

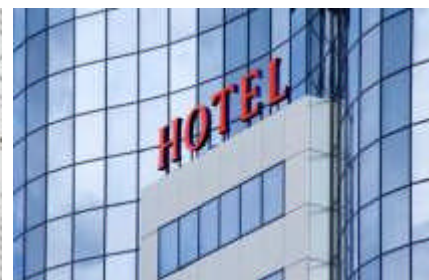


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EXTRAORDINARY GROWTH OPPORTUNITIES IN INDONESIA FOR HOTEL CHAINS

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International visitor arrivals to Indonesia in the first nine months of 2012 rose by 5% to 5.9 million from 5.6 million visitors during the same period of 2011. The growth in visitor arrivals amid the current global economic uncertainties indicates that Indonesia remains one of Asia’s popular destinations. The Ministry of Tourism and Creative Economy remains confident that its target of receiving 8 million visitors in 2012 can be achieved.

With foreign investments in the tourism sector in Indonesia reaching US\$7.3 billion for the first nine months of 2012, compared to US\$2.5 billion for the same period in 2011, Indonesia has now become a destination which provides hotel developers and chains with significant opportunities for growth.

Strong Visitor Arrivals in 2012

The number of international visitors to Indonesia has been growing consistently for the past six years with only slight fluctuations in 2006 and 2009. In the first nine months of 2012, visitor arrivals grew by 5% from 5.6 million in the same period in 2011 to 5.9 million visitors. In addition, the main gateway for visitor arrivals was Bali, where Ngurah Rai International Airport recorded 2.1 million visitors for the first nine months of 2012, which is a 3% increment from the same period in 2011. Making up the top five destinations in Indonesia include Jakarta, Batam, Bintan and Medan. Out of the top five destinations, Medan registered the highest year-on-year growth of 9%.

FIGURE 1: LEADING DESTINATIONS IN INDONESIA, AS OF YTD SEPTEMBER 2012 (BY VISITOR ARRIVALS TO PORT OF ENTRY)

Port of Entry	Destinations	YTD September 2012	YTD September 2011	% Change
Ngurah Rai	Bali	2,147,169	2,075,608	3%
Soekarno-Hatta	Jakarta	1,506,509	1,423,952	6%
Batam	Batam	878,108	835,769	5%
Tanjung Uban	Bintan	252,165	250,621	1%
Polonia	Medan	147,749	135,055	9%



Source: Central Agency on Statistics, Indonesia

FIGURE 2: VISITOR ARRIVALS TO INDONESIA, AS OF YTD SEPTEMBER 2012



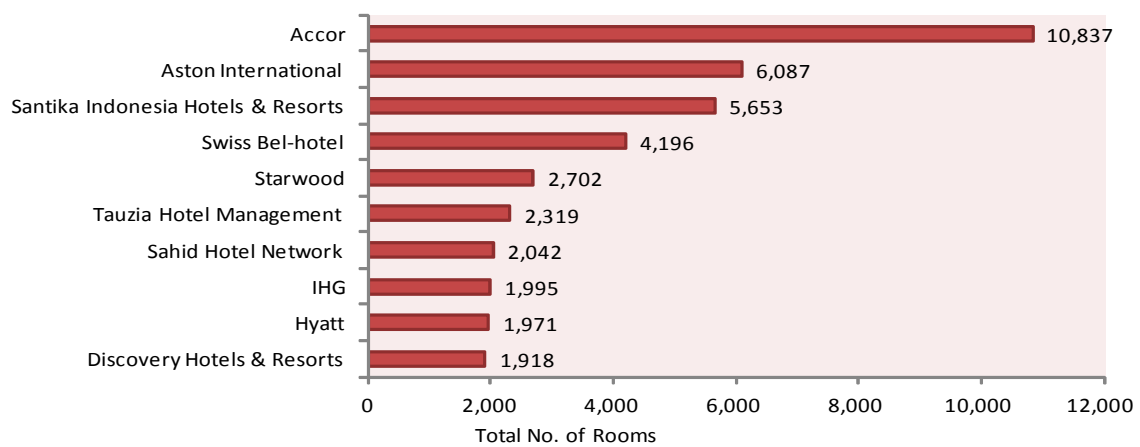
Source: Central Agency on Statistics, Indonesia

LEADING HOTEL MANAGEMENT GROUPS IN INDONESIA

As Indonesia posted strong economic and tourism growth, international and domestic hotel groups alike are focusing their business development efforts in Indonesia.

