CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONDENSED CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE FIRST HALF OF THE YEAR 2017

NOTICE: This document is a translation of a duly approved Spanish-language document, and is provided only for information purposes. In the event of any discrepancy between the text of the original, Spanish-language document shall prevail.
Periodic information and its templates regarding the first half of the year required by CNMV, have not been translated.

This version of our report is a free translation from 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.

REPORT ON LIMITED REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the shareholders of Meliá Hotels International, S.A. at the request of Audit Commission:

Report on the Condensed Interim Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying condensed interim consolidated financial statements (hereinafter, the interim financial statements) of Meliá Hotels International, S.A. (hereinafter, "the parent company") and its subsidiaries (hereinafter, "the group"), which comprise the balance sheet as at June 30, 2017, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all condensed and consolidated, for the six months period then ended. The parent company´s directors are responsible for the preparation of these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial information, as provided in Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with legislation governing the audit practice in Spain and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, that cannot be considered as an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six months period ended June 30, 2017 have not been prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, as provided in Article 12 of Royal Decree 1362/2007.

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Emphasis of Matter

We draw attention to Note 2, in which it is mentioned that these interim financial statements do not include all the information required of complete consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union, therefore the accompanying interim financial statements should be read together with the consolidated annual accounts of the group for the year ended December 31, 2016. This matter does not modify our conclusion.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' Report for the six months period ended June 30, 2017 contains the explanations which the parent company´s directors consider appropriate regarding the principal events of this period and their impact on the interim financial statements presented, of which it does not form part, as well as the information required under the provisions of Article 15 of Royal Decree 1362/2007. We have verified that the accounting information contained in this directors' Report is in agreement with that of the interim financial statements for the six months period ended June 30, 2017. Our work is limited to checking the interim consolidated directors' Report in accordance with the scope mentioned in this paragraph and does not include a review of information other than that obtained from ABC, S.A. and its subsidiaries´ accounting records.

Other Matter

This report has been prepared at the request of the Audit Commission in relation to the publication of the half-yearly financial report required by Article 119 of Royal Legislative Decree 4/2015 of 23 October, approving the revised text of the Securities Market Law developed by the Royal Decree 1362/2007, of 19 October.

PricewaterhouseCoopers Auditores, S.L.

Original signed in Spanish
Mireia Oranias

July 27, 2017

CONSOLIDATED BALANCE SHEET - ASSETS

(Thousand €)	Note	*30/06/2017*	*31/12/2016*
NON-CURRENT ASSETS			
Goodwill	8	60,730	60,769
Other intangible assets	8	102,453	109,314
Property, Plant and Equipment	8	1,673,741	1,693,393
Investment property		137,744	141,136
Investments measured using the equity method	9	180,482	190,101
Other non-current financial assets	10.1	241,931	209,908
Deferred tax assets		124,888	135,941
TOTAL NON-CURRENT ASSETS		**2,521,969**	**2,540,562**
CURRENT ASSETS			
Inventories		61,054	63,954
Trade and other receivables		277,988	275,269
Current tax assets		27,594	29,614
Other current financial assets	10.1	30,301	47,297
Cash and other cash equivalents		389,572	366,775
TOTAL CURRENT ASSETS		**786,509**	**782,907**
TOTAL GENERAL ASSETS		**3,308,478**	**3,323,470**

Mr Luis Mª Díaz de Bustamante y Terminel
Secretary of the Board

CONSOLIDATED BALANCE SHEET - NET EQUITY AND LIABILITIES

(Thousand €)	Note	*30/06/2017*	*31/12/2016*
EQUITY			
Share capital	11.1	45,940	45,941
Share premium		1,121,062	1,121,070
Reserves		395,725	342,606
Treasury shares	11.2	(14,264)	(14,256)
Retained earnings		360,042	327,444
Other equity instruments		(0)	0
Translation differences		(460,934)	(400,725)
Other measurement adjustments		(1,941)	(2,465)
Profit/(loss) for the year attributed to parent company		60,423	100,693
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		1,506,053	1,520,307
Non-controlling shareholdings		21,330	43,307
TOTAL NET EQUITY		**1,527,383**	**1,563,613**
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	10.2		47,799
Bank loans	10.2	587,875	570,929
Other non-current financial liabilities	10.2	11,421	13,754
Capital grants and other deferred income		27,557	28,603
Provisions	15.1	29,432	35,577
Deferred tax liabilities		177,822	184,689
TOTAL NON-CURRENT LIABILITIES		**834,107**	**881,352**
CURRENT LIABILITIES			
Bonds and other negotiable securities	10.2	134,138	39,495
Bank loans	10.2	241,443	251,007
Trade creditors and other payables		453,829	459,662
Current tax liabilities		22,698	33,233
Other current liabilities	10.2	94,880	95,107
TOTAL CURRENT LIABILITIES		**946,988**	**878,505**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**3,308,478**	**3,323,470**

Mr Luis Mª Díaz de Bustamante y Terminel
Secretary of the Board

CONSOLIDATED PROFIT AND LOSS ACCOUNT

(Thousand €)	Note	*30/06/2017*	*30/06/2016*
Operating income	**6**	**914,510**	**856,334**
Supplies		(110,329)	(112,535)
Staff costs		(247,531)	(234,110)
Other expenses		(335,827)	(304,097)
EBITDAR (*)		**220,823**	**205,593**
Leases		(73,659)	(68,857)
EBITDA (*)		**147,164**	**136,736**
Amortisation and depreciation	8	(58,273)	(57,690)
EBIT (*)		**88,890**	**79,046**
Exchange differences		(19,909)	2,591
Borrowings		(15,001)	(24,625)
Other financial income		5,653	6,739
Net financial income (expense)		**(28,357)**	**(15,295)**
Profit /(Loss) of associates and joint ventures	**9**	**19,368**	**(4,048)**
NET INCOME BEFORE TAX		**79,901**	**59,703**
Income Tax	13	(19,976)	(14,836)
NET INCOME		**59,925**	**44,867**
a) Attributed to parent company		60,423	45,239
b) Attributed to minority interests		(498)	(372)
BASIC EARNINGS PER SHARE IN EUROS		**0.26**	**0.20**
DILUTED EARNINGS PER SHARE IN EUROS		**0.26**	**0.20**

(*) See definitions in Note 2.2

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Thousand €)	*30/06/2017*	*30/06/2016*
Net consolidated income	**59,925**	**44,867**
Actuarial gains and losses in post-employment plans	(38)	(472)
Equity consolidated companies	(4,586)	(2,794)
Other results attributed to equity	10,516	5,086
Items that will not be transferred/reclassified to results	**5,892**	**1,819**
Cash flow hedges	1,408	(1,126)
Translation differences	(64,584)	(70,377)
Equity consolidated companies	701	(1,077)
Tax effect	(352)	173
Items that may be subsequently transferred to results	**(62,827)**	**(72,407)**
Total Other comprehensive results	**(56,934)**	**(70,587)**
TOTAL COMPREHENSIVE INCOME	**2,991**	**(25,721)**
a) Attributed to the parent company	7,574	(26,021)
b) Attributed to minority interests	(4,583)	300

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CONSOLIDATED STATEMENT OF CHANGES IN NET EQUITY

(Thousand €)	Capital	Share premium	Other reserves	Treasury shares	Retained earnings	Translation differences	Net income of parent company	Total	Minority interest	Total NET EQUITY
BALANCE AT 31/12/2016	**45,940**	**1,121,070**	**342,606**	**(14,256)**	**327,444**	**(403,190)**	**100,693**	**1,520,307**	**43,307**	**1,563,613**
Total recognised income and expenses	**0**	**0**	**(30)**	**0**	**6,866**	**(59,685)**	**60,423**	**7,574**	**(4,583)**	**2,991**
Distribution of dividends			(27,045)					(27,045)	(1,734)	(28,779)
Conversion of financial liabilities into net equity								0		0
Increase share capital								0		0
Operations with treasury shares		(8)	8	(8)				(8)		(8)
Other operations with shareholders/owners					5,423			5,423	(15,530)	(10,107)
Operations with shareholders or owners	**0**	**(8)**	**(27,037)**	**(8)**	**5,423**	**0**	**0**	**(21,630)**	**(17,264)**	**(38,894)**
Transfers between net equity items					0			0	0	0
Distribution 2016 net income			80,186		20,507		(100,693)	0		0
Other variations					(198)			(198)	(129)	(327)
Other variations in net equity	**0**	**0**	**80,186**	**0**	**20,308**	**0**	**(100,693)**	**(198)**	**(129)**	**(327)**
BALANCE AT 30/06/2017	**45,940**	**1,121,062**	**395,725**	**(14,264)**	**360,042**	**(462,875)**	**60,423**	**1,506,053**	**21,330**	**1,527,382**
BALANCE AT 31/12/2015	**39,811**	**877,318**	**405,526**	**(39,863)**	**301,380**	**(356,544)**	**35,975**	**1,263,603**	**50,947**	**1,314,550**
Total recognised income and expenses	**0**	**0**	**(385)**	**0**	**990**	**(71,864)**	**45,239**	**(26,021)**	**300**	**(25,721)**
Distribution of dividends			(9,126)					(9,126)	(822)	(9,948)
Conversion of financial liabilities into net equity			(28,101)					(28,101)		(28,101)
Increase share capital	6,129	218,145						224,274		224,274
Operations with treasury shares		26,837	(26,837)	26,837				26,837		26,837
Other operations with shareholders/owners					(13,948)			(13,948)	13,628	(320)
Operations with shareholders or owners	**6,129**	**244,982**	**(64,064)**	**26,837**	**(13,948)**	**0**	**0**	**199,936**	**12,806**	**212,742**
Transfers between net equity items					12			12	(12)	0
Distribution 2015 net income					35,975		(35,975)	0		0
Other variations					(1,104)	58		(1,046)		(1,046)
Other variations in net equity	**0**	**0**	**0**	**0**	**34,884**	**58**	**(35,975)**	**(1,034)**	**(12)**	**(1,046)**
BALANCE AT 30/06/2016	**45,940**	**1,122,300**	**341,077**	**(13,026)**	**323,305**	**(428,351)**	**45,239**	**1,436,484**	**64,041**	**1,500,524**

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CONSOLIDATED CASH FLOW STATEMENT

