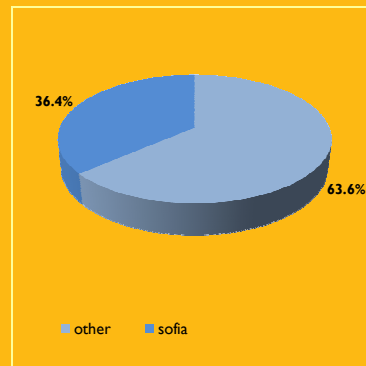


BULGARIA HOTEL MARKET SENTIMENT SURVEY

July 2009

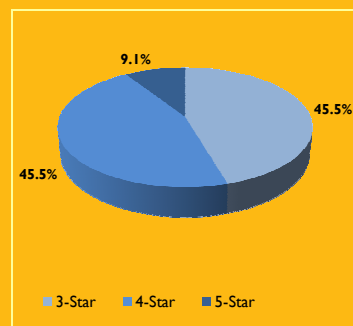
SHARE OF RESPONDENTS

BY DESTINATIONS



SHARE OF RESPONDENTS

BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Hotel Market Sentiment Survey for Bulgaria has been designed to provide the hotel industry in this country a quick assessment of the future market outlook. The survey, as part of the global initiative, focuses on the outlook for occupancy, average room rates and total revenue.

In this mid year survey, hoteliers have also been asked to make comments on their expectations for the coming semester in comparison to the second half of last year, as well as comment on the impact the crisis has had on room night demand.

This report summarizes the outcome of the survey, gathered from the responses of Bulgarian hoteliers. 36 percent of them came from the capitol city and the rest from other destinations. The same shares of the contributions were from 3-star and 4-star hotels (45.5 percent) and the rest of 9 percent were from 5-star hotels.

In the time when the financial crisis is still affecting all over the world, it is not surprising to get the negative assessment of the outlook for 2009. On the other side, this being the second Horwath HTL survey this year, we have been able to compare results with the previous sentiment scores in order to give a more in depth analysis of national and regional future hotel performance.



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SENTIMENT RANKINGS

By Star Classification	Score	
	July	Feb
1. Three Star	-64.4	25.7
2. Four Star	-80.5	-32.1
3. Five Star	-90.6	-48.4

"Bulgarian hoteliers are now more pessimistic about the outcome of 2009. The average level of expectations has drop down for almost 135 percent."

RANKING SCORE KEY

Much Worse	-150.0
Worse	-75.0
Same	0
Better	75.0
Much Better	150.0

SENTIMENT RANKINGS

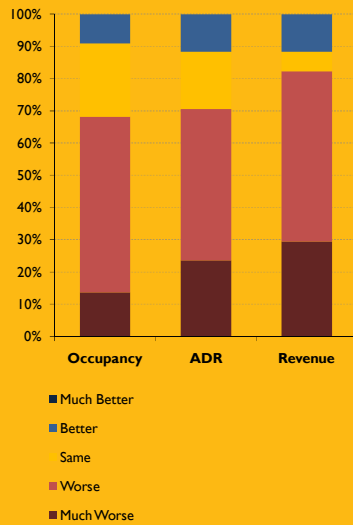
As a way to measure and compare the results across regions and countries, we have created an index to formulate an overall average sentiment score from all survey questions. Points are assigned to each corresponding response and compounded accordingly. The index utilized a scale of negative 150 to positive 150 in which a score of negative 150 denotes a sentiment of absolute pessimism; a zero score indicates unchanged expectations from the previous year, whereas a positive 150 signifies a very optimistic outlook. The purpose of creating a sentiment index or score is also to better track changes in market sentiment in future surveys to be conducted by Horwath HTL.

From the results of the global survey, it is visible that the sentiments of hoteliers across all countries have been clearly affected by the global economic crisis. Bulgarian market sentiment for the second half of the year was more pessimistic than the outlook at the beginning of this year. The average sentiment score drop down for more than double (from -31.5 down to -74). This shows that the current crisis has much stronger impact on the local hotel market outlook. The average national score is 74 percent lower than the regional average (-42.5) and for 35 percent lower than the European average score (-55).

Bulgarian hoteliers out of capitol city have shown more negative sentiment for the second half of 2009 than at the beginning of this year. For more than double their expectations are more pessimistic than the outlook of the hoteliers from Sofia. All Bulgarian destinations are now more pessimistic being more realistic in their opinion than in the last survey.

Again, the most pessimistic were the hoteliers from 5-star hotels with the lowest score. The rank of score by different category is the same as in February but the highest change from previous survey is visible among the 3-star hoteliers where the average score is lower for more than 3 times.

