2012 Year-End Results

Profit & Loss Account

(million Euros)	Dec 2012	Dec 2011	%
REVENUES	**1,362.4**	**1,335.3**	**2.0%**
EXPENSES (ex - Operating leases)	**1,009.8**	**990.2**	**2.0%**
EBITDAR	**352.6**	**345.1**	**2.2%**
Rental expenses	103.1	99.3	3.8%
EBITDA	**249.5**	**245.8**	**1.5%**
Depreciation and amortization	90.1	96.7	-6.7%
EBIT	**159.4**	**149.1**	**6.9%**
Total financial profit / (loss)	**(83.8)**	**(87.7)**	**4.4%**
Profit/(loss) from Associates & JV	(16.5)	(10.3)	**-59.8%**
Continuing EBT	**59.0**	**51.1**	**15.5%**
Discontinuing Operations		0.0	
Profit before taxes and minorities	**59.0**	**51.1**	**15.5%**
Net Profit	**42.1**	**42.0**	**0.3%**
Net Profit attributable	**37.3**	**40.1**	**-7.0%**

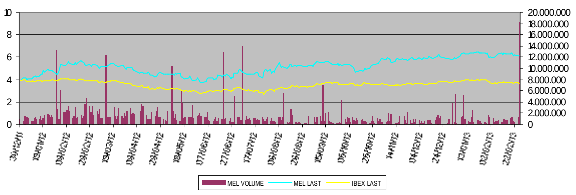
Operational Ratios

RevPAR	56.6	52.4	+7.9%
Ebitdar margin	25.9%	25.8%	4 bp
Ebitda margin	18.3%	18.4%	-9 bp
Ebt margin	4.3%	3.8%	51 bp
Net profit margin	2.7%	3.0%	-27 bp

Covenants Ratios

Adj. Net Debt / Ebitda (< 3.5x)	3.48x	3.20x
EBITDA / Adj.Interest Exp. (>4.5x)	4.52x	4.52x

Stock Performance



52- Week Average Volume	1,396,817
52- Week High, January 9th 2013	€6.585
52- Week Low, January 4th 2012	€3.535
Market cap (€6.10) February 26th	€1,127.1 / $1,497.5

Bloomberg: MEL SM : Reuters: MEL.MC

Highlights

RevPAR & Hotel Division EBITDA increased by 7.9% and 8.4%

The results are broadly explained by the positive evolution of the Hotel business in which EBITDA and margin improved by 8.4% and 48 bps, respectively. On a consolidated basis, EBITDA goes up by 1.5% on the back of lower capital gains from asset disposals/revaluations (2012: €93.4; 2011: €133.0 Mn). At the financial level, the generation of additional financial revenues offset a) the higher financial expenses due to the evolution of the cost of debt (2012: 5.4%; 2011: 4.5%) and b) the evolution of the “Associates& JV “, leading Net Profit to reach €37.3 Mn.

Outlook 2013: Mid single digit growth in RevPAR due to pricing

In 2013, RevPAR evolution will be explained by the performance of Company’s resorts worldwide, especially in the Caribbean, where the pace is positive both in leisure and business groups segments. Due to the macro environment, the Company is somewhat more cautious about the performance of the European cities. In Spain, urban destinations are still facing a difficult scenario especially in tier 2 cities. Within this framework, the Company’s bias towards the upscale international segment in Madrid and Barcelona, will contribute to soften the slowdown in domestic demand. Spanish resorts, although it is early days, point to a comfortable summer season 2013, and showing good figures in those areas with a higher exposure to international visitors. To support the above, RevPAR in January increased by 7.9% while the Company points to a RevPAR for the Q1 around 6%. Currently more than 80% of the operating profit is generated outside Spain. Going into the future, the company will be progressively more biased to LatAm, Asia and European Gateway cities.

Melia’s Expansion: one hotel signed almost every 3 weeks

YTD, Meliá’s pipeline stands at 41 new hotels with 12,405 rooms, of which 91% are in the Upscale/Premium category, all of them under low capital-intensive formulas (variable leases & management) and 90% outside Spain, with 58% in emerging markets, i.e. LatAm & Asia.

Meliá meets covenants and reinforces the commitment to progressively de-leverage

The Company met its bank covenants reaching a net debt of €1,003 million. The main reason of the flat evolution of the net debt figure is the finalization of the 2 Paradisus resorts in Mexico as well as the Me London, which implied 40.6 mn of capex for the year. Looking into 2013, action will focus on restructuring the debt maturities due in 2013 and 2014 and progressive deleverage of the balance sheet on the back of further asset disposals of a minimum of €100 mn per annum for 2013-2014 and FCF generation.

Report released on February 27, 2012

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1. Letter from the C.E.O. and Vice-Chairman

Dear friend,

Meliá Hotels International is releasing its year end 2012 results within a framework in which the global economic conditions improved slightly in the second half of 2012, principally driven by performance in emerging and developing economies. Financial conditions also improved, as borrowing costs for countries in the Euro area periphery fell despite the fact that activity was even softer than expected. In this regard, in the European High-Yield bond market, January 2013 was one of the largest issuance months in the past three years. In Spain, although there have been deficit reductions, labour market reforms and an improvement in the current account deficit and a corresponding change in perception, the forecasts in terms of GDP and unemployment are still negative for 2013.

… worldwide tourism to grow in 2013 …

Regarding the Travel & Tourism Industry, the underlying global trend remains positive as shown in the international tourist arrivals growth of 4% in 2012. By feeder market, emerging markets such as China and Russia posted double-digit growth but also traditional markets shown robust performances, i.e. the US, Germany and the UK. In some Euro periphery destinations such as Spain, major foreign tourist arrivals coming from international feeder markets partially offset the decline in domestic tourism activity, affected by the economic situation, the significant fall in air traffic and higher VAT. Going into 2013, the World Tourism Organization forecasts international tourist arrivals will increase by 3% to 4% with destinations in Asia, Africa and the Americas leading the way.

… high quality of the RevPAR evolution in 2012…

Within the current macro scenario, the Company, thanks to its geographical diversification and exposure to leisure travel, along with the work done during recent years in implementing, among others, a Revenue Culture and development of greater loyalty based on customer knowledge, is pleased to release year end results posting a +7.9% increase in revenue per available room (RevPAR). Such evolution enabled us to post an Ebitda increase of 8.4% of the hotel division, while the quality of the RevPAR evolution mostly explained by pricing, led to a hotel EBITDA margin improvement 48 basis points. Below the EBITDA level, the generation of financial capital gains of €12.7 million Euros offset the increase in the average interest rate, as well as the lower contribution of the Associates, enabling net profit to rise to 37.3 million Euros.

Meliá Hotels International is also delighted by the strong positive growth in the share price in 2012 reaching a growth of +48.4%, clearly ahead of the Ibex-35 Spanish stock benchmark index as well as other Travel and Leisure indexes. The Company is also seeing that the trend in interest rates and share price is continuing in 2013 to date.

Closely linked to the macroeconomic situation worldwide, the evolution of the hotel business in Meliá Hotels International in 2012 clearly reflected the duality between the Spanish urban segment and the rest of the world i.e. LatAm, EMEA and the Spanish resorts, where RevPARs are ahead of those seen in 2007.

…Resorts in LatAm leading Company's growth in 2013…

In **Latin America and the Caribbean**, the strength of feeder markets such as Brazil, Argentina, Colombia and Chile –which tohether increased the number of roomnights in Melia's Latin American resorts by 47% - along with the evolution of consumption in the U.S is largely behind the 21% increase in RevPAR (in U.S dollars). Additionally we would like to point out effects like a) the sales efforts made for business groups in our Caribbean resorts (which grew by 20% in 2012 and it is expected to increase by 35% in 2013), b) the e-commerce strategy in the U.S. by which sales via our centralized channels have increased by 23% and c) the opening of the two Paradisus all inclusive resorts (906 rooms) in Playa del Carmen (Mexico), which have been good examples of the Paradisus brand positioning in the market, and how the Company's strategy focusing on the premium segment, contributes to the improvement in margins and profitability. These two resorts in Mexico are expected to double their Ebitda contribution. The trend continues in Q1 2013 when requests for proposals and bookings, especially in the groups segment, are showing significant strengthening, not only important by itself but also because it allows the Company with enough timeframe to correctly implement a better yield management. On the other hand, the change of brand to "Paradisus" in one of our resorts in Cancun is already paying off.

