Meliá Hotels International, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements and Interim Consolidated Directors' Report for the six-month period ended 30 June 2019, 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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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.

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 2019 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 2019 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 2018. Our conclusion is not modified in respect of this matter.

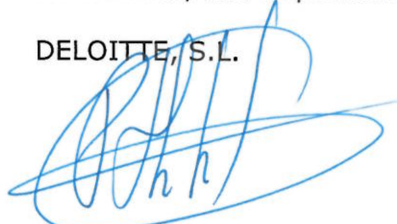
Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2019 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 2019. 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 Meliá Hotels International, S.A. and Subsidiaries.

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.



Pablo Hurtado March

30 July 2019

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONDENSED CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE FIRST HALF OF YEAR 2019

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

Consolidated Balance Sheet

(Thousand €)	Note	30/06/2019	31/12/2018 (Restated)
NON-CURRENT ASSETS			
Goodwill	8	68,011	67,999
Other intangible assets	8	106,554	107,231
Property, Plant and Equipment	8	1,923,040	1,851,194
Right of use	8	967,421	971,561
Investment property		149,824	149,437
Investments measured using the equity method	9	188,239	197,817
Other non-current financial assets	11.1	132,627	140,551
Deferred tax assets		314,599	312,529
TOTAL NON-CURRENT ASSETS		3,850,314	3,798,320
CURRENT ASSETS			
Non-Current Assets Held for Sale	10		56,081
Inventories		32,540	26,492
Trade and other receivables		245,854	249,076
Current tax assets		29,792	28,870
Other current financial assets	11.1	43,908	41,097
Cash and other cash equivalents		375,200	312,902
TOTAL CURRENT ASSETS		727,295	714,519
TOTAL GENERAL ASSETS		4,577,609	4,512,838
EQUITY			
Share capital	12.1	45,940	45,940
Share premium		1,119,414	1,119,301
Reserves		430,796	431,873
Treasury shares	12.2	(15,912)	(16,025)
Retained earnings		(350,163)	(455,999)
Translation differences		(127,839)	(133,812)
Other measurement adjustments		(3,101)	(2,148)
Profit/(loss) for the year attributed to parent company		43,523	147,013
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		1,142,657	1,136,143
Non-controlling shareholdings		33,628	41,434
TOTAL NET EQUITY		1,176,286	1,177,577
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	11.2	33,863	33,835
Bank loans	11.2	759,330	719,949
Lease liabilities	11.2	1,077,403	1,099,105
Other non-current financial liabilities	11.2	14,033	14,961
Capital grants and other deferred income		371,009	368,535
Provisions	16.1	55,982	54,519
Deferred tax liabilities		207,183	189,312
TOTAL NON-CURRENT LIABILITIES		2,518,803	2,480,216
CURRENT LIABILITIES			
Bonds and other negotiable securities	11.2	39,953	51,526
Bank loans	11.2	127,721	115,066
Lease liabilities	11.2	160,735	150,114
Trade creditors and other payables		451,924	471,871
Current tax liabilities		4,657	7,066
Other current liabilities	11.2	97,530	59,402
TOTAL CURRENT LIABILITIES		882,520	855,045
TOTAL GENERAL LIABILITIES AND NET EQUITY		4,577,609	4,512,838

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

Consolidated Profit and Loss Account

(Thousand €)	Note	30/06/2019	30/06/2018 (Restated)
Operating income	**6**	**869,298**	**879,173**
Supplies		(96,673)	(96,585)
Staff costs		(258,892)	(259,078)
Other expenses		(288,142)	(284,002)
EBITDAR		**225,591**	**239,509**
Leases		(8,746)	(8,491)
EBITDA		**216,845**	**231,018**
Amortisation and depreciation	8	(128,236)	(116,723)
Bargain purchase	5.1	752	
EBIT / Results from operating activities		**89,361**	**114,294**
Exchange differences		(4,903)	(4,382)
Borrowings		(15,802)	(14,032)
Financial lease expenses		(18,830)	(22,861)
Other financial income		5,651	5,251
Net financial income (expense)		**(33,883)**	**(36,023)**
Profit /(Loss) of associates and joint ventures	**9**	**1,468**	**(1,199)**
NET INCOME BEFORE TAX		**56,946**	**77,073**
Income Tax	14	(13,439)	(19,268)
NET INCOME		**43,506**	**57,804**
a) Attributed to parent company		43,523	58,379
b) Attributed to minority interests		(16)	(574)
BASIC EARNINGS PER SHARE IN EUROS		**0.19**	**0.26**
DILUTED EARNINGS PER SHARE IN EUROS		**0.19**	**0.26**

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

Consolidated Statement of Comprehensive Income

(Thousand €)	2019	2018 (Restated)
Net consolidated income	**43,506**	**57,804**
Other comprehensive income		
Items that will not be transferred/reclassified to results		
Actuarial gains and losses in post-employment plans	(1,078)	(1,316)
Equity consolidated companies	(111)	(698)
Other results attributed to equity	(1,148)	(7,432)
Total Items that will not be transferred to results	**(2,336)**	**(9,447)**
Items that may be subsequently transferred/reclassified to results		
Cash flow hedges	(1,970)	(372)
Translation differences	3,500	3,846
Equity consolidated companies	(1,150)	127
Tax effect	480	93
Total ittems that may be transferred to results	**860**	**3,694**
Total Other comprehensive results	**(1,476)**	**(5,752)**
TOTAL COMPREHENSIVE INCOME	**42,030**	**52,052**
a) Attributed to the parent company	47,299	53,774
b) Attributed to minority interests	(5,269)	(1,722)

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

Consolidated Statement of Changes in Net 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 01/01/2019		**45,940**	**1,119,301**	**431,873**	**(16,025)**	**(455,999)**	**(135,960)**	**147,013**	**1,136,144**	**41,434**	**1,177,578**
Total recognised income and expenses				**(964)**		**(280)**	**5,020**	**43,523**	**47,299**	**(5,269)**	**42,030**
Distribution of dividends	7					(41,721)			(41,721)		(41,721)
Operations with treasury shares			113	(113)	113				113		113
Other operations with shareholders/owners	5.1					55			55	(3,014)	(2,959)
Operations with shareholders or owners			**113**	**(113)**	**113**	**(41,666)**			**(41,553)**	**(3,014)**	**(44,567)**
Distribution 2018 net income						147,013		(147,013)			
Other variations						768			768	478	1,245
Other variations in net equity						**147,781**		**(147,013)**	**768**	**478**	**1,245**
BALANCE AT 30/06/2019		**45,940**	**1,119,414**	**430,796**	**(15,912)**	**(350,163)**	**(130,940)**	**43,523**	**1,142,658**	**33,629**	**1,176,286**
BALANCE AT 01/01/2018		**45,940**	**1,120,303**	**392,882**	**(15,023)**	**(277,383)**	**(147,342)**	**123,923**	**1,243,300**	**26,556**	**1,269,856**
Accounting policies changes Effect						(204,647)			(204,647)	(8,451)	(213,098)
Adjusted opening balance		**45,940**	**1,120,303**	**392,882**	**(15,023)**	**(482,030)**	**(147,342)**	**123,923**	**1,038,653**	**18,105**	**1,056,758**
Total recognised income and expenses				**(996)**		**(8,016)**	**4,406**	**58,379**	**53,773**	**(1,721)**	**52,052**
Distribution of dividends				(38,333)					(38,333)	(1,413)	(39,745)
Operations with treasury shares			346	(346)	346				346		346
Other operations with shareholders/owners						(1,596)			(1,596)	(5,704)	(7,300)
Operations with shareholders or owners			**346**	**(38,679)**	**346**	**(1,596)**			**(39,582)**	**(7,117)**	**(46,699)**
Distribution 2017 net income				77,070		46,853		(123,923)			
Other variations				776		1,002			1,778	(31)	1,747
Other variations in net equity				**77,846**		**47,855**		**(123,923)**	**1,778**	**(31)**	**1,747**
BALANCE AT 30/06/2018		**45,940**	**1,120,649**	**431,053**	**(14,677)**	**(443,786)**	**(142,936)**	**58,379**	**1,054,622**	**9,235**	**1,063,858**

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

Consolidated Cash Flow Statement

(Thousand €)	Note	30/06/2019	30/06/2018 (Restated)
1. OPERATING ACTIVITIES			
Net Income before tax		56,946	77,073
Result adjustments:			
Amortisation /depreciation and impairment	8	128,236	116,723
Profit/(loss) from companies carried by the equity method	9	(1,468)	1,199
Net financial income		33,883	36,023
Business combination	5	(752)	
EBITDA		216,845	231,018
Other result adjustments		(537)	15,138
Trade and other receivables		4,774	(19,367)
Other assets		(5,473)	(17,039)
Trade creditors and other payables		(13,024)	27,131
Other Liabilities		385	(728)
Income taxes paid		(7,988)	(4,239)
Total net cash flows from operating activities (I)		**194,982**	**231,913**
2. INVESTMENT ACTIVITIES			
Dividends received	9	2,300	1,729
Investment (-):			
Business combination	5	(14,301)	
Loans to associates and joint ventures		(11,375)	(8,719)
Scope variation	9	(673)	(431)
Property, plant and equipment, intangible assets and investment property	8	(69,684)	(94,780)
Non-current financial investments			(4,687)
Current financial investments			(18,198)
Divestments (+):			
Loans to associates and joint ventures	15	1,900	
Property, plant and equipment, intangible assets and investment property	8	2,695	3,275
Non-Current Assets Held for Sale	10	46,409	
Non-current financial investments	11.1	8,802	
Current financial investments	11.1	3,577	3,351
Total net cash flows from investment activities (II)		**(30,350)**	**(118,460)**
3. FINANCING ACTIVITIES			
Dividend payments (-)			
Treasury stock	12.2	113	346
Participation variation		(1,000)	(7,300)
Debt interest paid (-)		(14,095)	(12,448)
Debt issue	11.2	104,696	368,400
Debt redemption and repayment	11.2	(75,597)	(258,268)
Leases	11.2	(90,555)	(83,311)
Other financial liabilities (+/-)	11.2	(11,007)	
Total net cash flows from financing activities (III)		**(87,445)**	**7,419**
4. GROSS INCREASE/ DECREASE IN CASH OR EQUIVALENTS (I+II+III)		**77,187**	**120,873**
5. Effect of exchange rate changes in cash or equivalents (IV)		**(15,059)**	**6,819**
6. Effect of changes in the scope of consolidation (V)		**170**	**0**
7. NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		**62,298**	**127,692**
8. Cash and cash equivalents at the beginning of the year		**312,902**	**331,885**
9. Cash and cash equivalents at the year end (7+8)		**375,200**	**459,577**

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

Explanatory Notes to the Condensed Consolidated Interim Financial Statements

Note 1. Group's Corporate Information

The parent company, Meliá Hotels International, S.A. (hereinafter the "Company" or the "Controlling Company"), is a Spanish public limited company that was incorporated in Madrid on 24 June 1986 under the registered name of Investman, S.A. On 1 June 2011, the General Shareholders' Meeting approved the change of name to Meliá Hotels International, S.A. The Company is entered in the Mercantile Registry of the Balearic Islands, Corporate volume 1335, sheet No PM 22603, 3rd entry. In 1998 the Company moved its registered address to Calle Gremio Toneleros, 24, Palma de Mallorca.

Meliá Hotels International, S.A. and its subsidiaries and associates (hereinafter the "Group" or the "Company") form a Group comprising companies that are mainly engaged in tourist activities in general, and more specifically, in the management and operation of hotels under ownership, lease, management or franchise arrangements, as well as in vacation club operations. The Group is also engaged in the promotion of all types of businesses related to the 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 in the hotel industry and more than 390 hotels, both urban hotels and resorts, in 44 countries and presence in 4 continents, Meliá Hotels International is one of the world's leading hotel chains. It seeks to consolidate its position in key markets and strengthen its internationalisation through its various brands: Gran Meliá, Paradisus Resorts, ME by Meliá, Meliá Hotels & Resorts, INNSIDE by Meliá and Sol by Meliá.

Note 2. Basis of Presentation

These condensed consolidated interim financial statements for the first six months to 30 June 2019 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 2018.

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 2019, 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 30 July 2019. Likewise, these financial statements have been subjected to a limited review by an auditor.

The figures on the balance sheet, profit and loss account, statement of comprehensive income, statement of changes in net equity, cash flow statement, and the accompanying 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 the headings "investment property" and "derivative financial instruments", 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.

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

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 year the Group has adopted the standards approved by the European Union whose application was not obligatory in 2018:

- ✓ IFRS 16: “Leases”.
- ✓ Amendment of IFRS 9: “Prepayment features with negative compensation”.
- ✓ IFRIC 23: “Uncertainty over tax treatments”.
- ✓ Amendment of IAS 28: “Long-term interest in associates and joint ventures”.
- ✓ Annual cycle of improvements 2015-2017:
  - Amendment of IFRS 3: “Business combinations”.
  - Amendment of IFRS 11: “Joint Agreements”.
  - Amendment of IAS 12: “Income taxes”
  - Amendment of IAS 23: “Borrowing costs”.
- ✓ Amendment of IAS 19: “Plan amendment, curtailment or settlement “.

These standards have had no material effects on the condensed consolidated interim financial statements or the financial position of the Group, except for the impacts of the adoption of IFRS 16 on leases, which are broken down below.

