Meliá Hotels International, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2021, together with Report on Limited Review

Translation of a report originally issued in Spanish and of interim condensed consolidated financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see Note 2). In the event of a discrepancy, the Spanish-language version prevails.

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REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Meliá Hotels International, S.A., at the request of the Board of Directors:

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Meliá Hotels International, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2021 and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for preparing 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 interim condensed financial information, in conformity with 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 the audit regulations in force 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 the accompanying interim financial statements.

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2021 are not 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 interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw attention to Note 2 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2020. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2021 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the aforementioned directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2021. Our work was confined to checking the interim consolidated directors' report with the scope mentioned in this paragraph, and did not include a review of any information other than that drawn from the accounting records of the Group.

Other matters

This report was prepared at the request of the directors of Meliá Hotels International, S.A. in relation to the publication of the half-yearly financial report required by Article 119 of the Consolidated Spanish Securities Market Law, approved by Legislative Royal Decree 4/2015, of 23 October, and implemented by Royal Decree 1362/2007, of 19 October.

DELOITTE, S.L.

Digitally signed
by 10856065L
PABLO HURTADO
(R: B79104469)
Date: 2021.08.10
17:30:01 +02'00'

Pablo Hurtado March

28 July 2021

Meliá Madrid Serrano (Lobby area)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONDENSED CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE FIRST HALF OF YEAR 2021

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated Balance Sheet

(Thousand €)	Note	30/06/2021	31/12/2020
NON-CURRENT ASSETS			
Goodwill	8	27,799	35,335
Other intangible assets	8	55,203	61,385
Property, Plant and Equipment	8	1,574,725	1,688,724
Right of use	8	1,357,801	1,186,918
Investment property		103,027	102,998
Investments measured using the equity method	9	171,125	178,365
Other non-current financial assets	10.1	180,542	135,862
Deferred tax assets		318,812	317,235
TOTAL NON-CURRENT ASSETS		**3,789,034**	**3,706,822**
CURRENT ASSETS			
Inventories		22,669	24,389
Trade and other receivables		133,469	134,961
Current tax assets		19,504	34,794
Other current financial assets	10.1	36,570	66,941
Cash and other cash equivalents		115,447	104,650
TOTAL CURRENT ASSETS		**327,659**	**365,735**
TOTAL GENERAL ASSETS		**4,116,693**	**4,072,557**
EQUITY			
Share capital	11.1	44,080	44,080
Share premium		1,079,054	1,079,054
Reserves		434,288	414,564
Treasury shares	11.2	(3,579)	(3,382)
Retained earnings		(830,864)	(213,079)
Translation differences		(231,875)	(246,887)
Other measurement adjustments		(1,844)	(3,087)
Profit/(loss) for the year attributed to parent company		(151,234)	(595,928)
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		338,026	475,333
Non-controlling shareholdings		22,199	25,507
TOTAL NET EQUITY		**360,225**	**500,840**
NON-CURRENT LIABILITIES			
Bonds and other negotiable securities	10.2	56,640	34,152
Bank loans	10.2	1,156,372	1,064,925
Lease liabilities	10.2	1,274,424	1,189,401
Other non-current financial liabilities	10.2	10,061	11,529
Capital grants and other deferred income		297,567	292,423
Provisions	15.1	25,827	26,483
Deferred tax liabilities		184,612	192,870
TOTAL NON-CURRENT LIABILITIES		**3,005,503**	**2,811,783**
CURRENT LIABILITIES			
Bonds and other negotiable securities	10.2	69,235	172
Bank loans	10.2	96,304	260,592
Lease liabilities	10.2	230,543	159,158
Trade creditors and other payables		321,974	293,334
Current tax liabilities		782	1,859
Other current financial liabilities	10.2	32,126	44,818
TOTAL CURRENT LIABILITIES		**750,965**	**759,934**
TOTAL GENERAL LIABILITIES AND NET EQUITY		**4,116,693**	**4,072,557**

Consolidated Income Statement

(Thousand €)	Note	30/06/2021	30/06/2020
Operating income		229,873	319,150
Results from assets sale	4	74,568	
Total Operating income and Results from assets sale	**6**	**304,440**	**319,151**
Supplies		(26,401)	(39,254)
Staff costs		(118,445)	(155,264)
Other expenses		(157,065)	(195,608)
Total Operating expenses		**(301,911)**	**(390,124)**
EBITDAR		**2,529**	**(70,974)**
Leases		(988)	(326)
EBITDA		**1,542**	**(71,301)**
Amortisation and impairment of PPE and intangible assets	8	(63,188)	(90,236)
Amortisation and impairment of Right of use	8	(65,109)	(146,958)
EBIT / Results from operating activities	**6.1**	**(126,754)**	**(308,495)**
Exchange differences		(896)	(12,973)
Borrowings		(20,362)	(15,980)
Financial lease expenses		(12,781)	(19,401)
Other financial income		3,058	(12,834)
Net financial income (expense)		**(30,981)**	**(61,188)**
Profit /(Loss) of associates and joint ventures	**9**	**(10,680)**	**(22,993)**
NET PROFIT (LOSS) BEFORE TAX		**(168,416)**	**(392,676)**
Income Tax	13	12,294	21,752
NET PROFIT / (LOSS)		**(156,122)**	**(370,924)**
a) Attributed to parent company		(151,234)	(358,557)
b) Attributed to minority interests		(4,888)	(12,366)
BASIC EARNINGS PER SHARE IN EUROS		(0.69)	(1.61)
DILUTED EARNINGS PER SHARE IN EUROS		(0.69)	(1.61)

Consolidated Statement of Comprehensive Income

(Thousand €)	30/06/2021	30/06/2020
Net consolidated (loss) income	**(156,122)**	**(370,924)**
Other comprehensive income		
Items that will not be transferred/reclassified to results		
Actuarial gains and losses in post-employment plans	(149)	(26)
Equity consolidated companies	(10)	(2,316)
Other results attributed to equity	(2,028)	2,322
Total Items that will not be transferred to results	**(2,186)**	**(21)**
Items that may be subsequently transferred/reclassified to results		
Cash flow hedges	1,919	(1,742)
Translation differences	16,408	(137,463)
Equity consolidated companies	741	(190)
Tax effect	(480)	436
Total ittems that may be transferred to results	**18,588**	**(138,960)**
Total Other comprehensive results	**16,402**	**(138,980)**
TOTAL COMPREHENSIVE (LOSS) INCOME	**(139,720)**	**(509,904)**
a) Attributed to the parent company	(136,362)	(496,536)
b) Attributed to minority interests	(3,358)	(13,367)

Consolidated Statement of Changes in Equity

(Thousand €)	Note	Capital	Share premium	Other reserves	Treasury shares	Retained earnings	Measurement adjustments	Net income of parent company	Total result	Minority interest	Total NET EQUITY
BALANCE AT 01/01/2021		**44,080**	**1,079,054**	**414,564**	**(3,382)**	**(213,080)**	**(249,974)**	**(595,928)**	**475,333**	**25,507**	**500,840**
Total recognised income and expenses				**(254)**		**(1,129)**	**16,255**	**(151,234)**	**(136,363)**	**(3,357)**	**(139,720)**
Distribution of dividends	7									49	49
Operations with treasury shares	11.2				(197)				(197)		(197)
Other operations with shareholders/owners	11.2					4			4		4
Operations with shareholders or owners					**(197)**	**4**			**(192)**	**49**	**(143)**
Distribution 2020 net income						(595,928)		595,928			
Other variations				19,979		(20,731)			(752)		(752)
Other variations in net equity				**19,979**		**(616,660)**		**595,928**	**(752)**		**(752)**
BALANCE AT 30/06/2021		**44,080**	**1,079,054**	**434,288**	**(3,579)**	**(830,864)**	**(233,719)**	**(151,234)**	**338,026**	**22,199**	**360,225**
BALANCE AT 01/01/2020		**45,940**	**1,107,135**	**443,037**	**(28,191)**	**(325,355)**	**(113,073)**	**112,898**	**1,242,392**	**43,638**	**1,286,030**
Total recognised income and expenses				**47**		**(688)**	**(137,338)**	**(358,557)**	**(496,536)**	**(13,367)**	**(509,904)**
Distribution of dividends	7									(48)	(48)
Operations with treasury shares	11.2		(17,558)	17,558	(33,957)				(33,957)		(33,957)
Other operations with shareholders/owners						1,412			1,412		1,412
Operations with shareholders or owners			**(17,558)**	**17,558**	**(33,957)**	**1,412**			**(32,545)**	**(48)**	**(32,592)**
Distribution 2019 net income						112,898		(112,898)			
Other variations						(405)			(405)	11	(393)
Other variations in net equity						**112,493**		**(112,898)**	**(405)**	**11**	**(393)**
BALANCE AT 30/06/2020		**45,940**	**1,089,577**	**460,642**	**(62,148)**	**(212,137)**	**(250,411)**	**(358,557)**	**712,906**	**30,234**	**743,140**

Consolidated Cash Flow Statement

(Thousand €)	Note	30/06/2021	30/06/2020
1. OPERATING ACTIVITIES			
Net Income before tax		(168,416)	(392,676)
Result adjustments:			
Amortisation /depreciation and impairment	8	128,297	237,194
Profit/(loss) from companies carried by the equity method	9	10,680	22,994
Net financial income		30,981	61,188
EBITDA		1,542	(71,300)
Results from assets sale	4	(74,568)	
Other result adjustments		6,215	27,526
Trade and other receivables		(4,279)	28,571
Other assets		1,721	(360)
Trade creditors and other payables		28,640	(88,402)
Other Liabilities		5,362	(6,687)
Income taxes paid (collected)		15,722	(837)
Total net cash flows from operating activities (I)		**(19,645)**	**(111,489)**
2. INVESTMENT ACTIVITIES			
Dividends received			3,648
Investment (-):			
Loans to associates and joint ventures, net of cash		(11,352)	
Property, plant and equipment, intangible assets and investment property	8	(39,085)	(39,474)
Other financial investments		(11,917)	(2,572)
Divestments (+):			
Loans to associates and joint ventures, net of cash		5,216	
Property, plant and equipment, intangible assets and investment property	8	188,547	3,962
Other financial investments			1,417
Total net cash flows from investment activities (II)		**131,409**	**(33,017)**
3. FINANCING ACTIVITIES			
Dividend payments (-)		49	(48)
Treasury stock	11.2	(197)	(33,957)
Debt interest paid (-)	10.2	(20,541)	(15,500)
Debt issue	10.2	328,596	328,200
Debt redemption and repayment	10.2	(321,049)	(39,600)
Leases	10.2	(86,681)	(194,298)
Other financial liabilities (+/-)		(2,619)	(29,393)
Total net cash flows from financing activities (III)		**(102,442)**	**15,404**
4. GROSS INCREASE/ DECREASE IN CASH OR EQUIVALENTS (I+II+III)		**9,322**	**(129,102)**
5. Effect of exchange rate changes in cash or equivalents (IV)		**1,475**	**(12,613)**
6. NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		**10,797**	**(141,715)**
7. Cash and cash equivalents at the beginning of the year		**104,650**	**328,944**
8. Cash and cash equivalents at the year end (6+7)		**115,447**	**187,229**

Explanatory Notes to the Condensed Consolidated Interim Financial Statements

Note 1. Group's Corporate Information

The parent or controlling company, Meliá Hotels International, S.A., is a Spanish public limited company that was incorporated in Madrid, Spain, on 24 June 1986 under the registered name of Investman, S.A. On 1 June 2011, the General Shareholders' Meeting approved the change of name to Meliá Hotels International, S.A. In 1998 the Company moved its registered address to Calle Gremio Toneleros, 24, Palma de Mallorca, and the name remains unchanged since then.

