

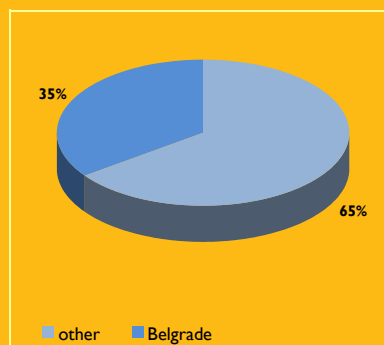


SERBIA HOTEL MARKET SENTIMENT SURVEY

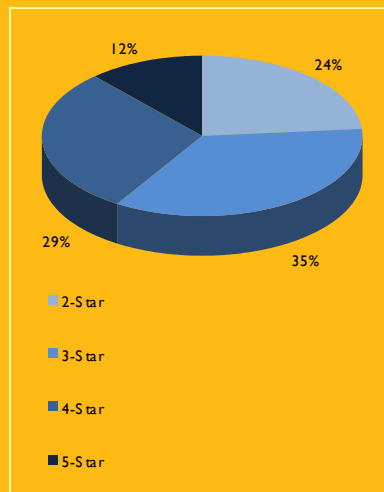
July 2009

SHARE OF RESPONDENTS

BY REGION



BY STAR CLASSIFICATION



INTRODUCTION

The Horwath HTL Hotel Market Sentiment Survey for Serbia 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, based on the questionnaire sent to more than 150 Serbian hotels. The majority of the responses came from 3-star hotels (35 percent), followed by 4-star hotels (29 percent), 2-star hotels (24 percent) and 5-star hotels (12 percent).

At the current point in time, with the financial crisis still affecting all corners of the world, it is not surprising to find most markets in South East Europe, including Serbia, having the same negative assessment of the outlook for the second half of the year 2009.

This being the second survey this year by Horwath HTL, we have been able to analyze previous sentiment scores in order to give a more in depth analysis of national and regional future hotel performance.



www.HorwathHTL.com

SENTIMENT RANKINGS

By Star Classification	Score	
	July	Feb
1. Two Star	-53	N/A
2. Three Star	-4	26.5
3. Four Star	-3	-4.6
4. Five Star	-13	-75.5

"An average sentiment score of negative 16 indicates that hoteliers across country are expecting some declines in performance in the second half of 2009.

Serbian hoteliers show less pessimism compared to other countries on the global market."

RANKING SCORE KEY

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

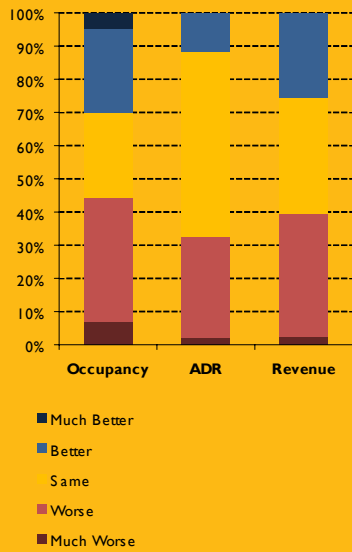
SENTIMENT RANKINGS

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.

With an average score of negative 16, the market sentiment in Serbia was less pessimistic compared to the global and regional market sentiment. The average Serbian score is by 64 percent higher than the global average (-44) and by 71 percent higher than the average European score (-55). Among all other European countries included in the survey, Serbia holds the second position according to the average sentiment score; after Macedonian hoteliers, Serbian hoteliers held the least pessimistic outlook for the second half of the year 2009. The reason for this difference between global and national score is in slightly less pessimism of Serbian hoteliers due to the following: Serbian hoteliers have been adjusted to working in economic crisis due to country political obstacles and transition process in the last 2 decades; Serbia has recently hosted several significant international events which have influenced growth in hotel demand and decrease of hoteliers' pessimism.

Regarding the market sentiment score for hotels of different category, it can be noted that there is no hotel category in Serbia with a positive sentiment score. The highest negative sentiment score is registered by two star hotels (-53), followed by five star hotels (-13).

RATIO OF RESPONSES



"44 percent of hoteliers stated that occupancy performance in the first half of the year was worse or much worse than what had been expected."