IFRS 16 “Leases”

On 1 January 2019, the new regulations on “Leases” (IFRS 16) entered into force, which have significant impacts on the composition of assets and liabilities and on the structure of the consolidated profit and loss account of the Group.
The ROU (right of use) assets recognised after the implementation of this standard relate to a portfolio of the Group which includes 100 hotels operated by various subsidiaries under lease, mainly in European cities. Likewise, such portfolio includes other assets in connection with lease agreements for parking spaces, vehicles, premises and offices and houses for employees.
The Group considers that hotel management agreements are not within the scope of IRFS 16 application and it will continue to apply IRFS 15 to recognise management revenues.

The Group has opted for the retrospective application of the new standard, which involves the restatement of the payment commitments undertaken under each of the lease agreements concluded from their respective dates of execution. Additional breakdowns in this regard are included in Note 2.4.

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:

- ✓ IFRS 17 “Insurance contracts”.
- ✓ Amendment of IFRS 3: “Business definition”.
- ✓ Amendment of IAS 1 and IAS 8: “Definition of Material”.

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 2019, 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.

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

2.3 Alternative performance measures

The paragraphs below include additional breakdowns on the alternative performance measures (APM) used by the Company, updating the calculations provided at the end of 2018 with their corresponding figures at the closing date of these interim financial statements.

Other financial indicators

✓ EBITDAR and EBITDA without capital gains: In the first half of 2019 there were no differences between EBITDA and EBITDA without capital gains.

For comparison purposes, the reconciliation of both variables for the first half of 2018 is shown below:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	**879,173**	**(639,664)**	**239,509**	**(8,491)**	**231,018**
Investment property valuation results	(12,559)		(12,559)		(12,559)
Without capital gains	**866,614**	**(639,664)**	**226,950**	**(8,491)**	**218,459**

✓ EBITDAR and EBITDA margin without capital gains: The calculation summary of the EBITDAR and EBITDA margin without capital gains for the first half of 2019 and 2018 is shown in the table below:

(Thousand €)	30/06/2019	30/06/2018
Income without capital gains	869,298	866,614
EBITDAR withour capital gains	225,591	226,950
EBITDAR margin without capital gains	**25.95%**	**26.19%**
EBITDA without capital gains	216,845	218,459
EBITDA margin without capital gains	**24.94%**	**25.21%**

✓ Net Debt: This indicator is used to measure the financial leverage. It is calculated as the difference between bank borrowings and short- and long-term securities issues, less Cash and cash equivalents.

As a result of the entry into force of IFRS 16 (see Note 2.1), the calculation of Net Debt is shown below, including an additional total of Net Debt with leases, in which the liabilities at the balance sheet date corresponding to the application of such accounting standard are included:

(Thousand €)	30/06/2019	31/12/2018
Bonds and Other Negotiable Securities (Non-Current)	33,863	33,835
Bank Loans (Non-current)	759,330	719,949
Bonds and Other Negotiable Securities (Current)	39,953	51,526
Bank Loans (Current)	127,721	115,066
Cash and other cash equivalents	(375,200)	(312,902)
Net Debt	**585,667**	**607,474**
Lease liabilities (Non-Current)	1,077,403	1,099,105
Lease liabilities (Current)	160,735	150,114
Net Debt with leases	**1,823,805**	**1,856,693**

✓ Net debt ratio over EBITDA: This indicator is not calculated for the interim financial statements since the EBITDA figure does not correspond to the full financial year, influenced by the seasonality of the Group's operations (see Note 2.5).

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

Hotel management stats:

- ✓ Occupancy rate: The calculation details of the occupancy rate of hotels operated under lease and under management by the Group at the end of the first half of 2019 and 2018 are shown in the table below:

(Rooms)	30/06/2019	30/06/2018
Available Rooms	5,599,771	5,564,641
Occupied Rooms	3,847,211	3,975,033
Occupancy Rate	**68.7%**	**71.4%**

- ✓ RevPar (Revenue Per available room): The result of the RevPAR calculation for the first half of 2019 and 2018 is as follows:

	30/06/2019	30/06/2018
Room Income (Thousand €)	465,145	460,544
Available Rooms (nº rooms)	5,599,771	5,564,641
RevPAR (euros)	**83.06**	**82.76**

- ✓ ARR (Average room rate): The result of the AAR calculation for the first half of 2019 and 2018 is as follows:

	30/06/2019	30/06/2018
Room Income (Thousand €)	465,145	460,544
Occupied Rooms (nº rooms)	3,847,211	3,975,033
ARR (euros)	**120.90**	**115.86**

2.4 Comparability

The comparison of the interim financial statements refers to six-month periods ended 30 June 2019 and 2018, except for the consolidated balance sheet, which compares the period ended 30 June 2019 with that of 31 December 2018.

After the entry into force of IFRS 16 on 1 January 2019, the Group has opted to apply such standard retrospectively for the purposes of improving the comparability of the presented financial statements. Such retrospective application has had significant impacts on the Group's consolidated balance sheet as at 31 December 2018, and also on the consolidated profit and loss account for the first half of 2018.

The main impacts on the balance sheet as at 31 December 2018 are as follows:

- ➢ Recognition of ROU assets measured at amortised cost with a net carrying amount of EUR 971.6 million.
- ➢ Recognition of lease agreement liabilities measured using the effective interest rate, with a net carrying amount of EUR 1,249.2 million.
- ➢ Recognition of deferred tax assets, arising from the difference between the tax value and the carrying amount of the recognition of the abovementioned assets and liabilities, with a net value of EUR 72.7 million.
- ➢ Disposal of property, plant and equipment in the amount of EUR 5.6 million relating to the cancellation of investment commitments implicitly recognised in ROU Assets.

The main estimated impacts on the consolidated profit and loss account for the first half of 2018 are as follows:

- ➢ Reduction of costs related to Leases in the amount of EUR 74.8 million.
- ➢ Increase of costs related to Amortisation/Depreciation and impairment in the amount of EUR 58.5 million.
- ➢ Increase of financial expenses in the amount of EUR 22.9 million.

2.5 Seasonal nature of the operations

Historically, most of the turnover of the Company takes place during the third quarter of the year. This is because the months of July, August and September are high season for the resort hotels of the Company, which account for 59.9% of the rooms of the Group.

Hotel EBITDA for the third quarter represents approximately 33.1% of annual hotel EBITDA.

2.6 Accounting valuations and estimates

The directors of the controlling 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 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 2018, except for:

Corporate income tax expense

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

Exchange rate to be applied to the consolidation of Venezuelan subsidiaries

During the first half of 2019 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 decided to internally estimate the exchange rate that is most appropriate for the consolidation of the financial statements of its subsidiaries in Venezuela.

Last May, the Central Bank of Venezuela published historical inflation data in the country until and including April 2019. After this date no new official data have been published and the Company has continued estimating the price increase with the assistance of independent experts.

The cumulative inflation rate applied for the revaluation of the net assets located in this country was 1.848% in June, based on such studies carried out by independent experts. Therefore, the applicable exchange rate has been calculated on the basis of this estimated inflation rate and the published official data.

Note 3. Accounting Policies

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

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

3.1. Leases

Leases are recognised as right-of-use assets and the corresponding liability on the date on which the leased assets are available for use by the Group. Each lease payment is allocated between the liability and the financial expense. The financial expense is charged to the income statement during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each financial year. The right-of-use asset is depreciated over the shorter of the useful life of the asset and the lease term, on a straight-line basis.
The assets and liabilities resulting from a lease are initially measured at current value. Lease liabilities include net current value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- In the case of lease agreements with variable lease payments in which a minimum amount is fixed per term, this amount is included in the initial estimate (and the amount of the variable payment which exceeds the minimum fixed amount is recognised as an expense in the profit and loss account),
- Amounts that are expected to be paid by the lessee as residual value guarantees,
- The price of exercising the purchase option if the lessee has reasonable certainty that he/she will exercise such option, and
- Payment of lease termination penalties, if a lessee termination option was considered in setting the lease term.

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The lease payments are discounted at the interest rate implicit in the lease. If this rate is not readily determinable, the incremental rate of borrowing is used, which is the rate that the lessee would incur to borrow the funds necessary to purchase an asset of a similar value and in a similar economic context with similar terms and conditions, all of this weighted by the temporary value of the cash flows established in the minimum lease payments schedule of each lease agreement.

The lease term taken into account to measure lease liabilities considers as follows:

- In the case of hotel lease agreements, regardless of the date on which the agreement is entered into, for the purposes of recognition in the financial statements of the Group, the date on which the hotel is effectively available to the lessee is considered as the initial date of the lease, which corresponds to the date of opening thereof.
- The Group considers the minimum non-cancellable period as the initial term established in the lease agreement, without including any possible extensions where there is no reasonable certainty that they will be exercised.
- In order to determine whether an extension will be exercised with reasonable certainty, some key characteristics have been defined and are considered by the Group to determine if there are economic incentives for such exercise: payments that are not in line with the market, investments to be incurred and the particular nature of the hotel asset, among others.

The right-of-use assets are measured at cost, which include the following:

- The amount of the initial measurement of the lease liability,
- Any lease payment made at or before the commencement date, less any lease incentive received,
- Any initial direct costs, and
- Restoration costs.

The payments for short-term leases (i.e. lease agreements with a term of 12 months or less) and leases of low value assets, i.e., lease agreements for which the underlying asset does not exceed USD 5,000, are recognised as an expense in the income statement.

Note 4. Financial Risk Management Policies

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

The condensed consolidated interim financial statements do not include all information and disclosures on financial risk management which are mandatory for the annual financial statements, and should therefore be read in conjunction with the Group's annual accounts for the year ended 31 December 2018.

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

Note 5. Scope of Consolidation

The significant changes in the Group's scope of consolidation during the first half of 2019 are detailed below:

5.1 Business combinations

During the first half of 2019, the company Cibanco, S.A. IBM Fideicomiso el Medano (formerly called Banamex, S.A. Fideicomiso El Medano) has become wholly owned by the Group. The consideration paid for 69.72% of the shares acquired in the transaction amounted to USD 33.4 million (EUR 29.1 million), of which 50% has been paid on 30 June 2019. The carrying value of 30.28 % of the previously held interest amounted to EUR 5.9 million.

Cibanco, S.A. IBM Fideicomiso el Medano is a Mexican company which owns and operates the ME Cabo Hotel, located in Los Cabos area (Pacific coast). According to the provisions of paragraphs 41 and 42 of IFRS 3, the Company has re-measured the previously held interest in this company at fair value at the date control was obtained, recognising the capital gain obtained in the profit and loss account for the year in the amount of EUR 752 thousand, of which EUR 4.9 million relates to the re-measurement of the previously held interest and EUR 4.2 million relates to the loss on the purchase.

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With this transaction, the Group seeks to improve its position in Los Cabos, a luxury destination in Mexico, creating synergies with other hotels operated by the Company in the same area.

The interim measurement of this business combination includes assets in the amount of EUR 66.5 million (including property, plant and equipment in the amount of USD 73.5 million) and liabilities in the amount of EUR 30.6 million, which include a deferred tax liability in the amount of EUR 14.7 million, due to the difference between the fair value of the hotel, determined by means of a valuation carried out by the independent expert Jones Lang Lasalle in July 2018, and the tax value of the asset.

The amounts of the business combination of the company Cibanco, S.A. IBM Fideicomiso el Medano are broken down below:

(Thousand €)	Net Fair Value
ASSETS	
Non-current Assets	**64,166**
Property,Plant and Equipment	64,166
Current Assets	**2,297**
Inventories	575
Trade and other receivables	1,552
Cash and other cash equivalents	170
TOTAL ASSETS	**66,463**
LIABILITIES	
Non-current Liabilities	**23,153**
Non-current bank loans	8,485
Deferred tax liability	14,668
Current Liabilities	**7,491**
Other current liabilities	7,491
TOTAL LIABILITIES	**30,644**

No business combinations were recognised in the first half of 2018.

5.2 Other scope changes

During the first half of 2019, the following changes have been made to the scope of consolidation:

Disposals

The winding up of the company Almeldik, SRLAU, 100 % owned by the Group, has taken place with no significant impacts on the consolidated financial statements.

Acquisition of minority interests

The Group has acquired the remaining 15% of the company Apartotel Bosque, S.A., in the amount of EUR 3 million, derecognising the corresponding minority interest, as reflected in item "Other transactions with shareholders or owners" in the Statement of Changes in Net Equity.

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 0.33% in the Owners' Association of the Meliá Costa del Sol hotel with the purchase of apartments. This transaction had no significant impacts on the consolidated interim financial statements.

For comparison purposes, the changes in the scope of consolidation during the first half of 2018 are shown below:

Acquisition of minority interests

During the first half of 2018, the Group acquired for the sum of EUR 7.3 million a 25% interest in the company Idiso Hotel Distribution, S.A., which until then was held by minority interests. Such transaction had a negative impact on the net equity attributable to the controlling company in the amount of EUR 1.3 million.

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

The Group acquired an additional stake through the purchase of apartments in the Owners' Association of the Melia Costa del Sol hotel, increasing its stake by 0.16%, and in the Owners' Association of the Melia Castilla hotel increasing its stake by 0.14%, with no significant impacts on the consolidated interim financial statements.