Meliá Hotels International, S.A. and its subsidiaries and associates (hereinafter, the "Group" or the "Company") form a Group comprising companies that are mainly engaged in tourist activities in general, and more specifically, in the management and operation of hotels under ownership, lease, management or franchise arrangements, as well as in vacation club operations. The Group is also engaged in the promotion of all types of businesses related to the tourism and hotel industry or leisure and recreational activities, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourism and hotel industry or any other recreational or leisure activities. Likewise, some companies within 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 event, the activities that special laws reserve for companies which meet certain requirements that are not met by the Group are expressly excluded from the corporate purpose; in particular, the activities that the law restricts to Collective Investment Institutions or to Stock Market intermediary firms, are excluded.

With over 60 years of history, Meliá Hotels International has consolidated its international presence with more than 320 hotels in more than 40 countries, mainly Spain, Latin America, rest of Europe and Asia. With a solid experience in seven brands to attend the different demands of its customers, which demonstrates its leadership in vacation hotel industry and bleisure, Meliá Hotels International aims to position itself amongst the world's leading hotel groups in the upper-medium segment, as well as to be recognised as a world leader in terms of excellence, responsibility and sustainability.

Note 2. Basis of Presentation

These condensed consolidated interim financial statements for the first six months to 30 June 2021 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 2020.

The Meliá Hotels International Group's condensed consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at 30 June 2021, 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. at its meeting held on 28 July 2021. Likewise, these financial statements have been subjected to a limited review by an auditor.

The figures on the interim balance sheet, the interim income statement, the interim statement of comprehensive income, the interim statement of changes in net equity, the interim cash flow statement, all of them in a condensed and consolidated form, as well as these explanatory notes to the accounts are stated in Euro, rounded to thousands, except where otherwise indicated.

The Group's condensed consolidated interim financial statements have been prepared on a historical cost basis, except for those items listed under headings "investment property", "derivative financial instruments" and "other financial assets", which are measured at fair value. It should be mentioned that the balances from the Venezuelan Group companies have been restated at current cost, in accordance with IAS 29, since Venezuelan economy is considered as hyperinflationary.

2.1. Changes in Accounting Policies

The accounting policies applied by the Group are consistent with those of the previous year, and the corresponding interim reporting period.

This fiscal year, the Group has adopted the standards approved by the European Union whose application was not obligatory in 2020:

- Amendment to IFRS 4: “Deferral of IFRS 9 Application”.
- Amendments to IFRS 9, IAS 39, IFRS7, IFRS4 and IFRS 16: “Interest Rate Benchmark Reform-Phase 2”.

These standards have had no material effects on the condensed consolidated interim financial statements or the financial position of the Group.

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

- Amendment to IFRS 3: “Reference to the Conceptual Framework”.
- Amendments to IAS 16: “Proceeds before Intended Use”.
- Amendments to IAS 37: “Onerous Contracts — Cost of Fulfilling a Contract”
- Improvements to IFRS, 2018-2020 Cycle: “Minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41”.

It is not expected that the adoption of the abovementioned standards will have significant impacts on the Group’s financial statements.

2.2. 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 2021, 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.

2.3. Comparability

The comparison of the interim financial statements refers to six-month periods ended 30 June 2021 and 2020, except for the consolidated balance sheet, which compares the period ended 30 June 2021 with that of 31 December 2020.

2.4. Accounting Valuations and Estimates

The directors of the parent company 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 condensed consolidated interim financial statements.

The main judgements made by the Directors 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 2020. In addition to the information included in Note 4 as a result of the current scenario of uncertainty, it is worth mentioning the following:

Corporate income tax expense

Tax accrued on the results of the interim period is usually 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. In the current interim period, where the results are negative, the Group has estimated the tax accrued by the main tax units comprising the Group, at the closing date of these Condensed Consolidated Interim Financial Statements, by taking into account the actual possibility of loss deduction.

Inflation and exchange rate to be applied to the consolidation of Venezuelan subsidiaries

During the first half of 2021 and due to the complex political and economic situation in Venezuela, the Company considers that the official exchange rates do not reflect the economic situation of the country and, therefore, has maintained its decision to internally estimate the exchange rate that is most appropriate for the consolidation of the Financial Statements of its subsidiaries in Venezuela.

Although the Central Bank of Venezuela has published inflation figures as at May 2021 (265%), the Company has continued to estimate the increase in prices with the support of independent experts, since it considers that this continues to be the best reference when presenting the true image of the accounting and economic reality of its subsidiary companies in the country.

The cumulative inflation rate applied for the revaluation of the net assets located in this country was 290.40% in June 2021 (511% for the same period in the previous year), based on these studies carried out by independent experts. Therefore, the applicable exchange rate has been calculated by considering such estimated inflation and the official data published.

Note 3. Accounting Policies

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.

Likewise, given the situation derived from the Covid-19 crisis since 2020, the impacts relating to the exceptional nature of the current situation and its impacts on these Condensed Consolidated Interim Financial Statements are presented in a separate note.

Note 4. Impacts of COVID-19

These Condensed Consolidated Interim Financial Statements continue to be closely linked to the development of the pandemic, whose evolution and constant ups and downs have impacted in different ways on the destinations and markets in which the Company operates.

During the first half of the year, a recovery in Dominican Republic and Mexico destinations has been observed, associated with the dynamism of the demand from the United States and the high level of immunisation in the area. In contrast, the recovery in Spain and the rest of Europe is being slower and more irregular. In general, 250 hotels were opened, which represents 80% of the total.

The Group's focus remains on the "next day", which is supported by comprehensive digital transformation, sustainability and evolution of a more efficient organisational model, bearing in mind that there is a new post-Covid tourism which is more demanding in terms of responsibility and awareness of the environment, more digital, more focused on experiences and safety and, therefore, more competitive. For the coming months a new strategic road map is being defined whose goals include to promote a commercial and distribution strength, a cost-effective and sustainable quality growth, and the evolution of the experiences offered under a "total revenue" model or comprehensive revenue management.

Signs of recovery are expected for the third quarter of 2021 and, although the successive waves of Covid-19 maintain the business volatility, positive trends are being registered in terms of reservations and progressive reduction in cancellation levels, thus evidencing that the mass vaccination is drastically changing the scenario of the previous months.

The impacts and measures adopted by the Group in the management of Covid-19 are described below:

4.1. Impact on the Business and on Alternative Performance Measures

The evolution of the hotel business has changed throughout the year due to the different scenarios as a result of the pandemic development in the various destinations in which the Group operates.

The paragraphs below include additional breakdowns on the alternative performance measures (APM) used by the Company, updating the calculations provided at the end of 2020 with their corresponding figures at the closing date of these Interim Financial Statements.

Other financial indicators

- EBITDAR and EBITDA without capital gains: The reconciliation of EBITDAR and EBITDA without capital gains for year 2021, in relation to the subtotals reported in the consolidated income statement, is as follows:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	**304,440**	**(301,911)**	**2,529**	**(988)**	**1,542**
Capital gains on fixed assets	(74,568)	10,559	(64,009)		(64,009)
Without capital gains	**229,873**	**(291,352)**	**(61,479)**	**(988)**	**(62,467)**

During the first half of 2021, fixed assets capital gains were generated, which are broken down in Note 8.

For comparison purposes, the calculation for year 2020, which included the impairment recognised following the update of the value of investment property, is shown below:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	**319,151**	**(390,125)**	**(70,974)**	**(326)**	**(71,301)**
Investment property valuation results		21,027	21,027		21,027
Without capital gains	**319,151**	**(369,098)**	**(49,948)**	**(326)**	**(50,274)**

- EBITDAR and EBITDA margin without capital gains: This margin has not been calculated for these Condensed Consolidated Interim Financial Statements. This is not an indicative ratio in the period since EBITDA and EBITDAR without capital gains give a negative result for the period.
- Net Debt: The calculation of such ratio is shown below, in which the relevant liabilities at the balance sheet date are included:

(Thousand €)	30/06/2021	31/12/2020
Bonds and Other Negotiable Securities (Non-Current)	56,640	34,152
Bank Loans (Non-current)	1,156,372	1,064,925
Bonds and Other Negotiable Securities (Current)	69,235	172
Bank Loans (Current)	96,304	260,592
Lease liabilities	1,504,966	1,348,559
Cash and other cash equivalents	(115,447)	(104,650)
Net Debt	**2,768,072**	**2,603,750**

- Net debt ratio over EBITDA: This indicator is not calculated for the Interim Financial Statements because the EBITDA figure does not correspond to the full financial year.

Hotel management stats

- Occupancy rate: The calculation details of the occupancy rate of hotels operated under lease and under ownership by the Group at the end of the first half of 2021 and 2020 are shown in the table below:

(Rooms)	30/06/2021	30/06/2020
Available Rooms	3,108,885	2,567,386
Occupied Rooms	874,388	1,318,563
Occupancy Rate	**28.1%**	**51.4%**

- RevPar (Revenue Per Available Room): The result of the RevPAR calculation for the first half of 2021 and 2020 is as follows:

	30/06/2021	30/06/2020
Room Income (Thousand €)	84,992	150,752
Available Rooms (nº rooms)	3,108,885	2,567,386
RevPAR (euros)	**27.34**	**58.72**

- ARR (Average Room Rate): The result of the ARR calculation for the first half of 2021 and 2020 is as follows:

	30/06/2021	30/06/2020
Room Income (Thousand €)	84,992	150,752
Occupied Rooms (nº rooms)	874,388	1,318,563
ARR (euros)	**97.20**	**114.33**

Considering the current scenario of uncertainty, the directors continue to assess and monitor the continuous implementation of additional measures in order to adapt the Group's operations as the pandemic evolves, reviewing and/or adjusting estimates that may affect the carrying value of assets and liabilities in the Consolidated Balance Sheet, as well as certain financial risks: market risk (exchange rate risk and interest risk), credit risk and liquidity risk.

