineering, Environment, Procurement and Insurance, which include:

- ✓ Reviewing and updating the geographic location and the age of properties, the type of management and their exposure to extreme weather events
- ✓ Constantly measuring the use of natural resources through SAVE, a project designed in-house in 2008 that enables us to determine the daily levels of consumption in hotels
- ✓ Measuring greenhouse gas emissions and implementing measures to reduce them

IMPACT	TYPE	DESCRIPTION	SCOPE	MAGNITUDE	MANAGEMENT
Regulatory changes	Transition	<ul style="list-style-type: none"> ✓ European Directive 2012/27/EU: Energy audits or UNE EN ISO 50001 certificates ✓ European Directive 2010/31/EU: Obtaining energy performance certificates for properties for sale, lease or under construction 	67.2% Europe portfolio	Medium	<ul style="list-style-type: none"> ✓ Energy certificates ✓ Body of regulations and policies
Physical risks	Operations	<ul style="list-style-type: none"> ✓ Loss of attraction of tourist resorts (Mediterranean) due to high temperatures, droughts and shortage of water, exposure to forest fires 	23.4% Mediterranean portfolio	High	<ul style="list-style-type: none"> ✓ Capacity to redirect demand ✓ Creating/adapting tourism products ✓ Innovation strategy ✓ Commercial strategy
Physical risks	Operations	<ul style="list-style-type: none"> ✓ Increases in the frequency and/or magnitude of extreme weather events in the Caribbean: how it affects infrastructure, additional emergency management requirements, operating and insurance costs, back-up systems for water and power, evacuations, business disruptions and increased labour costs 	16.1% Caribbean portfolio	High	<ul style="list-style-type: none"> ✓ Comprehensive security protocols ✓ Emergency management systems ✓ Property insurance cover ✓ Back-up systems for water and power ✓ Business disruptions insurance
Physical risks	Operations	<ul style="list-style-type: none"> ✓ Rising temperatures and lower snowfall could reduce the viability of operations in business units located in these destinations 	1% portfolio in winter destinations	Low	<ul style="list-style-type: none"> ✓ Creation of alternative tourism product in same locations ✓ Adaptability of properties
Customers	Transition	<ul style="list-style-type: none"> ✓ Loss of brand reputation due to perception of stakeholders that the company is not acting responsibly over the impact of its activity, and as a result does not take sufficient steps to mitigate its CO₂ emissions 	Global	Medium-high	<ul style="list-style-type: none"> ✓ Materiality analysis ✓ Reputation and crisis management ✓ Communication strategies ✓ Strategy to certify sustainable hotels ✓ Measuring and monitoring system ✓ Institutional positioning management ✓ Access to experts

Climate change: risks and opportunities

	HIGH-IMPACT WEATHER PHENOMENA AND NATURAL DISASTERS	FAILURE TO MITIGATE IMPACT AND TO ADAPT TO CLIMATE CHANGE	LOSS OF BIODIVERSITY AND COLLAPSE OF MARINE AND TERRESTRIAL ECOSYSTEMS	DAMAGE CAUSED BY HUMAN AND INDUSTRIAL ACTIVITY
IMPACT	<ul style="list-style-type: none"> ✓ Impact on infrastructures ✓ Environmental damage ✓ Loss of human lives, quality of life and living conditions ✓ Increase in poverty levels 	<ul style="list-style-type: none"> ✓ Lack of commitment by governments and businesses ✓ Failure to implement effective measures to mitigate the impact of climate change ✓ Direct impact on populations ✓ Need by private sector to adapt 	<ul style="list-style-type: none"> ✓ Irreversible consequences for the environment ✓ Drainage of resources ✓ Limiting factor for wealth creation at destinations 	<ul style="list-style-type: none"> ✓ Lack of prevention of major damage and disasters ✓ Environmental crimes ✓ Negative impact on health, infrastructures, economic activities and environment
MITIGATION/PREVENTION	<ul style="list-style-type: none"> ✓ Designing hotels with preventive approaches ✓ Preventive management regarding climate phenomena 	<ul style="list-style-type: none"> ✓ Capacity to redirect demand ✓ Creating/adapting tourism products ✓ Innovation strategy ✓ Commercial strategy 	<ul style="list-style-type: none"> ✓ Protecting natural environments and ecosystems ✓ Boosting circular economy ✓ Designing sustainable and low-impact products and solutions ✓ Boosting responsible supply chain with low impact for the ecosystem 	<ul style="list-style-type: none"> ✓ Measuring the impact for mitigation or reduction ✓ Developing comprehensive programmes for efficient management of natural resources ✓ Managing waste generated by tourist activity



OPPORTUNITIES	<p>Anticipating regulatory changes relating to the business management of climate change</p> <p>Incentive for implementing new measures aligned with said regulatory changes</p> <p>Reinforcing the business strategy regarding climate change</p>	<p>Possible increase of the value of tourist destinations due to more agreeable climate opens new opportunities for the company to expand and grow</p> <p>Extension of high season in tourist destinations where temperatures remain warm for longer</p>	<p>Market analysis firms, investment banks, insurance companies, financial institutions and owners of hotel properties are increasingly more sensitive and demanding when choosing where to invest</p> <p>Attracting new strategic partners and options to explore and take on new challenges and commitments</p>	<p>New patterns of consumption motivated by a greater sensitivity in society</p> <p>Impact with new concepts of products and services</p> <p>Opening for new customers and better understanding of existing customers</p>	<p>Operative improvements in hotel infrastructure</p> <p>Access to more efficient and innovative new systems</p> <p>New opportunities for innovation</p> <p>Impetus for new forms of leverage for educating and training teams</p> <p>Improvements in security protocols and crisis management</p>	<p>Improvements in obtaining, measuring and analysing information</p> <p>Improvements in evaluating the environmental commitment</p> <p>Response to issues of materiality of stakeholders</p> <p>Increased levels of trust</p>
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* Source: World Economic Forum

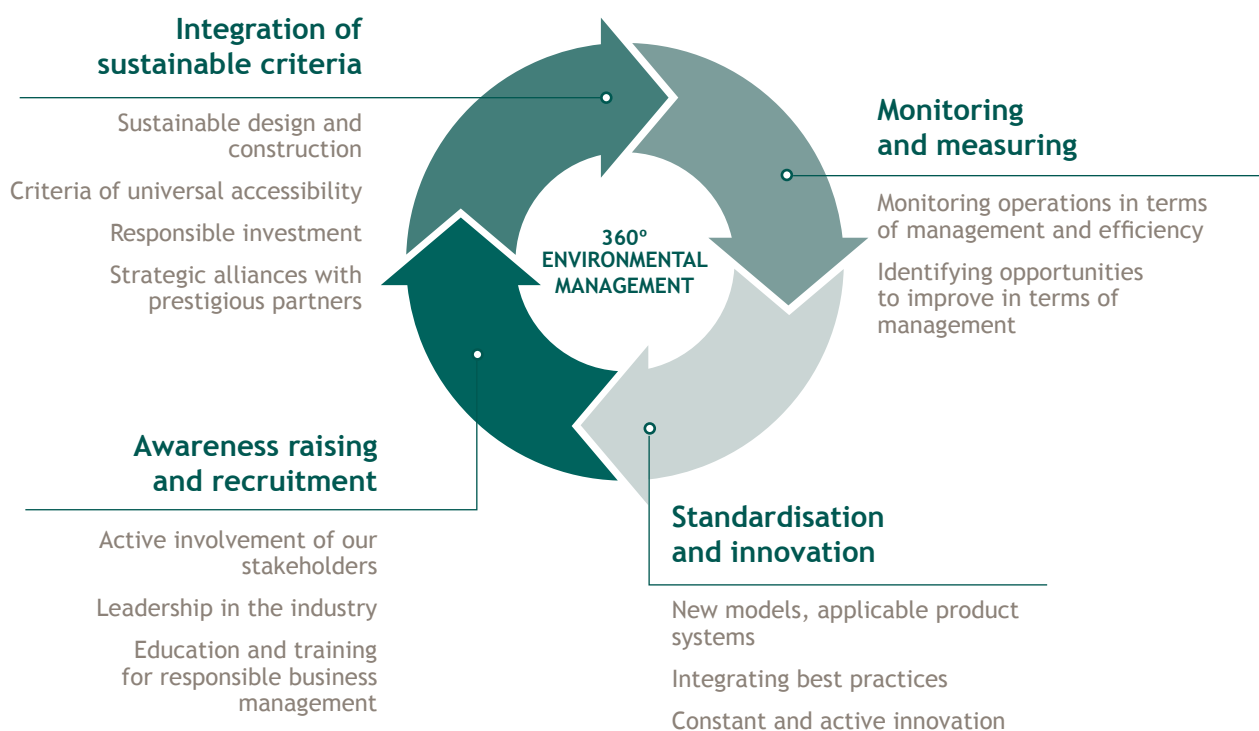
Strengthened body of regulations for environmental defence

The approval in 2017 of our [Environmental Policy](#) and the [Corporate Responsibility Policy](#) laid the foundations for strengthening our body of regulations in this matter.

To that end, and in the interests of strengthening our model, new policies approved in 2018 explicitly refer to this commitment, such as the [Responsible Services Procurement and Contracting Policy](#), with a clear focus on a responsible approach to purchasing products and contracting services that are sustainable, the [Philanthropy Policy](#), which establishes the defence of the environment as a cornerstone of our social collaboration, and even the [Human Rights Policy](#), through which we recognise the right of communities to enjoy a safe, clean and healthy environment, particularly given the importance of the environment for the locations where we operate.

Environmental cycle

Meliá has made significant commitments in the fight against climate change, due to the fact that it operates in one of the industries most influenced by the impacts of this global reality, among other reasons. It is also due to a matter of particular materiality. Our environmental strategy is based on four courses of action:



Innovation, technology and resource management

In our growth, reducing the environmental impact, sustainability and respect for the surrounding area have always formed a part of our hotel construction, refurbishment and renovation projects in order to contribute to combating climate change from within the running of a hotel.

Raising our sustainability standards requires us to act at different levels of technical and sustainable management. We are committed to investing under criteria of economic impact and energy efficiency that enables us not only to reduce the impact of the emissions generated by our activity, but also to ensure the economic and technical viability of our projects.

To achieve that, we are integrating sustainability criteria into infrastructures, applying efficient and certified materials and products, smart cooling and heating systems, and technology-based control systems, and are increasing the drive for selective waste disposal, devoting time and resources to training our technical teams to ensure the very best hotel management in environmental terms. Additionally, our design and construction manuals include universal accessibility criteria such as sensor-controlled lighting, large elevators, ramps, pool lifts, obstacle-free communal areas, adapted rooms, etc.

We are working with allies who strengthen our strategy to reduce our energy consumption and greenhouse gas emissions. For example, in recent years we have implemented a range of saving and efficiency projects together with energy service companies (ESCOs).

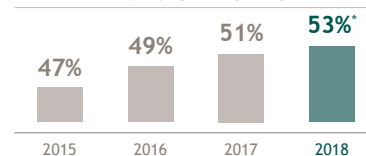
A key factor in honouring our commitments in decarbonising hotel activity is acquiring certified green energy. In 2017, we designed a global contracting strategy focused on minimising the impact of energy acquisition prices and prioritising the purchase of certified green energy. Results so far have been very positive, with significant progress, having evolved from a 49% supply of green energy in 2016 to a supply of 53% now. We are excellently placed to reach our objective of 70% by 2020.

Furthermore, we are aware that implementing a more efficient and sustainable hotel management system involves developing strategic alliances with leading partners in R&D, installing technology and the circular economy, in order to develop joint projects that will benefit the environment and society as a whole.

In collaboration with a start-up from Mallorca, and in line with the digital transformation that is currently under way, we have taken significant steps in digitalising our management system, having implemented computerised maintenance management software (CMMS). We therefore have centralised and shared information in a paperless, single cloud repository which is accessible by all departments involved and which provides information in real time.

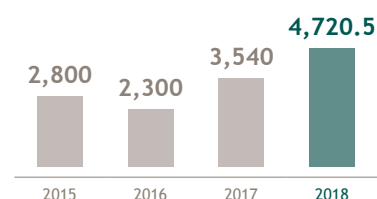
The tool means we can optimise resources and assess work loads in relation to maintenance tasks, while being sure we are best placed to assess compliance, measure the results of the activity and define goals in order to improve management and reduce the associated emissions.

CONSUMPTION OF CERTIFIED GREEN ENERGY IN OWNED, LEASED & MANAGED HOTELS



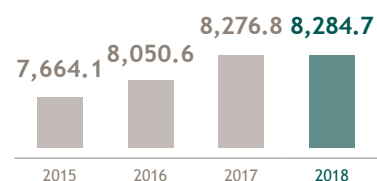
* 2020 Target: 70%
Owned and leased hotels 2018: 56.65%

ENVIRONMENTAL INVESTMENT IN OWNED, LEASED & MANAGED HOTELS (000' €)



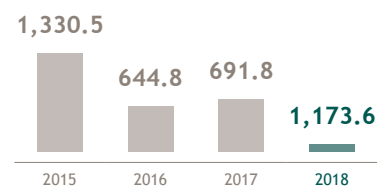
Owned and leased hotels 2018: €4,654.30

ENVIRONMENTAL EXPENSES IN OWNED, LEASED & MANAGED HOTELS (000' €)



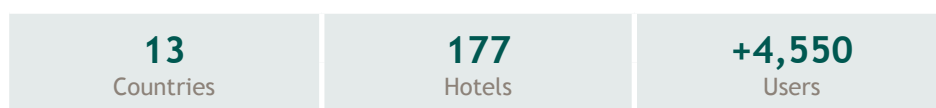
Owned and leased hotels 2018: €6,985.70

ENVIRONMENTAL SAVINGS IN OWNED, LEASED & MANAGED HOTELS (000' €)



Owned and leased hotels 2018: €1,155.40

CMMS TOOL IMPLEMENTATION PROGRESS





High-performance chillers with heat recovery



High-performance condensing boilers



Pump sets with variable speed



Heat pump with CO₂ coolant with cold recovery for temperature control



Recovery of residual heat from climate control



Variable flow pumps



Solar-powered streetlamps as R&D project



Charging points for electric vehicles



Floors and paving with low emissions of volatile organic compounds certified with ISO 14001 standard



Individual meters for utility supplies



Raising awareness among customers and employees



Triple-certified bed linen
OEKO - T.EX Standard 1000, MADE GREEN by AITEX



Recycled photocopier paper
or white paper certified by FSC and PEFC



Cleaning products bought from companies
committed to sustainability and respect
for the environment



Furniture with FSC and ISO 14001 standard certification



Amenities with products that are paraben-free
and contain natural compounds



LED lighting, presence sensors
and dimmers



Automation systems to optimise energy use



Double-glazed windows with aluminium frames, solar
control and exterior thermal insulation system



Rainwater collected for irrigation
and recovery of grey water



Centralised management system (BMS)



GRI 302-4; GRI 302-5; GRI 303-1; GRI 305-1; GRI 305-2; GRI 305-3; GRI 305-5

Main environmental figures

OWNED, LEASED, MANAGED AND FRANCHISE (BARBACÁN)

EMISSIONS REDUCTION (SCOPE 1+2)

	Average 2012-2018	Average 2012-2018 vs 2007-2011	Average 2007-2011
CO ₂ emissions (kg)	224,346,191	-8.40%	244,922,107
Per stay (kg)	12.88	-14.02%	14.98

ENERGY CONSUMPTION REDUCTION

	Average 2012-2018	Average 2012-2018 vs 2007-2011	Average 2007-2011
D. Cooling (kWh)	39,750,190	6,120.10%	639,060
D. Heating (kWh)	25,583,028	96.86%	12,995,545
Propane (kg)	3,621.117	-14.43%	4,231,991
Natural gas (m ³)	9,407,644	16.23%	8,094,191
Diesel (l)	4,854,426	-42.55%	8,450,427

WATER CONSUMPTION REDUCTION

	Average 2012-2018	Average 2012-2018 vs 2007-2011	Average 2007-2011
Water consumption (m ³)	8,796,545	-1.94%	8,970,624
Per stay (m ³)	0.51	-7.96%	0.55

ELECTRICITY CONSUMPTION REDUCTION

	Average 2012-2018	Average 2012-2018 vs 2007-2011	Average 2007-2011
Electricity consumption (kWh)	353,205,318	-8.03%	388,087,443
Per stay (kWh)	20.28	-14.57%	23.74

CARBON FOOTPRINT

Scopes (tCO ₂)	2015	2016	2017	2018
Scope 1	51,056	47,619	48,110	51,331
Scope 2	163,905	165,645	154,955	153,699
Scope 3	55,903	59,696	54,652	53,982
TOTAL	270,863	272,960	257,716	259,011

Scope 1: calculation of Spain-wide fugitive emissions extrapolated to rest of portfolio. Scope 3: this includes emissions resulting from Spain-wide waste management and transport of employees to their place of work and business trips. It does not include carbon footprint of products and services, capital goods or franchises.

WATER CONSUMPTION

Total fresh consumption (m ³)	2015	2016	2017	2018	2018 Objective
Total fresh water consumption*	10,679,907	10,697,788	10,825,071	10,595,067	10,814,746,50

* All water consumption comes from the municipal water supply

OWNED AND LEASED

EMISSIONS REDUCTION (SCOPE 1+2)

	Average 2012-2018	Average 2012-2018 vs 2007-2011	Average 2007-2011
CO ₂ emissions (kg)	161,552,662	-7.35%	174,362,963
Per stay (kg)	13.42	-14.32%	15.66

ENERGY CONSUMPTION REDUCTION

	Average 2012-2018	Average 2012-2018 vs 2007-2011	Average 2007-2011
D. Cooling (kWh)	39,750,190	6,120.10%	639,060
D. Heating (kWh)	25,583,028	96.86%	12,995,545
Propane (kg)	2,839,973	-15.44%	3,358,687
Natural gas (m ³)	7,334,517	8.06%	6,787,220
Diesel (l)	2,808,108	-38.35%	4,555,163

WATER CONSUMPTION REDUCTION

	Average 2012-2018	Average 2012-2018 vs 2007-2011	Average 2007-2011
Water consumption (m ³)	6,616,295	-1.34%	6,705,883
Per stay (m ³)	0.55	-8.76%	0.60

ELECTRICITY CONSUMPTION REDUCTION

	Average 2012- 2018	Average 2012-2018 vs 2007-2011	Average 2007- 2011
Electricity consumption (kWh)	247,162,534	-9.57%	273,325,537
Per stay (kWh)	20.53	-16.37%	24.55

CARBON FOOTPRINT

Scopes (tCO ₂)	2018	2018 Objective
Scope 1	36,698	
Scope 2	148,143	
Scope 3	38,535	
TOTAL	223,376	

Scope 1: calculation of Spain-wide fugitive emissions extrapolated to rest of portfolio. Scope 3: this includes emissions resulting from Spain-wide waste management and transport of employees to their place of work and business trips (the consolidated scope includes the additional scope emissions, as they cannot be separated). It does not include carbon footprint of products and services, capital goods or franchises.

WATER CONSUMPTION

Total water consumption (m ³)	2018
Total fresh water consumption*	7,442,823

* All water consumption comes from the municipal water supply

ENERGY CONTRACTS (additional scope)

Total energy consumption (MWh)	2015	2016	2017	2018	2020 Objective
Non-renewable fuel	115,126	219,950	223,337	228,604	
Non-renewable electricity	232,586	225,887	210,451	203,097	
Thermal power	75,071	84,211	80,528	77,533	
Total non-renewable energy	422,784	530,048	514,315	509,235	
Total renewable energy	211,922	220,306	223,561	230,183	239,313
TOTAL ENERGY COST (€)	59,577,324	62,805,081	61,467,718	64,602,536	

For these indicators, the portfolio included in SAVE is being considered, as these are 78% of the hotels at the additional level and 99% of hotels at the consolidated level.

Improving waste management and recycling

Improving how we manage the waste that we generate throughout the hotel value chain and driving the circular economy forward form part of the commitments we have taken on the fight against climate change and to protect resorts.

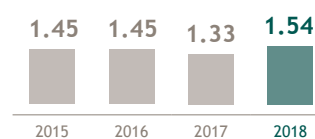
At Meliá we are working to reduce the amount of waste we generate and to promote its reuse and recycling, with the aim of generating environmental, social and also strategic benefits, given the improvements in the processes that we are implementing, and which have a direct effect on ensuring that our activity has a lower impact on the locations where we operate.

We have started collaborating with start-ups on two pilot projects to minimise food waste, from defining the concept and weighing waste using a system of scales, and giving customers the option of buying surplus high-quality products from a philanthropic perspective.

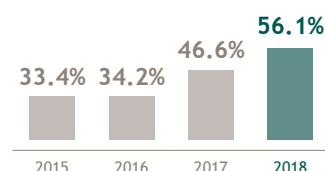
We are following the guidelines established by the European Commission on the circular economy, which include:

- ✓ Incentivise recycling and reusing certain materials and waste
- ✓ Use advances in technology to limit the use of certain materials in order to reduce their consumption and the waste generated
- ✓ Use renewable, biodegradable or compostable raw materials
- ✓ Commit to the eco-design of our hotels, products and services, so as to improve operations in environmental terms, on the one hand, and reduce the generation of waste on the other

KG WASTE/STAY



SELECTIVE WASTE COLLECTION



WASTE PRODUCED

Total waste eliminated (Mt)	2015	2016	2017	2018	2018 Objective
Total waste produced	30,090	31,742	28,993	34,408	
Total waste eliminated (not recycled or reused)	20,043	20,886	15,476	15,098	14,796

All waste data calculated for the additional scope.

Combatting single-use plastic

Aware that the fight against plastic is a global concern, in 2018 we launched an ambitious project aimed at removing single-use plastic from our hotels. This initiative involves removing bottles, glasses and coasters, bags for use in rooms and plastic straws, and replacing them with alternative products that are biodegradable and ecologically responsible. This poses significant challenges for Meliá, particularly in emerging countries.

We are promoting the use of alternatives to glass bottles or jars. At the same time, we have taken this commitment to our customers, reinforcing communication with clear messages to raise awareness and encourage them to join us and in turn become ambassadors for a shared commitment in the fight against climate change. Our head offices and staff areas are also involved in this project, through the installation of water dispensers and personalised glass water bottles for employees.

75%*

Hotel portfolio already sourcing alternative products to plastic

68%**

Hotel portfolio already sourcing alternative products to plastic

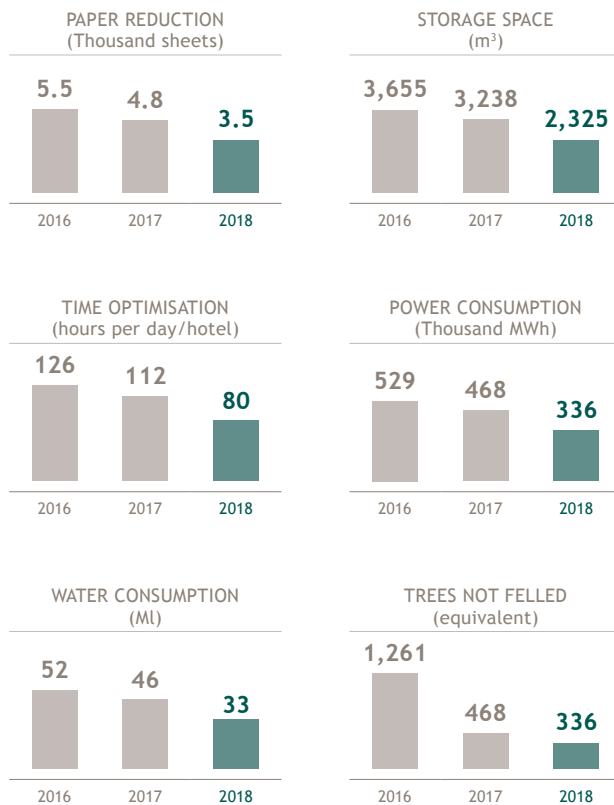
* Owned and leased hotels ** Owned, leased and managed hotels

Reducing dependency on paper

Along the same line of reducing waste and lowering the use of certain resources, because of its major presence in the Americas, Meliá implemented a pilot project aimed at optimising and reducing dependency on paper, with the goal of extending this to other regions.

As well as reducing the amount of paper used, the aim was to instigate a new culture and philosophy of conscious and responsible consumption by exploring new forms, processes and habits of working. The initiatives instigated include:

- ✓ Digitalising processes
- ✓ Implementing agreements with technological partners
- ✓ Improvements in administrative processes
- ✓ Increased use of e-invoices with suppliers
- ✓ Use of cloud-based storage technologies
- ✓ Continuing to raise awareness among employees



Aggregate data

New more sustainable formats for products

With the aim of continuing to provide our customers with better, more sustainable and high quality options, we are working to replace coffee products used with biodegradable capsules.

In this way, as of 2019 more than 90% of the capsule coffee drunk in our hotels in Spain will be compostable.



Certified management system

Our business model is based on ensuring economic viability and constantly moving forward in integrating responsible criteria into the processes of running a hotel business.

As well as our progress in that integration, our aim is for the model to be certified in responsible tourism by external expert bodies in this field applied to the tourism industry.

In 2018, we redefined our sustainable tourism certifications policy, prioritising international certification bodies recognised by the Global Sustainable Tourism Council.

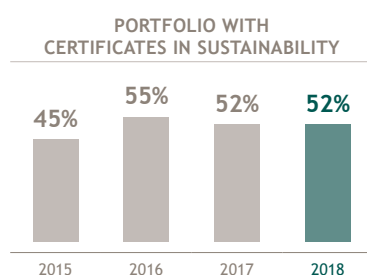
Having external recognition provides consistency to our approach, verifies the progress made in meeting our goals and commitments, and gives us a suitable benchmark to continue finding areas for improvement.

In 2018, we consolidated the certification of our energy management system under the criteria of the ISO 50001 standard, the implementation of which has now been verified at the Gran Meliá Fénix hotel (Madrid). This

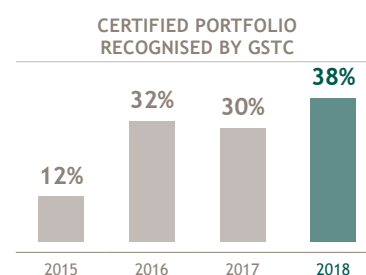
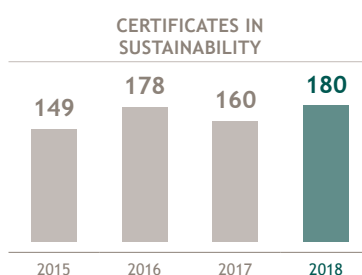
certification validates our proposal for particular courses of action to take and targets to set, together with an exacting approach to monitoring energy and managing indicators to ensure both that we meet our objectives and that we identify corrective actions and aspects of continual improvement that need to be implemented.

Furthermore, in 2018 we began the certification process for our environmental management system under the criteria of the ISO 140001 standard. This will enable us to identify, prioritise and manage environmental risks that form part of hotel activity, optimise processes of compliance in this regard, and optimise the use of raw materials, among other aspects.

Once again, in 2018 Meliá was involved in the Carbon Disclosure Project, an international organisation for a sustainable economy that assesses companies' commitment in combating climate change. The B-level assessment received is recognition of our strategy's success.



* Portfolio not including franchise



Aggregate data

Ensuring environmental respect from our hotels

Progress in meeting our commitments can be seen both through the implementation of worldwide corporate projects and through multiple initiatives and activities that take place in the hotels that form part of the Meliá portfolio all over the world.

Defining a global model based on four main aspects, and where the environment occupies a key position, means we can align our corporate responsibility strategy at

an international level with the required adaptability and flexibility to ensure the appropriate actions are implemented in each region, country and hotel, so as to create a positive impact on the environment and meet the needs of each particular micro-environment.

CORPORATE RESPONSIBILITY IN HOTELS IN ENVIRONMENTAL TERMS				
				
161 Entities supported	345 Actions promoted	+20,000 Employees involved	+79,000 Customers involved	+€63,000 Economic impact

Aggregate data

Raising awareness and getting messages across to our stakeholders

- ✓ Developing training content and information on environmental aspects on the eMeliá platform, our new employee portal, and on the multichannel communication strategy
 - ✓ First meeting with suppliers organised focusing on knowledge, sharing experiences and raising awareness of environmental issues (“The heart of the Palau”)
 - ✓ Collaboration with academic and educational institutions, sharing knowledge, experiences and best practices on environmental matters
 - ✓ Affiliation to the Comunidad PorElClima (ForTheClimate Community) to meet COP 21 commitments
- ✓ Participation in the Forética Climate Change Cluster
 - ✓ Participation in the first SDG Observatory Study, directed by Fundación Bancaria la Caixa and ESADE
 - ✓ Sharing our best environmental practices and integrating SDGs into our environmental strategy with other Global Compact partners
 - ✓ Participation in the Circular Seas project created by Coca-Cola Spain to clean up the seas and capture plastic and micro-plastics for research, raising awareness and promoting the circular economy.



Biodiversity management model

From both a global and a local perspective, hotel activity can have an effect on how biodiversity is protected and recovered, due to the implementation of work models and strategies that are responsible and sustainable in terms of the consumption of natural resources, helping to minimise the effects of climate change on tourist activity

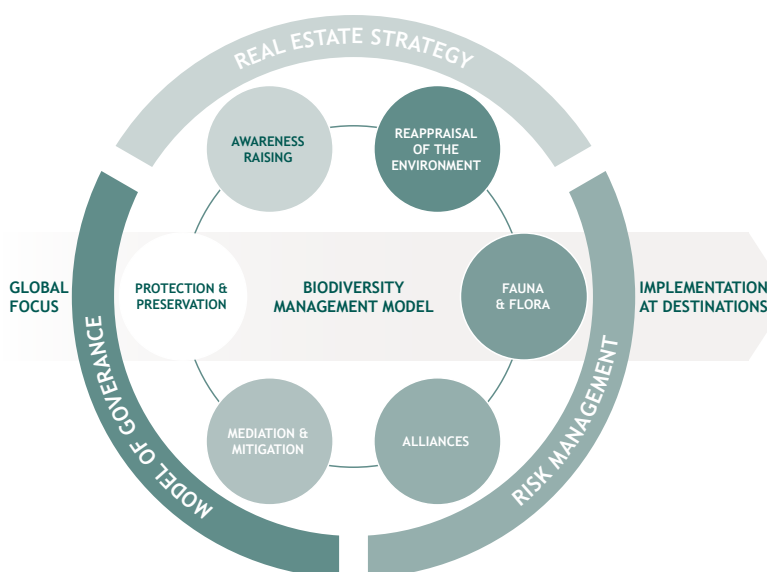
and using approaches that relate to all the stakeholders involved. However, in a positive-impact management model, it is also necessary to weigh up the risks, impacts and potential externalities that need to be managed, by taking a preventive and corrective approach.

	IMPACT	PREVENTIVE APPROACHES TO MINIMISE IMPACT
Construction, renovation and operation stage	<ul style="list-style-type: none"> ✓ 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. 	<ul style="list-style-type: none"> ✓ Compliance with applicable urban planning and environmental regulations ✦ Hotel design and construction manual with integrated sustainability criteria ✓ Certified Energy Management System (ISO 50001) and verified implementation in the Gran Meliá Fénix hotel ✓ Design of an environmental management system in accordance with the ISO 14001 standard, with a pilot implementation project currently under way at the Gran Meliá Fénix hotel
Inappropriate use and management of consumables and natural resources	<ul style="list-style-type: none"> ✓ Impact on the soil or water of chemical products used for cleaning, fertilisers and pesticides, as well as waste or sewage, which if not suitably controlled can end up contaminating the earth or bodies of surface, subterranean or sea water, affecting existing animal and plant species and the very ecosystem itself where the hotel is located. ✓ Impact of inappropriate, excessive or unjustified use of the natural resources of the destination 	<ul style="list-style-type: none"> ✓ Compliance with applicable urban planning and environmental regulations ✓ Responsible chain of supply and applicable regulatory body ✓ Sourcing chemical products with a low environmental impact ✓ Waste management education and training ✓ Protocols for management and safety of leaks ✓ Programmes for reducing plastic ✓ Investment in efficient power and water equipment ✓ Energy efficiency measures and raising awareness among employees and customers about reducing the use of consumables and natural resources
Emissions and externalities	<ul style="list-style-type: none"> ✓ Emission of pollutants that are dangerous, toxic or noxious for the atmosphere, as well as atmospheric contaminants from cleaning products, pesticides, paints or other dangerous chemical products, which can have an impact on the local flora and fauna if not properly managed. Risk of sound, light or electromagnetic radiation contamination: artificial light, vibrations or noise generated by the establishment, which can affect the life cycles of different species, as well as the habitat itself ✓ Greenhouse gas emissions as a consequence of the hotel's activity 	<ul style="list-style-type: none"> ✓ Compliance with applicable environmental regulations ✓ Constant monitoring of the consumption of energy resources (SAVE) ✓ Investment in efficient power and water equipment ✓ Infrastructure and low-impact systems ✓ Measuring the carbon footprint ✓ Efficient lighting systems that have a low energy and light impact ✓ Raising awareness among customers about respect for the local flora and fauna
Flora and fauna	<ul style="list-style-type: none"> ✓ Introducing invasive exotic species, which can cause serious damage to the local ecosystem, through possible uncontrolled growth, to the detriment of other indigenous species, leading to a loss of local biodiversity or even the extinction of certain native species ✓ Alteration of the local flora and fauna, due to the numbers of people, in the case of hotels close to areas with a high value in terms of biodiversity, due to inappropriate behaviour by visitors 	<ul style="list-style-type: none"> ✓ Designing gardens and wooded areas that respect autochthonous diversity ✓ Protecting local animal or plant species ✓ Protecting, recovering and cleaning the local ecosystem ✓ Raising awareness among employees and customers about respect for the local flora and fauna

We manage hotels located in or close to natural environments with a high ecological value, and which in some cases enjoy special protection as regions rich in animal and plant species.

The commitment made by Meliá with regard to protecting destinations and their heritage, including their natural heritage, is supported by the Group's body of regulations from a range of perspectives through its Code of Ethics, in general terms and through certain policies such as its corporate responsibility, environmental and human rights policies, particularly when the biodiversity and natural habitat are a matter of concern to our stakeholders.

We have a biodiversity management model with a global and strategic approach that is apparent in our recent openings and projects, such as Meliá Iguazú (Argentina) and Meliá Serengeti Lodge (Tanzania).



Implementation at destinations

ENVIRONMENT VALUE Provide information about the environment and its ecosystems as an essential part of the destination's attraction, with a focus on respect and protection from the perspective of a responsible and sustainable tourism.

- ✓ Botanical tour for guests to discover the most representative flora in the area, as well as tree and shrub species, typical palm trees in the Mexican Caribbean, and learning about the landscape of wetlands, coastal dunes and lowland forest, and the Mesoamerican reef system

FLORA & FAUNA Defence, protection and raising awareness on the responsibility to protect autochthonous animal and plant species at risk or under threat, as part of the location's natural heritage.

- ✓ Training for everyone in the team at the Paradisus Playa del Carmen hotel to ensure the conservation and appropriate management of the diversity of the existing flora and fauna, taking into account the environmental characteristics of the region
- ✓ Protection of local actions to raise funds to protect the jaguar in Mexico
- ✓ Describing protected flora (six species) and fauna (37 vertebrate species) for their protection within the facilities of the Paradisus Playa del Carmen complex
- ✓ Urban falconry in Madrid to help control the population of invasive species (dove or parakeet)
- ✓ Programme protecting and conserving the sea turtle in Cancun, with constant monitoring of beaches until the new-born hatches or is freed
- ✓ Programme to recover bee farms and rescue centres for donkeys (which form a key part of domestic life) in Zanzibar

ALLIANCES Working in conjunction with institutional or business stakeholders, setting shared goals.

- ✓ Boost the circular economy together with Diversey, through Soap4Hope, in Asia, reducing the contamination of the substrate with phosphates from soap and facilitating access to basic hygiene products for groups of people without sufficient resources
- ✓ Commitment with the Banco Chinchorro Biosphere Reserve and the Arrecifes de Xcalak National Park for the preservation of the queen conch (*Strombus gigas*) to help with its protection and excluding from menus until the end of the hunting season

- ✓ Participation in the Circular Seas project together with Coca-Cola Spain with some three beach cleanings to raise awareness on the negative impact of the microplastics in the marine ecosystem

MEASURING & MITIGATION Managing hotel activity in a responsible manner, measuring the consumption of natural resources and potential externalities that hotel activity could cause to ecosystems and their biodiversity, activating protection and mitigation measures.

- ✓ Separation of organic waste from kitchens to generate compost to be used as cattle feed on farms in the area
- ✓ "You are Water" Project Paradisus Playa del Carmen collaborates with the local public administration to promote the regularisation of drainage for homes in the Colonia Colosio to municipal drainage networks to prevent waste water filtering into layers of subsoil and contaminating seawater

PROTECTION & PRESERVATION Playing an active role in protecting areas of influence of assets through proactive maintenance and prevention management.

- ✓ Project for the conservation of coastal dune scrub (300 linear metres), mangroves (four hectares) and medium-height semi-evergreen forest (three hectares), at Playa del Carmen
- ✓ Activities to clean, protect and restore mangroves and natural wells
- ✓ Project with co-operative for the development of Cape Verde (CODE) to reduce the impact of plastic on the destination
- ✓ Reforestation of the Maimón river in the Dominican Republic

RAISING AWARENESS Getting our stakeholders involved, by taking a message to them of joint responsibility in protecting biodiversity and making them participants in the commitments made by Meliá.

- ✓ Our hotels participate by holding international days backed by the United Nations on different issues
- ✓ Together with the Travel Foundation, a specific training programme has been devised to train teams in Cape Verde in appropriate waste management to prevent the negative impact on the destination and its ecosystem
- ✓ Support in raising funds for SOS Animal Party, to help the animal protection organisation in Calvià (Spain)

“Best in Class in the environmental category by RobecoSAM CSA in 2018”

2018 MILESTONES

MEASURING AND MONITORING

- ✓ Drawing up of a roadmap for waste management, monitoring and promoting recycling in **76** hotels
- ✓ AS-IS analysis carried out on water consumption to identify opportunities for making water management improvements
- ✓ Implementation of digital energy management system (EMS) and computerised maintenance management software (CMMS)
- ✓ Internal price of coal defined

INVESTMENT AND ACQUISITIONS

- ✓ Investment of €1.3 million in energy and water saving improvements in 114 hotels
- ✓ Investment of €4.7 million in sustainable facilities and equipment, new works or renovations, in 51 hotels
- ✓ Renewal and launch of 13 ESCO projects (four active and nine at implementation stage)

CONSUMPTION AND EMISSIONS

- ✓ Extension of the certified green energy acquisition strategy to France and the UK

PLANNING AND PROMOTION

- ✓ Design for a sustainable mobility strategy
- ✓ Collaboration on R&D projects with Acciona Construcción, a partner on the STILORMADE (GA-737884) project, subsidised by the European Commission as part of the Horizon 2020 programme supporting innovation, with our facilities made available to install solar-powered exterior lighting at Calviá Beach The Plaza

INNOVATION AND CIRCULAR ECONOMY

- ✓ In conjunction with the University of the Balearic Islands, we implemented research projects aimed at improving efficiency criteria for energy and water consumption in hotels
- ✓ We supported start-ups in designing prototypes to monitor for continual reduction in hotel waste
- ✓ A global agreement has been signed with Diversey to boost the circular economy by recycling soap, coffee and textile waste



Future perspectives

2019

- ✓ Define a new method for calculating savings by using baselines with the aim of aligning our calculation criteria with standards to allow for comparison between different industries and sectors
- ✓ Incorporate scientific criteria for calculating the carbon footprint (SBTI)
- ✓ Implement improvements, through investment, to achieve 100% of the goals set on matters of energy and water efficiency
- ✓ Extend energy optimisation projects throughout the Americas and Europe
- ✓ Test and implement the prototype designed for continual waste monitoring
- ✓ Define a map of influence to identify areas of protected biodiversity
- ✓ Extend the scope of the CMMS tool to 25 new hotels in ten countries in 2019
- ✓ We will probe more deeply into the analysis of risks and opportunities of the business units that are most representative/most affected by their geographic location, by carrying out studies on their economic impact and their category
- ✓ Integrate specific training content on eMeliá on the environment and on energy, water and waste management
- ✓ Share best practices via the internal SAP platform (Meliá supplier)

2020

- ✓ Reduce our CO₂ emissions/stay by 18.4%
- ✓ Extend the certified green energy acquisition strategy to Mexico and Germany
- ✓ Reduce water consumption m3/stay by 8%
- ✓ Implement the sustainable mobility strategy
- ✓ Monitor waste at 100% of the hotel portfolio
- ✓ Increase electric power consumption from certified renewable sources to 70%
- ✓ Surpass 80 hotels with a sustainable tourism certification recognised by the GSTC

2035

- ✓ Reduce our CO₂ emissions/stay to 50%

PROGRESS IN MEETING SUSTAINABLE DEVELOPMENT GOALS FOR 2020



Aggregate data






Supply chain

GRI 102-9

“The main objective of the supply chain strategy is to have sustainable and excellent management performance, minimising the costs of purchases, storage and distribution, while also guaranteeing the quality standards of Meliá and respecting the commitments we have made”

Meliá Hotels International is permanently committed to driving forward a sustainable management of the supply chain and building long-term links with its suppliers, based on a relationship of ethics, transparency and trust.

In 2018, the [Responsible Services Procurement and Contracting Policy](#) and the [Code of Ethics for Suppliers](#) were approved, strengthening the body of supply chain management regulations and complementing the principles and commitments made in other policies and standards in the company.

RELATED SDGs		CONTRIBUTION BY MELIÁ
MAIN FOCUS		
	Goal 12: Guarantee sustainable forms of consumption and production	Meliá provides assurance that its standards and requirements in terms of sustainability, including social, environmental and good governance criteria, apply to all its suppliers. The company is therefore committed to innovative and comprehensive supply chain management in order to help develop a responsible business model.
COMPLEMENTARY FOCUS		
	Goal 16: Peace, justice and solid institutions	At Meliá we believe that sustainable development is only possible in an environment of collaboration, where all the relevant actors in the supply chain work together, in a relationship of co-operation and transparency. We maintain strategic alliances not only with suppliers, but also with other stakeholders such as public institutions and NGOs, among others.
	Goal 17: Alliances to achieve objectives	

Supply chain strategy

Our supply chain strategy is based on five principles that help us to optimise performance and minimise the risks to our brands:

Ensure the governance model and its control and compliance measures, by correctly formalising contracts with our suppliers

Apply monitoring and control measures to ensure that all suppliers carry out their activities under the standards and commitments set by Meliá

Manage a centralised procurement system based on aggregating volume and operating under a flexible management model adapted to regional and local needs

Integrate the supply chain strategy with the business and brand strategy

Drive forward the digital transformation of the supply chain management model using criteria of quality, service and sustainability

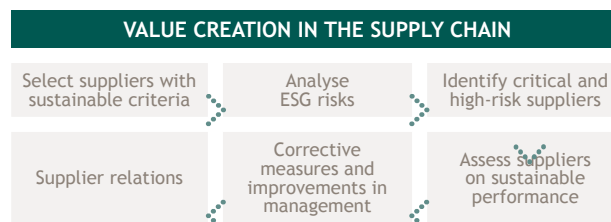
2020 OBJECTIVES

Sustainable supply chain management

The Meliá supply chain integrates ESG criteria into its management, in order to ensure operations that are environmentally responsible and build long-term relationships with the company's suppliers.

One of the most significant advances made in 2018, and which is significantly helping to strengthen the cultural transformation of the company, continual improvement and a model that transmits the commitments made by Meliá in its supply chain, was the update made to the Procurement Strategy, approval of the first Code of Ethics for Suppliers and the update of the sustainability questionnaire for suppliers, which has helped to redefine the objectives in this regard.

As a result of all these tools, Meliá is bringing greater coherence to its supply model and is strengthening its relationship with suppliers based on its values, Code of Ethics and the public commitments taken on board.



Selecting suppliers

Suppliers are selected based on well-defined, sustainable and transparent criteria, and reinforced by the Code of Ethics for Suppliers. This document covers risks linked to the environment, and social and corporate governance issues, with the aim of encouraging our suppliers to share and take on board the same commitments and values upheld by Meliá.

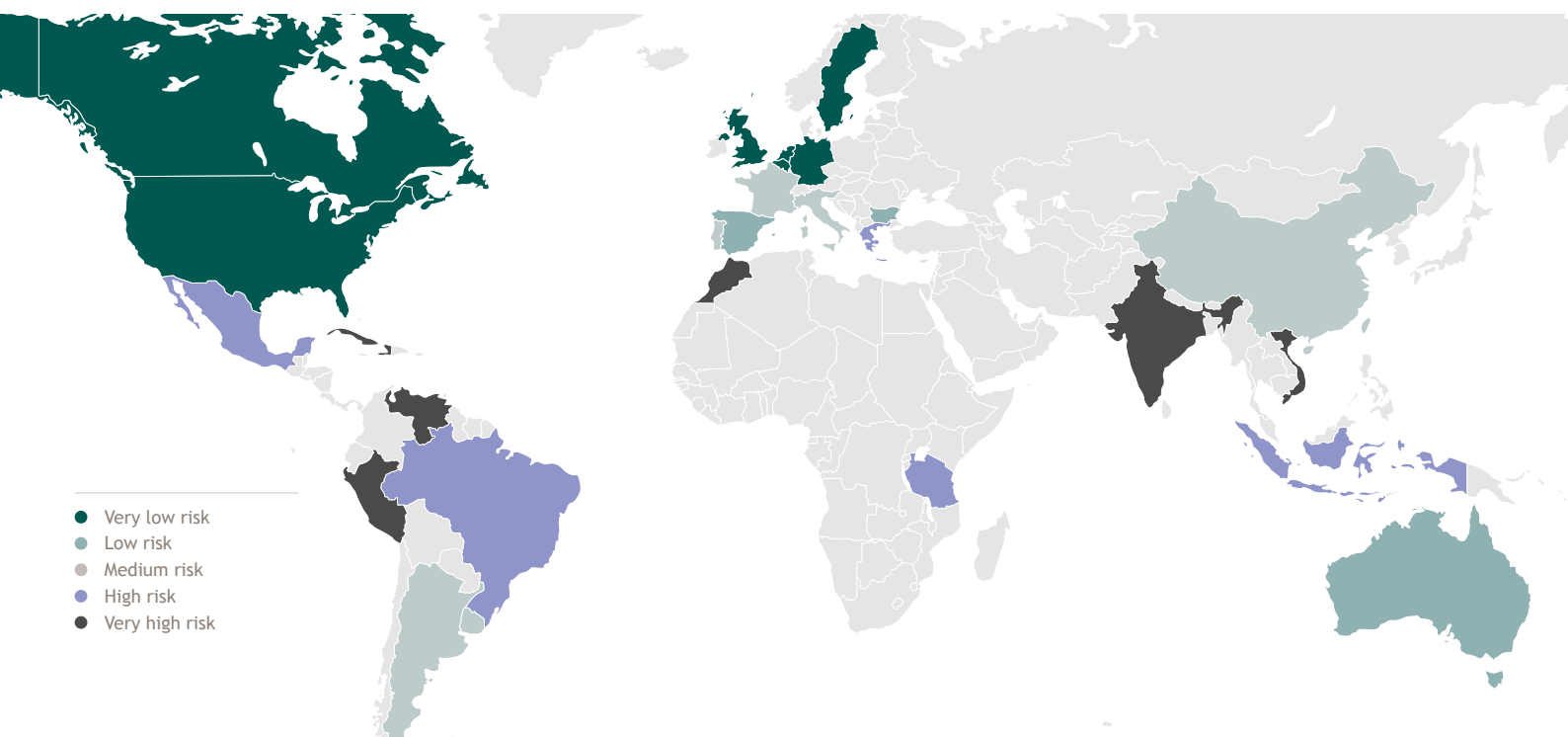
Additionally, all suppliers sign a specific clause, through which they accept and confirm knowledge of our requirements and commitments, and undertake to promote them, while also accepting that the company may audit their compliance and degree of progress on this matter.

ESG risks

In 2018, ESG risks in the supply chain were analysed, in order to determine the level of risk of our main suppliers with regard to environmental, social and governance criteria in the countries where we operate.

Within the assessment criteria, issues relating to human rights, occupational health and safety, talent, diversity, vulnerability and capacity to adapt to climate change, availability of natural resources, biodiversity, institutional relations and corruption were all analysed.

Map of supply chain ESG risks



Identifying critical suppliers

Based on the ESG risk analysis, Meliá defined a process for identifying critical suppliers based on three criteria: procurement volume (minimum 1% of all centralised procurements), ESG risks form per country (main procurement centres) and product family (the food and beverages category is considered the most critical).

4,960	33	288
Portfolio of centralised suppliers	Critical suppliers tier 1*	Critical suppliers not tier 1**

* Direct suppliers ** Subcontractors

Corrective measures and improvements in management

Based on the rating obtained in the sustainability questionnaire, Meliá proposes a series of corrective actions to each supplier for each of the criteria assessed. The purpose of this exercise is to ensure alignment with the company's values and commitments, to strengthen the relationship and communication with suppliers and ensure a more sustainable business model.

Commitments shared with our suppliers

				
COMPLYING WITH LEGISLATION	ZERO TOLERANCE ON SLAVERY	NO CHILD LABOUR	ENSURING SAFE WORK ENVIRONMENTS	ZERO TOLERANCE ON ABUSE OR COERCION
				
FAIR WAGE	RESPECT FOR THE ENVIRONMENT	NON-DISCRIMINATION	RESPONSIBLE SUPPLY CHAIN	FREEDOM OF OPINION AND ASSOCIATION

Co-operation for the promotion of responsible projects



Meliá is a participant in the coastal and seabed cleaning programme “Circular Seas” by Coca-Cola Spain, organised with support from the Ecomar Foundation and the Chelonia and Vertidos Cero associations. Three beaches in Spain were cleaned in 2018: Magaluf (Mallorca), Sitges (Barcelona) and Santa Eulalia (Ibiza).



Assessing sustainable performance

As part of the supply chain management continual improvement process, Meliá assesses its suppliers to measure performance in terms of sustainability. This assessment is carried out through a Control Self-Assessment (CSA), also known as a “sustainability questionnaire”, in which scores are given from 1 (“low potential impact”) to 5 (“high potential impact”) based on the values and commitments of Meliá.

1,018	25.7%	50%
Suppliers assessed	Suppliers assessed (2016-2018)***	Objective for suppliers assessed 2020

*** Calculated based on suppliers registered between 2016 and 2018 (centralised procurements)

Supplier relations

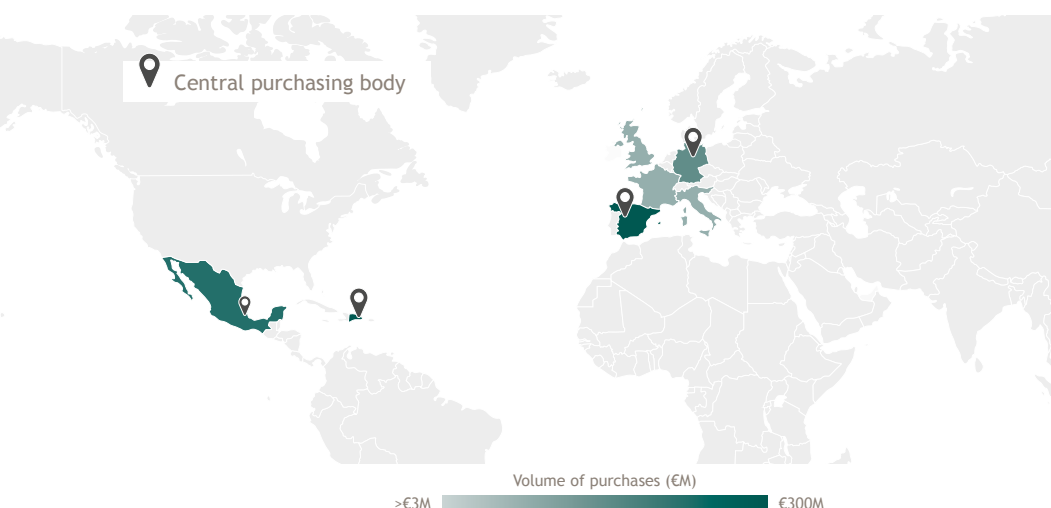
The relationship with our suppliers goes beyond that of a sales partnership. We develop relations involving co-operation on social and environmental causes through strategic alliances that act as an amplifier of our commitments and which give momentum to our socially responsible projects. An example is the co-operation alliances with suppliers such as Diversey with the “Soap For Hope” project and Coca-Cola with the “Circular Seas” initiative.

3	40	284 kg
Beaches in Spain	Meliá volunteers	Waste collected

+21 tons	+15,000	+175,000
Soap recycled	Direct beneficiaries	Bars of soap produced

GRI 204-1

Main suppliers



Spain	€292.3	UK	€7.9
Dominican Republic	€55.4	France	€4.6
Mexico	€38.4	Italy	€3.3
Germany	€14.5		

Sustainability initiatives

With the aim of ensuring a responsible and sustainable supply chain management, we drive forward projects and offer products and services that have a positive impact on the environment and on society, from the design and construction of our hotels to culinary options or alternatives for sustainable mobility.

Construction and facilities

- ✓ Incorporation of energy eco-efficiency measures into the design and construction of our hotels
- ✓ Contracting energy from renewable sources
- ✓ Monitoring and analysis of energy and water consumption and emissions

Products and services

- ✓ Reduced emissions linked to the displacement of our customers, offering the rental of electric bikes and the installation of charging points for electric vehicles in our hotels
- ✓ ECOTOUCH MEETINGS by MELIÁ: With the aim of raising awareness among customers on the need to make a responsible use of resources and its impact on the environment, Meliá Hotels & Resorts is driving this programme forward in its MICE segment

2020 Objectives

60%

Suppliers with signed sustainability clauses*

Progress 2018: 18.5%

60%

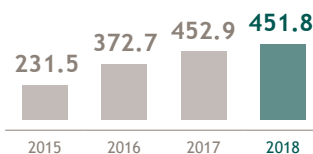
Suppliers with signed Code of Ethics*

90%

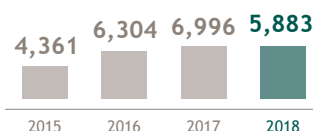
Local suppliers monitored by central purchasing body

*Global scale (centralised purchases)

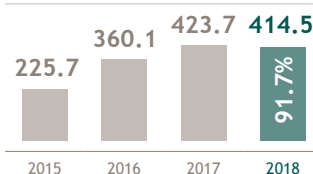
VOLUME OF PURCHASES WORLDWIDE (€M)



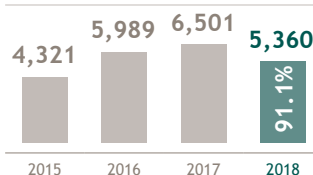
PORTFOLIO OF SUPPLIERS WORLDWIDE



VOLUME OF LOCAL PURCHASES WORLDWIDE (€M)



PORTFOLIO OF LOCAL SUPPLIERS WORLDWIDE



CENTRALISED PURCHASES 2018

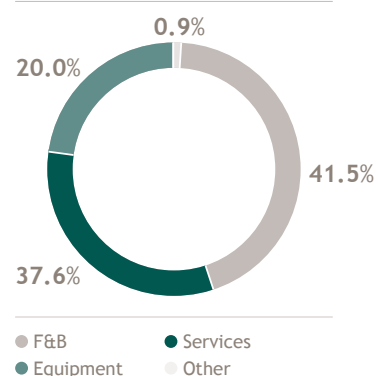
€416.3 M
Centralised purchases

€380.3 M
Centralised local purchases

4,960
Centralised suppliers

4,615
93.0%
Centralised local suppliers

PRODUCT FAMILIES CENTRALISED PURCHASES



People

Cultural transformation

Our associates are the key to our being able to provide our customers with unique, unforgettable experiences, which means providing an excellent service and the warm and friendly attitude shown by our staff to help ensure our leadership within the sector. To that end, their professional development is at the heart of our approaches, and as a company we aspire to ensure that our associates are given a specific promise from each of our brands as an international company.

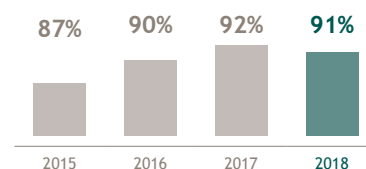
This approach, which is framed within the Strategic Plan for 2016-2018, has defined a process of cultural transformation, which has strengthened the comprehensive management model of people, our efficiency and our competitiveness, leveraging in the commitment and pride of belonging displayed by our employees.

Since then, we have been working to achieve these goals, by empowering internal talent, generating opportunities for developing and improving their skills and competencies in an increasingly digital context, which requires us to incorporate new roles and functions to stay competitive. Acting in this way is ensuring we are in the best conditions to adapt to the new and increasingly demanding and fast-changing trends, without forgetting to meet the expectations of our associates.

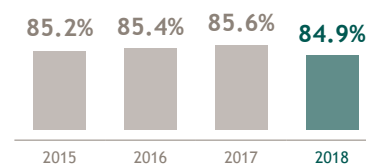
We are thus strengthening our employer branding image by attracting the finest talent and building loyalty among our current staff, who every day show us their high degree of commitment, responsibility and professionalism.

The Meliá people management system was bolstered in 2017 with the approval of the company's [Human Resources Policy](#). The system ensures that the principles of transparency and non-discrimination; equal opportunities; promotion, payment and reward criteria; implementation of best practices in the development of people and talent, provision of safe environments and stable options for growth, among other aspects; are upheld.

PARTICIPATING WORKFORCE
"IT'S YOUR TURN" *

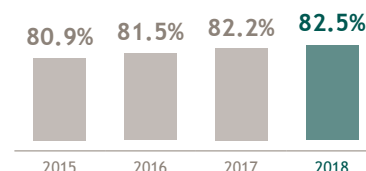


COMMITMENT (%)
"IT'S YOUR TURN" *



2018 Target: 85.4%

RECOGNITION
"IT'S YOUR TURN" *



* Aggregate data

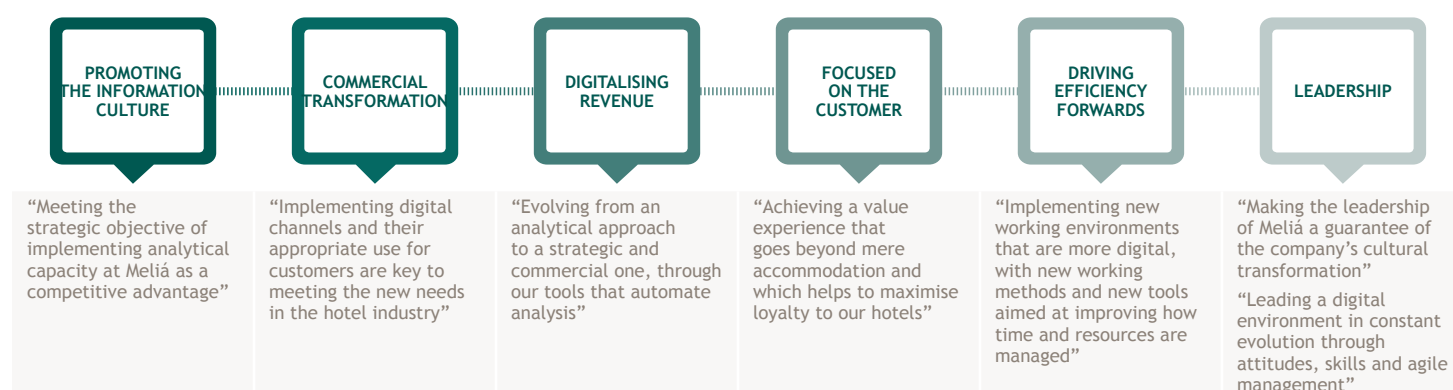


Leverage for transformation

In an era of constant change, it is important to integrate new tools and initiatives to help the company evolve and adapt to the new environment, which today requires new expertise, skills and ways of working to enrich the process of change and transformation in any organisation.

Our strategic focus has integrated several forms of leverage to ensure that Meliá can become a company that evolves

towards an excellent management model with a strategy whereby digitalisation has significant relevance, as it is enabling us to create even closer ties with customers, employees and the rest of our stakeholders, improve our analytical capacity, become more efficient by optimising key processes, and promoting commercial excellence by optimising revenues, all backed by company leaders who represent our unique way of operating.



Agility in the organisation and management system

Having an organisation that is able to adapt to meet the needs of the business and be more efficient and competitive day after day is a maxim for us. We find ourselves in the best position to provide our current and future employees with a comprehensive package and have a positive impact on our customers and on society as a whole.

With a clear focus on improving our management and to ensure appropriate team sizes, in 2018 we conducted an organisation analysis and mapping of our capacities to adapt our structure to our strategic priorities, thus simplifying the current model. This initiative has enabled us to combine one thousand job descriptions into 28 roles, which has been instrumental in defining The Meliá Role Map, a new and pioneering initiative in the industry, by which, through the creation of an infrastructure, it is possible to gain a clearer and more transparent view of the current positioning of each one of our associates and what their opportunities for growth might be, both within their current role and towards other critical roles, thus boosting the cross-functional potential and employability of our teams, as well as helping to identify the strategic needs for resources for the company at any given moment.

We are continuing to digitalise workstations to improve collaboration and cross-functional capabilities between areas. We are implementing instant messaging systems, corporate social networks, virtual collaboration communities, and a new intranet or Employee Portal,

which as a result of this new technology is accessible from any device and from anywhere in the world, and can be personalised depending on the country. We are also creating communities to share knowledge and best practices on all manner of issues.

We are applying the agile methodology in all areas that are developing initiatives of particular relevance for Meliá and which require particular management to ensure the required timeframes and levels of quality are met.

We have made sure that all our teams have access to absolutely all sources of information to ensure a unique governed data model to facilitate the analysis of information in both a cross-functional and a global manner, and implemented a series of solutions created and designed in-house, aimed at going paper-free and at improving the search for and filing of documentation.

Also, our work organisation model includes the ongoing implementation of measures for a good work-life balance, such as split working days, working straight through, maternity and paternity leave, flexible working hours, reducing working hours, and flexibility in terms of holiday leave and rest periods, among other aspects. Meliá employees also enjoy a series of social benefits, which are adapted to suit the situation in each country, establishing the appropriate mechanisms to ensure they are successfully implemented, without it affecting our activity given the idiosyncrasy of our industry.

Talent, knowledge and recognition

We invest in the professional growth of our teams and are committed to being able to disseminate the expert knowledge that they hold. Development, knowledge and values are all mainstays for our growth as a company, and we guarantee the impact of the investment we are making in our talent, as our teams are exemplary in how they express our culture and our values.

Our talent pools are a good example, one which in turn is an incentive for our associates to continue to grow with us while also developing their own career, in an international, dynamic and digital working environment. Internal promotion is a key element in professional growth for incentivising development and continual improvement, as well as for identifying existing talent, for which we carry out regular performance assessments of our teams.

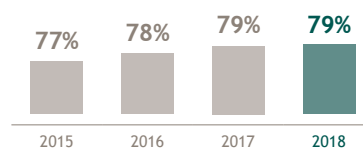
Digitalisation is a key element for equipping our teams with accessible and dynamic learning environments that strengthen our cross-functional knowledge and the development of new skills, in a way that meets either current needs or future expectations.

Thus, the online training platform, eMeliá, provides training programmes such as My Company, My Performance, My Way and My Academy, whereby each employee can establish, manage and personalise their course of action by taking into account their development and training needs, and strengthening their own employability and mobility in the company.

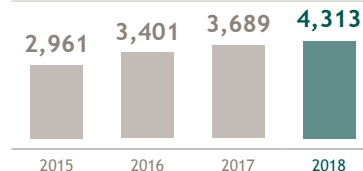
In 2018 we created a new global portal for employees, with a new design, more up to date and responsive, adapted to a greater number of different profiles, under decentralised management that ensures more regular updates and with virtual communities where the focus is on sharing best practice, boosting internal and shared knowledge to improve the employee experience.

We remain committed to strengthening our employer branding and options for attracting future talent, with the aid of social media, getting the message out there about who we are and how we continue to move forward via these channels.

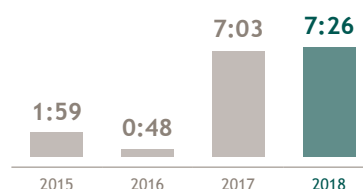
TRAINING & DEVELOPMENT
"YOUR VOICE" *



USERS eMELIÁ *



HOURS OF TRAINING
PER PERSON eMELIÁ *



* Aggregate data

SOCIAL NETWORKS MELIÁ CAREERS



235 People in development pools	71.3% Internal coverage	€4.5 M Investment training and development	1.9867 ROI Human Capital
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Aggregate data

Safe and secure workplace

The comprehensive development of our teams means looking out for their wellbeing and protection in the work environment. We manage the portfolio following the guidelines set by our Health and Safety Management System, which contains the criteria established by OHSAS (the Occupational Environment, Health and Safety Unit).

We also place particular emphasis on ensuring safe working environments, and promoting healthy life habits among our teams through support and advice, and by developing activities that help ensure that not only do our places of work comply with regulations on matters of prevention, they also incentivise healthy lifestyles.

In 2018, we strengthened our preventive management system with the approval of the [Occupational Health and Safety Policy](#). This policy is of capital importance, as by establishing the value of people as the central concept of preventive actions, it promotes a model of working that focuses on guaranteeing a high level of safety, health and wellbeing, while also promoting improvements in the conditions in which our teams work, in order to help deliver on the brand promise at all levels. This policy completes the development implemented by Meliá through health and safety programmes, initiatives to improve working environments, nutrition, and so on.

Furthermore, given the family origin and values of Meliá, we have strengthened this approach with the approval of our first [Human Rights Policy](#), which has a particular focus on defending workers' rights and their right to work in the best possible health and safety conditions, finding the right balance between their personal and professional life in a way that fits the requirements of our industry.

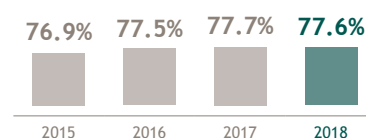
Managing food hygiene

To ensure the maximum quality and the highest standards of food health, and even going beyond regulatory compliance in every destination where we operate, we apply our Self-Regulation Management System, which ensures that food is harmless and healthy. We have also defined General Hygiene Plans, which establish objectives for management, enforcement procedures, monitoring, corrective measures and verification, among other aspects. Our system therefore takes a holistic approach to all the key aspects to ensure a culinary experience of the highest quality, which includes aspects such as ensuring the water is suitable for human consumption, cleaning and disinfection, food handling, pest control, facility maintenance, equipment, food traceability, removal of by-products and waste, and, of course, the continual education and training of our teams.

2018 Milestones

- ✓ Production of the Global Occupational Health Management System Manual
- ✓ Campaigns to encourage healthy habits in food, nutrition, oral health, eye health, alcohol consumption, maternal lactation, awareness raising and prevention of cancer
- ✓ Organisation of the Health Fair (PREVINIMSS)
- ✓ Organisation of Family Week, aimed at the wellbeing of associates and their families, with workshops for parents, partners and companion initiatives for the elderly
- ✓ Promoting health through informative materials and preventive material
- ✓ Support and sponsorship of the first Balearic Conference for Cancer Patients and their Relatives
- ✓ Launch of the "Why We're Thinking About You" programme to raise awareness about health and safety at work

"IT'S YOUR TURN NOW" WORKING ENVIRONMENTS & RESOURCES



Aggregate data

83.53%

Workforce covered by collective agreements (aggregate scope)

83.56%

Workforce covered by collective agreements (consolidated scope)

34

H&S audits (aggregate scope)

29

H&S audits (consolidated scope)

344

F&B audits

Health, safety and wellbeing programmes

INFORMATION ABOUT STRESS MANAGEMENT

The Technical and Medical Workplace Area (Occupational Health Department) establishes the courses of action aimed at obtaining information for managing stress through individual health surveillance, based on identifying unfavourable conditions and certain behaviours and habits during working hours.

A diagnosis is made of the situation and by analysing the conclusions, corrective or preventive measures are devised to avoid or minimise the unfavourable conditions detected.

The main factors analysed relate to working times, autonomy, workload, psychological demands, variety and content, participation and supervision, interest in the worker, performance in the role, and social relations and support. This course of action takes place in the various business units.

Additionally, through the working climate survey “Your Voice”, opportunities for improvement are detected and ad hoc action plans are initiated.

Initiatives for a healthy working environment

ERGONOMIC WORKSTATION

In business units and in head office areas, careful consideration is given to the design of facilities and furniture in all areas of work. At head offices, the necessary requirements are defined to ensure suitably ergonomic workstations, taking into account location, work surface heights, types of furniture, equipment, data viewing screens, location of the workstation, colours, etc. These criteria also apply to communal spaces provided where staff can work and relax.

In operative areas within business units, the physical load is analysed for all work positions, by assessing forced postures, repetitive movements, lifting loads, transporting manual loads, drive and traction, and energy cost.

LIGHTING

The different areas and workstations are analysed that could pose risks to health such as visual fatigue and accidents due to poor lighting. These analyses estimate and assess the degree of exposure to risk with regard to

STRESS MANAGEMENT TRAINING

A range of courses of action are in place both at head offices and in hotel departments. At head offices, the eMeliá platform offers a range of courses to raise awareness in matters of stress management and time management, within the framework of a module known as MyHealth, which is available in Spanish, English, Chinese and Indonesian.

In business units, specific actions are established for stress management training, consisting of group activities for yoga, Pilates and mindfulness, among other disciplines.

At the head office in Palma an internal wellbeing programme has been implemented, focusing on the practice of mindfulness and Qi Gong, which is open to employees and run by Meliá staff members who are experts in these matters, who voluntarily offer their time and knowledge to those wishing to practise these disciplines. These activities not only help to improve the working environment, but participants experience an increase in their motivation and performance levels.

a lack of compliance in the levels of lighting needed for places of work.

Also analysed are situations of dazzling light, evenness of lighting, balance of light levels and integrating natural light.

Additionally, energy efficiency criteria are being incorporated by renovating existing lighting, respecting lighting needs for both comfort and safety, prioritising natural lighting combined with general or localised lighting. As well as the benefit that this brings in energy savings, it also boosts the capacity for chromatic reproduction, luminous flux stability and the tone of the light used, as well as meeting the visual psychological need in terms of the external environment.

In areas where plenty of light is needed, such as for administrative tasks, the required lighting level is 500 lx. In areas with low visual needs, the required lighting level is 100 lx, and 200 lx in areas with moderate lighting needs. These aspects are all analysed at least once a year.

NOISE

Each year, when the working conditions change, an analysis is made of all the workstations that are most exposed to noise as a harmful element for workers. For staff who are exposed to strong sources of noise, specific health surveillance medical protocols are established to guarantee they have physical protection.

When choosing equipment, those producing the least noise are prioritised, and the design and layout of locations and workstations are studied to ensure a lower exposure to noise, with specific training provided on protection from noise and reducing noise levels.

Limitation to the duration and intensity of exposure is implemented through prevention programmes for each business unit. All measuring equipment used meets the specifications indicated in the UNE-EN 61672 standards for sound meters and UNE-EN 61252 for dosimeters. Measuring equipment is verified by externally accredited organisations.

In the event of there being any workstations where the noise level exceeds 80 dBA, staff have noise protection equipment and systems selected by the technical team of the Occupational Health Department.

INDOOR AIR QUALITY

To ensure that indoor air is suitably renewed, air quality conditions are analysed at least once a year, and carbon dioxide (CO₂) and carbon monoxide (CO) levels are measured in areas where their levels may be high. In enclosed parking areas without natural exterior ventilation, CO levels are permanently monitored.

If levels exceed legally established limits, they are analysed and corrective measures are taken or planned.

HUMIDITY

Depending on the risk of exposure, humidity levels are regularly analysed at different workstations.

The accepted thresholds are a minimum of 30% and a maximum of 70%.

TEMPERATURE

Once a year the temperature conditions of workstations and places of work are checked and temperature readings are taken at the various workstations.

Particular attention is paid to places and times with high exposure to extreme temperatures (high or low) that could be harmful to workers.

SPACES FOR PHYSICAL ACTIVITY

Agreements are in place with various external centres. These agreements are nationwide (Spain) and are managed by the regional human resources department.

HEALTHY NUTRITION

The Medical Service of the Occupational Health Department is in charge of overseeing the individual and collective health of employees, informing associates through various channels to promote the necessary health measures and advice to enjoy a healthy lifestyle.

The advice given includes information on weight loss, high cholesterol levels, diets low in uric acid, tympanites, measures for lowering cholesterol, blood pressure, sugars, physical activity, constipation, back health and lowering uric acid, depending on the associate's particular needs. Specific campaigns are also launched to lower alcohol and tobacco consumption.

Associates can be referred to different medical specialities, such as cardiology, ophthalmology, urology, ENT, respiratory health and internal medicine.

BENEFITS FOR EMPLOYEES

BeFlex, the flexible payment programme that is exclusive to the company and which offers employees options to sign up for products and services such as health insurance, nursery, transport, training and a daily menu, with significant tax advantages.

Meliá Privilege, an exclusive discounts programme for employees that offers a range of products and services, regardless of where employees work.

Diversity, inclusion and equality management

Our diversity is an asset for building loyalty and attracting talent. Our international scope leads us to interpret this issue in its broadest sense: gender, culture, generational, skills, etc. Indeed, at Meliá people from more than 120 countries all work together.

To boost diversity we promote equal opportunities, and our Code of Ethics explicitly forbids any form of discrimination, always respecting applicable legislation. We have diverse employee profiles, including 421 people with disabilities working in owned, leased or managed hotels, and 329 in owned and leased hotels. We also promote best practices in our people management to help advance and contribute to how this issue is managed globally. We have an Equality Plan in place, which, although it only relates to Spain, it informs the appropriate measures to be taken wherever we operate. In this regard our Code of Ethics plays an essential role, as it reinforces our commitments and approaches to equality in situations that do not have a specific plan in place on this issue. We are also working to reduce the gender gap through high-impact initiatives that serve not only to ensure a greater female presence in managerial positions at Meliá, it is also about empowering women in general from our experience in the tourism industry. In this regard, we have a monitoring committee to which the advances and measures taken on matters of

equality are reported, which includes avoiding publishing vacancies that might contain any kind of discrimination, reviewing job role descriptions from a perspective of gender and ensuring selection processes are based on criteria of equality, and we have studied the make-up of the workforce by professional groups and by category from the perspective of gender. Promotion occurs following criteria of a candidate’s professional worth and preparation, and when appropriate following criteria of positive discrimination for reasons of gender.

The reputation of Meliá means we are able to ensure that the talent, wherever it is, is made aware of attractive proposals when they arise. To that end, we use different forms of leverage to enrich our diversity, such as direct and stable dialogue with academic and education environments, universities and specialist centres. Similarly, in response to our strategy, we are incorporating profiles for people with specialist knowledge in engineering, the environment and digital environments, among others.

We also identify talent among groups of people at risk of social exclusion, for whom we create opportunities through measures aimed at creating jobs and improving their employability. We are strengthening the Vocational Training model as a commitment for the future, combining technical training and learning in situ.



BOOSTING
EMPLOYABILITY
FROM HOTELS



428
Entities
supported



493
Actions
promoted



+€499,000
Economic
impact

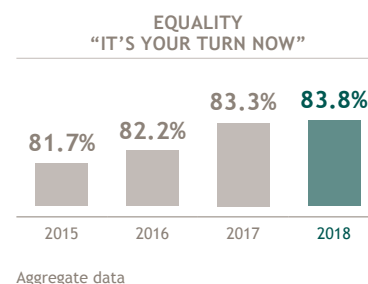


+21,800
Beneficiaries

Aggregate data

2018 Milestones

- ✓ 95% of objectives met in agreements signed with strategic universities
- ✓ Boost to Vocational Training projects together with the Bertelsmann Foundation
- ✓ Agreement signed with ISDI to collaborate on digital profiles
- ✓ Agreement signed with UITA on a joint commitment to fight sexual harassment in the workplace, on a global level
- ✓ Together with the Accenture Foundation, we launched a pilot to improve digital skills and analyse the impact of digitalisation for core staff through virtual reality
- ✓ Fifth edition of 1st Professional Experience launched to train young people at risk
- ✓ INCORPORA Agreement signed to integrate people at risk of social exclusion with Obra Social La Caixa (35 hotels in Spain)
- ✓ Work placements programme launched in Dom. Republic in collaboration with Comunidad de San Pablo (three hotels involved and 27 young people trained)
- ✓ Sponsoring Talent, in collaboration with the Princesa de Girona Foundation (14 young people)
- ✓ The Vocational Training model consolidated in Calvià, in collaboration with Amadip Escola Professional (11 college hotels and 29 students trained)
- ✓ Work with Down España to identify the job needs faced by people with Down's syndrome (10 hotels)
- ✓ We took part in ClosinGap, together with nine leading companies in Spain, to analyse the economic impact of reducing the gender gap in different areas
- ✓ Our online training programme now includes specific content on equality
- ✓ We took part in International Days linked to women, their rights and equality, supporting organisations such as the Adecco Foundation, Mujeres Sin Piedad and the Club de las Malas Madres, in the fight against gender violence and in promoting equality



44% Women employed	25% Women in top management positions	39% Women in management positions	39% Female managers in revenue-generating positions
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Aggregate data

closinggap

Pinardi

incorpora
de la Caixa

Fundación
Bertelsmann

FPdGi

amadip esment

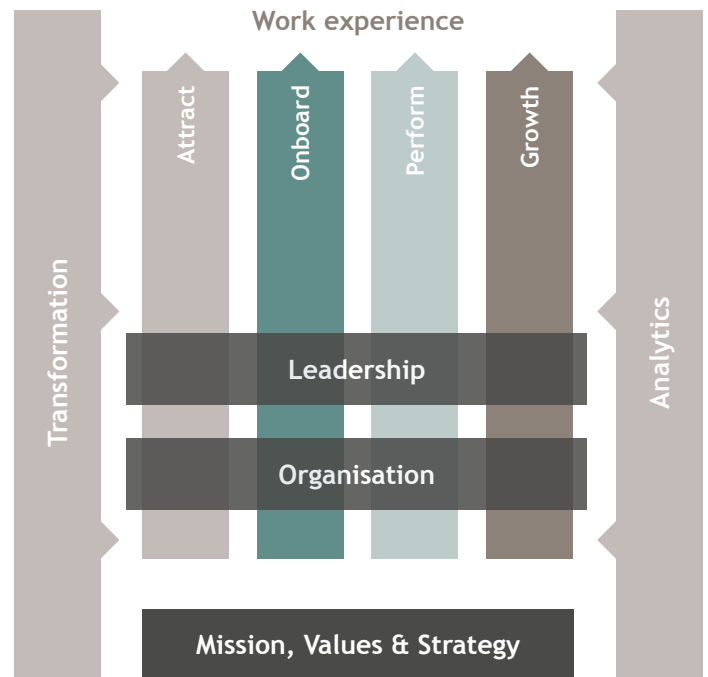
Driving forward the cultural transformation of Meliá Hotels International

Meliá Starring You is our approach for strengthening employee value so our staff feel in control of their own story and to help boost the cultural transformation of Meliá from their position within the organisation. The initiative places the employee at the centre of everything that we do, strengthening communication with current and future employees as a core element to ensure their ties with and commitment to the company throughout each phase of the cycle.

Our aim is to build an attractive employer branding that sets us apart from our competitors in terms of reputation and enables us to attract the right talent and manage the employee experience from their very first day at Meliá, personalising their experience as part of the company.

The project structure is based on the principles and core values of our corporate brand, and enables us to make the first contact and approach with external candidates through our jobs website, social media, and our presence at universities and centres of learning, among others.

This new way of targeting people forms part of the essence of every project aimed at our teams.



Meliá Starring You Lead the Opportunity

A programme aimed at developing and promoting people with a leader profile at Meliá as a way to ensure the company's cultural transformation and as key leverage for the future. The main objective is to strengthen a leader profile that recognises talent, is representative of our values, and which promotes the recognition of talent and appropriate diversity management.

STARMEUP - A recognition app among colleagues, one that is both vertical and cross-sectional, and which seeks to recognise when our corporate values are put into practice.

INSIGHTS DISCOVERY - A psychometric tool that we have implemented within the programme's framework and to help our teams build self-knowledge, improve interpersonal relationships and improve performance in their roles.

884

Participants
Meliá Is You

Aggregate data

Future perspectives

Transformation

- ✓ Adapt development programmes to needs arising from implementing the roles model

Organisation

- ✓ Move forward with implementation of the roles and families model, The Meliá Role Map, at the global level, opening it up to all hotel positions to encourage cross-functional nature and an agile methodology between corporate and operative areas
- ✓ Adjust development programmes to needs arising from implementing the roles model
- ✓ Update talent management processes to align with the new roles and families model

Talent

- ✓ Launch of the Executive Graduate Program, aimed at identifying future hotel managers and assistant managers, involving 18 months of training
- ✓ Implementing a collaborative working model with learning centres based on specific challenges in the hotel industry aimed at students
- ✓ Launch of the Generation M project to strengthen young talent
- ✓ Extend the scope of eMeliá to reach more collectives
- ✓ Create new functional knowledge communities
- ✓ Extend the talent map to regions that have experienced relevant growth in recent years or have significant expectations of growth in the short term
- ✓ Consolidate our social employability model, making its methodology international and measuring the economic impact
- ✓ Strengthen our commitment to young talent at risk of social exclusion and the quality of teaching in the Dominican Republic, in collaboration with the Entreculturas Foundation, through a project to train teachers and tourism students
- ✓ Adapt the Meliá-University of the Balearic Islands Chair of Tourism Studies to develop digital skills in the tourism industry through the post-graduate course "University Expert in eTourism: Online Sales and Marketing"

Environment

- ✓ At the global level, we will be implementing the procedures defined in the Health & Safety Management System Manual

Diversity and equality

- ✓ Update our body of regulations to adapt it to the new contexts of equality, diversity and requirements of disconnecting from work
- ✓ Appointing a Working Group in Diversity and Inclusion
- ✓ Extend the Incorpora Programme, by Obra Social La Caixa, to new hotels in Spain
- ✓ Strengthen proposals and commitments at the international level on matters of equality, preventing harassment and sexual harassment in the workplace.

Projects

- ✓ Replicate the Change Makers accompaniment model to new critical profiles
- Launch the reference guides for the leader on how to deal with "moments of truth" with their associates based on the work done in training sessions in 2018

Human rights

Comprehensive vision in Meliá regulations and management

Our corporate values help to protect human rights, as they form the fundamental basis of a hotel management model that promotes integrating ethical and responsible criteria.

Our international presence in countries where the defence of human rights needs to advance leads us to be beacons of the concept and ensure frameworks for relations and management in which their defence can be guaranteed. To that end, we work to identify new opportunities for improvement and spreading the notion of best practices, in collaboration with businesses from different sectors.

As a result of this commitment, as well as identifying and monitoring risks of a financial, operative, strategic or reputational nature on the Group's risk map, we have also added any potential impacts that our activity could have on human rights issues, in order to initiate appropriate mitigation or resolution processes.

Although protection on this issue is not new for us, in 2018 we approved our [Human Rights Policy](#), a document that contains all our pre-existing positions and commitments on this matter. The policy gives our commitment greater force and integrity, strengthening

a solid and responsible form of governance that supports managerial transparency and exactitude based around a single corporate document that applies the world over, and which among other aspects will not only enable us to better manage risks where we operate, it will also ensure that it is known and taken on board by our value chain.

Not only have we drawn our commitments together into one policy, we have also strengthened our own Code of Ethics and the Code of Ethics for Suppliers on this matter and other policies that can help to give the model greater force, such as the [Anti-Corruption Policy](#), the [Responsible Services Procurement and Contracting Policy](#), the [Occupational Health and Safety Policy](#) and the [Human Resources Policy](#), with explicit references to non-discrimination, by which they all provide a response to the concerns expressed by our stakeholders. To check effective compliance with our approaches to human rights and other commitments on matters of corporate responsibility, our contracts allow us to audit our suppliers in this regard. Thus, total or partial non-compliance can lead to the supplier being immediately required to adopt and enforce corrective measures, and in the event of reiteration without grounds the working relationship may be immediately terminated.

Raising awareness and training

Together with UNICEF, we are continuing to strengthen our commitment to children's rights on matters such as commercial sexual exploitation, eradicating child labour and a child's right to a name and to be registered at birth, and we will continue working to shed light on the concept as a whole and to raise the issue with all our internal and external stakeholders.

Moving forward, we will continue to uphold our public commitments and the international standards that we adhere to, which, as well as strengthening our position, it also helps highlight and add relevance to our stance on the issues at stake:

- ✓ 2030 Agenda as a global frame of reference
- ✓ The Ten Principles of the UN Global Compact on Human Rights
- ✓ ECPAT Code - For the Comprehensive Protection of Children
- ✓ Global Code of Ethics for Tourism - promoting a more ethical and responsible tourism industry
- ✓ FSTE 4 GOOD IBEX - sharing best practice as a listed company
- ✓ Carbon Disclosure Project (CDP) - To continue the fight against climate change
- ✓ UITA Agreement - to protect workers' rights according to ILO directives

2018 Milestones

- ✓ We conducted an internal analysis of the concept, scope and focus, standardising our commitments and integrating them into all the new policies and regulations that deal with aspects relating to the explicit prohibition of work-related exploitation or slavery
- ✓ Our first [Code of Ethics for Suppliers](#) addresses specific aspects relating to human rights, which enables us to make extensive commitments with regard to these stakeholders
- ✓ Having formed part of and been an endorsee of the Global Compact for 10 years, in 2018 we stepped up to signatory level, assuming a higher level of commitment and conditions
- ✓ We form part of the working group on human rights led by the Seres Foundation, the sessions of which have focused on gaining deeper knowledge of the concept, its effective integration into the value chain and the sharing of best practices with leading companies in their sectors
- ✓ We took part in the Forética Anti-Corruption, Transparency, Good Governance and Integrity Cluster, and in the Corporate Responsibility and Anti-Corruption Committee of the International Chamber of Commerce (ICC)
- ✓ We have made our positions on the matter public in various channels of communication, such as our corporate website and the new employee portal, and in various corporate documents aimed at raising awareness among our key stakeholders, such as owners, employees, investors, suppliers and shareholders.
- ✓ As of 2018, our online training platform eMeliá has a specific Corporate Responsibility tab that includes content on human rights, as well as the Global Compact Principles and other related public commitments by Meliá
- ✓ Specific training on our Code of Ethics was launched, using teaching and interactive elements to inform our employees about our major ethical commitments
- ✓ The corporate responsibility clause that is included in our supply contracts for products and services has been updated and now includes this issue
- ✓ We have promoted awareness-raising campaigns with our core allies on defending children's rights, defending gender equality and fighting gender violence
- ✓ We have taken part in sector-specific and specialist business forums at the national and international level, setting out our contribution, commitments, advances and actions for change in defending children's rights
- ✓ In collaboration with the International Chamber of Commerce (ICC) in Spain, we organised the first International Conference on CSR and Anti-Corruption

Future perspectives

- ✓ Prior to running due diligence on this issue, we will carry out a global control self-assessment (CSA) to identify potential human rights risks and plan appropriate mitigation measures
- ✓ We will be incorporating specific training content on human rights on the eMeliá platform in collaboration with leading organisations such as Global Compact
- ✓ Throughout 2019, we will be taking part in the LabS on Human Rights by the Seres Foundation, which will focus not only on regulatory issues but also on topics of interest such as the SDGs, the work carried out on the concept of the value chain, the use of technology, the transfer of knowledge and international trends.



Society and philanthropy

GRI 413-1

Active role in destinations, part of society

For Meliá, as a family company, defending the rights of the child forms the cornerstone of its positioning in society. However, our vision and philanthropy goes further, as it covers various aspects that are key to social development where we operate, and also forms part of our corporate responsibility strategy.

Although it is true that our social and philanthropic involvement dates back to when the company was founded, it was in 2018 that we formalised and made public these positions, based on a [Philanthropy Policy](#) that strengthens our social actions and management model. We thus established a comprehensive activation of the appropriate mechanisms to continue to contribute to the direct development of local communities. In this way, and alongside our corporate responsibility strategy, the spirit of this policy seeks to help build a more just and equal society.

Philanthropy management system

To homogenise our philanthropic and social activity, we have formalised a complete management system, one that has a unique management procedure that is global in reach and based on the principles of integrity, priority, transparency, control and flexibility, and which is aimed at adding social value. In defining clear criteria for selecting beneficiary causes and organisations, this management is fundamental, as it provides our business units with the autonomy they need to implement actions that have a local impact, but which are always aligned with the company's CR strategy and with the Sustainable Development Goals as a frame of reference. The social support of Meliá is based on sponsoring measures that are aligned with this policy through direct economic contributions or providing spaces for holding events or social actions.

Participation, therefore, involves not only Meliá employees but also its customers and other key stakeholders, through initiatives implemented in our hotels and head offices. The year 2018 was one that stood out for the extraordinary involvement of our customer groups, not only in the donation of funds for children's aid linked to their stay in our hotels, but also in their mobilisation in favour of action motivated by the humanitarian crises in Southeast Asia as a result of a range of particularly serious extreme climate events.

CR strategy, alliances and commitments as the basis for actions

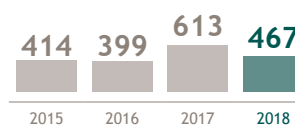
The basis for this alignment is the principle of integrity between our business activity and the social needs that we witness and which, through different public commitments, we can help to improve or alleviate.

Although these aspects have formed part of how Meliá has operated for years and are in the public realm, they now have a standardised corporate managerial framework. Additionally, and in line with Objective 17 of the 2030 Agenda, which seeks to establish alliances to advance with the Sustainable Development Goals, our philanthropic focus aspires to promote rights and wellbeing of children and society as a whole, improve the employability of people at risk of social exclusion, improve training and education, raise awareness of the importance of the environment, and promote the cultural, historical and environmental heritage of resort areas.



Aggregate data

FUND RAISING
FOR CHILDREN (000' €)



2016-2020 target: €1.6 M

24
Participating
countries

217
Hotels
involved

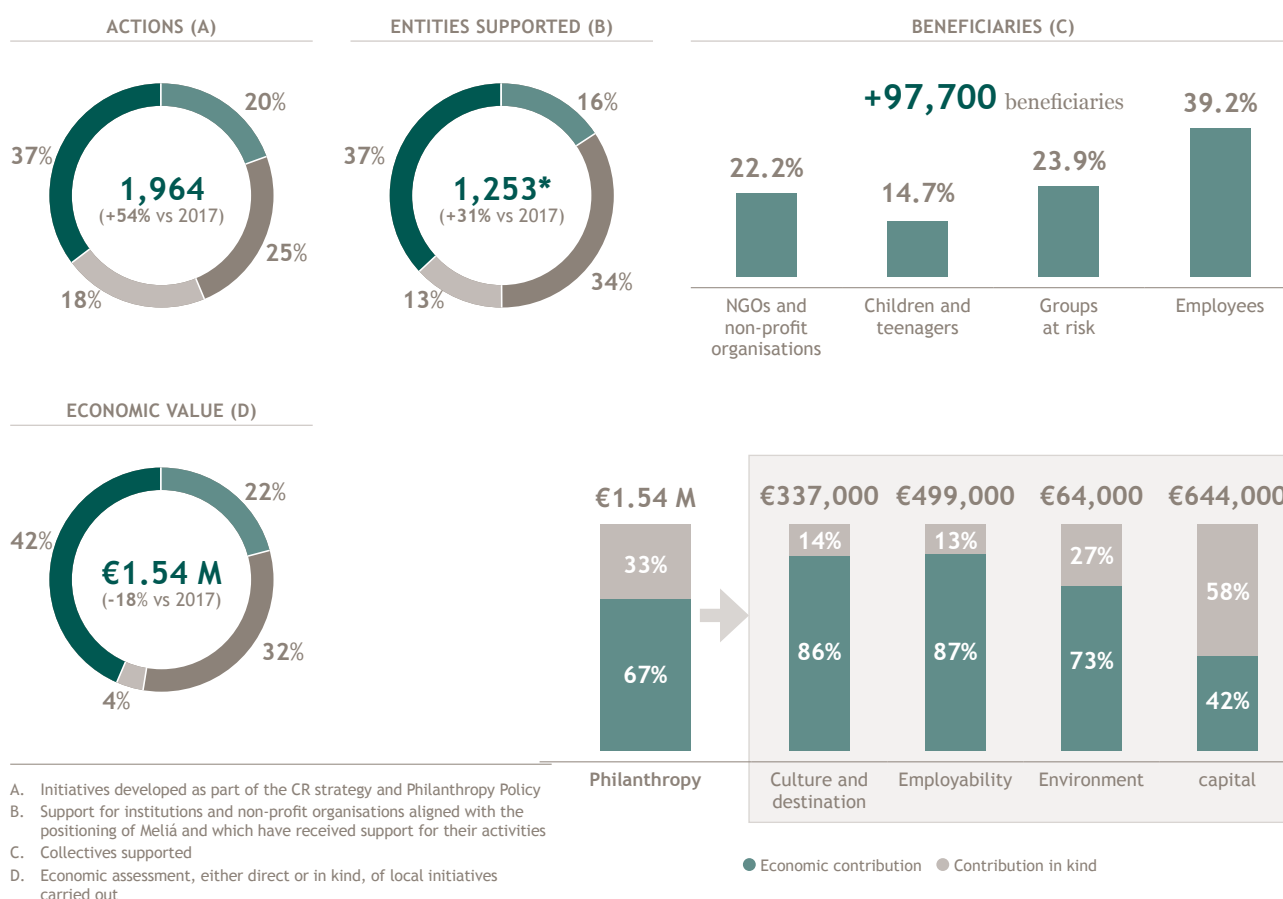
+€41,000
Funds raised for
humanitarian
crisis in Sulawesi

+630
Direct
MeliáRewards
donors (Sulawesi)





Philanthropy from the hotels



Dimensions

● Social ● Culture and destination ● Employability ● Environment

* NGOs and social institutions (20.8%), economic contributions and sponsorships (14%)

Aggregate data

Main lines of work

Culture and destinations	Employability	Environment	Social
Raising awareness about the tourism industry	Education	Biodiversity	Economic development
Re-evaluating the heritage, history and local culture	Employment and inclusion	Getting environmental messages across	Cooperation
Promoting healthy lifestyles and wellbeing	Grants and training	Visibility to local and eco-friendly products	Emergency calls
	Sponsorship by social institutions		Awareness raising
			Sponsorship by social institutions

Calviá Beach project

GRI 203-1; GRI 203-2

The culmination of an emblematic project

The year 2018 was when Meliá put the finishing touches to a process of profound change that began in 2011 in Magaluf with the assignation of the Regional Interest Project.

This process has involved various teams, investors and numerous public and private actors working together at the same time.

This brings a virtuous circle to an end that has led to the architectural and environmental refurbishment of 11 hotels, improving the urban environment, diversifying and raising the quality of the accommodation and leisure options available, and complemented with new high-level tourism possibilities that are innovative, modern and attractive for new customer segments, acting as an incentive for the economic and social life of the destination.

The project has gone beyond simply reconverting hotels and obsolete activities, as it has led to a better understanding of the social challenges faced by the area and has identified opportunities for the future together with public and private agents who have worked together to make Magaluf, once again, a true driving force in economic and social terms, a creator of value and employment to contribute to balanced and sustainable development of the area.

A project worthy of recognition

- 2011** Regional Interest Project (Balearic Government and Calvià Town Council)
- 2012** Plaque for Tourism Merit to the pioneering destination reconversion project
- 2013** Gabriel Escarrer Jaume (Vice-Chairman & CEO) named Entrepreneur of the Year
- 2014** Sol Wave House Booking Award of Excellence & TripAdvisor Award of Excellence
- 2015** Innovation Award (Capital); Sol Katmandu Park & Resort named one of the 100 Best Ideas on matters of innovation (Actualidad Económica)
- 2016** Katmandu Park & Resort named best hotel for travelling with children (Trivago)
- 2017** Responsible Tourism award FITUR (International Tourism Fair, Madrid)
- 2018** Rethink Hotels award to Calviá Beach The Plaza and Momentum Plaza as best sustainable renovation projects in Spain



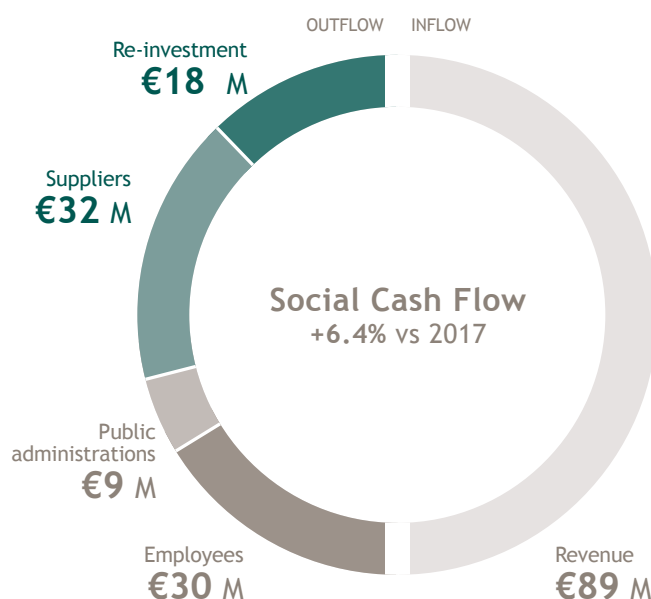
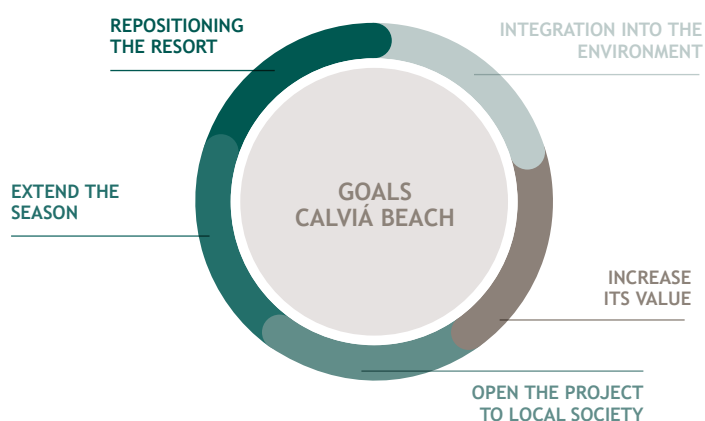
Meliá Calviá Beach



Calviá Beach The Plaza



Sol House The Studio



Economic value

“Renew or die”

Gabriel Escarrer, Executive Vice-Chairman and CEO, Meliá Hotels International, 2011

Meliá decided to renew itself and define an ambitious plan for the Calvià coast, aimed at extending the season, attracting family and adult tourism, strengthening MICE and sports tourism, modernising and improving the additional options in leisure and commerce, as well as improving the destination's safety, harmony and reputation

Milestones

- ✓ Closer links with public administration, making for an exemplary relationship of public-private collaboration
- ✓ Improvements in urban planning, architecture, landscaping and the environment, renovating communal areas and adjoining commercial areas not run by Meliá
- ✓ Renovation of all Meliá hotel properties, raising their category
- ✓ Attraction of new lifestyle tourism, and tourism with high purchasing power
- ✓ Boost for new customer segments (golf, cycling, sailing, walking)
- ✓ New distinguishing value with new attributes, products and concepts, positioning Wave House Leisure and Nikki Beach as leading leisure attractions
- ✓ Katmandu developed as a place of social gathering, including for residents
- ✓ Diversification of markets and nationalities
- ✓ Investment from other key agents incentivised, attracting new brands and improving the quality of the complementary options available
- ✓ Improved economic results (occupancy and average rate)
- ✓ Summer and winter tourism season extended
- ✓ Corporate segment (MICE) boosted through conferences and events

Contribution of value (2018)



33.07%

INVESTMENT*

11

HOTELS

17

NEW BUSINESSES
MOMENTUM PLAZA

13.27%

INCOME

9.00%

REVPAR*

8.47%

EXPANSION
SEASON*

13.80%

F&B* REVENUE

* CAGR 2011-2018



PARTNERS

Public/Private collaboration	Autonomous Government of the Balearic Islands	Institutional support and visibility
	Calvià town council	More agile administrative procedures
	Sector-based associations	Updated public spaces and promenades
Attracting investment	Leading financial partners	Private capital
New concepts and high added-value products	Nikki Beach	Development of a beach club with international impact
	Flow barrel	Europe's first surf centre
	Katmandu Group	Integrating new products under the concept of theme hotel (play & stay)
	Momentum Plaza	Development of amusement park
Innovation	Acciona	Commercial and leisure space hosting 17 renowned national and international restaurant and retail brands
	Oracle	Design of new concepts for solar-powered lighting systems
		Integration of various Oracle Cloud technologies to improve internal processes and the customer experience using Bluetooth bracelets

Environmental value

“Without our environmental commitment, the transformation of Calvià Beach would have been incomplete”

Mark Hoddinott, Chief Real Estate Officer at Melià Hotels International, (2018)

Renovating the resort involves not only committing to new hotels, but to quality, innovative and attractive hotels. This means making a firm commitment to an efficient and low-impact way of running a hotel, which respects the surrounding area and its natural resources, and which involves all actors in working towards a shared goal.

