

Regulated Information

Paris, October 20, 2008

Accor: a Group in Transformation

Transformation is already paying off

Accor organized an Investor Day on October 20 and 21, 2008. The two-day session focused on the fundamentals of the Group's two core businesses, which are both experiencing a structural transformation.

After the disposal of non-strategic assets over the past three years, which have totalled €1.4 billion representing 15% of capital employed, the Group's focus now is on two fast-growing, low cyclical businesses.

Hotels

Strategic repositioning and product innovations have strengthened the Group's brands at a time when hotel owners need to be reassured about their market appeal and operating efficiency. In a more segmented market, existing brands like Sofitel have been repositioned, other like Novotel went through extensive renovation programs, new brands such as Pullman and All Seasons have been introduced and the MGallery collection has been created.

Over the same period, the Group's property portfolio has been successfully restructured, in a commitment to building a new business model based on adapting ownership structures to each segment and geography. The asset-right strategy has been widely implemented since early 2005, covering 600 hotels for a total impact of more than €4.0 billion. Today, 55% of the network is operated under management contracts, franchise agreements or variable leases versus 35% in 2004. The objective is to reduce volatility in cash flow streams and optimize overall return on capital employed.

In addition, the expansion plan is starting to generate profit. The 113,000 rooms opened since 2003 have represented a total investment of €8.7 billion, of which less than €700 million was invested directly by Accor. Based on 2007 results, overall return on capital employed was 19.6%, above the targeted 15% to be achieved in five years.

These three initiatives have combined to drive improved performance, with a 1.2-point gain in Ebitdar margin and a 4.1-point increase in ROCE between 2005 and June 2008.

Services

Over the past three years, the Services business has delivered a strong 18.5% annual increase in revenue on average, within the guidance of 8 to 16% from organic development and another 5% from acquisitions. The pace of acquisitions has accelerated, with more than €500 million invested to prepare a new phase of development in the prepaid market.

This combined organic and acquisitions-led growth is feeding through to higher performance, driving a 2-point gain in Ebitdar margin and an average 21.2% increase in profit before tax between 2005 and 2007.

Group

At Group level, the strategies being pursued in the Hotels and Services businesses have had a positive impact both on return on capital employed, which has improved by nearly 4 points, to 14.5% at June 30, 2008 from 10.7% in 2005, and on Ebitdar margin, which has widened by 2.2 points over the same period.

They have also enabled the Group to return €2.4 billion to shareholders through share buybacks and special dividends.

Medium-term strategic initiatives

Hotels: transformed to become more resilient and more cash generative

Consolidate and leverage brands to drive the new business model

The wide array of initiatives undertaken over the past three years is expected to deliver benefits in today's more challenging environment. The broad-based deployment of yield management systems has enabled RevPAR to outperform the competitive set (by 2.5 points in France for the first-eight months 2008, for example), while the support platforms are providing efficient marketing and sales, procurement and other high value-added services to hotel owners. The recently launched worldwide A Club loyalty program and the extension of partnerships with Expedia and other companies are also expected to effectively boost top-line growth.

Asset disposal program: more to come

Despite the global credit crunch, Accor is committed to pursuing its asset right strategy. Another 600 properties have been identified for restructuring. Once completed, 77% of the network will be operated through management, franchise agreements or variable leases with far less capital intensity.

Expansion program: 40,000 rooms a year and a profit driver

The expansion plan is playing a key role as a driver for future profit. In emerging markets, the lack of hotel infrastructure combined with fast growing demand for affordable accommodation is

creating huge potential for Accor's future development. In Europe outside of France, the low penetration rates of economy hotel chains such as Ibis, Etap and Hotel F1 are also opening up fantastic opportunities.

The 200,000-room plan will be completed in 2011. Accor expects to open an average 40,000 rooms a year once cruising speed is reached in 2010, following on from the 155,000 rooms opened over the 2006-2010 period. As part of this process, Accor will invest €400 million every year out of a total investment of €4 billion. Of these €400 million, 80% will be committed in the economy and budget segments worldwide, which are enjoying sustained growth in demand and the industry's highest margins. The targeted return on investment should be above 20% after the fourth year. Of the 40,000 rooms, more than 60% will be opened in the economy and budget segments, 60% in emerging countries (particularly in China and India) and more than 80% under management, franchise contracts or variable leases (i.e. low-capital intensive structures).

Furthermore, Sofitel should evolve to a 100% asset-light management structure with a dedicated worldwide organization already in place.

Services: Shift from paper vouchers to electronic prepaid media to drive more growth

The technological shift from paper to electronic cards and on to web-based and mobile phone media is offering a unique potential for expanding into whole new areas. Beyond 2010, Accor Services will market products in five lines: Employee and Public Benefits, Rewards and Loyalty, Expense Management, Insurance Claims and Un-Underbanked Cards compared to an offering of a single product line (meal and food vouchers) in the past. This new phase of development has been supported with targeted acquisitions, such as PrePay Technologies in the UK, a European technological platform benefiting from a e-money status.

Accor Services expects its traditional prepaid products to enjoy 8 to 16% organic growth, led by innovation, technology and market development. Beyond 2010, new prepaid products revenue will grow by 15% annually, enabling prepaid business to grow organically between 10 to 18% a year.

Accor better shaped to face short-term headwinds

After three years of transformation process, the Group is now better shaped to cope with tougher economic conditions, especially in the Hospitality business. Indeed, the new business mix and the deep change in the Hospitality business model has modified the Group's profile and shaped it to face headwinds. Past cycles have proven the resilience of the Prepaid business and its ability to deliver sustained growth in any economic environment.

Furthermore, Accor has a solid financial position with €1.4 billion in unused committed lines of credit and no major debt renewal before 2012.

Finally, to face these more challenging times, Accor is implementing major immediate actions:

- Implementation of a €75-million cost cutting program, with €50 million in savings expected in 2009.

- After four years of strong investment, Accor decides to reduce by €100 million hotel renovation capex to around €415 million.
- On the expansion side, capital spending in hotels will be reduced also by €100 million to €400 million, representing 10% of the total €4 billion investment needed to finance the expansion plan of 40,000 new rooms per year beyond 2010.
- The Services expansion plan remains at €100 million per year.

Conclusion

Over the next two years, Accor will pursue the transformation of the hotel business model to make it more resilient and more cash generative, as well as the transformation of Services to speed up the growth through a business model based on prepaid electronic media and conquest of new markets. Those initiatives will create more value for Accor shareholders.

Accor, a major global group and the European leader in hotels, as well as the global leader in services to corporate clients and public institutions, operates in nearly 100 countries with 150,000 employees. It offers to its clients over 40 years of expertise in two core businesses:

- **Hotels, with the Sofitel, Pullman, MGallery, Novotel, Mercure, Suitehotel, Ibis, all seasons, Etap Hotel, Formule 1 and Motel 6 brands**, representing 4,000 hotels and nearly 500,000 rooms in 90 countries, as well as strategically related activities, such as **Lenôtre**;
- **Services**, with 30 million people in 40 countries benefiting from Accor Services products in employee and public benefits, rewards and loyalty, and expense management.

MEDIA CONTACTS

Emmanuelle Baumgartner
Senior Vice President
Media Relations Department
Phone: +33 1 45 38 84 77

Alain Delrieu
Senior Media Relations
Officer
Senior
Phone: +33 1 45 38 84 85

INVESTOR RELATIONS

Eliane Rouyer-Chevalier
Senior Vice President
Investor Relations and Financial
Communication
Phone: +33 1 45 38 86 26

Solène Zammito
Deputy Director
Investor Relations
Phone: +33 1 45 38 86 33