(Thousand €)	30/06/2017	30/06/2016
OPERATING ACTIVITIES		
Operating receipts	1,109,536	1,142,532
Payments to suppliers and staff for operating expenses	(968,970)	(996,877)
Receipts / (Payments) for income tax	(24,406)	(33,252)
CASH FLOWS FROM OPERATIONS	**116,159**	**112,403**
FINANCING ACTIVITIES		
Receipts and (payments) for equity instruments:	**(222)**	**(2,684)**
Acquisition	(222)	(2,684)
Amortisation		
Receipts and (payments) for financial liability instruments:	**56,649**	**30,071**
Issue	150,323	260,393
Redemption and repayment	(93,674)	(230,322)
Payments for dividends and remuneration of other equity instruments	**(3,475)**	**(2,510)**
Other cash flows from financing	**(13,682)**	**(22,202)**
Interest paid	(13,838)	(22,051)
Other receipts / (payments) for cash flows from financing	156	(151)
CASH FLOWS FROM FINANCING	**39,269**	**2,675**
INVESTMENT ACTIVITIES		
Payments on investments:	**(155,604)**	**(90,378)**
Group companies, associates and business units	(59,321)	(19,516)
Property, plant and equipment, intangible assets and investment property	(57,524)	(41,895)
Other financial assets	(38,759)	(28,967)
Receipts for divestments:	**11,011**	**3,323**
Group companies, associates and business units	7,401	1,953
Property, plant and equipment, intangible assets and investment property	141	1,364
Other financial assets	3,470	6
Other cash flows from investment:	**29,304**	**1,370**
Dividends received	29,294	1,370
Interest received	10	
CASH FLOWS FROM INVESTMENT	**(115,288)**	**(85,684)**
Variation in the exchange rate in cash and cash equivalents	**(17,343)**	**(8,146)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**22,797**	**21,248**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	366,775	348,617
CASH AND CASH EQUIVALENTS AT THE YEAR END	**389,572**	**369,866**

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EXPLANATORY NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1) GROUP CORPORATE INFORMATION

The Parent Company, Meliá Hotels International, S.A., 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 current name, Meliá Hotels International, S.A. The Company is entered in the Mercantile Registry of the Balearic Islands, Corporate volume 1335, sheet No PM 22603, entry 3rd. 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 made up of companies that are mainly engaged in general tourist activities and more specifically in the management and operation of hotels under ownership, lease, management or franchise arrangements, and in vacation club operations. The Group is also engaged in the promotion of all types of businesses related to tourism and hotel industry and leisure and recreational activities, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourism and hotel industry or any other recreational or leisure activities. Likewise, some of the companies in the Group also carry out real estate activities by taking advantage of the synergies obtained in hotel development as a result of the dynamic expansion process undertaken.

In any case, those activities reserved under special laws for companies which fulfil certain requirements that are not met by the Group, are expressly excluded from its corporate purpose. In particular, all activities that the law restricts to Collective Investment Institutions or security brokers are excluded.

The Company's business segments are carried out in 43 countries throughout the world and 4 continents, with a prominent presence in South America, the Caribbean and Europe, and it is the absolute leader in Spain. The strategic focus on international expansion has led it to become the leading Spanish hotel chain with a presence in China, the United States and the United Arab Emirates.

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Secretary of the Board

2) BASIS OF PRESENTATION

These condensed consolidated interim financial statements for the first six months to 30 June 2017 have been prepared in accordance with IAS 34, "Interim Financial Reporting" and should be read together with the consolidated annual accounts for the year ended 31 December 2016.

The Meliá Hotels International Group's consolidated annual accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at 30 June 2017, published by the International Accounting Standards Board (IASB) and adopted by the European Union.
The present condensed consolidated interim financial statements have been formulated by the Board of Directors of Meliá Hotels International, S.A. and approved at its meeting held on 27 July 2017. Likewise, these financial statements have been subjected to a limited review by an auditor.

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

The Group's condensed consolidated interim financial statements have been prepared according to the historical cost, except for items in the investment property and derivative financial instruments sections, which have been valued at fair value. It should be mentioned that the balances of the Venezuelan companies of the Group have been re-expressed at current cost, in accordance with IAS 29 on the basis that this country is a hyper-inflationary economy.

This year the Group has adopted the standards approved by the European Union whose application was not obligatory in 2016:

- ✓ IAS 7 (amendment) "Disclosure initiative"
- ✓ IAS 12 (amendment) "Recognition of deferred tax assets for unrealised losses".
- ✓ Improvement project. 2014 - 2016 cycle: Amendment of IFRS 12: Disclosure of interests in other entities.

The accounting practices applied are consistent with those of the previous year, taking into account the adoption of the standards and interpretations mentioned in the previous paragraph, as they have no material effect on the consolidated financial statements or the financial situation of the Group.

The standards issued prior to the formulation date of these condensed consolidated interim financial statements and which will come into force in subsequent dates are the following:

- ✓ IFRS 9 "Financial instruments"
- ✓ IFRS 15 "Revenues from contracts with customers"
- ✓ IFRS 10 (amendment) and IAS 28 (amendment) "Sale or contribution of assets between an investor and its associate or joint venture"
- ✓ IFRS 16 "Leases"
- ✓ IAS 7 (amendment) "Disclosure initiative"
- ✓ IAS 12 (amendment) "Recognition of deferred tax assets for unrealised losses".
- ✓ IFRS 15 (amendment) Clarifications to the IFRS 15 "Revenues from contracts with customers"
- ✓ IFRS 2 (amendment) "Classification and evaluation of transactions with share-based payments"
- ✓ IFRS 4 (amendment) by applying IFRS 9 "Financial instruments" with the IFRS 4 "Insurance contracts"
- ✓ Annual improvements of the IFRS (2014-2016 cycle):
  - IFRS 1 "First-time Adoption of International Financial Reporting Standards"
  - IFRS 12 "Disclosure of interests in other entities"
  - IAS 28 "Investments in associates and joint ventures"
- ✓ IAS 40 (amendment) "Transfer of investment property"
- ✓ IFRIC 22 "Foreign currency transactions and advance consideration"
- ✓ IFRS 17 "Insurance contracts"
- ✓ IFRIC 23 "Uncertainty over income tax treatments"

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Secretary of the Board

Except for the contents of the following paragraph, it is not expected that the adoption of the abovementioned standards will have significant impacts on the Group's financial statements.

The entry into force of the IFRS 16 on the accounting for leases in the year 2019 will have significant impacts on the composition of the balance sheet (increase of fixed assets and lease liabilities) and on the structure of the income statement (important decrease of the lease expenses) of Group Meliá.

The Group's portfolio includes approximately 100 hotels operated by different subsidiaries under lease, mainly in European cities. The Company is quantifying the impacts on the balance sheet at the date of transition.

2.1 True image

The condensed consolidated interim financial statements have been prepared on the basis of the internal accounting records of the parent company, Meliá Hotels International, S.A., and the accounting records of the other companies included in the scope of consolidation as at 30 June 2017, duly adjusted according to the accounting principles established in the IFRS, and fairly present the equity, financial position and the results of operations of the Company.

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 main alternative performance measures 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.

✓ **EBITDAR:** Earnings Before Interest, Tax, Depreciation, Amortization, & Rent.

✓ **EBITDA:** Earnings Before Interest, Tax, Depreciation & Amortization.

✓ **EBIT:** Earnings Before Interest & Tax / Operating profit.

✓ **Net Debt:** Calculated as the difference between bank debt and the short and long term issuances, less Cash and cash equivalents.

✓ **% Occupancy:** The ratio obtained by dividing the occupied rooms (excluding free admissions) by the available rooms. Available rooms mean the number of physical rooms multiplied by the number of days the room has been ready to be occupied. Likewise, occupied rooms are calculated as the number of days the physical rooms have been effectively occupied during the period.

✓ **RevPar** (Revenue Per available room): Revenue per available room is the result of dividing the total room revenue by the number of rooms available.

✓ **ARR** (Average room rate): The average room rate is calculated by dividing the total room revenue by the occupied rooms (excluding free admissions).

✓ **GOP** (Gross Operating Profit): The gross operating profit is calculated as the difference between revenues and operating costs, as defined in the USALI (Uniform System of Accounts for the Lodging Industry) account structure.

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Secretary of the Board

2.3 Comparability

The comparison of the interim financial statements refers to six-month periods ended 30 June 2017 and 2016, except for the consolidated balance sheet, which compares the period ended 30 June 2017 with that of 31 December 2016.

2.4. Seasonal nature of the operations

Historically, most of the turnover of the Company takes place during the third quarter of the year. This is because the months of July, August and September are high season for the resort hotels of the Company, which account for 59 % of the rooms of the Group.
Hotel EBITDA for the third quarter represents approximately 35% of annual hotel EBITDA.

2.5. Accounting valuations and estimates

The directors have prepared the Group's condensed consolidated interim financial statements using judgements, estimates and assumptions which have an effect on the application of the accounting policies as well as on assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of the present interim financial statements.
The main judgements made by the management when applying the Group's accounting policies and the main sources of uncertainty in the estimate were the same as those applied in the consolidated annual accounts for the year ended 31 December 2016, except for:

Income tax expense

Tax accrued on the results of the interim period are calculated on the basis of the best estimate of the weighted average tax rate expected to be applicable at the end of the financial year. The estimated amount for the income tax expense for the interim period may vary in subsequent periods provided the estimates of the annual income tax rate change in the same way.

Exchange rate to be applied to the consolidation of Venezuelan subsidiaries

During the first half of 2017 and due to the complex political and economic situation in Venezuela, the Company considers that the official exchange rates do not reflect the reality of the country and, therefore, has 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 country's price of goods and services are subjected, amounts to 3,860.4 bolivares fuertes per each U.S. dollars at the end of June 2017.

The impact during the first half year of the Venezuelan bolivar amounts to EUR 21.1 million, which is shown under the Translation Differences heading of the consolidated Balance Sheet.

Mr Luis Mª Díaz de Bustamante y Terminel
Secretary of the Board

3) ACCOUNTING POLICIES

Except as stated below, the applied accounting policies are consistent with those of the preceding year.

The exceptional items are presented and described separately in the corresponding notes to the condensed consolidated interim financial statements when necessary to provide a better understanding of the Group's results. These are significant items of income or expense that have been presented separately due to the importance of their nature or amount.

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4) FINANCIAL RISK MANAGEMENT POLICY

The Group's activities are exposed to diverse financial risks: market risk (foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Meliá Hotels International Group, by means of the management applied, tries to minimise the possible adverse effects on its consolidated financial statements.

The condensed consolidated interim financial statements do not include all information and disclosures on management of mandatory financial risk for annual financial statements, and should therefore be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management department or in any risk management policy since the end of the preceding year.