"Only 5-star hoteliers scored positive average of the first half market performance"

MARKET PERFORMANCE RANKING

	Occ.	ADR	Rev.	Avg.
1. 2-star	-38	-38	-28	-34
2. 3-star	-6	-19	6	-6
3. 4-star	8	-23	-8	-8
4. 5-star	0	38	0	13

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.

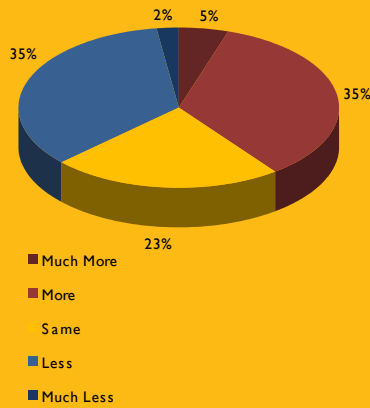
In response to expectations on market-wide occupancy performance, 44 percent of hoteliers replied that performance in the first half of the year was worse or much worse than what had been expected, 26 percent replied that occupancy performance was the same, while 31 percent replied better or much better. The most pessimistic assessment of the first half occupancy performance was registered by two star hotels (-38), followed by three star hotels, (-6). Four star hotels recorded a positive occupancy performance assessment (8).

Respondents showed that ADR suffered the least of all performance indicators, with 56 percent of hoteliers replying that ADR performance has been the same and 12 percent replying that ADR performance has been better than what had been expected, while 32 percent of hoteliers replied that ADR performed worse or much worse than what had been expected. The best ADR situation is registered by five star hotels among which 75 percent experienced better ADR performance than expected.

Revenue performance followed a similar trend, wherein 39 percent of hoteliers revealed that revenue has been worse or much worse than what had been expected, 35 percent replied the same and the rest proclaimed revenue performance to be better or much better than what had been expected at the beginning of the year.

Two star hoteliers showed the most pessimistic assessment of the first half performance (-34 average), four star and three star hoteliers have showed less pessimistic assessment, while five star hoteliers have showed optimistic assessment of the first half performance with a positive average (13).

RATIO OF RESPONSES



"40 percent stated that impact on demand was worse or much worse than expected."

"4-star hotels have scored a positive sentiment score while 2-star and 3-star hotels have scored a negative sentiment score."

IMPACT OF FINANCIAL CRISIS	
1. 2-star	-19
2. 3-star	-6
3. 4-star	38
4. 5-star	0

THE IMPACT OF THE FINANCIAL CRISIS

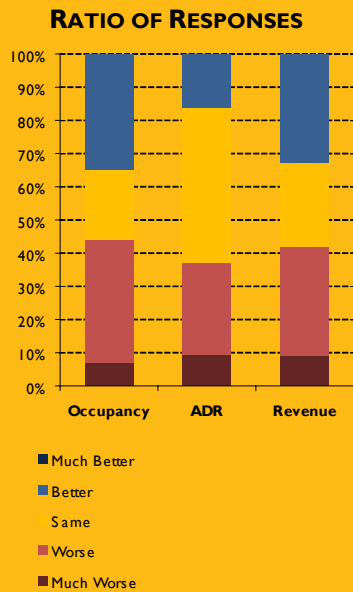
The second question asked respondents if the current crisis has impacted demand to the extent which was expected.

When hoteliers were asked if the crisis had impacted their demand as expected, 40 percent responded that demand had been affected more or much more than expected and 23 percent replied that the impact on demand was like expected. The remaining 37 percent of respondents proclaimed that the crisis has impacted demand less or much less than had been expected.

Less affected were hoteliers from Belgrade since 80 percent of hoteliers responded that the impact was the same or less than expected.

Looking at the sentiment score according to the star classification, two star hoteliers recorded the most negative sentiment score of negative 19, followed by three star hoteliers with a score of negative 6. Four star hoteliers had the sentiment score of positive 38, meaning that the crisis has impacted their hotel demand less or much less than had been expected. Half of five star hoteliers stated that impact on demand was more than expected and half of them stated that impact on demand was less than expected.