Note 6. Segment reporting

The identified business segments, which are the same as those detailed in the consolidated annual accounts for 2018, 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 earnings for the first half of 2019:

	Hotel							
(Thousand €)	Hotel Management	Hotel business	Other business assoc with hotel management	Vacation Club	Real Estate	Corporate	Eliminations	Balance at 30/06/2019
Operating income	145,276	744,202	30,330	43,304	4,367	58,361	(156,540)	869,298
EBIT	**33,384**	**72,769**	**988**	**8,716**	**550**	**(27,046)**		**89,361**

Within the hotel management segment, there was EUR 69.7 million in management fees. Likewise, this segment includes EUR 4.7 million for services provided to associated companies.

The main inter-segment transactions are related to the hotel management activity, which includes EUR 94.6 million basically invoiced to the hotel business segment for management fees and reserve commissions. Likewise, the corporate segment includes income from inter-segment transactions for a total amount of EUR 42.3 million.

For comparison purposes, the changes in the scope for the first half of 2018 are shown below:

	Hotel							
(Thousand €)	Hotel Management	Hotel business	Other business assoc with hotel management	Vacation Club	Real Estate	Corporate	Eliminations	Balance at 30/06/2018
Operating income	148,885	745,718	32,398	39,552	18,447	52,833	(158,661)	**879,173**
EBIT	**32,681**	**87,579**	**1,430**	**2,560**	**14,443**	**(24,399)**		**114,294**

Within the hotel management segment, there was EUR 71.1 million in management fees. Likewise, this segment included EUR 8.7 million for services provided to associated companies.

The main inter-segment transactions were related to the hotel management activity, which included EUR 98.4 million basically invoiced to the hotel business segment for management fees and reserve commissions. Likewise, the corporate segment included income from inter-segment transactions for a total amount of EUR 38.3 million.

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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 2019 and 2018:

(Thousand €)	30/06/2019	30/06/2018
Spain	450,385	470,881
EMEA (*)	183,253	174,752
América	345,799	324,444
Asia	2,392	2,246
Eliminations	(112,531)	(93,150)
Total income	869,298	879,173

(*) EMEA (Europe, Middle East, Africa) :

Includes regions of Africa, Middle East and rest of Europe, excluding Spain

Note 7. Paid Dividends

The parent company of the Group paid no dividends during the first half of 2019.

On 18 June 2019, the General Shareholders' Meeting approved the distribution of a gross dividend of EUR 0.183 per share, excluding treasury shares, for which the amount of EUR 41.7 million of the parent company's profit for 2018 has been drawn down, and paid during the period of preparation of these condensed consolidated interim financial statements (see Note 17).

In the first half of 2018, the General Shareholders' Meeting approved a gross dividend of EUR 0.1681 per share, excluding treasury shares, for which the amount of EUR 38.3 million was disbursed, and which became effective during the second half of 2018.

Note 8. Property, Plant and Equipment and Intangible Assets

The changes recorded during the first half of 2019 were as follows:

(Thousand €)	Goodwill	Other intangible assets	Property, Plant and Equipment	Right of use
Balance at 01/01/2019	67,999	107,231	1,851,195	971,561
Additions		11,696	61,140	60,777
Disposals		(1,263)	(1,432)	
Depreciation		(11,143)	(51,667)	(65,426)
Scope variation			64,166	
Exchange differences	12	32	(361)	508
Balance at 30/06/2019	68,011	106,554	1,923,040	967,421

Section Additions of Other Intangible Assets includes EUR 6.6 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.

With regard to property, plant and equipment, EUR 37.4 million are included in Additions for investments and renovations carried out, of which EUR 22.3 million has been recognised in Spain. The increase in value of property, plant and equipment in Venezuelan companies due to inflation amounts to EUR 21.4 million.

The scope changes of property, plant and equipment relate to the business combination mentioned in Note 5.1. The Exchange differences have generated disposals in property, plant and equipment due to the devaluation of the Venezuelan bolívar, partially offset by the appreciation of the Mexican peso and the British pound.

With regard to Rights of use, additions mainly relate to a new lease agreement of one hotel in Paris in the amount of EUR 42.2 million, including incentives and initial costs of the agreement. The remaining increase relates to restatements of lease payments due to inflation, as well as amendments of lease payments and/or term of some lease agreements during the first half.

Exchange differences relate to two leased hotels, one in the United Kingdom and the other one in the United States.

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For comparison purposes, the changes for the first half of 2018 were as follows:

(Thousand €)	Goodwill	Other intangible assets	Property, Plant and Equipment	Right of use
Balance at 01/01/2018	60,714	101,779	1,676,072	1,095,917
Additions		10,123	96,684	20,159
Disposals		(762)	(9,643)	(600)
Depreciation		(9,433)	(48,539)	(58,751)
Exchange differences		(1,128)	(14,197)	1,009
Balance at 30/06/2018	60,714	100,577	1,700,377	1,057,735

Section Additions of Other Intangible Assets included EUR 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.

The amount of EUR 2 million of transfer rights was also included, which related to the acquisition of the operating rights of two hotels under management in Spain.

With regard to Property, plant and equipment, EUR 31.5 million were included in Additions for investments carried out in Dominican Republic, especially emphasizing additions in works in progress in the amount of EUR 25.5 million in the company Infinity Vacations Dominicana, incorporated in 2017 and which was building the new development linked to the Circle product.

On the other hand, the revaluation of property, plant and equipment in Venezuela according to the inflation mentioned in Note 2, represented an increase of EUR 16.9 million.

In addition, EUR 31.9 million were invested in Spain and EUR 6.4 in other European countries in hotel renovations. The Exchange differences of the previous period generated disposals in property, plant and equipment due to the devaluation of the bolívar and the Brazilian real in the amount of EUR 18.4 million and EUR 2.9 million, respectively. These disposals were partially offset by the appreciation of the Mexican peso and the US dollar, in the amount of EUR 5.4 million and EUR 2 million, respectively.

Section Additions in Rights of use mainly included restatement of lease payments due to CPI inflation and amendments of lease payments and/or terms of some agreements during the period.

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 2019 and 2018:

(Thousand €)	2019	2018
Balance on January 1	**197,817**	**229,644**
Profit / (Loss) on associates and joint ventures	1,468	(1,199)
Additions	673	431
Disposals	(10,675)	(2,962)
Exchange differences	(1,044)	(2,153)
Balance at 30/06/2019	188,239	223,761

The main amount recognised in disposals for the period relates to EUR 5.9 million for the business combination of the company Cibanco S.A. IBM Fideicomiso el Medano that during the year has been fully consolidated (see Note 5.1).

Disposals are also included in the half-year in the amount of EUR 2.3 million for dividend distributions of several companies accounted for using the equity method. In the first half of 2018 the amount recognised in this item was EUR 2.6 million.

Likewise, the negative exchange differences relate, almost in their entirety, to the devaluation of the Venezuelan bolívar.

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Note 10. Non-current assets held for sale

At the end of 2018, the Company was in negotiations for the sale of its assets located in Puerto Rico, which included the execution of a preliminary sales agreement (including customer portfolio), so it included the disposal group of assets under heading non-current assets held for sale, in the amount of EUR 56.1 million.

The sale process was completed in March this year, therefore, at the end of June no balance appears under this heading in the consolidated balance sheet.

At the end of 2018, the Group already recognised assets and liabilities included in the disposal group, adjusted to the price initially agreed in the transaction (including the reference amount of USD 72 million of hotel assets) and which have been realised during the first half of the year, so no additional impacts have been recognised in the consolidated profit and loss account.

The sale price amounted to USD 66.2 million (EUR 58.9 million at the date on which the transaction was completed), of which USD 14 million was received in advance (EUR 12.2 million at the time of receipt) before the end of 2018. The remaining amount has been received during this first half of 2019, as shown in the Consolidated Cash Flow Statement.

Note 11. Other Financial instruments

11.1 Financial assets

The following table shows the breakdown by financial instrument categories included in the heading of Other financial assets under non-current and current assets in the balance sheet as at 30 June 2019 and 31 December 2018:

(Thousand €)	30/06/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
1. Other financial instruments at fair value through other comprehensive income:						
- Cash flow hedges				10		10
2. Financial instruments at fair value through the income statement:						
- Trading portfolio		171	171		203	203
- Unlisted equity instruments	4,060		4,060	4,036		4,036
3. Loans and receivables:						
- Loans to associates	89,422	37,187	126,610	88,534	30,801	119,335
- Other loans	20,555	5,292	25,847	26,174	8,778	34,952
- Others	18,590	1,257	19,847	21,797	1,316	23,113
TOTAL	**132,627**	**43,908**	**176,536**	**140,551**	**41,097**	**181,649**

The main changes in the loans to associates section are explained in Note 15 on related parties.

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11.2 Financial liabilities

The following table shows the breakdown by financial instrument categories under the headings Debentures and other marketable securities, Bank borrowings, Other financial liabilities and Lease liabilities under non-current and current liabilities in the balance sheet as at 30 June 2019 and 31 December 2018:

(Thousand €)	30/06/2019			31/12/2018		
	Long term	Short term	Total	Long term	Short term	Total
1. Other financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	1,708	2,240	3,948	1,005	958	1,963
2. Financial instruments at fair value through the income statement:						
- Trading portfolio	3,256		3,256	1,842	1,671	3,514
3. Other financial liabilities at amortised cost:						
- Bonds and other marketable securities	33,863	39,953	73,816	33,835	51,526	85,361
- Bank borrowings	759,330	127,721	887,051	719,949	115,066	835,015
- Lease liabilities	1,077,403	160,735	1,238,138	1,099,105	150,114	1,249,219
- Other financial liabilities	9,069	95,290	104,358	12,113	56,773	68,886
TOTAL	**1,884,629**	**425,939**	**2,310,568**	**1,867,850**	**376,108**	**2,243,958**

The increase in headings Bank borrowings and Debentures and other marketable securities includes EUR 105 million of new issues, as well as EUR 76 million of redemptions, as reflected in the Consolidated Cash Flow Statement. Likewise, the addition in the amount of EUR 8.5 million for the inclusion of the company Cibanco, S.A. IBM Fideicomiso el Medano is included, as mentioned in Note 5.1.

The change in heading Lease liabilities includes additions in the amount of EUR 42.6 million as a result of the execution of a new hotel lease agreement in Paris, as well as depreciations recognised for lease payments in the amount of EUR 90.6 million. Additions for amendments of contractual conditions are also included, mainly for the application of inflation indexes.

The increase in heading Other financial liabilities is, mainly, the result of the dividend payable as mentioned in Note 7 in the amount of EUR 41.7 million, as well as 50% of the outstanding amount for the business combination of the company Cibanco, S.A. IBM Fideicomiso el Medano, which amounts to EUR 14.6 million.

Note 12. Net Equity

12.1 Share capital

As at 30 June 2019 the share capital of Meliá Hotels International, S.A. consists of 229,700,000 bearer shares of EUR 0.2 nominal value each, fully subscribed and paid-up.

All these shares carry the same rights and are listed on the stock exchange (Spain), except for 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 2019, compared to the end of 2018, are as follows:

Shareholder	30/06/2019 Shareholding %	31/12/2018 Shareholding %
Hoteles Mallorquines Consolidados, S.A.	23.38	23.38
Hoteles Mallorquines Asociados, S.L.	13.21	13.21
Hoteles Mallorquines Agrupados, S.L.	10.39	10.39
Tulipa Inversiones 2018, S.A. *	5.03	5.03
Other (less than 3% individual)*	48.00	48.00
TOTAL	**100.00**	**100.00**

** Tulipa Inversiones 2018, S.A. has absorbed Majorcan Hotels Exlux, S.L.,*

previously reported as the owner of the shares.

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12.2 Treasury shares

Breakdown and movements of treasury shares are as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2018	1,822,968	8.79	16,025
Additions	4,838,383	8.48	41,031
Disposals	(4,853,648)	8.48	(41,144)
BALANCE AT 30/06/2019	1,807,703	8.80	15,912

As at 30 June 2019, the total number of treasury shares held by the Company is 1.8 million, which represents 0.787% of the share capital.

As at 30 June 2019, there are no shares loaned to banks.

The price of Meliá Hotels International, S.A.'s shares at the end of the first half of 2019 is EUR 8.40. At the end of 2018 the share price was EUR 11.74.

For comparison purposes, movements from 1 January to 30 June 2018 were as follows:

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2017	1,722,464	8.72	15,023
Additions	4,944,959	11.77	58,188
Disposals	(4,974,459)	11.77	(58,535)
BALANCE AT 30/06/2018	1,692,964	8.67	14,677

As at 30 June 2018, the total number of treasury shares held by the Company was 1.69 million, which represented 0.737% of the share capital.

Note 13. Evolution of the Average Staff Numbers

The average number of employees in the Group during the first half of 2019 and 2018 is shown in the table below:

	30/06/2019	30/06/2018
Men	12,566	14,398
Women	9,162	10,748
TOTAL	21,728	25,146

Note 14. Corporate Income Tax

The corporate income tax expense is recognised by estimating the direction of the weighted average tax rate expected for the full financial year. The estimated average annual tax rate for the year as at 31 December 2019 is 23.60%. The estimated tax rate for the six-month period ended 30 June 2018 was 25%.

Note 15. Information on Related Parties

The following are considered to be related parties:

- Associates and joint ventures accounted for by using the equity method.
- Significant shareholders of the controlling company.
- Executive team and members of the Board of Directors, as well as persons closely associated with them.

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

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15.1 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 2019, the Group has continued its commercial transactions in relation to associates and joint ventures as it has been doing in 2018.