Mr Luis Mª Díaz de Bustamante y Terminel
Secretary of the Board

5) SCOPE OF CONSOLIDATION

The significant changes in the Group's scope of consolidation during the first half of 2017 are detailed below.

5.1 Business combinations

During the first half of 2017 no business combinations have been recognised. For comparison purposes, Business combinations recognised during the first half of 2016 are shown below:

On 30 June 2016, the company Idiso Hotel Distribution, S.A., owned by the Group with a 75% stake, acquired for an amount of EUR 56 thousand an additional 50% of the company Innwise Management, S.L., a company specialising in technological consultancy services, and now holds 100% of ownership interest therein. As a result of this transaction, it acquired control of one of the companies forming part of the technology services business line of the Company.

The estimated fair value in the posting of the assets and liabilities acquired in the business combination is as follows:

(Thousand €)	**Net Fair Value**
Total ASSETS	
Non-current Assets	
Property, Plant and Equipment	4
Current Assets	
Trade and other receivables	216
Current tax assets	4
Cash and other cash equivalents	157
TOTAL ASSETS	**380**
Total LIABILITIES	
Non-current Liabilities	
Bank loans	3
Other non-current financial liabilities	105
Current Liabilities	
Bank loans	9
Trade creditors and other payables	163
Other current liabilities	89
TOTAL LIABILITIES	**371**

This transaction did not represent a significant impact on the Group's interim financial statements.

Mr Luis Mª Díaz de Bustamante y Terminel
Secretary of the Board

5.2 Other scope changes

During the first half of 2017, the following changes have been made to the scope of consolidation:

Acquisitions

In June, the company Renasala, S.L. has been included in the scope of consolidation, where Meliá Group holds a 30% stake, which on 30 June acquired 100% of the stock of the 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., companies owning and operating, respectively, Sol Príncipe, Sol House Ibiza, Sol Palmanova and Sol Lanzarote hotels.

Renasala, S.L. and all its subsidiaries have been included in the scope of consolidation of Meliá Group using the equity method, the Group's equity interest amounting to EUR 10.6 million, amount paid by Meliá Hotels International, S.A. for the acquisition of a 30% stake of Renasala, S.L.

Likewise, in June the company Starmel Hotels Op2, S.L., has joined the Group, in which an indirect interest of 20% is held by Meliá Group and with no significant impacts on the Group's financial statements.

Write-offs

During the first half of 2017, the merger by absorption of the company Innwise Management S.L. has been carried out by its parent company Idiso Hotel Distribution, S.A., with no significant impacts on the Group's financial statements.

Acquisition of minority interests

In April 2017, the Group has acquired for the amount of EUR 0.3 million a call option on the minority shareholding of the company Sierra Parima, S.A., a company engaged in the operation of a shopping centre in the Dominican Republic, an now holds 100% of ownership interest therein, and thus, the corresponding minority interest in the amount of EUR 15.5 million has been derecognised from the balance sheet of the Group, as shown in the Statement of Changes in Net Equity.

The Group has acquired an additional shareholding through the purchase of apartments in the Owners Community of Melia Costa del Sol hotel, increasing by 0.49% its shareholding, with no significant impacts on the consolidated interim financial statements.

During the first half of 2016, the following changes have been made to the scope of consolidation:

Write-offs

During the first half of the year, the companies Sol Melia Finance Ltd., Melia Brasil Administraçao (Uruguay branch) and Sol Melia Commercial, all of them 100% owned by the Group, were written off with no significant impacts on the consolidated accounts.

Acquisition of minority interests

During the first half of the year, the parent company of the Group acquired an additional 50% of the company Colón Verona, S.A., a company owning and operating Gran Meliá Colon Hotel, for EUR 0.3 million. The difference of 13.9 million Euro between the carrying value of the shareholding acquired and the amount paid, was recognised directly in the Group's net equity.

Likewise, the Group increased by 0.06% its stake in the company Apartotel S.A., with no significant impacts on the consolidated interim financial statements.

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The Group acquired an additional stake through the purchase of apartments in the Owners Community of Melia Costa del Sol hotel, increasing by 0.7% its shareholding, with no significant impacts on the consolidated interim financial statements.

5.3 Change of corporate names

During the first half of 2017, no changes of corporate names have been made.

During the first half of 2016, Kabegico Inversiones, S.L was renamed Hotelpoint, S.L. Likewise, the companies listed below belonging to Starmel Group, owned 20% by Meliá and 80% by Starwood Capital Group, changed their corporate name as follows:

- ✓ Advanced Inversiones 2014, S.L. was renamed Starmel Hoteles JV, S.L.
- ✓ Leader Inversiones 2014, S.L. was renamed Starmel Hoteles OP, S.L.
- ✓ Prompt Inversiones 2014, S.L. was renamed Torremolinos Beach Property, S.L.
- ✓ Counsel Inversiones 2014, S.L. was renamed Fuerteventura Beach Property, S.L.
- ✓ Abridge Inversiones 2014, S.L. was renamed Santa Eulalia Beach Property, S.L.
- ✓ Entity Inversiones 2014, S.L. was renamed Palmanova Beach Property, S.L.
- ✓ Additional Inversiones 2014, S.L. was renamed Puerto del Carmen Beach Property, S.L.
- ✓ Framework Inversiones 2014, S.L. was renamed San Antonio Beach Property, S.L.

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6) FINANCIAL INFORMATION BY SEGMENTS

The identified business segments, which are the same as those detailed in the consolidated annual accounts for 2016, constitute the organisational structure of the company and their results are reviewed by the highest decision-making authority in the entity.

6.1 Information by operating segments

The following table shows the information by segments on the volume of revenue and earnings for the first half of 2017:

	Hotel							
(Thousand €)	Hotel Management	Hotel Business	Other business assoc with hotel management	Real Estate	Vacation Club	Corporate	Eliminations	30/06/2017
Operating income	144,033	763,662	38,140	4,065	45,672	71,965	(153,028)	914,510
EBIT	33,118	75,756	2,667	(97)	4,370	(26,924)		88,890

Within the hotel management segment, there was EUR 78.9 million in management fees. This segment also includes EUR 8.8 million for services provided to associated companies.

The main inter-segment transactions are related to the hotel management activity, which includes EUR 97.3 million invoiced to the hotel business segment for management fees and reserve commissions. The corporate segment also includes income from inter-segment transactions for a total amount of EUR 42.5 million.

For comparison purposes, the changes in the scope for the first half of 2016 are shown below:

	Hotel							
(Thousand €)	Hotel Management	Hotel Business	Other business assoc with hotel management	Real Estate	Vacation Club	Corporate	Eliminations	30/06/2016
Operating income	129,331	707,202	44,057	7,081	46,100	58,092	(135,529)	856,334
EBIT	31,843	62,109	3,120	3,097	1,401	(22,523)		79,046

Within the operating income from the asset management or real estate segment mainly derived from the sale of assets of the company La Pajarita S.L.U., for EUR 2.2 million of gross gains.

Within the hotel management segment, there was EUR 74.6 million in management fees. This segment also included EUR 7.4 million for services provided to associated companies.

The main inter-segment transactions were related to the hotel management activity, which included EUR 88.4 million basically invoiced to the hotel business segment for management fees and reserve commissions. The corporate segment also included income from inter-segment transactions for a total amount of EUR 36.7 million.

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6.2 Information by geographical regions

The following table shows the segmentation by geographical areas of the volume of revenue realised during the first half of 2017 and of 2016:

(Thousand €)	30/06/2017	30/06/2016
Spain	445,296	396,453
EMEA (*)	165,670	166,482
América	383,932	360,607
Asia	1,690	1,322
Eliminations	(82,078)	(68,530)
Total operating income	**914,510**	**856,334**

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

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7) PAID DIVIDENDS

The parent company of the Group paid no dividends during the first half of 2017.

On 8 June 2017, the General Shareholders' Meeting approved the distribution of a gross dividend of EUR 0.1315 per share, excluding treasury shares. An amount of EUR 30.2 million in unrestricted reserves in the Parent Company will be drawn down for this purpose. This distribution has become effective on 11 July 2017 in the total amount of EUR 27 million, after deducting the Company's treasury shares at the date of distribution (see Note 16).

In the first half of 2016, the General Shareholders' Meeting approved the distribution of a gross dividend of EUR 0.04 per share, excluding treasury shares. An amount of EUR 9.1 million in unrestricted reserves in the Parent Company, Meliá Hotels International, S.A. was drawn down for this purpose.

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8) PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The changes recorded during the first half of 2017 were as follows:

(Thousand €)	Goodwill	Other intangible assets	Property, Plant and Equipment
Balance at a 01/01/2017	60,769	109,314	1,693,393
Additions		7,243	82,621
Disposals		(1,886)	(5,063)
Depreciation		(9,923)	(48,350)
Exchange differences	(40)	(2,295)	(48,860)
Balance at 30/06/2017	**60,730**	**102,453**	**1,673,741**

The section of Additions of Other Intangible Assets includes the item of software applications for EUR 2.1 million, within the technological innovation project developed by the Company for the creation of a new technology framework for hotel management, and through which the Company seeks to improve the technological services offered to its customers.

Within the Additions of Property, Plant and Equipment, EUR 34.4 million are included for the renovation of hotels in Spain, as well as EUR 18.1 million as a consequence of the impact of the hyperinflation in Venezuela. Additionally, investments in the amount of EUR 12 million have been made in Paradisus Los Cabos hotel, whose owner company was globally integrated by 100% of the shareholding in December 2016.

The exchange differences arising in the period mainly relate to the devaluation of the bolivar, the Dominican peso and the dollar in the amounts of EUR 30.9, 20.8 and 7.9 million, respectively. The appreciation of the Mexican peso partially offset these impacts, with a positive contribution of EUR 11.6 million.

For comparison purposes, the changes for the first half of 2016 were as follows:

(Thousand €)	Goodwill	Other intangible assets	Property, Plant and Equipment
Balance at a 01/01/2016	61,036	97,725	1,578,997
Additions		8,223	73,420
Disposals		(2,210)	(4,248)
Depreciation		(7,780)	(49,910)
Scope variation			4
Exchange differences	(209)	(3,688)	(33,347)
Balance at 30/06/2016	**60,826**	**92,270**	**1,564,916**

The main changes during the first half of the year included in the property, plant and equipment related to the release of business units from the clubs, transferring EUR 21.8 million from the Inventories heading and returning such amount to the relevant property, plant and equipment accounts. This operation involved an additional EUR 4.5 million from Provision to depreciation, because during the time they had been affected by the club business, these inventories were not depreciated. An additional amount of EUR 27.8 million for the renovation of hotels in Spain was included.

