Meliá Hotels International, S.A. and Subsidiaries

Interim Condensed Consolidated Financial Statements for the six-month period ended 30 June 2020, together with Report on Limited Review

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

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REPORT ON LIMITED REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Report on the Interim Condensed Consolidated Financial Statements

Introduction

We have performed a limited review of the accompanying interim condensed consolidated financial statements ("the interim financial statements") of Meliá Hotels International, S.A. ("the Parent") and Subsidiaries ("the Group"), which comprise the condensed consolidated balance sheet as at 30 June 2020 and the condensed consolidated statement of profit or loss, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and explanatory notes thereto for the six-month period then ended. The Parent's directors are responsible for preparing these interim financial statements in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial information, in conformity with Article 12 of Royal Decree 1362/2007. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

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

Conclusion

Based on our limited review, which under no circumstances may be considered to be an audit of financial statements, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2020 are not prepared, in all material respects, in accordance with the requirements of International Accounting Standard (IAS) 34, Interim Financial Reporting, as adopted by the European Union, for the preparation of interim condensed financial statements, pursuant to Article 12 of Royal Decree 1362/2007.

Emphasis of Matters

We draw attention to Note 2 to the accompanying interim financial statements, which indicates that the aforementioned accompanying interim financial statements do not include all the information that would be required for a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by the European Union and, therefore, the accompanying interim financial statements should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2019. Our conclusion is not modified in respect of this matter.

Furthermore, we draw attention to Note 4 to the accompanying interim financial statements, which describes the impacts the COVID 19 crisis had on the present and future Group operations and risks for the six-month period ended 30 June 2020. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

The accompanying interim consolidated directors' report for the six-month period ended 30 June 2020 contains the explanations which the Parent's directors consider appropriate about the significant events that took place in that period and their effect on the interim financial statements presented, of which it does not form part, and about the information required under Article 15 of Royal Decree 1362/2007. We have checked that the accounting information in the aforementioned directors' report is consistent with that contained in the interim financial statements for the six-month period ended 30 June 2020. Our work was confined to checking the interim consolidated directors' report with the scope mentioned in this paragraph, and did not include a review of any information other than that drawn from the accounting records of the Group.

Other matters

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

DELOITTE, S.L.

Pablo Hurtado March

30 July 2020

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND CONDENSED CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE FIRST HALF OF YEAR 2020

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

Consolidated Balance Sheet

(Thousand €)	Note	30/06/2020	31/12/2019
NON-CURRENT ASSETS			
Goodwill	8	61,243	72,267
Other intangible assets	8	66,292	73,408
Property, Plant and Equipment	8	1,755,851	1,923,267
Right of use	8	1,143,685	1,251,255
Investment property		95,911	116,267
Investments measured using the equity method	9	184,183	212,711
Other non-current financial assets	10.1	108,880	168,281
Deferred tax assets		289,994	297,298
TOTAL NON-CURRENT ASSETS		3,706,037	4,114,756
CURRENT ASSETS			
Inventories		29,620	29,260
Trade and other receivables		155,506	194,077
Current tax assets		35,048	39,577
Other current financial assets	10.2	87,298	49,046
Cash and other cash equivalents		187,229	328,944
TOTAL CURRENT ASSETS		494,700	640,904
TOTAL GENERAL ASSETS		4,200,738	4,755,660
EQUITY			
Share capital	11.1	45,940	45,940
Share premium		1,089,577	1,107,135
Reserves		460,642	443,037
Treasury shares	11.2	(62,148)	(28,191)
Retained earnings		(212,137)	(325,355)
Translation differences		(246,705)	(110,515)
Profit/(loss) for the year attributed to parent company		(358,557)	112,898
NET INCOME ATTRIBUTED TO THE PARENT COMPANY		712,906	1,242,392
Non-controlling shareholdings		30,234	43,638
TOTAL NET EQUITY		743,141	1,286,030
NON-CURRENT LIABILITIES			
Preference shares & Bonds and other negotiable securities	10.2	34,064	33,951
Bank loans	10.2	958,189	786,923
Lease liabilities	10.2	1,132,077	1,264,282
Other non-current financial liabilities	10.2	13,015	12,212
Capital grants and other deferred income		339,988	350,593
Provisions	15.1	23,118	29,805
Deferred tax liabilities		196,654	221,888
TOTAL NON-CURRENT LIABILITIES		2,697,105	2,699,654
CURRENT LIABILITIES			
Bonds and other negotiable securities	10.2	23,347	172
Bank loans	10.2	192,607	100,343
Lease liabilities	10.2	170,339	172,012
Trade creditors and other payables		336,070	424,472
Current tax liabilities		6,417	7,675
Other current liabilities	10.2	31,712	65,301
TOTAL CURRENT LIABILITIES		760,492	769,976
TOTAL GENERAL LIABILITIES AND NET EQUITY		4,200,738	4,755,660

Consolidated Income Statement

(Thousand €)	Note	30/06/2020	30/06/2019
Operating income		319,151	869,298
Total Operating income and Results from assets sale	**6**	**319,151**	**869,298**
Supplies		(39,254)	(96,673)
Staff costs		(155,264)	(258,892)
Other expenses		(195,608)	(288,142)
Total Operating expenses		**(390,125)**	**(643,707)**
EBITDAR		**(70,974)**	**225,591**
Leases		(326)	(8,746)
EBITDA		**(71,301)**	**216,845**
Amortisation and impairment of PPE and intangible assets	8	(90,236)	(64,956)
Amortisation and impairment of Right of use	8	(146,958)	(63,280)
Bargain purchase			4,926
EBIT / Results from operating activities	**6.1**	**(308,495)**	**93,535**
Exchange differences		(12,973)	(4,903)
Borrowings		(15,980)	(15,802)
Financial lease expenses		(19,401)	(18,830)
Other financial income		(12,834)	5,651
Net financial income (expense)		**(61,188)**	**(33,883)**
Profit /(Loss) of associates and joint ventures	**9**	**(22,994)**	**1,468**
NET INCOME BEFORE TAX		**(392,676)**	**61,120**
Income Tax	13	21,752	(13,439)
NET INCOME		**(370,924)**	**47,681**
a) Attributed to parent company		(358,557)	47,697
b) Attributed to minority interests		(12,366)	(16)
BASIC EARNINGS PER SHARE IN EUROS		**(1.61)**	**0.21**
DILUTED EARNINGS PER SHARE IN EUROS		**(1.61)**	**0.21**

Consolidated Statement of Comprehensive Income

(Thousand €)	2020	2019
Net consolidated income	**(370,924)**	**47,681**
Other comprehensive income		
Items that will not be transferred/reclassified to results		
Actuarial gains and losses in post-employment plans	(26)	(1,078)
Equity consolidated companies	(2,316)	(111)
Other results attributed to equity	2,322	(1,148)
Total Items that will not be transferred to results	**(21)**	**(2,336)**
Items that may be subsequently transferred/reclassified to results		
Cash flow hedges	(1,742)	(1,970)
Translation differences	(137,463)	3,500
Equity consolidated companies	(190)	(1,150)
Tax effect	436	480
Total ittems that may be transferred to results	**(138,960)**	**860**
Total Other comprehensive results	**(138,980)**	**(1,476)**
TOTAL COMPREHENSIVE INCOME	**(509,904)**	**46,205**
a) Attributed to the parent company	(496,536)	51,474
b) Attributed to minority interests	(13,367)	(5,269)

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Consolidated Statement of Changes in Equity

(Thousand €)	Note	Capital	Share premium	Other reserves	Treasury shares	Retained earnings	Measurement adjustments	Net income of parent company	Total result	Minority interest	Total NET EQUITY
BALANCE AT 01/01/2020		45,940	1,107,135	443,037	(28,191)	(325,355)	(113,073)	112,898	1,242,392	43,638	1,286,030
Total recognised income and expenses				47		(688)	(137,338)	(358,557)	(496,536)	(13,367)	(509,904)
Distribution of dividends	7									(48)	(48)
Operations with treasury shares	11.2		(17,558)	17,558	(33,957)				(33,957)		(33,957)
Other operations with shareholders/owners						1,412			1,412		1,412
Operations with shareholders or owners			(17,558)	17,558	(33,957)	1,412			(32,545)	(48)	(32,592)
Distribution 2019 net income						112,898		(112,898)			
Other variations						(405)			(405)	11	(393)
Other variations in net equity						112,493		(112,898)	(405)	11	(393)
BALANCE AT 30/06/2020		45,940	1,089,577	460,642	(62,148)	(212,137)	(250,411)	(358,557)	712,906	30,234	743,140
BALANCE AT 01/01/2019		45,940	1,119,301	431,873	(16,025)	(455,999)	(135,960)	147,013	1,136,144	41,434	1,177,578
Total recognised income and expenses				(964)		(280)	5,020	47,698	47,299	(5,269)	46,205
Distribution of dividends	7					(41,721)			(41,721)		(41,721)
Operations with treasury shares	11.2		113	(113)	113				113		113
Other operations with shareholders/owners	5.2					55			55	(3,014)	(2,959)
Operations with shareholders or owners			113	(113)	113	(41,666)			(41,553)	(3,014)	(44,567)
Distribution 2018 net income						147,013		(147,013)			
Other variations						768			768	478	1,245
Other variations in net equity						147,781		(147,013)	768	478	1,245
BALANCE AT 30/06/2019		45,940	1,119,414	430,796	(15,912)	(350,163)	(130,940)	47,698	1,146,833	33,629	1,180,461

Consolidated Cash Flow Statement

(Thousand €)	Note	30/06/2020	30/06/2019
1. OPERATING ACTIVITIES			
Net Income before tax		(392,676)	61,120
Result adjustments:			
Amortisation /depreciation and impairment	8	237,194	128,236
Profit/(loss) from companies carried by the equity method		22,994	(1,468)
Net financial income		61,188	33,883
Business combination			(4,926)
EBITDA		(71,301)	216,845
Other result adjustments		27,527	(537)
Trade and other receivables		28,571	4,774
Other assets		(360)	(5,473)
Trade creditors and other payables		(88,402)	(13,024)
Other Liabilities		(6,687)	385
Income taxes paid		(837)	(7,988)
Total net cash flows from operating activities (I)		**(111,489)**	**194,982**
2. INVESTMENT ACTIVITIES			
Dividends received	9	3,648	2,300
Investment (-):			
Investments in associates and joint ventures			(673)
Loans to associates and joint ventures			(11,375)
Scope variation			
Property, plant and equipment, intangible assets and investment property	8	(39,474)	(69,684)
Other financial investments	9	(2,572)	
Divestments (+):			
Loans to associates and joint ventures			1,900
Property, plant and equipment, intangible assets and investment property	8	3,962	2,695
Non-Current Assets Held for Sale			46,409
Other financial investments		1,419	12,377
Total net cash flows from investment activities (II)		**(33,017)**	**(30,350)**
3. FINANCING ACTIVITIES			
Dividend payments (-)		(48)	
Treasury stock	11.2	(33,957)	113
Participation variation			(1,000)
Debt interest paid (-)		(15,500)	(14,095)
Debt issue	10.2	328,200	104,696
Debt redemption and repayment	10.2	(39,600)	(75,597)
Leases		(194,298)	(90,555)
Other financial liabilities (+/-)		(29,393)	(11,007)
Total net cash flows from financing activities (III)		**15,405**	**(87,445)**
4. GROSS INCREASE/ DECREASE IN CASH OR EQUIVALENTS (I+II+III)		**(129,102)**	**77,187**
5. Effect of exchange rate changes in cash or equivalents (IV)		**(12,613)**	**(15,059)**
6. Effect of changes in the scope of consolidation (V)		**0**	**170**
7. NET INCREASE/ DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III-IV+VI)		**(141,715)**	**62,298**
8. Cash and cash equivalents at the beginning of the year		**328,944**	**312,902**
9. Cash and cash equivalents at the year end (7+8)		**187,229**	**375,200**

Explanatory Notes to the Condensed Consolidated Interim Financial Statements

Note 1. Group's Corporate Information

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

Meliá Hotels International, S.A. and its subsidiaries and associates (hereinafter the "Group" or the "Company") form a Group comprising companies that are mainly engaged in tourist activities in general, and more specifically, in the management and operation of hotels under ownership, lease, management or franchise arrangements, as well as in vacation club operations. The Group is also engaged in the promotion of all types of businesses related to the tourism and hotel industry or leisure and recreational activities, as well as the participation in the creation, development and operation of new businesses, establishments or companies, in the tourism and hotel industry or any other recreational or leisure activities. Likewise, some companies within the Group also carry out real estate activities by taking advantage of the synergies obtained in hotel development as a result of the dynamic expansion process undertaken.