In that sense, they have carried out an assessment which is consistent with the best information available, including the following noteworthy aspects:

4.2. Estimates and Recoverable Value of Fixed Assets

Given the complexity and volatility of the current situation, the Company continues to review the value of its assets in case there is an indication of impairment losses as described in Paragraph 12 of IAS 36, such as significant changes in the economic environment with adverse impact.

Regarding hotels under ownership, which include hotel assets owned by group companies consolidated by the global integration method as well as associates consolidated by the equity method, and investment properties, the Group obtained in April 2021 appraisals of certain assets carried out by an independent expert, which did not reveal relevant value deviations compared to the assessments considered in the Consolidated Annual Accounts for the year ended on 31 December 2020.

The external experts have issued their assessment subject to a "material uncertainty" according to VPS3 and VPGA10 regulations of the RICS Global Valuation Standards as a result of Covid-19. In this sense, lesser degree of certainty and greater degree of attention must be given to the assessment. However, the asset assessment includes an estimate of the possible impact which this situation could potentially have on net revenues, growth expectations and discounts of each asset owned by the Group.

For the rest of the assets, the change in value has been applied on the appraisals carried out by the independent expert which has been compared with the carrying amount at the end of the half year, resulting in a no significant amount. Therefore, no additional impairment losses or reversals have been recognised during this period for this type of assets.

Regarding hotels under lease, the Company has restated the recoverable amount of the rights of use and other assets associated with each contract, including associated goodwill, based on the forecasts included in the business plan estimated by the Group. The uneven development of the different lease contracts resulted in a non-significant net impact in the amount of EUR 0.4 million recognised in the Consolidated Income Statement (provisions in the amount of EUR 12.8 million and used amounts of EUR 12.4 million).

In assessing such value in use, the Group has taken as a basis the mentioned business plan, projecting the future cash flows per hotel and estimating a residual value according to a long-term growth rate not higher than the expected growth of the economy and the sector in which the asset operates. Estimated future cash flows are discounted using a discount rate before taxes, which has been reviewed with regard to that used as at 31 December 2020, in order to reflect changes in the value of money over time in the current market and the specific risks of the asset which had not already been adjusted in the estimated future cash flows, mainly the risks of the business and the countries in which the assets are located.

The discount rates used, by geographic area, were 7.3% for Spain, between 6.8% and 8% for EMEA region and 7.5% for America.

4.3. Risk Management

Liquidity risk

In response to the negative impact that the crisis generated by Covid-19 continues to have on the cash flows from operating activities during the first half of 2021, as well as that which is expected to continue in the short term, many actions have been adopted in order to increase liquidity and strengthen the financial position of the Group. These actions include:

- Transactions for the sale of assets: as mentioned in Note 8, the Company, during the first half of the year, closed an asset turnover transaction for a sale price of EUR 188.5 million, as reflected under heading Cash flows from investment activities in the Cash Flow Statement.
- Personnel cost reduction through the adoption of measures that, according to the legal framework established in each country, have allowed a better adaptation to the situation.
- Non-approval of the distribution of dividends charged to reserves in order to strengthen its equity balance.
- Financing transactions closed in the amount of EUR 328.6 million without the need to increase the number of mortgaged hotels. On the other hand, important debt repayments were made during the period (see Cash flows from financing activities in the Cash Flow Statement).

The Directors and the Management of the Parent Company are constantly monitoring the evolution of the situation, as well as the impacts that it may have on the credit market and they consider that, without prejudice to possible improvements and adaptations that may be applied, the liquid assets included in the consolidated balance sheet, as well as the availability of loan agreements and credit facilities, the applied borrowing policies and the amount of cash flows generated in the worst scenarios, ensure that the Group will meet the obligations included in the Consolidated Balance Sheet as at 30 June 2021 with solvency, and there is no material uncertainty on the Group's ability to continue as a going concern.

Credit risk

As mentioned in the Notes to the Consolidated Annual Accounts for the year ended 31 December 2020, due to the nature of the main section in which the Group operates, the insolvency risk of hotel segment customers is very low, and in relation to Vacation Club customers, the Group can terminate the contracts, therefore, the impact of the cancellation of such receivable would also imply the derecognition of liabilities in the accounts.

The average collection period has increased with respect to the previous year by 8.04 days, although no significant additional impairment losses have been recognised in the Consolidated Income Statement.

Interest rate risk

Variable interest rate debts, considering the additional financing agreements, continue to be basically tied to Euribor and USD Libor.

There follows a breakdown of the debt structure according to the interest rate (excluding accrued interest that has not been paid and credit facilities drawn down):

(Thousand €)	Variable rate	Fixed rate	Total
Bank loans	435,120	488,205	923,325
Mortgage loans	131,993	165,846	297,839
Bank bonds		52,500	52,500
Other negotiable securities		5,000	5,000
ECP		68,420	68,420
Bank lease liabilities	703		703
Total Debt	**567,816**	**779,971**	**1,347,787**

Foreign exchange risk

Almost all the mentioned loans and credit facilities were executed in Euros. In this sense, 75% of the Group's financial debt as at 30 June 2021 is denominated in Euros, the same percentage in 2020, therefore, exposure to foreign exchange risk is limited.

4.4. Other Effects

Savings on lease renegotiation

Given the uncertainty about the opening and closure of hotels in this volatile context, the Company has continued its policy of renegotiation of lease contracts which started in 2020.

The savings resulting from the renegotiations signed in the previous year that are in force in the first half of 2021, amount to EUR 7.2 million; while the savings agreed in this first half of the year involved EUR 3.3 million savings. Such changes were mainly recognised in Spain and EMEA segments.

Considering that the Company decided not to avail itself of the option of considering some of these lease improvements as negative variable payments for the year and that most of these agreements involved an important modification of the lease, lease liabilities connected with the new terms and conditions entered into have been restated.

Note 5. Scope of Consolidation

The most significant changes in the Group's scope of consolidation during the first half of 2021 are detailed below:

5.1. Business Combinations

No business combinations were carried out in the first half of 2021 and 2020.

5.2. Other Scope Changes

Disposals

During the first half of the year Mosaico B.V, a Dutch company 20% owned by the Group, was dissolved. This transaction had no significant impacts on the Condensed Consolidated Interim Financial Statements.

As a result of the asset turnover completed on 30 June 2021, as mentioned in Note 8, the company Meliá Zaragoza, S.L., which was 50% accounted for using the equity method, was derecognised, and now the Group's ownership interest therein is 7.5%. The name of this company has changed to Victoria Hotels & Resorts, S.L. (Note 10).

Acquisition of additional stake in companies accounted for using the equity method

During the first half of the year, the Group has increased its stake by 0.165% in the Owners' Association of Meliá Costa del Sol hotel through the purchase of one apartment. This transaction had no significant impacts on the Condensed Consolidated Interim Financial Statements.

In addition, the Group increased by 0.09% the stake through the purchase of one apartment in the Owners' Association of Meliá Castilla hotel. Such transaction also had no significant impacts on the Condensed Consolidated Interim Financial Statements.

For comparison purposes, the changes in the scope of consolidation during the first half of 2020 are shown below:

During the first half of 2020 the Group increased its stake by 0.33% in the Owners' Association of Meliá Costa del Sol hotel through the purchase of apartments. This transaction had no significant impacts on the Condensed Consolidated Interim Financial Statements.

In addition, the Group increased by 0.18% the stake through the purchase of apartments in the Owners' Association of Meliá Castilla hotel. Such transaction also had no significant impacts on the Condensed Consolidated Interim Financial Statements.

Likewise, the Group acquired an additional stake in the company Plaza Puerta del Mar, increasing its stake by 0.3%.

Note 6. Segment Reporting

The identified business segments, which are the same as those detailed in the Consolidated Annual Accounts for 2020, constitute the organisational structure of the Group and their results are reviewed by the Group's highest decision-making authority.

6.1. Information by Operating Segments

The following table shows the information by segments on the volume of revenue and profit or loss for the first half of 2021:

	Hotel							
(Thousand €)	Hotel Management	Hotel business	Other business assoc with hotel management	Vacation Club	Real Estate	Corporate	Eliminations	Balance at 30/06/2021
Operating income	28,612	183,119	5,049	25,778	77,441	39,608	(55,169)	304,440
EBIT	**(14,944)**	**(138,452)**	**(1,087)**	**3,710**	**63,966**	**(39,948)**		**(126,754)**

Under the Hotel Management segment, EUR 10.8 million of management fees are recorded, of which EUR 0.4 million relates to associates.

Operating income under Real Estate segment includes EUR 74.6 million relating to the real estate transaction described in Note 8.

The main inter-segment transactions are related to the hotel management activity, which includes EUR 17.6 million basically invoiced to the Hotel Business segment for management fees and reservation commissions. Likewise, the Corporate segment includes income from inter-segment transactions for a total amount of EUR 23.9 million.

For comparison purposes, the information by segments for the first half of 2020 is shown below:

	Hotel							
(Thousand €)	Hotel Management	Hotel business	Other business assoc with hotel management	Vacation Club	Real Estate	Corporate	Eliminations	Balance at 30/06/2020
Operating income	45,289	261,981	14,694	27,227	4,310	28,308	(62,659)	319,151
EBIT	**(10,325)**	**(237,835)**	**(3,993)**	**4,285**	**(20,720)**	**(39,907)**		**(308,495)**

Within the hotel Management segment, there was EUR 20.9 million in management fees. Likewise, this segment included EUR 1.6 million for services provided to associated companies.

The main inter-segment transactions were related to the hotel management activity, which included EUR 28.9 million basically invoiced to the Hotel Business segment for management fees and reservation commissions. Likewise, the Corporate segment included income from inter-segment transactions for a total amount of EUR 22.5 million.

6.2. Information by Geographic Areas

The following table shows the segmentation by geographic areas of the volume of operating revenues generated during the first half of 2021 and 2020:

(Thousand €)	30/06/2021	30/06/2020
Spain	184,608	145,884
EMEA (*)	47,981	74,038
America	128,761	157,029
Asia	1,647	3,121
Eliminations	(58,558)	(60,921)
Total income	304,440	319,151

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

Note 7. Paid Dividends

The Parent Company of the Group paid no dividends during the first half of 2021 and 2020.

The Board of Directors, given the continuation of the impacts derived from Covid-19, decided not to propose to the General Shareholders' Meeting the distribution of dividends for 2020, as it did in 2020 with the distribution of benefits for 2019.