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Noteworthy is the sale of property, plant and equipment associated with a laundry within the Disposals section. This asset sale, considered by the Company as non-strategic, led to a decrease of EUR 1.2 million in the net carrying value, being the selling price EUR 3.4 million. The net capital gain generated amounted to EUR 2 million, recognised in the Real Estate segment (see Note 6.1).

Under Other Intangible Assets section new additions of software applications were recognised in the amount of 5.8 million Euros, which relate to technological innovation projects.

The exchange differences mainly relate to the devaluation of the bolivar, the Dominican peso and the pound in the amounts of EUR 13.3, 17.2 and 6.2 million, respectively. The appreciation of the Brazilian real partially offset these impacts, with a positive contribution of EUR 4.1 million.

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9) INVESTMENTS MEASURED USING THE EQUITY METHOD

The financial investments representing shareholdings in associate companies and joint ventures have been valued according to the equity method.

The following table shows changes in these shares during the first half of 2017 and 2016:

(Thousand €)	2017	2016
Balance on January 01	190,101	179,381
Profit / (Loss) on associates and joint ventures	19,368	(4,048)
Additions	11,877	1,457
Disposals	(37,378)	(4,051)
Exchange differences	(3,485)	(20,505)
Balance on June 30	**180,482**	**152,234**

Additions during the year correspond basically to the inclusion in the scope of consolidation of the company Renalasa, S.L. in the amount of EUR 10.6 million, as mentioned in Note 5.

The increase in the heading Profit /(loss) on associates and joint ventures, mainly arises from the profit generated by the company Starmel Hotels, J.V., through the sale of 5 of its subsidiaries, which own and operate, respectively, 4 resort hotels in Spain, to the company Renasala, S.L. (see Note 5), generating a profit for the Group of EUR 20.6 million.

The disposals for the half of the year mainly relate to the dividend distribution of the company Starmel Hotels J.V., S.L. in the amount of EUR 35 million.

The negative exchange differences due to the devaluations of the pound and the Venezuelan bolivar were in the amount of EUR 1.9 and 2 million, respectively.

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10) OTHER FINANCIAL INSTRUMENTS

10.1 Financial assets

The following table shows the breakdown by financial instruments categories included in the heading of Other Financial Assets under non-current and current assets in the balance sheets as of 30 June 2017 and 31 December 2016:

	30/06/2017			31/12/2016		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
1. Other financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	53	21	74	0	0	0
2. Financial instruments at fair value through the income statement:						
- Trading portfolio		418	418		349	349
3. Loans and receivables:						
- Loans to associates	155,332	3,373	158,705	126,935	1,431	128,366
- Other loans	31,660	22,371	54,031	18,949	28,597	47,545
- Others	50,964	4,118	55,081	60,102	16,921	77,022
4. Available for-sale financial assets:						
- Unlisted equity instruments	3,922		3,922	3,922		3,922
Total assets	**241,931**	**30,301**	**272,232**	**209,908**	**47,297**	**257,205**

The main changes in the loans to associates section are explained in Note 14 on related parties.

Under Others section, the main change relates to a decrease of the short-term deposits in the amount of EUR 13 million.

10.2 Financial liabilities

The following table shows the breakdown by financial instruments categories under the headings Debentures and other marketable securities, Bank borrowings and Other financial liabilities under non-current and current liabilities in the balance sheets as of 30 June 2017 and 31 December 2016:

	30/06/2017			31/12/2016		
(Thousand €)	Long term	Short term	Total	Long term	Short term	Total
1.Financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	2,625	1,039	3,664	3,099	1,900	4,999
2.Financial instruments at fair value with changes in profit or loss:						
- Trading portfolio derivatives	2,908	1,717	4,626	4,071	1,548	5,619
3. Other financial liabilities at amortised cost:						
- Bonds and other marketable securities	0	134,138	134,138	47,799	39,495	87,294
- Bank borrowings	587,875	241,443	829,318	570,929	251,007	821,936
- Other financial liabilities	5,887	92,124	98,011	6,584	91,659	98,243
Total debts	**599,296**	**470,461**	**1,069,757**	**632,482**	**385,609**	**1,018,091**

Under the Bonds and other marketable securities section, the issuance of debt in the amount of EUR 47.8 million that Sol Meliá Europe B.V. maintains with UBS has shifted from long term to short term.

Furthermore, the issuance of debt instruments ("Euro-Commercial Paper Programme") has increased by EUR 46.3 million, as shown under the heading Short-term bonds and other marketable securities.

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11) EQUITY

11.1 Share capital

At 30 June 2016 the share capital of Meliá Hotels International, S.A. consisted of 229,700,000 bearer shares of EUR 0.2 nominal value each, fully subscribed and paid-up.

All these shares carry the same rights and are listed on the stock exchange (Spain), except for treasury shares.

The voting rights held by the major shareholders with a direct and indirect shareholding in Meliá Hotels International, S.A. as at 30 June 2017, compared to the end of 2016, are as follows:

Shareholder	30/06/2017 Shareholding %	31/12/2016 Shareholding %
Hoteles Mallorquines Consolidados, S.A.	22.58	22.58
Hoteles Mallorquines Asociados, S.L.	13.21	13.21
Hoteles Mallorquines Agrupados, S.L.	11.19	11.18
Majorcan Hotels Luxembourg, S.A.R.L.	5.03	5.03
Norges Bank	2.95	3.02
Other (less than 3% individual)	45.06	44.98
Total	**100.00**	**100.00**

11.2 Treasury shares

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

(Thousand €)	Shares	Average Price €	Balance
Balance 31/12/2016	**1,661,766**	8.58	**14,256**
Additions	6,564,246	12.82	84,182
Disposals	(6,566,203)	12.82	(84,174)
Balance 30/06/2017	**1,659,809**	**8.59**	**14,264**

At 30 June 2017, the total number of treasury shares held by the Company was 1.66 million, which represents 0.723% of the share capital.

At 30 June 2017, there are no shares loaned to banks.

The price of Meliá Hotels International, S.A.'s shares at the end of the first half of 2017 was EUR 13.09. At the end of 2016 the share price was EUR 11.08.

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For comparison purposes, movements from 1 January to 30 June 2016 were as follows:

(Thousand €)	Shares	Average Price €	Balance
Balance 31/12/2015	**4,785,741**	8.33	**39,863**
Additions	261,071	10.28	2,684
Bonds conversion	(3,501,686)	8.43	(29,521)
Balance 30/06/2016	**1,545,126**	**8.43**	**13,026**

During the first half of 2016, the parent company has proceeded with the early repayment of the convertible bond issued in 2013. The conversion to shares was made by means of the issuance of new shares and existing shares held by the Company as treasury shares.

In the Statement of changes in net equity, the item Conversion of financial liabilities into net equity showed the difference between the value of the shares at the conversion price mentioned above, and the average price the transfer of treasury shares was accounted for, at a value of EUR 3.9 million.

The value of existing shares used to make this exchange meant a drop in the treasury shares heading of EUR 29.5 million, which corresponds to 3.5 million shares.

At 30 June 2016, there were no shares loaned to banks.

At 30 June 2016, the total number of treasury shares held by the Company was 1.5 million, which represented 0.673% of the share capital.

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12) EVOLUTION OF THE AVERAGE STAFF NUMBERS

The average number of Group employees during the first half of 2017 and of 2016 is shown in the table below:

	2017	2016
Men	12,640	11,624
Women	9,192	8,256
Total	**21,832**	**19,880**

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13) CORPORATE INCOME TAX

Corporate income tax expense is recognised by estimating the direction of the weighted average tax rate expected for the full financial year. The estimated average annual tax rate for the year as at 31 December 2017 is 25%. The estimated tax rate for the six-month period ended 30 June 2016 was 24.8%.

With regard to 2009 to 2012 years, the Company was subjected to a tax audit. In the first half of 2017 the Company has regularised 2013 and 2014 years through the submission of amended tax returns and payments of the Corporate Tax and Value Added Tax, following the interpretative criteria determined by the Tax Audit. This regularisation has had no impact on the income statement since a provision for contingencies has been created to that effect (see Note 15).

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14) RELATED PARTY INFORMATION

The following are deemed to be related parties:

- Associates and joint ventures accounted for using the equity method.
- Significant shareholders of the parent company
- Executives and members of the Board of Directors.

All transactions with related parties are carried out in conditions of market and mutual independence.

14.1 Transactions with associates and joint ventures

Commercial transactions

Commercial transactions with associates and joint ventures relate mainly to hotel management activities and related services.

During the first half of 2017, the Group has continued its commercial transactions in relation to associates and joint ventures as it has been doing in 2016.

Financing transactions

Among the main changes in the balances held by the Group with associates at 30 June 2017 compared to the end of 2016, was an increase in long-term loans to the company Renasala, S.L. in the amount of EUR 24.7 million.

Guarantees and security deposits

There were no significant changes in the guarantees the Group had with respect to the liabilities recorded in associates or joint ventures.

14.2 Transactions with significant shareholders

Balances by type of transaction effected with significant shareholders during the first half of the year are as follows:

(Thousand €)	**Transaction type**	**30/06/2017**	**30/06/2016**
Hoteles Mallorquines Asociados, S.L.	Goods purchase	111	2,724
Hoteles Mallorquines Asociados, S.L.	Services rendered	15	22
Hoteles Mallorquines Asociados, S.L.	Lease		218
Hoteles Mallorquines Asociados, S.L.	Services received	368	
Total		**495**	**2,964**

The decrease of the Goods purchase compared to the first half of the previous year, is due to the cessation of activity of the company Carma Siglo XXI, S.A. at the end of 2016.

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14.3 Transactions with executives and members of the Board of Directors.

Remuneration and other benefits paid to directors and senior management during the first half of 2017 are as follows:

(Thousand €)	30/06/2017	30/06/2016
Attendance fees	361	338
Executive directors	721	781
Senior management	1,333	1,229
Total	**2,415**	**2,347**

The Company has not assumed any obligations and has not made any advance payment or loans to the Directors.

