MELIÃ HOTELS INTERNATIONAL

According to article 228 of the consolidated text of the Securities Market Act and its related legislation, MELIÁ HOTEL INTERNATIONAL S.A. makes public the following:

SIGNIFICANT EVENT

The Board of Directors held today has formulated the Financial Accounts for the First Semester 2017. This information has been sent to the CNMV through CIFRADOC/CNMV.

In addition, the First Half Results release for analysts and investors has been attached.

Meliá Hotels International, S.A.
Palma, July 27th 2017

FIRST HALF RESULTS
2017

Dear fellow shareholders,

During the first half of the year, Meliá Hotels International continued with the recently started deep transformational process aimed at improving operational efficiency and system wide profitability in order to increase shareholders returns and deliver further growth in a truly sustainable and responsible manner.

In these days where competition is even more fierce on a worldwide basis and differentiation through innovative brand positioning and technology oriented customer attraction platforms emerge as a key to succeed, we have delivered a solid performance and higher growth at both revenues and RevPar level as a result of the strong efforts made not only when leveraging our competitive advantages on the resorts segment, where we intend to continue leading the industry, but also after having correctly positioned ourselves as a pioneer in the delivery of customer adapted high value added services and experiences to the bleisure segment, which has shown a significant development over the past months.

On the investing side, we have been actively repositioning our current portfolio in order to increase profitability at operating level and being prepared for the summer season given its critical importance for our global operations. In addition, it is worth to mention the increasing importance and positive evolution of our JVs with Tier I partners, such as London Regional, Avenue Capital and Starwood Capital, among others.

> “We have delivered a solid performance and higher growth at both revenues and RevPar level”

Moreover, certain hotels were closed over the first half of the year due to deep refurbishments and improvements aimed at increasing the penetration of our brands in the upper and premium segments. This, combined with some other properties that were recently added to our portfolio and thus are still in their typical ramp up periods, make us truly optimistic for the upcoming season period, particularly in certain areas such as Mediterranean and Spain that benefit from the increasing number of visitors.

Achieving a higher degree of efficiency in our selling process has been another key focus area during the period. In this regard, and integrated within our ambitious digitalization strategy, we have introduced new innovative marketing initiatives and technological processes based on Big Data aimed at enhancing customer experience and increasing conversion rates, which boosted our main direct channel “melia.com” sales and thus profitability at system wide level.

Going forward, we are strongly committed to continue improving margins while maintaining financial rigor (2.0-2.5x target Net Debt/EBITDA ratio), for which we will continue to increase our global footprint in those areas that are still benefitting from positive market dynamics mainly under management contracts and particularly in the resorts and bleisure segments.

Finally, we would like to highlight the strong efforts made on the Environmental, Social and Governance (ESG) side. In this regard, the initiatives taken by the Company have started to bear fruit, as in the recently held “European Global ESG Leaders Awards 2017” we won the “Leading Company in Sustainability” category. Moreover, I´m very proud to announce that I was awarded as the “ESG Leader of the Year”, which reinforces our commitment to continue innovating on the ESG arena and work closely with other stakeholders to make it an essential part of any company.

> “We are strongly committed to continue improving margins while maintaining financial rigor”

Yours sincerely,

Gabriel Escarrer
Vice Chairman & CEO

P&L AND KEY INDICATORS SUMMARY

(Million Euros)	H1 2017	H1 2016	% change
REVENUES	**914,5**	**856,3**	**7%**
Revenues ex asset rotation	**914,5**	**854,2**	**7%**
EBITDAR	220,8	205,6	7%
EBITDA	**147,2**	**136,7**	**8%**
EBITDA ex asset rotation	**147,2**	**134,7**	**9%**
EBIT	88,9	79,0	12%
TOTAL FINANCIAL PROFIT (LOSS)	-28,4	-15,3	85%
EARNINGS BEFORE TAXES	79,9	59,7	34%
NET PROFIT	**59,9**	**44,9**	**34%**
NET PROFIT ATTRIBUTABLE	60,4	45,2	34%
EPS (€)	0,26	0,20	34%
REVPAR Owned & Leased (€)	**81,2**	**75,4**	**8%**
REVPAR Owned, Leased & Managed (€)	**72,5**	**67,9**	**7%**
EBITDAR MARGIN (ex - capital gains)	24,1%	23,8%	31 bps
EBITDA MARGIN (ex - capital gains)	*16,1%*	*15,8%*	32 bps

Business performance

- Total revenues grew by +6.8% (+€58.2M) vs H1 2016 as a result of the significant increases shown by RevPar +7.7% vs H1 2016 fully explained by prices.
- EBITDA excluding asset rotation improved by +9.2%.
- EPS for the period stood at €0.26 and increased by +34.0% vs H1 2016.
- It is worth to mention that the results shown above have been negatively affected by the decision of the Company to use a synthetic exchange rate for the Venezuelan Bolivar/USD. This had a negative impact on revenues and EBITDA of -€7.6M and -€2.1M respectively. In addition, RevPar prior to this effect was +8.9%.
- Sales through our direct channel, melia.com, increased by +19.6% vs H1 2016 on a global basis. This significant improvement is explained by the digitalization strategy implemented by the Company to adapt and compete in a more global industry.

Debt Management

- Net debt increased by +€31.4 during the first half of the year and reached €573.9M. However, in Q2 we managed to reduce it by -€47.7M, thus showing our commitment to keep a leverage ratio of between 2.0-2.5x.
- Our financial result has been affected by the negative impact of exchange rates differences due to the evolution of the USD vs EUR during the last quarter, despite the improvement in financial costs given the decline in average interest rate vs H1 2016 (from 3.8% to 3.3%).

Development strategy

- Our pipeline as of June 2017 stood at around 18k rooms (72 hotels), representing a 22.1% of the total portfolio and of which approx. 91% of them have been signed under management/franchise contracts.
- YTD we have signed 19 hotels and expect to open 8 new hotels over the rest of the year.

Outlook 2017

- We remain very positive for Q3, as this has been historically our strongest quarter. In this regard, we expect a significant increase in RevPar fully driven by prices in general terms and particularly in the Mediterranean region. On the other hand, the depreciation of Venezuela is having a negative impact on RevPAR. Even taking into consideration this latest effect, the Company keeps a high single digit RevPAR growth (7% to 8%) stance on the business.
- Additionally, over the following quarters we expect the positive contribution of some hotels that have been closed due to refurbishments and improvements, as well as the latest portfolio additions that are still in ramp up, that will allow to improve both EBITDA and margins.
- Due to the above, the Company feels comfortable with current Consolidated Ebitda consensus (ex-capital gains) for 2017 (currently €311.3 million). Additionally, the Company expects to increase Consolidated Ebitda margins by 70 basis points.

REPORT ON HOTELS OPERATION

GLOBAL HOTELS

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H1 2017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**763,7**	**707,2**	**8%**
Owned	422,1	397,5	
Leased	341,6	309,7	
Of which Room Revenues	***457,2***	***421,6***	***8%***
Owned	216,3	205,8	
Leased	240,9	215,9	
EBITDAR Split	**198,9**	**179,7**	**11%**
Owned	122,9	114,6	
Leased	76,0	65,1	
EBITDA Split	**121,9**	**110,2**	**11%**
Owned	122,9	114,6	
Leased	-1,0	-4,4	
EBIT Split	**75,8**	**62,1**	**22%**
Owned	90,2	79,0	
Leased	-14,4	-16,9	

MANAGEMENT MODEL	H1 2017 €mn	H1 2016 €mn	% change
Total Management Model Revenues	144,0	129,3	11%
Third Parties Fees	31,0	30,5	
Owned & Leased Fees	47,4	44,1	
Other Revenues	65,6	54,7	
Total EBITDA Management Model	34,7	32,4	7%
Total EBIT Management Model	33,1	31,8	

* Other Revenues in H12017 includes €55.8M Corporate Revenues not directly attributable to any specific Division. Idem in H12016 data by €47.2M

OTHER HOTEL BUSINESS	H1 2017 €mn	H1 2016 €mn	% change
Revenues	38,1	44,1	-13%
EBITDAR	3,5	3,8	
EBITDA	3,1	3,5	-11%
EBIT	2,7	3,1	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL HOTELS	70,0%	-0,1	116,1	7,9%	81,2	7,7%	68,0%	0,2	106,6	6,5%	72,5	6,7%
TOTAL HOTELS SAME STORE BASIS	71,8%	1,4	115,0	3,6%	82,6	5,7%	69,4%	0,9	106,5	4,2%	73,9	5,7%
AMERICA	74,1%	1,5	125,1	-0,2%	92,6	1,9%	72,0%	1,8	127,7	2,8%	91,9	5,5%
EMEA	70,0%	-0,3	152,8	3,4%	106,9	2,9%	68,8%	1,3	150,2	0,0%	103,3	4,3%
SPAIN	67,3%	2,2	96,5	15,0%	64,9	18,8%	66,3%	2,4	96,5	13,3%	64,0	17,5%
MEDITERRANEAN	73,3%	-1,5	75,2	16,9%	55,1	14,6%	71,7%	0,3	75,7	15,1%	54,3	15,7%
CUBA	-	-	-	-	-	-	71,4%	-1,7	108,1	3,4%	77,2	0,9%
BRAZIL	10,0%		172,5		17,2		49,8%	-3,5	87,4	14,1%	43,5	6,6%
ASIA	-	-	-	-	-	-	55,6%	-2,5	76,7	0,4%	42,6	-3,9%