Milestones

- ✓ Investment focused on integrating sustainable criteria in the design and renovation of facilities, incorporating technical sustainability criteria relating to energy and the environment
- ✓ Standardisation of sustainable products. All equipment, furniture and linen chosen following certified energy and environmental sustainability criteria (FSC, ISO 14001, PEFC)
- ✓ Certified renewable energy sources contracted
- ✓ Continual monitoring of energy and water consumption, and emissions
- ✓ Promotion of actions to raise awareness and educate teams and customers through all available communication channels
- ✓ Moving forward in the full cycle of the impact of waste production: improving the management, reduction and recycling of the waste generated by the operation
- ✓ Removal of 100% of single-use plastic products
- ✓ Support for sustainability mobility initiatives

Contribution of value (2018)



€421,000*	-2.96%*	-1.41%*	-1.19%*	€141,000*	2.8%*
ENVIRONMENTAL INVESTMENT	CO ₂ SAVED (KCO ₂ /stay)	ENERGY SAVED (kWh/stay)	WATER SAVED (m ³ /stay)	ECONOMIC IMPACT	ROI
100%	100%	73%	52.5%	1,2	
CONSUMPTION GREEN ENERGY	PORTFOLIO SAVE	PORTFOLIO SUSTAINABLE	SEPARATION OF WASTE	WASTE (KG) PER STAY	

* Average 2015-2017 vs 2018



PARTNERS

Integration sustainable criteria in hotel activity	Endesa	Supply 100% certified renewable energy
	Diversey	Provision of chemical cleaning products with a low environmental impact
	Altare	Industrial control and energy management
	Zennio	Energy control system in rooms
	Ledvance	LED lighting systems
Environmental commitment of the project	Simon	Sustainable mobility solutions and electric charging points
	EarthCheck	Certification of the destination as a sustainable environment, backed by GSTC
	Coca-Cola Spain	Development of the Circular Seas project to help raise awareness on protecting the destination in a global context with support from 40 volunteers
Promoting learning and raising awareness	Calvià 2000	Organisation of workshops, recycling, nutrition, theatre and solidarity actions
	Aspanob	
	F. Vicente Ferrer	
	SOS Animal	
	NGO Avaso	

Social value

“Businesses must ensure that the decisions they make contribute to sustainability and society”

Kofi Annan, Secretary-General of the United Nations and Nobel Peace Prize. Rio de Janeiro, 2014

Committing to the local business fabric, giving the destination opportunities and spaces to come together, establish alternative job possibilities and provide access to multidisciplinary knowledge opens up new opportunities that go beyond tourism

Milestones

- ✓ Focus on local suppliers
- ✓ Integrating local actors (traders, suppliers, residents)
- ✓ Improvement perception of the resort at the local level as a top area for leisure, attracting local clientele and increasing acceptance by upscale customers
- ✓ Creating new jobs, without affecting existing jobs
- ✓ Boosting employability and opening spaces up for learning
- ✓ Launching programmes for internal training among current employees
- ✓ Developing new profiles (tourism, hotel and catering, digitalisation)
- ✓ Establishing Momentum Plaza as a dynamic element of the destination's social life
- ✓ Showcasing the project as a case study in business schools
- ✓ Working directly with local social organisations
- ✓ Backing voluntary work to strengthen the philanthropic and solidarity factor of the destination

Contribution of value (2018)



231	€1.2 M	€12,000	€30 M	29%	40	
LOCAL SUPPLIERS	INVOICING LOCAL SUPPLIERS	SPECIAL EMPLOYMENT CENTRES	SOCIAL COST	WORK EXPERIENCE STUDENTS HIRED	TRAINED IN DIGITAL SKILLS	
22%	25	28	51%	29%	34.8%	84.5%
JOB DAYS CONTRACTED	STUDENTS FROM VOCATIONAL TRAINING	EMPLOYEES WITH DEVELOPMENT PLAN	WOMEN ON THE WORKFORCE	WOMEN IN EXECUTIVE POSITIONS	NPS	GRI
58	+€241,000	42	+1.400	3,600	+151,000	
CSR INITIATIVES	ECONOMIC IMPACT	ENTITIES SUPPORTED	BENEFICIARIES	EMPLOYEES IMPLICATED	CUSTOMERS IMPLICATED	



PARTNERS

Opportunities for learning and work placement	Esment Professional College (Amadip)	Vocational training for young people (18-29)
	Balearic Islands Tourism, Hotel and Catering College	Training specifically for front desk
	Balearic Islands Occupancy Service (SOIB)	OpenDays recruitment events
	La Caixa Foundation (Incorpora)	Hiring people at risk
Spaces for strategic reflection	IE Business School	Management case studies produced
	Harward Deusto	
	San Telmo	
Space for social action	Calvià Foundation 2004	Magaluf International Marathon
	ASPACE & Nemo Foundation	Superkids Challenge - Solidarity Ironman race to raise funds with support from 50 volunteers
	Peugeot PSA Retail	

Corporate governance

GRI 102-18

Terms and conditions for the corporate governance model

As a listed company since 1996, Meliá Hotels International has advocated the progressive implementation of a solid Corporate Governance Model that guarantees optimal management, protecting the interests and the trust of its shareholders and all its stakeholders.

The Corporate Governance Model operates under the principles of transparency, ethics, diligence and separation of functions between the managerial bodies, both in decision making and in the implementation, management and monitoring. The family component of the company helps to strengthen the Corporate Governance Model and the transparency in its management, ensuring long-term viability.

Having a framework for adopting and implementing hierarchical, transparent and clearly established decisions strengthens the company's vision in the medium and long term, ensuring business sustainability, compliance with the expectations of our stakeholders and the creation of both economic and social value based on corporate values and commitment: vocation of service, excellence, innovation, openness and integrity.

The Board of Directors of Meliá Hotels International is the body that oversees and manages the activity of the company and its Group, and is supported by two special commissions: the Appointments and Remunerations Committee, and the Audit and Compliance Committee. The duties, make-up and functioning of these management bodies are regulated in the [Company Bylaws](#), the [Regulations of the General Shareholder's Meeting](#) and the [Regulations of the Board of Directors](#).

More detailed information on this matter can be found in the [Annual Report on Corporate Governance](#), and in the [Annual Report on Remuneration of Directors](#).

Good governance

The Corporate Governance Model sets out directives for acting and behaving in a way that aligns with the principles, commitments and courses of action defined in the company's Code of Ethics and indicated in internal policies and standards.

The Meliá Hotels International Corporate Governance Model is based on compliance with the Capital Companies Act, the recommendations of the National Securities Market Committee (CNMV) Code of Good Governance for Listed Companies, and with the market's best practices on this matter. In this regard, over recent years the Articles of Association, the General Meeting of Shareholders Regulations, the Board of Directors Regulations and the Code of Ethics have all been modified and updated.

Similarly, in 2018, a range of policies were approved and updated, the Code of Ethics for Suppliers was approved and a new complaints channel for suppliers was created.

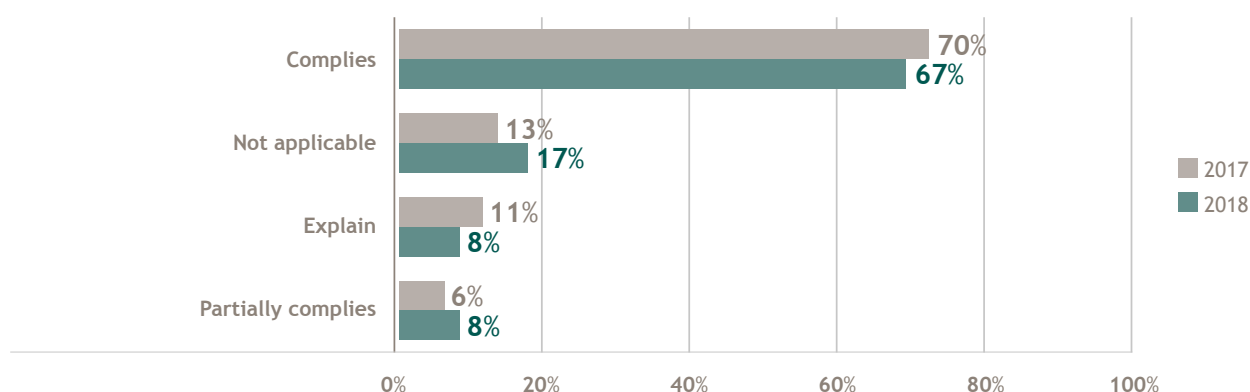
Additionally, the company's Corporate Governance Model includes recommendations for prestigious organisations on matters of corporate governance and sustainability.

This practice has enabled us to take part for the first time in the Corporate Sustainability Assessment by RobecoSAM, the world's most prestigious agency specialising in sustainable investment, and receive *Silver Class* recognition in the 2019 Sustainability Yearbook.

This assessment measures the sustainable performance of companies based on ESG (environmental, social and governance) criteria, where Corporate Governance plays one of the most important roles in the assessment.

Recommendations from the Code of Good Governance for Listed Companies

Regarding the Code of Good Governance for Listed Companies, Meliá currently complies with **67%** of its recommendations.



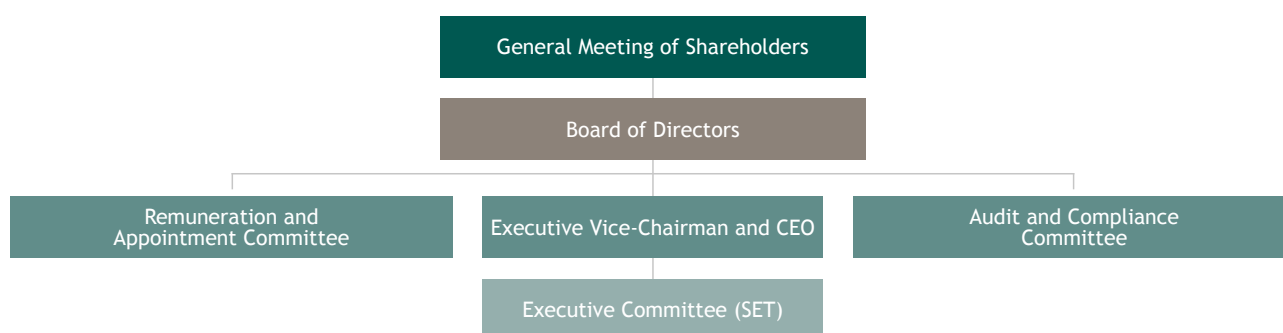
The roadmap for Corporate Governance includes some of the following milestones, which come not only from recommendations in the Code of Good Governance for Listed Companies by the National Securities Market Committee (CNMV), but also from the requirements in the Corporate Sustainability Assessment by RobecoSAM and the Spencer Stuart Index for Boards of Directors:

- ✓ Increase the number of women on Board of Directors, to meet the objective established in the [Director Appointment Policy](#), by which the company undertakes to ensure a third of Board members are female by 2020
- ✓ Review the functions of the Delegate Committees, particularly with regard to assigning duties and responsibilities on matters of corporate responsibility

- ✓ Integrate a Diversity Policy and a Digital Disconnection Policy into the company's body of regulations
- ✓ Include a clawback clause on the variable remuneration of the CEO and senior management
- ✓ Update the non-financial objectives on the variable remuneration plan of the CEO and senior management, in order to incorporate ESG (Environmental, Social & Governance) criteria

Government bodies

The structure and functioning of the governing bodies of Meliá Hotels International are set out in detail in the [Annual Report on Corporate Governance](#):



General Meeting of Shareholders

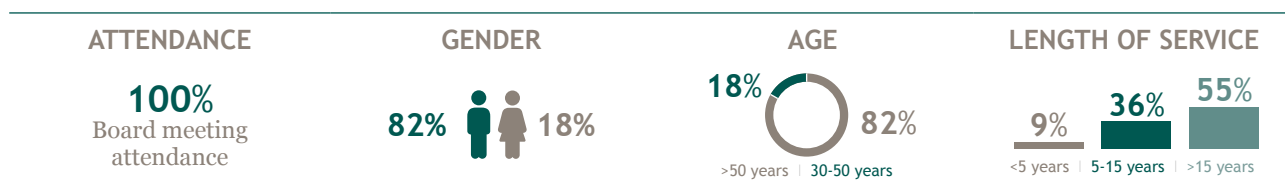
€45,940,000	229,700,000	229,700,000	300
Capital stock	Ordinary shares	No. of votes	Minimum shares to attend Meeting
<p>At the General Meeting of Shareholders held on 6 June 2018, the following agreements were adopted:</p> <ul style="list-style-type: none">✓ Review and approval of the Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Changes in Net Assets, Cash-Flow Statement and Report) and the Management Report of Meliá Hotels International, S.A. and its Consolidated Group for the financial year ending 31 December 2017✓ Review and approval of the social management of the Board of Directors for the 2017 financial year✓ Application of the 2017 year-end result✓ Re-election of Mr Juan Arena de la Mora as external independent Board member✓ Determination of the number of members to make up the Board of Directors✓ Re-election of the Accounts Auditors (Pricewaterhouse Coopers) for Meliá Hotels International, S.A. and its consolidated Group, for the 2018 financial year✓ Appointment of the Accounts Auditors (Deloitte) for Meliá Hotels International, S.A. and its consolidated Group, for the 2019, 2020 and 2021 financial years✓ Modification of the Remuneration Policy for Board Members for the 2018 financial year		<ul style="list-style-type: none">✓ Approval of the Remuneration Policy for Board Members for the 2019, 2020 and 2021 financial years✓ Maximum amount set that Board Members may be paid for their role as such✓ Advisory vote on the Annual Report on Board Member Remuneration✓ Information on the Euro Commercial Paper Program on emissions✓ Delegation of powers to interpret, amend, complement, develop, formalise and implement agreements adopted at the General Meeting <p>All agreements were adopted by a sufficient majority of votes in favour, in all cases surpassing 94% of the capital stock in attendance. The attendance quorum at the General Meeting of Shareholders was 77.29% of the capital stock with a right to vote, despite the fact that the company's floating capital is lower than 47% (approx.)</p> <p>The agreements adopted and the results of the votes at the meeting are available on the Meliá Hotels International corporate website, in the “Corporate Governance” section.</p>	






























Board of Directors

11	1	4	5	1
No. of members	CEO	External independent directors	External independent directors	"Other" external directors
<p>The composition of the Board of Directors is based on the principle of proportionality, by which the interests of all of the company's shareholders are represented on the Board. Given the family origins of Meliá, the Board of Directors is the body that oversees the transmission of the family values and vision that have formed a part of the company from the start, to all of its stakeholders.</p> <p>The Unified Code on Good Corporate Governance recommends setting diversity targets to ensure a governing body that contains diversity in a range of aspects, such as experience, age and percentage of independent board members. This makes it possible to have a solid model of corporate governance, with experience and knowledge in different sectors and positions. The diversity targets also contain the Director Appointment Policy.</p> <p>MISSION</p> <p>The Board of Directors is the company's most senior body in terms of management and supervision, and its duties are regulated by article 34 of the Articles of Association and article 5 of the Board of Directors Regulations. The criterion that governs the actions of the Board at all times is to act with diligence, loyalty and in good faith, and in the best interests of the company.</p> <p>DUTIES</p> <ul style="list-style-type: none"> ✓ Act as the company's maximum legal representative ✓ Determine and approve the company's policies and strategies ✓ The appointment, remuneration and, as appropriate, dismissal of the company's directors 			<ul style="list-style-type: none"> ✓ Identify the main risks facing the company, particularly risks of a fiscal nature ✓ Supervise the internal information and control systems ✓ Call General Meetings and implement and ensure compliance with the agreements made at said meetings <p>HIGHLIGHTS OF 2018</p> <ul style="list-style-type: none"> ✓ The Board of Directors approved six (6) new policies and updated two (2) ✓ The Board of Directors reviewed and updated the Code of Ethics ✓ The Board of Directors approved the first Code of Ethics for Suppliers and created the first Complaints Channel for Suppliers ✓ Following recommendations by the Unified Code on Good Corporate Governance, the Committees' Activity Reports were published ✓ The Audit and Compliance Committee led the process to select the new accounts auditor for the Group, which culminated in the firm Deloitte being appointed by the General Meeting of Shareholders on 6 June 2018 ✓ Following recommendations by the Unified Code on Good Corporate Governance, the annual assessment by the Board and the Committees for the 2017 financial year was carried out with support from an independent expert (Deloitte) 	

GRI 102-23; GRI 405-1; GRI 102-27

Composition of the Board of Directors



DIRECTORS		SINCE	FIELDS OF EXPERIENCE							COMMITTEES	
										A&C	N&R
	Mr Gabriel Escarrer Julia Non-Executive Chairman and External Proprietary Director View CV	1996									
	Mr Gabriel Escarrer Jaume Executive Vice-Chairman and CEO View CV	1999									
	Mr Sebastián Escarrer Jaume External Proprietary Director (Hoteles Mallorquines Agrupados S.L.) View CV	1996									
	Mr Juan Vives Cerdá External Proprietary Director (Hoteles Mallorquines Asociados S.L.) View CV	1996								V	
	Ms Antonia Escarrer Jaume External Proprietary Director (Hoteles Mallorquines Consolidados, S.A.) View CV	2000									V
	Mr Alfredo Pastor Bodmer External Director - Others View CV	1996								V	
	Mr Juan Arena de la Mora External Independent Director View CV	2009								V	
	Mr Francisco Javier Campo García External Independent Director View CV	2012									P
	Mr Fernando D’Ornellas Silva External Independent Director Coordinating Director View CV	2012								P	V
	Mr Luis Mª Díaz de Bustamante y Terminel Secretary and External Independent Advisor View CV	2010									V
	Ms Carina Szpilka Lázaro External Independent Director View CV	2016								V	

A&C	AUDIT AND COMPLIANCE		HOTELS		PEOPLE
N&R	APPOINTMENTS AND REMUNERATION		BANKING AND FINANCE		LEGAL
V	BOARD MEMBER		TECHNOLOGY		RETAIL AND MASS CONSUMPTION
P	PRESIDENT		INDUSTRY		

Assessment of the Board of Directors

In accordance with the provisions of the Capital Companies Act and following recommendation no. 36 of the Code of Good Governance for Listed Companies, the Board of Directors conducts an annual assessment of the functioning and composition of the Board and the Delegate Committees.

The Board has been supported by an external consultant (Deloitte) to assess the 2017 financial year. The report with the assessment results was submitted to the Board of Directors at the meeting held in February 2018.

Board Committees

Remuneration and Appointment Committee

COMPOSITION

4 members

Chairman:

Mr Francisco Javier Campo - External Independent Director

Members:

Mr Fernando D'Ornellas Silva - External Independent Director

Mr Luis María Díaz de Bustamante y Terminel - External Independent Director

Hoteles Mallorquines Consolidados, S.L. (represented by Ms Maria Antonia Escarrer Jaume) - External Proprietary Director

In accordance with the recommendations made by the Unified Code on Good Corporate Governance, the Appointments and Remuneration Committee is made up of a majority of independent external board members.

MEETINGS

The Remuneration and Appointment Committee held six (6) meetings in 2018.

REGULATION

Article 39.3 of the Articles of Association 15 of the Regulations of the Board of Directors

DUTIES

a. Concerning the appointment and re-election of Board Members:

- ✓ Formulate and review the criteria to be followed for the composition of the Board of Directors and the selection of candidates
- ✓ Submitting to the Board the proposals for the appointment of Directors

- ✓ Examine and organise the succession of the company's Chairman and top executive, and, as appropriate, submit proposals to the Board of Directors

b. Concerning the appointment and separation of senior managers and the basic conditions of their contracts:

- ✓ Report proposals for appointment and separation of senior managers and the basic conditions of their contracts

c. Concerning assessing activity by the Board of Directors:

- ✓ Co-ordinate and prepare the assessment of the quality and efficiency of the functioning of the Board of Directors and the Committees

d. Concerning the Remuneration Policy:

- ✓ Put to the Board the Remuneration Policy for Board Members and Managing Directors, or whoever carry out senior management roles answering directly to the Board, the Executive Committees or Board Members, as well as individual remuneration and other contractual conditions of the Executive Officers, ensuring compliance
- ✓ Regularly review said remuneration policy, weighing up its suitability and performance
- ✓ Oversee transparency in remunerations

e. Others:

- ✓ Report concerning transactions that involve or may involve a conflict of interest
- ✓ Report to the Board in advance on all matters contemplated in legislation, the articles of association and the regulations of the Board of Directors

The activities carried out by the Appointments and Remuneration Committee during 2018 are set out in the report on the committee's activities, published on the [Meliá Hotels International website](#).

Board Committees

Audit and Compliance Committee

COMPOSITION:

5 members

Chairman:

Mr Fernando D'Ornellas Silva - External Independent Director

Members:

Mr Juan Vives Cerdá - External Proprietary Director

Mr Juan Arena de la Mora - External Independent Director

Mr Alfredo Pastor Bodmer - External Director from the "Others" category

Ms Carina Szpilka Lázaro - External Independent Director

In accordance with the provisions in recommendation 39 of the Unified Code on Good Corporate Governance, the Chairman of the Audit Committee, Mr Fernando D'Ornellas, was appointed based on his expertise and experience on financial matters.

MEETINGS

The Audit and Compliance Committee held a total of ten (10) meetings in 2018.

REGULATION

Article 39 Bis of the Articles of Association and Article 14 of the Regulations of the Board of Directors

DUTIES

a. Relationship with the external auditor

- ✓ Present proposals on selecting, appointing, re-electing and replacing the external auditor to the Board
- ✓ Supervise the independence of the external auditor
- ✓ Maintain the relationship/liasing with the external auditor

b. Supervision of the efficacy of the company's internal control and risk management systems

- ✓ Identify and assess policies and processes to measure and manage the main risks in a comprehensive and global way for the Group
- Supervise the efficacy of the company's internal control, internal audit services and risk management systems

c. Supervision of the internal auditing and compliance function

- ✓ Approve the annual plans and budget of the internal auditing and compliance function

d. Supervision of the process for drawing up and submitting regulated financial information

- ✓ Review the company's accounts and oversee compliance with legal requirements and the correct application of generally accepted accounting principles, with direct collaboration from the external and internal auditors

e. Report to the General Meeting of Shareholders on matters within their competency:

- ✓ Report to the General Meeting on the result of the audit, explaining how this has contributed to the integrity of the financial information and the role that the committee has played in that process

f. Others:

- ✓ Examine compliance with the internal regulation on Conduct on the Securities Market, the Board of Directors Regulations and, in general, on the company's corporate governance regulations, and make the necessary proposals for their improvement
- ✓ Monitor the complaints channel

The activities carried out by the Audit and Compliance Committee during 2018 are set out in the report on the committee's activities, published on the [Meliá Hotels International website](#).



Comparative analysis of the Corporate Governance Model

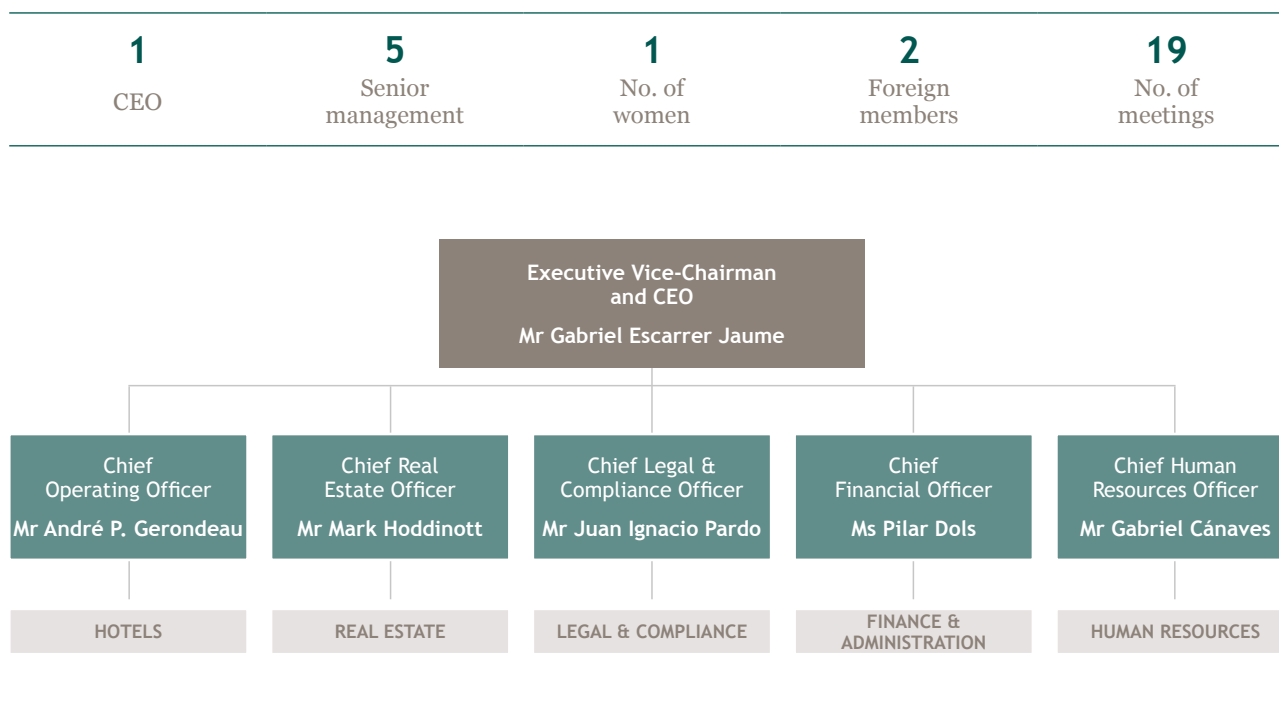
Category	Melià Hotels International	Media Spain (Spencer Stuart)	Recommendations
No. of board meetings	6	11,1	8
No. of members of the Board of Directors	11	10.9	5 - 15
% Independent Directors	45%	45%	50% - 30%
Average age Board of Directors	63	60,3	N/A
% Foreign Directors	0%	19.8%	N/A
% of women on the Board of Directors	18.18%	19.5%	30%
Average length of time as Director (years)	13,2	6,3	7 - 12
No. of meetings of the Audit and Compliance Committee	10	8,4	N/A
No. of meetings of the Remuneration and Appointment Committee	6	6,3	N/A
No. of members of the Audit and Compliance Committee	5	4,5	N/A
No. of members of the Remuneration and Appointment Committee	4	4,4	N/A

Sources:
 Spencer Stuart report on Boards of Directors (2018)
 Unified Code on Good Corporate Governance (CNMV)
 Corporate Sustainability Assessment (RobecoSAM)



GRI 102-19

Senior management and organisational structure



VICE-CHAIRMAN AND CEO

Mr Gabriel Escarrer Jaume, as the company's Vice-Chairman and Chief Executive Officer, has been delegated all the powers of the Board of Directors, except those that cannot be delegated, and carries out his normal duties as Executive Officer. Since 2016, the Chairman of the Board of Directors (Mr Gabriel Escarrer Juliá) no longer has an executive role, allowing for a greater separation of functions and independence between the Chairman and the CEO.

Gabriel Escarrer joined the company more than 20 years ago, after completing his training in business and finance, a vocation he shares with that of the hotel business. As the company's Executive Officer, he has consolidated his leadership by heading up an unprecedented cultural and organisational change, with a positive net balance in terms of corporate plans and human assets, which includes the company's growing financial consolidation, and a constant expansion of its brands both in their traditional markets and in new locations.



EXECUTIVE COMMITTEE (SET)

Made up of a multidisciplinary team whose members are responsible for the day-to-day management and operation of all of the company's areas of activity.

Among its main duties of a collegiate nature are the adoption of general operational decisions and the implementation of the organisational model, supporting the Vice-Chairman and Chief Executive Officer in his management, and implementing the company's priorities.

Main mission of the divisions

"Our current organisational model, implemented in 2013 and called Competing by Design, is based on the decentralisation of operational functions and operational support. Our aim is to provide the business with greater autonomy and more agile decision-making, while enhancing proximity to the customer."

HOTELS

This division is made up of the hotel operations area and the Holiday Club (Circle) business, as well as the management, innovation and development of the group's brand portfolio. It is also responsible for the development of the company and the Marketing and Distribution Departments.

REAL ESTATE

It is responsible for asset strategy, including the management of the real estate portfolio, management of own assets, works management, company maintenance and purchasing at the global level, as well as the management of the group's strategic alliances and joint ventures.

LEGAL & COMPLIANCE

Heads the group's legal advisory services, corporate governance and all issues relating to regulatory compliance. Also, among its main functions are the identification of risks, analysis of statutory and regulatory changes and determination of preventive and corrective measures, among others.

FINANCE & ADMINISTRATION

Responsible for growing the profitability of the Group's businesses and ensuring a solid financial position. It includes the functions of Management Control, Business Intelligence, Investor Relations, Finance, Insurance, Administration, Tax, and Information Technology.

HUMAN RESOURCES

Heads the departments of Organisation & Compensation, Global Human Resources (Corporate/Hotels), Labour Relations, Occupational Health and Personnel Administration. In addition, this division oversees the implementation of the Human Resources functions in the group's Regional divisions and leads the company's process of cultural transformation.

Body of regulations

To strengthen the company’s Corporate Governance Model, the Board of Directors has approved and updated various policies and standards to improve transparency and guarantee solid governance that aligns with our stakeholders.

Firstly, the Code of Ethics of Meliá Hotels International (first published in 2012) has been updated, incorporating the new public commitments taken on by the company and bringing the core aspects of the corporate brand up to date.

The first Code of Ethics for Suppliers has also been approved, containing the principles and commitments that the company expects to be shared by all its suppliers, including service providers.

To strengthen transparency and relationships based on trust, a complaints channel has been made available

to suppliers through which they can report or complain about any conduct that goes against this Code. The complaints channel for suppliers will be managed, just as the complaints channel for employees, by the Ethics Committee, and can be accessed via the [corporate website](#).

It is the responsibility of each department in the company to detect any needs or impacts that require policies to be drafted or updated. In 2018, the Board of Directors approved and updated eight policies, comprising the public commitments and goals that the company publicly makes for its various stakeholders. All policies, standards, codes and procedures are distributed throughout the organisation and are available both on the corporate website and via the internal portal.

21	86%	6	2	100%
Policies	Public policies	New policies	Updated policies	Stakeholders covered



Policies 2018

- ✓ Privacy Policy
- ✓ Compliance Policy
- ✓ Tax Strategy Policy
- ✓ Responsible Services Procurement and Contracting Policy
- ✓ Occupational Health & Safety Policy
- ✓ Stakeholder Relationships Policy
- ✓ Philanthropy Policy
- ✓ Human Rights Policy

In order to ensure full compliance with regulations, the Legal & Compliance department controls and monitors the drafting, implementation and measuring of policies.

This monitoring uses a compliance indicator, which forms one of the objectives of the company’s Strategic Plan.

POLICY	LINK	DESCRIPTION	STAKEHOLDERS						
									
Tax Strategy Policy (Updated)	See	Establishes the principles and guidelines for the company as part of its fiscal strategy	✓	✓					✓
Human Rights Policy (New)	See	Draws into a single document all the principles, guidelines and commitments that Meliá has adopted throughout its history on matters of protecting and defending human rights	✓	✓	✓	✓	✓	✓	✓
Philanthropy Policy (New)	See	Establishes and defines the principles of action of Meliá and its Group in the framework of its social or philanthropic work.		✓				✓	
Stakeholder Relationships Policy (New)	See	Establishes the principles and guidelines governing relations between Meliá and its Group with the various stakeholders with which it interacts	✓	✓	✓	✓	✓	✓	✓
Privacy Policy (New)	See	Establishes the guidelines to be followed by Meliá and its Group in the exercise of its own activities, as regards generating, obtaining, processing, storing and/or deleting information	✓	✓	✓	✓	✓		
Responsible services procurement and contracting policy (New)	See	Determines the common and global guidelines and principles to be followed in developing the company's relations with suppliers of goods or services			✓				
Occupational Health & Safety Policy (Updated)	See	Contains the goals and commitments of Meliá on matters of occupational hazard prevention				✓			
Anti-corruption Policy	See	Sets the principles governing the actions of all company managers and employees in order to prevent, detect, report and remedy any actions which, in accordance with the applicable regulations, may be considered corrupt or unlawful	✓	✓	✓	✓	✓	✓	✓
Environmental Policy	See	Establishes the guidelines to be followed by Meliá and its Group in the exercise of its activities, with particular emphasis on environmental issues and on efficient, responsible and sustainable management	✓	✓	✓	✓	✓	✓	✓
Human Resources Policy	See	Determines the basic principles for respecting people's labour rights, ensuring a satisfactory working environment, preventing occupational hazards, and managing talent with a view to people's professional development					✓		
Corporate Responsibility Policy	See	Sets the general principles to ensure an ethical, responsible and sustainable management	✓		✓	✓	✓		
Information Security Policy	See	Sets out the information security framework for all activities carried out by Meliá and its Group		✓	✓	✓	✓		
Director Appointment Policy	See	Sets out the principles governing the procedures for selection and proposals for appointment, ratification and re-election of members of the Meliá Board of Directors	✓						
Risk Control, Analysis and Assessment Policy	See	Sets the basic principles governing the management of risks and the general framework for the management, analysis and assessment of possible risks, including fiscal risks, faced by Meliá and its Group	✓	✓	✓	✓	✓		
Corporate Governance Policy	See	Establishes the principles for Meliá and its Group on matters of corporate governance, guiding the organisation towards a model of governance which, in compliance with regulations and recommendations, ensures the due separation of duties, co-ordination, monitoring and control	✓	✓	✓	✓	✓		
Communication and Contacts with Shareholders, Institutional Investors and Proxy Advisors Policy	See	Establishes the principles governing the communication procedures of Meliá with shareholders and investors, and where applicable with other interested parties, such as financial analysts and proxy advisors, among others	✓						
Commercial Policy	See	Establishes the guidelines governing the processes for commercial contracting with third parties (customers, tour operators, etc.) by Meliá and its Group, as well as guidelines to be followed in our relations with our customers, our competitors and/or with the tourism sector		✓					
Corporate Communication, Marketing and Advertising Policy	See	Contains the guidelines and principles on how Meliá communicates with the various stakeholders	✓	✓		✓			
Treasury Stock Policy		Determines the general framework to be respected when carrying out any operation that might affect the treasury stock of Meliá, including buying and selling of shares belonging to the company or any other company in the Group	✓						
Joint Ventures Policy		Establishes the principles governing relations between Meliá and its Group with the various partners	✓				✓		
Investment and Financing Policy		Establishes the principles governing investment and financing projects of Meliá and its Group, with the aim of optimising the company's financial resources and maximising their value, establishing general guidelines and criteria for choosing the determining investments	✓				✓		

 Shareholders and investors

 Suppliers

 Property owners and partners

 Institutions

 Shareholders

 Employees

 Local communities

GRI 102-35; GRI 102-36; GRI 102-37; GRI 102-38; GRI 102-39

Remuneration of the Board of Directors

The remuneration of the members of the Board of Directors is defined by a remuneration policy approved by the Board and by the General Meeting of Shareholders, and is governed by the principles of moderation, prudence and creating value in the long term, ensuring at all times to maintain internal equity and improve external competitiveness.

Details on the remuneration received by the Board of Directors and the criteria for its determination are set out in the [Annual Report on Remuneration of Directors](#).

At the General Meeting of Shareholders held on 6 June 2018, the remuneration for board members for the 2017 financial year was approved by advisory vote, with 94.88% of the votes cast in favour.

Additionally, at the same General Meeting of Shareholders, with 97.72% of votes in favour, the new [Remuneration Policy of the Board of Directors](#) for the three-year period 2019-2021 was approved, along with the modification to the Board Members Remuneration Policy for the 2018 financial year, including the following new developments:

- ✓ Modification of the maximum remuneration for board members in their role as such for the 2018 financial year. Said amount is ONE MILLION TWO HUNDRED THOUSAND EUROS (€1,200,000), which will remain valid until the General Meeting of Shareholders agrees to its modification
- ✓ Clarification in the wording for long-term variable remuneration amounts to be received
- ✓ Incorporation of social security plans for Executive Officers

The remuneration model for board members is structured as follows:

I. Remuneration structure for Board Members in their role as such:

- *Fixed annual remuneration*
- *Allowances for attending meetings of the Board of Directors and any Committees on which they sit*

II. Remuneration structure for performing executive duties (CEO):

Additionally to the above, the remuneration package for the CEO includes a variable remuneration element, comprising the following concepts:

- *Short-term variable remuneration*

The short-term variable remuneration concepts are set as a percentage of the fixed remuneration, with indicators and targets linked to:

- ✓ Meeting the annual targets established in the Group's Strategic Plan
- ✓ Mitigating the most relevant identified risks for the company
- ✓ Assessing individual performance as chief executive

- *Long-term variable remuneration*

Multi-year remuneration (every three years) is linked to the results of the company's Strategic Plan, the targets for which have the same duration as the accrual for multi-year remuneration.

(Thousands €)

	2018					2017				
	Salaries	Fixed remuneration	Allowances	Short-term variable	Total 2018	Salaries	Fixed remuneration	Allowances	Short-term variable	Total 2017
Chief Executive Officer	761	22	32	481	1,296	732	22	27	412	1,193
Non-executive Director		216	560		776		220	564		784
Senior Management		1,819		650	2,469		1,752		608	2,360
Total	761	2,057	592	1,131	4,541	732	1,994	591	1,020	4,337

In 2018 the annual salary ratio for the CEO divided by the average workforce salary was 67.

Process to determine the remuneration policy and stakeholder involvement

The remuneration policy for Meliá board members for the 2019 to 2021 financial years was approved by the General Meeting of Shareholders held on 6 June 2018, with 96.329% of the votes cast in favour.

Additionally, at the same General Meeting, the 2017 Annual Remuneration Report for Board Members was approved, with 94.89% of the votes cast in favour, having first been approved by the Board of Directors on 23 March 2018.

In comparison with the previous financial year, in which the Annual Remuneration Report for the 2016 financial year with 69.96% of the votes cast in favour, the result for the 2018 financial year is considered extremely positive. This is partly due to the incorporation of the recommendations and suggestions made by the proxy advisors to the proposals of agreements by the General Meeting of Shareholders in the 2017 financial year, and in general to the company's increased transparency.

The procedure for drafting the new Remuneration Policy was included in the report drafted by the Board of Directors made available to shareholders on the occasion of the summons for the General Meeting of Shareholders, to which it was submitted for approval.

In accordance with article 529r of the Capital Companies Act, the Appointments and Remunerations Committee, taking into consideration the previous remuneration data analysis carried out by the company's human resources department, taken mainly from the Remuneration Study by Korn Ferry, produced a specific report on the policy, which was put to the Board of Directors.

The Board of Directors, at a plenary meeting, following the appropriate debate, analysed the content of the report and the proposed changes to the policy for the three-year period 2019-2021. In particular, it viewed positively ensuring continuity to the criteria of the remuneration policy applied in the previous three-year period; it clarified the descriptive concepts of the amounts to be received by way of variable remuneration; and introduced into the remuneration of the executive officers the possibility of signing up for social security plans - as has been market practice; all of the above in general terms.

On the occasion of the summons for the General Meeting of Shareholders, the Board of Directors made the mandatory report and the Remuneration Policy available to shareholders. Additionally, the General Meeting of Shareholders approved the increase in the maximum remuneration to be received by board members in their role as such to an overall amount of €1,200,000.

The duties of the Appointments and Remuneration Committee with regard to the process of determining remuneration policy, as established in articles 39 Ter of the Articles of Association and 15 of the Board of Directors Regulations, are broadly as follows:

- ✓ Put to the Board the remuneration policy for Board Members and Managing Directors, or whoever carry out senior management roles answering directly to the Board, the Executive Committees or Board Members, as well as individual remuneration and other contractual conditions of the Executive Officers, ensuring compliance;
- ✓ Regularly review said remuneration policy, weighing up its suitability and performance; and
- ✓ Oversee transparency in remunerations.

Criteria for performance and targets

Currently, and as has been indicated in previous sections of this report, only the CEO has variable remuneration linked to targets, as indicated in the Board Members Remuneration policy in section III b, and in the Annual Remuneration Report, which includes the breakdown of said targets and the levels of compliance in the financial year.

Compensation payments

Only the CEO has a commercial contract for the provision of services which specifies compensation payments in the event of termination of contract.

The contract states that the CEO is to be compensated with an amount equivalent to one year of his total remuneration, in the event of any of the following occurring:

- Unilateral termination by the CEO: for serious and culpable breach by the company of the contractual obligations included in his contract or due to a substantial modification of his duties, powers or conditions of his service provision, for reasons not attributable to the CEO.
- Unilateral termination by the company: that is not due to a serious and culpable breach by the CEO in his duties of loyalty, diligence and good faith, or for any other legally established reason, in accordance with the duties which he is required to perform.

Risk management

GRI 102-30

The governance of risk management

The Meliá Board of Directors is the body responsible for approving the company's [Risk Management, Analysis and Assessment Policy](#).

This policy (last updated in 2017), and the internal regulations by which it is enacted, establishes the basic principles governing the management of risk, the procedural framework and the rules, guidelines or criteria to be followed by the risk management model to ensure alignment with the strategy.

One of the responsibilities of the Audit and Compliance Committee is to supervise the internal control and risk management systems. In this regard, during the various sessions held in 2018, the progress made in this area was managed and monitored, with detailed reports submitted on the company's main risks, how they have evolved in recent years, and the steps taken to mitigate them.

On the other hand, the company's Executive Committee (SET) is responsible for, among other things, ensuring that

risk management is integrated into critical processes, as well as assigning ownership of TOP risks and monitoring their evolution, in order to measure their impact and come up with measures for mitigating them.

To ensure effective control and risk management, and in order to respond to the material issues of most relevance to stakeholders, Meliá is strengthening a permanent risk management culture in all of the company's global and regional areas.

Using international best practices as a point of reference, the governance of risk adheres to the three lines of defence.

More information on the company's risk management and compliance is available in the [Annual Corporate Governance Report](#).

LINES OF DEFENCE

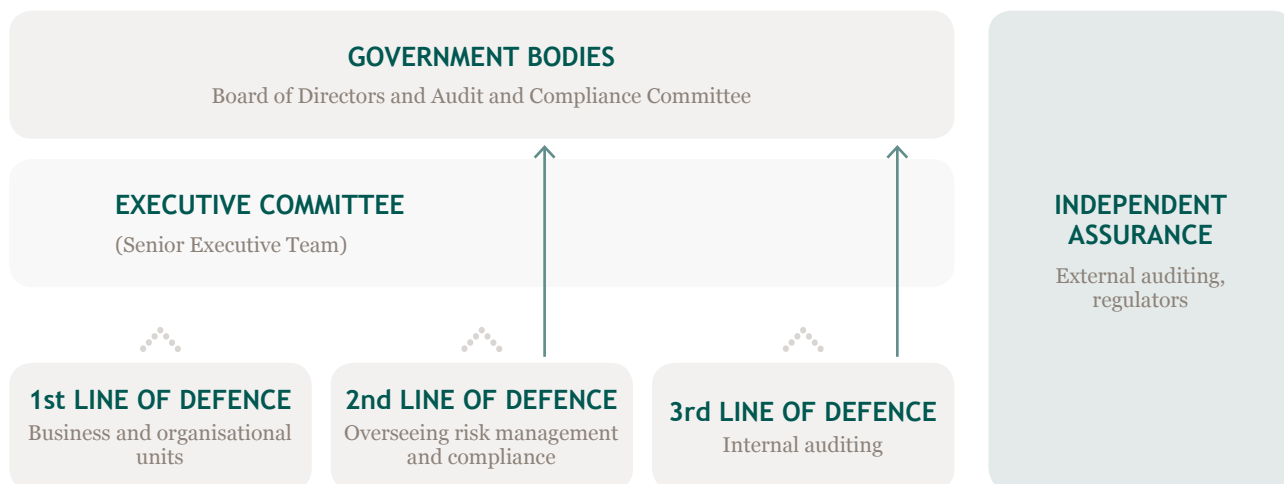


Diagram adapted from the guide by ECIIA/FERMA on the Directive on Company Law of the European Union (article 41).

This model sets out three groups (or lines) that give a cross-sectional and integrated view of the business, providing efficiency and transparency for the risk management processes:

1st LINE OF DEFENCE

This includes all the functions that have ownership of the identified risks and how they are managed. It is responsible for:

- ✓ Identifying and assessing risks
- ✓ Defining and implementing the necessary measures to manage the risks
- ✓ Using the risk map as a management tool

2nd LINE OF DEFENCE

This consists of the functions that supervise the risks. These include risk management and compliance, in charge of:

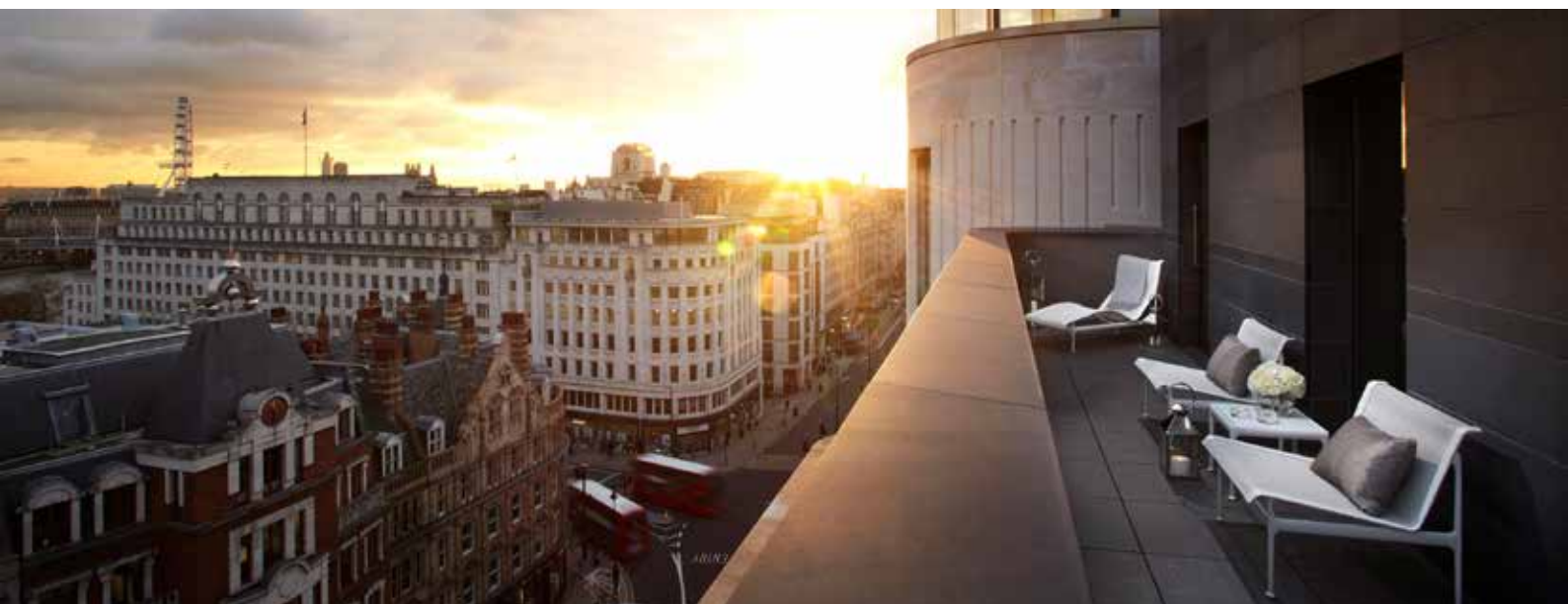
- ✓ Ensuring compliance with the policy and regulations
- ✓ Providing support to identify, analyse and assess risks
- ✓ Managing and monitoring key risks
- ✓ Defining and establishing standardised reporting, particularly to the Executive Committee and Governing Bodies

3rd LINE OF DEFENCE

This refers to internal auditing, which as a third line of defence oversees the appropriate functioning of the Risk Management System and the Criminal Offence Prevention and Detection Model, systematically carrying out different types of auditing on the first and second lines of defence.

As a guarantee of independence, both the Internal Audit Department and the Risk Management and Compliance department report directly to the Audit and Compliance Committee.

ME London · United Kingdom



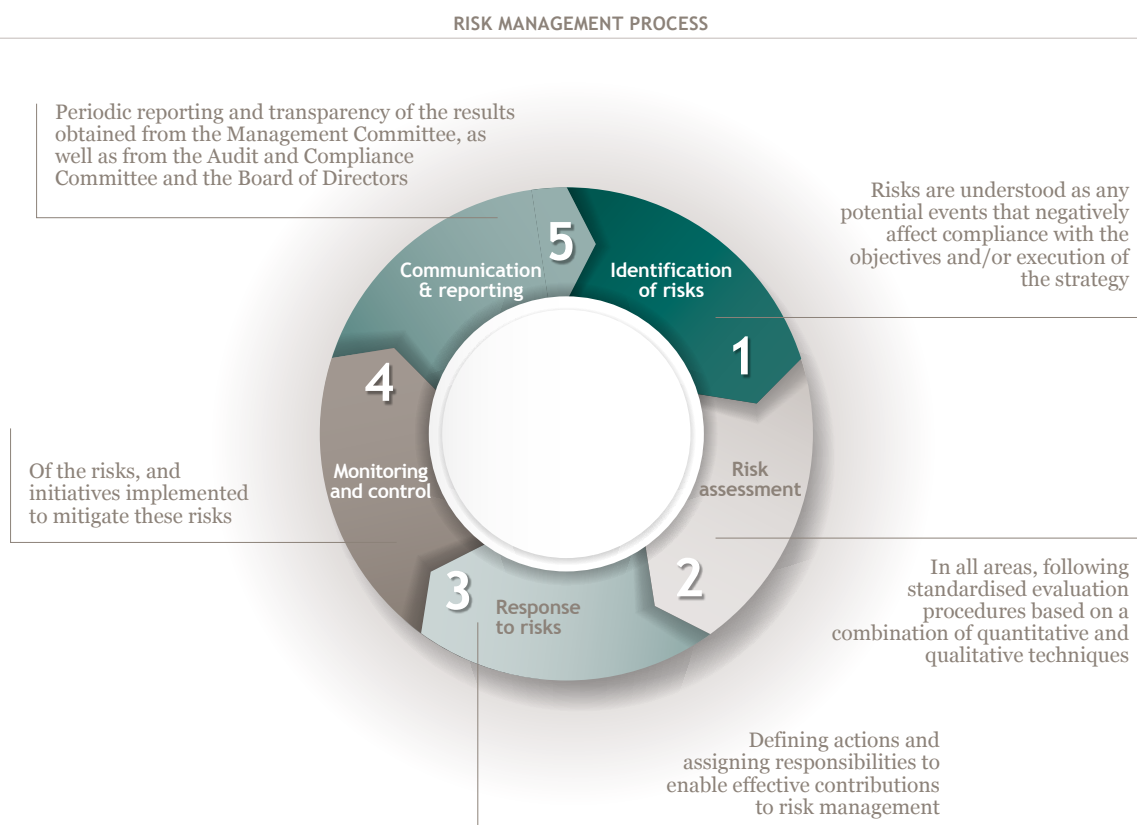
Risk management system

The activities of Meliá take place in various countries, with different socioeconomic environments and regulatory frameworks, leaving us exposed to a wide range of events that can affect the extent to which we achieve our goals.

To that end, we have implemented a risk management system with the aim of ensuring that the main short and medium-term risks that could affect the company's management and objectives are identified and assessed

based on uniform criteria, are managed and controlled in a systematic way, and are updated on an annual basis.

The system is based on the integrated framework of Corporate Risk Management COSO II (Committee of Sponsoring Organizations of the Treadway Commission) and is a model for continual improvement that cuts across the whole of the company, and the main stages of which are as follows:



In 2018, the risk management system involved 86 directors, who took part in updating their individual risk maps, which when integrated produced a total of 98 risk maps, including maps per region, per head office and the consolidated map for Meliá.

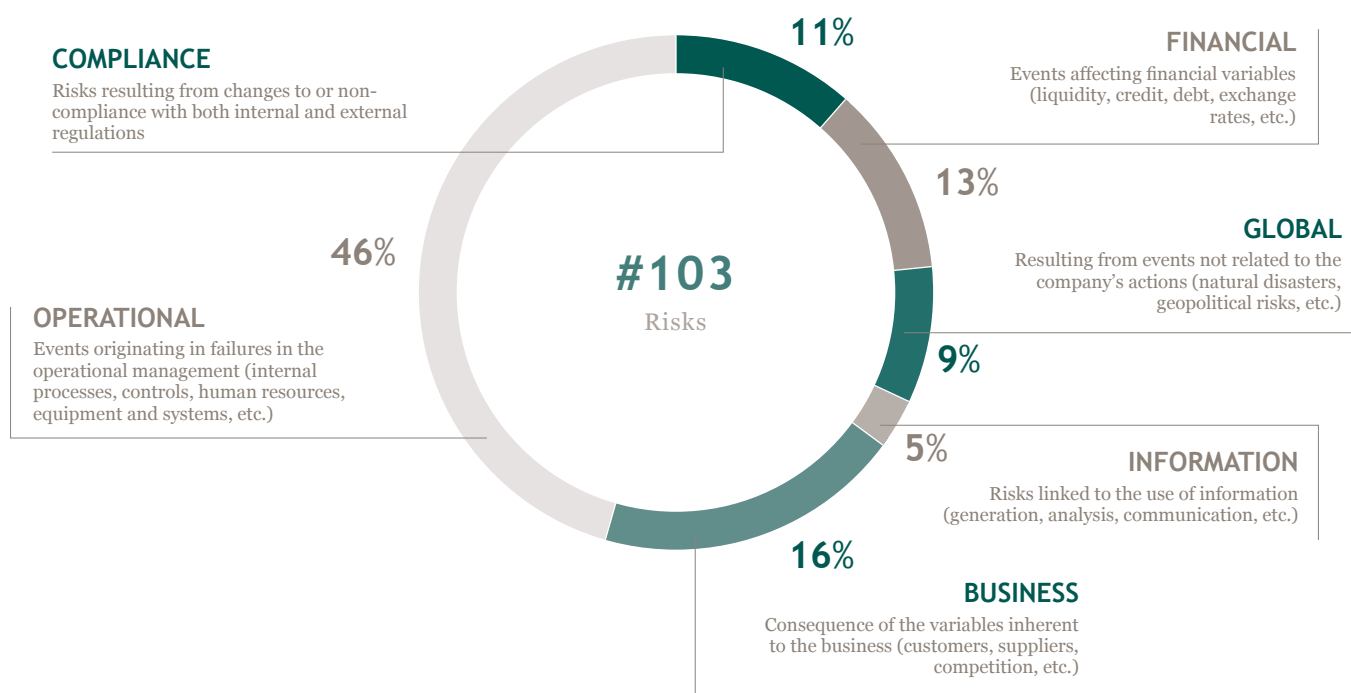
It is notable that the agency specialising in sustainable investment, RobecoSAM, considered the risk management of Meliá, in the Corporate Sustainability Assessment 2018, as an example of best practices in the sector.

“Best in class”
RobecoSAM (CSA 2018)

86
Directors involved

98
Risk maps

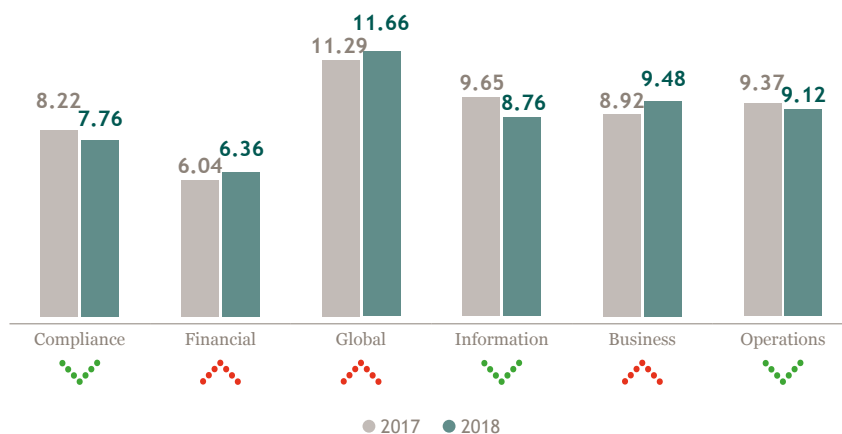
The risks identified can be divided into six categories



EVOLUTION AVERAGE RISK VALUE



EVOLUTION AVERAGE VALUE BY RISK CATEGORY



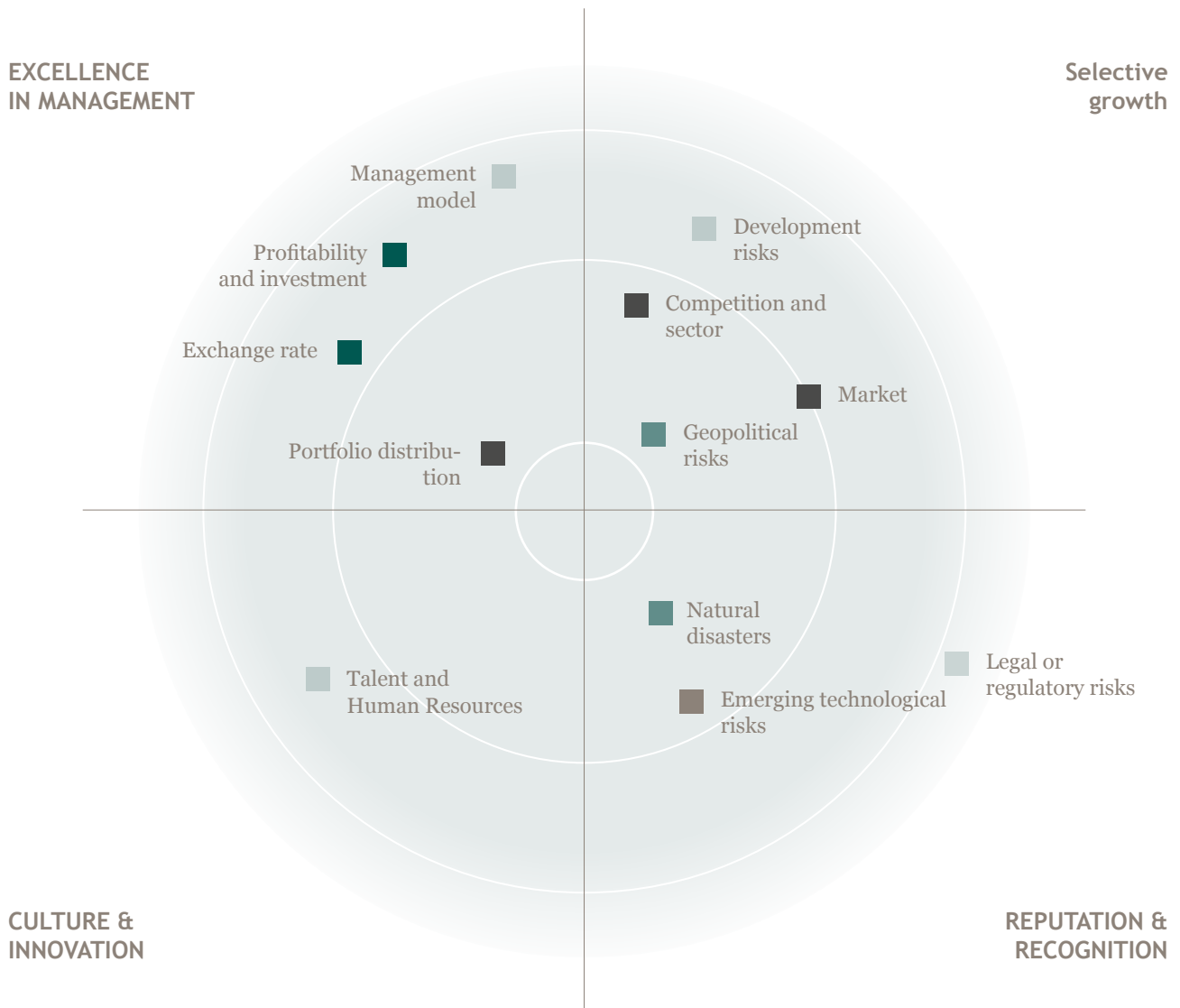
The value of risks is obtained by combining the probability and impact variables based on a pre-defined scale. This value can range from 1 to 36 points and depending on the model

established. Risks above 16 points are considered critical. The average value of risks for Meliá Hotels International has not exceeded 16 points in the past four years.

GRI 102-15; GRI 102-29; GRI 102-31; GRI 201-2













Main risks

The graph below shows a distribution of the main risks faced by the company, based on the latest update of the 2018 Risk Map and aligned with the core strategies of Meliá.



Proximity to the centre indicates how critical the risk is (the closer to the centre, the more critical the risk)

■ Global ■ Financial ■ Information ■ Business ■ Operational ■ Compliance

Category	Type of risk	Main risks	Trend	Management and control measures
Global	Geopolitical risks	<ul style="list-style-type: none"> - Terrorism - Crisis or political insecurity in countries where we have a presence - Wars, civil unrest or military revolts 		The company has specific emergency plans depending on the nature of the risk
	Natural disasters	<ul style="list-style-type: none"> - Hurricanes; earthquakes; volcanoes - Adverse effects of climate change 		A Crisis Management Protocol has been drawn up, applicable all over the world
Business	Competition and sector	<ul style="list-style-type: none"> - Increase in competition. Emergence of new competitors - Sector restructuring. Concentration processes (mergers, acquisitions, etc.) - Growth of forms of collaborative consumption - Possible loss of leadership in certain areas 		Existence of a Strategic Plan as a decision-making body for defining, monitoring and managing the strategy
	Market	<ul style="list-style-type: none"> - Changes in market trends - Maturing or stagnating market 		Regular analysis of the sector, the competition and market trends to adapt products, features and services to meet customers' expectations
	Portfolio distribution	<ul style="list-style-type: none"> - Concentration of hotels in certain areas - Dependence on certain regions/markets/segments 		Existence of an Expansion Committee as a decision-making body for approving, managing and monitoring projects An annual Expansion Plan has been defined, which aligns with the Group's Strategic Plan and focuses on, among other aspects, ensuring a balanced portfolio that aligns with the Group's strategy
Operational	Talent and human resources	<ul style="list-style-type: none"> - Loss or turnover of key personnel - Difficulty in appealing to or attracting talent - Lack of qualified staff - Some dependence on key personnel in some positions - Organisational structure 		Global Human Resources supports a model that focuses on the following aspects: a) Identifying key roles b) Building a value proposal that is attractive to internal staff or future employees c) Providing lateral development opportunities between regional offices and hotels d) Inspiring loyalty in employees and defining of a value proposal for staff, taking diversity into account e) Strengthening relations with universities and business schools to attract the best talent f) Training & Development Model g) Drawing up talent mappings by collectives and a specific model for critical profiles h) Mobility Strategy to offer international career possibilities i) Online training platform available that helps self-manage one's own development j) MeliáHome (internal portal) available for the entire organisation
	Development risks	<ul style="list-style-type: none"> - Need for resources and ability to keep pace - Appropriate choice of zones, countries and partners 		Existence of an Expansion Committee as a decision-making body for approving, managing and monitoring projects and the Expansion Strategy Plan Production of factsheets on multidimensional risks per project
	Management model	<ul style="list-style-type: none"> - Ability to adapt the model - Generation new income 		Strategic Plan defined and focused on increasing value for shareholders, profitability and Group solvency Various initiatives implemented focused on improving performance per brand, region, country and hotel Portfolio of brands updated and adapted, and new features or services implemented Initiatives implemented to improve revenue of any kind and cost management adapted to the standards set the by the Group Strengthening of our distribution channels (melia.com, call center) Increase in portfolio of return customers in the various segments and selection of partners to be incorporated into our loyalty schemes An innovative Revenue Management model that integrates cutting-edge market technology
Compliance	Legal or regulatory risks	<ul style="list-style-type: none"> - Legislative or regulatory changes - Excessive complexity and regulatory dispersion - Disputes 		Training model and implementation of Codes of Conduct (Codes of Ethics) and complaints channel for different stakeholders Development of the Criminal Offence Prevention and Detection Model applicable to Meliá Hotels International General Data Protection Regulation adapted Revision and/or update of the company's body of regulations (policies, standards and processes) Internal circulation of a legal bulletin Implementation of a model for identifying, reporting on and monitoring the regulatory changes that apply to our environment Management of a map of prestigious independent legal advisors, depending on needs
Information	Emerging technological risks	<ul style="list-style-type: none"> - Protection and security of information - Cybercrime - Cloud storage services 		Design of a Digitalisation Steering Plan for developing and implementing new technological tools Definition of systems architecture to provide business support and compliance with Group objectives Standardisation of Group management systems Technology Security Plan defined and implemented for preventing external cyber attacks Training and awareness-raising plan on security issues for all employees using technological tools Compliance with the Annual Internal Audit Plan Implementation of European data protection regulations Updating of Business Intelligence and reporting tools
Financial	Exchange rate	<ul style="list-style-type: none"> - Exchange rate type 		Financing in functional currency for the business
	Profitability and investment	<ul style="list-style-type: none"> - Investment process (implementation, control and monitoring) - Profitability and viability of the investments 		Existence of an Investments Committee in charge of defining, monitoring and managing the Annual Investments Plan (building works, brands, features, technologies, expansion, etc.) Integration of analysis based on risk criteria in the annual investments plan

Emerging risks

Emerging risks are complex risks, the effects of which are forecast over the long term. They also have a probability of occurring that is very hard to predict and a highly negative impact for the company.

Accordingly, at Meliá we pay special attention to risks of this kind, and we use this categorisation to define which risks are identified as emerging, based on which we carry out regular analysis and monitoring, in order to stay one step ahead and plan courses of action to be taken in case they arise.

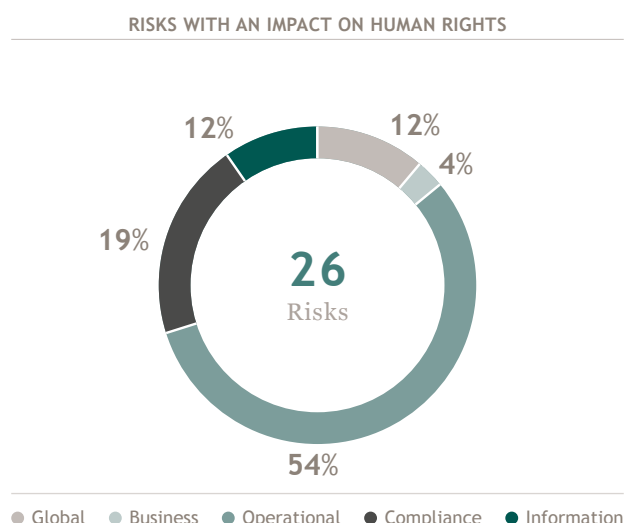
Within this category of risks, we can mention:

- ✓ Some geopolitical risks such as the Brexit, terrorism, crises or political instability
- ✓ Risks related to the effects of climate change including catastrophes or natural disasters (hurricanes, tropical storms, etc.), shortage of water or natural resources, or the increase in the price of raw materials
- ✓ Pandemics and health and food crises can also be considered emerging risks
- ✓ Risks related to the tourism sector such as tourism-phobia
- ✓ Technological risks (cyber attacks, cloud storage services, information security)

These are all examples of emerging risks that the company works on in its monitoring and analysis, identifying interconnections with other risks and weighing up the effect that they have had, if they have materialised in the past, as well as establishing the necessary protocols and mechanisms to try to mitigate their impact should they materialise.

ESG and human rights' risks

Of the 103 risks identified at the global level, a double categorisation was carried out to define, on the one hand, risks linked to ESG (environmental, social and governance) criteria, and on the other, risks with a potential impact on the commitments contained in our [Human Rights Policy](#).



Compliance

GRI 102-17; GRI 205-2

Criminal offence prevention and detection model

The Risks and Compliance department is in charge of designing, implementing and supervising the company's compliance model, to ensure that all activities are carried out in line with internal standards and legal requirements.

In October 2018, the Board of Directors approved the [Compliance Policy](#), the content of which is based on the UNE 19601 standard: "Criminal Compliance Management Systems", and is established by way of minimums, notwithstanding any additional and specific regulation. Through this Policy, we take on the following global commitments in terms of compliance:

- ✓ Comply with national and international legislation and regulatory obligations, as well as internal regulations
- ✓ Ensure that internal standards and the courses of action taken by directors and executives are based on ethical criteria that align with the company's principles and values, and its Code of Ethics

One of the core elements of the Compliance Model is the Criminal Offence Prevention and Detection Model that Meliá has implemented. Its main characteristics are:

- ✓ **Criminal Risk Map.** The criminal risks to which the company is exposed have been identified and assessed. Currently, and as a result of Group activity, there are 22 criminal offences concerning the company.
- ✓ **Inventory of controls.** For each criminal risk identified, internal controls have been associated that mitigate or reduce said risks, in both general and specific terms. In 2018, the list of controls was revised and updated, incorporating new controls into the model, which has more than 320 controls, compared with the 303 it had initially.

- ✓ **Verification system.** Meliá has implemented the SAP GRC (governance, risk and compliance) tool for comprehensive risk management, including criminal risks. This tool is used to update the Group's Risk Map, including the Criminal Risk Map, and to assess the suitability of the controls identified, with the evidence from said controls appropriately documented.

- ✓ **Reporting model.** Reporting to the appropriate concerned parties, Executive Committee, Audit and Compliance Committee and Board of Directors.

The Criminal Offence Prevention and Detection Model is regularly updated depending on organisational changes, on new standards being incorporated and the model itself evolving.

In relation to the Criminal Offence Prevention and Detection Model, Meliá has an [Anti-corruption Policy](#), which was approved in 2017. The policy means that we take on the following commitments (among others):

- ✓ Taking action against any practice of corruption, fraud or bribery
- ✓ Refusing gifts or amenities from third parties if they exceed the fair value of simple courtesy
- ✓ Not accepting any kind of economic consideration, gift or invitation from our suppliers which because of their value might exceed being considered a symbolic gesture or simple courtesy

Additionally, Meliá is subject to complying with anti-money laundering legislation, as it is involved in currency exchanges as part of its hotel activity. In this regard, we train our employees to detect risk operations and to act in accordance with established protocols, as well as being aware of the obligations inherent in anti-money laundering legislation.

Code of Ethics

The Meliá Code of Ethics, which was revised in 2018, comprises a series of principles that give order and meaning to our values as a company. It forms the apex of our entire internal regulatory framework that defines the Meliá model of corporate governance.

Its aim is to act as an instrument that brings together certain principles and values that we aspire to be shared by all our employees, in every country where we operate.

It acts as the baseline to which the internal policies, standards, processes and procedures are aligned. It is

expressly designed to guide the ethical relations and commitments which as a company we have undertaken with our stakeholders.

All employees must adhere to the principles and commitments contained in the Code, and are responsible for complying and ensuring compliance with its content. The Code of Ethics is available in several languages on the employee portal and the [Meliá corporate website](#).

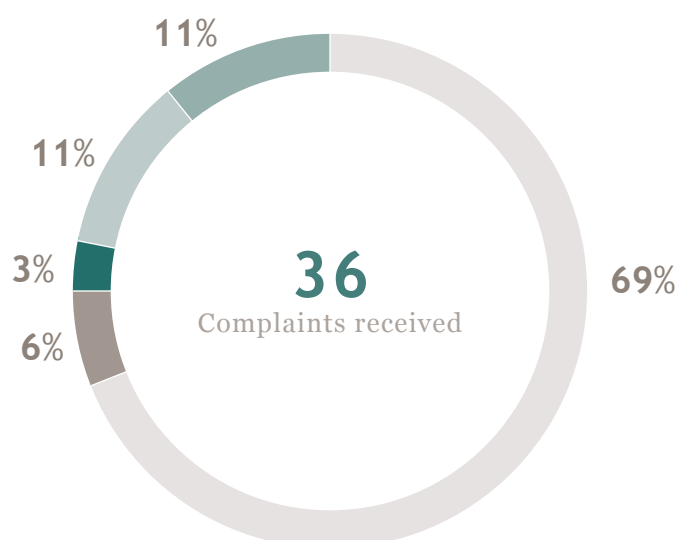
	OFFICE OF THE CODE OF ETHICS	COMPLAINTS CHANNEL	ETHICS COMMITTEE
MISSION	<p>Acts as a Coordinating Committee for all activities that take place regarding the Code of Ethics.</p> <p>It is a channelling body which represents all the areas involved in the monitoring, implementation and operation of the Code of Ethics.</p>	<p>Main communication tool for complaints related to observance of the Code of Ethics, current legislation, any issues relating to regulatory non-compliance and situations or events that could require the attention of senior management.</p>	<p>An independent chartered body entrusted with managing and resolving complaints.</p>
DESCRIPTION	<ul style="list-style-type: none"> ✓ Interprets and resolves doubts ✓ Performs timely updates ✓ Provides support to all departments ✓ Offers constant advice 	<ul style="list-style-type: none"> ✓ Guarantees the objectivity and privacy of the complaints received, the reception and safeguarding of which is managed by an independent third party ✓ Complaints arrive directly to the President of the Audit and Compliance Committee and to the Compliance Officer 	<ul style="list-style-type: none"> ✓ Works for the correct implementation and functioning of the Complaints Channel ✓ Manages all complaints received, following the procedure established, responding to the parties involved, and managing the appropriate corrective measures ✓ Guarantees confidentiality ✓ Analyses complaints, classifying them by relevance and type, and providing regular reports to the Audit and Compliance Committee

Operation of the Complaints Channel

The complaints channel regulations establish, among other aspects, the types of behaviour or irregularities that may be reported to the channel, as well as the methods and mechanisms available to lodge the complaint (post, employee portal, corporate website).



In 2018 a total of 36 complaints were received, which are divided into the following different types:



■ Unethical behaviour ■ Business principles ■ Accounting practices ■ Laws and/or external regulations ■ Policies, standards and procedures

Code of Ethics for Suppliers

At Meliá we seek not only to comply with current legislation, we also establish how one of our goals is to work on the constant and gradual implementation of criteria, practices and recommendations linked to good corporate governance and a model of sustainability and responsibility. As part of the firm commitment to consolidate this sustainable and responsible business model, in 2018 we approved the first [Code of Ethics for Suppliers](#), which is available on the corporate website.

As with the standard Code of Ethics, its aim is to act as an instrument that brings together certain principles and values that the company aspires to be shared by all suppliers.

Our commitments with our suppliers can be summarised as follows:

- ✓ Prioritising supplier selection in an equitable manner, under objective business and responsible management criteria, such as the respect for human and labour rights, which guarantee the dignity and equality of their workers, the explicit and absolute prohibition of child labour, exploitation and forced labour, combating climate change, protecting the environment, promoting innovation and clean or low-impact technologies.

- ✓ Support for products or services certified by international standards

Developing joint projects which, based on mutual collaboration and innovation, enable a positive social impact to be generated in the locations where Meliá operates

- ✓ Not accepting or offering any kind of payment, either economic or in kind, such as gifts or invitations which because of their value might exceed being considered a symbolic gesture or simple courtesy
- ✓ Complying with commercial commitments in time, form and content
- ✓ Enabling mechanisms to promote the Meliá criteria of responsible and ethical management in their supply chain

Meliá has also made a specific [complaints channel](#) available to suppliers to report any behaviour (active or passive) that breaches the content of the Code of Ethics for Suppliers and the Meliá Code of Ethics. This channel has the same model of governance as the Meliá Code of Ethics and can be accessed from the corporate website.

Training in the Code of Ethics and compliance

In 2018 we launched mandatory internal training consisting of three separate modules, one relating to the Code of Ethics and the Complaints Channel, another dealing with Compliance, and a third related to some of the main criminal offences to which Meliá is exposed and measures to prevent money laundering. This training is aimed at all head office staff and at managers, assistant managers and heads of departments in the different hotels.

The three modules contain an introductory video, supporting infographics, and a knowledge test that needs to be passed to complete the course.

In the 2018 financial year the scope of the company's Compliance Model was extended, identifying the critical controls of the internal standards that have been updated, and the critical controls linked to General Data Protection Regulation.

Over the course of 2019 these controls will be integrated into the model and their degree of suitability will be assessed.

+3,500

Employees with access to training in compliance issues

Fiscal strategy and policies for controlling and managing fiscal risks

The Group Fiscal Strategy was approved by the Board of Directors on 25 February 2016 and updated on 6 June 2018, in accordance with the provisions of article 529 ter of the Capital Companies Act and article 5 of the regulations governing the Board of Directors.

GUIDING PRINCIPLES OF THE FISCAL STRATEGY



Regulatory compliance and responsible fiscal management



Co-operative relations with the tax administrations and the risk management system



Fiscal efficiency, effective defence of our fiscal positions and transparency

Furthermore, the Fiscal Policy and strategy are aligned with the long-term vision, values and business strategy of Meliá, and also with the Corporate Responsibility Policy, one of the objectives of which is having “a proactive attitude in identifying, preventing and mitigating financial and non-financial risks”, and one of the guiding principles of which focuses on complying with the legislation and regulations in effect in all countries where the company operates, and with the company’s own Code of Ethics, which establishes an explicit commitment to the public administrations to respect the laws and rules of the places where the company has a presence, maintaining a relationship of transparency and maximum collaboration with all public administrations.

The Group has developed a Fiscal Risk Management System that operates on all the fiscal risks that are inherent to the activities and processes of the Group, with particular emphasis on risks related to investments and operations of a high value, the creation or acquisition of a stake in companies with a special purpose or domiciled in countries considered tax havens and operations with company board members or shareholders.

Tax havens

The creation or acquisition of a stake in companies with a special purpose or domiciled in countries or territories that are considered tax havens must be reported to and approved by the Board of Directors, with said approval constituting a non-delegable power.

At the close of the 2018 financial year, the only Group company registered in a tax haven is Sol Meliá Funding, which is domiciled in the Cayman Islands. Its activity is residual and related to the former holiday club, and applies the criteria and general procedures for management administration and control as the rest of the Group, and co-operates with the administrations involved in providing whatever information they deem necessary regarding the activities carried out.

Tax contribution

Meliá Hotels International is subject to taxes on income of a diverse nature, obtained in the countries where it operates. Each tax has its own structure and rate.

Table A refers to pre-tax results for the various companies in the Group before being integrated into the consolidated annual accounts, combined for each jurisdiction and excluding dividends from other companies in the Group, following the directives for drafting and submitting reports country by country issued by the OECD (Action 13 BEPS report).

The income taxes paid during 2018 are shown in Table B, broken down by jurisdiction.

The total amount in terms of taxes paid is shown in the Cash Flow Statement of the Consolidated Annual Accounts.

TABLE A - NET INCOME BEFORE TAX (2018)

Country	thousands €	Country	thousands €
Germany	10,428	Cayman Islands	1,682
Austria	(507)	Italy	5,101
Brazil	(20,460)	Luxemburg	1,795
Bulgaria	1,031	Mexico	49,082
China	146	Netherlands	3,501
Costa Rica	287	Panama	12
Croatia	(133)	Peru	1,371
Cuba	6,949	Puerto Rico	(8,715)
US	(260)	United Kingdom	782
Spain	3,004	Dominican Rep.	19,339
France	1,202	Switzerland	721
Greece	(11)	Venezuela	22,568
Indonesia	197		
TOTAL			99,112

TABLE B - INCOME TAXES PAID (2018)

Country	thousands €	Country	thousands €
Germany	5,029	Italy	285
Argentina	106	Luxemburg	481
Brazil	70	Mexico	15,303
Bulgaria	91	Netherlands	(46)
Costa Rica	2	Peru	42
Croatia	13	Puerto Rico	64
Cuba	502	United Kingdom	(1,171)
US	153	Dominican Rep.	6,322
Spain	(14,259)	Switzerland	3,051
France	(409)	Venezuela	115
Indonesia	40		
TOTAL			15,784

04

Annexes

Contacts

Institutional relations

GRI indicators

Traceability matrix for the statement
on non-financial information

Glossary

IAGC

Independent verification report





Corporate information and contacts

GRI 102-3

CORPORATE HEADQUARTERS

CENTRAL

Gremio Toneleros, 24. Polígono Son Castelló
07009 Palma de Mallorca, Spain
T (34) 971 22 44 00

AMERICAS

800 Brickell Avenue 10th floor
33131 Miami, Florida, USA
T (1) 305 350 98 28

ASIA

Hang Seng Bank Tower, Suite 13-A, 13th floor
1000 Lujiazui Ring Road, Pudong New Area
Shanghai, China 200120
T (86) 21 3382 0800

BRAZIL

Avenida Nações Unidas, 12551
04578-9003 Sao Paulo SP., Brazil
T (55) 11 3043 8442

CUBA

5ª Avenida e/20 y 22 No. 2008 Playa
La Habana, Cuba
T (53 7) 204 0910

SPAIN

Mauricio Legendre, 16
28046 Madrid, Spain
T (34) 913 153 246

CORPORATE DEPARTMENTS

Investor relations

investors.relations@melia.com
T (34) 971 22 44 64

Shareholders' Club

club.accionista@melia.com
T (34) 971 22 45 54

Communication and press

comunicacion@melia.com
T (34) 971 22 44 64

Corporate Responsibility

csr@melia.com
T (34) 971 22 45 98

Institutional relations

GRI 102-12; GRI 102-13

International organisations

International Chamber of Commerce (ICC Spain)
European Association of Communication Directors (EACD)
Forum Business Travel (FBT)
Global Hotel Network
Hospitality Technology Next Generation (HTNG)
International Chamber of Commerce (ICC) - Institute of World Business Law
Meeting Planners International Association (MPI)
World Tourism Organization (UNWTO)
The Code (ECPAT Internacional)
World Travel & Tourism Council (WTTC)
Inverotel

National organisations

Group of Hotel Chains of the Balearic Islands (ACH)
Corporate Association of Specialised Travel Agencies (ACAVE)
Association of Communication Managers (DIRCOM)
Association of Hoteliers of Costa del Sol (AEHCOS)
The Association of the Leading Brands of Spain
Hotel Business Association of Benidorm, Costa Blanca and the Autonomous Community of Valencia (HOSBEC)
Hotel Business Association of Madrid (AEHM)
Spanish Association of Business Travel Managers (AEGVE)
Spanish Association for Investor Relations (AERI)
Hotel Association of Menorca (ASHOME)
Hotel Association of Palma de Mallorca (ASHPAMA)
Hotel and Non-Hotel Association of Tenerife, La Palma, La Gomera and El Hierro (ASHOTEL)
Association for Managerial Progress (APD)
Tourism Association of Madrid (ATM)
Balearic Association of Family Businesses (ABEF)
Official Chamber of Commerce, Industry, Services and Navigation of Spain
Cercle d'Economia
Exceltur
Spanish Federation of Associations of Businesses for the Professional Organisation of Congresses (OPC)
Tourism Promotion of Mallorca
Forética
Impulsa Balears Foundation
Princesa de Girona Foundation (FPdGi)
SERES Foundation
Palma 365 Tourism Foundation
Gremi d'Hotels Barcelona
Institute of Internal Auditors of Spain
Hotel Technology Institute (ITH)
Mallorca Convention Bureau
Spanish Network of the Global Compact (UN Global Compact)
Business Union of Travel Agencies (UNAV)

GRI Indicators

GRI 413-1

PORTFOLIO OF CERTIFIED HOTELS

CERTIFIED ACCORDING TO THE CRITERIA OF



BRAND	HOTEL	COUNTRY	EARTHCHECK	TRAVELIFE	BIOSPHERE	GREEN LEADERS	OTHERS
ME by Meliá	ME Cabo	Mexico	Benchmarked Bronze				
Paradisus	Los Cabos	Mexico	Benchmarked Bronze				
Meliá	Punta Cana Beach Adults Only	Dominican Rep.	Gold			Silver	
Meliá	Punta Cana Beach Adults Only (The Level)	Dominican Rep.				Silver	
Meliá	Lima	Peru			Biosphere		
Meliá	Buenos Aires	Argentina				Bronze	
Paradisus	Cancun	Mexico	Silver			Silver	
Paradisus	Punta Cana	Dominican Rep.	Gold			Gold	
Paradisus	Palma Real Golf & Spa Resort	Dominican Rep.	Gold			Silver	
Paradisus	The Reserve (Paradisus Palma Real)	Dominican Rep.				Silver	
Paradisus	The Reserve (Paradisus Punta Cana)	Dominican Rep.				Silver	
Paradisus	Playa del Carmen La Perla	Mexico	Gold			Platinum	
Paradisus	Playa del Carmen La Esmeralda	Mexico	Gold			Platinum	
Gran Meliá	Jakarta	Indonesia	Gold				
Meliá	Bali	Indonesia	Master	Gold			
Meliá	Kuala Lumpur	Malaysia	Platinum				
Meliá	Purosani	Indonesia	Gold				
Meliá	Hanoi	Vietnam	Benchmarked Bronze				
Sol Beach House	Beach House Bali Benoa	Indonesia	Master				
Meliá	Brasil 21	Brazil				GreenPartner	
Meliá	Jardim Europa	Brazil				GreenPartner	
Meliá	Paulista	Brazil				Silver	
Tryp	Sao Paulo Nacoes Unidas	Brazil				Silver	
Tryp	Sao Paulo Itaim	Brazil				Silver	
Tryp	Sao Paulo Tatuape	Brazil				Silver	
Tryp	Sao Paulo Iguatemi	Brazil				Gold	
Tryp	Sao Paulo Berrini	Brazil				Bronze	
Tryp	Sao Paulo Paulista	Brazil				Bronze	
Tryp	Sao Paulo Higienopolis	Brazil				Gold	
Meliá	Campinas	Brazil				Bronze	
Tryp	Sao Paulo Jesuino Arruda	Brazil				GreenPartner	
Gran Meliá	Victoria	Spain	Silver				
Gran Meliá	Fénix	Spain	Silver				ISO 50001 Energy Management System
Gran Meliá	Don Pepe	Spain	Silver				
Gran Meliá	Palacio de Isora	Spain	Gold			Gold	
Gran Meliá	Colón	Spain	Silver				
Gran Meliá	Rome	Italy	Benchmarked Bronze				
Innside	Frankfurt Niederrad	Germany				GreenPartner	
Innside	München Neue Messe	Germany				Gold	
Innside	Düsseldorf Derendorf	Germany				Silver	
Innside	Dresden	Germany				Gold	
ME by Meliá	ME Mallorca	Spain	Benchmarked Bronze				
ME by Meliá	ME Ibiza	Spain	Benchmarked Bronze				
ME by Meliá	Madrid Reina Victoria	Spain	Silver			Silver	
ME by Meliá	ME London	United Kingdom	In progress				

PORTFOLIO OF CERTIFIED HOTELS

CERTIFIED ACCORDING TO THE CRITERIA OF



BRAND	HOTEL	COUNTRY	EARTHCHECK	TRAVELIFE	BIOSPHERE	GREEN LEADERS	OTHERS
Gran Meliá	de Mar	Spain	Benchmarked Bronze		Biosphere	Bronze	
Meliá	Barcelona Sarrià	Spain	Benchmarked Bronze			Gold	
Meliá	Barcelona Sky	Spain	Benchmarked Bronze			Platinum	
Meliá	Barcelona Sky (The Level)	Spain				Platinum	
Meliá	Sancti Petri	Spain				Platinum	
Meliá	Braga	Portugal				Silver	
Meliá	Madeira Mare	Portugal				Platinum	
Meliá	White House	United Kingdom	In progress			Bronze	
Meliá	Milano	Italy	In progress			Bronze	
Meliá	Genova	Italy	In progress			Silver	
Meliá	Villa Capri Hotel & Spa	Italy			Biosphere		
Meliá	Berlin	Germany				Gold	
Meliá	Luxembourg	Luxembourg	In progress			Gold	
Meliá	Vienna	Austria	In progress				
Meliá	Paris Notre-Dame	France				GreenPartner	
Meliá	Paris Tour Eiffel	France				GreenPartner	
Meliá	Vendôme	France				GreenPartner	
Meliá	Paris Champs Elysées	France				GreenPartner	
Meliá	Zanzibar	Tanzania	In progress				SAPLING level certified by Responsible Tourism Tanzania
Tryp	München City Center	Germany				GreenPartner	
Tryp	Bochum- Wattenscheid	Germany				Bronze	
Tryp	Dortmund	Germany				Silver	
Tryp	Düsseldorf Krefeld	Germany				Silver	
Tryp	Centro Oberhausen	Germany				GreenPartner	
Tryp	Wolfsburg	Germany				Silver	
Managed by MHI	Berlin Mitte	Germany				GreenPartner	
Managed by MHI	Paris Opera	France				GreenPartner	
Meliá	Benidorm	Spain		Gold			
Meliá	Cala Galdana Menorca	Spain		Gold		Gold	
Meliá	Cala D'Or	Spain				Gold	
Meliá	Atlanterra	Spain	In progress				
Meliá	Atlántico - Isla Canela	Spain		Gold	Biosphere	Bronze	
Meliá	Costa del Sol	Spain	Benchmarked Bronze		Biosphere	Platinum	
Meliá	Fuerteventura	Spain	Benchmarked Bronze				
Meliá	Tamarindos	Spain	In progress		Biosphere		
Meliá	Salinas	Spain		Gold		Bronze	
Meliá	Tortuga Beach	Cape Verde		Gold			
Meliá	Dunas Beach Resort & Spa	Cape Verde		Gold			
Sol Resorts	Dunas	Cape Verde		Gold			
Sol Resorts	Costablanca	Spain				Silver	
Meliá	Calviá Beach	Spain	In progress				
Sol Resorts	Barbados	Spain	Silver				
Sol Resorts	Cala D'or Apartamentos	Spain				Silver	
Sol Resorts	Falcó All Inclusive	Spain				Silver	
Sol Resorts	Palmanova - Mallorca	Spain	Silver				
Sol Resorts	Alcudia Center Apartamentos	Spain				Silver	
Sol Resorts	Príncipe/Principito	Spain		Gold			
Sol Resorts	Don Pedro	Spain				Silver	
Sol Resorts	Don Marco	Spain				Silver	
Sol Resorts	Barbacan (apartments and bungalows)	Spain		Gold		GreenPartner	
Sol Beach House	Beach House Mallorca	Spain	Silver			Silver	
Sol Beach House	Beach House Menorca	Spain	Benchmarked Bronze				

PORTFOLIO OF CERTIFIED HOTELS

CERTIFIED ACCORDING TO THE CRITERIA OF



BRAND	HOTEL	COUNTRY	EARTHCHECK	TRAVELIFE	BIOSPHERE	GREEN LEADERS	OTHERS
Sol Beach House	Beach House Ibiza	Spain				Bronze	
Sol Resorts	Guadalupe	Spain	Silver				
Sol House	The Studio - Calvia Beach	Spain	Benchmarked Bronze				
Sol House	Wave House	Spain	Silver				
Sol Katmandú	Sol Katmandu Park & Resort	Spain	Silver				
Meliá	Alicante	Spain				Bronze	
Meliá	Villaitana	Spain	In progress				
Meliá	Palma Marina	Spain	In progress			Silver	
Meliá	Sitges	Spain	In progress			Bronze	
Meliá	Granada	Spain				Bronze	
Meliá	Madrid Princesa	Spain	In progress		Biosphere		
Meliá	Castilla	Spain				Bronze	ISO 14001
Meliá	Barajas	Spain				Bronze	
Meliá	Marbella Banús	Spain	In progress			Silver	
Meliá	Lebreros	Spain				Silver	
Meliá	Sevilla	Spain				GreenPartner	
Meliá	Valencia	Spain				Bronze	
Meliá	Recoletos	Spain				Bronze	
Meliá	Zaragoza	Spain				GreenPartner	
Innside	Palma Bosque	Spain	In progress				
Innside	Palma Center	Spain				Silver	
Tryp	Barcelona Apolo	Spain				GreenPartner	
Tryp	Barcelona Aeropuerto Hotel	Spain				Bronze	
Tryp	Cádiz La Caleta Hotel	Spain				Bronze	
Tryp	Jerez Hotel	Spain				Silver	
Tryp	Melilla Puerto	Spain				GreenPartner	
Tryp	Córdoba	Spain				GreenPartner	
Tryp	Santiago	Spain				Bronze	
Tryp	San Sebastián Orly	Spain				Silver	
Tryp	León	Spain				GreenPartner	
Gran Meliá	Palacio de Los Duques	Spain	In progress				
Managed by MHI	Madrid Plaza España	Spain				Silver	
Managed by MHI	Madrid Centro	Spain				Silver	
Tryp	Madrid Atocha	Spain				Bronze	
Tryp	Madrid Airport Suites	Spain				Silver	
Sol Resorts	Guadalmar	Spain				Silver	
Tryp	Murcia Rincón de Pepe	Spain				GreenPartner	
Tryp	Salamanca Montalvo	Spain				Bronze	
Sol Resorts	Port Cambrils	Spain				Bronze	
Tryp	Valladolid Sofía Parquesol	Spain				Bronze	
Tryp	Zaragoza	Spain				Bronze	
ME by Meliá	Milan Il Duca	Italy	In progress				
Meliá	Hacienda del Conde	Spain	In progress				
Innside	New York Nomad	United States				Gold	
Sol House	House Taghazout Bay Surf	Morocco					Green Globe
Meliá	Llana	Cape Verde	In progress	Gold			
Meliá	Sensimar Cabo Verde	Cape Verde		Gold			
Meliá	Atenas	Greece				GreenPartner	
Meliá	Palma Bay	Spain	In progress				
			57	12	7	100	4



AVERAGE WORKFORCE BY GEOGRAPHICAL AREA
ADDITIONAL SCOPE

GRI 102-8	SPAIN		EMEA		AMERICAS		CUBA		ASIA		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	1,130.34	723.67	74.13	91.27	193.17	205.85	27.08	49.68	46.27	36.40	1,471.00	1,106.87
Hotel	10,601.93	10,273.06	4,619.21	4,263.50	11,882.59	12,223.45	11,313.01	11,237.86	4,783.05	4,407.57	43,199.78	42,405.43
Club Meliá	3.50	3.81	0.00	0.00	301.39	283.63	0.00	0.00	0.00	0.00	304.89	287.43
Other activities	338.57	330.31	243.05	220.54	408.40	416.26	0.00	0.00	0.00	0.00	990.02	967.10
TOTAL	12,074.34	11,330.85	4,936.39	4,575.31	12,785.55	13,129.18	11,340.08	11,287.54	4,829.33	4,443.96	45,965.68	44,766.84

AVERAGE WORKFORCE BY GEOGRAPHICAL AREA
CONSOLIDATED SCOPE

GRI 102-8	SPAIN		EMEA		AMERICAS		CUBA		ASIA		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	1,128.34	1,208.60	73.72	91.27	193.17	204.30	27.08	49.68	46.27	36.40	1,468.58	1,590.25
Hotel	7,326.86	7,346.86	2,425.59	2,399.04	8,758.65	8,719.88	132.00	135.00	0.25	0.00	18,643.34	18,600.78
Club Meliá	3.50	3.81	0.00	0.00	301.39	290.03	0.00	0.00	0.00	0.00	304.89	293.83
Other activities	194.34	204.22	243.05	220.54	408.40	416.26	0.00	0.00	0.00	0.00	845.78	841.02
TOTAL	8,653.03	8,763.49	2,742.35	2,710.85	9,661.60	9,630.46	159.08	184.68	46.53	36.40	21,262.59	18,600.78

AVERAGE WORKFORCE BY GEOGRAPHICAL AREA. PROFESSIONAL CATEGORY AND GENDER
ADDITIONAL SCOPE

GRI 102-8/GRI 405-1

	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	627.61	400.94	502.73	322.73	1,130.34	723.67	44.09	52.76	30.05	38.52	74.13	91.27	91.44	111.04	101.73	94.81	193.17	205.85
Director	39.07	37.44	75.85	75.29	114.92	112.73	1.10	0.06	9.23	11.50	10.33	11.57	10.47	10.09	26.01	29.12	36.47	39.21
Middle managers	117.13	112.98	119.81	106.18	236.94	219.15	22.14	23.09	12.77	17.09	34.91	40.18	37.91	43.72	36.07	36.98	73.98	80.69
Core staff	471.41	250.53	307.08	141.27	778.49	391.79	20.85	29.61	8.04	9.92	28.90	39.53	43.06	57.24	39.66	28.71	82.72	85.95
Hotel	5,368.41	5,126.24	5,233.52	5,146.82	10,601.93	10,273.06	2,263.56	2,036.32	2,355.65	2,227.18	4,619.21	4,263.50	4,395.72	4,461.57	7,486.87	7,761.87	11,882.59	12,223.45
Director	22.50	35.46	67.90	99.14	90.40	134.60	7.11	10.02	35.19	48.13	42.30	58.15	7.85	17.72	25.98	39.48	33.82	57.19
Middle managers	628.78	574.19	885.06	860.21	1,513.84	1,434.40	261.95	263.04	346.62	350.77	608.58	613.82	434.96	622.52	948.85	1,190.86	1,383.81	1,813.37
Core staff	4,717.13	4,516.58	4,280.56	4,187.48	8,997.69	8,704.06	1,994.50	1,763.26	1,973.83	1,828.28	3,968.33	3,591.53	3,952.92	3,821.34	6,512.04	6,531.54	10,464.96	10,352.88
Club Meliá	1.00	1.00	2.50	2.81	3.50	3.81	0.00	0.00	0.00	0.00	0.00	0.00	156.98	148.71	144.41	134.92	301.39	283.63
Director	0.00	0.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	1.37	2.00	2.00	2.00	3.37	4.00
Middle managers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.07	22.12	9.09	6.99	30.16	29.10
Core staff	1.00	1.00	1.50	1.81	2.50	2.81	0.00	0.00	0.00	0.00	0.00	0.00	134.54	124.59	133.32	125.93	267.86	250.52
Other activities	126.59	119.99	211.98	210.32	338.57	330.31	83.84	73.54	159.20	147.00	243.05	220.54	95.52	95.70	312.88	320.56	408.40	416.26
Director	0.86	0.00	4.00	7.83	4.86	7.83	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.47	2.00	3.00	2.00	3.47
Middle managers	13.98	14.47	29.78	26.43	43.76	40.90	4.18	6.21	17.94	16.26	22.12	22.47	8.57	18.98	24.07	55.47	32.64	74.44
Core staff	111.75	105.52	178.20	176.06	289.95	281.58	79.66	67.33	141.27	130.74	220.93	198.07	86.95	76.25	286.81	262.09	373.76	338.34
TOTAL	6,123.60	5,648.17	5,950.74	5,682.68	12,074.34	11,330.85	2,391.49	2,162.62	2,544.89	2,412.69	4,936.39	4,575.31	4,739.65	4,817.02	8,045.89	8,312.16	12,785.55	13,129.18
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	793.60	601.13	677.40	505.74	1,471.00	1,106.87
Director	0.00	1.00	3.00	5.00	3.00	6.00	5.16	4.33	12.81	11.15	17.97	15.48	55.80	52.93	126.89	132.06	182.68	184.99
Middle managers	2.00	3.00	5.00	4.42	7.00	7.42	10.67	10.64	6.01	1.59	16.68	12.23	189.85	193.42	179.66	166.25	369.51	359.67
Core staff	4.00	11.73	13.08	24.53	17.08	36.25	8.64	5.69	2.99	3.00	11.62	8.69	547.96	354.79	370.85	207.42	918.81	562.21
Hotel	5,300.00	5,261.00	6,013.01	5,976.86	11,313.01	11,237.86	1,717.66	1,537.05	3,065.39	2,870.51	4,783.05	4,407.57	19,045.35	18,422.19	24,154.43	23,983.24	43,199.78	42,405.43
Director	0.00	0.00	23.84	23.19	23.84	23.19	4.38	7.25	16.07	16.54	20.44	23.79	41.83	70.46	168.98	226.46	210.80	296.92
Middle managers	139.00	128.00	212.17	210.00	351.17	338.00	223.08	200.34	402.08	395.98	625.17	596.32	1,687.77	1,788.09	2,794.79	3,007.82	4,482.56	4,795.91
Core staff	5,161.00	5,133.00	5,777.00	5,743.67	10,938.00	10,876.67	1,490.20	1,329.46	2,647.24	2,458.00	4,137.44	3,787.46	17,315.75	16,563.64	21,190.67	20,748.96	38,506.42	37,312.60
Club Meliá	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	149.71	146.91	137.73	304.89	287.43
Director	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.37	2.00	3.00	3.00	4.37	5.00
Middle managers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.07	22.12	9.09	6.99	30.16	29.10
Core staff	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	135.54	125.59	134.82	127.74	270.36	253.33
Other activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	305.95	289.23	684.07	677.88	990.02	967.10
Director	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.86	0.47	6.00	10.83	6.86	11.30
Middle managers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	26.73	39.65	71.79	98.16	98.52	137.81
Core staff	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	278.36	249.10	606.28	568.89	884.64	817.99
TOTAL	5,306.00	5,276.73	6,034.08	6,010.81	11,340.08	11,287.54	1,742.13	1,557.72	3,087.19	2,886.25	4,829.33	4,443.96	20,302.88	19,462.26	25,662.81	25,304.58	45,965.68	44,766.84