In **Europe** (RevPAR in the EMEA Division, +4.8%), the positive trend in 2012 is explained by the strength of the main German cities, the change in segmentation of our hotels towards a more corporate / international clientele, especially in Paris, as well as some events like the Olympic Games in London. Going into 2013 we see a consistent performance in the main capital cities, although given the macroeconomic situation of the Euro zone and U.K., we maintain a cautious note especially in the southern countries. In the region, the Company will focus the strategy on extending and developing the client account base in London, Paris and the main German cities. Factors like the opening of the Me London (157) or the progressive consolidation of the Gran Meliá Rome (116) are expected to have a positive impact on a) boosting our premium brands internationally, b) strengthening the Company's group base, c) attracting new feeder markets, d) and reaffirming the support of preferred partners.

… Spanish cities to remain sluggish, better prospects in the Spanish resorts …

Regarding the **Spanish resorts**, the positive trend seen in 2012 (RevPAR Mediterranean Division +2.8%) is largely due to a) the increasing exposure to alternative feeder market s in Europe (i.e. Russia and other Eastern European countries), stressing the exposure to Russia as reflected in the number of roomnights which increased by 25% in 2012 in our Mediterranean resorts, b) the e-commerce strategy by which melia.com is the number one account in a significant part of our resorts along with c) the fact that Spain is one of the preferred leisure destinations worldwide as shown in the 57.7 million international tourist that visited Spain, an increase of 2.7%. Going into the summer season**,** although it is early days, with the booking pace we currently have and the perception obtained recently in the FITUR Tourism Trade Fair, we expect a comfortable summer season. Broadly speaking, the expected slowdown in the domestic market is likely to be offset again by international travellers.

… in the Spanish cities RevPAR'12: -0.2%, thanks to international and leisure travellers …

The **Spanish cities** have been the segment most affected by the weakness in domestic demand especially in secondary cities and lower category hotels. The Company has implemented a severe Contingency Plan with the aim of bringing down the cost per stay as much as possible, achieving in 2012 a -2.4% decrease on a same hotels comparison basis. At the same time Meliá has seen positive results in its upscale and premium brands in Madrid and Barcelona where the exposure to an international clientele represents a 62% over the total. The combined effect has resulted in only a 0.2% RevPAR decrease in the Spanish cities when including the Premium Brands.

Although the efforts made at the cost per stay level, the quality questionnaires point to an improvement of the perceived quality, i.e. 81.3% vs. 80.7%.

… improved quality in Melia Hotels International's network …

Going into 2013 we continue to see a lack of corporate demand especially in secondary cities, maintaining positive expectations in Barcelona. Therefore, the strategy of the Company continues to be focused on increasing our exposure to international business travel and, as a leading resort group, strengthening the leisure component mainly during the weekends. To this end, again, the optimization of our e-commerce strategy and the strength of our loyalty programme become key.

The Company is proud to have recently relaunched its Meliá Rewards loyalty programme which aims to enhance our customer confidence and satisfaction. The programme, with 40 international partners, has become a key source of company revenue, with the 3 million members generating up to 50% of the sales at melia.com, and spending 12% more than non-members it is forecasted to boost international recognition by using the company's Meliá corporate brand name.

… loyalty programme and e-commerce strategy to reinforce revenue generation …

The optimization of our e-commerce strategy allowed Meliá to record in 2012 strong figures in the evolution of non-intermediated sale through our direct channels (melia.com plus voice) reaching 174 million Euros contribution, a +15.7% increase versus the previous year. In this regards, of note is the performance of melia.com, where sales reached 152.5 million Euros, posting a 23.2% increase. Going into 2013 the Company forecasts additional strengthening allowing the Company to achieve around 200 million Euros directs sales through our direct channels.

Taking into consideration the above, Meliá's expects RevPAR growth reaching a mid single digit for 2013, widely explained by pricing.

… internalization process: 41 hotels / 12,405 new rooms …

Regarding future incorporations, Meliá Hotels International will continue strengthening the international growth plan, supported by strong brands and a model based on management contracts and variable leases. During 2012 the Company has added to its pipeline a new hotel almost every three weeks (16 hotels; 3.299 rooms), expecting to keep up this rate of growth in 2013. At this stage, year to date we have a pipeline that represents 41 hotels / 12,405 rooms.

…leveraging on the agreement with Greenland, one of China's major real estate groups …

Within this context, the emerging markets and especially Latin America and the Caribbean will continue to be major priorities. Asia–Pacific area is also important for us. Meliá has intensified its growth in the region, managing to double its signed portfolio in just two years, thanks to new hotels in China, Indonesia and Vietnam. In this regards, the recent agreement with Greenland, one of China's major real estate groups, together with the previously announced alliance with Jin Jiang, will help to leverage Meliá positioning in the region. On the other hand, in Europe Meliá will continue to strengthen its presence in main capital cities with the priority in United Kingdom, Germany, France and also in Italy. In this regards, Meliá will see in the short term new important additions such as the Me Vienna (Austria), the Innside Düsseldorf Hafen (Germany), the Meliá La Defense (France) or the Innside Manchester (U.K.).

In Spain the Company will continue to focus on selective growth, focused on innovative products which will add greater value to the company's hotel portfolio, such as the Sol Wave House (194), the Beach House (100) or new Sol Kathmandu Park and Resort (422), contemporary and differentiated products, both in the "Calviá Beach Resort" project which aims to revitalize a resort destination in the south-west of Mallorca ("Magalluf") where the Company has 3,500 rooms. The recently incorporated Innside hotel in Madrid, represent the introduction of the Innside brand to Spain, one of business-travel related concepts with the highest growth potential for the Company.

Regarding the financial side, the first thing we would like to point out is the meeting of covenants at year-end, reinforcing our credibility before financial institutions as a reliable and financially sensible company, as widely demonstrated in day to day operations.

Looking into 2013, the course of action is twofold: 1) restructuring debt maturities due in 2013 and 2014 and 2) progressively deleveraging the balance sheet throughout this timeframe.

… accomplishment of covenants…

1) On the restructuring side, the Company's aim is to lengthen by 5 to 7 years part of debt maturities due in 2013 and 2014 (377 and 447 million Euros respectively, excluding revolving credit lines) primarily by obtaining funding in the debt capital markets. The first objective is to refinance the covenant-bearing syndicated loans amounting to 312 million Euros in maturities for 2013 (209 million Euros) and 2014 (103 million Euros). In this regard, Meliá is actively exploring the debt markets taking into consideration not only the current strength of the same but also our willingness to balance our capital structure between bank and bond funding towards a more 50/50 scenario. The same applies in relation with our aim to increase the exposure of the debt structure to US dollars considering Meliá Hotels International's cash flow generation in Latin America. Current environment in the bond markets will enable the Company to control the average cost of debt, 5.4% in 2012.

… restructuring of debt maturities and progressive deleveraging…

Additionally, part of the equation when it comes to debt restructuring relates to the unencumbered asset base, implying at this stage, 46 hotels with a market value of approximately 1.5 billion Euros, the Company is also working on this front. This restructuring process is taking place with the comfort that represent the high liquidity levels of Meliá, supported by the cash on hands (468.3 million Euros).

2) As far as the progressive debt reduction is concerned, the Company's aim is to deploy the cash generation and the asset sales for the 2013- 2014 period to reduce its indebtedness. It is important to stress that Meliá has not a strong expansionary investment budget for the next two years plus the fact that within our asset rotation policy, the Company intends to sell assets by a minimum of 100 million Euros per annum during this timeframe.

To conclude this letter, we would like to emphasize our commitment at all levels to the strengthening of the financial situation of the Company in the two areas mentioned above within the framework of Meliá Hotels International 2012-2014 Strategic Plan, having as a consequence a sharp debt reduction by the end of 2014.

Best regards,

Gabriel Escarrer
CEO & Vice-Chairman


ME Madrid

2. Information on Operations

2.1. Hotels

RevPAR for owned and leased hotels has increased by +7.9%. Occupancy levels decreased by -1.8%, while the Average Room Rate (ARR) increased by +9.9%. Regarding the fourth quarter, RevPAR increased by 8.3% (Occupancy levels -0.2% ARR +8.5%).

More significant has been the **improvement of operating margins** up to December by 76 basis points at the EBITDAR level, while the improvement reached 48 basis points at the EBITDA level.

2.1.1 America

In **America** RevPAR grew by 30.3% (+20.9% in dollars) with healthy RevPAR growth totally explained by prices while occupancy levels remained flat versus last year.