The following chart provides a snapshot of the international and domestic hotel groups in Indonesia by their room inventory as of first half of 2012. Among these hotel groups, there is a good balance of domestic and international hotel groups.

FIGURE 3: LEADING HOTEL GROUPS IN INDONESIA, AS OF 1H 2012 (BY NUMBER OF ROOMS)



Notes:

1) Room inventory figures are compiled from company websites as of 1H 2012

Source: HVS Research

In the top spot is the French hotel group, Accor, with a current inventory of approximate 10,800 rooms in the Indonesia Archipelago, 78% higher than the room inventory of the next leader, Aston International. As one of the largest operator of hotels in Asia Pacific, Accor has 52 hotels in the country under its various brands ranging from economy brands Ibis, All Seasons (soon Ibis Styles) and Hotel Formulae 1 (soon Ibis Budget) to midscale brand Mercure and upscale brands Pullman and Novotel. Accor has further strengthened its intent to dominate the Indonesia hospitality market, with 27 new management contracts in Indonesia signed so far this year. In addition, the market leader has planned to open 20 new properties in 2013, placing emphasis on the economy and midscale segments in not only the first- and second-tier cities but also third-tier cities such as Palu in Central Sulawesi.

Founded in 1948, Aston International is among Hawaii's first and leading operator of resort condominiums and hotels. In 1997, the group established its presence in Indonesia. In less than two decades, Aston International is established as a key player in terms of room inventory, with an approximate 6,000 rooms currently in operation. Aston International offers a total of 12 brands to target all segments of the market, such as the upscale market brands of Grand Aston, Alana and Royal Alana, deluxe villa brands Royal Kamuela and Kamuela, midscale Aston, economy brands Aston, Aston City, Aston Inn and Quest, boutique budget Neo hotels and select service FaveHotel.

Following closely behind on the heels of Aston International is the key domestic player, Santika Indonesia Hotels and Resorts, which has an estimated inventory of 5,600 rooms. The group's first opening was Hotel Santika Bandung, and their presence have since continued to other strategically placed cities around Indonesia. Its brand offerings include the middle to upscale market brands of Hotel Santika Premiere, Hotel Santika and Amaris and, boutique Villa brand The Royal Collection – The Samaya and The Kayana.

In fourth spot is Swiss Bel-hotel, an international hotel operator headquartered in Hong Kong. The group has a large presence in Indonesia with approximately 4,200 rooms. At least another 32 hotel developments are in the pipeline. Its brands include the upscale brand Grand Swiss, midscale Swiss Bel-Hotel, economy Swiss Belinn and the recently announced budget brand, Zest.

Rounding up the top five is Starwood Hotels and Resorts. The international hotel management chain has approximately 2,700 rooms in Indonesia spread across its brands, W, St Regis, The Luxury Collection, Westin, Sheraton and Le Meridien. Its select service brand, Aloft, will be introduced to the archipelago from 2016 onwards.

Next is Tauzia Hotel Management which managed the brands, Harris, Preference and POP! hotels. In less than ten years since the opening of 1st Harris hotel in Batam, the Harris brand has grown to be a popular hotel brand in Indonesia, renowned for its affordable and friendly hotel concept for business and leisure travelers in the midscale market. Currently, there are 11 Harris hotels in Indonesia, representing 1,997 rooms, with an approximate 4,200 rooms in the pipeline. The overall room inventory of Tauzia Hotel Management comprises approximate 2,300 rooms, placing it in 6th spot.