In any event, the activities that special laws reserve for companies which meet certain requirements that are not met by the Group are expressly excluded from the corporate purpose; in particular, the activities that the law restricts to Collective Investment Institutions or to Stock Market intermediary firms, are excluded.

With over 60 years of history, Meliá Hotels International has consolidated its international presence with more than 326 hotels in more than 40 countries. With a solid experience in seven brands to attend the different demands of its customers, which asserts its leadership in vacation hotel industry and bleisure, Meliá Hotels International aims to position itself amongst the world's leading hotel groups in the upper-medium segment, as well as to be recognised as a world leader in terms of excellence, responsibility and sustainability.

Note 2. Basis of Presentation

These condensed consolidated interim financial statements for the first six months to 30 June 2020 have been prepared in accordance with IAS 34, "Interim Financial Reporting" and should be read together with the consolidated annual accounts for the year ended 31 December 2019.

The Meliá Hotels International Group's condensed consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretations (IFRIC) in force at 30 June 2020, published by the International Accounting Standards Board (IASB) and adopted by the European Union.

The present condensed consolidated interim financial statements have been formulated by the Board of Directors of Meliá Hotels International, S.A. at its meeting held on 30 July 2020. Likewise, these financial statements have been subjected to a limited review by an auditor.

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

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

2.1. Changes in accounting policies

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

This year the Group has adopted the standards approved by the European Union whose application was not obligatory in 2019:

- ✓ Amendments to IAS 1 and IAS 8: “Definition of Material”.
- ✓ Amendments to IFRS 9, IAS 39 and IFRS 7: “Interest Rate Benchmark Reform”.
- ✓ Amendment to IFRS 3: “Business Definition”.

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

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

- ✓ Amendment to IFRS 16: “Leases – Leasehold Improvements” (subject to its endorsement by the European Union with effect from 1 June 2020 and its permitted early application)
- ✓ Amendment to IAS 1: “Classification of Liabilities as Current or Non-Current”.
- ✓ IFRS 17 “Insurance Contracts”.

It is not expected that the adoption of the abovementioned standards will have significant impacts on the Group’s financial statements, except for the impacts derived from the adoption of the amendment to IFRS 16 on leases, which are broken down in Note 4 on impacts of Covid-19.

2.2. True image

The condensed consolidated interim financial statements have been prepared on the basis of the internal accounting records of the Parent Company, Meliá Hotels International, S.A., and the accounting records of the other companies included in the scope of consolidation as at 30 June 2020, duly adjusted according to the accounting principles established in the IFRS, and fairly present the equity, financial position and the results of operations of the Company.

2.3 Comparability

The comparison of the interim financial statements refers to six-month periods ended 30 June 2020 and 2019, except for the consolidated balance sheet, which compares the period ended 30 June 2020 with that of 31 December 2019.

The comparative income statement presented in these condensed consolidated interim financial statements, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the first half of 2019, include the final recognition of the business combination of the company Cibanco, S.A. IBM FIdeicomiso El Medano (Me Cabo), therefore, the figure included under heading “Negative differences in consolidation” amounts to EUR 4.9 million, the calculation of which is broken down in Note 5.1 of the consolidated annual accounts for 2019.

2.4. Accounting valuations and estimates

The directors of the parent company have prepared the Group’s condensed consolidated interim financial statements using judgements, estimates and assumptions which have an effect on the application of the accounting policies as well as on assets, liabilities, income and expenses and the breakdown of contingent assets and liabilities at the issuance date of the present condensed consolidated interim financial statements.

The main judgements made by the directors when applying the Group’s accounting policies and the main sources of uncertainty in the estimate were the same as those applied in the consolidated annual accounts for the year ended 31 December 2019; in addition to the information included in Note 4 as a result of the current scenario of uncertainty, it is worth mentioning the following:

Corporate income tax expense

Tax accrued on the results of the interim period is usually calculated on the basis of the best estimate of the weighted average tax rate expected to be applicable at the end of the financial year. In the current interim period, where the results are negative, the Group has estimated the tax expense accrued by the main tax units comprising the Group, at the closing date of these condensed consolidated interim financial statements, by taking into account the actual possibility of loss deduction.

Regarding deferred taxes, it is worth mentioning that reversals of deferred tax liabilities have been recognised in this period, as well as the generation of deferred tax assets, as a result of the impairments recognised due to the Covid-19 impact on the recoverable value of assets, which cannot be tax deductible and which generate, therefore, differences between their carrying value and their tax value at the closing date of these condensed consolidated interim financial statements.

Exchange rate to be applied to the consolidation of Venezuelan subsidiaries

During the first half of 2020 and due to the complex political and economic situation in Venezuela, the Company considers that the official exchange rates do not reflect the economic situation of the country and, therefore, has maintained its decision to internally estimate the exchange rate that is most appropriate for the consolidation of the financial statements of its subsidiaries in Venezuela.

Although the Central Bank of Venezuela has published inflation figures as at June 2020 (384.94%), the Company has continued to estimate the increase in prices with the support of independent experts, since it considers that this continues to be the best reference when presenting the true image of the accounting and economic reality of its subsidiary companies in the country.

The cumulative inflation rate applied for the revaluation of the net assets located in this country was 511% in June 2020 (1,848% for the same period in the previous year), based on these studies carried out by independent experts. Therefore, the applicable exchange rate has been calculated by considering such estimated inflation and the official data published.

Note 3. Accounting Policies

The applied accounting policies are consistent with those of the preceding year.

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

Likewise, given the current situation derived from the Covid-19 crisis, the impacts relating to the exceptional nature of the current situation and its impacts on these condensed consolidated interim financial statements are presented in a separate Note.

Note 4. Impacts of Covid-19

The Covid-19 crisis originated in Wuhan, which was declared as a health epidemic at the beginning of the year and as a pandemic on 11 March 2020 by the WHO, has spread globally and constitutes a serious threat to public health.

A public health crisis worldwide may affect the global economy, including the markets in which the Group operates and, therefore, its activity, thereby introducing a high degree of uncertainty.

Given the impact that the Covid-19 crisis is having on the tourism industry value chain, including the hotel sector and, therefore, on the Group's activity, the directors consider that the effects of this crisis represent a significant event according to paragraphs 15-15c of IAS 34. Breakdowns additional to those included in the interim information of previous years are included below.

4.1. Impact on the business and on alternative performance measures

The evolution of the hotel business in the first quarter had two very differentiated stages due to the Covid-19 impact.

The first stage includes the first two months of the year, which developed in line with expectations: recovery of tourist destinations such as Mexico and the Canary Islands, some difficulties in the Dominican Republic due to the lack of the MICE segment, good performance of urban hotels in Spain, except for the last week of February in Barcelona, due to the cancellation of the "Mobile World Congress".

The second stage started in March, when the hotels were closed due to the global pandemic of Covid-19.

As a consequence of the above and due to the gradual spread of the pandemic in other countries, in the second quarter of the year, approximately 80% of our hotels around the world have remained closed.

As a result, our operating income from hotel establishments under ownership and under lease, as well as the income from management fees, decreased in the first quarter of 2020 by 25.5% and 35% respectively. This decrease percentage has increased up to 65.3% and 70.3% respectively in the first half of 2020.

In Spain, once the state of emergency was declared on 14 March in order to manage the health crisis caused by Covid-19, the Ministry of Health declared on 19 March the cancellation of the opening to the public of tourist accommodation establishments, according to Article 10.6 of Royal Decree 463/2020, of 14th March, and established their compulsory closure from 26 March 2020.

Once the state of emergency was lifted on 21 June 2020, the hotel activity in the country is progressively recovering, and as at 30 July 2020, 69 of the 128 hotels operated by the Group in Spain are presently in operation.

Asia, once the pandemic has been overcome, the containment measures and the local movement restriction have been relaxed, is beginning to experience a steady improvement in occupancy rates. The number of hotels closed in Asia decreased from 50% in mid-February to 20% in June 2020.

In the rest of the world, the situation has been similar to that described for our country, thus causing a decrease in the Group's RevPAR by 29.3% during the first half of 2020 around the globe compared to the same period last year, and the occupancy rate has been reduced by 17 points and the number of available rooms has decreased by 3 million, which means 54.2% compared to the previous year.

As a result of this pandemic, the containment measures, the movement restrictions or the capacity limitations and the great uncertainty created, the Group has experienced historically high levels of cancellation of stays during the first half of the year and low levels of hotel reservations. It is worth mentioning that many clients are tentatively booking for later dates.

Given the significant decrease in income and hotel occupancy rates to date, a trend which is expected to continue for an uncertain period, we have implemented strict contingency plans which have reduced the operating expenses in the second quarter of 2020 in the amount of approximately EUR 143 million compared to the second quarter of 2019, which meant a 84% decrease.

The paragraphs below include additional breakdowns on the alternative performance measures (APM) used by the Company, updating the calculations provided at the end of 2019 with their corresponding figures at the closing date of these interim financial statements.

Other financial indicators

EBITDAR and EBITDA without capital gains: The reconciliation of EBITDAR and EBITDA without capital gains for the first half of 2020 is as follows:

(Thousand €)	Revenues	Expenses	EBITDAR	Leases	EBITDA
Consolidated Income Statement	319,151	(390,125)	(70,974)	(326)	(71,301)
Investment property valuation results		21,027	21,027		21,027
Without capital gains	319,151	(369,099)	(49,948)	(326)	(50,274)

In the first half of 2020 no capital gains of fixed assets have been generated, but there has been impairment of investment properties, as described in Note 4 and which are included under heading Other expenses in the Consolidated income statement.

In the first half of 2019 there was no difference between EBITDA and EBITDA without capital gains.

- ✓ EBITDAR and EBITDA margin without capital gains: this margin has not been calculated for these condensed consolidated interim financial statements since EBITDA and EBITDAR without capital gains give a negative result for the current period.

- ✓ Net Debt: The calculation of such ratio is shown below, including an additional total of Net Debt with leases, in which the relevant liabilities at the balance sheet date are included:

(Thousand €)	30/06/2020	31/12/2019
Bonds and Other Negotiable Securities (Non-Current)	34,064	33,951
Bank Loans (Non-current)	958,189	786,923
Bonds and Other Negotiable Securities (Current)	23,347	172
Bank Loans (Current)	192,607	100,343
Cash and other cash equivalents	(187,229)	(328,944)
Net Debt	1,020,978	592,445
Lease liabilities (Non-Current)	1,132,077	1,264,282
Lease liabilities (Current)	170,339	172,012
Net Debt with leases	2,323,394	2,028,739

- ✓ Net debt ratio over EBITDA: This indicator is not calculated for the interim financial statements because the EBITDA figure does not correspond to the full financial year and the EBITDA for the half year is negative.

Hotel management stats

- ✓ Occupancy rate: The calculation details of the occupancy rate of hotels operated under lease and under ownership by the Group at the end of the first half of 2020 and 2019 are shown in the table below:

(Rooms)	30/06/2020	30/06/2019
Available Rooms	2,567,386	5,599,771
Occupied Rooms	1,318,563	3,847,211
Occupancy Rate	51.4%	68.7%

- ✓ RevPar (Revenue Per available room): The result of the RevPAR calculation for the first half of 2020 and 2019 is as follows:

	30/06/2020	30/06/2019
Room Income (Thousand €)	150,752	465,145
Available Rooms (nº rooms)	2,567,386	5,599,771
RevPAR (euros)	58.72	83.06

- ✓ ARR (Average room rate): The result of the AAR calculation for the first half of 2020 and 2019 is as follows:

	30/06/2020	30/06/2019
Room Income (Thousand €)	150,752	465,145
Occupied Rooms (nº rooms)	1,318,563	3,847,211
ARR (euros)	114.33	120.90

Taking into account the great uncertainty in the current scenario in which the global operating and financial impact still lies largely in the spread and duration of Covid-19, in the occurrence of new additional outbreaks and the subsequent decisions in respect thereof which the various administrations may adopt, the directors continue to assess and monitor the continuous implementation of additional measures to adapt the Group's operations depending on the development of the pandemic, and they estimate that the Covid-19 impact will be significant for a period that is not possible to reasonably predict today.

