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The French version of this registration statement was filed with the "Commission des Opérations de Bourse" **COB** (the French Stock Exchange Commission) on May 20, 1998, under reference number R.98-204; it may not be used to support a Stock Exchange transaction unless it is accompanied by listing particulars bearing the official approval of the "Commission des Opérations de Bourse".

MILESTONES

1967

opening of the first Novotel hotel in Lille, France, and creation of the company Novotel SIEH by Paul Dubrulle and Gérard Pélisson;

1974

opening of the first Ibis hotel;
purchase of the CourtePaille restaurant chain;

1975

purchase of the Mercure hotel chain;

1980

purchase of the Sofitel hotel chain;

1981

initial public offering of SIEH;

1982

acquisition of full control of Jacques Borel International (Service Vouchers, Public Restaurants and Institutional Catering);

1983

creation of Accor;

1985

creation of the Formule 1 budget hotel chain;

1990

acquisition of the Motel 6 chain in the US;

1991

tender offer for Compagnie Internationale des Wagons-Lits et du Tourisme (Hotels, Travel Agencies, Car Rental, Restaurants, Railway Services);

1993

creation of AAPC in Asia, following the merger of Accor's activities in the region with Quality Pacific Corp.;

1996

launch of "Carte Compliment" (payment and loyalty card);

1997

new corporate structure with Management and Supervisory Boards; Carlson Wagonlit Travel merger.

Management Report presented by the Management Board to the Ordinary Shareholders' Meeting

Group activities

Accor is a global Group with leadership positions in the world of Travel, Tourism and Business Services.

Hotels

Over the years, Accor has built the world's leading hotel network. With 2,577 hotels and 288,269 rooms at 1997 year end, Accor is present in all segments of the hotel market – from Economy and Budget (Motel 6 in the US, Formule 1, Etap'Hotel, Ibis) to Business and Leisure Hotels (Mercure, Novotel, Sofitel), including Resort Hotels under the Coralina and Thalassa labels, Hotel Residences (Parthenon) and Senior Citizen Hotels (Hotelia).

Accor's hotel network is well-balanced across geographical regions. In terms of rooms, 52% of the Group's hotel capacity is in Europe, 31% in North America, 9% in Asia Pacific, 5% in Africa-Middle East, and 3% in Latin America.

➔ Breakdown of hotel portfolio by geographical area at December 31, 1997

	France		Europe (excl. France)		North America		Latin America		Rest of the world		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Sofitel	30	5,240	26	4,031	8	2,178	10	1,528	33	7,345	107	20,322
Novotel	117	14,310	97	15,856	9	2,393	19	2,187	77	15,123	319	49,869
Mercure	208	20,363	104	14,049	-	-	5	543	51	7,578	368	42,533
Ibis	294	25,413	110	14,935	1	242	3	310	24	3,317	432	44,217
Etap'Hotel	95	6,635	48	3,734	-	-	-	-	19	1,327	162	11,696
Formule 1	280	20,121	21	1,457	-	-	-	-	4	287	305	21,865
Motel 6					764	84,875	-	-	-	-	764	84,875
Other brands	41	3,719	5	1,448	-	-	50	4,218	24	3,507	120	12,892
Total	1,065	95,801	411	55,510	782	89,688	87	8,786	232	38,484	2,577	288,269
<i>Total %</i>	<i>41.3%</i>	<i>33.2%</i>	<i>16.0%</i>	<i>19.3%</i>	<i>30.3%</i>	<i>31.1%</i>	<i>3.4%</i>	<i>3.0%</i>	<i>9.0%</i>	<i>13.4%</i>	<i>100%</i>	<i>100%</i>

Accor is the only worldwide hotel operator owning nearly half of its hotel portfolio: 1,199 hotels are fully owned, representing 44% of the total number

of rooms, 24% are leased, 20% are operated under management contracts, and 12% under franchising contracts.

➔ Breakdown of the hotel portfolio by type of operation

	Owned		Leased		Management contracts		Franchises		Total	
	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms	Hotels	Rooms
Sofitel	22	3,402	24	5,580	54	10,659	7	681	107	20,322
Novotel	86	12,162	94	13,321	104	19,693	35	4,693	319	48,869
Mercure	51	6,515	98	13,530	87	11,357	132	11,131	368	42,533
Ibis	135	14,377	78	11,568	53	6,709	166	11,563	432	44,217
Etap'Hotel	42	2,961	82	5,744	13	969	25	2,022	162	11,696
Formule 1	259	18,584	22	1,545	9	741	15	995	305	21,865
Motel 6	589	67,304	137	15,262	3	215	35	2,094	764	84,875
Other brands	15	2,326	26	3,079	75	7,224	4	263	120	12,892
Total	1,199	127,631	561	69,629	398	57,567	419	33,442	2,577	288,269
<i>Total %</i>	<i>46.5%</i>	<i>44.3%</i>	<i>21.8%</i>	<i>24.1%</i>	<i>15.4%</i>	<i>20.0%</i>	<i>16.3%</i>	<i>11.6%</i>	<i>100%</i>	<i>100%</i>

Travel Agencies

The Group is the world's second largest operator of business travel agencies through its 50% holding in Carlson Wagonlit Travel. The merger between the French and American subsidiaries was realized on January 31, 1997, pursuant to the 1994 agreement. Carlson Wagonlit Travel advises large international groups in the development and implementation of their travel policies, and manages their travel budgets in 141 countries.

Car Rental

With a 50% interest in Europcar, alongside Volkswagen, Accor is the second largest European car rental company. With a fleet of nearly 80,000 vehicles and over 2,300 agencies, Europcar is active in Europe, Africa and the Middle East. Europcar recently signed a worldwide strategic agreement with Dollar of the US. In 1997, Europcar rented nearly four million vehicles.

Corporate Services

Accor is the world leader in Service Vouchers with a 46% market share and over 10 million daily users in 26 different countries (Europe, The Americas, Asia). Created in the late 1960's as a service that employers without corporate cafeterias could provide to their staff, the original Ticket Restaurant concept was expanded to 11 other types of service vouchers in a wide range of areas: from food or gas purchases to healthcare services, baby-sitting, and work-apparel dry cleaning. Since 1995, smart-cards have started replacing paper vouchers, particularly with "Cleanway" (work-apparel dry cleaning), gasoline vouchers in Venezuela and, in the near future, food-purchasing vouchers. Accor issues service vouchers to its client companies at face value, plus a service fee. Client companies in turn distribute them to their employees at a price below face value.

The vouchers are tax deductible for different amounts depending on the country and product (FF 28 for Ticket Restaurant in France, for example). Users redeem vouchers at affiliated restaurants, stores, or organizations of their choice. The participating organizations return the vouchers to Accor for payment, minus a commission, thus benefiting from added business at no risk. Between the issuance and the redemption of the vouchers, Accor invests the funds, generating financial income which is included in total revenues alongside service fees. Corporate Services, new name given to Service Vouchers division, play important economic and social roles, both in industrialized and developing countries.

Other activities

In Public Restaurants, Accor owns the CourtePaille chain of roadside steakhouses and premium caterer Lenôtre, as well as restaurants in site concessions in Spain and Brazil. Accor also manages institutional catering facilities in Brazil and Italy.

Under the Wagons-Lits name, Accor provides on-board catering and sleeper car services, in Europe and Egypt. Wagons-Lits was recently selected to provide on-board catering services aboard trains operated by France's SNCF.

Finally, in 1997, Accor has launched a strategic development in the area of casinos and gaming, raising its interest in SPIC, a company it helped found, to 65%. SPIC has since been renamed Accor Casinos.

→ Personnel of managed activities

Number of employees at Dec. 31,	1995	1996	1997
Hotels	73,440	76,558	80,795
Travel Agencies	6,162	6,545	7,226
Car Rental	4,199	3,974	4,271
Corporate Services	2,397	2,353	2,840
Restaurants	22,440	22,453	18,471
Railway Onboard Services	6,642	7,007	6,830
Casinos	–	–	550
Other	5,388	5,458	413
Total	120,668	124,378	121,396

→ 1997 Results

In 1997, Accor sharply improved its operating performance, which exceeded expectations, boosted by a favorable economic environment. Following the reorganization of the Group's management structure on January 7, 1997, the Group's strategy has been refocused on three key priorities:

- the program of reallocation of resources;
- the resumption of growth;
- the "Accor 2000" Group reengineering project.

The Group pursues its efforts to improve profitability and shareholder value. In 1997, return on capital employed (ROCE) topped the 10% mark, as against 9% in 1996.

The Group's resource reallocation strategy resulted in the disposal of a number of assets (hotel properties in Europe and at Motel 6 in the US, miscellaneous equity holdings, including an 11.5%

interest in Compass, and non-core businesses), generating proceeds of FF 4.8 billion reallocated to business growth. The Group's hotel portfolio rose by a net total of 112 units. Accor also acquired majority interests in several companies (Pannonia, SPIC), bought out the remaining minority shareholders in IBL (Motel 6), completed its merger with Sphere International (Economy Hotels), launched a successful take-over offer for Accor Asia Pacific, and included Europcar in its scope of consolidation. Significant investments in information technology were made as part of the Accor 2000 "technological leap forward" program. A total of FF 4.7 billion was invested in the Group's growth in 1997.

Management report

Activity volume

Activity volume includes not only sales and other operating revenues of companies more than 50%-owned by the Group (subsidiaries), but also sales generated by Hotels operated under management contracts and sales of companies accounted for by the equity method (Europcar, AAPC), Corporate Services activity volume, traffic volumes generated by Travel Agencies, and sales of Institutional Restaurants operated under management contracts.

The Group's activity totaled FF 98,577 million in 1997, an increase of 16.8% over FF 84,361 million in 1996. The 1996 figure has been restated following the merger of the Travel Agency activities of Carlson Companies and Wagonlit Travel effective January 31, 1997, to take into account 50% of the worldwide traffic volume of the new entity. In addition, 50% of Europcar's activity volume was also included in the 1996 calculation.

→ Activity volume

(in FF millions)	1995	1996	1997
Business and Leisure Hotels	14,207	15,977	18,283
Economy Hotels	3,484	3,836	4,021
Motel 6	3,414	3,522	4,133
Sub-total, Hotels	21,105	23,335	26,437
Travel Agencies*	21,047	19,951	25,826
Car Rental*	3,700	1,869	2,125
Corporate Services	28,331	30,034	35,516
Restaurants	13,084	5,940	5,304
Railway Onboard Services	2,320	2,044	1,884
Casinos	–	–	372
Other activities	1,474	1,188	1,113
Total	91,061	84,361	98,577

* 50% in 1996 and 1997.

Consolidated sales

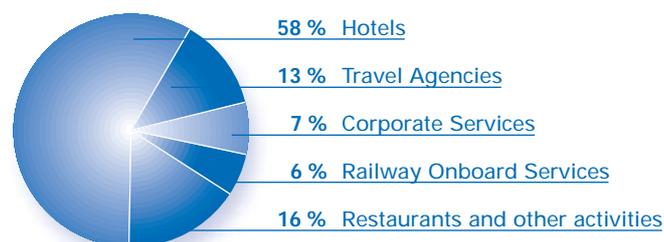
Consolidated sales amounted to FF 31,780 million in 1997, up 12.3% from FF 28,305 million in 1996. Of this increase, 5.4% reflects increased sales of existing activities, 2.7% business development, and 4.2% favorable currency impact.

Excluding currency impact, consolidated sales therefore rose by 8.1%. The main business development initiatives relate to the full integration of Pannonia and SPIC (now Accor Casinos), over which Accor acquired control in 1997.

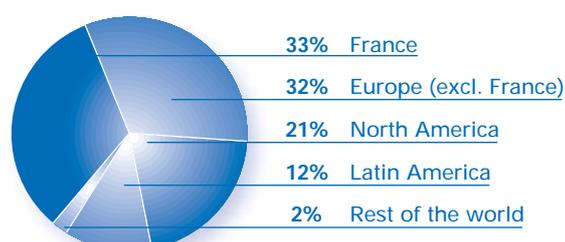
→ Consolidated sales by activity

(in FF millions)	1995	1996	1997
Business and Leisure Hotels	7,365	8,618	10,353
Economy Hotels	3,483	3,809	4,100
Motel 6	3,169	3,504	4,121
Sub-total, Hotels	14,017	15,931	18,574
Travel Agencies	3,792	4,073	4,074
Corporate Services	1,883	1,847	2,173
Restaurants	8,211	3,704	4,050
Railway Onboard Services	2,123	2,063	1,780
Casinos	–	–	372
Other activities	986	687	757
Total	31,012	28,305	31,780

1997 consolidated sales by activity



By geographical area



Management report

EBIT

Accor's EBIT rose by 33.3% to FF 3,435 million in 1997. The FF 859 million increase from the 1996 level breaks down as follows:

- FF 503 million reflect improved operations;
- FF 242 million business development;

- FF 185 million favorable currency impact;
- and additional rental charges from the sale and leaseback of hotel properties reduced EBIT by FF 71 million.

→ EBIT

(in FF millions)

	1995	1996	1997
Business and Leisure Hotels	513	524	883
Economy Hotels	578	592	734
Motel 6	871	834	1,061
Sub-total, Hotels	1,962	1,950	2,678
Travel Agencies	119	157	108
Corporate Services	623	521	644
Restaurants	220	7	141
Railway Onboard Services	54	30	(4)
Casinos	-	-	72
Other activities and head offices	(59)	(89)	(204)
Total	2,919	2,576	3,435

Hotels

→ Occupancy rates by hotel brand

(in %)

	1995	1996	1997
Sofitel	60.7	61.4	63.3
Novotel/Mercure	60.8	61.7	63.6
Ibis	66.3	67.8	71.0
Formule 1/Etap/Hotel	67.2	69.0	70.4
Motel 6	67.2	65.4	64.6
Hotelia	83.6	89.7	91.3
Resort hotels	55.0	60.5	63.7

Hotel activities were particularly buoyant in 1997, as shown by year-on-year increases in revenue per available room (RevPAR). Growth in RevPAR reflects both higher occupancy rates (see table above) and higher average room rates (see below). In Business and Leisure Hotels, average room rates rose by 3.3%, and in economy hotels by 2.6%, resulting in increases in RevPAR of 8.5% and 6.6%, respectively.

At Motel 6, RevPAR rose by 4.5% at 1997 year end. The slight decline in occupancy rates was therefore more than offset by ongoing price increases as the US chain pursues its hotel renovation program. As of the end of March 1998, about two-thirds of all Motel 6 properties had been renovated.