This evolution was mainly possible given that, the Company has taken full advantage of the strategic initiatives to maximize growth and margins through our Revenue Management Culture via: a) Reorient the organization towards a structure more clearly focused on revenues accompanied by efficient cost management; b) Maximization of RevPAR through Average Room Rate to lever profitability; c) Reinforce higher-growth segments and feeder markets; while developing loyalty based on customer knowledge, added value proposals in melia.com and delivery of high levels of satisfaction.

By country, following the trend seen up to September, the **Dominican Republic** showed a sharp increase in terms of RevPAR, registering ARR figures well above the previous year, achieving during the month of December -coinciding with the high season in the Caribbean, price increases around 47% versus last year. Such price increases were mainly possible thanks to the power of our brands and our market positioning in LatAm which allowed our hotels to attract an important group base, even taking into account the competitive environment. All this, led the Paradisus Palma Real and Meliá Caribe Tropical to reach a record in terms of revenues in 2012.

... Strong performance in LatAm ...

Mexico also reported good results (RevPAR +5.6 in dollars) even during the last quarter of 2012 which traditionally coincide with the low season in the country (except Christmas holidays). It is worth mentioning the relevance of these good figures, taking into consideration that during this period there are limited flights to Cancun hampering Meliá's capacity to achieve a group base, both in leisure or incentives. The Company points out the strong positioning of the Paradisus La Perla (394) and Paradisus La Esmeralda (512), which during their first year of operations achieved EBITDA of around $11 Mn.

Lastly, of note is the good performance of Venezuela and Puerto Rico. In the latter the local market has become a major feeder market for the Gran Meliá Puerto Rico, helping the hotel to increase occupancy rates.

Facing 2013, the Company forecasts strong results in LatAm particularly keeping in mind the expected evolution of the Groups segment, which is expected to increase at least at the same pace as 2012 (Q1 2013 +40%). This improvement will be partially supported by the contribution of the Paradisus La Perla and La Esmeralda resorts. Regarding the Dominican Republic, the refurbishment in 2012 in some food and beverage areas in the Paradisus Punta Cana, is also expected to contribute positively to pick up good figures in this destination.

In terms of **Available Rooms** the Americas division achieved an increase of +13.1% versus last year, mainly explained by the incorporation of the two Paradisus resorts, La Esmeralda and La Perla in Playa del Carmen (Mexico).

Operating Expenses (excluding rental expenses), when excluding the incorporation of Paradisus La Perla and Paradisus la Esmeralda, increased by 18.0% (9.3% in USD) while cost per Stay increased by 14.0% (9.0% in USD). The main reason lies behind the increase in personnel expenses in Venezuela (aligned with the inflation rate), jointly with higher sales commissions in America mainly linked to the major exposure to the groups segment. Even taking into consideration the evolution of total cost per stay, the EBITDA margin of the America division improved by 132 basis points.

2.1.2 EMEA

In EMEA, RevPAR for the whole year went up by 4.8% thanks to a 6.1% improvement in prices.

In line with the results seen throughout the year**, France** registered the best performance (RevPAR +18.1%) due to a business strategy focused on increasing ARR including actions such as: a) the increase in sales through direct sales channels allowing easier revenue management, b) the replacement of clients from those countries hardest hit by the crisis, especially Spaniards, increasing the exposure to Brazilians, Americans and Asians, c) the control of room allotments for tour operators and key accounts that are more sensitive to prices. It is worth noting that going forward, taking into consideration the size of our hotels in Paris -boutique hotels in most cases, and the fact that corporate demand still remains strong, it is still feasible to focus Melia's strategy in 2013 on the same basis.

In the **U.K**, the Meliá White House also strengthened results with a RevPAR increase of +8.6% (+0.8% in GBP) positively affected by the impact of the Olympic Games in July and August. Going into the first quarter of 2013, the Meliá White House is registering a strong performance in Meeting & Events as well as in other business groups. It is also important to highlight that despite the loss of some Key Accounts affected by some austerity programmes in most cases, the hotel is gaining a good pace on its key account production and aims at hopefully recovering the gap throughout the year.

… Strong evolution of European Gateway cities …

In **Germany,** RevPAR in 2012 increased by 6.2% thanks to efforts focused on maximising Trade Fairs revenues, Key accounts and Meeting, Incentives, Congresses and Events (MICE) activity. Going forward, the Company remains relatively optimistic after having achieved ARR increases in the negotiations with our major Key Accounts.

In **Italy**, the general macroeconomic situation has hit the performance of our hotels in Roma and Milan. However Meliá points out the evolution of the hotel Meliá Genova which has had an immaculate market positioning, posting strong results both in leisure individuals, Key Accounts and in a lesser extent in groups.

In EMEA, **Available Rooms** decreased slightly by -1.4%. The incorporation of the Meliá Genova (September 2011) almost offset the disaffiliation of Tryp Verona (August 2011) and the sale of the Tryp de Saxe (December 2011) and Tryp Blanche Fontaine (March 2012).

Operating Expenses increased by 0.9%, while total cost per stay increased by +1.5% mainly due to increases in personnel expenses in Germany, due to the higher exposure to the Trade Fairs and Congresses, which traditionally requires a higher assistance; and in a lesser extent in UK due to the celebration of the Olympic Games.

2.1.3 Premium Europe

RevPAR in Premium Europe increased in 2012 by 3.5% after a positive third and fourth quarter (3Q +6.9% RevPAR increase, Q4 +8.3%).

… Strong positioning in the Premium Segment…

Regarding **resorts**, the main driver of the results in 2012 was the good performance of the individual leisure segment, partially thanks the exposure to international feeder markets, which had a positive impact in the Gran Meliá Don Pepe (201) in Marbella and the Meliá de Mar (144) in the Balearic Islands, both in Spain. The implementation of the "Adults Only" concept in the Meliá de Mar and the refurbishment of some ocean panoramic suites also led to an improvement in rates and hence in RevPAR. On the negative side is the performance of a property in Lanzarote (Canary Islands), negatively affected by the lack of flights to the Islands, thus increasing the dependence of the destination on tour operators. In this regards the Company is negotiating with the main tour operators as well as implementing some operational and marketing efforts such as the implementation of the "Adults Only" concept.

Regarding **city hotels**, the best performance has been seen in hotels with a mix of leisure and business segments mainly due to their location, such as the Gran Meliá Victoria (Balearic Islands, Spain), and in hotels with a higher exposure to the international business segment such as the Gran Meliá Fénix

(Madrid). In the **international arena**, it is worth noting the contribution of the **Gran Meliá Rome, the company hotel with the highest average room rate.**

Going into 2013, the Company still perceives some deterioration in the status of the domestic demand affecting both the leisure segment and the corporate segment especially highlighting the lack of business groups in cities such as Madrid. In this regards, Melia's sales teams are implementing a **high end strategy focused on emerging markets**, especially in Eastern Europe, Russia and Asia. In Spain, the positive note lies in **Barcelona**, where up to the date there are better prospects thanks to its larger group base. Outside Spain the Company has **better expectations both in Rome and London**. Regarding Rome, the booking status of our direct channels and the high exposure to markets such as U.S, U.K and Russia, makes the Company feel comfortable with the outlook, especially from March when the high season starts.

Regarding **London**, the Company points out the **strong positioning of the Me London** hotel in the international corporate segment, especially when it comes to Groups which are not showing price resistance. In this regards, is also worth mention the good positioning within the American market which has became the first market in the hotel followed by the U.K. Because of this situation, the Company expects the Me London to be one of the hotels within the portfolio with the highest rates, for example the rates defined during London Fashion week.

Available Rooms in Premium Europe went up by +2.6% due to the incorporation of Gran Meliá Rome in April 2012 (116 rooms) even though it did not consolidate until August 2012.

Operating Expenses (excluding rental expenses) increased by +2.4% due to the incorporation within this business area of the Gran Meliá Roma as well as the pre-opening expenses linked to the incorporation of the Me London hotel. Excluding this from the scope, total operating expenses decreased by -0.8%. This evolution has been mainly possible due to the efforts in the implementation of a contingency plan, above all at the Personnel Expenses level, which implied staff reductions in almost all hotels.

2.1.4 Spanish Resorts (Mediterranean)

RevPAR in Spanish resorts increased by a healthy +2.8% given the slight drop in occupancy levels and **rates** rose by **+7.2%.**

As we have seen throughout the year, the evolution of the area is explained by the performance of the Balearic Islands (RevPAR +11.6%), where the high season was characterized by the strengthening of foreign demand, mainly Russia and U.K, and the good performance of the individual traveller segment partially thanks to major low cost air traffic flow.