AVERAGE WORKFORCE BY GEOGRAPHICAL AREA. PROFESSIONAL CATEGORY AND GENDER
CONSOLIDATED SCOPE

GRI 102-8/GRI 405-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	626.61	664.07	501.73	544.53	1,128.34	1,208.60	44.09	52.76	29.63	38.52	73.72	91.27	91.44	111.04	101.73	93.26	193.17	204.30
Director	39.07	38.43	75.85	81.83	114.92	120.26	1.10	0.06	8.82	11.50	9.91	11.57	10.47	10.09	26.01	29.12	36.47	39.21
Middle managers	117.13	129.60	119.81	150.72	236.94	280.32	22.14	23.09	12.77	17.09	34.91	40.18	37.91	43.72	36.07	35.43	73.98	79.14
Core staff	470.41	496.03	306.08	311.99	776.49	808.02	20.85	29.61	8.04	9.92	28.90	39.53	43.06	57.24	39.66	28.71	82.72	85.95
Hotel	3,733.79	3,676.71	3,593.06	3,670.15	7,326.86	7,346.86	1,205.97	1,193.64	1,219.61	1,205.40	2,425.59	2,399.04	2,895.34	2,847.65	5,863.30	5,872.23	8,758.65	8,719.88
Director	20.58	30.90	55.85	75.26	76.44	106.17	5.90	9.02	26.25	33.38	32.15	42.40	1.85	7.14	12.75	17.54	14.60	24.68
Middle managers	473.80	440.55	615.71	624.50	1,089.51	1,065.05	213.37	217.48	236.33	253.43	449.70	470.91	291.62	457.79	767.46	986.91	1,059.08	1,444.70
Core staff	3,239.41	3,205.26	2,921.49	2,970.39	6,160.91	6,175.65	986.70	967.14	957.03	918.59	1,943.73	1,885.73	2,601.87	2,382.71	5,083.09	4,867.79	7,684.97	7,250.50
Club Meliá	1.00	1.00	2.50	2.81	3.50	3.81	0.00	0.00	0.00	0.00	0.00	0.00	156.98	151.09	144.41	138.94	301.39	290.03
Director	0.00	0.00	1.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	1.37	2.00	2.00	2.00	3.37	4.00
Middle managers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.07	24.38	9.09	11.09	30.16	35.47
Core staff	1.00	1.00	1.50	1.81	2.50	2.81	0.00	0.00	0.00	0.00	0.00	0.00	134.54	124.71	133.32	125.85	267.86	250.55
Other activities	65.97	61.87	128.36	142.35	194.34	204.22	83.84	73.54	159.20	147.00	243.05	220.54	95.52	95.70	312.88	320.56	408.40	416.26
Director	0.86	0.00	2.00	3.92	2.86	3.92	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.47	2.00	3.00	2.00	3.47
Middle managers	6.90	7.40	16.68	14.58	23.58	21.98	4.18	6.21	17.94	16.26	22.12	22.47	8.57	18.98	24.07	55.47	32.64	74.44
Core staff	58.21	54.47	109.68	123.85	167.89	178.32	79.66	67.33	141.27	130.74	220.93	198.07	86.95	76.25	286.81	262.09	373.76	338.34
TOTAL	4,427.37	4,403.65	4,225.66	4,359.84	8,653.03	8,763.49	1,333.90	1,319.94	1,408.45	1,390.91	2,742.35	2,710.85	3,239.28	3,205.48	6,422.33	6,424.99	9,661.60	9,630.46
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	792.60	864.26	675.98	725.99	1,468.58	1,590.25
Director	0.00	1.00	3.00	5.00	3.00	6.00	5.16	4.33	12.81	11.15	17.97	15.48	55.80	53.92	126.47	138.60	182.27	192.52
Middle managers	2.00	3.00	5.00	4.42	7.00	7.42	10.67	10.64	6.01	1.59	16.68	12.23	189.85	210.05	179.66	209.25	369.51	419.29
Core staff	4.00	11.73	13.08	24.53	17.08	36.25	8.64	5.69	2.99	3.00	11.62	8.69	546.96	600.29	369.85	378.14	916.81	978.44
Hotel	78.00	78.00	54.00	57.00	132.00	135.00	0.00	0.00	0.25	0.00	0.25	0.00	7,913.11	7,795.99	10,730.23	10,804.79	18,643.34	18,600.78
Director	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	28.33	47.07	94.86	126.18	123.19	173.24
Middle managers	15.00	13.00	9.00	8.00	24.00	21.00	0.00	0.00	0.25	0.00	0.25	0.00	993.79	1,128.82	1,628.75	1,872.84	2,622.54	3,001.66
Core staff	63.00	65.00	45.00	49.00	108.00	114.00	0.00	0.00	0.00	0.00	0.00	0.00	6,890.99	6,620.11	9,006.62	8,805.77	15,897.61	15,425.87
Club Meliá	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	152.09	146.91	141.74	304.89	293.83
Director	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1.37	2.00	3.00	3.00	4.37	5.00
Middle managers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.07	24.38	9.09	11.09	30.16	35.47
Core staff	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	135.54	125.71	134.82	127.66	270.36	253.36
Other activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	245.34	231.11	600.45	609.91	845.78	841.02
Director	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.86	0.47	4.00	6.92	4.86	7.38
Middle managers	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	19.66	32.59	58.69	86.31	78.35	118.90
Core staff	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	224.82	198.06	537.76	516.68	762.58	714.74
TOTAL	84.00	93.73	75.08	90.95	159.08	184.68	24.47	20.66	22.05	15.73	46.53	36.40	9,109.02	9,043.46	12,153.57	12,282.43	21,262.59	21,325.88

AVERAGE WORKFORCE BY GEOGRAPHICAL AREA. TYPE OF WORKDAY AND GENDER
ADDITIONAL SCOPE

GRI 102-8	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	627.61	400.94	502.73	322.73	1,130.34	723.67	44.09	52.76	30.05	38.52	74.13	91.27	91.44	111.04	101.73	94.81	193.17	205.85
Full-time	596.95	394.61	489.70	317.38	1,086.65	711.99	42.84	48.95	29.41	38.02	72.25	86.96	91.18	111.04	101.73	94.81	192.92	205.85
Part-time	30.66	6.33	13.03	5.35	43.70	11.68	1.25	3.81	0.63	0.50	1.88	4.31	0.25	0.00	0.00	0.00	0.25	0.00
Hotel	5,368.41	5,126.24	5,233.52	5,146.82	10,601.93	10,273.06	2,263.56	2,036.32	2,355.65	2,227.18	4,619.21	4,263.50	4,395.72	4,461.57	7,486.87	7,761.87	11,882.59	12,223.45
Full-time	5,068.46	4,863.30	5,068.75	4,979.91	10,137.20	9,843.20	2,164.75	1,948.02	2,318.66	2,187.51	4,483.41	4,135.53	4,386.76	4,444.55	7,476.93	7,745.00	11,863.69	12,189.56
Part-time	299.95	262.94	164.78	166.92	464.72	429.86	98.82	88.30	36.99	39.67	135.80	127.97	8.96	17.02	9.94	16.87	18.90	33.89
Club Meliá	1.00	1.00	2.50	2.81	3.50	3.81	0.00	0.00	0.00	0.00	0.00	0.00	156.98	148.71	144.41	134.92	301.39	283.63
Full-time	1.00	1.00	2.00	2.52	3.00	3.52	0.00	0.00	0.00	0.00	0.00	0.00	156.98	148.51	144.41	134.92	301.39	283.43
Part-time	0.00	0.00	0.50	0.28	0.50	0.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.19
Other activities	126.59	119.99	211.98	210.32	338.57	330.31	83.84	73.54	159.20	147.00	243.05	220.54	95.52	95.70	312.88	320.56	408.40	416.26
Full-time	120.17	113.72	199.43	197.89	319.59	311.60	80.35	49.70	153.07	105.61	233.42	155.31	95.52	95.70	312.88	320.56	408.40	416.26
Part-time	6.42	6.27	12.56	12.44	18.98	18.70	3.50	23.85	6.13	41.39	9.62	65.23	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	6,123.60	5,648.17	5,950.74	5,682.68	12,074.34	11,330.85	2,391.49	2,162.62	2,544.89	2,412.69	4,936.39	4,575.31	4,739.65	4,817.02	8,045.89	8,312.16	12,785.55	13,129.18
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	793.60	601.13	677.40	505.74	1,471.00	1,106.87
Full-time	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	761.44	590.99	663.73	499.89	1,425.16	1,090.88
Part-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32.16	10.14	13.67	5.85	45.83	15.99
Hotel	5,300.00	5,261.00	6,013.01	5,976.86	11,313.01	11,237.86	1,717.66	1,537.05	3,065.39	2,870.51	4,783.05	4,407.57	19,045.35	18,422.19	24,154.43	23,983.24	43,199.78	42,405.43
Full-time	5,145.00	5,013.00	5,801.01	5,728.86	10,946.01	10,741.86	1,717.66	1,537.05	3,065.39	2,870.51	4,783.05	4,407.57	18,482.63	17,805.93	23,730.72	23,511.79	42,213.36	41,317.72
Part-time	155.00	248.00	212.00	248.00	367.00	496.00	0.00	0.00	0.00	0.00	0.00	0.00	562.72	616.26	423.71	471.45	986.43	1,087.71
Club Meliá	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	149.71	146.91	137.73	304.89	287.43
Full-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	149.51	146.41	137.44	304.39	286.96
Part-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.50	0.28	0.50	0.48
Other activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	305.95	289.23	684.07	677.88	990.02	967.10
Full-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	296.04	259.11	665.38	624.06	961.41	883.17
Part-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	9.91	30.12	18.69	53.82	28.60	83.94
TOTAL	5,306.00	5,276.73	6,034.08	6,010.81	11,340.08	11,287.54	1,742.13	1,557.72	3,087.19	2,886.25	4,829.33	4,443.96	20,302.88	19,462.26	25,662.81	25,304.58	45,965.68	44,766.84

AVERAGE WORKFORCE BY GEOGRAPHICAL AREA. TYPE OF WORKDAY AND GENDER
CONSOLIDATED SCOPE

GRI 102-8	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	626.61	664.07	501.73	544.53	1,128.34	1,208.60	44.09	52.76	29.63	38.52	73.72	91.27	91.44	111.04	101.73	93.26	193.17	204.30
Full-time	595.95	636.56	488.70	530.58	1,084.65	1,167.14	42.84	48.95	29.00	38.02	71.83	86.96	91.18	111.04	101.73	93.26	192.92	204.30
Part-time	30.66	27.51	13.03	13.95	43.70	41.46	1.25	3.81	0.63	0.50	1.88	4.31	0.25	0.00	0.00	0.00	0.25	0.00
Hotel	3,733.79	3,676.71	3,593.06	3,670.15	7,326.86	7,346.86	1,205.97	1,193.64	1,219.61	1,205.40	2,425.59	2,399.04	2,895.34	2,847.65	5,863.30	5,872.23	8,758.65	8,719.88
Full-time	3,567.99	3,504.09	3,512.91	3,580.66	7,080.90	7,084.75	1,107.62	1,105.34	1,183.20	1,165.74	2,290.82	2,271.07	2,889.20	2,835.70	5,856.41	5,857.95	8,745.61	8,693.64
Part-time	165.80	172.62	80.15	89.49	245.96	262.11	98.35	88.30	36.41	39.67	134.77	127.97	6.14	11.95	6.89	14.28	13.03	26.23
Club Meliá	1.00	1.00	2.50	2.81	3.50	3.81	0.00	0.00	0.00	0.00	0.00	0.00	156.98	151.09	144.41	138.94	301.39	290.03
Full-time	1.00	1.00	2.00	2.52	3.00	3.52	0.00	0.00	0.00	0.00	0.00	0.00	156.98	150.89	144.41	138.94	301.39	289.83
Part-time	0.00	0.00	0.50	0.28	0.50	0.28	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.00	0.00	0.00	0.19
Other activities	65.97	61.87	128.36	142.35	194.34	204.22	83.84	73.54	159.20	147.00	243.05	220.54	95.52	95.70	312.88	320.56	408.40	416.26
Full-time	62.00	58.34	118.20	131.73	180.20	190.07	80.35	49.70	153.07	105.61	233.42	155.31	95.52	95.70	312.88	320.56	408.40	416.26
Part-time	3.97	3.54	10.16	10.62	14.13	14.15	3.50	23.85	6.13	41.39	9.62	65.23	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	4,427.37	4,403.65	4,225.66	4,359.84	8,653.03	8,763.49	1,333.90	1,319.94	1,408.45	1,390.91	2,742.35	2,710.85	3,239.28	3,205.48	6,422.33	6,424.99	9,661.60	9,630.46
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	792.60	864.26	675.98	725.99	1,468.58	1,590.25
Full-time	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	760.44	832.94	662.31	711.54	1,422.75	1,544.48
Part-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	32.16	31.32	13.67	14.45	45.83	45.77
Hotel	78.00	78.00	54.00	57.00	132.00	135.00	0.00	0.00	0.25	0.00	0.25	0.00	7,913.11	7,795.99	10,730.23	10,804.79	18,643.34	18,600.78
Full-time	78.00	78.00	54.00	57.00	132.00	135.00	0.00	0.00	0.25	0.00	0.25	0.00	7,642.81	7,523.13	10,606.77	10,661.35	18,249.58	18,184.47
Part-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	270.30	272.87	123.46	143.44	393.75	416.31
Club Meliá	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	152.09	146.91	141.74	304.89	293.83
Full-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	151.89	146.41	141.46	304.39	293.35
Part-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19	0.50	0.28	0.50	0.48
Other activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	245.34	231.11	600.45	609.91	845.78	841.02
Full-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	237.87	203.73	584.16	557.90	822.03	761.63
Part-time	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.47	27.38	16.29	52.00	23.76	79.39
TOTAL	84.00	93.73	75.08	90.95	159.08	184.68	24.47	20.66	22.05	15.73	46.53	36.40	9,109.02	9,043.46	12,153.57	12,282.43	21,262.59	21,325.88

AVERAGE WORKFORCE BY GEOGRAPHICAL AREA. TYPE OF CONTRACT AND GENDER
ADDITIONAL SCOPE

GRI 102-8	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	627.61	400.94	502.73	322.73	1,130.34	723.67	44.09	52.76	30.05	38.52	74.13	91.27	91.44	111.04	101.73	94.81	193.17	205.85
Permanent	549.22	355.29	449.53	293.12	998.76	648.41	41.80	46.78	27.80	34.73	69.60	81.51	89.73	109.96	97.97	90.27	187.70	200.23
Temporary	78.39	45.65	53.20	29.61	131.59	75.26	2.28	5.98	2.25	3.79	4.53	9.77	1.71	1.08	3.76	4.54	5.47	5.62
Hotel	5,368.41	5,126.24	5,233.52	5,146.82	10,601.93	10,273.06	2,263.56	2,036.32	2,355.65	2,227.18	4,619.21	4,263.50	4,395.72	4,461.57	7,486.87	7,761.87	11,882.59	12,223.45
Permanent	3,200.00	2,959.76	3,416.89	3,304.02	6,616.89	6,263.78	1,390.76	1,299.45	1,554.22	1,513.26	2,944.98	2,812.71	3,415.91	3,439.54	5,827.46	6,000.43	9,243.36	9,439.97
Temporary	2,168.40	2,166.48	1,816.63	1,842.80	3,985.04	4,009.28	872.80	736.87	801.43	713.92	1,674.23	1,450.79	979.82	1,022.03	1,659.41	1,761.44	2,639.23	2,783.48
Club Meliá	1.00	1.00	2.50	2.81	3.50	3.81	0.00	0.00	0.00	0.00	0.00	0.00	156.98	148.71	144.41	134.92	301.39	283.63
Permanent	1.00	1.00	2.29	2.52	3.29	3.52	0.00	0.00	0.00	0.00	0.00	0.00	135.15	131.61	123.37	120.52	258.52	252.12
Temporary	0.00	0.00	0.21	0.28	0.21	0.28	0.00	0.00	0.00	0.00	0.00	0.00	21.83	17.10	21.04	14.40	42.87	31.50
Other activities	126.59	119.99	211.98	210.32	338.57	330.31	83.84	73.54	159.20	147.00	243.05	220.54	95.52	95.70	312.88	320.56	408.40	416.26
Permanent	77.40	60.44	143.20	125.51	220.59	185.95	71.34	62.91	139.41	123.16	210.75	186.07	95.52	95.70	312.88	320.56	408.40	416.26
Temporary	49.19	59.55	68.79	84.81	117.98	144.36	12.51	10.63	19.79	23.83	32.30	34.47	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	6,123.60	5,648.17	5,950.74	5,682.68	12,074.34	11,330.85	2,391.49	2,162.62	2,544.89	2,412.69	4,936.39	4,575.31	4,739.65	4,817.02	8,045.89	8,312.16	12,785.55	13,129.18
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	793.60	601.13	677.40	505.74	1,471.00	1,106.87
Permanent	6.00	15.73	21.08	33.95	27.08	49.68	23.45	20.24	21.80	15.73	45.25	35.97	710.20	548.00	618.19	467.79	1,328.39	1,015.79
Temporary	0.00	0.00	0.00	0.00	0.00	0.00	1.02	0.42	0.00	0.00	1.02	0.42	83.40	53.14	59.21	37.94	142.61	91.08
Hotel	5,300.00	5,261.00	6,013.01	5,976.86	11,313.01	11,237.86	1,717.66	1,537.05	3,065.39	2,870.51	4,783.05	4,407.57	19,045.35	18,422.19	24,154.43	23,983.24	43,199.78	42,405.43
Permanent	3,949.00	3,853.00	4,706.01	4,766.86	8,655.01	8,619.86	1,717.66	1,536.54	3,065.39	2,870.51	4,783.05	4,407.05	13,673.33	13,088.29	18,569.96	18,455.08	32,243.29	31,543.37
Temporary	1,351.00	1,408.00	1,307.00	1,210.00	2,658.00	2,618.00	0.00	0.51	0.00	0.00	0.00	0.51	5,372.02	5,333.90	5,584.48	5,528.16	10,956.50	10,862.06
Club Meliá	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	149.71	146.91	137.73	304.89	287.43
Permanent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	136.15	132.61	125.66	123.04	261.81	255.65
Temporary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.83	17.10	21.26	14.69	43.08	31.79
Other activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	305.95	289.23	684.07	677.88	990.02	967.10
Permanent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	244.25	219.04	595.49	569.24	839.74	788.28
Temporary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	61.70	70.18	88.58	108.64	150.28	178.82
TOTAL	5,306.00	5,276.73	6,034.08	6,010.81	11,340.08	11,287.54	1,742.13	1,557.72	3,087.19	2,886.25	4,829.33	4,443.96	20,302.88	19,462.26	25,662.81	25,304.58	45,965.68	44,766.84

AVERAGE WORKFORCE BY GEOGRAPHICAL AREA. TYPE OF CONTRACT AND GENDER
CONSOLIDATED SCOPE

GRI 102-8	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	626.61	664.07	501.73	544.53	1,128.34	1,208.60	44.09	52.76	29.63	38.52	73.72	91.27	91.44	111.04	101.73	93.26	193.17	204.30
Permanent	548.22	563.13	448.53	456.50	996.76	1,019.63	41.80	46.78	27.38	34.73	69.19	81.51	89.73	109.96	97.97	88.72	187.70	198.68
Temporary	78.39	100.94	53.20	88.03	131.59	188.97	2.28	5.98	2.25	3.79	4.53	9.77	1.71	1.08	3.76	4.54	5.47	5.62
Hotel	3,733.79	3,676.71	3,593.06	3,670.15	7,326.86	7,346.86	1,205.97	1,193.64	1,219.61	1,205.40	2,425.59	2,399.04	2,895.34	2,847.65	5,863.30	5,872.23	8,758.65	8,719.88
Permanent	2,230.93	2,096.47	2,368.69	2,331.83	4,599.62	4,428.29	818.81	795.57	860.94	846.12	1,679.75	1,641.69	1,993.23	2,043.36	4,322.42	4,471.57	6,315.65	6,514.93
Temporary	1,502.87	1,580.24	1,224.37	1,338.33	2,727.24	2,913.74	387.16	398.07	358.67	359.28	745.83	757.35	902.11	804.28	1,540.89	1,400.66	2,443.00	2,204.95
Club Meliá	1.00	1.00	2.50	2.81	3.50	3.81	0.00	0.00	0.00	0.00	0.00	0.00	156.98	151.09	144.41	138.94	301.39	290.03
Permanent	1.00	1.00	2.29	2.52	3.29	3.52	0.00	0.00	0.00	0.00	0.00	0.00	135.15	131.15	123.37	119.94	258.52	251.09
Temporary	0.00	0.00	0.21	0.28	0.21	0.28	0.00	0.00	0.00	0.00	0.00	0.00	21.83	19.94	21.04	18.99	42.87	38.93
Other activities	65.97	61.87	128.36	142.35	194.34	204.22	83.84	73.54	159.20	147.00	243.05	220.54	95.52	95.70	312.88	320.56	408.40	416.26
Permanent	39.08	30.58	84.66	85.33	123.74	115.91	71.34	62.91	139.41	123.16	210.75	186.07	95.52	95.70	312.88	320.56	408.40	416.26
Temporary	26.89	31.29	43.70	57.02	70.60	88.31	12.51	10.63	19.79	23.83	32.30	34.47	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	4,427.37	4,403.65	4,225.66	4,359.84	8,653.03	8,763.49	1,333.90	1,319.94	1,408.45	1,390.91	2,742.35	2,710.85	3,239.28	3,205.48	6,422.33	6,424.99	9,661.60	9,630.46
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	6.00	15.73	21.08	33.95	27.08	49.68	24.47	20.66	21.80	15.73	46.27	36.40	792.60	864.26	675.98	725.99	1,468.58	1,590.25
Permanent	6.00	15.73	21.08	33.95	27.08	49.68	23.45	20.24	21.80	15.73	45.25	35.97	709.20	755.83	616.77	629.63	1,325.98	1,385.46
Temporary	0.00	0.00	0.00	0.00	0.00	0.00	1.02	0.42	0.00	0.00	1.02	0.42	83.40	108.43	59.21	96.36	142.61	204.79
Hotel	78.00	78.00	54.00	57.00	132.00	135.00	0.00	0.00	0.25	0.00	0.25	0.00	7,913.11	7,795.99	10,730.23	10,804.79	18,643.34	18,600.78
Permanent	78.00	78.00	54.00	57.00	132.00	135.00	0.00	0.00	0.25	0.00	0.25	0.00	5,120.97	5,013.40	7,606.31	7,706.52	12,727.27	12,719.91
Temporary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,792.14	2,782.60	3,123.92	3,098.27	5,916.07	5,876.03
Club Meliá	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	157.98	152.09	146.91	141.74	304.89	293.83
Permanent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	136.15	132.15	125.66	122.47	261.81	254.62
Temporary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	21.83	19.94	21.26	19.28	43.08	39.22
Other activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	245.34	231.11	600.45	609.91	845.78	841.02
Permanent	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	205.94	189.19	536.95	529.05	742.88	718.24
Temporary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	39.40	41.92	63.50	80.86	102.90	122.78
TOTAL	84.00	93.73	75.08	90.95	159.08	184.68	24.47	20.66	22.05	15.73	46.53	36.40	9,109.02	9,043.46	12,153.57	12,282.43	21,262.59	21,325.88

LOCAL DIRECTORS BY REGION ADDITIONAL SCOPE

GRI 202-2	INTERNATIONAL						NATIONAL						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
SPAIN	7.03%	6.14%	5.93%	5.26%	12.95%	11.40%	43.69%	43.70%	43.36%	44.89%	87.05%	88.60%	50.72%	49.85%	49.28%	50.15%	100.00%	100.00%
EMEA	12.76%	13.75%	17.36%	20.55%	30.13%	34.30%	35.68%	33.51%	34.19%	32.19%	69.87%	65.70%	48.45%	47.27%	51.55%	52.73%	100.00%	100.00%
AMERICAS	1.24%	1.17%	2.06%	1.98%	3.30%	3.15%	35.83%	35.52%	60.87%	61.33%	96.70%	96.85%	37.07%	36.69%	62.93%	63.31%	100.00%	100.00%
CUBA	0.00%	0.01%	0.14%	0.11%	0.14%	0.11%	46.79%	46.74%	53.07%	53.15%	99.86%	99.89%	46.79%	46.75%	53.21%	53.25%	100.00%	100.00%
ASIA	1.08%	0.61%	2.61%	1.16%	3.69%	1.77%	34.99%	34.45%	61.31%	63.79%	96.31%	98.23%	36.07%	35.05%	63.93%	64.95%	100.00%	100.00%
TOTAL	3.68%	3.37%	4.30%	4.15%	7.98%	7.52%	40.49%	40.11%	51.53%	52.37%	92.02%	92.48%	44.17%	43.47%	55.83%	56.53%	100.00%	100.00%

LOCAL DIRECTORS BY REGION CONSOLIDATED SCOPE

GRI 202-2	INTERNATIONAL						NATIONAL						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
SPAIN	7.48%	7.09%	6.18%	5.83%	13.66%	12.91%	43.69%	43.16%	42.65%	43.92%	86.34%	87.09%	51.17%	50.25%	48.83%	49.75%	100.00%	100.00%
EMEA	20.44%	19.38%	24.16%	24.22%	44.59%	43.60%	28.20%	29.31%	27.20%	27.09%	55.41%	56.40%	48.64%	48.69%	51.36%	51.31%	100.00%	100.00%
AMERICA	1.35%	1.35%	2.02%	1.98%	3.38%	3.32%	32.17%	31.94%	64.45%	64.74%	96.62%	96.68%	33.53%	33.28%	66.47%	66.72%	100.00%	100.00%
CUBA	0.00%	0.54%	1.52%	1.85%	1.52%	2.40%	52.80%	50.21%	45.68%	47.39%	98.48%	97.60%	52.80%	50.75%	47.20%	49.25%	100.00%	100.00%
ASIA	17.74%	18.87%	29.00%	23.61%	46.73%	42.48%	34.86%	37.90%	18.41%	19.62%	53.27%	57.52%	52.60%	56.77%	47.40%	43.23%	100.00%	100.00%
TOTAL	6.33%	6.02%	6.63%	6.42%	12.96%	12.44%	36.51%	36.38%	50.53%	51.17%	87.04%	87.56%	42.84%	42.41%	57.16%	57.59%	100.00%	100.00%

AGE PYRAMID BY GENDER AND REGION ADDITIONAL SCOPE

GRI 405-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	18.95%	19.15%	18.58%	18.47%	18.77%	18.81%	48.23%	48.74%	41.54%	41.26%	44.78%	44.79%	35.92%	35.91%	37.07%	36.90%	36.65%	36.53%
30 - 50	57.74%	56.99%	53.99%	52.55%	55.89%	54.76%	46.84%	46.01%	52.17%	52.40%	49.59%	49.38%	55.44%	56.06%	53.88%	54.65%	54.46%	55.17%
50	23.31%	23.86%	27.43%	28.98%	25.34%	26.43%	4.93%	5.25%	6.29%	6.34%	5.63%	5.82%	8.64%	8.03%	9.05%	8.45%	8.90%	8.30%
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	27.93%	29.09%	22.96%	23.68%	25.28%	26.21%	41.43%	38.28%	31.96%	31.11%	35.38%	33.62%	30.63%	30.81%	29.29%	29.38%	29.89%	30.00%
30 - 50	59.67%	57.41%	58.12%	57.01%	58.85%	57.20%	51.55%	54.86%	56.64%	57.55%	54.80%	56.61%	55.89%	55.48%	55.07%	54.86%	55.43%	55.13%
50	12.40%	13.50%	18.92%	19.31%	15.87%	16.59%	7.02%	6.86%	11.40%	11.34%	9.82%	9.77%	13.47%	13.70%	15.64%	15.77%	14.68%	14.87%

AGE PYRAMID BY GENDER AND REGION
CONSOLIDATED SCOPE

GRI 405-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	18.95%	19.15%	18.58%	18.47%	18.77%	18.81%	48.23%	48.74%	41.54%	41.26%	44.78%	44.79%	35.92%	35.91%	37.07%	36.90%	36.65%	36.53%
30 - 50	57.74%	56.99%	53.99%	52.55%	55.89%	54.76%	46.84%	46.01%	52.17%	52.40%	49.59%	49.38%	55.44%	56.06%	53.88%	54.65%	54.46%	55.17%
50	23.31%	23.86%	27.43%	28.98%	25.34%	26.43%	4.93%	5.25%	6.29%	6.34%	5.63%	5.82%	8.64%	8.03%	9.05%	8.45%	8.90%	8.30%
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	27.93%	29.09%	22.96%	23.68%	25.28%	26.21%	41.43%	38.28%	31.96%	31.11%	35.38%	33.62%	30.63%	30.81%	29.29%	29.38%	29.89%	30.00%
30 - 50	59.67%	57.41%	58.12%	57.01%	58.85%	57.20%	51.55%	54.86%	56.64%	57.55%	54.80%	56.61%	55.89%	55.48%	55.07%	54.86%	55.43%	55.13%
50	12.40%	13.50%	18.92%	19.31%	15.87%	16.59%	7.02%	6.86%	11.40%	11.34%	9.82%	9.77%	13.47%	13.70%	15.64%	15.77%	14.68%	14.87%

NUMBER OF VOLUNTARY LABOUR TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA
ADDITIONAL SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	259	258	271	255	530	513	290	282	235	292	525	574	1,114	1,203	1,849	2,034	2,963	3,237
30 - 50	357	309	378	291	735	600	199	209	264	290	463	499	959	1,062	1,486	1,629	2,445	2,691
50	107	70	138	124	245	194	15	11	22	19	37	30	43	57	81	98	124	155
TOTAL	723	637	787	670	1,510	1,307	504	502	521	601	1,025	1,103	2,116	2,322	3,416	3,761	5,532	6,083
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	405	400	401	479	806	879	111	119	140	166	251	285	2,179	2,262	2,896	3,226	5,075	5,488
30 - 50	561	449	516	414	1,077	863	83	113	162	208	245	321	2,159	2,142	2,806	2,832	4,965	4,974
50	63	51	81	77	144	128	15	3	29	43	44	46	243	192	351	361	594	553
TOTAL	1,029	900	998	970	2,027	1,870	209	235	331	417	540	652	4,581	4,596	6,053	6,419	10,634	11,015

NUMBER OF VOLUNTARY LABOUR TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA
CONSOLIDATED SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	193	173	215	180	408	353	248	225	175	214	423	439	974	821	1,686	1,405	2,660	2,226
30 - 50	283	239	304	228	587	467	162	160	209	209	371	369	816	647	1,321	1,070	2,137	1,717
50	81	48	103	101	184	149	14	9	21	12	35	21	31	33	71	56	102	89
TOTAL	557	460	622	509	1,179	969	424	394	405	435	829	829	1,821	1,501	3,078	2,531	4,899	4,032
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	0	0	0	0	0	0	0	3	0	0	0	3	1,415	1,222	2,076	1,799	3,491	3,021
30 - 50	0	0	0	0	0	0	7	3	4	0	11	3	1,268	1,049	1,838	1,507	3,106	2,556
50	0	0	0	0	0	0	0	0	0	0	0	0	126	90	195	169	321	259
TOTAL	0	0	0	0	0	0	7	6	4	0	11	6	2,809	2,361	4,109	3,475	6,918	5,836

VOLUNTARY LABOUR TURNOVER RATE OVER AVERAGE WORKFORCE BY AGE, GENDER AND GEOGRAPHICAL AREA
ADDITIONAL SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	9.1%	9.1%	9.9%	9.4%	9.5%	9.3%	16.0%	16.3%	14.2%	17.8%	15.2%	17.1%	37.7%	39.6%	34.7%	36.4%	35.8%	37.5%
30 - 50	5.4%	4.8%	7.1%	5.6%	6.1%	5.2%	13.3%	14.9%	14.7%	16.1%	14.1%	15.6%	26.7%	27.8%	24.8%	25.5%	25.5%	26.4%
50	4.5%	3.2%	5.8%	5.2%	5.2%	4.2%	10.2%	7.7%	10.7%	9.5%	10.5%	8.8%	9.4%	12.5%	9.6%	11.3%	9.6%	11.7%
TOTAL	6.1%	5.6%	7.6%	6.5%	6.8%	6.0%	14.6%	15.4%	14.2%	16.5%	14.4%	16.0%	30.2%	31.8%	28.1%	29.3%	28.9%	30.2%
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	27.3%	26.1%	28.9%	33.7%	28.1%	29.7%	11.4%	13.8%	10.5%	13.4%	10.9%	13.6%	21.6%	22.6%	23.3%	25.6%	22.6%	24.3%
30 - 50	17.7%	14.9%	14.7%	12.2%	16.1%	13.5%	7.9%	11.1%	8.0%	10.7%	7.9%	10.9%	13.5%	13.7%	15.0%	15.1%	14.3%	14.5%
50	9.6%	7.2%	7.1%	6.7%	8.0%	6.9%	10.7%	2.6%	7.6%	11.8%	8.4%	9.6%	6.5%	5.3%	7.1%	7.2%	6.8%	6.5%
TOTAL	19.4%	17.1%	16.5%	16.3%	17.9%	16.7%	9.6%	11.8%	8.8%	11.8%	9.1%	11.8%	15.4%	15.7%	16.8%	17.7%	16.2%	16.8%

VOLUNTARY LABOUR TURNOVER RATE OVER AVERAGE WORKFORCE BY AGE, GENDER AND GEOGRAPHICAL AREA
CONSOLIDATED SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	9.0%	7.8%	10.5%	8.5%	9.7%	8.1%	23.4%	20.2%	19.0%	22.6%	21.3%	21.3%	42.3%	39.2%	37.9%	33.8%	39.4%	35.6%
30 - 50	5.6%	4.9%	7.6%	5.6%	6.5%	5.2%	17.7%	17.6%	19.5%	19.5%	18.7%	18.7%	32.2%	26.8%	26.8%	22.8%	28.7%	24.1%
50	5.0%	3.2%	6.4%	6.1%	5.7%	4.7%	11.6%	7.5%	12.1%	7.5%	11.9%	7.5%	14.1%	15.6%	11.2%	9.7%	11.9%	11.3%
TOTAL	6.3%	5.3%	8.1%	6.5%	7.1%	5.9%	20.2%	18.4%	18.7%	20.0%	19.4%	19.2%	36.0%	31.8%	30.8%	26.8%	32.5%	28.5%
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	33.3%	0.0%	0.0%	0.0%	30.0%	25.7%	22.5%	28.0%	24.9%	27.0%	23.8%
30 - 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	29.2%	15.0%	16.0%	0.0%	22.4%	8.1%	14.8%	12.8%	18.3%	15.3%	16.7%	14.2%
50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	6.5%	4.8%	8.1%	7.1%	7.3%	6.1%
TOTAL	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	21.9%	19.4%	14.3%	0.0%	18.3%	12.0%	17.5%	15.2%	20.6%	17.9%	19.3%	16.7%

NUMBER OF LABOUR TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA
ADDITIONAL SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	2,078	2,289	1,949	2,065	4,027	4,354	517	631	469	603	986	1,234	1,395	1,549	2,690	2,900	4,085	4,449
30 - 50	3,552	3,401	2,342	2,283	5,894	5,684	349	368	508	534	857	902	1,349	1,525	2,170	2,491	3,519	4,016
50	745	635	472	496	1,217	1,131	22	22	37	38	59	60	66	94	165	204	231	298
TOTAL	6,375	6,325	4,763	4,844	11,138	11,169	888	1,021	1,014	1,175	1,902	2,196	2,810	3,168	5,025	5,595	7,835	8,763
GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	405	400	401	479	806	879	177	203	257	259	434	462	4,572	5,072	5,766	6,306	10,338	11,378
30 - 50	561	449	520	414	1,081	863	131	158	242	300	373	458	5,942	5,901	5,782	6,022	11,724	11,923
50	63	51	81	77	144	128	24	8	36	59	60	67	920	810	791	874	1,711	1,684
TOTAL	1,029	900	1,002	970	2,031	1,870	332	369	535	618	867	987	11,434	11,783	12,339	13,202	23,773	24,985

NUMBER OF LABOUR TURNOVER BY AGE, GENDER AND GEOGRAPHICAL AREA
CONSOLIDATED SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	1,535	1,544	1,442	1,465	2,977	3,009	383	399	302	369	685	768	1,191	1,084	2,403	2,138	3,594	3,222
30 - 50	2,684	2,503	1,757	1,693	4,441	4,196	239	239	307	315	546	554	1,085	991	1,881	1,791	2,966	2,782
50	553	477	336	371	889	848	19	18	31	21	50	39	48	59	139	143	187	202
TOTAL	4,772	4,524	3,535	3,529	8,307	8,053	641	656	640	705	1,281	1,361	2,324	2,134	4,423	4,072	6,747	6,206
GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	0	0	0	0	0	0	0	4	0	1	0	5	3,109	3,031	4,147	3,973	7,256	7,004
30 - 50	0	0	2	0	2	0	8	4	6	0	14	4	4,016	3,737	3,953	3,799	7,969	7,536
50	0	0	0	0	0	0	0	0	0	0	0	0	620	554	506	535	1,126	1,089
TOTAL	0	0	2	0	2	0	8	8	6	1	14	9	7,745	7,322	8,606	8,307	16,351	15,629

PARENTAL LEAVE
ADDITIONAL SCOPE

GRI 401-3	PARENTAL LEAVE		% RETURN	
	WOMEN	MEN	WOMEN	MEN
SPAIN	166	141	71.08%	87.94%
AMERICAS	244	200	77.05%	79.50%
ASIA	63	61	96.83%	100.00%
EMEA	206	77	91.75%	90.91%
TOTAL	679	479	85.51%	85.89%

LABOUR TURNOVER RATE OVER AVERAGE WORKFORCE BY AGE, GENDER AND GEOGRAPHICAL AREA
ADDITIONAL SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	73.0%	80.6%	71.3%	76.4%	72.1%	78.5%	28.6%	36.6%	28.4%	36.9%	28.5%	36.7%	47.2%	51.0%	50.5%	51.9%	49.3%	51.6%
30 - 50	53.3%	53.3%	44.1%	43.6%	49.2%	48.9%	23.4%	26.3%	28.2%	29.7%	26.0%	28.2%	37.5%	40.0%	36.2%	38.9%	36.7%	39.3%
50	31.7%	29.3%	19.9%	20.6%	25.7%	24.7%	15.0%	15.5%	18.0%	19.1%	16.8%	17.6%	14.5%	20.6%	19.6%	23.5%	17.8%	22.5%
TOTAL	53.7%	55.5%	45.7%	46.8%	50.0%	51.4%	25.8%	31.3%	27.7%	32.3%	26.8%	31.8%	40.1%	43.3%	41.3%	43.5%	40.9%	43.5%

GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	27.3%	26.1%	28.9%	33.7%	28.1%	29.7%	18.1%	23.5%	19.3%	20.9%	18.8%	22.0%	45.4%	50.7%	46.4%	50.1%	46.0%	50.4%
30 - 50	17.7%	14.9%	14.8%	12.2%	16.2%	13.5%	12.4%	15.6%	11.9%	15.4%	12.1%	15.5%	37.2%	37.8%	31.0%	32.1%	33.9%	34.7%
50	9.6%	7.2%	7.1%	6.7%	8.0%	6.9%	17.1%	7.0%	9.4%	16.3%	11.5%	14.0%	24.5%	22.6%	16.0%	17.5%	19.7%	19.6%
TOTAL	19.4%	17.1%	16.6%	16.3%	17.9%	16.7%	15.3%	18.5%	14.3%	17.4%	14.7%	17.8%	38.4%	40.3%	34.3%	36.3%	36.1%	38.1%

LABOUR TURNOVER RATE OVER AVERAGE WORKFORCE BY AGE, GENDER AND GEOGRAPHICAL AREA
CONSOLIDATED SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	71.9%	69.5%	70.2%	69.0%	71.1%	69.2%	36.1%	35.8%	32.7%	39.0%	34.5%	37.3%	51.8%	51.8%	54.1%	51.4%	53.3%	51.5%
30 - 50	52.9%	51.5%	43.7%	41.9%	48.8%	47.1%	26.1%	26.4%	28.7%	29.4%	27.5%	28.0%	42.8%	41.0%	38.2%	38.1%	39.8%	39.1%
50	34.3%	31.3%	20.9%	22.4%	27.6%	26.7%	15.7%	15.0%	17.8%	13.1%	16.9%	13.9%	21.8%	27.8%	21.9%	24.7%	21.9%	25.6%
TOTAL	54.1%	52.5%	46.0%	45.1%	50.3%	49.0%	30.6%	30.7%	29.5%	32.4%	30.0%	31.5%	46.0%	45.2%	44.2%	43.2%	44.8%	43.8%

GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	44.4%	0.0%	100.0%	0.0%	50.0%	56.5%	55.7%	55.9%	55.0%	56.1%	55.3%
30 - 50	0.0%	0.0%	9.5%	0.0%	7.4%	0.0%	33.3%	20.0%	24.0%	0.0%	28.6%	10.8%	46.9%	45.5%	39.3%	38.7%	42.8%	41.8%
50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	31.7%	29.8%	20.9%	22.3%	25.7%	25.6%
TOTAL	0.0%	0.0%	9.1%	0.0%	7.1%	0.0%	25.0%	25.8%	21.4%	5.3%	23.3%	18.0%	48.4%	47.2%	43.2%	42.7%	45.5%	44.7%

PARENTAL LEAVE
CONSOLIDATED SCOPE

GRI 401-3	PARENTAL LEAVE		% RETURN	
	WOMEN	MEN	WOMEN	MEN
SPAIN	127	111	74.02%	90.09%
AMERICAS	209	188	74.16%	79.79%
ASIA	0	0	0.00%	0.00%
EMEA	30	21	14.29%	25.71%
TOTAL	366	320	85.51%	85.89%

NUMBER OF CONTRACTS BY GEOGRAPHICAL AREA AND GENDER
ADDITIONAL SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	1,195	325	1,187	345	2,382	670	635	243	618	224	1,253	467	1,227	714	2,305	1,465	3,532	2,179
30 - 50	1,836	458	1,328	357	3,164	815	287	113	401	180	688	293	723	513	1,281	914	2,004	1,427
50	326	50	177	37	503	87	16	5	27	5	43	10	18	18	68	53	86	71
TOTAL	3,357	833	2,692	739	6,049	1,572	938	361	1,046	409	1,984	770	1,968	1,245	3,654	2,432	5,622	3,677
GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	596	594	436	466	1,032	1,060	348	143	440	214	788	357	4,001	2,019	4,986	2,714	8,987	4,733
30 - 50	400	440	527	428	927	868	171	74	325	80	496	154	3,417	1,598	3,862	1,959	7,279	3,557
50	34	46	71	53	105	99	9	2	18	5	27	7	403	121	361	153	764	274
TOTAL	1,030	1,080	1,034	947	2,064	2,027	528	219	783	299	1,311	518	7,821	3,738	9,209	4,826	17,030	8,564

NUMBER OF CONTRACTS BY GEOGRAPHICAL AREA AND GENDER
CONSOLIDATED SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	849	232	850	238	1,699	470	419	175	400	167	819	342	1,021	430	2,026	1,041	3,047	1,471
30 - 50	1,349	333	951	234	2,300	567	210	82	261	106	471	188	549	290	1,092	625	1,641	915
50	213	38	110	23	323	61	13	4	21	5	34	9	13	10	56	35	69	45
TOTAL	2,411	603	1,911	495	4,322	1,098	642	261	682	278	1,324	539	1,583	730	3,174	1,701	4,757	2,431
GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	0	0	0	0	0	0	4	0	1	0	5	0	2,293	837	3,277	1,446	5,570	2,283
30 - 50	0	0	0	0	0	0	5	0	2	0	7	0	2,113	705	2,306	965	4,419	1,670
50	0	0	0	0	0	0	0	0	0	0	0	0	239	52	187	63	426	115
TOTAL	0	0	0	0	0	0	9	0	3	0	12	0	4,645	1,594	5,770	2,474	10,415	4,068

RATE OF CONTRACTS OVER AVERAGE WORKFORCE BY GEOGRAPHICAL AREA AND GENDER ADDITIONAL SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	42.0%	11.4%	43.4%	12.8%	42.7%	12.1%	35.1%	14.1%	37.4%	13.7%	36.2%	13.9%	41.5%	23.5%	43.3%	26.2%	42.7%	25.3%
30 - 50	27.5%	7.2%	25.0%	6.8%	26.4%	7.0%	19.2%	8.1%	22.3%	10.0%	20.9%	9.2%	20.1%	13.4%	21.4%	14.3%	20.9%	14.0%
50	13.9%	2.3%	7.4%	1.5%	10.6%	1.9%	10.9%	3.5%	13.2%	2.5%	12.2%	2.9%	3.9%	3.9%	8.1%	6.1%	6.6%	5.4%
TOTAL	28.3%	7.3%	25.8%	7.1%	27.1%	7.2%	27.2%	11.0%	28.6%	11.3%	27.9%	11.2%	28.1%	17.0%	30.0%	18.9%	29.3%	18.2%
GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	40.2%	38.7%	31.5%	32.8%	36.0%	35.9%	35.6%	16.6%	33.1%	17.3%	34.2%	17.0%	39.7%	20.2%	40.1%	21.6%	39.9%	21.0%
30 - 50	12.6%	14.6%	15.0%	12.6%	13.9%	13.6%	16.2%	7.3%	16.0%	4.1%	16.1%	5.2%	21.4%	10.2%	20.7%	10.4%	21.0%	10.3%
50	5.2%	6.5%	6.2%	4.6%	5.8%	5.3%	6.4%	1.8%	4.7%	1.4%	5.2%	1.5%	10.7%	3.4%	7.3%	3.1%	8.8%	3.2%
TOTAL	19.4%	20.5%	17.1%	15.9%	18.2%	18.1%	24.3%	11.0%	20.9%	8.4%	22.2%	9.4%	26.2%	12.8%	25.6%	13.3%	25.9%	13.1%

RATE OF CONTRACTS OVER AVERAGE WORKFORCE BY GEOGRAPHICAL AREA AND GENDER CONSOLIDATED SCOPE

GRI 401-1	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	39.7%	10.4%	41.4%	11.2%	40.5%	10.8%	39.5%	15.7%	43.3%	17.7%	41.3%	16.6%	44.4%	20.5%	45.6%	25.0%	45.2%	23.5%
30 - 50	26.6%	6.8%	23.6%	5.8%	25.3%	6.4%	22.9%	9.0%	24.4%	9.9%	23.7%	9.5%	21.6%	12.0%	22.2%	13.3%	22.0%	12.9%
50	13.2%	2.5%	6.8%	1.4%	10.0%	1.9%	10.7%	3.3%	12.1%	3.1%	11.5%	3.2%	5.9%	4.7%	8.8%	6.1%	8.1%	5.7%
TOTAL	27.3%	7.0%	24.9%	6.3%	26.2%	6.7%	30.6%	12.2%	31.5%	12.8%	31.1%	12.5%	31.3%	15.5%	31.7%	18.0%	31.6%	17.2%
GRI 401-1	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
30	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	66.7%	0.0%	50.0%	0.0%	62.5%	0.0%	41.7%	15.4%	44.1%	20.0%	43.1%	18.0%
30 - 50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	20.8%	0.0%	8.0%	0.0%	14.3%	0.0%	24.7%	8.6%	22.9%	9.8%	23.7%	9.3%
50	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	12.2%	2.8%	7.7%	2.6%	9.7%	2.7%
TOTAL	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	28.1%	0.0%	10.7%	0.0%	20.0%	0.0%	29.0%	10.3%	29.0%	12.7%	29.0%	11.6%

AVERAGE WORKFORCE BY COUNTRY AND GEOGRAPHICAL AREA
ADDITIONAL SCOPE

		WOMEN		MEN		TOTAL	
		2018	2017	2018	2017	2018	2017
AMERICAS	Argentinean	114.36	112.10	203.85	178.62	318.22	290.73
	Bahamas	414.75	337.43	281.71	249.55	696.46	586.98
	Brazil	677.27	716.85	740.42	834.65	1,417.69	1,551.50
	US	108.71	132.78	117.16	160.87	225.87	293.65
	Jamaica	158.93	164.51	192.43	206.53	351.37	371.04
	Mexico	1,455.84	1,492.20	2,413.69	2,494.60	3,869.53	3,986.81
	Panama	55.83	43.22	64.63	43.79	120.46	87.01
	Peru	55.60	51.04	122.94	101.39	178.54	152.42
	Puerto Rico	32.42	104.73	76.05	194.98	108.46	299.71
	Dominican Rep.	1,493.34	1,479.64	3,583.81	3,586.20	5,077.15	5,065.84
	Venezuela	172.59	179.52	249.19	260.96	421.79	440.48
ASIA	China	470.31	433.64	479.95	444.69	950.26	878.32
	Indonesia	483.97	484.74	1,377.18	1,433.91	1,861.15	1,918.65
	Malaysia	54.31	46.65	107.91	95.43	162.22	142.08
	Myanmar	109.08	114.09	345.69	336.02	454.77	450.11
	Thailand	73.95	77.54	71.53	75.13	145.48	152.67
	Vietnam	536.87	400.27	642.87	498.08	1,179.75	898.34
CUBA	Cuba	5,306.00	5,276.73	6,034.08	6,010.81	11,340.08	11,287.54
EMEA	Germany	646.34	645.92	622.36	613.64	1,268.69	1,259.56
	Austria	66.51	78.01	87.86	85.94	154.37	163.95
	Bulgaria	4.00	4.00	0.00	0.00	4.00	4.00
	Cape Verde	885.57	660.56	672.81	539.01	1,558.38	1,199.57
	Croatia	0.00	0.00	1.00	1.00	1.00	1.00
	UAE	44.64	56.92	145.51	145.35	190.15	202.27
	Egypt	0.00	0.00	0.00	2.00	0.00	2.00
	France	167.47	159.55	173.84	153.38	341.32	312.93
	Greece	25.92	24.89	21.60	16.47	47.51	41.36
	Maldives	0.48	0.00	0.00	0.00	0.48	0.00
	Italy	158.13	160.24	168.83	173.67	326.95	333.91
	Luxemburg	43.31	35.70	29.71	34.38	73.02	70.08
	Morocco	34.66	34.01	92.46	98.92	127.12	132.92
	Montenegro	2.44	0.00	5.65	0.00	8.09	0.00
	Netherlands	1.00	1.00	1.63	1.50	2.63	2.50
	Qatar	0.00	14.35	0.00	49.58	0.00	63.93
	United Kingdom	255.46	242.22	330.76	325.34	586.22	567.56
	Switzerland	1.78	0.00	1.84	0.00	3.61	0.00
	Tanzania	67.44	46.05	251.09	175.50	318.52	221.55
SPAIN	Spain	6,123.60	5,651.17	5,950.74	5,682.68	12,074.34	11,333.85

AVERAGE WORKFORCE BY COUNTRY AND GEOGRAPHICAL AREA
CONSOLIDATED SCOPE

		WOMEN		MEN		TOTAL	
		2018	2017	2018	2017	2018	2017
AMERICAS	Argentina	0.00	0.00	0.00	0.00	0.00	0.00
	Bahamas	0.00	0.00	0.00	0.00	0.00	0.00
	Brazil	24.40	84.84	37.69	149.47	62.09	234.31
	US	108.71	132.78	117.16	160.87	225.87	293.65
	Jamaica	0.00	0.00	0.00	0.00	0.00	0.00
	Mexico	1,349.20	1,169.93	2,241.24	1,971.11	3,590.44	3,141.04
	Panama	12.00	0.00	18.06	0.00	30.06	0.00
	Peru	46.62	51.04	99.12	101.39	145.74	152.42
	Puerto Rico	32.42	104.73	76.05	194.98	108.46	299.71
	Dominican Rep.	1,493.34	1,479.64	3,583.81	3,586.20	5,077.15	5,065.84
	Venezuela	172.59	179.52	249.19	260.96	421.79	440.48
ASIA	China	20.26	18.26	11.62	12.18	31.89	30.44
	Indonesia	4.21	2.40	4.28	3.56	8.49	5.96
	Malaysia	0.00	0.00	0.00	0.00	0.00	0.00
	Myanmar	0.00	0.00	0.00	0.00	0.00	0.00
	Thailand	0.00	0.00	0.00	0.00	0.00	0.00
	Vietnam	0.00	0.00	0.00	0.00	0.00	0.00
CUBA	Cuba	84.00	93.73	75.08	90.95	159.08	184.68
EMEA	Germany	646.34	645.92	622.36	613.64	1,268.69	1,259.56
	Austria	66.51	78.01	87.86	85.94	154.37	163.95
	Bulgaria	4.00	4.00	0.00	0.00	4.00	4.00
	Cape Verde	0.00	0.00	0.00	0.00	0.00	0.00
	Croatia	0.00	0.00	1.00	1.00	1.00	1.00
	UAE	0.00	0.00	6.15	6.27	6.15	6.27
	Egypt	0.00	0.00	0.00	2.00	0.00	2.00
	France	167.47	159.55	173.84	153.38	341.32	312.93
	Greece	0.00	0.00	0.00	0.00	0.00	0.00
	Maldives	0.00	0.00	0.00	0.00	0.00	0.00
	Italy	149.10	153.53	160.81	167.46	309.91	321.00
	Luxembourg	43.31	35.70	29.71	34.38	73.02	70.08
	Morocco	0.00	0.00	0.00	0.00	0.00	0.00
	Montenegro	0.00	0.00	0.00	0.00	0.00	0.00
	Netherlands	1.00	1.00	1.63	1.50	2.63	2.50
	Qatar	0.00	0.00	0.00	0.00	0.00	0.00
	United Kingdom	254.40	242.22	329.40	325.34	583.80	567.56
	Switzerland	1.78	0.00	1.84	0.00	3.61	0.00
	Tanzania	0.00	0.00	0.00	0.00	0.00	0.00
SPAIN	Spain	4,427.37	4,128.90	4,406.65	4,359.84	8,653.03	8,766.49

WORKFORCE BY NATIONALITY
ADDITIONAL SCOPE

	2018	2017		2018	2017		2018	2017
Cuban	24.82%	25.32%	Bangladeshi	0.04%	0.05%	Guyanese	0.00%	0.00%
Spanish	22.85%	22.39%	Mauritanian	0.04%	0.04%	Ugandan	0.00%	0.01%
Dominican	10.86%	11.10%	Czech	0.04%	0.05%	Finnish	0.00%	0.01%
Mexican	8.41%	8.90%	Egyptian	0.04%	0.06%	Taiwanese	0.00%	0.00%
Indonesia	4.05%	4.28%	Turkish	0.04%	0.04%	Lebanese	0.00%	0.00%
Cape Verdean	3.18%	2.46%	Congolese	0.04%	0.04%	Angolan	0.00%	0.00%
Brazilian	3.13%	3.51%	Nepalese	0.03%	0.03%	Yemeni	0.00%	0.00%
Vietnamese	2.49%	1.99%	Malian	0.03%	0.03%	Togolese	0.00%	0.01%
German	2.19%	2.27%	English	0.03%	0.01%	Icelandic	0.00%	0.00%
China	2.06%	1.96%	Paraguayan	0.03%	0.03%	Eritrean	0.00%	0.00%
Bahamian	1.46%	1.26%	Tunisian	0.03%	0.03%	Burkinese	0.00%	0.00%
Italian	1.45%	1.37%	Gambian	0.03%	0.00%	Malawian	0.00%	0.00%
Venezuelan	1.02%	1.04%	Korean	0.02%	0.02%	Norwegian	0.00%	0.00%
Burmese	0.98%	0.99%	Serbian	0.02%	0.02%	Maltese	0.00%	0.00%
Jamaican	0.77%	0.82%	Albanian	0.02%	0.02%	Armenian	0.00%	0.00%
Argentinean	0.72%	0.69%	Cameroonian	0.02%	0.01%	Danish	0.00%	0.00%
Tanzanian	0.63%	0.45%	Montenegrin	0.02%	0.00%	Azerbaijani	0.00%	0.00%
French	0.58%	0.56%	Latvian	0.02%	0.02%	Cambodian	0.00%	0.00%
American	0.58%	1.12%	Ghanaian	0.02%	0.01%	Sierra Leona	0.00%	0.00%
Moroccan	0.55%	0.56%	Iranian	0.02%	0.02%	Botswanan	0.00%	0.00%
Peruvian	0.52%	0.49%	Syrian	0.02%	0.01%	Gabonese	0.00%	0.01%
Romanian	0.41%	0.35%	Costa Rican	0.02%	0.01%	Timorese	0.00%	0.00%
Malaysian	0.35%	0.32%	Swedish	0.02%	0.02%	Solomon Islander	0.00%	0.00%
British	0.34%	0.33%	Honduran	0.02%	0.02%	Djiboutian	0.00%	0.00%
Thai	0.33%	0.36%	Emirati	0.01%	0.01%	Congolese	0.00%	0.00%
Portuguese	0.32%	0.28%	Slovenian	0.01%	0.01%	Saint Helena	0.00%	0.00%
Colombian	0.26%	0.23%	Ivory Coast	0.01%	0.01%	Zambian	0.00%	0.00%
Bulgarian	0.20%	0.20%	Afghan	0.01%	0.01%	Barbadian	0.00%	0.00%
Indian	0.20%	0.27%	Guinean	0.01%	0.11%	Trinidadian	0.00%	0.00%
Polish	0.19%	0.18%	Australian	0.01%	0.01%	Salvadoran	0.00%	0.00%
Panamanian	0.18%	0.18%	French	0.01%	0.00%	Beninese	0.00%	0.00%
Philippine	0.18%	0.18%	Curaçao	0.01%	0.00%	Somali	0.00%	0.00%
Austrian	0.17%	0.18%	Nicaraguan	0.01%	0.01%	Sudanese	0.00%	0.00%
Greek	0.15%	0.12%	Japanese	0.01%	0.01%	Madagascan	0.00%	0.01%
Ukrainian	0.14%	0.13%	Switzerland	0.01%	0.01%	Stateless	0.00%	0.00%
Ecuadorian	0.14%	0.12%	Estonian	0.01%	0.01%	Stateless	0.00%	0.00%
Hungarian	0.12%	0.13%	Macedonian	0.01%	0.01%	Nigerian	0.00%	0.00%
Senegalese	0.11%	0.08%	Georgian	0.01%	0.01%	Turkish	0.00%	0.00%
Guinean	0.11%	0.00%	Kazakhstani	0.01%	0.01%	South African	0.00%	0.00%
Russian	0.08%	0.08%	Irish	0.01%	0.01%	Mongolian	0.00%	0.00%
Nigerian	0.07%	0.07%	Canadian	0.01%	0.01%	Tajik	0.00%	0.00%
Slovakian	0.07%	0.06%	Iraqi	0.01%	0.01%	Brit.ind.oc.ter	0.00%	0.00%
Sri Lankan	0.06%	0.06%	Bosnian	0.01%	0.01%	Belizean	0.00%	0.00%
Belgian	0.06%	0.06%	Belarussian	0.01%	0.01%	Ethiopian	0.00%	0.00%
Pakistani	0.06%	0.07%	Jordanian	0.01%	0.01%	Rwandan	0.00%	0.00%
Bolivian	0.06%	0.05%	Cypriot	0.01%	0.01%	Zimbabwean	0.00%	0.00%
Dutch	0.05%	0.07%	Mauritian	0.01%	0.00%	British GB	0.00%	0.00%
Croatian	0.05%	0.05%	Luxembourgers	0.01%	0.01%	Israeli	0.00%	0.00%
Haitian	0.05%	0.07%	Sao Tomean	0.01%	0.01%	Central African	0.00%	0.00%
Lithuanian	0.05%	0.04%	Uzbek	0.01%	0.01%	New Zealand	0.00%	0.00%
Uruguayan	0.05%	0.05%	Moldovan	0.01%	0.01%	Burundian	0.00%	0.00%
Chilean	0.04%	0.04%	Kenyan	0.01%	0.02%			
Algerian	0.04%	0.04%	Guatemalan	0.01%	0.00%			

WORKFORCE BY NATIONALITY
CONSOLIDATED SCOPE

	2018	2017		2018	2017		2018	2017
Cuban	1.09%	1.09%	Bangladeshi	0.08%	0.06%	Guyanese	0.00%	0.01%
Spanish	36.79%	37.38%	Mauritanian	0.07%	0.06%	Ugandan	0.01%	0.00%
Dominican	23.43%	23.29%	Czech	0.07%	0.08%	Finnish	0.01%	0.02%
Mexican	16.83%	14.74%	Egyptian	0.05%	0.07%	Taiwanese	0.01%	0.01%
Indonesia	0.05%	0.04%	Turkish	0.08%	0.08%	Lebanese	0.01%	0.01%
Cape Verdean	0.02%	0.01%	Congolese	0.08%	0.08%	Angolan	0.01%	0.01%
Brazilian	0.47%	1.28%	Nepalese	0.01%	0.00%	Yemeni	0.00%	0.00%
Vietnamese	0.02%	0.02%	Malian	0.06%	0.05%	Togolese	0.01%	0.01%
German	4.67%	4.75%	English	0.07%	0.01%	Icelandic	0.01%	0.01%
China	0.14%	0.15%	Paraguayan	0.04%	0.03%	Eritrean	0.01%	0.01%
Bahamian	0.00%	0.00%	Tunisian	0.06%	0.06%	Burkinese	0.01%	0.01%
Italian	2.85%	2.84%	Gambian	0.03%	0.00%	Malawian	0.00%	0.00%
Venezuelan	2.13%	2.18%	Korean	0.02%	0.02%	Norwegian	0.01%	0.01%
Burmese	0.00%	0.00%	Serbian	0.04%	0.04%	Maltese	0.00%	0.00%
Jamaican	0.02%	0.02%	Albanian	0.03%	0.03%	Armenian	0.00%	0.01%
Argentinean	0.16%	0.18%	Cameroonian	0.04%	0.02%	Danish	0.00%	0.00%
Tanzanian	0.00%	0.00%	Montenegrin	0.01%	0.01%	Azerbaijani	0.00%	0.00%
French	1.17%	1.14%	Latvian	0.04%	0.04%	Cambodian	0.00%	0.00%
American	1.20%	2.32%	Ghanaian	0.03%	0.03%	Sierra Leona	0.00%	0.00%
Moroccan	0.38%	0.40%	Iranian	0.03%	0.04%	Botswanan	0.00%	0.00%
Peruvian	0.93%	0.99%	Syrian	0.03%	0.01%	Gabonese	0.00%	0.01%
Romanian	0.75%	0.67%	Costa Rican	0.03%	0.02%	Timorese	0.00%	0.00%
Malaysian	0.01%	0.01%	Swedish	0.02%	0.03%	Solomon Islander	0.00%	0.00%
British	0.62%	0.61%	Honduran	0.02%	0.01%	Djiboutian	0.00%	0.00%
Thai	0.02%	0.02%	Emirati	0.00%	0.00%	Congolese	0.00%	0.00%
Portuguese	0.48%	0.51%	Slovenian	0.03%	0.02%	Saint Helena	0.00%	0.00%
Colombian	0.42%	0.37%	Ivory Coast	0.03%	0.02%	Zambian	0.00%	0.00%
Bulgarian	0.38%	0.39%	Afghan	0.03%	0.02%	Barbadian	0.00%	0.00%
Indian	0.09%	0.08%	Guinean	0.03%	0.01%	Trinidadian	0.00%	0.00%
Polish	0.38%	0.34%	Australian	0.03%	0.02%	Salvadoran	0.00%	0.00%
Panamanian	0.00%	0.00%	French	0.02%	0.00%	Beninese	0.00%	0.00%
Philippine	0.15%	0.15%	Curaçao	0.02%	0.00%	Somali	0.00%	0.00%
Austrian	0.36%	0.39%	Nicaraguan	0.02%	0.01%	Sudanese	0.00%	0.00%
Greek	0.13%	0.09%	Japanese	0.00%	0.00%	Madagascan	0.00%	0.01%
Ukrainian	0.22%	0.21%	Switzerland	0.01%	0.01%	Stateless	0.00%	0.00%
Ecuadorian	0.23%	0.21%	Estonian	0.01%	0.01%	Stateless	0.00%	0.00%
Hungarian	0.25%	0.26%	Macedonian	0.02%	0.02%	Nigerian	0.00%	0.00%
Senegalese	0.18%	0.13%	Georgian	0.02%	0.02%	Turkish	0.00%	0.00%
Guinean	0.02%	0.00%	Kazakhstani	0.02%	0.01%	South African	0.00%	0.01%
Russian	0.14%	0.14%	Irish	0.02%	0.02%	Mongolian	0.00%	0.00%
Nigerian	0.13%	0.10%	Canadian	0.02%	0.02%	Tajik	0.00%	0.00%
Slovakian	0.12%	0.11%	Iraqi	0.02%	0.01%	Brit.ind.oc.ter	0.00%	0.00%
Sri Lankan	0.06%	0.05%	Bosnian	0.02%	0.01%	Belizean	0.00%	0.00%
Belgian	0.09%	0.09%	Belarussian	0.02%	0.02%	Ethiopian	0.00%	0.00%
Pakistani	0.06%	0.06%	Jordanian	0.01%	0.01%	Rwandan	0.00%	0.00%
Bolivian	0.08%	0.05%	Cypriot	0.00%	0.00%	Zimbabwean	0.00%	0.00%
Dutch	0.11%	0.14%	Mauritian	0.00%	0.00%	British GB	0.00%	0.00%
Croatian	0.10%	0.10%	Luxembourgers	0.01%	0.01%	Israeli	0.00%	0.00%
Haitian	0.10%	0.14%	Sao Tomean	0.00%	0.00%	Central African	0.00%	0.00%
Lithuanian	0.10%	0.07%	Uzbek	0.01%	0.01%	New Zealander	0.00%	0.00%
Uruguayan	0.08%	0.08%	Moldovan	0.01%	0.02%	Burundian	0.00%	0.00%
Chilean	0.08%	0.08%	Kenyan	0.01%	0.02%			
Algerian	0.06%	0.06%	Guatemalan	0.01%	0.01%			

PERFORMANCE EVALUATION
ADDITIONAL SCOPE

GRI 404-3

	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	373	392	265	306	638	698	41	51	29	42	70	93	66	91	77	72	143	163
Management	37	33	69	75	106	108	2	4	9	15	11	19	8	8	21	18	29	26
Middle management	108	110	95	104	203	214	20	30	14	18	34	48	29	37	34	31	63	68
Core staff	228	249	101	127	329	376	19	17	6	9	25	26	29	46	22	23	51	69
Hotel	411	326	561	530	972	856	180	217	229	270	409	487	254	50	332	43	586	93
Management	22	26	66	94	88	120	6	19	32	45	38	64	5	17	25	27	30	44
Middle management	340	282	465	411	805	693	146	190	185	222	331	412	209	6	280	8	489	14
Core staff	49	18	30	25	79	43	28	8	11	3	39	11	40	27	27	8	67	35
Club Meliá	0	3	0	1	0	4	0	0	0	0	0	0	19	7	12	5	31	12
Management	0	1	0	1	0	2	0	0	0	0	0	0	1	0	2	0	3	0
Middle management	0	2	0	0	0	2	0	0	0	0	0	0	11	2	6	0	17	2
Core staff	0	0	0	0	0	0	0	0	0	0	0	0	7	5	4	5	11	10
Other activities	15	7	17	10	32	17	1	0	2	4	3	4	1	0	4	1	5	1
Management	0	0	3	3	3	3	0	0	0	0	0	0	0	0	2	1	2	1
Middle management	8	6	9	7	17	13	1	0	2	4	3	4	1	0	2	0	3	0
Core staff	7	1	5	0	12	1	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	799	728	843	847	1,642	1,575	222	268	260	316	482	584	340	148	425	121	765	269
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	0	0	0	0	0	0	18	15	18	12	36	27	498	549	389	432	887	981
Management	0	0	0	0	0	0	3	4	11	10	14	14	50	49	110	118	160	167
Middle management	0	0	0	0	0	0	7	7	4	0	11	7	164	184	147	153	311	337
Core staff	0	0	0	0	0	0	8	4	3	2	11	6	284	316	132	161	416	477
Hotel	0	0	0	0	0	0	30	6	58	13	88	19	875	599	1,180	856	2,055	1,455
Management	0	0	0	0	0	0	5	6	13	13	18	19	38	68	136	179	174	247
Middle management	0	0	0	0	0	0	24	0	41	0	65	0	719	478	971	641	1,690	1,119
Core staff	0	0	0	0	0	0	1	0	4	0	5	0	118	53	72	36	190	89
Club Meliá	0	0	0	0	0	0	0	0	0	0	0	0	19	10	12	6	31	16
Management	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	1	3	2
Middle management	0	0	0	0	0	0	0	0	0	0	0	0	11	4	6	0	17	4
Core staff	0	0	0	0	0	0	0	0	0	0	0	0	7	5	4	5	11	10
Other activities	0	0	0	0	0	0	0	0	0	0	0	0	17	7	23	15	40	22
Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5	4	5	4
Middle management	0	0	0	0	0	0	0	0	0	0	0	0	10	6	13	11	23	17
Core staff	0	0	0	0	0	0	0	0	0	0	0	0	7	1	5	0	12	1
TOTAL	0	0	0	0	0	0	48	21	76	25	124	46	1,409	1,165	1,604	1,309	3,013	2,474

PERFORMANCE EVALUATION CONSOLIDATED SCOPE

GRI 404-3	SPAIN						EMEA						AMERICAS					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	373	392	265	306	638	698	41	51	29	42	70	93	66	91	77	72	143	163
Management	37	33	69	75	106	108	2	4	9	15	11	19	8	8	21	18	29	26
Middle management	108	110	95	104	203	214	20	30	14	18	34	48	29	37	34	31	63	68
Core staff	228	249	101	127	329	376	19	17	6	9	25	26	29	46	22	23	51	69
Hotel	324	322	415	515	739	837	153	214	163	265	316	479	147	46	188	42	335	88
Management	21	26	51	84	72	110	6	19	25	45	31	64	0	13	13	26	13	39
Middle management	261	279	335	406	596	685	121	187	133	217	254	404	112	6	157	8	269	14
Core staff	42	17	29	25	71	42	26	8	5	3	31	11	35	27	18	8	53	35
Club Meliá	0	3	0	1	0	4	0	0	0	0	0	0	19	7	12	5	31	12
Management	0	1	0	1	0	2	0	0	0	0	0	0	1	0	2	0	3	0
Middle management	0	2	0	0	0	2	0	0	0	0	0	0	11	2	6	0	17	2
Core staff	0	0	0	0	0	0	0	0	0	0	0	0	7	5	4	5	11	10
Other activities	5	7	8	10	13	17	1	0	2	4	3	4	1	0	4	1	5	1
Management	0	0	1	3	1	3	0	0	0	0	0	0	0	0	2	1	2	1
Middle management	4	6	6	7	10	13	1	0	2	4	3	4	1	0	2	0	3	0
Core staff	1	1	1	0	2	1	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	702	724	688	832	1,390	1,556	195	265	194	311	389	576	233	144	281	120	514	264
	CUBA						ASIA						TOTAL					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Corporate offices	0	0	0	0	0	0	18	15	18	12	36	27	498	549	389	432	887	981
Management	0	0	0	0	0	0	3	4	11	10	14	14	50	49	110	118	160	167
Middle management	0	0	0	0	0	0	7	7	4	0	11	7	164	184	147	153	311	337
Core staff	0	0	0	0	0	0	8	4	3	2	11	6	284	316	132	161	416	477
Hotel	0	0	0	0	0	0	0	6	0	13	0	19	624	588	766	835	1,390	1,423
Management	0	0	0	0	0	0	0	6	0	13	0	19	27	64	89	168	116	232
Middle management	0	0	0	0	0	0	0	0	0	0	0	0	494	472	625	631	1,119	1,103
Core staff	0	0	0	0	0	0	0	0	0	0	0	0	103	52	52	36	155	88
Club Meliá	0	0	0	0	0	0	0	0	0	0	0	0	19	10	12	6	31	16
Management	0	0	0	0	0	0	0	0	0	0	0	0	1	1	2	1	3	2
Middle management	0	0	0	0	0	0	0	0	0	0	0	0	11	4	6	0	17	4
Core staff	0	0	0	0	0	0	0	0	0	0	0	0	7	5	4	5	11	10
Other activities	0	0	0	0	0	0	0	0	0	0	0	0	7	7	14	15	21	22
Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	3	4	3	4
Middle management	0	0	0	0	0	0	0	0	0	0	0	0	6	6	10	11	16	17
Core staff	0	0	0	0	0	0	0	0	0	0	0	0	1	1	1	0	2	1
TOTAL	0	0	0	0	0	0	18	21	18	25	36	46	1,148	1,154	1,181	1,288	2,329	2,442

TRAINING
ADDITIONAL SCOPE

GRI 404-1

TOTAL

BY GENDER	
Total participants	158,963
Participants - Men	68,626
Participants - Women	90,337
Total hours	1,588,783.23
Hours - Men	992,829.94
Hours - Women	595,953.29
BY PROFESSIONAL CATEGORY	
Total participants	158,963
Participants - Management	2,243
Participants - Middle management	10,859
Participants - Core staff	145,861
Total hours	1,588,783.23
Hours - Management	17,883.87
Hours - Middle management	112,440.76
Hours - Core staff	1,458,458.60
Total courses	7,803
Hours/Participant	10
HOURS/EMPLOYEE	34.56
Hours/Employee (Men)	38.69
Hours/Employee (Women)	29.35
HOURS/EMPLOYEE	34.56
Hours/Employee (Management)	44.19
Hours/Employee (Middle management)	22.58
Hours/Employee (Core staff)	35.94

TRAINING
CONSOLIDATED SCOPE

GRI 404-1

TOTAL

BY GENDER	
Total participants	90,341.00
Participants - Men	39,419.00
Participants - Women	50,922.00
Total hours	554,999.15
Hours - Men	304,659.65
Hours - Women	250,339.50
BY PROFESSIONAL CATEGORY	
Total participants	90,341.00
Participants - Management	1,839.00
Participants - Middle management	8,583.00
Participants - Core staff	79,918.00
Total hours	554,999.15
Hours - Management	15,140.25
Hours - Middle management	99,806.35
Hours - Core staff	440,052.55
Total courses	3,415
Hours/Participant	6
HOURS/EMPLOYEE	26.10
Hours/Employee (Men)	25.07
Hours/Employee (Women)	27.48
HOURS/EMPLOYEE	26.10
Hours/Employee (Management)	48.11
Hours/Employee (Middle management)	32.19
Hours/Employee (Core staff)	24.66

DIFFERENCE IN SALARIES (GAP) CONSOLIDATED SCOPE

GRI 405-2

FIXED+SUPPL.	SPAIN	DOMINICAN REP.	MEXICO	GERMANY	FRANCE	ITALY	UNITED KINGDOM	CHINA	BRAZIL	USA
Hotel										
Management	0.95	-	0.85	0.85	1.05	-	1.82		0.87	-
Middle management	0.89	1.05	1.00	0.93	0.88	0.92	1.19		0.89	1.10
Core staff	0.95	1.12	1.06	0.96	0.95	1.82	0.95		1.01	1.04
Head office										
Management	0.96			-				-		-
Middle management	0.93	-	-	-	-	-	-	0.75	-	0.84
Technicians	0.92	0.88	0.78	0.88	0.93	0.79	0.92	1.07	0.73	0.90
Core staff	0.87	1.06	0.86	0.81	0.87	-	-	0.89	1.15	1.11
TOTAL										
Hotel										
Management	0.96	-	0.87	0.84	1.06	-	1.82		0.87	-
Middle management	0.89	1.04	1.01	0.93	0.87	0.91	1.25		0.89	1.11
Core staff	0.95	1.12	1.06	0.96	0.95	1.82	0.95		1.00	1.04
Head office										
Management	1.07			-				-		-
Middle management	0.93	-	-	-	-	-	-	0.90	-	0.79
Technicians	0.94	0.89	0.78	0.88	0.97	0.81	0.95	1.03	0.76	0.88
Core staff	0.89	1.09	0.86	0.78	0.87	-	-	0.89	1.15	1.09

DIFFERENCE IN SALARIES (GAP) CONSOLIDATED SCOPE

GRI 405-2

		SPAIN		DOMINICAN REP.		MEXICO		GERMANY		FRANCE		ITALY		UNITED KINGDOM		CHINA		BRAZIL		USA	
		Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men	Women	Men
Hotel																					
Management		77,600	81,045			192,682	C	163,464	C	100,415	46,293	C		C	C			56,984	65,534		C
Middle management		32,922	37,193	35,279	34,017	28,915	28,728	35,318	38,059	24,449	28,129	39,442	43,501	59,075	47,180			19,388	21,808	71,331	64,227
Core staff		20,022	21,092	3,854	3,437	3,986	3,768	22,786	23,659	21,435	22,575	40,485	22,269	22,178	23,286			6,479	6,505	25,720	24,800
Head office																					
Managers		C	183,710						C								C				C
Middle management		81,107	86,829		C		C		153,750		C		C		C	C	102,834		C	133,113	C
Technicians		41,934	44,689	45,658	C	38,567	49,512	64,890	C	54,778	56,442	C	C	68,237	71,714	42,695	C	61,640	81,539	79,345	90,448
Core staff		25,184	28,454	15,821	14,541	14,940	17,458	28,546	C	35,137	40,578	C		C		C	C	22,185	C	44,477	C

C: given that the sample size is less than 5 people, the data is not reported due to confidentiality issues

AVERAGE REMUNERATION BY COUNTRY AND GENDER
CONSOLIDATED SCOPE

	Age range	Average Women EUR	Average Men EUR
Spain	>50	22,453	27,387
	30-50	23,093	25,558
	<30	20,254	20,182
Dominican Rep,	>50	7,912	9,443
	30-50	6,759	5,662
	<30	4,326	3,304
US	>50	66,128	70,016
	30-50	58,912	56,846
	<30	36,236	28,307
Mexico	>50	12,025	11,557
	30-50	6,567	8,738
	<30	4,236	3,478
Germany	>50	24,782	33,295
	30-50	27,390	31,453
	<30	23,431	23,024
China	>50	C	C
	30-50	42,058	72,018
	<30	C	C
France	>50	24,704	23,073
	30-50	22,405	25,347
	<30	21,368	21,855
Brazil	>50	31,920	43,131
	30-50	20,955	25,810
	<30	12,909	C
United Kingdom	>50	21,856	35,591
	30-50	31,374	31,898
	<30	22,652	21,344
Italy	>50	33,854	C
	30-50	26,387	31,138
	<30	68,187	20,773

C: given that the sample size is less than 5 people, the data is not reported due to confidentiality issues

TABLE OF DISMISSALS
CONSOLIDATED SCOPE

	WOMEN	MEN	TOTAL
30	42	146	188
30 - 50	107	207	314
50	21	35	56
	170	388	558
Management	2	10	12
Middle management	32	47	79
Core staff	136	331	467
	170	388	558

TOTAL ENERGY CONSUMPTION AND SAVINGS
ADDITIONAL SCOPE
GRI 302-1

CONSUMPTION	UNIT	2018	% INCREASE	2017	% INCREASE	2016
100% renewable electricity sources	MWh	230,182.58	2.96%	223,561.35	1.48%	220,305.88
	GJ	828,657.28		804,820.87		793,101.16
Electricity	MWh	431,701.85	-0.53%	434,011.96	-2.73%	446,193.02
	GJ	1,554,126.65		1,562,443.05		1,606,294.88
Natural gas	m3	11,145,634.52	9.53%	10,175,988.51	0.44%	10,131,538.16
	GJ	482,048.69		440,111.50		438,189.03
Propane	t	4,402.52	-2.03%	4,493.59	12.12%	4,007.85
	GJ	200,314.50		204,458.19		182,357.13
Diesel	m3	3,503.55	-7.05%	3,769.15	-9.25%	4,153.55
	GJ	134,081.05		144,245.18		158,956.29
District heating	MWh	33,955.42	1.92%	33,316.42	0.53%	33,141.04
	GJ	122,239.50		119,939.10		119,307.73
District cooling	MWh	42,962.42	-9.00%	47,211.25	-7.56%	51,069.81
	GJ	154,664.70		169,960.51		183,851.30
TOTAL (GJ)		2,647,475.09	0.24%	2,641,157.54	-1.78%	2,688,956.35

TOTAL ENERGY CONSUMPTION AND SAVINGS
CONSOLIDATED SCOPE
GRI 302-1

CONSUMPTION	UNIT	2018
100% renewable electricity sources	MWh	161,130.27
	GJ	580,068.97
Electricity	MWh	283,475.02
	GJ	1,020,510.09
Natural gas	m3	8,216,861.88
	GJ	355,379.28
Propane	t	3,292.10
	GJ	149,790.46
Diesel	m3	2,104.69
	GJ	80,546.37
District heating	MWh	33,955.42
	GJ	122,239.50
District cooling	MWh	42,962.42
	GJ	154,664.70
TOTAL (GJ)		1,883,130.39

For these indicators, the portfolio included in SAVE is being considered, which accounts for 78% of the owned, leased and managed hotels and 99% of the owned and leased hotels.

ENVIRONMENTAL EXPENSES (€)
 ADDITIONAL SCOPE

	2018	2017	Diff. (%)
Bacteriological analysis	867,077.07	896,797.05	-3.31%
Quality audit	24,510.48	110,564.05	-77.83%
Environment	113,891.43	110,478.81	3.09%
Sewerage charges	1,860,246.39	1,683,896.26	10.47%
Solid waste collection	3,643,240.26	3,730,724.40	-2.34%
Water charges	1,775,728.49	1,744,383.52	1.80%
TOTAL	8,284,694.12	8,276,844.09	0.09%

ENVIRONMENTAL EXPENSES (€)
 CONSOLIDATED SCOPE

	2018	2017	Diff. (%)
Bacteriological analysis	758,101.32	758,100.06	0.00%
Quality audit	23,750.48	106,004.05	-77.59%
Environment	96,418.27	97,278.45	-0.88%
Sewerage charges	1,446,889.44	1,342,138.63	7.80%
Solid waste collection	3,156,514.83	3,227,537.55	-2.20%
Water charges	1,503,995.07	1,495,213.79	0.59%
TOTAL (GJ)	6,985,669.41	7,026,272.53	-0.58%

NOx EMISSIONS
 ADDITIONAL SCOPE

GRI 305-7	2018	% Incr.	2017
NOx (Kg)	98,140.79	2.61%	95,643.12

NOx EMISSIONS
 CONSOLIDATED SCOPE

GRI 305-7	2018
NOx (Kg)	71,184.74

SOx EMISSIONS
 ADDITIONAL SCOPE

GRI 305-7	2018	% Incr.	2017
SOx (Kg)	14,641.70	-4.95%	15,404.61

SOx EMISSIONS
 CONSOLIDATED SCOPE

GRI 305-7	2018
SOx (Kg)	9,135.93

For these indicators, the portfolio included in SAVE is being considered, which accounts for 78% of the owned, leased and managed hotels and 99% of the owned and leased hotels.

WORK HEALTH INDEX
CONSOLIDATED SCOPE

GRI 403-2

	INCIDENCE						FREQUENCY						SEVERITY						AVERAGE DURATION					
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
AMERICAS	76.69		60.68		66.10		38.56		34.04		35.68		0.40		0.42		0.41		10.30		12.23		11.47	
EMEA	43.48		43.31		43.39		30.94		30.91		30.92		0.12		0.25		0.18		3.79		7.98		5.94	
SPAIN	62.41	55.55	47.73	49.57	55.24	52.55	38.02	31.21	26.64	27.57	32.19	29.37	0.61	0.49	0.50	0.43	0.55	0.46	15.97	15.61	18.66	15.72	17.10	15.66
ASIA	0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
BRAZIL	0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00		0.00	
	% DAYS ABSENT PER WORKPLACE ACCIDENT						% DAYS ABSENT PER COMMON CONTINGENCY						% DAYS ABSENT											
	WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL		WOMEN		MEN		TOTAL							
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017						
AMERICAS	0.32%		0.33%		0.33%		n/d		n/d		n/d		n/d		n/d		n/d							
EMEA	0.12%		0.15%		0.13%		n/d		n/d		n/d		n/d		n/d		n/d							
SPAIN	0.40%	0.39	0.49%	0.35	0.44%	0.37	4.74%	3.10	3.17%	2.37	3.94%	2.73	5.22%	3.49	3.57%	2.72	4.38%	3.10						
ASIA	0.00		0.00		0.00		n/d		n/d		n/d		n/d		n/d		n/d							
BRAZIL	0.00		0.00		0.00		n/d		n/d		n/d		n/d		n/d		n/d							

In Itinere accidents not included

A Spanish employee of the hotel Meliá Sevilla dies (sudden death at workplace)."

Hours of absenteeism at a global level (owned and leased hotels) have been estimated at 1,573,941.39. Estimated data based on real data of 41% of the workforce.

Table of contents GRI

GRI Code	GRI	REPORTED	PAGE	Comments/Omissions
GRI 102: General data				
Organisation profile				
102-1	Name of the organisation	Yes	210	Meliá Hotels International
102-2	Activities, brands, products and services	Yes	36-61	
102-3	Location of headquarters	Yes	178	
102-4	Location of operations	Yes	18-19	
102-5	Ownership and legal form	Yes	214	Note 1
102-6	Markets served	Yes	36-51	
102-7	Size of the organisation	Yes	18-19	
102-8	Information on employees and other workers	Yes	184-190	
102-9	Supply chain	Yes	128-131	
102-10	Significant changes in the organisation and its supply chain	Yes	18-19	
102-11	Precautionary principle or approach	Yes	214	Note 2
102-12	External initiatives	Yes	110-111;144-145;179	
102-13	Membership of associations	Yes	179	
Strategy				
102-14	Statement from senior decision-makers	Yes	4-5	
102-15	Main effects, risks and opportunities	Yes	22-25;168-170	
Ethics and transparency				
102-16	Values, principles, standards and rules of conduct	Yes	12-13	
102-17	Advisory mechanisms and ethical concerns	Yes	171-174	
Governance				
102-18	Governance structure	Yes	150-161	
102-19	Delegation of authority	Yes	158-159	
102-20	Executive-level responsibility for economic, environmental and social topics	Yes	151-155	
102-21	Consultation with stakeholders on economic, environmental and social topics	Yes	26-27	
102-22	Composition of the highest governance body and its committees	Yes	151-158	
102-23	Chair of the highest governance body	Yes	154	
102-24	Appointment and selection of the highest governance body	Yes	153	
102-25	Conflicts of interest	Yes	214	Note 3
102-26	Role of the highest governance body in setting purpose, values and strategy	Yes	153	
102-27	Collective knowledge of the highest governance body	Yes	154	
102-28	Evaluation of the highest governance body's performance	Yes	155	
102-29	Identification and management of economic, environmental and social impacts	Yes	26-27;168-170	
102-30	Effectiveness of risk management processes	Yes	164-167	
102-31	Review of economic, environmental and social topics	Yes	26-27;168-170	
102-32	Highest governance body's role in sustainability reporting	Yes	210	Formulation of the Integrated Report in the Board of Directors.
102-33	Communication of critical concerns	No	-	
102-34	Nature and total number of critical concerns	No	-	
102-35	Remuneration policies	Yes	162-163	
102-36	Process for determining remuneration	Yes	162-163	
102-37	Stakeholders' involvement in remuneration	Yes	162-163	
102-38	Annual total compensation ratio	Yes	162-163	
102-39	Percentage increase in annual total compensation ratio	Yes	162-163	
Participation of stakeholders				
102-40	List of stakeholders	Yes	111	
102-41	Collective bargaining agreements	Yes	210	81% of the employees of owned and leased hotels are subject to an agreement. 56% of the employees of owned, leased and managed hotels.
102-42	Identification and selection of stakeholders	Yes	110-111	
102-43	Approach to stakeholder engagement	Yes	110-111	
102-44	Key issues and concerns raised	Yes	26-27	
Reporting practice				
102-45	Entities included in the consolidated financial statements	Yes	210	Annex I Annual Accounts
102-46	Definition of report content and topic boundaries	Yes	26-27	
102-47	List of material topics	Yes	26-27	
102-48	Restatements of information	Yes	6	
102-49	Changes in reporting	Yes	6	

GRI Code	GRI	REPORTED	PAGE	Comments/Omissions
102-50	Reporting period	Yes	210	1 January 2018 to 31 December 2018
102-51	Date of most recent report	Yes	211	Integrated Annual Report 2017
102-52	Reporting cycle	Yes	211	Annual
102-53	Point of contact for questions regarding the report	Yes	6	
102-54	Claims of reporting in accordance with the GRI Standards	Yes	6	
102-55	Table of contents GRI	Yes	6	
102-56	External assurance	Yes	6	
GRI 103: Management approach				
103-1	Explanation of the material topic and its boundary	Yes	Business: 16-19;26-61;72-102 Corporate governance: 146-159;167-173 Policies: 161 Corporate responsibility: 108-109 Environment: 22-25;168-169 Environment: 112-126 Biodiversity: 123 Philanthropy: 144-145 Economic: 2-3;74-105 People: 132-141	In the pages mentioned, the different management approaches to material issues are answered.
103-2	The management approach and its components			
103-3	Evaluation of the management approach			
GRI 201: Economic performance				
201-1	Direct economic value generated and distributed	Yes	30	
201-2	Financial implications and other risks and opportunities due to climate change	Yes	112-115;168-170;211	The risks and opportunities arising from climate change are considered in the company's risk management model.
201-3	Defined benefit plan obligations and other retirement plans	Yes	214	Note 4
201-4	Financial assistance received from the government	Yes	211	The annual subsidies totaled €515,393.49 for owned and leased hotels and €752,752.87 for owned, leased and managed hotels. A further €599,860.06 for owned and leased hotels and €712,785.92 for owned, leased and managed hotels were received over the year as training bonuses. Governments are not part of the shareholding structure.
GRI 202: Market presence				
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	No	-	
202-2	Proportion of senior management hired from the local community	Yes	191	
GRI 203: Indirect economic impacts				
203-1	Investments in infrastructure and supported services	Yes	146-149	
203-2	Significant indirect economic impacts	Yes	146-149	
GRI 204: Procurement practices				
204-1	Proportion of spending on local suppliers	Yes	131	Calculated on 74% of the portfolio in owned, leased and managed hotels. 100% of the owned and leased hotels are used for the calculation.
GRI 205: Anti-corruption				
205-1	Operations assessed for risks related to corruption	Yes	211	During the year, 168 hotels were audited internally.
205-2	Communication and training about anti-corruption policies and procedures	Yes	171-174	In addition to what is indicated on the stated pages, all employees receive mandatory training on the code of ethics. In addition, all managers sign an executive behaviour policy that includes these aspects.
205-3	Confirmed incidents of corruption and actions taken	Yes	211	During the year there were no cases of corruption
GRI 206: Anti-competitive behaviour				
206-1	Legal action related to unfair competition and monopolistic practices and against free competition.	Yes	211	During the year there were no legal proceedings for monopolistic or collusive practices or against free competition.
GRI 301: Materials				
301-1	Materials used by weight or volume	No	-	
301-2	Recycled input materials used	No	-	
301-3	Reclaimed products and their packaging materials	No	-	
GRI 302: Energy				
302-1	Energy consumption within the organisation	Yes	207	
302-2	Energy consumption outside the organisation	No	-	
302-3	Energy intensity	Yes	211	0.199 GJ per stay in owned, leased and managed hotels and 0.128 GJ per stay in owned and leased hotels.
302-4	Reduction of energy consumption	Yes	118	
302-5	Reductions in the energy requirements of products and services	Yes	118	

GRI Code	GRI	REPORTED	PAGE	Comments/Omissions
GRI 303: Water				
303-1	Water withdrawal by source	Yes	118	
303-2	Sources of water significantly affected by withdrawal of water	No	-	
303-3	Water recycled and reused	No	-	
GRI 304: Biodiversity				
304-1	Operational sites owned, leased or managed in or adjacent to protected areas and areas of high biodiversity outside protected areas	No	-	
304-2	Significant impacts of activities, products and services on biodiversity	Yes	123	
304-3	Habitats protected or restored	No	-	
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	No	-	
GRI 305: Emissions				
305-1	Direct (Scope 1) GHG emissions	Yes	118	
305-2	Indirect (Scope 2) GHG emissions	Yes	118	
305-3	Other indirect (Scope 3) GHG emissions	Yes	118	
305-4	GHG emissions intensity	Yes	212	11.6 Kg CO2 per stay in owned, leased and managed hotels and 15.179 Kg per stay in owned and leased hotels.
305-5	Reduction of GHG emissions	Yes	118	
305-6	Emissions of ozone-depleting substances (ODS)	No	-	
305-7	Nitrogen oxides (NOx), sulphur oxides (SOx), and other significant air emissions	Yes	208	
GRI 306: Effluents and waste				
306-1	Water discharge by quality and destination	No	-	
306-2	Waste by type and disposal method	No	-	
306-3	Significant spills	Yes	212	During the year there were no significant spills.
306-4	Transport of hazardous waste	No	-	
306-5	Water bodies affected by water discharges and/or runoff	No	-	
GRI 307: Environmental compliance				
307-1	Non-compliance with environmental laws and regulations	Yes	212	During the year there has been no breach of environmental laws or regulations.
GRI 308: Supplier environmental assessment				
308-1	New suppliers that were screened using environmental criteria	Yes	212	100% of our suppliers selected for centralised purchases.
308-2	Negative environmental impacts on the supply chain and actions taken	No	-	
GRI 401: Employment				
401-1	New employee hires and employee turnover	Yes	196-197	
401-2	Benefits provided to full-time employees that are not provided to part-time or temporary employees	No	-	
401-3	Parental leave	Yes	194-195	
GRI 402: Labour/management relations				
402-1	Minimum notice periods regarding operational changes	Yes	212	Depending on the country and hotel, the minimum notice periods are met as stipulated by the applicable collective agreements or, in their absence, what the corresponding legislation stipulates.
GRI 403: Occupational health and safety				
403-1	Workers' representation in formal joint management-worker health and safety committees	Yes	212	83.35% of employees in owned, leased and managed hotels and 83.56% of those in owned and leased hotels are represented in health and safety committees. As of today, we have not been able to collect information on an international scale for the publication of this report.
403-2	Types and rates of injury, occupational diseases, lost days, absenteeism and number of work-related fatalities	Yes	209	
403-3	Workers with high incidence or high risk of diseases related to their occupation	Yes	212	There are no professions in the company that have a high incidence or high risk of diseases. According to corporate analysis, it is estimated that the potential global risks associated with occupational diseases would be the same cases as in Spain, since these are associated with each job.
403-4	Health and safety topics addressed in formal agreements with trade unions	Yes	214	Note 5
GRI 404: Training and education				
404-1	Average hours of training per year per employee	Yes	204	
404-2	Programmes for upgrading employee skills and transition assistance programmes	No	-	
404-3	Percentage of employees receiving regular performance and career development reviews	Yes	202-203	
GRI 405: Diversity and equal opportunities				
405-1	Diversity of governance bodies and employees	Yes	154; 185-186	
405-2	Ratio of basic salary and remuneration of women compared to men	Yes	205	
GRI 406: Non-discrimination				
406-1	Incidents of discrimination and corrective actions taken	Yes	212	During the year there were no cases of discrimination.

GRI Code	GRI	REPORTED	PAGE	Comments/Omissions
GRI 407: Freedom of association and collective bargaining				
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Yes	213	Meliá Hotels International has an agreement with IUF-UITA that includes these aspects.
GRI 408: Child labour				
408-1	Operations and suppliers at significant risk for incidents of child labour	Yes	213	There is no risk at the company. Meliá Hotels International has an agreement with IUF-UITA that includes these aspects, as well as an agreement signed with UNICEF and in 2018 specific clauses related to this matter have been included in the Code of Ethics, the Code of Ethics for Suppliers and the human rights policy.
GRI 409: Forced or compulsory labour				
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Yes	213	There is no risk at the company. Meliá Hotels International has an agreement with IUF-UITA that includes these aspects, as well as an agreement signed with UNICEF and in 2018 specific clauses related to this matter have been included in the Code of Ethics, the Code of Ethics for Suppliers and the human rights policy.
GRI 410: Security practices				
410-1	Security personnel trained in human rights policies or procedures	No	-	
GRI 411: Rights of indigenous peoples				
411-1	Incidents of violation of rights of indigenous peoples	Yes	213	During the year there were no cases of violation of the rights of indigenous peoples.
GRI 412: Human rights assessment				
412-1	Operations that have been subject to human rights reviews or impact assessments	No	-	
412-2	Employee training on human rights policies or procedures	No	-	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Yes	213	Significant investment agreements and formal contracts not including human rights clauses This clause is signed on contracts with suppliers and creditors of services, as well as with tour operators. We consider a significant investment to be one that exceeds €100,000.
GRI 413: Local communities				
413-1	Operations with local community engagement, impact assessments and development programmes	Yes	108-109; 144-149; 180-182	
413-2	Operations with significant and potential negative impacts on local communities	No	-	
GRI 414: Supplier social assessment				
414-1	New suppliers that are screened using social criteria	Yes	213	100% of our suppliers selected for owned and leased hotels.
414-2	Negative social impacts in the supply chain and actions taken	No	-	
GRI 415: Public policy				
415-1	Contributions to parties and/or political representatives	Yes	213	No political contribution was made during the year. Our Code of Ethics does not allow it.
GRI 416: Customer health and safety				
416-1	Assessment of the health and safety impacts of product and service categories	Yes	135	
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Yes	213	During the year there were no incidents of regulatory non-compliance relating to the impacts of products and services on health and safety.
GRI 417: Marketing and labelling				
417-1	Requirements for product and service information and labelling	No	-	
417-2	Incidents of non-compliance concerning product and service information and labelling	Yes	213	During the year, there was no breach of any regulation or voluntary code regarding information and labelling in the reporting period. Our Code of Ethics does not allow it.
417-3	Incidents of non-compliance concerning marketing communications.	Yes	213	During the year there were no cases of non-compliance with regulations or voluntary codes relating to communication or advertising. Our Code of Ethics does not allow it.
GRI 418-1: Customer privacy				
418-1	Substantiated complaints regarding breaches of customer privacy and the loss of customer data	Yes	213	During the year there were no complaints about violation of privacy or leaking of customer data.
GRI 419-1: 2016 Socioeconomic compliance				
419-1	Non-compliance with laws and regulations in the social and economic area	Yes	213	No significant fines (>€30,000) were received as a result of non-compliance with social and economic laws and regulations.