→ Year-on-year change in RevPar

	Number of rooms	Change Occupancy rate (in points)	Change Average room rate in local currency (in %)	Change RevPAR (in %)
France	69,212	+ 3.5	+ 3.2	+ 8.7
Germany	20,345	+ 1.5	(1.5)	+ 0.9
United Kingdom	4,525	+ 1.9	+ 6.9	+ 9.7
Belgium	4,314	+ 2.2	+ 4.2	+ 7.8
The Netherlands	4,088	+ 3.4	+ 4.2	+ 9.1
USA (excl. Motel 6)	3,035	(0.9)	+ 11.3	+ 9.9
Italy	2,728	+ 2.3	+ 4.8	+ 8.9
Hungary	2,603	(0.2)	+ 10.2	+ 9.9
USA - Motel 6	82,781	(0.8)	+ 6.0	+ 4.5

The development of RevPAR by geographical area underscores the strong recovery of the French market and of most European markets apart from Germany.

1997 sales of Accor's Hotel activities, including new openings and acquisitions, rose by 16.6% to FF 18,574 million, from FF 15,931 million in 1996.

Of this increase, favorable currency impact accounted for 4.4%, while business development contributed 6.7%. Apart from Germany, growth was significant in all European markets.

In Business and Leisure Hotels, 1997 sales rose by 20.1% to FF 10,353 million. On a constant structural and currency basis, sales would have risen by 6.7%. The balance reflects new hotel openings as well as the integration of Pannonia (Central European hotels) and Adagio. EBIT rose by 68.5% to FF 883 million.

Sales of Economy Hotels rose by 7.6% to FF 4,100 million, from FF 3,809 million in 1996.

On a constant structural and currency basis, sales would have increased by 4.7%. EBIT rose by 24% from FF 592 million to FF 734 million in 1997.

The 3.1% increase in Motel 6 in local currency terms reflects higher room rates, offset by the slight decline in occupancy rates. EBIT rose by 27% to FF 1,061 million.

Travel Agencies

The apparent stability in sales of Travel Agencies (FF 4,074 million) reflects the proportional

integration (50%) of Carlson Wagonlit Travel following the merger of the US and European entities effective January 31, 1997. On a pro forma basis, however, sales rose by 12.7%. Likewise, year-on-year comparisons of EBIT from Travel Agency activities are distorted by the Carlson Wagonlit Travel merger. EBIT totaled FF 108 million in 1997, as compared to FF 119 million in the prior year.

Corporate Services

Corporate Services activities were sustained throughout 1997. Total issuance volume increased by 18.3% to FF 35.5 billion in 1997. Accor issued a total of 1.2 billion vouchers in 26 countries, representing over 10 million daily users worldwide in 1997. The Group entered new geographical markets during the year: India, the Netherlands and Poland. New products were also launched in a number of existing markets.

Total sales from Corporate Services activities amounted to FF 2,173 million, up 17.6% from FF 1,847 million in 1996. On a constant structural and currency basis, sales would have increased by 7.7%, and on a constant currency basis, by 9.5%. In France, lower interest rates were offset by the growth in issuance volume. In Brazil, the loss of government contracts was offset by new accounts in other sectors. EBIT from Corporate Services activities rose from FF 521 million in 1996 to FF 644 million in 1997, an increase of 23.6%.

Management report

Other activities

Total sales from Restaurant activities rose by 9.3% to FF 4,050 million in 1997. CourtePaille sales rose by nearly 10%, while Lenôtre benefited from a rebound in catering activities and the favorable impact of the Salon du Bourget international air show in France. EBIT from Restaurant activities rose from FF 7 million in 1996 to FF 141 million in 1997, primarily reflecting improvements in Brazilian institutional catering activities (up FF 90 million) and at Lenôtre (up FF 15 million). Total sales from Railway Onboard Services declined by 13.7% to FF 1,780 million, primarily reflecting discontinuation of non-core activities in several countries (Austria, the Netherlands and Belgium). EBIT dropped from FF 30 million in 1996 to FF (4) million in 1997.

The Casinos activity, following the acquisition of a controlling interest in SPIC, contributed FF 372 million to Group sales in the last nine months of the year. EBIT amounted to FF 72 million.

Total income from operations

Total income from operations (Total of EBIT, net financial expense, and Group share in net result of companies accounted for by the equity method) rose 61.8% to FF 2,451 million, as compared to FF 1,515 million in 1996.

(in FF millions)	1995	1996	1997
EBIT	2,919	2,576	3,435
Net financial expense	(1,640)	(1,260)	(1,071)
Group share in income from companies accounted for by the equity method	2	199	87
Total income from operations	1,281	1,515	2,451

Reflecting lower interest rates, net financial expense declined by FF 189 million in 1997. Interest coverage stood at 5.07, a sharp improvement from 3.56 in 1996.

The Group share in income from companies accounted for by the equity method totaled FF 87 million, as compared to FF 199 million in

1996. It comprises the results of Europcar and AAPC. Europcar will be consolidated through proportional integration (50%) and AAPC will be fully consolidated in 1998, and both companies have been consolidated in the 1997 year-end balance sheet.

Europcar's performance improved sharply in 1997. The number of car rental transactions rose from 3.3 million in 1996 to 3.7 million in 1997, while the average rental fleet rose from 65,000 to nearly 80,000 vehicles. Europcar's market share improved throughout Europe. Accor's share in Europcar results rose from a loss of FF 19 million in 1996 to income of FF 48 million in 1997. In 1995, Accor had reported a loss of FF 152 million from its interest in Europcar.

With a network of 128 hotels at 1997 year end, Accor Asia Pacific (AAPC) generated sales volume of FF 3,986 million and sales of FF 162 million in 1997. Accor's share in AAPC's results amounted to a loss of FF 32 million last year. In December 1997, Accor launched a take-over offer for the 74.11% interest in AAPC not previously held by the Group (see "Major events" p. 12).

(in FF millions)	1995	1996	1997
Total income from operations	1,281	1,515	2,451
Result from management of hotel portfolio	132	231	4
Current income	1,413	1,746	2,455
Result from management of other assets	(91)	281	74
Amortization of goodwill	(206)	(185)	(296)
Income taxes	(538)	(489)	(797)
Exceptional items, net of taxes	643	-	269
Minority interests	(298)	(295)	(197)
Net income, Group share	923	1,058	1,508

Current income

Result from management of hotel portfolio totaled FF 4 million in 1997, as compared to FF 231 million in 1996. Capital gains on the sale of hotel properties, totaling FF 353 million, were offset

by provisions for depreciation of operating items (primarily in Germany), totaling FF 349 million. Current income amounted to FF 2,455 million, an increase of 40.6% over FF 1,746 million in 1996. Current income after taxes represents 80% of net income, Group share, before amortization of goodwill, up from 40% in 1995 and 60% in 1996, underscoring the sharp improvement in the Group's earnings quality.

Result from management of other assets totaled FF 74 million, including FF 294 million in capital gains on the sale of various financial holdings, offset by miscellaneous provisions of FF 140 million and employee profit-sharing (France and Brazil) of FF 80 million.

The increase in amortization of goodwill, from FF 185 million in 1996 to FF 296 million in 1997, primarily reflects shortening from 40 to 20 years of the amortization period relative to Travel Agencies, to account for technological changes in this activity, as well as the impact of the Carlson Wagonlit Travel merger, with a combined impact of FF 68 million. Other changes in the scope of consolidation resulted in a FF 26 million increase in goodwill amortization.

Income taxes amounted to FF 797 million in 1997, representing an effective tax rate of 32.4%, versus 36.6% in 1996 (excluding Motel 6 tax credit).

Exceptional items

Exceptional items, net of taxes, totaled FF 269 million. Capital gains on total assets sold during the year amounted to FF 1,608 million, including FF 1,323 million on the sale of an 11.5% interest in Compass and FF 326 million on the sale of the remaining interest in HRC (restaurant concessions). Exceptional provisions of FF 1,339 million were written during the year, including:

- provisions on assets held for disposal of FF 1,045 million in hotels and FF 311 million primarily related to assets of the railway services sector, as part of the Group's resource reallocation program;

- provisions of FF 279 million reflecting restructuring and reengineering charges related to the Accor 2000 Group project and the Carlson Wagonlit Travel merger;
- provisions of FF 103 million for miscellaneous risks;
- conversely, the FF 399 million provision for loss of value on the Europcar brand was reversed last year, reflecting the strong recovery of this activity.

Net income

Net income, Group share amounted to FF 1,508 million, up 42.5% over FF 1,058 million in 1996. Earnings per share amounted to FF 42.40, up from FF 34.20 in 1996, an increase of 24%, based on the weighted average number of shares outstanding during the year (35.557 million shares).

Return on capital employed (EBDIT as a percentage of gross value of fixed assets plus working capital requirements) rose sharply, from 9.0% in 1996 to 10.2% in 1997. ROCE breaks down as follows:

ROCE	1996	1997
Hotels		
– Business and Leisure	8.9%	11.4%
– Economy	12.0%	13.1%
– Motel 6	8.3%	9.3%
Travel Agencies	8.8%	7.7% (NS)
Corporate Services	19.1%	21.2%
Restaurants	8.0%	14.8%
Railway Onboard Services	5.4%	2.4%
Casinos	–	16.3%
Total	9.0%	10.2%

Accor is clearly creating value: FF 923 million in 1997, up from FF 183 million in 1996, as its weighted average cost of capital (WACC) was of 6.39% after taxes.

Financial flows

Consolidated cash flow totaled FF 6,090 million in 1997, up 84% over the 1996 level.

(in FF millions)	1995	1996	1997
Consolidated cash flow	4,030	3,305	6,090
Consolidated cash flow from operations	2,542	2,654	3,945
Capital expenditure	(1,736)	(1,702)	(2,070)
Free cash flow	806	952	1,875

Consolidated cash flow from operations rose by 49% to FF 3,945 million, from FF 2,654 million in 1996.

Capital expenditure jumped to FF 2,070 million, from FF 1,702 million in 1996.

Free cash flow nearly doubled, from FF 952 million to FF 1,875 million in 1997.

As part of the Group's resource reallocation strategy, FF 4,782 million in assets were sold during the year, including:

DISPOSALS (in FF millions)	
11.5% interest in Compass	2,350
20% interest in HRC (Concession Restaurants)	252
16% interest in Parc Astérix	62
2.4% interest in Club Méditerranée	105
European hotel properties	940
Motel 6 hotel properties	773
Miscellaneous securities and equity holdings	300
Total	4,782

In addition, FF 4,693 million were invested in the development of the following activities:

DEVELOPMENT (in FF millions)	
Accor Asia Pacific (AAPC)	1,621
Acquisition and construction of hotels	1,182
Pannonia (Central Europe)	563
Accor Casinos (formerly SPIC)	470
Business development: Corporate Services, Restaurants and other activities	297
Travel Agencies	226
Minority interests in Motel 6	169
New technologies	165
Total	4,693

Despite the FF 692 million impact of the integration of Europcar, net indebtedness declined by FF 222 million to FF 17,313 million. Based on consolidated shareholders' equity of FF 19,909 million at 1997 year end, net debt-to-equity ratio further improved, from 0.98 at 1996 year end to 0.87 at 1997 year end.

Major events of 1997 and the first quarter of 1998

Definition of three major strategic priorities

- Resource reallocation strategy
- Resumption of business development
- "Accor 2000" Group project

The three major strategic priorities defined by Jean-Marc Espalioux upon his appointment as Chairman of Accor's Management Board were

swiftly implemented in 1997 and the first quarter of 1998.

As part of its resource reallocation strategy, Accor sold non-core assets (equity holdings and hotel properties), generating total proceeds of FF 4.8 billion in 1997 and an additional FF 3.3 billion in the first three months of 1998. In the first quarter of 1998, asset sales included Motel 6 properties (FF 1.5 billion), European hotel

properties (FF 100 million), a 5% interest in Compass (FF 1.3 billion), and the Hotelia senior citizen hotels (FF 400 million).

Accor invested a total of FF 4.7 billion in the development of its core activities in 1997. In particular, Accor acquired 51% control over the Pannonia group, entered the casino and gaming market with a 65% interest in SPIC, since renamed Accor Casinos and fully consolidated, launched a take-over offer for AAPC (see below), and pursued its hotel acquisition and acquisition strategy, notably with the groundbreaking for a new Sofitel hotel in the heart of Manhattan.

In the first quarter of 1998, Accor notably acquired the Postiljon chain of 10 hotels in The Netherlands, while Europcar acquired British Car Rental of the UK.

Implementation of the "Accor 2000 - Succeeding Together" Group project, initiated in the first half of the year, began in July 1997 with the reorganization of Hotel activities into three multi-brand divisions: Business and Leisure (Sofitel, Novotel, Mercure), Economy (Ibis, Etap'Hotel, Formule 1), and Motel 6. Each division's salesforce was organized along national, regional and local teams, and global support services were established.

A total of 30 priority initiatives were identified and are being implemented, in order to enhance sales and margins, optimize reliance on new technologies, and reduce costs. Over 1,000 Group people are directly involved in the implementation of these projects, and 12 experimental sites have been established in France and abroad.

Full Carlson Wagonlit Travel merger

On January 31, 1997, pursuant to the partnership agreements reached in 1994, Carlson and Wagonlit Travel merged their business travel activities. The new company is jointly controlled by Carlson Companies and Accor, and consolidated by Accor through proportional integration (50%) since January 1, 1997.

Merger of Economy Hotel activities within Accor

The June 4, 1997 Extraordinary Shareholders' Meeting of Accor approved the merger of Sphere International within Accor. On the basis of an exchange ratio of seven Sphere International shares for one Accor share, a total of 2,347,761 new Accor shares were created as consideration for this merger.

Decrease in Accor's shareholding in Compass

As part of the consideration for the October 1995 sale of Eurest to Compass, Accor received 70.7 million Compass shares, representing a 22.3% interest in the British group. As at December 1996, Accor held 68.3 million Compass shares, representing a 21.5% interest.

On March 5, 1997, Accor sold 36.5 million Compass shares, or 11.5% of the company's share capital, reducing its interest to 10%. This transaction generated proceeds of FF 2,350 million and a capital gain of FF 1,323 million.

On February 17, 1998, Accor sold an additional 16.4 million Compass shares, or 5% of its share capital, for FF 1,313 million.

Accor currently holds 15.3 million Compass shares representing a 4.7% interest. The sale of this remaining holding is subject to the terms of the previous agreements with Compass, pursuant to which Accor cannot sell any additional Compass shares through February 17, 1999, without Compass' Board of Directors approval.