* Available Rooms H1 2017: 5,631.0k (vs 5,594.5k in H1 2016) in O&L // 11,378.3k (versus 11,094.5 in H1 2016) in O,L&M

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
GLOBAL HOTELS	312	80.111	311	79.764	8	1.707	29	7.449	20	4.762	15	3.825	72	17.743
Management	110	34.299	110	34.253	7	1.502	27	7.185	16	4.066	13	3.067	63	15.820
Franchised	49	9.812	47	9.373	0	0	2	264	1	120	0	0	3	384
Owned	47	14.356	46	14.032	0	0	0	0	0	0	0	0	0	0
Leased	106	21.644	108	22.106	1	205	0	0	3	576	2	758	6	1.539

HOTEL MARGINS

	Occup.	ARR	RevPAR	RevPAR by Price	EBITDAR	EBITDAR MARGIN	EBITDAR	EBITDA	EBITDA MARGIN	EBITDA
	% change	% change	% change	%	% change	bps change	Flow Through	% change	bps change	Flow Through
TOTAL HOTELS OWNED & LEASED	-0,1%	7,9%	7,7%	101,9%	10,7%	63bps	33,9%	10,6%	38bps	20,7%
AMERICA (usd)	2,1%	1,9%	4,1%	47,2%	9,9%	6bps	40,5%	6,6%	-3bps	26,1%
EMEA	-0,5%	3,4%	2,9%	116,3%	8,9%	77bps	38,4%	8,1%	28bps	16,4%
SPAIN	3,3%	16,9%	14,6%	83,6%	19,8%	305bps	75,0%	84,0%	358bps	64,6%
MEDITERRANEAN	-2,1%	15,0%	18,8%	115,9%	9,1%	18bps	17,3%	39,1%	40bps	6,9%

	Occup.	ARR	RevPAR	RevPAR by Price	EBITDAR	EBITDAR MARGIN	EBITDAR	EBITDA	EBITDA MARGIN	EBITDA
	% change	% change	% change	%	% change	bps change	Flow through	% change	bps change	Flow through
TOTAL HOTELS OWNED & LEASED SAME STORE BASIS	1,9%	4,6%	6,6%	70,7%	8,0%	4bps	35,0%	8,3%	3bps	23,2%
AMERICA (usd)	3,9%	-0,6%	3,3%	-18,0%	3,0%	-6bps	21,8%	2,1%	-9bps	14,8%
EMEA	1,1%	2,0%	3,1%	63,3%	0,7%	0bps	22,2%	-1,6%	-3bps	-23,8%
SPAIN	2,0%	12,7%	15,0%	86,2%	33,7%	41bps	58,5%	1.003,7%	46bps	39,9%
MEDITERRANEAN	0,6%	13,2%	13,9%	95,6%	23,3%	12bps	24,6%	582,9%	18bps	14,9%

Meliá Yangon | Birmania

AMERICA

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H1 2017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**272,5**	**246,3**	**11%**
Owned	256,3	235,7	
Leased	16,2	10,6	
Of which Room Revenues	***115,0***	***104,8***	**10%**
Owned	101,7	95,7	
Leased	13,4	9,1	
EBITDAR Split	**87,2**	**77,9**	**12%**
Owned	84,0	77,6	
Leased	3,2	0,3	
EBITDA Split	**81,7**	**75,3**	**8%**
Owned	84,0	77,6	
Leased	-2,4	-2,3	
EBIT Split	**65,2**	**60,3**	**8%**
Owned	67,6	62,9	
Leased	-2,4	-2,6	

MANAGEMENT MODEL	H1 2017 €mn	H1 2016 €mn	% change
Total Management Model Revenues	35,7	31,2	14%
Third Parties Fees	2,4	2,6	
Owned & Leased Fees	18,7	17,3	
Other Revenues	14,5	11,4	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL AMERICA	74,1%	1,5	125,1	-0,2%	92,6	1,9%	72,0%	1,8	127,7	2,8%	91,9	5,5%
TOTAL AMERICA SAME STORE BASIS	75,5%	3,1	121,1	-1,6%	91,4	2,7%	73,8%	2,9	123,7	0,8%	91,3	5,0%
México	76,3%	-3,9	133,2	6,8%	101,6	1,5%	75,0%	-1,7	142,4	9,3%	106,8	6,8%
Dominican Republic	82,6%	3,8	123,1	0,4%	101,7	5,2%	82,6%	3,8	123,1	0,4%	101,7	5,2%
Venezuela	45,2%	3,7	48,1	-56,8%	21,8	-53,0%	45,2%	3,7	48,1	-56,8%	21,8	-53,0%
U.S.A.	79,2%	3,0	157,7	1,4%	124,8	5,4%	74,1%	-2,1	162,5	4,5%	120,4	1,6%

* Available Rooms H1 2017: 1,241.6k (vs 1,152.7k in H1 2016) in O&L // 1,563.7k (vs 1,519.3k in H1 2016) in O,L&M

CHANGES IN PORTFOLIO

Openings between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
-			

Disaffiliations between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
-			

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL AMERICA	28	9.213	28	9.199	0	0	5	884	5	1.355	2	356	12	2.595
Management	9	2.173	10	2.523	0	0	5	884	5	1.355	2	356	12	2.595
Franchised	2	214	2	214	0	0	0	0	0	0	0	0	0	0
Owned	15	6.277	14	5.913	0	0	0	0	0	0	0	0	0	0
Leased	2	549	2	549	0	0	0	0	0	0	0	0	0	0

2017 FIRST HALF RESULTS

- RevPar in USD (owned, leased & managed) increased by +7.1% vs Q2 2016, with around 60% of the growth explained by price.
- Total fee revenue increased by +6.7% vs H1 2016 as a result of higher owned & leased fees.
- EBITDA (owned & leased) flow through in USD for H1 2017 was 26.1%, although our EBITDA margin slightly deteriorated by -3 bps.
- Melia.com sales jumped +20.4% in H1 2017 given the recent efforts to improve the customer experience in the platform and newly introduced initiatives to improve leads and conversion rates.

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

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

Moreover, our recently opened US hotels, as well as certain resorts in the Caribbean that enhanced our footprint in the region, started to bear fruit after their typical ramp up processes, being significant examples the Paradisus Los Cabos, ME Miami and Innside Nomad. Finally, we would like to mention that our American results have been negatively affected at both revenues and EBITDA level by -€7.6M and -€2.1M respectively, as the Company decided to use a synthetic exchange rate for the Venezuelan Bolivar/USD.

OUTLOOK

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

PORTFOLIO AND PIPELINE

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

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H1 2017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**260,8**	**247,4**	**5%**
Owned	99,1	97,2	
Leased	161,7	150,2	
Of which Room Revenues	***181,3***	***171,8***	***6%***
Owned	69,9	68,1	
Leased	111,4	103,7	
EBITDAR Split	**63,1**	**58,0**	**9%**
Owned	25,7	25,1	
Leased	37,5	32,9	
EBITDA Split	**29,5**	**27,3**	**8%**
Owned	25,7	25,1	
Leased	3,8	2,2	
EBIT Split	**14,4**	**7,6**	**88%**
Owned	16,1	10,8	
Leased	-1,7	-3,2	

MANAGEMENT MODEL	H1 2017 €mn	H1 2016 €mn	% change
Total Management Model Revenues	26,3	24,7	6%
Third Parties Fees	0,6	1,1	
Owned & Leased Fees	14,7	14,2	
Other Revenues	11,0	9,5	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL EMEA	70,0%	-0,3	152,8	3,4%	106,9	2,9%	68,8%	1,3	150,2	0,0%	103,3	4,3%
TOTAL EMEA SAME STORE BASIS	70,6%	0,8	152,6	2,0%	107,8	3,1%	69,7%	0,9	150,4	1,2%	104,8	2,5%
Spain	70,3%	-3,9	201,2	10,6%	141,5	4,8%	68,8%	-2,2	199,6	9,1%	137,2	5,7%
United Kingdom	73,2%	3,2	164,8	-3,6%	120,6	0,8%	73,2%	3,2	164,8	-3,6%	120,6	0,8%
Italy	65,1%	3,6	207,3	-1,8%	135,0	4,0%	64,1%	3,7	208,8	-1,3%	133,7	4,8%
Germany	69,6%	0,1	109,2	-0,6%	76,0	-0,5%	69,6%	0,1	109,2	-0,6%	76,0	-0,5%
France	69,0%	3,2	176,8	-0,3%	122,0	4,6%	69,0%	3,2	176,8	-0,3%	122,0	4,6%

* Available Rooms H1 2017: 1,695.8k (vs 1,656.1k in H1 2016) in O&L // 1,890.7k (versus 1,850.2k in H1 2016) in O,L&M

CHANGES IN PORTFOLIO

Openings between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
Tryp Lisboa Caparica Mar	Lisbon, Portugal	Franchise	354
Meliá Saida Garden All Incl. Golf Resort	Morocco, Africa	Management	150

Disaffiliations between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
Meliá Doha	Doha, Qatar	Management	317

