Press Release

Accor : a New Dynamic

- **2004 Profit Before Tax Up 13.2%**
- **Colony Capital Invests EUR 1 Billion in Accor**
- **New Real Estate Management Strategy**
- **Faster Expansion**

Paris, March 9, 2005._ Accor's profit before tax returned to growth in 2004, gaining 13.2% for the year. Early 2005 has seen two events of major importance for the Group—the investment of EUR 1 billion by Colony Capital and the implementation of a new real estate management strategy—that will strengthen Accor's finances and provide new resources to drive growth.

2004 profit before tax up 13.2%

(in EUR millions)	2003	2004	Reported change
Revenues	**6,828**	**7,123**	**+4.3%**
EBITDAR EBITDAR margin	**1,769** 25.9%	**1,859** 26.1%	**+5.3%**
Profit before tax	**523**	**592**	**+13.2%**

While business conditions varied in its leading markets, Accor returned to growth in 2004, meeting its announced targets and continuing to improve its balance sheet.

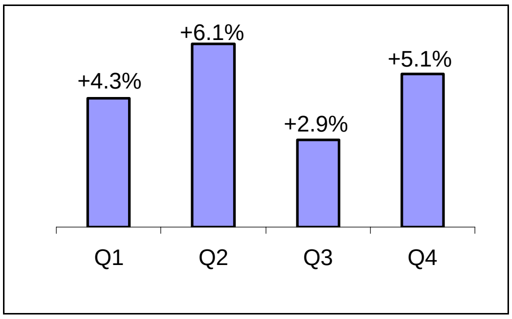
Consolidated revenues rose by 4.3% or EUR 295 million to EUR 7,123 million. On a like-for-like basis (excluding the impact of changes in scope of consolidation and exchange rates), revenues were up 4.6% for the year and 5.1% in the fourth quarter alone, reflecting firm demand across the Group's operations.

Reported growth in revenues may be analyzed as follows:

• Revenues (like-for-like):	+ 4.6%
• Expansion:	+ 3.0%
• Currency effect: (EUR 139 million, essentially due to the dollar's decline against the euro)	- 2.0%
• Disposals:	- 1.2%
	+ 4.3%

The second quarter benefited from a favorable basis of comparison. After a lackluster summer in the Hotel business, in France and in the US economy segment, the fourth quarter showed an upturn, particularly in upscale and midscale hotels and the US economy segment, which is beginning to leverage the economic recovery.

Like-for-like quarter-on-quarter growth in 2004 revenues, which ended the year up 4.6%



Consolidated **earnings before interest, taxes depreciation, amortization and rental expense (EBITDAR)** rose by 5.3%, or EUR 90 million, to EUR 1,859 million. Growth may be analyzed as follows:

	(in EUR millions)
- Revenues (like-for-like):	107
- Expansion:	44
- Currency effect:	(46)
- Disposals:	(15)

In *upscale and midscale hotels*, EBITDAR margin improved by 0.5 points like-for-like to 24.4%. However, the recovery still varied by market:

- EBITDAR increased in 35% of country markets, with margins improving by an average 3.3 points.
- Growth was still weak in 65% of country markets, with margins declining by an average 1.1 point.

In *economy hotels outside the US*, EBITDAR margin held firm at a high 36.1% despite an increase in salary costs in most European countries.

In the *US economy segment,* EBITDAR margin contracted by 1.2 points to 36% under the adverse impact of around USD 13 million in non-recurring costs related to industrial accident risks in California. Excluding these costs, the margin would have been 37.1%, unchanged from 2003.

In the *Services* business, EBITDAR margin widened to 41.1% from 40.1% the year before. Margin improved by 4.9 points in Latin America and by 0.5 points in Europe.

Profit before tax rose by 13.2% to EUR 592 million, at the upper end of the EUR 570-590 million range forecast when interim results were released last September. The improvement marks a return to growth after two straight years of decline.