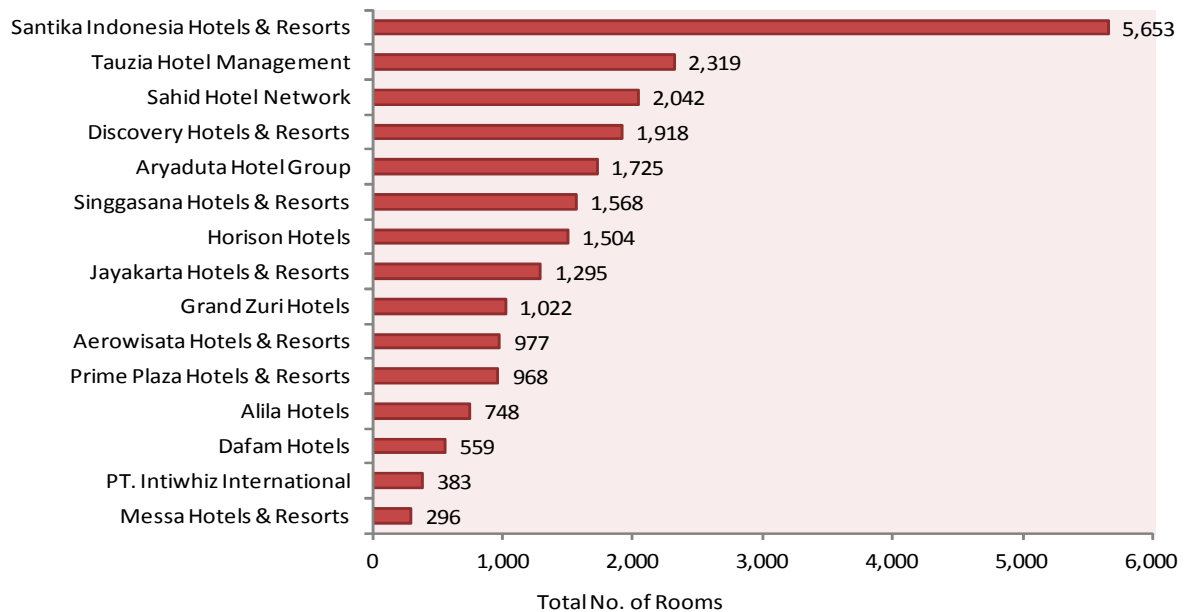
Other major groups in the country include Sahid Hotel Network, IHG, Hyatt and Discovery Hotels & Resorts with room inventory ranging from 1,900 to 2,000 rooms.

DOMESTIC HOTEL MANAGEMENT GROUPS

The following chart provides a snapshot of the prominent domestic hotel groups in Indonesia by their existing room inventory as of the first half of 2012. Besides Santika Indonesia Hotels & Resorts, other emerging hospitality management players are making their presence felt such as Grand Zuri Hotels which

has a strong presence in Sumatra, Kagum Hotels & Resorts (strong presence in West Java), Dafam Hotels (strong presence in Java Island) and Mesa Hotels & Resorts (a relatively new player focusing on the high-end market).

FIGURE 4: DOMESTIC HOTEL GROUPS IN INDONESIA, AS OF 1H 2012 (BY NUMBER OF ROOMS)



Notes:

1) Room inventory figures are compiled from company websites as of 1H 2012

Source: HVS Research

Outlook

Indonesia remains one of Asia’s popular tourist destinations and provides hotel chains with significant opportunities for growth.

Assuming a five percent compounded annual growth rate, domestic and international visitor arrivals is projected to increase from the current 250 million to 400 million by 2022. An additional 100,000 guestrooms will be required, translating to an estimated 700 to 800 hotels to be built in the next decade, creating tremendous opportunities for both domestic and international hotel management groups.

Historically, many of the international hotel chains have focused on the upscale or luxury hotels. However, going forward there are tremendous opportunities for the economy and mid-scale hotel categories catered to the rapidly growing domestic markets. The influx of budget airlines in Asia and within Indonesia, have enhanced connectivity and affordability of travels.

Bolstered by a healthy economic outlook, the hospitality and tourism industry of Indonesia is expected to experience a period of sustainable growth and opportunities for investors, management groups and other stakeholders.



About HVS

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From its offices in Singapore, Jakarta, Beijing, Shanghai and Guangzhou, HVS has appraised or advised on existing hotels and resorts, as well as development projects located in more than 100 cities and resort markets across Asia Pacific. The team's extensive project experience encompasses consulting and strategic advice, development feasibility studies, investment sales and acquisitions, hotel asset management and hotel management company search for a host of project types – hotels, resorts, serviced residences, golf courses, mixed-use complexes, residential, office and retail.

About Indonesia Hospitality and Tourism Investment Conference (IHT)

Co-hosted by the **Ministry of Tourism & Creative Economy** and **HVS**, IHT is a leading hospitality and tourism investment conference that provides participants with valuable market insights, business opportunities, ideas and network with investors, owners, developers, bankers, hotel management groups, tourism and other industry leaders.

The inaugural IHT conference will be held on **8 & 9 May 2013**, at the Ritz Carlton Pacific Place, Jakarta.

For more information to reserve a place in the next IHT conference, please visit:

www.indonesiahospitalityconference.com

About the Authors



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