

Choice Hotels Reports Second Quarter 2008 Adjusted Diluted EPS of \$0.49, Domestic Unit Growth of 6.2%

PRNewswire-FirstCall
SILVER SPRING, Md.

Choice Hotels International, Inc., today reported the following highlights for second quarter 2008:

-- Adjusted diluted earnings per share ("EPS") for second quarter 2008 were \$0.49, a 14% increase compared to \$0.43 in the same period of the prior year. Diluted EPS were \$0.43 for second quarter 2008 compared to \$0.43 for second quarter 2007. Adjusted diluted EPS for second quarter 2008 excludes a \$3.8 million after-tax charge (approximately \$0.06 diluted EPS) resulting from the previously announced acceleration of the Company's management succession plan.

-- Adjusted earnings before interest, taxes and depreciation ("Adjusted EBITDA") increased 7% to \$52.8 million for second quarter 2008, compared to \$49.5 million for second quarter 2007. Operating income for second quarter 2008 was \$44.6 million compared to \$47.4 million for second quarter 2007. Adjusted EBITDA for second quarter 2008 excludes a \$6.1 million charge resulting from the acceleration of the Company's management succession plan discussed above.

-- Domestic unit growth increased 6.2 percent from June 30, 2007.

-- Domestic system-wide revenue per available room (RevPAR) increased 0.7% for second quarter 2008 compared to the same period of the prior year.

-- The effective royalty rate increased 6 basis points to 4.20% for the three months ended June 30, 2008 compared to 4.14% for the same period of the prior year.

-- Franchising revenues increased 8% and total revenues increased 7% for second quarter 2008 compared to the same period in 2007. Year to date franchising revenues and total revenues increased 10% and 9%, respectively compared to the same period of 2007.

-- Executed 198 new domestic hotel franchise contracts during the second quarter of 2008, an increase of 13% compared to 176 for second quarter 2007. Overall, year to date, new domestic hotel franchise contracts executed increased 15% to 331 compared to 287 in the same period of the prior year.

-- The number of domestic hotels under construction, awaiting conversion or approved for development increased 16% to 992 hotels representing 80,292 rooms; the worldwide pipeline increased 16% to 1,096 hotels representing 89,116 rooms.

"The continued appeal of Choice's brands to the development community manifested itself in the second quarter as the company achieved strong domestic unit growth and franchise sales results," said Stephen P. Joyce, president and chief executive officer. "While the near term domestic RevPAR environment is challenging, we believe that Choice's franchise business model, strong brands and strong balance sheet position us well for continued success. I am excited about the opportunities to grow our brands both domestically and internationally and to deploy our capital in ways that create value for our shareholders."

Outlook for 2008

The company's third quarter 2008 diluted EPS is expected to be \$0.55. The company expects full year 2008 adjusted diluted EPS of \$1.79. Adjusted diluted earnings before interest, taxes, depreciation and amortization ("EBITDA") for full-year 2008 are expected to be approximately \$196.5 million. These estimates include the following assumptions:

- The company expects net domestic unit growth of approximately 5.5% in 2008;
- RevPAR is expected to decline approximately 4.0% for third quarter 2008 and decline approximately 1.5% for full-year 2008;
- The effective royalty rate is expected to increase 5 basis points for full-year 2008;
- All figures assume the existing share count and an effective tax rate of 36.5% for third quarter 2008 and 36.5% for full year 2008;
- All figures exclude a \$6.1 million charge (\$3.8 million after-tax and approximately \$0.06 diluted EPS) resulting from the previously announced acceleration of the Company's management succession plan.

Use of Free Cash Flow

The company has consistently used its free cash flow (cash flow from operations less capital expenditures) generated from its operations to return value to shareholders, primarily through share repurchases and dividends.

For the six months ended June 30, 2008, the company paid \$21 million of cash dividends to shareholders. The annual dividend rate per common share is \$0.68.

The company has authorization to purchase up to an additional 3.2 million shares under the share repurchase program. Repurchases will continue to be made in the open market and through privately negotiated transactions subject to market and other conditions. No minimum number of share repurchases has been fixed. Since Choice announced its stock repurchase program on June 25, 1998, the company has repurchased 38.6 million shares of its common stock for a total cost of \$895.9 million through July 25, 2008. Considering the effect of a two-for-one stock split in October 2005, the company has repurchased 71.5 million shares under the share repurchase program at an average price of \$12.52 per share.

Our Board has authorized us to enter into programs which permit us to offer financing, investment and guaranty support to qualified franchisees to incent multi-unit franchise development in top markets. We expect to opportunistically deploy this capital over the next several years. Our current expectation is that our annual investment in these programs would range from \$20 to \$40 million beginning in 2009 (2008 investment in these programs is not expected to be significant), depending on market and other conditions. In addition to these programs, the company expects to continue to return value to its shareholders through a combination of share repurchases and dividends, also subject to market and other conditions.

Conference Call

Choice will conduct a conference call on Tuesday, July 29, 2008 at 9:30 a.m. EDT to discuss the company's second quarter results. The dial-in number to listen to the call is 1-800-230-1074. International callers should dial 612-234-9960. The conference call also will be Webcast simultaneously via the company's Web site, <http://www.choicehotels.com/>. Interested investors and other parties wishing to access the call on the Web should go to the Web site and click on the Investor Info link. The Investor Information page will feature a conference call microphone icon to access the call.