In that sense, the directors and the Management of the Parent Company consider that the health emergency derived from Covid-19 and its impacts on the Group's activities affect the estimates of the latter and, consequently, the carrying value of assets and liabilities in the consolidated balance sheet, as well as certain financial risks: market risk (exchange rate risk and interest risk), credit risk and liquidity risk. In that sense, they have carried out an assessment which is consistent with the best information available, including the following noteworthy aspects:

4.2. Estimates and recoverable value of fixed assets

The directors and the Management of the Parent Company estimate that there is an indication of impairment losses as described in Paragraph 12 of IAS 36 as a consequence of the crisis resulting from the coronavirus spread, such as significant changes in the economic environment with adverse impact and, consequently, according to paragraph 9 of the mentioned standard, they have estimated the recoverable value of all fixed assets.

Hotel assets under ownership

This category includes hotel assets owned by group companies consolidated by the global integration method as well as associates consolidated by the equity method, and investment properties.

The Group has considered that its assets under ownership with a net carrying amount as at 30 June 2020 exceeding 75% of the amount of the last valuations obtained from an independent expert no more than two years ago, could indicate impairment.

For the identified assets, an updated assessment has been obtained through a combination of valuations made by independent experts and assessments made internally by the Group. The external valuations have been made by the firms specialising in hotel investment and consulting services Jones Lang LaSalle and Knight Frank and are dated July 2020.

The external experts have issued their assessment subject to a "significant uncertainty" according to the VPS3 and VPGA10 regulations of the RICS Global Valuation Standards as a result of Covid19. In this sense, the assessment should be attributed a lesser degree of certainty and a greater degree of attention. However, the asset assessment includes an estimate of the possible impact that this situation could potentially have on net revenues, growth expectations and discounts of each asset owned by the Group.

The value criterion used by the independent experts was the discounted cash flows.

Additionally, the Group has applied the same criterion as that applied by the independent experts for all its assets under ownership assessed internally.

Rights of use on hotel assets

The Group has estimated their recoverable amount by determining their value in use. As a result of Covid 19, the Group has prepared an updated business plan for the period 2020 – 2030, with three possible scenarios based on the different market recovery assumptions in the next three years. The recovery will be followed by a stabilisation and normality period, with significant margin improvements based on the Group's commitment to digitalisation and the implementation of a new operating model and, finally, a growth phase. In carrying out this update of the business plan, the Group has relied on its experience in previous crisis and the studies made on the recovery of this crisis by renowned sector experts, however, it is public knowledge that this crisis is unprecedented in the sector since no previous crisis had involved the closure of all business units for a period of almost three months.

In assessing value in use, the Group has taken as a basis the new business plan, projecting the future cash flows per hotel and estimating a residual value according to a long-term growth rate not higher than the expected growth of the economy and the sector in which the asset operates. Estimated future cash flows are discounted using a discount rate before taxes, which has been reviewed with regard to that used as at 31 December 2019, in order to reflect changes in the value of money over time in the current market and the specific risks of the asset which had not already been adjusted in the estimated future cash flows, mainly the risks of the business and the countries in which the assets are located.

The long-term discount rates and growth rates used, by geographic area, were as follows:

	WACC	Long-term growth rates
Spain	8.6%	3.00%
EMEA	7,66%-8,60%	3.00%
America	7,57%-15,44%	3.00%

Impacts

As a result of the assessment carried out on the Covid-19 impact, the consolidated income statement corresponding to the six-month period ending 30 June 2020 includes under headings "Amortisation and impairment of property, plant and equipment and intangible assets" and "Amortisation and impairment of rights of use", an impairment loss in the amount of EUR 26.7 million and EUR 77 million, respectively. Likewise, regarding investment properties, the "Other expenses" heading includes an expense in the amount of EUR 21 million relating to the change in fair value of investment properties. Finally, the investments in companies accounted for by the equity method include impairment of their assets under ownership in the amount of EUR 19.9 million.

The distribution of impairment by geographic area is as follows:

	Equity method assets	Owned assets	Right of use hotel assets	Total
Spain	15.2	15.7	50.7	81.6
EMEA		17.9	13.4	31.3
America	4.7	14.0	13.0	31.7
Total	**19.9**	**47.7**	**77.0**	**144.6**

4.3. Risk management

Liquidity Risk

In response to the negative impact that the crisis generated by Covid-19 has had on the cash flows from operating activities during the first half of 2020, as well as that which is expected to continue in the short term, many actions have been adopted in order to increase liquidity and strengthen the financial position of the Group. These actions include:

- Personnel cost reduction through the adoption of measures that, according to the legal framework established in each country, have allowed a better adaptation to the situation.
- Non-approval of the proposal for the distribution of dividends charged to reserves and allocation of the total profits for year 2019 to reserves of the parent company in order to strengthen its equity balance.
- Termination of the treasury share buy-back programme.
- Financing transactions closed in the amount of EUR 440 million without collateral.

The directors and the Management of the Parent Company are constantly monitoring the evolution of the situation, as well as the impacts that it may have on the credit market and they consider that, without prejudice to possible improvements and adaptations that may be applied, the liquid assets included in the consolidated balance sheet, as well as the availability of loan agreements and credit facilities, the applied borrowing policies and the amount of cash flows generated in the worst scenarios, ensure that the Group will meet the obligations included in the consolidated balance sheet as at 30 June 2020 with solvency, and there is no significant uncertainty on the Group's ability to continue as a going concern.

Interest rate risk

Variable interest rate debts, considering the additional financing agreements, continue to be basically tied to Euribor and USD Libor. The Group has continued to apply its policy of partially hedging against changes in interest rates and has entered into financial derivatives that allow it to contract a fixed rate in relation to one of the loans in the amount of EUR 50 million.

There follows a breakdown of the debt structure according to the interest rate (without including accrued interest that has not been paid):

(Thousand €)	Variable rate	Fixed rate	Total
Bank loans	337,293	562,946	900,239
Mortgage loans	80,115	173,195	253,310
Bank bonds		30,000	30,000
Other negotiable securities		5,000	5,000
ECP		22,700	22,700
Bank lease liabilities		1,498	1,498
Debt total	**417,409**	**795,338**	**1,212,747**

Foreign exchange risk

Almost all the mentioned loans and credit facilities have been executed in Euros. In that sense, 69% of the Group's financial debt as at 30 June 2020 is denominated in Euros, with such percentage being increased by 8% compared to 31 December 2019, and with the exposure to foreign exchange risk being reduced.

Credit risk

As mentioned in the notes to the consolidated annual accounts for the year ended 31 December 2019, due to the nature of the main section in which the Group operates, the insolvency risk of hotel segment customers is very low, and in relation to Vacation Club customers, the Group can terminate the contracts, therefore, the impact of the cancellation of such receivable would also imply the derecognition of liabilities in the accounts. In that sense, the Group has agreed with some of its customers commitments in the form of a deferral or modification of the timing of the cash flows. Such commitments are aimed at mitigating the temporary liquidity restrictions for the debtors and do not involve significant modification of the conditions of the related financial assets since the current value of the expected cash flows according to the modified terms and the current value of the cash flows according to the original terms of the agreement do not differ by more than 10%. As a result of the measures adopted, no customer receivables of a relevant amount have been derecognised from the balance sheet.

On the other hand, the directors have considered the impact of the Covid-19 crisis in their assessment of the expected credit losses over the entire useful life of the financial assets derived from the balances with customers. In that sense, they have adjusted the specific prospective factors jointly used with the credit loss history in order to determine the impairments, in order to include the increase in the collection period of 6.13 days, as well as the macro-economic effect in the different countries expected by renowned institutions, and also considering the liquidity support measures adopted by the governments of the countries in which the Group's hotels are located from which customers can benefit, and taking into account the high degree of uncertainty in the long term. As a result of their assessment, the directors have estimated an increase in the expected credit loss of the balances with customers in the amount of EUR 6 million.

In relation to the other financial assets exposed to a credit risk, which mainly relate to loans to associates and third parties, the directors have assessed the existing risk in each case. Based on the considerations made and the expected long-term collectability from such borrowers, an increase in the risk of collectability of such financial assets is estimated in the amount of EUR 14 million.

4.4. Other effects

Lease renegotiation

As a result of both the exceptional situation derived from the compulsory closure of our establishments and the lack of visibility on the future profits derived from their operation, the Group has started negotiations and entered into agreements with certain lessors of the hotels which it operates under lease prior to 30 June 2020.

These agreements involve a significant modification of the lease under IFRS 16 and, therefore, lease liabilities have been restated according to the new terms and conditions signed, with the discount rate used being reviewed and the right-of-use value being adjusted. These negotiations have allowed the Company to save EUR 7.3 million in terms of lease payments up to 30 June.

Likewise, some of the agreements that have been concluded include lease payment reductions relating to instalments maturing before 30 July 2021, or deferrals according to which the reviewed lease payment is substantially equal or less than the initial lease payment. These improvements qualify to not be considered as significant modifications of the leases according to the amendment to IRFS 16 approved on 28 May 2020 (see Note 2.1). However, such amendment has not yet been adopted by the EU at the date of preparation of these condensed consolidated interim financial statements, therefore, the Group has not been able to apply it.

The application of this amendment to IFRS 16 would have resulted in the recognition of a less expense in the amount of EUR 2.5 million in the consolidated income statement for the six-month period ending 30 June 2020.

Recoverability of tax credits

The recovery of deferred tax assets has been reviewed following the six-month period ending 30 June 2020 as a result of the estimated effects on the Group's cash flows and on its ability to recover the tax credits recognised under such heading, according to the methodology used in the consolidated annual accounts for 2019 and without considering the regulatory measures not approved at the date of preparation of these condensed consolidated interim financial statements.

As a result of the analysis carried out by the directors, a loss has been recognised due to the derecognition of tax credits mainly relating to financial expenses pending deduction in the amount of EUR 2.7 million and no new deferred tax assets have been recognised for the estimated tax losses for 2020.

Note 5. Scope of Consolidation

The significant changes in the Group's scope of consolidation during the first half of 2020 are detailed below:

5.1 Business combinations

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

During the first half of 2019, the company Cibanco, S.A. IBM Fideicomiso el Medano (formerly called Banamex, S.A. Fideicomiso El Medano) became wholly owned by the Group. The consideration paid for 69.72 % of the shares acquired in the transaction amounted to USD 33.4 million (EUR 29.1 million).

Cibanco, S.A. IBM Fideicomiso el Medano is a Mexican company which owns and operates the ME Cabo Hotel, located in Los Cabos area (Pacific coast). With this acquisition, the Group aimed to improve its position in Los Cabos, a luxury destination in Mexico, generating synergies with other hotels that the Company was already operating in the same area.

The carrying amount of the previous 30.28% shareholding amounted to EUR 5.9 million. According to paragraphs 41 and 42 of IRFS 3, the Company reassessed the shareholding previously held in this company using the new fair value at the date of taking control, recognising the capital gains obtained in the consolidated income statement for the year in the amount of EUR 4.9 million. According to IFRS 3, paragraph 32, the difference of the business combination was recognised as goodwill in the amount of EUR 4.2 million.

The valuation of this business combination included assets in the amount of EUR 66.5 million (including property, plant and equipment in the amount of USD 73.5 million) and liabilities in the amount of EUR 30.6 million, which included a deferred tax liability in the amount of EUR 14.7 million, due to the difference between the fair value of the hotel and the tax value of the property. The only revalued asset in the business combination was Me Cabo hotel. Such revaluation was carried out based on the valuation carried out by the independent expert Jones Lang Lasalle in July 2018. The Group internally reviewed and accepted the validity and effect of the valuation carried out by the independent expert since the assumptions and the market constraints did not change significantly.

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

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

5.2 Other Scope changes

During the first half of 2020, the following changes have been made to the scope of consolidation:

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

During the first quarter of the year the Group has increased its stake by 0.33% in the Owners' Association of Meliá Costa del Sol hotel through the purchase of apartments. This transaction had no significant impacts on the condensed consolidated interim financial statements.