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL EMEA	74	12.741	73	12.566	4	866	8	1.339	6	1.171	2	758	20	4.134
Management	8	949	8	1.116	3	661	6	1.075	2	475	0	0	11	2.211
Franchised	13	1.915	12	1.561	0	0	2	264	1	120	0	0	3	384
Owned	13	3.034	13	3.045	0	0	0	0	0	0	0	0	0	0
Leased	40	6.843	40	6.844	1	205	0	0	3	576	2	758	6	1.539

- RevPar (owned, leased & managed) improved by +2.0% vs Q2 2016, being explained by price increases (+2.3%) and a slight reduction in occupancy rates.
- Total fee revenue grew by +0.2% vs H1 2016 given the slightly higher owned & lease fees.
- EBITDA (owned & leased) flow through for the first six months of 2017 was 16.4%, which improved the region´s EBITDA margin by +28 bps.
- Melia.com sales jumped +14.8% in H1 2017 given the great efforts made to increase the penetration of the platform and improving customer experience

The EMEA region had a positive quarter, with urban and bleisure segments delivering strong results compared to previous periods. Some geographies have performed better than others due to specific idiosyncrasies, but in general terms all of them ended the quarter with RevPar increases mainly explained by price hikes, with the exception of Germany. Also, some countries are starting to recover from the shocks caused by terrorist attacks, but at a slower than expected pace. At country level, the main highlights are shown below:

GERMANY/AUSTRIA

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

UK

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

FRANCE

Paris hotels are on track to recover RevPar figures in a steady and smooth way, but at a lower pace than in the previous quarter. In this regard, RevPar grew by +1.5% vs Q2 2016 mainly by price increases, in contrast to Q1 2017 where the improvement came mostly by higher occupancy rates. In addition, downtown hotels posted a positive performance, particularly Tour Eiffel, Vendome and Paris Opera, with the only exception being Paris La Defense, which struggled as a result of the decline in the MICE segment in the area, but have a very optimistic summer period ahead .

ITALY

The Italian area has recovered after a quite difficult Q1, with RevPar increasing by +4.3% vs Q2 2016 and being particularly relevant the recovery and solid performance of the Rome market. In addition, ME Milan had a very positive performance, as well as our small hotels, such as Capri, Campione and Genova. On the downside, Meliá Milan struggled as a result of the weakening of the MICE segment in the fairground area.

PREMIUM SPAIN

Even though the rest of the EMEA countries posted positive figures over the quarter, Spain was the best one beyond doubt. There are several factors that impacted positively the Q2 results, including the ramp up of Gran Meliá Palacio de los Duques, Easter taking place in April, etc., but we must highlight the extraordinary performance of all our Spanish properties, both urban and resorts, which reported a revenue increase of +19.6%. Moreover, it is worth to mention the great performance of destinations such as Barcelona, Seville, Mallorca, Madrid, Sancti Petri, as well as of the new flagship of the Gran Meliá brand, the so called Gran Meliá Palacio de los Duques, which is now considered as one of the top hotels in Madrid, registering ARR of €300+.

OUTLOOK

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

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

PORTFOLIO AND PIPELINE

The portfolio in the EMEA region remained relatively stable over the quarter, with the additions of the Lisboa Caparica Mar (354 rooms) and the Saidia Garden All Inclusive Golf Resort (150 rooms), plus the disaffiliation of Doha (317 rooms). For the upcoming months we remain active in pursuing opportunities in attractive markets and segments, particularly in cities with an important MICE component.

Gran Meliá de Mar | Mallorca - Spain

MEDITERRANEAN

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H1 2017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**89,0**	**82,5**	**8%**
Owned	29,9	28,9	
Leased	59,1	53,6	
Of which Room Revenues	***58,6***	***52,5***	***12%***
Owned	19,2	17,9	
Leased	39,4	34,6	
EBITDAR Split	**13,3**	**12,2**	**9%**
Owned	4,0	3,5	
Leased	9,4	8,7	
EBITDA Split	**1,6**	**1,1**	**39%**
Owned	4,0	3,5	
Leased	-2,4	-2,4	
EBIT Split	**-3,9**	**-4,6**	**-15%**
Owned	1,2	0,5	
Leased	-5,2	-5,1	

MANAGEMENT MODEL	H1 2017 €mn	H1 2016 €mn	% change
Total Management Model Revenues	13,2	13,9	-5%
Third Parties Fees	6,1	6,1	
Owned & Leased Fees	5,0	4,6	
Other Revenues	2,1	3,1	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL MEDITERRANEAN	73,3%	-1,5	75,2	16,9%	55,1	14,6%	71,7%	0,3	75,7	15,1%	54,3	15,7%
TOTAL MEDITERRANEAN SAME STORE BASIS	73,1%	0,4	74,0	13,2%	54,1	13,9%	71,7%	1,1	74,7	13,1%	53,5	14,8%
Spain	73,3%	-1,5	75,2	16,9%	55,1	14,6%	73,0%	-0,3	75,5	15,9%	55,1	15,5%
Cape Verde	-	-	-	-	-	-	65,4%	7,7	76,6	7,5%	50,1	21,9%

* Available Rooms H1 2017: 1,062.4k (vs 1,091.2k in H1 2016) in O&L // 2,283.2k (versus 2,233.3k in H1 2016) in O,L&M

CHANGES IN PORTFOLIO

Openings between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
-			

Disaffiliations between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
-			

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL MEDITERRANEAN	76	23.787	76	23.843	0	0	3	1.611	3	870	1	130	7	2.611
Management	24	8.125	24	8.269	0	0	3	1.611	3	870	1	130	7	2.611
Franchised	19	5.908	19	5.805	0	0	0	0	0	0	0	0	0	0
Owned	10	2.621	10	2.621	0	0	0	0	0	0	0	0	0	0
Leased	23	7.133	23	7.148	0	0	0	0	0	0	0	0	0	0

2017 FIRST HALF RESULTS

- RevPar (owned, leased & managed) jumped by +15.5% vs Q2 2016 as a result of a significant increase in prices (+17.3%) and a reduction in occupancy rates.
- Total fee revenue increased by +2.8% vs H1 2016 driven by higher owned & leased fees.
- EBITDA (owned & leased) flow through for the first half of the year was 6,9%, increasing our EBITDA margin by +40 bps.
- Melia.com sales increased by +25.2% in H1 2017, thus reflecting the great efforts made to improve the efficiency of the platform when converting visits into sales and enhanced customer experience, including ease of use and tailored recommendations based on recent searches

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

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

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

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

OUTLOOK

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

Finally, in regards to Cape Verde, where we added 2 new hotels, we are confident on delivering a better performance than last year.

PORTFOLIO AND PIPELINE

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

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H1 2017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**139,3**	**131,0**	**6%**
Owned	36,9	35,7	
Leased	102,4	95,2	
Of which Room Revenues	***101,0***	***92,6***	***9%***
Owned	25,6	24,1	
Leased	75,4	68,5	
EBITDAR Split	**37,9**	**31,6**	**20%**
Owned	9,2	8,3	
Leased	28,6	23,3	
EBITDA Split	**11,8**	**6,4**	**84%**
Owned	9,2	8,3	
Leased	2,6	-1,9	
EBIT Split	**2,8**	**-1,2**	**-333%**
Owned	5,3	4,8	
Leased	-2,4	-6,0	

MANAGEMENT MODEL	H1 2017 €mn	H1 2016 €mn	% change
Total Management Model Revenues	17,1	16,0	7%
Third Parties Fees	3,4	3,4	
Owned & Leased Fees	8,9	8,0	
Other Revenues	4,7	4,5	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL SPAIN	67,3%	2,2	96,5	15,0%	64,9	18,8%	66,3%	2,4	96,5	13,3%	64,0	17,5%
TOTAL SPAIN SAME STORE BASIS	68,6%	1,4	90,1	12,7%	61,8	15,0%	66,8%	2,0	92,1	11,2%	61,5	14,6%
Spain	67,3%	2,2	96,5	15,0%	64,9	18,8%	66,3%	2,4	96,5	13,3%	64,0	17,5%

* Available Rooms H1 2017: 1,556.4k (versus 1,694.5k in H1 2016) in O&L // 2,128.2k (versus 2,298.4k in H1 2016) in O,L&M

CHANGES IN PORTFOLIO

Openings between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
Tryp Mallorca Santa Ponsa	Santa Ponsa, Spain	Franchise	60
Meliá Palma Bay	Palma de Majorca, Spain	Lease	268

Disaffiliations between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
Tryp Madrid Alcalá 611	Madrid, Spain	Lease	93
Tryp Estepona Valle Romano Golf	Malaga, Spain	Lease	290
Tryp Sevilla Macarena	Seville, Spain	Lease	331
Innside Madrid Luchana 22	Madrid, Spain	Management	44
Innside Madrid Genova	Madrid, Spain	Management	65

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL SPAIN	74	13.996	77	14.532	1	100	0	0	0	0	0	0	1	100
Management	11	3.217	13	3.326	1	100	0	0	0	0	0	0	1	100
Franchised	14	1.649	13	1.601	0	0	0	0	0	0	0	0	0	0
Owned	9	2.424	9	2.453	0	0	0	0	0	0	0	0	0	0
Leased	40	6.706	42	7.152	0	0	0	0	0	0	0	0	0	0

2017 FIRST HALF RESULTS

- RevPar (owned, leased & managed) increased by 18.9% vs Q2 2016, with almost 90% of the growth explained by price.
- Total fee revenue jumped by +8.4% vs H1 2016 as a result of an increase in owned & leased fees.
- EBITDA flow through for the period was +64,6%, having positively impacted EBITDA margin by +358 bps.
- Melia.com sales jumped +15.6% in H1 2017 as a result of recent improvements on the system aimed at increasing the leads and providing a tailored experience

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

CENTRAL AREA – MADRID

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

SOUTHERN SPAIN

The performance of the area in this second quarter has been better than in Q1, with room revenues up +19.0% (+16.0% YTD) as a result of Easter, which this year took place in April, thus increasing the demand and flow of visitors to coastal locations, such as Malaga and Marbella. Moreover, it is worth to mention the positive evolution of our hotels in Seville thanks mainly to the good performance of the MICE segment in June, where 3 congresses and Meeting & Incentive Forum took place.