Note 8. Property, Plant and Equipment, Rights of Use and Intangible Assets

The changes recorded during the first half of 2021 were as follows:

(Thousand €)	Goodwill	Other intangible assets	Property, Plant and Equipment	Right of use
Balance at 01/01/2021	35,335	61,385	1,688,724	1,186,918
Additions		9,497	20,990	218,846
Disposals	(2,943)	(11)	(114,473)	
Depreciation and impairment	(5,068)	(8,431)	(49,689)	(65,109)
Transfers		(7,419)		
Exchange differences	474	182	29,173	17,146
Balance at 30/06/2021	27,799	55,203	1,574,725	1,357,801

The amount recognised under heading Provision for depreciation/amortisation and impairment of Goodwill mainly relates to the review of the CGU value of one hotel under lease located in France.

Section Additions of Other Intangible Assets includes EUR 4.4 million of software applications, 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.

Under the same heading, Transfers section relates to the rights of use of one hotel in Brazil, whose contract has been terminated and, therefore, the Group considers that the amount to be recovered for the initial acquisition of such right of use is of a financial nature and, accordingly, has been reclassified under Other non-current financial assets (see Note 10.)

Regarding Property, plant and equipment, the amount of EUR 21 million in Additions relates to investments and renovations in hotels, of which 6 million has been recognised in Spain.

Disposals in the period include EUR 108 million relating to an asset turnover transaction completed by the Group on 30 June 2021, by means of which 6 hotels owned by the Group have been derecognised plus most of the shareholding held in the company accounted for using the equity method, Meliá Zaragoza, S.L., which owned another 2 hotel establishments. All of these hotels will continue to be operated by Meliá Hotels International, S.A. through long-term management contracts. As a result of this asset turnover, a net capital gain has been generated in the Consolidated Income Statement in the amount of EUR 64 million (see Note 4).

The 8 hotels included in this transaction are located in Spain. Except for 2 of the hotels whose renovations were recently completed, the rest of the assets will be subject to major renovations that will allow to benefit from the total recovery of tourism expected following the completion of the renovations.

As a result of this transaction, the Group has a shareholding without significant influence of 7.5% in the company Victoria Hotels & Resorts, S.L. (previously named Meliá Zaragoza, S.L., see Note 10), a company valued at more than EUR 200 million, and which now is the owner of the mentioned 8 hotel assets.

This transaction is included in the Group's strategy of asset turnover, and also fulfils the commitment of increasing liquidity after the crisis caused by Covid-19 (see Note 4).

Regarding Rights of use, the variations caused by the introduction of new lease contracts are included in Additions, as well as by the amendments of the terms and conditions of the already existing contracts. Additions relate to one hotel in Newcastle in the amount of EUR 24.9 million, one hotel in Luxembourg in the amount of EUR 19.6 million and one hotel in Frankfurt in the amount of EUR 109 million.

Moreover, additions derived from contract amendments affecting the lease payments and/or the maturity date have been recognised in the amount of EUR 62.9 million and which affected the renting of one aircraft and 22 hotels, 15 of which are located in Spain, 5 in Germany, 1 in Italy and 1 in United Kingdom.

Exchange differences have increased the value of tangible assets and rights of use due to the appreciation of the US dollar and the British pound against the Euro.

For comparison purposes, the changes for the first half of 2020 were as follows:

(Thousand €)	Goodwill	Other intangible assets	Property, Plant and Equipment	Right of use
Balance at 01/01/2020	72,267	73,408	1,923,267	1,251,255
Additions		6,195	33,083	57,404
Disposals			(3,962)	
Depreciation and impairment	(10,707)	(10,970)	(68,559)	(146,958)
Exchange differences	(317)	(2,341)	(127,978)	(18,016)
Balance at 30/06/2020	**61,243**	**66,292**	**1,755,851**	**1,143,685**

Section Additions of Other Intangible Assets included EUR 3.5 million of software applications, 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.

Regarding Property, plant and equipment, the amount of EUR 23.5 million in investments and renovations in hotels was included under heading Additions, of which 9 million was recognised in Spain, 3.4 million related to the renovation of one hotel in Paris and EUR 2 million related to the renovation of one hotel in London. Furthermore, additions in the amount of 9.6 million of net carrying value for the revaluation of assets located in hyperinflationary economies (Venezuela) were also included.

Exchange differences reduced the value of tangible and intangible assets due to the depreciation of the Mexican peso, the Dominican peso, the Brazilian real, the British pound and the bolivar against the Euro.

Regarding Rights of use, the variations caused by the introduction of new lease contracts were included in Additions, as well as by the contract amendments that did not involve the cancellation of the agreement.

Such additions were generated due to the execution of a new lease contract of one hotel located in Milan in the amount of EUR 18.3 million and the amendment of a lease contract in Spain which involved an increase in the amount of EUR 4.9 million. Moreover, additions derived from contract amendments as a result of the Covid-19 pandemic were recognised in the amount of EUR 22.4 million and which affected 38 hotels, 34 of which were located in Spain.

The other increase was due to the update of lease payments for inflation, as well as modifications of lease payments and/or terms of certain contracts in the first half.

Exchange differences related to two hotels under lease in the United Kingdom and, to a lesser extent, one hotel in the United States.

Under heading Provision for depreciation/amortisation and impairment, EUR 104 million of impairment was included.

Note 9. Investments Measured Using the Equity Method

The financial investments representing shareholdings in associates and joint ventures have been measured by applying the equity method.

The following table shows the changes in these shares during the first half of 2021 and 2020:

(Thousand €)	2021	2020
Balance on January 1	**178,365**	**212,711**
Profit / (Loss) on associates and joint ventures	(10,680)	(22,994)
Additions	3,859	2,572
Disposals	(523)	(3,648)
Exchange differences	104	(4,458)
Balance at June 30th	**171,125**	**184,183**

Additions in the first half of the year mainly include contributions from shareholders made by several companies accounted for using the equity method.

Improvement in Profit (loss) on associates and joint ventures heading is mainly due to the fact that the first half of 2020 included the impairment of assets owned by some associates recognised as a result of the impacts of the Covid-19 crisis.

Disposals in the first half of 2020 in the amount of EUR 3.6 million mainly related to dividend distributions of several companies.

Likewise, the Negative Exchange Differences in 2020 related, almost in their entirety, to the devaluation of the Dominican peso.

Note 10. Other Financial Instruments

10.1 Financial Assets

The following table shows the breakdown by financial instrument categories included in heading Other financial assets under non-current and current assets in the balance sheet as at 30 June 2021 and 31 December 2020:

(Thousand €)	30/06/2021			31/12/2020		
	Long term	Short term	Total	Long term	Short term	Total
1. Financial instruments at amortised cost:						
- Loans to associates	89,814	31,021	120,835	76,119	61,783	137,903
- Other loans	57,733	2,886	60,619	41,580	2,588	44,168
- Other	13,701	2,494	16,195	14,103	2,428	16,530
2. Financial instruments at fair value through profit or loss:						
- Trading portfolio		170	170		142	142
- Unlisted equity instruments	19,293		19,293	4,060		4,060
TOTAL	**180,542**	**36,570**	**217,112**	**135,862**	**66,941**	**202,803**

Main changes in Loans to associates relate to the settlement of debts with the company Victoria Hotels & Resorts, S.L. (previously named Meliá Zaragoza, S.L.) in the amount of EUR 11.4 million (see Note 8 and Note 14).

Other loans heading includes the reclassification in the amount of EUR 7.4 million of the figure linked to the rights of use of one hotel in Brazil (see Note 8) which, according to the terms and conditions of the contract, is considered recoverable.

The increase in the amount of EUR 15.2 million under heading Unlisted equity instruments relates to the shareholding in the company Victoria Hotels & Resorts, S.L. (see Note 8).

10.2. Financial Liabilities

The table below shows the breakdown by categories of financial instruments, recorded in headings of Bonds and other marketable securities, Bank borrowings and Other financial liabilities and Lease liabilities of current and non-current liabilities in the balance sheet as at 30 June 2021 and 31 December 2020:

(Thousand €)	30/06/2021			31/12/2020		
	Long term	Short term	Total	Long term	Short term	Total
1. Other financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	1,411	996	2,407	2,759	1,482	4,240
2. Financial instruments at fair value through the income statement:						
- Trading portfolio	1,171	1,180	2,351	919	707	1,626
3. Other financial liabilities at amortised cost:						
- Bonds and other marketable securities	56,640	69,235	125,875	34,152	172	34,324
- Bank borrowings	1,156,372	96,304	1,252,677	1,064,925	260,592	1,325,517
- Lease liabilities	1,274,424	230,543	1,504,966	1,189,401	159,158	1,348,559
- Other financial liabilities	7,479	29,950	37,429	7,851	42,630	50,480
TOTAL	**2,497,497**	**428,209**	**2,925,706**	**2,300,006**	**464,741**	**2,764,747**

The increase in headings Bank borrowings and Bonds and other marketable securities includes EUR 328.6 million of new financing, as well as EUR 321 million of redemptions and use of credit facilities and EUR 20.5 million of payment of interest and commissions, as reflected in the Consolidated Cash Flow Statement.

The amount under Lease liabilities heading has increased due to the inclusion of three new centres located in Luxembourg, Newcastle and Frankfurt, which involved an increase in the amount of EUR 153.6 million. In addition, there was an increase of EUR 65.3 million as a result of variations in lease payments subject to inflation rates and amendments of contracts. Financial expense and variation in exchange rate increased liabilities by EUR 12.8 million and EUR 11.4 million respectively.

In addition, as indicated in the Cash Flow Statement, payments in the amount of EUR 86.7 million have been made, of which 83.1 million relate to lease payments.

Note 11. Equity

11.1 Share Capital

As at 30 June 2021 and 31 December 2020 the share capital of Meliá Hotels International, S.A. is EUR 44,080,000 which consists of 220,400,000 shares of EUR 0.20 par value each. The shares are fully subscribed and paid-up, and constitute a single class and series.

All these shares carry the same rights and are listed on the stock exchange (Spain), except for the 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 2021, compared to the end of 2020, are as follows:

Shareholder	30/06/2021 Shareholding %	31/12/2020 Shareholding %
Hoteles Mallorquines Consolidados, S.L.	24.37	24.37
Hoteles Mallorquines Asociados, S.L.	13.76	13.76
Hoteles Mallorquines Agrupados, S.L.	10.83	10.83
Tulipa Inversiones 2018, S.A.	5.39	5.39
Global Alpha Capital Management Ltd.	3.02	3.15
Other (less than 3% individual)*	42.64	42.51
TOTAL	100.00	100.00

11.2. Treasury Shares

Breakdown and movements of treasury shares under liquidity contract and under treasury share buy-back programme are as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2020	234,014	14.45	3,382
Liquidity contract purchases	5,836,861	6.56	38,272
Liquidity contract disposals	(5,804,861)	6.56	(38,076)
BALANCE AT 30/06/2021	266,014	13.45	3,579

There are no securities loaned to banks as at 30 June 2021.