The average score of financial crisis impact on demand for Serbia is negative (-3).



"Only 16 percent of Serbian hoteliers expect higher ADR levels for the second half of 2009."

"All hotel categories recorded a negative average sentiment score for the second half of 2009."

EXPECTATION FOR THE SECOND HALF OF THE YEAR

	Avg	Occ	ADR	Rev
1. 2-star	-53	-66	-38	-56
2. 3-star	-2	6	-19	6
3. 4-star	-8	0	-23	0
4. 5-star	-13	-19	0	-19

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 occupancy, average room rate and hotel revenues.

Over 60 percent of respondents in Serbia stated that they expect all performance measures to perform worse, much worse or the same in the second half of 2009 compared to the second half of 2008.

In response to expectations on market-wide occupancy, 44 percent of hoteliers stated that they expect worse or much worse, 21 percent that they expect the same and 35 percent that they expect better occupancy levels in the second half of 2009 compared to the second half of 2008. The most pessimistic occupancy sentiment score came from two star hoteliers (-66), followed by five star hoteliers (-19). Only hoteliers from three star hotels were optimistic with the occupancy sentiment score of positive 6.

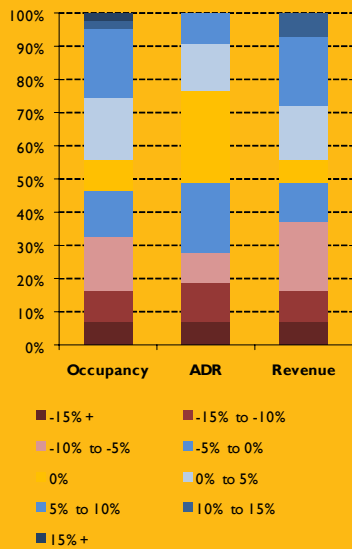
Respondents from all hotel categories had negative sentiment score in response to expectations on ADR performance, except five star hotels with the sentiment score of neutral zero. Only 16 percent replied that they expect better ADR performance in the second half of year compared to the second half of last year.

Taking into consideration expectations on market-wide revenue, the most pessimistic revenue sentiment score came again from two star hoteliers (-56), followed by five star hoteliers (-19).

All hotel categories on the Serbian market have recorded a negative average market performance sentiment score for the second half of the year compared to the second half of last year.

The average Serbian score for performance comparison of the second half of 2009 to 2008 is -16.

RATIO OF RESPONSES



"The average change in Serbian hoteliers performance expectations is -2,1% in the second half of 2009 compared to 2008."

SECOND HALF HOTEL PERFORMANCE EXPECTATION

	Avg	Occ	ADR	Rev
1. 2-star	-53	-61	-47	-52
2. 3-star	-6	3	-22	0
3. 4-star	1	11	-15	8
4. 5-star	-13	-9	-19	-9

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.

47 percent of Serbian hoteliers believe that their hotels will likely suffer a decline in occupancy out of which 33 percent expect occupancy to decrease by at least 5 percent. 44 percent of Serbian hoteliers believe in better occupancy performance out of which 25 percent expect their occupancy performance to increase for at least 5 percent. The average occupancy change for all Serbian respondents was -1,3 percent, with positive occupancy change in Belgrade hotels (2,3%) and negative occupancy change in other Serbian hotels (-3,2%).

The similar percentage of hoteliers, 49 percent, expect to see a drop in ADR performance out of which 28 percent expect ADR to decrease for at least 5 percent. The average Serbian ADR change was -3,5, lower in Belgrade hotels (-0,7), but higher decreases in other Serbian hotels (-5%).

Regarding hotel revenue, the average change is expected to be -1,5 percent, with positive revenue change in Belgrade hotels (2,7%) and negative revenue change in other Serbian hotels (-3,6%).

According to star classification, the most concerned of the performance of their hotels for the second half of 2009 were the hoteliers from two star hotels out of which 75 percent indicated a decline of all performance indicators, with an average hotel sentiment score of negative 53. The most optimistic hoteliers were from four star hotels out of which 50 percent indicated an increase of revenue, with the average hotel performance sentiment score of positive 1.

