

## **Choice Hotels International and CHE Hotel Group Sign Agreement Transferring Franchising Operation in Central Europe to Choice**

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SILVER SPRING, Md.

Choice Hotels International, Inc. and CHE Hotel Group, plc today announced the execution of a definitive sale and purchase agreement to transfer the franchising operations now conducted by CHE Hotel Group in the central European countries of Austria, Germany, Italy, the Czech Republic, and portions of Switzerland to Choice Hotels International. Concurrent with the signing of the sale and purchase agreement, the master franchise agreement between Choice and CHE covering these countries was also terminated, and all of CHE's employees and infrastructure involved in its franchising business were transferred to Choice.

The Choice franchise in continental Europe now consists of 71 Comfort, Quality, and Clarion branded properties. The Choice continental European business will remain headquartered in Munich. CHE will continue to operate eight properties in Germany as a franchisee of Choice.

In addition, Choice and CHE have conditionally agreed to transfer the franchising business now conducted by CHE in France, Belgium, Portugal, Spain, and portions of Switzerland to Choice. The transaction is expected to close by 30 November 2006 and upon closure the MFA will terminate between Choice and CHE. As a result, Choice will directly operate the franchise in these countries now consisting of 139 properties from the existing headquarters in Bretigny sur Orge, France. CHE will continue to operate 8 properties in France and Belgium as a franchisee of Choice.

"This is a win-win for both Choice and CHE," said Joseph Squeri, President and Chief Operating Officer of Choice. "The transaction enables Choice to continue its strategy of more closely directing the growth of our franchise operations throughout continental Europe, while maintaining a strong relationship with CHE Hotel Group as a major franchisee of Choice in continental Europe as well as our master franchisee in the United Kingdom and Ireland."

Peter Cashman, Director of Asset Management and European operations for CHE, added, "We are pleased that we were able to come to a mutually beneficial agreement with Choice, which enables us to focus on the significant growth opportunities we have in the UK whilst building our owned, managed and leased hotel operations in continental Europe."

In related moves, Choice announced the promotion of Margit Koller (formerly Director of Franchise Services for CHE) to Managing Director of Central European Operations for Choice; and CHE announced the appointment of Hans Dieter Schiller (formerly Managing Director of CHE's Central European business) to the newly created position of Vice President Operations of Continental Europe for CHE. In their new positions, Ms. Koller will oversee Choice's franchise operations throughout continental Europe and Mr. Schiller will focus on developing CHE's hotel business in Europe under the Choice brands.

### **About Choice Hotels**

Choice Hotels International franchises more than 5,200 hotels, representing more than 430,000 rooms, in the United States and more than 40 countries and territories. As of June 30, 2006, 687 hotels are under development in the United States, representing 53,765 rooms, and an additional 65 hotels, representing 5,993 rooms, are under development in more than 20 countries and territories. The company's Cambria Suites, Comfort Inn, Comfort

Suites, Quality, Clarion, Sleep Inn, Econo Lodge, Rodeway Inn, MainStay Suites and Suburban Extended Stay Hotel brand. Additional corporate information may be found on Choice Hotels' Internet site, which may be accessed at <http://www.choicehotels.com/>.

#### About CHE Hotel Group plc

CHE Hotel Group operates 60 owned, leased or managed hotels in the UK, France, Germany and Belgium, and holds the Master Franchise for Choice's brands for the UK and Ireland, which includes 121 properties. Choice brands in Europe include Comfort Inn, Quality Hotel, Clarion Hotel and Sleep Inn. In addition, CHE also operates the New Connaught Rooms conference and banqueting suite close to London's Covent Garden, as well as hotels under their own Stop Inn brand. A placing and open offer raised 18.6m pounds Sterling net of cost in January 2006, which is being invested in upgrading CHE's hotels and accelerating the development to Sleep Inns, its premier limited service brand in the UK.

The CHE management team includes Michael Prager, Chief Executive Officer; Paul Mitchell, Finance Director; and Peter Cashman, Director of Asset Management and European Operations. David Cook will remain as an Executive Director until he retires in November 2006.

Cambria Suites, Comfort Inn, Comfort Suites, Quality, Clarion, Sleep Inn, MainStay Suites, Suburban Extended Stay Hotel, Econo Lodge, and Rodeway Inn are proprietary trademarks and service marks of Choice Hotels International, Inc.

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