Net income, Group share ended the year down 11.5%, at EUR 239 million, due to the recognition of a non-recurring EUR 58 million impairment loss on Compass shares.

As a result, **earnings per share** amounted to EUR 1.20 versus EUR 1.36 in 2003, based on the weighted average 199,125,799 shares outstanding in 2004.

Cash flows

Funds from operations increased 7% to EUR 906 million.

Capital expenditure for renovation and maintenance rose by nearly 15% to EUR 326 million during the year, and represented 4.5% of revenues, versus 4.2% in 2003. **Free cash flow** amounted to EUR 580 million.

Capital expenditure for expansion totalled EUR 738 million, versus EUR 586 million in 2003, and included EUR 308 million for the acquisition of a 28.9% stake in Club Méditerranée (EUR 295 million paid in shares; the EUR 308 million includes a EUR 56 million earn-out payment, of which EUR 17 million will be payable in shares). Excluding the Club Méditerranée acquisition, expansion capex amounted to EUR 430 million for the year.

Asset disposals generated proceeds of EUR 456 million versus EUR 461 million in 2003.

Net debt continued to decline, with a further EUR 370 million reduction to EUR 2,092 million at December 31, 2004. Excluding the currency effect, debt was reduced by EUR 344 million in 2004, after EUR 167 million in 2003 and EUR 107 million in 2002.

Financial ratios

With shareholders' equity including minority interests of EUR 3,833 million and net debt of EUR 2,092 million at December 31, 2004, the **gearing** ratio amounted to 55% versus 67% a year earlier.

EBITDAR interest cover remained stable at 5.6 times.

At year-end, the **adjusted funds from operations/adjusted net debt ratio** had improved by 1.1 point, to 16.8% from 15.7% at December 31, 2003.

Return on capital employed (ROCE) rose to 10% from 9.2% in 2003.

With an after-tax ROCE of 8.3%, a weighted average cost of capital of 6.4% and capital employed of EUR 11.5 billion, the **economic value added (EVA®) created by Accor** totaled EUR 219 million, versus EUR 208 million in 2003.

Strategic advances in 2004

A number of strategic advances helped to broaden the Accor offering during the year:

- Hotel expansion was led by the opening of 188 new hotels, totaling 23,472 rooms.
- Accor Services entered the UK gift vouchers market by acquiring Capital Incentives.
- A 28.9% interest was acquired in Club Méditerranée.
- Groupe Lucien Barrière, a European leader in casinos, was created. Accor owns a 34% stake in the new company and is party to a shareholders' pact.
- Carlson Wagonlit Travel integrated the Protravel network in France and the Maritz network in the US.

Business in the period to end-February 2005

Business in the first two months of the year has been encouraging, with an increase in revenue per available room (RevPAR) in **owned** hotels.

Owned Hotels	*Occupancy rate*		*Average room rate*	*RevPAR*
	%	*Change*	*Change*	*Change*
Upscale and Midscale Europe	52.8%	-0.9 pts	+2.7%	+1.1%
Economy Europe	62.9%	0.0 pts	+4.0%	+4.0%
Economy US	59.1%	+1.7 pts	+2.7%	+5.7%

Services revenues were up by 10.6% for the period.

Colony Capital invests EUR 1 billion in Accor

Colony Capital, an international private real estate investment fund, has been Accor's partner since 1998 in the hotel and gaming businesses. As an international and strategic investor for Accor, Colony Capital makes a major investment that enables Accor to strengthen its equity capital, drive faster expansion and leverage Colony Capital's world-class expertise in hotel development. For all these reason, Colony Capital's investment represents a catalyst to improve the performance of Accor's stock.

Colony Capital will have representatives on the Supervisory Board and the Commitments Committee.