Set out below is a breakdown of transactions conducted by the Group and its directors or senior management during the first half of 2017 and of 2016:

(Thousand €)	Operation type	30/06/2017	30/06/2016
Mr. Juan Vives Cerda	Services received	19	19
Mr. Juan Vives Cerda	Services rendered	148	163
	Total	**166**	**182**

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15) PROVISIONS AND CONTINGENCIES

15.1 Provisions

The Group maintains an amount of EUR 29.4 million in non-current liabilities in respect of provisions for liabilities and charges. The breakdown of the type of obligations for the periods ending 30 June 2017 and 31 December 2016, respectively, is as follows:

(Thousand €)	30/06/2016	31/12/2016
Provision for retirement, seniority bonus and personnel obligations	9,085	9,003
Provision for taxes	739	2,850
Provision for onerous contracts	3,454	7,653
Provision for liabilities	16,155	16,071
Total	**29,432**	**35,577**

During the first half of the year, the provision for taxes has decreased by 1.7 million as a result of the payment of the amended tax returns of the Corporate Tax and the Value Added Tax, according to Note 13.

At 30 June, the Group assessed the commitments established in collective agreements based on actuarial studies and estimated an accrued amount of EUR 11.7 million. At 31 December 2016, the accrued amount also was EUR 11.7 million.

Moreover, the balance of the externalised commitments was EUR 2.6 million in June 2017, presenting liabilities at their net value. At the end of 2016, the balance externalised for this item amounted to EUR 2.7 million.

The technical interest rate applied for the assessment of such commitments at 30 June was 1.25 %, while at 31 December 2016, it was 1.38%.

The provision for onerous contracts was reduced by EUR 4.2 million during the first half of the year, mainly due to the improvement in the results of hotels under lease and, in order cases, the renegotiation of the contract terms.

15.2 Contingencies

The Group has commitments with third parties in respect of assets and liabilities not recognised on the balance sheet, due to the limited probability that they will entail an outflow of funds in the future.

During the first half of 2017, bank guarantees in the amount of EUR 13.7 million relating to several urban hotel lease contracts have been cancelled.

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16) EVENTS AFTER THE REPORTING DATE

On 11 July 2017, the Company has proceeded to the dividend distribution approved by the General Shareholders' Meeting on 8 June, in the total amount of EUR 27 million, after deducting the Company's treasury shares at the date of distribution. The approved gross dividend was EUR 0.1315 per share.

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1. COMPANY'S SITUATION

During the first half of 2017, no significant changes have taken place with respect to the organisational structure of Meliá Hotels International, S.A., its organisation chart, as well as the operation thereof, so the information available in the 2016 consolidated annual accounts and management report is deemed to be the latest information.

2. BUSINESS PERFORMANCE AND RESULTS

2.1 Hotel business

The evolution of the hotel business for the whole Company during the first half of the year can be summarised in the following KPIs:

Financial indicators

The table below shows the hotel business and room revenue breakdown between owned and leased hotels:

(million €)	30/06/2017	30/06/2016	variation
Hotel income			
Owned property	422.1	397.5	
Leased	341.6	309.7	
Total	**763.7**	**707.2**	**8%**
Income per room			
Owned property	216.3	205.8	
Leased	240.9	215.9	
Total	**457.2**	**421.7**	**8%**

The breakdown of income hotel management segment is shown below:

(Thousand €)	30/06/2017	30/06/2016	Variation
Management income			
Management fee, third parties	31.0	30.5	
Management fee, owned property and lease	47.4	44.1	
Other income	65.6	54.7	
Total	**144.0**	**129.3**	**11%**

The Other income item during the first half of 2017 includes EUR 30.5 million of corporate income not attributable to any regional division. For the first half of 2016, the amount was EUR 24.5 million.

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Main statistics

The tables below show the amounts for percentage occupancy, ARR amount and RevPAR for the first half of 2017, while indicating the change compared to the same period in 2016 and some regional breakdown.

Hotels that include their results in the consolidated annual accounts (ownership and lease):

	Occupation		ARR		RevPAR	
	%	variation	euros	variation	euros	variation
América	74.1%	1.5%	125.1	-0.2%	92.6	1.9%
EMEA	70.0%	-0.3%	152.8	3.4%	106.9	2.9%
Spain	67.3%	2.2%	96.5	15.0%	64.9	18.8%
Mediterranean	73.3%	-1.5%	75.2	16.9%	55.1	14.6%
Total	**71.2%**	**0.5%**	**112.4**	**8.8%**	**79.9**	**9.6%**

Hotels managed by the Group (ownership, lease and management):

	Occupation		ARR		RevPAR	
	%	variation	euros	variation	euros	variation
América	72.0%	1.8%	127.7	2.8%	91.9	5.5%
EMEA	68.8%	1.3%	150.2	0.0%	103.3	4.3%
Spain	66.3%	2.4%	96.5	13.3%	64.0	17.5%
Mediterranean	71.7%	0.3%	75.7	15.1%	54.3	15.7%
Cuba	71.4%	-1.7%	108.1	3.4%	77.2	0.9%
Brasil	49.8%	-3.5%	87.4	14.1%	43.5	6.6%
Asia	55.6%	-2.5%	76.7	0.4%	42.6	-3.9%
Total	**65.1%**	**-0.3%**	**103.2**	**7.0%**	**68.1**	**6.7%**

Hotel portfolio present and future

The table below shows the number of hotels and rooms at the end of the first half of 2017, compared to those existing at 31 December 2016 in the Meliá Group's portfolio, broken down by type of management:

	30/06/2017		**31/12/2016**	
	Hotels	**Rooms**	**Hotels**	**Rooms**
Managemet	110	34,299	110	34,253
Franchise	49	9,812	47	9,373
Owned property	47	14,356	46	14,032
Leased	106	21,644	108	22,106
Total	**312**	**80,111**	**311**	**79,764**

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The same breakdown for the hotel pipeline for the coming years is shown below:

	2017 Hotels	Rooms	2018 Hotels	Rooms	2019 Hotels	Rooms	> 2019 Hotels	Rooms	TOTAL Hotels	Rooms
Managemet	7	1,502	27	7,185	16	4,066	13	3,067	63	15,820
Franchise	0	0	2	264	1	120	0	0	3	384
Owned property	0	0	0	0	0	0	0	0	0	0
Leased	1	205	0	0	3	576	2	758	6	1,539
Total	**8**	**1,707**	**29**	**7,449**	**20**	**4,762**	**15**	**3,825**	**72**	**17,743**

An analysis of the evolution during the first half of 2017 for the various regional hotels is shown below:

AMERICA

2017 First half results

America has remained as a key region for us over the first six months of the year, with resorts delivering a very positive performance in general terms.

On a country basis, it is worth to mention the positive performance of Dominican Republic in Q2, where we managed to increase ARR while maintaining occupancy rates, thus resulting in higher revenues and recovering the Q1 slowdown. In Mexico, an especially in Cancun/Rivera Maya, revenues increased as a result of a well balanced increase of ARR and occupancy rates, being particularly relevant the importance of the direct channel. Finally, the rest of our Caribbean resorts ended the period in line with Q2 2016, with the exception of the Meliá Braco Village located in Jamaica, which reported a better performance due to the ramp up process.

Outlook

In the Americas division, the outlook shows a positive performance in upcoming months expecting an evolution not only of the resorts segment, but also of the recently introduced urban locations, such as New York and Miami. Having said that, and with the number of visitors of the Caribbean region still growing at a decent pace, our main focus areas will be to effectively manage the balance between ARR and occupancy rates to continue increasing profitability levels at region wide level, as well as to make sure that hotels still in ramp up deliver in line with expectations. On top of that, we are still awaiting for the re-opening of ME Cancun, and the addition to our portfolio of Meliá Cartagena, that will allow us to target in a better and more tailored way growing trends in the industry.

Portfolio & Pipeline

No hotels have been added to our portfolio over the quarter and our pipeline remains the same as in previous months. However, we continue actively looking for opportunities to extend our footprint in the region and enhance the offering to those segments increasing in terms of importance, such as MICE and bleisure, as well as in resorts located in attractive locations.

EUROPE, MIDDLE EAST & AFRICA (EMEA)

2017 First half results

The EMEA region had a positive quarter, with urban and bleisure segments delivering strong results compared to previous periods. Some geographies have performed better than others due to specific idiosyncrasies, but in general terms all of them ended the quarter with RevPar increases mainly explained by price hikes, with the exception of Germany.

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- **United Kingdom**

London has continued its recovery from last year´s trough at a higher pace than Paris. This aspect, along with some adjustments in the sales & revenue management strategy of our two properties, has given us a solid advantage over our competitors, allowing us not only to grow vs Q2 2016 and budget, but also to do so faster and in a more solid way. At RevPar GBP level, we grew +10.8% vs Q2 2016 as a result of both volume and ARR increases. Also, both ME London and Meliá White House grew in the double digit level, with Manchester being the only one lagging behind as a consequence of the recent terrorist attacks.

- **Germany / Northern Europe**

This quarter has been particularly tough in Germany given the decline in the number of fairs compared with Q2 2016, particularly in Dusseldorf and Munich. As expected, this aspect had a slight negative impact in RevPar. However, we managed to increase occupancy, thus almost wiping out the fell in ARR and minimizing the impact of the aforementioned reduction in number of fairs.

- **Italy**

The Italian area has recovered after a quite difficult Q1, with RevPar increasing vs Q2 2016 and being particularly relevant the recovery and solid performance of the Rome market. In addition, ME Milan had a very positive performance, as well as our small hotels, such as Capri, Campione and Genova. On the downside, Meliá Milan struggled as a result of the weakening of the MICE segment in the fairground area.

- **France**

Paris hotels are on track to recover RevPar figures in a steady and smooth way, but at a lower pace than in the previous quarter. In this regard, RevPar grew vs Q2 2016 mainly by price increases, in contrast to Q1 2017 where the improvement came mostly by higher occupancy rates. In addition, downtown hotels posted a positive performance, particularly Tour Eiffel, Vendome and Paris Opera, with the only exception being Paris La Defense, which struggled as a result of the decline in the MICE segment in the area, but have a very optimistic summer period ahead.

- **Premium Spain**

Even though the rest of the EMEA countries posted positive figures over the quarter, Spain was the best one beyond doubt. There are several factors that impacted positively the Q2 results, including the ramp up of Gran Meliá Palacio de los Duques, Easter taking place in April, etc., but we must highlight the extraordinary performance of all our Spanish properties, both urban and resorts, which reported an important revenue increase. Moreover, it is worth to mention the great performance of destinations such as Barcelona, Seville, Mallorca, Madrid, Sancti Petri, as well as of the new flagship of the Gran Meliá brand, the so called Gran Meliá Palacio de los Duques, which is now considered as one of the top hotels in Madrid, registering ARR of €300+.

Outlook

The Company has well founded positive expectations for the EMEA region as a result of the increasing demand of both urban and bleisure segments, as well as due to the improved positioning of our brands. On top of that, we have been actively repositioning our portfolio to target upper segments and offer new experiences demanded by certain customers, thus increasing our resilience and revenue sources.