Financing transactions

Among the main changes in the balances held by the Group with associates at 30 June 2019 compared to the end of 2018 it is worth mentioning an increase in short-term loans with the associate company Jamaica DevCo S.L. in the amount of EUR 3.9 million and a decrease in loans with the company Altavista Hotelera, S.L. in the amount of EUR 1.9 million.

Guarantees and security deposits

There have been no significant changes in the guarantees the Group has with respect to liabilities recorded in associates and joint ventures.

15.2 Transactions with significant shareholders

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

(Thousand €)	Transaction type	30/06/2019	30/06/2018
Hoteles Mallorquines Asociados, S.L.	Leases	91	80
Hoteles Mallorquines Asociados, S.L.	Services received	51	258
Hoteles Mallorquines Asociados, S.L.	Others	993	640
TOTAL		**1,134**	**978**

15.3 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 €)	30/06/2019	30/06/2018
Attendance fees	364	428
Executive directors remuneration	1,060	801
Senior management remuneration	2,628	1,415
TOTAL	**4,052**	**2,644**

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

The increase in the remuneration of the Chief Executive Officer and the Senior Management of the Company relates to the payment, during the first half of 2019, of the long-term variable remuneration related to targets as defined in the Company’s Strategic Plan for the 2016-2018 period.

Set out below is a breakdown of transactions conducted by the Group with its directors or executives during the first half of 2019 and 2018:

(Thousand €)	Operation type	30/06/2019	30/06/2018
Mr. Juan Vives Cerda	Services received	19	21
Mr. Juan Vives Cerda	Services rendered	266	169
TOTAL		**285**	**190**

The transactions conducted with Mr. Juan Vives Cerda are detailed during his position as member of the Board of Directors (i.e., until 18 June 2019).

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Note 16. Provisions and Contingencies

16.1 Provisions

The Group maintains an amount of EUR 56 million in non-current liabilities in respect of provisions for liabilities and charges. The breakdown of the type of obligations for the periods ending 30 June 2019 and 31 December 2018, respectively, is as follows:

(Thousand €)	30/06/2019	31/12/2018
Provision for retirement, seniority bonus and personnel obligations	12,018	10,720
Provision for taxes	14,315	14,256
Provision for liabilities	29,649	29,543
Total	55,982	54,519

As at 30 June, the Group assessed the commitments established in collective agreements based on actuarial studies and an accrued amount of EUR 14.3 million has been estimated. As at 31 December 2018, the accrued amount was EUR 12.9 million.

Moreover, the balance of the externalised commitments was EUR 2.3 million in June 2019, presenting liabilities at their net value. At the end of 2018, the balance for this item amounted to EUR 2.2 million.

The technical interest rate applied for the assessment of such commitments as at 30 June was 0.90 %, while as at 31 December 2018, it was 1.32%.

16.2 Contingencies

The Group has commitments with third parties in respect of assets and liabilities not recognised on the balance sheet, due to the limited probability that they will entail an outflow of funds in the future. Below is a description of the changes occurred in the first half of 2019 under this heading:

Last 3 July 2019, the Group's parent company received notification of a lawsuit filed in Spain for unjust enrichment during the last five years derived from its hotel management activities in two establishments in Cuba. Pleas have been filed by the Company alleging lack of international jurisdiction, which resolution as of the date of preparation of these condensed consolidated interim financial statements is pending.

During the first half of the year guarantees have been renewed and new guarantees have been granted in the total amount of EUR 6.7 million, mainly for hotels in Germany and for the Meliá Zaragoza hotel. On the other hand, guarantees in the amount of EUR 8.3 million for hotels under management in Spain and Germany have been cancelled, as well as the guarantee in the amount of EUR 12.2 million which guaranteed the deposit for the sale and purchase of the Meliá Coco Beach hotel.

Note 17. Events after the Reporting Date

Payment of Dividends

On 10 July 2019, the Company has proceeded to the dividend distribution approved by the General Shareholders' Meeting on 18 June (see Note 7), in the total amount of EUR 41.7 million, after deducting the Company's treasury shares at the date of distribution. The approved gross dividend was EUR 0.183 per share.

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1. Company's Situation

During the first half of 2019, regarding those aspects related to the organizational structure of Meliá Hotels International, SA, its organization chart, as well as its operation, there have been no significant changes, so the information available in the 2018 Consolidated Annual Accounts and its corresponding Management Report, is considered as the most up-to-date information.

2. Evolution and Results of the Businessess

The following includes a breakdown of the results for each of the operating segments in which the Company is structured.

2-1. Hotel Business

The evolution of the Global Hotel Business of the Company is summarized in the following KPIs:

€ Millions	H1 2019	H1 2018	% change
Total aggregated Revenues	**744.2**	**745.7**	**(0.20%)**
Owned	381.3	394.5	
Leased	362.9	351.2	
Of which Room Revenues	**465.1**	**460.5**	**1.00%**
Owned	202.5	206.7	
Leased	262.6	253.8	
EBITDAR	**193.8**	**197.5**	**(1.90%)**
Owned	104.7	117.9	
Leased	89.1	79.7	
EBITDA	**185.2**	**189.9**	**(2.47%)**
Owned	104.7	117.9	
Leased	80.5	72.0	
EBIT	**72.8**	**87.6**	**(16.89%)**
Owned	70.9	87.1	
Leased	1.9	0.5	

The evolution of the Management Model by revenue source is included in the following table:

€ Millions	H1 2019	H1 2018	% change
Total Management Model Revenues	**145.3**	**148.9**	**(2.4%)**
Third Parties Fees	23.9	25.4	
Owned & Leased Fees	45.8	45.6	
Other Revenues	75.6	77.9	
Total EBITDA Management Model	**39.2**	**37.4**	**4.9%**
Total EBIT Management Model	**33.4**	**32.7**	

Other Revenues includes €62.0M in H1 2019 and €63.6M in H1 2018 not directly attributable to any specific division.

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Regarding other businesses related to the Hotel Business, the evolution has been the following:

€ Millions	H1 2019	H1 2018	% change
Revenues	30.3	32.4	(6.4%)
EBITDAR	1.8	2.7	
EBITDA	1.7	1.9	
EBIT	1.0	1.4	

The following table includes the occupancy rates, ARR and RevPAR by management type, as well as the % change vs the same period last year:

	OWNED & LEASED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total Hotels	**68.7%**	**(2.7)**	**120.9**	**4.4%**	**83.1**	**0.4%**
Total Hotels (same store basis)	**71.5%**	**(1.1)**	**121.0**	**2.4%**	**86.5**	**0.8%**
America	62.9%	(9.5)	130.6	9.2%	82.1	(5.2%)
EMEA	70.9%	(0.5)	139.2	3.6%	98.7	2.8%
Spain	70.1%	(0.9)	109.2	2.5%	76.6	1.2%
Cuba	-	-	-	-	-	-
Asia	-	-	-	-	-	-

Available Rooms in H1 2019 for Owned & Leased hotels were 5.6 million (5.6 million in H1 2018).

	OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total Hotels	**64.1%**	**(2.9)**	**104.0**	**2.8%**	**66.7**	**(1.7%)**
Total Hotels (same store basis)	**66.1%**	**(1.2)**	**101.5**	**0.7%**	**67.1**	**(1.1%)**
America	61.3%	(5.9)	117.3	6.8%	71.9	(2.5%)
EMEA	69.6%	(1.4)	140.2	4.6%	97.6	2.6%
Spain	67.9%	(1.8)	100.5	2.5%	68.3	(0.1%)
Cuba	56.9%	(5.6)	85.3	(1.7%)	48.5	(10.6%)
Asia	59.1%	3.5	71.9	(0.8%)	42.5	5.5%

Available Rooms in H1 2019 for Owned, Leased & Managed hotels were 11.8 million (11.4 million in H1 2018).
The breakdown of hotels and rooms by management type as of June 2019 and December 2018 is included below:

	Current Portfolio			
	30/06/2019		31/12/2018	
	Hotels	Rooms	Hotels	Rooms
Global Hotels	**327**	**82.872**	**329**	**83.253**
Management	126	37.282	129	37.556
Franchise	48	9.860	47	9.714
Owned	45	13.403	45	13.735
Leased	108	22.327	108	22.248

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Also, the current pipeline for the upcoming years is the following:

	Pipeline									
	2019		2020		2021		Onwards		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Global Hotels	9	1.708	27	7.299	16	3.092	9	2.063	61	14.162
Management	8	1.563	21	5.913	12	2.501	8	1.953	49	11.930
Franchise	-	-	1	96	3	468	1	110	5	674
Owned	-	-	-	-	-	-	-	-	-	-
Leased	1	145	5	1.290	1	123	-	-	7	1.558

The following section includes an analysis of the hotel business evolution for each of our divisions:

AMERICA

The evolution of the Hotel Business for the America's division is summarized in the following KPIs:

€ Millions	H1 2019	H1 2018	% change
Total aggregated Revenues	230.2	234.9	(2.0%)
Owned	215.3	218.9	
Leased	14.9	16.0	
Of which Room Revenues	101.8	107.8	(5.5%)
Owned	89.5	94.3	
Leased	12.3	13.4	
EBITDAR	71.7	81.5	(12.0%)
Owned	67.8	78.9	
Leased	4.0	2.6	
EBITDA	70.2	78.7	(10.8%)
Owned	67.8	78.9	
Leased	2.4	(0.2)	
EBIT	51.2	60.3	(15.2%)
Owned	52.7	64.9	
Leased	(1.6)	(4.5)	

The evolution of the Management Model by revenue source is included in the following table:

€ Millions	H1 2019	H1 2018	% change
Total Management Model Revenues	29.2	28.3	3.2%
Third Parties Fees	3.5	3.7	
Owned & Leased Fees	15.2	16.2	
Other Revenues	10.4	8.3	

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The following table includes the occupancy rates, ARR and RevPAR by management type, as well as the % change vs the same period last year:

	OWNED & LEASED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total America	**62.9%**	**(9.5)**	**130.6**	**9.2%**	**82.1**	**(5.2%)**
Total America (same store basis)	**72.4%**	**(6.4)**	**128.6**	**2.1%**	**93.0**	**(6.1%)**
Brazil	-	-	-	-	-	-
Mexico	72.0%	(6.1)	129.4	6.1%	93.2	(2.2%)
Dominican Rep.	62.2%	(15.4)	130.2	11.4%	81.0	(10.7%)
Rest of America	47.9%	(12.6)	134.5	11.7%	64.4	(11.6%)

Available Rooms in H1 2019 for Owned & Leased hotels were 1.2 million (1.2 million in H1 2018).

	OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total América	**61.3%**	**(5.9)**	**117.3**	**6.8%**	**71.9**	**(2.5%)**
Total América (same store basis)	**68.7%**	**(1.6)**	**110.3**	**0.2%**	**75.8**	**(2.0%)**
Brazil	57.9%	4.0	79.8	3.0%	46.2	10.6%
Mexico	72.0%	(4.5)	129.4	0.3%	93.2	(5.6%)
Dominican Rep.	62.2%	(15.4)	130.2	11.4%	81.0	(10.7%)
Rest of America	54.8%	(9.9)	127.2	13.4%	69.7	(3.9%)

Available Rooms in H1 2019 for Owned, Leased & Managed hotels were 2.1 million (1,5 million in H1 2018).
The evolution of our operations in America has been negative during the first half of the year vs H1 2018 due to several aspects, in many cases beyond our control, that hit the performance of those hotels located in the most significant touristic destinations in the region. Some of these issues were the significant noise generated by US media motivated by the fact a number of US tourists died due to different causes in certain areas of the Dominican Republic, the complex situation that we have been witnessing in Venezuela, the increased perceived insecurity levels by US visitors in certain locations in Mexico, which affected MICE demand due to the travel warnings of the US Government since early 2018 and by the hard socio-economic and political situation faced by the country and that was exacerbated by the sargassum (seaweed) problems affecting some areas such as Playa del Carmen and Cancún, the ramp ups of certain hotels in the Dominican Republic and the impact of the Easter Break effect.

On a country basis, in the Dominican Republic we were hit by the situation faced, particularly in the Punta Cana area, due to a significant noise generated by US media motivated by the fact a number of US tourists died due to different causes. This aspect resulted in plenty of cancelations that affected all our hotels located in the country. Additionally, the refurbishment of Meliá Caribe Beach and Meliá Punta Cana Beach, which opened back in December, limited our ability to properly market them during Q1 2019, the high season, being this the same case faced by Grand Reserve, which also opened in December and that is still in ramp up. Because of these issues, we witnessed a decline in the number of US visitors, which was partially offset by the rise shown by both European and LATAM customers, and an increasing supply, that combined with the rise on average prices of airline tickets reduced the competitiveness of the destination vs some other locations in the Caribbean. This had a negative impact in the groups segment, although we managed to partially offset the decline with the growth posted by sales through our direct channel thanks to the individual segment and which was boosted by successful marketing campaigns and commercial actions like the Wonder Week and Super Sale, among others.

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In the case of Mexico, the trend started during the high season continued and in the second quarter of the year we were still affected by the insecurity in certain areas of the country, which were particularly fueled by the press in both the US and Canada, and that combined with the sargassum problems affecting Playa del Carmen and Cancún negatively impacted our global results. Additionally, the current socio-economic and political situation of the country worsened over the past months since the change in the Government, thus resulting in a severe decline in the MICE segment that negatively impacted occupancy rates, revenues and RevPAR, even though the direct channel posted a decent evolution.