NOTE 1

Meliá Hotels International, S.A. (the Company) is an entity legally constituted in Madrid on 24 June 1986, under the corporate name of Investman, S.A. On 1 June 2011 the change of corporate name was approved, with the name being changed to Meliá Hotels International, S.A. In 1998, the Company moved its registered office to Calle Gremio Toneleros 24, Palma de Mallorca.

Meliá Hotels International, S.A. (the Group) is the parent company of the Meliá Hotels International Group, which presents (in accordance with the requirements of the Commercial Code) consolidated annual accounts in order to show the Group's financial and asset-related position.

NOTE 2

In regard to the initiatives to mitigate the impact of our activity and taking into account the precautionary principle, the system of preopenings includes a series of environmental criteria, which are reviewed before the opening of any hotel that is built or acquired from a third party. The criteria reviewed are:

- Availability of the pertinent corporate environmental information
- Waste management
- Control of discharges to drains or direct discharges into the natural environment
- Energy and water efficiency
- Control of atmospheric emissions

NOTE 3

It is the obligation of the directors to inform the Company of any situation of direct or indirect conflict that they may have with the interest of the company, in accordance with the provisions in Article 28 of the Regulations of the Board of Directors. Likewise, the Nomination and Remuneration Committee, in accordance with the provisions in Article 15.2. of the Regulations of the Board of Directors, must inform the Board of Directors about transactions that involve or could involve conflicts of interest and proposing, where appropriate, the measures to be adopted.

NOTE 4

Post-employment benefits: the cost of defined benefit pension plans is determined by actuarial valuations. Actuarial valuations require the use of hypotheses about discount rates, the return on assets, salary increases, employee mortality and turnover tables, as well as the retirement age of employees entitled to these benefits. These estimates are subject to significant uncertainties due to the long term settlement of these plans.

The valuation of these obligations has been carried out by independent experts of recognised prestige, using actuarial valuation techniques.

Defined benefit pension plans: Pension plans that do not have the nature of defined contribution are considered defined benefit plans. Generally, defined benefit plans set out the amount of the benefits the employee will receive at the time of retirement, usually based on one or more factors, such as age, years of service and compensation.

The Group recognises on the balance sheet a provision with respect to the defined benefit premiums established in the collective agreements for the difference between the present value of the compensations paid and the fair value of the possible assets subject to the commitments with which the obligations will be settled, reduced, if applicable, by the amount of the costs for past services not yet recognised.

If an asset arises from the previous difference, its valuation cannot exceed the current value of the economic benefits available in the form of reimbursements from the plan or reductions in future contributions to the same.

The costs for past services are recognised immediately in the profit and loss account, except in the case of revocable rights, in which case they are charged to the profit and loss account on a straight-line basis in the remaining period until the rights for past services are irrevocable.

The present value of the obligation is determined by actuarial calculation methods and financial and actuarial assumptions that are unbiased and compatible with each other. The Company recognises directly in the statement of comprehensive income, the gains and losses arising from the variation in the present value and, where applicable, the assets affected by changes in actuarial assumptions or adjustments due to experience.

Certain collective agreements in force and applicable to some group companies establish that permanent staff who choose to terminate their contract with the Company after a certain number of years linked to it shall receive a cash award equivalent to a number of monthly payments proportional to the years worked. During the year, an assessment of said agreements was carried out using the actuarial assumptions of the Group's own employee turnover model, applying the calculation method known as Projected Unit Credit and demographic hypotheses corresponding to the PER2000P tables.

The balance of provisions, as well as the activation of payments for future services, cover these commitments acquired, according to an actuarial study carried out by an independent expert. Note 17.2 of the Consolidated Annual Accounts provides more details about this valuation.

With regard to pension commitments and obligations stipulated in collective agreements affected by the Ministerial Order of 2 November 2006, the Group has made the corresponding outsourcing. The assets affected by these outsourcing operations are presented reducing the balance of the acquired commitments.

NOTE 5

Meliá does not maintain specific agreements with trade unions regarding safety and health beyond those included in the collective agreements. These agreements include, where applicable, aspects such as health and safety training, insurance and safety equipment, among others. If these agreements do not include specific aspects on Health and Safety, ultimately, they shall meet at least the stipulations regarding health and safety legislation applicable in each country.

Traceability for the non-financial information statement

In compliance with Law 11/2018, of 28 December, which modifies the Commercial Code, we present below the traceability table where we link each point of the law with our GRI indicators and the pages of this report where you can find the relevant information. This table has a global scope and the concepts included in it are considered of a material nature.

CONTENTS	RELATED GRI STANDARDS	SECTIONS OF THE DOCUMENT	PAGES
Business Model			
Description of the group's business model, including its business environment, organisation and structure, markets in which it operates, objectives and strategies, and the main factors or trends that may affect its evolution	102-16	Essence of Melià	12-15
	201-1	Business model	28-30
	102-2; 102-6	Our brands	36-53
	102-15	Vision of the environment	22-25
	from 102-18 to 102-20; from 102-22 to 102-27	Corporate governance	150-163
	102-4; 102-7; 102-10	Presence map	18-19
	-	Strategic focus	32-35
A description of the policies applied by the group, including due diligence procedures for the evaluation, prevention and mitigation of risks and impacts, as well as verification and control procedures	-	Corporate governance	161
	102-29; 102-30; 102-31; 201-2	Risk management	164-170
	102-17; 205-2	Compliance	171-174
The main risks related to the group's activities, including how the group manages those risks and what procedures it uses to detect and evaluate them	102-29; 102-30; 102-31; 201-2	Risk management	164-170
Key indicators of non-financial results that are relevant to the specific business activity, and that meet the criteria of comparability, materiality, relevance and reliability	GRI Standard	Table of contents GRI	210-213
Environmental issues			
Global information			
Detailed information on the current and foreseeable effects of the company's activities on the environment, environmental assessment or certification procedures, resources dedicated to the prevention of environmental risks and the application of the precautionary principle	102-11; 201-2; 307-1	Environmental management	112-126; 180-182; 214
Pollution			
Measures to prevent, reduce or repair carbon emissions taking into account any form of air pollution specific to an activity	from 305-1 to 305-5; 305-7	Environmental management	112-126; 208; 212
Circular economy			
Prevention, recycling, reuse, other forms of recovery and waste disposal measures	-	Environmental management	116-117; 119-122; 125
Actions to combat food waste	-	Culinary experiences	54-55
Sustainable use of resources			
Water consumption	303-1	Environmental management	116-118
Consumption of raw materials and the measures adopted to improve the efficiency of their use	-	Culinary experiences	54-55
	-	Environmental management	119-121
Energy consumption and measures taken to improve energy efficiency and the use of renewable energy	302-1; from 302-3 to 302-5	Environmental management	116-118
Climate change			
The important elements of greenhouse gas emissions produced as a result of the company's activities	from 305-1 to 305-5; 305-7	Environmental management	112-115; 118
The measures taken to adapt to the consequences of climate change	-	Environmental management	116-122
The reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions	-	Environmental management	126
Protection of biodiversity			
Measures taken to preserve or restore biodiversity and the impacts caused in protected areas	103; 304-2; 306-3	Environmental management	123-124
Social and personnel issues			
Employment			
Total number and distribution of employees by sex, age, country and professional classification	102-8; 405-1	GRI Indicators	184-186; 191-192; 198-199
Total number and distribution of work contract modalities	102-8	GRI Indicators	189-190
Annual average of permanent contracts, temporary contracts and part-time contracts by sex, age and professional classification	401-1	GRI Indicators	196
Number of dismissals by sex, age and professional classification	-	GRI Indicators	206
Average remuneration and its evolution by sex, age and professional classification or equal value	-	GRI Indicators	206
Salary gap, the remuneration of equal or average jobs in society	405-2	GRI Indicators	205
The average remuneration of directors and executives	from 102-35 to 102-39; 102-28	Corporate governance	162-163
Implementation of employee disconnection policies	-	People	141
	-	Corporate governance	151
Employees with disabilities	-	People	138

CONTENTS	RELATED GRI STANDARDS	SECTIONS OF THE DOCUMENT	PAGES
Organisation of work			
Number of hours of absenteeism	403-2	GRI Indicators	209
Measures designed to facilitate the reconciliation of family and professional life and encourage joint responsibility by both parents	401-3 -	GRI Indicators People	194-195 133
Health and safety			
Health and safety conditions at work	416-1	People	135-137
Work accidents, in particular their frequency and severity, occupational diseases, by gender	from 403-2 to 403-4	GRI Indicators	209
Social relationships			
Organisation of social dialogue	102-12; 102-42; 102-43	Relations with stakeholders	110-111
Percentage of employees covered by collective agreements	102-41	GRI Indicators	210
The balance sheet of collective agreements, particularly regarding occupational health and safety	403-1	People	135-137
Training			
Policies implemented and the total number of hours of training by professional categories	404-1; 404-3	People	140; 204
Universal accessibility			
Universal accessibility for people with disabilities	-	Environmental management	115-116
Equality			
Measures taken to promote equal treatment and opportunities between women and men; equality plans, measures adopted to promote employment, protocols against sexual and gender-based harassment, integration and universal accessibility for people with disabilities; the policy against all types of discrimination and, where appropriate, management of diversity	405-1; 406-1	People	132; 138-139; 141
Human rights			
Application of due diligence procedures in the field of human rights	412-3	Human rights	142-143
Prevention of the risks of violation of human rights and, where necessary, the implementation of measures to mitigate, manage and redress possible abuses committed			
Complaints on violation of human rights	411-1	GRI Indicators	213
Promotion and compliance with the provisions of the fundamental conventions of the International Labour Organisation related to respect for freedom of association and the right to collective bargaining	407-1	Human rights	142-143
The elimination of discrimination in employment and occupation	406-1	People	132; 138-139; 141
The elimination of forced or compulsory labour	409-1	GRI Indicators	213
The effective abolition of child labour	408-1	GRI Indicators	213
Corruption and bribery			
Measures taken to prevent corruption and bribery	205-1; 205-2; 205-3	Compliance	175
Measures taken to combat money laundering	-	Compliance	175
Contributions to foundations and non-profit entities	102-12; 102-13; 415-1	Institutional relations	179
Society			
Commitments of the company regarding sustainable development			
The impact of the company's activity on employment and local development	103; 413-1	Corporate responsibility strategy	108-109
	202-2	People	138-139
	204-1	Supply chain	131
The impact of the company's activity on local populations and on the territory	203-1; 203-2	Calvia Beach project	146-149
	104-40	Relations with stakeholders	110-111
The relationships maintained with the actors of the local communities and the modalities of dialogue with them	103; 413-1	Society and philanthropy	144-145; 179
The partnership or sponsorship actions	103; 413-1	Society and philanthropy	144-145; 179
Subcontracting and suppliers			
The inclusion in the purchasing policy of social, gender equality and environmental issues	102-9	Supply chain	128
Consideration given to suppliers and subcontractors regarding their social and environmental responsibility	308-1; from 407-1 to 409-1	Supply chain	131
Monitoring systems and audits and their results	414-1	Supply chain	129-130
Consumers			
Measures taken for the health and safety of consumers;	-	Culinary experiences	54-55
Claims systems, complaints received and resolution thereof	416-1; 416-2; 417-2; 417-3; 418-1	Relations with stakeholders	110
Tax information			
Benefits obtained country by country	-	Compliance	175
Taxes on profits paid			
Public subsidies received	201-4	GRI Indicators	211
Other significant information			
Other information about the Company's profile	102-1; 102-3; 102-5	GRI Indicators	210
Identification of material matters	102-21; 102-44	Materiality analysis	26-27
About this report	102-14; 102-32; from 102-45 to 102-56	About the report	6
Other information used in the preparation of this document	201-3; 206-1; 402-1; 419-1	GRI Indicators	210-213

Glossary

ARR	Average Room Rate
B2B	Business to Business, commercial activity between companies
B2C	Business to Customer, commercial activity between a company and the final customer
Bleisure - business + leisure	Tourism that combines business trips with leisure experiences
CAGR	Compound Annual Growth Rate
CC	Contact Centre, customer care centre
CDP	Carbon Disclosure Project. Organisation that discloses the environmental impact of large corporations
CNMV - National Securities Market Commission	
Compliance	Regulatory compliance
Compliance Officer	Responsible for regulatory compliance
COSO	Committee of Sponsoring Organizations of the Treadway Commission. Framework for the implementation, management and control of an adequate internal control system
CRM	Customer Relationship Management
CSA	Control Self-Assessment
CUBG	Unified Good Governance Code of Listed Companies
Digital & Social Selling	Use of social media in the sales process
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EBITDAR	Earnings before Interest, Taxes, Depreciation, Amortization, and Restructuring or Rent Costs
E-commerce	Electronic Commerce
EMEA	Europe, Middle East and Africa
ESCO	Energy Service Company
ESG	Environmental, Social & Corporate Governance
F&B	Food & Beverage
FP Dual	Dual Vocational Training
GDPR	General Data Protection Regulation
GE	Energy Management
GMAO	Computer-assisted Maintenance Management
GRC	Governance, Risk & Compliance
GRI	Global Reporting Initiative, global standard used for the preparation of sustainability reports that evaluates economic, environmental and social performance
GSS	Guest Satisfaction Score
GSTC	Global Sustainable Tourism Council
IAGC	Annual Corporate Governance Report
ICEX	Spanish Institute of Foreign Trade
Owned, leased and managed hotels	Integrates information of owned, leased and managed hotels
Owned and leased hotels	Integrates information of owned and leased hotels
ISDI	Higher Institute for Internet Development
ISO 14001	International Standard for Energy Management Systems (EMS)
ISO 50001	International Standard for Energy Management Systems (EMS)
JV	Joint Ventures
LED	Light Emitting Diode
Machine Learning	Machine Learning/Artificial Intelligence
MPDD	Criminal Offence Prevention and Detection Model
IFRS	International Financial Reporting Standards
NPS	Net Promoter Score
SDGs	Sustainable Development Goals
OHSAS	Occupational Health and Safety Assessment Series
Omnichannelity	Multi-channel Integration

PCI - Security Standards Council	Payment Card Industry Data Security Standard
Pipeline	Hotel Portfolio
PMS	Property Management System
Proxy Advisors	Investor Advice Entities
QPI	Quality Penetration Index
CR	Corporate Responsibility
RevPAR	Revenue Per Available Room
Roadshows	Events with investors
ROI	Return on Investment
SBTI	Science Based Targets initiative. Science-based emissions reduction initiative
FIICS	Financial Information Internal Control System
T.O. Tour	Operators
UITA	International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations

Annual Report on Corporate Governance

2018 Year

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%	0	0	0	10.388%
Hoteles Mallorquines Asociados, S.L.	13.206%	0	0	0	13.206%

Remarks

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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

Remarks

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

Most significant movements		
On 1 August 2018 Hoteles Mallorquines Agrupados S.L. sold 1,829,700 shares in Meliá Hotels International S.A. to Hoteles Mallorquines Consolidados, S.L.		
NORGES BANK	25/06/2018	Decrease to below 3% of share capital
NORGES BANK	13/08/2018	Increase to above 3% of share capital
NORGES BANK	25/08/2018	Decrease to below 3% of share capital
NORGES BANK	28/08/2018	Increase to above 3% of share capital
NORGES BANK	29/08/2018	Decrease to below 3% of share capital
NORGES BANK	06/09/2018	Increase to above 3% of share capital
NORGES BANK	10/09/2018	Decrease to below 3% of share capital
NORGES BANK	24/09/2018	Increase to above 3% of share capital
NORGES BANK	25/09/2018	Decrease to below 3% of share capital
NORGES BANK	02/10/2018	Increase to above 3% of share capital
NORGES BANK	05/10/2018	Decrease to below 3% of share capital
NORGES BANK	10/10/2018	Increase to above 3% of share capital
NORGES BANK	12/10/2018	Decrease to below 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%		
Mr. Alfredo Pastor Bodmer		0.0026%			0.0026%		
Mr. Gabriel Escarrer Juliá		5.025%			5.025%		
Mr. Juan Vives Cerdá		0.0002%			0.0002%		
Mr. Luis María Díaz De Bustamante Y Terminel	0.0001%				0.0001%		
Hoteles Mallorquines Consolidados S.L.	23.379%				23.379%		

Total percentage of voting rights held by the Board of Directors
28.407%

Remarks

ANNUAL CORPORATE GOVERNANCE REPORT 2018
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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	Majorcan Hotels Exlux S.L.	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	<p>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 %, which results from the sum of their direct and individual shareholding in Meliá Hotels International (23.379%, 10.388% and 13.206%, respectively).</p> <p>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.</p>

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	Majorcan Hotels Exlux S.L.U.		<p>Mr. Gabriel Escarrer Juliá notified the control of 5.025% of the voting rights in Meliá Hotels International, S.A. indirectly, through the company Majorcan Hotels Exlux, S.L.U.</p> <p>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.).</p>

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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
<p>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.</p> <p>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.</p>

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.

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

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
1,822,968	0	0.794%

Remarks

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(*) 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.

<p>The General Shareholders' Meeting held on 4 June 2015 adopted, among others, the following resolution:</p> <p>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.</p>

A.11 Estimated free float:

	%
Estimated free float	
108,431,610 shares	47.206%

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

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 classes of shares.

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 1 st call		
Quorum required at 2 nd call		

Description of differences
<p>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.</p> <p>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.</p>

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.

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

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.

Notwithstanding the foregoing, the resolutions 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 Bylaws, will require a favourable vote of at least sixty percent (60%) of the share capital with voting rights present or represented at the General Shareholders' Meeting, both at first and second call.

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

Date of General Meeting	Attendance data					Of which, free float				
	% physical ly present	% present by proxy	% distance voting		Total	% physical ly present	% present by proxy	% distance voting		Total
			Electroni c voting	Othe r				Electron ic voting	Othe r	
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 %	87.65 %	0.00 %	35.15 %	0.00 %	0.00 %	35.15 %
23/06/2016	52.37 %	14.21 %	0.00 %	0.00 %	66.58 %	0.00 %	14.21 %	0.00 %	0.00 %	14.21 %

Remarks
Free-float percentage has been calculated on the basis of the total share capital attending the meeting.
Likewise, some percentages under section "free float" have been rounded off to two decimal places.

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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Remarks
<p>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/en/shareholdersAndInvestors/ShareholdersDocs/2018/4.%20MHI_JGA2018_Documento%20informaci3n%20derechos%20de%20informaci3n%20voto%20a%20distancia_Eng.pdf</p>

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
<p>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".</p>

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>

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

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
Mr. Alfredo Pastor Bodmer		Other external	Director	31/05/1996	04/06/2015	Resolution at General Shareholders' Meeting	30/09/1944
Mr. Gabriel Escarrer Juliá		Proprietary	Chairman	07/02/1996	04/06/2015	Resolution at General Shareholders' Meeting	02/03/1935
Mr. Juan Vives Cerdá		Proprietary	Director	07/02/1996	04/06/2015	Resolution at General Shareholders' Meeting	26/08/1935
Mr. Sebastián Escarrer Jaume		Proprietary	Director	07/02/1996	08/06/2017	Resolution at General Shareholders' Meeting	09/05/1966
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 M ^a 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			

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

Reasons for leaving and other remarks

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	
<p>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.</p> <p>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.</p>	

<p>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, or diversification and monitoring of the latest trends. As Vice Chairman and Chief Executive Officer of Meliá Hotels International since 2009, Gabriel Escarrer has consolidated his leadership through the Company's effective response to the international financial crisis and the management of an unprecedented cultural and organisational transformation, with a largely positive balance at corporate and staff levels, including an increasing financial consolidation and the constant growth of its brands in both traditional and emerging markets.</p> <p>In 2016, after 60 years at the helm of the Company, Mr. Gabriel Escarrer Juliá became Non-Executive Chairman, transferring his executive powers to Gabriel Escarrer Jaume with the unanimous support of the Board of Directors.</p> <p>Escarrer holds the positions of Vice Chairman and Chief Executive Officer and is the top executive within the group. 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.</p> <p>Thanks to all this, Meliá is the leader in Corporate Reputation in the tourism industry according to the prestigious MERCO ranking (a recognition it has achieved for 4 consecutive years) and has launched emblematic reconversion projects, as well as 18 repositioning projects for mature tourism destinations such as Magaluf in Majorca and Torremolinos in Malaga.</p> <p>The first of these projects, named Calviá Beach, has received the Tourism Merit Award from the Ministry of Industry, Commerce and Tourism, while his support for the repositioning of Torremolinos led to him being named Tourism Personality of the Year in 2016. Both projects are an example of the Group's renewed commitment to resort hotels, a segment which Meliá has led ever since the 1950s, as well as its commitment to the renewal and transformation of the industry in the new century.</p> <p>One of his priorities for the future is to develop an unprecedented international growth plan to catch-up with major multinational hotel chains, expanding the horizons of the Company and thus the value of Meliá for all its Stakeholders. All this, along with the solid family values that have allowed the Group to remain a market leader for over six decades.</p>	
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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
Mr. Gabriel Escarrer Juliá	Majorcan Hotels Extlux S.L.U.
Profile	
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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'</p>	

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 Universitat de les Illes Balears (UIB) for the creation of the "Cátedra Meliá de Estudios Turísticos" (Meliá 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 social and economic welfare".

Name or corporate name of director	Name or corporate name of the significant shareholder represented, or which has proposed their appointment
Mr. Juan Vives Cerdá	Hoteles Malloquines Asociados, S.L.
Profile	
<p>From his first employment at Viajes Meliá S.A. as a trainee in 1950, he performed functions in different professional categories until his appointment as Director in 1960.</p> <p>From 1961 to 1972, he held positions of leadership and management at various hotels of the Group currently named Meliá Hotels International, and he was the group's Vice Chairman from 1973 until 2000.</p> <p>At present, he is Member of the Board of Directors of Meliá Hotels International, S.A., a position he has held since the IPO of the company in 1996.</p>	

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	
<p>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. He is First Vice-Chairman of the Spanish Executive Committee of the International Chamber of Commerce and member of the Executive Board of the ICC worldwide, 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 Excelsur between 2012 and 2016 - the Spanish Tourist Lobby -, and is Vice-Chairman of the Council of Tourism of the CEOE, President of APD Illes Balears and also Vice-Chairman for the Mediterranean area. 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.</p> <p>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.</p> <p>He is graduate from ICADE and Master from Wharton of the University of Pennsylvania with three Majors: Business Strategy, Finance and Multinational Management.</p> <p>He worked for several multinationals in the 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).</p> <p>Sebastián Escarrer is member of the Board of Directors of Meliá Hotels International with 19 years of experience as executive, which he joined 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.</p> <p>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.</p> <p>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'.</p> <p>In 2009 he was elected by the Confidence Barometer prepared by Future Brand as the business leader who generates greater confidence in Spain and, in 2011, the Senior Management Forum awarded him the Golden Master in recognition of his professional career.</p>	

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director	
Mrs. Carina Szpilka Lázaro	
Profile	
<p>Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 direcció” (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 Dias 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).</p>	

Name or corporate name of director	
Mr. Fernando D'Ornellas Silva	
Profile	
<p>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.</p> <p>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.</p> <p>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, member of the Advisory Board of Willis Iberia since March 2013, 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. He is also member of the International Advisory Board of Hispanic Society of America, member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010, and member of the Executive Committee at the Fundación España-Estados Unidos since 2016.</p>	

Name or corporate name of director	
Mr. Juan Arena De La Mora	
Profile	<p>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.</p> <p>Professor at Harvard Business School (2009-2010) teaching in the MBA programme (2015), the AMP (Advance Management Programme) and at IESE (2011) teaching in the PADE programme. He started his career at Bankinter where he occupied various positions. In 1985, he was appointed Managing Director and in 1993, Managing Director and CEO. From March 2002 to April 2007 he was Executive Chairman.</p> <p>He is currently member of the Board of Directors of Ferrovial, Almirall Laboratories, and Meliá Hotels International where he holds positions in different Committees, he is also member of the International Council of EVERIS, Chairman of the Advisory Board of Consulnor, member of the Advisory Boards of Marsh and Panda.</p> <p>In the academic field, he is currently Chairman of the Professional Council of ESADE, member of the Board of Directors of Deusto Business School and member of the World Advisory Board of Harvard Business School.</p> <p>In the third sector area, he was the Founder and First Chairman of Fundación SERES (business and society responsible) where he is currently a member of the Executive Committee and Chairman of the Governance Committee.</p> <p>Likewise, he has been a member of the Board of Directors of TPI, Prisa, Everis, UBS Spain, Panda, Dinamia, member of the Board of Trustees of ESADE and member of the Advisory Board of Spencer Stuart. In July 2018, he ceased to be a member of the Board of Directors of Ferrovial.</p> <p>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.</p>

Name or corporate name of director	
Mr. Francisco Javier Campo García	
Profile	
<p>Industrial Engineer from the Universidad Politécnica de Madrid, he began his career in 1980 at Arthur Andersen.</p> <p>In 1985 he joined Día Group, where for 24 years he has held the position of World Chairman of the Día International Group and he was also a member of the Carrefour Group's Global Executive Committee for 15 years.</p> <p>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.</p> <p>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. (<i>Asociación para el Progreso de la Dirección</i>).</p>	

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Name or corporate name of director	
Mr. Luis M ^a 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.	

Total number of independent directors	5
% of the Board	45.45%

Remarks	

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.

Statement of the Board	
Name or corporate name of the director	Description of the relationship

OTHER EXTERNAL DIRECTORS

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company, or its executives or shareholders:

Name or corporate name of the director	Reasons	Company, executive or shareholder to whom the director is related
Mr. Alfredo Pastor Bodmer	Mr. Alfredo Pastor Bodmer has been a member of the Board of Directors of the Company for a continuous period of more than twelve years and, pursuant to Article 529k, paragraph 4 (i) of the Corporate Enterprises Act, this period of time is one of the reasons why a Director cannot be considered as Independent.	
Profile		
<p>Degree in Economics, Ph. D. in Economics, Massachusetts Institute of Technology.</p> <p>Professor of Economic Theory since 1976, he has held various positions from 1980, such as Professor of Economics at Boston University (1980 - 81), Country Economist at the World Bank (1981 - 83), Planning Director at INI (1983 - 84), Executive Director at INI (1984 - 85), Chairman of ENHER (1985 - 90), member of the Board of Directors of the Bank of Spain (1990 - 93), Head at Instituto de la Empresa Familiar (1992 - 93), Secretary of State for Economy (1993 - 95), Extraordinary Professor (1996-97) and Ordinary Professor (1997 - 2015) at IESE; Chair at CEIBS (since 2000), Dean at CEIBS (China Europe International Business School), Shanghai China (2001-2004), Chair of Emerging Markets at Banco Sabadell, 2009.</p> <p>Currently, he is a member of the Board of Directors of Meliá Hotels International, Copcisa and Bansabadell Inversión, having previously formed part of other Boards of Directors in other companies such as Miquel y Costas and Hidroeléctrica del Cantábrico, among others. Author of multiple publications, in 2011 he received the Conde de Godó Award.</p>		
Total number of other external directors		1
% of the Board		9.09%

Remarks	

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	

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%	33.33%
Independent	1	1	1	0	20%	20%	20%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	2	2	2	1	18.18%	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.

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 2018, only Mr. Juan Arena de la Mora has been re-elected as External Independent Director.

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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
<p>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.</p> <p>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.</p> <p>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.</p> <p>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."</p>

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

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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
<p>During 2018, 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".</p> <p>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:</p> <p>"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."</p> <p>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 carried out.</p> <p>During 2018, only one position within the Board of Directors had expired, having the Appointments and Remuneration Committee proposed the re-election of the independent external director Mr. Juan Arena de la Mora.</p>

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

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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
<p>The Board of Directors has vested all delegable powers in Mr. Gabriel Escarrer Jaume under the Law and 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:</p> <p>(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.</p> <p>(b) To pay debts and receive payments due of all types, including those with origin in national, regional, provincial or municipal authorities.</p> <p>(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.</p> <p>(d) To request, obtain, acquire, grant and exploit patents, brands, privileges, licences and administrative concessions, as well as performing any transactions regarding industrial property.</p> <p>(e) To convene the General Shareholders' Meeting and execute and ensure compliance with resolutions adopted by the meeting.</p> <p>(f) To intervene in tenders and auctions, both judicial and extrajudicial.</p> <p>(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.</p> <p>(h) To draw, endorse, accept, take, discount, negotiate and protest bills of exchange, financial and credit bills, cheques, promissory notes and money orders.</p> <p>(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.</p> <p>(j) To grant guarantees and deposits by any means for the obligations of third parties.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>

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(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

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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

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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
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

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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
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

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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	ILHA BELA GESTAO E TURISMO LIMITADA	Joint Manager	Yes
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

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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

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. Juan Arena de la Mora	Almirall S.A.	Director
Mr. Francisco Javier Campo García	Bankia S.A.	Director

Remarks
Mr. Juan Arena de la Mora was also director of Ferrovial S.A. until 26 July 2018.

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 ☒

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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:

Board remuneration in financial year (thousand euros)	2,186.00
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

Total senior management remuneration (thousand euros)	2,469.00
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Remarks

C.1.15 State whether the regulations of the Board have been amended during the financial year:

YES ☐

NO ☒

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Description of amendments

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 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.

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Likewise, the Board of Directors, through the Audit 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
<p>The Directors have carried out the assessment for 2018, by completing the relevant assessment questionnaires.</p> <p>The main areas that have been assessed are:</p> <p>a) Regarding the Board:</p> <ul style="list-style-type: none"> - 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 <p>b) Regarding the Chief Executive:</p> <ul style="list-style-type: none"> - Strategic vision and leadership - Achievement of results - Talent management - Management style - Relationship with the Board - Innovation - Culture <p>The questions include an extra field for Directors to add comments and/or suggestions as well as other issues that may improve the operation of the Board.</p> <p>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.</p> <p>The assessment carried out during 2018 has been carried out without the help of an external consultant, due in part to the fact that this assistance was carried out in 2017, and it is foreseen that this system will be used every three years, as established the recommendations of the Unified Code of Good Government.</p>

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

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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 of the Regulations of the Board establishes that directors must observe all regulations on behaviour 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
<p>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:</p> <p>(a) to have formed part of the Board of Directors for at least the THREE (3) years preceding the date of said appointment; or</p> <p>(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.</p> <p>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.</p> <p>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.</p>

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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	6
Number of Board meetings without the chairman	0

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Remarks
<p>The Leading Director (Mr. Fernando D'Ornellas) is also the Chairman of the Audit and Compliance Committee, and member of the Appointments and Remuneration Committee.</p> <p>The only Executive Director of the Company (Mr. Gabriel Escarrer Jaume) is not part of any committee, although he occasionally attends the Audit and Compliance Committee as a guest.</p> <p>Therefore, the Leading Director meets with some external directors without the assistance of the Executive Director, although such meetings take place within the framework of the sessions of the Committees.</p>

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

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 Audit and Compliance Committee	10
Number of meetings held by the Appointments and Remuneration Committee	6

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	91%
Number of meetings with on-site attendance or representations by proxy made with specific instructions of all directors	6
% of votes cast with on-site attendance and representations by proxy made with specific instructions of all directors	100%

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Remarks

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 President 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 Audit 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

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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.

Remarks
<p>The Audit 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. The Audit and Compliance Committee prepares, on an annual basis, a report on the independence of the external auditor. As a general rule, in each meeting of the Audit and Compliance Committee, the Directors meet with the external auditor without the presence of the managers of the Company.</p> <p>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.</p> <p>Likewise, at all times during the information exchange process, the Company avoids influencing the opinions or points of view of the analysts.</p> <p>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.</p>

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

Remarks
Although the Company has not changed its external auditor in year 2018, the General Shareholders' Meeting held on 6 June 2018, in line with the proposal the Audit and Compliance Committee made to the Board of Directors, 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. Therefore, the change of the external auditor will take place in 2019.

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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)	166	73	239
Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	49.74%	5.32%	13.99%

Remarks
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 Audit and Compliance Committee.

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

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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:

	Individual annual accounts	Consolidated annual accounts
Number of consecutive years	10	10

	Individual annual accounts	Consolidated annual accounts
Number of years audited by current audit firm/Number of years the company or its group have been audited (%)	43.48%	43.48%

Remarks
Annual accounts for year 2019 will be audited by the audit firm Deloitte, following its election as the new audit firm at the General Shareholders' Meeting held on 06/06/2018. Therefore, 2018 is the last year the accounts are audited by the audit firm Pricewaterhousecoopers.

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
<p>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 eight days before the meeting is held.</p> <p>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.</p> <p>Exercise of the powers of information shall be channelled 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.</p>

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
<p>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.</p> <p>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.</p>

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

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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.

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?	X	

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Remarks

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:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
Mr. Juan Vives Cerdá	Member	External Proprietary Director
Mr. Juan Arena de la Mora	Member	External Independent Director
Mr. Alfredo Pastor Bodmer	Member	Other External Director
Mrs. Carina Szpilka Lázaro	Member	External Independent Director
Mr. Fernando D'Ornellas Silva	Chairman	External Independent Director

% of proprietary directors	20%
% of independent directors	60%
% of other external	20%

Remarks

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 Audit 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 external auditor.
 - ✓ Monitor the independence of the external auditor.

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- ✓ Maintain a relationship / communication with the external auditor.
- b) Monitoring of the effectiveness of the Company's internal control and risk management systems
 - ✓ Identify and assess the policies and processes which are intended to measure and manage the Group's main risks in an integrated and comprehensive manner.
 - ✓ Monitor the effectiveness of the internal control of the Company, the internal audit services and the risk management systems.
- c) Monitoring of the functions of the internal audit and Compliance
 - ✓ Approve the annual plans and budget of internal audit and Compliance.
- d) Monitoring of the preparation and presentation of regulated financial information
 - ✓ Review the Company's Accounts and monitor compliance with legal requirements and the correct application of generally accepted accounting principles with the direct assistance of external and internal auditors.
- e) Inform the General Shareholders' Meeting about issues that arise regarding matters of its competence
 - ✓ Inform the General Shareholders' Meeting of the audit results, explaining how this has contributed to the integrity of financial information and the function performed by the committee during this process.
- f) Other functions:
 - ✓ Monitor compliance with the Internal Code of Conduct for the Securities Markets, the Regulations of the Board of Directors and, in general, the rules of Company's Governance and make all necessary proposals for improvement.
 - ✓ Monitor the whistleblowing channel.

The activities carried out by the Audit and Compliance Committee in 2018, are described in the committee's activity report, published on the website of Meliá Hotels International.

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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 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

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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) Functions relating to the 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.
 - ✓ Submit proposals to the Board for the appointment of Directors.
 - ✓ Examine and organise the succession of the Chairman and chief executive of the Company, and where appropriate, make proposals to the Board of Directors.
- b) Functions relating to 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) Functions relating to the assessment of the Board of Directors' activities:
 - ✓ Coordinate and prepare the report on the quality and efficiency of the operation of the Board of Directors and the Committees.
- d) Functions relating to the 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.
 - ✓ Ensure transparency in remuneration.
- e) Other functions:
 - ✓ Report any transactions that imply or may involve conflicts of interest.
 - ✓ Previously inform the Board of Directors of those matters as provided for by Law, the Bylaws and the Regulations of the Board of Directors.

The activities carried out by the Appointments and Remuneration Committee in 2018 are described in the committee's activity report, published on the website of Meliá Hotels International.

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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 2018	Year 2017	Year 2016	Year 2015
Audit and Compliance Committee	1 (20%)	1 (20%)	1 (20%)	0 (0%)
Appointments and Remuneration Committee	1 (25%)	1 (25%)	1 (25%)	1 (25%)

Remarks

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Likewise, state whether any annual reports on the activities of each committee have been voluntarily prepared.

Audit and Compliance Committee

The composition, functions and scope of activity of the Audit and Compliance Committee of Meliá Hotels International, S.A., are regulated in Article 39 Bis of the Bylaws and in Article 14 of the Regulations of the Board of Directors. All of this without prejudice to the provisions of the Corporate Enterprises Act and other applicable legislation.

The Audit and Compliance Committee has prepared and approved its annual activity report for year 2018. Such report will be published on the corporate website.

Appointments and Remuneration Committee

The composition, functions and scope of activity of the Appointments and Remuneration Committee of Meliá Hotels International, S.A., are regulated in Article 39 Ter of the Bylaws and in Article 15 of the Regulations of the Board of Directors. All of this without prejudice to the provisions of the Corporate Enterprises Act and other applicable legislation.

The Appointments and Remuneration Committee has prepared and approved its annual activity report for year 2018. Such report will be published on the corporate website.

The Bylaws and the Regulations of the Board of Directors are available on the corporate website of Meliá Hotels International, S.A.

In 2018, no amendments have been made to the Bylaws or the Regulations of the Board.

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D. Related-Party and Intragroup Transactions

D.1 Explain, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions.

Pursuant to Article 32.1 of the Regulations of the Board of Directors, the Board must be aware of and authorise any transaction carried out by the Company with its significant shareholders and Directors and Executives. Likewise, according to Article 32.2 of the Regulations of the Board of Directors, in no case will the transaction be authorised if no report has been previously issued by the Audit and Compliance Committee, evaluating the transaction from the perspective of equal treatment of shareholders and market conditions. Article 32.3 of the Regulations of the Board of Directors also states that the Board of Directors must ensure compliance with the law and the Company's duties of disclosure and transparency with regard to the communication of such transactions.

D.2 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 company's significant shareholders.

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)
Hoteles Mallorquines Asociados, S.L.	Meliá Hotels International, S.A.	Contractual	Receipt of services	1,066
Hoteles Mallorquines Asociados, S.L.	Inversiones y Explotaciones Turísticas, S.A.	Contractual	Receipt of services	47
Hoteles Mallorquines Asociados, S.L.	Aparthotel Bosque, S.A.	Contractual	Receipt of services	83
Hoteles Mallorquines Asociados, S.L.	Jamaica Devco, S.L.	Contractual	Receipt of services	200
Hoteles Mallorquines Asociados, S.L.	London XXI Limited	Contractual	Receipt of services	17
Hoteles Mallorquines Asociados, S.L.	Infinity Vacations Dominicana	Contractual	Receipt of services	171
Hoteles Mallorquines Asociados, S.L.	Desarrollos Sol, S.A.S.	Contractual	Operational lease contracts	171

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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 Cerdá	Meliá Hotels International, S.A.	Commercial	Provision of services	263
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Provision of services	393
Mr. Juan Vives Cerdá	Meliá Hotels International, S.A.	Commercial	Receipt of services	5
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Receipt of services	50

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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.	-120
Sol Meliá Funding	Modification of the inter-group loan agreement with the parent company, in line with the centralised cash management policy	-15,682

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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

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 Meliá Hotels International Group has an integrated and continuous risk management model which operates on a comprehensive and ongoing basis and provides the Risk Map of the Group, through the consolidation of the Individual Risk Maps for the different Departments and Business Areas. This model is based on the COSO II Enterprise Risk Management (ERM) methodology and consists of the following stages:



1. **Identification of relevant risks**, including tax risks, through the collection and analysis of internal and external information.

2. **Assessment of those risks**, for each of the business areas and support units, prioritising 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 effectively

contribute to their management.

4. **Regular monitoring and control** of risks, through indicators defined for the most 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 Audit and Compliance Committee and the Board of Directors, providing feedback and thus contributing to the continuous improvement of the process.

The management team of Meliá Hotels International regularly identifies the risks that jeopardise the achievement of targets (Stage 1), and evaluates such risks estimating their probability of occurrence and the impact in case the materialise (Stage 2).

In February 2017, the Board of Directors of Meliá Hotels International approved the update of the Risk Control, Analysis and Assessment Policy. This Policy applies to the whole Group in the different countries in which it operates, and establishes the basic principles that govern risk management and the overall framework for action to control, analyse and assess risks, including tax risks. These 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.

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- 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 2017, the Internal Risk Control and Analysis Regulations implementing the above-mentioned Policy were also updated to ensure the correct and efficient performance of the Risk Control system, by defining the rules, guidelines and criteria to be followed in updating Risk Maps within the Group, so that the latter is completely aligned with its global strategy, the leadership model and the culture and values of Meliá Hotels International. 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 updated and published on the corporate website in 2018- as well as the Internal Tax Risk Control and Management Regulations.

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 Risk Control & Compliance Department (which is part of the Legal & Compliance Department) is in charge of ensuring the operation and constant development of the risk management model, as well as coordinating the investment prioritisation process based on risk criteria. Among other functions, it is responsible for control and risk analysis. Responsibility for managing risks lies directly with each of the Departments and Business Areas which make up the Group.

This Department reports on its activities to the Audit and Compliance Committee, both periodically and through an Annual Report established for this purpose.

Likewise, the Board of Directors has a general supervisory function and a specific responsibility to identify the main risks for the Company, including tax risks, and the implementation and monitoring of the appropriate internal control and reporting systems (Article 5 of the Regulations of the Board). On the other hand, the Audit 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).

In addition to the above, Meliá has other bodies or departments with responsibilities and/or functions related to risk management:

- **Senior Executive Team**

One of its functions is to develop and promote control in order to improve the quality of the Group's corporate governance and risk management.

- **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.

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- **Expansion 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.

- **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**

One of the tasks of Corporate Governance is to ensure the update of the Group's policies and internal regulations, so that they are continuously tailored to the needs existing at any time.

- **Credit and Insurance Management**

Its main activities include credit risk management and procurement of insurance policies at corporate level to cover certain risks, always under the guidelines established in the Internal Insurance Regulations, where the Group's insurance procurement and treatment processes are established.

- **Occupational Health**

Its responsibilities include occupational risk prevention.

- **Works and Maintenance**

It collaborates in risk identification and assessment at the premises based on criteria which subsequently enable to centrally prioritise certain investments.

- **Global Tax**

With regard to taxes, the Global Tax Department coordinates and centralises tax risk control and management, and regularly reports the results to Senior Management, the Audit and Compliance Committee and the Risk Control & Compliance Department.

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.

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.

All business and business activity involve inherent risks, whose identification, assessment and control are essential to achieve targets.

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The structure of the risks that are faced by the Group has not changed with respect to previous years and is 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: natural catastrophes or disasters, pandemics, health or food crises, geopolitical risks.

In destinations where there is greater exposure to this type of risks, 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.

This includes, for example, liquidity, credit or exchange rate risks. 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 characteristics of demand, competition and the market, strategic uncertainty or scenario changes.

Among others, risks related to customers and suppliers, the market, competition, Group investments, expansion, etc., are analysed.

4. **Operational Risks.** The result of possible deficiencies in internal processes, human resources, equipment or computer systems, or the inadequacy thereof.

5. **Compliance Risks.** Risks derived from regulatory changes established by regulatory bodies and/or non-compliance with the applicable legislation or the internal policies and regulations.

Meliá Hotels International's policies and internal regulations, the Code of Ethics and the Whistleblowing Channel are some of the tools the Group has to mitigate this type of risk. The Risk Control & Compliance Department is responsible for the implementation of the Crime Prevention and Detection Model.

In October 2018, the Board of Directors approved the Compliance Policy, whereby Meliá is committed to:

- 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.

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The Internal Control over Financial Reporting (ICFR) described in section F of this report deserves special attention.

Tax risks as well as risks deriving from corruption, depending on the risk in question, are included within the category of Operational or Compliance Risks.

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 Audit 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.

E.5. Identify which risks, including tax compliance risks, have materialised during the year.

Business Risks: Increase in Competition

North Africa and Turkey destinations have come onto the scene, recovering the tourism demand they lost over the last few years due to the political instability and insecurity.

However, hotels in Spanish and Mediterranean destinations, in general, have continued to grow, since the Company has managed to develop a sustainable growth model based on quality improvement and commercial offering repositioning, rather than on an artificial demand created as a result of problems in other destinations. In this way, the investment made in recent years in Spanish hotels, in line with the brand strategy, together with our commercial and digital strength, international expansion and a business model increasingly geared to management solutions, have contributed to consolidate the strength and soundness of the Group's hotel business.

Financial Risks: Exchange Rate

The 15% devaluation of the USD against the EUR during the first quarter of the year has had a significant impact on the Group's operating profit. Likewise, the severe hyperinflation in Venezuela and the use of a synthetic exchange rate which properly reflects the economic reality of such country, have also had significant impacts which are duly described in the relevant sections of the consolidated financial statements.

Global Risks: Geopolitical Risks

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Most prominent risks are:

- The new regulations imposed by the Government of Trump which affect the international travels of U.S. citizens.
- The outcome of Brexit negotiations.
- Political situation in Catalonia.

The Company has developed and implemented contingency plans and commercial initiatives with the purpose of limiting the potential impact of these risks on its activities.

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 defence, 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 and objectives.

One of the functions of the SET- Senior Executive Team - regarding risk management is to analyse the results of the Risk Map and assign responsibilities for mitigation of the Group's most important risks. Subsequently, it is the areas affected that define the action plans to be carried out throughout the year to mitigate the risks (Stage 3 of the model).

KRIs (Key Risk Indicators) are defined annually to monitor and control the most important risks (Stage 4 of the model). These indicators are reported periodically to the SET.

The results of updating the Risk Map are discussed and form part of the agenda of the SET, as well as of other governing bodies within Meliá Hotels International.

On the other hand, in order that the Board of Directors and the Audit and Compliance Committee may face the new challenges, periodically, they are informed of both the results of the Risk Map and the actions arising therefrom.

In particular, the Risk Map is submitted to the Board of Directors once updated, and at the different sessions of the Audit and Compliance Committee held during the year, detailed analyses of the main risks have been reported, in which, in addition to a context and evolution analysis of such risks, the indicators established for their control and monitoring are reported, as well as any risk mitigation measures (Stage 5 of the model).

The Risk Control & Compliance Department is in charge of coordinating, supporting, controlling and monitoring every stage of the model.

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 bodies within the Meliá Group responsible for ensuring the existence, maintenance, design, implementation and supervision of an adequate and effective ICFR and the functions and responsibilities attributed to them are as follows:

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.

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."

Audit and Compliance Committee

Article 14 of the Regulations of the Board of Directors gives the Audit and Compliance Committee the responsibility, among others, to "c) 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 "d) monitor the preparation and presentation of mandatory financial information and recommendations or proposals to the Board of Directors designed to safeguard its integrity".

The organisation and operation of the Audit and Compliance Committee is regulated in the above-mentioned Article 14 of the Regulations of the Board of Directors. It currently consists of five (5) directors, three (3) of them independent, one external director under the category of "other external" and a fifth proprietary director, who have all held positions of responsibility in financial areas and positions as director in various companies.

Additionally, and as a general rule, representatives of the internal audit department and external auditors, as well as representatives of the Group's Senior Management also attend Committee meetings depending on the issues to be discussed. In 2018,

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the representatives of internal and external audit attended eight (8) out of a total of ten (10) meetings.

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 Audit and Compliance Committee is the body responsible for supervising the ICFR and it is the responsibility of the Internal Audit Department to verify its correct operation, keeping the Board of Directors (through the Audit and Compliance Committee) and Senior Management informed about whether the mechanisms implemented by the Management effectively mitigate the risk of errors with a material impact on financial information.

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.

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.

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 of Ethics is available in the following languages: Spanish, English, German, Italian, Portuguese, Chinese and Vietnamese.

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.

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 as follows:

- Proximity
- Excellence and consistency
- Commitment to service
- Innovation

Regarding commitments and principles, the Code of Ethics organises them depending on the different parties concerned:

- Employees
- Customers
- Shareholders and investors
- Owners and partners
- Suppliers
- Tourism sector and competition
- Community
- Environment
- Public administrations
- Media

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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 Code of Ethics Office is responsible for keeping the Code in operation, and is a body created to review and permanently update the Code of Ethics and resolve any questions regarding its content and application that may arise in ordinary operations.

The responsibility for managing complaints about any breach or behaviour infringing the contents of the Code of Ethics lies with the Ethics Committee, an independent body whose main function is to manage claims or complaints submitted through the Whistleblowing Channel. Likewise, it is the body in charge of proposing the appropriate corrective actions or sanctions.

Ultimate responsibility lies with the Board of Directors, which, through the Audit and Compliance Committee, is in charge of its implementation. Complaints are sent directly to the Chairman of the Audit and Compliance Committee and to the Company's Compliance Officer.

In 2018 an internal training has been launched, which is mandatory and consists of (3) separate modules, one of them regarding the Code of Ethics and the Whistleblowing Channel. This training is intended for all corporate personnel worldwide and for Managers, Assistant Managers and Leaderships in the hotels, and is accessible through the Company's online internal training platform.

Supplier's Code of Ethics

On 6 June 2018, the Board of Directors approved the first 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.

By means of this Code, Meliá Hotels International enhances the coherence of its procurement model and strengthens the relationship with suppliers on the basis of its values, Code of Ethics and the public commitments which it has assumed.

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, and additional versions in other languages are foreseen.

In order to reinforce transparency and trusting relationships, the suppliers are provided with a new whistleblowing channel through which they may report or denounce any behaviours that are contrary to the mentioned Code. The Suppliers'

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Whistleblowing Channel, as well as the employees' whistleblowing channel, will be managed by the Ethics Committee and will be available on the corporate website (meliahotelsinternational.com).

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 Audit and Compliance Committee.

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.

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.

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. The Chairman of the Audit and Compliance Committee has direct access to all the complaints received.

The whistleblowing channel is managed by the Ethics Committee, which acts independently and with due respect for the confidentiality of the complaints received, reporting regularly any matters in relation to this channel, directly to the Audit and Compliance Committee.

The main function of the Ethics Committee is to receive, manage and coordinate the complaint and inquiry procedure through the whistleblowing channel and is the only body with access to the complaints received, thus ensuring confidentiality.

Operation of the channel is regulated in a corporate procedure and is available for all employees on the intranet.

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

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In 2016, the existence of the whistleblowing channel was communicated to all business areas and corporate offices worldwide, reporting regarding its implementation to the Audit and Compliance Committee.

Likewise, following the approval of the Supplier's Code of Ethics, in June 2018, a Whistleblowing Channel for suppliers was created. This whistleblowing channel is also managed by the Ethics Committee.

Operation of the channel is also regulated in a corporate procedure and is available for suppliers through the whistleblowing channel access platform.

The channels available for suppliers to file complaints are: Internet (corporate website) and regular mail addressed to the Ethics Committee.

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 their functions. In 2018, they took part in training sessions on the implementation of new international accounting standards (IFRS 9, IFRS 15 and IFRS 16), 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 Statutory Accounts & Consolidation, and more than 120 hours a year have been dedicated to such training programmes.

In particular, in 2018, 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
Conference: "Corruption offences in business"	2	05/04/2018	Ilustres Colegio de Abogados de las Islas Baleares (ICAIB) [Bar Association of Balearic Islands]	Risk Control & Compliance / Corporate Governance
International Compliance Congress	16	31/05/2018 to 01/06/2018	Thomson Reuters and Asociación Española de Compliance (ASCOM) [Spanish Compliance Association]	Risk Control & Compliance

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IX National Meeting on Risk Management	4.5	06/06/2018	Deloitte	Risk Control & Compliance
Course: Management of criminal compliance. UNE 19601 Standard	7	07/06/2018	Asociación Española de Normalización y Certificación (AENOR) [Spanish Association for Standardisation and Certification]	Risk Control & Compliance
Breakfast: “The role of the Compliance Officer and the Risk function in the digital age”	1.5	10/07/2018	Asociación Española de Compliance (ASCOM)	Risk Control & Compliance
How to create a Compliance risk monitoring plan	1.5	19/07/2018	Asociación Española de Compliance (ASCOM)	Risk Control & Compliance
International Conference on CSR and Anti-Corruption	6	23/10/2018	International Chamber of Commerce (ICC)	Risk Control & Compliance
Course: Management of criminal compliance. UNE 19601 Standard	7	29/11/2018	Asociación Española de Normalización y Certificación (AENOR)	Risk Control & Compliance /
Basis for fraud detection	4	2018	Instituto de Auditores Internos (IAI) (Internal Auditors Institute)	Internal Audit
Guide to successfully implement ongoing audit	4	09/07/2018	Instituto de Auditores Internos (IAI)	Internal Audit
Masters in Accounts Auditing	1 year	2017 & 2018	Universidad a distancia de Madrid (UDIMA) [Open University of Madrid]	Internal Audit
Topics of interest in the areas of finance and taxation in the digital environment	4	30/01/2018	KPMG	Statutory Accounts & Consolidation
AECA Seminar on Standardisation and Accounting Law	5	17/05/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation

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			[Spanish Accounting and Business Administration Association]	
Consolidation of accounts of business groups	12	31/05/2018 to 01/06/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation
ICAC (Accounting and Auditing Institute) resolution project of accounting of companies	7	10/05/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation
Reform of the General Accounting Plan and supplementary standards: financial instruments and revenue recognition	7	23/10/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation

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)
PWC - Boletín Técnico NIIF (IFRS Technical Bulletin)	Monthly	PriceWaterhouseCoopers
Instituto Auditores Internos Al día (Up-to-date)	Weekly	Instituto de Auditores Internos (IAI)
Instituto Auditores Internos - Revista IAI (IAI Magazine)	Monthly	Instituto de Auditores Internos (IAI)
Breaking News	Monthly	KPMG

F2 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 Risk Control, Analysis and Assessment Policy approved by the Board of Directors in February 2017. This Policy is public and available on the corporate website.
- Risk Control Regulations approved by Senior Management in November 2017 and which implements the said policy.
- Risk Control and Analysis Regulations approved by Senior Management in 2016.
- A Risk Map preparation process.

The two Regulations are available to all employees on the Employee Portal.

- 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.

The Risk Control Department leads the periodic review of the Group's Risk Map and monitors the definition and implementation of actions and assignment of responsibilities in order to mitigate the most important risks.

In the annual update of the Risk Map, senior managers in all Departments and areas within the Group identify and assess the different risks that affect them, including risks related to financial reporting. Therefore, in addition to a Consolidated Risk Map for the Group, Risk Maps are also generated for each of the different Departments and areas within the Organisation.

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.

- 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.

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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.
- 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 Audit and Compliance Committee and the Board of Directors.

F3 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 Audit and Compliance Committee, which is then responsible for supervising the financial information that it receives. It is worth mentioning that since 2012, the Company submits the financial statements for the first half of the year to a limited review by the Company's external auditor. This means that the Audit and Compliance Committee has also information prepared by external auditors in the semi-annual accounting closures.

In the semi-annual closures, the Audit 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.

Since 2013, two ad hoc meetings of the Audit 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.

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.

The methodology uses the analysis of the Consolidated Annual Accounts to select the most relevant accounting headings and notes to the accounts in accordance with quantitative (materiality) and qualitative criteria (automation, likelihood of fraud or error, accounting complexity, degree of estimation and risk of loss or contingent liabilities). The selected headings and notes are grouped into processes. The majority of the critical processes and their associated control activities have been systematically documented. This documentation includes descriptive components and flow charts of the processes and risk and control matrices. Additionally, and throughout this process, potential risks of fraud have also been identified along with controls to mitigate them.

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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.

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.

Likewise, controls have been established for the appropriate management and monitoring of the assignment of special privileges in systems that support financial information.

In 2018, the implementation of the processes mainly affecting SAP was completed, both in hotels and corporate units. In order to control and direct the access to the company's information, in the course of 2019 progress will continue to be made towards the integration and adaptation of other services to such processes.

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.

It is worth stressing that the Tax Strategy Policy establishes that the “Tax Department may avail itself of advice from independent and recognised tax experts, except for the auditor or audit firm carrying out the audit of the Group’s financial statements.”

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.

In 2018, an independent expert on asset valuation (JLL) has been engaged, whose procurement and outcome have been reported to the Audit and Compliance Committee.

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F4 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.

There is a formal communication channel to coordinate doubts about the interpretation of the accounting policies, 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.

The channel was launched with a notice on the Group intranet explaining its operation. This consists of a mailbox managed by the Annual Accounts and Consolidation Department.

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.

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.

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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.

F5 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 Internal Control over Financial Reporting (ICFR) carried out by the Audit and Compliance Committee mainly include: (i) 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 weaknesses, and (ii) review with the Internal Audit Department of the effectiveness of and compliance with the processes within the internal control system. In 2018, the external auditors and the internal audit management attended eight (8) meetings out of a total of ten (10) meetings.

At the meetings of the Audit and Compliance Committee, information on the ICFR evaluation activities conducted by the Internal Audit Department is included as an agenda item.

According to the Company's Bylaws and the Internal Auditing Regulations of the Group (reviewed and updated in 2017), the Internal Audit Department is responsible for verifying the correct operation of the Internal Control Systems, including the reliability of Financial Reporting (ICFR), keeping the Board of Directors (through the Audit and Compliance Committee) and Senior Management informed about the existence, suitability and effectiveness of existing methods, procedures, rules, policies and instructions available to Group employees.

The Internal Audit department hierarchically reports to the Audit and Compliance Committee and functionally reports to the Chief Legal & Compliance Officer, who in turn, reports to the Vice Chairman and the Chief Executive Officer of the Group. The head of Internal Audit has direct access to the Vice Chairman and the Chief Executive Officer, as well as to the Audit and Compliance Committee and, where appropriate, to the Board of Directors. Some of the functions of the Audit and Compliance Committee that affect the Internal Audit department are to ensure the independence and effectiveness of internal audits, approve the budget and annual audit plan, receive periodic reports on its activities, and verify that senior management considers the conclusions and recommendations of its reports.

For the purpose of ensuring the independence of the Internal Audit team with respect to the operations or areas they audit, and over which they have no authority or responsibility, internal auditors are not assigned any functions other than those of internal audit. Except for the internal auditor of systems, who is in turn member of the Data Protection Office and who exercises both functions.

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In the internal audit plan for year 2018, several actions were included to evaluate the degree of compliance with internal control through different types of audit, but mainly business or operational audits (hotels, vacation clubs and other businesses), computer system audits, financial audits and evaluation of the control activities associated with processes in Corporate Administration and Finance areas, including those processes related to ICFR. The checklist of audit control points is reviewed and updated on an annual basis.

The methodology of the activities carried out by the Internal Audit team 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.

Regarding control of financial information in the business area, in 2018, two (2) cycles have been audited (revenues cycle and inventories cycle), which contain eight (8) processes, divided into twenty-five (25) sub-processes, and three thousand three hundred and ninety-six (3,396) control activities have been carried out.

These reviews have been carried out at one hundred and sixty (160) hotels located in Spain (97) EMEA (35), America (15) and APAC (13).

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.

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.

The Board of Directors, according to its Regulations, must meet at least six (6) times a year. Coinciding with these meetings, the Audit 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 Audit and Compliance Committee of any internal control weaknesses detected in internal audits.

Likewise, on an annual basis, the external auditor provides the Audit and Compliance Committee with a report detailing the internal control weaknesses detected.

Such report is internally monitored through an action plan.

F.6 Other relevant information

N/A

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

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. Explanations of general nature shall 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 ☒ 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** ☒

At the Ordinary General Shareholders' Meeting held on 6 June 2018, the Chairman and the Chief Executive Officer informed the shareholders of the most important progress achieved with respect to Corporate Governance. The Chairman of the Audit and Compliance Committee (whose assigned functions include reviewing the company's governance regulations and making proposals for their improvement) gave details of the most important work carried out over the year with respect to Corporate Governance.

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The company provides information on relevant changes in Corporate Governance matters in the Annual Corporate Governance Report, which is available to all shareholders and includes information on the extent of compliance with recommendations and, if appropriate, reasons why some recommendations are implemented in a different way.

Likewise, the Integrated Annual Report includes the roadmap with specific objectives in Corporate Governance matters.

The foregoing is without prejudice to the possibility that shareholders may request any clarification or additional information in that regard, in accordance with the systems set forth in the applicable regulations.

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.

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.

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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 ☐

The Company has prepared and published on the corporate website the report on the auditor's independence, the activity reports of the audit and compliance committee and the appointments and remuneration committee, as well as the report on related-party transactions, independently and before the holding of the General Shareholders' Meeting of year 2018.

Regarding the report on the corporate social responsibility policy, all the information on progress and indicators in respect thereof are included in the integrated annual report of year 2018.

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 ☐

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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.

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 ☐

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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.

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 ☐

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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 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.

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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** ☒

According to article 31 of the Regulations of the Board of Directors, Directors "should inform and, if appropriate, to resign in those cases which may damage the credit and reputation of the Company and shall in any event inform the criminal cases in which they are involved, and their subsequent trial, in which case the Board of Directors must examine the case as soon as possible, and in view of the specific circumstances, decide whether or not, that the Director should remain in office."

Accordingly, the Company considers that the answer would be "Not applicable", since the circumstance described in the question has not taken place.

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 ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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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 2018 it was not necessary to increase this number to meet the needs of the company.

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.

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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 be duly recorded in the minutes.

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 ☐

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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 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.

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- 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** ☒

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 ☐

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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.

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 ☐

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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 ☐

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 ☐

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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.
- 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 ☐

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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.
- 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 ☐

The Regulations of the Board of Directors do not expressly include a detailed description of some of the recommendations it contains, although the Audit and Compliance Committee effectively assumes supervision of Corporate Governance regulations in the Company. Among its functions and in accordance with Article 14.2 paragraph i) of the Regulations of the Board of Directors, the Audit and Compliance Committee is responsible for analysing compliance with Internal Code of Conduct in the Securities Markets, the Regulations of the Board of Directors and, in general, the rules for Company's Governance and making proposals for improvement.

All the listed functions are assumed by the Committee or directly by the Board of Directors, in particular:

- a) The Annual Report detailing information on all activities related to corporate responsibility is approved by the Board of Directors;
- b) The report on non-financial risks is validated by the Audit and Compliance Committee and subsequently submitted to the Board of Directors as part of the Risk Map;
- c) The Appointments and Remuneration Committee supervises monitoring of the Executive Behaviour Regulations as code of conduct, compliance therewith and its periodic updating.

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, approved by the General Shareholders' Meeting of June 6, 2018, refers to "establishing the remuneration systems referenced to the value of the share price that is complied with 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.

Complies ☐ Complies Partially ☐ **Explanation** ☒ Not Applicable ☐

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This type of clause is not foreseen, although, in line with Good Governance criteria, the payment of short-term variable remuneration is only made a certain time after the close of the financial year, taking place within the first 60 calendar days after the formulation of the annual accounts, prior approval by the Board following proposal from the Appointments and Remuneration Committee.

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.

At the date of approval of this Annual Corporate Governance Report, the merger of the company Majorcan Hotels Exlux, SL, a significant shareholder of Meliá Hotels International, SA, has been reported, as detailed in section A. 3 of this report.

The company Majorcan Hotels Exlux, S.L.U. has been absorbed by its sole shareholder, Majorcan Exhold, S.L.U., which in turn has been subsequently absorbed by its sole shareholders, Tulipa Inversiones 2018, S.A., with an effective date of December 2018.

The information on the aforementioned mergers, and consequently, on the ownership of the shares of Meliá Hotels International, S.A., has been correspondingly notified to the National Securities Market Commission (CNMV).

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

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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
Transparency, Governance and Integrity Cluster	Forética	Spain	2017
Climate Change Cluster	Forética	Spain	2017

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.

Likewise, in 2018, the first Supplier's Code of Ethics was created and approved.

The Company does not adhere to the Code of Good Tax Practices of 20 July 2010.

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This annual corporate governance report has been approved by the Board of Directors of the Company, at its meeting held on February 27, 2019.

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

YES ☐

NO ☒

Consolidated Annual Accounts 2018



MELIÃ HOTELS
INTERNATIONAL

Leisure at heart,
business in mind

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Consolidated Balance Sheet

(Thousand €)	Note	31/12/2018	31/12/2017 (Restated)	01/01/2017 (Restated)
NON-CURRENT ASSETS				
Goodwill	9	67,999	60,714	60,769
Other intangible assets	9	107,588	102,194	109,314
Property, Plant and Equipment	10	1,856,801	1,682,040	1,729,968
Investment property	11	149,437	135,900	141,136
Investments measured using the equity method	12	197,817	229,644	190,101
Other non-current financial assets	13.1	141,217	173,550	209,908
Deferred tax assets	19.2	239,781	220,291	240,154
TOTAL NON-CURRENT ASSETS		2,760,640	2,604,332	2,681,350
CURRENT ASSETS				
Non-Current Assets Held for Sale		56,081		
Inventories	15.1	26,492	34,079	39,153
Trade and other receivables	15.2	249,076	270,967	289,456
Current tax assets	19.2	28,870	54,961	29,614
Other current financial assets	13.1	41,097	48,684	47,297
Cash and other cash equivalents	15.3	312,902	331,885	366,775
TOTAL CURRENT ASSETS		714,519	740,577	772,294
TOTAL GENERAL ASSETS		3,475,159	3,344,908	3,453,645
EQUITY				
Share capital	16.1	45,940	45,940	45,940
Share premium	16.1	1,119,301	1,120,303	1,121,070
Reserves	16.2	431,873	392,882	342,606
Treasury shares	16.3	(16,025)	(15,023)	(14,256)
Retained earnings	16.4	(251,352)	(277,383)	(289,030)
Translation differences	16.5	(133,570)	(145,638)	(63,581)
Other measurement adjustments	16.5	(2,148)	(1,704)	(2,465)
Profit/(loss) for the year attributed to parent company	8	140,079	123,923	100,693
NET EQUITY ATTRIBUTED TO THE PARENT COMPANY		1,334,097	1,243,300	1,240,977
Non-controlling shareholdings	16.6	50,107	26,556	43,307
TOTAL NET EQUITY		1,384,204	1,269,856	1,284,284
NON-CURRENT LIABILITIES				
Bonds and other negotiable securities	13.2	33,835		47,799
Bank loans	13.2	719,949	644,515	570,929
Other non-current financial liabilities	13.2	14,961	9,414	13,754
Capital grants and other deferred income	17.1	368,535	387,039	422,810
Provisions	17.2	57,293	42,507	32,706
Deferred tax liabilities	19.2	189,312	184,938	202,858
TOTAL NON-CURRENT LIABILITIES		1,383,885	1,268,412	1,290,856
CURRENT LIABILITIES				
Bonds and other negotiable securities	13.2	51,526	71,610	39,495
Bank loans	13.2	115,066	209,482	251,007
Trade creditors and other payables	18	474,009	443,275	459,662
Current tax liabilities	19.2	7,066	17,496	33,233
Other current liabilities	13.2	59,402	64,778	95,107
TOTAL CURRENT LIABILITIES		707,070	806,640	878,505
TOTAL GENERAL LIABILITIES AND NET EQUITY		3,475,159	3,344,908	3,453,645

Consolidated Income Statement

(Thousand €)	Note	2018	2017 (Restated)
Operating Revenues	7.1	1,831,315	1,859,183
Supplies	7.2	(190,785)	(211,230)
Staff costs	7.3	(526,644)	(502,699)
Other expenses	7.4	(594,237)	(661,909)
EBITDAR (*)		519,648	483,345
Leases	21.1	(193,122)	(178,268)
EBITDA (*)	6.1	326,526	305,077
Depreciation and impairment	7.5	(120,600)	(125,439)
Bargain purchase	7.6	(379)	
EBIT (*)		205,548	179,638
Exchange differences		(8,935)	(11,536)
Borrowings		(31,762)	(29,987)
Other financial income		15,223	8,409
Net financial income	7.7	(25,473)	(33,114)
Profit / (Loss) from companies carried by the equity method	12	5,320	23,214
NET INCOME BEFORE TAX		185,395	169,738
Income Tax	19.6	(41,158)	(41,095)
CONSOLIDATED NET INCOME		144,236	128,643
a) Attributed to the parent company	8	140,079	123,923
b) Attributed to minority interests	16.6	4,158	4,720
BASIC EARNINGS PER SHARE IN EUROS	8	0.61	0.54
DILUTED EARNINGS PER SHARE IN EUROS	8	0.61	0.54

* Definitions in Note 2.4

Consolidated Statement of Comprehensive Income

(Thousand €)	Note	2018	2017 (Restated)
Net consolidated income		144,236	128,643
Other comprehensive income:			
Items that will not be transferred to results			
Other results attributed to equity	3.15	(15,266)	(11,681)
Equity consolidated companies	12	(4,584)	(3,343)
Actuarial gains and losses in post-employment plans	17.2	(1,962)	(875)
Total Items that will not be transferred to results		(21,812)	(15,899)
Items that may be subsequently transferred to results			
Translation differences	16.5	14,441	(86,317)
Cash flow hedges	13.3	75	1,947
Equity consolidated companies	12	55	671
Tax effect	19.2	(19)	(487)
Total items that may be transferred to results		14,553	(84,186)
Total Other comprehensive income		(7,259)	(100,085)
TOTAL COMPREHENSIVE INCOME		136,977	28,558
a) Attributed to the parent company		131,737	27,909
b) Attributed to minority interests	16.6	5,240	649

Consolidated Statement of Changes in Equity

(Thousand €)	Note	Capital	Share Premium	Other Reserves	Treasury Shares	Retained Earnings	Measurement Adjustments	Net Income of Parent Company	Total Result	Minority Interest	Total NET EQUITY
NET EQUITY AT 31/12/2016		45,940	1,121,070	342,606	(14,256)	327,444	(403,190)	100,693	1,520,307	43,307	1,563,614
Changes Effect in Accounting Policies	2.3					(616,473)	337,144		(279,329)		(279,329)
NET EQUITY AT 01/01/2017		45,940	1,121,070	342,606	(14,256)	(289,030)	(66,046)	100,693	1,240,978	43,307	1,284,284
Total recognised income and expenses				(692)		(14,026)	(81,296)	123,923	27,909	649	28,558
Distribution of dividends				(29,986)					(29,986)	(1,734)	(31,720)
Operations with treasury shares	16.3		(767)	767	(767)				(767)		(767)
Other operations with shareholders and owners	5.2					5,386			5,386	(15,555)	(10,169)
Operations with owners and shareholders		0	(767)	(29,219)	(767)	5,386			(25,367)	(17,289)	(42,656)
Distribution 2016 net income	16.4			80,186		20,507		(100,693)			
Other variations						(219)			(219)	(111)	(330)
Other variations in net equity		0	0	80,186	0	20,287	0	(100,693)	(219)	(111)	(330)
NET EQUITY AT 31/12/2017		45,940	1,120,303	392,882	(15,023)	(277,382)	(147,343)	123,923	1,243,300	26,556	1,269,856
Total recognised income and expenses				(1,393)		(18,573)	11,624	140,079	131,737	5,240	136,977
Distribution of dividends	8			(38,333)					(38,333)	(1,413)	(39,745)
Operations with treasury shares	16.3		(1,002)	1,002	(1,002)				(1,002)		(1,002)
Other operations with shareholders and owners	5.2					(1,573)			(1,573)	19,796	18,223
Operations with owners and shareholders			(1,002)	(37,331)	(1,002)	(1,573)			(40,908)	18,384	(22,524)
Distribution 2017 net income	16.4			77,070		46,853		(123,923)			
Other variations				645		(677)			(32)	(73)	(105)
Other variations in net equity				77,715		46,176		(123,923)	(32)	(73)	(105)
NET EQUITY AT 31/12/2018		45,940	1,119,301	431,873	(16,025)	(251,352)	(135,718)	140,079	1,334,097	50,107	1,384,204

Consolidated Cash Flow Statement

(Thousand €)	Note	31/12/2018	31/12/2017 (Restated)
1. OPERATING ACTIVITIES			
Net Income before tax		185,395	169,738
Result adjustments:			
<i>Depreciation and impairment</i>		120,979	125,439
<i>Profit/(loss) from companies carried by the equity method</i>		(5,320)	(23,214)
<i>Net Financial Income</i>		25,473	33,114
EBITDA		326,526	305,077
Other result adjustments		22,410	8,161
Trade and other receivables		31,429	18,423
Other assets		(1,222)	10,698
Trade creditors and other payables		14,359	(31,835)
Other Liabilities		18,611	21,107
Income taxes paid		(15,784)	(72,214)
Total net cash flows from operating activities (I)		396,329	259,417
2. INVESTMENT ACTIVITIES			
Financial income		9,393	32,188
Investment (-):			
Investments in associates and joint ventures		(67,842)	(64,028)
Business combination		(34,160)	(24,521)
Loans to associates and joint ventures	20	(1,151)	(897)
Property, plant and equipment, intangible assets and investment property	9,10,11	(230,107)	(152,887)
Non-current financial investments		(15,710)	(107)
Divestments (+):			
Property, plant and equipment, intangible assets and investment property	9,10,11	76,145	375
Non-current financial investments		11,950	1,660
Current financial investments		1,537	5,113
Total net cash flows from investment activities (II)		(249,943)	(202,737)
3. FINANCING ACTIVITIES			
Dividend payments (-)		(38,324)	(31,720)
Treasury stock	16.3	(1,002)	(767)
Debt interest paid (-)		(28,805)	(27,453)
Debt issue	13.2	204,804	280,447
Debt redemption and repayment	13.2	(287,292)	(271,005)
Other financial liabilities (+/-)			(953)
Total net cash flows from financing activities (III)		(150,618)	(51,450)
4. GROSS INCREASE/ DECREASE IN CASH OR EQUIVALENTS (I+II+III)		(4,232)	5,230
5. Effect of exchange rate changes in cash or equivalents (IV)		(14,751)	(40,121)
6. Effect of changes in the scope of consolidation (V)		0	0
7. NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		(18,983)	(34,891)
8. Cash and cash equivalents at the beginning of the year		331,885	366,775
9. Cash and cash equivalents at the year end (7+8)		312,902	331,884

Notes to the Consolidated Annual Accounts

Note 1. Corporate Information

The parent company, Meliá Hotels International, S.A., is a Spanish public limited company that was incorporated in Madrid on 24 June 1986 under the registered name of Investman, S.A. On 1 June 2011 the General Shareholders' Meeting approved the change of name to Meliá Hotels International, S.A. In 1998 the Company moved its registered address to Calle Gremio Toneleros, 24, Palma de Mallorca.

Meliá Hotels International, S.A. and its subsidiaries and associates (hereinafter, the “Group” or the “Company”) form a Group comprising companies that are mainly engaged in tourist activities, in general, and more specifically, in the management and operation of hotels under ownership, lease, management or franchise arrangements, as well as in vacation club operations. The Group is also engaged in the promotion of all types of businesses related to the tourist and hotel industry or leisure and recreational activities, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourist and hotel industry or any other leisure or recreational business. Likewise, some companies within the Group carry out real estate activities by taking advantage of the synergies obtained in hotel development as a result of the massive expansion process undertaken.

With over 60 years in the hotel industry and more than 390 hotels, both urban hotels and resorts, in 44 countries and presence in 4 continents, Meliá Hotels International is one of the world's leading hotel chains. It seeks to consolidate its position in key markets and strengthen its internationalisation through its various brands: Gran Meliá, Paradisus Resorts, ME by Meliá, Meliá Hotels & Resorts, INNSIDE by Meliá and Sol by Meliá.

Note 2. Basis of Presentation of the Consolidated Annual Accounts

The Meliá Hotels International Group presents its consolidated annual accounts in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at 31 December 2018, published by the International Accounting Standards Board (IASB) and adopted by the European Union.

These consolidated annual accounts are formulated by the Board of Directors of the parent company and are pending approval by the General Shareholders' Meeting, and they are expected to be approved without changes.

The figures on the Balance Sheet, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, and the accompanying Notes to the accounts are stated in Euro, rounded to thousands, except where otherwise indicated.

The Group's consolidated annual accounts have been prepared on a historical cost basis, except for those items listed under the headings 'investment property', 'derivative financial instruments' and 'financial assets at fair value through profit or loss', which are measured at fair value (see Note 4.6). It should be mentioned that the balances from the Venezuelan Group companies have been restated at current cost, in accordance with IAS 29, since Venezuelan economy is considered as hyperinflationary (see Note 3.15).

2.1. Changes in accounting policies, estimates, and errors.

Changes in EU-IFRS

This fiscal year, the Group has adopted the standards approved by the European Union whose application was not obligatory in 2017.

- ✓ IFRS 15: "Revenues from contracts with customers" and any relevant changes to other standards.
- ✓ IFRS 9 "Financial instruments" and any relevant changes to other standards.
- ✓ Amendment of IFRS 4: "Application of IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts".
- ✓ Annual improvements of the IFRS (2014-2016 cycle): IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in associates and joint ventures".
- ✓ Amendment of IFRS 2: "Classification and evaluation of transactions with share-based payments"
- ✓ Amendment of IAS 40: "Transfer of investment property".
- ✓ IFRIC 22 "Foreign currency transactions and advance consideration".

The accounting policies applied are consistent with those of the previous year, considering the adoption of the standards and interpretations mentioned in the paragraph above and, except as described below regarding IFRS 15, they have no greater impact on the consolidated financial statements or the financial position of the Group.

IFRS 15 "Revenues from contracts with customers".

The new IFRS 15 "Revenues from contracts with customers" entered into force on 1 January 2018, with no impact on the revenue recognition of the Group's main operating segment (hotel business), but it has modified the revenue recognition model of the vacation club business.

Given the characteristics of the existing contracts with customers of the vacation club, and once the five-stage analysis established in the Standard has been completed, the Company has concluded that the revenues from such contracts must be recognised under this new Standard as customers make use of the weeks to which they are entitled through the purchase of the corresponding memberships (see Note 3.11).

The Group has opted for the retrospective application of the new standard and, therefore, the comparative information has been restated based on the effects the application of the new revenue recognition model would have had on such financial statements, had the standard been applied from the execution of such agreements. Additional breakdowns in this regard are included in Note 2.3.

IFRS 9 "Financial instruments".

Following the entry into force of IFRS 9 "Financial instruments" on 1 January 2018, the Group applies certain valuation criteria included in the standard, concluding that such application does not involve any changes in the financial statements, although some amendments are made to the breakdowns by category of the financial instruments included in the consolidated balance sheet (see Note 13).

The Group applies the simplified approach to recognise the expected loss mainly related to “Trade and other receivables” item. Given the classification of hotel customer, no changes in impairment previously calculated in accordance with IAS 39 have been recorded.

The standards issued prior to the formulation date of these consolidated annual accounts and which will enter into force in subsequent dates are the following:

- ✓ IFRS 16 “Leases”.
- ✓ IFRS 17 “Insurance contracts”.
- ✓ IFRIC 23 “Uncertainty over income tax treatments”.
- ✓ Amendment of IFRS 9: “Prepayment features with negative compensation”.
- ✓ Amendment of IAS 28: “Long-term interest in associates and joint ventures”.
- ✓ Annual improvements of the IFRS (2015-2017 cycle): IFRS 3 “Business combinations”, IFRS 11 “Joint Agreements”, IAS 12 “Income taxes” and IAS 23 “Borrowing costs”.
- ✓ Amendment of IAS 19: “Plan amendment, curtailment or settlement”.
- ✓ Amendment of IAS 28 and IFRS 10: “Sale or contribution of assets between an investor and its associates or joint ventures”.

Except for the contents of the following paragraphs, it is not expected that the adoption of the rest of the abovementioned standards will have significant impacts on the Group’s financial statements.

IFRS 16 “Leases”

On 1 January 2019, the new regulations on leases (IFRS 16) entered into force, which have significant impacts on the composition of assets and liabilities and on the structure of the consolidated income statement of the Group.

At the date of preparation of these consolidated annual accounts, the work carried out allows to have an updated database of the contractual terms and conditions of all hotels under lease of the Group, in particular, historical data and estimate of fixed payments, as well as lease terms.

The Group’s portfolio, at the year end, includes 100 hotels operated by various subsidiaries under lease, mainly in European cities. The Group plans to adopt the standard for its 2019 financial statements under the retrospective approach, which involves the recovery of the payment commitments undertaken under each of the lease agreements concluded from their respective dates of signature. The main expected impacts on the consolidated balance sheet as at 31 December 2018 are as follows:

- ROU (right of use) assets measured at amortised cost, with a net carrying amount of around EUR 1,016.7 million.
- Lease agreement liabilities measured using the effective interest rate, with a net carrying amount of around EUR 1,249.1 million.
- Deferred tax assets and liabilities, arising from the difference between the tax value and the carrying amount of assets and liabilities resulting from the recognition of the abovementioned assets and liabilities, with a net value of around EUR 58.1 million.

Estimated impact on the consolidated income statement for 2018 is as follows:

- Reduction of costs related to Leases in the amount of EUR 172.2 million.
- Increase of costs related to Amortisation/Depreciation and impairment in the amount of EUR 120.3 million.
- Increase of financial expenses in the amount of EUR 41.2 million.
- Increase of corporate income tax expense in the amount of EUR 2.7 million.

Likewise, the Company is lessee of other assets also affected by the changes in accounting regulations: offices, vehicles and other assets, whose carrying value at the date of transition under IFRS 16 criteria is far lower. It is expected that the impact of these assets on the Group’s liabilities will range between EUR 20 million and EUR 30 million.

For the preliminary calculation of the abovementioned amounts, the Company has applied the following accounting policies, estimates and criteria:

- a) Scope:
 - ✓ The Company has decided to apply the low-value exemption for lease agreements whose underlying assets do not exceed USD 5,000 and the short-term exemption for lease agreements with a duration of less than one year.
 - ✓ The Company considers that the hotel management agreements are not within the scope of IFRS 16 application and it will continue to apply IFRS 15 to recognise management revenues.
 - ✓ Lease and non-lease components have not been separately recognised in those assets in which these components are not likely to affect the total lease value.

- b) Minimum lease payments
 - ✓ Most hotel lease agreements include a contingent payment based on the local consumer price index which usually is reviewed every year. The rate in force at the date of lease inception is applied in the calculation of the minimum lease payments.
 - ✓ In case of variable rate lease agreements under which a minimum lease payment is set for defined periods, this amount is considered in the initial calculation, with the amount of the variable rate exceeding such minimum lease payment being recognised as an expense in the income statement.
- c) Lease term
 - ✓ Regardless of the date of execution of the agreement, for the purposes of recognition in the Group's financial statements, the initial date of the agreement is considered to be the date on which the hotel is effectively occupied, and which corresponds to the opening date.
 - ✓ The Company considers the minimum non-cancellable term as the initial term set forth in the lease agreement, without including the potential extensions if they are unlikely to be exercised.
 - ✓ In order to determine whether an extension will be exercised with reasonable certainty, some key features have been defined and taken into account by the Group to determine whether there are economic rewards that justify such exercise: rates not adjusted to market conditions, investments to be made and the particularity of the hotel asset, among others.
- d) Discount rate
 - ✓ Given the difficulty in setting the interest rate implicit in lease agreements, the Group has decided to calculate the incremental borrowing rate as applicable to each agreement.
 - ✓ A model for the calculation of incremental rates has been defined, which is based on a risk-free rate, the asset's economic context risks (country) and the risk inherent in the Company, all this weighted by the temporary value of cash flows as determined in the schedule of minimum lease payments stipulated in each lease agreement.

Other changes in accounting policies

For several years now, the Group's Venezuelan subsidiaries are subject to the increasing hyperinflation in their economy and the resulting devaluation of their currency, thus generating significant impacts on the consolidated financial statements.

In particular, the Group has recognised the restatement of non-monetary items in the balance sheets of its Venezuelan subsidiaries under the heading Retained earnings in the Group's net equity, and the translation differences derived from the conversion into euros of their balance sheets have been recognised under the corresponding heading in the Statement of Comprehensive Income.

For the purposes of enhancing the true image of the consolidated financial statements and given the obvious economic link between the recognised impacts due to hyperinflation and the devaluation as aforesaid, the Group has modified its accounting policy in 2018 with regards to how the two effects are presented in the consolidated net equity, by recognising both the effect of the restatement of non-monetary items and the effect of the differences arising from the conversion into euros, directly under the heading Retained earnings in net equity.

In accordance with IAS 8, comparative information has been restated, by taking the amounts reflected as translation differences of the Venezuelan subsidiaries. The impacts of such restatement are broken down in Note 2.3.

2.2. True image

The consolidated balance sheet and income statement have been prepared on the basis of the internal accounting records of the parent company, Meliá Hotels International, S.A., and the accounting records of the rest of the companies included in the scope of consolidation as detailed in Annexes 1 and 2, duly adjusted according to the accounting principles established in the IFRS; and fairly present the equity, financial position and results of operations of the Company.

2.3. Comparability

These consolidated annual accounts include the figures for year 2018 and, for comparison purposes, those for year 2017, of each of the items in the balance sheet, income statement, statement of comprehensive income, statement of changes in equity and the cash flow statement. The comparative amounts for 2017 regarding the quantitative information appearing in the notes to the consolidated annual accounts are also included.

As stated in Note 2.1, in 2018 there have been changes in the accounting policies applied by the Meliá Group which require the restatement of the comparative information related to year 2017, due to the entry into force of IFRS 15 as well as the change in the accounting criterion with regard to the recognition of the effects of inflation and devaluation affecting its Venezuelan subsidiaries.

As for the consolidated balance sheet, the reconciliation as at 1 January and 31 December 2017 is broken down as follows:

(Thousand €)	01/01/2017	NIIF 15	Venezuela	01/01/2017 (Restated)	31/12/2017	NIIF 15	Venezuela	31/12/2017 (Restated)
NON-CURRENT ASSETS								
Property, Plant and Equipment	1,693,393	36,574		1,729,968	1,649,615	32,425		1,682,040
Deferred tax assets	135,941	104,214		240,154	122,334	97,956		220,291
Other non-current assets	711,228			711,228	702,001			702,001
TOTAL NON-CURRENT ASSETS	2,540,562	140,788	0	2,681,350	2,473,950	130,382	0	2,604,332
CURRENT ASSETS								
Inventories	63,954	(24,801)		39,153	53,255	(19,176)		34,079
Trade and other receivables	275,269	14,187		289,456	258,071	12,895		270,967
Other current assets	443,685			443,685	435,531			435,531
TOTAL CURRENT ASSETS	782,907	(10,613)	0	772,294	746,857	(6,281)	0	740,577
TOTAL GENERAL ASSETS	3,323,470	130,175	0	3,453,645	3,220,807	124,101	0	3,344,908
EQUITY								
Retained earnings	327,444	(279,329)	(337,144)	(289,030)	366,181	(279,329)	(364,234)	(277,383)
Other equity instruments								
Translation differences	(400,725)		337,144	(63,581)	(541,106)	31,233	364,234	(145,638)
Profit/(loss) for the year attributed to parent company					128,728	(4,805)		123,923
Other Net Equity	1,636,895			1,636,895	1,568,954			1,568,954
TOTAL NET EQUITY	1,563,613	(279,329)	0	1,284,284	1,522,757	(252,901)	0	1,269,856
NON-CURRENT LIABILITIES								
Capital grants and other deferred income	28,603	394,206		422,810	25,567	361,472		387,039
Provisions	35,577	(2,871)		32,706	44,808	(2,300)		42,507
Deferred tax liabilities	184,689	18,169		202,858	167,107	17,831		184,938
Other Non-current Liabilities	632,482			632,482	653,928			653,928
TOTAL NON-CURRENT LIABILITIES	881,352	409,504	0	1,290,856	891,410	377,002	0	1,268,412
CURRENT LIABILITIES								
TOTAL CURRENT LIABILITIES	878,505	0	0	878,505	806,640	0	0	806,640
TOTAL GENERAL LIABILITIES AND NET EQUITY	3,323,470	130,175	0	3,453,645	3,220,807	124,101	0	3,344,908

There follows the reconciliation of the income statement for year 2017:

(Thousand €)	2017	NIIF 15	2017 (Restated)
Operating Revenues	1,885,166	(25,982)	1,859,183
Supplies	(215,232)	4,002	(211,230)
Staff costs	(502,699)		(502,699)
Other expenses	(678,714)	16,805	(661,909)
EBITDAR	488,521	(5,176)	483,345
Leases	(178,268)		(178,268)
EBITDA	310,252	(5,176)	305,077
Depreciation and impairment	(124,305)	(1,134)	(125,439)
EBIT (*)	185,948	(6,309)	179,638
Net financial income	(33,114)		(33,114)
Profit /(Loss) from companies carried by the equity method	23,214		23,214
NET INCOME BEFORE TAX	176,048	(6,309)	169,738
Income Tax	(42,599)	1,504	(41,095)
CONSOLIDATED NET INCOME	133,448	(4,805)	128,643
a) Attributed to the parent company	128,728		123,923
b) Attributed to minority interests	4,720		4,720

2.4. Alternative performance measures

In accordance with the guidelines published by the ESMA (European Securities and Markets Authority), on 5 October 2015 (ESMA/2015/1415es), the main alternative performance measures (APM) used by the Company are listed below, as well as the basis on which they are calculated, such measures being regarded as the measures of future or past financial performance, financial position or cash flows.

Key financial indicators:

The Group uses various subtotals from the EBIT. These subtotals are broken down in the consolidated income statement, where their reconciliation in relation to the EBIT can be observed, as well as their comparative values.

- ✓ EBITDAR: Earnings Before Interest, Tax, Depreciation, Amortisation, & Rent. EBITDAR allows comparability among the hotel business units operated by the Group, regardless of the method through which the operation rights were acquired (ownership or lease).
- ✓ EBITDA: Earnings Before Interest, Tax, Depreciation & Amortisation. It offers an estimate of the net cash flow from operating activities. To this end, this indicator is also reported as a subtotal in the consolidated cash flow statement.

Other financial indicators

- ✓ EBITDAR and EBITDA without capital gains: The purpose of this indicator is to offer a measurement of the Company's operating income, excluding any results from the property segment mainly related to asset rotation. Revenues and expenses derived from those activities are excluded from the calculation of EBITDA without capital gains, giving rise to revenues without capital gains, measurement used to calculate margins without capital gains.

The reconciliation of EBITDAR and EBITDA without capital gains for year 2018, in relation to the subtotals reported in the consolidated income statement, is as follows:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	1,831,315	(1,311,667)	519,648	(193,122)	326,526
Results from assets sale	(11,810)	5,031	(6,780)		(6,780)
Investment property valuation results	(12,557)	6,063	(6,494)		(6,494)
Results related to non-current assets held for sale	(16,782)	11,294	(5,487)		(5,487)
Without capital gains	1,790,166	(1,289,279)	500,887	(193,122)	307,765

In the consolidated income statement for year 2018, revenues derived from the sale of the hotel assets that the Group has in Puerto Rico are included. Since this transaction is pending the successful completion of the due diligence process, these are not recorded as revenues from the sale of assets (see Note 14).

For comparison purposes, it is worth noting that the consolidated income statement for year 2017 did not include any results that were likely to be excluded for the calculation of EBITDA without capital gains.

- ✓ EBITDAR and EBITDA margin without capital gains: The margin offers a percentage ratio of the revenues the Company may recognise in the income statement. For the operational decision-making of the Company, the abovementioned revenues and results without capital gains are taken into consideration.

The calculation summary of the EBITDAR and EBITDA margin without capital gains for 2018 and 2017 is shown below:

(Thousand €)	2018	2017
Income without capital gains	1,790,166	1,859,183
EBITDAR without capital gains	500,887	483,345
EBITDAR margin without capital gains	27.98%	26.00%
EBITDA without capital gains	307,765	305,077
EBITDA margin without capital gains	17.19%	16.41%

- ✓ Net Debt: This indicator is used to measure the financial leverage. It is calculated as the difference between debt with credit entities and short- and long-term securities issues, less Cash and cash equivalents. The reconciliation of this indicator with the different headings in the consolidated balance sheet for 2018 and 2017 is shown below:

(Thousand €)	2018	2017
Bonds and Other Negotiable Securities (Non-Current)	33,835	
Bank Loans (Non-current)	719,949	644,515
Bonds and Other Negotiable Securities (Current)	51,526	71,610
Bank Loans (Current)	115,066	209,482
Cash and other cash equivalents	(312,902)	(331,885)
Net Debt	607,474	593,721

- ✓ Net debt ratio over EBITDA: This indicator is usually used by financial analysts, investors and stakeholders related to the Company. This is the ratio between the Company's payment commitments (Net Debt) and its capacity to generate cash flows from the transaction (EBITDA without capital gains). Figures for 2018 and 2017 are as follows:

(Thousand €)	2018	2017
Net Debt	607,474	593,721
EBITDA without capital gains	307,765	305,077
Net Debt over EBITDA	1.97	1.95

- ✓ GAV (Gross Asset Value) and NAV (Net Asset Value): The Company periodically carries out a valuation of its assets through an independent expert.

The Gross Asset Value is the aggregated sum of the result of such valuation for all the assets owned by the Group, and the assets owned by associates weighted by the Group's percentage of interest in such companies.

The Net Asset Value is the result of reducing the GAV by the amount of the Group's Net Debt and the net debt of the associates owning the valued assets weighted by the Group's percentage of interest on the date of the asset valuation.

Hotel management stats

The hotel industry uses basic statistical data to analyse how the hotel establishments can generate revenues and how they evolve over time.

The indicators broken down below only affect the hotel business shown as a segment in the consolidated annual accounts.

- ✓ Occupancy rate: The percentage ratio obtained by dividing the occupied rooms by the available rooms. Available rooms means the number of physical rooms multiplied by the number of days the room has been ready to be occupied. Likewise, occupied rooms (sold) are calculated as the number of days the physical rooms have been effectively occupied during the period.

This indicator offers a measurement of the use of the available capacity of the hotels, which is used by the management team to calculate the demand for a specific hotel or group of hotels in a specific time frame. Likewise, it is also used to set the average price per room, depending on whether the demand of rooms increases or decreases.

The calculation details of the occupancy rate of hotels operated under lease and under management by the Group in 2018 and 2017 are broken down as follows:

(Thousand €)	2018	2017
Available Rooms	11,455,751	11,611,220
Occupied Rooms	8,246,993	8,277,433
Occupancy Rate	72.0%	71.3%

- ✓ RevPar (Revenue Per available room): Revenue per available room is the result of dividing the total room revenue (see Note 7.1) by the number of available rooms. The management team uses this indicator to evaluate the business performance, since it is correlated with the key indicators of the operations of a hotel or group of hotels: the occupancy rate and the average price per room. Likewise, the RevPAR is used to measure and compare the performance in comparable periods between similar hotels.

The result of the RevPAR calculation for 2018 and 2017 is as follows:

(Thousand €)	2018	2017
Room Income	989,734	986,038
Available Rooms	11,455,751	11,611,220
RevPAR (euros)	86.40	84.92

- ✓ ARR (Average room rate): The average room rate is calculated by dividing the total room revenue (see Note 7.1) by the occupied rooms. It measures the average price per room reached by a hotel in a specific time frame and provides a valuable information as for price dynamics and type of customers of a specific hotel or group of hotels. Thus, this measurement is widely used in the industry and by the management team in order to estimate the prices the Company can charge based on the type of customer. Likewise, the changes applied to the average price per room have a different impact on revenues as well as on the business profitability in comparison with those applied to the occupancy rate.

The result of the ARR calculation for 2018 and 2017 is as follows:

(Thousand €)	2018	2017
Room Income	996,792	985,465
Occupied Rooms	8,246,993	8,277,433
ARR (euros)	120.87	119.05

2.5 Consolidation

Subsidiaries

Subsidiaries are the companies over which the Group exercises effective control, generally accompanied by more than half of the voting rights.

In addition to the shareholding percentage, when assessing whether a controlling interest is held in a company, the Group considers the following aspects:

- Influence over the investee, giving the Group the ability to manage its significant activities.
- Right to the variable returns from its shareholding in the investee.
- Ability to use its influence over the investee to have an impact on the amount of the returns obtained.

According to the full consolidation method, the financial statements of subsidiaries are consolidated as from the date on which control is transferred to the Group and are excluded from the consolidation as from the date on which such control ceases to exist. Intra-group balances and transactions are eliminated in full.

Associates and Joint Ventures

Associates are all companies over which the Group exercises significant influence but not control. This generally includes between 20% and 50% of the voting rights.

Joint ventures are joint agreements in which the parties that hold joint control under such agreements hold rights over the net assets thereof.

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

The Group's share in profit or loss after the date of acquisition of associates and joint ventures is recognised in the income statement, and its share in movements in other comprehensive income is directly recognised in equity, including the relevant adjustment to the carrying value of the investment.

Where the accumulated losses incurred by an associate result in a negative equity, the Group adds the amount of any other item that may be considered to be greater in value than the net investment until said investment is reduced to zero. From that moment on, the Company takes into account any additional losses by recognising a liability, only to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the associate.

The Group does not currently participate in joint ventures that must be included using the proportional consolidation method.

Consistency in terms of timing and measurement

All subsidiaries included in the scope of consolidation close their fiscal year on 31 December, so the relevant annual accounts for 2018 and 2017 have been used for consolidation purposes, once the appropriate measurement adjustments to ensure compliance with the relevant IFRS have been carried out.

Business combinations

The Group did not apply IFRS 3 retrospectively to the business combinations that took place before the date of transition, benefiting from the exemption included in IFRS 1 "First-time Adoption of International Financial Reporting Standards", therefore, the goodwill existing under Spanish regulations as at 31 December 2003, net of accumulated amortisation up to that date, was recorded as goodwill, under the heading Intangible Assets.

In business combinations after the date of transition, the excess between the cost of the business combination and the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as Goodwill, under the heading Intangible Assets.

The excess between the acquirer's interest, where appropriate, after reassessing the identification and valuation of the identifiable assets, liabilities and contingent liabilities, and the cost of the business combination, is recognised in the income statement for the year.

If the business combination is achieved in stages, the carrying value on the acquisition date of the interest in the acquiree's equity previously held by the acquirer is remeasured at fair value on the acquisition date, and any loss or profit arising from this new measurement is recognised in the income statement for the year.

Purchase of non-controlling interests

Once control is obtained, any subsequent operations in which the controlling company acquires more non-controlling interests, or sells interests without losing control, are accounted for as transactions with equity instruments. It follows from the above that:

- Any difference between the amounts by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in net equity and attributed to the owners of the controlling company.
- The carrying value of the goodwill is not adjusted, and no gains or losses are recognised in the income statement.

Sale of controlling interests

When the Group ceases to have control over a subsidiary, any retained interest is recognised at fair value at the date when control is lost, and the change in the carrying amount is recognised in the income statement for the year. In the case of companies owning hotels, the result is recognised in operating income, in the real estate income item (see Note 3.11). The fair value is the initial carrying amount for the purposes of the subsequent recognition of the interest retained as associate, joint venture or financial asset.

Loss of significant influence

If the Group no longer exercises significant influence over the associate or joint venture, it measures and recognises the investment maintained at fair value. Any difference between the carrying value of the associate at the time significant influence is lost and the fair value of the investment maintained plus the income obtained on the sale is recognised in the income statement.