As at 30 June 2021, the total number of treasury shares held by the Company is 266,014, which represents 0.121% of the share capital. Treasury shares do not exceed the 10% limit established by the Spanish Law on Corporations.

The price of Meliá Hotels International, S.A.'s shares at the end of the first half of 2021 is EUR 6.24. At the 2020 year end the share price amounted to EUR 5.72.

For comparison purposes, movements for year 2020 were as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2019	3,440,825	8.19	28,191
Liquidity contract purchases	1,064,349	4.47	4,758
Liquidity contract disposals	(1,039,236)	4.52	(4,699)
Buyback programme acquisitions	6,225,189	5.45	33,898
BALANCE AT 30/06/2020	9,691,127	6.41	62,148

As at 30 June 2020, the total number of treasury shares held by the Company was 9.7 million, which represented 4.219% of the share capital.

As regards the Treasury Share Buy-Back Programme, the Board of Directors, at its ordinary meeting held on 18 May 2020, unanimously decided the early termination of such Programme, in order to strengthen the financial solvency and liquidity of the Group. By means of this programme 7,846,246 treasury shares were acquired in 2019 and 2020 (3.416% of the share capital), with the maximum amount allocated of number of shares being 8.5 million and the maximum monetary amount being EUR 60 million.

Note 12. Evolution of the Average Staff Numbers

The average number of employees in the Group during the first half of 2021 and 2020 is shown in the table below:

	30/06/2021	30/06/2020
Men	5,798	6,331
Women	3,608	4,374
TOTAL	9,406	10,705

The table above, in relation to the first half of 2021 and 2020, includes the average number of employees weighted by the reduction in working hours period of those employees who have availed themselves of the Spanish ERTE (temporary lay-offs of staff) or similar situations.

Note 13. Corporate Income Tax

Corporate income tax heading in the consolidated financial statement reflects a positive amount of EUR 12.3 million, calculated as 50% of the estimate of such heading by the end of 2021.

Note 14. Information on Related Parties

The following are considered to be related parties:

- Associates and joint ventures accounted for using the equity method.
- Significant shareholders of the controlling company.
- Members of the Board of Directors and members of the SET.

All transactions with related parties are arm’s length transactions under market conditions.

14.1. Transactions with Associates and Joint Ventures

Commercial transactions

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

During the first half of 2021, the Group has continued its commercial transactions in relation to associates and joint ventures as it has been doing in 2020.

Financing Transactions

Among the main changes in the balances held by the Group with associates as at 30 June 2021 compared to the end of 2020, it is worth mentioning a decrease in loans with the company Victoria Hotels & Resort in the amount of EUR 11.4 million, as a result of the derecognition mentioned in Note 10, and the company Altavista Hotelera, S.L. in the amount of EUR 3.6 million.

On the other hand, debts with associates relating to the company Evertmel, S.L. have increased in the amount of EUR 1.2 million.

Guarantees and Deposits

Regarding deposits held by the Group in relation to liabilities recognised in associates and joint ventures, it is worth mentioning that during this half year the mortgage loan granted by Banco de Santander to the company Meliá Zaragoza, S.L., in which Meliá Hotels International, S.A. acted as joint and several guarantor, has been cancelled. At the end of 2020, the outstanding amount was EUR 7.3 million.

14.2. Transactions with Significant Shareholders

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

(Thousand €)	Transaction type	30/06/2021	30/06/2020
Tulipa Inversiones 2018, S.A.	Leases	71	97
Tulipa Inversiones 2018, S.A.	Services received	62	441
TOTAL		**133**	**538**

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 are as follows:

(Thousand €)	30/06/2021	30/06/2020
Attendance fees	401	350
Executive directors remuneration	299	595
Senior management remuneration	757	1,154
TOTAL	**1,457**	**2,099**

The Company has not assumed any obligations and has not made or granted any advance payments or loans to the directors.

In relation to the remuneration of the Board of Directors and executives, the following measures have been adopted as a result of the economic and health crisis derived from Covid-19:

- The Chief Executive Officer and the Senior Management reduced their fixed remuneration by 25% for the first five months of the year.
- The remuneration of the Board of Directors for attendance (allowances) to the Delegated Committees was reduced by 50 % from 1 January to 30 June 2021.
- The short- and long-term remuneration scheme of the Chief Executive Officer has been temporarily suspended.

Note 15. Provisions and Contingencies

15.1. Provisions

The breakdown of the balance by type of obligations for the periods ending 30 June 2021 and 31 December 2020, respectively, is as follows:

(Thousand €)	30/06/2021	31/12/2020
Provision for retirement, seniority bonus and personnel obligations	12,254	12,942
Provision for liabilities and taxes	13,574	13,541
Total	**25,827**	**26,483**

As at 30 June 2021, the Group assessed the commitments established in collective agreements based on actuarial studies and an accrued amount of EUR 12.7 million has been estimated. As at 31 December 2020, the accrued amount was EUR 14.1 million.

Moreover, the balance of the externalised commitments was EUR 0.4 million in June 2021, with Liabilities being presented at their net amount. At the end of 2020, the balance for this item amounted to EUR 1.1 million.

The technical interest rate applied for the assessment of such commitments as at 30 June 2021 was 0.73%, while as at 31 December 2020, this rate was 0.43%.

15.2. Contingencies

The Group has commitments with third parties 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 2021 guarantees have been cancelled for the termination of works in Germany in the amount of EUR 8.2 million.

Note 16. Events after the Reporting Date

Following the closing of the Balance Sheet and prior to the submission of these Condensed Consolidated Interim Financial Statements, no transactions with significant impacts on such Financial Statements have been carried out.

Condensed Consolidated Interim Management Report

1. Company's Situation

During the first half of 2021, with reference to those aspects related to the organisational structure of Meliá Hotels International, S.A. and its subsidiaries, as well as the Company's organisation chart and operations, there have been no significant changes and, therefore, the information available in the 2020 Consolidated Annual Accounts and its corresponding Management Report, is considered as the most up-to-date information.

2. Business Evolution and Performance

There follows a breakdown for each of the operating segments in which the Company is structured.

2.1. Hotel Business

The evolution of the hotel business for the entire Company is summarised in the following KPIs, broken down by type of management:

€ Millions	H1 2021	H1 2020	% Change
Total aggregated Revenues	**183.1**	**262.0**	**(30.10%)**
Owned	105.0	142.0	
Leased	78.1	120.0	
Of which Room Revenues	**85.0**	**150.8**	**(43.62%)**
Owned	48.0	71.1	
Leased	37.0	79.6	
EBITDAR	**-21.7**	**-19.2**	**12.98%**
Owned	-9.0	-8.1	
Leased	-12.7	-11.1	
EBITDA	**-22.6**	**-19.5**	**16.29%**
Owned	-9.0	-8.1	
Leased	-13.7	-11.4	
EBIT	**-138.5**	**-237.8**	**(41.79%)**
Owned	-39.3	-67.9	
Leased	-99.1	-170.0	

The evolution of the hotel management model by revenue source is summarised in the table below:

€ Millions	H1 2021	H1 2020	% Change
Total Management Model Revenues	**28.6**	**45.3**	**(36.8%)**
Third Parties Fees	3.4	8.1	
Owned &Leased Fees	7.3	12.8	
Other Revenues	17.8	24.4	
Total EBITDA Management Model	**-13.2**	**-5.4**	**145.0%**
Total EBIT Management Model	**-14.9**	**-10.3**	**44.7%**

Regarding Other businesses related to the hotel management, the evolution has been the following:

€ Millions	H1 2021	H1 2020	% Change
Revenues	5.0	14.7	(65.6%)
EBITDAR	-0.5	-3.4	
EBITDA	-0.5	-3.4	
EBIT	-1.1	-4.0	

Occupancy rates, ARR and RevPAR by business model, are broken down in the table below, including the (%) change compared to the same period last year:

	OWNED & LEASED					
	Occupancy		ARR		RevPAR	
	%	Chg.(Pts)	€	% Change	€	% Change
Total Hotels	**28.1%**	**(23.2)**	**97.2**	**(15.0%)**	**27.3**	**(53.4%)**
Total Hotels (same store basis)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
America	35.4%	(16.7)	94.8	(23.2%)	33.6	(47.8%)
EMEA	17.2%	(26.2)	97.7	(21.7%)	16.8	(69.0%)
Spain	29.8%	(27.5)	99.4	(3.4%)	29.6	(49.7%)

Available Rooms in H1 2021 for Owned & Leased hotels were 3,1 millions (2,6 millions in H1 2020)

	OWNED,LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg.(Pts)	€	% Change	€	Variación (%)
Total Hotels	**24.8%**	**(19.1)**	**89.1**	**(11.6%)**	**22.1**	**(50.0%)**
Total Hotels (same store basis)	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**	**N/A**
America	28.7%	(12.2)	84.9	(26.6%)	24.3	(48.5%)
EMEA	18.4%	(22.8)	118.9	(7.3%)	21.9	(58.6%)
Spain	28.3%	(24.4)	98.0	4.5%	27.7	(43.9%)
Cuba	14.2%	(27.7)	59.0	(37.7%)	8.4	(78.8%)
Asia	27.2%	(5.8)	70.4	(4.4%)	19.1	(21.2%)

Available Rooms in H1 2021 for Owned,Leased & Managed hotels were 6,4 millions (6,7 millions in H1 2020)

The number of hotels and rooms by business model at the end of H1 2021 and 2020 is as follows:

	Current Portfolio			
	30/06/2021		31/12/2020	
	Hotels	Rooms	Hotels	Rooms
Global Hotels	**322**	**84,407**	**317**	**82,576**
Owned	37	11,766	43	13,126
Leased	106	21,771	103	20,984
Management	129	38,956	124	37,538
Franchise	50	11,914	47	10,928

On the other hand, the hotel pipeline for the upcoming years is as follows:

	Pipeline									
	2021		2022		2023		Onwards		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Global Hotels	6	1,422	16	5,103	18	3,261	9	1,967	49	11,753
Owned										
Leased	2	371			2	211			4	582
Management	4	1,051	14	4,481	13	2,676	8	1,787	39	9,995
Franchise			2	622	3	374	1	180	6	1,176

During the first half of the year, the number of available rooms compared to the same period last year increased by +21.1% in hotels under ownership and under lease, and decreased by -4.4% considering all the hotels of the company. In comparison with the same period in 2019, changes have been -44.5% and -45.5% respectively.

For information purposes, if the hotels closed due to Covid-19 were included in the calculation, RevPAR evolution for the first half of the year would be -51.8% and -82.3% compared to the same period in 2019.

In general, hotel business has improved during this period as restrictions have been eliminated, following the same trend as in the last quarters; i.e., there has been a greater focus on local markets. The Caribbean has become the first destination with an international customer growth, as well as Mexico, which has undergone a rapid recovery thanks to the good progress in vaccination of the US market.