RATIO OF RESPONSES



“More than 82 percent of hoteliers replied that the revenue performance in the first half of the year was worse or much worse than what had been expected in February.”

MARKET PERFORMANCE RANKING

	Occ	ADR	Rev.	Avg
1. Three Star	-38	-38	-47	-41
2. Four Star	-68	-64	-96	-76
3. Five Star	-75	-150	-113	-113

FIRST HALF MARKET PERFORMANCE

The first survey question dealt with the contributors’ actual performance in the first half of the year compared to their expectations at the beginning of the year.

In response to expectations on market-wide occupancy performance, 68 percent of hoteliers replied that performance in the first half of the year was worse or much worse than what had been expected, while just 9 percent stated that the performance is better. This shows the full effect the crisis had on demand in an industry which was already expecting a harsh impact; 57 percent of hoteliers expected a decrease in occupancy in our February survey.

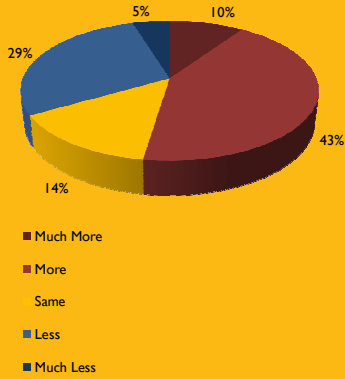
Only 20 percent of Bulgarian 3-star hoteliers stated that the occupancy is better than it was expected. The crisis affected all the other hoteliers among which mostly the 4-star hoteliers since 80 percent of them see worse occupancy than expected.

The ADR situation among the hoteliers was even more pessimistic than the occupancy performance. The majority of negative responses came from 5-star hotels where all of the respondents see that the ADR is worse than expected.

Bulgarian expectations in February concerning the resulting revenues were more optimistic than the performance of the first half of the year. More than 82 percent of Bulgarian hoteliers revealed that revenue was worse or much worse than what had been expected at the beginning of the year. Higher revenues’ decreases than expected were in almost all destinations (83 percent of them) and all 4-star and 5-star hotels (100 percent of them).

The average first half market performance score for Bulgaria is -63.8.

RATIO OF RESPONSES



“Half of Bulgarian respondents were less pessimistic in February. After first half of 2009 they have experienced more negative impact on demand.”

IMPACT OF FINANCIAL CRISIS

1. Three Star	-15.0
2. Four Star	-16.7
3. Five Star	-37.5

THE IMPACT OF THE FINANCIAL CRISIS

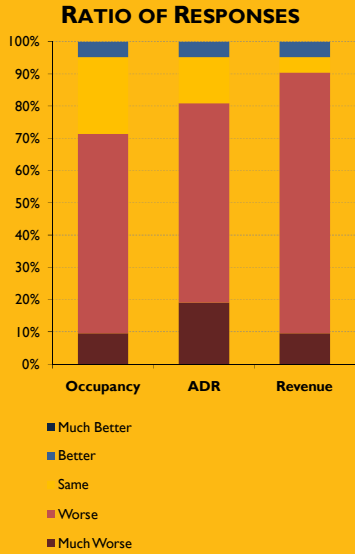
The second question asked respondents if the current crisis has impacted demand to the extent which was expected.

When hoteliers were asked if the crisis had impacted their demand as expected, 52 percent responded that demand had been affected more or much more than expected and 14 percent that the impact on demand was like expected. The rest proclaimed that the crisis has impacted demand less or much less than had been expected.

More affected were hoteliers from Sofia than from other Bulgarian destinations since 71 percent of the hoteliers from Sofia responded that the impact was the same or worse than expected.

Beside expected decreases of demand, Bulgarian hoteliers did not foresee the real extent of the financial crisis. Half of them stated that the crisis affected demand more than expected. The 3-star hoteliers had the best view on the impact in February since 40 percent of them had been affected less than expected.

The average score of financial crisis impact on demand for Bulgaria is -18.



“Only 5 percent of Bulgarian hoteliers expect higher market-wide revenues in the second half of 2009 compared with second half of 2008.”

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Avg	Occ	ADR	Rev
1. Three Star	-60	-60	-60	-60
2. Four Star	-72	-58	-75	-83
3. Five Star	-75	-38	-113	-75

SECOND HALF MARKET OUTLOOK

Hoteliers were asked their expectation for the second half of the year compared to the second half of last year, in relation to market-wide hotel occupancy, average room rate and hotel revenues.

81 percent of respondents stated that they expect all performance measures to perform worse or much worse in the second half of the year in comparison to the second half of last year.