The investment, made by Colony VI and Colyzéo, will be structured as follows:

- A EUR 500 million issue of three-year ORA equity notes paying interest at 4.5% a year and redeemable for Accor shares at EUR 39 per share, a premium of 10.5% on the average share price over the past trading month.
- A EUR 500 million issue of five-year convertible bonds with a three-year put option, paying interest at 3.25% a year and convertible/exchangeable for Accor shares at EUR 43 per share, a premium of 22% on the average share price over the past trading month.

The Supervisory Board has unanimously approved the transaction, which will be submitted to shareholder approval at the Annual Meeting on May 3.

New real estate management strategy

To improve its financial flexibility, Accor has undertaken an innovative real estate management strategy designed to meet two main objectives:

- Reduce capital intensity in upscale hotels.
- Variablize holding costs in the midscale segment.

In the upscale segment (Sofitel), Accor wants to sell the hotel properties while retaining the management contract, sometimes with a minority stake, in order to reduce earnings volatility in a segment that is more sensitive to business cycles. The objective is for 75% of all Sofitel units to be under management contract in 2006, versus 62% in 2004 and 52% in 2000.

In midscale hotels, fixed leases are going to be transformed into variable leases based on a percentage of revenues with no minimum guaranteed. One of the objectives is to variablize a proportion of the hotels' fixed costs. In line with this strategy, an initial transaction, concerning 128 hotels in France worth an aggregate EUR 1 billion, has been signed with **Foncière des Murs**, a consortium of investors comprising Foncière des Régions, Generali, Assurances du Crédit Mutuel and Predica (a member of the Crédit Agricole Group). By 2006, 15% of Novotel and Mercure hotels should be under variable leases contracts, versus 1% in 2004.

This program should unlock additional financial resources of around EUR 400 million over the next 18 months, of which EUR 140 million from the transaction signed with Foncière des Murs.

In this way, Accor can focus on its core business and support its faster growth strategy.

Faster expansion

With its more substantial financial resources, Accor is going to step up the pace of growth and enjoy greater financial flexibility. The initial three-year (2005-2007) expansion capex budget has been increased by 39%, to EUR 1.7 billion from EUR 1.2 billion, with the goal of meeting two main objectives:

- In the Hotel business, to strengthen the Group’s forefront positions in European markets and gain new market share more quickly in high potential regions, like China, India, Russia, the Middle East and Latin America, which will provide new growth drivers over the medium term. The hotel base is expected to increase by 20% to 550,000 rooms in 2008.
- In the Services business, to capitalize on Ticket Restaurant®’s worldwide market leadership to become a major player in corporate human resources management services. Capital expenditure will be doubled to EUR 300 million over the 2005-2007 period.

How the funds will be used

EUR 500 million **ORA equity notes** Will immediately strengthen the capital base	**EUR 500 million** **Driving faster expansion** (5 years in 3)
EUR 400 million **Asset management strategy**	**EUR 400 million** **Enhancing financial flexibility** - Product repositioning - Acquisitions - Shareholder policy
EUR 500 million **Convertible bonds** Will increase the capital base in the future	**EUR 500 million** **Refinancing debt**

Recommended 2004 dividend

With the new growth dynamic and encouraging signs of an upturn in business, shareholders at the Annual Meeting on May 3 will be asked to approve the payment of:

- An ordinary dividend of EUR 1.05 (unchanged compared to 2003).
- An exceptional dividend of EUR 0.25

This amounts to a total dividend of **EUR 1.30 per share**, which, if approved, will be paid on May 17, 2005.

Supervisory Board Meeting of March 8, 2005

At the Annual Meeting on May 3, shareholders will be asked to elect Thomas J. Barrack and Sébastien Bazin to the Supervisory Board as representatives of Colony Capital, and a second representative of Caisse des Dépôts et Consignations. Mr. Bazin will serve as Chairman of the Commitments Committee, with one of the Caisse des Dépôts et Consignations representatives serving as Vice Chairman.

On a motion by Jean-Marc Espalioux, Chairman of the Management Board, the Supervisory Board has appointed Jacques Stern, Chief Financial Officer, to the Management Board.