In addition, the Group increased by 0.18% the stake through the purchase of apartments in the Owners' Association of Meliá Castilla hotel. Such transaction also had no significant impacts on the condensed consolidated interim financial statements.

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

For comparison purposes, the changes in the scope of consolidation during the first half of 2019 are shown below:

Disposals

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

Acquisition of minority interests

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

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

During the first half of the year the Group increased its stake by 0.33% in the Owners' Association of Meliá Costa del Sol hotel through the purchase of apartments. This transaction had no significant impacts on the condensed consolidated interim financial statements.

Note 6. Segment Reporting

The identified business segments, which are the same as those detailed in the consolidated annual accounts for 2019, constitute the organisational structure of the Group and their results are reviewed by the Group's highest decision-making authority.

6.1 Information by operating segments

The following table shows the information by segments on the volume of revenue and profit for the first half of 2020:

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

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

The main inter-segment transactions are related to the hotel management activity, which includes EUR 28.9 million basically invoiced to the hotel business segment for management fees and reservation commissions. Likewise, the corporate segment includes income from inter-segment transactions for a total amount of EUR 22.5 million.
For comparison purposes, the information by segments for the first half of 2019 is shown below:

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

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

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

6.2 Information by geographic areas

The following table shows the segmentation by geographic areas of the volume of operating revenues generated during the first half of 2020 and 2019:

(Thousand €)	30/06/2020	30/06/2019
Spain	145,884	450,385
EMEA (*)	74,038	183,253
America	157,029	345,799
Asia	3,121	2,392
Eliminations	(60,921)	(112,531)
Total income	**319,151**	**869,298**

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

Note 7. Paid Dividends

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

The Ordinary General Shareholders' Meeting, prior resolution approved by the Board of Directors on 18 May 2020 and within the context of the situation and the impacts derived from Covid-19, agreed the cancellation of the proposal for the dividend distribution charged to unrestricted reserves initially included in the annual accounts prepared by the Board of Directors on 26 February 2020, for the purposes of strengthening the solvency and liquidity of the Company.

In the first half of 2019, the General Shareholders' Meeting approved a gross dividend of EUR 0.183 per share, excluding treasury shares, for which the amount of EUR 41.7 million was disbursed, and which became effective during the second half of 2019.

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

The changes recorded during the first half of 2020 were as follows:

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

Section Additions of Other Intangible Assets includes EUR 3.5 million of software applications, within the technological innovation project developed by the Company for the creation of a new technology framework for hotel management, and through which the Company seeks to improve the technological services offered to its customers.

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

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

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

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

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

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

Under heading Provision for depreciation/amortisation and impairment, EUR 104 million of impairment is included, as explained in Note 4 of Impacts of Covid-19.

For comparison purposes, the changes for the first half of 2019 were as follows:

(Thousand €)	Goodwill	Other intangible assets	Property, Plant and Equipment	Right of use
Balance at 01/01/2019	67,999	107,231	1,851,195	971,561
Additions	4,175	11,696	61,140	60,777
Disposals		(1,263)	(1,432)	
Depreciation		(11,143)	(51,667)	(65,426)
Scope variation			64,166	
Exchange differences	12	32	(361)	508
Balance at 30/06/2019	**72,186**	**106,554**	**1,923,040**	**967,421**

Section Additions of Other Intangible Assets included EUR 6.6 million of software applications, within the technological innovation project developed by the Company for the creation of a new technology framework for hotel management, and through which the Company seeks to improve the technological services offered to its customers.

Section Additions of Property, plant and equipment included EUR 37.4 million in investments and renovations, of which EUR 22.3 million was recognised in Spain.

Furthermore, the restatement of property, plant and equipment in Venezuela according to the inflation mentioned in Note 2.4, represented an increase of EUR 21.4 million.

Section Additions for Rights of use mainly included a new lease contract of a hotel in Paris in the amount of EUR 42.2 million, including incentives and initial costs of the contract. The other increase was due to update of lease payments for inflation, as well as modifications of lease payments or terms of certain contracts in the first half.

Changes in the scope of property, plant and equipment related to the business combination mentioned in Note 5.1. The Exchange differences generated disposals in tangible assets due to the devaluation of the Venezuelan bolivar, which was partially offset by the appreciation of the Mexican peso and the British pound.

Exchange differences related to two hotels under lease in the United Kingdom and one in the United States.

Note 9. Investments Measured Using the Equity Method

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

The following table shows the changes in these shares during the first half of 2020 and 2019:

(Thousand €)	2020	2019
Balance on January 1	**212,711**	**197,817**
Profit / (Loss) on associates and joint ventures	(22,994)	1,468
Additions	2,572	673
Disposals	(3,648)	(10,675)
Exchange differences	(4,458)	(1,044)
Balance at June 30th	**184,183**	**188,239**

Profit (loss) on associates and joint ventures heading in the half year includes the impairment of assets owned by some associates, recognised as a result of the impacts of the Covid-19 crisis as mentioned in Note 4.

Disposals in the half year in the amount of EUR 3.6 million mainly relate to dividend distributions of several companies accounted for using the equity method. In the first half of 2019 the amount recognised in this item was EUR 2.3 million.

Likewise, the negative exchange differences relate, almost in their entirety, to the devaluation of the Dominican peso.

The main amount recognised in disposals for 2019 is EUR 5.9 million for the business combination of the company Cibanco S.A. IBM Fideicomiso el Medano that was fully consolidated.

Note 10. Other Financial instruments

10.1 Financial assets

The following table shows the breakdown by financial instrument categories included in heading of Other financial assets under non-current and current assets in the balance sheet as at 30 June 2020 and 31 December 2019:

(miles de €)	30/06/2020			31/12/2019		
	Long term	Short term	Total	Long term	Short term	Total
1. Financial instruments at amortised cost:						
- Loans to associates	35,566	81,965	117,532	89,351	43,282	132,633
- Other loans	55,578	2,684	58,261	58,302	2,657	60,959
- Other	13,684	2,521	16,204	16,569	2,615	19,183
2. Financial instruments at fair value through profit or loss:						
- Trading portfolio		128	128		492	492
- Unlisted equity instruments	4,052		4,052	4,060		4,060
TOTAL	108,880	87,297	196,177	168,281	49,046	217,327

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

Heading Other loans to associates includes a transfer from long term to short term in the amount of EUR 38.6 million, as well as an impairment related to such loans in the amount of EUR 14 million (see Note 4).

10.2 Financial liabilities

The table below shows the breakdown by categories of financial instruments, recorded in headings of Bonds and other marketable securities, Bank borrowings and Other financial liabilities and Lease liabilities of current and non-current liabilities in the balance sheet as at 30 June 2020 and 31 December 2019:

(Thousand €)	30/06/2020			31/12/2019		
	Long term	Short term	Total	Long term	Short term	Total
1. Other financial instruments at fair value through other comprehensive income:						
- Cash flow hedges	3,542	1,429	4,971	1,836	1,307	3,143
2. Financial instruments at fair value through the income statement:						
- Trading portfolio	1,012	1,098	2,110	1,337	1,098	2,435
3. Other financial liabilities at amortised cost:						
- Bonds and other marketable securities	34,064	23,347	57,411	33,951	172	34,123
- Bank borrowings	958,189	192,607	1,150,796	786,923	100,343	887,266
- Lease liabilities	1,132,077	170,339	1,302,416	1,264,282	172,012	1,436,295
- Other financial liabilities	8,461	29,185	37,646	9,039	62,896	71,935
TOTAL	2,137,345	418,006	2,555,350	2,097,368	337,829	2,435,197

The increase in headings Bank borrowings and Bonds and other marketable securities includes EUR 328.2 million of new financing, as well as EUR 39.6 million of redemptions, as reflected in the Consolidated Cash Flow Statement. The new issues have been contracted within the context of the health crisis as mentioned in Note 4 and for the purposes of ensuring the Company's liquidity.

The change in heading Lease liabilities includes increases in the amount of EUR 48.8 million as a result of the increase in lease payments subject to inflation rates, amendments of contracts and the execution of a new hotel lease contract in Milan. In addition, as indicated in the Cash flow statement, payments in the amount of EUR 194.3 million have been made, of which 186 million relate to lease payments.

Note 11. Equity

11.1 Share capital

As at 30 June 2020 the share capital of Meliá Hotels International, S.A. consists of 229,700,000 bearer shares of EUR 0.2 nominal value each, fully subscribed and paid-up.

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

The voting rights held by the major shareholders with a direct and indirect shareholding in Meliá Hotels International, S.A. as at 30 June 2020, compared to the end of 2019, are as follows:

Shareholder	30/06/2020 Shareholding %	30/06/2019 Shareholding %
Hoteles Mallorquines Consolidados, S.L.	23.379%	23.379%
Hoteles Mallorquines Asociados, S.L.	13.206%	13.206%
Hoteles Mallorquines Agrupados, S.L.	10.388%	10.388%
Tulipa Inversiones 2018, S.A.	5.025%	5.025%
Global Alpha Capital Management Ltd.	3.020%	3.020%
Norges Bank	3.762%	
Other (less than 3% individual)*	41.220%	44.982%
TOTAL	100.00%	100.00%

** In 2019, Norges Bank shareholding, which at year-end did not exceed 3%, is included*

The General Shareholders' Meeting has approved on 10 July 2020 a capital reduction through the cancellation of treasury shares for a total of 9.3 million of shares, as explained in Note 16 Events after the Reporting Date.

11.2 Treasury shares

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

(Thousand €)	Shares	Average Price €	Balance
BALANCE AT 31/12/2019	3,440,825	8.19	28,191
Additions	1,064,349	4.47	4,758
Disposals	(1,039,236)	4.52	(4,699)
Additions by repurchase program	6,225,189	5.45	33,898
BALANCE AT 30/06/2020	9,691,127	6.41	62,148

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

As at 30 June 2020, there are no shares loaned to banks.

On the other hand, in May this year, the Company decided to proceed with the early termination of the treasury shares buy-back programme approved on 17 October 2019 by the Board of Directors. By means of such programme 7,846,246 treasury shares were acquired in 2019 and 2020 (3.416% of the share capital), with the maximum amount allocated of number of shares being 8.5 million and the maximum monetary amount being EUR 60 million.
As a consequence of this cancellation, the capital reduction of the parent company has been carried out, initial purpose and objective of such programme (see Note 16).

The price of Meliá Hotels International, S.A.'s shares at the end of the first half of 2020 is EUR 3.782. At the end of 2019, the share price was EUR 8.40.

For comparison purposes, movements from 1 January to 30 June 2019 were as follows:

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

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

Note 12. Evolution of the Average Staff Numbers

The average number of employees in the Group during the first half of 2020 and 2019 is shown in the table below:

	30/06/2020	30/06/2019
Men	6,331	12,566
Women	4,374	9,162
TOTAL	10,705	21,728

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

Note 13. Corporate Income Tax

During the first half of the year a deferred tax expense in the amount of EUR 2.7 million has been recognised as a result of a review of the tax credits (see Note 4). Likewise, a deferred tax income in the amount of EUR 28.6 million has been recognised as a result of the asset value review made by the Company during this period (see Note 2).

According to the provisions of the Ninth Additional Provision of Royal Decree-Law 11/2020 of 31st March and the First Additional Provision of Royal Decree-Law 15/2020 of 21st April, the period from 14 March to 30 May 2020 shall not be taken into account for the purposes of the statutes of limitation set forth by Law 58/2003 of 17th December on General Taxation, therefore, the usual statutes of limitation are extended by 78 additional days.

Note 14. Information on Related Parties

The following are considered to be related parties:

- Associates and joint ventures accounted for by using the equity method.
- Significant shareholders of the controlling company.
- The executive team and the members of the Board of Directors.

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

14.1 Transactions with associates and joint ventures

Commercial transactions

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

During the first half of 2020, the Group has continued its commercial transactions in relation to associates and joint ventures as it has been doing in 2019.

Financing transactions

Among the main changes in the balances held by the Group with associates at 30 June 2020 compared to the end of 2019 it is worth mentioning an increase in long-term loans with the associate company Meliá Hotels Florida, LLC. in the amount of EUR 1.3 million and an increase in short-term loans with the company Altavista Hotelera, S.L. in the amount of EUR 1.1 million.