The audio of the call will be archived and available on <http://www.choicehotels.com/> beginning at 10:30 a.m. EDT on July 29 and will be available through August 29, 2008 by calling 1-800-475-6701 and entering access code 929522. The international dial-in for the replay is 320-365-3844, access code 929522. In addition, the call will be archived and available on choicehotels.com via the Investor Info link until August 29, 2008.

About Choice Hotels

Choice Hotels International franchises more than 5,700 hotels, representing more than 460,000 rooms, in the United States and 40 countries and territories. As of June 30, 2008, 992 hotels are under construction, awaiting conversion or approved for development in the United States, representing 80,292 rooms, and an additional 104 hotels, representing 8,824 rooms, are under construction, awaiting conversion or approved for development in more than 20 countries and territories. The company's Comfort Inn, Comfort Suites, Quality, Sleep Inn, Clarion, Cambria Suites, MainStay Suites, Suburban Extended Stay Hotel, Econo Lodge and Rodeway Inn brands serve guests worldwide.

Additional corporate information may be found on the Choice Hotels Web site, which may be accessed at <http://www.choicehotels.com/>.

Forward-Looking Statements

Certain matters discussed in this press release constitute forward-looking statements within the meaning of the federal securities law. Generally, our use of words such as "expect," "estimate," "believe," "anticipate," "will," "forecast," "plan," "project," "assume" or similar words of futurity identify statements that are forward-looking and that we intend to be included within the Safe Harbor protections provided by Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Such forward-looking statements are based on management's current beliefs, assumptions and expectations regarding future events, which in turn are based on information currently available to management. Such statements may relate to projections for the company's revenue, earnings and other financial and operational measures, company debt levels, payment of stock dividends, and future operations. We caution you not to place undue reliance on any forward-looking statements, which are made as of the date of this press release. Forward-looking statements do not guarantee future performance and involve known and unknown risks, uncertainties and other factors.

Several factors could cause actual results, performance or achievements of the company to differ materially from those expressed in or contemplated by the forward-looking statements. Such risks include, but are not limited to, changes to general, domestic and foreign economic conditions; operating risks common in the lodging and franchising industries; changes to the desirability of our brands as viewed by hotel operators and customers; changes to the terms or termination of our contracts with franchisees; our ability to keep pace with improvements in technology utilized for reservations systems and other operating systems; fluctuations in the supply and demand for hotels rooms; and our ability to manage effectively our indebtedness. These and other risk factors are discussed in detail in the Risk Factors section of the company's Form 10-K for the year ended December 31, 2007, filed with the Securities and Exchange Commission on February 29, 2008. We

undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Statement Concerning Non-GAAP Financial Measurements

Adjusted diluted earnings per share, adjusted EBITDA, franchising revenues and adjusted franchising margins are non-GAAP financial measurements. This information should not be considered as an alternative to any measure of performance as promulgated under accounting principles generally accepted in the United States (GAAP), such as diluted earnings per share, operating income, total revenues and operating margins. The company's calculation of these measurements may be different from the calculations used by other companies and therefore comparability may be limited. The company has included an exhibit accompanying this release that reconciles these measures to the comparable GAAP measurement. We discuss management's reasons for reporting these non-GAAP measures below.

Earnings Before Interest, Taxes, Depreciation and Amortization: EBITDA reflects earnings excluding the impact of interest expense, tax expense, depreciation and amortization. Our management considers EBITDA to be an indicator of operating performance because it can be used to measure our ability to service debt, fund capital expenditures, and expand our business. EBITDA is a commonly used measure of performance in our industry. In addition, it is used by analysts, lenders, investors and others, as well as by us, to facilitate comparisons between the Company and its competitors because it excludes certain items that can vary widely across different industries or among companies within the same industry.

Franchising Revenues and Margins: The Company reports franchising revenues and margins which exclude marketing and reservations revenues and hotel operations. Marketing and reservation activities are excluded from revenues and operating margins since the Company is contractually required by its franchise agreements to use these fees collected for marketing and reservation activities. Cumulative reservation and marketing fees not expended are recorded as a payable on the Company's financial statements and are carried over to the next fiscal year and expended in accordance with the franchise agreements. In addition, the Company has the contractual authority to require that the franchisees in the system at any given point repay the Company for any deficits related to marketing and reservation activities. Hotel operations are excluded since they do not reflect the most accurate measure of the Company's core franchising business. These non-GAAP measures are a commonly used measure of performance in our industry and facilitate comparisons between the Company and its competitors.

Adjusted EBITDA, Adjusted Franchising Margins and Adjusted Diluted EPS: The Company's management also uses Adjusted EBITDA, Adjusted Franchising Margins and Adjusted Diluted EPS which exclude the impact of the acceleration of the Company's management succession plan in the second quarter of 2008 and the impact of termination benefits incurred related to the separation of certain executive officers in the six months ended June 30, 2007. The Company utilizes these non-GAAP measures to enable investors to perform meaningful comparisons of past, present and future operating results and as a means to emphasize the results of on-going operations.

