



Press Release

Strong Growth in 2005 First-Half Results Operating Profit Before Tax Up 22.8%

Paris – September 7, 2005

(In € millions) IFRS	June 30, 2004	June 30, 2005	% change reported	% change like-for-like*
Revenue	3,412	3,643	+6.8%	+5.0%
EBITDAR	840	904	+7.6%	+7.8%
EBITDAR margin (as a % of revenue)	24.6%	24.8%	+0.2 pt	+0.7 pt
Operating Profit before Tax	188	230	+22.8%	+26.1%
Net Income, Group share	64	156	+143.8%	
Funds From Operations	365	402	+10.0%	

*At constant scope of consolidation and exchange rates

2005 Interim Results

The first half of 2005 confirmed the sustained recovery across the business base, which drove a 22.8% increase (26.1% like-for-like) in **Operating Profit before Tax** to €230 million. Net Income, Group share, rose sharply to €156 million, from €64 million the year before, primarily reflecting the capital gain on the sale of 128 hotel properties as part of the Group's new asset management policy.

In the **Hotels** business, the Upscale and Midscale segment (36% of total EBITDAR) enjoyed strong growth, with EBITDAR expanding 5.0% and margin improving 0.6 points like-for-like. This encouraging growth was led by a strong performance in France—where margins rose thanks to the optimization of average room rates—and in North America.

Economy Hotels Europe (25% of total EBITDAR) continued to turn in good results, helped by a general increase in room rates. EBITDAR rose 6.0% like-for-like, while margin widened 0.5 points to 34%.

Economy Hotels US (17% of total EBITDAR) posted a 4.5% increase in EBITDAR, but margin was unchanged at 33.9%, due to the negative impact of energy costs and a one-time increase in certain payroll costs in the first half. Since this one-time increase is non-recurring, margin is expected to be higher in the second half.



The **Services** business (13% of total EBITDAR) recorded substantial growth, thanks to the opening of new markets in Europe and a carefully managed growth strategy. On a like-for-like basis, EBITDAR rose 15.0%, lifting the margin by 0.8 points to 40.1%.

In the **Travel Agencies business** (4% of total EBITDAR), synergies arising from the acquisition of Protravel in France and Maritz in the United States combined with sustained demand in Europe contributed to a 40% like-for-like increase in EBITDAR and a 3.2-point gain in margin.

The sharp increase in net income, Group share reflects both the strong growth in revenue and the €109 million capital gain on the sale of 128 hotel properties in France to Foncière des Murs. The hotel leases have been converted from fixed rents to variable rents, with no guaranteed minimum.

Summer business and 2005 outlook

RevPAR increased during July and August, gaining 1.0% in Upscale and Midscale Hotels Europe, 2.8% in Economy Hotels Europe and 4.8% in Economy Hotels US. In the **Services** business, revenue grew 14.5% during the two month-period.

Accor has set a full-year objective of operating profit before tax of €590 million to €610 million, an increase of 15% to 20%, and of net income of around €300 million, up 30%.

Real estate strategy

Accor is successfully pursuing its innovative asset management policy focused on using the right operating structure for each segment, with the goal of reducing earnings volatility and optimizing return on capital employed.

As part of this policy, three programs were launched in the first half:

- In the Upscale segment, 6 Sofitel properties in the United States (2,000 rooms) have been put on the market for sale while retaining management contracts with minority stakes.
- In the Midscale segment, a second major transaction involving the sale and leaseback of hotels under variable-rent leases is underway. The first transaction with Foncière des Murs covered 128 hotels, whereas this second one concerns roughly 80 European units, most of which are wholly owned.
- In every segment, the Group will pursue its portfolio optimization program (26 hotels were sold in the first half), either by disposing of unprofitable hotels or by selling and franchising back non-strategic units. The goal is to sell 50 hotels by the end of 2006.



Expansion strategy

Accor opened its 4,000th hotel in June and is scheduled to open close to 200 properties (24,000 rooms) over the full year. Three quarters of this expansion is taking place in buoyant European markets and emerging economies. In the **Services** business, **new fast-growth markets** are being created in countries where Accor already has operations. At the same time, Accor Services is expanding its offering via acquisitions.

The first half of 2005 confirmed the growth in Accor's financial results. A more favorable hotel business cycle in Europe, coupled with a more assertive room rate management policy, should help to improve earnings performance in the coming months.

The real estate strategy is helping to reduce earnings and cash flow volatility, while enabling the allocation of capital to the most profitable segments.

A major expansion program in these segments is underway with promising results. Accor plans to use the funds from Colony Capital to open 1,000 hotels by 2009, increasing its portfolio to 5,000 properties.

In light of the fact that the terms of Management Board members are scheduled to expire on January 15, 2006, the Supervisory Board felt that a replacement process should be organized for the current management team, with a view to overseeing the Group's new phase of development. Measures were therefore taken to enable the Supervisory Board to make the appropriate decisions before January 15, 2006. Accor Chairman Jean-Marc Espalioux, who said that he would not ask that his term be renewed, is participating in this process.

The Supervisory Board of Accor wishes to thank Mr. Espalioux for all that he has done over the past nine years. After modernizing the Group, he undertook, in the difficult years following September 11, 2001, the necessary measures to put Accor back on the road to earnings growth and improved profitability, while pursuing the Group's expansion.



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: over 4,000 hotels (more than 466,000 rooms)** in 92 countries, casinos, travel agencies, and restaurants;
- **services** to corporate clients and public institutions: 19 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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*Toutes les informations sur Accor sont disponibles sur Internet : **accor.com***