… Resorts in Spain lead by the evolution of international clientele…

To a lesser extent, note the evolution of the resorts in mainland Spain (mainly Alicante and Malaga), where RevPAR for the whole year increased by 3.8%. In the latter area, the weak situation of domestic demand was stimulated by the launch of offers through our centralized sales channels.

On the other hand, the Canary Islands did not report growth due to the resistance of the local and national market, but also due to the stabilization of the demand in some competitor countries in North Africa, which affected positively in 2011.

This trend concurs with the general market trend, which in summer 2012 was characterized by a strengthening of foreign demand in Spain, which allowed figures near the peak in 2007 in some areas such as the Balearic Islands. The strong rebound in foreign demand could not offset the decline in domestic demand, which mainly affected second tier destinations.

Regarding the **outlook for the summer season 2013**, based on the booking pace of the main Central Europe and British tour operators but also on the evolution of our centralized channels, and the evolution of the Online Travel Agencies, Spanish resorts are likely to continue with a positive trend primarily due to the better performance of alternative feeder markets (i.e. Russia). A more uncertain outlook should be expected in the Canary Islands given the lack of air connectivity and the weakness of domestic demand.

However, it should be noted that the instability in Northern Africa countries, especially in Egypt, could affect the figures of Spanish Resort, especially when it comes to the archipelago.

Continuing with the success of the **Calvia Beach Resort** (which comprises the Sol Wave House and Beach House hotels, along with the first Wave attraction in Europe, Wave House Mallorca, – artificial wave attraction – and Nikki Beach Mallorca – the beach club), Meliá Hotels International recently released its latest innovative project, the **Sol Katmandu Park &Resort.** This new resort concept, a joint venture between Meliá and the Katmandu Group, becomes Melia's first resort hotel and theme park combination, featuring new generation entertainment attractions to complement the offer in the Magaluf area. Thanks to this project, Meliá will collaborate in a) greater integration and appreciation of the area by local residents and feeder markets; b) job creation increasing business confidence levels; c) the attraction of new markets and customer segments and d) improvements in the destination image and international positioning.

Available Rooms decreased by 11.6% mainly affected by the change in the operating regime of the Sol Tenerife (December 2011) and Sol Antillas Barbados (June 2011), the sale of the Sol Galúa (December 2011) and the early closing of some hotels during the low season, i.e Sol Cala Blanca (Mallorca), Sol Aloha Puerto (Malaga) and Sol Falco (Minorca)

Operating Expenses decreased by -12.3% due to the changes in regime mentioned above (-3.5% like for like) while cost per stay increased by 2.6% (1.9% like for like). The main reasons behind the increase in total cost per stay are: a) certain fixed component of structure (i.e. permanent staff) that hotels must retain; b) the increase in energy consumptions - mainly electricity price increases. At this stage it is worth mentioning that throughout the year the Company has implemented contingency plans in most hotels including staff realignments according to occupancy levels, the schedule of staff holidays during low occupancy periods or renegotiations with local suppliers.

2.1.5 Urban Spain (Spain)

Up to December, RevPAR in the Division declined by -2.8% linked to slowdowns both in the Occupancy levels (-1.0%) and rates (-1.8%).

Despite the third quarter registered a better performance thanks to the positive contribution of the leisure segment in some hotels -with a better mix of guests between corporate and leisure, the fourth quarter, totally dependent on the evolution of the business segment, has witness the weak performance of the *business individuals* segment throughout the national scene. The lack of business groups, lay overs, as well as with the loss of some crews after the implementation of cost saving programmes in most airlines, also contributed negatively. In this regards, only a few cities such as Barcelona and Bilbao have finished 2012 with positive figures, while Madrid and second tier cities such as Seville ended the year with negative figures.

From the segmentation standpoint the evolution of room revenues (-3.4%) throughout 2012 is explained by a) slowdown of individual business travel and business groups which have gone down by 15% and 6% respectively, partially offset by the b) performance of the leisure segment in these urban hotels which has gone up by +2.3%. The 15% slowdown of the business travel includes the mitigation that implies the better performance of the Company's Key accounts that have gone down by an 8%.

… Lack of corporate demand throughout the national scene…

Regarding the **first quarter 2013,** a continuation of the weak demand in all business segments is perceived, especially in MICE activity, so the Company has implemented actions to get greater exposure to the individual leisure segment such as a) offers and promotions through melia.com; b) greater support from Online Travel Agencies (OTAS); and c) agreements with emerging feeder markets (i.e. Brazil or Russia), amongst others. The positive note lies in the negotiations with our major Key Accounts which are evolving in positive terms.

It should be noted that according to our booking pace, the second quarter 2013 is likely to perform better thanks to the greater group base in some cities in Spain such as Bilbao and Barcelona. The latter is positively affected because of the celebration in 2013 of various events that will boost demand, such as the 'World Swimming Championships', the' X Games extreme sports', the 'World Handball Championships' or 'Mobile World Congress'.

Available Rooms (-0.6%) went down principally due to the disaffiliations of the following hotels: Meliá Valencia (September 2011), **Tryp Iberia** (October 2011), **Tryp Urdanibia, Tryp Sancho Ramirez** (both December 2011), **Tryp Sondika** (March 2012) and **Tryp Albayzin** (April 2012), together with less available rooms due to the closure of the Meliá Palas Atenea (Majorca) during the low season in order to carry out some maintenance and refurbishment. All this, partially offset by the incorporation of the **Meliá Valencia** in September 2011 and **Meliá Villaitana** in January 2012.

Operating Expenses decreased by -4.9% (-3.8% like for like) while total cost per stay decreases by -2.0% (-2.6% like for like) thanks to the implementation of the contingency plan, which included actions such as adapting the cost structure to the brand standards. At this stage is worth mentioning the positive contribution at the expenses level linked to the closure of some hybrid hotels (with a mixed component leisure / business i.e in Palma de Mallorca) during the low season.

Table 1: Hotel statistics Owned and Leased hotels 12 / 11 (RevPAR & A.R.R. in Euros)

		% Occupancy	RevPAR	A.R.R.	Available
AMERICA	**2.012**	65.5%	61.6	94.0	2.466.3
	% o/ 2011	**-0.1%**	**30.3%**	**30.4%**	**13.1%**
	2.011	65.6%	47.3	72.1	2.181.4
EMEA	**2.012**	71.8%	78.2	108.9	1.989.1
	% o/ 2011	**-1.3%**	**4.8%**	**6.1%**	**-1.4%**
	2.011	72.7%	74.6	102.6	2.016.4
PREMIUM EUROPE	**2.012**	64.6%	98.8	153.0	649.6
	% o/ 2011	**-2.0%**	**3.5%**	**5.7%**	**2.6%**
	2.011	65.9%	95.4	144.8	633.0
MEDITERRANEAN	**2.012**	66.1%	40.8	61.8	2.777.6
	% o/ 2011	**-4.1%**	**2.8%**	**7.2%**	**-11.6%**
	2.011	68.9%	39.7	57.6	3.142.6
SPAIN URBAN	**2.012**	62.2%	45.1	72.5	3.410.1
	% o/ 2011	**-1.0%**	**-2.8%**	**-1.8%**	**-0.6%**
	2.011	62.8%	46.4	73.8	3.431.5
TOTAL	**2.012**	65.7%	56.6	86.1	11,292.7
	% o/ 2011	**-1.8%**	**7.9%**	**9.9%**	**-1.0%**
	2.011	66.9%	52.4	78.3	11,404.9

Table 2: Hotel revenues split 12 / 11 for owned / leased hotels

		Room Revenues	F&B and Other	Total Revenues	Total Expenses *	EBITDA
AMERICA	**2.012**	151.9	191.4	343.3	243.6	99.7
	% o/ 2011	**47.3%**	**23.5%**	**33.0%**	**30.6%**	**39.3%**
	2.011	103.1	155.0	258.1	186.6	71.6
EMEA	**2.012**	155.5	52.0	207.5	162.6	44.9
	% o/ 2011	**3.3%**	**0.8%**	**2.7%**	**2.4%**	**3.7%**
	2.011	150.4	51.6	202.0	158.8	43.3
PREMIUM EUROPE	**2.012**	64.2	32.3	96.5	89.4	7.1
	% o/ 2011	**6.2%**	**-5.7%**	**1.9%**	**3.8%**	**-16.5%**
	2.011	60.4	34.3	94.7	86.2	8.5
MEDITERRANEAN	**2.012**	113.4	63.2	176.6	145.1	31.5
	% o/ 2011	**-9.1%**	**-15.4%**	**-11.5%**	**-9.0%**	**-18.7%**
	2.011	124.8	74.7	199.5	159.5	38.7
SPAIN URBAN	**2.012**	153.7	63.6	217.3	204.0	13.3
	% o/ 2011	**-3.4%**	**-12.1%**	**-6.1%**	**-3.9%**	**-30.8%**
	2.011	159.1	72.3	231.5	212.3	19.2
TOTAL	**2.012**	638.6	402.6	1.041.2	844.7	196.5
	% o/ 2011	**6.8%**	**3.8%**	**5.6%**	**5.2%**	**8.4%**
	2.011	597.9	387.9	985.8	803.3	181.3

** Includes rental expenses*

Table 3: Third parties management fees

Total management fees increased by 2.2% (1.1 million Euros).