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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Consolidated Statements of Income
(Unaudited)

| | Three Months Ended June 30, | | | |
|---|-----------------------------|----------|-----------|-------|
| | Variance | | | |
| | 2008 | 2007 | \$ | % |
| (In thousands, except per share amounts) | | | | |
| REVENUES: | | | | |
| Royalty fees | \$63,776 | \$59,176 | \$4,600 | 8% |
| Initial franchise and relicensing fees | 8,146 | 7,649 | 497 | 6% |
| Brand solutions | 6,472 | 5,995 | 477 | 8% |
| Marketing and reservation | 85,336 | 80,592 | 4,744 | 6% |
| Hotel operations | 1,288 | 1,193 | 95 | 8% |
| Other | 2,102 | 1,886 | 216 | 11% |
| Total revenues | 167,120 | 156,491 | 10,629 | 7% |
| OPERATING EXPENSES: | | | | |
| Selling, general and administrative | 34,275 | 25,605 | 8,670 | 34% |
| Depreciation and amortization | 2,070 | 2,137 | (67) | (3%) |
| Marketing and reservation | 85,336 | 80,592 | 4,744 | 6% |
| Hotel operations | 861 | 794 | 67 | 8% |
| Total operating expenses | 122,542 | 109,128 | 13,414 | 12% |
| Operating income | 44,578 | 47,363 | (2,785) | (6%) |
| OTHER INCOME AND EXPENSES, NET: | | | | |
| Interest expense | 2,693 | 3,217 | (524) | (16%) |
| Interest and other investment (income) loss | (141) | (1,721) | 1,580 | (92%) |
| Equity in net income of affiliates | (201) | (181) | (20) | 11% |
| Total other income and expenses, net | 2,351 | 1,315 | 1,036 | 79% |
| Income before income taxes | 42,227 | 46,048 | (3,821) | (8%) |
| Income taxes | 15,219 | 17,403 | (2,184) | (13%) |
| Net income | \$27,008 | \$28,645 | \$(1,637) | (6%) |
| Weighted average shares outstanding-basic | | | | |
| | 62,181 | 65,475 | | |
| Weighted average shares outstanding-diluted | | | | |
| | 62,863 | 66,599 | | |
| Basic earnings per share | \$0.43 | \$0.44 | \$(0.01) | (2%) |
| Diluted earnings per share | \$0.43 | \$0.43 | \$- | 0% |

| Six Months Ended June 30, | | | | | |
|--|-----------|-----------|---------|-----|--|
| Variance | | | | | |
| 2008 | 2007 | \$ | % | | |
| (In thousands, except per share amounts) | | | | | |
| REVENUES: | | | | | |
| Royalty fees | \$111,556 | \$102,504 | \$9,052 | 9% | |
| Initial franchise and relicensing fees | 14,190 | 12,580 | 1,610 | 13% | |
| Brand solutions | 9,814 | 8,981 | 833 | 9% | |
| Marketing and reservation | 153,762 | 141,379 | 12,383 | 9% | |
| Hotel operations | 2,330 | 2,289 | 41 | 2% | |
| Other | 4,323 | 3,687 | 636 | 17% | |
| Total revenues | 295,975 | 271,420 | 24,555 | 9% | |
| OPERATING EXPENSES: | | | | | |
| Selling, general and administrative | 57,830 | 49,505 | 8,325 | 17% | |

| | | | | |
|---|----------|----------|--------|--------|
| Depreciation and amortization | 4,127 | 4,252 | (125) | (3%) |
| Marketing and reservation | 153,762 | 141,379 | 12,383 | 9% |
| Hotel operations | 1,626 | 1,535 | 91 | 6% |
| Total operating expenses | 217,345 | 196,671 | 20,674 | 11% |
| Operating income | 78,630 | 74,749 | 3,881 | 5% |
| OTHER INCOME AND EXPENSES, NET: | | | | |
| Interest expense | 6,530 | 6,214 | 316 | 5% |
| Interest and other investment (income) loss | 927 | (2,322) | 3,249 | (140%) |
| Equity in net income of affiliates | (502) | (375) | (127) | 34% |
| Total other income and expenses, net | 6,955 | 3,517 | 3,438 | 98% |
| Income before income taxes | 71,675 | 71,232 | 443 | 1% |
| Income taxes | 26,090 | 26,272 | (182) | (1%) |
| Net income | \$45,585 | \$44,960 | \$625 | 1% |

Weighted average shares outstanding-
basic 61,966 65,627

Weighted average shares outstanding-
diluted 62,733 66,823

Basic earnings per share \$0.74 \$0.69 \$0.05 7%

Diluted earnings per share \$0.73 \$0.67 \$0.06 9%

Choice Hotels International, Inc.
Consolidated Balance Sheets

(In thousands, except per share amounts)

June 30, December 31,
2008 2007
(Unaudited)

ASSETS

| | | |
|---|----------|----------|
| Cash and cash equivalents | \$56,545 | \$46,377 |
| Accounts receivable, net | 45,776 | 40,855 |
| Deferred income taxes | 1,982 | 2,387 |
| Investments, employee benefit plans, at fair value | 8,952 | 1,002 |
| Other current assets | 15,856 | 15,330 |
| Total current assets | 129,111 | 105,951 |
| Fixed assets and intangibles, net | 140,556 | 141,679 |
| Receivable -- marketing fees | 18,389 | 6,782 |
| Investments, employee benefit plans, at fair value | 24,321 | 33,488 |
| Other assets | 36,378 | 40,484 |
| Total assets | 348,755 | 328,384 |