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Transition to IFRS

Accor has been proactively managing the transition to IFRS since 2002. Adoption of these new standards will have no impact on either the Group's economic value or its cash position.

The main effects are as follows:

- *IAS 17 Leases*

<u>Straight-line recognition of lease payments under operating leases, excluding escalation clause adjustments</u>

In the French GAAP accounts, lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term, with the straight-line amount adjusted for the effect of escalation clauses generally based on the construction cost index or inflation. The practice of adjusting lease payments to include the effect of escalation clauses does not comply with IAS 17 and has therefore been abandoned in the IFRS accounts so that recognized lease payments represent a constant amount over the entire lease term. The effects of this change of method are a EUR 262 million reduction in equity and a EUR 49 million reduction in profit before tax.

Finance leases

IAS 17 sets out detailed criteria to be applied to determine whether a leasing arrangement constitutes a finance lease or an operating lease. When the contract qualifies as a finance lease, the asset is recognized in the balance sheet together with the related liability.

All outstanding leases have been reviewed based on the detailed criteria set out in IAS 17, leading to the reclassification of 34 contracts as finance leases. The effect on the opening IFRS balance sheet is a EUR 213 million increase in net debt and a EUR 31 million decrease in equity. The effect on profit—due to the recognition finance charges and the cost of depreciating the assets—is a negative EUR 7 million.

- *IAS 16 Components approach to depreciating property, plant and equipment*

According to IAS 16, each item of property, plant and equipment must be broken down into components, with the individual components depreciated separately over their respective useful lives. The effect of applying IAS 16 is a EUR 138 million reduction in equity, representing less than 2% of the total cost of property, plant and equipment in the balance sheet. The effect on profit before tax, arising from higher depreciation charges, is a decrease of EUR 17 million.

- *IFRS 3 Business Combinations - Goodwill*

Under IFRS 3, goodwill is not amortized but is subject to annual impairment tests as provided for in IAS 36. The effect of this change of method on net income is an increase of EUR 77 million.

- *IAS 38 Intangible Assets – Start-up costs*

In the IFRS accounts, start-up costs are recognized in expenses for the period in which they are incurred, whereas in the French GAAP accounts they are capitalized and amortized over 3 to 5 years. The effect of this change of method is a EUR 30 million reduction in equity.

- *IAS 36 Impairment of Assets*

In connection with the adoption of IAS 36, Accor has elected to apply the cost model to measure property, plant and equipment, not the revaluation model, and has also changed the definition of cash generating units. The effect on equity, mainly concerning Economy hotels, is a decrease of EUR 120 million. The effect on profit before tax is an increase of EUR 20 million.

- *IAS 32/39 Financial Instruments*

These standards require separate recognition of the debt and equity components of OCEANE convertible/exchangeable bonds.

The effects of the change of method are a EUR 103 million increase in equity in the opening IFRS balance sheet, offset by a EUR 103 million decrease in debt, and a EUR 31 million increase in finance charges recognized in the IFRS income statement.

Derivative instruments are now recognized in the balance sheet and measured at market value. The effects of the change of method are a EUR 20 million decrease in equity, offset by a EUR 20 million increase in debt.

The overall impact of the transition to IFRS is as follows:

- Impact on the opening IFRS balance sheet:
  EUR 651 million reduction in equity
  EUR 173 million increase in net debt
- Impact on 2004 IFRS results:
  EUR 79 million reduction in profit before tax
  EUR 6 million reduction in net income.

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With 168,000 people in 140 countries, **Accor** is the European leader and one of the world's largest groups in travel, tourism and corporate services, with two major international activities:

- **hotels**: nearly 4,000 hotels (463,427 rooms) in 90 countries, casinos, travel agencies, and restaurants;
- **services** to corporate clients and public institutions: 14 million people in 34 countries use a broad range of services (food vouchers, people care and services, incentive, loyalty programs, events) engineered and managed by Accor.

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