Buy-out of IBL minority shareholders

Upon expiration of Accor's exchange offer for IBL in June 1996, Accor held a 95.37% interest in IBL. In June 1997, Accor purchased the remaining IBL shares for FF 473 million.

Take-over offer for Accor Asia Pacific Corp. (AAPC)

Financial instability in the Asia Pacific region significantly altered AAPC's short-term profit outlook and the company's ability to rely on its existing shareholder base to fund its development. Underscoring its strategic interests in this region, on December 4, 1997 Accor launched a tender offer for all AAPC shares at a price of AUD 0.65 per share. Prior to this offer, Accor held 25.88% of AAPC. This offer represented a significant premium over the last trading price of the AAPC share (AUD 0.49), and was a success. In March 1998, AAPC was delisted from the Sydney Stock Exchange. Accor paid a total of FF 1,208 million for the 74.11% of AAPC it did not previously own.

Integration of AAPC and Europcar

The impact of the full consolidation of AAPC in Accor's 1997 balance sheet amounted to

FF 1,692 million in additional net debt (including FF 1,208 million in acquisition cost). Goodwill totaled FF 1,285 million. In 1997, AAPC had sales of FF 160 million and the impact of AAPC, accounted for by the equity method (26%), resulted in a FF 32 million loss at the total income from operations level.

Accor has reaffirmed its decision to retain its long-term interest in Europcar, held jointly with Volkswagen, and has therefore to consolidate Europcar's balance sheet on a proportional basis at December 31, 1997, and to consolidate the company's income statement on a proportional basis starting in 1998. The impact of Europcar's proportional consolidation on Accor's net debt at December 31, 1997 amounted to FF 692 million. In 1997, Europcar had sales of FF 4,344 million. In 1997, the impact of Europcar, accounted for by the equity method, resulted in income of FF 48 million at the total income from operations level.

Management of interest rate and currency risks

Accor's use of financial instruments is directly linked to its financial strategy in terms of investments, financing, and interest rate hedging transactions. The management of interest rate exposure is part of the Group's debt management and financial assets management strategies. Finally, operating cash flows are partly covered by currency hedges. Operations covered by such hedges and the use of financial instruments such as swaps, caps, and currencies forwards are detailed below.

Investment strategy

Whenever the Accor parent company makes a direct or indirect investment in a foreign subsidiary, such investment is usually made in the local currency. Reflecting the long-term nature of these investments, they are not covered through currency hedging.

Short-term financing

Thanks to its position in international financial markets, Accor can gain direct access to a variety of short-term financing sources: French Treasury bills, Euro commercial paper in London, and commercial paper in the US.

Taking advantage of market opportunities, Accor frequently contracts short-term financing (less than six months) in a given currency and at a given price, subsequently swapping this financing into the currency of the transaction requiring funding, at corresponding interest rates in this currency. The use of such financial instruments optimizes resources in the currency of the transaction requiring financing.

Interest rate hedging

Accor's consolidated debt comprises both variable-rate and fixed-rate instruments.

Interest rate management takes this breakdown into account for each currency.

Depending on developments in the makeup of its debt portfolio (i.e. new debt or repayment of debt at maturity), as well as expected changes in interest rates in each currency, the Group sets objectives for the breakdown of fixed-rate and variable-rate instruments. These targets are reviewed on a regular basis by Group management.

Based on these objectives, the Group's cash management department negotiates interest rate hedges. Based on underlying assets attached to specific financial conditions, the position is changed from fixed to variable rate (indexed on market benchmarks) or vice-versa.

Interest rate swaps are the most commonly used instruments. They are negotiated through international contracts in accordance with AFB/ISDA legal guidelines with banking institutions granted quality ratings.

Currency hedging

Currency hedging is seldom used by the Group, since intra-Group currency flows are limited.

In addition, for most of its activities, revenues and expenses are denominated in the same currency, thereby minimizing currency risk exposure.

The Group primarily relies on currency hedging in its Travel Agency activities. It primarily uses currency forward contracts, based on specified underlying assets (i.e. receivables).

In conclusion, the Accor Group does not engage in speculative trading. Neither the Accor SA parent company nor its Group maintain open currency or interest rate positions with significant risk exposure. Accor's interest rate and currency risk management policy was developed to meet strict safety, liquidity, and profitability criteria. It is centralized by the Group's finance department.

Parent company results

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The Accor parent company posted net income of FF 1,800 million in 1997, up from FF 1,658 million in 1996.

1997 activity

The Accor parent company owns the Sofitel, Novotel and Mercure brands and receives royalties on the hotels affiliated with these brands. Accor operates the Novotel hotels it owns, or a total of 66 units, with the support of its SIHN management subsidiary, pursuant to the Group's convention charter. The Quiberon Sofitel, Oléron Novotel and certain Ibis hotels owned by Accor are managed under rental contracts by subsidiaries.

Another major operating activity conducted directly by the Accor parent company is the issuance of Service Vouchers and management of Corporate Services in France. Accor also provides a large number of services to its subsidiaries, including financial, legal and operating consultancy services. In 1997, Accor pursued its activities and further strengthened its hotel ownership interests, while selling certain activities outside of the hotel business.

Through merger, Accor has absorbed its 61.8%-owned Sphere International subsidiary, which finances and manages, either directly or indirectly, the Ibis, Etap'Hotel and Formule 1 brands. This transaction is in line with Accor's

Management report

overall strategy and the priority given to Economy Hotel activities within the Group. A total of 2,347,761 new Accor shares were issued in exchange for the Sphere International shares contributed by minority shareholders in the company.

Accor strengthened its investments in other hotel companies, chiefly with the FF 473.5 million (including FF 169 million goodwill) purchase of all remaining minority interests in IBL (4.33 % of share capital).

In January 1997, Accor acquired the Adagio hotel group.

In May, Accor acquired 15% of Holpa, the holding company for Hungary's Pannonia group, from Italy's IFIL.

A 99.95% interest in French company Prestotel was acquired from a Novotel affiliate.

In the French Antilles, Accor's ownership interests in Marinotel and La Pointe du Bout have been raised to 97.8% and 99.8%, respectively, from 9.9% and 19.6%, respectively, at December 31, 1996.

Accor's ownership interest in SPIC, a manager of casinos, has been raised from 21% to 65%.

Accor's ownership interest in Sphere UK was transferred to its Accor UK subsidiary.

Pursuant to the transfers to AAPC in Asia decided in 1993, Accor has completed the transfers of two ownership interests in South Korea, Ambatel and Ambassador, resulting in a capital gain of FF 55.4 million.

In May, Carnival Cruise Line launched a take-over offer for all Costa Crociere shares. Accor tendered all of its Costa Crociere shares, representing 7.03% of the company's capital, to the offer, and compensated IFIL for its commitment to purchase its 3.5% interest in Costa. This transaction resulted in a FF 1.1 million capital loss.

Accor also completed the sale of its institutional catering activities, with the sale to Compass of its activities in Turkey, resulting in a capital gain of FF 8.8 million.

Accor sold its ownership interest in Société pour la Mise en Valeur du Patrimoine (SMVP), operator of a museum aboard the Colbert cruiser, to Parc Astérix.

In October, through the initial public offering (IPO) of Parc Astérix, Accor sold 60% of its ownership interest in this company, or 375,547 shares at

FF 153 per share. Accor retains a 7.36% interest in the share capital of Parc Astérix.

At December 31, 1997, Accor had sold 170,890 Club Méditerranée shares, out of the 259,080 shares previously held. The balance has been sold since the beginning of 1998.

In early 1997, all the Accor shares (i.e. a total of 86,627 shares) acquired in 1996 at an average price of FF 655.47 per share for the purpose of stabilizing the Company's share price were sold in the open market at an average price of FF 703.77.

1997 results

In 1996, sales of the Accor parent company totaled FF 1,878 million. In 1997, sales totaled FF 2,585 million, including FF 533 million resulting from the activity previously conducted by Sphere International. Excluding Sphere, sales increased by 9.2 %.

EBIT totaled FF 103.8 million, as compared to FF 109 million in 1996, reflecting charges related to the implementation of the Accor 2000 Group project.

Net financial income totaled FF 1,401.6 million in 1997, as compared to FF 1,028.3 million in 1996.

Net financial income includes FF 2,637 million in dividends received in 1997, as compared to FF 2,316 million in 1996.

Net financial income also encompasses net provisions for loss of value totaling FF 885 million, as compared to FF 889 million in 1996. A total of FF 500 million in provisions related to CIWLT were written in 1997 to account for exceptionally high dividend payments by this subsidiary (FF 2,074 millions in 1997 and FF 1,992 million in 1996) and the corresponding loss of value of CIWLT.

Current income amounted to FF 1,505 million, a sharp improvement over FF 1,137 million in 1996.

Exceptional income includes a FF 169 million capital gain on the sale of nine hotel properties.

Reflecting the merger with Sphere International, the number of subsidiaries included in the Accor parent company corporate income tax-filing entity rose from 38 to 73. At December 31, 1997, Accor, after taxes paid outside of France, recorded a tax credit of FF 138.6 million, as compared to FF 232.3 million in 1996.

Major shareholders

At December 31, 1997, known holder of over 5% of the Company's shares was:

	% share capital	% voting rights
Caisse des dépôts et consignations Group	5.9%	9.6%

Changes in share capital

In 1997, Accor's share capital increased through the creation of 2,735,233 shares, including 2,347,761 shares created as part of the merger of Sphere International within Accor.

As of December 31, 1997, a total of 35,852,417 Accor shares were outstanding.

Employee share-ownership

To motivate its personnel and management and give them a stake in its performance, the Group has issued a number of stock option plans over the years.

Stock option plans issued by Accor:

- September 30, 1992 plan: 350,000 shares at a price of FF 508 per share; this program expired on September 30, 1997;
- October 19, 1993 plan: 350,000 shares at a price of FF 590 per share;
- August 1, 1995 plan: 200,000 shares at a price of FF 617 per share;
- January 7, 1997 plan: 200,000 shares at a price of FF 507 per share;

- January 7, 1998 plan: 280,000 shares at a price of FF 1,065 per share.

In addition, following the merger with Sphere International, Accor took over two stock options plans issued by this subsidiary:

- December 19, 1994 plan: 52,960 shares at a price of FF 490;
- October 31, 1996 plan: 137,108 shares at a price of FF 434.

A total of 386,830 options were exercised in 1997; unexercised options at December 31, 1997 comprised:

- October 19, 1993 plan: 236,000 shares at a price of FF 590 per share;
- December 19, 1994 plan: 52,960 shares at a price of FF 490 per share;
- August 1, 1995 plan: 183,300 shares at a price of FF 617 per share;
- October 31, 1996 plan: 137,108 shares at a price of FF 434 per share;
- January 7, 1997 plan: 200,000 shares at a price of FF 507 per share.

At December 31, 1997, 445 managers currently participate in these plans.

Stock option plans issued by subsidiaries

Lenôtre has issued three stock option plans exercisable at a price of FF 1,120 per share:

- December 29, 1994 plan: 4,700 options;
- April 30, 1996 plan: 2,700 options;
- October 25, 1996 plan: 600 options.

These options were granted to 12 managers and executives of the company.

1998 outlook and strategy

First quarter 1998 activity

The Accor Group's four major activities achieved further growth in the first quarter of 1998.

In the Hotel segment, RevPAR rose by 10.3% in Business and Leisure Hotels and 6.3% in Economy Hotels, as compared to RevPAR increases of 5.4% and 5.6%, respectively, in the first quarter of 1997. Both occupancy rates and average room prices increased during the period.

At Motel 6, RevPAR rose by 3.3%, with average room prices up 5.8% in the period.

Travel Agency traffic rose by 23.1% in the first quarter, while Car Rental sales increased by 26.6%. The drop in average car rental day rates, which amounted to 7% in the first quarter of 1997, was cut in half in the current year quarter.

Finally, Corporate Services activity volume grew by 15.3% in the first quarter of 1998.

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Accor pursued its resource reallocation program, with proceeds from asset disposals totaling FF 3.3 billion in the first three months of the year, including:

(in FF billion)	
Motel 6 properties	1.5
European hotel properties	0.1
5% interest in Compass	1.3
Hotelia	0.4

All told, since the beginning of 1997, disposals of non-core assets generated proceeds of FF 8 billion. The Group pursued its development along the strategic lines defined in 1997. In early March, Accor signed a preliminary agreement for the acquisition of the Postiljon chain, comprising a dozen hotels in The Netherlands, in line with the Group's strategy of developing a federating network in Europe. Recently signed partnerships in Brazil and Argentina will enable the Group to further develop its Hotel activities in Latin America. Travel Agencies continued to sign up major corporate accounts and launched a corporate business travel consulting activity. As part of its reengineering strategy, Carlson Wagonlit Travel is combining its offices within large Business Travel Centers; a total of 23 such centers should be developed by the end of 1998.

With the acquisition of British Car Rental, Europcar now ranks among the largest car rental networks in the UK, with a fleet of 22,000 vehicles. Pursuing its strategy aimed at regaining the number one position in Europe, the company also acquired its Norwegian franchisee, Trade Car AS, and launched a long-term car rental operation in Spain.

Worldwide leadership in Service Vouchers will be strengthened with the penetration of new markets in 1998 and the expansion of new technologies, currently tested in Brazil, Argentina, Mexico and France. New products were recently launched, including the "Employee Assistance Program" in the UK and US, "Chèque Mobilité" in France, and "Eyecare Vouchers" in Germany.

As part of the Accor 2000 Group project, 1,000 people are directly involved in 30 priority programs. The Group's hotel sales forces are currently being regrouped, in order to develop a single worldwide network better positioned to monitor international clientele flows.

The Group's purchasing strategy was extended to non-food items, and food purchasing was expanded outside of France, in order to reduce costs while improving quality.

Accor's "technological leap forward" will result in the equipment and wiring of 1,500 hotels by the end of 1998, the development of a high-performance Internet-based marketing system, and the launch of a network of new-generation Business Travel Centers in the US.

The Group's training efforts will be amplified with 15,000 Accor 2000 training sessions offered in 1998. A number of experimental initiatives are currently underway to develop synergies across Group activities.

The financial targets of the Accor 2000 Group project remain unchanged: generate additional total income from operations of FF 750 million by the year 2000.

Accor and the Asian crisis

For Accor, a leading worldwide hotel group, Asia remains a priority market despite the current economic and financial crisis in certain countries of the region. The region will continue to provide good investment opportunities, both through purchases of individual units and acquisition of small or medium-sized local hotel groups.