LIABILITIES AND SHAREHOLDERS' DEFICIT

| | | |
|--|----------|----------|
| Accounts payable and accrued expenses | \$78,078 | \$96,195 |
| Deferred revenue | 52,796 | 48,660 |
| Other current liabilities | 14,230 | 2,661 |
| Total current liabilities | 145,104 | 147,516 |
| Long-term debt | 264,300 | 272,378 |
| Deferred compensation & retirement plan obligations | 36,569 | 43,132 |
| Other liabilities | 17,982 | 22,419 |
| Total liabilities | 463,955 | 485,445 |
| Common stock, \$0.01 par value | 628 | 621 |

| | | | |
|---|-----------|-----------|-----|
| Additional paid-in-capital | 85,950 | 86,243 | |
| Accumulated other comprehensive income | | 1,248 | 346 |
| Treasury stock, at cost | (781,311) | (798,110) | |
| Retained earnings | 578,285 | 553,839 | |
| Total shareholders' deficit | (115,200) | (157,061) | |
| Total liabilities and shareholders' deficit | \$348,755 | \$328,384 | |

Choice Hotels International, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

(In thousands) Six Months Ended June 30,

2008 2007
CASH FLOWS FROM OPERATING ACTIVITIES:

Net income \$45,585 \$44,960

Adjustments to reconcile net income to net cash provided by operating activities:

| | | |
|---|-------|---------|
| Depreciation and amortization | 4,127 | 4,252 |
| Provision for bad debts | 271 | (528) |
| Non-cash stock compensation and other charges | 7,795 | 6,891 |
| Non-cash interest and other (income) loss | 1,716 | (1,598) |
| Dividends received from equity method investees | 438 | 295 |
| Equity in net income of affiliates | (502) | (375) |

Changes in assets and liabilities, net of acquisitions:

| | | |
|--|----------|----------|
| Receivables | (5,107) | (3,654) |
| Receivable - marketing and reservation fees, net | (14,209) | 1,731 |
| Accounts payable | (8,558) | (277) |
| Accrued expenses | (9,685) | (12,678) |
| Income taxes payable/receivable | 5,317 | 12,580 |
| Deferred income taxes | 2,518 | (4,680) |
| Deferred revenue | 4,136 | 1,817 |
| Other assets | 285 | (1,278) |
| Other liabilities | 3,772 | 9,688 |

NET CASH PROVIDED BY OPERATING ACTIVITIES 37,899 57,146

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|--|---------|---------|
| Investment in property and equipment | (5,460) | (5,786) |
| Acquisitions, net of cash acquired | - | (343) |
| Purchases of investments, employee benefit plans | (6,068) | (5,701) |
| Proceeds from sales of investments, employee benefit plans | 5,678 | 1,551 |
| Issuance of notes receivable | (1,684) | (3,255) |
| Collections of notes receivable | 257 | 469 |
| Other items, net | (52) | (359) |

NET CASH USED IN INVESTING ACTIVITIES (7,329) (13,424)

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|--|-----------|----------|
| Principal payments of long-term debt | (100,000) | (422) |
| Net borrowings pursuant to revolving credit facility | 91,900 | 27,000 |
| Excess tax benefits from stock-based compensation | 4,303 | 3,765 |
| Purchase of treasury stock | (1,506) | (47,341) |
| Dividends paid | (21,013) | (19,751) |
| Proceeds from exercise of stock options | 5,914 | 4,516 |

| | | |
|--|----------|----------|
| NET CASH USED IN FINANCING ACTIVITIES | (20,402) | (32,233) |
| Net change in cash and cash equivalents | 10,168 | 11,489 |
| Cash and cash equivalents at beginning of period | 46,377 | 35,841 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$56,545 | \$47,330 |

CHOICE HOTELS INTERNATIONAL, INC.
SUPPLEMENTAL OPERATING INFORMATION
DOMESTIC HOTEL SYSTEM
(UNAUDITED)

For the Six Months Ended June 30, 2008*

| | Average Daily | | | |
|----------------------------------|---------------|-----------|---------|-------|
| | Rate | Occupancy | RevPAR | |
| Comfort Inn | \$76.67 | 56.4% | \$43.22 | |
| Comfort Suites | 88.35 | 59.3% | 52.41 | |
| Sleep | 70.33 | 56.4% | 39.66 | |
| Midscale without Food & Beverage | | 78.41 | 57.0% | 44.71 |
| Quality | 68.85 | 48.7% | 33.56 | |
| Clarion | 82.06 | 47.0% | 38.58 | |
| Midscale with Food & Beverage | | 71.73 | 48.4% | 34.69 |
| Econo Lodge | 52.63 | 43.1% | 22.66 | |
| Rodeway | 51.40 | 44.6% | 22.93 | |
| Economy | 52.31 | 43.4% | 22.72 | |
| MainStay | 71.77 | 62.7% | 44.99 | |
| Suburban | 42.19 | 63.5% | 26.81 | |
| Extended Stay | 49.77 | 63.3% | 31.52 | |
| Total Domestic System | \$71.63 | 52.2% | \$37.36 | |