Finally, in Brazil and despite that our hotels were impacted by the severe depreciation of the BRL against the USD, we managed to close a positive first half of the year particularly thanks to the good performance of our hotels during May thanks to a number of significant trade fairs, such as APAS, Hospitalar and ILTM, international medical congresses and music festivals that were held in the country, as well as due to the positive impact of the CONMEBOL America Cup that took place in June. In this context, the segments that posted a better performance during the period was the direct channel, which was boosted by the Wonder Week campaign during June.

Outlook

For the third quarter of the year, in the Dominican Republic we still foresee a drop in the number of bookings and therefore demand due to the insecurity problems that were widespread by the US press, although the Government has recently launched an ambitious campaign to reinforce the security levels within the country. In this regard, we forecast a decline in the number of US visitors which we will try to partially mitigate by focusing on both LATAM and European visitors, as well as by implementing marketing campaigns aimed at improving the competitiveness of the main touristic destinations within the country. In Mexico we expect price wars to continue in order to achieve higher volumes, and therefore we believe that the trend will be similar than in previous periods, with a lower demand levels. In this context, our strategy will still be focused on improving occupancy rates vs prices to limit the impact of new competitors, as well as to continue positioning our hotels and brands among upper segments. In the case of Brazil, however, we have positive expectations for Q3, particularly in July, as a significant religious event will boost the groups segment in our hotels located in Sao Paulo. Also, in August current on the book sales are above past years numbers.

Portfolio and Pipeline

During the half of 2019, we incorporated one new hotel to our portfolio in America: Meliá Cartagena Karmairi (Colombia, franchise, 146 rooms) and disaffiliated 4: Tryp Sao Paulo Berrini (Brazil, management, 171 rooms), Meliá Coco Beach (Puerto Rico, owned, 486 rooms), following its successful disposal, ME Miami (United States, management, 129 rooms) and Tryp Sao Paulo Itaim (Brazil, management, 133 rooms). For the rest of the year, we expect to incorporate 2 new hotels, both under management contracts: Paradisus Playa Mujeres (Mexico, 498 rooms), a brand new all-inclusive resort located in one of the touristic destinations with the highest growth potential in the Caribbean, and Sol Tamarindo Costa Rica (Costa Rica, 242 rooms), which will be our first hotel in the country.

Finally, it must be noted that, due to the integration of our hotels located in Brazil, which will be no longer reported as an individual division, 13 new hotels (3,024 rooms) were added to the America division, all of them under management contracts.

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EMEA

The evolution of the Hotel Business for the EMEA's division is summarized in the following KPIs:

€ Millions	H1 2019	H1 2018	% change
Total aggregated Revenues	**181.9**	**173.9**	**4.6%**
Owned	50.4	47.9	
Leased	131.6	126.1	
Of which Room Revenues	**131.7**	**125.1**	**5.3%**
Owned	35.2	26.7	
Leased	96.5	98.3	
EBITDAR	**46.1**	**41.6**	**10.9%**
Owned	13.0	10.0	
Leased	33.1	31.5	
EBITDA	**44.3**	**40.0**	**10.8%**
Owned	13.0	10.0	
Leased	31.4	30.0	
EBIT	**13.3**	**13.6**	**(2.4%)**
Owned	7.3	7.7	
Leased	6.0	6.0	

The evolution of the Management Model by revenue source is included in the following table:

€ Millions	H1 2019	H1 2018	% change
Ingresos Totales del Modelo de Gestión	**14.1**	**13.5**	**4.6%**
Third Parties Fees	0.5	0.4	
Owned & Leased Fees	10.5	9.3	
Other Revenues	3.1	3.9	

The following table includes the occupancy rates, ARR and RevPAR by management type, as well as the % change vs the same period last year:

	OWNED & LEASED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total EMEA	**70.9%**	**(0.5)**	**139.2**	**3.6%**	**98.7**	**2.8%**
Total EMEA (same store basis)	**71.1%**	**0.1**	**139.5**	**4.2%**	**99.2**	**4.4%**
Germany	69.7%	(0.2)	110.8	3.7%	77.3	3.3%
France	72.4%	(7.9)	174.4	-3.7%	126.2	(13.2%)
Italy	72.2%	1.5	173.4	5.7%	125.2	8.0%
UK	71.0%	(0.2)	217.3	3.3%	154.3	2.9%
EMEA rest	76.9%	2.1	151.5	6.1%	116.4	9.1%

Available Rooms in H1 2019 for Owned & Leased hotels were 1.3 million (1.3 million in H1 2018).

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	OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total EMEA	**69.6%**	**(1.4)**	**140.2**	**4.6%**	**97.6**	**2.6%**
Total EMEA (same store basis)	**70.1%**	**(0.3)**	**139.7**	**4.0%**	**97.9**	**3.6%**
Germany	69.7%	(0.2)	110.8	3.7%	77.3	3.3%
France	72.4%	(7.9)	174.4	-3.7%	126.2	(13.2%)
Italy	70.1%	(0.2)	219.4	3.9%	153.9	3.6%
UK	72.7%	2.0	170.3	3.8%	123.7	6.7%
EMEA rest	62.5%	(7.4)	153.0	16.8%	95.7	4.5%

Available Rooms in H1 2019 for Owned, Leased & Managed hotels were 1.4 million (1.3 million in H1 2018).

Our hotels located in the EMEA region closed a positive first half of the year, in general terms and with some exceptions during Q1, being the main highlights for each of the countries where we operate discussed below.

GERMANY / AUSTRIA

The performance of our hotels located in Germany has been positive during H1 2019 vs the same period last year, mainly explained by price hikes and thanks to the increase shown by sales through our direct channel melia.com and the higher contribution of the MICE segment. This positive performance has been explained mainly due to the positive evolution of both the Munich and Berlin markets, particularly during Q2, given the recovery of the transient market in Berlin and its positive impact on both the OTAs and direct channel segments combined with significant trade fairs that were held in the region. On the other hand, both the Frankfurt and Wolfsburg markets struggled during the period, as they were impacted by the increasing supply, the Easter Break effect and the cancelations of a significant trade fair, while in the case of the Dusseldorf area results were in line with SPLY.

UNITED KINGDOM

The first half of the year has been positive for our hotels located in the United Kingdom, particularly for both ME London and Meliá White House, our two flagships, which were also boosted by the positive and quick positioning of our recently added Hotel Kensington by Meliá, which is still in ramp up. These figures are relevant because they we were affected in some way by Brexit uncertainties and due to the refurbishment that is taking place in Meliá White House and that will last for a few months, which reduced the number of available rooms. In this regard, and even though we had a delay in the refurbishment, the hotel closed the period with similar figures than 2018, while however in the case of ME London we registered a double-digit RevPAR motivated mainly by the deep increase in revenues during Easter and bank holidays combined with the higher demand of the MICE segment, which benefitted from the contribution of new accounts.

FRANCE

The negative effect of the “Yellow Vest Movement” in our operations, particularly during Q1, pretty much vanished over the past months, which allowed our hotels located in the country to close a positive first half of the year after having posted a solid double-digit RevPAR growth, despite that a number of refurbishments took place during the period affecting hotels such as Hotel Paris Opera and Meliá Champs Elysses. During June, we reached the figures that we used to post prior to the 2015 terrorist attacks at both prices and occupancy rates levels thanks to the celebration of the 2019 FIFA Women's World Cup. Also, in the case of Innside Paris Charles de Gaulle, a hotel that is still in ramp up, we managed to secure commercial agreements that will assure the sustainability of its operations going forward.

ITALY

The first half of the year has been positive in Italy overall, even though during Q1 we were negatively affected by a lower number of trade fairs and the effect of the Morandi Bridge disaster, thanks mainly to the evolution of the Milano market, which is offering an increasing number of opportunities that our hotels have been able to benefit from. In this regard, ME Milan and Meliá Milan closed the period posting solid RevPAR increases, being this positive performance also reinforced by the recovery of Meliá Genova during Q2 after the Morandi Bridge disaster. However, the Rome market was affected by the refurbishment and partial closure of Gran Meliá Rome and a weaker demand of both the transient and MICE segments.

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Outlook

For Q3 2019, we expect our hotels located in Germany to post similar figures than in Q3 2018, despite that there will be a lower number of trade fairs in the country compared with 2018. However, in the United Kingdom we foresee a mid-single digit RevPAR growth, while in the case of France we expect our hotels to deliver a set of results that will be in line with past year's figures. Finally, in Italy we forecast a mid-single digit RevPAR growth vs Q3 2018.

Portfolio and Pipeline

During the first half of the year we added 2 new hotels to our portfolio in EMEA: Insside Paris Charles de Gaulle (France, lease, 266 rooms), that will reinforce our presence in the city and allow us to further penetrate and position ourselves in the MICE and crews segments due to its optimal location by the airport, and Innside Prague Old Town (Czech Republic, management, 89 rooms), which will be our first hotel in the country. Additionally, we disaffiliated Meliá Campione (Italy, management, 40 rooms).

For the upcoming months, we will continue focusing on refurbishments and repositionings aimed at increasing the value of our properties, as well as to improve current facilities to be better positioned when targeting upper and luxury segments. Additionally, we expect to incorporate 2 new hotels in EMEA: Innside Milano Torre Galfa (Italy, lease, 145 rooms) that will help us to continue benefitting from the positive trend of the Milano market, and Gran Meliá Arusha (Tanzania, management, 171 rooms) which will increase our footprint in the region and the penetration of our brands among upper segments.

Finally, we would like to highlight that, due to the internal reorganization that we implemented at the end of the year and that affected the structure and hotels included in our EMEA and Spain divisions, 17 new hotels (5,434 rooms) were added to the EMEA division from the Mediterranean division and 12 hotels (2,486 rooms) were moved to the Spain division.

SPAIN

The evolution of the Hotel Business for the Spain's division is summarized in the following KPIs:

€ Millions	H1 2019	H1 2018	% change
Total aggregated Revenues	**332.1**	**336.9**	**(1.4%)**
Owned	115.6	141.3	
Leased	216.5	195.6	
Of which Room Revenues	**231.6**	**232.1**	**(0.2%)**
Owned	77.8	90.1	
Leased	153.8	142.0	
EBITDAR	**76.0**	**74.5**	**2.1%**
Owned	24.0	28.9	
Leased	52.0	45.5	
EBITDA	**70.7**	**71.2**	**(0.8%)**
Owned	24.0	28.9	
Leased	46.7	42.3	
EBIT	**8.3**	**13.6**	**(38.9%)**
Owned	10.8	14.6	
Leased	(2.5)	(1.0)	

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The evolution of the Management Model by revenue source is included in the following table:

€ Millions	H1 2019	H1 2018	% change
Total Management Model Revenues	**30.2**	**36.2**	**(16.5%)**
Third Parties Fees	10.6	10.3	
Owned & Leased Fees	20.1	20.1	
Other Revenues	(0.4)	5.8	

The following table includes the occupancy rates, ARR and RevPAR by management type, as well as the % change vs the same period last year:

	OWNED & LEASED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total Spain	**70.1%**	**(0.9)**	**109.2**	**2.5%**	**76.6**	**1.2%**
Total Spain (same store basis)	**71.3%**	**0.1**	**110.0**	**1.5%**	**78.4**	**1.6%**
Balearic Islands	60.4%	(4.6)	105.7	(4.4%)	63.9	(11.2%)
Canary Islands	71.0%	(5.0)	94.1	(6.4%)	66.8	(12.5%)
North Spain	74.4%	0.7	124.6	7.8%	92.7	8.8%
South Spain	71.6%	2.6	99.7	3.4%	71.4	7.4%
Others	-	-	-	-	-	-

Available Rooms in H1 2019 for Owned & Leased hotels were 3.0 million (3.1 million in H1 2018).

	OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total Spain	**67.9%**	**(1.8)**	**100.5**	**2.5%**	**68.3**	**(0.1%)**
Total Spain (same store basis)	**68.8%**	**(1.3)**	**98.6**	**1.8%**	**67.9**	**(0.1%)**
Balearic Islands	62.4%	(3.5)	102.3	(4.2%)	63.9	(9.4%)
Canary Islands	71.7%	(4.6)	89.4	(4.6%)	64.1	(10.3%)
North Spain	72.3%	1.0	118.2	7.2%	85.5	8.8%
South Spain	66.4%	(1.5)	91.8	2.4%	61.0	0.2%
Others	60.1%	(4.0)	78.9	6.7%	47.4	0.1%

Available Rooms in H1 2019 for Owned, Leased & Managed hotels were 5 million (4.9 million in H1 2018).

During the first half of the year, the performance of our hotels located in Spain has been impacted due to the Easter Break effect, which particularly affected the resorts segment in terms of higher occupancy rates, as well as due to the higher available rooms vs SPLY. In this regard, the positive performance of those hotels located in coasts partially offset the drops registered in our hotels located in both the Balearic and Canary Islands due to the reduction in air capacity and the recovery of demand in alternative destinations. On the other hand, the performance of our urban hotels was remarkable, particularly in cities like Madrid, Valencia, Barcelona and Seville, with the only exception of Palma de Mallorca. Having said that, the main highlights of each of the areas within the country are discussed below:

NORTHEAST AREA

The region posted a significant increase in RevPAR vs SPLY thanks to the good performance of our hotels located in both Madrid and Barcelona, which benefitted from the strong performance of the MICE segment due to certain large events that took place during the period, such as the UEFA Champions League Final or the EULAR Congress in Madrid and the world's largest clothing fair ITMA in Barcelona.