In this context, and at a country level, the Company is optimistic in France, particularly for the summer season and considering a better performance in ARR than occupancy, thus recovering in margins and profitability from past year´s figures. Germany also remains strong for the upcoming months as a result of the positive performance shown by our recently added hotels as part of the Innside brand (Leipzig, Aachen, Frankfurt Oostend and Hamburg Hafen), while in Italy we anticipate a similar positive trend for the rest of the year. In Spain we are very positive with the summer season, as Q3 tends to be usually the best quarter for the region, particularly due to the importance of the resorts segment, which combined with the expected increase in the number of tourists will led to a significant improvement in the results of our operations in the country. Finally, we are confident with the UK recovery and expect a good summer season, especially for the Meliá White House.

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Secretary of the Board

Portfolio & Pipeline

The portfolio in the EMEA region remained relatively stable over the quarter, with the additions of the Lisboa Caparica Mar (350+ rooms) and the Saidia Garden All Inclusive Golf Resort (150 rooms), plus the disaffiliation of Doha (317 rooms). For the upcoming months we remain active in pursuing opportunities in attractive markets and segments, particularly in cities with an important MICE component.

MEDITERRANEAN

2017 First half results

Mediterranean operations have shown a very positive performance over the first half of the year, particularly as a result of the increasing number of tourists in the region. Great weather conditions combined with a high perceived quality of the main destinations and an increase in the number of services and experiences offered have helped the region to deliver a remarkable growth vs Q2 2016. On top of that, the area still benefits from the flow of tourists that used to travel to the main Northern Africa destinations as a result of the deterioration in the perceived safety caused by terrorism, although some regions are slightly recovering but at a slower than expected pace.

When looking at Q2, all the areas (Canary, Balearic Islands and Coastal locations) reported a significant advance in terms of performance despite that some hotels were closed as a result of refurbishments aimed at brand repositioning and targeting upper customer segments (as Meliá Gorriones, Meliá Salinas, etc.). One of the main aspects that explain this significant growth was the Easter period, which this year took place in April, thus making possible to open certain hotels some weeks in advance.

Among the main feeder markets of the region, we must highlight the UK, as many locals decided to book their vacations in advance given the uncertainties caused by the Brexit process and the potential implications that might have on their purchasing power. Also, the Scandinavian and German markets showed an increasing demand, with only the Spanish market lagging behind, as Spaniards tend to book their trips in the last minute, which tends to be done at a higher price.

Moreover, we will closely monitor a recent trend that we have identified in some areas in regards to demand inclinations, as some customers are moving their trips from high season months (July, August) to low season periods (mainly Q2, but also September).

Outlook

Historically, the third quarter is the most important one for the Mediterranean region. We expect a steady flow of visitors that will allow us to deliver on a solid basis over the following months. On July and August the Company main focus areas will be to keep improving prices vs occupancy rates, as well as to continue improving operational efficiency of some hotels in ramp up, such as Sol House Ibiza and Meliá Calviá Beach. For September we expect a higher growth compared to July and August, but with a more balanced mix between occupancy and prices, as a result of the above mentioned shift in demand trends. The On The Books sales (vs same day last year) are positive for the different areas within the region, with an increase in a high single digit level in ARR.

Finally, in regards to Cape Verde, where we added 2 new hotels, a better performance than last year is expected.

Portfolio & Pipeline

The Mediterranean portfolio has not been affected by new additions or disaffiliations over the quarter. However, efforts have been made on brand repositioning and refurbishing the existing properties in order to increase the perceived value added and thus profitability. Going forward, we will continue evaluating attractive formulas to increase the impact of our hotels and our footprint in the region.

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URBAN SPAIN

2017 First half results

Spain has shown a positive performance at region wide level, boosted by the increasing importance in the MICE segment and the recovery in the Spanish economy. When looking at the different areas within the region, there are some differences that are shown below:

- **Centre - Madrid**

The positive evolution of the first quarter has remained in Q2, with c.+20.0% increase in the accumulated room revenues explained manly by prices (ARR), and significant advances in the individual and MICE segments influenced mainly by Easter, sporting events and a higher number of congresses.

- **South**

The performance of the area in this second quarter has been better than in Q1, with room revenues up +19.0% (+16.0% YTD) as a result of Easter, which this year took place in April, thus increasing the demand and flow of visitors to coastal locations, such as Malaga and Marbella. Moreover, it is worth to mention the positive evolution of our hotels in Seville thanks mainly to the good performance of the MICE segment in June, where three congresses and Meeting & Incentive Forum took place.

- **East**

This area reported a moderated growth mainly influenced by the decrease in the number of rooms and events facilities due to improvements/refurbishments and rebranding (Innside Palma Bosque, Meliá Palas Atenea, Tryp Apolo). Moreover, we opened new hotels in the area to increase our footprint and take advantage of the current positive dynamics, which are expected to continue over the following years.

- **North and Spanish Levante**

Despite the fact that this year the Northern Area has not benefitted from significant events such as San Sebastián´s European Capital of Culture, Zaragoza´s Bi-Annual Fairs and Galicia´s Year of Mercy (Xacobeo) among others, room revenues jumped +12.0% in Q2 2017. On an individual basis, it is highlighted the performance of the Meliá Bilbao, which reported an increase in the MICE segment as a result of the several congresses and the musical show held in May, as well as the positive impact of Easter on Meliá María Pita. Moreover, Easter Spain (Levante) showed a +12.0% increase in room revenues.

Outlook

For the Spain region, the On The Books sales grew at double digit for the upcoming quarter. For September we expect a better performance of MICE segment due to the increase in the number of fairs. Also, it is worth to mention that some city hotels are closed during July and August due to major refurbishments aimed at improving the current facilities and enhancing customer experience.

Portfolio & Pipeline

As an essential component of our business, we have been very active to increase the value of our Spanish portfolio over the quarter. In terms of new openings, we added two new hotels to our portfolio, Tryp Santa Ponça (60 rooms) and the Meliá Palma Bay (c.270 rooms), which includes the Palau of Congressos de Palma (Palma´s Congress Center), that opened on April, 1st. Moreover, we disaffiliated the Madrid Genova (65 rooms) and, more importantly, been actively repositioning certain properties and improving current facilities to increase profitability and enhance the service offered to visitors, being particularly relevant the actions taken in Palma Bosque.

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CUBA

2017 First half results

Our operations in Cuba have remained resilient despite of having a slightly lower number of rooms available as a result of the disaffiliation of the Sol Pelicano in Q3 2016. In this regard, total revenue increased by +3.1% during the quarter vs Q2 2016. Moreover, it is worth to highlight the performance of Varadero and Cayo Coco. Other areas, such as Santiago de Cuba and Cayo Santa Maria, had a decent quarter too, although the latter lagged behind mainly as a result of increasing supply. In the case of La Habana, performance has been flat due to the increasing penetration of collaborative economies.

Outlook

We expect a smooth performance of our managed hotels for the upcoming months of 2017, with no big surprises in the region and occupancy rates reaching similar levels than those of 2016.

The main challenge will be the new relationship between the Trump Administration and the Cuban Government, as the former announced a change in the policies started by Obama and unveiled new restrictions. As of today we remain skeptical given that the announcement came into the public field just a few weeks ago and thus the potential implications remain uncertain, but we will closely monitor next movements and steps taken by the two counterparties in order to develop an action plan aimed at minimizing the potential implications of the new regime.

Portfolio & Pipeline

Our portfolio in Cuba has remained stable over the quarter, as we signed a number of management contracts in Q1 that will add new hotels over the following months. Nevertheless, we have been focusing on improving the operating performance or certain hotels that are still in ramp up, as well as actively evaluating potential opportunities to increase our presence in the island.

BRASIL

2017 First half results

The economic situation in Brazil has remained weak over the first six months of the year, with certain recent political scandals negatively impacting the potential recovery of the country and vanishing the expectations of the market to see the Brazilian economy growing at a higher than expected pace.

In this context of declining spending by both individuals and companies, particularly in business trips, events and conferences, combined with our high exposure to the urban segment, as all of our hotels are located in cities, and to a number of state owned accounts, our results in the region in this first half of 2017 have been negatively impacted. Moreover, the recently added Gran Meliá Nacional de Rio is still in a ramp up process, thus dragging profitability at a region wide level.

Outlook

We remain optimistic in Brazil for Q3 given the economic prospects for the year, with the market expecting a significant improvement at a macro level. Also, the population, and particularly young people, seems to be actively reacting to the rooted corruption issue that has been present in the country for years, thus adding some hope for a quick economic recovery. In this scenario, demand at both internal and external level should show an improvement that will come together with price increases and improved occupancy rates. Furthermore, at Company level we expect the positive impact of the increasing operating efficiency in certain hotels as a result of higher scale, increasing importance of the MICE segment in certain areas such as Sao Paulo and Brasilia, and customer attraction optimization through our direct channel. Finally, and given the fact that last year Olympic Games took place in Rio, thus having no impact in other cities, we expect an improved performance of our city hotels vs Q3 2016 of c.+12%.

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Portfolio & Pipeline

We don´t expect new additions to our Brazilian portfolio in the short term, although we are open and flexible to analyze potential attractive opportunities that might arise. Therefore, our main efforts will be on optimizing our current properties at operating level and appropriately position ourselves vs other players, as well as to make sure that our hotels in ramp up continue to deliver positive results.

ASIA

2017 First half results

The Asian region has been an important source of growth for us over the first half of the year, particularly due to the improved economic conditions in the region, the increased flow of visitors and the enhanced operating performance of the business unit, which benefited from new initiatives, such as structure optimization as well as the recently launched sales offices in South Korea, Japan, India and Australia, which boosted direct sales and brand penetration among APAC clients.

In general terms, all the hotels in the region showed an improved performance vs Q2 2016, with revenues increasing by +6.0%, with the exception of Gran Meliá Jakarta, which lagged behind as a result of the deterioration of Jakarta as a destination. Furthermore, we have made great efforts on upgrading the current portfolio in order to adapt it to a more sophisticated type of client demanding a higher perceived value added and a greater range of services, being the main representatives of this new strategy Meliá Purosani, Sol House Kuta and Sol Beach House Bali Benoa, all of them located in Indonesia, plus the Meliá Kuala Lumpur in Malaysia.

Outlook

We remain positive with our Asian operations given the bright economic prospects of certain regions and the growth potential of our model, whose structure will deliver optimal results once a proper scale is reached. In this regard, we will continue to focus on the resort segment so we can leverage our competitive advantages vs local and international players, but always remaining open to explore signing contracts in certain urban areas as long as they present good opportunities to position our brands, particularly in some regions where competition is fierce and agreements with local partners are key,such as China.