EASTERN SPAIN

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

NORTHERN SPAIN & EAST (LEVANTE)

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

OUTLOOK

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

PORTFOLIO AND PIPELINE

As an essential component of our business, we have been very active to increase the value of our Spanish portfolio over the quarter. In terms of new openings, we added two new hotels to our portfolio, Tryp Santa Ponça (60 rooms) and the Meliá Palma Bay (268 rooms), which includes the Palau of Congressos de Palma (Palma´s Congress Center), that opened on April, 1st. Moreover, we disaffiliated the Innside Madrid Genova (65 rooms) and, more importantly, been actively repositioning certain properties and improving current facilities to increase profitability and enhance the service offered to visitors, being particularly relevant the actions taken in Innside Palma Bosque.

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H12017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**N.A.**	**N.A**	
Owned			
Leased			
Of which Room Revenues	***N.A.***	***N.A.***	
Owned			
Leased			

MANAGEMENT MODEL	H1 2017 €mn	H1 2016 €mn	% change
Total Management Model Revenues	15,1	14,4	5%
Third Parties Fees	14,9	14,4	
Owned & Leased Fees	0,0	0,0	
Other Revenues	0,3	0,0	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL CUBA	-	-	-	-	-	-	71,4%	-1,7	108,1	3,4%	77,2	0,9%
TOTAL CUBA SAME STORE BASIS	-	-	-	-	-	-	71,2%	-1,5	110,7	3,0%	78,9	0,9%

* Available Rooms H1 2017: 2,186.8k (versus 2,129.0k in H1 2016) in O,L&M

CHANGES IN PORTFOLIO

Openings between 01/01/2017 – 30/06/2017

Hotel	Country / City	Contract	# Rooms
-			

Disaffiliations between 01/01/2017 – 30/06/2017

Hotel	Country / City	Contract	# Rooms
-			

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL CUBA	28	12.517	28	12.245	0	0	8	2.286	1	400	2	381	11	3.067
Management	28	12.517	28	12.245	0	0	8	2.286	1	400	2	381	11	3.067
Franchised	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2017 FIRST HALF RESULTS

- RevPar in USD (managed) slightly deteriorated and dropped by -3.2% vs Q2 2016 as a result mainly of lower occupancy rates (-2.7%).
- Total fee revenue increased by +3.6% vs H1 2016 given the higher third party fees collected in the period.
- Melia.com sales significantly improved, showing a +30.6% increase vs H1 2016 as a consequence of the recently introduced initiatives aiming at increasing direct sales efficiency and customer reach on a worldwide basis

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

OUTLOOK

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

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

PORTFOLIO AND PIPELINE

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


Paradisus Rio de Oro | Cuba

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H1 2017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**2,0**	**0,0**	**-**
Owned	0,0	0,0	
Leased	2,0	0,0	
Of which Room Revenues	***1,3***	***0,0***	**-**
Owned	0,0	0,0	
Leased	1,3	0,0	
EBITDAR Split	**-2,7**	**0,0**	**-**
Owned	0,0	0,0	
Leased	-2,7	0,0	
EBITDA Split	**-2,7**	**0,0**	**-**
Owned	0,0	0,0	
Leased	-2,7	0,0	
EBIT Split	**-2,7**	**0,0**	**-**
Owned	0,0	0,0	
Leased	-2,7	0,0	

MANAGEMENT MODEL	H1 2017 €mn	H1 2016 €mn	% change
Total Management Model Revenues	2,5	2,2	14%
Third Parties Fees	1,7	1,5	
Owned & Leased Fees	0,1	0,0	
Other Revenues	0,7	0,7	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL BRAZIL	10,0%	-	172,5	-	17,2	-	49,8%	-3,5	87,4	14,1%	43,5	6,6%
TOTAL BRAZIL SAME STORE BASIS	-	-	-	-	-	-	55,2%	1,8	85,3	11,6%	47,1	15,4%

* Available Rooms H1 2017: 74.7k (vs 0.0k in H1 2016) in O&L // 621.6k (versus 550.0k in H1 2016) in O,L&M

CHANGES IN PORTFOLIO

Openings between 01/01/2017 – 30/06/2017

Hotel	Country / City	Contract	# Rooms
-			

Disaffiliations between 01/01/2017 – 30/06/2017

Hotel	Country / City	Contract	# Rooms
-			

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL BRAZIL	15	3.563	15	3.621	0	0	0	0	0	0	0	0	0	0
Management	13	3.024	13	3.016	0	0	0	0	0	0	0	0	0	0
Franchised	1	126	1	192	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	1	413	1	413	0	0	0	0	0	0	0	0	0	0

2017 FIRST HALF RESULTS

- RevPar (leased & managed) was down by -1.4% vs Q2 2016 due to a combination of a decline in occupancy rates (-5.1%) and higher prices. This metric has been particularly affected by the aforementioned sluggish domestic demand.
- Total fee revenue showed a +19.3% improvement vs H1 2016 mainly as a result of higher third party fees.
- Melia.com sales increased +6.8% vs H1 2016 as a result of the strategy implemented in order to improve the efficiency of the direct channel.

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

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

OUTLOOK

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

PORTFOLIO AND PIPELINE

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

Meliá Campinas | Brazil

FINANCIAL INDICATORS

HOTELS OWNED & LEASED	H1 2017 €mn	H1 2016 €mn	% change
Total aggregated Revenues	**N.A.**	**N.A.**	
Owned			
Leased			
Of which Room Revenues	***N.A.***	***N.A.***	
Owned			
Leased			

MANAGEMENT MODEL	H1 2017 €mn	H 2016 €mn	% change
Total Management Model Revenues	3,6	2,6	41%
Third Parties Fees	1,9	1,5	
Owned & Leased Fees	0,0	0,0	
Other Revenues	1,7	1,1	

MAIN STATISTICS

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
TOTAL ASIA	-	-	-	-	-	-	55,6%	-2,5	76,7	0,4%	42,6	-3,9%
TOTAL ASIA SAME STORE BASIS	-	-	-	-	-	-	63,8%	1,5	74,4	-8,4%	47,5	-6,2%
Indonesia	-	-	-	-	-	-	52,6%	-6,5	61,8	-18,0%	32,5	-27,0%
China	-	-	-	-	-	-	60,3%	1,1	71,0	-10,8%	42,8	-9,1%

* Available Rooms H1 2017: 704.0k (versus 518.6k in H1 2016) in O,L&M

CHANGES IN PORTFOLIO

Openings between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
Sol Bali Legian	Bali, Indonesia	Management	110
Sol House Shanghai Hongqiao	Shanghai, China	Management	187
Innside Yogyakarta	Yogyakarta, Indonesia	Management	242

Disaffiliations between 01/01/2017 – 30/06/2017

Hotel	**Country / City**	**Contract**	**# Rooms**
-			

FUTURE DEVELOPMENT

	Current Portfolio				Pipeline									
	H1 2017		2016 YE		2017		2018		2019		Onwards		TOTAL	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
TOTAL ASIA	17	4.294	14	3.758	3	741	5	1.329	5	966	8	2.200	21	5.236
Management	17	4.294	14	3.758	3	741	5	1.329	5	966	8	2.200	21	5.236
Franchised	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Owned	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Leased	0	0	0	0	0	0	0	0	0	0	0	0	0	0

2017 FIRST HALF RESULTS

- RevPar in USD (managed) dropped by -6.5% vs Q2 2016 as a result of a significant decline in occupancy rates (-6.2%) and a minor increase in prices.
- Total fee revenue increased by +31.1% vs H1 2016 given the strong increase in third party fees.
- Melia.com sales showed a +34.7% increase vs H1 2016 mainly as a result of new sales initiatives to increase leads and increasing penetration of the platform among clients

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

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

OUTLOOK

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

PORTFOLIO AND PIPELINE

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

Sol Beach House Phu Quoc | Vietnam

OTHER NON HOTEL BUSINESS
2

THE CIRCLE

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

In terms of our focus areas for the upcoming months and, in order to continue increasing the profitability of the business area, we are aiming at launching a referral program that will benefit both the customer and the referred, as well as maximizing the use of innovative marketing tools so we can increase the current volume of digital invitations from 10.0% to 15.0%. In addition, we will implement micro-segmented marketing campaigns targeted to premium clients in order to boost new customers attraction and conversion rates, thus enhancing sales efficiency and profitability levels going forward. In this regard and, as an essential part of our selling efforts, we have recently developed and introduced a new sale process intended as an on-site full involvement experience that allow prospective customers to tailor the product to their needs after having visited the locations they are interested in. However, this new way of selling the product will yield optimal results once The Circle, a resort located in Punta Cana, is finished and fully in operation.