On the other hand, debts with associates in the company Evertmel, S.L. have decreased in the amount of EUR 5.9 million.

Guarantees and deposits

Regarding deposits held by the Group in relation to liabilities recognised in associates and joint ventures, Meliá Hotels International, S.A. acts as joint guarantor in the mortgage loan granted by Banco Santander to Meliá Zaragoza, S.L. The outstanding amount at the end of June totals EUR 14.4 million (at the end of 2019, the outstanding amount was EUR 19.2 million).

14.2 Transactions with significant shareholders

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

(Thousand €)	Transaction type	30/06/2020	30/06/2019
Tulipa Inversiones 2018, S.A.	Leases	97	91
Tulipa Inversiones 2018, S.A.	Services received	441	1,044
TOTAL		538	1,134

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

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

(Thousand €)	30/06/2020	30/06/2019
Attendance fees	350	364
Executive directors remuneration	595	2,011
Senior management remuneration	1,154	3,735
TOTAL	**2,099**	**6,110**

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

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

- ✓ The Chief Executive Officer and the Senior Management reduced their fixed remuneration by 50% for four months (from 15 March to 15 July), and by 25% for two more months (from 15 July to 15 September).
- ✓ The remuneration of the Board of Directors for attendance (allowances) to the Delegated Committees was reduced by 50 % from 1 April to 31 December 2020.
- ✓ The short- and long-term remuneration scheme of the Chief Executive Officer has been temporarily suspended.

It is worth mentioning that, in the first half of 2019, the long-term variable remuneration linked to the goals set in the Strategic Plan of the Company for 2016-2018 was included for both the Chief Executive Officer and the Senior Management.

Set out below is a breakdown of transactions conducted by the Group with its directors or executives during the first half of 2020 and 2019:

(Thousand €)	Operation type	30/06/2020	30/06/2019
Mr. Juan Vives Cerda	Services received		19
Mr. Juan Vives Cerda	Services rendered		266
TOTAL			**285**

The transactions with Mr. Juan Vives Cerda during his mandate as member of the Board of Directors (until 18 June 2019) are included.

Note 15. Provisions and Contingencies

15.1 Provisions

The breakdown of the type of obligations for the periods ending 30 June 2020 and 31 December 2019, respectively, is as follows:

(Thousand €)	30/06/2020	31/12/2019
Provision for retirement, seniority bonus and personnel obligations	11,626	11,391
Provision for taxes	287	288
Provision for liabilities	11,205	18,126
Total	23,118	29,805

As at 30 June 2020, the Group assessed the commitments established in collective agreements based on actuarial studies and an accrued amount of EUR 13.6 million has been estimated. As at 31 December 2019, the accrued amount was EUR 13.9 million.

Moreover, the balance of the externalised commitments was EUR 2 million in June 2020, presenting liabilities at their net value. At the end of 2019, the balance for this item amounted to EUR 2.5 million.

The technical interest rate applied for the assessment of such commitments as at 30 June was 0.55%, while as at 31 December 2019, it was 0.48%.

Regarding the investigation opened by the European Commission in March 2017 on the compliance with the antitrust rules in the hotel distribution sector, it is worth mentioning that the fine imposed by such body in the amount of EUR 6.7 million was paid in May this year, amount that was fully provisioned at the end of the previous year. Thus, the investigation process has been concluded.

15.2 Contingencies

The Group has commitments with third parties in respect of assets and liabilities not recognised on the balance sheet, due to the limited probability that they will entail an outflow of funds in the future. There follows a description of the changes occurred under this heading during the first half of 2020:

During the first half of the year guarantees have been renewed and new guarantees have been granted in the total amount of EUR 4 million, mainly for hotels in Germany and Spain. On the other hand, guarantees in the amount of EUR 2.4 million for hotels under lease in Spain have been cancelled.

Note 16. Events after the Reporting Date

Capital reduction

As mentioned in Note 11, on 10 July 2020, the Board of Directors, according to the delegation granted in its favour by the General Shareholders' Meeting held on the same day, agreed to carry out a capital reduction through the cancellation of treasury shares as approved by the mentioned General Meeting.

The Meliá's share capital was reduced by EUR 1,860,000, through the cancellation of 9,300,000 treasury shares with a par value of Euro 0.20 each. The Company's share capital as a result of the reduction was fixed at EUR 44,080,000 corresponding to 220,400,000 shares with a par value of Euro 0.20 each.

The purpose of the capital reduction is the cancellation of treasury shares, improving the shareholder's remuneration policy.

The capital reduction does not involve the refund of contributions since the Company itself is holder of the cancelled shares.

The new voting rights held by the major shareholders with a direct and indirect shareholding in Meliá Hotels International, S.A. as at 10 July 2020 are as follows:

Shareholder	10/07/2020 Shareholding %
Hoteles Mallorquines Consolidados, S.L.	24.365%
Hoteles Mallorquines Asociados, S.L.	13.763%
Hoteles Mallorquines Agrupados, S.L.	10.826%
Tulipa Inversiones 2018, S.A.	5.237%
Global Alpha Capital Management Ltd.	3.148%
Norges Bank	3.920%
Other (less than 3% individual)	38.741%
TOTAL	**100.00%**

1. Company situation

In the first half of the 2020 financial year, there have been no significant changes in the organisational structure of Meliá Hotels International, S.A. nor its operations, meaning that the information contained in the consolidated financial statements for 2019 and the corresponding management report is understood to be the most up-to-date information.

2. Business performance and results

The following is a description of the performance of each of the operating areas into which the company is organised:

2.1. Hotel Business

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

€ Millions	H1 2020	H1 2019	% Change
Total aggregated Revenues	**262.0**	**744.2**	**(64.80%)**
Owned	142.0	381.3	
Leased	120.0	362.9	
Of which Room Revenues	**150.8**	**465.1**	**(67.59%)**
Owned	71.1	202.5	
Leased	79.6	0.0	
EBITDAR	**(19.2)**	**193.8**	**(109.90%)**
Owned	(8.1)	104.7	
Leased	(11.1)	89.1	
EBITDA	**(19.5)**	**185.2**	**(110.51%)**
Owned	(8.1)	104.7	
Leased	(11.4)	80.5	
EBIT	**(237.8)**	**72.8**	**(426.84%)**
Owned	(146.0)	70.9	
Leased	(91.9)	1.9	

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

€ Millions	H1 2020	H1 2019	% Change
Total Management Model Revenues	**45.3**	**145.3**	**(68.8%)**
Third Parties Fees	8.1	23.9	
Owned &Leased Fees	12.8	45.8	
Other Revenues	24.4	75.6	
Total EBITDA Management Model	**-5.4**	**39.2**	**(113.8%)**
Total EBIT Management Model	**-10.3**	**33.4**	**(130.9%)**

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

€ Millions	H1 2020	H1 2019	% Change
Revenues	14.7	28.6	(48.6%)
EBITDAR	-3.4	1.5	
EBITDA	-3.4	1.4	
EBIT	-4.0	0.8	

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

	OWNED & LEASED					
	Occupancy		ARR		RevPAR	
	%	Chg.(Pts)	€	% Change	€	% Change
Total Hotels	**51.4%**	**(17.3)**	**114.3**	**(5.4%)**	**58.7**	**(29.3%)**
Total Hotels (same store basis)	**54.0%**	**(17.7)**	**115.2**	**(5.4%)**	**62.1**	**(28.8%)**
America	52.1%	(10.8)	123.5	-5.4%	64.3	(21.6%)
EMEA	43.4%	(27.5)	124.8	-10.4%	54.1	(45.2%)
Spain	57.3%	(12.8)	102.9	-5.7%	59.0	(23.0%)
Cuba	-	-	-	-	-	-
Asia	-	-	-	-	-	-

Available Rooms in H1 2020 for Owned & Leased hotels were 2,6 million (5,6 million in H1 2019)

	OWNED,LEASED & MANAGED					
	Occupancy		ARR		RevPAR	
	%	Chg.(Pts)	€	% Change	€	Variación (%)
Total Hotels	**39.9%**	**(24.2)**	**100.5**	**(3.3%)**	**40.1**	**(39.8%)**
Total Hotels (same store basis)	**40.1%**	**(25.4)**	**99.3**	**(3.7%)**	**39.8**	**(41.0%)**
America	41.1%	(20.3)	115.3	-1.2%	47.4	(33.9%)
EMEA	41.2%	(28.5)	128.3	-8.5%	52.8	(45.9%)
Spain	52.7%	(15.2)	93.8	-6.7%	49.4	(27.6%)
Cuba	29.3%	(27.6)	94.7	10.9%	27.7	(42.9%)
Asia	33.9%	(25.6)	72.3	0.4%	24.5	(42.7%)

Available Rooms in H1 2020 for Owned,Leased & Managed hotels were 7,4 million (11,8 million in H1 2019)

The breakdown of hotels and rooms by management type as of June 2020 and December 2019 is included below:

	Current Portfolio			
	30/06/2020		31/12/2019	
	Hotels	Rooms	Hotels	Rooms
Global Hotels	**326**	**83,821**	**326**	**83,778**
Owned	43	13,128	43	13,128
Leased	108	22,085	108	22,093
Management	129	38,693	128	38,509
Franchise	46	9,915	47	10,048

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

	Pipeline									
	2020		2021		2022		2023 en adelante		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Global Hotels	**8**	**3,238**	**26**	**6,195**	**17**	**3,761**	**6**	**1,197**	**57**	**14,391**
Owned										
Leased	2	489	4	925			2	197	8	1,611
Management	5	1,762	18	4,706	16	3,651	4	1,000	43	11,119
Franchise	1	987	4	564	1	110			6	1,661

The performance of the hotel business in the first half of the year had three very clear stages related to the impact of Covid-19. The first two months of the year were very much in line with expectations, with the recovery of destinations such as Mexico and the Canary Islands, difficulties in the Dominican Republic due to the lack of MICE business, and a good performance from city hotels in Spain, except for the last week of February in Barcelona after the cancellation of the Mobile World Congress. In March, April and May the majority of hotels were closed, and in June some hotels in different areas began to reopen, reaching a total of 91 hotels open by the end of June (28% of the total).

Highlights by region:

Results up to February in the Dominican Republic were affected by a falling contribution from the US market (mainly in the MICE segment, still affected by the negative news campaigns which, in large part, turned out to be false), in spite of the company's efforts to increase sales in alternative markets such as Europe and Latin America. In México, the first two months of the year saw a positive change in trend, due to the end of the sargassum seaweed crisis and the success of the company's efforts to focus on the recovery of the North American market and the MICE segment. Notwithstanding the foregoing, prior to the official declaration of outbreaks of the virus in these destinations, the company had already began the closure process from the third week of March, and the hotels remained closed throughout the second quarter.

In the EMEA region, almost all our hotels closed in mid-March with only a few remaining open to support local government and/or health authorities or because it made more financial sense to stay open. Italy was the country most affected as it became the first to take extreme measures to mitigate the effects of the virus. In June we opened the ME Milan Il Duca and our hotel in Genoa. The rest of the hotels will probably open in late August or early September. Results at the beginning of the year in the UK were affected by the continuing renovation at the Meliá White House. The UK is also one of the countries that is taking the longest to emerge from the lockdown process. All the London hotels closed their doors in late March and remained closed for the entire second quarter. In France, there was a positive trend in the opening months of the year despite the extension of the general strike and partial transport strike at the end of last year. In the second quarter, all our hotels were closed with the exception of the Meliá Vendome which opened on June 15. This hotel is open to take the pulse of the city and, depending on how its operations evolve, will help us make decisions regarding the opening of the rest of the hotels. Finally, Germany has proven to be a very resilient country since the beginning of the crisis. The fact that the country handled the health emergency quite well, and also that it is the destination with the highest dependence on its domestic market (>65%) is behind the fact that it is the country with the most positive performance in the region so far.