Elimination of inter-company transactions

The inter-company balances for inter-company transactions relating to loans, leases, dividends, financial assets and liabilities, sale and purchase of inventories and fixed assets and provision of services, have been eliminated. Regarding the sale and purchase transactions, the unrealised profit margin with regard to third parties has been reversed so that the corresponding assets are stated at cost, thus adjusting the depreciations carried out.

Non-controlling interests

The proportional part of equity corresponding to the Group's non-controlling interests, calculated in accordance with IFRS 10, is recorded under this heading of the balance sheet.

Profit or loss attributed to non-controlling interests

This relates to the share in consolidated profit or loss for the year corresponding to the non-controlling interests.

Translation of the annual accounts of the foreign companies

All the assets, rights and obligations of companies with a functional currency other than the euro and which are included in the scope of consolidation, are translated to euro at the exchange rate existing at year end.

Items in the profit and loss account have been translated at the exchange rates existing on the dates on which the relevant transactions were carried out.

The difference between the amount of the foreign companies' equity, including the balance of the profit and loss account calculated according to the previous paragraph, translated at the historical exchange rate, and the net equity position resulting from the translation of assets, rights and liabilities as mentioned in the first paragraph, is recorded with a positive or negative sign, as appropriate, in the net equity of the consolidated balance sheet, under the Translation differences heading, net of the portion of such difference corresponding to non-controlling interests, which is recorded under the Non-controlling interests item in equity in the consolidated balance sheet.

Goodwill and fair value adjustments of the balance sheet items upon the acquisition of interests in a foreign company, are recognised as assets and liabilities of the company acquired and, therefore, translated at the exchange rate existing at year end.

Upon total or partial disposal or reimbursement of contributions of a foreign company, cumulative translation differences since 1 January 2004, date of transition to IFRS, relating to said company, recognised in equity, are taken to the income statement as a gain or loss on disposal.

2.6 Accounting valuations and estimates

Directors have prepared the Group's consolidated annual accounts using judgments, 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. These estimates and assumptions are periodically reviewed; the effects of the reviews on the accounting estimates are recognised whether in the year in which they are realised, if they have an effect solely on such period, or in the period under review and future periods, if the review affects both periods. 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 judgment that have a significant impact and may involve adjustments in future years are set out below:

Estimated impairment loss on goodwill and other non-financial assets

The Group verifies annually whether there is an impairment loss in respect of goodwill and other non-financial assets, in accordance with Notes 3.1 and 3.2. The recoverable amounts of cash generating units are calculated from its value in use. These calculations are based on reasonable assumptions in accordance with past yields obtained and future production and market development expectations. The analyses carried out by the Group are detailed in Notes 9 and 10.

Provision for income tax

The calculation of income tax requires the interpretation of the tax legislation applicable to the countries in which the Group companies operate. 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.

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.

The calculation of income tax is detailed in Note 19.

Fair value of derivatives

The fair value of derivative financial instruments that are not traded in an active market is determined using measurement techniques, as specified in Note 3.5. The Group 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.

Fair value of investment property

The Group uses the fair value method in measuring investment property. The estimation of this fair value is mainly carried out based on the appraisals undertaken by independent experts using valuation techniques such as expected discounted cash flows from such assets, as stated in Note 3.3.

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 17.2 gives details of the assumptions used to calculate these commitments.

Provision for onerous contracts

The Group must use its judgment 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 occupancy, average prices and the evolution of the costs associated with the hotel operation, as well as the discount rate applied to update such flows.

The Group uses its expertise in operating and managing hotels to determine such assumptions and to make the relevant calculations, as described in Note 17.2.

Inflation and exchange rate to be applied to the consolidation of Venezuelan subsidiaries

In August 2018, Venezuela replaced the Bolívar fuerte (VEF), which was applied until such date, with the Bolívar soberano (VES), by dividing the value of the new currency by 100,000 (VES 1 = VEF 100,000).

However, from fiscal year 2017 and due to the ongoing complex political and economic situation in the country, the Company considers that the different official exchange rates do not reflect the economic situation of the country and, therefore, decided to internally estimate the exchange rate that is most appropriate for the consolidation of the financial statements of its subsidiaries in Venezuela.

This estimated exchange rate, based on the high inflation to which the price of goods and services of the country are subjected, has been calculated based on the last official exchange rate of 2014, updated according to the corresponding inflation rate in each period from then on. An exchange rate of VES 3,853.14 per US dollar has been obtained from such update at the end of the year, resulting in a devaluation of 1,222,085% compared to the previous year. At year-end 2017, the estimated synthetic exchange rate was VEF 31,526.65 per US dollar (VES 0.32 per US dollar).

The inflation considered for this calculation in 2018 has been 1,222,085%; 2,350% in 2017. These estimates are based on studies conducted by independent experts, since there are no official figures in this respect since 2015.

The Company will continue to assess the political and economic situation in the country in order to adopt any change in the exchange rate which may be applicable for the consolidation of its Venezuelan subsidiaries.

Note 3. Accounting Policies

3.1 Intangible Assets

Goodwill

Goodwill generated on consolidation represents the difference between the acquisition price of fully consolidated subsidiaries and the Group's interest in the market value of identifiable assets and liabilities of subsidiaries.

Goodwill generated in acquisitions prior to the date of transition to IFRS is recorded in the balance sheet at the net value recorded as of 31 December 2003.

Goodwill is not amortised. Instead, goodwill review studies are carried out annually to identify any impairment losses. Impairment losses are recognised if the recoverable value, determined based on the current value of future expected cash flows of the cash generating units associated with goodwill and discounted at a rate which considers the specific risks of each asset, is lower than the amount initially assigned. Impairment losses recognised for goodwill shall not be reversed in subsequent periods. These measurements are carried out internally. Note 9 includes details regarding their calculation.

Other Intangible Assets

Other intangible assets relate to several software applications, as well as transfer rights and industrial property.

Software applications are valued at cost price and amortised using the straight-line method over their estimated useful life of 5 to 10 years. Software maintenance-related expenses are recognised as an expense when incurred.

The R&D+i expenses incurred by the Group in producing identifiable and unique software programmes controlled by the Group 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.

The directly attributable costs that are capitalised as part of the software programmes include the labour cost of the staff developing the programmes and a suitable percentage of general costs.

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.

Investments carried out in trademarks are not amortised as their useful life is indefinite and are subject to impairment tests. The remaining items included in industrial property are amortised on a straight-line basis over a five-year period.

3.2 Property, plant and equipment

Property, plant and equipment is stated at cost, including transaction costs, plus the financial expenses directly attributable to the acquisition, construction and renovation incurred to bring the assets into operating conditions, less accumulated depreciation and any impairment losses.

Lease agreements from which, based on the analysis of the nature of the agreement and its terms and conditions, it appears that the risks and rewards of ownership of the leased asset have been substantially transferred to the Group, are considered to be finance leases and, therefore, they are recorded as property, plant and equipment for an amount equal to the lower of the fair value and the present value of the minimum payments established at the beginning of the lease agreement, less accumulated depreciation and any impairment loss. In such cases, the contingent lease payment is allocated as an increase in financial expenses in the income statement for the year.

The repairs which do not extend the useful life or the production capacity of the assets and the maintenance expenses are charged directly to the profit and loss account. Costs that extend or improve the useful life of the assets or can only be used with the item of property, plant and equipment are capitalised as an increase in their value.

The Group depreciates its property, plant and equipment by the straight-line method over the years of estimated useful life, as follows:

Buildings	40-50 years
Plant	15-18 years
Machinery	10-18 years
Furniture	10-15 years
Computer Software	3-8 years
Vehicles	5-10 years
Other fixed assets	4-8 years

The useful 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 an indefinite useful life, however it is subject to impairment tests.

The Other fixed assets heading includes the amount of replacement inventories which are stated at average cost as per the stocktaking carried out in the different hotel centres at the year end. Breakages and losses are recorded as Disposals. The cost of such breakage and disposals has been included in the consolidated income statement, under the heading Depreciation and impairment.

Impairment of property, plant and equipment

At each year end the Group assesses whether there is an indication that an asset 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. 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 it 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.

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. In assessing value in use, future cash flows are discounted at current value using a rate of discount which reflects changes in the value of money over time in the current market and the specific risks of the asset, mainly business risks and risks in the country in which the asset is located. Losses due to impairment of ongoing activities are recognised in the income statement in the expense category in accordance with the function of the impaired asset.

Each year end, an assessment is made 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 recorded, net of depreciation, had no impairment loss been recognised for the asset in previous years. This reversal is recognised in profit or loss for the period. After such reversal, the depreciation expense is adjusted in future periods to allocate the revised carrying amount of the asset, less any residual value, on a systematic basis over the asset's remaining useful life.

3.3 Investment property

The investments carried out by the Group to obtain lease income or capital gains and which generate cash flows independently of the other assets held by the Group, are recorded under this heading.

After the initial recognition made for the total amount of the costs related to the asset acquisition transaction, the Group has chosen the application of the fair value model, therefore, all investment properties are recognised at fair value and any change in value occurred is included in the income statement. The variables used to calculate such estimates are set out in Note 11.

3.4 Segment reporting

Information on operating segments is presented according to the internal information as provided to key decision-makers within the Group. Key decision-makers means the Senior Executive Team (SET), which is responsible for allocating resources and evaluating performance of operating segments. The SET is a collegiate body consisting of the Chief Officers of each General Management and the CEO (Chief Executive Officer).

3.5 Financial instruments

There is no difference between the fair values estimated for the financial instruments recorded in the consolidated annual accounts of the Group and their corresponding carrying values, as explained in the paragraphs below.

Financial assets

Financial assets within the scope of IAS 39 are classified, according to the valuation criteria, as loans and receivables, available-for-sale financial assets, and financial assets at fair value through profit and loss. These assets are initially recognised at fair value, provided that there is an active market, including directly attributable transaction costs. The Group has no held-to-maturity investments.

Loans and receivables

This classification includes the amounts recorded under the Trade and other receivables heading, and all the collection rights included in headings Other non-current financial assets and Other current financial assets.

Such assets are subsequently recognised at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or are impaired, as well as through the amortisation process. Except for the above, assets with a short-term maturity and which have no contractual interest rate are valued at face value provided the effect of not adjusting the cash flows is not material.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets acquired for the purposes of selling them mainly in the short term, as well as unlisted equity instruments of companies over which no control or significant influence is exercised.

Assets in this category are recognised in the consolidated balance sheet, under the Other current assets heading if they are expected to be settled in the short term or in Other non-current assets if in the long term.

Operations involving the assignment of financial assets

The Company derecognises an assigned financial asset when it assigns the 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 associated with the ownership of the asset are substantially transferred.

In case of assignment of assets in which the risks and rewards associated with the ownership of the financial asset are substantially retained, the assigned financial asset is not derecognised in the balance sheet and a related financial liability is recognised for an amount equal to the consideration received, which is subsequently measured at amortised cost. The assigned asset continues to be measured by the same criteria as those used before the assignment. The income derived from the assigned asset and the expenses derived from the related financial liability are recognised in the income statement without offset.

Deposits and guarantees

Non-current deposits and guarantees are measured at amortised cost using the effective interest rate method.

Current deposits and guarantees are not discounted.

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 a maturity of less than three months from the date of subscription.

For the purposes of the consolidated cash flow statement, cash and other cash equivalents consist of the items as defined above.

Impairment of financial assets

The recoverable amount of receivables recorded 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 Group's accounting policy is to make a provision for all the receivables relating to the hotel business exceeding one year, as well as for any balance pending for less than one year where there are reasonable doubts as to its recoverability.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified, according to the valuation criteria, as financial liabilities at amortised cost. These liabilities are initially recognised at fair value adjusted for directly attributable transaction costs. All non-derivative financial liabilities of the Group are included within the category Financial liabilities measured at amortised cost.

Issuance of bonds and other negotiable 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. In the event of issuing convertible bonds, these are recorded as hybrid or combined financial instruments, according to the terms of the issue in question.

In determining whether a preferred share is a financial liability or an equity instrument, the Group assesses the particular rights attaching to the share in each case to determine whether it exhibits the fundamental characteristic of a financial liability. If a financial liability is identified, it is measured at amortised cost at the year end using the effective interest method, taking into consideration any issue costs.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement.

Bank loans and credit facilities

Loans are initially recognised 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 with the acquisition of assets financed by leasing contracts.

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.

Other financial liabilities at amortised cost

The remaining financial liabilities that relate to payment obligations as detailed in Note 13, are also measured at amortised cost using the effective interest rate method. However, financial liabilities with short-term maturities and which have no contractual interest rate are measured at their face value provided the effect of not adjusting the cash flows is not material.

Combined financial instruments

Combined financial instruments are non-derivative financial instruments that include liability and equity components simultaneously. Both components are presented separately.

At initial recognition, the liability component is measured at the fair value of a similar liability that is not connected with an equity component, and the equity component is measured by the difference between the initial amount and the value assigned to the liability component. The costs arising from this operation are divided between the liability component and the equity component in the same proportion resulting from the assignment of the initial value.

After initial recognition, the liability component is measured at amortised cost using the effective interest rate method.

Hybrid financial instruments

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

The Company recognises, measures and presents the host contract and the embedded derivative separately, when the following circumstances simultaneously take place:

- ✓ The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- ✓ A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.
- ✓ The hybrid instrument is not measured at fair value through profit or loss.

In such cases, the embedded derivative is recognised at fair value through profit or loss and the host contract is recognised based on its nature, usually at amortised cost according to the effective interest rate method. Calculations of the fair value of these embedded derivatives are carried out by independent experts outside the Group.

Derivative Financial Instruments

Derivative financial instruments, within the scope of IAS 39, are classified as financial assets or liabilities at fair value through profit or loss or as accounting hedges. In both cases, derivative financial instruments are initially recognised at fair value on the date on which they are arranged, and such fair value is regularly adjusted. Derivatives are carried as assets, under the heading Other financial assets, when the fair value is positive and as liabilities, under the heading Other financial liabilities when the fair value is negative.

Accounting Hedges

The Company 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 Group 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 date of trade.

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 measurement. The resulting fair value is adjusted for the own credit risk and that of the counterparty, according to IFRS 13. These values are obtained from studies carried out by independent experts, usually the financial institutions with which the Group has contracted these instruments.

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 independent experts.

3.6 Non-current assets held for sale and discontinued operations

If there are assets whose carrying value is expected to be recovered through a sale rather than by means of their continued use, such assets are recorded under the heading Non-current assets held for sale.

They are recognised at the lower of their carrying amount and fair value less costs to sell. The company recognises an impairment loss for initial or subsequent write-down of the asset to fair value less costs to sell. The company recognises a gain for any subsequent increase in fair value less costs to sell of an asset, but not in excess of the cumulative impairment loss that has been recognised.

In the income statement, income and expenses from discontinued operations are presented separately from the income and expenses from continued operations, under profit/(loss) after taxes. Assets held for sale are not depreciated/amortised.

The non-current assets that are for sale, within the asset rotation segment, but which are still operated by the Group until their sale, are not reclassified under this balance sheet heading and are maintained in the balance sheet according to their nature.

3.7 Inventories (commercial inventories, raw materials and other supplies)

Raw and ancillary materials are measured at their average acquisition cost which is generally lower than their realisable value, any necessary measurement adjustments being made in case their estimated realisable value is lower than their cost. The acquisition price includes the amount included in the invoice plus all additional expenses incurred until the goods are stored in the warehouse.

3.8 Treasury shares

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

Gains and losses obtained on disposal of treasury shares are recorded directly against equity.

3.9 Government grants

Government grants are recognised at fair value only when there is a reasonable certainty that the conditions for receiving the grant will be fulfilled and such grants will be effectively received.

Where the grant relates to an expense item, it is taken to the income statement over the period necessary to match the grant, on a systematic basis, with the costs to be offset by the grant.

Where the grant relates to an asset, the fair value is recognised as deferred income and is taken to the income statement based on the expected useful life of such asset.

3.10 Provisions and contingencies

Provisions are recognised when the Group:

- 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 Group's control, and those present obligations, arising as a result of past events, that are not likely to give rise to an outflow of resources 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 (see Note 21).

Onerous Contracts

A contract is onerous when the unavoidable costs of meeting the contractual obligations exceed the expected economic benefits. In this case, present obligations arising from the contract are measured and recognised in the financial statements as provisions.

The estimate of future results from lease agreements is reviewed annually based on expected flows from the relevant cash-generating units, applying an appropriate discount rate. Details of the analysis performed by the Group are included in Note 17.2.

Post-employment benefits

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

Defined contribution pension plans

Defined contribution plans are those plans under which the Group 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.

Defined benefit pension plans

Pension plans that are not defined contribution plans are considered as defined benefit plans. In general, defined benefit 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 Group recognises in the balance sheet a provision for defined benefit awards established in collective bargaining agreements 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 economic benefits that may be available in the form of reimbursements from the plan or reductions in future contributions to the plan.

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 comprehensive income, 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 some Group companies 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 Group'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. This valuation is detailed in Note 17.2.

The Group has duly externalised the pension commitments and obligations stipulated in collective bargaining agreements subject to the Ministerial Order of 2 November 2006. Assets related to these externalisation operations are recognised as a reduction in the balance of the acquired commitments.

3.11 Revenue recognition

Operating revenues are measured at the fair value of the consideration received or receivable and represents the amounts receivable for the goods sold, net of discounts, returns and value added tax. Ordinary income is recognised when the income may be reliably measured, it is likely that the company will receive a future financial benefit and when certain conditions are met for each of the Group's activities as described below. The Group bases its return estimates on past results, having regard to the type of customer, the type of transaction and the specific circumstances of each agreement.

Sale of rooms and other related services

Revenues deriving from the sale of rooms and other related services are daily recognised 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.

Within the hotel business segment, the Company manages the customer loyalty programme "Meliá Rewards", which consists of rewarding customers that stay in hotels or use services provided by associates, through a series of points that are exchangeable for rewards such as, among other things, free stays in hotels managed by the Group.

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

Provision of hotel management services

The Group recognises revenues 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 or GOP for each of the hotel establishments managed by the Group.

Sale of vacation club units

Revenues deriving from the sale of vacation club, regardless of the period for which usage rights of the commercialised units are transferred, are recognised as the customers enjoy such rights.

Until their recognition as revenues in the consolidated income statement, sales to such customers are recognised under heading “Capital grants and other deferred income”, less the expenses directly attributable to the sales, which mainly correspond to sales commissions paid by the Group.

Sale of fixed assets

Meliá Group actively manages its real estate assets portfolio which, according to IAS 18, is recognised as operating revenues.

In general, the net capital gains on sales due to the rotation of assets are recognised as income once the carrying value of the relevant assets has been discounted from the selling price. These sales transactions may be organised through the direct sale of the asset or through the sale of the company owning such asset. In both cases, the Group presents the results of the sale as operating income.

Likewise, this operating segment of the Company includes sales transactions and/or the contribution of hotels to joint ventures and associates for the purposes of maximising present and future cash flows of this portfolio. These transactions involve the derecognition of the hotels in the consolidated accounts and the recognition of the consideration received, whether in cash or the retained interest, or a combination of both.

The Group recognises the retained residual interest in such hotel businesses at fair value, taking any change in the carrying value to the income statement, as detailed in Note 2.5. Therefore, the recognised capital gains tally with the obtained capital gains.

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 under the asset management segment.

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 consolidated income statement.

Dividends

Income from dividends is recognised when the right of the Group to receive the corresponding payment is established.

3.12 Leases

Finance Leases

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 the inception of the lease, 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 recognised under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

The lessor derecognises the asset and recognises a receivable for the present value of minimum future lease payments, discounted at the interest rate implicit in the contract. The lease payment receivable is treated as repayment of principal and financial income.

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 rewards received from the lessor) are charged to the income statement on a straight-line basis over the lease term.

Assets recognised under operating leases are depreciated over the shorter of the asset's useful life and the lease term.

3.13 Corporate income tax

The corporate income tax expense for the year is calculated as the sum of the current tax in each of the subsidiary companies included in these consolidated annual accounts, excepting the existing three consolidated tax groups, whose parent companies are: Meliá Hotels International, S.A., Sol Meliá France SAS, and Meliá Inversiones Americanas N.V., that are treated as one unit each.

This calculation arises from the application of the corresponding tax rate to the tax base for the year, after applying the existing tax credits and deductions, plus the change in deferred tax assets and liabilities recorded. This amount 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.

Current tax assets and liabilities are the estimated amounts payable to or receivable. The tax rates used are those in force at the balance sheet date.

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

Deferred tax assets and liabilities are only offset if there is a legally enforceable right to offset the current tax assets with current tax liabilities and when they relate to income taxes levied by the same tax authority and on the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

Deferred tax liabilities are recognised for all taxable temporary differences, unless the temporary difference arises from goodwill for which amortisation is not deductible for tax purposes, or from the initial recognition of other assets and liabilities in a transaction, except in the case of a business combination, which affects neither accounting nor taxable profit or loss.

Likewise, deferred tax liabilities are recognised for all taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except when the following conditions are jointly met: the parent company is able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that there will be taxable profits against which the deferred tax asset and carry-forward of unused tax credits and unused tax losses can be used, excluding the deductible temporary differences arising from the initial recognition of an asset or liability in a transaction, except in the case of a business combination, which affects neither accounting nor taxable profit or loss.

Likewise, deferred tax assets for all taxable differences arising from investments in subsidiaries, associates and joint ventures, are only recognised when the following conditions are jointly met: it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be used.

At each balance sheet date the recovery of the deferred tax assets is reviewed and adjusted to the amount which is expected to be recovered based on the taxable profit available, calculated according to prudence criteria and excluding the potential profits deriving from the disposal of properties, given the uncertainty concerning their realisation dates, which depend on market conditions, and the different tax consequences depending on the nature of the transactions carried out.

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

3.14 Transactions in foreign currency

Debit and credit balances in foreign currency are measured at the exchange rate in force on the transaction date and at the end of the year are translated at the exchange rate then in force.

Exchange differences are treated as income or expenses in the year in which they occur, except for those arising from financing transactions granted to subsidiaries abroad which have been considered as an increase in the value of the net investment in such businesses since the settlement of such transactions is not foreseen or likely to occur, as provided for in IAS 21 "The Effects of Changes in Foreign Exchange Rates."

3.15 Functional currency and hyperinflationary economies

The Euro is the presentation currency of the Group and its parent company Meliá Hotels International, S.A.

The functional currency of each of the companies within the Group is the currency of the main economic environment in which the company operates. At the end of 2018 and 2017, the Venezuelan economy was classified as hyperinflationary, since it meets the characteristics of the economic environment laid down in IAS 29 “Financial Reporting in Hyperinflationary Economies”.

Consequently, the balance sheets of the Venezuelan companies in the scope of consolidation have been restated based on a current cost approach that reflects the effects of changes in the price indices on their non-monetary assets and liabilities.

Likewise, the increase or decrease in purchasing power resulting from the application of the change in the price index to the net monetary position is taken to the income statement of these companies. The restatement effect on the current monetary unit of the remaining items of the profit and loss account of Venezuelan companies is also included in the income statement.

According to Note 2.6, at the 2018 year end, there are no official figures of the general price index of the Venezuelan economy, however, according to certain studies conducted by independent experts, hyperinflation stands at around 1,222,085%. In 2017, the inflation rate rose to 2,350%.

The most significant impacts for 2018 and 2017 are detailed in the table below:

(Thousand €)	2018	2017
Asset Revaluation	18,254	15,936
Retained earnings decrease	(14,243)	(21,681)

The impact shown in the Decrease in retained earnings heading includes the compensation in such heading of the effects of hyperinflation and devaluation estimated in the year.

There are no other companies within the scope of consolidation which are considered as hyperinflationary economies at the end of 2018 and 2017.

3.16 Cash flow statement

The Cash flow statement includes the cash movements during the fiscal year, calculated by 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 three months with high liquidity and low risk of changes in value.
- Operating activities: These are the activities that constitute the main source of ordinary income of the Group, 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 of liabilities of a financial nature.

Within the heading Divestment of property, plant and equipment, intangible assets and investment property, the assets acquired under lease agreements are not considered as cash flows (see Note 10).

Cash flows from operating activities include the capital gains generated by asset rotation activities, while the net carrying amount of the assets disposed of is recognised under the heading Investment activities.

Note 4. Financial Risk Management Policies

The Board of Directors of Meliá Group 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 consolidated annual accounts.

In geopolitical terms, the Group 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 potential impact of the UK's withdrawal from the European Union. In this sense, it should be noted that in 2018, the United Kingdom remains the primary source of tourists for Spain, with a total of 18.5 million of visitors, however, this figure represents a slight decrease in comparison with 2017 (1.5% less), according to the data published by the National Statistical Institute (data from the Survey of Tourist Movements on Borders - Frontur). Therefore, despite the current uncertainty created by the Brexit, the United Kingdom remains the main source of tourists for Spain and, at present, the consequences for the industry are minimal.

With reference to Meliá Group, British customers staying at hotels managed by the Group globally represent 15% of total stays (including hotels under ownership, lease and management). Analyses carried out by the Company are based on the reduction in stays rather than the impact on prices (ARR), since the global strategy of the Group is not about competing through price with other destinations which also receive a large number of British tourists, but about offering quality services and sustainable tourism. Therefore, different situations of British customer loss have been analysed which, despite not being directly related to scenarios of agreed or not agreed withdrawal of the United Kingdom from the European Union, they reflect the possible reduction in the number of stays that such scenarios may cause. These analyses which are based on declines in stays of British customers of 5%, 10% and 15%, respectively, are accompanied by different contingency plans in line with the Group's strategy, which analyse the impacts on RevPAR, as well as on cost per stay and which, thanks to the proposed commercial initiatives, facilitate access to alternative source markets, which would largely offset the loss of income from British customers.

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

4.1 Interest rate risk

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

It is a policy of the Company to provide partial hedge against changes in interest rates by contracting different financial derivatives that allow it to contract a fixed rate for a specified period that it applies to financing transactions with variable rates.

The structure of the debt as at 31 December 2018 is as follows (these amounts do not include unpaid interest due, but they include the transaction costs attributable to the issue of such debts):

(Thousand €)	Fixed Interest	Variable Interest	Total
Simple Bonds	29,750		29,750
European Commercial Papers (ECP)	51,357		51,357
Other negotiable securities	4,085		4,085
Bank loans	329,279	146,326	475,605
Mortgage-backed loans	109,999	242,876	352,875
Credit facilities		125	125
Leasing		3,236	3,236
TOTAL DEBT	524,469	392,562	917,031

Variable interest rate debts are basically tied to Euribor and USD Libor.

As at 31 December 2018, the Group has various interest rate swaps contracted which are classed as cash flow hedging instruments. The bank loans and mortgage-backed loans at a variable rate covered by these swaps are shown in the Fixed Interest column for the part of capital hedged. Additional breakdowns are included in Note 13.3.

In addition, the Company has various guarantees and deposits for different transactions and which are broken down in Note 21.2.

For comparison purposes, information for year 2017 is as follows:

(Thousand €)	Fixed Interest	Variable Interest	Total
European Commercial Papers (ECP)	71,670		71,670
Bank loans	298,212	55,588	353,800
Mortgage-backed loans	192,719	160,698	353,417
Credit facilities		137,484	137,484
Leasing		6,377	6,377
TOTAL DEBT	562,601	360,146	922,747

The sensitivity, in thousand euro, of 2018 and 2017 profit or loss to interest rate variations (in base points) is as follows:

Variation	2,018	2,017
+ 25	(644)	(861)
- 25	644	861

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 included in Note 13.3 has been considered in this calculation.

4.2 Foreign exchange risk

The Group operates internationally and, therefore, is exposed to exchange rate risks on transactions in foreign currencies.

Foreign exchange risk arises from commercial, financial and investment transactions, as well as from the translation of the financial statements of subsidiaries which are denominated in a functional currency other than the presentation currency of the Group.

It is a policy of the Management to require the Group companies to manage any foreign exchange risks in relation to their functional currency. Additionally, despite not having financial instruments contracted (swaps, foreign exchange insurance), in order to mitigate these potential risks, the Group develops policies aimed at maintaining a balance between cash collections and payments of assets and liabilities denominated in foreign currencies.

An analysis of the sensitivity to the US dollar, Mexican peso, Dominican peso and British pound exchange rates has been carried out, since the Group has a major volume of business in such currencies.

The table below includes the effect of foreign exchange fluctuations on pre-tax profit or loss and on equity of relevant subsidiaries, assuming that all other factors remain the same:

(Thousand €)	Profit & Loss			
	2018		2017	
	+10%	-10%	+10%	-10%
Dominican Peso	1,741	(1,741)	1,990	(1,990)
Mexican Peso	5,064	(5,064)	4,191	(4,191)
US Dollar	3,538	(3,538)	3,469	(3,469)
British Pound	254	(254)	427	(427)
(Thousand €)	Equity			
	2018		2017	
	+10%	-10%	+10%	-10%
Dominican Peso	7,502	(7,502)	10,950	(10,950)
Mexican Peso	13,307	(13,307)	14,086	(14,086)
US Dollar	(7,462)	7,462	(6,361)	6,361
British Pound	1,841	(1,841)	1,517	(1,517)

73% of the Group's financial debt is mainly denominated in Euros (93% in 2017), with 27% of the debt being denominated in other currencies (7% in 2017), thus adjusting to the cash generation in different currencies.

This allows the Group to have a natural coverage in the currencies in which it has debts, given the cash generation in those currencies.

4.3 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 Meliá Group's activities.

The liquidity policy applied by the Group 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 geographic areas, and the diversification of the maturities of the issued debt.

The table below summarises the maturities of the Group's financial liabilities as at 31 December 2018, based on face amounts by maturity:

(Thousand €)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Simple Bonds				30,000	30,000
European Commercial Papers (ECP)		51,400			51,400
Other negotiable securities			5,000		5,000
Loans	11,906	99,690	439,948	284,757	836,300
Credit facilities		125			125
Leasings	428	872	2,007		3,308
TOTAL	12,334	152,086	446,955	314,757	926,132

The Company considers that the amount of flows generated, the borrowing policies applied, the debt maturity dates, the cash situation, and available credit facilities ensure the Group's capacity to settle the commitments in force as at 31 December 2018.

The average interest rate on these financial liabilities in 2018 was 3.20%. In 2017, the average interest rate was 3.24%.

Likewise, the Company has an active management policy for the maintenance of the average maturity periods of the borrowings, as well as the recurrent renewals of short- and medium-term credit facilities, as in 2017.

For comparison purposes, the maturities at the 2017 year end were as follows:

(Thousand €)	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
European Commercial Papers (ECP)	37,100	34,670			71,770
Loans	18,361	53,049	447,120	197,297	715,827
Credit facilities	59,215	74,242	4,027		137,484
Leasings		3,281	3,255		6,536
TOTAL	114,676	165,242	454,402	197,297	931,617

4.4 Credit risk

The credit risk arising from the default of a counterparty (customer, supplier, or financial entity) is mitigated by the Group'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 Group carries out other financial operations which allow the reduction of credit risks, such as assignments of receivables.

The Group's receivable periods range between 21 and 90 days; the average period of collection of receivables in 2018 was 31.22 days, 33.32 in 2017. The age of trade receivables at the year end is included in Note 15.2.

4.5 Capital management policy

The main objectives of the Group's capital management is to guarantee financial stability in the short and long term, appropriate profitability rates on investments, positive evolution of the Meliá Hotels International S.A.'s share value, appropriate remuneration to shareholders through the distribution of dividends, as well as to ensure the appropriate and adequate financing of the investments and projects to be made and to maintain an optimal capital structure.

In terms of liquidity, the Group has EUR 312.9 million in cash and short-term deposits, allowing it to comply with its payment commitments for the next year.

The financial position is also backed by the strong support of the trusted banks and the Company's asset base. At present, 38.8% (38.3% at the 2017 year end) of the total debt is secured by the Group's assets, leaving a significant margin for the acquisition of new financing, even at average loan-to-value ratios (relation between the amount borrowed and the value of the asset) or with discounts on the last valuation of assets carried out in June 2018 by an independent expert.

In 2018, the Company's net debt was EUR 607.5 million, the evolution of such ratio being as follows:

(Thousand €)	2018	2017	2016	2015
Debt	920,376	925,606	909,231	1,117,412
Cash	312,902	331,885	366,775	348,617
NET DEBT	607,474	593,721	542,456	768,795

This financial deleveraging in recent years is mainly based on the increase in cash linked to the improvement of all the segments of the Company, in particular, the hotel division, and a prudent policy of low indebtedness.

In 2018, net debt has increased by EUR 13.7 million, EUR 51.3 million in the previous year. One of the main factors which has led to this increase is the investment made in the business combination regarding Adprotel Strand, S.L, company which owns the Me London hotel, and its inclusion in the Group's consolidated financial statements (see Note 5). However, the Net Debt ratio over EBITDA at the end of the year stood at 1.97 (see Note 2.4), thus reinforcing the strong commitment of the management team to maintain a sound financial situation, with the Net Debt ratio over EBITDA always below 2.0.

It should be mentioned that the new model of expansion is focused on low capital intensive developments, i.e., under management and franchising, and to a lesser extent, under lease.

4.6 Estimation of fair value

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

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

Level 1: Based on prices quoted in active markets

Level 2: Based on other observable market variables, either directly or indirectly.

Level 3: Based on non-observable market variables.

The amounts of assets and liabilities recognised at fair value as at 31 December 2018 according to the hierarchy levels are as follows:

(Thousand €)	31/12/2018			
	Level 1	Level 2	Level 3	Total
Investment property			149,437	149,437
Financial Assets at fair value:				
Hedging derivatives		10		10
Trading portfolio	203			203
Unlisted equity instruments			4,036	4,036
TOTAL ASSETS	203	10	153,473	153,685
Financial liabilities at fair value:				
Hedging derivatives		1,963		1,963
Trading portfolio derivatives		3,514		3,514
TOTAL LIABILITIES		5,477		5,477

Financial instruments included in Level 1 are measured through observable prices in active markets. They mainly relate to equity instruments in listed companies.

Financial instruments included in Level 2 are measured by independent experts using measurement techniques, mainly, discounted cash flows, based on observable market data. They mainly relate to interest rate swap financial derivatives.

Investment property included in Level 3 is measured through discounted cash flow techniques supported by studies from independent experts. As mentioned in Note 11, this heading includes investments made by the Group to obtain rental income or capital gains, such as interest in three apartment owners' associations in Spain, two shopping centres in America and other properties in Spain.

For the purposes of estimating future cash flows, expected growth rates are considered, both in lease prices and hotel operations, as appropriate, as well as other variables not directly observable. Note 11 includes further details on the measurements carried out to estimate the fair value of investment property, as well as information on changes occurred in 2018 and 2017.

For comparison purposes, the balances recorded in the different hierarchies at the end of 2017 are included below:

(Thousand €)	31/12/2017			
	Level 1	Level 2	Level 3	Total
Investment property			135,900	135,900
Financial Assets at fair value:				
Hedging derivatives		247		247
Trading portfolio	375			375
Unlisted equity instruments			4,029	4,029
TOTAL ASSETS	375	247	139,929	140,550
Financial liabilities at fair value:				
Hedging derivatives		3,299		3,299
Trading portfolio derivatives		3,668		3,668
TOTAL LIABILITIES		6,967		6,967

Note 5. Scope of Consolidation

The companies that comprise the Group present individual annual accounts, according to the regulations applicable in the country in which they operate.

Details of the companies included in the scope of consolidation as at 31 December 2018 are included in Annexes 1 and 2, which are classified as subsidiaries, joint ventures and associates.

Meliá Brasil Administração, whose corporate purpose is the hotel management, operates various hotels under management. As the hotels under management are properties in joint ownership and are not legally authorised to carry out operating activities, Meliá Brasil Administração has assumed the operation of such hotels on behalf of the joint owners, given the requirements of local regulations. Income and expenses arising from the operation of these establishments are not included in the consolidated income statement, since the risks and revenues arising therefrom are returned to the joint owners. Only income arising from the management of these establishments is included in the consolidated income statement.

The Tunisian company, Tryp Mediterranée, in which Meliá Hotels International, S.A. holds an 85.4% stake, is in dissolution process and therefore, is excluded from the Group's scope of consolidation since, currently, the Group has no control or significant influence over this company during such process.

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

The companies Ayosa Hoteles S.L., S'Argamassa Hotelera, S.L. and Meliá Hotels Orlando, LLC. are fully consolidated, although only 50% or less of the voting rights are held. This is because the Group considers that it has the capability to influence the variable yields of such companies through the hotel management contracts that the Group has entered into with them.

5.1 Business combinations

In July 2018, the Group acquired 50% of the company Melcom Joint Venture, S.L. through the subscription of a capital increase in the amount of EUR 47.4 million. The total payment made by Meliá amounted to EUR 84.3 million, since it includes a shareholder loan granted to Melcom in the amount of EUR 36.9 million. The said company owns:

- 50% of the company Adprotel Strand, S.L., current owner of Me London, a hotel which is considered by Meliá as a strategic asset, located in London, United Kingdom, with 157 rooms and which is operated under management by the Group since 2012. At the time of acquisition of shares in Melcom, Meliá was already direct holder of the other 50% of shares in Adprotel Strand, S.L.
- The hotels Sol Pelicanos Ocas (794 rooms, located in Benidorm, Spain) and Palma Bellver by Meliá (384 rooms, located in Palma, the Balearic Islands). Meliá will continue to manage both hotels through operating leases contracts.

As a consequence of this transaction, the company Adprotel Strand, S.L., is currently owned by the Group by 75% (50% directly and 25% indirectly) and, therefore, it has been included in the consolidated financial statements as for the date abovementioned, according to the full consolidation method, and the corresponding business combination has been recognised.

The provisional valuation of this business combination includes assets in the amount of EUR 248 million (including property, plant and equipment in the amount of GBP 195 million) and liabilities in the amount of EUR 146.1 million (including a bank debt of GBP 60.7 million).

In order to properly record the transaction, the acquisition price of 50% of Melcom has been allocated between the value assigned to the business combination of Adprotel Strand, S.L., in the amount of EUR 34.1 million and the value assigned to the other assets owned by Melcom which are accounted for using the equity method, in the amount of EUR 13.3 million.

The amounts of the business combination of the company Adprotel Strand, S.L., are broken down below:

(Thousand €)	Net Fair Value - 2018 July
ASSETS	
Non-current Assets	246,756
Goodwill	7,317
Property, Plant and Equipment	219,681
Other non-current assets	19,758
Current Assets	1,216
Trade and other receivables	952
Cash and other cash equivalents	264
TOTAL ASSETS	247,972
LIABILITIES	
Non-current Liabilities	139,515
Non-current bank loans	63,235
Other non-current financial liabilities	68,963
Deferred tax liability	7,317
Current Liabilities	6,625
Current bank loans	5,384
Other current liabilities	1,240
TOTAL LIABILITIES	146,140

Goodwill arises on the business combination under IAS 12, as offsetting of the deferred tax liability associated with the fair value adjustment of the assets owned by Adprotel Strand, S.L.

Non-controlling shareholding arising from this transaction amounts to EUR 25.5 million.

In 2017, no business combinations took place.

5.2 Other scope changes

In 2018, the following changes have also been made to the scope of consolidation:

Additions °

Following the transaction mentioned in Note 5.1., the company owns 50% of shares in the company Melcom Joint Venture, S.L. and its subsidiaries Sistema Ribey Cloud, S.L., Pelicanos Property, S.L. and Bellver Property, S.L. As from July, these companies are accounted for using the equity method (see Note 5.1).

In addition, in December the parent company of the Group acquired 20% of the company Mosaico B.V. (Netherlands) which indirectly owns 50% of shares in a Cuban joint venture that is building a hotel in the city of Trinidad (Cuba).

Disposals

In August, the company Grupo Sol Services, 100% owned by Meliá Hotels International, S.A., was dissolved.

The company Moteles Andaluces, S.A. has also been dissolved.

The abovementioned disposals have no significant impacts on the Group's consolidated annual accounts.

Acquisition of minority interests

In the first half of 2018, the Group has acquired 25% of the company Idiso Hotel Distribution, S.A. which, before that date, was owned by minority shareholders, in the amount of EUR 7.3 million. Such transaction has a negative impact on the net equity attributable to the controlling company in the amount of EUR 1.3 million.

Acquisition of additional stake in companies accounted for using the equity method

The Group has acquired an additional stake through the purchase of apartments in the owners' association of Meliá Costa del Sol hotel, increasing its stake by 0.16%, and in the owners' association of Meliá Castilla hotel, increasing its stake by 0.14%, with no significant impacts on the interim consolidated financial statements.

For comparison purposes, changes in 2017 were as follows:

Additions

In June 2017, the company Renasala S.L., which is 30% owned by Meliá Group, was included in the scope of consolidation. On 30 June, this company acquired 100% of the shares in the following companies: Torremolinos Beach Property, S.L., San Antonio Beach Property, S.L., Palmanova Beach Property, S.L., Puerto del Carmen Beach Property, S.L. and Starmel Hotels Op, S.L., which own and operate, respectively, the hotels Sol Príncipe, Sol House Ibiza, Sol Palmanova and Sol Lanzarote.

The company Renasala, S.L. and its subsidiaries were included in the scope of consolidation of Meliá Group using the equity method, the value of the Group's shareholding amounting to EUR 10.6 million, amount which was disbursed by Meliá Hotels International, S.A. to acquire 30% of Renasala, S.L.

On the other hand, in June 2017, the company Starmel Hotels Op2, S.L. joined the Group, in which an indirect interest of 20% is held by Meliá Group, with no significant impact on the Group's financial statements.

During the second half of the year, the company Producciones de Parques, S.L., which is 50% owned by Meliá Group, acquired for the sum of EUR 250 thousand 100% of the shares in the company Golf Katmandú, S.L., whose corporate purpose is the design and construction of recreational facilities. This transaction did not involve significant impacts on the Group.

On the other hand, at the end of the year, the Group acquired for the sum of EUR 45.5 million, 35% of the company Homasi, S.A., a Spanish company which at the same time holds shares in a Cuban joint venture which currently holds the operating rights for the next 24 years in 4 hotels in the Republic of Cuba. This transaction was partly carried out with significant shareholders of the Group and, therefore, its breakdown was shown in the related transactions note of the financial statements for 2017.

Likewise, the company Infinity Vacations Dominicana was incorporated, which is 100% owned by the Group and whose purpose was to develop the new project linked to Circle, the new commercial product which will replace the current Club Meliá product, and which was launched in December 2018.

In addition, the companies Infinity Vacations México, S.A. de C.V (Mexico) and Impact Hospitality V3ntures, LLC (USA) were incorporated, with no significant impacts on the Group.

Disposals

During the first half of 2017, the take-over merger of the company Innwise Management, S.L by its parent company Idiso Hotel Distribution, S.A., was concluded.

In July, the company Grupo Sol Asia Limited, 100% owned by Meliá Hotels International, S.A., was dissolved.

Such disposals did not result in significant changes in the Group's consolidated annual accounts, since their corresponding parent companies have assumed the resulting assets and liabilities.

Acquisition of minority interests

In April 2017, the Group acquired for EUR 0.3 million, an option to purchase minority interests in the company Sierra Parima, S.A., which operates a shopping centre in the Dominican Republic, now being 100% consolidated and the corresponding minority interests being removed from the Group's balance sheet in the amount of EUR 15.5 million.

In the second half of the year, the Group acquired an additional stake through the purchase of one apartment from the owners' association of Meliá Sol y Nieve hotel, increasing its stake by 0.44%.

In addition, 0.002% of the company Meliá Inversiones Americanas, N.V. was acquired.

The acquisitions abovementioned have not involved significant impacts on the Group's consolidated annual accounts.

Sale of controlling interests

In the second half of the year, 50% of the shares in the company Yagoda Inversiones S.L.U. were sold, being accounted for using the equity method and with no significant impacts on the Group.

Acquisition and disposal of stake in companies accounted for using the equity method.

The Group acquired an additional stake through the purchase of apartments in the owners' association of Costa del Sol hotel, increasing its stake by 0.82%.

In November, the Group acquired an additional stake of 0.14% through the purchase of one apartment in the owners' association of Meliá Castilla hotel.

The acquisitions abovementioned did not involve significant impacts on the Group's consolidated annual accounts.

5.3 Name changes

In 2018, no name changes were carried out, as in the previous year.

Note 6. Segment Reporting

The segments included below make up the organisational structure of the company and their results are reviewed by the key decision-makers within the company:

- Hotel management: this relates to the fees received for operating hotels under management and franchise agreements. It also includes the intra-group charges to the Group's hotels that are under ownership or under lease.
- Hotel business: the results obtained from the operation of hotel units owned or leased by the Group are included in this segment. Likewise, income generated by the food & beverage business is also included since this activity is considered to be fully integrated into the hotel business due to the majority sale of packages whose price includes room and board, and therefore, a real segmentation of the associated assets and liabilities would be unfeasible.
- Other business linked to hotel management: this segment includes additional income from the hotel business, such as casinos or tour-operator activities.
- Real Estate: this segment includes the capital gains on asset rotation, and real estate development and operation.
- Vacation club: it includes the results deriving from the sale of shared rights of use of specific vacation complex units.
- Corporate segments: these relate to structural costs, results linked to the intermediation and marketing of room and tourist service reservations, as well as corporate costs of the Group which cannot be assigned to any of the abovementioned three business divisions.

The segmentation of Meliá Hotels International is due to the diversification of operations existing in the Company based on hotel management, hotel operation, real estate and vacation club.

Certain headings included in the business and geographical segmentation tables are presented in an aggregate manner, due to the impossibility of splitting them into the various specified segments.

The policies for the determination of transfer prices applied by the Company in transactions between Group companies are similar to those applied in transactions with third parties.

6.1 Information by operating segments

The segmentation for 2018 of the income statement and the items in the balance sheet relating to operations is as follows:

	Hotel			Real Estate	Vacation Club	Corporate	Disposals	Balance 31/12/18
(Thousand €)	Hotel Management	Hotel Business	Other business with hotel management					
INCOME STATEMENT								
Operating revenues	295,008	1,554,187	57,992	51,482	75,850	180,674	(383,877)	1,831,315
Operating expenses	(201,854)	(1,127,244)	(54,239)	(27,951)	(68,267)	(206,318)	374,206	(1,311,667)
EBITDAR	93,154	426,943	3,754	23,530	7,583	(25,644)	(9,671)	519,648
Leases	45	(192,563)	(1,517)			(8,758)	9,671	(193,122)
EBITDA	93,199	234,380	2,237	23,530	7,583	(34,402)		326,526
Depreciation and impairment	(867)	(96,990)	(969)	807	(1,970)	(20,990)		(120,979)
EBIT	92,332	137,390	1,268	24,337	5,613	(55,392)		205,548
Net financial income								(25,473)
Associates net income		3,200				2,120		5,320
Profit before tax								185,395
Tax								(41,158)
CONSOLIDATED NET INCOME								
								144,236
Minority interests								(4,158)
NET INCOME ATTRIBUTED TO PARENT COMPANY								
								140,079
ASSETS & LIABILITIES								
Property,plant and equipment and intangible assets	45,083	1,701,942	11,916	17,172	114,089	142,187		2,032,389
Investments in associates		59,899		(237)		138,154		197,817
Other non-current assets								530,434
Non-Current Assets Held for Sale								56,081
Current operating assets	160,585	140,661	10,233	5,592	127,113	125,115	(293,730)	275,568
Other current assets								382,870
TOTAL ASSETS								
								3,475,159
Borrowings								920,376
Other non-current liabilities								630,101
Current operating liabilities	116,416	304,103	11,223	5,662	121,680	201,757	(286,833)	474,009
Other current liabilities								66,468
TOTAL LIABILITIES								
								2,090,955

Within income from the Hotel Management segment, EUR 146 million of management fees are recorded, of which EUR 11.9 million relates to associates. The remaining income mainly relates to sales commissions.

On the other hand, Other business associated with hotel management heading mainly includes income and expenses associated with the tour-operator activity of the company Sol Caribe Tours, which amount to EUR 35 million and EUR 33.1 million, respectively (see Note 7.1).

Operating income in the Real Estate segment (or Asset management), includes restatements of property assets in the amount of EUR 12.6 million and net capital gains derived from the sale of the hotels Meliá Sevilla, Sol La Palma and Sol Jandía Mar in the amount of EUR 6.8 million. Likewise, it also includes income from the leasing of real estate for commercial purposes of the shopping centres in America, as well as from other provision of services, in the amount of EUR 2.5 million. (See Note 11).

Main movements included in Property, Plant and Equipment were generated in the hotel business segment and relate to the inclusion of the company Adprotel Strand, S.L., in the amount of EUR 219.7 million (see Note 5.1).

Eliminations during the year included the inter-segment invoicing for management fees and commissions totalling EUR 204.2 million. The provision of services to vacation club amounted to EUR 25.3 million.

The segmentation for 2017 of the income statement and the items in the balance sheet relating to operations is as follows:

	Hotel							
(Thousand €)	Hotel Management	Hotel Business	Other business with hotel management	Real Estate	Vacation Club	Corporate	Disposals	Balance 31/12/17
INCOME STATEMENT								
Operating revenues	294,370	1,590,666	66,492	8,664	55,782	190,553	(347,344)	1,859,183
Operating expenses	(206,044)	(1,166,089)	(61,628)	(6,658)	(50,667)	(226,638)	341,886	(1,375,838)
EBITDAR	88,326	424,576	4,864	2,006	5,116	(36,085)	(5,458)	483,345
Leases		(180,721)	(956)			(2,049)	5,458	(178,268)
EBITDA	88,326	243,855	3,907	2,006	5,116	(38,134)		305,077
Depreciation and impairment	(2,040)	(98,251)	(1,014)	(724)	(3,957)	(19,453)		(125,439)
EBIT	86,286	145,605	2,893	1,283	1,159	(57,587)		179,638
Net financial income								(33,114)
Associates net income		7,017		1,362		14,836		23,214
Profit before tax								169,738
Tax								(41,095)
CONSOLIDATED NET INCOME								128,643
Minority interests								(4,720)
NET INCOME ATTRIBUTED TO PARENT COMPANY								123,923
ASSETS & LIABILITIES								
Property, plant and equipment and intangible assets	41,495	1,474,968	10,541	23,443	77,495	217,006		1,844,948
Investments in associates		61,316		2,073		166,255		229,644
Other non-current assets								529,741
Current operating assets	132,029	211,898	8,454	7,078	110,855	226,359	(391,628)	305,046
Other current assets								435,531
TOTAL ASSETS								3,344,908
Borrowings								925,606
Other non-current liabilities								623,897
Current operating liabilities	125,348	456,555	11,138	2,373	116,058	41,991	(310,189)	443,275
Other current liabilities								82,273
TOTAL LIABILITIES								2,075,052

Within income from the Hotel Management segment, EUR 153 million of management fees were recorded, of which EUR 11.5 million related to associates. The remaining income mainly related to sales commissions.

On the other hand, Other business associated with hotel management heading mainly included income and expenses associated with the tour-operator activity of the company Sol Caribe Tours, which amounted to EUR 42.8 million and EUR 39.6 million, respectively (see Note 7.1).

Operating income in the Real Estate segment (or Asset management), included the income from the leasing of real estate for commercial purposes in the shopping centres in America, as well as from other provision of services, in the amount of EUR 3.1 million. (See Note 11).

Main movements included in Property, Plant and Equipment in the amount of EUR 15.9 million related to reforms and investments made during the year in the hotel business segment, as well as the restatement of assets located in hyperinflationary economies. The increase in the vacation club heading mainly related to a new urban development carried out by the company Infinity Vacations Dominicana in the amount of EUR 28.8 million. On the other hand, a decrease in the amount of EUR 98.6 million was recorded under this item due to translation differences, as well as the amortisation for the period in the amount of EUR 103 million (see Note 10).

Eliminations in 2017 included the inter-segment invoicing for management fees and commissions totalling EUR 202.7 million. The provision of services to vacation club amounted to EUR 5.8 million.

6.2 Information by geographic areas

Information by operating segments is the best format to represent the Group's financial information, since it provides a better understanding of the yield obtained as well as the annual monitoring. Likewise, the different geographic areas are broken down by revenues and assets according to the countries in which the cash-generating units are located and in which the Group operates (see Note 1):

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Disposals	31/12/2018
Operating Revenues	1,095,267	367,039	596,456	5,572	(233,020)	1,831,315
Total Assets	1,759,233	494,625	1,217,687	3,614		3,475,159

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Turnover among the different geographical segments amounted to EUR 233 million, of which EUR 208.9 million related to Spain, EUR 28.6 million to EMEA, and EUR 4.6 million negative to America.

Regarding operating revenues by country, some noteworthy countries were Mexico, with EUR 213.6 million and the Dominican Republic with EUR 239.9 million in the America segment. In EMEA segment, Germany contributed EUR 162.9 million.

Likewise, under the item Total assets, it is worth underlying the Mexico's contribution in the amount of EUR 444 million, and the Dominican Republic's contribution in the amount of EUR 503.7 million, under the America heading. With respect to EMEA segment, noteworthy is the contribution of the United Kingdom in the amount of EUR 273 million, thanks to the inclusion of the Me London hotel (see Note 5.1).

For comparison purposes, the balances corresponding to the previous year are as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	Disposals	31/12/2017
Operating Revenues	1,057,957	349,677	646,515	4,340	(199,306)	1,859,183
Total Assets	1,855,469	386,968	1,099,423	3,048		3,344,908

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Turnover among the different geographical segments amounted to EUR 199.3 million, of which EUR 216.2 million related to Spain, EUR 28 million to EMEA, and EUR 45 million negative to America.

Regarding operating revenues by country, some noteworthy countries were Mexico, with EUR 200 million and the Dominican Republic with EUR 280 million in the America segment. In EMEA segment, Germany contributed EUR 156.8 million.

Likewise, under the item Total assets, noteworthy was the contribution of Mexico in the amount of EUR 443 million, and of the Dominican Republic in the amount of EUR 377.9 million, under the America heading. With respect to EMEA segment, noteworthy were the contributions of Italy and the Netherlands in the amount of EUR 114 million and EUR 87.5 million, respectively.

Note 7. Other Income and Expenses

7.1 Operating revenues

The breakdown of the balance of this caption in the income statement for 2018 and 2017 is as follows:

(Thousand €)	2,018	2,017
Room sales	989,734	986,038
Food and beverages	451,244	484,721
Real estate income	51,613	8,799
Sale of vacation club units	50,504	50,023
Other business revenues	100,236	107,222
Hotel management revenues	47,011	52,099
Other revenues	140,974	170,281
TOTAL	1,831,315	1,859,183

In Other revenues, it should be highlighted the amount of EUR 35 million of the company Sol Caribe Tours, S.A., deriving from its tour-operator activities. In 2017, the contribution was EUR 42.8 million.

Real estate income heading includes the amounts from the sale of fixed assets, valuation of investment property and revenues related to non-current assets held for sale (see Note 2.5).

7.2 Supplies

The breakdown of the balance of this caption in the income statement for 2018 and 2017 is as follows:

(Thousand €)	2,018	2,017
Food and beverages consumption	131,976	142,067
Ancillary goods consumption	33,836	35,969
Vacation club sales consumption	201	765
Sundry consumption	24,772	32,429
TOTAL	190,785	211,230

7.3 Staff costs

Staff costs are broken down as follows:

(Thousand €)	2,018	2,017
Wages, salaries and equivalent	409,758	388,178
Social security	89,972	89,235
Other social expenses	20,636	21,665
Allowances	6,278	3,621
TOTAL	526,644	502,699

The average number of employees of Meliá Hotels International, S.A. and its subsidiaries over the last two fiscal years and broken down by job category is as follows:

	2,018			2,017		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Management staff	228	86	315	275	103	486
Middle management	1,876	1,224	3,101	2,179	1,396	2,401
Core staff	10,049	7,798	17,847	9,828	7,544	18,438
TOTAL	12,154	9,109	21,263	12,282	9,043	21,326

7.4 Other expenses

The breakdown of the balance of this caption in the income statement for 2018 and 2017 is as follows:

(Thousand €)	2,018	2,017
Sundry rentals	17,497	19,366
Maintenance and repairs	55,745	57,079
External services	115,583	114,987
Transport and insurance	16,350	15,621
Banking expenses	21,843	23,570
Advertising and promotions	49,112	57,369
Supplies	82,952	88,027
Travel and ticketing expenses	10,399	10,170
Activity tax	33,872	47,641
Various external services	152,710	189,132
Other expenses	38,175	38,947
TOTAL	594,237	661,909

7.5 Depreciation/amortisation and impairment

The breakdown of the balance of this caption in the income statement for 2018 and 2017 is as follows:

(Thousand €)	2,018	2,017
Amortisation charge, intangible assets	20,084	21,279
Depreciation charge, property, plant & equipment	88,095	89,813
Impairment of property, plant & equipment	12,421	14,347
TOTAL	120,600	125,439

Impairment of property, plant & equipment item includes EUR 8 million relating to the impact of the accelerated depreciation of assets consisting of hotels operated under operating leases to adapt their useful lives to the term of such lease agreements. In 2017, this impact amounted to EUR 7 million.

7.6 Bargain purchase

The bargain purchase arising from the inclusion of Adprotel is broken down below:

(Thousand €)	2,018		
	Remeasurement previously held interest	Purchase Benefit / Loss	Total
Adprotel Strand, S.L.	8,290	(8,668)	(379)
Total	8,290	(8,668)	(379)

The remeasurement of previously held interest corresponds to the difference between the carrying amount of 50% of the shares in the company Adprotel Strand, S.L., as associate (see Note 12), and the fair value of such 50% of shares at the time the company was fully consolidated. The purchase loss is recorded as the difference between the price assigned to the business combination in the amount of EUR 34.1 million and the fair value of 25% of shares in the company (see Note 5.1).

In 2017, there were no bargain purchases.

7.7 Financial income and expenses

The breakdown of financial income and expenses included in the consolidated income statement in 2018 and 2017 is as follows:

(Thousand €)	2,018	2,017
Dividend income	702	151
Interest income	6,988	7,208
Other financial income	8,432	2,277
Total Financial Income	16,121	9,636
Interest expenses	(29,889)	(27,755)
Other financial expenses	(1,901)	(3,635)
Surplus bad debt provision	(18)	(16)
Change in fair value of financial instruments	(852)	192
Total Financial Expenses	(32,660)	(31,215)
Exchange differences (Net Value)	(8,935)	(11,536)
NET FINANCIAL INCOME	(25,473)	(33,114)

The main change included in Net financial income in relation to 2017 in the amount of EUR 5.9 million is included in other financial income and relates to the results from the restatement of balances which include the impact of hyperinflation on the net monetary assets of the Venezuelan subsidiaries.

In 2018, the US dollar appreciated against the euro by 4.1%, leading to a negative impact due to the increase of liabilities denominated in US dollars. This impact has been partially mitigated by the appreciation of the US dollar against the Dominican peso by 4%, as a result of the increase of assets denominated in US dollars in companies whose functional currency is the Dominican peso.

Note 8. Earnings per Share

Basic earnings per share are calculated by dividing the net profit for the year attributable to ordinary shareholders by the average number of ordinary shares outstanding during the year.

Diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Parent by the average number of ordinary shares outstanding during the year. Both variables are adjusted by the effect of dilutive potential shares. At the end of 2018 and 2017, there were no potential ordinary shares and, therefore, there was no need for such adjustment.

The table below shows the calculations made in 2018 and 2017 for both variables:

(Thousand €)	BASIC		DILUTED	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
Net income attributed to the parent company	140,078,784	123,922,434	140,078,784	123,922,434
Results correction				
Adjusted results	140,078,784	123,922,434	140,078,784	123,922,434
Number of ordinary shares	229,700,000	229,700,000	229,700,000	229,700,000
Average weighted treasury shares	(1,736,468)	(1,676,918)	(1,736,468)	(1,676,918)
Total number of shares	227,963,532	228,023,082	227,963,532	228,023,082
Earnings per share	0.61	0.54	0.61	0.54

The Board of Directors will propose to the Shareholders' General Meeting the payment of a gross dividend of EUR 0.183 per share, excluding treasury shares, by using a maximum amount to be distributed of EUR 42 million.

For fiscal year 2017, the Shareholders' General Meeting approved the payment of a gross dividend of EUR 0.1681 per share, excluding treasury shares, for which the amount of EUR 38.3 million was made available during the second half of 2018.

Note 9. Intangible Assets

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

(Thousand €)	Balance 31/12/17	Depreciation 2018	Additions	Disposals	Scope Variations	Exchange Differences	Balance 31/12/18
GROSS VALUE							
Goodwill	60,714				7,317	(32)	67,999
Transfer rights	101,007		6,774	(945)		(2,095)	104,741
Computer software	165,805		21,039	(790)		35	186,089
Other intangible assets	7,163		19			27	7,209
Total Gross Value	334,688		27,831	(1,735)	7,317	(2,064)	366,038
ACCUMULATED DEPRECIATION							
Transfer rights	(47,110)	(4,382)				716	(50,777)
Computer software	(119,628)	(15,656)	149	561		(4)	(134,578)
Other intangible assets	(5,043)	(46)				(7)	(5,095)
Total Accumulated amortisation	(171,781)	(20,084)	149	561		705	(190,450)
NET CARRYING VALUE	162,907	(20,084)	27,980	(1,174)	7,317	(1,359)	175,588

Value in Goodwill heading has increased as a result of the inclusion of the company Adprotel Strand, S.L., see Note 5.1.

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

The amount of EUR 12.3 million included in section Additions of Computer software relates to 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 seeks to improve the technological services provided to its customers.

On the other hand, the impact of Exchange differences is due to the depreciation of the British pound and the Brazilian real and their impact on the Group's Transfer rights on hotels in the United Kingdom and Brazil.

For comparison purposes, the breakdown of these movements in 2017 was as follows:

(Thousand €)	Balance 31/12/16	Depreciation 2017	Additions	Disposals	Transfers	Balance 31/12/17
COSTE						
Goodwill	60,769					60,714
Transfer rights	108,141		25	(1,913)		101,007
Computer software	147,440		18,682	(82)		165,805
Other intangible assets	7,203		76	(5)		7,163
Total Gross Value	323,553		18,782	(2,000)		334,688
ACCUMULATED DEPRECIATION						
Transfer rights	(44,229)	(5,439)		1,053		(47,110)
Computer software	(104,229)	(15,725)	(5)	68		(119,628)
Other intangible assets	(5,013)	(115)		7		(5,043)
Total Accumulated amortisation	(153,471)	(21,279)	(5)	1,127		(171,781)
NET CARRYING VALUE	170,083	(21,279)	18,777	(873)		162,907

The disposals recorded under item Transfer rights mainly related to the termination of rights to operate two hotels under management in Spain.

The amount of EUR 10.4 million included in section Additions of Computer software related to 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 seeks to improve the technological services provided to its customers.

In 2016, the useful life considered as indefinite of certain software was reviewed. As a result of this analysis, a change in the estimated useful life was made due to the technology restructuring process which is being carried out by the Group. Such assets were fully amortised at the 2017 year end.

On the other hand, the impact of exchange differences was due to the depreciation of the British pound, the US dollar and the Brazilian real and its impact on the Group's transfer rights on hotels in the United Kingdom, the United States, and Brazil.

Goodwill

The surcharge resulting from business combinations is recognised in the balance of goodwill. The net carrying values of goodwill existing prior to the adoption of the IFRS (Note 2.6) are also included.

The amounts concerned by company are as follows:

(Thousand €)	31/12/2018	31/12/2017
Apartotel, S.A.	504	504
René Egli, S.L.U.	1,708	1,708
Hotel Metropolitan, S.A.S.	1,181	1,181
Cadstar France, S.A.S.	813	813
Ihla Bela de Gestao e Turismo, Ltd.	927	927
Lomondo, Ltd.	5,211	5,243
Hotel Alexander, S.A.S.	8,496	8,496
Operadora Mesol, S.A. de C.V.	465	465
Sol Melia Hrvatska d.o.o (Sol Melia Croacia)	886	886
Idiso Hotel Distribution, S.A.	14,780	14,780
Inmotel Inversiones Italia S.R.L.	25,711	25,711
Adprotel Strand, S.L.	7,317	
TOTAL	67,999	60,714

Changes in the fiscal year derive from the new goodwill generated as a result of the business combination of the company Adprotel Strand, S.L., as well as the exchange differences generated in the company Lomondo, Ltd.

The goodwill recorded at year end has been subject to impairment tests based on the expected cash flows of the cash-generating units for each of the related companies.

Such units are shown in the following table:

Company	Cash Generating Units (C.G.U.)
Apartotel, S.A.	Meliá Castilla, Meliá Costa del Sol and Meliá Alicante hotels
Hotel Metropolitan, S.A.S.	Meliá Vendome hotel
Cadstar France, S.A.S.	Meliá Colbert, Tryp François and Meliá Royal Alma hotels
Ihla Bela de Gestao e Turismo, Ltd.	Tryp Peninsula Varadero, Meliá Las Dunas, Sol Cayo Santa María, Meliá Cayo Santa María, Tryp Habana Libre and Tryp Cayo Coco hotels
Lomondo, Ltd.	Meliá White House hotel
Hotel Alexander, S.A.	Meliá Alexander hotel
Operadora Mesol, S.A. de C.V.	Meliá Cozumel, Meliá Puerto Vallarta, Paradisus Cancún Resort, Me Cabo, Paradisus Los Cabos and Meliá Azul Itxapa hotels
Sol Meliá Hrvatska d.o.o. (Sol Melia Croacia)	Sol Aurora, Sol Garden Istra, Meliá Coral, Sol Polynesia, Sol Stella, Sol Umag, Adriatic Guest, Sipar and Park Umag hotels
Idiso Hotel Distribution, S.A.	Hotel distribution platform
René Egli, S.L.U.	Sports Centre
Inmotel Inversiones Italia S.R.L.	Meliá Milán hotel
Adprotel Strand, S.L.	Me London hotel

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

The risk factors taken into account by the Company are the expected exchange rates for the currencies in which cash flows are generated by each cash-generating unit and the risk-free interest rates in each of the countries in which the cash flows are generated.

Cash flow included in the measurement includes business and competition risks. The method used is the EBITDA multiple, which is applied to the actual average EBITDA for the year and the previous year of the various cash-generating units, without assuming increases in income when considering future cash flows.

Multiples used, aggregated by geographic areas, are as follows:

EBITDA multiples	2,018	2,017
Spain	9,98 - 10,24	11,7
Rest of Europe	10 - 21,23	12,2 - 14,3
Latin America	6,0 - 8,0	6,0-7,7

Note 10. Property, Plant and Equipment

Movements in the different headings of property, plant and equipment and their accumulated depreciation during the year are as follows:

(Thousand €)	Balance 31/12/17	Depreciation 2018	Additions	Disposals	Transfers	Transfer to Disposal Group	Scope Variations	Exchange Differences	Balance 31/12/18
GROSS VALUE									
Land	403,301		2,989	(10,933)		(5,030)	58,849	(2,085)	447,091
Buildings	1,488,535		106,285	(106,697)	2,639	(167,302)	143,303	(7,159)	1,459,604
Plant and Machinery	454,936		55,734	(25,974)	416	(27,228)	24,844	(560)	482,169
Other fixed assets	515,047		67,183	(83,412)	880	(2,630)	47	(3,509)	493,606
Works in progress	41,843		13,909	(835)	(7,810)	(25,085)		(1,753)	20,269
Total Gross Value	2,903,663		246,100	(227,851)	(3,874)	(227,275)	227,042	(15,065)	2,902,739
ACCUMULATED DEPRECIATION									
Buildings	(494,242)	(37,142)	(6,064)	45,423	3,874	61,504		4,303	(422,343)
Plant and Machinery	(376,145)	(31,619)	(1,072)	27,448		71,504	(7,327)	(2,290)	(319,500)
Other fixed assets	(351,237)	(31,756)	(6,952)	79,860		2,023	(35)	4,000	(304,095)
Total Accumulated Depreciation	(1,221,623)	(100,516)	(14,087)	152,731	3,874	135,031	(7,361)	6,013	(1,045,938)
NET CARRYING VALUE	1,682,040	(100,516)	232,012	(75,120)	0	(92,244)	219,681	(9,052)	1,856,801

Main disposals in the year relate to the sale of the hotels Meliá Sevilla, Sol La Palma and Sol Fuerteventura Jandía, located in Seville, Tenerife and Fuerteventura, respectively, for a net carrying value of EUR 60.5 million (EUR 108.6 million of cost and EUR 48.1 million of accumulated depreciation). This sale has generated a net capital gain of EUR 6.8 million.

The hotels were sold to the investment property company ATOM HOTELES SOCIMI, S.A. (ATOM), owned, among others, by Bankinter, S.A. According to the agreements reached with ATOM, the hotels continue to be operated by the Company under variable rent lease agreements.

Regarding the Changes in scope column, the balances broken down relate to the inclusion of the company Adprotel Strand, S.L., owner of the Me London hotel, as stated in Note 5.1.

The investments carried out in the Dominican Republic stand out among the additions of the year, including EUR 64 million in the company Infinity Vacations Dominicana, incorporated in 2017, and which has concluded the development of the new The Grand Reserve at Paradisus Palma Real hotel, a project linked to the new product Circle.

Additions in the fiscal year also include EUR 62.5 million as a result of various reforms and investments made in hotels in Spain, mainly in the Balearic Islands, Madrid, Catalonia and the Canary Islands.

Within the investments made in the year, these include 3.9 million of assets acquired through bank leasing, which are not included in section Investments in property, plant and equipment, intangible assets and investment property of the Cash flow statement.

The Transfer to disposal group column includes the disposal from property, plant and equipment of the net carrying amount of the hotel assets that the Group owns in Puerto Rico and which are in the process of being sold (see Note 14).

On the other hand, additions of EUR 18.3 million of net carrying value (EUR 29.9 million of cost less EUR 11.7 million of depreciation) for the revaluation of assets located in hyperinflationary economies (Venezuela) are also included. This increase has been offset by the exchange differences shown in the relevant column, in the amount of EUR 18.3 million negative, as a result of the application of a new exchange rate calculated based on the inflation rate of the country, as explained in Note 2.6.

The Exchange differences generated during the fiscal year, mainly relate to the devaluation of the Venezuelan bolivar, as abovementioned, as well as of the British pound and the Brazilian real. On the other hand, the appreciation of the Mexican peso and the US dollar has had certain effect.

For comparison purposes, the information for year 2017 is shown below:

(Thousand €)	Balance 31/12/16	Depreciation 2017	Additions	Disposals	Transfers	Exchange Differences	Balance 31/12/17
GROSS VALUE							
Land	422,242		1,874			(20,815)	403,301
Buildings	1,541,219		56,056	(5,047)	1,739	(105,432)	1,488,535
Plant and Machinery	437,792		35,238	(3,603)	1,274	(15,764)	454,936
Other fixed assets	518,448		45,700	(14,311)	1,226	(36,015)	515,048
Works in progress	18,928		32,239	(254)	(4,239)	(4,830)	41,843
Total Gross Value	2,938,628	0	171,107	(23,216)	0	(182,857)	2,903,663
ACCUMULATED DEPRECIATION							
Buildings	(544,636)	(35,463)	(4,227)	4,203		85,881	(494,242)
Plant and Machinery	(308,869)	(34,878)	(394)	3,821	(586)	(35,239)	(376,145)
Other fixed assets	(355,156)	(33,818)	(5,779)	12,349	586	30,583	(351,237)
Total Accumulated Depreciation	(1,208,661)	(104,160)	(10,400)	20,373	0	81,225	(1,221,623)
NET CARRYING VALUE	1,729,968	(104,160)	160,707	(2,842)	0	(101,632)	1,682,040

Additions in the fiscal year included EUR 82.4 million as a result of various reforms and investments made in hotels in Spain, mainly in the Balearic Islands, Madrid and the Canary Islands.

In addition, investments in Mexico and the Dominican Republic were made in the amount of EUR 10 million and EUR 38 million respectively. In the Dominican Republic, there were additions in Works in progress in the amount of EUR 28.8 million in the company Infinity Vacations Dominicana, incorporated in 2017, and which will be engaged in the development of a project linked to the new product Circle (see Note 5.2).

Within the investments made in the year, these included 3.6 million of assets acquired through bank leasing, which are not included in section Investments in property, plant and equipment, intangible assets and investment property of the Cash flow statement.

On the other hand, additions of EUR 15.9 million of net carrying value (EUR 26.3 million of cost less EUR 10.4 million of depreciation) for the revaluation of assets located in hyperinflationary economies (Venezuela) were also included. This increase was offset by the exchange differences shown in the relevant column, in the amount of EUR 31.7 million negative, as a result of the application of a new exchange rate calculated based on the inflation rate of the country, as explained in Note 2.6.

The Exchange differences generated during the fiscal year 2017, mainly related to the devaluation of the Venezuelan bolivar, as abovementioned, as well as of the Dominican peso, the Mexican peso and the US dollar in the amounts of EUR 32.7 million, EUR 20 million and EUR 11.5 million, respectively.

Other considerations

There are 16 owned properties that have been mortgaged to secure several loans at the end of 2018, and their net carrying value amounts to EUR 609.14 million; in 2017 the total number of properties was 17 and their net carrying value amounted to EUR 584.7 million.

As at 31 December 2018 and 2017 the Directors consider that there was sufficient insurance coverage for their assets.

The net carrying value of the Group's assets which are financed through bank leasing agreements amounts to EUR 6.3 million, EUR 13.5 million in 2017.

At year end, the number of agreements in force was 57 with an average maturity of 4 years, whilst in 2017 there were 111 agreements with an average maturity of 4 years.

The terms and conditions of the agreements include one purchase option and a contingent component relating to the variable interest rate applied to such agreements, as stated in Note 4.1.

Net 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 monetary inflation, were as follows:

(Thousand €)	
Restatement of budgets for 1979	24,848
Restatement of budgets for 1980	28,852
Restatement of budgets for 1981	1,197
Restatement of budgets for 1982	26,480
Voluntary restatement before 1990	3,146
Restatement under R.D.L. 7/96	53,213
TOTAL	137,736

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 has been conducted by the worldwide firm Jones Lang Lasalle Hotels, which specialises in hotel investment and consulting services. The resulting gross value of the valuation amounts to EUR 3,758 million, relating to owned assets that are fully consolidated and whose net carrying value at year end amounts to EUR 1,906.4 million, from which EUR 1,664.3 million relates to owned hotels.

The valuation, dated 30 July 2018, covered 60 owned assets, including 8 properties classified as Investment property in the consolidated balance sheet (see Note 11).

In addition, the valuation also covered 37 assets owned by associates and joint ventures, as detailed in Note 12.

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

Discounted cash flow method: Financial projections have been prepared for a 5-year period; the flows for year 5 have been used to project the next 5 years and the cash flows for fiscal year 11 have been discounted at an exit multiple, dependent upon historical transactions, expected profitability and other factors such as age, location, maintenance conditions of the property, etc.

The discount rates used by JLL in the valuation, depending on the geographic region in which the assets are located, are shown in the following table:

Geographic Region	Discount Rates
Spain	8,27% - 10,77%
Rest of Europe	7,10% - 8,47%
Latin America	11% - 30%*

* 30% applied to lands in Brazil

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

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

Note 11. Investment Property

The balance of investment property includes the net carrying value of investments made by the Group to obtain rental income or capital gains, such as interest in three apartment owners' associations in Spain, two shopping centres in America and other properties in Spain.

Movements recorded in 2018 according to the type of assets included under this heading, are detailed in the following table:

(Thousand €)	Balance 31/12/17	Additions	Disposals	Exchange Differences	Balance 31/12/18
Apartments in Spain	78,424	12,828			91,252
Shopping Centres in America	47,749	20	(6,063)	644	42,350
Other properties in Spain	9,726	6,108			15,834
TOTAL	135,900	18,956	(6,063)	644	149,437

Movements during the year include additions in the amount of EUR 12.6 million and disposals in the amount of EUR 6 million for fair value adjustments made on the net carrying amount of property investments, as a result of the asset valuation made by independent experts (see Note 10).

Likewise, an addition is included in the amount of EUR 4.4 million for the transfer of certain offices located in Madrid from property, plant and equipment to investment property, since these are now operated under lease.

The breakdown of net income generated by investment properties in the Group's income statement is as follows:

(Thousand €)	Apartments Spain	Shopping Centres America	Other Properties Spain	Total
Operating Revenues		2,418	66	2,484
Operating Expenses		(2,406)		(2,406)
EBITDA		12	66	78
Depreciation		(193)		(193)
Net Financial Income	199	3,809		4,008
Net Income in Associates	3,129			3,129
Tax		2,092		2,092
CONTRIBUTION TO GROUP NET INCOME	3,328	5,720	66	9,114

The contribution of the apartments in Spain relates to dividends collected from companies in which the Group has no significant influence and the proportional part of the results for the year of the companies which are accounted for using the equity method. Such apartments relate to establishments which are operated by the Group under management, and which generate income in the amount of EUR 5.9 million, not included in the above table.

The contribution of the shopping centres in America relates to the part in the profit and loss account of the operating companies corresponding to such investment properties. This includes revenues from the lease of premises, as well as from other service provisions in the amount of EUR 2.4 million.

The contribution of other properties in Spain relates to the lease of one establishment located in Madrid.

For comparison purposes, information for year 2017 is shown below:

(Thousand €)	Balance 31/12/16	Additions	Disposals	Exchange Differences	Balance 31/12/17
Apartments in Spain	77,836	589			78,424
Shopping Centres in America	53,574			(5,824)	47,749
Other properties in Spain	9,726				9,726
TOTAL	141,136	589	0	(5,824)	135,900

The additions of the year related to the purchase of apartments of owners' associations located in Spain.

The exchange differences reflected in the Shopping Centres in America were due to the appreciation of the Dominican peso against the Euro.

The breakdown of net income generated by investment properties in the Group's income statement is as follows:

(Thousand €)	Apartments Spain	Shopping Centres America	Other Properties Spain	Total
Operating Revenues		3,021	67	3,088
Operating Expenses		(3,186)		(3,186)
EBITDA		(165)	67	(98)
Depreciation		(510)		(510)
Net Financial Income	147	(460)		(313)
Net Income in Associates	2,962			2,962
Tax		17		17
CONTRIBUTION TO GROUP NET INCOME	3,109	(1,118)	67	2,058

The contribution of the apartments in Spain related to dividends collected from companies in which the Group has no significant influence and the proportional part of the results for the year of the companies which are accounted for using the equity method. Such apartments relate to establishments which are operated by the Group under management, and which generate income in the amount of EUR 5.9 million, not included in the above table.

The contribution of the shopping centres in America related to the part in the profit and loss account of the operating companies corresponding to such investment properties. This included revenues from the lease of premises, as well as from other service provisions in the amount of EUR 3 million.

The contribution of other properties in Spain related to the lease of one establishment located in Madrid.

Note 12. Investments Measured Using the Equity Method

The financial investments relating to shareholdings in associates and joint ventures have been measured using the equity method.

In 2018, the Group has carried out a new asset valuation (see Note 10) which includes assets owned by associates and joint ventures that are accounted for using the equity method. In this case, the value is adjusted according to the ownership percentage that the Group has in each of such companies. The value resulting from the valuation of these assets amounted to EUR 643 million, with a net carrying amount of EUR 316.7 million at the time of valuation.

Balances and movements of this heading are as follows:

(Thousand €)	%	Balance 31/12/2017	Net Income 2018	Additions	Disposals	Exchange Differences	Balance 31/12/2018
Meliá Zaragoza, S.L.	50.00%		(1,847)	1,847			
Evertmel Group (*)	49.00%	25,185	(944)		(35)		24,205
Mongamenda S.L. (JV)		1,950	(270)				1,680
Kimel Mca. S.L.		359	130				489
Altavista Hotelera, S.A.	48.74%	27,774	2,127	465			30,365
Adprotel Strand S.L.	75.00%	44,826	(2,071)		(42,755)		
Melcom Group (*)	50.00%		736	13,653			14,390
Producciones de Parques Group (*)	50.00%	36,396	458	102	(4,755)		32,200
Fourth Project 2012, S.L.	50.00%	6,854	(4)		(3,686)		3,164
Meliá Hotels USA Group (*)	50.00%	665	(243)			28	450
Yagoda Inversiones, S.L.U.	50.00%	1					1
TOTAL JOINT VENTURES		141,701	(1,789)	16,067	(51,233)	28	104,774
Homasi, S.A.	35.00%	45,516	2,572	3,436			51,524
Plaza Puerta del Mar, S.A.	20.01%	4,809	392		(283)		4,918
Promedro Group (*)	20.00%	5,396	783		(224)		5,955
Turismo de Invierno, S.A.	21.42%	4,918	(1,372)		(3)		3,544
C.P. Meliá Castilla	31.72%	4,342	2,139	18	(1,495)		5,004
C.P. Meliá Costa del Sol	21.18%	2,879	990	22	(816)		3,075
Jamaica DevCo S.L.	49.00%	191	377				568
El Recreo Group (*)	19.94%	2,853			(18)	(2,288)	547
Inversiones Guiza, S.A.	49.85%	(5)	(1)	1			(5)
Banamex S.A. Fideicomiso El Medano	30.28%	5,677	319		(241)	165	5,920
Hellenic Hotel Management	40.00%	(76)		50			(26)
Mosaico BV	20.00%			648			648
Detur Panamá, S.A.	49.93%		(557)	795		(238)	
Starmel Group (*)	20.00%	552	(201)		(6)		345
Renasala Group (*)	30.00%	10,891	1,667	273	(1,806)		11,024
TOTAL ASSOCIATES		87,943	7,109	5,242	(4,891)	(2,362)	93,041
TOTAL		229,644	5,320	21,309	(56,125)	(2,333)	197,817

(*) The companies belonging to the same line of business are presented jointly

Evermel Group consists of the companies Evertmel, S.L., Mongamenda S.L. and Kimel S.L.

Producciones de Parques Group consists of the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú, S.L.

Meliá Hotels USA Group consists of the companies Meliá Hotels USA, Llc. and Meliá Hotels Florida Llc.

Promedro Group consists of the companies Promedro, S.A. and Nexprom, S.A.

El Recreo consists of the companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A.

Starmel Group consists of the companies Starmel Hoteles JV, S.L., Starmel Hoteles OP 2, S.L.U., Fuerteventura Beach Property S.L.U. and Santa Eulalia Beach Property, S.L.U.

Renasala Group consists of the companies Renasala, S.L., Starmel Hoteles OP S.L.U., Torremolinos Beach Property, S.L.U., Palmanova Beach Property, S.L.U.,

Puerto del Carmen Beach Property, S.L.U., San Antonio Beach Property, S.L.U.

Melcom Group consists of the companies Sistemas Ribey Cloud, S.L., Pelicanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture. S.L.

Additions of the fiscal year mainly relate to the inclusion in the Group of the companies within Melcom Group in the amount of EUR 13.7 million. On the other hand, the main disposal relates to the company Adprotel Strand, S.L., since this company is now fully consolidated (see Note 5.1).

Likewise, in the exchange differences heading, disposals are recorded mainly due to the effect of the devaluation of the bolivar soberano over the net assets of the companies within Grupo El Recreo.

Investments using the equity method on Meliá Zaragoza, S.L. and Detur Panamá, S.A. amount to zero, as in the previous year, since the negative holding in these companies has been partially offset by long-term loans payable to the Group by such companies and for which there are no related guarantees.

Shareholding movements in associates and joint ventures in 2017 were as follows:

(Thousand €)	%	Balance 31/12/2016	Net Income 2017	Additions	Disposals	Exchange Differences	Balance 31/12/2017
Meliá Zaragoza, S.L.	50.00%		(942)	942			
Evertmel Group (*)	49.00%	26,120	(1,104)	169			25,185
Altavista Hotelera, S.A.	49.05%	27,083	(62)	752			27,774
Adprotel Strand S.L.	50.00%	51,109	(3,559)		(7)	(2,717)	44,826
Producciones de Parques Group (*)	50.00%	31,526	1,933	3,052	(115)		36,396
Fourth Project 2012, S.L.	50.00%	6,769	32	53			6,854
Melia Hotels USA Group (*)	50.00%	1,091	(306)			(119)	665
Yagoda Inversiones, S.L.U.	50.00%			1			1
TOTAL JOINT VENTURES		143,698	(4,008)	4,971	(122)	(2,836)	141,701
Homasi, S.A.	35.00%			45,516			45,516
Plaza Puerta del Mar, S.A.	20.01%	4,622	469		(283)		4,809
Promedro Group (*)	20.00%	4,800	712		(116)		5,396
Turismo de Invierno, S.A.	21.42%	4,828	90				4,918
C.P. Meliá Castilla	31.58%	3,386	1,973	187	(1,204)		4,342
C.P. Meliá Costa del Sol	21.01%	2,478	989	98	(686)		2,879
Jamaica DevCo S.L.	49.00%	408	(217)				191
El Recreo Group (*)	19.94%	3,073	1,362	944		(2,526)	2,853
Inversiones Guiza, S.A.	49.85%	(4)	(2)			1	(5)
Banamex S.A. Fideicomiso El Medano	30.28%	5,396	866		(9)	(577)	5,677
Hellenic Hotel Management	40.00%	(76)					(76)
Detur Panamá, S.A.	49.93%		(627)		(492)	1,119	
Starmel Group (*)	20.00%	17,490	21,298	9	(38,246)		552
Renasala Group (*)	30.00%		308	10,582			10,891
TOTAL ASSOCIATES		46,403	27,222	57,337	(41,036)	(1,983)	87,943
TOTAL		190,101	23,214	62,308	(41,158)	(4,819)	229,644

(*) The companies belonging to the same line of business are presented jointly

Evermel Group consists of the companies Evertmel, S.L., Mongamenda S.L. and Kimel S.L.

Producciones de Parques Group consists of the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú, S.L.

Melia Hotels USA Group consists of the companies Melia Hotels USA, Llc. and Melia Hotels Florida Llc.

Promedro Group consists of the companies Promedro, S.A. and Nexprom, S.A.

El Recreo consists of the companies El Recreo Plaza C.A. and El Recreo Plaza & Cia. C.A.

Starmel Group consists of the companies Starmel Hoteles JV, S.L., Starmel Hoteles OP 2, S.L.U., Fuerteventura Beach Property S.L.U. and Santa Eulalia Beach Property, S.L.U.

Renasala Group consists of the companies Renasala, S.L., Starmel Hoteles OP S.L.U., Torremolinos Beach Property, S.L.U., Palmanova Beach Property, S.L.U.,

Puerto del Carmen Beach Property, S.L.U., San Antonio Beach Property, S.L.U.

Melcom Group consists of the companies Sistemas Ribey Cloud, S.L., Pelicanos Property, S.L.U., Belver Property, S.L.U. and Melcom Joint Venture, S.L.

Additions of the fiscal year mainly related to the inclusion in the Group of the companies Homasi, S.A. and Renasala, S.L. in the amount of EUR 45.5 million and EUR 10.6 million, respectively. (See Note 5.2).

Disposals mainly related to the distribution of dividends and share premium by the company Starmel Hotels J.V., S.L. in the amount of EUR 37.3 million.

On the other hand, in the exchange differences heading, disposals were recorded mainly due to the effects of the devaluation of the British pound and the Venezuelan bolivar over the net assets of the companies Adprotel Strand, S.L. and Grupo El Recreo, respectively.

The increase in Net income 2017 arose from the profit generated by the company Starmel Hotels, JV, S.L. for the sale of 5 of its subsidiaries, which owned and operated 4 resorts in Spain, to the company Renasala, S.L. (see Note 5), generating a profit attributed to the Group in the amount of EUR 20.6 million.

Details of the balance sheet and profit and loss account of the most significant associates and joint ventures by volume of assets and net income are as follows:

(Thousand €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
EBITDA	9,201	7,648	7,830	6,739	19,172	50,590
Depreciation	(5,491)	(948)	(3,062)	(2,941)	(5,350)	(17,792)
Financial Income	338			1	5	344
Financial Expenses	(5,658)	(3,825)	(3,825)	(4,098)	(7,099)	(24,505)
Other financial profit/loss		4		(690)	5	(682)
Net financial profit/loss	(5,321)	(3,821)	(3,825)	(4,786)	(7,090)	(24,843)
Profit/loss before tax	(1,611)	2,879	942	(988)	6,732	7,955
Income tax	(316)	(1,406)	3,508	(14)	(1,176)	596
NET INCOME	(1,927)	1,473	4,450	(1,003)	5,556	8,550
(miles de €)	Evertmel Group (*)	Melcom Group (*)	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
NON-CURRENT ASSETS	174,893	264,708	145,290	84,843	245,562	915,297
Cash and other cash equivalents	208	3,433	103	5,355	2,305	11,405
Other current assets	32,432	3,046	19	3,967	6,190	45,654
CURRENT ASSETS	32,640	6,479	122	9,322	8,495	57,059
TOTAL GENERAL ASSETS	207,533	271,187	145,412	94,166	254,057	972,356
Non-current financial liabilities	138,905	155,636	52,225	78,729	178,360	603,855
Other non-current liabilities	7,273	81,550	15,805	730	26,172	131,530
NON-CURRENT LIABILITIES	146,178	237,187	68,030	79,459	204,532	735,385
Current financial liabilities	10,393	1,624	6,260	3,514	5,562	27,353
Other current liabilities	1,707	3,603	9,197	3,782	7,302	25,592
CURRENT LIABILITIES	12,100	5,227	15,457	7,296	12,865	52,944
TOTAL GENERAL LIABILITIES	158,278	242,414	83,487	86,755	217,397	788,330

(*) The companies belonging to the same line of business are presented jointly

Evermel Group consists of the companies Evertmel, S.L., Mongamenda S.L. and Kimel S.L.

Grupo Melcom compuesto por las sociedades Ribey Cloud, S.L., Pelicanos Property, S.L.U., Bellver Property, S.L.U. y Melcom Joint Venture, S.L.

Starmel Group consists of the companies Starmel Hoteles JV, S.L., Starmel Hoteles OP 2, S.L.U., Fuerteventura Beach Property S.L.U. and Santa Eulalia Beach Property, S.L.U.

Renasala Group consists of the companies Renasala, S.L., Starmel Hoteles OP S.L.U., Torremolinos Beach Property, S.L.U., Palmanova Beach Property, S.L.U., Puerto del Carmen Beach Property, S.L.U., San Antonio Beach Property, S.L.U.

Evertmel Group, Melcom Group and Altavista Hotelera, S.L., are owners of hotels which are operated by other Group companies through lease agreements.

Starmel Group and Renasala Group are made up of companies which own and operate hotels. In addition, they have contracts entered into with the parent company of the Group through which management fees are invoiced.

The result of these companies in 2018 does not include any exceptional items. In terms of the balance sheet, certain increase in assets in comparison with 2017 is shown due to the continuous restatement of the different hotel products owned or operated by these companies.

For comparison purposes, amounts for 2017 are shown below:

(Thousand €)	Evertmel Group (*)	Adprotel Strand S.L.	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
EBITDA	9,243	2,230	6,886	5,679	16,302	40,341
Depreciation	(5,309)	(4,724)	(3,036)	(6,580)	(6,496)	(26,145)
Financial Income	35		93	29		158
Financial Expenses	(5,869)	(4,625)	(4,135)	(4,425)	(6,250)	(25,305)
Other financial profit/loss	(6)			111,314	6	111,315
Net financial profit/loss	(5,840)	(4,625)	(4,042)	106,919	(6,244)	86,168
Profit/loss before tax	(1,906)	(7,119)	(192)	106,018	3,562	100,364
Income tax	(346)		66	254	(4,568)	(4,594)
NET INCOME	(2,252)	(7,119)	(126)	106,272	(1,006)	95,770
(miles de €)	Evertmel Group (*)	Adprotel Strand S.L.	Altavista Hotelera, S.L.	Starmel Group (*)	Renasala Group (*)	Total
NON-CURRENT ASSETS	178,811	225,208	144,793	69,784	257,304	875,900
Cash and other cash equivalents	2,328	487	487	1,705	2,276	7,284
Other current assets	39,893	1,272	105	6,627	4,386	52,283
CURRENT ASSETS	42,221	1,759	592	8,332	6,662	59,566
TOTAL GENERAL ASSETS	221,032	226,967	145,385	78,116	263,966	935,466
Non-current financial liabilities	142,855	131,614	60,123	78,124	179,930	592,645
Other non-current liabilities	7,503		16,593	270	27,812	52,178
NON-CURRENT LIABILITIES	150,358	131,614	76,716	78,393	207,742	644,823
Current financial liabilities	7,507	5,331	5,358	789	5,034	24,020
Other current liabilities	11,911	625	6,682	5,440	9,280	33,938
CURRENT LIABILITIES	19,418	5,956	12,040	6,229	14,314	57,958
TOTAL GENERAL LIABILITIES	169,776	137,570	88,757	84,622	222,056	702,781

(*) The companies belonging to the same line of business are presented jointly

Evermel Group consists of the companies Evertmel, S.L., Mongamenda S.L. and Kimel S.L.

Starmel Group consists of the companies Starmel Hoteles JV, S.L., Starmel Hoteles OP 2, S.L.U., Fuerteventura Beach Property S.L.U. and Santa Eulalia Beach Property, S.L.U.

Renasala Group consists of the companies Renasala, S.L., Starmel Hoteles OP S.L.U., Torremolinos Beach Property, S.L.U., Palmanova Beach Property, S.L.U.,

Puerto del Carmen Beach Property, S.L.U., San Antonio Beach Property, S.L.U.

The increase in profits of Starmel Group as compared with the previous fiscal year, as well as the decrease in its assets and liabilities arose from the sale of 5 of its subsidiaries to the company Renasala, S.L., as abovementioned in this Note and in Note 5.

Note 13. Other Financial instruments

13.1 Other financial assets

The table below includes the breakdown by categories of financial instruments, recorded in the headings Other financial assets of current and non-current assets of the balance sheet for years 2018 and 2017:

(Thousand €)	31/12/2018			31/12/2017		
	Long Term	Short Term	Total	Long Term	Short Term	Total
1. Financial instruments at fair value through other comprehensive income:						
Cash flow hedges	10		10	247		247
2. Financial instruments at fair value through profit or loss:						
Trading Portfolio		203	203		375	375
Unlisted equity instruments	4,036		4,036	4,029		4,029
3. Loans and receivables:						
Loans to associates	88,534	30,801	119,335	122,457	17,331	139,788
Other loans	26,840	8,778	35,618	13,549	26,521	40,070
Other items	21,797	1,316	23,113	33,269	4,457	37,726
TOTAL	141,217	41,097	182,314	173,550	48,684	222,234

The table does not include the headings Trade and other receivables and Cash and other cash equivalents, which also relate to financial assets, as described in Note 3.5. Additional breakdowns are included in Note 15 to that effect.

Financial instruments at fair value through other comprehensive income

Cash flow hedge activities relate to interest rate swaps. Hedge activities are explained in Note 13.3.

Financial instruments at fair value through profit or loss

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

Movements in 2018 relating to unlisted equity instruments included in this category are as follows:

(Thousand €)	%	Balance 31/12/2017	Additions	Disposals	Balance 31/12/2018
Hotelera Sancti Petri, S.A.	19.50%	2,634			2,634
Port Cambrils Inversions, S.A.	10.00%	980			980
Inveragua RD, S.A.S	14.24%	107			107
Valle Yamury, S.A.	8.00%	351	7		358
Other financial assets		42			42
TOTAL INVESTMENT		4,114	7		4,121
IMPAIRMENT LOSSES		(85)			(85)
NET CARRYING VALUE		4,029	7		4,036

For comparison purposes, movements for year 2017 were as follows:

(Thousand €)	%	Balance 31/12/2016	Additions	Disposals	Balance 31/12/2017
Hotelera Sancti Petri, S.A.	19.50%	2,634			2,634
Port Cambrils Inversions, S.A.	10.00%	980			980
Inveragua RD, S.A.S	14.24%		107		107
Valle Yamury, S.A.	8.00%	351			351
Other financial assets		42			42
TOTAL INVESTMENT		4,007	107		4,114
IMPAIRMENT LOSSES		(85)			(85)
NET CARRYING VALUE		3,922	107		4,029

Additions for the fiscal year in the amount of EUR 0.1 million related to the acquisition of shares in the company Inveragua RD, S.A.S.

The registered offices, activities and accounting information in thousand euro of the investees in which the Group holds a non-significant shareholding at the 2018 year end are included below:

(Thousand €)	REGISTERED OFFICE	ACTIVITY	Capital	Reserves	Net Income	%	TBV	NBV
Hotelera Sancti Petri, S.A.	Gremio Toneleros, 24 Palma de Mallorca (Spain)	Owner and operator hotel	13,510	(2,745)	3,285	19.50%	2,740	2,634
Port Cambrils Inversions, S.A.	Rambla Regueral, 11 Tarragona (Spain)	Owner and operator hotel	6,000	931	223	10.00%	715	980
Valle Yamury, S.A. (*)	Velázquez, 106 Madrid (Spain)	Holding and owner	4,870	(972)	(553)	7.21%	241	273
Inveragua RD, S.A.S.	Avda. Lope de Vega, 4 Santo Domingo (Dominican Rep.)	Holding	731		(38)	14.24%	99	107
Other companies (*)								42
			25,111	(2,786)	2,917		3,795	4,036

(*) At 31 December 2018 there are no financial statements for these companies

Loans and receivables

The table below shows a breakdown by nature of financial assets included in this item for 2018 and 2017:

(Thousand €)	31/12/2018			31/12/2017		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Loans to associates	88,534	30,801	119,335	122,457	17,331	139,788
Other loans	26,840	8,778	35,618	13,549	26,521	40,070
Deposits	1,685	595	2,280	1,639	473	2,111
Guarantee deposits	10,962	579	11,541	8,657	528	9,186
Vacation Club customers	7,431		7,431	20,877		20,877
Financial deposits		143	143		3,456	3,456
Other items	1,719		1,719	2,096		2,096
TOTAL	137,171	40,895	178,066	169,275	48,309	217,584

Note 20 Information on related parties includes a breakdown of the balances recorded as loans to associates.

Likewise, the balance of Short-term vacation club customers is broken down in Note 15.2 Trade and other receivables.

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

- ✓ Outstanding amounts at year end from the sale of non-controlling interests in several companies in the amount of EUR 8.7 million.
- ✓ Loans granted to various unrelated companies with which the Group has a business relationship in the amount of EUR 17.3 million.
- ✓ Loans to owners of several hotels operated by the Group under lease and management, in the amount of EUR 7.8 million.

Long-term guarantees granted by the Company basically relate to the rent for hotels leased by the Group through accepted promissory notes. Since such guarantees are granted to ensure compliance with an obligation associated with such agreements, they are not recognised at current value but at face value.

The balance of Vacation club customers relates to the amounts financed in the long-term to this segment customers in the sale of timeshare rights. They are recognised at face value, since these financing agreements include a market interest rate.

The Financial deposits item includes long-term amounts in banks and with a maturity over 3 months, therefore, these cannot be considered as other cash equivalents.

13.2 Other financial liabilities

The table below shows the breakdown by categories of financial instruments, recorded in the headings Bonds and other negotiable securities, Bank borrowings and Other financial liabilities of current and non-current liabilities of the balance sheet for 2018 and 2017:

(Thousand €)	31/12/2018			31/12/2017		
	Long Term	Short Term	Total	Long Term	Short Term	Total
1. Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	1,005	958	1,963	1,743	1,556	3,299
2. Financial instruments at fair value through profit or loss:						
- Trading portfolio derivatives	1,842	1,671	3,514	2,256	1,412	3,668
3. Other financial liabilities at amortised cost:						
- Bonds and other negotiable securities	33,835	51,526	85,361		71,610	71,610
- Bank borrowings	719,949	115,066	835,015	644,515	209,482	853,997
- Other financial liabilities	12,113	56,773	68,886	5,415	61,809	67,224
TOTAL	768,745	225,994	994,739	653,928	345,870	999,798

Balances under heading Trade creditors and other payables which are also considered as financial liabilities, are not included, as explained in Note 3.5. Additional breakdowns are included in Note 18 to that effect.

