

sunborn
YACHT HOTELS

“SUNBORN LONDON”

YACHT HOTEL

Valuation Report



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Developed by:

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INDEX

| | |
|---|-----------|
| 1. PURPOSE OF THIS REPORT | 1 |
| 2. VESSEL PARTICULARS | 2 |
| 2.1 General description | |
| 2.8 Accommodation | 9 |
| 3. UPGRADING WORKS | 17 |
| 4. METHODOLOGY OF THE EVALUATION | 18 |
| 5. SHIP VALUE | 21 |
| 6. FINAL REMARKS | 23 |

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This analysis has been carried out with the information received from SUNBORN, the designer or some of the main suppliers involved in the construction and operation of the yacht hotel. Any mistake in the wording or failures of any kind in the documents or information given in this analysis cannot in any matter be any cause for responsibility or liability whatsoever for ALTUM, Ingeniería y Servicios, S.L. ALTUM specifically disclaims all warranties, express or limited, derived of incorrect or hidden information or misunderstanding of some of the used documents for the preparation of this valuation.

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1. PURPOSE OF THIS REPORT

This report is carried out on the request of the present shipowner of the floating yacht hotel, the Finnish firm **Sunborn International Ltd** (hereunder “**Sunborn**”) (www.sunborn.com).

Since 2009, several valuation reports have been developed according to variations of market situation, new locations, agreement with ISS Facility Services, Ltd., etc.

The floating hotel remains since 2014 moored at London, on the waterfront at the western end of the Royal Victoria Dock, within a short walk of the main entrance of ExCel London.

The floating hotel was towed to a new location in London on April 2014, after several upgrading works carried out at Damen Schelde Shipyard, Vlissingen (The Netherlands).

This new report is carried out again at the request of SUNBORN, updating value of vessel.

No onboard inspection has been considered necessary for this valuation, and information for this report has been supplied by SUNBORN.

2. VESSEL PARTICULARS

Following sections will describe the current main characteristics of the Yacht Hotel.

2.1 General description

The vessel is a non-propelled yacht hotel designed for operating in sheltered waters and moored along a quayside or pier.

The hotel is used as a modern high class hotel of 139 cabins, and has been designed to operate in approximately 3 metres of water depth. It has 5 accommodation decks (from deck 1, the lowest, to deck 5, the upper). The machinery rooms, electrical switchboards, tanks, stores, etc. are fitted at deck 0.

The vessel has no crew accommodation, but includes a staff space at deck n°1 for storage, spares and maintenance.



2.8 Accommodation

2.8.1. THE CABINS

There are 139 cabins on board, including 5 suites or high class cabins. All rooms are outside type and includes bathroom.

Standard Rooms and Suites are both decorated with high class materials to suit demanding taste. Features include custom made wooden cabinets and drawers decorated in veneer intarsia/inlay made in Italy with an exclusive design, specially designed Brinton's carpeting and top-line fabrics for soft furnishings. The vessel is extremely well insulated and this reflects in better than average noise protection.

Room doors are B-15 (*fire retardant*) certified also reducing corridor noises. All windows are Scandinavian standard double / triple glazing. The rooms have individual air-conditioning convectors by Carrier and two separate heating systems.



The carpeting is high class IMO certified Axminster AX 948. Woven Carpet 80% Wool, 20 % nylon with Pile weight 1529 g/m2 by Brinton's. All textiles in the rooms were selected to suit fire and safety requirements and demanding clientele. Majority of the textiles were supplied by JAB – well reputed European design house.

| <i>Room type</i> | <i>Surface (m²)</i> | <i>Quantity</i> | <i>Nº persons</i> | <i>Total capacity</i> |
|--|--------------------------------|-----------------|-------------------|-----------------------|
| Royal suite | 61,5 | 2 | 4 | 8 |
| Owner's suites | 43,3 | 2 | 4 | 8 |
| Wheel house suite | 56,7 | 1 | 2 | 2 |
| State rooms w/bathroom | 30,1 | 70 | 4 | 280 |
| Executive state rooms w/bathroom | 25,0 | 14 | 2 | 28 |
| Staterooms w/bathroom and balcony | 27,2 | 50 | 4 | 200 |
| TOTAL | | 139 | | 526 |



2.8.2. PUBLIC AREAS

Auditorium. Sited at the fore part of the vessel and along two decks (1st and 2nd decks). Designed to accommodate between 50-60 guests, the auditorium is equipped with the latest conference and communications technology to facilitate smooth presentations and information-sharing activities.
The conference room is air conditioned and can be darkened using electrically controlled curtains. There are also cabinets for storing the necessary equipment and arranging buffet for snacks/coffee
From the conference room there is a door leading to the balcony outside.