Accor's exposure to the Asian crisis is relatively limited, for a number of reasons. First, the geographical breakdown of Accor's hotel portfolio is favorable: at 1997 year end, the Group operated 128 hotels in the Asia-Pacific region, of which 61 are located in Australia and 67 in Asia. Further, these hotels are operated under management contracts, thereby limiting the direct investment of the operator. Finally, provisions were written in 1997 to cover doubtful receivables (risk of default or payment in a devalued currency) as well as Accor's minority ownership interests in the companies owning the properties.

Management believes that Asia will continue to attract tourists and businessmen despite the current slowdown, which could last for 12 to 18 months.

For 1998, Accor expects the region's contribution to total income from operations to amount to FF 50 million, based on full consolidation of AAPC, as opposed to a negative contribution of FF 32 million in 1997, accounted for by the equity method (26% ownership interest).

Accor and the “Millennium bug”

Accor has conducted a detailed inventory of its systems and equipment likely to be affected by the so-called “Millennium bug”. A specific taskforce has been organized:

- Group steering committee;
- dedicated taskforces by activity;
- transition to the Year 2000 and to the single European currency (euro) handled jointly to exploit synergies across the two projects.

The total cost, for the holding company and Hotel subsidiaries, of adapting to the Year 2000 should range between FF 90 million and FF 130 million. However, the information technology programs included in the Accor 2000 project already encompass adaptation to the Year 2000 and euro, thereby limiting the incremental cost of this transition.

Report of the Supervisory Board

The Supervisory Board, meeting on April 7, 1998, reviewed the 1997 financial statements and the Board of Management’s report. The Supervisory Board noted with satisfaction the improvement of the Company’s financial performance, reflecting in

particular the validity of the strategic initiatives implemented by the Management Board and its Chairman. The Supervisory Board approves without restriction the resolutions presented to the Shareholders’ Meeting.

Resolutions submitted to the Ordinary General Shareholders’ Meeting

Approval of 1997 financial statements and regulated conventions

Through the **first resolution**, Shareholders are asked to approve the 1997 financial statements presented by the Management Board.

The **second resolution** deals with the conventions regulated by Article 143 of the Law of July 24, 1966, authorized by the Supervisory Board in 1997, and subject of the special report of the Statutory Auditors.

Appropriation of profits

The Board proposes to the Shareholders’ Meeting the following allocation of profits:

• Parent company net income for the year 1997	FF 1,800,594,063.59
• Retained earnings	FF 834,909,005.52
• Total earnings available for distribution	FF 2,635,503,069.11

To be allocated as follows:

• Dividend distribution	FF 824,605,591.00
• Tax credit	FF 315,899,969.00
• Retained earnings	FF 1,494,997,509.11

The allocation of income is the object of the **third resolution**.

Dividend

The proposed dividend will be paid to the 35,852,417 shares eligible as of January 1, 1997.

The above allocation represents a net dividend per share of FF 23.00 or FF 34.50 including “Avoir Fiscal” tax credit, payable on June 15, 1998.

So as to prevent earnings dilution, it is proposed to pay the 1997 dividend in cash form only.

Dividend distribution over the past three years was as follows:

(in FF)	1994	1995	1996
Net dividend per share	18.00	20.00	20.00
Tax credit	9.00	10.00	10.00
Total	27.00	30.00	30.00

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Auditors' Report

For the year ended December 31, 1997

In accordance with our appointment by the General Shareholders' Meeting, we hereby present our report on the accompanying Consolidated Financial Statements of Accor, for the year ended December 31, 1997.

We have audited the Consolidated Financial Statements in accordance with professional standards. These standards require to proceed so as to gain reasonable assurance that the consolidated accounts do not include any material error. The audit surveys the various elements, corresponding to the information presented in the accounts. It also looks at the accounting principles and the valuations used in the preparation of the accounts. We believe these controls provide an adequate basis for the opinion presented below.

In our opinion, the Consolidated Financial Statements present adequately and fairly the financial position and net assets of the Group as at December 31, 1997 and the results of its operations for the year then ended.

We do not have any comments on the financial information provided in the Management Board's report.

Paris and Neuilly, April 7, 1998

Statutory Auditors

Barbier Frinault & Autres
Christian Chochon

J.M.A.
Pierre Marque

Deloitte, Touche Tohmatsu-Audit
Alain Pons

Members of the Compagnies de Paris et Versailles

Independent Accountants

Deloitte Touche Tohmatsu

Consolidated statement of income

(in FF millions)		1995	1996	1997	1997 (in € millions)*
Revenues		30,446	27,888	31,365	4,743
Other operating revenues		566	417	415	63
Consolidated revenues	Note 3	31,012	28,305	31,780	4,806
Operating expenses		(25,015)	(22,316)	(24,497)	(3,704)
Gross operating profit		5,997	5,989	7,283	1,102
Rental expenses	Note 4	(1,241)	(1,505)	(1,857)	(281)
EBITDA		4,756	4,484	5,426	821
Depreciation and operating provision expense		(1,837)	(1,908)	(1,991)	(301)
EBIT	Note 4	2,919	2,576	3,435	520
Net financial expense	Note 5	(1,640)	(1,260)	(1,071)	(162)
Group share in net income of companies accounted for by the equity method	Note 6	2	199	87	13
Total income from operations		1,281	1,515	2,451	371
Result from management of hotel portfolio	Note 7	132	231	4	1
Current income before income taxes		1,413	1,746	2,455	372
Result from management of other assets	Note 8	(91)	281	74	11
Amortization of goodwill		(206)	(185)	(296)	(45)
Income taxes	Note 9	(538)	(489)	(797)	121
Exceptional items (net of taxes)	Note 10	643	–	269	41
Minority interests		(298)	(295)	(197)	(30)
Consolidated net income, Group share		923	1,058	1,508	228
Weighted average number of shares outstanding (in thousands)	Note 11	28,605	30,940	35,557	35,557
Earnings per share (in FF)		32.3	34.2	42.4	6.4

* For information, exchange rate 1 euro = 6.6135 FF at December 31, 1997.

Consolidated financial statements

Consolidated balance sheet

Assets (in FF millions)		1995	1996	1997	1997 (in € millions)*
Intangible fixed assets	Note 12	2,960	3,050	3,012	455
Goodwill (net of amortization)	Note 13	5,572	5,404	7,795	1,179
Property, plant and equipment net of accumulated depreciation	Note 14	25,957	25,509	26,994	4,082
Long-term loans	Note 15	1,213	1,292	1,400	
Investments in companies accounted for by the equity method	Note 16	2,379	2,847	913	
Other financial assets	Note 17	1,811	2,152	2,740	
Total financial assets		5,403	6,291	5,053	764
Total fixed assets	Note 18	39,892	40,254	42,854	6,480
Inventories		340	348	1,157	
Trade accounts receivables		5,298	5,613	6,505	
Other receivables	Note 19	2,412	2,464	2,917	
Service Vouchers reserve funds		1,078	1,118	1,304	
Financial receivables related to vehicle buy-back	Note 26	–	–	1,964	
Receivables on short-term asset disposals	Note 26	893	178	735	
Short-term loans	Note 26	844	494	665	
Marketable securities	Note 26	1,835	2,189	2,776	
Cash and equivalents	Note 26	1,619	2,098	2,077	
Total current assets		14,319	14,502	20,100	3,039
Prepaid expenses		313	490	633	
Deferred charges		208	188	205	
Total prepaid expenses and deferred charges		521	678	838	127
Total assets		54,732	55,434	63,792	9,646

* For information, exchange rate 1 euro = 6.6135 FF at December 31, 1997.

Liabilities and shareholders' equity (in FF millions)		1995	1996	1997	1997 (in € millions)*
Share capital		2,892	3,312	3,586	542
Additional paid-in capital		8,010	9,342	10,088	1,525
Reserves (retained earnings)		2,779	2,915	3,017	456
Translation adjustments		(1,320)	(492)	455	69
Net income for the year		923	1,058	1,508	228
Total shareholders' equity	Note 20	13,284	16,135	18,654	2,820
Minority interests	Note 21	2,788	1,733	1,255	190
Total shareholders' equity and minority interests		16,072	17,868	19,909	3,010
Provisions	Note 22	1,258	1,348	2,635	398
Repackaged perpetual subordinated floating rate notes (TSDI)	Note 23	3,249	3,068	2,866	433
Convertible bonds	Note 24	2,016	2,016	2,015	
Other long-term debt		14,072	12,758	13,528	
Capital leases		1,219	1,129	1,241	
Total long-term debt	Note 25	17,307	15,903	16,784	2,538
Total non-current liabilities and shareholders' equity		37,886	38,187	42,194	6,379
Trade accounts payable		3,217	3,322	4,108	
Other payables	Note 19	4,014	4,065	4,626	
Service Vouchers in circulation		5,171	5,761	6,645	
Short-term debt	Note 26	2,858	2,247	4,661	
Due to banks	Note 26	1,159	1,276	1,219	
Total current liabilities		16,419	16,671	21,259	3,214
Accrued liabilities		427	576	339	53
Total liabilities and shareholders' equity		54,732	55,434	63,792	9,646

* For information, exchange rate 1 euro = 6.6135 FF at December 31, 1997.

Consolidated financial statements

Consolidated statement of sources and uses of funds

(in FF millions)	1995	1996	1997	1997 (in € millions)*
Consolidated net income, Group share	923	1,058	1,508	
Minority interests	298	295	197	
Depreciation, amortization and provision	2,043	2,093	2,287	
Share in net income of companies accounted for by the equity method, net of actual dividends received	99	(64)	19	
Deferred taxes	(55)	(69)	76	
Financial provisions and provisions on assets management	722	(8)	2,003	
Consolidated cash flow	4,030	3,305	6,090	921
Net realized capital (gains)/losses on asset sales	(1,528)	(725)	(2,061)	
Non-operating losses/(profit)	40	74	(84)	
Consolidated cash flow from operations	2,542	2,654	3,945	597
Investments for renovation and maintenance	(1,736)	(1,702)	(2,070)	
Free cash flow	806	952	1,875	284
New capital and technology investments	(2,038)	(1,687)	(4,693)	
Proceeds from asset sales	3,178	3,021	4,782	
Decrease/(increase) in working capital	(364)	694	466	
Non-operating gains/(losses)	(40)	(74)	84	
Net sources/(uses) from operations	1,542	2,906	2,514	380
Dividends	(702)	(961)	(1,026)	
Capital increases	344	478	1,020	
Currency translation adjustments on fixed assets and shareholders' equity	669	(592)	(1,058)	
Changes in the scope of consolidation on provisions and minority interests	10	16	(536)	
Net impact of proportional consolidation of Europcar	-	-	(692)	
Decrease/(increase) in net indebtedness	1,863	1,847	222	34
Net indebtedness (beginning of the period)	(21,245)	(19,382)	(17,535)	
Net indebtedness (end of the period)	(19,382)	(17,535)	(17,313)	
Decrease/(increase) in net indebtedness	1,863	1,847	222	34

* For information, exchange rate 1 euro = 6.6135 FF at December 31, 1997.

Changes in consolidated shareholders' equity (before minority interests)

(in FF millions)	Number of shares outstanding	Share capital	Additional paid-in capital	Translation adjustments	Reserves (retained earnings)	Total
At December 31, 1995	28,915,851	2,892	8,010	(1,320)	3,702	13,284
Capital increases:						
- Conversion of bonds	54	-	-	-	-	-
- IBL exchange offer	3,436,854	344	930	-	-	1,274
- Exercise of stock options	41,151	4	16	-	-	20
- Stock dividends	723,724	72	386	-	-	458
Dividend	-	-	-	-	(787)	(787)
Translation adjustments	-	828	-	828	-	828
Net income for 1996	-	-	-	-	1,058	1,058
At December 31, 1996	33,117,634	3,312	9,342	(492)	3,973	16,135
Capital increases:						
- Conversion of bonds	192	-	-	-	-	-
- Sphere SA merger	2,347,761	235	577	-	-	812
- Exercise of stock options	386,830	39	169	-	-	208
- Stock dividends	-	-	-	-	-	-
Dividend	-	-	-	-	(956)	(956)
Translation adjustments	-	-	-	947	-	947
Net income for 1997	-	-	-	-	1,508	1,508
At December 31, 1997	35,852,417	3,586	10,088	455	4,525	18,654

The change in translation adjustments between 1996 and 1997 primarily stems from the impact on the Group's North American assets - mainly the Motel 6 chain - of the higher US dollar exchange rate relative to the French franc.

Notes to the consolidated financial statements

Note 1 Accounting principles

The consolidated financial statements of the Accor Group are established in accordance with French regulations presently in force.

Due to the international nature of the Group's activities, it adopts methods that are generally accepted internationally, whenever possible.

The financial statements of consolidated Group companies, prepared in accordance with the rules of the individual countries in which they operate, are restated to conform to Group principles prior to consolidation.

A. Consolidation methods

The companies over which the Group directly or indirectly exercises exclusive controlling influence are fully consolidated.

Companies controlled and operated jointly by Accor and a limited number of partners are consolidated through proportional integration.

Companies over which the Group exercises a significant influence and in which it controls, directly or indirectly, between 20% and 50% of voting rights, are accounted for by the equity method.

B. Goodwill

Within the first year following an acquisition, all assets and liabilities of an acquired business are reviewed and valued. Whenever possible, the difference between the purchase price and the fair value of the Group's share of the underlying net assets at the date of acquisition is posted to the corresponding balance sheet item. The balance is recorded as goodwill in the consolidated balance sheet and is amortized on a straight-line basis according to the nature of the activities involved, within the **maximum** following limits:

Hotels	40 years
Railway Onboard Services	40 years
Corporate Services	40 years
Travel Agencies	40 years
Restaurants	20 years
Casinos	20 years
Other	10 years

C. Translation of financial statements prepared in foreign currencies

Foreign-currency denominated balance sheet items are translated into French francs at year-end exchange rates. Income statement items are translated at average annual rates. The resulting difference is posted to shareholders' equity. In the case of subsidiaries operating in exceptionally high-inflation countries, non-monetary balance sheet items and related income statement items are translated at historical rates prevailing on the date of the transaction, while monetary balance sheet items are translated at year-end rates. Monetary income statement items are translated at average monthly historical rates. The resulting difference is posted to the appropriate item of the income statement based on the integral adjustment method. The integral adjustment method used to present revenues and expenses provides maximum insight by allocating currency rate adjustments directly to the relevant income statement items. As a result, revenue and expense items are translated into French francs, using exchange rates close to the appropriate historical rates.