The following table shows the reconciliation of changes in assets and liabilities from financing activities. Debt issues and redemptions (Bonds and other negotiable securities and Bank borrowings), as well as Derivative financial instruments (hedges and trading portfolio) have been considered:

(Thousand €)	Bonds and Bank borrowings	Financial instruments at fair value	
		Assets	Liabilities
BALANCE AT 31/12/2016	909,231		10,617
Financing cash flow	9,442		
Exchange differences	6,933		
Changes in fair value		247	(3,651)
BALANCE AT 31/12/2017	925,606	247	6,967
Financing cash flow	(82,487)		
Exchange differences	8,638		
Changes in fair value		(237)	(1,490)
Scope Variations	68,619		
BALANCE AT 31/12/2018	920,376	10	5,477

In section Changes in scope the increase of Bank borrowings is included, as a result of the business combination of Adprotel Strand, S.L., as described in Note 5.1.

Financial instruments at fair value through other comprehensive income

Cash flow hedge activities relate to interest rate swaps. Hedge activities are explained in Note 13.3.

Financial instruments at fair value through profit or loss

Trading portfolio derivatives relate to interest rate swaps. Derivative activities are explained in Note 13.3.

Bonds and other negotiable securities

The table below shows the debt issues recorded under this heading and their balances at the end of 2018 and 2017:

(Thousand €)	31/12/2018			31/12/2017		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Bonds and debentures	29,750	114	29,864			
European Commercial Papers (ECP)		51,357	51,357		71,610	71,610
Other negotiable securities	4,085	56	4,140			
TOTAL	33,835	51,526	85,361		71,610	71,610

Euro Commercial Paper Programme (ECP)

The last commercial paper programme (“Euro-Commercial Paper Programme” or ECP), issued in 2017 and subject to English law, expired on 22 September 2018, in the maximum amount of EUR 300 million, 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 requested admission to trading of the issues made under the programme.

In 2018, a total of EUR 127.6 million of issues has been made, and there are outstanding issues in the amount of EUR 51.4 million, with final maturity date in July 2019. In 2017, the issues made were in the amount of EUR 131.8 million, and the amount of outstanding issues was EUR 71.6 million.

Other negotiable securities

In 2018, the subsidiary Sol Meliá Europe, B.V. carried out a debt issue in the amount of EUR 5 million, maturing on 18/11/2022, within a facility with the following characteristics:

Issuer	Sol Meliá Europe, B.V.
Guarantor	Meliá Hotels International S.A.
Calculation Agent	UBS AG, London Branch
Fiscal Agent and paying agent	The Bank of New York Mellon
Maximum face amount	EUR 150,000,000
Currency	EUR / USD
Maturity date	04/08/2023

Simple bonds

On 19 November 2018 the parent company issued simple bonds in the total amount of EUR 30 million with the following characteristics:

Issue price	EUR 30,000,000
Face amount	EUR 100,000
Maturity	12 years
Debt rank	Senior unsecured
Issue price	100%
Issue date	19/11/2018
Maturity date	19/11/2030
Coupon	Fixed 3.30%
Redemption price	100%

Bank borrowings

The breakdown by nature and by maturity of the Group's bank borrowings at the end of 2018 and 2017 is as follows:

(Thousand €)	31/12/2018			31/12/2017		
	Short Term	Long Term	Total	Short Term	Long Term	Total
Bank loans	71,072	404,533	475,605	20,582	333,218	353,800
Mortgage loans	39,434	313,440	352,875	49,332	304,085	353,417
Credit policies	125		125	133,457	4,027	137,484
Leasing	1,260	1,976	3,236	3,192	3,184	6,377
Interest	3,175		3,175	2,919		2,919
TOTAL	115,066	719,949	835,015	209,482	644,515	853,997

The company has reduced short-term debt burden, by reducing credit facilities and increasing long-term bank loans. Mortgage loans are maintained despite the early repayment in the amount of EUR 55 million, due to the changes in the scope of consolidation.

The total amount drawn down against credit facilities was EUR 0.1 million, and at the 2018 year end an additional balance of EUR 260.9 million was available. In 2017, the total amount drawn down against credit facilities was EUR 137.5 million, and an additional balance of EUR 138.7 million remained available.

Bank debt increases for new bank financing in 2018 amounted to EUR 327.7 million, as reflected in the financing activities of the Cash flow statement. In 2017, the amount was EUR 148.8 million.

The Group's mortgage loans are secured by 16 hotels with a total net carrying amount of EUR 609.14 million, as stated in Note 10.

Maturity of bank borrowings is as follows:

(Thousand €)	2,019	2,020	2,021	2,022	2,023	> 5 years	Total
Bank loans	71,072	82,686	93,192	51,393	38,282	138,980	475,605
Mortgage loans	39,434	43,251	41,932	40,986	44,307	142,964	352,875
Credit facilities	125						125
Leasing	1,260	904	736	328	7		3,236
Interest	3,175						3,175
TOTAL	115,066	126,841	135,861	92,707	82,596	281,944	835,015

Other financial liabilities

The table below shows the breakdown of the items under this heading at the end of fiscal years 2018 and 2017:

(Thousand €)	31/12/2018			31/12/2017		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Trade bills payable	53		53	53		53
Fixed asset suppliers	5	18,441	18,447	55	8,274	8,329
Guarantees received	1,476	2,542	4,017	1,467	1,352	2,820
Other payables	4,229	33,549	37,778	3,839	51,304	55,144
Debt to associates	6,350		6,350			
Dividends payable		2,017	2,017		593	593
Other financial liabilities		224	224		286	286
TOTAL	12,113	56,773	68,886	5,415	61,809	67,224

The decrease in Other payables in the short term mainly relates to the payment made in 2017 for the acquisition of shares in the company Homasi, S.A. in the amount of EUR 17.5 million (see Note 5).

On the other hand, the increase in the amount of EUR 6.3 million under heading Debt with associates in the long term mainly relates to the loan with the associate Fourth Project 2012, S.L., as stated in Note 20.

13.3 Hedge activities and derivatives

The breakdown by maturity of the fair values of the Group's derivative financial instruments at the end of 2018 and 2017 is as follows:

(Thousand €)	31/12/2018			31/12/2017		
	Long Term	Short Term	Total	Long Term	Short Term	Total
Hedging derivative assets	10		10	247		247
TOTAL	10		10	247		247
Hedging derivative liabilities	1,005	958	1,963	1,743	1,556	3,299
Trading portfolio derivatives	1,842	1,671	3,514	2,256	1,412	3,668
TOTAL	2,848	2,629	5,477	3,999	2,968	6,967

Within the framework of the Group's interest rate risk management policies (see Note 4.1), the Company, at the end of the fiscal year, has several interest rate swaps, which, based on the contractual terms, qualify as cash flow hedging instruments; therefore, changes in their fair value are taken directly to the Group's equity.

The items hedged by these operations are recorded under heading Bank borrowings. 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.

In 2018, the positive impact on net equity of these derivative financial instruments, after taking the portion pertaining to the hedged item to the income statement and without considering the tax impact, amounted to EUR 0.08 million. In 2017, the impact was also positive in the amount of EUR 1.9 million.

Likewise, as at 31 December 2018, the notional value of the interest rate swaps that qualify as hedges amounted to EUR 129 million, and in 2017 such value amounted to EUR 122.2 million.

The liabilities relating to derivatives held for trading at the end of 2018 related to interest rate swaps contracted in the framework of the interest rate risk management performed by the Company (see Note 4.1). These interest rate swaps are not considered as accounting hedges, since they do not meet the requirements for their application according to IFRS 9.

As at 31 December 2018, the notional value of these financial instruments amounted to EUR 29 million, and in 2017 such value amounted to EUR 37.2 million.

Maturity by year is as follows:

(Thousand €)	2,019	2,020	2,021	2,022	>4 years	Total
Hedging derivative assets		(186)	(98)	(21)	315	10
TOTAL		(186)	(98)	(21)	315	10
Hedging derivative liabilities	958	644	359	62	(60)	1,963
Trading portfolio derivatives	1,671	1,044	597	345	(143)	3,514
TOTAL	2,629	1,688	956	407	(203)	5,477

For comparison purposes, the maturities at the end of 2017 were as follows:

(Thousand €)	2,018	2,019	2,020	2,021	>4 years	Total
Hedging derivative assets		(45)	17	53	221	247
TOTAL		(45)	17	53	221	247
Hedging derivative liabilities	1,556	1,115	496	73	59	3,299
Trading portfolio derivatives	1,412	947	779	287	243	3,668
TOTAL	2,968	2,062	1,275	360	302	6,967

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

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

Note 14. Non-current assets held for sale

At the end of 2018, the Company is in negotiations which include the execution of a pre-contract for the sale of its assets (including customer portfolio) located in Puerto Rico, through the companies Desarrolladora del Norte, S. en C. and Sol Melia Vacation Club Puerto Rico, Corporation.

The sale process is pending the completion of a due diligence that is currently being processed and whose conclusion is expected in the first quarter of 2019.

The above situation involves the presentation of the disposal group of assets under heading non-current assets held for sale in the consolidated balance sheet at the end of 2018.

The breakdown of assets and liabilities related to the disposal group is as follows:

(Thousand €)	31/12/2018
Property, Plant and Equipment	92,244
Inventories	263
Trade and other receivables	2,469
Total ASSETS	94,976
Other non-current financial liabilities	32,263
Provisions	6,632
Total LIABILITIES	38,895
NON-CURRENT ASSETS HELD FOR SALE	56,081

Property, plant and equipment includes the developments for hotel and vacation club that the Company has in Puerto Rico and whose value has been adjusted according to the conditions agreed during the sale process.

Other non-current financial liabilities relate to outstanding execution obligations with members of the vacation club who acquired rights of use over the development assigned to the vacation club business and which will be paid by the buyer of such development, according to the agreed conditions.

The provisions include the outstanding amount to be paid to suppliers for the completion of refurbishment works in the hotel, necessary condition to conclude the sale process.

Note 15. Current Assets

15.1 Inventories

(Thousand €)	31/12/2018	31/12/2017
Goods	2,134	2,106
Food and Beverages	8,282	10,288
Fuel	508	475
Spare parts and maintenance	2,367	2,740
Ancillary materials	5,469	6,034
Office materials	1,344	1,440
Hotel Business	20,104	23,082
Vacation Club Business	713	684
Real Estate Business	3,962	5,419
Advances to suppliers	1,712	4,895
TOTAL	26,492	34,079

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

15.2 Trade and other receivables

The breakdown of this heading at the end of 2018 and 2017 is as follows:

(Thousand €)	31/12/2018	31/12/2017
Customers	183,482	190,777
Other receivables	65,595	80,190
TOTAL	249,076	270,967

Trade

Trade receivables by business line at year end are as follows:

(Thousand €)	31/12/2018	31/12/2017
Hotel	71,626	76,303
Real Estate	1,197	1,913
Club Melia	78,340	70,596
Other operating activities	32,319	41,965
TOTAL	183,482	190,777

The Group has signed a non-recourse factoring agreement with a financial institution under which it periodically assigns the accounts receivable relating to certain customers of the hotel business, and collects the amounts concerned in advance. As at 31 December 2018, the total portfolio assigned in this respect was EUR 25.2 million, EUR 25.7 million as at 31 December 2017.

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.

As at 31 December 2018, the total amount of bad debt provisions was EUR 41.1 million, EUR 53.6 million at the 2017 year end.

The aging of trade receivables at year end was as follows:

(Thousand €)	2,018	%	2,017	%
Less than 90 days	126,961	69%	117,459	62%
More than 90 and less than 180	8,881	5%	20,351	11%
More than 180	47,640	26%	52,966	28%
TOTAL	183,482	100%	190,777	100%

Other receivables

The breakdown by nature of the balances included in this item for 2018 and 2017 is as follows:

(Thousand €)	31/12/2018	31/12/2017
Prepayments and accrued income	12,119	12,633
Loans to employees	339	464
Taxes refundable	15,983	18,465
Input VAT deductible		16,029
Receivables from associates	14,015	16,038
Receivables	22,643	16,062
Current accounts	496	499
TOTAL	65,595	80,190

These balances relate to commercial transactions carried out by the Group. Receivables from associates are broken down in Note 20.

15.3 Cash and other cash equivalents

Cash and other cash equivalents are broken down by geographic areas as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/2018
Cash	136,221	30,399	139,365	883	306,869
Other cash equivalents	4,331		1,703		6,033
TOTAL	140,552	30,399	141,068	883	312,902

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Cash equivalents relate to short-term deposits, the maturities of which may range from one day to three months depending on the Group's cash needs.

The main balances comprising the Group's cash, based on the currency in which they are denominated, are in US dollars and Euro.

Balances under this heading for 2017 were as follows:

(Thousand €)	SPAIN	EMEA (*)	AMERICA	ASIA	31/12/2017
Cash	97,408	46,909	102,462	818	247,597
Other cash equivalents	9,796	69,944	4,548		84,288
TOTAL	107,204	116,853	107,010	818	331,885

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Note 16. Equity

16.1 Share capital and share premium

The share capital is set 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.

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, 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.

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

Main shareholders with direct and indirect stake in Meliá Hotels International, S.A. as at 31 December 2018 and 2017, are as follows:

Shareholder	31/12/2018 % Shareholding	31/12/2017 % Shareholding
Hoteles Mallorquines Consolidados, S.A.	23.38	22.58
Hoteles Mallorquines Asociados, S.L.	13.21	13.21
Hoteles Mallorquines Agrupados, S.L.	10.39	11.18
Majorcan Hotels Exlux, S.L.	5.03	5.03
Rest of shareholders (less than 3% individual) *	48.00	48.01
TOTAL	100.00	100.00

* This includes Norges Bank shareholding, which at closing year does not exceed 3%

As of October 2018, Mr. Gabriel Escarrer Juliá has ceased to exercise control over the Group, although he still owns 5.025% of the shares in Meliá Hotels International, S.A., indirectly, through the company Majorcan Hotels Exlux, S.L.U.

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.

16.2 Reserves

The table below shows the breakdown of heading Other Reserves of the Statement of changes in equity at the end of 2018 and 2017:

(Thousand €)	31/12/2018	31/12/2017
Legal reserve	9,188	9,188
Revaluation reserves Royal Decree-Law 7/1996, of 7th June	16,076	18,285
Reserves for shares of the controlling company	16,025	15,023
Reserves for actuarial gains and losses	(3,616)	(2,224)
Voluntary reserves	278,403	241,197
Other reserves	(960)	(7,604)
Consolidated reserves attributed to the controlling company	116,758	119,016
TOTAL	431,873	392,882

The consolidated reserves attributed to the controlling company include the necessary homogenisation adjustments to present the consolidated equity in accordance with the International Financial Reporting Standards (IFRSs) and the International Financial Reporting Committee Interpretations (IFRICs), as described in Note 2.

The increase reflected in Voluntary Reserves includes the distribution of profits of fiscal year 2017 of the controlling company, in the amount of EUR 77.1 million, as well as the disposal for the distribution of dividends in the amount of EUR 38.3 million, both movements reflected in the Consolidated statement of changes in equity.

Regarding the restricted reserves, Meliá Hotels International, S.A. and its subsidiaries incorporated under the Spanish law are 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, provided that other reserves are not available, may only be used to offset losses.

16.3 Treasury shares

Breakdown and movements of treasury shares are as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2017	1,722,464	8.72	15,023
Additions	10,319,703	10.71	110,531
Disposals	(10,219,199)	10.72	(109,529)
BALANCE AT 31/12/2018	1,822,968	8.79	16,025

There are no securities loaned to banks as at 31 December 2018.

As at 31 December 2018, the total of treasury shares held by the Company was 1,822,968, which represent 0.79% of the share capital. Treasury shares do not exceed the 10% limit established by the Spanish Law on Corporations.

The price of Meliá Hotels International, S.A.'s shares at year end was EUR 8.21. At the 2017 year end the share price amounted to EUR 11.50.

For comparison purposes, movements for year 2017 were as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2016	1,661,766	8.58	14,256
Additions	10,581,055	12.54	132,634
Disposals	(10,520,357)	12.53	(131,867)
BALANCE AT 31/12/2017	1,722,464	8.72	15,023

There were no securities loaned to banks as at 31 December 2017. As at 31 December 2017, the total number of shares held by the Company was 1,722,464, which represented 0.75% of the share capital.

16.4 Retained earnings

This heading includes the profit/(loss) for previous years of the parent company, as well as the retained earnings of the other companies included in the scope of consolidation as from the date they were included therein.

Movements during 2018 included under this heading mainly related to the distribution of profit for previous years, in the amount of EUR 23.6 million from fully consolidated companies (profits from the parent company are not included), and in the amount of EUR 23.2 million of profits from associates.

Movements during 2017 included under this heading mainly related to the distribution of profit for previous years, in the amount of EUR 18.9 million from fully consolidated companies (profits from the parent company were not included), and in the amount of EUR 1.6 million of profits from associates.

16.5 Measurement adjustments

The Measurement adjustments heading in the Statement of changes in equity, includes a breakdown of Translation differences and Other measurement adjustments recognised in liabilities in the balance sheet.

Translation differences

The translation differences classified by currency reflected in the consolidated balance sheet deriving from the companies included in the Group's scope of consolidation are as follows:

(Thousand €)		31/12/2018	31/12/2017
Costa Rican Colon	CRC	(27)	95
Moroccan Dinar	MAD	53	53
Tunisian Dinar	TND	5,495	5,446
United Arab Emirates Dirham	AED	(79)	48
United States Dollar	USD	74,288	40,770
Singapore Dollar	SGD		97
Swiss Franc	CHF	2,598	2,527
Croatian Kuna	HRK	(302)	(313)
British Pound	GBP	(18,413)	(15,165)
Dominican Peso	DOP	(36,761)	(52,366)
Mexican Peso	MXN	(132,833)	(105,721)
Argentinian Peso	ARS	(1,361)	(1,228)
Brazilian Real	BRL	(26,312)	(19,965)
Chinese Renminbi Yuan	CNY	(324)	(313)
Indonesian Rupiah	IDR	(163)	(161)
Peruvian Sol	PES	570	559
TOTAL		(133,570)	(145,638)

The effect of exchange rate changes is presented in the amount attributed to the controlling company, net of the effect attributed to non-controlling interests. The total effect is presented in the Translation differences item in the Statement of Comprehensive Income.

Among the total Translation differences, the amount of EUR 81 million negative relates to fully consolidated companies and EUR 52.5 million negative to companies accounted for using the equity method. In 2017, the amounts were EUR 98.3 million negative and EUR 47.3 million negative, respectively.

The main changes in relation to the previous year affected the US dollar, the Mexican peso and the Dominican peso against the Euro.

According to IAS 21.15, certain financing transactions relating to subsidiaries abroad have been considered as an increase in the value of the investment. During the year, EUR 16.8 million in negative translation differences have been recognised under this heading, while in 2017, EUR 6.9 million in negative translation differences were also recognised.

Other measurement adjustments

Movements during the year mainly related to income and expenses attributed to equity, as well as to transfers to the income statement of derivative financial instruments classified as hedges, net of their tax effect, in the amount of EUR 0.4 million positive. In 2017, the amount was EUR 0.8 million negative.

16.6 Non-controlling interests

The equity interest relating to rights held by third parties outside the Group is included under this heading, including the relevant proportional stake in the result (profit/(loss)).

The consolidated amounts, before carrying out intra-group eliminations, of assets, liabilities, equity interest of rights held by third parties outside the Group, as well as their relevant stake in the result (profit/(loss)) for the fiscal year, are included below:

(Thousand €)	Minority percentage	Total Assets	Total Liabilities	Total Net Assets	Non-controlling interests	Non-controlling interests profit/(loss)
Invers. Explot. Turísticas, S.A.	45.07%	128,602	108,613	19,989	8,437	3,440
Realizaciones Turísticas, S.A. (*)	3.73%	358,198	210,541	147,657	5,345	223
Adprotel Strand, S.L.U.	25.00%	242,357	180,885	61,472	24,596	(339)
Meliá Inversiones Americanas, N.V. (*)	0.31%	841,521	499,915	341,606	1,368	178
Other companies		267,542	184,342	83,200	10,361	654
TOTAL		1,838,220	1,184,296	653,924	50,107	4,158

(*) Includes non-controlling interests in their subsidiaries (see Annex 1)

The main change in this heading relates to the inclusion of Adprotel Strand, S.L., in which the Group holds a total stake of 75%, as stated in Note 5.1.

In addition, in 2018 the Group acquired 25% of the shares in the company Idiso Hotel Distribution, S.A., owned by minority shareholders, and the corresponding transfer to net equity attributed to the parent company has been made accordingly (see Note 5.2).

Other movements in the year mainly relate to the profit/(loss) and the translation differences recognised in these companies and their subsidiaries in the amount of EUR 2.4 million, as well as dividends which amounted to EUR 1.4 million, EUR 1.7 million in 2017.

For comparison purposes, amounts for 2017 are shown below:

(Thousand €)	Minority percentage	Total Assets	Total Liabilities	Total Net Assets	Non-controlling interests	Non-controlling interests profit/(loss)
Invers. Explot. Turísticas, S.A.	44.66%	62,139	48,238	13,901	6,262	3,552
Inmobiliaria Distrito Comercial	28.22%	17,333	(31)	17,364	1,350	(196)
Idiso Hotel Distribution, S.A. (*)	25.00%	34,692	20,971	13,721	6,146	(522)
Corporación Hotelera Metor, S.A.	24.12%	24,018	10,734	13,284	3,081	(111)
Realizaciones Turísticas, S.A. (*)	3.73%	354,156	220,625	133,531	5,118	152
Meliá Inversiones Americanas, N.V. (*)	0.31%	1,031,088	578,587	452,501	1,403	46
Other companies		180,180	120,996	59,184	3,196	1,800
TOTAL		1,703,607	1,000,120	703,487	26,556	4,720

(*) Includes non-controlling interests in their subsidiaries (see Annex 1)

Note 17. Non-Current Liabilities

17.1 Capital grants and other deferred income

The breakdown of this heading is as follows:

(Thousand €)	31/12/2018	31/12/2017
Capital grants	4,456	4,675
Deferred income from customer loyalty programmes	20,849	17,534
Vacation Club deferred income	339,328	361,472
Other deferred income	3,902	3,358
TOTAL	368,535	387,039

Capital grants mainly relate to grants to finance property, plant and equipment purchases. During the fiscal year, the total amount recorded under this item in the income statement was EUR 219 thousand. In 2017, income from grants amounted to EUR 225 thousand.

Deferred income relates to outstanding obligations undertaken with customers pursuant to the entry into force of IFRS 15. Regarding loyalty programmes, a portion of the selling price of hotel rooms is assigned as fair value of the points which will be subsequently recognised in the Income statement. Deferred income from vacation club reflects the amount of weeks not yet enjoyed by the customers, net of the marketing costs directly attributable to the execution of these contracts (see Note 2 and Note 3).

17.2 Provisions

The Group maintains in non-current liabilities a balance in the amount of EUR 57.3 million in respect of provisions for contingencies and expenses. As stated in Note 3.10, this heading includes the Group's post-employment benefit obligations with staff, provisions for taxes from previous years which are at appeal or resolution stage and for urban-planning related legal disputes with public bodies, as well as the provisions recorded to cover the various liabilities and contingencies arising from operations, commitments acquired and guarantees given in favour of third parties, risks deriving from legal claims and lawsuits and potential liabilities deriving from the different interpretations to which the applicable legislation is open.

The breakdown by type of obligations is as follows:

(Thousand €)	31/12/2017	Additions	Disposals	31/12/2018
Provision for retirement, seniority bonus and personnel obligations	9,776	1,021	(78)	10,719
Provision for taxes and Public Bodies	5,830	10,805	(2,380)	14,256
Provision for onerous contracts	3,694		(919)	2,774
Provision for liabilities	23,207	8,202	(1,865)	29,543
TOTAL	42,507	20,028	(5,243)	57,293

Provisions for retirement, seniority bonus and personnel

At the end of each fiscal year, actuarial studies are carried out to assess the past services corresponding to commitments established in supra-enterprise collective agreements. In 2018, the estimated accrued amount was EUR 12.9 million, with an impact of EUR 1.6 million on the income statement for 2018. In 2017, the total amount accrued was EUR 12.3 million, with an impact of EUR 1.5 million on the income statement.

The assessment of these commitments undertaken by the Company has been conducted in accordance with the actuarial assumptions of the model which pertains to the Group, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER2000P tables, using a capitalisation rate of 1.2132%, and a salary increase assumption of 2.55%. In addition, the probability of tenure of employees until retirement has also been applied, based on the Group's experience in respect of employees leaving the Company, giving rise to the following rotation ratios according to the employee's current age:

Ages Range	% Rotation
< 45	7.28%
45 - 55	3.66%
> 55	3.06%

Likewise, a significant part of these commitments has been outsourced in compliance with the legislation in force. At the 2018 year end, the balance of assets linked to the post-employment benefit plans amounted to EUR 2.2 million, liabilities being presented in their net amount. At the 2017 year end the balance for this item was EUR 2.5 million.

On the other hand, the negative amount recognised in the Statement of comprehensive income of EUR 1.9 million relates to changes in the percentages and actuarial assumptions for the calculation of the remunerations and retirement bonuses in respect of the Group's post-employment benefits commitments to its employees. In 2017, the amount, also negative, recognised in the Statement of comprehensive income was EUR 0.9 million.

Provision for taxes and Public Bodies

The increase recognised in this heading mainly relates to the increase in provisions for any potential consequences of tax inspections in the countries in which the Group operates (see Note 19.1).

Provision for onerous contracts

The balance of the provision for onerous contracts at the end of 2018 amounted to EUR 2.8 million. This provision was calculated for the hotels that in 2018 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.

The estimate of projected cash flows of these hotels was made internally by the Company, using the operating budget for 2019 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 2019. The discount rate used in this calculation was 10.5%.

Provision for liabilities

The increase recorded in this heading includes EUR 4.3 million as a result of the obligations incurred by the Group in relation to those companies accounted for using the equity method and whose interest has been adjusted to zero.

The other movements relate to obligations under hotel lease contracts as well as provisions for disputes.

In 2017, the European Commission informed Meliá of the initiation of an investigation concerning certain vertical agreements relating to hotel reservations entered into with tour operators and other tourist agents. The investigation of the Commission did not imply the existence of an infringement, but the formal opening of a procedure for the purposes of finding out more about the issue raised, which is focused on whether or not there are price restrictions based on the place of residence or nationality of the potential customer.

Throughout the year 2018, no infringement has been confirmed by the Commission and the investigation procedure remains open. However, important progress has been made in processing the investigation through a cooperation process offered by the Commission and accepted by Meliá, without this entailing the acceptance of any infringement. This processing promotes deeper dialogue between the parties and allows to simplify formalities.

The Company actively and constructively continues to participate in the investigation, by providing as many explanations as necessary with respect to the issue raised, relying on a quick resolution of the procedure evidencing that Meliá's business practices comply with European legislation.

For comparison purposes, information for 2017 is shown below:

(Thousand €)	31/12/2016	Additions	Disposals	31/12/2017
Provision for retirement, seniority bonus and personnel obligations	9,003	1,009	(236)	9,776
Provision for taxes and Public Bodies	2,850	5,358	(2,377)	5,830
Provision for onerous contracts	7,653		(3,959)	3,694
Provision for liabilities	13,201	11,265	(1,259)	23,207
TOTAL	32,707	17,632	(7,832)	42,507

Regarding the Provision for taxes and Public Bodies heading, in 2017, there was a decrease of EUR 2.3 million in relation to the payment resulting from the tax inspections initiated by the end of 2014 on the tax group of the controlling company. On the other hand, there was an increase of EUR 5.4 million related to a provision made based on various factors, including experience concerning previous tax inspections and potential different interpretations of the tax regulations made by the Group and the competent tax authority.

Additions in the amount of EUR 10.7 million related to the provisions for disputes in various institutions (including the investigation of the European Commission as abovementioned), as well as other obligations undertaken in hotel lease agreements.

Note 18. Trade Creditors and Other Payables

The breakdown of this heading at the end of 2018 and 2017 is as follows:

(Thousand €)	31/12/2018	31/12/2017
Trade creditors	325,028	282,497
Other payables	148,981	160,778
TOTAL	474,009	443,275

18.1 Trade creditors

The balance of trade creditors includes any payables to suppliers of goods, supplies and other services or for which the invoices have not yet been received, which at the end of the year amounted to EUR 219.19 million. At the previous year end, this balance amounted to EUR 206.8 million.

Likewise, this heading includes prepayments from customers, mainly in the hotel business, which, at the end of 2018 amounted to EUR 105.84 million; EUR 75.7 million at the end of 2017.

18.2 Other payables

The main items included in Other payables are set out below:

(Thousand €)	31/12/2018	31/12/2017
Accruals and deferred income	5,386	5,940
Accrued wages and salaries	64,532	58,448
Taxes payable	21,696	15,086
Social security contributions payable	10,579	9,412
Sales output VAT		19,957
Trade payables, associates	38,002	35,370
Other liabilities	8,787	16,565
TOTAL	148,981	160,778

These balances relate to commercial transactions carried out by the Group. Payables to associates are included in section Commercial transactions in Note 20.

Note 19. Tax Situation

The companies within the Group are subject to the tax legislation applicable in the countries in which they carry out their activities. Current tax regulations in some of these countries do not coincide with the Spanish regulations. As a consequence of the above, the information included in this note should be construed in the light of the peculiarities of the applicable tax regulations for the benefit of legal entities, with reference to applicable tax bases, tax rates and deductions.

19.1 Years open to inspection

According to the legal provisions in force, tax returns may not be considered to be final until they have been inspected by the tax authorities or the statute of limitations period has elapsed, which may be extended by the tax inspection authorities.

In this respect, the years open to inspection in the various countries in which the Group operates are as follows:

	Corp. Inc. Tax	Personal Income Tax	VAT	I.G.I.C. [general indirect Canaries tax]	I.R.A.P. [Italian regional tax on productive activities]	PIS/COFINS [social integration programme/contribution for the financing of social security]
Spain	2013-2017	2015-2018	2015-2018	2015-2018		
France	2015-2017	2016-2018	2016-2018			
England	2012-2017	2013-2018	2013-2018			
Italy	2012-2017	2013-2018	2013-2018		2012-2017	
Germany	2008-2017	2009-2018	2009-2018			
Croatia	2014-2017	2014-2018	2014-2018			
China	2013-2017	2014-2018	2014-2018			
USA	2015-2017					
Mexico	2012-2017		2014-2018			
Dominican Rep.	2015-2017		2014-2018			
Venezuela	2013-2017	2014-2018	2014-2018			
Brazil	2013-2017	2014-2018				2014-2018

The Group has recorded a provision based on reasonable estimates, for the potential impacts of the inspections by tax authorities in the countries in which it operates. In 2018, that provision has been increased by EUR 8.5 million, with a total amount of EUR 13.9 million.

The amount of this provision is based on various factors, including experience concerning previous tax inspections that resulted in different interpretations of the tax regulations made by the Group and the competent tax authorities. Such potential different interpretations may arise in different issues depending on the conditions prevailing in the country in which the affected Group company is based.

In Particular, the Group considers that the probability of occurrence of tax risks arising from the different interpretations in terms of transfer prices may potentially increase, as a result of the implementation of different international regulations and the emerging adoption of new administrative practices in the countries in which the Group operates and which, in certain circumstances, may generate situations of double taxation as long as the international arbitration procedures are not efficient agreement instruments between tax authorities.

19.2 Deferred tax assets and liabilities

The balance details of the Group's deferred tax assets and liabilities in 2018 and 2017 is as follows:

(Thousand €)	Balance sheet	
	31/12/2018	31/12/2017
Non-current deferred tax asset is as follows:		
Tax credits activated by deductions pending application	6,434	7,419
Tax credits activated by tax bases pending offset	31,608	25,924
Temporary differences for:		
Tax value of Tryp goodwill	15,995	19,803
Cash flow hedges (SWAP)	746	770
Tax deductible provisions at the payment time or when liability is generated	40,018	44,505
Different criteria for tax and accounting amortisation	14,111	14,825
Inter-group results elimination	5,050	6,538
Financial expenses not deducted	21,758	10,531
Accounting (non-tax) revenues to be distributed over several years	103,511	88,985
Other	550	990
TOTAL ASSETS	239,781	220,291
Non-current deferred tax liability is as follows:		
Fair values in business combinations	36,602	31,274
Finance lease operations	21,543	24,321
Fixed assets restatement and revaluation	79,443	75,710
Property investments fair value adjustment	20,087	24,146
Differences in accounting and tax values of assets	7,607	6,214
Accounting revaluation for merger	2,525	2,869
Sales under reinvestment deferral	3,990	4,126
Accounting (non-tax) expenses to be distributed over several years	17,217	15,476
Other	298	801
TOTAL LIABILITIES	189,312	184,937

Pursuant to the entry into force of IRFS 15, deferred tax assets and liabilities have been recognised as a result of the reversal of tax revenues and expenses (see Note 2.1).

Deferred taxes recognised in 2018 and 2017 by the Group are as follows:

(Thousand €)	Deferred tax Assets	Deferred tax Liabilities
BALANCE 31/12/2016	240,154	202,858
Expenses / Income of the period	(9,511)	(2,114)
Taxes attributed directly to Equity	(487)	
Translation differences and others	(9,865)	(15,807)
BALANCE 31/12/2017	220,291	184,937
Expenses / Income of the period	628	8,240
Scope changes	19,417	7,168
Translation differences and others	(555)	(11,033)
BALANCE 31/12/2018	239,781	189,312

Deferred tax assets and liabilities are calculated considering the future changes in the tax rate approved in all geographic areas.

19.3 Tax credits for loss carryforwards

The tax loss carryforwards of the companies within the Group, detailed by geographic area and maturity date, are detailed below:

(Thousand €)	2,019	2020-2024	2025-2031	Subsequent years	Total 31/12/2018
Spain				337,872	337,872
Rest of Europe			13,468	70,282	83,750
America and rest of the world	1,031	746	4,257	33,083	39,117
TOTAL	1,031	746	17,725	441,237	460,739

Within the Rest of Europe area, England stands out with EUR 54.4 million, the Netherlands with EUR 13.4 million, Italy with EUR 8.3 million, Austria with EUR 4.1 million and France with EUR 3.4 million, and within America and the rest of the world, Brazil stands out with EUR 33.1 million, Mexico with EUR 5.7 million and People's Republic of China with EUR 0.2 million.

The Group's main capitalised tax losses and deferred tax assets generated are detailed below:

(Thousand €)	31/12/2018	
	Capitalised Tax Losses	Deferred Tax Assets
Spain	87,623	21,906
United Kingdom	41,976	7,980
Italy	6,840	1,642
Mexico	266	80
TOTAL	136,705	31,608

Tax losses offset in the fiscal year were not fully capitalised in previous years, resulting in a tax benefit of EUR 4.3 million. EUR 0.6 million of such amount corresponds to Spain, EUR 1.9 million to rest of Europe and EUR 1.8 million to America and the rest of the world.

Regarding the provisions for financial investments pending inclusion, a total of EUR 5.8 million will be gradually reversed in the tax base of Meliá Hotels International, S.A., provided that these investments generate enough profits to allow the discounting of such provisions or at a rate of 20% per year.

For comparison purposes, the tax loss carryforwards detailed by geographic area and maturity date at the 2017 year end are detailed below:

(Thousand €)	2,018	2019-2023	2024-2030	Subsequent years	Total 31/12/2017
Spain				309,513	309,513
Rest of Europe			20,958	17,340	38,298
America and rest of the world	1,707	7,034	2,851	32,163	43,755
TOTAL	1,707	7,034	23,809	359,016	391,566

The Group's main capitalised tax losses and deferred tax asset for 2017 are detailed below:

(Thousand €)	31/12/2017	
	Capitalised Tax Losses	Deferred Tax Assets
Spain	92,851	23,213
Italy	10,445	2,507
Dominican Republic	157	42
Mexico	538	162
TOTAL	103,991	25,924

19.4 Tax credits

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

(Thousand €)	2,019	2020-2024	2025-2031	Subsequent years	Total 31/12/2018
Spain			3,743	3,326	7,069
Rest of Europe	384	1,063			1,447
TOTAL	384	1,063	3,743	3,326	8,516

Accumulated tax credits at year end in the Rest of Europe entirely relate to France.

75.56% of tax credits have their corresponding deferred tax asset duly recognised.

For comparison purposes, available tax credits by geographic area and maturity date, at the 2017 year end are detailed below:

(Thousand €)	2,018	2019-2023	2024-2030	Subsequent years	Total 31/12/2017
España	152	713	3,937	2,614	7,416
America and rest of the world				3	3
TOTAL	152	713	3,937	2,617	7,419

The information set out in Article 84 of Law 27/2014 of 27 November on Corporate Income Tax applicable to mergers and divisions 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:

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

19.5 Reconciliation of the consolidated accounting income and the aggregated tax base

(Thousand €)	2018	2017
Consolidated Net Income	144,236	128,643
Income tax expense	41,158	42,599
Adjustments for impairment and provisions	22,788	(1,670)
Finance lease transactions	9,750	2,300
Non-deductible expense/income	(46,308)	(42,024)
Exchange differences	(24,753)	4,258
Inflation adjustments	7,913	(10,226)
Other adjustments	(48,057)	(496)
PREVIOUS TAXABLE INCOME	106,727	123,384
Offset of tax-loss carryforwards	(8,694)	(15,300)
Tax losses not recognised	(15,953)	(4,188)
GROSS TAX BASE	82,080	103,896
TAX EXPENSE AT RATE APPLICABLE BY LAW (25%)	20,520	25,974
Effect of tax rate applicable in other countries	7,985	3,744
CORPORATE INCOME TAX FOR THE PERIOD	28,505	29,718

19.6 Income tax expense

The table below reflects the amounts recorded as an expense for the fiscal years 2018 and 2017, the balances being detailed by items, and differentiating between current tax and deferred tax.

(Thousand €)	2018	2017
	Expense / (Income)	Expense / (Income)
Current Tax		
Income tax for the period	28,505	29,718
Other taxes for the fiscal year	4,220	2,755
Adjustments to income tax of prior years	821	1,225
Deferred Tax		
Net variation in credits for tax losses	5,579	437
Net variation in tax credits	952	1,814
Other deferred tax	1,081	5,146
TOTAL INCOME TAX EXPENSE	41,158	41,095

The heading Other taxes for the fiscal year relates to taxes similar to the income tax as well as other taxes in developing countries based on income or assets.

All Adjustments to income tax in fiscal years prior to 2018 and 2017, relate to changes between the final tax and the tax estimate made during the previous year.

In 2018 there have been no effects due to changes in the applicable tax rates; in 2017 tax expenses dropped by EUR 1.5 million.

Note 20. Information on Related Parties

The following are considered to be related parties:

- Associates accounted for by the equity method, as detailed in Annex 2 of the notes to these annual accounts.
- Significant shareholders of the controlling company.
- Executives and members of the Board of Directors.

All transactions with related parties are arm's length transactions under market conditions.

20.1 Transactions with associates and joint ventures

Commercial transactions

Commercial transactions carried out with associates and joint ventures mainly relate to hotel management activities and other related services. The table below shows the amount recognised in operating income in the consolidated income statement, and the balances outstanding at the end of 2018 and 2017:

(Thousand €)	31/12/2018			31/12/2017		
	Net Income 2018	Assets	Liabilities	Net Income 2017	Assets	Liabilities
Evertmel Group (*)	(8,040)	568	25,868	(7,943)	1,737	27,064
Meliá Zaragoza, S. L.	84			782	373	12
Adprotel Strand, S. L.	(3,802)			(2,481)		
Producciones de Parques Group (*)	3,267	1,276	1,454	2,791	1,324	5,298
Melcom Group (*)			1,122			
Altavista Hotelera, S. L.	(8,500)	988		(7,283)	69	
Fourth Project 2012, S.L.	(2,465)	11	4,294	(1,865)	11	2,077
Melia Hotels USA Group (*)		41	692		1,758	102
Jamaica DevCo	(618)	1,487	1,200	805	100	
TOTAL JOINT VENTURES	(20,075)	4,371	34,630	(15,194)	5,372	34,553
Turismo de Invierno, S.A.	704	457	414	646	859	27
C.P. Meliá Castilla	4,189	1,862	290	4,148	2,522	82
C.P.A.M.Costa del Sol	2,478	577	175	2,188	706	60
Nexprom, S.A.	2,308	1,057	164	1,771	865	59
Starmel Group (*)	2,580	809	424	1,548	425	88
Renasala Group (*)	5,570	2,200	1,785	5,633	2,404	171
El Recreo Group (*)						1
Inversiones Guiza, S. A.		14	13		16	13
Banamex, S.A. Fideicomiso	1,503	1,042	98	1,837	1,568	299
Hellenic Hotel Manag. CO. HB. S. A.						
Detur Panamá, S. A.	249	1,623	8	234	1,301	17
TOTAL ASSOCIATED COMPANIES	19,583	9,640	3,372	18,005	10,665	817
TOTAL	(492)	14,011	38,002	2,811	16,037	35,370

(*) Companies pertaining to the same business line are jointly presented

Evermel Group which comprises the companies Evertmel, S.L., Mongamenda S.L. and Kimel S.L.

Producciones de Parques Group which comprises the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú, S.L.

Starmel Group which comprises the companies Starmel Hotels JV, S.L., Starmel Hotels OP 2 S.L.U., Fuerteventura Beach Property, S.L.U. and Santa Eulalia Beach Property, S.L.U.

Renasala Group which comprises the companies Renasala, S.L., Starmel Hotels OP, S.L.U., Torremolinos Beach Property, S.L.U.,

Palmanova Beach Property, S.L.U., Puerto del Carmen Beach Property, S.L.U., San Antonio Beach Property, S.L.U.

Melia Hotels USA, LLC Group which comprises the companies Melia Hotels USA, LLC. and Melia Hotels Florida LLC.

El Recreo Group which comprises the companies El Recreo Palza, C.A. and El Recreo Plaza & Cía.

Melcom Group which comprises the companies Sistemas Ribey Cloud, S.L., Pelicanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture S.L.

Regarding changes in Net income, it is worth noting that in the company Adprotel Strand S.L. the impact of the rental expense of the hotel operated by the Group is recorded only for the first quarter of the year, since, from that moment on, the company became fully consolidated, as stated in Note 5.

Financing transactions

The breakdown of the financing maintained by the group with associates at the end of 2018 and 2017 is as follows:

(Thousand €)	31/12/2018			31/12/2017		
	Net Income 2018	Assets	Liabilities	Net Income 2017	Assets	Liabilities
Evertmel Group (*)	667	18,807		1,185	16,664	
Meliá Zaragoza, S. L.	245			112	4,155	
Altavista Hotelera, S. L.	282	12,564		394	12,665	
Adprotel Strand, S. L.	3,517			1,969	65,805	
Grupo Melcom (*)	375	37,304				
Producciones de Parques Group (*)	(7)			395		
Fourth Project 2012, S.L.	(63)		6,350	2	135	
Melia Hotels USA Group (*)	487	909		196	8,212	
Jamaica DevCo	190	19,174		63	2,085	
TOTAL JOINT VENTURES	5,693	88,759	6,350	4,316	109,722	
Turismo de Invierno, S.A.	14	510		57	510	
Starmel Group (*)	588	4,967		337	4,608	
Renasala Group (*)	1,084	21,958		860	22,039	
Banamex, S.A. Fideicomiso	(1)			374		
Hellenic Hotel Manag. CO. HB. S. A.					48	
Detur Panamá, S. A.	700	3,158		(489)	2,958	
TOTAL ASSOCIATED COMPANIES	2,385	30,592		1,139	30,164	
TOTAL	8,077	119,351	6,350	5,455	139,885	

(*) Companies pertaining to the same business line are jointly presented

Evermel Group which comprises the companies Evertmel, S.L., Mongamenda S.L. and Kimel S.L.

Producciones de Parques Group which comprises the companies Producciones de Parques, S.L., Tertian XXI S.L.U. and Golf Katmandú, S.L.

Starmel Group which comprises the companies Starmel Hotels JV, S.L., Starmel Hotels OP 2 S.L.U., Fuerteventura Beach Property, S.L.U. and Santa Eulalia Beach Property, S.L.U.

Renasala Group which comprises the companies Renasala, S.L., Starmel Hotels OP, S.L.U., Torremolinos Beach Property, S.L.U.,

Palmanova Beach Property, S.L.U., Puerto del Carmen Beach Property, S.L.U., San Antonio Beach Property, S.L.U.

Melia Hotels USA, LLC Group which comprises the companies Melia Hotels USA, LLC. and Melia Hotels Florida LLC.

Melcom Group which comprises the companies Sistemas Ribey Cloud, S.L., Pelicanos Property, S.L.U., Bellver Property, S.L.U. and Melcom Joint Venture S.L.

Main movements of financial assets relate to the decrease in the amount of EUR 65.8 million in Adprotel Strand, S.L., as a result of its full consolidation, partially offset by an increase in the amount of EUR 37.3 million relating to the inclusion in the scope of consolidation of Melcom Group. On the other hand, an increase of EUR 17 million in Jamaica DevCo took place due to the funds provided by the Group for the financing of the hotel built by such company.

At each year end, interest is calculated on the average balance of the current accounts, including debit or credit balances, depending on the special circumstances of each joint venture or associate, 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. The interest rate applied in 2018 and 2017 was 2%.

Guarantees and deposits

As stated in Note 20.2, the Group has bank guarantees regarding certain liabilities recognised in associates or joint ventures. At the end of 2018, such guarantees are as follows:

Meliá Hotels International, S.A. 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.

In 2017, the main deposits with associates and joint ventures were as follows:

Meliá Hotels International, S.A., acted as guarantor of Detur Panamá, S.A., which owns the Meliá Panamá Canal Hotel, for a loan in the amount of USD 2 million granted by Caixabank. The sum guaranteed as at 31 December 2017 was USD 0.8 million.

Meliá Hotels International, S.A. guaranteed 50% of the mortgage loan granted by Banco Popular to Meliá Zaragoza, S.L. The amount guaranteed at the end of the fiscal year totalled EUR 10.7 million.

20.2 Transactions with significant shareholders

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

(Thousand €)	Transaction type	2,018	2,017
Hoteles Mallorquines Asociados, S.L.	Goods purchase	1,585	759
Hoteles Mallorquines Asociados, S.L.	Services rendered	0	16
Hoteles Mallorquines Asociados, S.L.	Leases	171	1,985
Hoteles Mallorquines Asociados, S.L.	Financial investment purchase		8,992
Hoteles Mallorquines Agrupados, S.L.	Financial investment purchase		8,992
Hoteles Mallorquines Consolidados, S.A.	Financial investment purchase		10,065

The Financial investment purchases included in the table above in 2017, relate to the amount paid to the significant shareholders of the Group, included in the transaction of the acquisition of 35% of the company Homasi, S.A., as broken down in Note 5.

Due to the amount of the related transaction, the Audit and Compliance Committee and the Board of Directors prepared mandatory reports and authorised, respectively, such transaction, the executive and proprietary directors abstaining from deliberating and voting. Such directors reported, and included in the annual statement, the conflict of interest that has arisen, as broken down in Note 21 of the Consolidated annual accounts for year 2017.

20.3 Transactions with executives and members of the Board of Directors.

Board meeting and committee attendance fees paid to the directors in 2018 and 2017 were as follows:

(Thousand €)	2018	2017
External independent directors	476	455
Mr. Juan Arena de la Mora	79	70
Mr. Luis María Díaz de Bustamante y Terminel	108	105
Mr. Fco Javier Campo García	90	79
Mr. Fernando D'Ornellas Silva	115	120
Mrs. Carina Szpilka Lazaro	84	81
Proprietary directors	219	248
Mr. Gabriel Escarrer Julia	49	49
Mr. Sebastián Escarrer Jaume	54	60
Mr. Juan Vives Cerdá	44	70
Hoteles Mallorquines Consolidados S.A.	72	69
Other external director	81	81
Mr. Alfredo Pastor Bodmer	81	81
Executive director	54	49
Mr. Gabriel Juan Escarrer Jaume	54	49
TOTAL	830	833

Remuneration of executive directors and members of the senior management in 2018 and 2017 were as follows:

(Thousand €)	2018		2017	
	Fixed Remuneration	Variable Remuneration	Fixed Remuneration	Variable Remuneration
Executive directors	875	481	846	412
Mr. Gabriel Juan Escarrer Jaume	875	481	846	412
High direction	1,819	650	1,752	608
TOTAL	2,694	1,131	2,598	1,020

The Company has not assumed any obligation and has not granted any advance payment or loans to directors. On the other hand, the Group 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 2018 of EUR 91,289, EUR 93,412 in 2017. There are no share-based payments.

The breakdown below relates to transactions between Group companies and the Company's directors or executives in 2018 and 2017:

(Thousand €)	Tipo de operación	2018	2017
Mr. Juan Vives Cerda	Services received	56	70
Mr. Juan Vives Cerda	Services provided	656	570

Note 21. Contingent Assets and Liabilities

The Group has commitments with third parties in respect of assets and liabilities not recognised in the balance sheet given the remote probability that they give rise to and outflow of economic resources or because the commitments must not be recognised in accordance with current regulations. Such contingent assets and liabilities are detailed below by amount and item.

21.1 Leases

As at 31 December 2018, the Group operates 102 hotels under lease with 22,248 rooms; in 2017, the Group operated 101 hotels with 21,859 rooms.

The average term of these operating lease contracts is 6.97 years. Most of them have a contingent component relating to changes in the relevant consumer price indexes and, in addition, in 39 hotels, there is other contingent component relating to the evolution of the result obtained by each hotel establishment, which is not used in the calculation of the lease payments. The contingent lease payment in 2018 amounted to EUR 19.4 million; EUR 22.3 million in 2017.

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

(Thousand €)	31/12/2018	31/12/2017
Less than 1 year	182,948	172,809
Between 1 and 5 years	597,649	655,334
More than 5 years	670,450	848,930
Total	1,451,047	1,677,072

21.2 Guarantees and deposits

Meliá Hotels International, S.A. secures lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 64.7 million and through corporate guarantee in the amount of EUR 10.1 million.

Meliá Hotels International, S.A. secures several operations through bank guarantees and for various items, in the amount of EUR 40.4 million.

Meliá Hotels International, S.A. has granted collateral and bank guarantees for operations undertaken by associates in the amount of EUR 19.8 million, as mentioned in Note 20.1.

For comparison purposes, information for year 2017 is shown below:

Meliá Hotels International, S.A. secures lease payments in favour of several hotel owners through bank guarantees in the total amount of EUR 84.2 million and through corporate guarantee in the amount of EUR 7 million.

Meliá Hotels International, S.A. secures through a bank guarantee the taking of possession under a lease agreement of a building to be used as parking space and commercial premises located in Barcelona totalling EUR 0.7 million.

Meliá Hotels International, S.A. secures several operations through bank guarantees and for various items, in the amount of EUR 38.1 million.

Meliá Hotels International, S.A. has granted collateral and bank guarantees for operations undertaken by associates in the amount of EUR 11.9 million.

21.3 Other contingent liabilities

Corporación Hotelera Metor, S.A., a subsidiary which is 76% owned, is involved in a dispute with its minority shareholder, claiming that all agreements and transactions carried out with such shareholder be declared invalid. The Company has undertaken the necessary actions to ensure that the resolution of such dispute does not have a significant impact on the Group's financial statements. In addition, there is no economic assessment, since this is a dispute concerning the control and the challenging of certain corporate agreements.

Note 22. Other Information

Situations of conflicts of interest in which 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 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. Direct or indirect shareholdings controlled by members of the Board of Directors of the Company are as follows:

Shareholder / Board Member	Nr.direct and indirect voting rights	% total voting rights	Position on the Board
Mr. Gabriel Escarrer Juliá	11,542,525	5.0250%	Chairman
Hoteles Mallorquines Consolidados, S.L.	53,700,867	23.3787%	Director
Mr. Alfredo Pastor Bodmer	6,000	0.0026%	Director
Mr. Juan Arena de La Mora	1,000	0.0004%	Director
Mr. Luis M ^a Díaz de Bustamante y Terminié	300	0.0001%	Secretary and Director
Mr. Juan Vives Cerdá	375	0.0002%	Director

The Directors and persons related to them, other than those already mentioned, or persons acting on their behalf, have not undertaken during the fiscal year other transactions with the Company or other Group companies, which fall out of the scope of the Group's ordinary course of business or which are not based on market conditions.

Information on the deferral of payments to suppliers

The information required pursuant to 3rd additional provision of Law 15/2010, of 5 July, is included below. The table below shows the breakdown related to Meliá Hotels International, S.A. and its Spanish subsidiaries for 2018 and 2017:

(Thousand €)	2,018	2,017
Supplier average payment period	55.12	72.88
Ratio of transactions paid	54.40	72.78
Ratio of transactions pending payment	62.64	73.54
TOTAL PAYMENTS MADE	555,604	510,109
TOTAL OUTSTANDING PAYMENTS	53,622	77,181

During the year, the Company has carried out a review process of the administrative processes from the receipt of invoices to their payment, thus reducing, in as far as possible, the average term of payment.

Audit fees

Fees for auditing the consolidated annual accounts, as well as the parent company and subsidiaries amounted to EUR 1,470 thousand, of which EUR 787 thousand have been invoiced by PricewaterhouseCoopers España, EUR 378 thousand by PricewaterhouseCoopers at an international level and the remaining EUR 304 thousand by other audit firms. Likewise, fees invoiced during the year for other services provided by other companies pertaining to the network of auditors of the consolidated annual accounts totalled EUR 239 thousand.

In 2017, fees for auditing the consolidated annual accounts, as well as the parent company and subsidiaries amounted to EUR 1,339 thousand, of which EUR 763 thousand were invoiced by PricewaterhouseCoopers España, EUR 352 thousand by PricewaterhouseCoopers at an international level and the remaining EUR 224 thousand by other audit firms. Likewise, fees invoiced in 2017 for other services provided by other companies pertaining to the network of auditors of the consolidated annual accounts totalled EUR 493 thousand.

The following subsidiaries of the Meliá Group in the United Kingdom are exempted from audit requirements of their individual annual accounts pursuant to the Section 479A of the British Companies Act:

- ✓ Melia Hotels International UK Limited (registration number 09925231)
- ✓ Lomondo Limited (registration number 02793825)
- ✓ London XXI Limited (registration number 08303817)

Environmental risks

These consolidated annual accounts do not include any item relating to environmental information that should be included pursuant to Order of the Ministry of Justice dated 8 October 2001.

Note 23. Events after the Reporting Date

There have been no events between the end of the reporting period and the preparation of these consolidated annual accounts which may involve any adjustments to evidence conditions that existed at the year end, and no events have taken place after the year end which could affect the capacity of the users of the Financial statements to make proper evaluations and economic decisions.

Annex 1. Subsidiaries

	COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A) (F1)	APARTHOTEL BOSQUE, S. A.	Camilo José Cela, 5 (Palma de Mallorca)	Spain	85.00%		85.00%
(A)	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. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49.00%	49.00%
(A)	BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	Mexico		99.68%	
					0.01%	99.69%
(A)	CALA FORMENTOR, S. A. de C. V.	Boulevard Kukulkan (Cancún)	Mexico		92.40%	
					7.29%	99.69%
(A)	CARIBOTELS DE MEXICO, S. A. de C. V.	Playa Santa Pilar, Aptdo 9 (Cozumel)	Mexico		16.41%	
					29.63%	
					53.70%	99.74%
(A) (F1)	COLÓN VERONA,S.A. (JV)	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)	DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49.85%	
					49.85%	99.69%
(A)	DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		61.79%	
					20.25%	
					17.66%	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)	Dominican 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)	Dominican Rep.		99.69%	99.69%
(A)	INVERSIONES AREITO, S.A.	Avda. Barceló, s/n (Bávaro)	Dominican Rep.	64.54%		
					35.46%	100.00%
(A) (F1)	INV. HOTELERAS LA JAQUITA, S.A.	Avda. de los Océanos, s/n (Tenerife)	Spain		49.07%	
					50.00%	99.07%
	LOMONDO Limited	Albany Street-Regents Park (Londres)	Great Britain		100.00%	100.00%
	LONDON XXI Limited	336-337 The Strand (Londres)	Great Britain		100.00%	100.00%
	MELIÁ BRASIL ADMINISTRAÇÃO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil		20.00%	
					80.00%	100.00%
(A)	MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		100.00%	100.00%
	MELIA HOTELS ORLANDO, LLC. (JV)	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. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A)	SOL MELIÁ DEUTSCHLAND, gmbh	Am Schimmersfeld 5 (Ratingen)	Germany	100.00%		100.00%
(A)	SOL MELIÁ ITALIA S.R.L.	Via Masaccio 19 (Milan)	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%
	MANAGEMENT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	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 GESTÃO E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	100.00%		100.00%
	MARKSERV, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	51.00%		
					49.00%	100.00%
(A)	MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		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 Jose)	Costa Rica		100.00%	100.00%
(A)	OPERADORA MESOL, S. A. de C. V.	Bldv. Kukulkan Km 16.5 No 1 T.5. Zona Hot (Cancún)	Mexico	75.21%		
					24.79%	100.00%
	PT SOL MELIÁ INDONESIA	Ed.Plaza Bapindo-Menara Mandiri Lt.16	Indonesia	90.00%		
		JL.Jend.Sudirman Kav.54-55 (Jakarta)			10.00%	100.00%
	SOL MANINVEST, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
(A)	SOL MELIÁ BALKANS EAD	Región de Primorski,Golden-Sands-Varna	Bulgaria	100.00%		100.00%
(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)				
(A)	SOL MELIÁ HRVATSKA d.o.o ROVINJ	Vladimira Nazora, 6 (Rovinj)	Croacia		100.00%	100.00%
	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%
(A)	SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Fribourg)	Switzerland		100.00%	100.00%

(*) Shareholding in this company is through the ownership of apartments representing 93.27% and which are recognised under the heading Property, plant and equipment.

	COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A)	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, Bahia	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%
(A)	(F1) IDISO HOTEL DISTRIBUTION,S.A.	Aravaca 22,Bis (Madrid)	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.	Bld.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%
	INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	100.00%		100.00%
(A)	(F1) MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	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%
(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%
(A)	SIERRA PARIMA, S.A.	Avda. Barceló, s/n (Bávaro)	Dominican Rep.	100.00%		100.00%
	SOL CARIBE TOURS, S. A.	Via Grecia - Edif. Alamanda 6B (Panamá)	Panama		100.00%	100.00%
	SOL GROUP CORPORATION	2100, Coral Way, suite 402 (Miami)	USA		100.00%	100.00%
	SOL MELIÁ EUROPE, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
	SOL MELIÁ FUNDING	Regatta Office Park West Bay Road P.O.Box 31106	Cayman Islands		100.00%	100.00%
(A)	SMVC DOMINICANA, S.A.	Lope de Vega, 4 (Santo Domingo)	Dominican Rep.		100.00%	100.00%
(F1)	SMVC ESPAÑA S.L.	Mauricio Legendre,16 (Madrid)	Spain		100.00%	100.00%
(A)	SMVC MÉXICO, S.A de C.V.	Boulevard Kukulkan (Cancún)	Mexico		100.00%	100.00%
	SMVC PANAMÁ S.A.	Antigua escuela las Américas, Lago Gatún	Panama		100.00%	100.00%
(A)	SMVC PUERTO RICO	Sector Coco Beach, 200 Carretera 968 (Rio Grande)	Puerto Rico	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%
	HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A)	(F2) CADSTAR FRANCE, S.A.S.	12, Rue du Mont Thabor (Paris)	France		100.00%	100.00%
	(F3) DESARR.HOTEL. SAN JUAN, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
(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%
	(F3) FARANDOLE, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		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)	Holland	100.00%		100.00%
(A)	(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)	Dominican Rep.	100.00%		100.00%
	MELIÁ HOTELS INTERNAT. UK LIMITED	Albany Street , Regents Park, London NW1 3UP	Great Britain		100.00%	100.00%
	MELIÁ INV. AMERICANAS, N. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland		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%
(F3)	SAN JUAN INVESTMENT, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Holland		99.69%	99.69%
	SOL GROUP, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
(A)	(F2) SOL MELIÁ FRANCE, S.A.S.	20 Rue du Sentier (Paris)	France	100.00%		100.00%
	SOL MELIÁ INVESTMENT, N. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Holland	100.00%		100.00%
	SOL MELIA VACATION CLUB LLC.	Bickell Avenue, 800 (Miami)	USA		100.00%	100.00%
	DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(F1)	ADRIMELCO INVERSIONES, S.L.U.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100.00%		100.00%
	ALMELDIK, S.A.R.L.A.U.	219,Bd.Zerketouini angle Bd.Roudani N.13 (Maarif-	Morocco	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 (Higüey)	Dominican Rep.		49.85%	49.85%
	COMP. TUNISIENNE GEST. HOTELIÈRE	18 Boulevard Khézama n° 44, 4051 Sousse (Tunisia)	Tunisia		100.00%	100.00%
(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%
	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 - 1° Etage	Morocco		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 consolidated tax group with Meliá Hotels International, S.A.

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

(F3) Companies included in consolidated tax group with Meliá Inversiones Americanas, N.V.

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

Annex 2. Associates and Joint Ventures

	COMPANIES OPERATING HOTELS	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A)	BANAMEX S.A. FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	Mexico		30.28%	30.28%
(A)	COM. PROP. APARTOTEL MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	31.63%	0.09%	31.72%
	C.P.APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	2.46%	18.71%	21.17%
	DETUR PANAMÁ S. A.	Antigua Escuela Las Américas (Colón)	Panama	32.72%	17.21%	49.93%
(A) (F8)	STARMEL HOTELS OP, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	MELIÁ ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	50.00%		50.00%
(A)	NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	17.50%	2.50%	20.00%
	PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	12.23%	7.78%	20.01%
(A) (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.	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%
	HOTEL OWNER COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A) (F7)	ALTAVISTA HOTELERA, S.L. (JV)	Avda. Pere IV, 272 (Barcelona)	Spain	7.55%		
	EL RECREO PLAZA & CIA., C.A.	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		41.19%	48.74%
					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. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50.00%	50.00%
(A) (F4)	FUERTEVENTURA BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A)	JAMAICA DEVCO S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49.00%		49.00%
	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) (F8)	PALMANOVA BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A) (F8)	PUERTO DELCARMEN BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A) (F8)	SAN ANTONIO BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A) (F4)	SANTA EULALIA BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20.00%	20.00%
(A) (F8)	TORREMOLINOS BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30.00%	30.00%
(A)	PELICANOS PROPERTY, S.L.U.	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
(A)	BELLVER PROPERTY, S.L.U.	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
	COMPANIES WITH SUNDRY ACTIVITIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	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)	Dominican Rep.		49.84%	49.84%
(F6)	KIMEL MCA, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49.00%	49.00%
	DORMANT COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
	HELLENIC HOTEL MANAGEMENT	Panepistimiou, 40 (Atenas)	Greece	40.00%		40.00%
	HOLDING COMPANIES	REGISTERED OFFICE	COUNTRY	DIR.HOLD.	IND.HOLD.	TOTAL
(A) (F4)	STARMEL HOTELS JV, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	20.00%		20.00%
	EL RECREO PLAZA, C.A.	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		19.94%	19.94%
	MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50.00%	50.00%
	PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	20.00%		20.00%
(A) (F8)	RENASALA, S.L.	Zurbarán, 9 (Madrid)	Spain	30.00%		30.00%
	HOMASI, S.A.	C/ Cavanilles 15,Pl.baja (Madrid)	Spain	34.99%		34.99%
	SISTEMAS RIBEY CLOUD, S.L.U.	C/ Recoletos 3, 1º (Madrid)	Spain		50.00%	50.00%
	PROYECTOS CORPORATIVOS NOAH II, S.L.	C/ Recoletos 3, 1º (Madrid)	Spain	50.00%		50.00%

(A) Audited companies

(JV) Joint ventures

(F4) Companies included in consolidated tax group with Starmel Hoteles JV, S.L.

(F5) Companies included in consolidated tax group with Producciones de Parques, S.L.

(F6) Companies included in consolidated tax group with Evertmel, S.L.

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

(F8) Companies included in consolidated tax group with Renasala, S.L.

(*) Shareholding in these companies is through the ownership of apartments representing 31.72% and 21.18%, respectively, and which are recognised under the heading Investment property.

Preparation of the Consolidated Management Report and Consolidated Annual Accounts for 2018

The preparation of the Consolidated Management Report and Annual Accounts has been approved by the Board of Directors, in the meeting held on 27 February 2019, subject to verification by the Auditors and subsequent approval by the General Shareholders' Meeting.

The Consolidated Management Report and Annual Accounts are issued in 403 sheets, all of them signed by the Secretary, and being this last sheet signed by all Directors.

Signed Mr. Gabriel Escarrer Juliá
Chairman

Signed Mr. Juan Vives Cerdá
Honorary Vice-Chairman

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

Signed Mr. Sebastián Escarrer Jaume
Director

Signed Mr. Alfredo Pastor Bodmer
Director

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

Signed Mr. Juan Arena de la Mora
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Mr. Fernando d'Ornellas Silva
Director

Signed Mrs. Carina Szpilka Lázaro
Director

Signed Mr. Luis M^a Díaz de Bustamante y Terminel
Secretary and Independent Director



MELIÀ HOTELS INTERNATIONAL, S.A.

Independent Verification Report
31 December 2018



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

INDEPENDENT VERIFICATION REPORT

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited level of assurance, the accompanying Consolidated Non-Financial Statement (“NFS”) for the year ended 31 December 2018 of Meliá Hotels International, S.A. and its subsidiary companies (hereinafter Meliá Hotels International, the entity or the Group) which forms part of Meliá Hotels International’s Consolidated Management Report.

The content of the Consolidated Management Report includes additional information to that required by current mercantile regulations which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information in the table named “Traceability for the non-financial information statement” and in the table named “Table of contents GRI” included as annexes to the attached Consolidated Management Report.

Responsibility of the Board of Directors

The preparation of the NFS included in the Group’s Consolidated Management Report and the content thereof are responsibility of the Board of Directors of Meliá Hotels International, S.A. The NFS has been drawn up in accordance with the provisions of prevailing mercantile regulations and the Sustainability Reporting Standards of the Global Reporting Initiative (“GRI Standards”) described in accordance with the Essential Option, in line with the details provided for each matter in the table named “Traceability for the non-financial information statement” and in the table named “Table of contents GRI” included as annexes to the Consolidated Management Report.

This responsibility also includes the design, implementation and maintenance of internal control considered necessary to allow the NFS to be free of material impropriety, due to fraud or error.

The Board of Directors of Meliá Hotels International are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA”) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

PricewaterhouseCoopers Auditores, S.L., Torre PwC, Pº de la Castellana 259 B, 28046 Madrid, España
Tel.: +34 915 684 400 / +34 902 021 111, Fax: +34 915 685 400, www.pwc.es

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Our responsibility

Our responsibility is to express our conclusions in an independent verification report under a limited level of assurance based on the work carried out in relation solely to fiscal year 2018. The data relating to previous years were not subject to the verification envisaged in current mercantile regulation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of nature and timing, and are more limited than in a reasonable assurance engagement. Accordingly, the assurance provided is lower.

Our work has consisted of posing questions to Management and several Meliá Hotels International's units that were involved in the preparation of the NFS, in the review of the processes for compiling and validating the information presented in the NFS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Meliá Hotels International personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content included in the NFS for 2018 based on the materiality analysis carried by Meliá Hotels International, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in NFS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFS for 2018.
- Verification, through sample testing, of the information relating to the content of the NFS for 2018 and its adequate compilation using data supplied by Group information sources.
- Obtainment of a management representation letter from the Directors and Management.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, no matters have come to our attention that might lead us to believe that the NFS of the Group for the year ended 31 December 2018 has not been prepared, in all relevant aspects, in accordance with the terms of current mercantile legislation and following the criteria of GRI standards in accordance with the Essential Option as described for each area in the table named "Traceability for the non-financial information statement" and in the table named "Table of contents GRI" included as annexes to the Consolidated Management Report.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Ramón Abella

27 February 2019



Independent auditor's report on the consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Meliá Hotels International, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2018, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2018, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

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 judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter
How our audit addressed the key audit matter
Valuation of property, plant and equipment for owned hotels

The carrying amount of property, plant and equipment for owned hotels stated in Note 10 of the accompanying consolidated notes to the annual accounts totals €1,664.3 million at 31 December 2018, which represents 48% of the total assets. As stated in Note 3.2 on the accounting policies for property, plant and equipment, the Group values these assets at their depreciated cost less the accumulated amount of impairment adjustments considered, which occurs when the asset's carrying amount exceeds its recoverable amount.

To obtain the recoverable amount of these assets, in the 2018 financial year, the Group has obtained the fair value from independent expert appraisals of all of the owned hotels made during the financial year.

The methodology used to determine the fair value of property, plant and equipment is mainly the cash flow discount method, generally applied over 10 years, in accordance with usual market practice. These valuations are based on a series of significant judgments and estimates.

Therefore, we have focused on this area given the relative importance of this caption for all of the Group's assets and the complex judgments and significant estimates required from the Group's management and directors. In these cases, changes may lead to a relevant variation of the recoverable value of these assets and their respective impact on the consolidated income statement.

To validate their carrying amount before considering any impairment losses, we have verified the annual depreciation of the different types of assets of property, plant and equipment and observed that it is calculated in accordance with the straight-line method over their useful life, without detecting any significant issues.

We have obtained the valuations of owned hotels made by the independent expert in the 2018 financial year and we have assessed the requirements regarding the expert's competence and independence, without detecting any issues.

We have determined that the valuations have been carried out in accordance with the Regulatory Standards of the Royal Institution of Chartered Surveyors (RICS) published by the International Valuation Standards Committee (IVSC). To do so, we have had meetings with the surveyors together with our internal experts and we have concluded that the methodology used by the independent expert is in line with the sector's best practices and market standards.

In addition, for a representative sample of these valuations, we have verified the reasonability of the assumptions used by the independent expert such as the discount rate of cash flows (together with our internal experts), growth rates, inflation, occupation and income per available room, among others; comparing them with historical results and other sectoral information available.

Finally, we have verified the corresponding breakdowns in Notes 3.2 and 10 of the accompanying consolidated annual accounts in accordance with the applicable financial reporting framework.

We consider that we have obtained sufficient audit evidence during our work to reasonably conclude on the valuation of the property, plant and equipment for owned hotels.

Key audit matter
How our audit addressed the key audit matter
Provision for onerous contracts

As stated in Note 17.2, the consolidated balance sheet at 31 December 2018 includes a balance totalling €2,774 thousand corresponding to the provision for onerous contracts. As indicated in Note 3.10) Provisions and contingencies, the Group considers that a contract is onerous when the inevitable costs of complying with its obligations exceed the economic benefits expected to be received from the contract.

The Group's directors annually review the estimate of future results arising from lease contracts for hotels of third parties, based on the flows expected from related cash-generating units, applying an appropriate discount rate.

The estimation of future cash flows requires considerations regarding growth rates, inflation, occupation and income per available room. The value of this provision is particularly sensitive to the assumptions used for the calculation of discounted cash flows and income budgets.

Therefore, we have focused on this area as the evaluation of the provision for onerous contracts made by the directors requires complex judgments and/or analyses and so, there is a risk that this provision may be overvalued if the estimates and assumptions of the valuation models applied are not adequate.

We have evaluated the Group's identification of the leased hotels whose contracts could be considered onerous. We have analysed the real result obtained from the leased hotels in the financial year ending 31 December 2018 and, for hotels with losses, we have carried out a more detailed evaluation.

For the leased hotels with losses, we have evaluated and questioned the composition of future cash flow provisions and the process applied to prepare them, considering the budget for the following financial years based on historical data and on the budgets approved by the directors for the 2019 financial year, and we have evaluated the changes to market conditions and the Group's future plans.

We have verified the accuracy and suitability of the cash flow discount model, including the evaluation of growth rates, inflation, occupation and income per available room, comparing them with available external data on the sector or our knowledge of the Group and the sector.

Finally, we have considered that the presentation and breakdown of the provision for onerous contracts in the Group's consolidated annual accounts are adequate.

We consider that we have obtained sufficient and adequate evidence on the estimate of the provision for onerous contracts made by the Group at year end.

Tax, legal and regulatory risks

The Group has a wide range of operations worldwide and therefore, in its normal course of business, the Group may be undergoing administrative, judicial or arbitral, proceedings, of a tax, legal and/or regulatory nature.

Therefore, management should make significant judgments and estimates regarding uncertain tax, legal and regulatory liabilities. The Group's accounting policy on this matter is given in Note 3.10) Provisions and contingencies of the accompanying consolidated notes to the annual accounts.

Our work on the process of estimating provisions for tax, legal and regulatory risks made by the Group has consisted of the following procedures:

- Gaining an understanding of the policy for qualifying litigation and the need for a provision, in accordance with applicable accounting regulations.
- Obtaining letters of confirmation from the Group's legal and tax advisors as well as from the Group's external lawyers and advisors to analyse their evaluation of the expected results of existing lawsuits, proceedings or arbitration of a tax, legal and/or regulatory nature, and to evaluate the recognition of the provision as well as the identification of potential omitted liabilities.

Key audit matter	How our audit addressed the key audit matter
<p>Consequently, there are situations which, even if they are not subject to judicial proceedings, require the recognition of provisions, in accordance with the evaluation made by the Group, as stated in Note 17.2 of the accompanying consolidated notes to the annual accounts.</p> <p>Due to the complexity of transfer pricing legislation and other tax, legal and regulatory legislation, the provision for litigation and other liabilities is one of the areas that requires greater judgment and estimate and for this reason its analysis is a key matter of our audit.</p>	<ul style="list-style-type: none"> • With the support of our internal tax experts, analysis of the estimate of the expected result of possible contingencies in relation to the compliance of national and international tax obligations for all periods open to inspection, as well as analysis of transfer pricing documentation. • Analysis of the recognition, estimation and movement of the accounting provisions of the financial year. • Finally, we have considered that the presentation and breakdown of these matters in the Group's consolidated annual accounts is adequate. <p>On the basis of the procedures performed, we consider that the estimation made by the Group's management and directors is reasonable and in line with the information contained in the accompanying consolidated annual accounts on the provisions for legal, tax and regulatory risks.</p>
<p><i>Recovery of deferred tax assets</i></p> <p>The evaluation of the recoverability of deferred tax assets (€239,781 thousand at 31 December 2018, of which €38,042 thousand corresponds to tax relief for tax-loss carryforwards or deductions, as stated in Note 19.2 of the accompanying consolidated notes to the annual accounts) is a complex matter that requires a high level of judgment and estimation, and is particularly relevant for the Group in various countries such as Spain, Mexico, Venezuela and Brazil.</p> <p>In this process, the Group estimates the assumptions that support business plans with a 10-year projection, where there are specific and complex considerations that directors and management take into account to evaluate both the recognition and subsequent capacity of recovery of recorded deferred tax assets.</p> <p>Therefore, as stated in Note 3.13) Income Tax of the accompanying consolidated notes to the annual accounts, the Group recognises a deferred tax asset provided that it is likely that positive taxable income will be generated against which the deferred tax asset can be used.</p>	<p>As a starting point of our audit procedures, we have gained an understanding of the criteria used by the Group to estimate the possibilities of use and recovery, in the following 10 financial years, of deferred tax assets related to the business plans for each tax unit and the evolution of future taxable income.</p> <p>Based on the estimates of future taxable income prepared by the Group's management for each tax unit, we have compared the key financial and tax assumptions, estimates and calculations made for their preparation with the historical results and other comparables available.</p> <p>We have analysed whether the calculations and estimates made by the Group, and the conclusions reached, in relation to the recognition and recovery of deferred tax assets are in line with the current situation, with the expectations of the Group's future results and with its possibilities of available tax planning in the different legislations where the Group operates.</p>

Key audit matter	How our audit addressed the key audit matter
<p>The recovery of the deferred tax asset is reviewed at each balance sheet closure and adjusted to the amount that is estimated as likely to be recovered with the generation of sufficient positive taxable income. Therefore, the value of this asset greatly depends on the estimates of future results of the Group's management and directors. If future budgets cannot be reached, the recognition of deferred tax assets may not be appropriate. We therefore consider that its analysis is a key audit matter.</p>	<p>We consider that we have obtained adequate and sufficient audit evidence in relation to the evaluation made by the Group's management and directors regarding the recoverability of deferred tax assets recognised at year end.</p>
<p><i>Change of accounting policy of presentation of translation differences in Venezuela (hyperinflationary economy)</i></p> <p>The Group controls various affiliates operating in Venezuela regarding whose operations, it has been applying the accounting treatment established in IAS 29 ("Financial Reporting in Hyperinflationary Economies") from the 2009 financial year, as Venezuela is a hyperinflationary economy.</p> <p>As Notes 2.1, 2.3 and 2.6 state, the Group previously reported the effects of hyperinflation (IAS 29) on results and accumulated gains and the effects of variations of exchange rate (IAS 21) in translation differences as a movement in the consolidated global income statement separately, both impacts being included in consolidated shareholders' equity.</p> <p>However, in the 2018 financial year, the Group has decided to voluntarily change its accounting policy regarding the reporting of translation differences, considering that, in accordance with IAS 8 ("Accounting policies, changes to accounting estimates and errors"), it is more reliable and relevant to present the effects of hyperinflation and the translation differences generated in converting the Venezuelan companies' financial statements into euros in the same reserves account.</p> <p>This change has resulted in the re-expression of the comparative figures, with a reclassification of the translation differences to accumulated gains totalling €393 million at 31 December 2018 (€364 million and €337 million at 31 December 2017 and 1 January 2017, respectively).</p>	
<p>Our audit approach has consisted of the following procedures:</p> <ul style="list-style-type: none"> • Evaluation of the considerations of current regulations made by the Group. • Based on the analysis of international financial reporting standards, IAS 29 and IAS 21, evaluation of the adequacy of the accounting policy that the Group has adopted. • On the basis of the historical information available and our knowledge of the Group, we have reviewed the analysis of the elements that, in accordance with the Group's evaluation, support that the new policy offers more reliable and relevant information, in accordance with the criteria established in IAS 8. • Analysis of the accuracy of the quantitative impact recognised in the accompanying consolidated annual accounts arising from the change of the accounting policy, consisting of a reclassification of the accumulated translation differences totalling €393 million at 31 December 2018, to accumulated gains, as well as the corresponding re-expression of the comparative figures. • Finally, we have considered that the presentation and breakdown of the change of the accounting policy in the Group's consolidated annual accounts is adequate in accordance with the financial reporting framework applicable. 	

Key audit matter	How our audit addressed the key audit matter
<p>This voluntary change of accounting policy involves significant judgment on the part of the Group's management and directors and therefore it has been considered a key audit matter.</p>	<p>On the basis of the procedures performed, we consider that we have obtained sufficient and adequate evidence of the change of accounting criteria adopted by the Group.</p>
<p><i>Application of new accounting standards – IFRS 15 “Revenue from contracts with customers”</i></p>	
<p>The new standard “Revenue from contracts with customers” (IFRS 15) came into force on 1 January 2018, with no impact on the recognition of revenue of the Group's main operating segment (hotel business) although it does affect the current model applied to the holiday club business.</p>	<p>We have evaluated whether the application of IFRS 15 in the consolidated annual accounts is reasonable by performing various audit procedures, including most notably:</p>
<p>The Group has opted to apply the new standard retroactively and, therefore, in accordance with the transitory provisions of this standard, the Parent company's directors have re-expressed the comparative figures of the prior financial year.</p>	<ul style="list-style-type: none"> • Understanding the adaptation of the accounting policies and methodological framework to assess whether they comply with the new standard.
<p>As stated in Note 2.3 of the accompanying consolidated annual accounts, the main impact on the comparative figures at 1 January 2017 has been as follows:</p>	<ul style="list-style-type: none"> • Verification of the calculation made by the Group to adapt its accounting treatment to the new standard by means of a sample of holiday club contracts for different countries in which the Group operates in this business, verifying their existence, date of execution and expiration. In addition, the reasonability of:
<ul style="list-style-type: none"> - Addition in the caption “Capital grants and other deferred revenue” totalling €394,206 thousand. - Increase in the caption “Property, plant and equipment” totalling €36,574 thousand. - Reduction in the caption “Inventories” totalling €24,801 thousand. - Increase in the caption “Deferred tax assets” totalling €104,214 thousand. - Reduction of the consolidated shareholders' equity totalling €279,329 thousand. 	<ul style="list-style-type: none"> - Obligations of execution pending at the date of transition, recognised as deferred revenue, corresponding to the weeks not yet taken by customers of the holiday club, after deducting marketing expenses directly attributable to the signing of these contracts. - Additions to the caption ““Property, plant and equipment” for assets derecognised under the former IAS 18 standard (“Ordinary revenue”) as they are considered sales of assets and derecognitions of “Inventories” corresponding to sold weeks not yet taken by customers.
<p>As the impact of IFRS 15 has resulted in the execution of estimates and calculations by the Group and given the relevance of the impact on the consolidated annual accounts, we have considered that the application of this accounting standard is a key audit matter.</p>	<ul style="list-style-type: none"> • Understanding of the tax impact of the new standard, regarding the tax criteria applied in the different countries where the Group carries on its holiday club business (mainly the Dominican Republic and Mexico).

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> Finally, we have verified that the breakdowns included in the accompanying consolidated notes to the annual accounts regarding the application of IFRS 15 are in line with those required by the financial reporting framework applicable to the Group, including the breakdowns on the re-expression of comparative information. <p>As a result of our procedures, no relevant matters worthy of mention have come to light.</p>

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2018 financial year, the formulation of which is the responsibility of the Parent company's directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility on the information contained in the consolidated management report is defined in legislation governing the audit practice, which establishes two different levels of information:

- A specific level applicable to the non-financial information statements and certain information included in the Annual Corporate Governance Report (ACGR), as defined in Section 35.2 b) of the Auditing Act 22/2015, which consists of solely verifying that the mentioned information has been provided in the management report or, if the case, that the reference corresponding to the separate report on non-financial information has been stated in the management report in the manner established by regulations, and, if not, to report that fact.
- A general level applicable to the other information included in the consolidated management report, which consists of evaluating and reporting on the consistency of this information with the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the mentioned consolidated annual accounts, and does not include information different to that obtained as evidence during our audit, and of evaluating and reporting on whether the content and presentation of this part of the consolidated management report are in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in paragraph a) is provided in the consolidated annual accounts and the other information contained in the consolidated management report is consistent with that of the consolidated annual accounts for 2018 and its content and presentation comply with applicable legislation.

Responsibility of the directors and the audit committee for the consolidated annual accounts

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

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 legislation governing the audit practice 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 consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use 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 Group'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 consolidated annual accounts 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent company's audit 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 Parent company's audit committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent company's audit committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts 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.

Report on other legal and regulatory requirements

Report to the Parent company's audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 27, 2019.

Appointment period

The General Ordinary Shareholders' Meeting held on June 6, 2018 appointed us as auditors of the Group for a period of 1 year, that is, for the financial year ended December 31, 2018.

Previously, we were appointed by resolution of the General Shareholders' Meeting for a period of five years and we have audited the accounts continuously since the year ended December 31, 2009.

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Services provided

Non-audit services provided to the Group are detailed in note 21 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

Original in Spanish signed by Mireia Orania Casajoanes ROAC No. 20973

February 27, 2019

Responsibility of the directors and the audit committee for the consolidated annual accounts

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

In preparing the consolidated annual accounts, the Parent company's directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The Parent company's audit committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts 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 legislation governing the audit practice 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 consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent company's directors.
- Conclude on the appropriateness of the Parent company's directors' use 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 Group'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 consolidated annual accounts 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 Group to cease to continue as a going concern.



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Auditor's report on "information regarding the internal control system over financial reporting (icsfr)" of Meliá Hotels International, S.A. for the 2018 financial year

To the Board of Directors of Meliá Hotels International, S.A.

In accordance with the request of the Board of Directors of Meliá Hotels International, S.A. ("the Entity") and our engagement letter dated January 14, 2019, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section F of the Annual Corporate Governance Report for listed companies of Meliá Hotels International, S.A. for 2018, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

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

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Group in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the consolidated annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Group's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Group's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Group's annual financial information for the 2018 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act approved by Royal Decree Law 1/2011, of July 1, we do not express an audit opinion under the terms of the aforementioned legislation.

PricewaterhouseCoopers Auditores, S.L., C/ Conquistador, 18, 07001 Palma de Mallorca, España
Tel.: +34 971 213 646 / +34 902 021 111, Fax: +34 971 213 640, www.pwc.es

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The procedures applied were as follows:

1. Reading and understanding the information prepared by the Group in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, Circular n° 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular n° 7/2015 of the National Securities Market Commission, dated December 22, 2015 and Circular n° 2/2018 of the National Securities Market Commission, dated June 12, 2018.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Entity.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the audit committee.
4. Comparison of the information described in point 1 above with our knowledge of the Entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the annual accounts.
5. Reading the minutes of meetings of the board of directors, audit committee and other committees of the Entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

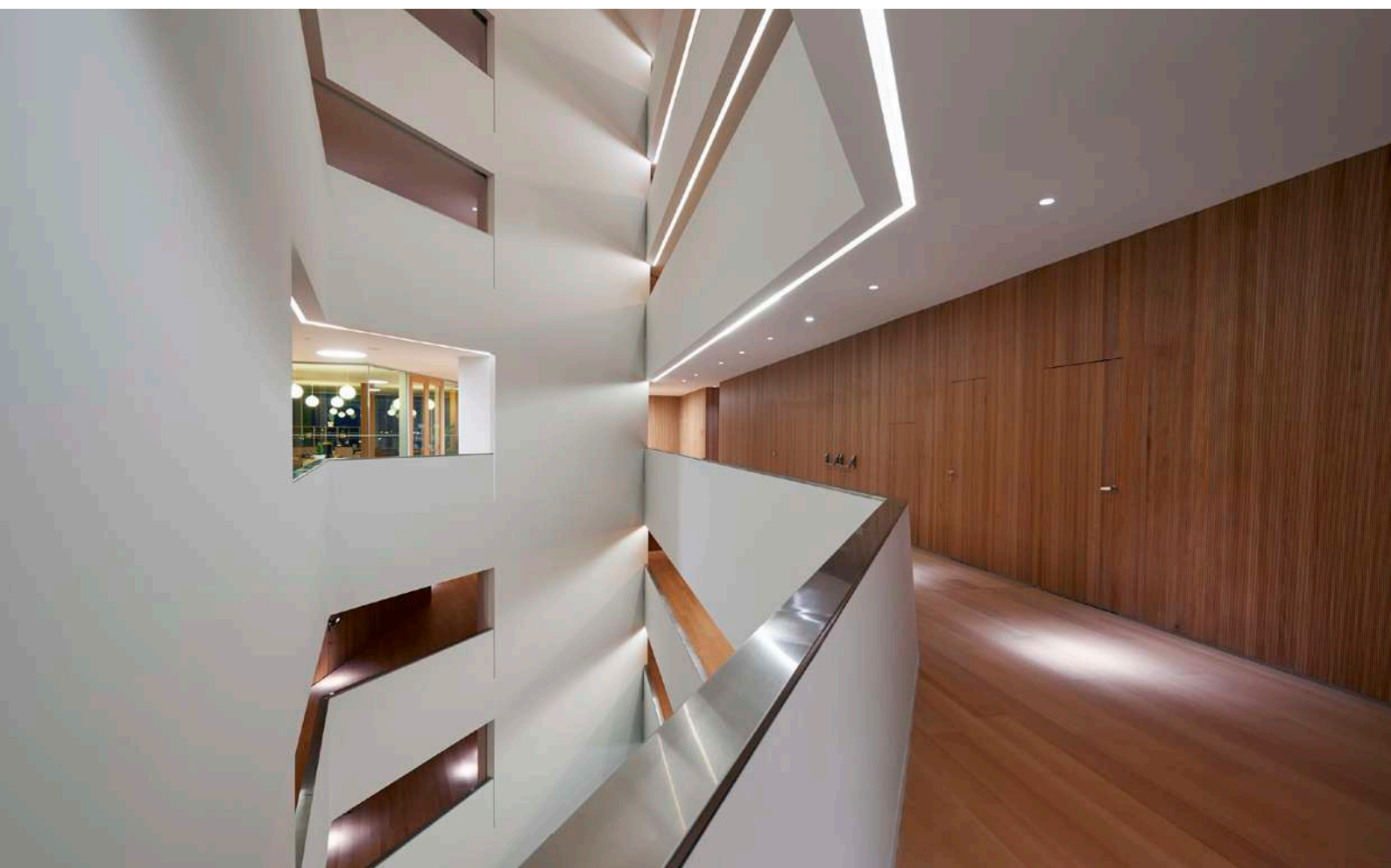
This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular n° 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular n° 7/2015 of the National Securities Market Commission, dated December 22, 2015 and Circular n° 2/2018 of the National Securities Market Commission, dated June 12, 2018, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by Mireia Oranias Casajoanes

February 27, 2019

Individual Management Report and Annual Account 2018



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This is a free translation from an original document prepared in Spanish. If any discrepancy between the present translation and the original document appears, the text of the original Spanish-language document shall always prevail.

Balance Sheet at the End of 2018 and 2017

(thousand €)	ASSETS	Notes	31/12/2018	31/12/2017
A	NON-CURRENT ASSETS		2.070.276	1.949.366
I	Intangible assets	6	32.768	21.024
1	Patents, licences, trademarks and similar rights		54	61
2	Software		26.728	19.878
3	Other intangible assets		5.986	1.085
II	Property, plant and equipment	7	485.973	538.629
1	Land and buildings		385.828	434.115
2	Plant and other fixed assets		100.145	104.051
3	Fixed assets under construction and advances			463
III	Investment property	8	17.691	15.729
1	Land		229	56
2	Buildings		17.462	15.673
IV	Long-term investments in group companies and associates	9	1.433.138	1.287.963
1	Equity instruments		1.016.724	950.406
2	Loans to companies	17	416.414	337.557
V	Long-term financial investments	9	35.634	21.631
1	Equity instruments		4.003	3.996
2	Loans to companies		22.399	10.426
3	Other financial assets		9.232	7.209
VI	Deferral tax assets	14	65.072	64.390
B	CURRENT ASSETS		347.976	383.855
I	Inventories	10	4.404	10.797
1	Trade		161	200
2	Raw materials and other supplies		4.024	5.525
3	Work in progress and semi-finished products			1.883
4	Advances to suppliers		219	3.189
II	Trade and other receivables	10	92.418	137.818
1	Trade receivables for sales and services		20.460	27.606
2	Trade receivables, group companies and associates	17	50.026	65.360
3	Sundry debtors		5.735	7.243
4	Staff		156	256
5	Current tax assets		11.758	31.889
6	Other receivables from Public Administrations		4.283	5.464
III	Short-term investments in group companies and associates	9, 17	123.153	139.313
1	Loans to companies		29.712	28.379
2	Other financial assets		93.441	110.934
IV	Short-term financial investments	9	23.670	39.218
1	Equity instruments		103	464
2	Loans to companies		9.315	28.880
3	Other financial assets		14.252	9.874
V	Short-term accruals and deferrals	10, 3	2.209	2.674
VI	Cash and other cash equivalents	10	102.122	54.035
1	Cash		98.379	44.239
2	Other cash equivalents		3.743	9.796
	TOTAL ASSETS		2.418.252	2.333.221

Balance Sheet at the End of 2018 and 2017

(thousand €)	EQUITY AND LIABILITIES	Notes	31/12/2018	31/12/2017
A	NET EQUITY		905.770	866.516
I	Equity	11	906.850	867.105
1	Capital		45.940	45.940
2	Share premium		1.119.301	1.120.303
3	Reserves		322.800	282.129
4	Treasury stock and shares		(16.025)	(15.023)
5	Prior-year results (profit/loss)		(643.269)	(643.268)
6	Result (profit/loss) for the fiscal year	3	78.103	77.024
II	Measurement adjustments	11	(2.148)	(1.704)
1	Hedging operations		(2.148)	(1.704)
III	Grants, donations and bequests received	11	1.068	1.115
B	NON-CURRENT LIABILITIES		1.078.397	845.979
I	Long-term provisions	12	61.800	53.972
1	Long-term employee benefit liabilities		7.364	7.065
2	Other provisions		54.436	46.907
II	Long-term payables	9	531.197	485.853
1	Bonds and other negotiable securities		29.750	
2	Bank loans		497.875	481.399
3	Derivatives		2.848	3.641
4	Other financial liabilities		724	813
III	Long-term payables to group companies and associates	9, 17	436.012	254.263
IV	Deferred tax liabilities	14	48.430	51.356
V	Long-term accruals and deferrals		958	535
C	CURRENT LIABILITIES		434.085	620.726
I	Short-term payables	9	186.516	309.738
1	Bonds and other negotiable securities		51.470	71.670
2	Bank Loans		85.676	177.201
3	Derivatives		2.428	2.219
4	Other financial liabilities		46.942	58.648
II	Short-term payables to group companies and associates	9, 17	113.804	177.660
III	Trade creditors and other payables	13	133.517	133.012
1	Suppliers		10.223	15.226
2	Suppliers, group companies and associates		6.070	8.254
3	Sundry creditors		47.132	51.293
4	Accrued wages and salaries		30.323	30.790
5	Other payables to Public Administrations		11.274	9.837
6	Prepayments from customers		28.495	17.612
IV	Short-term accruals and deferrals		248	316
TOTAL NET EQUITY AND LIABILITIES			2.418.252	2.333.221

Income Statement for the Years Ended 31/12/2018 and 31/12/2017

(thousand €)		Notes	2018	2017
A	CONTINUED OPERATIONS			
1	Net revenues	16.1	615.461	614.709
a	Sales		529.269	527.414
b	Provision of services		86.192	87.295
2	In-house work on assets	16.1	332	96
3	Supplies	16.2	(42.151)	(45.094)
a	Consumption of goods		3.520	2.018
b	Consumption of raw materials and other consumables		(45.671)	(47.112)
4	Other operating income	16.1	23.654	80.603
a	Non-core and other current operating income		23.207	80.238
b	Operating grants included in profit/(loss) for the year		447	365
5	Staff costs	16.3	(213.476)	(212.579)
a	Wages, salaries and similar items		(165.726)	(164.080)
b	Social charges		(47.750)	(48.499)
6	Other operating costs	16.4	(340.063)	(351.706)
a	External services		(315.744)	(308.266)
b	Tax		(11.656)	(9.630)
c	Losses on, impairment of and change in trade provisions		(1.600)	(1.759)
d	Other current operating expenses		(11.063)	(32.051)
7	Depreciation	6, 7, 8	(30.354)	(30.993)
8	Allocation of grants for non-financial fixed assets and other grants	11	62	66
9	Impairment and profit/(loss) on disposal of fixed assets		(12.472)	(10.031)
a	Impairment and losses		(12.419)	(10.245)
b	Profit/(loss) on disposals and other disposals		(53)	214
A.1	OPERATING INCOME		993	45.071
10	Financial income	16.5	131.276	121.413
a	From equity interests		115.505	107.656
b	From negotiable securities and other equity instruments		15.771	13.757
11	Financial expenses	16.5	(31.599)	(33.353)
a	On payables to group companies and associates		(11.291)	(13.845)
b	On payables to third parties		(20.308)	(19.508)
12	Change in fair value of financial instruments	9	(836)	133
a	Trading portfolio and other financial instruments		(836)	133
13	Exchange differences	16.6	(31.271)	(14.932)
14	Impairment and profit/(loss) on disposals of financial instruments	9.1	(6.694)	(52.448)
a	Impairment and losses		(6.812)	(52.448)
b	Profit/(loss) on disposals and other disposals		118	
A.2	NET FINANCIAL INCOME (EXPENSE)		60.876	20.813
A.3	NET INCOME BEFORE TAX		61.869	65.884
15	Income tax	14	16.234	11.140
A.4	PROFIT/(LOSS) FOR THE YEAR FROM CONTINUED OPERATIONS		78.103	77.024
A.5	PROFIT/(LOSS) FOR THE YEAR		78.103	77.024

Statement of Changes in Net Equity for the Years Ended 31/12/2018 and 31/12/2017

a) Statement of recognised income and expenses

(thousand €)	Notes	2018	2017
A) Income statement results		78,103	77,024
Income and expenses directly attributed to net equity			
I On cash flow hedges	9	(1.287)	(17)
II Actuarial gains and losses and other adjustments		(1.857)	(922)
III Tax effect	14	786	235
B) Total income and expenses directly attributed to net equity		(2.358)	(704)
Transfers to income statement			
IV On cash flow hedges	9	694	1.032
V Grants, donations and bequests received	11	(62)	(66)
VI Tax effect	14	(158)	(242)
C) Total transfers to income statement		474	725
Total recognised income and expenses		76,219	77,045

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	Measurement adjustments	Grants, donations and bequests received	Total
A) BALANCE AT THE END OF YEAR 2016		45.940	1.121.070	228.727	(14.256)	(643.269)	80.186	(2.465)	1.164	817.097
B) ADJUSTED BALANCE, BEGINNING OF THE YEAR 2017		45.940	1.121.070	228.727	(14.256)	(643.269)	80.186	(2.465)	1.164	817.097
I. Total recognised income and expenses				(692)			77.024	762	(49)	77.045
II. Operations with shareholders or owners			(767)	(26.092)	(767)					(27.626)
1. (-) Distribution of dividends				(29.986)						(29.986)
2. Operations with treasury shares	11.1		(767)	767	(767)					(767)
3. Other operations with shareholders or owners				3.127						3.127
III. Other changes in net equity				80.186			(80.186)			
C) 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
D) 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	3			(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	3			(38.324)						(38.324)
2. Operations with treasury shares	11.1		(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)			
E) 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

Cash Flow Statement for the Years Ended 31/12/2018 and 31/12/2017

(thousand €)	Notes	2018	2017
A) OPERATING ACTIVITIES CASH FLOW			
1. Result (profit/loss) for the fiscal year before taxes		61.869	65.884
2. Result adjustments		(9.699)	(7.864)
a) Depreciation	6, 7, 8	30.354	30.993
b) Value adjustments for impairment	6, 7, 8	20.931	64.453
c) Change in provisions		10.625	(14.837)
d) Allocation of grants	11.3	(62)	(66)
e) Profit/loss on disposal of fixed assets	6, 7, 8	53	(214)
f) Profit/loss on disposal of financial instruments	9	(118)	
g) Financial income	16.5	(131.276)	(121.413)
h) Financial expenses	16.5	31.600	33.353
i) Exchange rate differences		29.967	
j) Change in fair value of financial instruments	9	836	(133)
k) Profit/loss on asset management		(2.608)	
3. Changes in working capital		30.380	3.350
a) Inventories	10.1	1.870	(237)
b) Trade and other receivables	10.2	22.151	2.610
c) Other current assets	9.1	466	(725)
d) Creditors and other payables	13	(643)	2.881
e) Other current liabilities	9.2	(1)	(157)
f) Other non-current assets and liabilities		6.536	(1.022)
4. Other cash flows from operating activities		43.693	(20.447)
a) Interest paid		(20.519)	(25.956)
b) Dividends received		43.658	31.396
c) Interest received		861	231
d) Collections (payments) on income tax	14.1	16.024	(26.117)
e) Collections (payments) on asset management		3.669	
5. Cash flows from operating activities (+/-1+/-2+/-3+/-4)		126.243	40.923
B) CASH FLOWS FROM INVESTMENT			
6. Payments on investments		(324.702)	(195.527)
a) Group companies and associates	9.1	(229.080)	(116.902)
b) Intangible assets	6	(17.250)	(8.565)
c) Property, plant and equipment	7	(54.131)	(54.337)
d) Investment property	8	(271)	(674)
e) Other financial assets	9	(23.970)	(15.048)
7. Collections on divestments		186.880	115.604
a) Group companies and associates	9.1	102.371	83.718
b) Property, plant and equipment	7	56.070	395
c) Other financial assets	9	28.440	31.491
8. Cash flows from investment (7-6)		(137.822)	(79.923)
C) CASH FLOWS FROM FINANCING			
9. Collections and payments on equity instruments		(1.002)	(767)
a) Acquisition of own equity instruments	9.1	(1.002)	(767)
10. Collections and payments on equity instruments		96.630	52.685
a) Issuance		509.532	286.769
1. Bonds and other negotiable securities	9.2	157.570	131.548
2. Bank loans	9.2	184.375	136.521
3. Payables to group companies and associates	17	167.587	18.700
b) Redemption and repayment of		(412.902)	(234.084)
1. Bonds and other negotiable securities	9.2	(147.940)	(99.550)
2. Bank loans	9.2	(264.962)	(88.646)
3. Other payables			(45.888)
11. Payments on dividends and remuneration of other equity instruments		(38.323)	(29.985)
a) Dividends	3	(38.323)	(29.985)
12. Cash flows from financing (+/-9+/-10+/-11)		57.305	21.933
D) EFFECT OF CHANGES IN EXCHANGE RATES		2.361	3.127
E) NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		48.087	(13.940)
F) CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		54.035	67.975
G) CASH AND CASH EQUIVALENTS AT THE YEAR-END	10	102.122	54.035

Notes to the 2018 Annual Accounts

Note 1. Company's Activity

MELIÁ HOTELS INTERNATIONAL, S.A (hereinafter, the "Company") 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 27 February 2019, as required by the Commercial Code, the Group's consolidated annual accounts as at 31 December 2018 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 140.1 million and a consolidated net equity attributable to the controlling company in the amount of EUR 1,334.1 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.