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SOUTHERN SPAIN

During H1 2019, we witnessed a recovery in general terms in both prices and occupancy rates for our hotels located in Southern Spain. In this regard, the good performance posted in Seville, Sierra Nevada and Torremolinos, particularly thanks to the good performance of the MICE segment, allowed us to report a robust set of results. By segment, we managed to partially offset the severe drop in demand from TOs thanks to our direct channel melia.com, which posted a solid increase in sales vs the same period last year and that was significantly positive in hotels located in coasts.

BALEARIC ISLANDS

The negative impact on prices, particularly during May, due to the recovery of demand in alternative destinations and the severe reduction of MICE demand affected the global figures of hotels located in the Balearic Islands during the first half of the year. When looking at segments, both the individual and direct channel partially offset the severe fell posted by MICE.

CANARY ISLANDS AND OTHERS

Our hotels located in the Canary Islands closed a negative first half of the year having posted a severe decline in revenues particularly thanks to refurbishments, repositionings, the decline in demand from the United Kingdom, as well as due to a number of issues such as the reduction in the number of air seats available due to certain cancelations of routes and bankruptcies, including that of Germania and Air Berlin, combined with the increasing demand of alternative destinations, which impacted the individual demand.

Outlook

In general terms, the expectations during Q3 for both our urban hotels and resorts are quite different. In the case of resorts, for Q3 and high season period, currently OTB sales are slightly above SPLY, as they are improving in Coasts, in line with past year's numbers in Mallorca and declining in the Canary Islands, Menorca and Ibiza, given the ambitious commercial campaign started since the beginning of the year aimed at promoting sales through our direct channel and agreements with key partners. However, the expectations for the quarter are uncertain and will depend on last minute sales and price levels set by the market. On the other hand, we have positive expectations for our urban hotels, particularly in Madrid and Barcelona.

Portfolio and Pipeline

We have not added any new hotels during the first half of the year and we do not expect to add additional ones to our portfolio in Spain during the rest of the year, although we disaffiliated Tryp Indalo Almería (Lease, 186 rooms) as part of our active portfolio management strategy. Going forward, we will continue focusing on refurbishments and repositionings to properly position our hotels among upper segments.

As in the case of the EMEA division, and as part of the internal reorganization that affected the hotels included in the different divisions that comprise our Hotel Business, 76 hotels (23,311 rooms) were added to the Spain division, of which 12 and 64 hotels were part of our EMEA and Mediterranean divisions respectively.

CUBA

All of our hotels in Cuba are operated under management contracts and as a result are included within our Management Model, being its main financial metrics shown in the following table:

€ Millions	H1 2019	H1 2018	% change
Total Management Model Revenues	**8.6**	**8.9**	**(3.9%)**
Third Parties Fees	7.0	8.5	
Owned & Leased Fees			
Other Revenues	1.6	0.4	

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The following table includes the occupancy rates, ARR and RevPAR by management type, as well as the % change vs the same period last year:

	OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total Cuba	56.9%	(5.6)	85.3	(1.7%)	48.5	(10.6%)
Total Cuba (same store basis)	58.7%	(3.6)	85.5	(3.6%)	50.2	(9.1%)

Available Rooms in H1 2019 for Owned, Leased & Managed hotels were 2.4 million (2.2 million in H1 2018).

Over the first half of the year, and as initially expected, the levels of activity of the tourism industry within the country continued suffering due to the decline in demand registered over the past months as a result of a number of aspects, such as the increasing competitiveness of other alternative destinations in the region, the negative impact of a number of refurbishments that affected certain hotels or the worsening of the relationships between the United States and Cuban governments, among others. All these issues led to a decline in both occupancy rates and prices, which were particularly hit given the fact that the Trump Administration banned cruises operations in the country and eliminated the general license for those trips intended for educational programs for US citizens known as “People to People”.

In this challenging context, RevPAR (in USD) dropped significantly vs the same period last year, particularly in areas such as Cayo Largo, La Habana, Jardines del Rey and Cayo Santa María. Also, occupancy rates were significantly hit in regions like Cayo Largo, Cayo Santa María, Camaguey and La Habana, although however in certain touristic destinations such as Cienfuegos and Santiago de Cuba occupancy rates improved thanks mainly to the positive performance of the circuits segment.

When looking at operations, we have been actively involved in several refurbishments that affected the performance of certain hotels like Paradisus Varadero, Sol Rio de Luna y Mares, Meliá Las Américas, Hotel Sirenas and Sol Santa Maria, and that were intended to improve, extend and adapt the current facilities to the quality standards and offering desired by upper and luxury segments. Also, regarding the main feeder markets, we would like to highlight that we witnessed a slight decline in the number of visitors coming from the United Kingdom, Canada, Germany, Spain and Russia, particularly during the second quarter of the year. In the case of Canada, the main feeder market of the country, demand was negatively affected by the reduction in the number of flight connections, being this also the explanation, along with the deterioration of the Argentinian Peso, of the decline in the number of visitors coming from Argentina. On the positive side, visitors from France, Mexico, Italy, Chile and the Netherlands rose, as well as those from Colombia and Paraguay.

Finally, we would like to highlight that the different marketing and commercial actions implemented in the division, such as dynamic pricing strategies, participation in global campaigns launched by the company and the increasing penetration of Meliá Internacional Varadero, among others, helped us to improve sales through our direct channel melia.com, particularly in both the individual and groups segments, with the latter boosted by the positive performance of circuits.

Outlook

For the third quarter of the year, we expect competitive pressures on pricing to continue and therefore we do not rule out price declines vs the same period last year, particularly in areas like La Habana, Cienfuegos and Santiago de Cuba. Also, occupancy rates are forecasted to post a decline, being in this case also affected by the increasing supply in Varadero and Cayo Santa María. Both aspects should led to a decline in RevPAR vs Q3 2018, which is expected to drop by a double digit in areas like La Habana and Cayo Largo, although however we expect to partially offset this negative impact in our operations with the higher contributions of both Paradisus Los Cayos and Meliá Internacional Varadero, as well as due to the expected rise in sales through our direct channel.

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Portfolio and Pipeline

During the first half of 2019, we partially opened Meliá Internacional Varadero (Varadero, management, 946 rooms), a 5-star all-inclusive resort that will reinforce our leading position within the country. In this regard, we opened 200 rooms of the hotel, while the rest of the rooms will be incorporated over the following months until late June. Additionally, Paradisus Los Cayos has been further penetrating and consolidating its position among upper clients since its opening back in December 2018, thanks also to the new rooms available for sale that were opened within the hotel in the period. For the rest of the year, we do not expect to incorporate any new hotels to our portfolio in Cuba and therefore we will continue focusing on improving the current facilities of our hotels through deep refurbishments and repositionings in order to adapt them to the needs of luxury and upper segments, as well as to continue increasing the competitiveness of the country compared to other regions located in the Caribbean.

ASIA

All of our hotels in Asia are operated under management contracts and as a result are included within our Management Model, being its main financial metrics shown in the following table:

€ Millions	H1 2019	H1 2018	% change
Total Management Model Revenues	**2.7**	**3.2**	**(13.8%)**
Third Parties Fees	2.2	2.4	
Other Revenues	0.5	0.7	

The following table includes the occupancy rates, ARR and RevPAR by management type, as well as the % change vs the same period last year:

	OWNED, LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg Pts.	€	% change	€	% change
Total Asia	**59.1%**	**3.5**	**71.9**	**(0.8%)**	**42.5**	**5.5%**
Total Asia (same store basis)	**59.9%**	**4.8**	**72.3**	**(1.5%)**	**43.4**	**7.0%**
China	66.6%	4.6	65.2	(6.5%)	43.4	0.4%
Southeast Asia	56.8%	3.2	74.4	1.2%	42.2	7.3%

Available Rooms in H1 2019 for Owned, Leased & Managed hotels were 0.9 million (0.8 million in H1 2018).

Our operations in Asia posted a mixed set of results during the first half of the year due to a number of issues that affected the global performance of our hotels in the region, such as certain refurbishments that affected some of the restaurants of our hotels in order to boost the food and beverage quality and offering or the increasing competition, among others. Having said that, fees collected during the six first months of the year in USD were in line with the same period last year, although despite the above-mentioned challenges we managed to improve the overall profitability of our managed hotels. Furthermore, when looking at the main feeder markets of the division, we have witnessed an increasing demand of travelers from the United States, Africa and Europe thanks to the attractiveness and perceived stability of certain Asian destinations, which boosted the individual segment, while on the other hand the division is becoming a significant feeder market for several our hotels located in Europe and the Caribbean.

On a country basis, our hotels located in China faced a complex market situation and increasing competition during the period and posted a slight drop in both revenues and profitability due to the lower revenues collected in Gran Meliá Xian given the deep refurbishment in its production areas, while in Meliá Jinan the increasing number of competitors in the area negatively impacted the performance of the property. However, on the positive side, Innside Zhengzhou improved its performance after having posted a double-digit growth in revenues and a significant increase in profitability on its third year of operation, while Melia Shanghai Hongqiao also increased its contribution to the division's numbers.

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In Vietnam, both revenues and profitability rose due to the positive evolution posted by Meliá Hanoi, particularly during Q1 2019, thanks to several events and international political meetings that boosted demand in the city, such as the visit of the President of Argentina and the meeting between the United States and North Korea governments. However, during the second quarter of the year, a refurbishment negatively impacted the MICE segment and thus the overall figures posted by the hotel. Other aspects that we would like to highlight were the good performance of Sol Beach House Phu Quoc, particularly during high season and due to the increasing demand of European visitors, despite the increasing supply in the island, as well as the slight reduction in revenues posted by Meliá Danang due to a refurbishment and the reduction in the number of Korean visitors, which opted for alternative destinations within the country like Cam Ranh.
In the case of Indonesia, our hotels posted an increase in both revenues and profitability in USD vs the same period last year, being particularly relevant the good performance of Meliá Bali and considering that during Q1 2018 the destination was still recovering from the negative impact of the Agung Volcano eruption. Also, some of our hotels that are still in ramp up, such as Sol House Legian and Innside Jogyakarta managed to improve their profitability levels to a great extent. In Myanmar, Meliá Yangon was negatively impacted in terms of revenues due to the increasing competition in the area, although it improved its profitability due to the implementation of an action plan aimed at increasing its efficiency levels, while in Thailand our hotel The Imperial Boat House Koh Samui was still closed due to a deep refurbishment that will transform it in the future Meliá Koh Samui Beach Resort and that will be finished by 2020. Finally, in Malaysia our hotel Meliá Kuala Lumpur closed the period with revenues and profitability levels that were in line with H1 2018 figures, although during Q2 it managed to slightly improve its performance after the drop in demand that we witnessed in the city during the first quarter of the year.

Outlook

For the rest of 2019 we expect an increase in demand in certain countries such as Indonesia, particularly after the Presidential Election, as well as in Myanmar and Malaysia in their high season periods. In the case of Vietnam, which will concentrate a significant number of openings, we have also positive expectations, particularly in areas such as Saigon, Nin Binh and Hoi An, as well as due to the consolidation of Meliá Ho Tram, which opened back in March 2019, among upper segments. Finally, in China the third quarter of the year is the high season for the corporate and MICE segmen and we expect to improve the overall figures posted by our hotels located in the country.

Portfolio and Pipeline

During the first half of 2019 we incorporated 1 additional hotel to our portfolio in Asia under a management contract, Meliá Ho Tram (Vietnam, 77 rooms which represent a partial opening, as the rest of the rooms will be incorporated in Q2). Additionally, we expect to incorporate 4 new hotels in Q3, all of them under management contracts: Meliá Innside Saigon Central (Vietnam, 69 rooms), Meliá Shanghai Parkside (China, 88 rooms), The Hoi An Historic Hotel managed by Meliá Hotels International (Vietnam, 150 rooms) and The Reed Hotel managed by Meliá Hotels International (Vietnam, 153 rooms) that will help us to reinforce our leadership position and to increase our footprint in countries with high growth potential.

2.2. Real Estate

During the first quarter of the year, we closed the sale of Meliá Coco Beach, our hotel located in Puerto Rico, for a total amount of $72.0M after having completed a deep due diligence process requested by the current owner. In this regard, as the due diligence was positive, no changes to the initial agreement reached were made in regards with the sale. Also, no capital gains were generated at EBITDA level, which compares with the €12.6M generated at EBITDA level in Q2 2018 that resulted from the revaluation of certain of our fixed assets.

Additionally, we would like to highlight that the company is now the owner of the 100.0% of the society owning the hotel ME Cabo (162 rooms) located in Los Cabos, Mexico, after having assumed the remaining 69.72% of the stake for a total consideration of $33.4M, of which 50.0% was paid at the end of June. Due to this, the hotel will now be part of our owned hotels portfolio

Finally, and regarding our real estate strategy for the upcoming months, we will remain open to evaluate potential opportunities that might arise in order to continue unleashing additional value for our shareholders through disposals of our non-core assets, as well as focused on increasing the value of our fully owned portfolio through repositionings, refurbishments and rebrandings aimed at increasing our penetration among upper and luxury segments.