In Spain, the results up to February showed growth of varying intensity in urban hotels (+3.2%) and resort hotels (+9.6%). City hotels in Madrid saw an increase of +7.5% driven by positive results in the congresses and meetings segment. Barcelona (-23.3%), on the other hand, was affected by the cancellation of the Mobile World Congress. Resort hotels showed solid growth (+9.6%), mainly due to ski resort hotels and the Canary Islands (+9.1%), and in spite of the impact of the orange haze that fell over the islands at the end of February. Hotels in Spain began to close in the second week of March. From the end of March we converted 7 hotels and a Conference Centre, five of them into hospitals for people with COVID or other conditions, and three for health workers and other essential workers. With the easing of lockdown measures, the Spanish government allowed the opening of hotels with certain restrictions from May 11. However, given the limitations on travel between provinces, the demand for accommodation remained at practically zero, basically consisting only of assistance for essential services. In mid-June, with the end of the post-lockdown stages and freedom of movement between Spanish provinces, we have opened a number of hotels on the coast of mainland Spain to accommodate Spanish travellers, although occupancy levels remain low. At the end of June we also opened hotels in city locations such as Seville, Alicante, Santiago de Compostela and San Sebastián.

In Cuba, up to February the quarter had gone as expected, with growth in the availability of rooms thanks to the Meliá Internacional Varadero and a modest increase in the number of guests (+3% compared to the same period in the previous year). The combination of more available rooms and lower average rates meant that RevPAR fell by 10.4%. The cancellation of flights from Canada announced on March 17 in the wake of the spread of the Covid-19 pandemic marked a turning point. From that day on, hotels progressively began to close as cancellations, repatriations and the final departures of customers staying in our hotels began. On March 23, the authorities finally ordered the closure of the country's airports. As a result of the closure of borders and internal restrictions on travel, in the second quarter 2020 practically all the hotels remained closed. The exception was a few hotels which remained open to accommodate tourists who could not be repatriated before the borders were closed and foreign advisers from international companies who remained in the country to await reopening. Throughout the quarter there were no commercially operated scheduled flights, with flights limited to those picking up travellers and cargo operations. During the closure, major repairs were carried out in several of the country’s hotels that would not have been possible under normal conditions.

Unlike other regions, in Asia the Covid-19 crisis began with the arrival of the Chinese New Year (last week in January), with a significant impact on such important dates for the region, although we closed January fairly much in line with expectations. In February four of our five hotels in China closed and the Chinese market fell dramatically, both inbound and outbound. Nevertheless, our hotels in Southeast Asia had good occupancy, mainly due to the Australian, European and local markets. March was when we began to notice the impact in Southeast Asia, with 10 hotels open and 14 closed. In general, by the second quarter most countries were already past the peak of the pandemic, with the exception of Indonesia where the virus is still very infectious. Countries are recovering at different rates, with China and Vietnam having applied the strictest measures to combat and contain the disease and therefore experiencing a greater recovery in their respective economies. The situation is somewhat more difficult but under control in countries such as Thailand, Malaysia and Myanmar. In Indonesia, we believe that the recovery will take longer. With regard to demand, there is an evident improvement in China and Vietnam, where the travel industry is also seeing a considerable recovery. However, for the time being demand is only being seen in the domestic market and the major challenge will be to recover the international market in the medium term.

Outlook

With the visibility we currently have, the prospects for further hotel openings are subject to the evolution of the demand in the different destinations in which we operate. Nevertheless, we would like to highlight the work carried out by the company during the worst moments of the crisis, with the industry practically paralysed, as we continued to work on an action plan for the safe reopening of our hotels and the reactivation of the business. In May we presented "Stay Safe with Meliá", a programme certified by Bureau Veritas which defined new operational processes and additional health and safety measures to guarantee the maximum degree of confidence among our employees and customers while also ensuring a positive hotel experience. While we were presenting the reopening schedule, we also surveyed more than 100,000 customers to discover more about their new travel motivation and expectations. The conclusions influenced the sales campaign in June under the slogan "When you come back, stay safe with Meliá". The campaign aimed to reconnect with customers, stimulate demand for hotels and reactivate destinations, and was very well received among our customers.

Despite the difficulties and uncertainty that influence this stage of the reopening process, such as the recent decision by the United Kingdom to impose a mandatory quarantine on travellers arriving from Spain, we would like to highlight the significant strengths that allow us to be in a better position than the industry average in the face of the challenging COVID business environment. On the one hand, our diversification and special focus on the resort and urban leisure segments (bleisure) which are more resilient in the medium term, and our strong digital commitment and direct sales channels, melia.com and meliapro. com, which are a fundamental competitive advantage at such a difficult time for travel distribution. On the other hand, our valuable hotel portfolio, which has been almost entirely renovated in recent years with a greater emphasis on large open spaces, gardens and open-air activities, including roof-top restaurants and lounges, creating a differential attraction in company hotels by allowing greater social distancing and health and safety guarantees.

On a positive note for the third quarter, the gradual reopening of hotels continues in the different regions. In the Americas we already have 2 hotels open in Mexico (Meliá Puerto Vallarta and Paradisus Playa del Carmen) since the beginning of July and we plan to open Paradisus Los Cabos in mid-August. In the Dominican Republic, the hotels are still closed and are scheduled to reopen in the fourth quarter.

In EMEA, Germany has led the recovery, although it is also true that only German leisure destinations are seeing business over the summer months. We hope that the business travel market will be reactivated from September onwards. Although we are seeing secondary leisure destinations flourish, we are also seeing how the major European capitals are recovering much more slowly, particularly those with a high dependence on international markets. Our third quarter data in Paris will be greatly affected by the fact that only the Meliá Vendome and Innside Paris Charles de Gaulle will be open in July and August. In Italy, the third quarter will be different in the north and the south. In the north, we are seeing Milan and Genoa recovering at a solid rate, while Rome is struggling just like all the European capital cities that rely on international leisure travellers. The United Kingdom has also given us some positive surprises, but with a very complex situation in London which is seeing a recovery at a rate similar to other major capitals, although most research points towards an eventual rapid recovery. ME London was our first hotel to open in the country in early July, with bookings generating around 30% occupancy for July, showing the ability to improve significantly in the short term. To complement our offer in the capital, we have also recently opened the Meliá London Kensington.

In Spain, July will see almost 60 hotels open, mainly on the mainland coast and in the Balearic and Canary Islands, ready for a summer season which we believe will be shorter than usual. Also of note is the reopening of city hotels such as the Melia Madrid Serrano, Melia Bilbao, Tryp Barcelona Airport and Melia Palma Bay, which are consolidating all the demand for the rest of our hotels in each destination. Other city hotels will reopen based on the recovery in demand, which remains uncertain due to the possibility of new outbreaks of the virus.

In Cuba, the start of Phase 2 of the post-COVID recovery saw the reopening of a number of hotels at the beginning of July for the domestic market. In our case this affects the Melia Internacional and Sol Palmeras hotels in Varadero, and the Luna Mares Resort in Holguín in mid-July. Considering the reduced tourist activity expected in the third quarter of the year, the hotels will focus on continuing with renovations and updating products in the most important hotels.

For hotels in Asia, the recovery of destinations in China and Vietnam continues to move forward at a different rate to other countries. We currently have four hotels closed in the region (three in Indonesia and one in Vietnam).

2.2. Real Estate

During the first half of the year, as in the first half of 2019, the company did not sell any assets and therefore generated no capital gains.

However, as a result of the effects of the crisis caused by COVID, some of our assets have seen a decrease in their value.

For owned assets that have possibly lost value, an updated valuation has been obtained through a combination of valuations carried out by independent experts and internally by the company. The results show a negative impact on the income statement of €67,6M, of which €21 M correspond to real estate investments and €19,9M to the results of companies valued by the equity method .

Regarding the rights to use hotel assets (hotels under lease) the company has estimated a recoverable amount by determining the value based on an updated business plan for the period 2020-2030, resulting in an impairment of €77 M.

2.3 Club Meliá & The Circle

Just like the hotel business, the business has been influenced by the impact of COVID, with operations closing down in mid-March. Membership sales in the first quarter fell by -7.4% but were boosted by results in Mexico where there was a palpable consolidation of sales of the Circle product that replaced Club Meliá in mid-2019. In the second quarter, however, sales came to a halt and no memberships were sold as hotels remained closed. The comparative figure for the semester remained at -59% versus the same period in the previous year.

At the revenue level (IFRS 15), supported by the redemption of Options, there was a reduced rate of use as a result of the pandemic and the closure of hotels in mid-March. Despite the impact of the contingency, revenue for the first half of the year from the use of accommodation decreased by -24%, although in spite of the negative effects of the pandemic, unlike other businesses the Club continued to generate revenue from the use of accommodation or redemption of Options, mainly through their conversion to MeliáRewards points. This is supplemented by revenues generated by the cancellation of Club Meliá and Circle contracts whose lack of use generates revenue or “breakage”.

3. Non-financial information 1H 2020

Covid-19,new context and update of our commitment to the 2030 Agenda

Since the middle of the first quarter of this year, the entire tourism industry value chain, of which Meliá Hotels International forms part, has experienced a situation that is unique in its history: the almost complete paralysis of hotel activity on a global level.

However, despite these exceptional circumstances, Meliá has continued to enhance its activities to integrate ESG criteria by adapting the company and supporting new initiatives in this new business context. Given the ongoing global crisis, Meliá has refocused priorities to combat the crisis in the best possible conditions with a view to the progressive recovery of its hotel operations, ensuring at all times that this is consistent with its ESG strategy and the public commitments it has made to all of its stakeholders. In this new context, the United Nations 2030 Agenda has become more relevant than ever.

Meliá has worked very hard to secure its financial viability and sustainability as a company, to retain talent and protect its team as a key feature of its responsible management, rigorously focusing on the highest standards of health and safety for its customers and employees, above all, to be able to respond to the new demands created by the current business context. Meliá has extended its commitment to digitalisation in addition to making sure employees are able to work and providing them with constant training, while at the same time remaining close to its customers, reinforcing their confidence and mitigating uncertainty.

In parallel, Meliá has adapted and strengthened part of its corporate governance system to the new situation, updating certain policies and reinforcing committees in which the vision of sustainability and ESG criteria, even more necessary now than ever before, gain even greater visibility and importance.

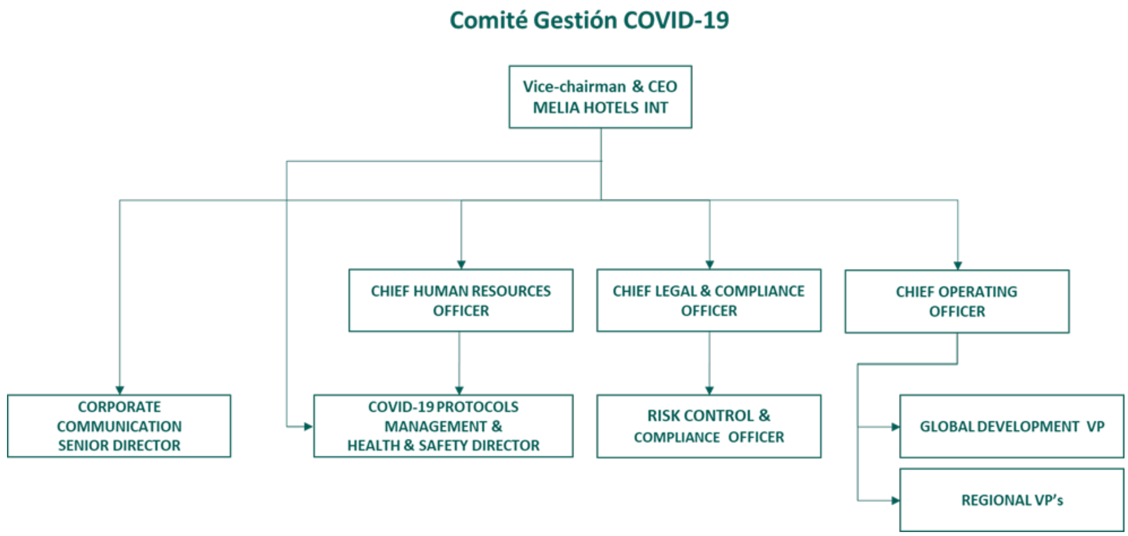
Covid-19 Management Committee

In order to optimise the management of this current emergency situation, and as foreseen in its internal protocols for the management of exceptional situations, Meliá created a Crisis Committee at the end of February.