REAL ESTATE

During the first half of 2017 we have not sold any fully owned real estate asset, and therefore no EBITDA has been generated from capital gains, in contrast with the €2.0M reported in Q2 2016. However, the sale of four properties held in the joint venture with Starwood Capital Group has resulted in a profit of €20.6M million euros (reflected in the P&L within the profit/(loss) from associates and JV item) corresponding to the Group´s share in the capital gain generated. In regards to this deal, we would like to highlight the fact that we have achieved the goals of our strategy, as we have moved from a more short term oriented partner to a long term one, London & Regional, with whom we have worked before. This strengthened relationship with them has allowed us, among other things, to extend the management agreement and thus to benefit from the actions to be taken in the near future in order to increase profitability and value of the assets, as well as the continued strengthening of the Sol Brand portfolio.

Looking forward, we will constantly monitor our portfolio and the market to evaluate potential opportunities that may arise, as well as to take advantage of the real estate cycles. In this regard, our key action area will be to actively pursue non-core assets disposals, in order to optimize our current portfolio, and to consider selective property acquisitions, mainly through the joint venture partnerships in place. In addition, it is worth to mention the very positive impact to our global operations and increasing importance of our JVs with Tier I partners, including Avenue Capital, London & Regional or Starwood Capital, among others, which have allowed us to effectively reposition mature destinations, successfully relaunching the Sol brand, as well as upgrading certain hotels to target premium/upscale segments that, without their invaluable help, would not have been possible. As of today, all of the above mentioned value creation initiatives and efforts made are bearing fruit, thus making us pretty optimistic for the future. Likewise, the consistent consolidation of the operating results of the JV´s has enabled us to carry out different debt restructuring actions in various entities, allowing us to improve and optimize the overall conditions of the associated debt, and continue to streamline the group´s share of capital employed.

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

OVERHEADS

Over the first six months of the year, overheads, which refers only to those of Meliá Hotels International, grew vs H1 2016 mainly as a result of higher costs in IT, including strategic projects.

COMMITMENT AND CORPORATE RESPONSIBILITY
3

ESG ENVIRONMENTAL, SOCIAL & GOVERNANCE

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

ENVIRONMENTAL

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

Energy, water and environmental analysis includes the sample of hotels with a history of consumption since 2011, which accounts for more than 65% of the total portfolio. Progress in this area has allowed a reduction in water consumption per stay of 7% and 12% in CO2 emissions per stay during the first half of the year.

Meliá continues to drive the standardization of efficient lighting systems and its progressive replacement of lighting systems with more efficient technologies such as LED technology. Thus, during 2017 Meliá has installed more than 22.500 LEDs and 3.500 electronic equipment. Because of initiatives such as these, a 12% saving in electricity consumption per stay has been achieved.

The decrease in diesel consumption per stay of 32%, a fuel more polluting than natural gas, shows that the Company is still prioritizing cleaner energy.

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

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

	Average YTD 2012-2017	% change Av. YTD 12-17/Av. YTD 07-11	Average YTD 2007-2011
Environmental Metrics			
CO2 Emissions (Kg)	112.645.358	-7,63%	121.947.368
per stay	*13,805*	*-11,92%*	*15,672*
Water Consumption (m3)	4.380.574	-2,49%	4.492.231
per stay	*0,537*	*-7,01%*	*0,577*
Energy Metrics			
Diesel (liters)	3.286.472	-29,13%	4.637.421
per stay	*0,403*	*-32,42%*	*0,596*
Gas (m3)	5.109.833	13,36%	4.507.635
per stay	*0,626*	*8,10%*	*0,579*
Electricity (Kwh)	172.183.507	-7,85%	186.852.831
per stay	*21,101*	*-12,13%*	*24,014*

SOCIAL

In its commitment to continuous training and professional development, Meliá has a key pillar in its employer brand strategy, focused on attracting and retaining the best talent. More than 6.900 people have been involved in training activities in Spain through 759 multi-subject courses. Aligned with the process of digital transformation, virtual training is gaining an important specific weight for internal training. In fact, more than 30% of the training is already delivered remotely, with a special focus on the learning experiences platform eMELIÁ, a channel that has experienced a growth in users of 19% in the first half, reaching over 3.700 users in June.

In addition, more than 2.200 professionals from different areas and countries were involved in activities of development and profile transformation. In this first half of the year, a new edition of the Talent Pool of Management Development has been launched involving 29 managers, who joined the 171 employees participating in other different development programs for key business profiles (Quarries) and the 68 employees trained as experts to give support to the hotels opening processes.

Aligned with the process of digital transformation, the traditional commercial role has evolved towards a new role with a high digital component. In addition, Meliá continues to drive the attraction of external talent in both academic and digital environments. Meliá has identified 23 strategic universities and signed an agreement with 50% of them. In social networks, Meliá has increased its presence in a remarkable way, reaching a growth of 13.98% with more than 140.830 followers in both, Linkedin and Twitter.

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

GOVERNANCE

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

Meliá has joined the Cluster of Transparency, Governance and Integrity driven by Forética, a reference entity in Spain, which gathers 48 companies that represent more than 20% of Spanish GDP. The role of the Compliance Officer has been created to promote a solid model that ensures regulatory compliance through the implementation of a Model of Prevention and Detection of Criminal Offenses.

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

REPUTATION & ACKNOWLEDGMENTS

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

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

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

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

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

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

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

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

FINANCIAL STATEMENTS
4

INCOME STATEMENT

Important disclosure: The financial statements presented in this report have been affected by the Venezuelan Bolivar/USD exchange rate. In the first half of 2017, and given the complex political and economical situation of the country, we believe that the current exchange rates do not reflect the economic reality of the economy, and thus we decided to estimate an appropriate exchange rate in order to properly consolidate the financial results of our Venezuelan subsidiaries. This synthetic exchange rate, which considers the high inflation suffered by the country over the period, was set at 3.860,4 Strong Bolivar per USD as of June, 30th.

Revenues

Total consolidated revenues increased by +6.8% (+6.6% on a like for like basis) vs H1 2016 as a result of the following aspects:

a) Higher revenues in the Hotels division (+€56.4M, +7.2% vs H1 2016) as a result of the increase in RevPar (+7.7% vs H1 2016, mainly explained by price hikes), room revenues (+€38.4M, +9.2% vs H1 2016), as well as the growth in F&B revenues (+€11.2M, +7.1% vs H1 2016).

b) Decrease in Club Meliá revenues (-€0.5M, -1.2% vs H1 2016) due to the change in the business model.

c) Lower revenues of the Real Estate division (-€3.1M, -43.0% vs H1 2016) mainly due to the non-existence of capital gains.

Operating Costs

Total operating costs increased by +6.6% (+6.4% on a like for like basis) vs H1 2016, being explained by the below items:

The movements in "Raw Materials", "Personnel Expenses" and "Other Operating Expenses" were -2.0%, +5.7% and +10.4% respectively. On a like for like basis, the above mentioned movements were -2.5%, +6.3% and +9.6% respectively.

Increase in "Rental Expenses" (+€4.8M, +7.0% vs H1 2016) as a result of the combination of new rental contracts (€3.2M), such as Innside NY NoMad or Meliá Palma Bay, and the increase of certain variable rentals due to the improved performance of the hotels. Moreover, it is worth to mention the reversal of certain rental provisions by -€3.7M and -€2.8M in 2017 & 2016 respectively.

EBITDA

EBITDA increased by +7.6% vs H1 2016 (+9.2% without capital gains). EBITDA excluding capital gains margin stood at +16.1%, showing an increase of 32 bps. Also, EBITDA flow through for the period was +17.9%, being a key target for the Company to significantly improve this metric going forward.

Depreciation and Amortization grew by +1.0% vs the first six months of 2016, being this increase explained mainly by higher amortizations of software applications (i.e. SAP licenses).

Operating Profit (EBIT)

Operating Profit improved by +12.5% over the first half of the year vs H1 2016.

Result from entities valued by the equity method improved by €19.4M (+579.0%) vs H1 2016 mainly as a result of Advanced Inv. (+€20.9M), which sold 5 of its subsidiaries that owned 4 hotels as part of a joint venture with Starwood Capital.

Net Profit

Net Profit improved by +33.6% vs H1 2016, thus showing the positive results of the initiatives and actions taken by the Company over the first half of the year in order to maximize value for shareholders.

EPS stood at €0.26 vs the €0.20 in the same period last year.