In Spain, there is a high number of resorts that are closed, in part, due to COVID-19 as well as the delay in the opening of seasonal hotels at the end of May and at the beginning of June. During these months, it is worth mentioning the high dependence on the direct customer which represented 55% of the sales, as well as the lack of Tour Operation and MICE segments. National customer has been the main market, with a share above 60%. Regarding urban hotels, at the beginning of the year there was a small number of open hotels in each destination and from April onwards, gradually more hotels opened thanks to a steady improvement in demand. Segments with greatest activity were essentially “Transient” and Corporate, mostly in this second half of the year, with MICE segment being the worst affected. It is worth mentioning the relevance of the domestic customer which represented almost 70% of the sales, not only as a result of perimeter and border closures in place until May, but also because of travel and quarantine restrictions.

In EMEA, hotel openings have been adapted to the different restrictions imposed by the different governments. In Germany, where almost all the hotels opened at the end of the second quarter and, despite of the large number of restrictions, a minimum leisure and business travel demand has been attained as there is greater dependence on domestic customer. United Kingdom was totally closed due to a very restrictive blockade during the first quarter, and accordingly, our hotels were closed during that period. In the second quarter there was a very different scenario, and since mid-May all the hotels have been open, and the business has been focused on the local market. Performance is different in second-tier cities (Manchester/Newcastle) and London, the former being more attractive for domestic travellers, and London with a greater local demand for Lifestyle hotels such as the Me London. The renovation process of Meliá White House continues, so there are only 280 available rooms. In France, the only hotel in operation throughout these six months was Innside Charles de Gaulle, which is taking advantage of the airport and the airline crews’ operations. In the second quarter, the Melia Paris Villa Marquis was open. Italy, as in most regions, was affected by the strict COVID-19 restrictions. From late March, the government has been applying more restrictive measures by declaring closures, curfew and travel limitations within the area. Since the second quarter of the year a gradual relaxation of the measures has been observed, which has allowed the start of the business recovery.

For our hotels within America division, one positive fact to be mentioned is that during this first half of the year, most of the hotels of the regional division were open throughout the entire period. Mexico has been one of the countries with less entry restrictions and the good progress in vaccination of the US market allowed a rapid recovery in the second quarter of the year. MICE segment was far from being activated during the first half of the year and the lack of groups obliged the hotels to strength the individual channels, with the Own Channel being the most important one. During this period, local governments maintained moderate health restrictions, allowing occupancy of 50% to 65% depending on the destination. In April, ME Cabo was closed for renovation, but on 1 May, Paradisus La Perla reopened. In Dominican Republic an important acceleration in demand has been observed from March onwards thanks to the progress in vaccination at a global level, especially in the USA, and the influence of the Easter period, where apart from the US market, the local and Spanish market also increased. On 5 June the Paradisus Palma Real reopened. Finally, as regards the USA, Orlando has benefited from a desire for vacations along with the fact that other domestic destinations have not been as open as Florida. This trend will likely slow down as hotels in California or New York begin to reopen. New York is seeing gradual improvement, although with a greater dependence on the local market.

The expectations for an improvement in tourist arrivals to Cuba for the first half of the year were crushed by a new pandemic wave at the end of the year, which obliged the country to regulate the flow of travellers from the first week of January, significantly reducing the number of flights from all the airlines. The effects of the pandemic continued to have a negative impact on tourism during the second quarter. On a positive note, however, it is worth mentioning the increase in operations from Russia and the restart of TUI UK flights since May; in this second quarter, unfortunately, the restart of operations from Canada was postponed. As a result of the growth in demand from the Russian market, two more hotels in Varadero reopened, making it seven hotels operating with international travellers in the Division, in addition to the Sol Cayo Coco that is still adapted as a health centre. On the other hand, renovations in important hotels in the division continue.

In Asia, after certain uncertainty at the beginning of 2021 due to several outbreaks of COVID-19 in January and February, China has entered a period of stable growth, consumer confidence is high, and this is clearly having an effect on our hotel revenues. Gradually, the MICE business is becoming more significant and more important events are taking place. Most of the hotels are in line with the indicators of 2019. In other areas within the region, the challenges seen in previous quarters are still faced due to restrictions on international flights, border closures, and low demand of domestic customers due to local restrictions in countries such as Indonesia, Malaysia, Thailand and Myanmar. Vietnam has seen a recovery in destinations such as Phu Quoc and Ho Tram, mainly since April, thanks to demand from the holiday business.

3Q Outlook

Visibility is still very limited in the short term, although indicators allow us to predict a recovery in the summer, always depending on the progress with vaccination and mobility restrictions. We are very cautious with regard to the fifth wave outbreak.

In Spanish resorts, a recovery is observed in the third quarter, and it is estimated a decline in revenues by 32% compared to 2019. The most important destinations are those that are more dependent on the Spanish market (Cadiz, Huelva, Menorca, etc.) and German market (Fuerteventura). In other destinations, we are still pending the arrival of the British market and the possibility of travelling for people who have two doses of the vaccine. There is a trend among customers to choose higher category hotels and superior rooms. In urban hotels, the summer strategy is to focus on secondary leisure destinations (A Coruña, Cadiz, the Paseo Marítimo seafront in Palma…). We can observe an upturn in MICE groups in the last 5 weeks with bookings up to 53% of the level reached in 2019.We continue to have a high rate of domestic customers, almost 50% of all business. As in other urban destinations, there is poor visibility, and the pace of recovery will depend largely on external factors.

EMEA: in Germany, hotels with a strong Leisure component may have a good summer (Leipzig, Dresden, Bremen, Hamburg...), as they did in 2020. From September, we expect a gradual return to normality for business-oriented hotels (Dusseldorf, Frankfurt...). The recovery potential is linked to the evolution of Business Travel, Mice and Trade Fairs. Considering that Germany has a high share of domestic customers and that in the fourth quarter the first major trade fairs will be held, we expect the business to return to normal earlier than in other European countries. In the United Kingdom, occupancy rates for July and August remain low as business trips have been reduced during the holiday period, and there was a certain increase in occupancy rates only on the occasion of the Euro Cup football matches. Currently, the demand concentrates on weekends generated by domestic leisure customers. It is worth mentioning that immunity levels in the United Kingdom are above 73%, so the key now is to open borders and recover business segments as of September. In Italy, an important recovery is expected in Genoa both in summer and in September on the occasion of the Boat Show. September also is an opportunity for the rest of the hotels as important events are expected in Milan. Rome should get stronger in the summer season and also benefit from the recovery of the US market. In France, a negative outlook remains in place in terms of business reactivation. The bad COVID results and the impossibility of receiving leisure customers from neighbouring countries, anticipate a difficult summer season, which is already the low season for the City. Our focus is to continue to open hotels as of September and monitor the evolution of business travels and the MICE segment in order to be able to reopen the Meliá París la Defense.

America: Mexico is expected to keep a good pace and trends in the second quarter thanks to the US market, with a gradual recovery of the MICE segment. In the Dominican Republic, there are positive signs in source countries such as Germany and Spain; on the other hand, Canada has also relaxed travel restrictions for those citizens who are already vaccinated, lifting quarantine requirements on their return to the country. In the United States, especially in New York, improvement is expected to gradually continue, highlighting several events planned in early 2021 that were postponed to the third and fourth quarters. For the rest of the Latam countries, it is expected a better evolution of the vaccination process and, therefore, an improvement in demand in general, mainly in Brazil, with good month-to-month growth and a recovery of the Corporate segment, and in Iguazú with good prospects mainly in July and September, when the high season begins. In Lima and Buenos Aires slower growth is expected.

In Cuba, the number of flights and arrivals of travellers in the third quarter of the year presents a discreet ascending line. Positive news comes from the Canadian market, with the restart of flights to Varadero and Cayo Coco from the first week of July. It is also worth mentioning the start of a massive vaccination campaign to combat COVID-19 which would guarantee coverage for a high proportion of its population by the end of the summer.

In Asia, expectations for the third quarter in hotels in China are to obtain figures similar to those of 2019, with an improvement in the average price as a result of the growth in demand from the MICE segment. For other countries, the improvement in international demand continues to be uncertain due to border restrictions and other quarantine requirements that are still in force. The evolution of vaccination programmes remains a key factor in the reopening of borders.

As we have observed in recent weeks, the gradual recovery moves forward at different speeds depending on the destinations and whether they are urban or holiday destinations. Holiday markets are recovering quicker, particularly where restrictions are being lifted and/or the vaccination rates are high, in both the final destination and the source countries. At the time of preparation of this management report, the COVID uptick is unstable, and it is difficult to anticipate the potential for the summer season. It seems that in urban destinations, however, we will have to wait until after summer to see how the MICE and business travels segments will recover.

Other Businesses

Club Meliá / The Circle

During this half of the year, sales increased by +47.3% compared to the same period in the previous year. An important evolution has been observed over the past few months, in particular, one of the factors of improvement was hotel occupancy as the global vaccination programme began to advance, mainly in the USA. Likewise, remote sales and Circle membership upgrades continue to generate an important volume, exceeding $4M in the first half of the year, an extremely positive figure for the business as occupancy levels return to normal records.

In terms of revenues in this business, it is worth mentioning that revenues generated by the use of memberships by Club customers increased by 19.6% compared to the same period in the previous year, .

Real Estate Business

During this half of the year, Meliá completed a transaction in which it transferred 6 of its owned hotels and its shareholding in 2 additional hotel assets. The group of companies resulting from such transaction will maintain ownership and activity linked to the 8 hotel assets: Gran Meliá Victoria (Mallorca), Meliá Tamarindos (Gran Canaria), Meliá Granada, Sol Beach House Menorca, Meliá Salinas (Lanzarote), Innside Bosque (Mallorca) Meliá Atlanterra (Cádiz) and Innside Zaragoza, with a total of 1,801 rooms.

Meliá will maintain 7.5% shareholding in the parent company of said group. Likewise, Meliá will also retain the management of the 8 hotels through long-term contracts.

The total value of the transaction amounts to EUR 203.9 million. After discounting Meliá's residual interest, taxes and other expenses, the impact on cash flow is EUR 170 million, generating accounting capital gains at the EBITDA level of approximately EUR 64 million.

The Company thus increases liquidity after the crisis caused by Covid-19, and also reinforces the Company's asset turnover strategy and the consolidation of its management model.

3. Non-financial information

Our commitment to sustainability is a key factor in our hotel activity and a principle that reinforces our bond with our stakeholders. Its effective integration with the Meliá value chain drives our progress in this process of constant transformation, in which environmental, social and good governance issues are integrated into the future of the business.

While the pandemic has slowed down the development and implementation of our strategic plans, throughout the first half of 2021 we have continued to make progress in designing the tools and processes we need to transform our sustainable management business model and make progress in our corporate mission "*To move towards a sustainable future from a responsible present*".