Conference room. Sited on deck 4, can be combined into one larger conference room by opening the sliding wall. Room can also be opened to the restaurant.



Lounge bar.

Has a capacity for maximum 193 persons, and the terrace has further capacity of approximately 50 persons. The bar is equipped with refrigerated storage drawers and cabinets, secure alcohol shelving, sockets and connections for Point-of-sale system, glass dishwasher (Electrolux), and a stainless steel bar system.



Restaurant. Located on the 4th deck, it has been designed for high quality fine dining. The restaurant in normal set-up can seat up to 100 persons in the dining lounge. The lounge is connected to conference room 2 and 3, thus allowing extension of dining facilities for up to 150 seats



Galley. Located on the 4th deck, it has been designed by Electrolux marine and most equipment is top-line. The galley area has direct access to service elevator and contains its own refrigerated (central cooled) walk-in fridge approximately. 2.6 m². The galley includes a staff bathroom.

5th deck cocktail area (ex-Captain's club).

Situated at the theoretical wheelhouse (deck 5), is a private lounge with a separate sauna area. The lounge has comfortable leather furniture for 14 people arranged around 2 coffee tables with inlay design. The walls are panelled with wooden panels in marine motif. The lighting is tastefully arranged with halogen lights and table lamps. There is a cabinet system with conference equipment for smaller gatherings, refrigerator for beverages and space for other necessary items. There is a TV cabinet with VCR and radio/CD sound system.

The lounge has access to a private stern terrace with outdoor furniture. The lounge includes two separate bathrooms. The dressing room has space for 14 people. It is decorated in alder panelling. It is equipped with floor heating for comfort. There are 5 wardrobes and hooks with shelves for changing into bathing gear. There is a mirror with table beneath it with hair dryer. An inlay table with marine motif is an ideal decoration.



The shower room has 2 showers, space for hanging towels etc. It is completely tiled with floor heating. The Sauna is panelled in apache wood. The Sauna stove is in the middle of the room with fibre optic lights arranged above it. The Sauna has large panorama windows in triple glass.



3. UPGRADING WORKS

Since last valuation report developed on May 2014, where upgrading works were described and detailed, some recent works and investment have been carried out onboard since them:

- New Lounge Bar located at 3rd deck.
The bar has been completely refurbished, with new layout, furniture and LED lighting system, with an estimated investment of over £100,000 (approx. 115,000€).
- New 5th deck cocktail area
The original captain's club area has been transformed to an exclusive cocktail area, which is currently publicized as *Laurent Perrier Rooftop Bar*



Additionally some other investment has been carried out past four years to improve and/or renew equipment onboard:

- Replaement of TV cabins
- Replacement of main entrane decking floor
- Replacement of CCTV cameras
- New equipment for restaurant and loung bar (ice machine, trolleys, toaster, etc.)
- New equipment for kitchen (ovens, bolier, chiller, dish water, etc.)
- Installation of Air Conditioning unit at kitchen

All this onboard investment is detailed in Annex I, whith the information provided by SUNBORN, and with a total cost of £487,464 (approx. 560,000€).

4. METHODOLOGY OF THE EVALUATION

For the appraisal of the Floating Yacht Hotel, we will base our analysis on previous reports developed on 2009 and 2014.

In 2009, before upgrading works, valuation was in a gap of 41.5 - 44 millions of Euros.