Led by the Executive Vice President & CEO of Meliá, the management team has ensured the company's leadership and its position as a responsible company, implementing excellent crisis management actions, coordination between departments and agile and effective decision-making, always with the safety and health of employees and customers as its top priority.

Given the exceptional context the company is experiencing, and until the situation changes, the Health & Safety Director, reporting directly to both the Chief Human Resources Officer (CHRO) and the Chief Executive Officer (CEO), has been appointed Covid-19 Protocols Management & Health & Safety Director, responsible for leading and coordinating the Covid-19 Management Committee formed by representatives of different areas and responsible for defining protocols to combat the pandemic.

The composition of the Committee has ensured the most comprehensive vision of all critical areas and is as follows:



Corporate Governance

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

In the first semester of 2020, the following changes took place in the composition of the Board of Directors:

- Resignation of the External Proprietary Director, Mr. Sebastián Escarrer Jaume, after more than 20 years on the Board.
- Re-election of Ms. Carina Szpilka Lázaro as an Independent External Director.
- Appointment of the company Hoteles Mallorquines Agrupados, S.L. as an External Proprietary Director and Mr. Jose María Vázquez-Pena as its representative, replacing Mr. Sebastián Escarrer Jaume.

With regard to the Delegate Committees, after having chaired them for four years and in compliance with Corporate Governance recommendations, in 2020 the Chairmen of the committees changed places, with Mr. Fernando d'Ornellas becoming Chairman of the Appointments, Remuneration and CSR Committee and Mr. Francisco Javier Campo becoming Chairman of the Audit and Compliance Committee.

Likewise, Ms. Carina Szpilka Lázaro joined the Appointments, Remuneration and CSR Committee and Ms. Cristina Henríquez de Luna became a member of the Audit and Compliance Committee, thus increasing the presence of both women and independent members on both Committees. 100% of the members of the Audit and Compliance Committee are currently independent.

At the beginning of the year, the Appointments, Remuneration and CSR Committee completed the competencies matrix for the Board, a process derived from a self-assessment by the members of the Board which started at the end of 2019. The competencies matrix is available on the company's corporate website (link).

Commitment to sustainability

While reviewing and updating the functions of the Delegate Committees, and as anticipated in the 2019 Annual Report, the Appointments and Remuneration Committee was formally renamed the Appointments, Remuneration and Corporate Social Responsibility Committee, as approved by the modification of bylaws at the Annual General Meeting. This change of name and the creation of the Sustainability Committee culminates the process to integrate Corporate Responsibility functions, with the Committee being responsible for:

- Supervising Corporate Responsibility Policy to ensure a focus on value creation.
- Monitoring the corporate responsibility strategy and practices and assessing the degree of compliance. This includes matters which are understood to be responsibilities of the Committee, such as environmental, and social matters as well as reputation, recognition and visibility.
- Verifying and coordinating the reporting process for non-financial information in accordance with applicable regulations and international benchmarks with regard to the matters mentioned in the preceding paragraph.
- Receiving information on Corporate Responsibility Policy from the corresponding department at least once a year and whenever deemed convenient for the proper exercise of its functions.

Following the latest relevant recommendations, an internal Sustainability Committee has recently been created to ensure the integration of ESG criteria in business strategy and throughout the company's value chain. The Committee will report to the Senior Executive Team (SET) and the Appointments, Remuneration and CSR Committee.

The Board of Directors has updated the Procurement and Services Policy, approved by the Board in 2018, allowing the company to add an assessment of responsible management criteria to the approval process for suppliers and products, reinforcing parameters such as competition, objectivity, transparency and equal opportunities for suppliers.

As a consequence of the current business environment, the updated Procurement and Services Policy also encourages the selection of suppliers whose products or services are aligned with national or international standards on quality and safety, sustainability and efficiency that Meliá may define at any given time.

Changes to favour a more diverse Board of Directors

In accordance with the Director Selection Policy, the company aims to continue to increase the number of women on the Board of Directors.

The company thus intends to review and update the aforementioned policy to adapt it, among other things, to new recommendations on diversity in the new Code of Good Governance of Listed Companies issued by the CNMV, with the aim of reaching 40% of female directors by 2022.

Remuneration measures in the Covid-19 context

In line with best Corporate Governance practices, and in the context of the economic situation caused by the COVID-19 crisis, the following remuneration measures have been taken:

- The CEO, Senior Executive Team (SET) and all company VPs have voluntarily reduced their fixed salary by 50% for four months from mid-March and by 25% for two additional months (mid-July to mid-September).
- The remuneration of the members of the Board of Directors for attendance (per diems) of Delegate Committee meetings has been reduced by 50% until December 31, 2020, effective as of March of this year.
- The CEO's short-term remuneration scheme has been temporarily suspended.

Annual General Meeting. Technology at the service of shareholders and investors

Due to the restrictions on travel, and following the recommendations in the new Code of Good Governance of Listed Companies, the company implemented measures for virtual attendance and voting at the AGM, allowing shareholders and investors the chance to actively participate using a specially designed digital platform. Attendance at the 2020 AGM was therefore representative of 71.178% of the share capital with voting rights.

Due to the situation caused by COVID-19, the Board of Directors also agreed to cancel the proposal for the distribution of dividends against freely available reserves in order to strengthen solvency and liquidity.

3 SALUD Y BIENESTAR

Supporting the health system and society in combatting Covid-19

The health crisis caused the collapse of the Spanish hospital system in March and April, leading Meliá to become one of the first hotel companies to make its hotels available to the health authorities.

More than 2,500 rooms in 17 hotels in different countries were made available to society and the authorities: Spain (8), Cuba (6), Malaysia (1), the United Kingdom (1) and Peru (1). These hotels housed recovering Covid-19 patients, freeing up space in hospitals, and also provided accommodation for essential workers.

The hotels were either converted into hospitals or used to cover the specific needs of people such as health workers, security forces, transport workers or air crews. Of the 17 hotels involved, Meliá converted 6 of them into hospitals, which attended to 738 patients in different stages of recovery from the disease.

The hotels that stayed open to house essential workers welcomed more than 42,500 people. It is also important to note the wave of solidarity the company decision provoked, as several suppliers offered free products or services to improve the stay of hospitalised patients or cover other needs (food, drinks, technical services or supplies, among others). This collaboration has been valued at more than €180,000.

Meliá also promoted 3 Meliá with the Heroes campaigns to reward and acknowledge the efforts and sacrifices made by health workers and other essential workers. This was the biggest ever solidarity campaign in the history of Meliá in response to exceptional circumstances, enhancing its proximity to the community as one of its corporate values. Meliá has donated more than 30,000 hotel nights with an equivalent value of €4.6M to such workers, benefiting more than 17,000 people and impacting more than 60 million people in social media, enhancing the company's positioning, reputation and visibility as a responsible company.

3 SALUD Y BIENESTAR

4 EDUCACIÓN DE CALIDAD

Committed to our people and talent

During the pandemic, Meliá has made temporary redundancies due to force majeure on two different levels: a 50% reduction in working hours for essential positions required to sustain the management of the company, and a 100% suspension for other positions, mainly in hotel operations. On a global level, 83.3% of the workforce has been partially or fully subsidised.

In line with its major commitment to digitalisation, Meliá has encouraged teleworking for all the employees who have remained active since the start of the crisis, allowing greater flexibility and family reconciliation and thus ensuring continuity in their response to their commitments and also preparing to restart activities as the circumstances and demand allow.

Aware of the significant negative impact the paralysis of the business could have on the finances of its people, Meliá has taken other measures to provide additional financial support for employees and their families. Those measures include the payment of a supplement to ensure employees received 50% of their salary and also direct financial support in those destinations where there is no social safety net.

The Company also decided to pay out the variable bonuses for the 2019 financial year on time to all employees with a variable bonus based on the achievement of objectives. It has also made it easier for employees in need to request advances on wage payments, and also agreed to pay in full the bonus summer payment made to all employees in Spain. These measures have had a financial impact of €9.6M.

Meliá is committed to its people and talent, and has opened up the eMeliá online training platform to all of its staff and increased the amount of training and educational resources it contains. In collaboration with Cornerstone, employees have been able to work from home on enhancing their skills and developing new skills, with access to more than 22,000 courses in fifteen languages.

More than 30,000 employees have used the training platform, reaching an average of 2,800 employees in training every day. The improvements in content and new licenses have involved an additional investment of more than €0.1M.

During the lockdown, collaborative groups were created and promoted on eMeliá to support and accompany employees on subjects such as telework management, well-being, leadership in virtual environments or work-life balance, among others. The actions have been carried out in numerous formats, but highlights include the 18 webinars together with partners and leading experts in fields such as leadership, mindfulness, best practices or effective communication. More than 2,500 employees have taken part in these events.

Today more than ever before, Meliá is aware that it must be close to its people, and that is why the company has made an extra effort in direct communication with employees, promoting internal communication campaigns using videos, posters and infographics, and external campaigns on social media to publicise different practices in talent and people management, reaching out to more than 45,000 members of the Meliá team.

The company has already started the planning required to ensure the return to work for those positions that can do so while also prioritising teleworking and flexibility if the nature of each position makes it possible to continue working in that way and it does not affect company operations. These measures have been taken for positions that have transactional and digital components. Without any doubt, teleworking has proven to be an effective and positive experience with an important future.

Family reconciliation, health (based on medical vulnerability criteria) and flexibility on work schedules have also been taken account in the return to work, always in agreement with employees and ensuring service levels are maintained.

3 SALUD Y BIENESTAR

Health and safety in the hotel or work centre

Stay Safe with Meliá

The safety of customers and employees is the maximum priority for Meliá in the process of reopening hotels. That's why Meliá has developed Stay Safe with Meliá, a comprehensive programme to ensure the highest health and safety standards for the gradual reopening of hotels in the post-lockdown stage.

Meliá has worked together with one of the most prestigious certification organisations in the world, Bureau Veritas, to guarantee rigour and safety in all hotel service and operations protocols in order to prevent Covid-19. In the certification process of the Meliá Hotels International System for the management of preventative measures to combat Covid-19, the company has reviewed over 750 protocols and developed a comprehensive Training Plan for all teams.

The programme leads to Global Certification as a Safe Site, within the scope of Compliance with Best Preventative Practices in Crisis Management Systems, verifying that the organisation complies with the assessment carried out under the applicable Covid-19/SARS-CoV-2 regulations. Hotels are currently in the process of certification.

The company has also actively cooperated with many industry organisations and health authorities in both Spain and abroad, such as the WTTC, the Health and Safety Institutes in the different Autonomous Communities, AESPLA and ICTE in Spain, in drafting a guide for hotel operations in the context of Covid-19 that will be made available to the entire hotel industry worldwide.

To prepare the programme, Meliá was able to leverage the lessons learned through management of Covid-19 in China and also the international expertise and experience of the teams in its Risk Management and Occupational Health, Operations and Brands, Purchasing and Maintenance and Information Systems departments, as well as expert advice from specialist strategic suppliers.

To define the new spaces, processes and brand standards, all of the customer contact points were reviewed. In fact, more than 100,000 customers were directly involved in the adaptation process through their participation in a customer survey.

The programme includes activities in various areas:

Post Covid-19 cleaning and disinfection plan endorsed by the strategic supplier Diversey

Recommendations for occupational health, hygiene and organisational measures, identification of people at risk, coordination of relationships with suppliers and third parties, as well as the management of possible cases of infection.

Innovation and technology, including technological solutions to minimise physical contact between customers and employees and also guarantee the safety of facilities and sustainability.

Global Post-COVID-19 Operations Guide with all the adaptations to procedures and the training materials required by teams.

Brand Standards adapted to avoid risks of infection in processes such as Food & Beverage, In-room Experience, Wellness, Entertainment, etc.

Post-Covid-19 Technical Facilities and Maintenance Guide.

In addition to describing the protocols and measures to optimise hygiene and disinfect facilities and the most important operational processes, the programme also has an important section on employee training and emotional well-being, including customer relationships in the COVID context. To achieve this while also prioritising a positive customer experience, the programme also includes the appointment in each hotel of a person responsible for the “emotional well-being” of guests as well as verification of compliance with the processes designed to prevent the spread of Covid-19.