In **America** management fees increased by 3.8% (+1.0 million Euros). Good performances in Cuba and of the recently incorporated hotels in United States partially offset the disaffiliation of one property in Costa Rica and one in Mexico.

Management fees in **Asia Pacific** went down by -0.3 million Euros (-8.9%). The good performance in Vietnam could not offset the slower performance in Indonesia, Malaysia and Shanghai.

In **EMEA** management fees went up by +0.6 million Euros mainly due to: a) the relative recovery of the **tourist flow in Egypt** which is reflected in the occupancy levels in our hotels in 2012 (63%). In this regards, after the recent social unrest in the country, the Company has not perceived any slowdown in tour operator flight schedules. Otherwise, if it were the case, the situation used to be offset by a better performance of the Mediterranean resorts, especially in the Canary Islands. b) The contribution the **Meliá Zanzibar**, which after one year in operations reached occupancy levels around 70% in the month of December partially thanks to the agreements with some tour operators mainly from Europe. C) And the contribution of the **Meliá Dubai** which during the first quarter of 2013 is registering results above the budget.

In **Premium Europe**, management fees fell by -5.2% (-0.2 million Euros). Good results in Gran Meliá Palacio de Isora (Tenerife, Canary Islands) could not offset the slower performance of the Gran Meliá Colon negatively affected by the lack of groups in Seville and the aggressive pricing strategies of the competitors which caused a drop in average room rates.

The good performance in **Mediterranean** (+1.1 million Euros; + 10.6%) is explained by the incorporations of the Meliá Tortuga Beach Resort in Cape Verde, and the Sol Wave House and Beach House (both Majorca, Balearic Islands) together with good results in Croatia (+7.6%).

Finally **Spain**, saw a decline of -1 million Euros (-16.2%), due to already mentioned weak evolution of the corporate demand in Spanish city hotels and the disaffiliations of the Las Palmas and de Horus Zamora.

MANAGEMENT FEES REVENUES (million Euros)		**dic-12**	***Var 12 / 11***	**dic-11**
AMERICA	**basic**	16.3	-5.8%	17,3
	incentive	11.1	22.2%	9.1
		27.4	**3.8%**	**26.4**
ASIA PACÍFICA	**basic**	1.6	-14.9%	1.9
	incentive	1.6	-2.0%	1.6
		3.2	**-8.9%**	**3.5**
EMEA	**basic**	1.1	78.9%	0.6
	incentive	0.1	240.8%	0.0
		1.2	**89.6%**	**0.6**
PREMIUM EUROPE	**basic**	2.9	-12.2%	3.3
	incentive	1.1	17.6%	0.9
		3.9	**-5.8%**	**4.2**
MEDITERRANEAN	**basic**	5.4	12.6%	4.8
	incentive	5.6	8.7%	5.2
		11.1	**10.6%**	**10.0**
SPAIN	**basic**	4.7	-15.1%	5.5
	incentive	0.5	-25.4%	0.7
		5.1	**-16.2%**	**6.1**
TOTAL BASIC		31.9	-4.3%	33.4
TOTAL INCENTIVE		20.0	14.4%	17.5
TOTAL		**52.0**	**2.2%**	**50.9**

2.2 Club Meliá

Net sales volume is 8% above the previous year, mainly due to the net effect of a) the increase in average price by 20.8%, b) Partially offset by a -13% decrease in number of weeks sold.

The fall of weeks sold have been mainly explained due to the policy implemented by the Company by which the Club Meliá business refocused its efforts on optimizing the quality and profitability of interval sales and as a result has significantly reduced Spanish sales operations, including Madrid, as well the Canary Island resorts in Salinas and Tamarindos. As part of the same process, sales have also been suspended in Puerto Rico and in ME Cancun after its sale last June. In addition, the pace of sales at our vacation club at the Gran Meliá Palacio de Isora has shown the impact of the downturn in the Spanish economy.

Also in regard to the the fall in weeks sold, the increase in biannual sales rose from 48% of total in 2011 to 60% in 2012, taking into consideration that in the accounting they are registered as a half week.

The Club Meliá will update its business via selling additional products / activities that will represent additional revenues stream for 2013 onwards.

2.3 Real Estate

After an intense last quarter as far as asset rotation activity is concerned, capital gains for the year reached 77.2 million Euros of Ebitda compared with 127.8 million Euros generated in 2011. The asset disposals detailed as follows:

Table 4: Asset Rotation 12 / 11

	ROOMS		PRICE		Capital Gains (EBITDA)	
	dic-12	**dic-11**	**Dic-12**	**dic-11**	**dic-12**	**dic-11**
Meliá Lebreros		437		49.3		16.8
Meliá Milano		288		34.4		47.7
Meliá Atlanterra		285		20.5		8.2
Sol Antillas Barbados		757		55.0		19.4
Sol Galúa		177		12.0		4.8
Sol Tenerife		522		49.0		18.3
Tryp De Saxe		51		14.0		8.2
Me London		157		22.2		0.7
Plot of land Cozumel		-		6.2		3.7
Tryp Blanche Fontaine	66		12.8		8.7	
Me Cancun	417		61.2		27.8	
Tryp Bellver	384		30.0		18.6	
Sol Magalluf park	422		20.1		11.7	
Sol S'Argamassa	215		18.0		10.5	
TOTAL	**1,504**	**2,674**	**142.2**	**262.6**	**77.2**	**127.8**

The Sol S'Argamassa corresponds to an agreement with third parties to create a Joint Venture (50/50) to develop a project in Ibiza (Balearic Islands). This operation, signed in December, enabled the generation of €10.5 Mn of capital gains.

Additionally, the Company has registered some assets revaluations which in 2012 reached €16.2 million Euros, compared to €5.2 million Euros in 2011.

Regarding the **other real estate businesses**, in the **Dominican Republic** total revenues increased around 1 Mn Euros while in Venezuela revenues coming from the rentals of the shopping premises generated an additional 0.8 million Euros.

2.4 Other Business and Overheads

At the revenues level, the item "Other Business and Overheads" increases by 9.9 million Euros mainly due to higher sales commissions, higher revenues from the tour operator activity in Cuba and higher management fees coming from the hotels under management and franchised contracts.

Total expenses decreased by -11.1 million Euros mainly to lower extraordinary linked to the cost of hotels disaffiliation (Meliá Valencia, Sol Piramide Salou and Tryp Verona).

As a consequence, the EBITDA of Other Business and Overheads improved by 36% (+25.3 million Euros) reaching -44.5 million Eros.

3. Energy consumption – Emission savings

Table 5: Environment and Energy

	Average ytd 2007-12	% 07-12 / Av. 04-06	Average ytd 2004-06
Environmental Metrics			
CO2 Emissions (Kg)	84,947,333	-8,92%	93,265,892
per stay	*10.70*	*0,65%*	*10,63**
Water Consumption (m3)	2,413,269	-13,69%	2,795,927
per stay	*0.304*	*-4.62%*	*0.319*
Energy metrics			
Fuel (kWh)	73,448,721	-12,77%	84,203,044
per stay	*9.25*	*-3.61%*	*9.59**
Electricity (KWh)	133,482,757	-6.89%	143,360,886
per stay	*16.81*	*2.89%*	*16.33**

Note: The presented consumption and emission data are a comparison between the real and per client values for the average of the years 2007-2012 versus the average for 2004-2006. The sample includes hotels within the SAVE project (Meliá energy saving and efficiency) since early 2007. Disaffiliated hotels have been removed. To compare the efficiency at the same levels of Occupancy, the metrics per stay corrected per Occupancy are: CO2 Emissions per stay: 9.93Kg (-6.6%), Water Consumption per stay: 0.282m3 (-11.4%), Fuel per stay: 8.59kwh (-10.5%), Electricity per stay: 15.60Kwh (-4.5%)

The data shows a reduction in both energy consumption and in CO2 emissions, achieving an 8.9% reduction in emissions. Water efficiency measures have reduced water consumption by 13.7%. Savings throughout the period represent an average of 1.7 million Euros per annum.