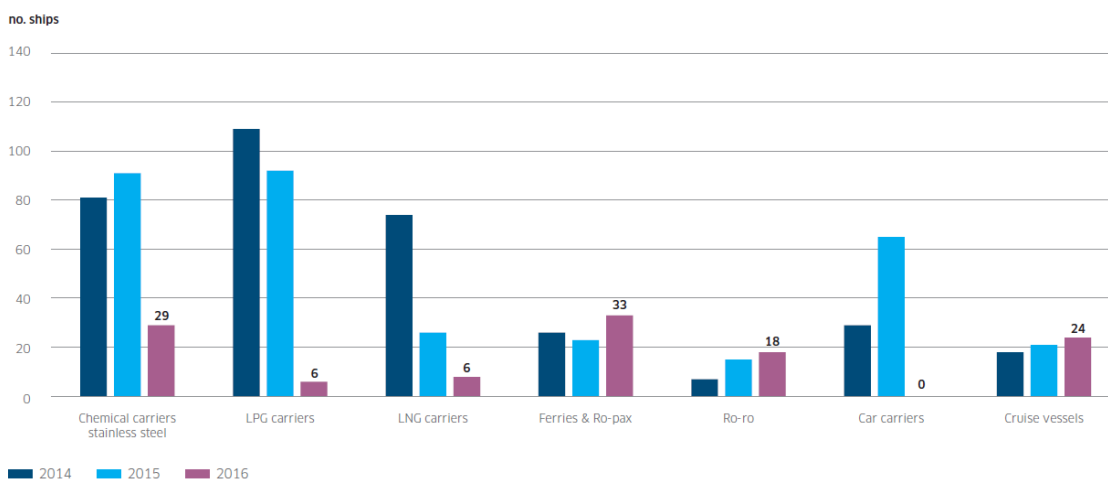
In 2014, after upgrading works, value of vessel was estimated in 43 millions of Euros. SUNBORN decided to refit the floating hotel for the new location at London.

First of all, an overview to market is developed, with special focus on luxury sailing cruises (which are the most similar units to our yacht hotel).

4.1. General market analysis

If we compare new order for specialized vessels per year, we can see at following figure the exemption that represents cruise vessels market.

New Orders for Specialised Vessels per Year



Source: BRS (Barry Rogliano & Sales)

As detailed in BRS report, *"2016 will be remembered for the quasi-extinction of newbuilding orders, and the free fall in newbuilding prices for those very few orders which were nonetheless placed"*.

But looking through cruise vessel orders, we can see the increment from 2014 to 2016, which has been maintained in 2017.

The cruise industry has embarked on a newbuilding program unlike anything seen before, with a total order book of nearly 70 vessels. A total of 24 cruise ships were contracted in 2016, mainly with the three major shipbuilders, Meyerwerft, Fincantieri and STX France, but also with new yards like Vard and Kleven in Norway or Uljanik/3Maj and Brodosplit in Croatia, which together managed to win 10 orders.

Most of the orders are for large cruise ships between 180,000 to 200,000 GT. But a number of expedition cruise ships with gross tonnage between 10,000 and 25,000 GT were also ordered in 2016.

Looking at future, and according to CLIA (Cruise Lines International Association, Inc.), new ships order for cruise vessels for next years is really impressive:

2017 NEW SHIPS

26 New Ships on Order (as of December 2016)

**Total Investment of More than \$6.8 Billion
in New Ocean Vessels in 2017**

| Year | Ocean | River | Ships Ordered | New Capacity |
|--------------|-----------|-----------|---------------|----------------|
| 2017 | 13 | 13 | 26 | 30,006 |
| 2018 | 15 | 2 | 17 | 29,448 |
| 2019 | 20 | 2 | 22 | 51,824 |
| 2020 – 2026 | 32 | 0 | 32 | 119,510 |
| Total | 80 | 17 | 97 | 230,788 |

Source: CLIA

Therefore, we can conclude that cruise vessels market is experimenting a sustained growth, and expected to progress for more units and more specialized vessels in short term.

Same conclusion can be considered for large yachts, were a slowly, but surely progress is expected for 2018.

4.2. Luxury large yachts and cruises

We have previously analyzed the general cruise vessel market, but special attention must be paid to the luxury large yachts and cruises, which has some main difference from others:

- 100% of first class cabins onboard
- All cabins are outside cabins (with window or balcony)
- Higher space ratios than big ships
- Personalized service
- Less than 200 passengers capacity
- all-inclusive beverages, including fine wines and champagnes as well as spirits

As previously commented, SUNBORN LONDON can be considered of similar characteristics for public areas and cabins to a luxury sailing cruise.

4.3. Additional comments

SUNBORN LONDON can also be considered as a hotel (and not as a floating unit or yacht).

For this case, several approaches or techniques can be selected, by using information as occupancy rates, average rate, RevPAR, etc.

