

Press release

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Blackstone, cornerstone of the hotel industry, reaches n°1 position in MKG's ranking of hotel groups

- Blackstone, the real estate investment fund, has just signed a takeover agreement for Hilton Hotels Corporation, totalling more than 2,800 properties and 480,000 rooms in the Hilton family of brands.
- Hilton Hotels will be added to a long list of hotel assets and hotel groups which have been purchased by Blackstone over the past two years: La Quinta, Wyndham, MeriStar Hospitality, LXR Luxury, Lone Star France... thus allowing the group to become the leading hotel operator in the world, and controlling approximately 600,000 rooms –560,000 of which belong to the group's different brands. The combination of the brands controlled by Blackstone therefore gives Blackstone the n°1 position in MKG's ranking of hotel groups.
- Similarly, Colony Capital has become the N°1 shareholder of the Accor Group, and partners with Kingdom Hotel Investment the control of the Fairmont-Raffles group. After having heavily invested in hotel assets, investment funds are taking over direct control of major hotel groups.

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By offering 47.50 dollars per share, Blackstone has launched a takeover bid on all of the Hilton Hotels Corporation's shares while taking on the group's debt, for a total of 26 billion dollars (19 billion Euros). Sixteen months after both Hilton entities reunited under the leadership of the American giant, this latest news proves the growing interest of investment funds in the hotel sector, and not just for hotel real estate assets.

After the Hilton reunification in February 2006, the Hilton Hotels Corporation (which ranks 4th worldwide) boasted a network of approximately 2,800 hotels in nearly 80 countries, with a total number of 480,000 rooms, most of which were under franchise contracts in the United States and under management contracts in other countries. Via different acquisitions, notably the purchase of the Promus group in 1998, Hilton Hotels have grown while developing a larger range of brands: Embassy Suites, Doubletree, Hampton Inn & Suites, Hilton Garden Inn, Conrad, Waldorf-Astoria Collection and Homewood Suites by Hilton.

Before the reunification took place, Hilton International had carried out major asset disposal operations while trying to preserve its lease and management contracts as much as possible. This policy continued, most recently after the signature of the Morgan Stanley Real Estate agreement which consisted of 10 European hotels bought for a total of 750 million Euros. There remain, however, a fair number of historic assets, including the New York Waldorf Astoria.

The scope of this takeover, combined with other recent takeovers, has made Blackstone a major actor in the hotel industry. The group now owns or manages more than 100,000 hotel rooms in the United States and Europe.

In May 2005, Blackstone purchased Wyndham International for 3.2 billion dollars. It maintained ownership of approximately 30 upmarket properties, meanwhile entrusting the management of the Wyndham brand to the former Cendant hotel group. Some months later, Blackstone created a new luxury hotel chain, LXR Luxury Resorts, which brought together 14 former Wyndham hotels and 7 other hotels from the Blackstone portfolio.

In December 2005, Blackstone purchased the La Quinta Corp group (which ranks n° 13 worldwide) for 3.4 billion dollars. This meant control of the largest American economy hotel chain, which owns and manages approximately 360 hotels as well as the franchise contracts for 250 properties under the names of La Quinta Inns, La Quinta Inn & Suites, Baymont Inn & Suites, Woodfield Suites and Budgetel. The total represents approximately 65,000 rooms.

In February 2006, the MeriStar Hospitality Corporation became part of the Blackstone group for 2.6 billion dollars. The acquisition included the company's 57 upmarket hotels under various brand names in the United States, offering more than 16,500 rooms.

In Europe, Blackstone indulgently purchased several hotel "jewels" such as the London Grosvenor Square and the Westin Trianon Palace in Versailles. It also took over the assets of the Lone Star France group, which owned approximately 60 hotels (roughly 5,000 rooms) operated under brand names such as Mister Bed, Campanile, Kyriad, Comfort Hotel and Première Classe. Blackstone was for a while also a partner of the Accor and Colony Capital groups under the name of ABC Hôtels, which owned Libertel brand hotels, since sold.

With the new Hilton deal, Blackstone will not only own immense resources of hotel real estate under numerous brand names, but it will also directly control approximately fifteen brands, totalling over 560,000 rooms. This will put the group at the top of MKG's worldwide hotel group ranking, surpassing the current leader, InterContinental Hotels Group.

By taking over Travelport, the distribution subsidiary of the ex-Cendant group, for 4.3 billion dollars, Blackstone now also has control of a complete set of distribution tools in the tourist industry including GDS systems Galileo and Worldspan, as well as the online sales websites Orbitz, Flairview, Rates to Go, Hotelclub, eBookers, Octopus, and the Gullivers Travel network of travel products and services.

With these developments, further questions arise: Will Blackstone try to create synergistic links between its hotel chains? Will they now benefit from the support of special online distribution systems? Blackstone's decisions on how to handle this mass of hotel capital will be important during the coming months.

On a smaller scale, Colony Capital has a similar approach by investing directly in hotel groups. The group recently expanded this practice by taking over the Raffles-Swissotel group – which was later brought into the joint venture with Kingdom Hotel Investment, and finally merged with the Fairmont group. By converting into shares the two loan settlements from the agreement with the Accor group, Colony Capital has become the main individual shareholder of the hotel group, with 10.3% capital and an influential member in the strategic committee.

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