The average Serbian score for hotel performance comparison of the second half of 2009 to 2008 is -16.

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 2009. All European countries have recorded a negative sentiment score among which Serbia shows less pessimism compared to other countries.

All hotel categories on the Serbian market have recorded a negative average market performance sentiment score for the second half of the year compared to the second half of last year. Only 16 percent of the Serbian hoteliers expect higher ADR levels for the second half of 2009.

The majority of the hoteliers expect all performance indicators to decline in the second half of 2009, with the average negative change of -2,1 percent. Higher declines are expected for ADR performance (-3,5 percent) than in occupancy (-1,3 percent) and revenue (-1,5 percent). Belgrade hoteliers are more optimistic with the average change of positive 1,4 percent than the other Serbian hotels with the average change of negative -4 percent. The most pessimistic were hoteliers from two star hotels out of which 75 percent expect decline of all performance indicators, with an average hotel sentiment score of negative 53.

Other Market Sentiment Reports

BY REGION

ASEAN Benelux Europe Northeast Asia South East Europe

BY COUNTRY

Australia Austria Belgium Bulgaria Canada China
 Croatia Czech Republic France Hungary India Indonesia
 Italy Japan Macedonia Montenegro Mexico Netherlands
 Norway Romania Serbia Singapore Slovenia South Africa
 Spain

BY CITY/ DESTINATION

Beijing Hong Kong Shanghai Shenzhen

Horwath HTL - Office Locations

ASIA PACIFIC

Auckland, New Zealand
Auckland@HorwathHTL.com

Beijing, China
Beijing@HorwathHTL.com

Hong Kong, SAR
HongKong@HorwathHTL.com

Honolulu, USA
Hawaii@HorwathHTL.com

Jakarta, Indonesia
Jakarta@HorwathHTL.com

Kuala Lumpur, Malaysia
KL@HorwathHTL.com

Mumbai, India
vthacker@HorwathHTL.com

Shanghai, China
Shanghai@HorwathHTL.com

Singapore, Singapore
Singapore@HorwathHTL.com

Sydney, Australia
Sydney@HorwathHTL.com

Tokyo, Japan
Tokyo@HorwathHTL.com

EUROPE

Amsterdam, Netherlands
hoogendoorn@horwath.nl

Andorra la Vella, Andorra
JParis@HorwathHTL.es

Barcelona, Spain
PPitarch@HorwathHTL.es

Belfast, UK
michael.williamson@asmhorwath.com

Budapest, Hungary
budapestoffice@horwathconsulting.net

Dublin, Ireland
post@horbc.ie

Frankfurt, Germany
knospe@HorwathHTL.de

Kiev, Ukraine
HRodriguez@horwath.com.ua

London, UK
VMarti@HorwathHTL.es

Madrid, Spain
vmarti@horwathconsulting.com

Moscow, Russia
Moscow@horwathconsulting.net

Paris, France
pdoizelet@HorwathHTL.fr

Rabat, Morocco
glanfray@HorwathHTL.fr

Rome, Italy
aiadecola@horwathhtl.it

Salzburg, Austria
kploberger@horwathhtl.at

Tunis, Tunisia
glanfray@horwathhtl.fr

Zagreb, Croatia
sanja.cizmar@horwath.hr

NORTH/CENTRAL AMERICA

Atlanta, USA
mbeadle@horwathhl.com

Dallas, USA
rbesse@horwathhl.com

Denver, USA
jmontgomery@horwathhl.com

Los Angeles, USA
ynathraj@horwathhl.com

Mexico City, Mexico
bbasave@horwath.com.mx

Montreal, Canada
horwath@horwath-lariviere.com

Palm Beach, USA
staylor@horwathhl.com

San Francisco, USA
jhiser@HorwathHTL.com

Santo Domingo, Dominican Republic
sotero@codetel.net.do

Toronto, Canada
horwath@hhgi.com

SOUTH AMERICA

Buenos Aires, Argentina
ochudnobsky@HorwathHTL.com

AFRICA

Cape Town, South Africa
Capetown@HorwathHTL.co.za

MIDDLE EAST

Beirut, Lebanon
kamelac@horwathac.com