INCOME STATEMENT (cont´d)

% growth Q2 17 vs Q2 16	2Q 2017	2Q 2016	(Million Euros)	H1 2017	H1 2016	% growth H1 17 vs H1 16
			Revenues split			
	510,4	473,6	Total HOTELS	945,8	880,6	
	73,0	68,7	Management Model	144,0	129,3	
	420,2	385,1	Hotel Business Owned & Leased	763,7	707,2	
	17,3	19,8	Other Hotel Business	38,1	44,1	
	2,0	4,2	Real Estate Revenues	4,1	7,1	
	20,7	18,4	Club Meliá Revenues	45,7	46,1	
	43,3	33,3	Overheads	72,0	58,1	
	576,4	529,5	Total Revenues Aggregated	1.067,5	991,9	
	-82,2	-72,1	Eliminations on consolidation	-153,0	-135,6	
8,0%	**494,2**	**457,4**	**Total Consolidated Revenues**	**914,5**	**856,3**	**6,8%**
	-56,6	-58,1	Raw Materials	-110,3	-112,5	
	-133,9	-127,1	Personnel Expenses	-247,5	-234,1	
	-181,3	-161,1	Other Operating Expenses	-335,8	-304,1	
7,4%	**-371,9**	**-346,2**	**Total Operating Expenses**	**-693,7**	**-650,7**	**6,6%**
10,0%	**122,3**	**111,2**	**EBITDAR**	**220,8**	**205,6**	**7,4%**
	-42,5	-40,0	Rental Expenses	-73,7	-68,9	
12,0%	**79,8**	**71,2**	**EBITDA**	**147,2**	**136,7**	**7,6%**
	-29,7	-32,8	Depreciation and Amortisation	-58,3	-57,7	
30,4%	**50,1**	**38,4**	**EBIT (OPERATING PROFIT)**	**88,9**	**79,0**	**12,5%**
	-6,8	-9,8	Financial Expense	-15,0	-24,6	
	3,7	-1,5	Other Financial Results	5,7	6,7	
	-14,1	6,0	Exchange Rate Differences	-19,0	2,6	
224,1%	**-17,1**	**-5,3**	**Total financial profit/(loss)**	**-28,4**	**-15,3**	**85,4%**
	21,9	-1,8	Profit / (loss) from Associates and JV	19,4	-4,0	
75,0%	**54,8**	**31,3**	**Profit before taxes and minorities**	**79,9**	**59,7**	**33,8%**
	-13,7	-7,7	Taxes	-20,0	-14,8	
74,0%	**41,1**	**23,6**	**Group net profit/(loss)**	**59,9**	**44,9**	**33,5%**
	-1,1	-0,6	Minorities	-0,5	-0,4	
74,6%	**40,0**	**22,9**	**Profit/(loss) of the parent company**	**60,4**	**45,2**	**33,6%**


Meliá Palma Bay | Mallorca - Spain

BALANCE SHEET

Assets

Total Assets decreased by -0.5% during the first half of the year as a result of the following aspects:

a) Reduction in "Tangible Assets" by -€19.7M mainly as a result of:

   I. Increase in amortizations for the period (-€48.4M).

   II. Exchange rate differences (-€48.9M) given the depreciations of Bolivar, Dominican Peso and USD vs EUR.

   III. Increase in investments (+€77.6M) due to refurbishments and improvements in the current portfolio.

b) Increase in "Other Non-Current Financial Assets" by +€32.0M mainly due to an increase in loans to associates as a result of the rollover in the new JV with London Regional after the sale of 4 hotels by the JV with Starwood Capital.

(Million Euros)	Jun 2017	Dec 2016	% growth Jun 17 vs Dec 16
ASSETS			
NON-CURRENT ASSETS			
Goodwill	60,7	60,8	
Other Intangibles	102,5	109,3	
Tangible Assets	1.673,7	1.693,4	
Investment Properties	137,7	141,1	
Investments in Associates	180,5	190,1	
Other Non-Current Financial Assets	241,9	209,9	
Deferred Tax Assets	124,9	135,9	
TOTAL NON-CURRENT ASSETS	**2.522,0**	**2.540,6**	**-0,7%**
CURRENT ASSETS			
Inventories	61,1	64,0	
Trade and Other receivables	278,0	275,3	
Tax Assets on Current Gains	27,6	29,6	
Other Current Financial Assets	30,3	47,3	
Cash and Cash Equivalents	389,6	366,8	
TOTAL CURRENT ASSETS	**786,5**	**782,9**	**0,5%**
TOTAL ASSETS	**3.308,5**	**3.323,5**	**-0,5%**

BALANCE SHEET (cont´d)

Liabilities

Total liabilities increased by +1.2% and total equity declined by -2.3% during the first half of the year due to the following:

The movement experienced by liabilities over the period has been explained mainly as a result of the reclassification of certain long term items into short term.

(Million Euros)	Jun 2017	Dec 2016	% growth Jun 17 vs Dec 16
EQUITY			
Issued Capital	45,9	45,9	
Share Premium	1.121,1	1.121,1	
Reserves	395,7	342,6	
Treasury Shares	-14,3	-14,3	
Results From Prior Years	360,0	327,4	
Other Equity Instruments	0,0	0,0	
Translation Differences	-460,9	-400,7	
Other Adjustments for Changes in Value	-1,9	-2,5	
Profit Attributable to Parent Company	60,4	100,7	
EQUITY ATTRIBUTABLE TO THE PARENT CO.	**1.506,1**	**1.520,3**	**-0,9%**
Minority Interests	21,3	43,3	
TOTAL NET EQUITY	**1.527,4**	**1.563,6**	**-2,3%**
LIABILITIES			
NON CURRENT LIABILITIES			
Issue of Debentures and Other Marketable Securities	0,0	47,8	
Bank Debt	587,9	570,9	
Other Non-Current Liabilities	11,4	13,8	
Capital Grants and Other Deferred Income	27,6	28,6	
Provisions	29,4	35,6	
Deferred Tax Liabilities	177,8	184,7	
TOTAL NON-CURRENT LIABILITIES	**834,1**	**881,4**	**-5,4%**
CURRENT LIABILITIES			
Issue of Debentures and Other Marketable Securities	134,1	39,5	
Bank Debt	241,4	251,0	
Trade and Other Payables	453,8	459,7	
Liabilities for Current Income Tax	22,7	33,2	
Other Current Liabilities	94,9	95,1	
TOTAL CURRENT LIABILITIES	**947,0**	**878,5**	**7,8%**
TOTAL LIABILITIES AND EQUITY	**3.308,5**	**3.323,5**	**-0,5%**

CASH FLOW STATEMENT

Cash flow from operating activities

The improved top line results combined with the higher efficiency achieved at operating level allowed us to report a strong cash flow from operating activities, which increased by +3.3% vs H1 2016.

Cash flow from investing activities

Over the first half of the year, an particularly the second quarter, we have historically been very active in terms of investments in order to be prepared to provide the higher standards of service during the summer season. However, this year we have been much more dynamic than during the past year. In regards to this aspect, we have been focused on carrying out a number of refurbishments in order to modernize and reposition our current portfolio, as well as on selling those assets that weren´t adding the value that we expected.

Cash flow from financing activities

In order to continue expanding our global footprint, as well as to improve our current hotels, we raised funds through new debt instruments given the lower cost of debt of the instruments compared to previous years, thus positively impacting on the cash generated from financing activities.

(Million Euros)	**H1 2017**
CASH FLOWS FROM OPERATING ACTIVITIES	**116,2**
Proceeds from operating activities	140,6
Proceeds / (payments) from profit taxes	-24,4
Other proceeds / (payments) from operating activities	0,0
CASH FLOWS FROM INVESTING ACTIVITIES	**-115,3**
Payments for investing activities:	**-155,6**
Companies of the Group, associates and business units	-59,3
Fixed assets, intangible assets and property investments (Company Gross Capex)	**-57,5**
Other financial assets	-38,8
Other assets	0,0
Proceeds on sale:	**11,0**
Companies of the Group, associates and business units	7,4
Fixed assets, intangible assets and property investments	0,1
Other financial assets	3,5
Other assets	0,0
Other cash flows from investing activities:	**29,3**
Proceeds from dividends	29,3
Proceeds from interests	0,0
CASH FLOWS FROM FINANCING ACTIVITIES	**39,3**
Proceeds and (payments) for equity instruments:	**-0,2**
Issue	0,0
Amortisation	0,0
Acquisition	-0,2
Sell	0,0
Proceeds and (payments) for financial liabilities:	**56,6**
Issue	150,3
Repayment and Amortization	-93,7
Dividends paid and payments for other equity instruments:	**-3,5**
Other cash flows from financing activities:	**-13,7**
Interest paid	-13,8
Other proceeds and (payments) from financing activities	0,2
EFFECT OF EXCHANGE RATE CHANGES	**-17,3**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	**366,8**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR PERIOD	**389,6**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**22,8**

FINANCIAL RESULTS & DEBT

Financial results

Net financial income deteriorated in the first half of the year compared to the same period in 2016 after having increased by over +85.3%, as a result of the following:

a) Decline in "Bank Financing" (-39.1% vs H1 2016) mainly given to the lower level of debt, as well as to the decline in interest rates paid (average rate H1 2017 was 3.3% vs 3.8% in H1 2016).

b) Lower income in the "Other Financial Results" (-16.1% vs H1 2016) line as in H1 2016 we sold our stake in the Gran Hotel Bahía del Duque, which was partially netted by other interest income.

c) "Exchange Rate Differences" also had an important negative impact of -€19.0M, mainly explained by the weakening of the USD vs EUR and Mexican Peso, which compares with a positive impact of +€2.6M in H1 2016.