With over 60 years in the hotel industry and more than 390 hotels, both urban hotels and resorts, in 44 countries and presence in 4 continents, Meliá Hotels International is one of the world's leading hotel chains. The company seeks to consolidate its position in key markets and strengthen its internationalisation through its various brands: Gran Meliá, Paradisus Resorts, ME by Meliá, Meliá Hotels & Resorts, INNSIDE by Meliá and Sol by Meliá.

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 2018 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 Alternative performance measures

In accordance with the guidelines published by the ESMA (European Securities and Markets Authority), on 5 October 2015 (ESMA//2015/1415es), the accompanying notes to the consolidated financial statements include the definition, relevance, calculation and comparative data of the alternative performance measures used by the Meliá Group in its consolidated statements.

2.3 Comparability

For comparison purposes, the annual accounts include the figures for year 2018 and for year 2017 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.

In 2018, the Company has reclassified the income from hotel management under Other Operating Income heading to Net Revenues heading since, as stated in Note 1, such management is an important part of the Company's activity. With the purpose of improving comparability and breakdowns of the annual accounts, the amounts for year 2017 have been reclassified, in the amount of EUR 58.6 million (see Note 15).

2.4 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. These estimates and assumptions are periodically reviewed; the effects of the reviews on the accounting estimates are recognised whether in the year in which they are realised, if they have an effect solely on such period, or in the period under review and future periods, if the review affects both periods. 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:

Provision for 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.

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.

2.5 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.

2.6 Going concern basis

The balance sheet as at 31 December 2018, shows an excess of current liabilities over total current assets of EUR 86.1 million (EUR 236.9 million in 2017).

Directors consider that the Company has financial capacity to meet its current liabilities, since the Company has available the cash flow generation of the Group, undrawn credit facilities (see Note 5.4 and Note 9.2), access to new sources of financing, as well as renewals of the existing ones, which allow it to obtain sufficient financial resources to continue its operations and settle its assets and liabilities in the amounts included in the balance sheet.

In view of the foregoing, these annual accounts have been prepared in accordance with the going concern basis.

2.7 Restatement of fixed assets

The acquired companies, Inmotel Inversiones, S.A. (company merged in 1999), Constructora Inmobiliaria Alcano, S.A. (company merged in 2001), Inmobiliaria Bulmes, S.A., Parking Internacional, S.A. and Azafata, S.A. (companies merged in 2005) and Parque San Antonio, S.A. (company merged in 2009) availed themselves of the restatement of their fixed assets as provided for by Royal Decree-Law 7/1996, of 7th June, hereinafter R.D.L 7/96 (see Note 7).

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 €)	2018
Basis of distribution	
Gains and losses (year's revenue)	78.103
To dividends	42.024
To offset prior years' losses	36.079
Total	78.103

The Board of Directors will propose to the General Shareholders' Meeting the payment of a gross dividend of EUR 0.1830 per share, excluding treasury shares, by using a maximum amount to be distributed of EUR 42 million charged to results for the fiscal year.

For fiscal year 2017, the General Shareholders' Meeting approved to pay a gross dividend to its shareholders of EUR 0.1681 per share, excluding treasury shares, for which the amount of EUR 38.3 million was made available and paid during the second half of 2018.

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 are the expenses for research and development, software, 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 R&D+i expenses 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 and licences 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 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 Notes 7 and 2.7.

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.

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. The cost of breakages and losses has been included in the income statement, under the heading Fixed asset impairment and loss.

Property, plant and equipment items are depreciated using the straight-line method over their estimated useful life. The estimate for 2018 and 2017 is as follows:

	Years
Buildings	50
Plant	18
Machinery	18
Furniture	15
Fixtures	8
Software	6
Vehicles	6,25
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, or when annual impairment test for an asset is required, the Company estimates the asset's recoverable amount. 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 it 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.

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. In assessing value in use, future cash inflows are discounted at current value using a rate of discount before taxes which reflects changes in the value of money over time in the current market and the specific risks of the asset.

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 profit or loss for the period unless the relevant asset is carried at a revalued amount, in which case the reversal shall be treated as a revaluation increase. 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.

4.5 Financial instruments

There is no difference between the fair values estimated for the financial instruments recorded in these annual accounts and their corresponding carrying values, as explained in the paragraphs below:

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.

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

c) *Financial instruments at fair value through profit or loss*

Trading portfolio includes convertible debt instruments listed in the official market taken as a reference to calculate the fair value of these instruments, so they do not vary from their embedded derivative value.

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

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.

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.

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

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.

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.

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 Company's accounting policy is to make a provision for all the receivables relating to the hotel business exceeding one year, as well as for any balance pending for less than one year where there are reasonable doubts as to its recoverability.

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 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. In the event of issuing convertible bonds, these are recorded as hybrid or combined financial instruments, according to the terms of the issue in question.

In determining whether a preferred share is a financial liability or an equity instrument, the Company assesses the particular rights attaching to the share in each case to determine whether it exhibits the fundamental characteristic of a financial liability. If a financial liability is identified, it is measured at amortised cost at the year end using the effective interest method, taking into consideration any issue costs.

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.

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. These values are obtained from studies carried out by independent experts, usually 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 independent experts.

4.6 Inventories

Inventories are valued at their average cost which is generally lower than their net realisable value. If their estimated realisable 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.

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.

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. This implies recording the amount of the grant in a specific heading in equity, less deferred tax. Non-refundable grants received from the shareholders are recognised directly in equity.

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.

The estimate of future results from lease agreements is reviewed annually based on 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 acknowledges, 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.

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.

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.

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

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 recognised. 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.

Current tax assets and liabilities are the estimated amounts payable to or receivable from the Tax Authorities based on the tax rates in force at the balance sheet date, including any tax adjustments for previous years as appropriate.

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

Deferred tax 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.

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 the income may be reliably measured, it is likely that the company will receive a future financial benefit and when certain conditions are met for each of the 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.

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 due to the rotation of assets are recognised as income once the carrying value of the relevant assets has been discounted from the selling price.

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 when the right of the Company to receive the corresponding payment is established.

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.

Notwithstanding the foregoing, in mergers, demergers and non-monetary contributions of a business, the components of the acquired business are recognised for the amount that would correspond to them, upon completion of the transaction, in the Company's consolidated annual accounts.

In such cases, any differences that may arise between the net amount of the assets and liabilities of the acquired company, adjusted by the balance of grants, donations and bequests received and adjustments for changes in value, and any capital amount and share premium, if any, issued by the acquiring company, are recognised in reserves.

4.19 Business combinations

Mergers, demergers and non-monetary contributions of a business between group companies are recognised in accordance with the provisions concerning transactions with related parties (Note 4.18).

Mergers and demergers other than the above and business combinations arising from the acquisition of the entire equity of a company or of a part comprising one or more business, are recognised in accordance with the acquisition method.

In the case of business combinations arising as a result of the acquisition of shares or equity interests in a company, the Company recognises the investment in accordance with the provisions concerning equity investments in group companies, jointly controlled entities and associates (Note 4.5.1.a).

4.20 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.

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.

In geopolitical terms, the Group 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 potential impact of the UK's withdrawal from the European Union. In this sense, it should be noted that in 2018, the United Kingdom remains the primary source of tourists for Spain, with a total of 18.5 million of visitors, however, this figure represents a slight decrease in comparison with 2017 (1.5% less), according to the data published by the National Statistical Institute (data from the Survey of Tourist Movements on Borders - Frontur). Therefore, despite the current uncertainty created by the Brexit, the United Kingdom remains the main source of tourists for Spain and, at present, the consequences for the industry are minimal.

With reference to Meliá Group, British customers staying at hotels managed by the Group globally represent 15% of total stays (including hotels under ownership, lease and management). Analyses carried out by the Company are based on the reduction in stays rather than the impact on prices (ARR), since the global strategy of the Group is not about competing through price with other destinations which also receive a large number of British tourists, but about offering quality services and sustainable tourism. Therefore, different situations of British customer loss have been analysed which, despite not being directly related to scenarios of agreed or not agreed withdrawal of the United Kingdom from the European Union, they reflect the possible reduction in the number of stays that such scenarios may cause. These analyses which are based on declines in stays of British customers of 5%, 10% and 15%, respectively, are accompanied by different contingency plans in line with the Group's strategy, which analyse the impacts on RevPAR, as well as on cost per stay and which, thanks to the proposed commercial initiatives, facilitate access to alternative source markets, which would largely offset the loss of income from British customers.

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 as at 31 December 2018 and 2017 is as follows (these amounts do not include interest payable):

(thousand €)	31/12/2018			31/12/2017		
	Fixed Interest	Variable Interest	Total	Fixed Interest	Variable Interest	Total
Bank loans	329.279	78.340	407.619	276.209	45.556	321.766
Mortgage loans	84.310	85.936	170.246	74.178	120.945	195.124
Credit facilities		125	125		133.175	133.175
Leasing		3.236	3.236		6.377	6.377
ECP	51.357		51.357	71.670		71.670
Straight bonds	29.750		29.750			
Total	494.696	167.636	662.332	422.057	306.053	728.111

The variable interest rate debt is basically tied to Euribor.

As at 31 December 2018, the Company has various interest rate swaps contracted, with a notional value of EUR 70.4 million, considered as cash flow hedging instruments, as stated in Note 9.3. At the 2017-year end, the notional value of the swaps contracted was EUR 58.5 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 2018 and 2017 profit or loss to interest rate variations (in base points), in thousand euro, is as follows:

(thousand €)	Variation	2018	2017
	+ 25	423	728
	- 25	(423)	(728)

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 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 in a currency other than the local currency of the Company.
- Collections and payments for supplies, services and investments in currencies other than the local currency.

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 Group'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.

The credit periods established by the Company range between 21 and 90 days. The Group's average period of collection of receivables is approximately 31.22 days, 33.32 in 2017. The age of trade receivables at the year end is as follows:

(thousand €)	31/12/2018	%	31/12/2017	%
Less than 90 days	17.436	85%	15.504	56%
More than 90 and less than 180	1.705	8%	5.832	21%
More than 180 and less than 360	1.319	6%	6.271	23%
Total	20.460	100%	27.606	100%

Trade receivables outstanding for more than 360 days are duly provisioned. Trade receivables outstanding for less than 90 days, take into account the amount of assignments of receivables with a financial institution (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 Meliá Hotels International S.A.'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.

In this regard, the Company understands that the negative Working Capital on balance sheet is covered by the implemented policies and, in particular, by the renegotiation of many of the credit facilities maturing in the short and medium term, as well as the cash-generating capability of the Group subsidiaries.

During the period of formulation of these annual accounts, Meliá Hotels International, S.A. has renewed facilities and loans maturing in such period for a total amount of EUR 78 million, and in the first quarter of 2018, for an amount of EUR 128.4 million.

Under the Euro-Commercial Paper Programme (ECP) executed in 2017 in the maximum of EUR 300 million, and which is subject to English law, during the fiscal year 2018, a total of EUR 127.6 million of issues have been made (a total of EUR 131.8 million in 2017), and there are existing issues in the amount of EUR 51.4 million at the year end, (EUR 71.7 million in 2017), 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 7-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 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

The following table contains a summary of the maturities of the Company's financial liabilities as at 31 December 2017, based on face amounts by maturity:

(thousands €)	< 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
ECP	37.100	34.670			71.770
Loans	11.217	32.360	321.923	157.263	522.764
Credit facilities	59.215	69.933	4.027		133.175
Leasing		3.281	3.255		6.536
Total	107.531	140.244	329.205	157.263	734.244

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.

Note 6. Intangible Assets

The breakdown of the gross value and accumulated amortisation of intangible assets is 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 relate to the acquisition of rights to operate one hotel under management in United Kingdom and three in Spain. The disposals relate to the termination of rights to operate one hotel under management in Qatar.

The amount of EUR 12.3 million included in section Additions of software, relates 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.

Methods and periods of amortisation applied are reviewed at the end of each year.

For comparison purposes, the breakdown of these movements in 2017 was as follows:

(thousand €)	31/12/2016	Additions	Disposals	31/12/2017
Gross value				
Patents, licences, trademarks and similar rights	4.415			4.415
Transfer rights	3.145		(1.500)	1.645
Software	26.709	10.784	(8)	37.486
Total	34.270	10.784	(1.508)	43.546
Accumulated amortisation				
Patents, licences, trademarks and similar rights	(4.347)	(7)		(4.354)
Transfer rights	(750)	(135)	325	(560)
Software	(10.754)	(6.856)	1	(17.609)
Total	(15.852)	(6.997)	326	(22.523)
Net carrying value	18.418			21.024

The disposals recorded under section Transfer rights in 2017, mainly related to the termination of rights to operate two hotels under management in Spain.

The amount of EUR 10.4 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 sought to improve the technological services provided to its customers.

The breakdown of intangible assets fully amortised for years 2018 and 2017 is as follows:

(thousand €)	31/12/2018	31/12/2017
Patents, licences, trademarks and similar rights	4.345	4.345
Software	12.186	12.163
Total	16.530	16.508

Note 7. Property, Plant and Equipment

The breakdown of the cost, accumulated depreciation and impairment of property, plant and equipment in 2018 is 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	(165.863)	(8.731)	14.080		(160.514)
Furniture and other fixed assets	(157.649)	(6.363)	9.682		(154.330)
Total	(484.548)	(23.175)	54.854	1.116	(451.753)
Impairment					
Plant and machinery	(30.260)	(9.826)	5.349		(34.737)
Furniture and other fixed assets	(1.507)		136		(1.371)
Total	(31.767)	(9.826)	5.485		(36.108)
Net carrying value	538.629				485.973

The main new additions of property, plant and equipment recorded in 2018 relate 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.

Main disposals of property, plant and equipment relate 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, as stated in Note 16.1 Revenue by items. The hotels were sold to the property investment company ATOM HOTELES SOCIMI, S.A. (ATOM), which is owned, among others, by Bankinter, S.A. According to the agreements reached with ATOM, the hotels will continue to be operated by the Company under variable rate lease agreements.

Property, plant and equipment transfers relate to the transfer of certain offices located in Madrid from property, plant and equipment to investment property, since these are now operated under lease (see Note 8).

Additions for impairment of property, plant and equipment in 2018 and 2017 relate to the accelerated depreciation of the assets recognised by the Company in hotels under operating leases to adapt their useful lives to the term of those lease contracts.

For comparison purposes, the breakdown of these movements in 2017 was as follows:

(thousand €)	31/12/2016	Additions	Disposals	31/12/2017
Gross value				
Land	153.654			153.654
Buildings	411.270	30.691	(462)	441.499
Plant and machinery	222.101	18.719	(627)	240.193
Furniture and other fixed assets	206.008	17.087	(3.959)	219.136
Fixed assets under construction and advances		463		463
Total	993.032	66.961	(5.049)	1.054.944
Accumulated depreciation				
Buildings	(153.007)	(8.222)	193	(161.036)
Plant and machinery	(157.085)	(9.219)	441	(165.863)
Furniture and other fixed assets	(152.216)	(6.033)	600	(157.649)
Total	(462.308)	(23.474)	1.234	(484.548)
Impairment				
Plant and machinery	(23.738)	(7.511)	989	(30.260)
Furniture and other fixed assets	(1.827)	(33)	353	(1.507)
Total	(25.565)	(7.544)	1.342	(31.767)
Net carrying value	505.159			538.629

The main new additions of property, plant and equipment recorded in 2017 related to renovations performed in several hotels operated by the Company for EUR 67 million, among others, the renovations were mainly made in Balearic Islands, Madrid and Canary Islands.

Investments made in 2017 amounted to EUR 3.6 million for the acquisition of assets through finance lease contracts. In 2018 such acquisitions have not been significant.

Other considerations

The net carrying value of the assets of the Company that are financed through bank leasing contracts amounts to EUR 6.3 million at the year end, and to EUR 13.5 million in 2017. These finance leases relate mainly to buildings, facilities and furniture.

There are 8 owned properties that have been mortgaged to secure several loans at the year end, as in the previous fiscal year, and their net carrying value amounts to EUR 221.5 million, and to EUR 229.1 million in 2017.

Other fixed assets heading includes disposals relating to operating equipment (glassware, linen, chinaware, and silverware) in the amount of EUR 2.9 million in 2018 and 2017.

As at 31 December 2018 and 2017 the Directors consider that there is sufficient insurance coverage for the Company's assets.

The breakdown of property, plant and equipment fully depreciated for 2018 and 2017 is as follows:

(thousand €)	31/12/2018	31/12/2017
Buildings	13.948	17.486
Plant and machinery	89.938	71.277
Furniture and other fixed assets	112.664	116.219
Total	216.550	204.982

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 2018 and 2017 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 31/12/2016	113.280	16.538
Depreciation		(488)
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

Disposals relate to the sale of the Meliá Sevilla hotel.

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 0.9 million (1.7 million in the previous year), the value of the fully depreciated assets being EUR 16.5 million (15.9 million in the previous year). The impact of this restatement on the provision for depreciation of the year amounts to EUR 649 thousand (EUR 711 thousand in 2017).

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 has been conducted by the worldwide firm Jones Lang Lasalle Hotels (JLL), which specialises in hotel investment and consulting services. The valuation determines their market value as at 30 June 2018 and includes the assets fully consolidated in the consolidated Financial Statements.

These assets, whose final valuation has been completed, total EUR 3,758 million, EUR 749.2 million in the Company. This figure includes eight assets recognised under Investment Property in the consolidated Balance Sheet, 2 assets in the Company's Balance Sheet. As at 31 December, the net carrying amount of the assets subject to valuation amounts to EUR 368.1 million, from which EUR 347.2 million relates to property, plant and equipment for owned hotels.

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

Discounted cash flow method: Financial projections have been prepared for a 5-year period; the flows for year 5 have been used to project the next 5 years and the cash flows for fiscal year 11 have been discounted at an exit multiple, dependent upon historical transactions, expected profitability and other factors such as age, location, maintenance conditions of the property, etc.

The discount rates used by JLL in the valuation, depending on the geographical region in which the assets are located, are shown in the following table:

	Discount rates
Spain	8,27% - 10,77%
Rest of Europe	7,10% - 8,47%
Latin America	11% - 30%*
*30% relates to assets held in Brazil	

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

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

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 2018 is 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

The additions during 2018 relate to the purchase of 2 apartments in two apartment owners' associations; 16 apartments in 2017. Transfers relate to the transfer of certain offices located in Madrid from property, plant and equipment to investment property, since these are now operated under lease, as mentioned in Note 7.

The amount of the building costs fully depreciated in 2018 and 2017 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 1.7 million at the end of 2018, EUR 1.4 million in 2017. Likewise, income from the lease of office space above-mentioned, amounts to EUR 118 thousand.

For comparison purposes, the breakdown of these movements in 2017 was as follows:

(thousand €)	31/12/2016	Additions	31/12/2017
Gross value			
Land and apartments	23.368		23.368
Other properties	4.008	674	4.682
Total	27.376	674	28.050
Accumulated depreciation			
Apartments and other properties	(11.799)	(522)	(12.321)
Total	(11.799)	(522)	(12.321)
Net carrying value	15.577		15.729

Note 9. Financial Instruments

9.1 Financial investments

The following table shows the breakdown by categories of non-current and current assets for 2018 and 2017:

(thousand €)	31/12/2018			31/12/2017		
	Long term	Short term	Total	Long term	Short term	Total
1. Investments in group companies and associates:						
- Equity instruments	1.016.724		1.016.724	950.406		950.406
2. Available-for-sale financial assets:						
- Equity instruments	4.003		4.003	3.996		3.996
3. Financial instruments at fair value through profit or loss:						
- Equity instruments		103	103		464	464
4. Loans and other receivables:						
- Loans and other financial instruments to group companies and associat	416.414	123.153	539.567	337.557	139.313	476.870
- Loans to third parties	22.399	9.315	31.714	10.426	28.880	39.306
- Other financial instruments to third parties	9.232	14.252	23.484	7.209	9.874	17.083
Total	1.468.772	146.823	1.615.595	1.309.594	178.531	1.488.125

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 2018, 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 2018, the Company has received dividends from group companies and associates in the amount of EUR 113.8 million, and in 2017 in the amount of EUR 106.1 million.

Movements recorded during the fiscal year 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, relate 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 relate 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 relate to Adprotel Strand, S.L.U., which during the year changed its status from associate to group company, thus being 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 relate 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.

For comparison purposes, movements for year 2017 were as follows:

(thousand €)	31/12/2016	Additions	Disposals	31/12/2017
Equity instruments in group companies (gross value)	808.030	54.019	(18.595)	843.454
Provisions	(51.242)	(43.440)	9.050	(85.632)
Equity instruments in associates and joint ventures (gross value)	190.338	59.161	(14.628)	234.870
Provisions	(29.436)	(12.850)		(42.286)
Total	917.689	56.890	(24.174)	950.406

Most relevant additions in equity instruments in group companies for 2017, related to the capital increase through credit compensation of Sol Meliá Vacation Club Puerto Rico, in the amount of EUR 50.5 million. Main disposals related to the winding up of the company Grupo Sol Asia, L.T.D., in the amount of EUR 5.2 million, a capital reduction of Sol Meliá Deutschland GmbH in the amount of EUR 2.7 million and EUR 11 million of the distribution charged to the share premium of the companies Sol Melia investment, N.V. and Sol Mainvest, N.V., which was also recognised as a reduction in the carrying amount of the investment.

Regarding the provisions, additions in the amount of EUR 43.4 million were recognised relating mainly to the company Sol Meliá Vacation Club Puerto Rico, in the amount of EUR 41.2 million, and to Naolinco Aviation, S.L.U. in the amount of EUR 1.3 million. The disposals in the amount of EUR 9 million mainly related to the winding up of the company Grupo Sol Asia, L.T.D., in the amount of EUR 5.2 million, and the application for excess of the portfolio provision of Sol Mainvest, N.V., and Colón Verona, S.A., in the amount of EUR 2 million and EUR 1.3 million, respectively.

The additions in equity instruments in associates and joint ventures in 2017 mainly related to the purchase in the amount of EUR 45.5 million of 35% of the company Homasi, S.A., a Spanish company which at the same time has a stake in a Cuban joint venture which currently holds the operating rights for the next 24 years in 4 hotels in the Republic of Cuba. This transaction was carried out, in part, with significant shareholders of the Company (see Note 17.3).

Likewise, it is also important to highlight the purchase of 30% of the company Renasala, S.L., in the amount of EUR 10.6 million. The disposals in the amount of EUR 14.6 million related to the dividend distribution and share premium carried out by Starmel Hotels J.V., S.L.

The amount of EUR 12.8 million relating to the provisions in associates and joint ventures recognised in the fiscal year, mainly related to the company Adprotel Strand, S.L.

b) *Available-for-sale financial assets**Equity instruments:*

Movements recorded during the fiscal year 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 relate to the capital increase in the company Valle Yamuri, S.A., in the amount of EUR 7 thousand.

The equity situation as at 31 December 2018, 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%	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

(*) *Balance sheets as at 31 December 2018 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 and Owner	7,21%

For comparison purposes, movements for year 2017 were as follows:

(thousand €)	31/12/2016	Additions	31/12/2017
Equity instruments (gross value)	3.968	107	4.075
Provisions	(79)		(79)
Total	3.889	107	3.996

The additions related to the acquisition of 14.24% of the company Inveragua RD, S.A.S., in the amount of EUR 107 thousand.

Likewise, the equity situation as at 31 December 2017, 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)	2.655	2.617	2.634
Port Cambrils Inversions, S.A.	10,00%	6.000	735	219	695	980
Valle Yamuri, S.A. (*)	7,21%	4.870	(991)	19	281	272
Otras sociedades (*)						110
Total		24.380	(3.001)	2.893	3.593	3.996

(*) Balance sheets as at 31 December 2017 for these companies were not available.

c) Financial instruments at fair value through profit or loss

This includes debt securities and equity instruments listed in official markets; their value in these markets is used to determine the fair value.

d) Loans and other receivables

Set out below is a breakdown by nature of financial assets included in this item in 2018 and 2017:

(thousand €)	31/12/2018			31/12/2017		
	Long term	Short term	Total	Long term	Short term	Total
Loans to group companies	327.535	101.263	428.798	220.616	109.163	329.779
Loans to associates and joint ventures	88.879	21.890	110.769	116.940	30.151	147.091
Other loans	22.399	9.315	31.714	10.426	28.880	39.306
Created deposits and guarantees	9.232	671	9.904	7.209	1.678	8.887
Other loans and receivables		13.581	13.581		8.196	8.196
Total	448.046	146.720	594.766	355.192	178.068	533.259

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:

- ✓ The outstanding amounts at the year end from the sale of non-controlling interest of several companies in the amount of EUR 8.7 million.
- ✓ Loans granted to various unrelated companies with which the Company maintains commercial relationships in the amount of EUR 17.6 million.
- ✓ Loans to owners of several hotels operated by the Company under lease and management, in the amount of EUR 4.3 million.
- ✓ Loans to customers of vacation club, which the Company has acquired by means of an assignment of receivables agreement without recourse from other companies within Meliá Group, in the amount of EUR 1.2 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.

Other loans and receivables item mainly includes dividends receivable. As at 31 December 2018 there are dividends receivable in the amount of EUR 13.6 million, and at the end of 2017, these amounted to EUR 8.2 million.

9.2 Financial liabilities

The following table shows the breakdown by categories of the financial liabilities, for 2018 and 2017:

(thousand €)	31/12/2018			31/12/2017		
	Long term	Short term	Total	Long term	Short term	Total
1. Debts and payable item:						
- Bonds and other negotiable securities	29.750	51.470	81.220		71.670	71.670
- Bank loans	497.875	85.676	583.551	481.399	177.201	658.600
- Other financial liabilities	724	46.942	47.666	813	58.648	59.461
- Payables to group companies and associates	436.012	113.804	549.816	254.263	177.660	431.923
2. Derivatives and hedges:						
- Derivative liabilities	2.848	2.428	5.276	3.641	2.219	5.860
Total	967.209	300.320	1.267.529	740.116	487.398	1.227.514

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 2018 and 2017 are as follows:

(thousand €)	31/12/2018			31/12/2017	
	Long term	Short term	Total	Short term	Total
Non-convertible debentures	29.750		29.750		
Other payables and negotiable securities (E.C.P.)		51.357	51.357	71.670	71.670
Interest, debentures and other negotiable securities		113	113		
Total	29.750	51.470	81.220	71.670	71.670

On 19 November 2018 the Company issued straight bonds in the total 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:	3,30% Fix
Redemption price:	100%

The last commercial paper programme (“Euro-Commercial Paper Programme” or ECP), issued in 2017 and subject to English law, expired on 22 September 2018, in the maximum amount of EUR 300 million, 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.

In 2018, a total of EUR 127.6 million of issues have been made, and there are existing issues in the amount of EUR 51.4 million, with maturity date in July 2019. In 2017 the issues made were in the amount of EUR 131.8 million, with there being a total of EUR 71.6 million of existing issues.

b) *Bank loans*

The Company's bank borrowings at year-end 2018 and 2017 are analysed below by nature and maturity:

(thousand €)	31/12/2018			31/12/2017		
	Long term	Short term	Total	Long term	Short term	Total
Bank loans	350.291	57.328	407.619	304.765	17.000	321.766
Mortgage loans	145.608	24.638	170.246	169.422	25.702	195.124
Credit facilities		125	125	4.027	129.147	133.174
Leasing	1.976	1.260	3.236	3.185	3.192	6.378
Interest		2.326	2.326		2.159	2.159
Total	497.875	85.676	583.551	481.399	177.201	658.600

The detail of the maturities at the 2018 and 2017 year-end is as follows:

(thousand €)	31/12/2018	(thousand €)	31/12/2017
2.019	85.676	2.018	177.201
2.020	95.182	2.019	87.057
2.021	105.330	2.020	94.955
2.022	62.564	2.021	97.246
2.023	58.269	2.022	46.614
2024 and subsequent years	176.530	2023 and subsequent years	155.527
Total	583.551	Total	658.600

Maximum limit of credit facilities is EUR 261 million. In 2017, the maximum limit was EUR 276.2 million.

Average interest rate accrued in 2018 on previous loans, credit facilities and leasing is 2.97%. Average interest rate accrued in 2017 was 2.73%.

c) *Other financial liabilities*

At the end of 2018 and 2017, the breakdown of other financial liabilities is as follows:

(thousand €)	31/12/2018			31/12/2017		
	Long term	Short term	Total	Long term	Short term	Total
Trade bills payable	53	6.522	6.575	53	15.419	15.471
Other payables	5	31.993	31.999	55	41.597	41.653
Guarantees and deposits received	666	30	696	705	32	737
Other current accounts		8.396	8.396		1.601	1.601
Total	724	46.942	47.666	813	58.648	59.461

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

The amount of EUR 15.9 million corresponding to the outstanding amount for the client portfolio transfer is included in Other Payables caption, in 2017 the amount was EUR 20.8 million.

The detail of maturities at the end of 2018 and 2017 is as follows:

(thousand €)	31/12/2018	(thousand €)	31/12/2017
2019	46.942	2018	58.648
2020	11	2019	11
2021	11	2020	11
2022	11	2021	11
2023	11	2022	11
2024 and subsequent years	682	2023 and subsequent years	769
Total	47.666	Total	59.461

d) *Debts with group companies and associates*

The balances included under this item which mainly relate to relations 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 2018 and 2017 are analysed below by maturity:

(thousand €)	31/12/2018			31/12/2017		
	Long term	Short term	Total	Long term	Short term	Total
Hedging derivative liabilities	1.006	757	1.762	1.386	806	2.192
Other derivative liabilities	1.842	1.671	3.514	2.256	1.412	3.668
Total	2.848	2.428	5.276	3.641	2.219	5.860

Maturity by year is as follows:

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

(thousand €)	31/12/2017	
	Hedge	Others
2018	806	1.412
2019	758	947
2020	496	779
2021	73	287
2022 and subsequent	59	243
Total	2.192	3.668

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.

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 2018, these derivative financial instruments have been measured and recorded in liabilities in the amount of EUR 1.8 million (EUR 2.2 million in 2017). 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 0.7 million because of interest rate hedging; EUR 1 million in 2017. These amounts have been recorded in the financial expenses item, as well as the hedged item (see Note 16.5).

Likewise, as at 31 December 2018, the notional value of the interest rate swaps that qualify as hedges amounts to EUR 70.4 million, and in 2017 such value amounted to EUR 58.5 million (see Note 5.1).

b) *Other derivatives*

Other derivative liabilities recognised at the end of 2018 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 768 thousand of expense due to the change in fair value of such interest rate swaps, EUR 122 thousand of less expense in 2017. These amounts are recognised under the heading Change in fair value of financial instruments.

As at 31 December 2018, the notional value of these financial instruments amounts to EUR 61.4 million, and in 2017 such value amounted to EUR 37.2 million.

Note 10. Current Assets

10.1 Inventories

The breakdown is as follows:

(thousand €)	31/12/2018	31/12/2017
Goods for resale	161	200
Raw materials	1.589	2.627
Fuel	178	186
Spare parts	271	345
Various materials	1.482	1.785
Office materials	504	581
Plots		1.883
Advances to suppliers	219	3.189
Total	4.404	10.797

In 2018, advances to suppliers were written off in the amount of EUR 2.6 million.

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 €)	31/12/2018	31/12/2017
Hotel business customers	9.921	14.013
Other customers	15.445	21.297
Trade receivables	1.553	1.193
Doubtful trade receivables	11.780	10.097
Impairment for trade operations	(18.238)	(18.993)
Total trade receivables	20.460	27.606
Trade receivables, group companies and associates	50.026	65.360
Sundry debtors	5.735	7.243
Staff	156	256
Current tax assets	11.758	31.889
Public administrations	4.283	5.464
Total other receivables	71.958	110.212
Total	92.418	137.818

At the end of 2018 and 2017, 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 outstanding for more than 360 days have been duly provisioned (see Note 5.3).

It is also included 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 amounts concerned in advance. As at 31 December 2018, the total balance assigned by the Company was EUR 13.8 million, EUR 15.6 million as at 31 December 2017. 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.

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 Short-term accruals and deferrals

This heading includes the expenses to be taken to the profit and loss account in the amount of EUR 2.2 million (EUR 2.6 million in 2017), which have been recorded in the fiscal year ended, and which derive from the application of the accrual accounting principle under which, expenses are recognised when the actual flow of the related goods and services occurs, regardless of when the payments are made.

10.4 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, so there are no significant risks of change in value and they are part of the normal cash management policy of the Company.

(thousand €)	31/12/2018	31/12/2017
Cash	98.379	44.239
Other cash equivalents	3.743	9.796
Total	102.122	54.035

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

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 2018 and 2017, are as follows:

Shareholders	31/12/2018	31/12/2017
	% Shareholding	% Shareholding
Hoteles Mallorquines Consolidados, S.A.	23,38	22,58
Hoteles Mallorquines Asociados, S.L.	13,21	13,21
Hoteles Mallorquines Agrupados, S.L.	10,39	11,18
Majorcan Hotels Exlux, S.L.	5,03	5,03
Rest of shareholders (less than 3% individual)	48,00	48,00
Total	100,00	100,00

As of October 2018, Mr. Gabriel Escarrer Juliá has ceased to exercise control over the Group, although he still owns 5.025% of the shares in Meliá Hotels International, S.A., indirectly, through the company Majorcan Hotels Exlux, S.L.U.

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 1 million arises from the release of part of this reserve to the reserve for treasury shares.

c) Reserves

The following table shows the breakdown of the Reserves heading at the end of 2018 and 2017:

(thousand €)	31/12/2018	31/12/2017
Legal reserve	9.188	9.188
Revaluation reserves Royal Decree-Law 7/1996, of 7th June	16.076	18.285
Reserves for shares of the controlling company	16.025	15.023
Reserves for actuarial gains and losses	(3.616)	(2.224)
Voluntary reserves	273.189	238.922
Translation reserves	12.899	10.538
Other reserves	(960)	(7.604)
Total	322.800	282.129

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 2018 and 2017 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. During the year the Company has transferred EUR 2.2 million to unrestricted reserves, since capital gains were realised through the sale of assets subject to restatement.

Reserves for shares of the controlling company

This is a restricted reserve for the acquisition of treasury shares, pursuant to the Spanish commercial law. The increase in 2018 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. The increase during the year is due to the distribution of profit of the previous fiscal year and the amount of EUR 2.2 million which relates to the transfer made from the revaluation reserves R.D.L. 07/1996.

Translation reserves

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

Other reserves

Under this heading the Merger reserve is included, among others, recognised in the amount of EUR one million of debit balance in 2018 and 2017.

d) Own equity instruments

Breakdown and movements of treasury shares are 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

At the end of 2018, the Company does not have securities loan agreements.

As at 31 December 2018, the total number of treasury shares held by the Company represents 0.79% of the share capital; and as at 31 December 2017, represented 0.75%. In any case, the treasury shares do not exceed the 10% limit established by the Spanish Law on Corporations.

The price of Meliá Hotels International, S.A.'s shares at year end was EUR 8.21. At the 2017 year-end the share price amounted to EUR 11.5.

For comparison purposes, movements for year 2017 were as follows:

(thousand €)	No. Shares	Average price (€)	Balance
Balance as at 31/12/2016	1.661.768	8,58	14.256
Acquisitions	10.581.053	12,54	132.634
Disposals	(10.520.357)	12,53	(131.867)
Balance as at 31/12/2017	1.722.464	8,72	15.023

11.2 Measurement adjustments

Details and movements of the measurement adjustments in 2018 and 2017 are as follows:

(thousand €)	2018	2017
Hedging operations:		
Initial balance	(1.704)	(2.465)
Results attributed to equity	(1.287)	(17)
Transfers to results	694	1.032
Tax effect	149	(254)
Final balance	(2.148)	(1.704)

These adjustments result from the application of hedge accounting and, therefore, they are restricted, since at the maturity date of such instruments the balance of adjustments is zero.

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. During the fiscal year, the total amount recorded in the income statement for this item is EUR 63 thousand, EUR 66 thousand in the previous year. Movements during the fiscal year are as follows:

(thousand €)	2018	2017
Initial balance	1.115	1.165
Transfer to results	(62)	(66)
Tax effect	15	16
Final balance	1.068	1.115

At the end of 2018 and 2017, the Company meets the conditions laid down in the grant awards.

Note 12. Provisions and contingencies

12.1 Provisions

The balance sheet includes a balance in the amount of EUR 61.8 million in respect of provisions, EUR 54 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 €)	31/12/2017	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 has been performed to assess the past services, as defined in Note 4.10, which have been estimated at EUR 8.7 million. The value of assets associated with outsourced commitments in compliance with the legislation in force amounts to EUR 1.5 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 the Company, using the calculation method known as the Projected Unit Credit and the demographic assumptions established by the PER2000P tables, using a capitalisation rate of 1.32%, and a salary increase assumption of 2.55%. 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:

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

Changes during the fiscal year include 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.

The balance of the provision for onerous contracts at the end of 2018 amounts to EUR 2.8 million; EUR 3.7 million at the end of 2017. This provision was calculated for the hotels that in 2018 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.

The estimate of projected cash flows of these hotels was made internally by the Company, using the operating budget for 2019 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 2019. The discount rates applied range between 9% and 11%.

In the provisions for negative equity section, the additions in the fiscal year relate to Sol Mainvest, N.V., in the amount of EUR 4.4 million and Markserv, B.V, amounting to EUR 3.8 million (see Annex I).

In 2017, the European Commission informed Meliá of the initiation of an investigation concerning certain vertical agreements relating to hotel reservations entered into with tour operators and other tourist agents. The investigation of the Commission did not imply the existence of an infringement, but the formal opening of a procedure for the purposes of finding out more about the issue raised, which is focused on whether or not there are price restrictions based on the place of residence or nationality of the potential customer.

Throughout the year 2018, no infringement has been confirmed by the Commission and the investigation procedure remains open. However, important progress has been made in processing the investigation through a cooperation process offered by the Commission and accepted by Meliá, without this entailing the acceptance of any infringement. This processing promotes deeper dialogue between the parties and allows to simplify formalities.

The Company actively and constructively continues to participate in the investigation, by providing as many explanations as necessary with respect to the issue raised, relying on a quick resolution of the procedure evidencing that Meliá's business practices comply with European legislation.

Movements in 2017 were as follows:

(thousand €)	31/12/2016	Additions	Disposals	31/12/2017
Provision for retirement, seniority bonus and personnel obligations	6.448	1.621	(1.004)	7.065
Provision for taxes	2.367		(2.276)	91
Provision for onerous contracts	7.653	239	(4.198)	3.694
Provision for negative own funds	47.850	21.577	(42.257)	27.170
Provision for liabilities	6.784	9.949	(780)	15.952
Total	71.102	33.386	(50.515)	53.972

In respect of commitments established in supra-enterprise collective agreements, in 2017 an actuarial study was performed to assess the past services, which were estimated at EUR 8.5 million. The value of assets associated with outsourced commitments in compliance with the legislation in force amounted to EUR 1.4 million.

The assessment of these commitments undertaken by the Company was conducted by using a capitalisation rate of 1.2105%, a salary increase assumption of 1.38% and in accordance with the following rotation ratios according to the employee's current age:

Age range	% Rotation
<45	7,79
45-55	3,73
>55	3,11

Changes in 2017 included an impact recognised in net equity in the amount of EUR 691 thousand, due to some changes occurred in the actuarial assumptions used during the calculations made.

Likewise, in 2017, a decrease of EUR 2.3 million was recognised in Provisions and Contingencies heading, which related to the payment resulting from the tax inspections initiated late in 2014 on the tax group of the controlling company.

In the provisions for negative equity section, the additions in the fiscal year mainly related to Sol Mainvest, N.V., in the amount of EUR 13.8 million and Markserv, B.V, amounting to EUR 7.3 million. Likewise, the disposals were due to the application for excess of the Company Sol Meliá Vacation Club Puerto Rico in the amount of EUR 42.3 million

Additions in the amount of EUR 9.9 million related to the provisions for disputes in various institutions (including the investigation of the European Commission as abovementioned), as well as other obligations undertaken in hotel lease agreements.

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 43 million and through corporate guarantee in the amount of EUR 10.1 million.
- Secures several operations on behalf of its subsidiary companies and associates through bank guarantees, amounting to EUR 74.7 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 2.1 million.

Likewise, the Company secures through bank guarantees the deferred payment of several tax settlements amounting to EUR 2.7 million. Such guarantee is not considered as a contingent liability, since the corresponding amounts are recognised as liabilities.

12.3 Operating leases

As at 31 December 2018, the Company operates under lease a total of 53 hotels with almost 12 thousand rooms, as in the previous year.

The average term of these operating lease agreements is 5.21 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 2018 amounted to EUR 10.5 million.; EUR 11.8 million in 2017.

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

(thousand €)	31/12/2018	31/12/2017
Less than 1 year	92.792	81.224
Between 1 and 5 years	255.447	294.859
More than 5 years	140.451	271.699
Total	488.690	647.782

The decrease in minimum lease payments is due to the renegotiation and restructuring of lease agreements, whereby instalments or maturities have been reduced, as appropriate.

Note 13. Trade creditors and other payables

The breakdown of this heading at the end of 2018 and 2017 is as follows:

(thousand €)	31/12/2018	31/12/2017
Suppliers	10.223	15.226
Suppliers, group companies and associates (note 17)	6.070	8.254
Sundry creditors	47.132	51.293
Accrued wages and salaries	30.323	30.790
Public Administrations (note 14)	11.274	9.837
Prepayment from customers	28.495	17.612
Total	133.517	133.012

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	2018	2017
Average period of payment to suppliers	53,25	71,69
Ratio of operations paid	52,88	72,95
Ratio of outstanding operations	57,40	63,30
(thousand €)	2018	2017
Total payments made	320.552	297.778
Total outstanding payments	28.663	44.799

In 2018, 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 reduced to 53.25; 71.69 days in the previous year.

Note 14. Tax Situation

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 2018 and 2017 was 38 and 37, respectively.

As a consequence of the above, 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.

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 14.

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 2018, the years open for review for the main applicable taxes to which the Company is subject are as follows:

	Years
Corporate Income Tax	2014-2017
I.G.I.C (General Indirect Canary Islands Tax)	2015-2018
VAT	2015-2018
I.R.P.F. (Income Tax)	2015-2018

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

14.1 Tax assets and liabilities

The balance concerning tax assets and liabilities is as follows:

(thousand €)	31/12/2018	31/12/2017
Income tax		
Deferred tax assets	65.072	64.390
Current tax assets	11.758	31.889
Total	76.830	96.279
Other taxes		
Tax Authorities, VAT receivable	4.283	5.464
Total	4.283	5.464
Total assets	81.113	101.743
Income tax		
Deferred tax liabilities	48.430	51.733
Current tax liabilities		(377)
Total	48.430	51.356
Other taxes / rates		
Tax Authorities, IGIC (General Indirect Canary Islands) Tax payable	211	472
Tax Authorities, IRPF (Income Tax) payable	2.716	2.814
Tax Authorities, payables	2.949	1.596
Payables to social security bodies	5.398	4.955
Total	11.274	9.837
Total liabilities	59.704	61.193

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

(thousand €)	31/12/2018	31/12/2017
Deferred tax assets		
Credits for tax losses available for carry forward	9.834	12.321
Tax credit carryforwards	4.984	5.081
Tax value of goodwill	15.995	19.803
Financial instruments	696	548
Amortisation costs pending deduction	2.901	3.384
Financial expenses pending deduction	18.855	11.360
Tax deductible provisions	11.807	11.893
Total	65.072	64.390
Deferred tax liabilities		
Finance lease operations	13.510	14.923
Land restatement and revaluation	30.594	32.332
Sales under reinvestment deferral	3.990	4.126
Non-refundable grants	336	352
Total	48.430	51.733

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

(thousand €)	2018		2017	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Opening balance	64.390	51.733	70.954	54.475
Variations reflected in income statement:				
Credits for tax losses available for carry forward	(2.487)		1.737	
Tax credit carryforwards	(97)		(829)	
Tax deductible provisions	(549)		1.802	
Tax value of goodwill	(3.808)		(3.808)	
Finance lease operations		(1.413)		(455)
Land restatement and revaluation		(1.739)		(1.263)
Amortisation costs pending deduction	(483)		(484)	
Sales under reinvestment deferral		(136)		(137)
Financial expenses pending deduction	7.494		(4.958)	
Intangible asset amortisation				(871)
Variations reflected in net equity:				
Financial instruments	148		(254)	
Non-refundable grants		(15)		(16)
Tax deductible provisions-Actuarial gains and losses	464		230	
Final balance	65.072	48.430	64.390	51.733

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 assesses 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.

14.2 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		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)

For comparison purposes, the reconciliation of the net amount of income and expenses of the fiscal year 2017 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		77.024		21	77.045
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax		11.140	7		(11.133)
Permanent differences	64.711	104.945			(40.234)
Temporary differences					
Arising in the fiscal year	34.773				34.773
Arising in previous fiscal years	7.013	115.132		28	(108.147)
Tax base (tax result)					(47.696)

The information shown in the changes in equity relates to income and expenses directly recognised in net equity. In 2018 and 2017, 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 €)	2018	2017
Permanent differences		
Tax-exempted dividends	(110,172)	(103,372)
Non-deductible expenses and income	35,071	53,639
Other adjustments	10,164	9,499
Total	(64,937)	(40,234)
Temporary differences		
Finance lease	5,652	1,819
Provisions	4,191	(13,532)
Differences between tax amortisation and accounting amortisation	1	3,484
Non-deductible financial expenses	(45,743)	(48,495)
Temporary measures reversal (non-deduc. amort. expenses)	(1,934)	(1,934)
Other adjustments	(8,118)	(14,688)
Total	(45,951)	(73,346)

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 €)	2018		2017	
	Income statment	Income and expense recognised in equity	Income statment	Income and expense recognised in equity
Balance of income and expenses of the fiscal year	61.869	(2.512)	65.884	27
Theoretical tax burden (25% type)	15.467	(628)	16.471	7
Non-deductible expenses	(16.234)		(10.059)	
Other adjustments	(18.259)		(14.521)	
Tax consolidation adjustments			(253)	
Tax loss and tax credits	1.392		(3.237)	
Effective tax expense/income	(17.634)	(628)	(11.599)	7

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

(thousand €)	2018		2017	
	Allocation to income statement	Allocation to net equity	Allocation to income statement	Allocation to net equity
Current tax	(12.876)		(14.956)	
Deferred tax	(3.358)	(628)	3.816	7
Total corporate income tax expense	(16.234)	(628)	(11.140)	7

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

- Corporate income tax of foreign capital withholdings amounting to EUR 924 thousand in 2018 and EUR 101 thousand in 2017.
- Corporate income tax from previous fiscal years in the amount of EUR 475 thousand in 2018; EUR 357 thousand in 2017.

14.3 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	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

For comparison purposes, the reconciliation of the net amount of income and expenses of the fiscal year 2017 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	147,212		127		147,339
	Increases (I)	Decreases (D)	(I)	(D)	
Income tax	6,160		121	62	6,219
Permanent differences	66,611	104,600			(37,989)
Temporary differences					
Arising in the fiscal year	3,291				3,291
Arising in previous fiscal years	6,411	90,392	300	486	(84,167)
Temporary differences arising from the consolidation process	266	1,046			(780)
Offset of tax losses from previous years		8,478			(8,478)
Consolidated tax base (tax result)					25,435

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

(thousand €)	2018	2017
Permanent differences		
Tax-exempted dividends	(114.265)	(104.242)
Non-deductible expenses and income	45.053	14.860
Profit on sale of fixed assets and financial investments		
Other adjustments	18.114	51.393
Total	(51.098)	(37.989)
Temporary differences		
Finance lease	9.662	2.214
Provisions	14.832	(11.544)
Non-deductible financial expenses	(49.084)	(52.552)
Temporary measures reversal (non-deduct. amort. expenses)	(2.878)	(2.824)
Differences between tax amortisation and accounting amortisation	240	(1.296)
Other adjustments	(11.118)	(15.468)
Total	(38.346)	(81.470)

The calculation of the corporate income tax is as follows:

(thousand €)	2018	2017
Current tax (consolidated total tax liability)	5.059	6.359
Deduction for double taxation	(1.029)	(757)
Adjusted total tax liability	4.030	5.602
Tax credits and deductions	(1.851)	(2.849)
Withholdings and prepayments	(869)	(1.114)
Tax payable or receivable	1.310	1.639
Instalment payments	(12.989)	(24.751)
Cash payable or receivable	(11.679)	(23.112)

14.4 Tax group's tax loss

At the end of the fiscal year, the breakdown of tax loss carry-forwards to be offset by the Company and its consolidated tax group is as follows:

(thousand €)	Source fiscal year	Applied during the fiscal year	Tax loss carry forwards
	2000		1
	2001	6.128	39.775
	2002		66.533
	2003		55.617
	2004		57.027
	2005		16.607
	2006		1.304
	2007		1.322
	2008		30.295
	2009		5.126
	2010		4.583
	2011		9.733
	2012	102	4.100
	2013	516	2.432
	2014		883
	2015		161
	2016		4.613
	Total	6.746	300.112

The total of tax loss carry-forwards reflected includes EUR 250 million 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 18.73 million, of which 9.8 are capitalised in the Company.

14.5 Tax group's tax credits

Credits for export activities

The consolidated tax group has generated EUR 1.03 million of deductions relating to export activities which have been used this year.

Credits for donations and gifts

The consolidated tax group has generated EUR 25 thousand of deductions relating to donations which have been used this year.

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	Reinvest. mat.	Reinvest. deduc.	Applied deductions	Pending application	Deductions mat.
	2012	37.999	2011-12	50.353	2015	3.573	3.573		2.027
	2013	50.000	2012-13	14.793	2016	3.064	20	3.044	2.028
Total		87.999		65.146		6.637	3.593	3.044	

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 15.96 million, which will be added on a straight-line basis until year 2048.

Credits for investments in new fixed assets in Canary Islands

The consolidated tax group has generated EUR 698 thousand of deductions relating to investments in new fixed assets in Canary Islands, according to the provisions of Law 20/1991 on Corporate Income Tax, which have been used this year.

Credits for technological innovation activities

(thousand €)	Source fiscal year	Amount to be deducted	Applied deductions	Deductions pending application	Deduction period
	2010	159	120	39	2028
	2011	181		181	2029
	2012	230		230	2030
	2013	250		250	2031
	2014	322	108	214	2032
	2015	767	620	147	2033
	2016	997	136	861	2034
	2017	1.252		1.252	2035
Total		4.158	984	3.174	

In 2018, 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
	2018	144	144	
	2019	133		133
	2020	131		132
	2021	131		131
	2022	131		131
	2023	131		131
	2024	131		131
Total		934	144	791

From the tax credit of EUR 791 thousand, the Company has generated EUR 580 thousand.

a) Capitalised tax credits.

The Tax Group has a total of EUR 7 million of tax credits, from which EUR 6.38 million are recognised as deferred tax assets.

14.6 Other tax information

Provisions for financial investments

In 2018, Meliá Hotels International, S.A. has included in the tax base of the corporate income tax EUR 5.8 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, a total of EUR 5.8 million will be gradually reversed in the tax base of Meliá Hotels International, S.A., provided that these companies generate enough profits to allow the application of such provisions or at a rate of 20% per year.

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

Non-deductible financial expenses

Net financial expenses which have not been subject to deduction, in accordance with paragraph 1 of Article 20 of the revised text of the Law on Corporate Income Tax (TRLIS according to its acronym in Spanish), and that may be deducted in the following tax periods are:

(thousand €)	Source fiscal year	Amount to be deducted	Fiscal year applications	Deductions pending application
	2012	21.971	21.971	
	2013	64.755	24.769	39.986
	2014	49.811	1.481	48.330
	2015	28.344	863	27.481
	2016	55	55	
Total		164.936	49.084	115.797

The company has recognised deferred tax assets relating to these financial expenses that have not been subject to deduction in the amount of EUR 18.86 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 2.9 million (the Tax Group, EUR 3.9 million), resulting from such amortisation/depreciation not deducted (see Note 14.5).

Miscellaneous

As a result, among others, of the different interpretations of the current tax legislation, additional liabilities may arise from an inspection. Directors consider, however, that any additional liabilities, if any, would not significantly affect these annual accounts.

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, structure costs and other leisure-related operating activities.

The segmentation of net revenues in the income statement for years 2018 and 2017 is detailed in the following table:

(thousand €)	2018	2017
Hotel business	516.054	514.309
Asset management	2.608	
Management and structure	96.798	100.400
Total	615.461	614.709

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 2018 and 2017 is the following:

(thousand €)	2018	2017
Room revenue	380.342	376.086
Food and beverage revenue	120.209	123.836
Fees for management on benefits	14.362	13.502
Fees for management on sales	28.383	45.121
Fees for transfer of brand use	16.102	
Asset management	2.608	
Other revenue	53.505	56.260
Sales rebates	(50)	(96)
Net revenues	615.461	614.709
(miles de €)	2018	2017
Sundry revenue	17.622	31.957
One-off revenue	6.032	48.646
Operating revenues	23.654	80.603

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 2018 and 2017 is as follows:

(thousand €)	2018	2017
Food and beverage consumptions	31.221	35.753
Changes in inventories	1.540	(148)
Fuel purchases	1.567	1.763
Ancillary materials and sundry purchases	7.822	7.726
Total	42.151	45.094

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

16.3 Staff costs

Staff costs for 2018 and 2017 are broken down as follows:

(thousand €)	2018	2017
Wages and salaries	163.593	161.763
Termination benefits	2.134	2.316
Social security	44.121	44.144
Contribution to complementary schemes	440	605
Other amounts	3.188	3.751
Total	213.476	212.579

The average number of employees in 2018 and 2017 is broken down by job category in the table below:

Category	No. Employees 2018	No. Employees 2017
Management personnel	220	220
Department heads	1.067	1.058
Technicians	3.294	3.294
Support staff	1.085	1.154
Total	5.666	5.725

The distribution by gender categories at the end of 2018 and 2017 is as follows:

Category	2018			2017		
	Men	Women	Total	Men	Women	Total
Management personnel	144	70	213	151	70	221
Department heads	531	389	920	548	398	946
Technicians	1.108	1.570	2.678	1.162	1.521	2.683
Support staff	432	313	745	503	381	884
Total	2.215	2.341	4.556	2.364	2.370	4.733

The average number of employed persons for years 2018 and 2017, with disabilities greater than or equal to 33%, is as follows:

Category	No. Employees 2018	No. Employees 2017
Department heads	7	6
Technicians	13	11
Support staff	12	11
Total	32	27

16.4 Other operating expenses

The breakdown of the balance of this caption in the income statement for 2018 and 2017 is as follows:

(thousand €)	2018	2017
Hotel rental	92.803	81.676
Sundry rentals	9.320	9.526
Maintenance and repairs	21.219	21.085
External services	58.029	51.299
Transport and insurance	2.715	2.573
Banking expenses	4.888	4.365
Advertising and promotions	17.166	16.867
Supplies	68.451	67.898
Travel and ticketing expenses	5.142	4.483
Other expenses	36.014	48.495
Tax	11.656	9.630
Losses, impairment and change of provisions	1.600	1.759
Other current operating expenses	11.063	32.051
Total	340.063	351.706

16.5 Financial income and expenses

The breakdown of financial income and expenses of the Company reflected in the income statement for 2018 and 2017 is as follows:

(thousand €)	2018	2017
Dividends shar. in equity instr. group companies and associates	114.640	107.450
Dividends shar. in equity instr. third parties	865	206
Interest on group companies and associates	14.979	13.013
Interest on third parties and bank accounts	628	628
Other financial income relating to third parties	164	116
Total financial income	131.276	121.413
Interest on payables to group companies and associates	11.291	13.845
Interest on obligations and bonds	382	377
Interest on bank loans	18.628	16.460
Interest on bank leasing	89	193
Other financial expenses relating to third parties	1.209	2.478
Total financial expenses	31.599	33.353

Financial income in group companies and associates relates to received dividends and interest on loans and current accounts (see Notes 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 31.3 million of loss, EUR 14.9 million in 2017, 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.

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

(thousand €)	31/12/2018	Currency	31/12/2017	Currency
Assets				
Loans to group companies and third parties	86.881	Usd	71.400	Usd
	12.065	Gbp	14.442	Gbp
Loans and other financial assets to group companies and third parties	76.379	Usd	80.345	Usd
	1.145	Gbp	4.481	Gbp
	3.694	Other	2.938	Other
Cash and cash equivalents	24.687	Usd	837	Usd
	2.523	Gbp	7.529	Gbp
Total assets	187.947	Usd	152.582	Usd
	15.733	Gbp	26.452	Gbp
	3.694	Other	2.938	Other
Liabilities				
Bank loans	69.364	Usd	18.583	Usd
Payables to group companies	74.765	Usd	54.462	Usd
Bank loans	2.500	Usd	2.085	Usd
Other liabilities	102.516	Usd	89.118	Usd
	3.180	Gbp	814	Gbp
		Other	325	Otras
Total liabilities	249.145	Usd	164.248	Usd
	3.180	Gbp	814	Gbp
		Other	325	Other

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 controlling 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 2018 and 2017, the amount recognised in the operating results in the income statement, and the balances outstanding at the year end:

(thousand €)	Net income 2018	31/12/2018		Net income 2017	31/12/2017	
		Assets	Liabilities		Assets	Liabilities
Group companies						
Aparthotel Bosque, S.A.	670	591	31	318	830	31
Apartotel, S.A.	3.919	186		3.851		
Colón Verona, S. A.	885	353	5	845	3	6
Comunidad de Prop. Hotel Meliá Sol y Nieve	532	223	55	518	1	
Desarrolladora del Norte		1.662			1.412	
Dorpan, S.L.	(255)					
Gesmesol, S.A.		736		2.885	2.924	
Hotelpoint, S.L.	8.441			10.893	6.351	
Idiso Hotel Distribution, S.A.	(1.962)	68	154	(2.000)	208	715
Inversiones Hoteleras La Jaquita, S.A.	3.110	1.230	96	3.686	1	71
Inversiones y Explot. Turísticas, S.A.	3.582	4.142	46	3.468	6.161	58
Lomondo, LTD	3.110	1.724	5	3.104	1.543	6
Londim France, S.A.		807				
London XXI Limited	1.363	761		1.213	616	
Meliá Brasil Administração Hoteleir		6.822			6.165	
MHI UK, L.T.D.		880			4.030	
Naolinco Aviation, S.L.	(2.783)			(3.549)		475
Operadora Mesol	6.041	343		9.175	4.995	
Prodigios Interactivos, S.A.	(45.478)	236		(40.114)	166	2.198
Prodisotel, S.A.	2.147	917	1	2.200	6	7
Punta Cana, S.L.U.		4	2.237			
Securisol, S.A.	(594)			(628)		
Sol Meliá Deutschland, GMBH	519	5.049	12	5.154	7.700	75
Sol Meliá France, S.A.S.	1.825	10.630		2.294	8.681	
Sol Meliá Italia, S.R.L.	1.455	266	20	1.319	478	(4)
Sol Meliá Perú		486				
Sol Meliá Shanghai CO LTD	(724)	235		(1.035)	210	229
Tryp Mediterranee		2.347			2.724	
The Sol Group Corporation	(12.390)	337	2.887	(13.841)	285	3.131
Otras empresas del grupo	2.081	3.077	336	1.918	3.566	384
Deterioro de valor		(2.396)			(2.944)	
Total group companies	(24.505)	41.714	5.885	(8.325)	56.110	7.385

(thousand €)	Net income 2018	31/12/2018		Net income 2017	31/12/2017	
		Assets	Liabilities		Assets	Liabilities
Associates						
Altavista Hotelera, S. L. (J.V.)	(4.733)	945		(4.682)	1.222	
Grupo Evertmel (J.V.)	3.273	1.865	22	3.377	2.453	38
Grupo Producciones de Parques (J.V.)	1.619	907	12	1.415	971	674
Meliá Zaragoza, S. L. (J.V.)	37	229		384	307	10
Nexprom, S.A.	1.205	874	2	1.013	717	26
Renasala, S.L.	230	46				
Starmel Hotels OP, S.L. (J.V.)	3.230	1.764	48	3.408	1.994	47
Starmel Hotels OP 2, S.L.U. (J.V.)	1.024	438	4	506	162	21
S'Argamassa Hotelera, S.L.	552	146	3	649	162	
Turismo de Invierno, S.A.	351	291		335	522	
Otras empresas asociadas	216	836	93	284	770	54
Deterioro de valor		(29)			(29)	
Total associates	7.003	8.312	185	6.688	9.250	869
Total	(17.502)	50.026	6.070	(1.637)	65.360	8.254

(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.

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 2018 and 2017:

(thousand €)	Net income 2018	31/12/2018		Net income 2017	31/12/2017	
		Assets	Liabilities		Assets	Liabilities
Group companies						
Adprotel Strand, S.L. (J.V.)	2.143	73.437				
Aparthotel Bosque, S.A.	76	3.715	42	42	5.157	533
Apartotel, S.A.	(19)	569	3.165	3.139	606	211
Aresol Cabos S.A. de C.V.		262			286	
Bedbank Trading S.A.	26.275	3.125		(1.035)	9	25.365
Bisol Vallarta, S.A.	(1.539)		33.054	(1.261)		28.545
Cala Formentor, S.A.	(726)		11.835	(607)		10.736
Caribotels de México, S.A. de C.V.	64	2.678	7	137	2.506	
Colón Verona, S.A.	385	16.936	819	406	17.114	241
Comunidad de Prop. Hotel Melia Sol y Nieve	636	34.618		697	36.300	
Corp. Hot. Hispano Mexicana, S.A. de C.V.	(409)		341	(1.002)		17.310
Desarrolladora del Norte, S.A.	58	8.262		30	2.383	
Expamihso Spain, S.A.U.	(1.616)	717	90.751	(549)		82.703
Gesmesol, S.A.	18.494		206		3	
Hogares Batle, S.A.	67	3.732	121	73	3.761	67
Hoteles Sol Meliá, S.L.	1.034	850	302	60	4.644	355
Hotelpoint, S.L.	28.183	6.818	37.307	12.654	9.576	24.759
Idiso Hotel Distribution, S.A.	103	354	259	29	4.343	
Impulse Hotel Development, B.V.			12			
Inversiones Hoteleras La Jaquita, S.A.	975	73.723	4.553	695	35.384	13.246
Inversiones Inmobiliarias, IAR		1.032			1.030	
Inversiones y Explotaciones Turísticas, S.A.	1.754		168	1.662		184
Lomondo, LTD			1.163			1.035
Londim France, S.A.			13.370			
London XXI LTD	92	1.969	253	114	2.401	126
Markserv, BV	703		1.782	(72)		3.581
Meliá Brasil Administração H.E.C.LTDA.	3.176	76.344	490	2.492	69.253	486
Melia Europe & Middle East	25	1.236	1		1.298	
Melia Inversiones Americanas				37.237		
MHI UK LTD	10.763	10.198		3.632	12.156	
Moteles Andaluces, S.A.				(30)	92	1.710
Naolinco Aviation, S.L.	20	1.315	5		1.085	
Neale Expa Spain, S.A.U.	11	2.156	738		2.156	
Network Investments Spain, S.A.	(7)	70	156		1.412	
New Continent Ventures	664	14.824		412	9.814	
Operadora Costa Risol	(68)			(62)		1.064
Operadora Mesol	4.323					
Prodigos Interactivos, S.A.	220	4.919	28.188	567	3.510	6.265
Prodisotel, S.A.	(230)	2.601	20.001	(191)	302	21.226
Punta Cana Reservations, S.L.	(1.115)	1.545	108.690		754	
Realizaciones Turísticas, S.A.	(1.884)	736	104.649	(1.941)	710	102.127
Sol Melia Deutschland, GMBH	5.590		25.202	19.307		34.064
Sol Melia Europe, B.V.	2.186		4.249	(3.621)	53	(992)
Sol Melia France	1.831	33		1.627	22	9.860
Sol Melia Funding		45.219			56.114	
Sol M. Greece H. And T. Enterprises, S.A.			884		1.335	
Sol Melia Italia, S.R.L.	2.338	151	1.219	244	7.372	1.547
Sol Melia V.C. Dominicana, S.A.		9.022			8.762	
Sol Melia V.C. España, S.L.	239	13.003	694	297	19.848	6.949
Sol Melia V.C. Panamá, S.A.		1.603			1.560	
Sol Melia V.C. Puerto Rico		3.606		277		
Tenerife Sol, S.A.	(554)	2.871	38.984	(196)	472	21.041
The Sol Group Corporation	53	1.827	3	42	1.743	
Otras empresas del grupo	7.067	2.723	10.416	1.571	4.451	12.394
Total group companies	111.381	428.797	544.079	76.878	329.777	426.737

(thousand €)	Net income 2018	31/12/2018		Net income 2017	31/12/2017	
		Assets	Liabilities		Assets	Liabilities
Associates						
Adprotel Strand, S.L. (J.V.)				1.969	65.805	
Altavista Hotelera, S.L. (J.V.)	240	10.252		389	12.065	
Bellver Property, S.L.U. J.V.)			342			
Comunidad de Prop. Hotel Meliá Castilla	1.481		178	1.197		7
Detur Panamá, S.A. (J.V.)	93	8.790		51	8.000	
Grupo Evertmel (J.V.)	956	26.879		1.299	24.010	
Grupo Producciones de Parques (J.V.)	(7)		1.439	27		4.558
Grupo Renasala (J.V.)	2.385	21.958	1.724	860	22.039	39
Grupo Starmel	588	4.967	415	23.542	4.608	63
Meliá Zaragoza, S.L. (J.V.)	245	1.027		112	7.924	
Melcom Joint Venture, S.L. (J.V.)	619	37.304				
Pelicanos Property, S.L.U. (J.V.)			780			
S'Argamassa Hotelera, S.L.	114		29	220	3.047	11
Otras empresas asociadas	233	32	831	73	33	507
Deterioro		(438)			(438)	
Total associates	6.947	110.770	5.737	29.740	147.093	5.186
Total	118.328	539.567	549.816	106.618	476.870	431.923

(J.V.) Joint Ventures

The breakdown of assets and liabilities in group companies and associates, including currency, for years 2018 and 2017 is as follows:

(thousand €)	31/12/2018		31/12/2017	
	Assets	Liabilities	Assets	Liabilities
Eur	371.334	390.999	317.779	292.604
Usd	154.722	157.578	143.113	137.913
Other currencies	13.510	1.239	15.978	1.407
Total	539.567	549.816	476.870	431.923

There follows a breakdown of the maturity dates of assets and liabilities in group companies and associates at year-end 2018 and 2017:

(thousand €)	31/12/2018		(thousand €)	31/12/2017	
	Assets	Liabilities		Assets	Liabilities
2019	123.153	113.804	2018	139.313	177.660
2020	41.123	88.274	2019	136.494	1.710
2021	148.680	137.347	2020	20.639	75.407
2022	29.756	21.733	2021	105.392	99.648
2023	92.749	156.339	2022	41.160	21.629
2024 and subsequent years	104.107	32.319	2023 and subsequent years	33.873	55.869
Total	539.567	549.816	Total	476.870	431.923

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 2018 and 2017 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:

Name or corporate name of significant shareholder	Type of transaction	(thousand €)	
		2018	2017
Hoteles Mallorquines Asociados, S.L.	Purchase of goods		85
Hoteles Mallorquines Asociados, S.L.	Provision of services		12
Hoteles Mallorquines Asociados, S.L.	Receipt of services	1.066	518
Hoteles Mallorquines Asociados, S.L.	Purchase of financial fixed assets		8.992
Hoteles Mallorquines Agrupados, S.L.	Purchase of financial fixed assets		8.992
Hoteles Mallorquines Consolidados, S.A.	Purchase of financial fixed assets		10.065

The purchases of financial fixed assets included in the table above for year 2017, relate to the amount paid to the significant shareholders of the Group, included in the transaction of acquisition of 35% of the company Homasi, S.A., as broken down in Note 9. Due to the amount of the related-party transaction, the Audit and Compliance Committee and the Board of Directors prepared mandatory reports and authorised, respectively, such transaction, the executive and proprietary directors abstaining from deliberating and voting. Such directors reported, and included in their annual statement, the conflict of interest that arose in this regard.

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 Board meetings are as follows:

(thousand €)	2018	2017
External independent directors	476	455
Mr. Juan Arena de la Mora	79	70
Mr. Luis María Díaz de Bustamante y Terminel	108	105
Mr. Fco Javier Campo García	90	79
Mr. Fernando D'Ornellas Silva	115	120
Mrs. Carina Szpilka Lazaro	84	81
Proprietary directors	219	248
Mr. Gabriel Escarrer Juliá	49	49
Mr. Sebastián Escarrer Jaume	54	60
Mr. Juan Vives Cerdá	44	70
Hoteles Mallorquines Consolidados, S.A.	72	69
Other external directors	81	81
Mr. Alfredo Pastor Bodmer	81	81
Executive director	54	49
Mr. Gabriel Juan Escarrer Jaume	54	49
Total	830	833

Remuneration of executive directors and senior management is as follows:

(thousand €)	2018		2017	
	Fixed Remuneration	Variable Remuneration	Fixed Remuneration	Variable Remuneration
Executive directors	875	481	846	412
Mr. Gabriel Juan Escarrer Jaume	875	481	846	412
Senior management	1.819	650	1.752	608
Total	2.694	1.131	2.598	1.020

The Company has not assumed any obligation and has not granted any advance payment or loans to directors.

The breakdown below relates to transactions between Meliá Hotels International, S.A. and the Company's directors or executives during 2018 and 2017:

(thousand €)	Type of transaction	2018	2017
Mr. Juan Vives Cerda	Receipt of services	5	19
Mr. Juan Vives Cerda	Provision of services	263	269

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 2018 in the amount of EUR 91,289; EUR 93,412 in 2017.

Note 18. Other Information

18.1 Audit fees

Fees earned during the year by PricewaterhouseCoopers Auditores, S.L. (PwC) for the audit of the Company's accounts and other verification services amounted to EUR 168 thousand and EUR 166 thousand, respectively (fees for the audit of the consolidated annual accounts are not included).

In 2017, fees earned relating to accounts audit services and other verification services amounted to EUR 157 thousand and EUR 278 thousand, respectively (fees for the audit of the consolidated annual accounts are not included).

18.2 Environmental risks

These annual accounts do not include any item relating to environmental information that should be included pursuant to Order of the Ministry of Justice dated 8 October 2001.

The undersigned, in their capacity as directors of the Company, state that in these annual accounts there are no items concerning greenhouse gas emissions.

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.

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
Mr. Alfredo Pastor Bodmer	6.000	0,0026%	Director
Mr. Juan Arena de La Mora	1.000	0,0004%	Director
Mr. Luis M ^a Díaz de Bustamante y Terminel	300	0,0001%	Secretary and Director
Mr. Juan Vives Cerdá	375	0,0002%	Director

Note 19. Events after the Reporting Date

There have been no events between the end of the reporting period and the preparation of these individual Annual Accounts which may involve any adjustments to evidence conditions that existed at the year end, and no events have taken place after the year end which could affect the capacity of the users of the Financial Statements to make proper evaluations and economic decisions.

Annex I

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

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairment	Net value
		Capital	Reserves	Result				
Empresas del grupo								
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

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairment	Net value
		Capital	Reserves	Result				
Empresas asociadas								
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

The equity situation as at 31 December 2017, 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								
Adrimelco Inversiones, S.L.U.	100,00%	3			3	3		3
Almeldik, S.R.L.A.U.	100,00%	10			10	10		10
Apartotel, S.A.	99,79%	962	2.428	2.244	5.621	4.150		4.150
Aparthotel Bosque, S.A.	85,00%	1.659	6.718	178	7.272	6.497		6.497
Bedbank Trading, S.A.	100,00%	67	31.426	1.391	32.884	65		65
Casino Tamarindos, S.A.U.	100,00%	3.005	(1.002)	(67)	1.936	13.532	(8.094)	5.438
Credit Control Corporation	100,00%	42	820	(53)	809	41		41
Colón Verona, S.A.	100,00%	15.000	4.153	1.025	20.178	43.075	(14.260)	28.815
Dorpan, S.L.U.	100,00%	1.202	367	(62)	1.508	1.623		1.623
Expamihso Spain, S.A.U.	100,00%	5.249	122.108	(1.393)	125.964	295		295
Gesmesol, S.A.	100,00%	42	88.310	5.342	93.694	1.803		1.803
Gestión Hotelera Turística Mesol, S.A.	100,00%	60	14		74	61		61
Grupo Sol Services LTD.	100,00%	94	(12)	(20)	61	100		100
Guarajuba Empreendimentos	100,00%	3.545	(1.245)	(178)	2.122	8.755		8.755
Gonpons Inversiones, S.L.U.	100,00%	3			3	3		3
Hogares Batle, S.A.	51,49%	1.482	453	(107)	941	2.036	(868)	1.168
Hotelpoint, S.L.	100,00%	3	6	34.333	34.342	3		3
Hoteles Meliá, S.L.	100,00%	3	2	(1)	5	10		10
Hoteles Paradisus XXI, S.L.	100,00%	3	5	(1)	7	10		10
Hoteles Sol Meliá, S.L.	100,00%	676	4.432	(40)	5.068	676		676
Hoteles Sol, S.L.	100,00%	3	4	(1)	6	11		11
Ilha Bela Gestao e Turismo, LTD.	100,00%	46	2.679	551	3.276	3.698		3.698
Impulse Hotel Development , B.V.	100,00%	19	3.484	(2.001)	1.501	18		18
Infinity Vacations Dominicana	0,03%	5		(27)				
Infinity Vacations, S.A.	0,01%			(2)				
Inversiones Aretto, S.A.S. (*)	64,54%	81.857	(34.480)	6.134	34.536	99.135		99.135
Inmotel Inversiones Italia, S.R.L.	100,00%	20	27.836	1.688	29.544	89.304		89.304
Inversiones Hoteleras la Jaquita, S.A.	50,00%	51.767	21.842	6.410	40.010	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	42.231	7.770	32.598	12.742		12.742
Markserv, B.V.	51,00%	36	8.949	(657)	4.247	1.503	(1.503)	0
Melia Europe & Middle East	100,00%	3	4	(1.407)	(1.400)	1.069		1.069
Melia Inversiones Americanas, N.V.	82,26%	26.673	574.319	(14.252)	482.651	186.120	(248)	185.872
MHI UK LTD.	100,00%		34.558	(99)	34.459	40.321		40.321
Moteles Andaluces, S.A.	99,38%	1.201	496	143	1.829	2.815	(1.151)	1.664
Naolingo Hoteles, S.L.	100,00%	3	(1)		2	1.340	(1.338)	2
Operadora Mesol S.A. de C.V.	75,21%	7.619	5.399	(1.634)	8.561	4.219		4.219
Prodigios Interactivos, S.A.	53,98%	42.216	11.527	19.211	39.381	35.718		35.718
P.T. SolMelia Indonesia	90,00%	61	(20)	117	142	76		76
Punta Cana Reservations, S.L.	100,00%	5	175.070	3.013	178.088	8.277		8.277
Realizaciones Turísticas, S.A.	95,97%	7.210	126.226	2.951	130.890	42.236		42.236
René Egli, S.L.U.	100,00%	4	2.984	97	3.084	3.832		3.832
Securisol, S.A.	100,00%	66	148	99	314	66		66
Sierra Parima, S.A.	100,00%	5.872	5.697	(718)	10.851	4.986		4.986
Sol Group B.V.	100,00%	619	(458)	(17)	143	607		607
SolManinvest B.V.	100,00%	19	15.442	1.127	16.587	31	(31)	
SolMelia Balkans E.A.D.	100,00%	51	786	879	1.716	51		51
SolMelia Deutschland, GMBH	100,00%	1.023		6.165	7.188	5.216		5.216
SolMelia Europe, B.V.	100,00%	1.500	3.281	295	5.076	1.500		1.500
SolMelia France S.A.S.	100,00%	49.800	5.055	1.952	56.808	49.801		49.801
SolM. Greece H. And T. Enterprises, S.A.	100,00%	3.367	(3.756)	22	(367)	3.367	(3.367)	
SolMelia Italia S.R.L.	100,00%	100	2.232	1.364	3.696	3.880		3.880
S.M. Hotel Manag. Shanghai S.M.	100,00%	5.058	(2.848)	(1.092)	1.118	5.083	(2.730)	2.353
SolMelia Investment N.V.	100,00%	23.795	15.539	8.131	47.465	58.176		58.176
SolMelia Luxembourg SARL	100,00%	200	86	877	1.163	206		206
SolMelia VC Puerto Rico Corp.	100,00%	62.199	(49.637)	(3.275)	9.286	60.921	(51.635)	9.286
Tenerife Sol, S.A.	50,00%	2.765	63.229	1.732	33.863	1.386		1.386
Third Project 2012, S.L.	100,00%	3	(1)	(1)	2	3		3
Tryp Mediterranee, S.A.	85,40%					407	(407)	
Total group companies		417.291	1.316.809	88.139	1.550.803	843.454	(85.632)	757.822

(thousand €)	Shareholding	Accounting figures			Underlying carrying amount	Investment value	Impairment	Net value
		Capital	Reserves	Result				
Associates								
Adprotel Strand, S. L. (J.V.)	50,00%	66.934	(999)	(8.956)	28.490	76.068	(23.599)	52.469
Altavista Hotelera, S.L.	7,55%	47.252	15.435	(339)	4.707	14.420	(5.969)	8.451
Detur Panamá, S.A. (J.V.)	32,72%	11.713	(25.422)	(1.194)	(4.877)	4.406	(4.406)	
Evertmel, S.L. (J.V.)	49,00%	35.157	19.465	(1.844)	25.861	38.126		38.126
Hellenic Hotel Management, S.A.	40,00%	587	(776)		(76)	245	(245)	
Homasi, S.A.	35,00%	18.040	58.759	1.934	27.557	45.516		45.516
Jamaica Devco, S.L.	49,00%	1.003	(170)	(423)	201	491		491
Meliá Zaragoza, S.L. (J.V.)	50,00%	6.820	(7.873)	(2.281)	(1.667)	8.067	(8.067)	
Nexprom, S.A.	17,50%	4.591	15.677	3.602	4.177	1.081		1.081
Plaza Puerta del Mar, S.A.	12,23%	9.000	6.343	3.480	2.302	1.784		1.784
Producciones de Parques, S.L. (J.V.)	50,00%	39.884	9.298	(561)	24.310	32.245		32.245
Promedro, S.A.	20,00%	1.635	11	(8)	328	328		328
Renasala, S.L.	30,00%	4	35.301	10.653	13.787	10.591		10.591
Starmel Hotels JV, S.L. (J.V.)	20,00%	739	(110.507)	113.068	660	148		148
Turismo de Invierno, S.A.	21,42%	670	4.962	585	1.332	1.355		1.355
Total associates		244.030	19.505	117.715	127.092	234.870	(42.286)	192.584
Total group companies and associates		661.321	1.336.313	205.854	1.677.895	1.078.324	(127.918)	950.406

(*) 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

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	85,00%		85,00%
(A)	ARESOL CABOS S.A. de C.V.	Km 19,5 Ctra. Cabo San Lucas (S.Jose del Cabo)	México		99,69%	99,69%
(A)	AYOSA HOTELES, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		49,00%	49,00%
(A)	BISOL VALLARTA, S. A. de C. V.	Paseo de la Marina Sur (Puerto Vallarta)	México		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) (F1)	COLON VERONA,S.A. (JV)	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)	DESARROLLADORA DEL NORTE, S. en C.	PMB 223, PO Box 43006, (Rio Grande)	Puerto Rico		49,85%	
					49,85%	99,69%
(A)	DESARROLLOS SOL, S.A.S.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		61,79%	
					20,25%	
					17,66%	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%
	INFINITY VACATIONS S.A. DE C.V.	Bvd.Kukulcan Km 16,5 Benito Juarez (Cancún)	Mexico	0,01%		
					99,99%	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%
	MELIÁ BRASIL ADMINISTRAÇÃO	Avenida Cidade Jardim, 1030 (Sao Paulo)	Brazil		20,00%	
					80,00%	100,00%
(A)	MELIÁ HOTELS INTERNATIONAL, S.A.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain			100,00%
	MELIA HOTELS ORLANDO, LLC. (JV)	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 TURISTICAS, S.A.	Mauricio Legendre, 16 (Madrid)	Spain	95,97%		
					0,30%	96,27%
(A)	S' ARGAMASSA HOTELERA S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
(A)	SOL MELIÁ DEUTSCHLAND, gmbh	Am Schimmersfeld 5 (Ratingen)	Germany	100,00%		100,00%
(A)	SOL MELIÁ 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%

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

	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 GESTÃO E TURISMO, Ltd.	31 de Janeiro, 81 (Funchal - Madeira)	Portugal	100,00%		100,00%
	MARKSERV, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	51,00%	49,00%	100,00%
(A)	MELIÁ MANAGEMENT, S.A.	Lope de Vega, 4 (Santo Domingo)	Dom. Rep.		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)	Mexico	75,21%		100,00%
	PT SOL MELIÁ INDONESIA	Ed.Plaza Bapindo-Menara Mandiri Lt.16 Jl.Jend.Sudirman Kav.54-55 (Jakarta)	Indonesia	90,00%	24,79%	100,00%
	SOL MANINVEST, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%	10,00%	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 Lujiazui Ring Road (Shanghai)	China	100,00%		100,00%
(A)	SOL MELIÁ HRVATSKA d.o.o ROVINJ	Vladimira Nazora, 6 (Rovinj)	Croatia		100,00%	100,00%
	SOL MELIÁ GREECE, HOTEL & TOURISTIC	14th Chalkokondili Str & 28th October str (Atenas)	Greece	100,00%		100,00%
	SOL MELIÁ PERU, S. A.	Av. Salaberrí, 2599 (San Isidro - Lima)	Peru		99,90%	100,00%
(A)	SOL MELIÁ SERVICES, S. A.	Rue de Chantemerle (Friburgo)	Switzerland		0,10%	100,00%
	COMPANIES OF DIFFERENT ACTIVITIES	ADDRESS	COUNTRY	DIR S.	IND S.	TOTAL
(A)	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, Bahia	Brazil	100,00%		100,00%
(F1)	HOGARES BATLE, S.A.	Gremio Toneleros, 42 (Palma de Mca.)	Spain	51,49%		98,19%
(A)	(F2) HOTEL METROPOLITAN, S.A.S.	20, Rue du sentier 75002 (Paris)	France		46,70%	100,00%
(A)	(F1) HOTELPOINT, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	100,00%		100,00%
(A)	(F1) IDISO HOTEL DISTRIBUTION,S.A.	Aravaca 22,Bis (Madrid)	Spain		100,00%	100,00%
	IMPACT HOSPITALITY V3NTURES, LLC	Celebration Place, 225 (Miami)	USA		100,00%	100,00%
(A)	INFINITY VACATIONS DOMINICANA	Instal.Hotel Circle,Avda.Barceló,Bávaro (P.Cana)	Dom. Rep.	0,03%		100,00%
(A)	INMOBILIARIA DISTRITO CIAL., C. A.	Avda. venezuela con Casanova (Caracas)	Venezuela		89,26%	89,26%
	INMOTEL INVERS. ITALIA, S.R.L.	Via Pietro Mascagni, 14 (Milán)	Italy	100,00%		100,00%
(A)	(F1) MELIA EUROPE & MIDDLE EAST, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	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%
(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%
(A)	SIERRA PARIMA, S.A.	Avda. Barceló, s/n (Bávaro)	Dom. Rep.	100,00%		100,00%
	SOL CARIBE TOURS, S. A.	Via Grecia - Edif. Alamanda 6B (Panamá)	Panama		100,00%	100,00%
	SOL GROUP CORPORATION	2100, Coral Way, suite 402 (Miami)	USA		100,00%	100,00%
	SOL MELIÁ EUROPE, B. V.	Strawinskylaan 915 WTC, 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%
(A)	SMVC PUERTO RICO	Sector Coco Beach, 200 Carretera 968 (Río Grande)	P.Rico	100,00%		100,00%
(F1)	SM V 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%

	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%
	(F3) DESARR.HOTEL. SAN JUAN, B.V.	Strawinskylaan, 915 WTC (Amsterdam)	Netherlands		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%
	(F3) 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%
(A)	(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	Great Britain	100,00%		100,00%
	MELIÁ INV. AMERICANAS, N. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	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%
	(F3) SAN JUAN INVESTMENT, B. V.	Strawinskylaan, 915 WTC (Amsterdam)	Netherlands		99,69%	99,69%
	SOL GROUP, B. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
(A)	(F2) SOL MELIÁ FRANCE, S.A.S.	20 Rue du Sentier (Paris)	France	100,00%		100,00%
	SOL MELIÁ INVESTMENT, N. V.	Strawinskylaan 915 WTC, Toren A,1077 XX (Amsterdam)	Netherlands	100,00%		100,00%
	SOL MELIÁ 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%
	ALMELDIK, S.A.R.L.A.U.	219,Bd.Zerketouini angle Bd.Roudani N.13 (Maarif- Casablanca)	Morocco	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 (Higüey)	Rep. Dom.		49,85%	49,85%
	COMP. TUNISIENNE GEST. HOTELIÈRE	18 Boulevard Khézama n° 44, 4051 Sousse (Túnez)	Tunisia		100,00%	100,00%
	(F1) GEST.HOT.TURISTICA MESOL	Gremio Toneleros, 42 (Palma de Mallorca)	Spain	100,00%		100,00%
	(F1) 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%
	SOL MELIÁ 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%
	(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 that form part of the consolidated tax group of Meliá Hotels International, S.A.

(F2) Companies that form part of the consolidated tax group of Sol Meliá France, S.A.S.

(F3) Companies that form part of the consolidated tax group of Meliá Inversiones Americanas, N.V.

(F7) Companies that form part of the consolidated tax group of Inextur, S.A.

Associates and joint ventures

	HOTEL OPERATING COMPANIES	ADDRESS	COUNTRY	DIR S.	IND. S	TOTAL
(A)	BANAMEX S.A. FIDEICOMISO EL MEDANO	Playa El Medano s/n, (Cabo San Lucas)	Mexico		30,28%	30,28%
(A)	COM. PROP. APARTOTEL MELIÁ CASTILLA (*)	Capitán Haya, 43 (Madrid)	Spain	31,63%	0,09%	31,72%
	C.P.APARTOTEL M.COSTA DEL SOL (*)	Paseo Marítimo 11 (Torremolinos)	Spain	2,46%	18,71%	21,17%
	DETUR PANAMA S. A.	Antigua Escuela Las Américas (Colón)	Panama	32,72%	17,21%	49,93%
(A) (F8)	STARMEL HOTELS OP, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	MELIA ZARAGOZA S.L.	Avenida César Augusto, 13 (Zaragoza)	Spain	50,00%		50,00%
(A)	NEXPROM, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	17,50%	2,50%	20,00%
	PLAZA PUERTA DEL MAR, S.A.	Plaza Puerta del Mar, 3 (Alicante)	Spain	12,23%	7,78%	20,01%
(A) (F5)	PRODUCCIONES DE PARQUES, S.L. (JV)	Avda. P.Vaquero Ramis, s/n (Calviá)	Spain	50,00%		50,00%
(A) (F4)	STARMEL HOTELS OP 2, S.L.	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. (JV)	Avda. Pere IV, 272 (Barcelona)	Spain	7,55%	41,19%	48,74%
	EL RECREO PLAZA & CIA., C.A.	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		1,00%	19,94%
					18,94%	19,94%
(A) (F6)	EVERTMEL, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49,00%	49,00%	49,00%
(A)	FOURTH PROJECT 2012, S.L. (JV)	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		50,00%	50,00%
(A) (F4)	FUERTEVENTURA BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20,00%	20,00%
(A)	JAMAICA DEVCO S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	49,00%	49,00%	49,00%
	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)	USA		49,00%	49,00%
(A) (F8)	PALMANOVA BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A) (F8)	PUERTO DELCARMEN BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A) (F8)	SAN ANTONIO BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A) (F4)	SANTA EULALIA BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		20,00%	20,00%
(A) (F8)	TORREMOLINOS BEACH PROPERTY, S.L.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain		30,00%	30,00%
(A)	PELICANOS PROPERTY, S.L.U.	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
(A)	BELLVER PROPERTY, S.L.U.	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%
	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.	Gremio Toneleros, 24 (Palma de Mallorca)	Spain	20,00%		20,00%
	EL RECREO PLAZA, C.A.	Avda.Fco.de Miranda Torre Oeste,15 Of.15(Caracas)	Venezuela		19,94%	19,94%
	MELIA HOTELS USA, LLC. (JV)	Brickell Avenue Suite 1000, 800	USA		50,00%	50,00%
	PROMEDRO, S. A.	Avda. del Lido s/n (Torremolinos)	Spain	20,00%		20,00%
(A) (F8)	RENASALA, S.L.	Zurbarán, 9 (Madrid)	Spain	30,00%		30,00%
	HOMASI, S.A.	C/ Cavanilles 15,Pl.baja (Madrid)	Spain	34,99%		34,99%
	SISTEMAS RIBEY CLOUD, S.L.U.	C/ Recoletos 3, 1º (Madrid)	Spain		50,00%	50,00%
	MELCOM JOINT VENTURE, S.L.U. (JV)	C/ Recoletos 3, 1º (Madrid)	Spain	50,00%		50,00%

(A) Audited companies

(JV) Joint ventures

(F4) Companies that form part of the consolidated tax group of Starmel Hoteles JV, S.L.

(F5) Companies that form part of the consolidated tax group of Producciones de Parques, S.L.

(F6) Companies that form part of the consolidated tax group of Evertmel, S.L.

(F7) Companies that form part of the consolidated tax group of Inextur, S.A.

(F8) Companies that form part of the consolidated tax group of Renasala, S.L.

(*) Shareholding in these companies is through the ownership of apartments representing 31.72% and 21.17%, respectively.

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 as a result 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 Senior Executive Team (SET) is made up, in addition to the Vice President and Chief Executive Officer (CEO), of a multidisciplinary team whose members are most responsible for the management and day-to-day operation of all of the Company's areas. The Chief Officers who are part of this collegiate board are:

- Chief Financial Officer
- Chief Operating Officer
- Chief Human Resources Officer
- Chief Legal & Compliance Officer
- Chief Real Estate Officer

1.2 Company Organization Chart

Our current organisational model, implemented in 2013 and called Competing by Design, is based on the decentralization of operational functions and operational support. Our aim is to provide the business with greater autonomy and more agile decision-making, while enhancing proximity to the customer. On the other hand, the strategic and control functions, which ensure the present and future global vision of the Company, remain centralized.

In accordance with the definition of the organisational model "Competing by Design", the current organisational structure of the Company is as follows:



MAIN MISSION OF THE DIVISIONS

HOTELS

This division is made up of the hotel operations area and the Holiday Club (Circle) business, as well as the management, innovation and development of the group's brand portfolio. It is also responsible for the development of the company and the Marketing and Distribution Departments.

REAL ESTATE

It is responsible for asset strategy, including the management of the real estate portfolio, management of own assets, works management, company maintenance and purchasing at the global level, as well as the management of the group's strategic alliances and joint ventures.

LEGAL & COMPLIANCE

Heads the group's legal advisory services, corporate governance and all issues relating to regulatory compliance. Also, among its main functions are the identification of risks, analysis of statutory and regulatory changes and determination of preventive and corrective measures, among others.

FINANCE & ADMINISTRATION

Responsible for growing the profitability of the Group's businesses and ensuring a solid financial position. It includes the functions of Management Control, Business Intelligence, Investor Relations, Finance, Insurance, Administration, Tax, and Information Technology.

HUMAN RESOURCES

Heads the departments of Organisation & Compensation, Global Human Resources (Corporate/Hotels), Labour Relations, Occupational Health and Personnel Administration. In addition, this division oversees the implementation of the Human Resources functions in the group's Regional divisions and leads the company's process of cultural transformation.

1.3 Strategy and value creation

Strategic vision

In 2018 our 2016-2018 Strategic Plan came to an end. Designed in 2015, it defined five core strategies to focus on achieving the 2020 Vision set out six years ago. Being recognised as a world benchmark in excellence, responsibility, and sustainability, and reinforcing our leadership in the leisure segment, is an integral part of our aspiration. These goals set out in the Strategic Plan, which came to an end in 2018, seek to ensure a stronger and more solid company, and to bring about the transformation required by an environment that is increasingly competitive, changing and global, in a business currently operating in 44 countries.



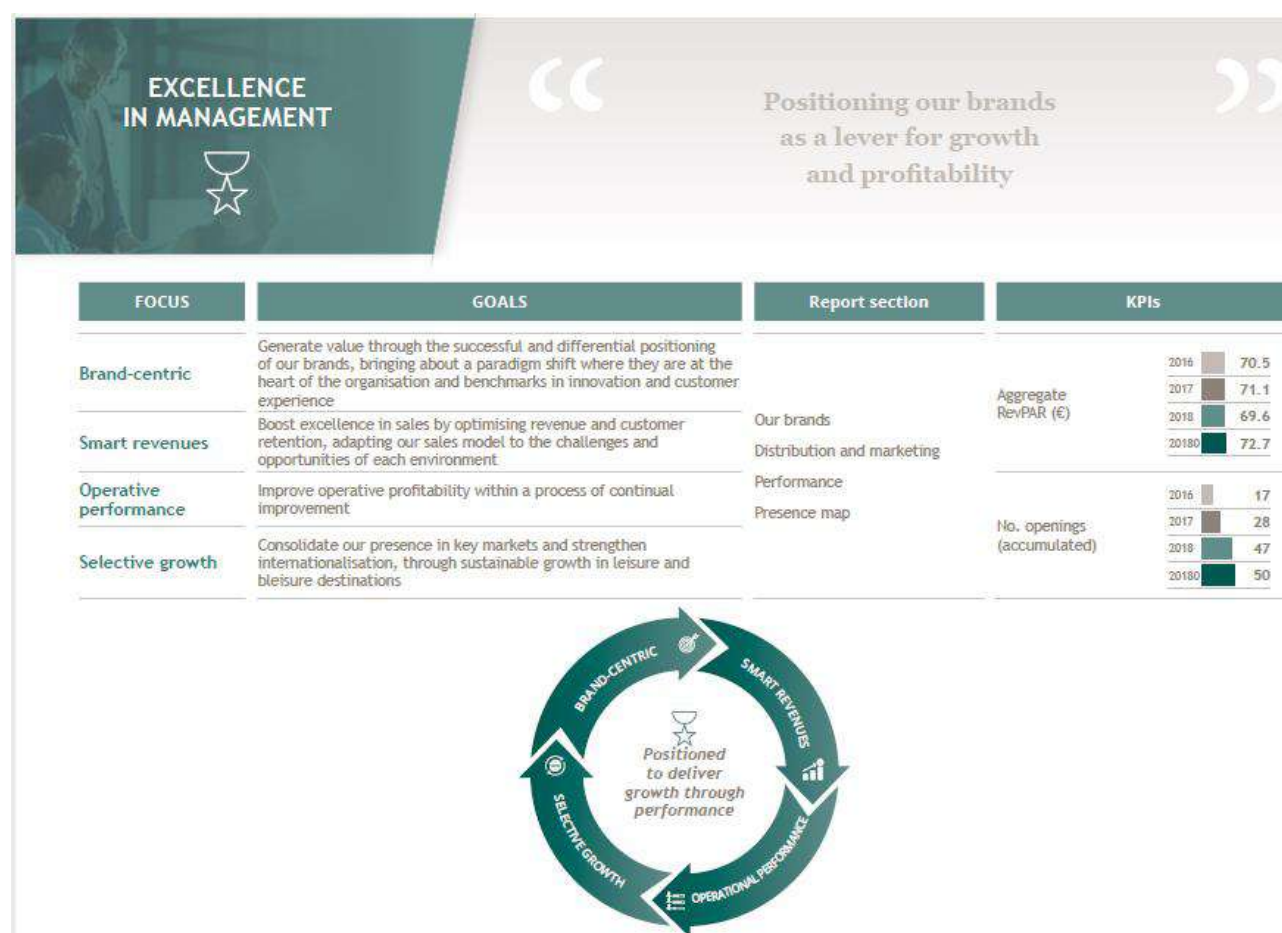
Core strategies

Over the year, as with previous years, we have prioritized integrating the strategic focus into the day-to-day activities of all our regional offices, adapting it where necessary to each individual environment, culture, needs and country.

The devised core strategies have paved the way in this regard and the change management has helped in the transformation that the strategic vision was calling for, promoting a management model and brand portfolio to match the different customer segments, moving forward in customer experience digitalisation and in redesigning the core processes, improving the profitability of the hotel and property business, and promoting improved intangible asset management, which is particularly relevant in a sector such as ours, where people and talent are the keys to delivering on the brand's promise. The results obtained, which are provided throughout this report, confirm that implementation of the strategy and the processes of transformation have advanced significantly in our organisation.

We are already working on producing the next strategic plan, which will run until 2022 and will enable us to face future challenges in an increasingly demanding and volatile world.

The strategic lines defined reflect five transformation levers:



CULTURE & TRANSFORMATION



“ Driving forward the cultural transformation through a comprehensive management of our staff, our efficiency and the company's competitiveness ”

FOCUS	GOALS	Report section	KPIs
People	Generate a comprehensive value proposal and strengthen our employer brand image	People	2016 85.4
Culture	Drive forward the cultural transformation of Meliá Hotels International		2017 85.6
Organisation	Strengthen an agile, efficient and competitive company		2018 84.9
			2018 85.4

REPUTATION & RECOGNITION



“ Meeting the commitments undertaken with regard to our stakeholders, meeting their expectations and ensuring alignment with our culture and values ”

FOCUS	GOALS	Report section	KPIs
Corporate Governance	Drive forward a solid and consistent model of governance, with the aim of ensuring excellence and transparency	Corporate Governance	2016 18.3
Relations with stakeholders	Strengthen relations and dialogue with our stakeholders	Relations with our stakeholders	2017 22.3
Corporate Responsibility	Strengthen the national and international reputation and recognition as a feature valued by all our stakeholders	Responsible hotel management	2018 22.7
			2018 25.0

ASSET STRATEGY



“ Consolidating how our property is run as the owner, generating value for the company ”

FOCUS	GOALS	Report section	KPIs
Portfolio asset	Strengthen the quality of the asset portfolio of Meliá Hotels International	Asset strategy	Gross value of assets €4,401 TRILLION (+23.2% vs 2015)

DIGITALISATION & INNOVATION



“ Digitally transforming the company to optimise processes, our capacity to generate revenue and personalise the customer experience ”

FOCUS	GOALS	Report section	KPIs
	Personalize the relationship with our customers through the constant		

Business Model

At Meliá Hotels International we have a business model that focuses on profitability and the creation of value for our stakeholders. We evolved from a family holiday Company established in Mallorca (Spain) to an internationally diverse, listed Company with benchmark brands in the hotel industry.