D. Fixed assets

D.1. Intangible fixed assets

Intangible fixed assets are recorded at cost. Prior to initial consolidation, major intangible fixed assets are valued by outside appraisers on the basis of commonly accepted criteria which can be

subsequently monitored. When these assets may not be amortized, their value is periodically reviewed (according to EBDIT multiples, discounted cash flow, etc...) and losses in value, if any, are provisioned for.

Start-up costs are written off over a maximum period of five years. Market shares, networks and brand names are not subject to amortization.

D.2. Property, plant and equipment

Property, plant and equipment are valued at cost, including related financial charges.

Property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Formule 1 hotels / Motel 6 motels	40 years
Other hotels	60 years
Rail cars and other railway equipment	20 years
Other equipment	10 to 30 years
Fixtures and fittings	5 to 10 years

D.3. Long-term leases, financial leases, sale and lease-back

Pursuant to French legislation in force, the Group accounts for its long-term leases according to International Accounting Standards as defined in Standard N° 17. Capital leases are distinguished from operating leases based on set criteria as defined in Standard N° 17 and in greater detail in US Accounting Standard SFAS 13.

Beyond the strict application of these quantifiable criteria, the Group systematically favors an economic analysis of risks and ownership benefits in the relationship between lessor and lessee. Consequently, it classifies leases as operating from the standpoint of the lessee only when related liabilities and commitments are substantially weighted towards the lessor.

Capital leases which substantially transfer the risks and rewards of ownership to the lessee are recognized in the balance sheet. The corresponding assets are included under fixed assets as properties and depreciated according to the Group's accounting principles and the corresponding obligation is listed separately as a liability in the balance sheet.

Operating leases are recognized as rental expenses

of the period. Regardless of contractual payment terms, total rental expenses are annualized on a linear basis and expensed in equal annual installments over the life of the contract.

Future rental charges are detailed in note 4.

Sale and leaseback transactions are recognized based on the classification of the underlying long-term leases:

- for capital leases, the capital gains or losses are deferred and amortized over the life of the contract, except when it shows an impairment of the underlying asset value which is immediately recognized;
- in the case of operating lease contracts, assuming sales prices and rents are confirmed to reflect market values by independent experts, capital gains or losses are immediately recognized.

D.4. Investments in unconsolidated companies

Investments in unconsolidated companies are recorded at cost.

D.5. Book value of fixed assets

Fixed assets are valued at cost. When cost exceeds the fair value of the asset, a provision is made to recognize the loss of value.

Fair value is based upon an evaluation of the assets' usefulness in enabling the Company to achieve its strategic goals.

In particular, in the case of hotel properties, fair value is estimated on the basis of a multiple of average free cash flow over the duration of a hotel industry business cycle. Depreciation, if any, is posted to income under "Result from management of hotel portfolio" (see notes 1 L.4. and 7).

In addition, in the case of unconsolidated investment securities, usefulness value is based, among other criteria, on the Company's share in revalued net worth and future profitability prospects.

Provisions for loss of value are written to reduce assets held for disposal to market value. As part of the Group's resource reallocation program implemented in 1997, these provisions are included under "Exceptional items".

E. Special reserve funds

As a result of legal restrictions on the use of Ticket Restaurant operating funds in France, these are held in special escrow accounts.

F. Marketable securities

Marketable securities are recorded at the lower of cost or market.

G. Deferred charges

Deferred charges include:

- costs incurred prior to the opening of new hotels and restaurants, which are written off over three years in the case of hotels;
- costs related to the acquisition of fixed assets, which are written off over a maximum of five years;
- initial lease expenses, which are written off over the life of the lease;
- bond issuance costs, which are written off over the life of the issue.

H. Provisions for pension and retirement benefits

The Group's local retirement, early retirement and severance payment programs are established in accordance with the regulations and usage prevailing in the countries in which it operates. In the case of fixed-premium policies, premiums are expensed as incurred. In the case of defined-benefit policies, provisions are based on actuarial calculations taking into account probable future liabilities in accordance with the regulations specific to each country.

I. Translation of foreign currency-denominated transactions

For each Group entity, transactions denominated in a currency other than its own functional currency are translated into that currency at the exchange rate prevailing at the time of the transaction.

Corresponding assets and liabilities, with the exception of those covered by currency hedging transactions, are translated at year-end rates. Exchange gains and losses resulting from year-end exchange rate conversions are posted to "Net financial income".

J. Deferred taxes

Deferred tax credits or liabilities are based on the liability method, taking into account historical tax rates. The impact of changes in tax rates is posted to "Income for the corresponding year".

Deferred taxes are recorded on all timing differences.

Deferred tax assets on tax losses carried forward are recognized only if they are likely to be used within a reasonable time frame.

K. Financial instruments

Financial instruments such as swaps and options contracts primarily used to manage interest rate and currency exposure are recorded as off-balance sheet commitments.

Income from hedging transactions is recognized using the same principle as that applied to the recognition of income or expense on the hedged asset or liability.

L. Income statement and statement of sources and uses of funds

The presentation of the consolidated income statement and statement of sources and uses of funds is matching closely the key indicators used internally for managing its activities and assessing management performance.

L.1. Revenues

Consolidated revenues include all revenues from sales of products and services by consolidated companies in the course of their normal activities. They encompass:

- for Corporate Services: commissions paid by client companies, and participating restaurants, royalties and revenues from technical assistance;

- for Travel Agencies: commissions on travel tickets, car rentals, hotel accommodations and other service activities, as well as revenues from the sale of travel packages;
- for Railway Onboard Services: catering and lodging services charged to railway networks, as well as subsidies received and capital improvements performed by the Group.

L.2. Other operating revenues

Other operating revenues primarily include financial income on the management of available funds generated by Corporate Services activities. Together, consolidated revenues and other operating revenues make up the consolidated revenues.

L.3. Total income from operations

The heading "Total income from operations" reflects results from operations and financing of the Group's activities. It combines EBIT, net financial expense, and the Group's share in net income of companies accounted for by the equity method.

L.4. Result from management of hotel portfolio

Result from management of hotel portfolio encompasses realized capital gains and losses on the sale of hotel properties, as well as provisions on hotel properties. These items of a recurring nature in the ongoing management of hotel operations are not directly related to the management of the Group's operations.

L.5. Current income before income taxes

Current income before income taxes is the sum of total income from operations and result from management of hotel portfolio (before amortization of goodwill).

L.6. Result from management of other assets

Result from management of other assets encompasses realized capital gains and losses on the sale of other assets, excluding hotel portfolio, provisions, as well as non-operating losses and gains. These items are not directly related to the management of the Group's operations.

L.7. Exceptional items

Exceptional items are essentially limited to extraordinary transactions - such as disposal of Group core activities - which are not part of the Group's current activities, and do not occur frequently.

L.8. Statement of sources and uses of funds

The statement of sources and uses of funds was reorganized to match the key indicators used internally in the management of Accor's activities and to differentiate uses and sources of funds from operations on the one hand, and financing activities on the other.

Sources and uses of funds from operations include:

- consolidated cash flow from operations after changes in deferred taxes and before capital gains or losses on asset sales;
- capital improvements, which cover maintenance and renovation of existing operating assets held on January 1 of the reporting year and required by their ongoing operations;
- new capital investments, including fixed assets of newly consolidated subsidiaries and the constitution of new assets;
- capital gain or losses on asset sales;
- net change in working capital.

Note 2 Changes in the scope of consolidation

A. Reallocation of resources

Pursuant to information provided at the Shareholders' Meetings of January 7 and June 4, 1997, the Group has completed in the first half of 1997 an extensive strategic review of its activities and operating procedures. This review led to the identification of non-strategic assets, whose disposal has been partly initiated in the year 1997 and should be pursued in the short to medium term.

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At December 31, 1997, the impact of the Group's resource reallocation program was as follows:

A.1. Sale of 11.5% interest in Compass Plc

At December 31, 1996, the Accor Group held 68,300,201 shares of Compass Plc. These shares had been received in 1995 as partial remuneration of the sale of Eurest France and Eurest International to Compass Plc.

As part of Accor's resource reallocation strategy, the Group sold 36,500,000 Compass Plc shares in the first half of 1997 at a price of GBP 7 per share, thereby realizing a net capital gain of FF 1,323 million (see note 10).

Following this transaction, the Group's interest in Compass Plc was reduced to 10%. Since January 1, 1997, Compass Plc is no longer accounted for by the equity method. Accor's remaining interest in Compass Plc has been transferred to investment in unconsolidated companies as of January 1, 1997, on the basis of their equity method valuation (after translation adjustments, see note 17).

Subsequent to the close of the year, the Group sold 16,446,760 Compass shares, generating net proceeds of FF 1,313 million. Following this transaction, Accor has agreed not to sell the balance of its interest in Compass, or 15,353,441 shares, prior to February 18, 1999.

A.2. Exceptional provision on assets held for disposal

As part of Accor's resource reallocation strategy, the Group has conducted a strategic review of all its activities in the first half of 1997, in order to identify assets likely to be sold in the near future. Within its hotel activities, the review was conducted over the whole hotel portfolio and the situation of each fully owned property was reviewed on a unit-by-unit basis.

The disposal value of the assets thus identified was estimated either on the basis of available bids or of a valuation taking into account a current multiple of projected free cash flow, corrected as needed to reflect the property's underlying real estate value (based on location and/or nature of the asset).

This review resulted in the identification of a group of properties held for disposal with a combined

estimated selling value of FF 7 billion.

Provisions were written in the case of hotel assets and business units held for disposal, whose book value exceeds the estimated disposal value, resulting in a charge of FF 1,356 million included under exceptional items (see note 10). Conversely, unrealized capital gains on assets held for disposal are taken into account only upon realization.

At December 31, 1997, as part of the resource reallocation program adopted in the first half of 1997, the Group completed the following disposals:

- 35 Motel 6 units for USD 130 million (FF 773 million);
- 29 Business and Leisure Hotels (13 Novotel and 16 Mercure units) for a total consideration of FF 741 million;
- 5 Ibis hotels for FF 188 million;

In addition, subsequent to the close of the year, 59 Motel 6 units were sold for a total consideration of USD 250 million (approximately FF 1,500 million).

None of these disposals resulted in additional losses compared to the estimated disposal values taken into account to establish provisions at June 30, 1997.

A.3. Sale of HRC (Public Restaurants Concession)

In September 1997, Charterhouse and Accor sold their joint public restaurant subsidiary, HRC, to Groupe Bercy Management. Accor realized a FF 326 million capital gain on the sale of its interest in HRC.

A.4. Sale of Accor's interest in Club Méditerranée

In the second half of 1997, Accor sold part of its interest in Club Méditerranée for FF 105 million, generating a loss of FF 31 million, provided for in the first half of 1997 as part of the Group's resource reallocation program.

Subsequent to the close of the year, Accor sold the balance of its interest in Club Méditerranée. This disposal did not generate additional losses.

B. Carlson/Wagonlit Travel merger

In January 1997, Accor and Carlson Companies Inc. joined their respective interests in business travel agency networks. The combined entity, Carlson Wagonlit Travel, is jointly and equally held by the two groups. It is consolidated by Accor through proportional integration (50%) since January 1, 1997. The creation of the Carlson Wagonlit Travel entity reflects the continuation of the two group's travel agency activities. Consequently, the book value of this activity in Accor's consolidated financial statements (i.e. FF 1,928 million) was used to establish the fair value of 50% of the assets transferred to the new entity by both groups. Reflecting the creation of the Carlson Wagonlit Travel entity, the Wagonlit Travel brand and network, representing a book value of FF 740 million in Accor's 1996 year-end consolidated financial statements, have ceased to exist as identifiable intangible assets. In the absence of valuation differences identified within the new entity consolidated on a proportional basis, goodwill of FF 1,777 million was recognized. This goodwill is to be compared with the value of intangible assets and goodwill held as of December 31, 1996, resulting in a difference of FF 200 million. Further, this goodwill which was previously amortized over forty years, will henceforth be amortized over twenty years, reflecting the current technological changes in this activity and the growing importance of systems with shorter life cycles.

C. Sphere International/Accor merger

On June 4, 1997, the Extraordinary Shareholders' Meeting approved the merger of Sphere International and Accor SA, on the basis of one Accor share for seven Sphere shares. The merger resulted in the creation of 2,347,761 new Accor shares. As the accounting treatment of the assets transferred on the basis of their consolidated value would not be materially different from that deduced from their valuation on the basis of the net book value of the parent company, the latter value was retained to establish Accor's consolidated financial statements. A capital increase of FF 812 million was therefore recorded.

Finally, a total of 934,664 Accor shares received by Compagnie Internationale des Wagons-Lits as part of this merger was recorded in the Accor balance sheet under marketable securities, reflecting the nature of the securities.

D. AAPC public take-over offer

On December 4, 1997, Accor launched a public take-over offer for all outstanding shares of AAPC, a company listed on the Sydney Stock Exchange, in which the Group previously held a 25.89% interest accounted for by the equity method. The offering price (AUD 0.65 per share) valued the company at FF 1,557 million. Upon expiration of the offer, on February 23, 1998, Accor held 99.5% of all outstanding shares of AAPC. Following a squeeze-out offer pursuant to Australian securities regulation launched subsequently, Accor held, directly or indirectly, 100% of AAPC as at the end of March 1998.

During 1997, Accor exercised a significant influence over the management of AAPC, thereby accounting for the company by the equity method on the basis of its ownership interest (25.88%) during the period. To reflect the takeover of AAPC by Accor at 1997 year end, completed in early 1998, AAPC's balance sheet was fully consolidated in Accor's consolidated financial statements at December 31, 1997.

The total acquisition cost of the 74.11% interest in AAPC purchased by Accor amounted to FF 1,208 million. Accor conducted a preliminary estimate of the fair value of the assets and liabilities acquired, net of assets and liabilities related to Accor's relationship with AAPC (particularly, rights to use the Accor hotel brandnames and management contracts in the Asia Pacific region, which had been sold to AAPC in 1993 and 1996, in exchange for cash and shares, see note 17). On the basis of this estimate, total goodwill resulting from this transaction amounted to FF 1,287 million. Reflecting the long-term nature of this investment in Asia Pacific hotel activities, and consistent with the Group's accounting principles, goodwill will be amortized over forty years.