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2.3 Club Meliá & The Circle

The first half of 2019 has been positive for our timesharing business, which benefitted from the opening, back in December, of the new 5-star all-inclusive resort Grand Reserve at Paradisus Palma Real – The Circle in the Dominican Republic. This aspect helped us to increase the penetration of our brand-new product Circle by Meliá, which was launched in Mexico recently and that had a significant and positive acceptance levels among new clients and former members of Club Meliá. In this regard, the main financials of the division posted a positive evolution during the period after having posted significant increases in the number of satisfied members, despite the slight drop in the number of potential clients willing to purchase the product, so in overall terms we can conclude that all the strategies implemented and aimed at increasing penetration and sales are bearing fruit. Also, we witnessed an increase in the average price per contract of the new product, which allowed revenues to rise at a double-digit level.

When looking at specific regions, in the Dominican Republic we posted a positive evolution in terms of new clients, migrations and sales to existing members, including upgrades of the product, even though the potential number of clients interested in the new product declined. In this regard, the conversion ratio stood at a similar level compared with the same period last year, while however average price per contract significantly improved, thus helping us to generate additional revenues. In the case of Mexico, and despite the fact that the figures posted by the division within the country during the high session period were positive, we posted a drop on average price per contract that negatively impacted revenues when compared with the same period last year, as our operations were affected by a number of issues, being the most relevant ones the worsening of the socio-economic conditions in certain areas within the country, such as Cancún and Playa del Carmen, or the large discounts offered by competitors, which reduced the number of potential clients interested in purchasing our product. In this regard, and in order to partially offset this situation, in June we started the marketing of our Circle by Meliá product, which allows us to adapt our offering to client's demand in terms of price, as well as to customize it to every specific case and type of customer, which will eventually led to a higher number of potential clients and a wider range of possibilities and competitive advantages vs competitors, particularly by using the different benefits that can be enjoyed for those clients who are also members of our Meliá Rewards loyalty program.

For the third quarter of the year, we have positive expectations, as we expect our new product Circle by Meliá to consolidate in terms of new customers and average price per contract. Also, with the introduction of this new product, we believe that our operations in Mexico will improve significantly due to the higher levels of flexibility and possibilities for clients, being this critical to increase sales and to improve past years figures. In the case of the Dominican Republic, we will continue optimizing our selling and marketing processes to improve the services and the experiences offered to clients. Furthermore, on a division level basis, we will focus on increasing our conversion rates by improving the efficiency level of our selling process.

3. Non-Financial information

In compliance with the new law on Non-Financial Information & Diversity, the company reports on its progress in environmental, social and corporate governance issues in the first half of the year.

3.1 Progress on Environmental Issues

Focus on our water footprint

Meliá took part for the first time in the international CDP Water Security ranking, an index that measures the impact of companies on the environment and responsibility and sustainability in their water management programmes. The objective is to enhance sustainable water management, evaluate water management risks and opportunities in our main destinations, and improve compliance with environmental commitments.

This has led to several projects depending on the degree of water stress in the destinations, and also to a stronger data management and control culture to help achieve our public commitments on environmental issues.

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"Meliá will increase transparency with the full disclosure of environmental commitments related to reductions in CO2 emissions and its water footprint"

Science Based Target Initiative

Meliá has decided to align its greenhouse gas (GHG) reduction objectives with climate science and the Science-Based Targets initiative (SBTi) as a response to the climate emergency caused by global warming. This is another step towards achieving the commitments made after COP21, reinforcing our leadership in combatting climate change, reducing GHG and helping ensure global temperatures do not rise by more than 2°C.

In the first half of the year, SBTi has assessed and approved our greenhouse gas reduction objectives and endorsed the company's commitment to a low-carbon economy, as is shown in the following table:

SCIENCE-BASED TARGET OBJECTIVES

(base year 2018)

Scope	2023 Objective	2035 Objective
Scope 1 & 2	-13%	-51%
Scope 3	-6%	-21%

"SBTi sees objectives to reduce emissions as a driver to help prevent an increase in global temperature"

Green energy

Since 2014, Meliá has been firmly committed to the use of renewable energy from reputable sources as a way to help decarbonise hotel management. 100% of the energy currently used in countries such as Spain, Italy, France, the United Kingdom and Germany is certified green energy.

"59% of Meliá's current electricity use worldwide is from renewable sources"

After the addition of Germany, **59% of the total amount of energy used by the Company is now renewable, rising to 94% in Europe**.

ENERGY USE

Energy Use (MWh)	Real 2018	Goal 2018	2019e	Goal 2019
Non-renewable energy	509,235	500,105	482,871	480,996
Renewable energy	230,183	239,313	252,338	254,214

Investments & Artificial Intelligence

Meliá has allocated **€4.2 million for investments in energy efficiency and facility optimisation** to help reduce energy use in 110 company hotels, 72% of the portfolio of owned and leased properties.

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The project brings together the commitment to efficient resource management and digitalisation, allowing the company to improve efficiency, control and data management. The **CO2PERATE** project uses artificial intelligence algorithms to analyse variables such as outdoor temperature and occupancy levels and provide hotels with the technology needed to remotely monitor, control and manage air-conditioning systems.

The project will allow the monitoring of 80% of electrical energy facilities, backed up by consultancy services to help identify opportunities for improvement that can be extended to all the facilities that consume energy.

Meliá has formed a partnership with Indoorclima, specialists in energy efficiency and innovation. In the first half of 2019, the project has been launched in 50 hotels and stage 1 of the project has already been completed.

The return on investment is expected to be achieved within less than 2 years and to generate **cost reductions of around €14 million** over the next 5 years.

130 M kWh	66 Tons
REDUCTION IN 5 YEARS	CO_2 REDUCTION IN 5 YEARS

Circular economy & Innovation in waste management

This year, Meliá has worked on various projects to enhance the three Rs of ecology (reduce, reuse, recycle):

- ✓ To change the tourism paradigm
- ✓ To improve waste management through recycling
- ✓ To raise awareness about and reduce food waste
- ✓ To enhance the supply chain and access to local products with a low carbon footprint
- ✓ To be a benchmark for the hotel industry

Compost generation to support local agriculture

In partnership with TIRME, a leading company in Spain and responsible for waste management in Mallorca, a pilot project for organic waste management has begun at the Palma Convention Centre and the neighbouring Meliá Palma Bay Hotel. 100% of their organic waste will be treated in their composting plant and then delivered to local farmers to help grow vegetables for the restaurants at both the convention centre and the hotel, thus closing the waste management cycle and increasing cooperation with local suppliers.

Biogas production from organic waste

In partnership with EMAYA, a public company responsible for waste collection in Palma de Mallorca, four Meliá hotels will become the first to take part in the collection of organic waste to produce biogas for the waste treatment plant and compost production on the island.

Innovación & start- ups

After the launch in 2018 in partnership with a local start-up of a pilot project for monitoring and digitalisation waste sorting, Meliá has begun to install devices in recycling bins to gather data on the amount of each type of waste collected.

Recycling soap to improve hygiene

After a year and a half of work with Diversey, a chemical supplier that the company has worked with for more than 30 years, Meliá has extended the soap recycling project to 26 hotels in 8 countries in the Americas and Asia. The company aims to recycle and reuse more than 50 tonnes of soap which will be transformed into bars of soap and then delivered to the local community to help reduce diseases caused by limited access to basic hygiene products.

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Environmental measurement & report

To improve our energy and water management and contribute to the Sustainable Development Goals (SDGs), Meliá Hotels International regularly measures and reports on its key energy and water indicators, both in total and per hotel stay, as well as numbers on CO2 emissions. The company also calculates its carbon footprint every year. The table below shows the scenario foreseen for this year. Meliá continues to make progress in creating a sustainable and certified hotel management model, focusing on specialist certifications supported by the GSTC (Global Sustainable Tourism Council).

As a result of a partnership with the Balearic Islands University, a tool has been developed to make it easier to budget energy and water use in each of the hotels that take part in the "SAVE" energy management system. Progress has also been made in creating a model of excellence in data management and control, considering variables such as occupancy, temperature and the impact of possible increases in energy prices.

CARBON FOOTPRINT

Carbon Footprint (Tn CO_2)	Real 2018	Goal 2018	2019e	Goal 2019
Scope 1	51,331	47,696	47,929	49,215
Scope 2	153,699	151,205	136,158	133,299
Scope 3	53,982	54,105	53,527	54,274
Portfolio (%)	78%	78%	77%	77%

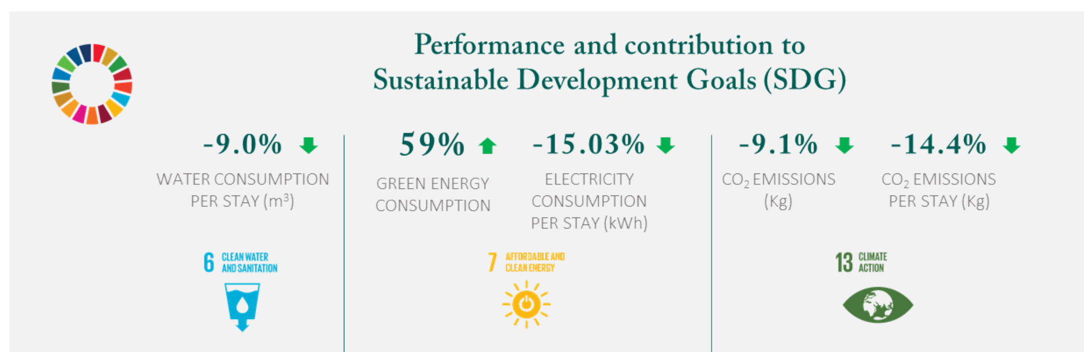
WATER USE

Water Use (m^3)	Real 2018	Goal 2018	2019e	Goal 2019
Total Fresh Water Use	10,595,067	10,814,746	10,611,430	10,690,327

CERTIFIED PORTFOLIO
(endorsed by GSTC)

Real 2016	Real 2017	Real 2018	Goal 2020
32%	30%	38%	42%(*)

(*) Aggregated perimeter 2019 (not including Cuba)



3.2 Progress on social issues

Dialogue with Stakeholders

Meliá Hotels International has increased the priority of dialogue with stakeholders based on criteria of influence and impact on the business, the personalisation of messages and the information sent to each type of stakeholder, as well as participation in joint actions. Meliá thus continues to move forward in achieving the commitments in its 2018 Stakeholder Relations Policy, which also defines the channels for creating relationships with stakeholders based on two-way communication, transparency and proximity.

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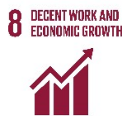
Human rights Management

After the approval in 2018 of its Human Rights Policy, Meliá carried out a self-assessment to evaluate progress on its commitments, identify potential risks, and activate, where necessary, plans for improvement or mitigation. **The analysis has involved 94% of the hotel portfolio** (owned, leased & managed hotels, excluding Cuba). This self-assessment focused on 9 areas covering all the public commitments made by the company related to labour rights, health and safety, environmental protection, people development, ethics and anti-corruption, among others, involving **54 specific issues**. After an analysis of results, no significant risks were identified, and no mitigation plans or corrective actions were activated. Some opportunities, however, were identified for strengthening specific control systems in countries such as Jamaica, the Bahamas, Morocco and the United States, and also in matters related to security protocols, efficiency improvements and risk prevention, among others. Throughout 2019, work will continue to enhance these control systems.

These results confirm the effectiveness of our management and control systems. The self-assessment also includes the United Nations Principles on Business and Human Rights, the 10 Global Compact Principles, ILO guidelines and the Modern Slavery Act.

Strategic alliance with La Caixa Obra Social

The signature in April 2018 of a strategic alliance with La Caixa Obra Social, an international leader, allowed Meliá to join the Incorpora Programme, leading to **the employment of 185 people at risk of exclusion in 49 hotels in Spain**.



Meliá and La Caixa Obra Social have also promoted training projects for people at risk to help improve their employability and assist in introducing them to the hotel workplace.

Equality & Digital Disconnection

Echoing the general progress in society in this regard, Meliá Hotels International has updated and extended its commitments in its new 2019 Equality Plan. The new plan was announced on June 20 and defines measures to promote equality in 9 areas: access to the company, recruitment, promotion, training, salaries, occupational health, gender-based violence, communication and work-life balance.

Meliá has also updated its Human Resources Policy to add the company principles and commitments regarding digital disconnection. Meliá also continues to play an active role in the ClosinGap project in which 11 of Spain's biggest companies are working together to analyse and reduce gender gaps in different areas of Spanish society and the economy.

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Occupational Health & Risk Prevention

In the area of occupational risk prevention, an ergonomic analysis of the workload of every single one of the positions in hotel operations has been carried out with a special focus on the housekeeping team. The analysis is based on determining metabolic rates through the monitoring of heart rates while carrying out workplace duties, allowing a medical-sanitary and technical analysis of activity for each position.

31,43	0,26
LOST-TIME INJURIES FREQUENCY RATE (*)	OCCUPATIONAL ILLNESS FREQUENCY RATE (**)
(*) On a global level 2018	(**) Spain 2018

This analysis aims to identify processes that involve risk and encourage the adoption of preventative or corrective measures in line with the Occupational Health and Safety Policy.

3.3 Progress in Corporate Governance & Compliance

Governing Bodies

The Annual General Meeting of June 18, 2019 appointed Cristina Henríquez de Luna Basagoiti as a new independent external director. This raised the ratio of women on the Board from 18.2% to 27.2%. The fact that she is an independent director also raised the proportion of independent directors by 9%, at the same time reducing the average tenure of the members of the Board and the Audit and Compliance Committee.

