



VALUATION OF REAL ESTATE ASSETS



Gran Meliá Cancun, Mexico



Gran Meliá Fénix, Madrid



Paradisus Puerto Rico, Puerto Rico



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- CB Richard Ellis was appointed to determine the market value of each of the properties in the real estate portfolio of Sol Meliá, S.A. at 31 December 2004.
- The valuation has been carried out under the guidelines of the most recent edition of the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Standards.
- The real estate assets of Sol Meliá are 87 hotels and 17 diverse assets:
 - **Spain:** 63 hotels and 13 diverse assets.
 - **Europe:** 11 hotels.
 - **Latin America:** 13 hotels and 5 diverse assets.

The following methods have been applied for operating hotels:

- **Capitalisation of returns:** valuation of the properties based on their capacity to generate income.
 - **Direct capitalisation:** converting expected income into a value applying a profitability appropriate for the asset to the expected net income.
 - **Discounted cash flow:** the expected cash flow for a ten year period, based on a forecast of income and expenses to be generated by the asset over said period and bearing in mind their future variations.

Market discount rates and yields

	DISCOUNT RATE	EXIT YIELD *
Spain	9% - 12%	6,15% - 7,5%
Europe	8,75% - 9,5%	6% - 7%
LatAm & Caribbean	11% - 15%	9% - 13%

* Capitalisation to perpetuity

- **Market comparison:** valuation based on an analysis of property transactions of a similar nature in the hotel market in recent years.

The valuation of hotel projects and land has employed the following methodology:

- **Residual method:** determines the land value according to:
 - a projection of construction costs. Varies with regard to the quality of the project, time required, need of town planning work and landscaping, architectural costs, engineering, financing, insurance, etc.
 - expected future income through sale or exploitation or generation of returns, through a market survey involving a comparison of the asset with similar quality products in the same location.
 - profit margin required by the promoter, bearing in mind project risk.

Value (in Millions of Euros)	CBRE ¹	CBRE in \$
OWNWD HOTELS	4.087,4	
<i>Hotels In Spain</i>	2.802,1	
<i>Hotels In Europe</i>	487,6	
<i>Hotels in LatAm & Caribbean</i>	797,7	1.037,0
PLOTS OF LAND	78,8	
<i>Plots in Spain</i>	26,0	
<i>Plots in LatAm & Caribbean</i>	52,9	68,7
OTHER NON -HOTEL ASSETS	51,0	
<i>Other non-hotel assets in Spain</i>	21,8	
<i>Other non-hotel assets in LatAm & Caribbean</i>	29,2	38,0
TOTAL VALORACIÓN	4.217	

⁽¹⁾ Exchange rate: €/€ 1,30

Diferences between plots of land NAV and R.E Plots of land value and Room value CBRE Vs. AA

	CB Richard Ellis				
	Hotel Value	Plots of land value	Plots of land Net Asset Value	Diferences between plots of land NAV and R.E Plots of land value	% Plots of land value Vs. N.A.V
H. Spain	2.802,1	1.082,2	317,9	764,4	240%
H. Europe	487,6	263,0	19,5	243,5	1246%
H. LatAm	797,7	135,0	95,6	39,4	41%
Plots of land not constructed	-	78,8	14,9	63,9	429%
Total	4.087,4	1.559,1	447,9	1.111,2	248%

	Rooms value CBRE Vs AA			
	CBRE (2004)	American Appraisal (2001)	%	C.A.G.R.
Spain	134.865	99.326	36%	10,7%
Europe	311.168	250.504	24%	7,5%
LatAm in \$	192.110	143.747	34%	10,1%

ASSET	CRITERIA	VALUE (€ Mn.)	€/share
OWNED ROOMS *	Valuation by CB Richard Ellis (Dec. 2004)	3.997,1	21,6
LEASE, MGT & FRANCHISE CONTRACTS	Valuation by American Appraisal (2001) ⁽¹⁾	580,0	3,1
OTHER NON-HOTEL ASSETS	Valuation by CB Richard Ellis (Dec. 2004)	51,0	0,1
PLOTS OF LAND	Valuation by CB Richard Ellis (Dec. 2004)	78,8	0,4
SUB - TOTAL GROSS ASSET VALUE		4.706,9	25,5
TOTAL NET DEBT ⁽²⁾	Book Value	(1.073,4)	(5,8)
MINORITIES ⁽²⁾	Book Value	(62,7)	(0,3)
NET ASSET VALUE (NAV)		3.570,7	19,3
NAV per share		19,3	
Discount of NAV		-38,9%	
Equity		(800,1)	
Capital Gains		2.770,7	
Taxes (0,15 of Capital Gains)	15,0%	(415,6)	
Total Fiscal Credits		192,0	
NAV NET OF TAXES (NNAV)		3.347,1	18,1
NNAV per share		18,11	
Share price 03/08/2005		11,80	
Discount of NNAV		-34,9%	

⁽¹⁾ New valuation by American Appraisal under process.

⁽²⁾ Up to June 2005

*For this calculation, the hotels Tryp Macarena, Meliá Torremolinos and the 50% of the Meliá Zaragoza have not been taking into consideration.