Climate change and the environment

Our mission takes on a new dimension within the context of the Green New Deal or European Green Pact, given that they require large companies to focus on managing sustainability and decarbonising their activity.

Meliá's commitment to fighting climate change and protecting the environment allowed us to certify our emission reduction targets based on scientific criteria in 2019, in line with the COP21 Paris agreements and based on the methodology of the Science Based Target Initiative (SBTi), to effectively contribute to reducing greenhouse gas emissions and help ensure the average temperature of the planet does not increase by more than 2°C before the end of the century.

During COP24 in Katowice in Poland, it was demonstrated scientifically that the consequences of increasing temperatures by 2°C could be devastating for the planet. That is why UN member countries must increase their commitment and redouble their efforts to limit the average increase in global temperature to below 2°C and as close as possible to 1.5°C by the end of the century.

Meliá Hotels International is also committed to achieving this objective. That's why we are adapting our strategy and objectives to help keep temperature increases to no more than 1.5°C by 2100, defining and certifying objectives which are much more ambitious than those defined in 2019.

Our new science-based emission reduction targets adapted to this new 1.5°C scenario are reductions of 29.4% (vs. 17.5%) by 2025 and 71.4% (vs. 42.5%) by 2035 for our scope 1, 2 and 3 emissions.

During the first semester we have extended the $C0_2$PERATE project to continue to move towards a more efficient and responsible hotel management model and equipped cooling systems with artificial intelligence which uses algorithms and variables such as hotel occupancy or outdoor temperature to generate significant energy and financial savings, reduce emissions, allow constant monitoring and detect new opportunities for savings and efficiency.

This has already been implemented in 74 hotels, and by the end of 2021 we will have a total of 96 hotels taking part in the CO_2PERATE project.

The project also constantly monitors electricity use in those systems or facilities with the highest consumption in order to avoid deviations and detect energy-saving and efficiency opportunities.

97.6% of the investment assigned to the project (€2.43M) has been made, already generating savings of more than €1.13M since 2019. This savings is equal to 7.2% of hotel electricity consumption, above the initial estimates which we set at 6%. The equivalent amount in emissions is 2,703 Tn of CO_2 emissions avoided.

We think it is important to note that 2020 and 2021 were not normal years due to the pandemic, so our savings estimates for the post-pandemic period will be around €2.13M.

Adding to the work carried out throughout the past year to minimise energy and water consumption in inactive hotels, we have carried out exhaustive monitoring and even adjusted the contracted electrical power for the portfolio of closed hotels. This achieved savings of over €0.8M in the fixed cost part of the electricity bill.

In parallel, we have continued to analyse and activate some energy-saving and efficiency investments in equipment, such as the replacement of coolers with more efficient equipment in 3 hotels and the implementation of LED lighting to optimise the lighting of the façade in 1 hotel.

Throughout the second half of the year, new investments of €0.3 million will be made in new pumping mechanisms for air-conditioning systems, the digitalisation of energy and water consumption, and changes in other cooling equipment.

In another order of magnitude, at Melia we understand combatting climate change requires involving our stakeholders and making them an active part of our response to this global challenge, offering them real opportunities as loyal customers of the company.

That is why we launched the THE PLANET WE LOVE project on Environment Day. The project was designed in 2019 together with our partner ClimateTrade and presented in 2020 at the COP25 event in Madrid.

The pandemic and slowdown in the global hotel industry meant we had to delay the launch of this pioneering project, and it finally saw the light of day in June this year. THE PLANET WE LOVE is the first project in the world that uses blockchain technology as part of a hotel company loyalty programme.

Programme members can directly support the reduction of greenhouse gas emissions by converting their points into carbon credits to allocate to projects of their choice, currently in Brazil and Mexico. Blockchain technology allows the donation made through the MeliáRewards loyalty programme to be allocated in its entirety to the project selected by the member and is also endorsed and certified by the United Nations to increase customer confidence in the process.

The project aims to raise awareness in an innovative way among our most loyal customers about the need to get involved in the decarbonisation of the hotel business and is also one of the key strategic areas of the company in the fight against climate change. THE PLANET WE LOVE will gradually add other environmental projects located in the main markets in which we operate.

As the trend towards sustainable mobility is already a reality, we have also reached an important agreement to increase the number of recharging stations in Europe together with WENEA, a leading partner in this field. In the first stage, we will add almost 40 new recharging stations for vehicles in hotels that currently do not have any.

Responsible supply chain

The acquisition of goods and contracting of services has the greatest impact in the scope 3 category of our carbon footprint, which refers to the indirect emissions generated by our activity.

Given the importance of making sustainability part of our supply chain, we have decided to add environmental attributes to our new Digital Procurement Platform (COUPA), such as the carbon or water footprints of our suppliers, products and services, as well as additional variables for the selection of products or services. The platform will also allow us to acknowledge the commitment of suppliers that make the greatest efforts and employ best practices in this area.

COUPA will also offer detailed information on each product according to the type of packaging materials, and whether they are recycled, recyclable or compostable, among other factors. Having this information on the composition of products will make it much easier to measure progress in the elimination of single-use plastics, the use of more sustainable materials or the minimisation of waste.

People management

The pandemic has obviously had a huge impact on our industry and on our own business activity. However, it has also provoked changes and processes that had already started at Meliá, but which have been greatly accelerated by the new business context.

Significant changes have been seen in digitalisation at the service of our people, the development of new management and operational skills, new ways of working, training programmes with new formats and methodologies or the search for greater balance in personal and professional lives, among others.

During the toughest months of the pandemic, we were already fully committed to online training through our eMeliá platform. The enhancement of eMeliá not only allowed us to continue to boost the talent of our teams, both for employees on furlough and those who were still active, but also to prepare them for their eventual return in a much more competitive, digital and demanding business environment.

The progressive return to activity in such unusual conditions led us to anticipate changes and introduce WELCOME BACK, a support programme for employees to help them adapt and guarantee their safe return to their work.

The programme includes information on how to proceed on a day-to-day basis, as well as preventative health and safety recommendations. Since its launch, it has already been implemented in Spain, France, Germany, Italy and the United Kingdom. We believe that this online training schedule, which already has 47 registered users, will allow us to assist in emotional management for our employees.

It is also essential that our managers strengthen their leadership abilities at a time in which there is such huge uncertainty, applying new approaches, methodologies and skills. To respond to this challenge, we launched DRIVE, a programme designed to assist senior managers and help strengthen their leadership skills through the change process involved in the organisational transformation of the company. A total of between 50 and 75 executives will take part in the project.

Meliá is a company that has always been committed to internal talent, offering its team members professional development opportunities either through vertical promotion within their area of responsibility or through new professional challenges in other areas of the company.

We currently have 300 people from the executive committees of operations centres participating in the TRANSITION PROFILE GUIDANCE (TPG) project, a self-development programme to support managers who must assume new roles and responsibilities in a context of transformation and change.

The company is also immersed in the implementation of a new PMS (Opera Cloud). To help people adapt and use the new technology, the company has created a video training programme with a step-by-step guide to processes and the digitalisation of 42 SOPs, all adapted to each of the different areas that use the PMS (Front-Office, Reservations, Administration, Housekeeping, Revenue and MICE). The programme is being piloted in 5 hotels in Spain, Luxembourg and the Dominican Republic.

A specific training catalogue has also been designed for managed hotels to adapt the content of the platform. The content is already available and is structured around the members of staff who must use it, the subject matter of each course, the language in which it is delivered and the duration of each training session.

Safety and health is now a key attribute in hotel operations as a result of the pandemic. STAY SAFE WITH MELIÁ, our health and safety programme, is now in its second year and continues to guarantee the implementation of COVID-19 protocols and the adaptation of employees that return to their positions and new employees.

The programme includes both the new safety standards and hygiene and disinfection protocols as well as preventative measures for hotels and corporate offices. We continue to guarantee the well-being of our customers and employees and our commitment to work rigorously has been acknowledged by the renewal of our GLOBAL SAFE SITE 2020 Certification by Bureau Veritas.

The programme has also been extended with new training modules on emotional well-being and team management in times of uncertainty. During the first semester of the year, 1,302 employees took part in training programmes, with 36% having completed their training.

To guarantee the health and safety of our customers and employees, last June the company obtained certification for its Occupational Health and Safety Management System under the international ISO 45001:2018 standards and the Healthy Work Environment Certification from the World Health Organization (WHO), being the first company to achieve both certifications simultaneously, as confirmed by the Full Audit auditing company.

Meliá Hotels International has evolved from an occupational health and safety compliance model based on OHSAS 18001:2007 standards to a management system based on international ISO standards, implemented not only in hotels already certified, but in all those hotels belonging to the Group on a global level.

The World Health Organization (WHO) defines the Healthy Work Environment model as a process of constant improvement to promote and protect the health, safety and well-being of workers in the work environment, including not only physical factors, but also wellness achieved through the employee experience.

Meliá Hotels International is firmly committed to its employees and actively works to offer them a comprehensive work experience with different benefits, the promotion of healthy habits, training programmes and special measures designed for employees.

Corporate Governance

Changes in the composition of the Board of Directors and Delegate Committees

In the first semester of 2021, the following changes took place in the composition of the Board of Directors and Delegate Committees:

- Re-election of Gabriel Escarrer Jaume as CEO and Vice Chairman of the Board.
- Re-election of Francisco Javier Campo García, Fernando d'Ornellas Silva and Luis María Díaz de Bustamante y Terminel as External Independent Directors.
- Appointment of Maria Antonia Escarrer Jaume as an External Proprietary Director.
- Resignation of Juan Arena de la Mora as a member of the Audit and Compliance Committee. 100% of the members of the Audit and Compliance Committee are currently independent.

Remuneration measures in the Covid-19 context

Given the economic situation caused by COVID-19, and continuing with the measures taken in 2020, in the first half of the year the following measures have been taken regarding remuneration:

- Until June 1, 2021, the CEO and senior executive team maintained the 25% reduction in their fixed salaries.
- The remuneration of the members of the Board of Directors for attendance (per diems) at Delegate Committee meetings was reduced by 50% until June 30, 2021.
- The short and long-term variable remuneration programme for the CEO remains suspended.

Virtual Annual General Meeting

Due to the restrictions on travel and following the recommendations in the new Code of Good Governance of Listed Companies from the CNMV, the company implemented measures for virtual attendance and voting at the 2021 AGM using a specially designed digital platform.

Attendance at the 2020 AGM was therefore representative of 74.88% of the share capital with voting rights.

Given the continuity of the impact of Covid-19, the Board of Directors decided not to propose the distribution of dividends to the AGM.

Code of Ethics Office

In June 2021, the Appointments, Remuneration and CSR Committee approved the restructuring of the Code of Ethics Office, the internal company body whose main objective is to ensure the publication and correct application and interpretation of the company Code of Ethics.