The results confirm the trend towards reduced energy consumption, water use and emissions which the company has been working on since the beginning of 2007 through the SAVE project (energy efficiency and savings at Meliá Hotels International).

O note is the improvement in energy efficiency, reflected in a reduction of CO2 emissions by 6.6% per customer. This result comes from the improvements in various energy per customer ratios.

With regard to electricity use, in 2012 a remote system has been implemented for electrical supplies for hotels in Spain and the company has continued investing in lighting optimization projects with savings of over one million kwh. Combined with the replacement by efficient lighting standards, this has involve an investment of 580,000 Euros.

These and other demand management initiatives have achieved a 4.5% reduction in power consumption values per customer and 6.9% in power consumption value overall.

The positive trend of reduction in thermal kwh consumption per customer also continues, with a reduction of 12.7%. In addition to continuity in the measures already in place, in 2012 three changes to gas were made via esco energy services companies that will decrease costs, energy and emissions in 2013 without any need for further direct investment by MHI.

Regarding the improvement in water consumption per customer, savings of 11.4% have been achieved thanks to over 44,000 flow controllers installed in recent years.

In addition to everything mentioned above, it should also be noted that in the design of all planned renovations, new hotels and brand adaptations, Meliá Hotels International integrates the same commitment to energy efficiency measures and energy efficiency savings.

Finally note should be made of all of the initiatives to raise awareness both amongst hotel staff and customers, using methods such as competitions, training sessions in hotels and participation in forums and publications in various media .

4. Income Statement

- **Revenues**

Total revenues increased by 2.0% (27.0 million Euros). The split by division remained as follows: Revenues from the Hotels increased by 5.6% (+55.5 million Euros) led by the RevPAR improvement. Real Estate decreased by -28.4% (-42.3 million Euros), Club Meliá increased by +7.6% (+6.2 million Euros) while Other Revenues increased by 4.8% (+9.9 million Euros) mainly due to higher revenues coming from tour operation activity in Cuba, higher commissions and higher management fees.

- **Operating Expenses**

Raw Materials increased by +5.4% (+8.5 million Euros) due to the changes in the scope of consolidation mostly due to the incorporation of two resorts in Playa del Carmen and the appreciation of the US dollar.

Personnel Expenses went down by -4.4% (-18.0 million Euros) affected by a change in the accounting system which makes the Company account for staff recruited in Mexico through Employment agencies as "External Services" rather than "Personnel Expenses". This effect of Mexican personnel expenses has had an impact reaching +22 million Euros. When excluding the effect of the Mexican personnel accounting, personnel expenses would have increased by 1.0%.

Other operating expenses increased by +6.9% (+29.0 million Euros) due to the changes in the scope of consolidation, the aforementioned reclassification in Personnel Expenses, forex and other extraordinary. Excluding these effects, "Other operating expenses" remained almost flat.

Rental Expenses have increased by +3.8% (+3.8 million Euros) due to the Sale & Lease back operations (Meliá Lebreros, Meliá Milan and Meliá Atlanterra) and changes in the perimeter. When excluding the above mentioned effects, rental expenses would have decreased by -2.0% (-1.8 million Euros), partially explained due to higher rental expenses in 2011 linked to the cost of hotels disaffiliation of some hotels.

- **Ordinary Profit / Net Profit**

The financial result improved by 4.4% (3.8 million Euros) mainly due to:

- **Higher interest expenses** (+18.7 million Euros) principally due to the increase in the average cost of debt, which in 2012 reached 5.4% compared with 4.5% in 2011.
- Partially offset by **higher financial income** (+18.8 million Euros) mainly generated through: a) the revaluation of a minority stake in one resort in Los Cabos in 2012 (Mexico) generating **financial capital gains by** 7.4 million Euros, b) **5.3 million Euros capital gains** linked to the issue of ordinary bonds and a simultaneous offer of exchange for the Preference Shares; c) together with higher interest generated by the loans to associates.
- Less Exchange Expenses by -4.0 million Euros given the dollar appreciation by 8.3%.

At the Associates level, this figure decreased by -6.2 million Euros mainly due to the contribution of the "Calvia Beach Resort", together with the lower result of La Jaquita, owner of Gran Meliá Palacio de Isora. Regarding the performance of the Calvia Beach Resort, despite the good figures at the operational level, the comparison versus 2011 has been hit a highest financial burden of the Society, representing -5 million Euros in Melia's consolidated accounts. On the other hand, regarding the Gran Meliá Palacio de Isora, the hotel has also obtained better figures in 2012, but at the accounting level it has been hit by an extraordinary effect in taxation, as the hotel has been affected from the reversal of tax losses incurred in previous years, representing -2.7 million Euros in Melia's consolidated accounts.

Table 6: Meliá Consolidated Income Statement

(Million Euros)	Dec 2012	Dec 2011
Hotel Revenues	1,041.2	985.8
Leisure Real Estate Revenues	106.5	148.8
Club Revenues	87.2	81.0
Other revenues	127.5	119.8
Total Revenues	**1,362.4**	**1,335.3**
Raw Materials	(164.7)	(156.2)
Personnel expenses	(392.8)	(410.8)
Other operating expenses	(452.4)	(423.3)
Total Operating Expenses	**(1,009.8)**	**(990.2)**
EBITDAR	**352.6**	**345.1**
Rental expenses	(103.1)	(99.3)
EBITDA	**249.5**	**245.8**
Depreciation and amortization	(90.1)	(96.7)
EBIT (OPERATING PROFIT)	**159.4**	**149.1**
Financial Expense	(89.9)	(71.3)
Financial Income	26.3	7.5
Exchange Rate Differences	(7.6)	(11.6)
Other Interest Expense	(12.5)	(12.3)
Total financial profit/(loss)	**(83.8)**	**(87.7)**
Profit/(loss) from Associates and JV	(16.5)	(10.3)
Profit/(loss) from ordinary activities	**59.0**	**51.1**
Extraordinary profit/(loss)	**0.0**	**0.0**
Profit before taxes and minorities	**59.0**	**51.1**
Taxes	(16.9)	(9.1)
Group Net profit (loss)	**42.1**	**42.0**
Minorities	(4.8)	(1.8)
Profit (loss) of the parent Company	**37.3**	**40.1**

Table 7: Business Segmentation of Meliá Hotels International Consolidated Income Statement

	HOTEL BUSINESS																					
Mn euros	**AMERICAS**		**EMEA (EX SPAIN)**		**MEDITERRANEAN (RESORTS)**		**PREMIUM EUROPE**		**SPAIN (CITIES)**		**TOTAL HOTELS**		**REAL ESTATE**		**CLUB MELIÁ**		**OTHER BUSINESS & OVERHEAD EXPENSES**		**AGGREGATED**		**CONSOLIDATED**	
	2012	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**	**2012**	**%**
REVENUES	343,3	33,0%	207,5	2,7%	176,6	-11,5%	96,5	1,9%	217,3	-6,1%	1041,2	5,6%	106,5	-28,4%	87,2	7,6%	218,2	4,8%	1453,1	2,1%	1.362,4	2,0%
EXPENSES	242,7	30,1%	129,4	0,9%	132,8	-12,3%	78,4	2,4%	161,8	-4,9%	745,1	4,5%	13,9	-34,5%	82,4	10,8%	259,1	-4,1%	1100,5	2,0%	1009,8	2,0%
EBITDAR	100,6	40,6%	78,1	5,8%	43,8	-8,8%	18,1	0,1%	55,4	-9,5%	296,1	8,5%	92,7	-27,4%	4,7	-28,1%	-41,0	33,9%	352,6	2,2%	352,6	2,2%
RENTALS	0,9	NA	33,2	8,6%	12,3	32,4%	11,0	14,8%	42,1	0,3%	99,6	8,8%	0,0	NA	0,0	NA	3,5	-55,2%	103,1	3,8%	103,1	3,8%
EBITDA	99,7	39,3%	44,9	3,7%	31,5	-18,7%	7,1	-16,5%	13,3	-30,8%	196,5	8,4%	92,7	-27,4%	4,7	-28,1%	-44,5	36,3%	249,5	1,5%	249,5	1,5%
D&A	35,2	39,3%	7,5	-5,6%	19,5	-28,7%	11,4	1,1%	12,6	-10,3%	86,2	0,4%	0,3	-16,1%	1,6	-17,8%	2,0	-75,9%	90,1	-6,7%	90,1	-6,7%
EBIT	64,6	39,4%	37,4	5,8%	12,1	5,3%	-4,3	-55,1%	0,7	-86,9%	110,4	15,6%	92,4	-27,4%	3,1	-32,4%	-46,5	40,6%	159,4	6,9%	159,4	6,9%

5. Balance Sheet

Assets

The reduction of the **"Tangible assets"** item by 56.7 million Euros linked to the proceeds from disposals during the period (-65 million Euros), partially offset by a higher asset' value (+14.6 million euros) of the recently incorporations, Me London and Paradisus La Perla and Paradisus La Esmeralda, together with the effect of the balance sheet restatement in Venezuela.

