France 2007: In 2007, hotel chains made 8.5 billion dollars in turnover in France, a double-digit percentage increase

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The French hotel industry, after benefiting from an image overhaul and improvement of products and services, reaps the rewards for these efforts with these exceptional results, unequalled since the year 2000.

The 3* and 4* categories saw the most dynamic progression in RevPAR, up +9.9% and +11.4% respectively. The increase in average rates, along with occupancy rate growth of nearly 3 points over the year, attest to the strength of the French hotel demand.

In 2007, the ’good health’ of the 4* category helped with growth in other segments

Performance of integrated hotel chains by category in France in 2007 - First Estimates

	Occupation Rate	Difference in OR (pts)	Average Rates	Evolution of A R %	RevPA R	Evolution of RevPAR %
0*/1*	71.2%	0.2	37.3	4.8%	26.6	5.1%
2*	69.6%	1.8	62.3	3.9%	43.4	6.7%
3*	66.7%	2.8	91.6	5.3%	61.1	9.9%
4*	72.2%	2.9	198.7	6.9%	143.5	11.4%
GLOBAL	69.6%	1.8	82.3	6.4%	57.3	9.2%

Source : MKG Hospitality’s database - official provider of data for hotel chains - January 2008

Average Rates and RevPAR expressed in euros (tax included)

As predicted by MKG Hospitality at the beginning of the year, 2007 was excellent for the French hotel industry. With an occupation level up 1.8 points and an average rate which increased by 6.4%, the evolution of RevPAR reached 9.2% over the year. The month of December ended the year in style, with a 10.3% increase in RevPAR. The whole of this performance is reflected in a turnover increase of 11% for hotel chains, or 8.5 billion euros.

The midscale and upscale segments had the most positive impact on results, like in 2006, and it was the 4* category which registered the most important progression in its indicators. In this category, the dynamism of both the Business segment and the international clientele guaranteed this growth in the volume of demand. This was confirmed in 2007 by a rise in occupation rates, which in turn resulted in an +7% adjustment of average rates for the 4* category. Other than the rate increase, the progression of average rates also resulted in changes in the client mix. The boost in activity is headed by the clients that pay the most in terms of average rates -namely, international and business travelers. A greater number of these clients had an impact on the volume of rooms sold, which also contributes to the increase in average rates. The result for RevPAR of the 4* category showed a two-digit progression over the course of the year.

The overwhelming ’good health’ of the 4* sector had a positive impact on other segments: 2* and 3* establishments registered respective progressions in occupation rates of +1.8 and +2.8 points, respectively (versus +0.4 point for 2* and +0.8 point for 3* hotels in 2006). An acceleration of the growth was particularly felt by 3* hotels, which took advantage of the rate increase in the upscale category in order to win back clients who may have been attracted to the abundance of promotional prices for 4* hotels in recent years.

The super-economy segment showed less progression in RevPAR with only 5% growth, mainly due to the increase in average rates. While the category experienced some stagnation in occupancy rates in 2007, they did not decrease as they did in 2006 (-0.6 point). However, occupancy rates for this category remain high, at over 70% on average annually. Since this category is less affected by positive or negative market changes, the progression in RevPAR is rather linear from year to year.

The highest increase in RevPAR since 2000

The year 2007 turned out to be the best year for RevPAR since 2000 (+9.4%). The period between 2000 and 2003 was marked by a slower cycle for hotels, yet the period from 2004 to today showed a marked acceleration in the progression of performance indicators from year to year.

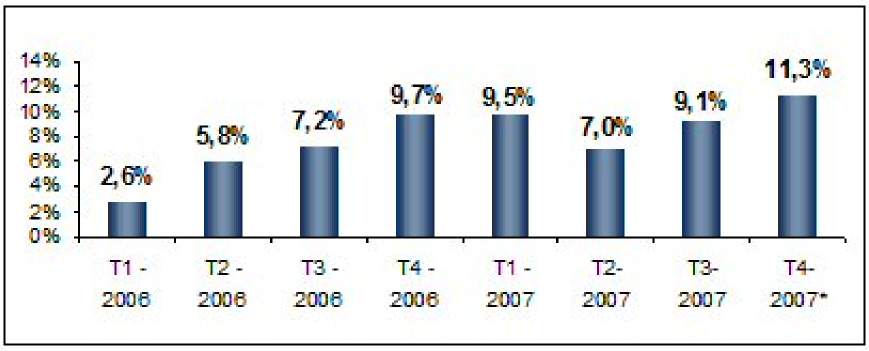
More interestingly, an analysis of 2007 reveals a progression in hotel indicators which remained high throughout the year.