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At December 31, 1997, the impact of the full consolidation of AAPC's balance sheet on the Accor consolidated financial statements was as follows:

(in FF millions)	Dec. 31, 1997
Property, plant and equipment	274
Goodwill, net of amortization	1,287
Securities accounted for by the equity method and non-Group securities	611
Other fixed assets	122
Change in securities accounted for by the equity method and AAPC bonds held by Accor	(673)
Change in fixed assets	1,621
Other assets	192
Change in total assets	1,813
Minority interests	59
Provisions	99
Translation differences	(37)
Net debt	1,692
Change in total liabilities and shareholders' equity	1,813
Acquisition debt	1,208
AAPC debt (after elimination of convertible bonds)	484
Change in net debt on Accor balance sheet	1,692

An abridged AAPC 1997 income statement is presented in note 6.

E. Europcar

E.1. Proportional consolidation of Europcar

In early 1998, following the approval of Europcar's 1997 financial statements, Accor has confirmed its intention of durably maintaining its interest in Europcar, a company jointly held with Volkswagen. To reflect this strategic decision and provide an accurate representation of the Group's balance sheet at 1997 year end, Accor has consolidated the Europcar balance sheet on a proportional basis. Europcar's income statement has been accounted for by the equity method in 1995, 1996 and 1997 (see note 6), in line with the accounting method heretofore applied by the Group. Europcar's

income statement will be consolidated on a proportional basis starting January 1, 1998. At December 31, 1997, the impact of the 50% proportional consolidation of Europcar's balance sheet on the Accor consolidated financial statements was as follows:

(in FF millions)		Dec. 31, 1997
Brand		399
Other intangible fixed assets		239
Long-term vehicle fleet		285
Other fixed assets		147
Long-term fixed assets		1,070
Change in securities accounted for by the equity method		(463)
Total long-term assets		607
Short-term vehicle fleet		437
Financial receivables related to vehicle buy-back	Note 27	1,964
Other assets		1,339
Total change in consolidated assets		4,347
Provisions for risks on brand		399
Provisions for risks and expenses		161
Long-term bank debt		57
Short-term bank debt		1,825
Fleet leasing debt		774
Total debt	Note 27	2,656
Current liabilities		1,131
Total change in consolidated liabilities and shareholders' equity		4,347
Financial receivables related to vehicle buy-back	Note 27	1,964
Total debt	Note 27	2,656
Change in net debt on Accor balance sheet	Note 27	692

The Europcar consolidated balance sheet is consolidated on a proportional basis, based on the Group's accounting principles, notably in terms of long-term leases, capital leases and sale-leaseback transactions (see note 1 D.3.). Europcar's lease financing contracts, primarily used to finance Europcar's vehicle fleet, were restated;

the vehicles financed were included as assets in the balance sheet and a corresponding financial debt included as liabilities.

Europcar's vehicle fleet not subject to vehicle buy-back contracts provided by automobile makers is included on the balance sheet on the basis of the expected ownership period:

- vehicles subject to long-term rental contracts (long-term vehicle fleet) are considered fixed assets and depreciated over the life of the contracts;
- vehicles subject to short-term rental contracts (short-term vehicle fleet) are included under inventory and their utilization cost (acquisition cost, minus expected resale value) is spread on a straight-line basis over their expected ownership period.

Europcar's vehicle fleet subject to vehicle buy-back contracts, whereby automobile makers guarantee a short-term buy-back value, is considered held on the basis of standard short-term rental contracts. Consequently, the guaranteed buy-back value is posted under "Financial receivables related to vehicle buy-back". Payments made upon signing these contracts are considered prepaid rents and the amount exceeding the guaranteed buy-back value is spread over the corresponding vehicle rental period.

An abridged Europcar 1997 income statement is presented in note 6.

E.2. Restatement of the usefulness value of Europcar

Confirmation of the durable recovery of Europcar led Accor to restate the book value of the assets of this activity, and notably of the book value of the brand, whose initial value (FF 399 million) had been brought down to zero, through exceptional depreciation, in the Group's 1995 consolidated financial statements.

This review led the Group to consider a usefulness value of these assets well in excess of their book value. Consequently, the provision for depreciation (FF 399 million) was reversed in full and posted under "Exceptional items" (see note 10).

F. IBL (Motel 6)

On April 24, 1996, the Accor Board of Directors resolved to offer IBL shareholders to exchange

their IBL shares for Accor shares on the basis of the following exchange ratios:

- for IBL shareholders having been granted a put option by Accor, 11 IBL shares for 3 Accor shares tendered;
- for IBL shareholders who had not been granted such an option, 14 IBL shares for 3 Accor shares tendered.

Upon expiration of the exchange period, a total of 3,436,854 new Accor shares had been created. The securities received by Accor, valued at FF 1,274 million, were recorded on the basis of the value of IBL (Motel 6) used in consolidation, itself based on a revaluation of assets and liabilities conducted at the time of IBL's initial consolidation. Upon expiration of the exchange period, on June 4, 1996, Accor held a 95.37% interest in IBL. On June 30, 1997, Accor purchased the balance of IBL shares not previously held for a total of FF 473 million. This transaction resulted in additional goodwill of FF 169 million.

G. Full consolidation of Accor Casinos (previously SPIC)

In the first half of 1997, Accor acquired a 43.6% interest in Accor Casinos (Ruhl, Cassis, Carry and Chamonix Casinos), raising its interest to 65%. In 1997, this company generating gross gaming revenues of FF 582 million and EBIT of FF 72 million.

Accor's interest in Accor Casinos is fully consolidated since January 1, 1997.

Goodwill resulting from this acquisition totaled FF 162 million.

H. Full consolidation of Pannonia

In the first half of 1997, Accor took over control of Pannonia, in which it previously held a 36% interest. Pannonia is a Hungarian hotel group operating in Central Europe (Hungary, Austria, Germany), with 31 hotels representing 4,945 rooms. In 1997, Pannonia generated revenues of FF 506 million and EBIT of FF 90 million.

Pannonia is fully consolidated since January 1, 1997. Goodwill of FF 24 million was generated by this transaction.

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Note 3 Breakdown of consolidated sales by geographical area and by activity

(in FF millions)	France	Europe	North America	Latin America	Other	1997	1996	1995
Hotels								
Business and Leisure	5,351	3,827	718	284	173	10,353	8,618	7,365
Economy	2,372	1,655	16	–	57	4,100	3,809	3,483
Motel 6	–	–	4,121	–	–	4,121	3,504	3,169
Travel Agencies	452	1,660	1,627	98	237	4,074	4,073	3,792
Corporate Services	233	572	47	1,307	14	2,173	1,847	1,883
Institutional Catering and Public Restaurants	842	1,218	–	1,990	–	4,050	3,704	8,211
Railway Onboard Services	785	995	–	–	–	1,780	2,063	2,123
Casinos	372	–	–	–	–	372	–	–
Headquarters and other	343	341	–	73	–	757	687	986
1997 total	10,750	10,268	6,529	3,752	481	31,780		
1996 total	9,926	10,746	3,989	3,062	582		28,305	
1995 total	9,491	14,481	3,521	2,971	548			31 012

Consolidated sales totaled FF 31,780 million in 1997, as compared to FF 28,305 million in 1996. This represents an increase of FF 3,475 million or 12.28%. This increase reflects positive currency

impact of FF 1,194 million. On a comparable structural basis, Group consolidated sales rose by 5.44% or FF 1,423 million over the 1996 level.

Note 4 Breakdown of EBIT

4.1. EBIT by activity and geographical area

(in FF millions)	France	Europe	North America	Latin America	Other	Head-quarters	1997
Hotels							
Business and Leisure	384	338	127	18	16	-	883
Economy	502	219	1	(2)	14	-	734
Motel 6	-	-	1,061	-	-	-	1,061
Travel Agencies	12	44	44	11	(3)	-	108
Corporate Services	82	204	4	357	(3)	-	644
Institutional Catering and Public Restaurants	50	41	-	50	-	-	141
Railway Onboard Services	25	(29)	-	-	-	-	(4)
Casinos	72	-	-	-	-	-	72
Headquarters and other	-	-	-	-	-	(204)	(204)
1997 total	1,127	817	1,237	434	24	(204)	3,435

On a constant structural and currency basis, EBIT would have increased by 20.2%. The currency impact totaled FF 185 million, including FF 150 million for the US dollar and FF 30 million for the British pound.

(in FF millions)	France	Europe	North America	Latin America	Other	Head-quarters	1996	1995
Hotels								
Business and Leisure	256	157	75	19	17	-	524	513
Economy	402	182	1	-	7	-	592	578
Motel 6	-	-	834	-	-	-	834	871
Travel Agencies	18	148	-	(1)	(8)	-	157	119
Corporate Services	76	171	3	273	(2)	-	521	623
Institutional Catering and Public Restaurants	25	21	-	(39)	-	-	7	220
Railway Onboard Services	19	11	-	-	-	-	30	54
Casinos	-	-	-	-	-	-	-	-
Headquarters and other	-	-	-	-	-	(89)	(89)	(59)
1996 total	796	690	913	252	14	(89)	2,576	
1995 total	868	741	899	458	12	(59)		2,919

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4.2. Operating rental expenses

EBIT is calculated after operating rental expenses of FF 1,505 million and FF 1,857 million in 1996 and 1997, respectively. The actual increase in rental expenses in 1997, as well as the planned increase in 1998, reflect the impact of the sale and leaseback of hotel properties in 1996 and 1997, now rented under operating lease contracts (see notes 7 and 2 A.).

In line with international accounting principles (see note 1 D.3.), rental expenses are exclusively related to operating lease contracts. Regardless of

contractual payment terms, total rental expenses are annualized on a linear basis over the life of the contract using benchmark rates (such as the INSEE French Construction Index). Certain contracts were entered into for terms exceeding standard French nine-year commercial leases, notably to protect Accor against the lack of commercial property rights in certain countries.

Undiscounted operating lease commitments were as follows at December 31, 1997:

(in FF millions)	Rental expenses			Commitments				Total
	1997	1998	1999	2000	2001	2002	> 2003	
Business and Leisure	1,090	1,168	1,195	1,174	1,181	1,161	13,639	19,518
Economy	318	349	352	352	344	333	3,310	5,040
Motel 6	210	263	260	257	255	117	1,676	2,828
Other	239	125	120	80	89	58	396	868
Total	1,857	1,905	1,927	1,863	1,869	1,669	19,021	28,254

Operating leases contracts relate to hotel property and equipment operated by the Group.

Some contracts include renewal clauses and/or options to purchase based on market conditions.

Note 5 Net financial expense

(in FF millions)	1995	1996	1997
Net financial charges or income	(1,687)	(1,242)	(1,101)
Other financial revenues and expenses	47	(18)	30
Net financial expense	(1,640)	(1,260)	(1,071)

Note 6 Group share in income (loss) of companies accounted for by the equity method

(in FF millions)	1995	1996	1997
Europcar	(152)	(19)	48
AAPC	26	26	(32)
Financière Eurest	40	–	–
Compass (1)	35	138	–
SHCD	18	22	21
Parc Astérix	8	4	17
Other	27	28	33
Group share in income before tax	2	199	87

(1) Following the sale of an 11.5% interest in Compass Plc, this company is no longer accounted for by the equity method, effective January 1, 1997 (see note 2 A.1.).

As mentioned in notes 2 D. and 2 E., the Group's share in income of AAPC and Europcar was included in the Accor consolidated financial statements. Summarized financial statements for these two entities are presented below:

(in FF millions)	Europcar		AAPC	
	1996	1997	1996	1997
Percentage ownership	50.00	50.00	24.34	25.89
Sales volume	3,738	4,250	3,186	3,987
Revenues	3,831	4,344	168	162
EBIT	214	355	101	(85)
Total income from operations	(38)	96	107	(123)
Result from management of other assets	-	-	-	(174)
Net income	(46)	74	74	(350)

Note 7 Result from management of hotel portfolio

(in FF millions)	1995	1996	1997
Capital gains or losses on sale of assets	140	319	353
Provisions on hotel properties (see note 1 D. 5.)	(8)	(88)	(349)
Total	132	231	4

In 1996, result from management of hotel portfolio included capital gains on the sale of 19 Novotel hotels in France (2,844 rooms) for FF 241 million and 11 Sofitel hotels in France and the US (3,455 rooms) for FF 54 million.

Provisions were related to loss of value of six hotels in France (FF 37 million), 10 hotels in Germany (FF 17 million) and six Motel 6 units (FF 19 million).

In 1997, result from management of hotel portfolio primarily encompasses the capital gain realized on the sale (FF 352 million) of 34 hotels (3,808 rooms) in France. Provisions for loss of value are related

among other to 34 Mercure and Novotel Hotels in Germany for a total of FF 162 million, 5 Business and Leisure Hotels in France for a total of FF 85 million, and 2 Business and Leisure Hotels in North America for a total of FF 35 million.

Note 8 Result from management of other assets

(in FF millions)	1995	1996	1997
Capital gains or losses on sale of assets	25	406	294
Provisions	(55)	(51)	(128)
Non-operating gains (losses)	(61)	(74)	(92)
Total	(91)	281	74

In 1996, result from management of other assets primarily included a capital gain on the sale to AAPC of unlimited rights to use the Group's hotel brand names in the Asia Pacific region, for FF 233 million (after eliminating the share of the gain corresponding to Accor's interest in AAPC). In 1997, capital gains and losses on the management of other assets primarily encompasses FF 200 million related to a gain on financial swap (see note 30).

Note 9 Income taxes

9.1. Tax expenses of the fiscal year (excluding exceptional items)

(in FF millions)	1995	1996	1997
Current taxes	531	472	672
Deferred taxes	(55)	(69)	76
Group share in current and deferred taxes of companies accounted for by the equity method	62	86	49
Total	538	489	797

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9.2. Effective tax rate		
(in FF millions)	1996	1997
Current income before income taxes	1,746	2,455
Result of the management of other assets	281	74
Amortization of goodwill	(185)	(296)
Income before taxes	1,842	2,233
Permanent differences (non-deductible expenses):		
– amortization of goodwill	185	296
– elimination of intra-Group capital gains	136	–
– asset depreciation	61	121
– other	109	45
Total of permanent differences (non-deductible expenses)	491	462
Income subject to lower tax rates or not subject to taxes (1)	(733)	(128)
Income taxable at current rates	1,600	2,567
Current tax rate in France	36.67%	41.67%
Theoretical income tax at current French tax rate	(587)	(1,070)
Impact on theoretical income tax of:		
– differences in tax rate in countries other than France	23	109
– unutilized tax losses for the year	(210)	(149)
– utilization of tax losses from prior years	178	193
– tax credits resulting from timing differences not recognized in prior years	–	189
– losses carried forward unrecognized in prior years (2)	150	80
– other	20	(89)
Total impact on theoretical income tax	161	333
Income tax at current tax rate	(426)	(737)
Income tax at lower rates	(63)	(60)
Total consolidated income tax	(489)	(797)
Group apparent tax rate on net income, before exceptional	26.53%	35.68%
Current income before income taxes	1,746	2,455
Total consolidated income tax	(489)	(797)
Group apparent tax rate on current income	28.01%	32.45%
Tax rate restated to account for Motel 6 impact in 1996 (2)	36.60%	32.45%

(1) Primarily capital gains on asset sales in 1996.