Higher “Investments in Associates” by +31.2 millIon Euros due to the investments in Producciones del Parque S.L and Fourth Project S.L. linked to the joint ventures signed last December which will manage the Sol Katmandú Park resort and Sol S’Argamassa, among others.

Higher “Other non-current financial assets” of 84,4 million Euros is partially linked to the increase of "Long-term Loans to Associates" (+51.5 million Euros) basically due to the loans to Adprotel, owner of the ME London; together with the increase of “Other long term debt” (+42 million Euros) mainly due to the effect of the non-customer securitization in the Club Meliá division in 2012 and hence the reclassification of the amount sold from “Trade and other receivables” to “Other long term debt”.

Liabilities & Shareholders’ Equity

The fall of Non Current Liabilities by -188 million Euros and the parallel increase of Current Liabilities by +235.2 million Euros, mainly corresponds to the reclassification of the debt between long and short term, due to the debt maturities schedule. For this reason, the item “**Long term bank debt”** decreased by -192.7 million Euros, while **“Short term Bank debt”** increased by 219.1 million Euros.

Regarding **debt levels**, net debt reached 1,003 million Euros, remaining flat versus 2011. Debt levels are mainly explained due to the finalization of two resorts in Playa del Carmen (Mexico) as well as the works in ME London hotel. The finalization of these three hotels implied in 2012 a disbursement around 40.6 million Euros. Additionally, should be considered the investments in the joint ventures in Spanish resorts by 17.2 million Euros (mainly the Calvia Beach resort, Sol Katmandú Park, and Sol S’Argamassa).

Table 8: Consolidated Balance Sheet (million Euros)

Euros	Dec 2011	Dec 2012	%
ASSETS			
NON-CURRENT ASSETS			
Goodwill	19.1	19.0	
Other Intangibles	72.0	71.3	
Tangible Assets	1819.0	1762.3	
Investment Properties	135.4	149.5	
Investments in associates	70.7	101.9	
Other non-current financial assets	218.6	302.9	
Deferred tax assets	154.2	159.1	
TOTAL NON-CURRENT ASSETS	**2.488.8**	**2.566.1**	**3.1%**
CURRENT ASSETS			
Inventories	89.1	88.5	
Trade and other receivables	314.0	311.3	
Tax assets on current gains	12.7	18.5	
Other current financial assets	25.1	17.6	
Cash and cash equivalents	439.5	468.3	
TOTAL CURRENT ASSETS	**880.4**	**904.2**	**2.7%**
TOTAL ASSETS	**3.369.2**	**3.470.3**	**3.0%**

Table 8: Consolidated Balance Sheet (million Euros) – cont'

%EQUITY	Dec 2011	Dec 2012	%
Issued capital	37.0	37.0	
Share premium	696.4	696.4	
Reserves	298.0	352.8	
Treasury shares	(110.4)	(110.4)	
Results from prior years	247.8	239.1	
Other equity instruments	33.9	33.9	
Translation differences	(183.0)	(182.1)	
Other adjustments for changes in value	(7.1)	(5.6)	
Profit attributable to parent company	40.1	37.3	
EQUITY ATTRIBUTABLE TO THE PARENT CO.	1.052.6	1.098.3	
Minority interests	77.3	85.6	
TOTAL NET EQUITY	**1,129.9**	**1,183.9**	**4.8%**
NON CURRENT LIABILITIES			
Issue of debentures and other marketable securities	282.0	283.9	
Bank debt	756.9	524.2	
Finance lease creditors	160.4	160.2	
Other non-current liabilities	14.3	11.0	
Capital grants and other deferred income	14.0	15.6	
Provisions	35.4	38.2	
Deferred tax liabilities	176.5	178.5	
TOTAL NON-CURRENT LIABILITIES	**1,439.5**	**1,211.4**	**-15.8%**
CURRENT LIABILITIES			
Issue of debentures and other marketable securities	0.4	1.1	
Bank debt	403.0	662.1	
Finance lease creditors	0.2	0.2	
Trade and other payables	303.7	289.8	
Liabilities for current income tax	15.0	23.7	
Other current liabilities	77.5	98.0	
TOTAL CURRENT LIABILITIES	**799.8**	**1.075.0**	**34.4%**
TOTAL LIABILITIES AND EQUITY	**3,369.2**	**3,470.3**	**3.0%**

6. Cash – Flow Statement

Table 9: Cash Flow Statement December 2012 (Million of Units)

CASH FLOWS FROM OPERATING ACTIVITIES	**156.1**
Proceeds from operating activities	181.8
Proceeds / (payments) from profit taxes	-25.8
Other proceeds / (payments) from operating activities	0.0
CASH FLOWS FROM INVESTING ACTIVITIES	**-49.2**
Payments for investing activities:	**-200.7**
Companies of the Group, associates and business units (*loans to subsidiaries*) (1)	-155.8
Fixed assets, intangible assets and property investments (*Company Gross Capex*)	-40.3
Other financial assets	-4.6
Other assets	0.0
Proceeds on sale:	**151.2**
[2] Companies of the Group, associates and business units (2)	92.1
Fixed assets, intangible assets and property investments	59.1
Other financial assets	0.0
Other assets	0.0
Other cash flows from investing activities:	**0.2**
Proceeds from dividends	0.2
Proceeds from interests	0.0
CASH FLOWS FROM FINANCING ACTIVITIES	**-82.7**
Proceeds and (payments) for equity instruments:	**0.0**
Issue	0.0
Amortisation	0.0
Acquisition	0.0
Sell	0.0
Proceeds and (payments) for financial liabilities:	**14.8**
Issue	246.4
Repayment and Amortization	-231.6
Dividends paid and payments for other equity instruments:	**-7.9**
Other cash flows from financing activities:	**-89.6**
Interest paid	-81.5
Other proceeds and (payments) from financing activities	-8.1
EFFECT OF EXCHANGE RATE CHANGES	**4.7**
NET INCREASE IN CASH AND CASH EQUIVALENTS	**28.1**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	**439.5**
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR PERIOD	**468.3**

Cash Flow from operating activities (156.1 million Euros) includes 66.7 million Euros of gross capital gains generated trough the asset rotation activity.

Cash Flow from Investing activities (-49.2 million Euros) is primarily explained by:

- The investments made **in fixed assets and property investments** (-40.3 million Euros) including 28.4 million Euros linked to the maintenance capex and 11.9 million Euros linked to the investments made in Playa del Carmen in 2011

- (1) + (2) The **payments to associates** reaching 63.7 million Euros once compensated payments and proceeds from third parties**;** -155.8 million Euros; +92.1 million Euros), pointing out the following loans: Adprotel (€28.7 million) owner of the Me London hotel; Evertmel and Mongamenda (€13.2 million) linked to the Calvia Beach Resort; and Fourth Project (€4.0 million), owner of Sol S'Argamassa.

- All this partially offset by the net book value derived of the disposals made during the year.