Over the first quarter, the RevPAR increased by 9.5%, riding on an upward trend already evident at the end of 2006. The beginning of the second quarter was slightly slower due to the number of holidays, which tend to restrain business travel. In addition, pre-election periods are traditionally less active for the industry. The first semester of the year still ended with an exceptional month of June, most notably with the Air Show in Paris.

During the summer months, the unpredictable weather did not seem to have a negative impact on hotel activity, which was boosted by an important influx of foreign clients. The evolution of consumer habits regarding tourism and the development of urban leisure tourism had a marked impact on chain establishments, mainly those well implanted in large cities and their outskirts. These factors helped with the RevPAR results for the third quarter, which showed an increase of 9.1%.

The final three months of the year registered a record growth in RevPAR (+11.3%). The activity generated by the Rugby World Cup had a forcefully positive impact on RevPAR, which increased by a remarkable 14.3% in October, the highest progression over the year, just above that of June (13.4%). Despite a year-end marked by social conflict, progression of indicators remained high in November and December proved another positive month.

Rate of RevPAR variation per Quarter in France in 2006 and 2007



Source : MKG Hospitality's database - official provider of data for hotel chains - January 2008

** Based on provisional results for December*

Paris is still the driving force for hotel performance

The main factors in the success of hotel performance in 2007 -the Business segment, international clients, the important events (the Paris Air Show, the Rugby World Cup, the salon Bâtimat...) and a move towards urban leisure tourism all benefited, first and foremost, establishments in Paris and the Ile-de-France. The French capital registered a progression of 13.7% in revenue per room.

Performance of hotel chains in Paris, Ile-de-France and Provincial France

Cumulated results from January to December 2007 - First Estimates

	Occupation Rate	Difference in OR (pts)	Average Rates	Evolution of AR%	RevPAR	Evolution of RevPAR %
Paris	81.7%	3.8	147.1	8.5%	120.1	13.7%
Ile-de-France	72.8%	3.6	70.8	5.4%	51.5	10.9%
Provincial France	66.1%	0.7	68.4	5.0%	45.2	6.1%

Source : MKG Hospitality's database - official provider of data for hotel chains - January 2008

Average Rates and RevPAR expressed in euros (tax included)

RevPAR progression was much more rapid in Paris than in provincial France, which was true for all segments of the market.

It can also be observed that the increase initiated in Paris was seen all over the Ile-de-France. Suburban areas and departments just outside of Paris had higher positive results as well, with a progression of 3.6 points (versus +1.3 points in 2006).

On average, hotels in provincial regions of France, which covers a variety of markets from one region to another, showed a lower increase in RevPAR, 6.1%. This is primarily due to an increase in average rates (+5%), while the occupancy rate increased by 0.7 point.

The year was overall a success for major cities: greater Paris, Lyon and Marseille all registered an evolution in RevPAR of over 10% (cumulated through end-November 2007). The regions surrounding metropoles other than Paris, namely the Rhône-Alps and PACA (Provence-Alps-Côte d'Azur) regions, also showed excellent results, with a growth in revenue per room of +9.6% and 8.1%, respectively.

2007 will also be a year to remember for the northeast quarter of France, thanks to the new TGV train service to the east inaugurated in June, with which hoteliers can legitimately expect a favourable impact. Strasbourg, for example, registered an elevated performance throughout the second semester. The RevPAR also recorded a remarkable progression in August (+28.5%), in October (+12.9%) and in November (+18.2%). According to the results from MKG Hospitality's daily tracking observatory for hotel performance, this trend was also confirmed in December, with a progression in RevPAR of about 15%.

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