For the Six Months Ended June 30, 2007*

| | Average Daily | | | |
|----------------------------------|---------------|-----------|---------|-------|
| | Rate | Occupancy | RevPAR | |
| Comfort Inn | \$73.42 | 57.6% | \$42.29 | |
| Comfort Suites | 85.64 | 62.4% | 53.45 | |
| Sleep | 67.32 | 58.7% | 39.55 | |
| Midscale without Food & Beverage | | 75.19 | 58.8% | 44.18 |
| Quality | 66.62 | 49.6% | 33.03 | |
| Clarion | 77.42 | 47.2% | 36.57 | |
| Midscale with Food & Beverage | | 69.18 | 49.0% | 33.90 |
| Econo Lodge | 51.36 | 43.9% | 22.52 | |
| Rodeway | 49.87 | 42.6% | 21.23 | |
| Economy | 51.04 | 43.6% | 22.24 | |
| MainStay | 67.91 | 64.0% | 43.47 | |
| Suburban | 39.58 | 67.2% | 26.59 | |
| Extended Stay | 45.47 | 66.5% | 30.23 | |
| Total Domestic System | \$68.89 | 53.5% | \$36.83 | |

Change

| | Average Daily | | |
|----------------|---------------|-----------|--------|
| | Rate | Occupancy | RevPAR |
| Comfort Inn | 4.4% | (120)bps | 2.2% |
| Comfort Suites | 3.2% | (310)bps | (1.9%) |

| | | | | |
|----------------------------------|------|----------|------|--|
| Sleep | 4.5% | (230)bps | 0.3% | |
| Midscale without Food & Beverage | 4.3% | (180)bps | 1.2% | |
| Quality | 3.3% | (90)bps | 1.6% | |
| Clarion | 6.0% | (20)bps | 5.5% | |
| Midscale with Food & Beverage | 3.7% | (60)bps | 2.3% | |
| Econo Lodge | 2.5% | (80)bps | 0.6% | |
| Rodeway | 3.1% | 200 bps | 8.0% | |
| Economy | 2.5% | (20)bps | 2.2% | |
| MainStay | 5.7% | (130)bps | 3.5% | |
| Suburban | 6.6% | (370)bps | 0.8% | |
| Extended Stay | 9.5% | (320)bps | 4.3% | |
| Total Domestic System | 4.0% | (130)bps | 1.4% | |

* Operating statistics represent hotel operations from December through May

For the Three Months Ended June 30, 2008*

| Average Daily | | | | |
|----------------------------------|---------|-----------|---------|-------|
| | Rate | Occupancy | RevPAR | |
| Comfort Inn | \$79.05 | 62.1% | \$49.11 | |
| Comfort Suites | 90.19 | 64.4% | 58.12 | |
| Sleep | 72.44 | 62.5% | 45.26 | |
| Midscale without Food & Beverage | | 80.61 | 62.7% | 50.53 |
| Quality | 70.79 | 54.0% | 38.22 | |
| Clarion | 83.88 | 52.7% | 44.16 | |
| Midscale with Food & Beverage | | 73.64 | 53.7% | 39.54 |
| Econo Lodge | 53.96 | 47.5% | 25.63 | |
| Rodeway | 52.83 | 47.9% | 25.30 | |
| Economy | 53.67 | 47.6% | 25.55 | |
| MainStay | 74.00 | 66.9% | 49.50 | |
| Suburban | 43.15 | 67.6% | 29.16 | |
| Extended Stay | 51.15 | 67.4% | 34.47 | |
| Total Domestic System | \$73.57 | 57.4% | \$42.22 | |

For the Three Months Ended June 30, 2007*

| Average Daily | | | | |
|----------------------------------|---------|-----------|---------|-------|
| | Rate | Occupancy | RevPAR | |
| Comfort Inn | \$75.62 | 63.9% | \$48.29 | |
| Comfort Suites | 87.54 | 67.8% | 59.36 | |
| Sleep | 69.74 | 65.4% | 45.63 | |
| Midscale without Food & Beverage | | 77.32 | 64.9% | 50.18 |
| Quality | 68.96 | 55.4% | 38.19 | |
| Clarion | 80.13 | 53.1% | 42.51 | |
| Midscale with Food & Beverage | | 71.58 | 54.8% | 39.24 |
| Econo Lodge | 52.85 | 48.4% | 25.55 | |
| Rodeway | 51.47 | 46.1% | 23.71 | |
| Economy | 52.56 | 47.8% | 25.14 | |
| MainStay | 69.53 | 69.7% | 48.43 | |
| Suburban | 40.39 | 70.7% | 28.56 | |
| Extended Stay | 46.65 | 70.5% | 32.88 | |
| Total Domestic System | \$70.98 | 59.1% | \$41.92 | |

| Change | | | | |
|----------------------------------|-----------------------|-----------|--------|--|
| | Average Daily Rate | Occupancy | RevPAR | |
| Comfort Inn | 4.5% | (180)bps | 1.7% | |
| Comfort Suites | 3.0% | (340)bps | (2.1%) | |
| Sleep | 3.9% | (290)bps | (0.8%) | |
| Midscale without Food & Beverage | 4.3% | (220)bps | 0.7% | |
| Quality | 2.7% | (140)bps | 0.1% | |
| Clarion | 4.7% | (40)bps | 3.9% | |
| Midscale with Food & Beverage | 2.9% | (110)bps | 0.8% | |
| Econo Lodge | 2.1% | (90)bps | 0.3% | |
| Rodeway | 2.6% | 180 bps | 6.7% | |
| Economy | 2.1% | (20)bps | 1.6% | |
| MainStay | 6.4% | (280)bps | 2.2% | |
| Suburban | 6.8% | (310)bps | 2.1% | |
| Extended Stay | 9.6% | (310)bps | 4.8% | |
| Total Domestic System | 3.6% | (170)bps | 0.7% | |