7. Expansion

The table below shows a description of the progress made in the Meliá hotel portfolio in 2012

Table 10: Expansion Plan:

	01/01/2012		ADDITI		LOSS.		CHANGE		31/12/2012		SIGNED		TOTAL GROUP	
	H	R	H	R	H	R	H	R	H	R	H	R	H	R
AMERICA	**67**	**22,395**	**0**	**0**	**2**	**657**	**0**	**0**	**65**	**21.738**	**10**	**2.898**	**75**	**24.636**
Owned Hotels	16	6,802	0	0	0	0	-1	-417	15	6.385	0	0	15	6.385
Leased hotels	0	0	0	0	0	0	0	0	0	0			0	0
Management & Franchised	51	15,593	0	0	2	657	1	417	50	15.353	10	2.898	60	18.251
EMEA	**45**	**7,500**	**1**	**164**	**2**	**115**	**0**	**32**	**44**	**7.581**	**13**	**2.583**	**57**	**10.164**
Owned Hotels	6	1,014			1	64			5	950			5	950
Leased hotels	28	4,470						15	28	4.485	11	2.188	39	6.673
Management & Franchised	11	2,016	1	164	1	51		17	11	2.146	2	395	13	2.541
PREMIUM EUROPE	**13**	**3,356**	**2**	**273**	**1**	**300**	**0**	**-21**	**14**	**3.308**	**1**	**253**	**15**	**3.561**
Owned Hotels	6	1,338						-21	6	1.317			6	1.317
Leased hotels	2	466	2	273					4	739	1	253	5	992
Management & Franchised	5	1,552			1	300			4	1.252			4	1.252
MEDITERRANEAN	**80**	**26,248**	**3**	**422**	**1**	**300**	**-1**	**-45**	**81**	**26.325**	**6**	**4.073**	**87**	**30.398**
Owned Hotels	28	9,025					-2	-637	26	8.388			26	8.388
Leased hotels	11	2,856					-1	-95	10	2.761	1	359	11	3.120
Management & Franchised	41	14,367	3	422	1	300	2	687	45	15.176	5	3.714	50	18.890
SPAIN	**94**	**16,020**	**0**	**0**	**5**	**463**	**1**	**90**	**90**	**15.647**	**6**	**1.054**	**96**	**16.701**
Owned Hotels	9	2,571					-1	-384	8	2.187			8	2.187
Leased hotels	45	6,998			2	174	2	474	45	7.298	1	100	46	7.398
Management & Franchised	40	6,451			3	289			37	6.162	5	954	42	7.116
ASIA PACIFIC	**7**	**2,570**	**0**	**0**	**0**	**0**	**0**	**10**	**7**	**2.580**	**6**	**1.609**	**13**	**4.189**
Owned Hotels									0	0			0	0
Leased hotels									0	0			0	0
Management & Franchised	7	2,570						10	7	2.580	6	1.609	13	4.189
TOTAL OWNED HOTELS	**65**	**20,750**	**0**	**0**	**1**	**64**	**-4**	**-**	**60**	**19.227**	**0**	**0**	**60**	**19.227**
TOTAL LEASED HOTELS	**86**	**14,790**	**2**	**273**	**2**	**174**	**1**	**394**	**87**	**15.283**	**14**	**2.900**	**101**	**18.183**
TOTAL MANAG & FRANCH.	**155**	**42,549**	**4**	**586**	**8**	**1,597**	**3**	**1.131**	**154**	**42.669**	**28**	**9.570**	**182**	**52.239**
TOTAL MELIÁ HOTELS INT.	**306**	**78,089**	**6**	**859**	**11**	**1,835**	**0**	**66**	**301**	**77.179**	**42**	**12.470**	**343**	**89.649**
THIRD PARTIES (**)	**3**	**551**	**3**	**451**					**6**	**1.002**	**2**	**180**	**8**	**1.182**
TOTAL GROUP	**309**	**78,640**	**9**	**1,310**	**11**	**1,835**	**0**	**66**	**307**	**78.181**	**44**	**12.650**	**351**	**90.831**

(*Third Parties (**)*: *Hotels incorporated within the framework of Wyndham Agreement)*

- **Additions (6 hotels / 859 rooms)**

Following the update sent last July, during the second semester the Company has continued with its consistent internationalization plan, mainly through low capital intensive formulas, reinforcing Upscale and Premium brands.

As a brief summary of the expansion activity during the first half:

- In April 2012 the Company added the **Gran Meliá Rome** (116).
- Also in April, Meliá began its expansion in the Gulf Arab States by opening the **Meliá Dubai** (164) under a management contract.

- During the second quarter, the Company added to its portfolio the **Sol Marina Palace** in Bulgaria (128), also under a management contact, strengthening its international positioning .
- Last June the Company opened **two resorts in Calvia** (Balearic Islands), the **Sol Wave House (194) and Beach House (100**), an innovative proposal within a context of rehabilitating a mature tourism destination in the Balearic Islands. It is worth noting that in 2012 the Beach House hotel will operate 100 rooms, while in 2013 after completion of the refurbishment process, new rooms will come on stream (up to 100 additional rooms).

Going into the **second half**, the main milestone has been **the incorporation on December 23rd of the ME London hotel** in Soft Opening mode. The Me London hotel, a lifestyle hotel designed by Foster + Partners, includes 157 guest rooms and a wide range of food and beverage options with the collaboration of the New York restaurant group The ONE. The official launch of the flagship hotel is scheduled for **1st March 2013** becoming the fifth hotel for the ME by Meliá brand and representing a fundamental step forward in Melia's globalisation process while also making a major contribution to the London luxury hotel scene.

▪ Losses (11 hotels / 1.835 rooms)

The summary of losses in 2012 is the following:

- The disposal of the **Tryp Blanche Fontaine** (64) during the first quarter and the disaffiliation of **Tryp de Saxe** (51) last December 2012, taking into consideration that after its sale in December 2011 the hotel remained under a management contract within the EMEA division until December 2012.
- In America, the disaffiliation during the first quarter of the hotel **Meliá Azul Itxapa** (412) in Mexico under management contract together with the dissafiliation of the **Meliá Santo Domingo** (245) last November 2012.
- Loss of the **Gran Meliá Resorts & Luxury Villas Daios Cove** (300) in the **Premium segment**.
- In the **Mediterreanean,** loss of Sol Puerto de la Cruz (300) in Tenerife, Spain.
- Finally, within the framework of the contingency plan in Spain, the Company began a process of disaffiliation of some underperforming hotels including the **Tryp Sondika** (68) in Bilbao and the **Tryp Albayzin** (106) in Granada, both under lease contracts. Another important issue has been Meliá's effort to renegotiate those management contracts which included a guaranteed minimum fee. In this regards, the Company removed from its portfolio the Meliá Alto Aragon (134) in Formigal during the first semester, followed by the loss of Meliá Las Claras (72) in Salamanca (Spain) last July 2012. Furthermore, one additional franchise contract dropped from the portfolio in the last quarter was the Meliá Fernan Gonzalez (83) in Burgos (Spain).

▪ Future incorporations from January 1st 2013 (42 hotels / 12,470 rooms)

In overall terms, Meliá development plans include **42 new hotels with 12,470 rooms**, of which 90% will be added outside Spain and 58% in emerging markets. 91% will be in the upscale and premium segment, keeping the Company's balance between resorts (49%) and cities (51%).

Within this pipeline, and within a context of **selective growth in Spain**, there is included the recently opened first Innside by Meliá hotel in Madrid, the Innside **Madrid Genova** (65), that will be followed by the close opening of the Innside **Madrid Luchana** (43). These incorporations are contextualized within the efforts of meeting the requirements to become a benchmark urban brand in major cities worldwide. Within the Mediterranean division the Company will also add the Meliá Atlantico Isla Canela (359), a resort located in Huelva.

Also in 2013, the Company will see important new hotels in major cities in Europe, such as the Innside Düsseldorf Hafen (134) in Germany and the ME Vienna (253 rooms) in Austria, both under lease contracts.

In the **international arena**, the Company continues to strengthen growth in **emerging markets**. Last December Meliá Hotels International and the **Greenland Group**, one of the largest real estate groups in China, reached a strategic agreement to join forces to pursue their growth internationally. As we informed, in the short term, this agreement implies the opening of two new Meliá hotels, the **Meliá Jinan (230) in 2013** and the Meliá Tianjin (2014), both under management contracts. Also in the Asia Pacific region, the Company will incorporate in 2013 the Meliá Danang (150) in Vietnam.

An additional 1,560 rooms will be added in 2013 under management contracts, while 100 new rooms will be incorporated under rental agreements.

Going into 2014, the Company's network is scheduled to be extended by the following leased hotels: the Innside Manchester (208 rooms) in UK, the Innside Wolfsburg (220 rooms) and the Innside Aachen (158) in Germany and the Meliá Paris La Defense (369). Under management and franchise contracts, Meliá will add to its portfolio 15 additional hotels reaching 5,366 rooms including the Meliá Tianjin, above mentioned.

Within the framework of the Wyndham agreement, 3 hotels operated by third parties haven been opened during the year under the Tryp by Wyndham brand: Tryp by Wyndham Bogota (251), Tryp by Wyndham Panamá City (92) and Tryp by Wyndham Istanbul (108). After these incorporations, the agreement reached 6 hotels and 1,002 rooms. Regarding the pipeline, it is expected the incorporation of 2 additional hotels (180 rooms) in the near future.