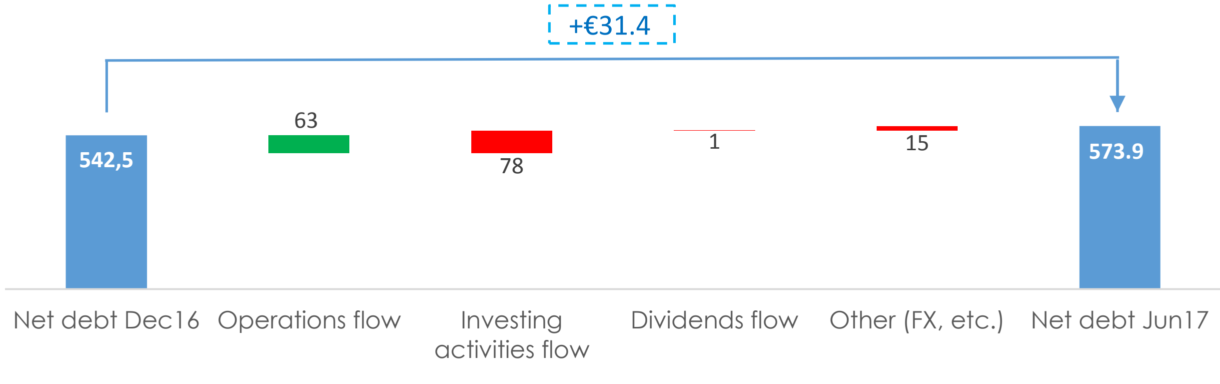
Q2 2017	Q2 2016	Item	H1 2017	H1 2016
-14.119	5.951	Exchange rates differences	-19.009	2.591
-6.792	-9.752	Borrowings	-15.001	-24.625
-836	*-1.924*	*Interest Capital Markets*	*-1.657*	*-8.693*
-5.956	*-7.828*	*Interest bank loans and others*	*-13.344*	*-15.932*
3.734	-1.514	Other financial incomes	5.653	6.739
-17.177	**-5.316**	**Net Financial Income/(loss)**	**-28.357**	**-15.295**

Debt

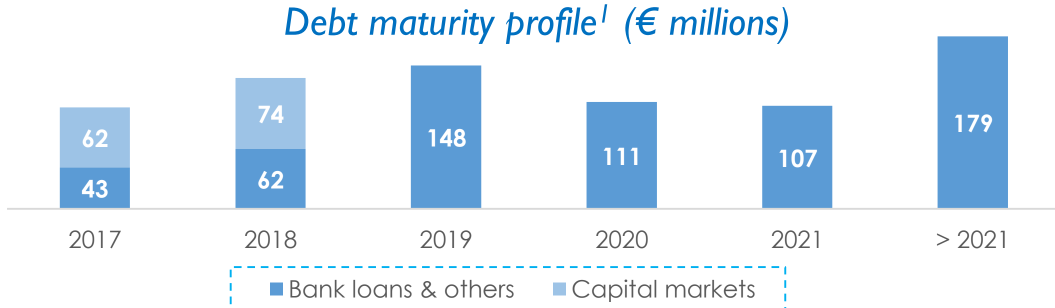
Over the first half of the year, gross debt increased by €54.2M and net debt grew by €31.4M reaching €573.9M, being this explained mainly as a result of the efforts made by the Company on the investing side, as some hotels were closed in H1 due to the low season in the Mediterranean resorts and thus we have been focusing on refurbishing certain properties in order to maximize their profitability going forward and enhance shareholders returns. However, net debt decreased by €48M in Q2 2017, which shows our financial rigor and commitment to maintain a leverage ratio of between 2.0-2.5x.

The evolution of net debt during the period, as well as our debt maturity profile are shown below:

Net debt evolution: Dec 2016 - Jun 2017 (€ millions)



Debt maturity profile[1] (€ millions)



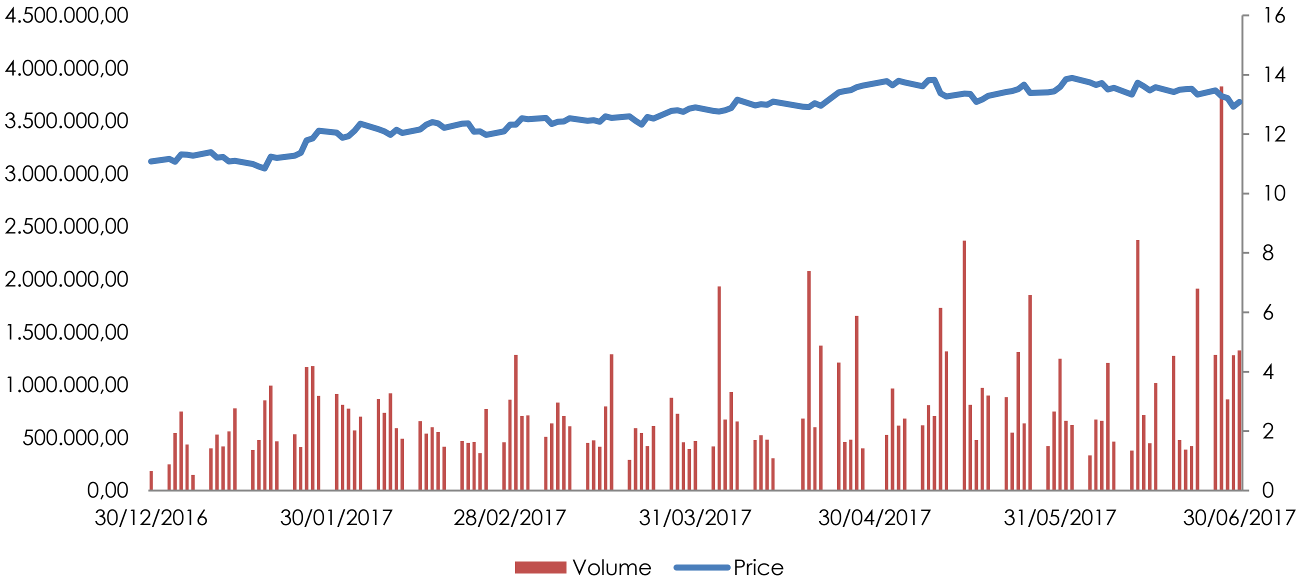
1) Excluding credit facilities

MELIÁ IN THE STOCK MARKET

5

STOCK MARKET

Our stock price increased by +2.3% in Q2 2017, outperforming the Ibex 35 Index (+0.5%).



	Q1 2017	Q2 2017	2017
Average daily volume (thousands shares)	629,8	952,6	**787,4**
Meliá performance	16,4%	2,3%	**18,1%**
Ibex 35 performance	11,9%	0,5%	**11,7%**

	30/06/2017	31/12/2016
Number of shares (millions)	229, 7	229, 7
Average daily volume (thousands shares)	787,40	862,44
Maximum share price (thousands shares)	13,89	11,815
Minimum share price (thousands shares)	10,84	8,42
Last price	13,09	11,08
Market capitalization (millions euros)	3.006,77	2.545,08
Dividend (euros)	0,1315	0,0400

Source: Bloomberg

NOTE: Meliá´s shares are listed on the Ibex 35 and FTSE4Good Ibex Index

Main Highlights:

- On January 13th 2017, we signed a stock liquidity agreement aimed at providing Meliá shares with higher liquidity in the market and attractiveness for investors.
- On July 11th 2017, a €0.1315 dividend was paid to shareholders.

ANNEX
6

BUSINESS SEGMENTATION OF MELIÁ HOTELS INTERNATIONAL

H1 2017	Total Hotels	Real Estate	Club Meliá	Overheads	Total Aggregated	Eliminations On Consolidation	Total Consolidated
Revenues	**945,8**	**4,1**	**45,7**	**72,0**	**1.067,5**	**153,0**	**914,5**
Expenses	708,8	4,0	40,3	87,1	840,2	146,5	693,7
EBITDAR	237,1	0,1	5,3	-15,2	227,3	6,5	220,8
Rentals	77,4	0,0	0,0	2,8	80,2	6,5	73,7
EBITDA	**159,7**	**0,1**	**5,3**	**-18,0**	**147,2**	**0,0**	**147,2**
D&A	48,2	0,2	1,0	9,0	58,3	0,0	58,3
EBIT	111,5	-0,1	4,4	-26,9	88,9	0,0	88,9

H1 2016	Total Hotels	Real Estate	Club Meliá	Overheads	Total Aggregated	Eliminations On Consolidation	Total Consolidated
Revenues	**880,6**	**7,1**	**46,1**	**58,1**	**991,9**	**135,5**	**856,3**
Expenses	664,6	3,8	43,8	69,6	781,7	131,0	650,7
EBITDAR	216,0	3,3	2,3	-11,5	210,1	4,6	205,6
Rentals	69,8	0,0	0,0	3,6	73,4	4,6	68,9
EBITDA	**146,2**	**3,3**	**2,3**	**-15,1**	**136,7**	**0,0**	**136,7**
D&A	49,1	0,2	0,9	7,4	57,7	0,0	57,7
EBIT	97,1	3,1	1,4	-22,5	79,0	0,0	79,0