27,2%	54%
(vs 18,2%)	(vs 45%)
WOMEN BOARD MEMBERS	INDEPENDENT DIRECTORS

The Regulations of the Board of Directors were updated after a review of the functions and competencies of its committees, including Corporate Responsibility competencies in the Appointments and Remuneration Committee.

Progress on GDPR

Just over a year after the new European data protection regulations came into force, the company has updated its Compliance model with all of the controls required for compliance. The Meliá Data Protection Office is responsible for advising the organisation and ensuring compliance with regulations, regularly reporting on its activity to both the Audit and Compliance Committee and the Board of Directors through the Head of Risk Control and Compliance.

The company has also developed a mandatory procedure for reporting breaches available to all employees. Company employees with access to personal data must also sign a document which reminds them of their obligations to be aware of and comply with regulations, measures, procedures, rules and standards defined in relation to data protection.

In the case of any breach of these obligations, the document also indicates that the company may carry out all appropriate disciplinary measures. The Internal Audit department has also added a list of specific controls regarding personal data privacy and protection to the internal audit process.

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Incentives based on ESG criteria

As a result of the Company's public commitments and strategic positioning on ESG, senior executives and middle managers have assumed ESG-related objectives within their variable bonuses for 2019.

90%
EMPLOYEES WITH
ESG OBJECTIVES (*)

(*) Percentage of all employees with anual variable bonus

Criminal Compliance System Certification

After an audit carried out by AENOR, in June Meliá obtained certification of its Criminal Compliance Management System in accordance with the UNE 19601 standard, becoming the first hotel company to be certified in Spain. UNE 19601 is the benchmark for requirements for the implementation and maintenance of a criminal compliance management system to prevent crime and reduce the risk of crime in organisations and encourage a culture of ethics and compliance.

Among other things, the Meliá Crime Prevention and Detection Model includes a Risk Map of crimes related to its business activity (23 criminal offences) and 344 control measures associated with those crimes. Certification endorses the alignment of the model with Criminal Law and also with international standards (ISO 19600 Compliance Management Systems and ISO 37001 Anti-Bribery Management Systems).

344
PREVENTIVE
CRIME CONTROLS

5,308
EMPLOYEES TRAINED IN
COMPLIANCE

Training

The company continues to focus on team development to ensure the appropriate management of the business to meet the requirements of stakeholders, all within a context in which new risks, situations and commitments in issues related to ESG and cybersecurity constantly arise. In line with the company's digital transformation, new material has been added to the eMeliá online training platform on subjects such as:

- ✓ Crime Prevention and Compliance.
- ✓ Personal data protection and data processing in line with the European General Data Protection Regulation.
- ✓ Commitments, corporate reputation and sustainability (CR)
- ✓ Card payment systems (PCI).

5,118
EMPLOYEES
TRAINED IN CR

4,019
EMPLOYEES
TRAINED IN GDPR

4,222
EMPLOYEES TRAINED IN
CYBERSECURITY

848
EMPLOYEES
TRAINED IN PCI

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Secretary of the Board

3.4 Progress on Supply chain Management

Supplier sustainability rating system

Meliá continues to support sustainable management in its supply chain, creating long-term bonds with suppliers based on trust, ethics and transparency. The Company has made further progress with the launch of a supplier sustainability evaluation process together with EcoVadis, a french company specialising in ESG evaluations.

This evaluation helps the Company increase its awareness about supplier sustainability performance, propose actions to improve alignment with the Meliá strategy and public commitments, and also update ESG criteria in new and renewed contracts.

The project began in June 2019, and throughout the year Meliá will be progressively evaluating a selection of key suppliers based on purchase volume, products and country of origin.
The result of the evaluation will help identify opportunities for improvement and manage and mitigate potential risks in the supply chain.

Code of Ethics for Suppliers and Complaint Channel

In order to strengthen the company's Governance Model in supplier relationships, Meliá has carried out a number of actions to increase transparency and guarantee the solid, global governance of its supply chain.

After the publication in 2018 of the Supplier Code of Ethics, in the first half of this year Meliá has extended its commitments to its suppliers in owned, leased and managed hotels.

179	51
COMPANIES SIGNING CODE OF THICS FOR SUPPLIERS	CONFORMITY STATETEMENT (*)

(*) Suppliers who have not signed the Meliá Code of Ethics as they already have their own code

A Complaints Channel has also been activated to allow the reporting of any behaviour contrary to the Code. The channel is managed by the Meliá Hotels International Ethics Committee.

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SUSTAINABILITY CLAUSES SIGNED

Real 2016	Real 2017	Real 2018	YTD 2019	Goal 2020
89	66	22	208	60% centralised procurement

Progress in the elimination of single-use plastics

In 2018, the company made a public commitment to eliminating single-use plastic in all of its hotels and corporate offices worldwide.

The objective includes the elimination of plastic bags in the rooms, straws, cutlery, crockery, water bottles and other containers used in hotel operations.

The process has been carried out in partnership with suppliers in order to raise awareness about the need to move forward with a common commitment to fight climate change and manage waste responsibly.

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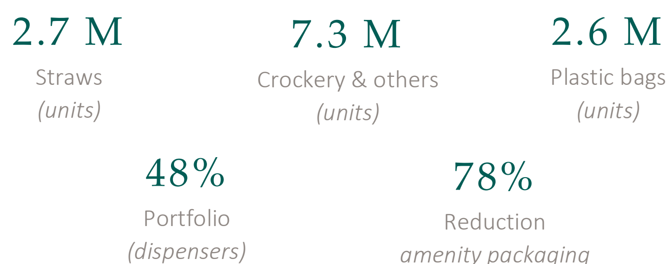
Secretary of the Board

The Company continues to support initiatives aligned with responsible consumption, changing individual bathroom amenities and replacing them with dispensers, for example, without any adverse effect on the brand promise and the criteria of excellence and quality that sustain each of its brands.

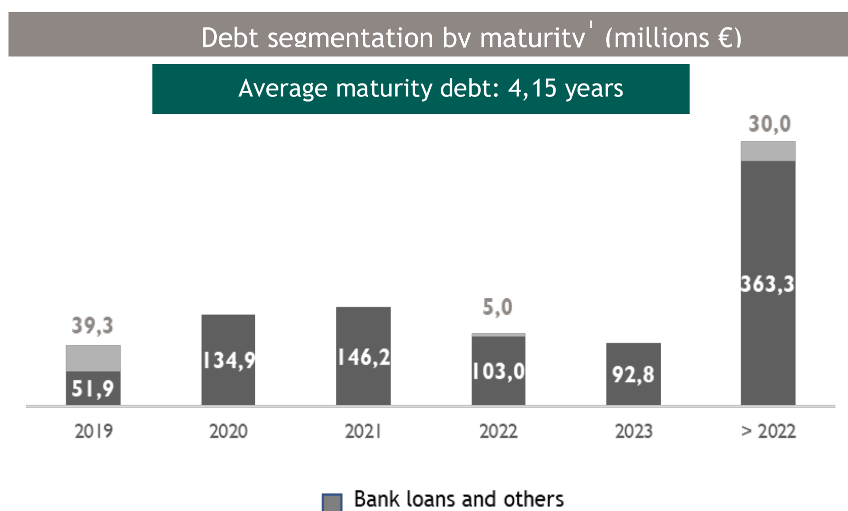
Together with Rituals, for example, a leading supplier of body cosmetics, the company has begun to use eco-efficient and sustainable amenities in Meliá Hotels & Resorts in Spain and EMEA, reinforcing the positioning of the brand in wellness, healthy lifestyle and sustainability.



4. Liquidity and Capital Resources

Net Debt Prior to IFRS 16 stood at +€585.7M as of June 2018, which represents a -€21.8M decline vs December 2018. Considering the impact of rentals, Net Debt fell by -€32.9M during the period to +€1,823.8M.

Furthermore, the maturity profile (*in EUR Million*) of current debt is shown below:



1) Excluding credit policies

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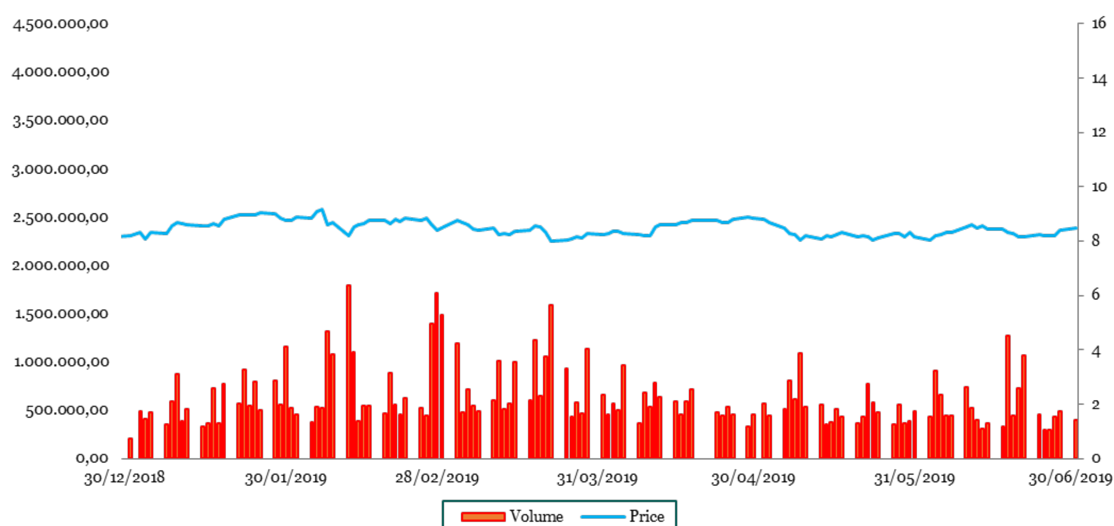
Secretary of the Board

5. Other Information

5.1 Stock Market

Over the second quarter of the year, Meliá' share price rose by +1.5%, outperforming the Ibex 35 Index (-0.5%). On a year-to-date basis, our shares rose by +2.3%, underperforming the Ibex 35 Index (+7.7%).

The following graph shows the evolution of the stock price and volume during the first half of 2019:



	Q1 2019	Q2 2019	Q32019	Q4 2019	2019
Average daily volume (thousand shares)	729.1	544.3	-	-	637.4
Meliá performance	0.8%	1.5%	-	-	2.3%
IBEX 35 performance	8.2%	(0.5%)	-	-	7.7%

	H1 2019	2018
Number of shares (millions)	229.70	229.70
Average daily volume (thousand shares)	637.40	724.36
Maximum share price (euros)	9.18	12.66
Minimum share price (euros)	8.02	7.96
Last price (euros)	8.40	8.21
Market capitalization (million euros)	1.929.48	1.885.84
Dividend (euros)	0.18	0.17

Source : *Bloomberg*

Note: *Meliá shares are listed on Ibex 35 and the index FTSE4Good Ibex*

5.2 Dividend Policy

For the 2019 Financial Year, the dividend payout stood at 30.0% of the Net Profit Attributed to the Parent Company, which was €140.1M. This payout remained the same as in 2018.

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

5.3 Environmental Risks

The Consolidated Annual Accounts do not include any item that should be considered in the specific document related to environmental information, according to the Order of the Ministry of Justice dated October 8, 2001.

6. Events After the Reporting Period

Note 17 of 2019 First Half Consolidated Financial Statements includes a detailed description of those events that might have an impact on the Group's financial information and that took place between the closing date of the period and the date of formulation of this report.

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

MELIÃ HOTELS INTERNATIONAL

FORMULATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE FIRST HALF OF YEAR 2019

The formulation of the condensed consolidated interim financial statements and the consolidated interim management report has been approved by the Board of Directors of Meliá Hotels International, S.A. at its meeting held on 30 July 2019.

The directors declare that, to the best of their knowledge, the condensed consolidated interim financial statements have been prepared pursuant to the applicable accounting principles and fairly present the equity, financial position and results of operations of the Meliá Hotels International Group and that the condensed consolidated interim management report includes an accurate analysis of the evolution and results of the business and of the position of the Group, along with the description of the main risks and uncertainties faced by it.

Such document is issued in 48 sheets, all of them signed by the Secretary of the Board, and being this last sheet signed by all Directors, except for the Chairman Mr. Fernando D'Ornellas Silva, who attend this meeting connected by teleconference, under the terms of the Article 18 of the Council Regulations, and for the Chairman, whose absence is duly justified, and who have delegated his full representation, vote and signature in the Proprietary Director Hoteles Mallorquines Consolidados, S.L., which signs on his behalf.

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

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

Signed: Mr. Sebastián Escarrer Jaume
Director

Signed: Hoteles Mallorquines Consolidados, S.L.
(Represented by Mrs. María Antonia Escarrer Jaume)
Director

Signed: Hoteles Mallorquines Consolidados, S.L.
(Represented by Mr. Alfredo Pastor Bodmer)
Director

Signed: Mr. Juan Arena de la Mora
Director

Signed: Mr. Francisco Javier Campo García
Director

Signed: Mr. Fernando D'Ornellas Silva
Director

Signed: Mrs. Cristina Henríquez de Luna Basagoiti
Director

Signed: Mrs. Carina Szpilka Lázaro
Director

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