(2) Tax losses carried forward result in deferred tax assets only when they are likely to be recovered within a reasonable time frame. In 1996, the confirmation of Motel 6's durable operating profitability led the Group to post FF 400 million in deferred tax assets from tax loss carry-forwards. Of this total, FF 250 million attributable to tax loss carry-forwards generated prior to the

Group's acquisition of Motel 6 were directly deducted from goodwill on the Motel 6 acquisition, in line with international standards, and had no impact on income for the year. The FF 150 million balance attributable to tax losses for the period since the Motel 6 acquisition by Accor, was recognized as a non-recurring tax gain.

9.3. Deferred tax assets and liabilities

(in FF millions)	1995	1996	1997
Deferred tax assets	237	687	811
Deferred tax liabilities	(705)	(735)	(690)
Net deferred taxes	(468)	(48)	121

Deferred tax assets and liabilities are classified under "Other receivables" or "Other payables" (see note 19). The increase in deferred tax assets between December 31, 1995 and December 31, 1996 primarily reflected the activation of Motel 6 tax loss carry-forwards for a total of FF 400 million, including FF 250 million deducted from goodwill. The FF 169 million increase in net deferred taxes from December 31, 1996 to December 31, 1997 primarily reflects the impact of exceptional asset depreciation at Motel 6, changes in the scope of consolidation, and changes in the US dollar to the French franc exchange rate.

Note 10 Exceptional items (net of taxes)

(in FF millions)	1995	1996	1997
Exceptional items	643	-	269

In 1995, as part of the Group's debt reduction program, exceptional items included a FF 1,383 million capital gain on the sale of Eurest activities, FF 541 million in provisions for asset disposals, and a FF 199 million for loss of value relative to the Europcar brand.

In 1997, as part of the resource reallocation program detailed in note 2.A, exceptional items include capital gains of FF 1,323 million on the sale of Compass securities and FF 326 million on the balance of the Group's interest in HRC (restaurants concession). Separately, capital losses on sale of assets totaling FF 41 million were realized on the sale of Club Méditerranée and Parc Astérix securities.

In addition, provisions for loss of value on assets held for disposal totaling FF 1,356 million were written in 1997. Of this total, FF 1,045 million is related to hotel properties and most of the balance is related to Railway Onboard Services (see note 2 A.).

Exceptional items also include FF 382 million in other provisions, of which FF 279 million are related to reorganization and reengineering costs in various Group activities.

Finally, the review of Europcar's book value having demonstrated that the usefulness value of these assets far exceeds their net book value, the FF 399 million provision for loss of value relative to the Europcar brand was reversed in full (see note 2.E.2.).

Note 11 Breakdown of net income per share

(Number of shares in thousands)	Dec. 31, 1995	Dec. 31, 1996	Dec. 31, 1997
Number of shares outstanding (beginning of the period)	24,965	28,916	33,117
Number of shares issued during the year	3,951	4,201	2,735
Number of shares outstanding (end of the period)	28,916	33,117	35,852
Weighted average number of shares outstanding	28,605	30,940	35,557
Group consolidated net income (in FF millions)	923	1,058	1,508
Earnings per share (in FF)	32.3	34.2	42.4

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Note 12 Intangible fixed assets

(in FF millions)	1995	1996	1997
Start-up costs	215	204	191
Business rights	489	506	446
Market share, Railway Onboard Services	490	490	490
Networks and brand names, Travel Agencies (1)	740	740	–
Brand name, Europcar (2)	–	–	399
Brand name, Motel 6 (3)	980	1,047	1,198
Other networks and brand names	74	76	76
Other intangible fixed assets	474	460	761
Total (gross) (4)	3,462	3,523	3,561
Amortization	(502)	(473)	(549)
Total (net)	2,960	3,050	3,012

(1) See note 2 B.

(2) See note 2 E.2.

(3) Changes in the valuation of the Motel 6 brand effect fluctuations in the exchange rate of the U.S. dollar against the French franc.

(4) Provision for risks are written in the case of intangible fixed assets held for disposal whenever their estimated market value is lower than book value.

Note 13 Goodwill

(in FF millions)	1995	1996	1997
Goodwill (gross)	6,669	6,450	9,125
Amortization	(1,097)	(1,046)	(1,330)
Total net	5,572	5,404	7,795

(in FF millions)		1995	1996	1997
Motel 6 (1)	(40 years)	1,963	1,789	2,118
Carlson Wagonlit Travel	(20 years)	790	773	1,688
AAPC	(40 years)	21	28	1,315
SHCD	(40 years)	225	219	212
Economy Hotels (Sphere)	(40 years)	319	352	386
Accor Casinos	(20 years)	–	–	314
Embral (Brazilian Institutional Catering)	(20 years)	–	–	141
Lenôte	(20 years)	149	138	128
Apetik (Brazilian Luncheon Vouchers)	(40 years)	108	106	111
Pannonia and subsidiaries	(40 years)	–	–	124
Compass Plc	(40 years)	841	805	–
Other (under FF 90 million each)		1,156	1,194	1,258
Total net goodwill		5,572	5,404	7,795

Changes in net goodwill:

(in FF millions)	1996	1997
Total net goodwill at beginning of period	5,572	5,404
Increase in gross value and impact of changes in the scope of consolidation		
• Médotels (Hotels, senior citizens)	27	–
• Sofitel (Hotels, Switzerland)	27	–
• AAPC	–	1,287
• Embral (Brazilian Institutional Catering)	–	137
• Accor Casinos	–	335
• Motel 6	–	169
• Pannonia (Hotels, Hungary)	–	134
• Other	92	325
Impact of CIWLT/Carlson merger		
• Transfer of brands and market shares	–	740
• Additional goodwill	–	200
Deduction from goodwill of Motel 6 tax-loss carry-forwards	(250)	–
Exclusion of Compass from the scope of consolidation	–	(805)
Translation adjustments	117	226
Amortization	(185)	(296)
Other changes	4	(61)
Total net goodwill at end of period	5,404	7,795

(1) The Motel 6 change includes additional goodwill of FF 169 million (see note 2 F.), FF 229 million in translation adjustment and FF 61 million in depreciation and amortization for the period.

Note 14 Property, plant and equipment

(in FF millions)	1995	1996	1997
Land	4,515	4,720	4,992
Buildings	20,297	19,803	21,446
Fittings	3,948	3,885	4,198
Equipment and furniture	6,117	6,641	8,138
Construction in process	241	266	474
Total gross	35,118	35,315	39,248
Depreciation and amortization	(9,161)	(9,806)	(12,254)
Total net	25,957	25,509	26,994

At December 31, 1997, property, plant and equipment held under capital leases totaled FF 3,327 million (gross value), as against FF 2,388 million at 1996 year end.

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Note 15 Long-term loans

(in FF millions)	1995	1996	1997
Hotels, US / Canada (1)	278	212	303
Hotels, UK (2)	142	166	185
Hotels, the Netherlands (3)	91	90	89
Sedri (Le Duff) (4)	141	145	157
Hotels, Asia Pacific	–	–	122
Cruise Lines	50	40	33
Other	511	639	511
Total	1,213	1,292	1,400

(1) In the second half of 1996, the Group granted a FF 90 million short-term loan to a non-consolidated company holding five Sofitel hotels in the US. This loan is guaranteed by a second mortgage. In the first half of 1997, the Group granted a FF 88 million short-term loan to a non-consolidated company holding one Novotel unit in Canada.

(2) In 1994, the Group granted a short-term loan to a non-consolidated company holding three Novotel hotels in the UK.

This loan is guaranteed by a second mortgage. Changes stem from currency changes.

(3) In 1995, the Group granted a FF 91 million short-term loan to a non-consolidated company holding seven Novotel hotels in the Netherlands. Year-to-year changes stem from currency fluctuations.

(4) This loan is redeemable for half on December 31, 1998 and for the other half on December 31, 1999.

Note 16 Investments in companies accounted for by the equity method

(in FF millions)	1995	1996	1997
Compass (1)	1,083	1,466	–
Europcar (2)	470	448	–
Accor Asia Pacific Corp. (AAPC) (3)	264	356	–
Pannonia (4)	97	99	–
SHCD	109	121	131
CNIT	77	80	85
Parc Astérix (5)	75	79	–
Hotels, Brazil (4 Rodas)	26	23	21
Concession Restaurants, France (HRC) (6)	39	41	–
TAHL (Australia) (7)	–	–	365
Associate companies (Asia) (7)	–	–	153
Other	139	134	158
Total	2,379	2,847	913

(1) See note 2 A.1.

(2) The Europcar group is accounted for through proportional consolidation starting December 31, 1997 (see note 2.E.).

(3) The AAPC group is accounted for through full consolidation starting December 31, 1997 (see note 2.D.).

(4) The Pannonia group is accounted for through full consolidation starting January 1, 1997 (see note 2.H.).

(5) In 1997, Accor sold a 60% interest in Parc Astérix. The balance of its interest (250,365 shares, or 7.36% of total share capital, at December 31, 1997) was reclassified under investment in unconsolidated companies.

(6) The balance of Accor's interest in HRC was sold in the second half of 1997 (see note 2.A.3.).

(7) Following the full consolidation of AAPC's balance sheet at December 31, 1997, Accor uses the equity method to account for subsidiaries more than 20% held by AAPC. These include TAHL (owner and operator of Australian hotels managed by AAPC) and five other Asian holdings.

Note 17 Other financial fixed assets

(in FF millions)	1995	1996	1997
Investment in unconsolidated companies and convertible bonds	1,471	1,619	2,149
Deposits and securities (1)	569	742	852
Total (gross)	2,040	2,361	3,001
Provision for loss of value	(229)	(209)	(261)
Total (net)	1,811	2,152	2,740

(1) At December 31, 1997, deposit related to the Repackaged Perpetual Subordinated Floating Rate Notes (Titres Subordonnés à Durée Indéterminée, or TSDI) totaled FF 630 million and FF 606 million at December 31, 1996 (see note 23).

At December 31, 1997, following the sale of 36,500,000 Compass shares during the year, the Accor Group held 31,800,201 Compass shares with a value of FF 1,040 million, corresponding to their equity method valuation at January 1, 1997 (see note 2 A.1.).

As of December 31, 1997, Accor also held 477,888 bonds convertible into Crédicom (*) shares, with par value of BEF 5,000 per bond and bearing an interest rate of 6.5%. In 1995, Accor had received 405,623 convertible bonds of Crédicom in exchange for a 15.4% interest in Immhold (*) and acquired an additional 72,265 convertible bonds. No capital gains were realized on this transaction. In early 1998, Accor exchanged its Crédicom convertible bonds (with coupons attached) against a 5% interest in Financière Saresco (*), a 2.28% interest in Saresco (duty free activities), a FF 273 million promissory note drawn on Inmtel (*), guaranteed by a hotel lease, and FF 60 million in cash.

(*) Companies of the Vaturi Group.

Upon the establishment of AAPC, Accor received 89,067,044 AAPC convertible bonds, valued at FF 203 million at December 31, 1995, in exchange for the assets it transferred to the new company. In 1996, a total of 17,538,461 convertible bonds were converted into AAPC shares.

In addition, pursuant to the transfer to AAPC of unrestricted rights to use the Group's hotel brand names in the Asia Pacific region, Accor received another 53,511,970 convertible bonds valued at FF 250 million.

At December 31, 1996, the Group held 125,040,553 convertible bonds valued at FF 416 million.

The full consolidation of AAPC's balance sheet at December 31, 1997 led to the elimination of these bonds from Accor's consolidated balance sheet (see note 2.D.).

Since December 31, 1995, Accor held a 7% interest in Italian group Costa Crociere, valued at FF 93 million. In the first half of 1997, Carnival Cruise Lines and Air Tour launched a tender offer for Costa Crociere. As part of this transaction, Accor sold its entire interest in Costa Crociere. This transaction did not generate material capital gains.

At December 31, 1996, Accor held a 2.36% interest in Club Méditerranée, valued at FF 182 million. The bulk of this interest was sold in 1997, generating a capital loss of FF 31 million (see note 2 A.4.). At December 31, 1997, Accor held 100,190 Club Méditerranée shares, valued at FF 46 million. In the first quarter 1998, Accor sold the full balance of its interest in Club Méditerranée. This transaction did not generate material capital gains.

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Note 18 Breakdown of fixed assets by activity

18.1. Net fixed assets by activity

(in FF millions)	Business and Leisure Hotels	Economy Hotels	Motel 6 (1)	Travel Agencies	Car Rental	Corporate Services	Instit. Cater./ Publ. Rest. (2)	Railway Onboard Services	Casinos	Head-quarters and other	1997	1996
Intangible assets	176	96	1,177	81	596	272	58	491	1	64	3,012	3,050
Goodwill	2,085	419	2,119	1,760	–	312	426	–	315	359	7,795	5,404
Property, plant and equipment	7,564	5,659	11,856	147	379	207	354	236	144	448	26,994	25,509
Sub-total	9,825	6,174	15,152	1,988	975	791	838	727	460	871	37,801	33,963
Long-term loans	914	96	11	2	–	1	12	1	–	363	1,400	1,292
Investment in companies accounted for by the equity method	601	46	–	7	21	–	1	3	–	234	913	2,847
Other financial assets	319	37	1	16	54	11	9	12	–	2,281	2,740	2,152
1997 total	11,659	6,353	15,164	2,013	1,050	803	860	743	460	3,749	42,854	
1996 total	9,878	6,126	14,020	1,920	448	832	635	766	14	5,615		40,254

(1) The change in hotel assets includes a FF 1,970 million currency change on fixed assets of Motel 6.

(2) Institutional Catering for Brazil and Italy (excluding Compass).

18.2. Return On Capital Employed (ROCE)

Since 1996, Return On Capital Employed (ROCE) is a key management tool used internally by the Group to measure the performance of the various activities it controls. It is also a key indicator of the profitability of assets which are either non-consolidated or accounted for by the equity method.

It is calculated on the basis of aggregate amounts derived from the consolidated financial statements:

- **return:** for each activity, total of EBDIT and revenues on financial assets (dividends and financial income generated by unconsolidated assets, plus share in net income of companies accounted for by the equity method).