* Operating statistics represent hotel operations from March through May

For the Quarter Ended For the Six Months Ended
06/30/2008 06/30/2007 06/30/2008 06/30/2007

System-wide effective
royalty rate 4.20% 4.14% 4.20% 4.14%

CHOICE HOTELS INTERNATIONAL, INC.
SUPPLEMENTAL HOTEL AND ROOM SUPPLY DATA
(UNAUDITED)

June 30, 2008 June 30, 2007

| | Hotels | Rooms | Hotels | Rooms |
|----------------------------------|--------|---------|--------|---------|
| Comfort Inn | 1,449 | 113,230 | 1,424 | 111,230 |
| Comfort Suites | 504 | 39,155 | 453 | 35,494 |
| Sleep | 353 | 26,179 | 340 | 25,338 |
| Midscale without Food & Beverage | 2,306 | 178,564 | 2,217 | 172,062 |
| Quality | 868 | 82,120 | 783 | 75,840 |
| Clarion | 170 | 23,099 | 161 | 23,378 |
| Midscale with Food & Beverage | 1,038 | 105,219 | 944 | 99,218 |
| Econo Lodge | 834 | 51,947 | 819 | 49,882 |
| Rodeway | 319 | 18,761 | 256 | 15,412 |
| Economy | 1,153 | 70,708 | 1,075 | 65,294 |
| MainStay | 32 | 2,448 | 29 | 2,166 |
| Suburban | 57 | 6,930 | 60 | 7,853 |
| Extended Stay | 89 | 9,378 | 89 | 10,019 |
| Cambria Suites | 7 | 766 | 1 | 119 |
| Domestic Franchises | 4,593 | 364,635 | 4,326 | 346,712 |
| International Franchises | 1,115 | 99,030 | 1,148 | 99,114 |
| Total Franchises | 5,708 | 463,665 | 5,474 | 445,826 |

| Variance | | | | | |
|----------------------------------|--------|--------|--------|---------|--|
| | Hotels | Rooms | % | % | |
| Comfort Inn | 25 | 2,000 | 1.8% | 1.8% | |
| Comfort Suites | 51 | 3,661 | 11.3% | 10.3% | |
| Sleep | 13 | 841 | 3.8% | 3.3% | |
| Midscale without Food & Beverage | 89 | 6,502 | 4.0% | 3.8% | |
| Quality | 85 | 6,280 | 10.9% | 8.3% | |
| Clarion | 9 | (279) | 5.6% | (1.2%) | |
| Midscale with Food & Beverage | 94 | 6,001 | 10.0% | 6.0% | |
| Econo Lodge | 15 | 2,065 | 1.8% | 4.1% | |
| Rodeway | 63 | 3,349 | 24.6% | 21.7% | |
| Economy | 78 | 5,414 | 7.3% | 8.3% | |
| MainStay | 3 | 282 | 10.3% | 13.0% | |
| Suburban | (3) | (923) | (5.0%) | (11.8%) | |
| Extended Stay | - | (641) | 0.0% | (6.4%) | |
| Cambria Suites | 6 | 647 | 600.0% | 543.7% | |
| Domestic Franchises | 267 | 17,923 | 6.2% | 5.2% | |
| International Franchises | (33) | (84) | (2.9%) | (0.1%) | |
| Total Franchises | 234 | 17,839 | 4.3% | 4.0% | |

CHOICE HOTELS INTERNATIONAL, INC.
SUPPLEMENTAL INFORMATION BY BRAND
DEVELOPMENT RESULTS -- DOMESTIC NEW HOTEL CONTRACTS
(UNAUDITED)

For the Six Months For the Six Months
Ended June 30, Ended June 30, % Change
2008 2007