But is ALTUM's consideration that SUNBORN LONDON is closer to a yacht, than to a conventional hotel, taking into account following factors:

- It was designed as a vessel, complying with maritime regulations and according to international standards. Yacht has a class certificate from DnV (one of the most recognized classification societies worldwide).
- Yacht is equipped with anchoring&mooring equipment (bollards, chocks, anchor, etc.), to fix SUNBORN LONDON to any quay.
- Yacht can be towed and transported to any location, looking for optimal site in terms of business.

Therefore, value of SUNBORN LONDON based on market real state, has not been considered in this document.

5. SHIP VALUE

For the yacht-hotel valuation we will start from the value of 43 M€ given in 2014, after the complete overhaul refurbishment carried out at *Damen Schelde Shipyard*.

For this valuation following factors are considered:

- Type of depreciation: **CONSTANT**

For selecting constant depreciation, following considerations have been taken into account:

- Vessel is not a conventional sailing vessel, and will be permanently moored along quayside.
- Vessel is not equipped with usual equipments onboard as main engine, generators, propeller, shaft line, which are in most of case those to have excellent maintenance and need to be overhauled periodically.
- SUNBORN Hotels is a leader company at luxury market, where permanent upgrading of rooms and public spaces is required.

In fact, for SUNBORN LONDON, constant depreciation gets closer to real scenario, considering an equal amount of an asset's cost to each year of its expected useful life.

- Residual value: **15%**
With similar previous arguments, we must remark that depreciation of the asset will not be the same as a sailing vessel.
- Years: **30**
For a vessel built in 2003 and refurbished in 2014, 30 years of period meets with current status.

Additionally, we have to take into account the management service contract between SUNBORN and ISS Facility Services Ltd., signed in 2014 for a total extension of 15 years. ISS pays SUNBORN a fixed sum of GBP 220,000 per month, and will be responsible for paying all operational costs.

| YEAR | CONSTANT |
|------|-----------------|
| 2014 | 43.000.000,00 € |
| 2015 | 41.781.666,67 € |
| 2016 | 40.563.333,33 € |
| 2017 | 39.345.000,00 € |
| 2018 | 38.126.666,67 € |
| 2019 | 36.908.333,33 € |
| 2020 | 35.690.000,00 € |
| 2021 | 34.471.666,67 € |
| 2022 | 33.253.333,33 € |
| 2023 | 32.035.000,00 € |
| 2024 | 30.816.666,67 € |
| 2025 | 29.598.333,33 € |
| 2026 | 28.380.000,00 € |
| 2027 | 27.161.666,67 € |
| 2028 | 25.943.333,33 € |
| 2029 | 24.725.000,00 € |
| 2030 | 23.506.666,67 € |
| 2031 | 22.288.333,33 € |
| 2032 | 21.070.000,00 € |
| 2033 | 19.851.666,67 € |
| 2034 | 18.633.333,33 € |
| 2035 | 17.415.000,00 € |
| 2036 | 16.196.666,67 € |
| 2037 | 14.978.333,33 € |
| 2038 | 13.760.000,00 € |
| 2039 | 12.541.666,67 € |
| 2040 | 11.323.333,33 € |
| 2041 | 10.105.000,00 € |
| 2042 | 8.886.666,67 € |
| 2043 | 7.668.333,33 € |
| 2044 | 6.450.000,00 € |

Approximate price for SUNBORN LONDON (in 2018) is:

38,000,000 €
(THIRTY EIGHT MILLION OF EUROS)

6. FINAL REMARKS

This report has been drawn up with the information supplied by shipowner (SUNBORN), and based on the experience of the author, but without accepting responsibility neither for any incorrect, incomplete or non provided information, nor for the results of their evaluation or any possible unintended errors committed in its preparation.

Finally, the Author of this Report is a Senior Naval Architect with more than 16 years of experience, collaborating with shipowners and shipyards in all kind of vessels. As Managing Director of ALTUM, I am leading a team of professionals, with several years of experience at maritime field.

ALTUM, Ingeniería y Servicios is an engineering and consultancy company established in 2003 by recognized professionals, offering a diverse range of services for marine sector. At present we have offices in Huelva and Madrid (SPAIN).

ALTUM has a large background working for insurance companies, shipping brokers, shipyards, shipowners, banks, etc. Our company prepares pre-purchase inspections, valuation reports, market reports, etc. as requested by the clients.

As well, our personnel is certified as Claim's Agents (Spanish Merchant Marines Professional Association and Lloyds Academy) for all kind of averages.



Madrid, 07th of May of 2018

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