EXECUTIVE SUMMARY AND HIGHLIGHTS

1 INTRODUCTION

"Norsk Hotellnæring 2008" is the 12th annual report on the Norwegian hotel industry. The report is prepared by Horwath Consulting in Oslo and contains general information, marketing data, operational data, presentations of the most important hotel chains and other relevant hotel information.

2007 was an all time high year as to guest nights (18,5 mill), room income (NOK 10,1 billions) and RevPAR (NOK 461, up 13% from 2006). However, this picture should be modified:

- the increase is business driven, while conference and leisure segments are at stand-still
- business driven traffic means good results in cities, while many district hotels could have problems
- after a period with little increase inn supply of new hotel rooms, a fact that will change in the coming years, it is expected that supply will be higher than demand already in 2008. This is expected also for 2009 and 2010.
- demand development is uncertain and could become negative due to impact from the financial crisis in most of the world, also effecting Norway. This situation will be especially challenging to destinations with large increase in room capacity.

Page references in the following chapters are to relevant pages/tables in this report.

2 GENERAL

- In 2007 Norway had a total of ca. 1.100 hotels with 148.000 beds. For the last years the new supply of beds has been limited and mainly for city hotels. Average room occupancy increased to 56,8% (+2,2%-points). This is also all time high. Oslo is a "busy market" with an occupancy of 76% (p. 4).

- The seven largest hotel municipalities (largest cities plus Oslo Airport municipality) have more than 40% of the guest nights in Norway (more than 50% as to business guest nights) (p. 5).

- The share of foreign hotel guest nights in Norway is ca. 27%. The number of foreign guest nights is about the same as 10 years ago (p.17).

- The Norwegian Government presented a new strategy for the travel industry in 2008. The strategy lists the following priority areas: innovation, sustainable development, quality, competence, destination development (Esp. North-Norway), Norway`s profile and more effective organisation. (p.9).

- Five new spa hotels will open in 2008 and 2009 (p. 10).

- The market situation in Norway is (as in most of the world) insecure due to the unstable financial markets autumn 2008. Norway is expected to have reached its peak occupancy for some years due to insecure demand situation and increased supply of hotel rooms (p. 16).

3 SURVEY DATA

- Economic key figures (p.19 to 23).
  This chapter is based on questionnaires distributed to a choice of Norwegian hotels with response from 190. Responding hotels have an average size of 139 rooms vs 62 rooms for the Norwegian average hotel.

- The survey hotels produced in average a Gross Operating Profit (GOP (driftsresultat 2)) of 35,4% (34,1% last year). (p.20)

- A summary of figures is shown on (p. 20 and p.23)

4 HOTEL CHAINS

- The four largest chains in Norway are Choice Hotels, Rica Hotels, Thon Hotels and Rezidor with a market share of nearly 50% based on guest nights. The 10 largest chains have 28% of the number of hotels, 59% of the rooms and 74% of the turnover. (p.35)

- Rezidor has a better "performance" than the competitors with RevPAR of NOK 693. This is 28% higher than the average for the 10 largest chains.

- Scandic is the largest chain in the Nordic countries with 23.058 rooms, while Choice is largest by number of hotels (153) (p.35)

Largest Scandinavian chains[1]

	Total		Average rooms
Per 15.09.08	hotels	rooms	per hotel
Scandic	126	23 058	183
Choice	153	21 138	138
Rezidor	51	11 896	233
Rica	77	10 212	133
Best Western	117	9 591	82
Thon	50	7 051	141
First	46	6 341	138
Hilton	6	1 557	260
Total	620	90 844	147

Source: Horwath Consulting (per Sept. 08)
1) Chains represented in more than one Nordic country.

5 NEW HOTEL PROJECTS

- Six new hotels opened in 2007.
  For 2008 and 2009 32 hotels are scheduled to open. In combination with expansions of existing hotels the supply is expected to grow with nearly 5.000 new hotel rooms (p. 35).

- For the years 2008 to 2011 supply of new hotel rooms is expected to be higher than the growth in demand. Thus the average occupancy rate is expected to fall. (p.36)

6 REAL ESTATE AND HOTEL OPERATORS IN THE NORWEGIAN HOTEL INDUSTRY

- The largest owner is Olav Thon Gruppen, owning and operating 43 hotels with 6.412 rooms (market brand Thon Hotels). Norgani Hotels is the largest hotel owner in the Nordic countries with 60 hotels (p.39).

- Estatia Resort and Nordic Resort are new owners and operators of resort hotels (so far only under the Quality Resort brand) (p.39).

- In a falling market hotel owners are expected to have larger risks than previously due to purchases to low yield and new high cost projects (p39).

7 SUSTAINABLE HOTEL DEVELOPMENT

- Both hotel chains and individual hotels are now implementing sustainable development programs. Some of these programs give the hotels a possibility to "brand" the operation as sustainable. In this chapter is given an overview of the situation and some guidelines on how to start with activities to protect the environment (p. 40).

- Horwath HTL has in 2008 started cooperation with International Tourism Partnership (ITP) for the program "going green".