| | New Con- struc- tion | New Con- ver- sion | New Con- struc- tion | New Con- ver- sion | New Con- struc- tion | New Con- ver- sion | New Con- struc- tion | New Con- ver- sion | New Con- struc- tion | New Con- ver- sion |
|-------------------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|-------------------------------|-----------------------------|
| Comfort Inn | 22 | 27 | 49 | 16 | 20 | 36 | 38% | 35% | 36% | |
| Comfort Suites | 42 | 3 | 45 | 40 | 3 | 43 | 5% | 0% | 5% | |
| Sleep | 32 | 2 | 34 | 16 | 1 | 17 | 100% | 100% | 100% | |
| Midscale without Food & Beverage | 96 | 32 | 128 | 72 | 24 | 96 | 33% | 33% | 33% | |
| Quality | 2 | 75 | 77 | 5 | 63 | 68 | (60%) | 19% | 13% | |
| Clarion | 5 | 21 | 26 | 4 | 21 | 25 | 25% | 0% | 4% | |
| Midscale with Food & Beverage | 7 | 96 | 103 | 9 | 84 | 93 | (22%) | 14% | 11% | |
| Econo Lodge | 1 | 39 | 40 | 2 | 28 | 30 | (50%) | 39% | 33% | |
| Rodeway | 2 | 48 | 50 | - | 39 | 39 | NM | 23% | 28% | |
| Economy | 3 | 87 | 90 | 2 | 67 | 69 | 50% | 30% | 30% | |
| MainStay | 1 | - | 1 | 4 | 1 | 5 | (75%) | (100%) | (80%) | |
| Suburban | 4 | - | 4 | 7 | 2 | 9 | (43%) | (100%) | (56%) | |
| Extended Stay | 5 | - | 5 | 11 | 3 | 14 | (55%) | (100%) | (64%) | |
| Cambria Suites | 5 | - | 5 | 15 | - | 15 | (67%) | NM | (67%) | |
| Total Domestic System | 116 | 215 | 331 | 109 | 178 | 287 | 6% | 21% | 15% | |

For the Three For the Three

| | Months Ended June 30, 2008 | | | Months Ended June 30, 2007 | | | % Change | | |
|----------------------------------|----------------------------|-----------------|-------|----------------------------|-----------------|-------|----------------|-----------------|--------|
| | New Con- struc- tion | Conver- sion | Total | New Con- struc- tion | Conver- sion | Total | struc- tion | Conver- sion | Total |
| Comfort Inn | 11 | 18 | 29 | 11 | 17 | 28 | 0% | 6% | 4% |
| Comfort Suites | 27 | - | 27 | 26 | 2 | 28 | 4% | (100%) | (4%) |
| Sleep | 21 | - | 21 | 8 | 1 | 9 | 163% | (100%) | 133% |
| Midscale without Food & Beverage | 59 | 18 | 77 | 45 | 20 | 65 | 31% | (10%) | 18% |
| Quality | 2 | 47 | 49 | 4 | 28 | 32 | (50%) | 68% | 53% |
| Clarion | 4 | 11 | 15 | 2 | 15 | 17 | 100% | (27%) | (12%) |
| Midscale with Food & Beverage | 6 | 58 | 64 | 6 | 43 | 49 | 0% | 35% | 31% |
| Econo Lodge | - | 20 | 20 | 1 | 15 | 16 | (100%) | 33% | 25% |
| Rodeway | 1 | 30 | 31 | - | 28 | 28 | NM | 7% | 11% |
| Economy | 1 | 50 | 51 | 1 | 43 | 44 | 0% | 16% | 16% |
| MainStay | - | - | - | 4 | 1 | 5 | (100%) | (100%) | (100%) |
| Suburban | 2 | - | 2 | 3 | 1 | 4 | (33%) | (100%) | (50%) |
| Extended Stay | 2 | - | 2 | 7 | 2 | 9 | (71%) | (100%) | (78%) |
| Cambria Suites | 4 | - | 4 | 9 | - | 9 | (56%) | NM | (56%) |
| Total Domestic System | 72 | 126 | 198 | 68 | 108 | 176 | 6% | 17% | 13% |

CHOICE HOTELS INTERNATIONAL, INC.
DOMESTIC HOTEL PIPELINE OF HOTELS UNDER CONSTRUCTION, AWAITING
CONVERSION OR APPROVED FOR DEVELOPMENT
(UNAUDITED)

A hotel in the domestic pipeline does not always result in an open and operating hotel due to various factors.

| | June 30, 2008 | | | June 30, 2007 | | |
|----------------------------------|---------------|-----------------|-------------------------|---------------|-----------------|-------------------------|
| | Units New | Conver- sion | Constr- uction Total | Units New | Conver- sion | Constr- uction Total |
| Comfort Inn | 50 | 128 | 178 | 42 | 121 | 163 |
| Comfort Suites | 3 | 280 | 283 | 3 | 240 | 243 |
| Sleep Inn | 2 | 149 | 151 | - | 108 | 108 |
| Midscale without Food & Beverage | 55 | 557 | 612 | 45 | 469 | 514 |
| Quality | 81 | 16 | 97 | 68 | 11 | 79 |
| Clarion | 36 | 9 | 45 | 23 | 7 | 30 |
| Midscale with Food & Beverage | 117 | 25 | 142 | 91 | 18 | 109 |
| Econo Lodge | 43 | 3 | 46 | 44 | 4 | 48 |
| Rodeway | 54 | 3 | 57 | 61 | 1 | 62 |
| Economy | 97 | 6 | 103 | 105 | 5 | 110 |
| MainStay | 2 | 35 | 37 | 1 | 33 | 34 |
| Suburban | 1 | 36 | 37 | 5 | 30 | 35 |
| Extended Stay | 3 | 71 | 74 | 6 | 63 | 69 |
| Cambria Suites | - | 61 | 61 | - | 56 | 56 |
| | 272 | 720 | 992 | 247 | 611 | 858 |