This model is the result of the evolution and transformation of the Company over its more than 60 years of history. The experience is enriched by strong values, strategic vision and a clear commitment to our stakeholders.



2. Evolution and Business Results

The following is a detail of the Company's business performance:

2.1 Hotel Business

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 €)	2018	2017	Change (%)
Total Aggregate Revenues	525,6	523,4	0,4%
Owned	141,5	141,1	
Leased	384,2	382,3	
Of which Room Revenues	379,8	374,5	1,4%
Owned	101,3	116,6	
Leased	278,5	257,9	
EBITDAR Split	137,7	138,0	(0,3%)
Owned	32,0	33,4	
Leased	105,7	104,6	
EBITDA Split	40,4	48,9	(17,4%)
Owned	32,0	33,4	
Leased	8,5	15,5	
EBIT Split	7,6	16,5	(53,8%)
Owned	19,4	19,4	
Leased	(11,8)	(2,9)	

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

(millions of €)	2018	2017	Change (%)
Total Management Model Revenues	96,2	94,0	2,3%
Owned and Leased Fees (*)	77,2	75,1	
Other revenues	19,0	18,9	
Total EBITDA Management Model	36,1	43,1	(16,4%)
Total EBIT Management Model	36,1	43,1	

(*) 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 €)	2018	2017	Change (%)
Revenues	7,4	6,9	6,9%
EBITDAR	1		
EBITDA	(0,2)	(0,6)	
EBIT	(0,3)	(0,7)	

Below are breakdowns of occupancy, Average Room Rate (ARR) and Revenue Per Available Room (RevPAR) by business model, indicating the variation from the previous year:

	OWNED AND LEASED					
	Occupancy		ARR		RevPAR	
	%	Change	€	Change	€	Change
Total hotels	74,1%	1,0	105,9	1,5%	78,5	2,9%
Total hotels (same store basis)	74,8%	0,9	103,5	0,1%	77,4	1,4%
EMEA (Include Premium Spain Hotels)	70,9%	(0,6)	187,6	(1,3%)	133,0	(2,2%)
SPAIN	73,4%	3,1	100,7	2,6%	73,9	7,0%
MEDITERRANEAN	75,8%	(1,5)	94,9	1,5%	72,0	(0,5%)

The number of rooms available in 2018 at owned and leased hotels was 4,8 million (4,9 million in 2017).

The following is an analysis of hotel development by region:

EMEA (Premium hotels Spain)

Urban: In general terms, our urban and premium hotels located in Spain closed a positive year after having posted a RevPAR increase of +5.0% vs 2017 thanks to the very positive performance in Madrid and Seville, as well as due to the recovery that we witnessed in Barcelona and Catalonia during the last quarter and after having suffered a number of difficulties and challenging situation during the first months of the year that negatively impacted the performance of our hotels located in the region. In this regard, we started to witness a number of signals pointing to a recovery in Barcelona during the last months of the year, as while in Q4 2017 demand, particularly of the MICE and individual segments, was heavily affected by the different riots that took place in the city, during Q4 2018 a number of corporates started to reconsider Barcelona again to held congresses and events, being this the main cause of the significant growth posted by hotels like Meliá Barcelona Sarriá.

Resort: During the entire 2018, the performance of our Spanish resorts has been hit by the slowdown of the international tourist sector in the country, particularly in Q1 and during the summer season, due to several factors, such as the decline in the number of both British and German tourists, the increasing competition from alternative destinations (Turkey, Egypt, Greece, etc.), the celebration of the 2018 FIFA World Cup and the unusual good weather conditions in Europe, which negatively impacted our operations in the country, particularly in destinations like Mallorca, Ibiza and Tenerife, as some hotels located in Southern Spain are more dependent on Spanish visitors and thus more resilient to the above mentioned pressures. In this challenging context, our Spanish resorts posted a RevPAR decrease when compared with 2017.

Outlook

The first quarter of 2019 looks good in general terms and therefore we are optimistic for all the EMEA region where we operate.

In Spain, we are optimistic and expect a positive performance of our urban hotels, as they will benefit from a number of events, such as FITUR (International Tourism Fair, January) in Madrid, the Mobile World Congress (February) in Barcelona and the Easter Break. Finally, in our Spanish resorts we do not foresee significant changes and expect recent performance to continue over the first months of the year.

Portfolio & projects

We will continue adding value to our existing hotel base through refurbishments and repositionings, as well as evaluating different high value added projects in cities and unique locations benefitting from positive market dynamics and strong growth potential in order to maximize our footprint in the region and provide alternative and unforgettable experiences to our guests.

MEDITERRANEAN

The performance of our hotels located in the Mediterranean region has faced a number of challenges, as our hotels located in Spain continued to benefit from the steady flow of visitors coming to the country from all over the world, as shown by the increase in the number of international tourists, which grew by almost a +1.1% vs 2017 and stood at almost 83 million visitors according to recent data published by the INE (Spain's National Statistics Institute). However, results were slightly below 2017 figures, as the performance of the division was impacted by a number of aspects that negatively impacted the performance of our hotels, particularly during the summer season period, such as the unusual good weather conditions in Northern Europe, the celebration of the 2018 FIFA World Cup, the impact of certain hotels that were closed due to refurbishments, as well as the recovery in demand of alternative destinations, such as Turkey or Egypt, that resulted in a decline in demand of both German and British tourists. Nevertheless, we have been heavily investing in repositionings and refurbishments in order to adapt our properties to upper and luxury segments, as these are more resilient to cycle downturns and less price sensitive and therefore will allow us to limit the impact certain negative impacts in our operations going forward.

Our hotels located in the Canary Islands have been the ones that suffered to the most during 2018 after having posted a -3.7% RevPAR decrease due to the above mentioned. Additionally, the number of refurbishments in certain hotels, like Sol Beach House at Meliá Fuerteventura, Meliá Salinas or Sol La Palma, or the weakness of the Swedish Krona during the last months of the year, were also factors that negatively impacted our operations in the region.

In the Balearic Islands, the performance was positive in general terms during the year vs 2017, with both prices and occupancy.

Our hotels located in Coasts posted a +0.4% RevPAR increase and delivered a positive performance during the year vs 2017 been positive in general terms, mainly thanks to the increasing demand from national tourists and the higher number of road trips, which helped us to improve both prices and occupancy rates, despite the fact that due to delays in certain refurbishments, particularly in Sol Costablanca, the number of available rooms during the summer season has been lower than initially expected.

Outlook

For the first quarter of the year, which has been historically a very important period along with the summer season for our hotels located in the Canary Islands, we remain cautious given the different challenges faced by the market and the recent industry trends, where competition became fierce as a result of the recovery shown by demand in alternative destinations, such as Egypt, where hotel chains have been recently offering significant discounts and low prices in 5-star all inclusive resorts that motivated similar movements and marketing campaigns in competing destinations in order to partially offset this impact not only in prices, but also in occupancy rates. Considering all these aspects, we foresee a decline in demand of international visitors in Q1 2019 vs the same period last year in our hotels located in the Canary Islands, particularly among German and Nordic visitors, although however we have witnessed an increase in pick ups that allowed us to partially mitigate the above mentioned declines.

Portfolio & projects

On July we sold the hotel Sol La Palma (Spain, 473 rooms) but they continue to be a part of our portfolio under lease contracts. Additionally, and after having heavily invested in ambitious refurbishments and repositionings to adapt all of our hotels located in the region to market demands and quality standards, our current hotel base is well prepared and adapted to properly target luxury and upper segments, as these tend to be historically less price sensitive and more focused on enjoying unique experiences and therefore are more resilient to aggressive discounts offered by competitors in alternative destinations, thus allowing us to partially offset the increasing demand in certain countries like Egypt or Turkey, among others.

The performance of our Spanish non-premium urban hotels has been positive in general terms during the entire year after having posted a RevPAR increase of +5.6% vs 2017 as a result of increases in both prices and occupancy rates, although there have been differences between regions that we would like to highlight:

CENTRAL AREA - MADRID

Our hotels located in Madrid closed a positive year after having posted a +6.4% RevPAR increase vs last year thanks to the a number of congresses and events that were held in the city, including the CPHI congress and the Fruit Attraction fair, among others, that boosted both the corporate and MICE segments and therefore the performance of certain hotels, such as Meliá Barajas, Tryp Alameda Aeropuerto, Tryp Cibeles, Tryp Chamartín, Meliá Madrid Princesa and Tryp Airport Suites, as well as Meliá Madrid Serrano, even though the latter was and still is affected by a refurbishment that will last until October 2019. Moreover, the higher demand of the individual and transient leisure segment plus the increasing penetration of our direct channel, particularly among Spanish clients, was positively reflected in the figures posted by the rest of the hotels within the city.

SOUTHERN SPAIN

The increasing demand and attractiveness of certain destinations and cities located in the Southern region of Spain, combined with the strong increase in demand of both the MICE and groups segments, allowed our hotels located in the region to deliver a strong set of results and to close 2018 with a +5.6% RevPAR increase vs the same period last year. In this regard, the sharp increase of both local and international tourists, which was reflected in the individual and groups segments, motivated a significant rise in prices that was notorious in the case of certain hotels like Meliá Marbella Banús, Meliá Sevilla or Meliá Lebreros, which was also boosted by the good weather conditions during both the summer and ski seasons. However, we would like to highlight that the performance of our hotels was impacted due to a number of aspects, such as the fact that the Easter break took place in March, as well as a result that last year the Seville Fair took place in the same days as the May break in Madrid.

EASTERN SPAIN

We closed the year with a +4.5% RevPAR increase when compared with 2017. Tryp Barcelona Apolo, Tryp Barcelona Aeropuerto, Inside Palma Bosque and Meliá Palma Marina, were not affected by refurbishments as in the case of 2017, and therefore we were able to properly market their rooms and benefit from the increasing demand of the groups and MICE segments during the year. Palma Bellver, among others, which also benefitted from the recovery of the individual segment given the increasing demand of leisure travelers, both national and international, as well as due to the fact that Palma de Mallorca became a key destination to hold international and national congresses and corporate events. Moreover, we would like to highlight that, after having faced a number of challenges derived from the unstable political situation during the entire year or the reduction in the number of rooms available that resulted from different refurbishments, when looking at Barcelona, particularly since Q4 and after having had a negative performance during the first 9 months of the year, our hotels started to revert the negative trend shown over the past months, as RevPAR grew by a double-digit in the city in Q4 2018 vs the same period last year.

NORTHERN SPAIN & EAST (LEVANTE)

The Northern and Eastern (Levante) areas of Spain also benefitted from the increasing flow of visitors, both national and international, that decided to visit a number of cities located in both regions, such as Bilbao, San Sebastián, La Coruña, Zaragoza, Benidorm, Alicante or Valencia, among others, which allowed us to improve past year's figures and to increase RevPAR by +7.2%. The individual and groups segments were the ones that explained the positive performance of our hotels. Moreover, the higher contribution of successfully repositioned hotels, such as Tryp Coruña and Tryp Sebastián Orly. Even though our overall figures were partially affected by the increasing importance of unregulated supply and the decline in demand from the UK due to Brexit concerns and increasing demand from alternative destinations.

Outlook

For the first quarter of the year, we remain cautious for our non-premium urban hotels located in Spain and expect a mixed performance depending on the area. In Madrid, we foresee a slight decline in demand, particularly in February and March, motivated by the expected Easter break effect plus a minor deterioration of the transient leisure segment, although the MICE segment is expected to remain strong, while for our hotels located in Southern Spain we expect a similar trend than in Madrid given the decline in individual leisure demand, particularly in Sierra Nevada due to unfavorable weather conditions, but that however we expect to partially offset with the increase in the number of MICE events that will be held in Seville during the period. In Eastern Spain, we are optimistic and expect the positive trend started recently to continue, particularly in Barcelona, while in Northern Spain and East (Levante) results are expected to be impacted by the full refurbishment and repositioning of Meliá Zaragoza combined with the lower number of bi-annual fairs that will be held in the city and that will negatively impact the MICE segment, although we forecast positive figures in certain hotels, such as Tryp Leon or Meliá Maria Pita, among others.

Project portfolio

No hotels were added to our Spanish non-premium urban portfolio recently nor we expect to add additional ones over the short term, as we strongly believe that our current hotel base is well prepared to face market demands and to develop our future strategy within the country. Also, we disaffiliated 2 hotels, Tryp Mallorca Santa Ponsa (60 rooms) and Tryp Madrid Getafe Los Ángeles (121 rooms), both with a very limited impact on our fees' generation capabilities, and as part of our actively managed portfolio strategy. In this regard, over the past months we have been actively investing in refurbishments and repositionings aimed at positioning them among premium clients, increasing the attractiveness of current facilities, as well as to expand the services and unique experiences offered to our clients, as these will help us to mitigate potential challenges that we might face in the future and to increase the resilience of our business model, while going forward we will continue focusing on adding additional value to our properties in order to improve the penetration of our hotels and brands in the upscale and luxury segments.

2.2 Real Estate

2018 has been an active year for our Real Estate division, as we sold a number of our non-core assets located in Spain and also updated the latest valuation of our fully- owned assets that dated back from 2015. On the disposals side, in July we closed the sale of 3 of our hotels: (Seville, 365 rooms), Sol La Palma (Tenerife, 473 rooms) and Sol Jandia Mar (Fuerteventura, 294 rooms). The hotels were sold to Atom, a Spain-based REIT. The deal, which encompassed both in the strategy of adaptation of our hotels to our brands attributes, as well as in the asset rotation strategy for our non-core assets by taking advantage from the real estate market momentum, generated total proceeds of €73.4M and a net capital gain at EBITDA level of €6.8M. Moreover, as part of the agreement, the buyer will invest €20.2M of CAPEX in a full renovation of 2 of the properties, adapting them to the current Sol brand standards and market potential. Accordingly, we will continue operating the hotels under variable lease contracts that will last for 5-year periods and that could be extended, at our sole discretion, of up to a maximum of 25 years.

On the other hand, in June we published the results of the new valuation of our fully-owned assets, which was performed by JLL, a leading independent appraiser. In this regard, the updated GAV rose by +23.2% vs June 2015 valuation to €4.401 trillions. Within this figure, €3.758B corresponds to the value of our assets in full consolidation, while the remaining €643M reflects the value of assets in equity method, being this value arrived at by applying Meliá's percentage of the equity stake held in these assets.

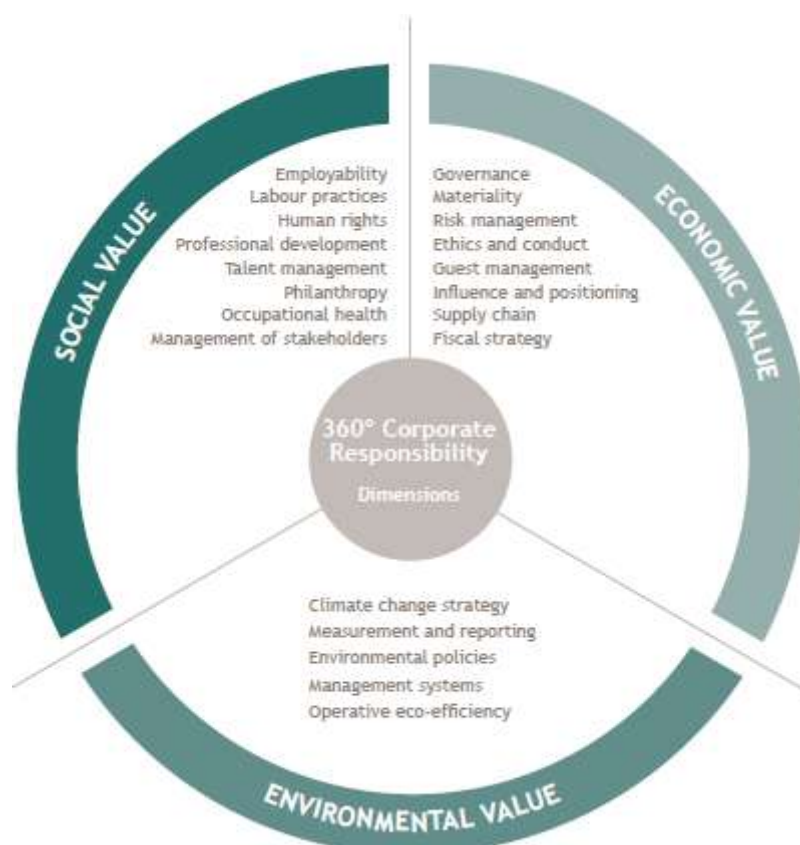
3. Non-Financial Information

In accordance with the provisions of Law 11/2018 of 28 December, and by virtue of the new wording of article 49 of the Commercial Code in section 5 and article 262.5 of the Companies Act, the Company is exempted from the obligation to present the Non-Financial Information Statement as this information appears in the Consolidated Management Report of the Meliá Hotels International Group, headed by Meliá Hotels International, S.A. and which will be deposited, together with the Consolidated Annual Accounts, in the Mercantile Registry of Palma de Mallorca.

3.1 Corporate Responsibility Strategy

Leaders in excellence, sustainability and responsibility

Our family origins mean our culture and our values are deeply rooted and inform how we behave, govern our daily activity and the way in which we relate to our environment. Corporate responsibility (CR) is an essential lever of our business strategy, one that helps us advance in our drive to create a hotel model that is more responsible and sustainable, and a generator of wealth for society as well. Being recognised as a world leader in excellence, sustainability and responsibility is our ambition, and in fact forms part of our 2020 Vision. To achieve it, we see CR from a holistic perspective, and consider its three dimensions as a whole. Our commitments in this field and the improvement that we have shown have led to us receiving Silver Class recognition in the RobecoSAM Sustainability Yearbook.

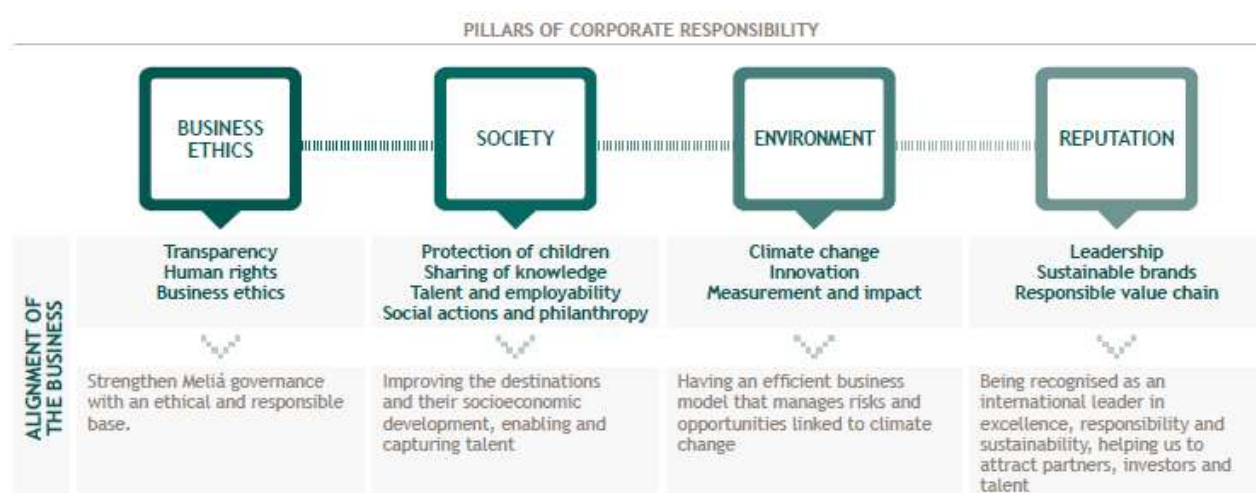


Governance sustainability

Increasing the integration of CR in our value chain is a high-impact factor for the company's own governance, and reinforces our body of regulations, getting across who we are much more forcefully, as it defines the environment and the business, provides financial and nonfinancial information, enables us to identify and manage the challenges we face, manage and mitigate risks, strengthen our openness and bond with our stakeholders, and strengthen our reputation, among other aspects.

Responsible hotel management: global impulse, local implementation

Our strategy, which aligns with and is integrated into the hotel business, is based on four key aspects, propelling us to change at the global level and ensuring their implementation in our hotels at the local level. All our regions are directly involved in implementing our responsibility strategy, bringing us nearer to the local community. We understand GDSs as an excellent opportunity to move forward in this field, as it draws us nearer to the different realities that we live with, understanding them better so we can help to improve them, through four main or primary approaches that we feel need a little more focus because of our business, and which are based on other, secondary approaches, which complement our activity. To ensure implementation, we are working on a digital system for capturing and reporting information linked to our corporate responsibility, and giving greater weight and initiative to business units to drive forward the strategy's implementation at the destinations, in line with our strategy and with the Sustainable Development Goals.



3.2 People

Our associates are the key to our being able to provide our customers with unique, unforgettable experiences, which means providing an excellent service and the warm and friendly attitude shown by our staff to help ensure our leadership within the sector. To that end, their professional development is at the heart of our approaches, and as a company we aspire to ensure that our associates are given a specific promise from each of our brands as an international company.

This approach, which is framed within the Strategic Plan for 2016-2018, has defined a process of cultural transformation, which has strengthened the comprehensive management model of people, our efficiency and our competitiveness, leveraging in the commitment and pride of belonging displayed by our employees.

Since then, we have been working to achieve these goals, by empowering internal talent, generating opportunities for developing and improving their skills and competencies in an increasingly digital context, which requires us to incorporate new roles and functions to stay competitive. Acting in this way is ensuring we are in the best conditions to adapt to the new and increasingly demanding and fast-changing trends, without forgetting to meet the expectations of our associates.

We are thus strengthening our employer branding image by attracting the finest talent and building loyalty among our current staff, who every day show us their high degree of commitment, responsibility and professionalism.

The Meliá people management system was bolstered in 2017 with the approval of the company's Human Resources Policy. The system ensures that the principles of transparency and non-discrimination; equal opportunities; promotion, payment and reward criteria; implementation of best practices in the development of people and talent, provision of safe environments and stable options for growth, among other aspects; are upheld.

3.3 Environmental Management

Committed to the fight against climate change

We work to lead the fight against climate change in the hotel industry and to help preserve the natural environment and the landscape, by promoting a culture of sustainable tourism.

Our concern over the potential negative effects of hotel activity covers all aspects of tourism, which is why we are working to bring about a hotel model that helps reduce the activity's impact on the climate, on resorts and on their ecosystems.

In order to contribute from our position as a leading hotel company, in 2015 we made the commitment to contribute to the global agreements reached at COP 21 in Paris.

We are committed to innovation and technology to be more efficient and to ensure a better and more responsible management of the use of resources, lower emissions, incorporating alternative sustainable mobility solutions and respect for biodiversity.

We know that our customers are increasingly more motivated about, concerned for and aware of environmental issues. As part of our journey to bring about a more sustainable form of tourism, our customers play an essential role, and to ensure they take part, we make sure they are involved in helping us achieve our objectives.

This becomes particularly relevant in emerging resorts or developing countries, for which environmental protection is a clear competitive advantage.

The sustainable development model that we are working on actively seeks to contribute not only to meeting the environmental commitments that we have taken on, but also to our advances with regard to the Sustainable Development Goals (SDGs) for which we have set specific goals.

Climate change: risks and opportunities

We are aware of the risks and opportunities that climate change poses for our industry, which is why we monitor them from a global perspective, with a particular focus on ensuring that our investments are appropriate, efficient and viable from an economic and environmental perspective, integrating aspects that open up opportunities to improve our management and enrich our value proposal into the decision-making process. Given the form of preventive management that we currently operate, we do not resort to guarantees and provisions for environmental risks.

We base our risk-management model on the COSO II international risk framework and methodology. Once a year, we update our Risk Map, which is then inspected by the Audit and Compliance Committee and by the Executive Committee.

The Meliá Technical Global Office co-ordinates the implementation of measures focusing on managing risks associated with climate change, in a way that is in line with the areas of Engineering, Environment, Procurement and Insurance, which include:

- ✓ Reviewing and updating the geographic location and the age of properties, the type of management and their exposure to extreme weather events.
- ✓ Constantly measuring the use of natural resources through SAVE, a project designed in-house in 2008 that enables us to determine the daily levels of consumption in hotels.
- ✓ Measuring greenhouse gas emissions and implementing measures to reduce them.

Climate change: risks and opportunities

	HIGH-IMPACT WEATHER PHENOMENA AND NATURAL DISASTERS	FAILURE TO MITIGATE IMPACT AND TO ADAPT TO CLIMATE CHANGE	LOSS OF BIODIVERSITY AND COLLAPSE OF MARINE AND TERRESTRIAL ECOSYSTEMS	DAMAGE CAUSED BY HUMAN AND INDUSTRIAL ACTIVITY
IMPACT	<ul style="list-style-type: none"> ✓ Impact on infrastructures ✓ Environmental damage ✓ Loss of human lives, quality of life and living conditions ✓ Increase in poverty levels 	<ul style="list-style-type: none"> ✓ Lack of commitment by governments and businesses ✓ Failure to implement effective measures to mitigate the impact of climate change ✓ Direct impact on populations ✓ Need by private sector to adapt 	<ul style="list-style-type: none"> ✓ Irreversible consequences for the environment ✓ Drainage of resources ✓ Limiting factor for wealth creation at destinations 	<ul style="list-style-type: none"> ✓ Lack of prevention of major damage and disasters ✓ Environmental crimes ✓ Negative impact on health, infrastructures, economic activities and environment
MITIGATION/PREVENTION	<ul style="list-style-type: none"> ✓ Designing hotels with preventive approaches ✓ Preventive management regarding climate phenomena 	<ul style="list-style-type: none"> ✓ Capacity to redirect demand ✓ Creating/adapting tourism products ✓ Innovation strategy ✓ Commercial strategy 	<ul style="list-style-type: none"> ✓ Protecting natural environments and ecosystems ✓ Boosting circular economy ✓ Designing sustainable and low-impact products and solutions ✓ Boosting responsible supply chain with low impact for the ecosystem 	<ul style="list-style-type: none"> ✓ Measuring the impact for mitigation or reduction ✓ Developing comprehensive programmes for efficient management of natural resources ✓ Managing waste generated by tourist activity



OPPORTUNITIES	<p>Anticipating regulatory changes relating to the business management of climate change</p> <p>Incentive for implementing new measures aligned with said regulatory changes</p> <p>Reinforcing the business strategy regarding climate change</p>	<p>Possible increase of the value of tourist destinations due to more agreeable climate opens new opportunities for the company to expand and grow</p> <p>Extension of high season in tourist destinations where temperatures remain warm for longer</p>	<p>Market analysis firms, investment banks, insurance companies, financial institutions and owners of hotel properties are increasingly more sensitive and demanding when choosing where to invest</p> <p>Attracting new strategic partners and options to explore and take on new challenges and commitments</p>	<p>New patterns of consumption motivated by a greater sensitivity in society</p> <p>Impact with new concepts of products and services</p> <p>Opening for new customers and better understanding of existing customers</p>	<p>Operative improvements in hotel infrastructure</p> <p>Access to more efficient and innovative new systems</p> <p>New opportunities for innovation</p> <p>Impetus for new forms of leverage for educating and training teams</p> <p>Improvements in security protocols and crisis management</p>	<p>Improvements in obtaining, measuring and analysing information</p> <p>Improvements in evaluating the environmental commitment</p> <p>Response to issues of materiality of stakeholders</p> <p>Increased levels of trust</p>
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Strengthened body of regulations for environmental defence

The approval in 2017 of our Environmental Policy and the Corporate Responsibility Policy laid the foundations for strengthening our body of regulations in this matter. To that end, and in the interests of strengthening our model, new policies approved in 2018 explicitly refer to this commitment, such as the Policy for Procurements and Contracting Responsible Services, with a clear focus on a responsible approach to purchasing products and contracting services that are sustainable, the Philanthropy Policy, which establishes the defence of the environment as a cornerstone of our social collaboration, and even the Human Rights Policy, through which we recognise the right of communities to enjoy a safe, clean and healthy environment, particularly given the importance of the environment for the locations where we operate.

Environmental cycle

Meliá has made significant commitments in the fight against climate change, due to the fact that it operates in one of the industries most influenced by the impacts of this global reality, among other reasons. It is also due to a matter of particular materiality. Our environmental strategy is based on four courses of action:



4. Risk Management

4.1 The governance of risk management

The Meliá Board of Directors is the body responsible for approving the company's Risk Management, Analysis and Assessment Policy.

This policy (last updated in 2017), and the internal regulations by which it is enacted, establishes the basic principles governing the management of risk, the procedural framework and the rules, guidelines or criteria to be followed by the risk management model to ensure alignment with the strategy.

One of the responsibilities of the Audit and Compliance Committee is to supervise the internal control and risk management systems. In this regard, during the various sessions held in 2018, the progress made in this area was managed and monitored, with detailed reports submitted on the company's main risks, how they have evolved in recent years, and the steps taken to mitigate them.

On the other hand, the company's Executive Committee (SET) is responsible for, among other things, ensuring that risk management is integrated into critical processes, as well as assigning ownership of TOP risks and monitoring their evolution, in order to measure their impact and come up with measures for mitigating them.

To ensure effective control and risk management, and in order to respond to the material issues of most relevance to stakeholders, Meliá is strengthening a permanent risk management culture in all of the company's global and regional areas.

Using international best practices as a point of reference, the governance of risk adheres to the three lines of defence.



Diagram adapted from the guide by ECIIA/FERMA on the Directive on Company Law of the European Union (article 41).

This model sets out three groups (or lines) that give a cross-sectional and integrated view of the business, providing efficiency and transparency for the risk management processes:

1st LINE OF DEFENCE

This includes all the functions that have ownership of the identified risks and how they are managed. It is responsible for:

- ✓ Identifying and assessing risks
- ✓ Defining and implementing the necessary measures to manage the risks
- ✓ Using the risk map as a management tool

2nd LINE OF DEFENCE

This consists of the functions that supervise the risks. These include risk management and compliance, in charge of:

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

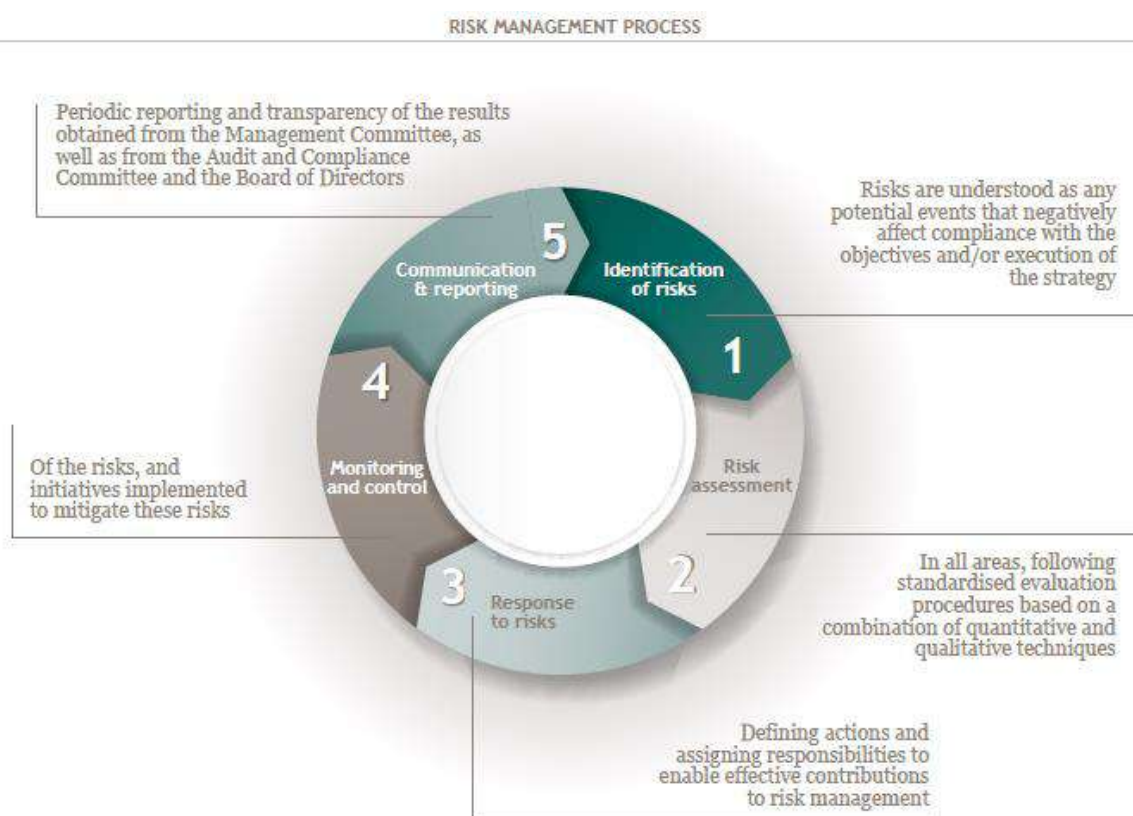
3rd LINE OF DEFENCE

This refers to internal auditing, which as a third line of defence oversees the appropriate functioning of the Risk Management System and the Criminal Offence Prevention and Detection Model, systematically carrying out different types of auditing on the first and second lines of defence.

As a guarantee of independence, both the Internal Audit Department and the Risk Management and Compliance department report directly to the Audit and Compliance Committee.

4.2 Risk management system

The system is based on the integrated framework of Corporate Risk Management COSO II (Committee of Sponsoring Organizations of the Treadway Commission) and is a model for continual improvement that cuts across the whole of the company, and the main stages of which are as follows:



In 2018, the risk management system involved 86 directors, who took part in updating their individual risk maps, which when integrated produced a total of 98 risk maps, including maps per region, per head office and the consolidated map for Meliá.

It is notable that the agency specialising in sustainable investment, RobecoSAM, considered the risk management of Meliá, in the Corporate Sustainability Assessment 2018, as an example of best practices in the sector.

4.3 Main Risks

The graph below shows a distribution of the main risks faced by the company, based on the latest update of the 2018 Risk Map and aligned with the core strategies of Meliá.

Category	Type of risk	Main risks	Trend	Management and control measures
Global	Geopolitical risks	<ul style="list-style-type: none"> - Terrorism - Crisis or political insecurity in countries where we have a presence - Wars, civil unrest or military revolts 		<p>The company has specific emergency plans depending on the nature of the risk</p> <p>A Crisis Management Protocol has been drawn up, applicable all over the world</p>
	Natural disasters	<ul style="list-style-type: none"> - Hurricanes; earthquakes; volcanoes - Adverse effects of climate change 		
Business	Competition and sector	<ul style="list-style-type: none"> - Increase in competition. Emergence of new competitors - Sector restructuring. Concentration processes (mergers, acquisitions, etc.) - Growth of forms of collaborative consumption - Possible loss of leadership in certain areas 		<p>Existence of a Strategic Plan as a decision-making body for defining, monitoring and managing the strategy</p> <p>Regular analysis of the sector, the competition and market trends to adapt products, features and services to meet customers' expectations</p> <p>Existence of an Expansion Committee as a decision-making body for approving, managing and monitoring projects. An annual Expansion Plan has been defined, which aligns with the Group's Strategic Plan and focuses on, among other aspects, ensuring a balanced portfolio that aligns with the Group's strategy</p>
	Market	<ul style="list-style-type: none"> - Changes in market trends - Maturing or stagnating market 		
	Portfolio distribution	<ul style="list-style-type: none"> - Concentration of hotels in certain areas - Dependence on certain regions/markets/segments 		
Operational	Talent and human resources	<ul style="list-style-type: none"> - Loss or turnover of key personnel - Difficulty in appealing to or attracting talent - Lack of qualified staff - Some dependence on key personnel in some positions - Organisational structure 		<p>Global Human Resources supports a model that focuses on the following aspects:</p> <ul style="list-style-type: none"> a) Identifying key roles b) Building a value proposal that is attractive to internal staff or future employees c) Providing lateral development opportunities between regional offices and hotels d) Inspiring loyalty in employees and defining of a value proposal for staff, taking diversity into account e) Strengthening relations with universities and business schools to attract the best talent f) Training & Development Model g) Drawing up talent mappings by collectives and a specific model for critical profiles h) Mobility Strategy to offer international career possibilities i) Online training platform available that helps self-manage one's own development j) MeliaHome (internal portal) available for the entire organisation
	Development risks	<ul style="list-style-type: none"> - Need for resources and ability to keep pace - Appropriate choice of zones, countries and partners 		<p>Existence of an Expansion Committee as a decision-making body for approving, managing and monitoring projects and the Expansion Strategy Plan</p> <p>Production of factsheets on multidimensional risks per project</p>
	Management model	<ul style="list-style-type: none"> - Ability to adapt the model - Generation new income 		<p>Strategic Plan defined and focused on increasing value for shareholders, profitability and Group solvency</p> <p>Various initiatives implemented focused on improving performance per brand, region, country and hotel</p> <p>Portfolio of brands updated and adapted, and new features or services implemented</p> <p>Initiatives implemented to improve revenue of any kind and cost management adapted to the standards set by the Group</p> <p>Strengthening of our distribution channels (melia.com, call center)</p> <p>Increase in portfolio of return customers in the various segments and selection of partners to be incorporated into our loyalty schemes</p> <p>An innovative Revenue Management model that integrates cutting-edge market technology</p>
Compliance	Legal or regulatory risks	<ul style="list-style-type: none"> - Legislative or regulatory changes - Excessive complexity and regulatory dispersion - Disputes 		<p>Training model and implementation of Codes of Conduct (Codes of Ethics) and complaints channel for different stakeholders</p> <p>Development of the Criminal Offence Prevention and Detection Model applicable to Meliá Hotels International</p> <p>General Data Protection Regulation adapted</p> <p>Revision and/or update of the company's body of regulations (policies, standards and processes)</p> <p>Internal circulation of a legal bulletin</p> <p>Implementation of a model for identifying, reporting on and monitoring the regulatory changes that apply to our environment</p> <p>Management of a map of prestigious independent legal advisors, depending on needs</p>
Information	Emerging technological risks	<ul style="list-style-type: none"> - Protection and security of information - Cybercrime - Cloud storage services 		<p>Design of a Digitalisation Steering Plan for developing and implementing new technological tools</p> <p>Definition of systems architecture to provide business support and compliance with Group objectives</p> <p>Standardisation of Group management systems</p> <p>Technology Security Plan defined and implemented for preventing external cyber attacks</p> <p>Training and awareness-raising plan on security issues for all employees using technological tools</p> <p>Compliance with the Annual Internal Audit Plan</p> <p>Implementation of European data protection regulations</p> <p>Updating of Business Intelligence and reporting tools</p>
	Exchange rate	<ul style="list-style-type: none"> - Exchange rate type 		Financing in functional currency for the business

Note 4 of the consolidated 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.

In addition, the Annual Corporate Governance Report provides more detail on the Group's risk management.

5. Digitalisation and Connectivity

The main activities carried out by the Company in this area are listed below:

BIG DATA

By applying big data environments, we can use large volumes of information in real time, thus improving the content of communications and achieving a high degree of personalisation in our customers' experience.

Furthermore, advanced predictive models enable us to adapt the brand promise to consumers who are increasingly well informed and demanding, by studying behaviours and patterns in order to anticipate their needs and expectations, and create more efficient propensity models, among other aspects.

HOTEL SERVICE MANAGEMENT

With this technology, our digitalisation strategy has reached the most operative departments in our hotels, helping to improve management and control in real time of the requirements and tasks that form part of the business of hotel management.

This means a personalised and open service by enabling customers to inform us of their needs or request for services, or to report incidents so they can be resolved.

In 2018 it was implemented in 118 hotels, with both the APP and Alexa preference systems implemented.

REVENUE MANAGEMENT SYSTEM

The digital transformation in revenue management has been hugely significant, in order to respond to the personalisation and to cover the needs of the different markets, segments and profiles of each one of our brands.

A new pricing structure has been defined and put into use, and a cloud tool has been implemented to manage the new revenue management and demand-side management for each resort or hotel. In 2018 this was implemented in 57 hotels.

MELIÁ ASSISTANT & INTELIGENT CONTACT CENTER

We are committed to improving the quality and agility of the service, increasing the productivity and efficiency of our contact center agents and optimising our reservations process, with support from voice assistants.

We have developed Meliá Assistant, a virtual assistant that uses artificial intelligence to facilitate customer interaction. In 2019, Meliá will continue to advance in voice technologies for the contact center.

ALEXA EN CIRCLE

Alexa, Amazon's virtual assistance technology, consolidates the values of openness and permanent contact with our customers located at The Grand Reserve Paradisus Palma Real in the Dominican Republic. This system has been incorporated into the rooms of members of our "Circle" programme to provide an agile and quick response to requests from our guests for the different departments of a hotel.

SMART BRACELETS

In order to provide an innovative experience for our guests, our hotels in Calvià (Mallorca) have incorporated the use of Smart Bracelets, a new technology that can open room doors, pay at points of sale in any Meliá hotel in the area and pay for shopping in the stores located in the hotel's shopping area.

MARKETING CLOUD

In 2018 personalised campaigns were launched that were integrated into our channels and systems that have strengthened the model of the relationship with our customers and boosted a more direct and open form of communication, through notifications on the mobile app and WhatsApp. Meliá is the first European hotel chain to use these channels of communication.

NEW APP

The new design of our mobile app adds a new channel of communication, which provides permanent contact with our customers and meets their needs with greater agility and speed. Through this channel, our aim is to improve the customer experience, add new functionalities such as the digital key, remove the check-in process and having to obtain a physical key card for the room, 24/7 communication with the front desk via a chat system and geolocation in the company's hotel complexes (hotels in the Caribbean), as well as attending to customers' preferences during their stay (such as pillows, allergies and reservations for services in the establishment).

BACK MORE DIGITAL

The digital transformation is also affecting administrative service or back-office areas to improve the efficiency, agility and productivity of our teams. The aim of this project is to create a Centre of Excellence, led by multidisciplinary and cross-functional teams that will integrate leading technologies such as big data, robotics, artificial intelligence and the re-engineering of critical processes for the company. To that end, Meliá will be supported by the experience of technological partners that will help bring about a 360° digital transformation.

DIGITALISING MAINTENANCE DUTIES

An optimisation of preventive and corrective maintenance, using the available technology, to improve the planning and monitoring of incidents received, has been implemented in more than a hundred hotels. This tool has led to significant changes in response times, preventive task planning and team performance, as well as having an effect on the Meliá sustainability strategy by reducing emissions and the amount of electricity and water used. Developed in collaboration with a start-up from Mallorca, this project has led to an environment of entrepreneurship and innovation among the teams involved. In 2019 we expect to cover 100% of our hotels portfolio.

CIBERSECURITY & DATA PRIVACY

Our customers trust in us with their times of leisure, relaxation and work, as well as additional information that enables us to personalise their experiences. Meliá has an Information Security Policy and a Privacy Policy that are well known throughout the organisation. These policies are developed in a series of organizational processes and systems by applying best practices with regard to information security and GDPR compliance. In 2018 a total of 9,224 employees from all over the world signed up to training session on matters of cybersecurity and PCI (Payment Card Industry) protection, with the aim of equipping them with the necessary tools and to raise awareness in the organisation of the importance of information security.

FROM GOING DIGITAL...

...TO BEING DIGITAL

6. Acquisition and Disposal of Treasury Stock

At 31 December 2018, the total number of treasury shares held by the Company represented 0,79% of its share capital. At 2017 year-end, they represented 0,75%. In any case, treasury stock does not exceed the 10% limit established in the Spanish Companies Act.

The market value of the shares of Meliá Hotels International, S.A. at year-end was 8.21 euros. At the close of fiscal year 2017, the share price was 11.5 euros.

7. Other Information

7.1 Debt & Cash Flow

During the last twelve months of the year, Net Debt rose by +€13.8M and reached +€607.5M at the end of the period, which compares with the +€51.2M increase reported during 12M 2017. Furthermore, we would like to reiterate our strong commitment to maintain a Net Debt/EBITDA leverage ratio below 2.0x for the upcoming years.

NET DEBT EVOLUTION: DECEMBER 2017 - DECEMBER 2018 (€ MILLIONS)



Furthermore, the maturity profile of current debt is shown below:

DEBT MATURITY PROFILE¹ (€ MILLIONS)



7.2 Stock Market

On a yearly basis, our stock Price dropped by -29,6%, while the IBEX 35 Index fell by -15,3%.



	1Q 2018	2Q 2018	3Q 2018	4Q 2018	2018
Average daily volume (thousand shares)	627,38	693,88	798,2	774,9	724,4
Melià (% change)	-0.1%	+4.4%	-18.6%	-14.7%	-29.6%
Ibex 35 (% change)	-4.4%	+0.8%	-1.8%	-9.2%	-15.3%

	2018	2017
Number of shares (millions)	229,70	229,70
Average daily volume (thousand shares)	724,36	714,88
Maximum share price (euros)	12,66	13,89
Minimum share price (euros)	7,96	10,42
Last price (euros)	8,21	11,5
Market capitalisation (million euros)	1.885,84	2.641,55
Dividend (euros)	0,17	0,13

Source: Bloomberg. Note: Melià's shares are listed on the Ibex 35 and FTSE4Good Ibex Index.

Main highlights of 2018:

- ✓ On July 10, 2018, a €0.1681 ordinary dividend per share was paid to shareholders.
- ✓ On October 8, 2018, RobecoSAM, the leading investment specialist focused exclusively on sustainability investing that is in charge of analyzing companies to define the composition of the Dow Jones Sustainability Index, ranked us 3rd among the World's Best Sustainable Companies in the Hotels, Resorts and Cruise Lines category.

7.3 Dividend policy

In the 2018 financial year, the dividend of the group or pay-out reached a level of 30.0% of the Consolidated Income attributed to the Parent Company, which was 140.1 million euros.

7.4 Enviromental risks

These consolidated annual accounts do not include any item that should be considered in the specific environmental information document, provided for in the Order of the Ministry of Justice dated 8 October 2001.

7.5 Average payment period to suppliers

As indicated in the corresponding note in the consolidated anual accounts, the average period of payment to suppliers of Melia Hotels International, S.A. was 53.25 days in 2018, which compares with 71.69 days in 2017.

This decrease is due to the fact that, in 2018, the Company monitored the ratios associated with the average payment period to suppliers, as well as the administrative processes related to the invoices received from them and the management of capital itself, with the aim of reducing as far as possible the average payment period to suppliers in accordance with the provisions of Law 15/2010 and other applicable regulations in force.

7.6 Headcount evolution

Detailed in note 16.3 of the report.

7.7 Events subsequent to year-end

There have been no subsequent events between the end of the reporting period and the drawing up of these consolidated annual accounts that involve adjustments because they show conditions that already existed at the closing date, or facts indicating conditions that could have appeared after the date of closure that could affect the capacity of the users of the Financial Statements to carry out the pertinent evaluations and make economic decisions of any kind.

8. Annual Corporate Governance Report

The model Annual Corporate Governance Report for 2018 is presented below as an appendix.

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%	0	0	0	10.388%
Hoteles Mallorquines Asociados, S.L.	13.206%	0	0	0	13.206%

Remarks

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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

Remarks

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

Most significant movements		
On 1 August 2018 Hoteles Mallorquines Agrupados S.L. sold 1,829,700 shares in Meliá Hotels International S.A. to Hoteles Mallorquines Consolidados, S.L.		
NORGES BANK	25/06/2018	Decrease to below 3% of share capital
NORGES BANK	13/08/2018	Increase to above 3% of share capital
NORGES BANK	25/08/2018	Decrease to below 3% of share capital
NORGES BANK	28/08/2018	Increase to above 3% of share capital
NORGES BANK	29/08/2018	Decrease to below 3% of share capital
NORGES BANK	06/09/2018	Increase to above 3% of share capital
NORGES BANK	10/09/2018	Decrease to below 3% of share capital
NORGES BANK	24/09/2018	Increase to above 3% of share capital
NORGES BANK	25/09/2018	Decrease to below 3% of share capital
NORGES BANK	02/10/2018	Increase to above 3% of share capital
NORGES BANK	05/10/2018	Decrease to below 3% of share capital
NORGES BANK	10/10/2018	Increase to above 3% of share capital
NORGES BANK	12/10/2018	Decrease to below 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%		
Mr. Alfredo Pastor Bodmer		0.0026%			0.0026%		
Mr. Gabriel Escarrer Juliá		5.025%			5.025%		
Mr. Juan Vives Cerdá		0.0002%			0.0002%		
Mr. Luis María Díaz De Bustamante Y Terminel	0.0001%				0.0001%		
Hoteles Mallorquines Consolidados S.L.	23.379%				23.379%		

Total percentage of voting rights held by the Board of Directors
28.407%

Remarks

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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	Majorcan Hotels Exlux S.L.	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	<p>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 %, which results from the sum of their direct and individual shareholding in Meliá Hotels International (23.379%, 10.388% and 13.206%, respectively).</p> <p>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.</p>

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	Majorcan Hotels Exlux S.L.U.		<p>Mr. Gabriel Escarrer Juliá notified the control of 5.025% of the voting rights in Meliá Hotels International, S.A. indirectly, through the company Majorcan Hotels Exlux, S.L.U.</p> <p>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.).</p>

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
<p>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.</p> <p>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.</p>

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.

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

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
1,822,968	0	0.794%

Remarks

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(*) 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.

<p>The General Shareholders' Meeting held on 4 June 2015 adopted, among others, the following resolution:</p> <p>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.</p>

A.11 Estimated free float:

	%
Estimated free float	
108,431,610 shares	47.206%

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

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 classes of shares.

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 1 st call		
Quorum required at 2 nd call		

Description of differences
<p>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.</p> <p>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.</p>

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.

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

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.

Notwithstanding the foregoing, the resolutions 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 Bylaws, will require a favourable vote of at least sixty percent (60%) of the share capital with voting rights present or represented at the General Shareholders' Meeting, both at first and second call.

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

Date of General Meeting	Attendance data					Of which, free float				
	% physical present	% present by proxy	% distance voting		Total	% physical present	% present by proxy	% distance voting		Total
			Electronic voting	Other				Electronic voting	Other	
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 %	87.65 %	0.00 %	35.15 %	0.00 %	0.00 %	35.15 %
23/06/2016	52.37 %	14.21 %	0.00 %	0.00 %	66.58 %	0.00 %	14.21 %	0.00 %	0.00 %	14.21 %

Remarks
Free-float percentage has been calculated on the basis of the total share capital attending the meeting.
Likewise, some percentages under section "free float" have been rounded off to two decimal places.

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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Remarks
<p>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/en/shareholdersAndInvestors/ShareholdersDocs/2018/4.%20MHI_JGA2018_Documento%20informaci3n%20derechos%20de%20informaci3n%20voto%20a%20distancia_Eng.pdf</p>

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
<p>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".</p>

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>

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

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
Mr. Alfredo Pastor Bodmer		Other external	Director	31/05/1996	04/06/2015	Resolution at General Shareholders' Meeting	30/09/1944
Mr. Gabriel Escarrer Juliá		Proprietary	Chairman	07/02/1996	04/06/2015	Resolution at General Shareholders' Meeting	02/03/1935
Mr. Juan Vives Cerdá		Proprietary	Director	07/02/1996	04/06/2015	Resolution at General Shareholders' Meeting	26/08/1935
Mr. Sebastián Escarrer Jaume		Proprietary	Director	07/02/1996	08/06/2017	Resolution at General Shareholders' Meeting	09/05/1966
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 M ^a 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			

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

Reasons for leaving and other remarks

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	
<p>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.</p> <p>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.</p>	

<p>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, or diversification and monitoring of the latest trends. As Vice Chairman and Chief Executive Officer of Meliá Hotels International since 2009, Gabriel Escarrer has consolidated his leadership through the Company's effective response to the international financial crisis and the management of an unprecedented cultural and organisational transformation, with a largely positive balance at corporate and staff levels, including an increasing financial consolidation and the constant growth of its brands in both traditional and emerging markets.</p> <p>In 2016, after 60 years at the helm of the Company, Mr. Gabriel Escarrer Juliá became Non-Executive Chairman, transferring his executive powers to Gabriel Escarrer Jaume with the unanimous support of the Board of Directors.</p> <p>Escarrer holds the positions of Vice Chairman and Chief Executive Officer and is the top executive within the group. 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.</p> <p>Thanks to all this, Meliá is the leader in Corporate Reputation in the tourism industry according to the prestigious MERCO ranking (a recognition it has achieved for 4 consecutive years) and has launched emblematic reconversion projects, as well as 18 repositioning projects for mature tourism destinations such as Magaluf in Majorca and Torremolinos in Malaga.</p> <p>The first of these projects, named Calviá Beach, has received the Tourism Merit Award from the Ministry of Industry, Commerce and Tourism, while his support for the repositioning of Torremolinos led to him being named Tourism Personality of the Year in 2016. Both projects are an example of the Group's renewed commitment to resort hotels, a segment which Meliá has led ever since the 1950s, as well as its commitment to the renewal and transformation of the industry in the new century.</p> <p>One of his priorities for the future is to develop an unprecedented international growth plan to catch-up with major multinational hotel chains, expanding the horizons of the Company and thus the value of Meliá for all its Stakeholders. All this, along with the solid family values that have allowed the Group to remain a market leader for over six decades.</p>	
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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
Mr. Gabriel Escarrer Juliá	Majorcan Hotels Extlux S.L.U.
Profile	
<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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'</p>	

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 Universitat de les Illes Balears (UIB) for the creation of the "Cátedra Meliá de Estudios Turísticos" (Meliá 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 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
Mr. Juan Vives Cerdá	Hoteles Malloquines Asociados, S.L.
Profile	
<p>From his first employment at Viajes Meliá S.A. as a trainee in 1950, he performed functions in different professional categories until his appointment as Director in 1960.</p> <p>From 1961 to 1972, he held positions of leadership and management at various hotels of the Group currently named Meliá Hotels International, and he was the group's Vice Chairman from 1973 until 2000.</p> <p>At present, he is Member of the Board of Directors of Meliá Hotels International, S.A., a position he has held since the IPO of the company in 1996.</p>	

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	
<p>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. He is First Vice-Chairman of the Spanish Executive Committee of the International Chamber of Commerce and member of the Executive Board of the ICC worldwide, 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 Excelsur between 2012 and 2016 - the Spanish Tourist Lobby -, and is Vice-Chairman of the Council of Tourism of the CEOE, President of APD Illes Balears and also Vice-Chairman for the Mediterranean area. 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.</p> <p>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.</p> <p>He is graduate from ICADE and Master from Wharton of the University of Pennsylvania with three Majors: Business Strategy, Finance and Multinational Management.</p> <p>He worked for several multinationals in the 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).</p> <p>Sebastián Escarrer is member of the Board of Directors of Meliá Hotels International with 19 years of experience as executive, which he joined 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.</p> <p>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.</p> <p>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'.</p> <p>In 2009 he was elected by the Confidence Barometer prepared by Future Brand as the business leader who generates greater confidence in Spain and, in 2011, the Senior Management Forum awarded him the Golden Master in recognition of his professional career.</p>	

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of director	
Mrs. Carina Szpilka Lázaro	
Profile	
<p>Degree in Economic and Business Sciences from ICADE E-2 and Executive MBA from Instituto de Empresa in Madrid.</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 direcció” (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 Dias 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).</p>	

Name or corporate name of director	
Mr. Fernando D'Ornellas Silva	
Profile	
<p>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.</p> <p>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.</p> <p>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, member of the Advisory Board of Willis Iberia since March 2013, 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. He is also member of the International Advisory Board of Hispanic Society of America, member of the Advisory Board of the Real Club de la Puerta de Hierro since 2010, and member of the Executive Committee at the Fundación España-Estados Unidos since 2016.</p>	

Name or corporate name of director	
Mr. Juan Arena De La Mora	
Profile	
<p>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.</p> <p>Professor at Harvard Business School (2009-2010) teaching in the MBA programme (2015), the AMP (Advance Management Programme) and at IESE (2011) teaching in the PADE programme. He started his career at Bankinter where he occupied various positions. In 1985, he was appointed Managing Director and in 1993, Managing Director and CEO. From March 2002 to April 2007 he was Executive Chairman.</p> <p>He is currently member of the Board of Directors of Ferrovial, Almirall Laboratories, and Meliá Hotels International where he holds positions in different Committees, he is also member of the International Council of EVERIS, Chairman of the Advisory Board of Consulnor, member of the Advisory Boards of Marsh and Panda.</p> <p>In the academic field, he is currently Chairman of the Professional Council of ESADE, member of the Board of Directors of Deusto Business School and member of the World Advisory Board of Harvard Business School.</p> <p>In the third sector area, he was the Founder and First Chairman of Fundación SERES (business and society responsible) where he is currently a member of the Executive Committee and Chairman of the Governance Committee.</p> <p>Likewise, he has been a member of the Board of Directors of TPI, Prisa, Everis, UBS Spain, Panda, Dinamia, member of the Board of Trustees of ESADE and member of the Advisory Board of Spencer Stuart. In July 2018, he ceased to be a member of the Board of Directors of Ferrovial.</p> <p>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.</p>	

Name or corporate name of director	
Mr. Francisco Javier Campo García	
Profile	
<p>Industrial Engineer from the Universidad Politécnica de Madrid, he began his career in 1980 at Arthur Andersen.</p> <p>In 1985 he joined Día Group, where for 24 years he has held the position of World Chairman of the Día International Group and he was also a member of the Carrefour Group's Global Executive Committee for 15 years.</p> <p>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.</p> <p>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. (<i>Asociación para el Progreso de la Dirección</i>).</p>	

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Name or corporate name of director
Mr. Luis M ^a 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.

Total number of independent directors	5
% of the Board	45.45%

Remarks

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

Identify the other external directors and state the reasons why these directors are considered neither proprietary nor independent, and detail their ties with the company, or its executives or shareholders:

Name or corporate name of the director	Reasons	Company, executive or shareholder to whom the director is related
Mr. Alfredo Pastor Bodmer	Mr. Alfredo Pastor Bodmer has been a member of the Board of Directors of the Company for a continuous period of more than twelve years and, pursuant to Article 529k, paragraph 4 (i) of the Corporate Enterprises Act, this period of time is one of the reasons why a Director cannot be considered as Independent.	
Profile		
<p>Degree in Economics, Ph. D. in Economics, Massachusetts Institute of Technology.</p> <p>Professor of Economic Theory since 1976, he has held various positions from 1980, such as Professor of Economics at Boston University (1980 - 81), Country Economist at the World Bank (1981 - 83), Planning Director at INI (1983 - 84), Executive Director at INI (1984 - 85), Chairman of ENHER (1985 - 90), member of the Board of Directors of the Bank of Spain (1990 - 93), Head at Instituto de la Empresa Familiar (1992 - 93), Secretary of State for Economy (1993 - 95), Extraordinary Professor (1996-97) and Ordinary Professor (1997 - 2015) at IESE; Chair at CEIBS (since 2000), Dean at CEIBS (China Europe International Business School), Shanghai China (2001-2004), Chair of Emerging Markets at Banco Sabadell, 2009.</p> <p>Currently, he is a member of the Board of Directors of Meliá Hotels International, Copcisa and Bansabadell Inversión, having previously formed part of other Boards of Directors in other companies such as Miquel y Costas and Hidroeléctrica del Cantábrico, among others. Author of multiple publications, in 2011 he received the Conde de Godó Award.</p>		
Total number of other external directors		1
% of the Board		9.09%

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Remarks	

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	

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%	33.33%
Independent	1	1	1	0	20%	20%	20%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	2	2	2	1	18.18%	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.

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 2018, only Mr. Juan Arena de la Mora has been re-elected as External Independent Director.

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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
<p>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.</p> <p>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.</p> <p>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.</p> <p>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."</p>

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

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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
<p>During 2018, 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".</p> <p>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:</p> <p>"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."</p> <p>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 carried out.</p> <p>During 2018, only one position within the Board of Directors had expired, having the Appointments and Remuneration Committee proposed the re-election of the independent external director Mr. Juan Arena de la Mora.</p>

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

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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
<p>The Board of Directors has vested all delegable powers in Mr. Gabriel Escarrer Jaume under the Law and 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:</p> <p>(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.</p> <p>(b) To pay debts and receive payments due of all types, including those with origin in national, regional, provincial or municipal authorities.</p> <p>(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.</p> <p>(d) To request, obtain, acquire, grant and exploit patents, brands, privileges, licences and administrative concessions, as well as performing any transactions regarding industrial property.</p> <p>(e) To convene the General Shareholders' Meeting and execute and ensure compliance with resolutions adopted by the meeting.</p> <p>(f) To intervene in tenders and auctions, both judicial and extrajudicial.</p> <p>(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.</p> <p>(h) To draw, endorse, accept, take, discount, negotiate and protest bills of exchange, financial and credit bills, cheques, promissory notes and money orders.</p> <p>(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.</p> <p>(j) To grant guarantees and deposits by any means for the obligations of third parties.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>

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(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

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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

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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
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

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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
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

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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	ILHA BELA GESTAO E TURISMO LIMITADA	Joint Manager	Yes
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

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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

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. Juan Arena de la Mora	Almirall S.A.	Director
Mr. Francisco Javier Campo García	Bankia S.A.	Director

Remarks
Mr. Juan Arena de la Mora was also director of Ferrovial S.A. until 26 July 2018.

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 ☒

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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:

Board remuneration in financial year (thousand euros)	2,186.00
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

Total senior management remuneration (thousand euros)	2,469.00
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Remarks

C.1.15 State whether the regulations of the Board have been amended during the financial year:

YES ☐

NO ☒

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Description of amendments

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 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.

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Likewise, the Board of Directors, through the Audit 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
<p>The Directors have carried out the assessment for 2018, by completing the relevant assessment questionnaires.</p> <p>The main areas that have been assessed are:</p> <p>a) Regarding the Board:</p> <ul style="list-style-type: none"> - 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 <p>b) Regarding the Chief Executive:</p> <ul style="list-style-type: none"> - Strategic vision and leadership - Achievement of results - Talent management - Management style - Relationship with the Board - Innovation - Culture <p>The questions include an extra field for Directors to add comments and/or suggestions as well as other issues that may improve the operation of the Board.</p> <p>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.</p> <p>The assessment carried out during 2018 has been carried out without the help of an external consultant, due in part to the fact that this assistance was carried out in 2017, and it is foreseen that this system will be used every three years, as established the recommendations of the Unified Code of Good Government.</p>

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

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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 of the Regulations of the Board establishes that directors must observe all regulations on behaviour 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
<p>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:</p> <p>(a) to have formed part of the Board of Directors for at least the THREE (3) years preceding the date of said appointment; or</p> <p>(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.</p> <p>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.</p> <p>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.</p>

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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	6
Number of Board meetings without the chairman	0

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Remarks
<p>The Leading Director (Mr. Fernando D'Ornellas) is also the Chairman of the Audit and Compliance Committee, and member of the Appointments and Remuneration Committee.</p> <p>The only Executive Director of the Company (Mr. Gabriel Escarrer Jaume) is not part of any committee, although he occasionally attends the Audit and Compliance Committee as a guest.</p> <p>Therefore, the Leading Director meets with some external directors without the assistance of the Executive Director, although such meetings take place within the framework of the sessions of the Committees.</p>

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

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 Audit and Compliance Committee	10
Number of meetings held by the Appointments and Remuneration Committee	6

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	91%
Number of meetings with on-site attendance or representations by proxy made with specific instructions of all directors	6
% of votes cast with on-site attendance and representations by proxy made with specific instructions of all directors	100%

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Remarks

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 President 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 Audit 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

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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.

Remarks
<p>The Audit 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. The Audit and Compliance Committee prepares, on an annual basis, a report on the independence of the external auditor. As a general rule, in each meeting of the Audit and Compliance Committee, the Directors meet with the external auditor without the presence of the managers of the Company.</p> <p>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.</p> <p>Likewise, at all times during the information exchange process, the Company avoids influencing the opinions or points of view of the analysts.</p> <p>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.</p>

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

Remarks
Although the Company has not changed its external auditor in year 2018, the General Shareholders' Meeting held on 6 June 2018, in line with the proposal the Audit and Compliance Committee made to the Board of Directors, 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. Therefore, the change of the external auditor will take place in 2019.

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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)	166	73	239
Amount invoiced for non-audit services/total amount invoiced by the audit firm (in %)	49.74%	5.32%	13.99%

Remarks
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 Audit and Compliance Committee.

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

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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:

	Individual annual accounts	Consolidated annual accounts
Number of consecutive years	10	10

	Individual annual accounts	Consolidated annual accounts
Number of years audited by current audit firm/Number of years the company or its group have been audited (%)	43.48%	43.48%

Remarks
Annual accounts for year 2019 will be audited by the audit firm Deloitte, following its election as the new audit firm at the General Shareholders' Meeting held on 06/06/2018. Therefore, 2018 is the last year the accounts are audited by the audit firm Pricewaterhousecoopers.

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
<p>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 eight days before the meeting is held.</p> <p>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.</p> <p>Exercise of the powers of information shall be channelled 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.</p>

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
<p>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.</p> <p>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.</p>

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

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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.

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?	X	

Remarks

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:

AUDIT AND COMPLIANCE COMMITTEE

Name	Position	Category
Mr. Juan Vives Cerdá	Member	External Proprietary Director
Mr. Juan Arena de la Mora	Member	External Independent Director
Mr. Alfredo Pastor Bodmer	Member	Other External Director
Mrs. Carina Szpilka Lázaro	Member	External Independent Director
Mr. Fernando D'Ornellas Silva	Chairman	External Independent Director

% of proprietary directors	20%
% of independent directors	60%
% of other external	20%

Remarks

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 Audit 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 external auditor.
 - ✓ Monitor the independence of the external auditor.

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- ✓ Maintain a relationship / communication with the external auditor.
- b) Monitoring of the effectiveness of the Company's internal control and risk management systems
 - ✓ Identify and assess the policies and processes which are intended to measure and manage the Group's main risks in an integrated and comprehensive manner.
 - ✓ Monitor the effectiveness of the internal control of the Company, the internal audit services and the risk management systems.
- c) Monitoring of the functions of the internal audit and Compliance
 - ✓ Approve the annual plans and budget of internal audit and Compliance.
- d) Monitoring of the preparation and presentation of regulated financial information
 - ✓ Review the Company's Accounts and monitor compliance with legal requirements and the correct application of generally accepted accounting principles with the direct assistance of external and internal auditors.
- e) Inform the General Shareholders' Meeting about issues that arise regarding matters of its competence
 - ✓ Inform the General Shareholders' Meeting of the audit results, explaining how this has contributed to the integrity of financial information and the function performed by the committee during this process.
- f) Other functions:
 - ✓ Monitor compliance with the Internal Code of Conduct for the Securities Markets, the Regulations of the Board of Directors and, in general, the rules of Company's Governance and make all necessary proposals for improvement.
 - ✓ Monitor the whistleblowing channel.

The activities carried out by the Audit and Compliance Committee in 2018, are described in the committee's activity report, published on the website of Meliá Hotels International.

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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 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

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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) Functions relating to the 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.
 - ✓ Submit proposals to the Board for the appointment of Directors.
 - ✓ Examine and organise the succession of the Chairman and chief executive of the Company, and where appropriate, make proposals to the Board of Directors.
- b) Functions relating to 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) Functions relating to the assessment of the Board of Directors' activities:
 - ✓ Coordinate and prepare the report on the quality and efficiency of the operation of the Board of Directors and the Committees.
- d) Functions relating to the 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.
 - ✓ Ensure transparency in remuneration.
- e) Other functions:
 - ✓ Report any transactions that imply or may involve conflicts of interest.
 - ✓ Previously inform the Board of Directors of those matters as provided for by Law, the Bylaws and the Regulations of the Board of Directors.

The activities carried out by the Appointments and Remuneration Committee in 2018 are described in the committee's activity report, published on the website of Meliá Hotels International.

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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 2018	Year 2017	Year 2016	Year 2015
Audit and Compliance Committee	1 (20%)	1 (20%)	1 (20%)	0 (0%)
Appointments and Remuneration Committee	1 (25%)	1 (25%)	1 (25%)	1 (25%)

Remarks

C.2.3 State, where applicable, the existence of any regulations governing Board committees, where these regulations may be found, and any amendments made to them during the year. Likewise, state whether any annual reports on the activities of each committee have been voluntarily prepared.

Audit and Compliance Committee

The composition, functions and scope of activity of the Audit and Compliance Committee of Meliá Hotels International, S.A., are regulated in Article 39 Bis of the Bylaws and in Article 14 of the Regulations of the Board of Directors. All of this without prejudice to the provisions of the Corporate Enterprises Act and other applicable legislation.

The Audit and Compliance Committee has prepared and approved its annual activity report for year 2018. Such report will be published on the corporate website.

Appointments and Remuneration Committee

The composition, functions and scope of activity of the Appointments and Remuneration Committee of Meliá Hotels International, S.A., are regulated in Article 39 Ter of the Bylaws and in Article 15 of the Regulations of the Board of Directors. All of this without prejudice to the provisions of the Corporate Enterprises Act and other applicable legislation.

The Appointments and Remuneration Committee has prepared and approved its annual activity report for year 2018. Such report will be published on the corporate website.

The Bylaws and the Regulations of the Board of Directors are available on the corporate website of Meliá Hotels International, S.A.

In 2018, no amendments have been made to the Bylaws or the Regulations of the Board.

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D. Related-Party and Intragroup Transactions

D.1 Explain, if applicable, the procedure and competent bodies for approval of related-party and intragroup transactions.

Pursuant to Article 32.1 of the Regulations of the Board of Directors, the Board must be aware of and authorise any transaction carried out by the Company with its significant shareholders and Directors and Executives. Likewise, according to Article 32.2 of the Regulations of the Board of Directors, in no case will the transaction be authorised if no report has been previously issued by the Audit and Compliance Committee, evaluating the transaction from the perspective of equal treatment of shareholders and market conditions. Article 32.3 of the Regulations of the Board of Directors also states that the Board of Directors must ensure compliance with the law and the Company's duties of disclosure and transparency with regard to the communication of such transactions.

D.2 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 company's significant shareholders.

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)
Hoteles Mallorquines Asociados, S.L.	Meliá Hotels International, S.A.	Contractual	Receipt of services	1,066
Hoteles Mallorquines Asociados, S.L.	Inversiones y Explotaciones Turísticas, S.A.	Contractual	Receipt of services	47
Hoteles Mallorquines Asociados, S.L.	Aparthotel Bosque, S.A.	Contractual	Receipt of services	83
Hoteles Mallorquines Asociados, S.L.	Jamaica Devco, S.L.	Contractual	Receipt of services	200
Hoteles Mallorquines Asociados, S.L.	London XXI Limited	Contractual	Receipt of services	17
Hoteles Mallorquines Asociados, S.L.	Infinity Vacations Dominicana	Contractual	Receipt of services	171
Hoteles Mallorquines Asociados, S.L.	Desarrollos Sol, S.A.S.	Contractual	Operational lease contracts	171

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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	263
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Provision of services	393
Mr. Juan Vives Cerdá	Meliá Hotels International, S.A.	Commercial	Receipt of services	5
Mr. Juan Vives Cerdá	Prodigios Interactivos, S.A.	Commercial	Receipt of services	50

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:

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.	-120
Sol Meliá Funding	Modification of the inter-group loan agreement with the parent company, in line with the centralised cash management policy	-15,682

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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

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 Meliá Hotels International Group has an integrated and continuous risk management model which operates on a comprehensive and ongoing basis and provides the Risk Map of the Group, through the consolidation of the Individual Risk Maps for the different Departments and Business Areas. This model is based on the COSO II Enterprise Risk Management (ERM) methodology and consists of the following stages:



1. **Identification of relevant risks**, including tax risks, through the collection and analysis of internal and external information.

2. **Assessment of those risks**, for each of the business areas and support units, prioritising 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 effectively

contribute to their management.

4. **Regular monitoring and control** of risks, through indicators defined for the most 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 Audit and Compliance Committee and the Board of Directors, providing feedback and thus contributing to the continuous improvement of the process.

The management team of Meliá Hotels International regularly identifies the risks that jeopardise the achievement of targets (Stage 1), and evaluates such risks estimating their probability of occurrence and the impact in case the materialise (Stage 2).

In February 2017, the Board of Directors of Meliá Hotels International approved the update of the Risk Control, Analysis and Assessment Policy. This Policy applies to the whole Group in the different countries in which it operates, and establishes the basic principles that govern risk management and the overall framework for action to control, analyse and assess risks, including tax risks. These 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.

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- 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 2017, the Internal Risk Control and Analysis Regulations implementing the above-mentioned Policy were also updated to ensure the correct and efficient performance of the Risk Control system, by defining the rules, guidelines and criteria to be followed in updating Risk Maps within the Group, so that the latter is completely aligned with its global strategy, the leadership model and the culture and values of Meliá Hotels International. 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 updated and published on the corporate website in 2018- as well as the Internal Tax Risk Control and Management Regulations.

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 Risk Control & Compliance Department (which is part of the Legal & Compliance Department) is in charge of ensuring the operation and constant development of the risk management model, as well as coordinating the investment prioritisation process based on risk criteria. Among other functions, it is responsible for control and risk analysis. Responsibility for managing risks lies directly with each of the Departments and Business Areas which make up the Group.

This Department reports on its activities to the Audit and Compliance Committee, both periodically and through an Annual Report established for this purpose.

Likewise, the Board of Directors has a general supervisory function and a specific responsibility to identify the main risks for the Company, including tax risks, and the implementation and monitoring of the appropriate internal control and reporting systems (Article 5 of the Regulations of the Board). On the other hand, the Audit 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).

In addition to the above, Meliá has other bodies or departments with responsibilities and/or functions related to risk management:

- **Senior Executive Team**

One of its functions is to develop and promote control in order to improve the quality of the Group's corporate governance and risk management.

- **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.

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- **Expansion 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.

- **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**

One of the tasks of Corporate Governance is to ensure the update of the Group's policies and internal regulations, so that they are continuously tailored to the needs existing at any time.

- **Credit and Insurance Management**

Its main activities include credit risk management and procurement of insurance policies at corporate level to cover certain risks, always under the guidelines established in the Internal Insurance Regulations, where the Group's insurance procurement and treatment processes are established.

- **Occupational Health**

Its responsibilities include occupational risk prevention.

- **Works and Maintenance**

It collaborates in risk identification and assessment at the premises based on criteria which subsequently enable to centrally prioritise certain investments.

- **Global Tax**

With regard to taxes, the Global Tax Department coordinates and centralises tax risk control and management, and regularly reports the results to Senior Management, the Audit and Compliance Committee and the Risk Control & Compliance Department.

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.

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.

All business and business activity involve inherent risks, whose identification, assessment and control are essential to achieve targets.

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The structure of the risks that are faced by the Group has not changed with respect to previous years and is 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: natural catastrophes or disasters, pandemics, health or food crises, geopolitical risks.

In destinations where there is greater exposure to this type of risks, 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.

This includes, for example, liquidity, credit or exchange rate risks. 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 characteristics of demand, competition and the market, strategic uncertainty or scenario changes.

Among others, risks related to customers and suppliers, the market, competition, Group investments, expansion, etc., are analysed.

4. **Operational Risks.** The result of possible deficiencies in internal processes, human resources, equipment or computer systems, or the inadequacy thereof.

5. **Compliance Risks.** Risks derived from regulatory changes established by regulatory bodies and/or non-compliance with the applicable legislation or the internal policies and regulations.

Meliá Hotels International's policies and internal regulations, the Code of Ethics and the Whistleblowing Channel are some of the tools the Group has to mitigate this type of risk. The Risk Control & Compliance Department is responsible for the implementation of the Crime Prevention and Detection Model.

In October 2018, the Board of Directors approved the Compliance Policy, whereby Meliá is committed to:

- 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.

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The Internal Control over Financial Reporting (ICFR) described in section F of this report deserves special attention.

Tax risks as well as risks deriving from corruption, depending on the risk in question, are included within the category of Operational or Compliance Risks.

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 Audit 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.

E.5. Identify which risks, including tax compliance risks, have materialised during the year.

Business Risks: Increase in Competition

North Africa and Turkey destinations have come onto the scene, recovering the tourism demand they lost over the last few years due to the political instability and insecurity.

However, hotels in Spanish and Mediterranean destinations, in general, have continued to grow, since the Company has managed to develop a sustainable growth model based on quality improvement and commercial offering repositioning, rather than on an artificial demand created as a result of problems in other destinations. In this way, the investment made in recent years in Spanish hotels, in line with the brand strategy, together with our commercial and digital strength, international expansion and a business model increasingly geared to management solutions, have contributed to consolidate the strength and soundness of the Group's hotel business.

Financial Risks: Exchange Rate

The 15% devaluation of the USD against the EUR during the first quarter of the year has had a significant impact on the Group's operating profit. Likewise, the severe hyperinflation in Venezuela and the use of a synthetic exchange rate which properly reflects the economic reality of such country, have also had significant impacts which are duly described in the relevant sections of the consolidated financial statements.

Global Risks: Geopolitical Risks

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Most prominent risks are:

- The new regulations imposed by the Government of Trump which affect the international travels of U.S. citizens.
- The outcome of Brexit negotiations.
- Political situation in Catalonia.

The Company has developed and implemented contingency plans and commercial initiatives with the purpose of limiting the potential impact of these risks on its activities.

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 defence, 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 and objectives.

One of the functions of the SET- Senior Executive Team - regarding risk management is to analyse the results of the Risk Map and assign responsibilities for mitigation of the Group's most important risks. Subsequently, it is the areas affected that define the action plans to be carried out throughout the year to mitigate the risks (Stage 3 of the model).

KRIs (Key Risk Indicators) are defined annually to monitor and control the most important risks (Stage 4 of the model). These indicators are reported periodically to the SET.

The results of updating the Risk Map are discussed and form part of the agenda of the SET, as well as of other governing bodies within Meliá Hotels International.

On the other hand, in order that the Board of Directors and the Audit and Compliance Committee may face the new challenges, periodically, they are informed of both the results of the Risk Map and the actions arising therefrom.

In particular, the Risk Map is submitted to the Board of Directors once updated, and at the different sessions of the Audit and Compliance Committee held during the year, detailed analyses of the main risks have been reported, in which, in addition to a context and evolution analysis of such risks, the indicators established for their control and monitoring are reported, as well as any risk mitigation measures (Stage 5 of the model).

The Risk Control & Compliance Department is in charge of coordinating, supporting, controlling and monitoring every stage of the model.

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 bodies within the Meliá Group responsible for ensuring the existence, maintenance, design, implementation and supervision of an adequate and effective ICFR and the functions and responsibilities attributed to them are as follows:

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.

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."

Audit and Compliance Committee

Article 14 of the Regulations of the Board of Directors gives the Audit and Compliance Committee the responsibility, among others, to "c) 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 "d) monitor the preparation and presentation of mandatory financial information and recommendations or proposals to the Board of Directors designed to safeguard its integrity".

The organisation and operation of the Audit and Compliance Committee is regulated in the above-mentioned Article 14 of the Regulations of the Board of Directors. It currently consists of five (5) directors, three (3) of them independent, one external director under the category of "other external" and a fifth proprietary director, who have all held positions of responsibility in financial areas and positions as director in various companies.

Additionally, and as a general rule, representatives of the internal audit department and external auditors, as well as representatives of the Group's Senior Management also attend Committee meetings depending on the issues to be discussed. In 2018,

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the representatives of internal and external audit attended eight (8) out of a total of ten (10) meetings.

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 Audit and Compliance Committee is the body responsible for supervising the ICFR and it is the responsibility of the Internal Audit Department to verify its correct operation, keeping the Board of Directors (through the Audit and Compliance Committee) and Senior Management informed about whether the mechanisms implemented by the Management effectively mitigate the risk of errors with a material impact on financial information.

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.

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.

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 of Ethics is available in the following languages: Spanish, English, German, Italian, Portuguese, Chinese and Vietnamese.

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.

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 as follows:

- Proximity
- Excellence and consistency
- Commitment to service
- Innovation

Regarding commitments and principles, the Code of Ethics organises them depending on the different parties concerned:

- Employees
- Customers
- Shareholders and investors
- Owners and partners
- Suppliers
- Tourism sector and competition
- Community
- Environment
- Public administrations
- Media

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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 Code of Ethics Office is responsible for keeping the Code in operation, and is a body created to review and permanently update the Code of Ethics and resolve any questions regarding its content and application that may arise in ordinary operations.

The responsibility for managing complaints about any breach or behaviour infringing the contents of the Code of Ethics lies with the Ethics Committee, an independent body whose main function is to manage claims or complaints submitted through the Whistleblowing Channel. Likewise, it is the body in charge of proposing the appropriate corrective actions or sanctions.

Ultimate responsibility lies with the Board of Directors, which, through the Audit and Compliance Committee, is in charge of its implementation. Complaints are sent directly to the Chairman of the Audit and Compliance Committee and to the Company's Compliance Officer.

In 2018 an internal training has been launched, which is mandatory and consists of (3) separate modules, one of them regarding the Code of Ethics and the Whistleblowing Channel. This training is intended for all corporate personnel worldwide and for Managers, Assistant Managers and Leaderships in the hotels, and is accessible through the Company's online internal training platform.

Supplier's Code of Ethics

On 6 June 2018, the Board of Directors approved the first 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.

By means of this Code, Meliá Hotels International enhances the coherence of its procurement model and strengthens the relationship with suppliers on the basis of its values, Code of Ethics and the public commitments which it has assumed.

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, and additional versions in other languages are foreseen.

In order to reinforce transparency and trusting relationships, the suppliers are provided with a new whistleblowing channel through which they may report or denounce any behaviours that are contrary to the mentioned Code. The Suppliers'

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Whistleblowing Channel, as well as the employees' whistleblowing channel, will be managed by the Ethics Committee and will be available on the corporate website (meliahotelsinternational.com).

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 Audit and Compliance Committee.

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.

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.

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. The Chairman of the Audit and Compliance Committee has direct access to all the complaints received.

The whistleblowing channel is managed by the Ethics Committee, which acts independently and with due respect for the confidentiality of the complaints received, reporting regularly any matters in relation to this channel, directly to the Audit and Compliance Committee.

The main function of the Ethics Committee is to receive, manage and coordinate the complaint and inquiry procedure through the whistleblowing channel and is the only body with access to the complaints received, thus ensuring confidentiality.

Operation of the channel is regulated in a corporate procedure and is available for all employees on the intranet.

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

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In 2016, the existence of the whistleblowing channel was communicated to all business areas and corporate offices worldwide, reporting regarding its implementation to the Audit and Compliance Committee.

Likewise, following the approval of the Supplier's Code of Ethics, in June 2018, a Whistleblowing Channel for suppliers was created. This whistleblowing channel is also managed by the Ethics Committee.

Operation of the channel is also regulated in a corporate procedure and is available for suppliers through the whistleblowing channel access platform.

The channels available for suppliers to file complaints are: Internet (corporate website) and regular mail addressed to the Ethics Committee.

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 their functions. In 2018, they took part in training sessions on the implementation of new international accounting standards (IFRS 9, IFRS 15 and IFRS 16), 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 Statutory Accounts & Consolidation, and more than 120 hours a year have been dedicated to such training programmes.

In particular, in 2018, 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
Conference: "Corruption offences in business"	2	05/04/2018	Ilustres Colegio de Abogados de las Islas Baleares (ICAIB) [Bar Association of Balearic Islands]	Risk Control & Compliance / Corporate Governance
International Compliance Congress	16	31/05/2018 to 01/06/2018	Thomson Reuters and Asociación Española de Compliance (ASCOM) [Spanish Compliance Association]	Risk Control & Compliance

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IX National Meeting on Risk Management	4.5	06/06/2018	Deloitte	Risk Control & Compliance
Course: Management of criminal compliance. UNE 19601 Standard	7	07/06/2018	Asociación Española de Normalización y Certificación (AENOR) [Spanish Association for Standardisation and Certification]	Risk Control & Compliance
Breakfast: “The role of the Compliance Officer and the Risk function in the digital age”	1.5	10/07/2018	Asociación Española de Compliance (ASCOM)	Risk Control & Compliance
How to create a Compliance risk monitoring plan	1.5	19/07/2018	Asociación Española de Compliance (ASCOM)	Risk Control & Compliance
International Conference on CSR and Anti-Corruption	6	23/10/2018	International Chamber of Commerce (ICC)	Risk Control & Compliance
Course: Management of criminal compliance. UNE 19601 Standard	7	29/11/2018	Asociación Española de Normalización y Certificación (AENOR)	Risk Control & Compliance /
Basis for fraud detection	4	2018	Instituto de Auditores Internos (IAI) (Internal Auditors Institute)	Internal Audit
Guide to successfully implement ongoing audit	4	09/07/2018	Instituto de Auditores Internos (IAI)	Internal Audit
Masters in Accounts Auditing	1 year	2017 & 2018	Universidad a distancia de Madrid (UDIMA) [Open University of Madrid]	Internal Audit
Topics of interest in the areas of finance and taxation in the digital environment	4	30/01/2018	KPMG	Statutory Accounts & Consolidation
AECA Seminar on Standardisation and Accounting Law	5	17/05/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation

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			[Spanish Accounting and Business Administration Association]	
Consolidation of accounts of business groups	12	31/05/2018 to 01/06/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation
ICAC (Accounting and Auditing Institute) resolution project of accounting of companies	7	10/05/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation
Reform of the General Accounting Plan and supplementary standards: financial instruments and revenue recognition	7	23/10/2018	Asociación Española de Contabilidad y Administración de Empresas (AECA)	Statutory Accounts & Consolidation

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)
PWC - Boletín Técnico NIIF (IFRS Technical Bulletin)	Monthly	PriceWaterhouseCoopers
Instituto Auditores Internos Al día (Up-to-date)	Weekly	Instituto de Auditores Internos (IAI)
Instituto Auditores Internos - Revista IAI (IAI Magazine)	Monthly	Instituto de Auditores Internos (IAI)
Breaking News	Monthly	KPMG

F2 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 Risk Control, Analysis and Assessment Policy approved by the Board of Directors in February 2017. This Policy is public and available on the corporate website.
- Risk Control Regulations approved by Senior Management in November 2017 and which implements the said policy.
- Risk Control and Analysis Regulations approved by Senior Management in 2016.
- A Risk Map preparation process.

The two Regulations are available to all employees on the Employee Portal.

- 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.

The Risk Control Department leads the periodic review of the Group's Risk Map and monitors the definition and implementation of actions and assignment of responsibilities in order to mitigate the most important risks.

In the annual update of the Risk Map, senior managers in all Departments and areas within the Group identify and assess the different risks that affect them, including risks related to financial reporting. Therefore, in addition to a Consolidated Risk Map for the Group, Risk Maps are also generated for each of the different Departments and areas within the Organisation.

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.

- 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.

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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.
- 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 Audit and Compliance Committee and the Board of Directors.

F3 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 Audit and Compliance Committee, which is then responsible for supervising the financial information that it receives. It is worth mentioning that since 2012, the Company submits the financial statements for the first half of the year to a limited review by the Company's external auditor. This means that the Audit and Compliance Committee has also information prepared by external auditors in the semi-annual accounting closures.

In the semi-annual closures, the Audit 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.

Since 2013, two ad hoc meetings of the Audit 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.

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.

The methodology uses the analysis of the Consolidated Annual Accounts to select the most relevant accounting headings and notes to the accounts in accordance with quantitative (materiality) and qualitative criteria (automation, likelihood of fraud or error, accounting complexity, degree of estimation and risk of loss or contingent liabilities). The selected headings and notes are grouped into processes. The majority of the critical processes and their associated control activities have been systematically documented. This documentation includes descriptive components and flow charts of the processes and risk and control matrices. Additionally, and throughout this process, potential risks of fraud have also been identified along with controls to mitigate them.

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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.

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.

Likewise, controls have been established for the appropriate management and monitoring of the assignment of special privileges in systems that support financial information.

In 2018, the implementation of the processes mainly affecting SAP was completed, both in hotels and corporate units. In order to control and direct the access to the company's information, in the course of 2019 progress will continue to be made towards the integration and adaptation of other services to such processes.

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.

It is worth stressing that the Tax Strategy Policy establishes that the “Tax Department may avail itself of advice from independent and recognised tax experts, except for the auditor or audit firm carrying out the audit of the Group’s financial statements.”

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.

In 2018, an independent expert on asset valuation (JLL) has been engaged, whose procurement and outcome have been reported to the Audit and Compliance Committee.

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F4 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.

There is a formal communication channel to coordinate doubts about the interpretation of the accounting policies, 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.

The channel was launched with a notice on the Group intranet explaining its operation. This consists of a mailbox managed by the Annual Accounts and Consolidation Department.

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.

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.

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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.

F5 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 Internal Control over Financial Reporting (ICFR) carried out by the Audit and Compliance Committee mainly include: (i) 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 weaknesses, and (ii) review with the Internal Audit Department of the effectiveness of and compliance with the processes within the internal control system. In 2018, the external auditors and the internal audit management attended eight (8) meetings out of a total of ten (10) meetings.

At the meetings of the Audit and Compliance Committee, information on the ICFR evaluation activities conducted by the Internal Audit Department is included as an agenda item.

According to the Company's Bylaws and the Internal Auditing Regulations of the Group (reviewed and updated in 2017), the Internal Audit Department is responsible for verifying the correct operation of the Internal Control Systems, including the reliability of Financial Reporting (ICFR), keeping the Board of Directors (through the Audit and Compliance Committee) and Senior Management informed about the existence, suitability and effectiveness of existing methods, procedures, rules, policies and instructions available to Group employees.

The Internal Audit department hierarchically reports to the Audit and Compliance Committee and functionally reports to the Chief Legal & Compliance Officer, who in turn, reports to the Vice Chairman and the Chief Executive Officer of the Group. The head of Internal Audit has direct access to the Vice Chairman and the Chief Executive Officer, as well as to the Audit and Compliance Committee and, where appropriate, to the Board of Directors. Some of the functions of the Audit and Compliance Committee that affect the Internal Audit department are to ensure the independence and effectiveness of internal audits, approve the budget and annual audit plan, receive periodic reports on its activities, and verify that senior management considers the conclusions and recommendations of its reports.

For the purpose of ensuring the independence of the Internal Audit team with respect to the operations or areas they audit, and over which they have no authority or responsibility, internal auditors are not assigned any functions other than those of internal audit. Except for the internal auditor of systems, who is in turn member of the Data Protection Office and who exercises both functions.

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In the internal audit plan for year 2018, several actions were included to evaluate the degree of compliance with internal control through different types of audit, but mainly business or operational audits (hotels, vacation clubs and other businesses), computer system audits, financial audits and evaluation of the control activities associated with processes in Corporate Administration and Finance areas, including those processes related to ICFR. The checklist of audit control points is reviewed and updated on an annual basis.

The methodology of the activities carried out by the Internal Audit team 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.

Regarding control of financial information in the business area, in 2018, two (2) cycles have been audited (revenues cycle and inventories cycle), which contain eight (8) processes, divided into twenty-five (25) sub-processes, and three thousand three hundred and ninety-six (3,396) control activities have been carried out.

These reviews have been carried out at one hundred and sixty (160) hotels located in Spain (97) EMEA (35), America (15) and APAC (13).

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.

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.

The Board of Directors, according to its Regulations, must meet at least six (6) times a year. Coinciding with these meetings, the Audit 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 Audit and Compliance Committee of any internal control weaknesses detected in internal audits.

Likewise, on an annual basis, the external auditor provides the Audit and Compliance Committee with a report detailing the internal control weaknesses detected.

Such report is internally monitored through an action plan.

F.6 Other relevant information

N/A

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

Specify the company's level of compliance with recommendations from the Good Governance Code of Listed Companies.

In the event that a recommendation is not followed or only partially followed, a detailed explanation should be included explaining the reasons in such a manner that shareholders, investors and the market in general have enough information to judge the company's actions. Explanations of general nature shall 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 ☒ 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** ☒

At the Ordinary General Shareholders' Meeting held on 6 June 2018, the Chairman and the Chief Executive Officer informed the shareholders of the most important progress achieved with respect to Corporate Governance. The Chairman of the Audit and Compliance Committee (whose assigned functions include reviewing the company's governance regulations and making proposals for their improvement) gave details of the most important work carried out over the year with respect to Corporate Governance.

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The company provides information on relevant changes in Corporate Governance matters in the Annual Corporate Governance Report, which is available to all shareholders and includes information on the extent of compliance with recommendations and, if appropriate, reasons why some recommendations are implemented in a different way.

Likewise, the Integrated Annual Report includes the roadmap with specific objectives in Corporate Governance matters.

The foregoing is without prejudice to the possibility that shareholders may request any clarification or additional information in that regard, in accordance with the systems set forth in the applicable regulations.

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.

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.

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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 ☐

The Company has prepared and published on the corporate website the report on the auditor's independence, the activity reports of the audit and compliance committee and the appointments and remuneration committee, as well as the report on related-party transactions, independently and before the holding of the General Shareholders' Meeting of year 2018.

Regarding the report on the corporate social responsibility policy, all the information on progress and indicators in respect thereof are included in the integrated annual report of year 2018.

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 ☐

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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.

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 ☐

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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.

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** ☐

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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 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.

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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** ☒

According to article 31 of the Regulations of the Board of Directors, Directors "should inform and, if appropriate, to resign in those cases which may damage the credit and reputation of the Company and shall in any event inform the criminal cases in which they are involved, and their subsequent trial, in which case the Board of Directors must examine the case as soon as possible, and in view of the specific circumstances, decide whether or not, that the Director should remain in office."

Accordingly, the Company considers that the answer would be "Not applicable", since the circumstance described in the question has not taken place.

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 ☒ Complies Partially ☐ Explanation ☐ Not Applicable ☐

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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 2018 it was not necessary to increase this number to meet the needs of the company.

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.

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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 be duly recorded in the minutes.

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 ☐

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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 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.

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- 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** ☒

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 ☐

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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.

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 ☐

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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 ☐

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 ☐

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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.
- 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 ☐

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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.
- 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 ☐

The Regulations of the Board of Directors do not expressly include a detailed description of some of the recommendations it contains, although the Audit and Compliance Committee effectively assumes supervision of Corporate Governance regulations in the Company. Among its functions and in accordance with Article 14.2 paragraph i) of the Regulations of the Board of Directors, the Audit and Compliance Committee is responsible for analysing compliance with Internal Code of Conduct in the Securities Markets, the Regulations of the Board of Directors and, in general, the rules for Company's Governance and making proposals for improvement.

All the listed functions are assumed by the Committee or directly by the Board of Directors, in particular:

- a) The Annual Report detailing information on all activities related to corporate responsibility is approved by the Board of Directors;
- b) The report on non-financial risks is validated by the Audit and Compliance Committee and subsequently submitted to the Board of Directors as part of the Risk Map;
- c) The Appointments and Remuneration Committee supervises monitoring of the Executive Behaviour Regulations as code of conduct, compliance therewith and its periodic updating.

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, approved by the General Shareholders' Meeting of June 6, 2018, refers to "establishing the remuneration systems referenced to the value of the share price that is complied with 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.

Complies ☐ Complies Partially ☐ **Explanation** ☒ Not Applicable ☐

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This type of clause is not foreseen, although, in line with Good Governance criteria, the payment of short-term variable remuneration is only made a certain time after the close of the financial year, taking place within the first 60 calendar days after the formulation of the annual accounts, prior approval by the Board following proposal from the Appointments and Remuneration Committee.

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.

At the date of approval of this Annual Corporate Governance Report, the merger of the company Majorcan Hotels Exlux, SL, a significant shareholder of Meliá Hotels International, SA, has been reported, as detailed in section A. 3 of this report.

The company Majorcan Hotels Exlux, S.L.U. has been absorbed by its sole shareholder, Majorcan Exhold, S.L.U., which in turn has been subsequently absorbed by its sole shareholders, Tulipa Inversiones 2018, S.A., with an effective date of December 2018.

The information on the aforementioned mergers, and consequently, on the ownership of the shares of Meliá Hotels International, S.A., has been correspondingly notified to the National Securities Market Commission (CNMV).

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

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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
Transparency, Governance and Integrity Cluster	Forética	Spain	2017
Climate Change Cluster	Forética	Spain	2017

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.

Likewise, in 2018, the first Supplier's Code of Ethics was created and approved.

The Company does not adhere to the Code of Good Tax Practices of 20 July 2010.

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This annual corporate governance report has been approved by the Board of Directors of the Company, at its meeting held on February 27, 2019.

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

YES ☐

NO ☒

Preparation of the Annual Accounts and Management Report for 2018

The preparation of these Annual Accounts and Management Report has been approved by the Board of Directors, in the meeting held on 27 February 2019, subject to verification by the Auditors and subsequent approval by the General Shareholders' Meeting.

These Annual Accounts and Management Report are issued in 209 sheets, all of them signed by the Secretary, and being this last sheet signed by all Directors.

Signed Mr. Gabriel Escarrer Julià
Chairman

Signed Mr. Juan Vives Cerdá
Honorary Vice-Chairman

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

Signed Mr. Sebastián Escarrer Jaume
Director

Signed Mr. Alfredo Pastor Bodmer
Director

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

Signed Mr. Juan Arena de la Mora
Director

Signed Mr. Francisco Javier Campo García
Director

Signed Mr. Fernando d'Ornellas Silva
Director

Signed Mrs. Carina Szpilka Lázaro
Director

Signed Mr. Luis M^a Díaz de Bustamante y Terminel
Secretary and Independent Director

MELIÁ HOTELS INTERNATIONAL, S.A.

RESPONSIBILITY STATEMENT

The undersigned Directors state that, to the best of their knowledge, the Individual and Consolidated Annual Financial Statements for Fiscal Year 2016, approved by the Board of Directors at its meeting of March 30, 2017 and prepared in accordance with applicable accounting standards, present a fair view of the assets, financial condition and results of operations of Meliá Hotels International S.A. and of the companies included in its scope of consolidation, taken as a whole, and that the Individual and Consolidated Management Reports approved with them include a true assessment of the corporate performance and results and the position of Meliá Hotels International S.A. and its Group, as well as a description of the principal risks and uncertainties facing them.

Palma de Mallorca, March 30, 2017.

D. Gabriel ESCARRER JULIÁ, Chairman	_____
D. Juan VIVES CERDÁ, Honorary Vice Chairman	_____
D. Gabriel ESCARRER JAUME, Vice Chairman and CEO	_____
D. Sebastián ESCARRER JAUME	_____
HOTELES MALLORQUINES CONSOLIDADOS, S.A., Represented by Mrs. M ^a Antonia ESCARRER JAUME	_____
D. Juan ARENA DE LA MORA	_____
D. Francisco Javier CAMPO GARCÍA	_____
D. Fernando d'ORNELLAS SILVA	_____
Dña. Carina Szpilka Lázaro	_____
D. Alfredo PASTOR BODMER	_____
D. Luis M ^a DÍAZ DE BUSTAMANTE Y TERMINEL, Secretary	_____

MELIÃ HOTELS INTERNATIONAL | Leisure at heart,
business in mind

GRAN MELIÃ
HOTELS & RESORTS

ME
BY MELIÃ

PARADISUS
BY MELIÃ

MELIÃ
HOTELS & RESORTS

INNSIDE
BY MELIÃ

TRYP
BY MELIÃ

SOL
BY MELIÃ

CIRCLE
BY MELIÃ

MELIÃ
REWARDS

MELIÃ
pro