Innside Palma Bosque - Pool | Mallorca, Spain

CONSOLIDATED FLOW THROUGH AND MARGINS EVOLUTION

CONSOLIDATED P&L ACCOUNT

	H1 2017 €M	H1 2016 €M	% change	Flow through %
Revenues	914,5	856,3	58,2	
Operating expenses	-693,7	-650,7	-42,9	
EBITDAR	**220,8**	**205,6**	**15,2**	**26%**
EBITDAR Margin	**24,1%**	**24,0%**	**0,1%**	
Rentals	-73,7	-68,9	-4,8	
EBITDA	**147,2**	**136,7**	**10,4**	**18%**
EBITDA Margin	**16,1%**	**16,0%**	**0,1%**	

CONSOLIDATED P&L ACCOUNT EXCLUDING CAPITAL GAINS AND THE REVERSAL OF ONEROUS CONTRACTS

	H1 2017 €M	H1 2016 €M	% change	Flow through %
Revenues	914,5	854,2	60,3	
Operating expenses	-693,7	-650,6	-43,1	
EBITDAR	**220,8**	**203,6**	**17,2**	**29%**
EBITDAR Margin	**24,1%**	**23,8%**	**0,3%**	
Rentals	-77,3	-71,7	-5,7	
EBITDA	**143,5**	**131,9**	**11,6**	**19%**
EBITDA Margin	**15,7%**	**15,4%**	**0,2%**	

P&L adjusted by:

a) €2.0M capital gains generated in the disposal of a laundry.

b) Reversal of certain rental provisions by -€3.7M and -€2.8M in 2017 & 2016 respectively.

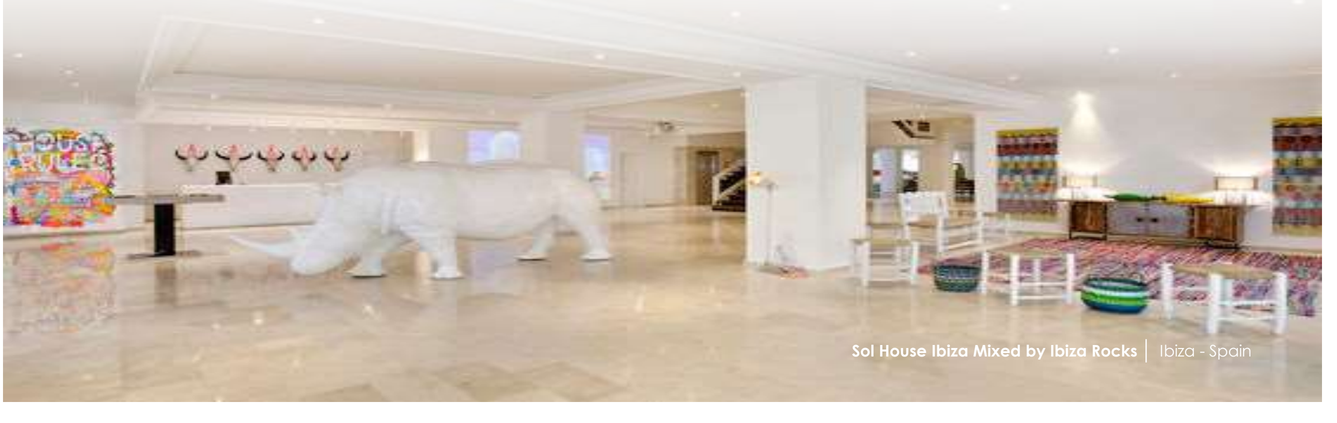
ADJUSTED CONSOLIDATED P&L

	H1 2017 €M	H1 2016 €M	% change	Flow through %
Revenues	806,4	756,4	50,0	
Operating expenses	-616,7	-579,8	-36,9	
EBITDAR	**189,7**	**176,6**	**13,1**	**26%**
EBITDAR Margin	**23,5%**	**23,3%**	**0,2%**	
Rentals	-63,3	-59,1	-4,2	
EBITDA	**126,4**	**117,5**	**8,9**	**18%**
EBITDA Margin	**15,7%**	**15,5%**	**0,1%**	

P&L adjusted by:

a) Based on same stores sales (excluding openings, disaffiliations and major refurbishments).

b) Effect of Venezuela



Sol House Ibiza Mixed by Ibiza Rocks | Ibiza - Spain

MAIN STATISTICS BY BRAND & COUNTRY AND EXCHANGE RATES

MAIN STATISTICS BY BRAND

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
Paradisus	77,5%	-1,2	151,5	4,2%	117,4	2,5%	74,5%	-1,2	155,2	1,2%	115,6	-0,4%
Me by Melia	68,7%	0,6	244,2	7,2%	167,7	8,1%	64,2%	-0,3	249,2	24,8%	159,9	24,2%
Gran Meliá	53,6%	-8,0	194,4	6,9%	104,2	-6,9%	52,6%	-6,8	153,7	-6,2%	80,8	-17,0%
Meliá	70,4%	-0,1	117,9	5,4%	83,0	5,3%	68,3%	2,3	110,0	7,0%	75,1	10,6%
Innside	69,9%	-0,7	130,2	2,5%	90,9	1,5%	67,8%	-2,8	128,6	2,6%	87,2	-1,5%
Tryp by Wyndham	70,9%	3,5	83,6	9,9%	59,3	15,6%	67,2%	1,5	81,8	9,8%	54,9	12,3%
Sol	72,5%	-0,6	64,7	16,6%	46,9	15,7%	72,1%	0,0	68,4	0,0%	49,3	0,0%
TOTAL	70,0%	-0,1	116,1	7,9%	81,2	7,7%	68,0%	0,2	106,6	6,5%	72,5	6,7%

MAIN STATISTICS BY MAIN COUNTRIES

	OWNED & LEASED						OWNED, LEASED & MANAGED					
	Occup.		ARR		RevPAR		Occup.		ARR		RevPAR	
	%	p.p. change	€	% change	€	% change	%	p.p. change	€	% change	€	% change
AMERICA	74,1%	1,5	125,1	-0,2%	92,6	1,9%	72,0%	1,8	127,7	2,8%	91,9	5,5%
Dominican Republic	82,6%	3,8	123,1	0,4%	101,7	5,2%	82,6%	3,8	123,1	0,4%	101,7	5,2%
Mexico	76,3%	-3,9	133,2	6,8%	101,6	1,5%	75,0%	-1,7	142,4	9,3%	106,8	6,8%
Peru	63,5%	7,8	112,3	-3,1%	71,3	10,5%	63,5%	7,8	112,3	-3,1%	71,3	10,5%
Puerto Rico	57,4%	1,8	121,8	-7,1%	69,9	-4,2%	57,4%	1,8	121,8	-7,1%	69,9	-4,2%
USA	79,2%	3,0	157,7	1,4%	124,8	5,4%	74,1%	-2,1	162,5	4,5%	120,4	1,6%
Venezuela	45,2%	3,7	48,1	-56,8%	21,8	-53,0%	45,2%	3,7	48,1	-56,8%	21,8	-53,0%
Cuba	-	-	-	-	-	-	71,4%	-1,7	108,1	3,4%	77,2	0,9%
Brazil	-	-	-	-	-	-	49,8%	-3,6	87,4	14,4%	43,5	6,6%
ASIA	-	-	-	-	-	-	55,6%	-2,5	76,7	0,4%	42,6	-3,9%
Indonesia	-	-	-	-	-	-	52,6%	-6,5	61,8	-18,0%	32,5	-27,0%
China	-	-	-	-	-	-	60,3%	1,1	71,0	-10,8%	42,8	-9,1%
EUROPE	69,8%	0,4	113,2	10,1%	79,0	10,7%	69,2%	1,2	106,4	10,0%	73,6	12,0%
Austria	66,3%	-7,3	136,0	13,5%	90,2	2,3%	66,3%	-7,3	136,0	13,5%	90,2	2,3%
Germany	69,6%	0,1	109,2	-0,6%	76,0	-0,5%	69,6%	0,1	109,2	-0,6%	76,0	-0,5%
France	69,0%	3,2	176,8	-0,3%	122,0	4,6%	69,0%	3,2	176,8	-0,3%	122,0	4,6%
United Kingdom	73,2%	3,2	164,8	-3,6%	120,6	0,8%	73,2%	3,2	164,8	-3,6%	120,6	0,8%
Italy	65,1%	3,6	207,3	-1,8%	135,0	4,0%	64,1%	3,7	208,8	-1,3%	133,7	4,8%
Spain	69,8%	0,7	104,1	14,7%	72,7	15,8%	69,4%	0,9	98,0	14,2%	68,0	15,7%
Resorts	71,4%	-0,8	98,2	12,3%	70,1	11,0%	71,5%	-0,3	91,2	13,9%	65,1	13,4%
Urban	68,4%	1,8	109,4	16,7%	74,9	19,8%	67,2%	2,0	105,6	14,6%	71,0	18,0%
TOTAL	70,0%	-0,1	116,1	7,9%	81,2	7,7%	68,0%	0,2	106,6	6,5%	72,5	6,7%

H1 EXCHANGE RATES

	H1 2016	H1 2017	H1 2017 VS H1 2016
1€ = X foreign currency	average rate	average rate	Change
Sterling (GBP)	0,779	0,861	-9,52%
American Dollar	1,117	1,084	3,05%

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