Variance

New

| | Conversion | | Construction | | Total | |
|----------------------------------|------------|-------|--------------|-------|-------|------|
| | Units | % | Units | % | Units | % |
| Comfort Inn | 8 | 19% | 7 | 6% | 15 | 9% |
| Comfort Suites | - | 0% | 40 | 17% | 40 | 16% |
| Sleep Inn | 2 | NM | 41 | 38% | 43 | 40% |
| Midscale without Food & Beverage | 10 | 22% | 88 | 19% | 98 | 19% |
| Quality | 13 | 19% | 5 | 45% | 18 | 23% |
| Clarion | 13 | 57% | 2 | 29% | 15 | 50% |
| Midscale with Food & Beverage | | | 26 | 29% | 7 | 39% |
| | | | | | 33 | 30% |
| Econo Lodge | (1) | (2%) | (1) | (25%) | (2) | (4%) |
| Rodeway | (7) | (11%) | 2 | 200% | (5) | (8%) |
| Economy | (8) | (8%) | 1 | 20% | (7) | (6%) |
| MainStay | 1 | 100% | 2 | 6% | 3 | 9% |
| Suburban | (4) | (80%) | 6 | 20% | 2 | 6% |
| Extended Stay | (3) | (50%) | 8 | 13% | 5 | 7% |
| Cambria Suites | - | NM | 5 | 9% | 5 | 9% |
| | 25 | 10% | 109 | 18% | 134 | 16% |

CHOICE HOTELS INTERNATIONAL, INC.
SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION
(UNAUDITED)

CALCULATION OF FRANCHISING REVENUES AND ADJUSTED FRANCHISING MARGINS

| | Three Months Ended | | Six Months Ended | |
|---|--------------------|-----------|------------------|-----------|
| (dollar amounts in thousands) | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Franchising Revenues: | | | | |
| Total Revenues | \$167,120 | \$156,491 | \$295,975 | \$271,420 |
| Adjustments: | | | | |
| Marketing and reservation revenues | (85,336) | (80,592) | (153,762) | (141,379) |
| Hotel Operations | (1,288) | (1,193) | (2,330) | (2,289) |
| Franchising Revenues | \$80,496 | \$74,706 | \$139,883 | \$127,752 |
| Franchising Margins: | | | | |
| Operating Margin: | | | | |
| Total Revenues | \$167,120 | \$156,491 | \$295,975 | \$271,420 |
| Operating Income | \$44,578 | \$47,363 | \$78,630 | \$74,749 |
| Operating Margin | 26.7% | 30.3% | 26.6% | 27.5% |
| Adjusted Franchising Margins: | | | | |
| Franchising Revenues | \$80,496 | \$74,706 | \$139,883 | \$127,752 |
| Operating Income | \$44,578 | \$47,363 | \$78,630 | \$74,749 |
| Acceleration of management succession plan benefits | 6,069 | - | 6,069 | - |
| Executive termination benefits | - | - | - | 3,690 |
| Hotel Operations | (427) | (399) | (704) | (754) |
| | \$50,220 | \$46,964 | \$83,995 | \$77,685 |
| Adjusted Franchising Margins | 62.4% | 62.9% | 60.0% | 60.8% |

CALCULATION OF ADJUSTED NET INCOME AND ADJUSTED DILUTED EARNINGS PER SHARE (EPS)

(In thousands, except per share Three Months Ended Six Months Ended

| | | | | |
|--|----------|----------|----------|----------|
| amounts) | June 30, | | June 30, | |
| | 2008 | 2007 | 2008 | 2007 |
| Net Income | \$27,008 | \$28,645 | \$45,585 | \$44,960 |
| Adjustments: | | | | |
| Acceleration of management succession plan | 3,799 | - | 3,799 | - |
| Executive termination benefits | - | - | - | 2,310 |
| Adjusted Net Income | \$30,807 | \$28,645 | \$49,384 | \$47,270 |
| Weighted average shares outstanding -- diluted | 62,863 | 66,599 | 62,733 | 66,823 |
| Diluted Earnings Per Share | \$0.43 | \$0.43 | \$0.73 | \$0.67 |
| Adjustments: | | | | |
| Acceleration of management succession plan | 0.06 | - | 0.06 | - |
| Executive termination benefits | - | - | - | 0.04 |
| Adjusted Diluted Earnings Per Share (EPS) | \$0.49 | \$0.43 | \$0.79 | \$0.71 |

Adjusted EBITDA Reconciliation

(in millions)

| | YTD | YTD | Full | | |
|--|---------|---------|---------|---------|---------|
| | Q2 2008 | Q2 2007 | 2008 | 2007 | Year |
| | Actuals | Actuals | Actuals | Actuals | 2008 |
| Operating Income (per GAAP) | \$44.6 | \$47.4 | \$78.6 | \$74.7 | \$181.5 |
| Acceleration of management succession plan | 6.1 | - | 6.1 | - | 6.1 |
| Executive termination benefits | - | - | - | 3.7 | - |
| Depreciation and amortization | 2.1 | 2.1 | 4.1 | 4.3 | 8.9 |
| Adjusted Earnings before interest, taxes, depreciation & amortization (non-GAAP) | \$52.8 | \$49.5 | \$88.8 | \$82.7 | \$196.5 |

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Web site: <http://www.choicehotels.com/>

<https://stage.mediaroom.com/choicehotels/2008-07-28-Choice-Hotels-Reports-Second-Quarter-2008-Adjusted-Diluted-EPS-of-0-49-Domestic-Unit-Growth-of-6-2>