Portfolio & Pipeline

As part of our strategy to continue the penetration in the region at a high pace, our local team has been very active over the past months, with three new openings in Indonesia (Sol House Bali Legian and Innside Jogyakarta) and China (Meliá Shanghai Honqiao), plus a new addition to our portfolio in Q3 2017 (Innside Zhengzhou). Furthermore, we recently signed our second hotel in Shanghai (150 rooms) and fourth in Malaysia (250 rooms), both under the Meliá brand and expected to open by 2018 and 2020 respectively.

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2.2 Real Estate

During the first half of 2017 we have not sold any fully owned real estate asset, and therefore no EBITDA has been generated from capital gains, in contrast with the €2.0m reported in Q2 2016. However, the sale of four properties held in the joint venture with Starwood Capital Group has resulted in a profit of €20.6M million euros (reflected in the P&L within the profit/(loss) from associates and JV item) corresponding to the Group´s share in the capital gain generated. Looking forward, we will constantly monitor our portfolio and the market to evaluate potential opportunities that may arise, as well as to take advantage of the real estate cycles. In this regard, our key action area will be to actively pursue non core assets disposals, in order to optimize our current portfolio, and to consider selective property acquisitions, mainly through the joint venture partnerships in place.

Moreover, and given that the latest valuation of our owned portfolio (c.€3.1B) dates back from June 2015, it is worth to mention that we intend to update the figures in the first half of next year. This analysis will be carried out, as usual, by an independent appraiser and we are confident that the dynamic strategy of the Group in improving the quality of its portfolio and the positive evolution of the market will enhance the underlying property values.

2.3 *The Circle* (formerly Club Meliá)

Our recently introduced brand new proposition that came to replace the former Meliá Vacation Club showed a slight decline in revenues vs Q2 2016 as a result of several factors that must be highlighted. Firstly, The Circle is definitely a more aspirational product than Meliá Vacation Club, with the new pricing strategy pointing to a growth rate in the double digit level for the upcoming months. In this regard, the average price per new contract was $25k, although we expect a significant improvement during high season months of the summer period (July and August) boosted by a more premium customer type. Secondly, and after careful consideration, we decided to close certain selling points that, even though they were generating some extra revenues, their impact on margins was minor. Some of these have been certain broker channels, the Punta Cana International Airport selling point and the sales offices located in Vallarta and Cozumel. Finally, we acknowledge that the product is still in a development phase, and thus a normal ramp up period after its introduction is expected before delivering the optimal results desired.

In terms of our main focus areas for the upcoming months and, in order to continue increasing the profitability of the business area, we are aiming at launching a referral program that will benefit both the customer and the referred, as well as maximizing the use of innovative marketing tools so we can increase the current volume of digital invitations from 10.0% to 15.0%. In addition, we will implement micro-segmented marketing campaigns targeted to premium clients in order to boost new customers attraction and conversion rates, thus enhancing sales efficiency and profitability levels going forward.

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3. COMMITMENT AND CORPORATE SOCIAL RESPONSIBILITY

ESG: Environmental, Social & Governance

Melia Hotels International has presented their 2016 Integrated Reporting, adapted to the new standards of GRI and in a digital format, which allows the reading and comprehension of the main magnitudes and commitments of the Company. The improvements in the quality of the information, transparency and integration of the ESG criteria in the business are reinforcing this report as an important tool of management, information and in understanding the reality of the Company. The 10 principles of the United Nations Global Compact, a responsible hospitality model and public commitment, are reinforcing Meliá's role in society and in its own global model of Corporate Responsibility. Meliá has renewed this commitment one more year, assumed in 2008, with the promotion of respect for human rights, environmental protection and ethical management, achieving for the third consecutive year the advanced level for transparency of the information reported. Moreover the Sustainable Development Objectives (SDGs) approved by the United Nations in 2015 have been integrated into Meliá's strategy as a lever for the generation of shared value.

Environmental

Meliá continues to drive a hotel model that respects the environment from different perspectives, promoting continuous improvement and reinforcing practices focused on responsible consumption of resources. The project SAVE is key in monitoring this initiative and identifying the corrective measures. The consumption and emissions data presented compare the absolute and per-stay values of the 2012-2017 period versus the 2007-2011 period. The objective of this multi-annual comparison is to seek the highest comparative rigor, avoiding the climatic distortion. This methodology of measurement of consumption and emissions is endorsed and certified by Bureau Veritas and has allowed Meliá to be recognized by the Ministry of Environment of Spain and to be included in the voluntary emission reduction system.

Energy, water and environmental analysis includes the sample of hotels with a history of consumption since 2011, which accounts for more than 65% of the total portfolio. Progress in this area has allowed a reduction in water consumption per stay of 7.63% and 11.92% in CO2 emissions per stay during the first half of the year.

	Average ytd 2012-17	% 12-17 / Av. 07-11	Average ytd 2007-11
Environmental Metrics			
CO2 Emissions (Kg)	112.645.358	-7,63%	121.947.368
per stay	*13,805*	*-11,92%*	*15,672*
Water Consomption (m3)	4.380.574	-2,49%	4.492.231
per stay	*0,537*	*-7,01%*	*0,577*
Energy metrics			
Diesel (litres)	3.286.472	-29,13%	4.637.421
per stay	*0,403*	*-32,42%*	*0,596*
Gas (m3)	5.109.833	13,36%	4.507.635
per stay	*0,626*	*8,10%*	*0,579*
Electricity (Kwh)	172.183.507	-7,85%	186.852.831
per stay	*21,101*	*-12,13%*	*24,014*

Meliá continues to drive the standardization of efficient lighting systems and its progressive replacement of lighting systems with more efficient technologies such as LED technology. Thus, during 2017, Meliá has installed more than 22.500 LEDs, 3.500 electronic equipment and efficient air conditioning installations, because of initiatives such as these; the Company has achieved a 25% saving in boiler fuel.

Meliá currently has 11 projects, under study or execution, through partnerships with suppliers and energy service companies (ESEs). This allows the Company to use less intensive direct investment formulas, with high savings potential.

In addition, the Company is involved in the process of certification of its management system according to ISO 50.001. Moreover, following the public takeover of commitments under the Paris COP 21 Agreements, Meliá has joined the Cluster for the Climate Change, coordinated by Forética, that brings together 50 of the main Spanish companies.

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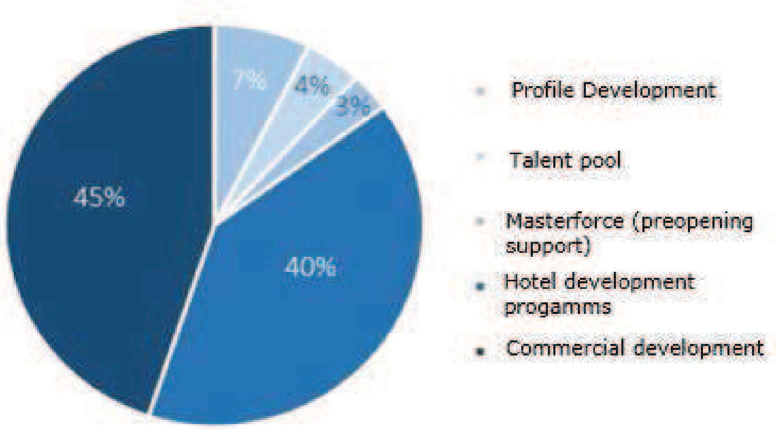
Social

In its commitment to continuous training and professional development, more than 2.200 professionals from different areas and countries were involved in activities of development and profile transformation during the first half of the year. Aligned with the process of digital transformation, the traditional commercial role has evolved towards a new role with a high digital component. Today, 45% of the commercial positions have a profile adapted to the digital needs of the Company.



The training platform eMELIÁ, has experienced a growth in users in the first half, reaching over 3.700 users in June (+18.8%). Likewise, in social networks, Meliá has increased its presence in a remarkable way, reaching a growth of 13.98% with more than 140.830 followers in both, Linkedin and Twitter.

Meliá signed a collaboration agreement for the next 3 years with the Rafa Nadal Foundation, to promote social values through the practice of sport and with the commitment to benefit groups at risk of exclusion. Because of this agreement, the first charity race was held in the surroundings of the new Palacio de Congresos located in Palma and where the Rafa Nadal Foundation has its headquarters.

Governance

The General Shareholders' Meeting held last June approved the renewal of Mr. Gabriel Escarrer Jaume as Director, as well as the renewal of part of the members of the Board of Directors. In line with its commitment to periodically review its corporate policies, Meliá has approved several new policies: Policy of Corporate Responsibility, Policy of Environment, Policy of Communications and Contacts with Shareholders, Institutional Investors and Voting Advisors, and the Policy of Selection of Directors.

Meliá has joined the Cluster of Transparency, Governance and Integrity driven by Forética, a reference entity in Spain, which gathers 48 companies that represent more than 20% of Spanish GDP.

The role of the Compliance Officer has been created to promote a solid model that ensures regulatory compliance through the implementation of a Model of Prevention and Detection of Criminal Offenses.

In addition, Meliá has become an active member of the International Chamber of Commerce (ICC) Corporate Responsibility Working Groups. The participation of Meliá responds to the commitment of the Company to share its experience in ESG matters with its main stakeholders with the aim of promoting responsible transformation in the institutions of which it forms a part.

Reputation & Acknowledgments

Leading Company in Sustainability (The European Global ESG Leaders Awards 2017. Thomson Reuters).

ESG Leader of the Year – Gabriel Escarrer Jaume (The European Global ESG Leaders Awards 2017. Thomson Reuters).

Merco Businesses – Spanish tourist company with best corporate reputation (5th consecutive year). Global position 13/100 (+4) on the best companies in Spain.

Merco Leaders – Gabriel Escarrer Jaume. Executive with best reputation. Global position 31/100 (+14) on the best executives in Spain.

Forbes Ranking Spain 50 best CEOs of the year – Gabriel Escarrer Jaume.

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Universum 2017 – 7th most attractive company to work for in Spain (university students).

Randstad Award 2017 – Most attractive Company to work for in Spain (hospitality).