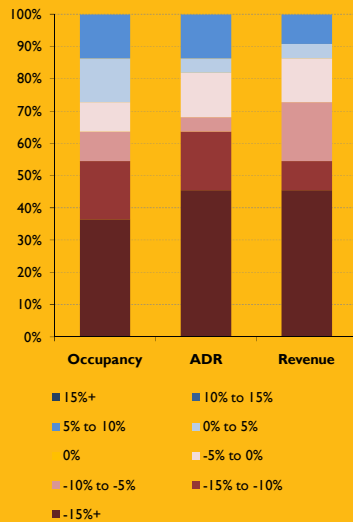
Occupancy scored an average sentiment score of negative 57 wherein 71 percent of respondents expect declines in occupancy levels vis a vis the second half of 2008. The most pessimistic were 3-star hoteliers where 80 percent of respondents expect major declines in occupancy. 5 percent of Bulgarian hoteliers expect some growth of occupancy until the end of the year whereas the most optimistic were hoteliers from Sofia.

The national average sentiment with regard to ADR expectations in second half of the year scored negative 71. The hoteliers were more negative in the case of ADR changes since 81 percent of them expect worse ADR in second half of 2009, than it was realised in last year. The pessimism is the highest among 5-star hoteliers since all of them expected to achieve worse ADR than in second half of 2008.

Revenues recorded the same sentiment score as ADR, recording negative 71, with more than 90 percent of Bulgarian hoteliers expecting lower revenues in the second half of 2009 compared with the second half of 2008. The level of pessimism was the same among 4-star and 5-star hotels since all of them expect lower revenues in 2009 than in 2008.

The average Bulgarian score for performance comparison of second half of 2009 to 2008 is -67.

RATIO OF RESPONSES



“The average change in particular hotels’ performance expected in the second half of 2009 compared to 2008, is -10.8%. This is the decline higher for 50 percent than it was expected in February, when the average hotel performance decline was -7.3%.”

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Avg	Occ	ADR	Rev
1. Three Star	-69	-64	-64	-79
2. Four Star	-89	-79	-94	-94
3. Five Star	-106	-56	-150	-113

HOTEL PERFORMANCE EXPECTATION

The last survey question asked was for hoteliers to give their expectation of how their respective hotels will fare in the second half of 2009 with respect to the second half of 2008, in percentage terms.

More than 22 percent of Bulgarian hoteliers expect to see a drop down in hotel performance for up to 10 percent and 56 percent of Bulgarian hoteliers expect to see even higher decrease compared to last year.

More than 63 percent of hoteliers expect occupancy to decrease in their hotels by at least 5 percent. The average occupancy change for all Bulgarian respondents was -9.3%, lower in Sofia (-5.6%) but higher decreases in other destinations (-11.4%). The most pessimistic were 4-star hoteliers who expect occupancy declines in their hotels for more than 10 percent (-10.5%). 3-star hoteliers expect occupancy change of -8.5% while in 5-star hotels there is less pessimism (change in occupancy of -7.5%).

The national sentiment score for ADR was more pessimistic with an average score of -85 or average ADR change of -11.4%. Expected average changes of ADR compared to last year, are as follows: in 5-star hotels ADR is expected to change for -20%, in 4-star hotels for -12.5% and in 3-star hotels -8.5%.

Regarding hotel revenues, the average change is expected to be by -12% meaning that some of the hotels expect to be less or not affected in other revenues beside rooms. Average score for revenue changes in Bulgarian hotels is -89. More pessimism, again, there is outside Sofia (hotels’ revenue change of -13.6%) and 5-star hotels (change of -15%). 4-star hotels expect revenues change by -12.5% and 3-star by -10.5%.

The average Bulgarian score for hotel performance comparison of second half 2009 to 2008 is -81.

CONCLUSIONS

The impact of the current financial crisis is seen to have affected all corners of the world, and Europe has scored the lowest sentiment score in expectation to see continued strong declines in performance in the second half of the year.

Hoteliers in Bulgaria are now more aware of crisis and its impact on market-wide outcome of this year. After first half of 2009 they have experienced more negative impact on demand so their average level of expectations drop down for more than double (from -31.5 down to -74).

The majority of the contributors projected that performance in all three measures, room occupancy, average room rates and total revenue, will decline in the second half of the year. The average change in particular hotels' performance expected in the second half of 2009 compared to 2008, is -10.8%. This is half more decline than it was expected in February, when it was -7.3%. Higher declines are expected in ADR (for -11.4%) than in room occupancy (-9.3%). By the opinion of Bulgarian hoteliers, total revenues in their hotels will change for average -11.8% meaning that in some hotels there is less pessimism regarding the performance of other hotel services beside rooms. The most pessimistic Bulgarian hoteliers are those from 5-star hotels outside Sofia which expect to realise until the end of 2009 decrease of more than 14% compared to last year.

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