JLL

MELIÃ HOTELS INTERNATIONAL

Everything is Possible

Valuation of Company Assets

June 2015

Summary of Valuation

1. Assets in full consolidation

• **Total asset value**	**€ 3.125 Mn**
• Total hotel value	€ 2.983 Mn
• Average price per room	€ 195.384
• Revalorization of the average price per room since 2011 on comparable basis	16%
• Discount Rate / Exit Yield	10,1% / 7,7%

The **Total Value of the company's Assets (in Full Consolidation)** has increased by **15,5%** with respect to the valuation carried out in 2011 on **comparable basis**

2. Assets in equity method

• **Total asset value**	**€ 430 Mn**

The **estimated total Value of the company's Assets (in equity method)** has increased by **20%** with respect to the valuation carried out in 2011 on **comparable basis**

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. as of June 30th 2015.

I. Assets consolidated by Full Consolidation Method

- This category of assets comprised 67 assets (including 56 hotels, 7 parking spaces and 4 casinos) and 16,098 rooms. Other 11 diverse assets including shopping centres and plots of lands have additionally been valued :
  - **Spain:** 41 hotel assets and 6 diverse assets
  - **Europe**: 8 hotel assets
  - **Latin America & Asia**: 18 hotels and 5 diverse assets

II. Assets integrated by the Equity Method

- With regard to these assets the valuation reflects the proportion of the assets' market values attributable to the group.
- The valuation process is still to be finalized and therefore the resulting aggregated value is approximate and may be subject possible variation of up to +/-10%.

- **The valuation does not include the value of the management and lease agreement** (except Meliá White House and Meliá Champs Elysees , held under "long leasehold" and French "location des murs")**, nor the value of the Brands.**

Summary: Valuation Methods

•When determining the value of the assets JLL has followed the methodology of the Royal Institute of Chartered Surveyors (RICS)

•In most cases the valuation method used by JLL has been the Discounted Cash Flow Method, given that hotel investments are generally valued on the basis of future income potential.

• In certain instances, it has also been used other valuation methodology such as Comparable Sales or Residual Value. This latest valuation method has been mainly used when valuing plots of land, offices and commercial premises.

• Notwithstanding the valuation criteria used, the result of the valuation has also been compared with other relevant information such as stabilized yields, value per room, or leveraged IRR.

Methodology:
Discounted Cash-Flow Method

- **Discounted Cash-Flow (DCF):**
  - To estimate hotel's value, it is prepared an Income and Expenditure forecast 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 projecting the income flows for years 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 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
Hotels in Spanish Resorts	10,1%	7,8%
Hotels in Spanish Cities	9,2%	6,9%
Hotels in Spain	9,7%	7,4%
Hotels in Europe	7,5%	5,6%
Hotels in LatAm	12,9%	9,9%
TOTAL	**10,1%**	**7,7%**

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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 DFC.
  - 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-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.

Resulting Valuation

Figures in mn euros	2.011*	2.015	Change 2015 vs 2011
OWNED HOTELS	**2.557**	**2.983**	**16,7%**
Hotels in Spanish Resorts	538	623	15,9%
Hotels in Spanish Cities	655	696	6,1%
Hotels in Spain	1.193	1.319	10,5%
Hotels in Europe	368	407	10,7%
Hotels in LatAm	996	1.257	26,2%
LAND PLOTS	**77**	**68**	**-11,8%**
Spain	07	09	18,1%
LatAM and Caribean	70	59	-14,9%
OTHER ASSETS	**73**	**74**	**2,5%**
Spain	23	22	-4,1%
LatAM and Caribean	49	52	5,6%
TOTAL ASSETS IN FULL CONSOLIDATION	2.707	3.125	15,5%

ASSETS IN EQUITY METHOD**	358	430	20,0%

* 2011 valuation has been adjusted by changes in the perimeter up to June 30, 2015.

** The 2015 valuation of the assets included in this line is an estimate.

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Resulting Valuation

- When compared with 2011 valuation, the underlying value has increased by **15,5%**

- Underlying evolution is mainly supported by the following trends:
  - Spain: +10.5%
  - European Cities: +10.7%
  - LatAm: +26.2%.

- The outcome of the valuation represents a 79.9% premium over book value.

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Price per Room Evolution

Hotels in full consolidation	2011*	2015	Change 2015 vs 2011
Hotels in Spanish Resorts	97.812	113.345	15,9%
Hotels in Spanish Cities	208.057	203.325	-2,3%
Hotels in Spain	133.666	147.771	10,6%
Hotels in Europe	282.017	312.231	10,7%
Hotels in LatAM	169.199	213.504	26,2%
TOTAL Average Price Per Room	**168.134**	**195.384**	**16,2%**

- Total Price per Room increased by 16.2%

- In the case of Spanish Cities, on comparable basis, **the price per room increases by 2.9%.** This is due to the incorporation of a new Hotel not valued in 2011, which has a value per room significantly lower than the average

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