Meliá Hotels International has created the Meliá Pro Travel Labs community on Facebook. This is an exclusive community for travel agents with a programme of live events in which agents will have the chance to take part in webinars, workshops, round tables and virtual visits to company hotels.

In parallel, the meliapro.com B2B booking site has also joined the major sales campaign launched by the group to reconnect with customers. This virtual community is already available in Spain and Latin America, and will soon be extended to other countries all around the world.

With a weekly programme of live digital events through Facebook Live and Zoom, Meliá will also share the latest company news in a very direct way, helping travel agents stay up to date on company brands and destinations and also having the chance to remotely visit hotels.

In the current health and economic crisis, and given the major impact on the tourism industry, the World Travel & Tourism Council (WTTC) launched the world's first safety and hygiene certification to enhance awareness of the commitment to safety in the tourism industry. Meliá is as a member of the WTCC and has supported its initiative and placed its ability to influence others at the service of the industry.

13 ACCIÓN POR EL CLIMA

Climate change and environment

Towards a green recovery

Although the current situation requires companies to prioritise the social crisis, Meliá Hotels International remains firmly committed to protecting the environment. That is why in May this year it signed up to the Green Recovery Alliance in Europe. The Alliance argues that stimulus policies must be effective from the economic and social point of view, but must also be aligned with sustainability, environmental and biodiversity policies, considered essential in the reconstruction process due to its environmental implications and its potential to create value, employment and innovation.

The initiative is based on European Green Deal and a growth strategy based on three foundations: digitalisation, decarbonisation and resilience, understanding that competitiveness and the environment go hand in hand. The initiative has the express support of more than 230 Spanish personalities from the worlds of business, politics, journalism, academia and services.

Environmental commitments based on scientific criteria

In line with the emission reduction targets certified by the Science Based Target Initiative (SBTi), Meliá has continued to promote improvements focused on meeting its commitments, including the prioritisation of renewable energy, investments to reduce emissions, the permanent monitoring of energy and water use to identify deviations, areas for improvement and corrective actions.

Despite the fact that practically the entire Meliá hotel portfolio has been closed due to the health crisis caused by Covid-19, Meliá has monitored both energy and water use in its hotels even more rigorously. The objectives are various: to ensure cost reductions and to identify possible incidents in facilities and ensure the correct maintenance of equipment in closed hotels.

Carbon footprint *(Science Based Target Initiative)*

Range (Tn CO_2)	H1 2018	H1 2019	H1 2020
SCOPE 1	37,361	36,400	20,123
SCOPE 2	123,160	121,207	66,150
PORFOLIO	95.70%	94.00%	95.45%

Reduction Tarjet (SBTi)	2023	2035
SCOPE 1+2	13.00%	51.00%
SCOPE 3	6.00%	21.00%

Energy Resources

Energy Resources	H1 2018	H1 2019	H1 2020	Costs (€)
Electricity (kwh)	131,423,273	126,367,974	62,969,719	7,995,313
Diesel (Liters)	1,199,783	1,000,370	354,812	239,822
Propane (kg)	1,857,609	1,846,683	854,199	703,974
Natural Gas (m^3)	4,386,226	4,587,629	2,692,334	1,262,857
District Heating (kwh)	18,395,224	19,479,387	12,173,099	1,113,178
District Cooling (kwh)	20,164,896	20,094,270	8,345,741	659,816

Water Resources

Fresh Water	H1 2018	H1 2019	H1 2020	Costs (€)
Total Consumption (m^3)	3,677,152	3,530,661	1,829,641	1,819,020

The publication of Royal Decree 463/2020 of March 14 declaring a State of Emergency in Spain in order to manage the health crisis caused by Covid-19 allowed a reduction in the levels of power contracted for our hotels. Meliá carried out a study of 137 of its electricity supply agreements and achieved significant monthly savings in the monthly fixed amounts paid for electricity.

Power Reduction	H1 2020	Savings
Total Savings	594,998	50.36%

Environmental investments

In 2019 Meliá designed and implemented a specific tool for monitoring investments based on environmental criteria.

In the first half of this year, a total of €0.86M has been invested to add to the €3.52M invested last year to reduce the company's environmental impact and help achieve the public commitments it has made in this regard.

Meliá has taken advantage of the fact that corporate teams have been working from home to install a UV Air Filtering System in corporate offices (€0.6M) which guarantees employee safety when they return to work in the office.

Technology to ensure the responsible use of resources - CO2PERATE

In 2019 Meliá began the progressive implementation of artificial intelligence to reduce electricity and fuel use in its hotels. The project applies artificial intelligence in air-conditioning systems, monitoring and controlling the systems to improve current and future energy management in its facilities.

At the end of this first semester, Meliá has invested a total of €2.0 million to complete the implementation of the programme in 68 hotels and to start the implementation in 43 new hotels. This project also required training more than 70 people, from technical teams to General Managers and department heads, during this part of the year.

The current implementation of the project has allowed the following savings to be achieved:

Scope	2,019	H1 2020	Accumulated 2019 - H1 2020
Financial Savings (€)	334,315	188,057	522,372
Savings (%)	5.30%	5.90%	5.50%
Consumption Savings (kWh)	3,225,936	1,331,526	4,557,462
CO_2 Emission Reduction(Tn)	1,597	659	2,256
Investment (€)	1,250,185	746,427	1,996,612
Hotels with installation completed	34	34	68
Hotels Starting Energy Management	28	15	43

Moving towards a water management strategy

In its first participation in the CDP Water Security programme in 2019, Meliá obtained a B rating, becoming the first hotel company in Spain ever to achieve this level.

An analysis of this first experience carried out in the first semester of 2020 has allowed the company to assess how it manages water resources and identify risks and opportunities in the areas in which it operates. It has also facilitated decision-making and possible mitigation and adaptation activities, laying the foundations for a more sustainable management strategy for such a limited and fundamental resource in many tourist destinations.

12 PRODUCCIÓN Y CONSUMO RESPONSABLES

Social Responsability

Commitment to the community

The Company continues to promote a hotel model that uses a circular economy philosophy with a social conscience as a key factor in generating value for destinations. Along with DiverseyR, a leading partner in this area, the company has launched Linens for Life™ to transform sheets and pillowcases into masks, such an important feature nowadays in the prevention of infections.

The project started in June and will allow more than 250,000 masks to be made and delivered free of charge to vulnerable people in the local community in eight countries in America and Asia, involving 26 hotels operated by Meliá.

In addition to preventing infections, the project will also generate local employment and help reduce our water use and environmental footprint by more than 5.2 million litres of water and more than 13.1 tons of carbon emissions through the recycling of a total of 1.1 tons of fabric.

10 REDUCCIÓN DE LAS DESIGUALDADES

Phylanthropy

The company has also reinforced its solidarity actions through donations worth more than €180k of sanitary materials, hygiene items, linen and staple foods to more than 56 social organisations and associations, 37 soup kitchens, hospitals and NGOs that received basic necessities directly over the first few weeks of the crisis. The staff in our hotels have also benefited from the donations of food and perishable items.

Miscellaneous

In April, the Business Reputation Monitor MERCO created a specific panel to assess the crisis management carried out by Spanish companies and the perception of consumers. Meliá management of the crisis was acknowledged by customers and consumers, improving the positive perception among consumers by 13.3%, with the subsequent boost to the company's reputation in a context as complex as the current one.

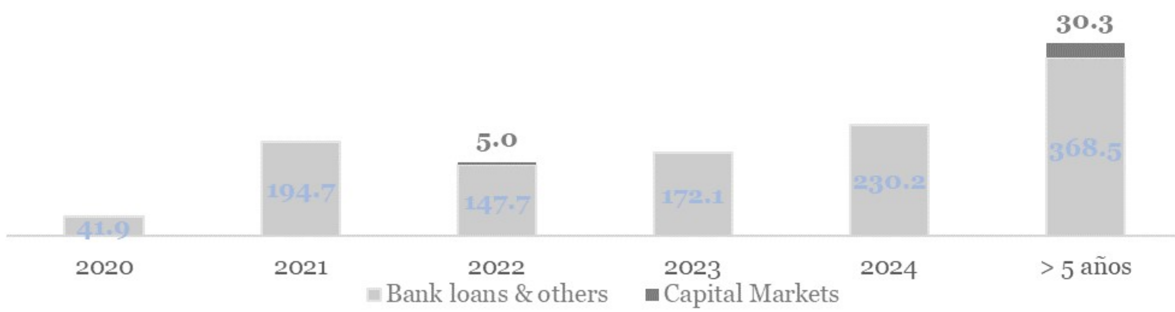
In another order of things, Meliá Hotels International considers it essential to use its leadership to help emphasise the relevance of the tourism industry and the contribution of social value during the Covid-19 crisis. That is why the company has leveraged its relationships with specialist organisations in the industry or on a global level to share the measurement of social impact during the health crisis.

4. Liquidez y recursos de capital Liquidity and capital resources

At the end of the first half of the year, Net Debt stood at €2,323M, an increase of €294M compared to December 2019. Net financial debt before IFRS 16 increased by +€428.5M to €1,020.9M, mainly affected by the final payment of the long leasehold on the Meliá White House, the share buyback programme, and the impact of COVID on cash generation, mainly in the second quarter.

Faced with the exceptional current situation, and due to the difficulty of forecasting its duration, one of the company's top priorities has been to maintain sufficient liquidity to allows us to face the coming months with greater confidence. To preserve liquidity, the company has focused on adjusting and controlling all costs, reducing Capex scheduled for the year, obtaining new financing and deferring debt maturities that would become due during the year. Likewise, we would also like to highlight that Meliá does not have any debt with financial covenants. At the end of June, the liquidity situation (including liquid assets and undrawn credit lines) amounts to €550M.

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



5. Other Information

5.1 Stock Market

The following graph shows the evolution of the stock price and volume during the first half of 2020:

	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020
Average Daily Volume (Thousand Shares)	934,535.8	1,727,592.8			1,331,352.6
Melia performance	-50.6%	-2.5%			-51.9%
IBEX 35 performance	-28.9%	6.6%			-24.3%

	H1 2020	H1 2019
Number of Shares (Millions)	229.70	229.70
Average Daily Volume (Thousand shares)	1,331.35	637.40
Maximum share price (euros)	8.34	9.18
Minimum share price (euros)	2.74	8.02
Last price (euros)	3.78	8.40
Market capitalization (million euros)	868.73	1,929.48
Dividends (euros)	-	0.18

Source: *Bloomberg.*

Note: *Meliá shares are listed on Ibex 35 y and the Index FTSE4Good Ibex.*

5.2 Dividend Policy

The Ordinary General Meeting of Shareholders, following a resolution adopted by the Board of Directors on May 18, 2020 and within the framework of the situation and impacts derived from the Covid-19, agreed to cancel the proposal to distribute dividends charged to unrestricted reserves initially included in the annual accounts formulated by the Board of Directors on February 26, 2020, in order to strengthen the Company's solvency and liquidity.

5.3 Environmental Risks

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

6. Events after the Reporting Period

Note 16 of First Half Consolidated Financial Statements includes a detailed description of those events that might have an impact on the Group's financial information and that took place between the closing date of the period and the date of formulation of this report

PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND MANAGEMENT REPORT FOR THE FIRST HALF OF YEAR 2020

CERTIFICATE OF PREPARATION OF FINANCIAL STATEMENTS. I, the Director-Secretary of the Board of Directors of MELIÁ HOTELS INTERNATIONAL, S.A., hereby issue this certificate to place on record that at the meeting of the Board of Directors of the Company held on 30 July 2020 (Thursday) via video-conference; previously convened in a proper and timely manner and according to the provisions of Article 35 and related articles of the Bylaws and Article 17 and related articles of the Regulations of the Board of Directors; with address/head office for this purpose in the registered office at Calle Gremio Toneleros, No.24 of E-07009-Palma (Majorca); the attached condensed consolidated interim financial statements and management report have been prepared and approved unanimously by all the members of the Board of Directors. Likewise, since the meeting was held via video-conference, the financial statements (issued in 48 sheets, pages from 1 to 48) have been electronically signed by me, the Secretary of the Board of Directors.

In witness whereof and for all pertinent legal and formal purposes, I, the Secretary, hereby certify the above information in Palma on 30 July 2020.

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