Digital Talent – Accenture Award “Talento & Workforce” for talent management in social networks

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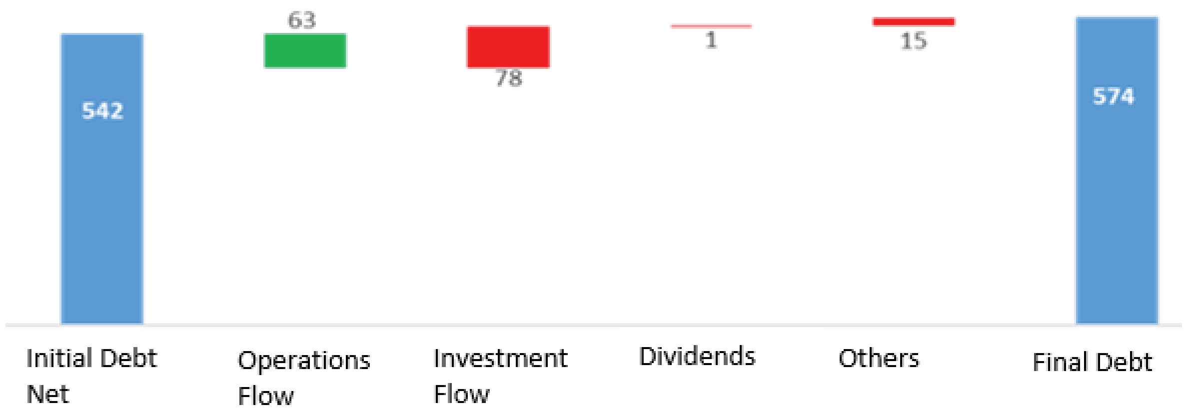
4. LIQUIDITY AND CAPITAL RESOURCES

During the first half of the year, the net debt of the Company has slightly increased by EUR 31 million approximately, reaching EUR 574 million. The following table shows the evolution of the debt as well as the various items that explain such change:

(million €)



The flow of transactions includes:

- The generation of a net operation flow of EUR 116 million.
- The payment of EUR 14 million of interest.
- The maintenance Capex for EUR 39 million.

It is worth stressing that the maintenance Capex item is usually more significant in the first half of the year, so the resort hotels are in the necessary conditions to meet the summer season.

The investment flow is the one included in the Cash Flow Statement, excluding the maintenance Capex item, which is included in the operation flow, as well as the collection of dividends, which is included in the Dividends item net of any payments in respect of the same.

Regarding the cost of debt, the Company continues working on improving the average interest rate, currently at 3.4% compared to 3.8% in the first half of 2016.

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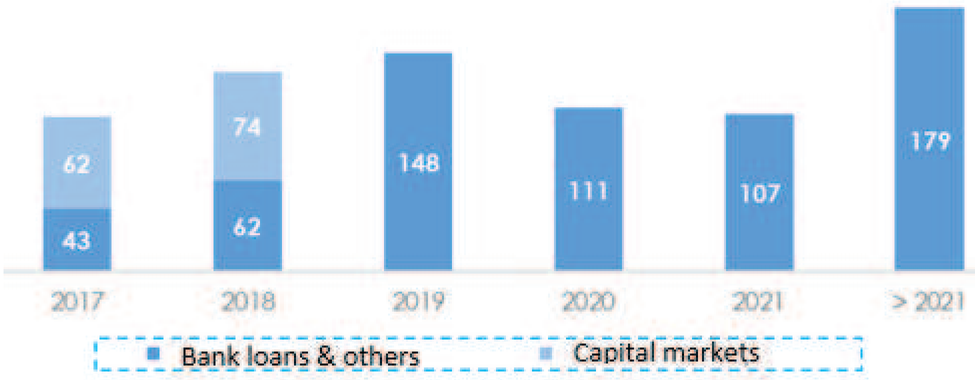
The following table shows the maturity schedule, excluding the arranged credit facilities.

(million €)



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5. PRINCIPAL RISKS AND UNCERTAINTIES

The current geopolitical situation, the specific characteristics of an industry such a dynamic and changing as the tourism industry and the increasing international presence of the Company, expose Meliá Hotels International to different risk factors. The Risk Management Model of MHI enables the identification and assessment of the main risks the Company is facing and, therefore, ensures the implementation of the control measures and action plans needed to prevent, control, mitigate or avoid the risks classified as priorities.

6. RDI ACTIVITIES

Technology and its adaptation to the current needs of the business is one of the priorities of the Company's strategy, since for the Company technology is regarded as a lever for excellence in management. During this first half of 2017, the Company has continued its activities relating to technological innovation, designed to create a new technology framework for hotel management.

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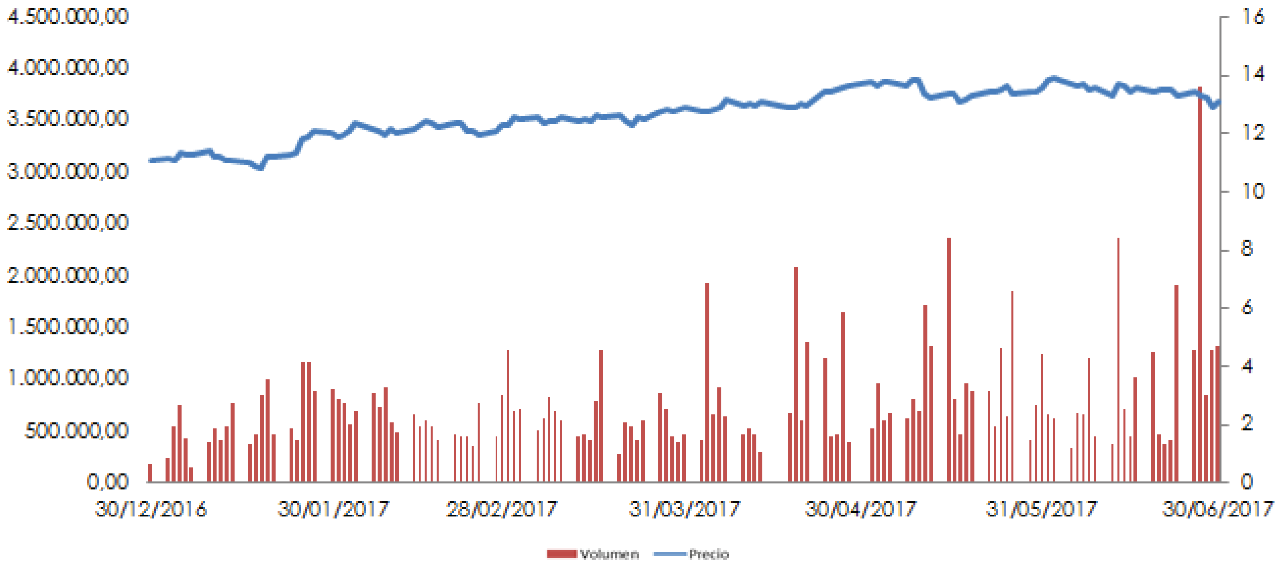
7. OTHER INFORMATION

7.1 Stock market information

The Meliá share price experienced a revaluation of 2.3% during the first 6 months of the year. Ibex Medium Cap rose +3.7% and Ibex35 rose +0.5%. The following graph shows the evolution of the share value, as well as the volume of share operations recorded during the first half of the year:



Note: Meliá Hotels International's shares are quoted on the Ibex Medium Cap as well as on the FTSE4Good Ibex Index.

The following tables show a breakdown of the main figures with respect to the evolution of the share price of Meliá and the main benchmark indices:

	1T 2017	2T 2017	**1S 2017**
Average daily volume (thousands shares)	629.8	952.6	**787.4**
Meliá Performance	16.40%	2.30%	**18.10%**
Ibex medium Cap performance	4.30%	3.70%	**7.80%**
Ibex 35 performance	11.90%	0.50%	**11.70%**

	30/06/2017	**31/12/2016**
Number of shares (millions)	229, 7	229, 7
Average daily volume (thousands shares)	787.4	862.44
Maximun share price (euros)	13.89	11.815
Minimun share price (euros)	10.84	8.42
Last price (euros)	13.09	11.08
Market capitalization (millions euros)	3,006.77	2,545.08
Dividend (euros)	0.1315	0.04

Mr Luis Mª Díaz de Bustamante y Terminel
Secretary of the Board

7.2 Dividend policy

The resolutions of the General Shareholders' Meeting held on 8 June 2017 included the distribution of a gross dividend of EUR 0.1315 per share among the outstanding shares of the Company entitled to receive it, charged to Unrestricted Reserves. Such dividend has become effective on 11 July 2017, through the entities participating in the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U. or "Iberclear" (Spanish Central Securities Deposit) in accordance with its regulations.

On this occasion, the Pay-Out Ratio (ratio between the amount paid per share and the consolidated Net Income) reached about 30%, 5 percentage points higher than the previous year.

7.3 Environmental risks

These financial statements do not include any significant item in the specific document relating to environmental information, as provided for by Order of the Ministry of Justice dated 8 October 2001.

8. EVENTS AFTER THE REPORTING DATE

At the General Shareholders' Meeting of 8 June 2017, the distribution of a gross dividend of EUR 0.1315 per share was approved. This dividend, in the total amount of EUR 27 million, was paid on 11 July 2017.

Mr Luis Mª Díaz de Bustamante y Terminel
Secretary of the Board

MELIÃ HOTELS INTERNATIONAL

PREPARATION OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONDENSED CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE FIRST HALF OF THE YEAR 2017

The preparation of these condensed consolidated interim financial statements and the condensed consolidated interim management report was approved by the Board of Directors at its meeting held on 27 July 2017.

The undersigned directors state that, to the best of their knowledge, the condensed consolidated interim financial statements have been prepared in accordance with the applicable accounting principles and offer a true and fair view of the equity, financial position and results of Meliá Hotels International Group, and that the condensed consolidated interim management report includes an accurate analysis of the business development and results and the position of the Group, together with the description of the main risks and uncertainties faced by the Company.

This document is issued in 49 sheets, all of them signed by the Secretary of the Board, and being this last sheet signed by all Directors, except for the Chairman who was not present at the time of signature, being his absence duly justified, and who delegated his representation, vote and signature to the Proprietary Director Hoteles Mallorquines Consolidados, S.A, which hereby signs on his behalf.

Signed Mr Gabriel Escarrer Juliá
(Represented by por Hoteles Mallorquines Consolidados, S.A.)
Chairman

Signed Mr Gabriel Escarrer Jaume
Vice-Chairman and Chief Executive Officer

Signed Mr Juan Vives Cerdá
Honorary Vice-Chairman

Signed Mr Sebastián Escarrer Jaume
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 Fernando D'Ornellas Silva
Director

Signed Mr Alfredo Pastor Bodmer
Director

Signed Mrs Carina Szpilka Lázaro
Director

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