JONES LANG LASALLE®

MELIÃ HOTELS INTERNATIONAL

Everything is Possible

Valuation of Company Assets
March 2012

Summary of Valuation

• Gross Value of Melia's Assets	€ 3,314 mn
• Owned Hotel Assets	€ 3,162 mn
• Average Price Per Room	€ 136,646
• Price Per Room Discount since 2007 on comparable basis	-17%
• Average Discount Rate / Exit Yield	11.1% / 8.1%

Total Worth Asset valuation reached a **14% discount** versus the last valuation in 2007

Scope of Valuation

- Jones Lang LaSalle Hotels determined the market value of the properties in the Real Estate portfolio of Meliá Hotels International, S.A. at October 31th 2011[1].

- Real Estate assets of Meliá Hotels International reached 90 assets[2] (including 81 hotels; 5 car parks and 4 casinos) and 23,139 rooms. Additionally 13 diverse assets have been valued including shopping centres and plots of lands:

  - **Spain:** 60 hotels and 8 diverse assets
  - **Europe**: 10 hotels
  - **Latin America & Asia**: 20 hotels and 5 diverse assets

- Regarding hotel assets, 65 hotels (20.828 rooms) are majority owned by Meliá, while in 16 hotels (2.311) the Company has 50% stake or below. In those assets, the resulting valuation has been weighted by the percentage of ownership retained by Meliá [3].

- The valuation does not include the value of the lease and management contracts nor the valuation of the brands.

[1] For reporting purposes, figures have been adjusted up to March 2012 taken into consideration the asset disposals since 31th October 2011.

[2] We have included in the valuation 3 assets not valued by Jones Lang LaSalle but recently valued by other valuating experts before October 2011. In those assets, the Company has a stake of 50% or below.

[3] When comparing to the CBRE Richard Ellis valuation (2007), it should be noted that in 2011 financial stakes in hotel assets have not been valued, considering only those assets in which Meliá has a significant stake.

Summary: Valuation Methods

- When determining the value of the assets, the valuation method used in most cases by Jones Lang La Salle has been the **Discounted Cash Flow Method**, given that hotel investments are generally valued on the basis of future income potential.

- In certain instances, other valuation methodologies has also been used, such as Comparable Sales or Residual Value. This latter valuation method has been mainly used when valuing plots of land.

- Independently of the criteria of valuation, the outcome has been cross-checked with other magnitudes as stabilized returns, total value per room or minimum yields.

Methodology: Discounted Cash-Flow Method

- **Discounted Cash-Flow (DCF):**
  - To estimate hotel value, an Income and Expenditure forecast it is prepared capitalised using a discounted Cash Flow model. Forecast is prepared for a 5 year period.
  - Net Cash Flow in year 5 is used as a basis for the future income flows and inflated at an appropriate rate for year 6 to 10 considering the hotel's prospects and level of inflation.
  - Cash flow in 11th year is capitalised at an exit yield. The capitalisation rate is selected depending on: historic hotel transaction evidence, yield evidence or other forms of commercial property (market factors, age, location, condition of the property).

- **Discount Rates and Yields**

– These are the weighted discount rates and yields used, depending on the geographical region were properties are located:

	Discount Rates	Exit Yield
Spanish Cities	9,3%	6,6%
Spanish Resorts	10,8%	7,9%
Spain	10,1%	7,3%
Europa	8,4%	6,4%
LatAm	13,4%	9,8%
Total	**11,1%**	**8,1%**

Methodology: Market Comparison / Residual Value

- **Market Comparison Method:**
  - In certain instances market transactions justify prices that are not easily supported by standard financial appraisal techniques such as the DCF.
  - Comparable Sales analysis involves an assessment of the Capital Value of the property based on an analysis of investment transactions and market information relating to current pricing on an overall value per room basis.
  - This method also takes into consideration the balance of supply and demand at the time the valuation is made.

- **Residual Value Method:**
  - This is usually the method used to assess urban or developable land, whether or not built.
  - This methodology involves determining a price that could be paid for the property given the Gross Development Value and the total cost of the project, allowing for market level profit margins and having due regard to the characteristics of the property and the inherent risk involved.
  - In development projects, have used the Residual Value Methodology assuming that the properties will be developed for hotel use or for a mixed use.

Resulting Valuation

Data in million Euro	**2.011**
OWNED HOTELS	**3.162**
Hotels in Spanish Resorts	903
Hotels in Spanish Cities	737
Hotels in Spain	1.639
Hotels in Europe	402
Hotels in LatAm	1.121
PLOTS OF LAND	**77**
Spain	7
LatAm & Caribbean	70
OTHER ASSETS	**75**
Spain	26
Rest of Europe	
LatAm & Caribbean	49
TOTAL WORTH OF ASSETS	**3.314**

• On comparable basis the **underlying valuation of Total Worth Assets decreased by 14%,** a 16% decrease considering only owned hotels figure.

• Considering only owned assets underlying evolution is mainly supported by the following trends:

- Spain: -17%
- European Cities: +3%
- LatAm: -16%.

• When compared with 2007 valuation, Total Worth Assets value decreased by 29% taking into account perimeter differences.

•The outcome of the valuation means **61% premium versus book value**.

Price per Room Evolution

	2.007	2.011	Change 2011 vs 2007	CAGR
Hotels in Spanish Resorts	112.145	80.880	-28%	-8%
Hotels in Spanish Cities	236.261	200.326	-15%	-4%
Hotels in Spain	146.408	110.478	-25%	-7%
Hotels in Europe	336.387	318.075	-5%	-1%
Hotels in LatAm	192.882	159.264	-17%	-5%
Total Price Per Room	**168.990**	**136.646**	**-19%**	**-5%**

• Total Price per Room decreased by 19%, which implied a 5% decrease in Compounded Annual Growth Rate.

• On comparable basis, total price per room would have **decreased by 17%,** explained by the following evolutions:

- Spain: -17%
- European Cities: +3%
- LatAm: -16%

MELIÃ HOTELS INTERNATIONAL

GRAN MELIÁ HOTELS & RESORTS

Paradisus RESORTS

ME BY MELIÁ

MELIÃ HOTELS & RESORTS

INNSIDE BY MELIÃ

TRYP

Sol Hotels

CLUB MELIÃ