The key functions of the Office are the following:

- **Consultation**: The Office is responsible for handling any questions that may arise internally and externally regarding the content and application of the Code of Ethics and the Supplier Code of Ethics. It is also responsible for interpreting the Code of Ethics and guaranteeing the coherence of the Group's entire regulatory body, ensuring that all Policies, Standards, Processes, Manuals or other internal regulations respond to and respect the content of the Code.
- **Publication and training:** it is responsible for raising awareness about the Codes in force throughout the organization, carrying out and coordinating any necessary training activities.
- **Update and review:** the Office is responsible for presenting a proposal for a review of the Code based on company needs to the Board of Directors through the Appointments, Remuneration and Corporate Social Responsibility Committee, including any modifications and updates derived from the suggestions and questions raised over the year.

Policies

To strengthen our Governance Model, in the first semester of the year the Board of Directors approved the following Corporate Policies:

- Director Remuneration Policy for 2022 to 2024: the new Policy includes the new features in the latest review of the Code of Good Governance of Listed Companies published by the CNMV and also the changes to the Companies Act and other financial regulations related to encouraging greater involvement of long-term shareholders in listed companies.
- Climate Change and Environment Policy: this new Policy recognises the Meliá commitment to make progress in combatting climate change and minimize the company's environmental impact, recognizing both its impact on tourism and the responsibility the company assumes to face the risks and opportunities created by climate change. This new policy replaces and extends the scope of the previous Environmental Policy.
- Occupational Health and Safety Policy

Human Rights

The self-assessment carried out in the previous year did not identify any critical risks for the Group. The Company concludes that its management in this area is appropriate thanks to a management system and self-assessment which comprehensively covers the public commitments in its Human Rights Policy.

The mentioned assessment also allowed the identification of certain exceptional situations this year that, although not critical, affect hotel units in Jamaica, the Bahamas and Morocco. For each of these situations, action plans have been defined to ensure their correction.

The halt in global hotel activity since March 2020 as a result of the pandemic forced corrective measures to be put on hold. Because of the future European Due Diligence Directive in this area, Meliá will review its management system and update its self-assessment to ensure it is aligned with the new regulatory framework and carry out a new analysis of its entire portfolio.

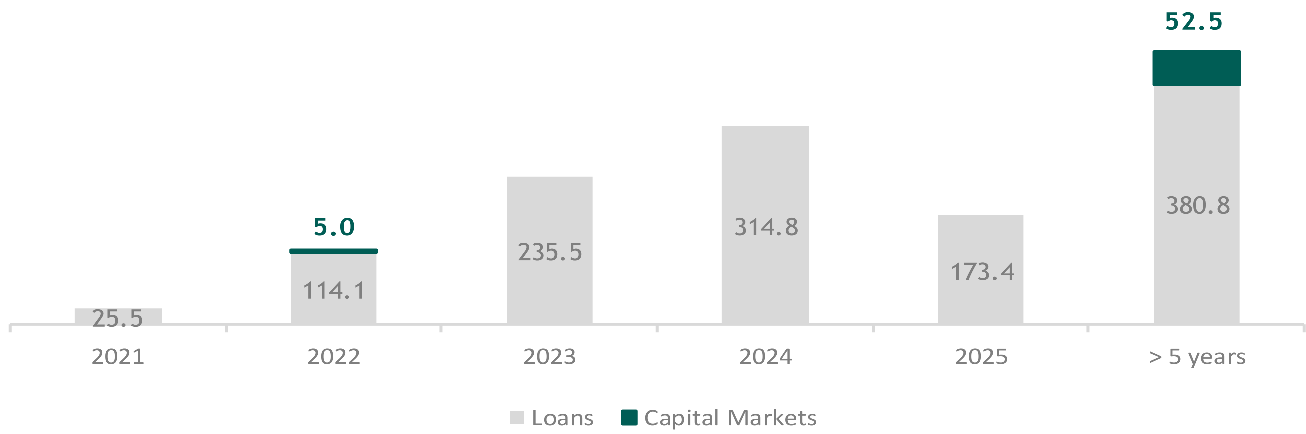
4. Liquidity and Capital Resources

The Company has completed an asset transfer transaction with a net cash impact in the amount of €175.1M, thus meeting its commitment to make asset sales to increase liquidity due to the crisis caused by Covid-19. In addition, this transaction reinforces the Company's asset turnover strategy and the consolidation of its management model.

At the end of the first half of the year, Net Debt amounted to €2,768.1M, which represents an increase of +€164.3M compared to December 2020, mainly generated by new incorporations and the extension of several lease contracts. During the same period, Net Financial Debt pre IFRS 16 increased by +€7.9M, to €1,263.1M, which represents a reduction of -€143.7M compared to the end of March 2021. If we exclude the impact of the asset transfer, the monthly cash consumption in this last quarter stood at around €12.5M compared to €45.5M in the previous quarter. It is worth mentioning that in the second quarter, the Company received €18.8M in direct aids from the German government to offset the business losses during the pandemic in 2020.

One of the Company's priorities is to ensure a liquidity position that allows it to meet its obligations with ease during the months to come. According to the above, it should be noted that debt that matured in 2021 has already been fully refinanced. At the end of June 2021, the liquidity position (including liquid assets as well as undrawn credit facilities) amounts to €405M approximately.

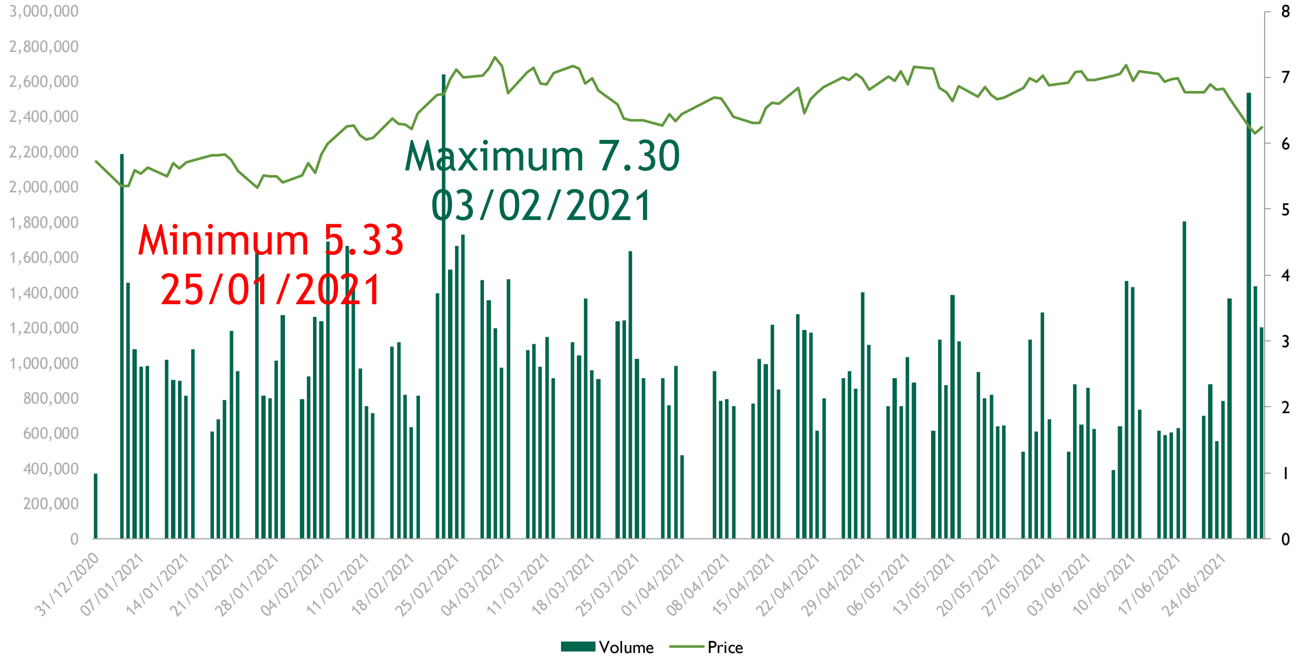
For the future, the Company presents the following maturity schedule. The figures included below (in million Euro), do not include credit facilities drawn down and the European Commercial Papers (ECP's).



5. Other Information

Stock Information

The following table shows the evolution of Meliá's stock price during the first half of the year:



	Q1 2021	Q2 2021	2021
Average Daily Volume (Thousand Shares)	1,139.3	924.5	1,026.7
Melia performance	10.8%	-1.5%	9.1%
IBEX 35 performance	6.3%	2.8%	9.3%

	H1 2021	H1 2020
Number of Shares (Millions)	220.40	229.70
Average Daily Volume (Thousand shares)	1,026.70	1,331.40
Maximum share price (euros)	7.30	8.34
Minimum share price (euros)	5.33	2.74
Last price (euros)	6.24	3.78
Market capitalization (million euros)	1,375.30	868.73
Dividends (euros)	-	-

Source: Bloomerg.

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

Dividend Policy

The Board of Directors, given the continuation of the impacts derived from Covid-19, decided not to propose to the General Shareholders' Meeting the distribution of dividends for 2020, as it did in 2020 with the distribution of benefits for 2019.

Environmental Risks

These Condensed Consolidated Interim Financial Statements do not include any item relating to environmental information that should be included pursuant to Order of the Ministry of Justice dated 8 October 2001.

6. Events after the reporting date

As explained in Note 16, following the closing of the Balance Sheet and prior to the submission of these Condensed Consolidated Interim Financial Statements, no transactions with significant impacts on such Financial Statements have been carried out.

PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE FIRST HALF OF YEAR 2021

CERTIFICATE OF PREPARATION OF FINANCIAL STATEMENTS. I, the Director-Secretary of the Board of Directors of MELIÁ HOTELS INTERNATIONAL, S.A., hereby issue this certificate to place on record that at the meeting of the Board of Directors of the Company held on 28 July 2021 via video-conference; previously convened in a proper and timely manner and according to the provisions of Article 35 and related articles of the Bylaws and Article 17 and related articles of the Regulations of the Board of Directors; with address/head office for this purpose in the registered office at Calle Gremio Toneleros, No.24 of E-07009-Palma (Majorca); the attached condensed consolidated interim financial statements and management report have been prepared and approved unanimously by all the members of the Board of Directors. Likewise, since the meeting was held via video-conference, the financial statements (issued in 35 sheets, pages from 1 to 35) have been electronically signed by me, the Secretary of the Board of Directors.

In witness whereof and for all pertinent legal and formal purposes, I, the Secretary, hereby certify the above information in Palma on 28 July 2021.

Luis Mª Díaz de Bustamante y Terminel,
Director-Secretary of the
Board of Directors of
MELIÁ HOTELES INTERNATIONAL, S.A.