- **capital employed:** for each activity, total value of fixed assets, based on their average gross value during the year, plus working capital requirements.

At December 31, 1997, ROCE was calculated on the basis of return (EBDIT plus revenues on financial assets), for 1997 year end, over the average of capital employed for the same period.

1997 Return On Capital Employed, by activity:

Activities	Dec. 31, 96	Dec. 31, 97
Hotels		
Business and Leisure	8.9%	11.4%
Economy	12.0%	13.1%
Motel 6	8.3%	9.3%
Travel Agencies (1)	8.8%	7.7%
Corporate Services	19.1%	21.2%
Institutional Catering and Public Restaurants (2)	8.0%	14.8%
Railway Onboard Services	5.4%	2.4%
Casinos	–	16.3%
Group total	9.0%	10.2%

(1) Travel Agency ROCE at December 31, 1996 was calculated on the basis of European activities alone and at December 31, 1997 on the basis of both European and North American activities.

(2) Return On Capital Employed of Institutional Catering and Public Restaurants activities exclude Compass; in 1996, it has been affected by restructuring costs in Brazil.

Note 19 Other receivables and other payables

(in FF millions)	1995	1996	1997
Deferred tax credit	237	687	811
Other (1)	2,175	1,777	2,106
Net other receivables	2,412	2,464	2,917
Deferred tax liability	705	735	690
Miscellaneous payables (2)	3,309	3,330	3,936
Net other payables	4,014	4,065	4,626

(1) At December 31, 1997, it included:

- VAT receivables for FF 435 million
- tax receivables for FF 226 million
- personnel receivables for FF 106 million.

(2) At December 31, 1997, it included:

- personnel and employee organization payables for FF 1,468 million
- tax payables for FF 423 million
- VAT payables for FF 225 million
- corporate tax payables for FF 77 million.

Note 20 Fully diluted share capital

A total of 35,852,417 Accor shares were outstanding at December 31, 1997. In addition to convertible bonds issued in 1991 (see note 24), share warrants and stock option plans outstanding at December 31, 1997 and issued to Group employees included:

- 236,000 stock options, exercisable from October 1997 until October 1998 at FF 590 per share;
- 52,960 stock options, exercisable until December 1999 at FF 490 per share;
- 183,300 stock options, exercisable from August 1997 until August 2001 at FF 617 per share;
- 137,108 stock options, exercisable until October 2001 at FF 434 per share;
- 200,000 stock options, exercisable from January 1999 until January 2005, at FF 507 per share.

Subsequent to the close of the year, the Group issued 280,000 stock options, exercisable from January 2003 until January 2006, at FF 1,065 per share.

Note 21 Changes in minority interests

December 31, 1995	2,788
Net income for the period	295
Dividends paid to minority interests	(174)
Translation adjustments	105
Decrease in minority interests following the exchange offer on IBL shares	(1,274)
Other changes	(7)
December 31, 1996	1,733
Net income for the period	197
Dividends paid to minority interests	(70)
Translation adjustments	64
Decrease in minority interests following the Sphere merger (1)	(667)
Decrease in minority interests following the acquisition of IBL shares (2)	(305)
Initial full consolidation of the Pannonia group	311
Other changes	(8)
December 31, 1997	1,255

(1) See note 2 C.

(2) See note 2 F.

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Note 22 Provisions for risks

December 31, 1995	1,258
Additions to scope of consolidation	63
Allocation to/(reversal of) current provisions	(32)
Translation adjustments	8
Other changes	51
December 31, 1996	1,348
Impact of proportional consolidation of Europcar	161
Impact of full consolidation of AAPC	99
Impact of proportional consolidation of Carlson Wagonlit Travel	(39)
Other additions to scope of consolidation	73
Allocation to/(reversal of) current provisions	322
Allocation to/(reversal of) exceptional provisions	593
Translation adjustments	27
Other changes	51
December 31, 1997	2,635

At December 31, 1997, net provisions for risks comprise FF 227 million in provisions for retirement benefits and pension funds, FF 136 million in redemption premium on bonds issued by Accor in 1991 (see note 24), provisions for self-insurance (FF 154 million), provisions for expenses related to reorganization and reengineering of the Group's various activities (FF 279 million), FF 1,032 million in provisions for identifiable commercial, tax and social risks in excess of FF 5 million each, and FF 300 million in provisions for miscellaneous risks and expenses in excess of FF 5 million each. In addition, provisions for risks include FF 508 million in provisions on asset realization premiums.

Note 23 Repackaged Perpetual Subordinated Floating Rate Notes (TSDI)

In December 1990, Accor issued FF 5 billion in Repackaged Perpetual Subordinated Floating Rate Notes (Titres Subordonnés à Durée Indéterminée).

Concurrently, Accor paid a third-party special-vehicle company the sum of FF 1,118 million in return for that company's agreement to repurchase the notes from their holders 15 years after their issuance, and to relinquish all rights to principal or interest on these notes from that time onwards. The notes issue generated net proceeds of FF 3,882 million, recorded as a liability as of the issue date.

Since the notes are subordinated, Accor may temporarily suspend semi-annual payments of interest and principal in the event of exceptional financial difficulties. In this case, accrued interest would be capitalized.

The notes carry a market-based variable interest rate for a 15-year period. The swap transaction enabling principal repayment to be fixed while leaving the after-tax interest rate variable (based on market rates) was the object of a FF 630 million investment (at December 31, 1997 - see note 17). The semi-annual payments are accounted for partly as a financial expense and partly as a repayment of capital, which will be fully paid off at the end of the 15-year period.

Taxes are spread over the life of the issue, in proportion to financial expense incurred.

The validity of the accounting treatment of this issue was confirmed by the French tax authorities in early 1993.

Note 24 Convertible bonds

In May 1991, Accor issued FF 2,016 million in the form of 2,100,000 convertible bonds with par value of FF 960 and annual yield of 6.75%, convertible into 1.15 Accor share each and redeemable with a premium of FF 96 each in January 2000.

The repayment premium is accounted for as a financial expense taken over the life of the issue.

Note 25 Total long-term debt

Data are given after interest rate and currency swaps.

(in FF millions)	Actual interest rate % Dec. 31, 1995	Dec. 31, 1995	Actual interest rate % Dec. 31, 1996	Dec. 31, 1996	Actual interest rate % Dec. 31, 1997	Dec. 31, 1997
French Franc	6.20	8,012	5.28	6,743	5.15	7,865
Belgian Franc	6.18	308	5.20	435	5.83	400
Deutsche Mark	5.79	748	4.55	553	5.42	332
Spanish Peseta	9.87	25	7.32	24	NS	NS
US Dollar	6.52	5,951	5.98	6,419	6.10	5,642
Swiss Franc	5.48	102	5.48	88	5.50	87
Dutch Guilder	6.48	363	6.26	102	6.28	87
Pound Sterling	7.52	132	8.34	49	7.92	176
Canadian Dollar	6.79	76	4.34	80	4.45	124
Australian Dollar	7.75	146	NS	NS	5.53	481
Portuguese Escudo	–	–	–	–	5.37	61
ECU	–	–	–	–	7.86	25
Other currencies	NA	1	NA	21	NA	21
Total bonds and long-term debt	–	15,864	–	14,514	–	15,301
Capital leases	–	1,219	–	1,129	–	1,241
Special reserve fund (Italy)	–	221	–	246	–	226
Deposits and guarantees	–	3	–	14	–	16
Total long-term debt	–	17,307	–	15,903	–	16,784

By maturity date (in FF millions)	1995	1996	1997
Year N+2	2,230	1,079	840
Year N+3	897	1,144	2,013
Year N+4	1,020	1,700	987
Year N+5	1,521	644	2,311
Year N+6	328	2,006	644
Beyond	3,572	3,278	3,214
Convertible bonds	2,016	2,016	2,015
Short-term debt reclassified as long-term debt	5,723	4,036	4,760
Total long-term debt	17,307	15,903	16,784

As of December 31, 1997, Accor could draw on several unutilized confirmed credit lines with maturities of over one year, for a total of FF 8,893 million, expiring between 1999 and 2002. Short-term financing (French and US Commercial Paper programs, spot loans and available short-term credit lines), which the Group expects to renew, have been reclassified as long-term debt for a total of FF 4,760 million, within the limit of available confirmed long-term credit lines used to back up these programs.

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Note 26 Net debt

(in FF millions)	1995	1996	1997
Repackaged Perpetual Subordinated Floating Rate Notes	3,249	3,068	2,866
Convertible bonds	2,016	2,016	2,015
Other long-term debt	14,072	12,758	13,528
Capital leases	1,219	1,129	1,241
Short-term financial debt	2,858	2,247	4,661
Due to banks	1,159	1,276	1,219
Total financial debt	24,573	22,494	25,530
Financial receivables related to Europcar (note 2.E.)			(1,964)
Short-term loans	(844)	(494)	(665)
Marketable securities	(1,835)	(2,189)	(2,776)
Cash and equivalents	(1,619)	(2,098)	(2,077)
Net financial debt	20,275	17,713	18,048
Receivables related to asset sales	(893)	(178)	(735)
Net indebtedness	19,382	17,535	17,313
Net indebtedness at beginning of the period	21,245	19,382	17,535
Changes in long-term debt	5,628	(2,399)	(1,162)
Decrease in short-term net financial debt	(8,751)	(977)	(344)
Other structural and currency changes (1)	(535)	814	1,841
Changes in receivables related to asset sales	1,795	715	(557)
Total changes for the period	(1,863)	(1,847)	(222)
Net indebtedness at end of the period	19,382	17,535	17,313

(1) Long-term debt.

Following the integration of Europcar and AAPC debt, total debt - both short - and long-term - is 39% fixed rate (6.08% on average at December 31, 1997) and 61% variable rate (5.13% on average at December 31, 1997), with variable rates which can be fixed based on benchmark rates (Pibor) for periods of one to six months. The total cost of financial debt (excluding due to banks) is 5.50%.

Note 27 Impact of proportional consolidation of Europcar

(in FF millions)	1997
Long-term bank debt	57
Short-term bank debt	1,825
Rental debt / vehicle fleet financing	774
Europcar debt	2,656
Financial receivables on vehicle buy-back	(1,964)
Total short-term liabilities	692

Note 28 Payroll

Total payroll amounted to FF 9,605 million in 1996 and to FF 10,784 million in 1997.

Total remuneration paid to Group Executive Officers (Management Board Members and key executives, i.e. 12 people) amounted to FF 23,765,849 in 1997. Remuneration of any kind paid to Members of the Supervisory Board for their various positions in some Group companies represented FF 11,950,000 including fees for FF 4,950,000 paid by different companies.

Note 29 Litigation

In the first half of 1997, the Florida Federal Court in the US has ruled that a class action suit against Motel 6, resulting from racial discrimination charges by two clients of the budget hotel chain, was receivable. Motel 6's policy vis-à-vis its clients has always been not to tolerate any racial or ethnic discrimination. In addition, over 20% of Motel 6 clients (33 million people) and over 50% of its 16,000 employees are members of minorities. Considering the diversity of its customers and workforce, among the most advanced in the US hotel industry, the Group considers that these allegations had no base. In the second half of 1997, the Appeal Court in the US has issued a ruling against the plaintiffs, who have subsequently lodged an appeal.

In the first half of 1997, a ruling against the Group was issued in the arbitration procedure between the CIWLT and Sodexho groups relative to the February 1991 CIWLT/Financière Sodexho share exchange. This ruling had no financial impact for the Group.

Apart from the above case, there are no litigation or arbitration procedures likely to have a material impact on the company or the Group's financial position, activity and results.

Note 30 Off-balance sheet commitments and contingencies

- Guarantees on loans and overdrafts totaled FF 63 million at December 31, 1997.
- Accor and IFIL have amended their agreement of December 5, 1991 regarding their joint subsidiary Sifalberghi and concerning Accor's commitment to purchase from IFIL 25% of Sifalberghi. IFIL now benefits from the following commitments:
 - if IFIL exercises its put option prior to June 30, 1999, the purchase price will be based on the value of IFIL's interest at April 30, 1996, actualized using Italian money market rates, minus dividends consequently paid out;
 - if IFIL exercises its put option between July 1, 1999 and December 31, 2002, the price will be fixed using a formula taking into account net book value, unrealized capital gains on the real estate portfolio, net of taxes, and goodwill. This commitment was valued at FF 104 million at December 31, 1997.
- The minority shareholder in Accor Casinos has been granted by the Accor Group a put option, exercisable from November 1, 1997, through December 31, 2000, for its remaining 35% interest in Accor Casinos. For confidentiality reasons, this commitment is not individually quantified, but is included under "Other commitments given".
- As part of a rental contract related to approximately 70 motels for a period of five years, the Group is committed - if it decides to exercise neither its option to renew the lease nor its option to purchase the motels, and if the landlord decides to sell the properties - to reimburse the landlord the difference between the selling price and the initial price of the properties. This guarantee is limited to 80% of the difference between these prices, or a maximum of USD 340 million.
- In the second half of 1996, Accor has entered a contract pursuant to which it is entitled to swap

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variable-rate interest flows against flows which may be assimilated to equity revenues (dividends and capital gains/losses) for a notional amount of FF 644 million based on the value of the Accor share. At the end of each reporting period, interest expenses accrued, as well as paid dividends, are posted to the "Financial Result". Similarly, capital gains or losses on shares are recorded under "Result from management of other assets". A FF 200 million gain was realized on this transaction in 1997 (see note 8). Subsequent to the close of the year, this contract was terminated, generating an additional gain of FF 52 million.

- "Other commitments given" total FF 844 million and include the commitment relative to Accor Casinos. No other individual commitment exceeds FF 50 million.

Note 31 Main subsidiaries and consolidated financial investments at December 31, 1997

FRANCE

○ SOFITEL INT.	100.00%
○ SIHN	100.00%
○ PIH	100.00%
○ MIH	100.00%
○ Médotels (Hotelia)	96.40%
▲ S.E.A.V.T. (2)	49.72%
● LENÔTRE	99.81%
● SERARE	99.99%
❖ Europcar Interent (2)	49.72%
* ACCOR CASINO SA	65.00%
* DEVIMCO	99.96%
* RESINTER	99.88%
* Académie Accor	100.00%
* S.H.C.D. (1)	34.89%

EUROPE
Austria

○ Accor GmbH	100.00%
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Belgium

○ Accor Hôtels Belgium	98.35%
○ Pullman Belgium	100.00%
▲ W.L. Tourisme (2)	42.26%
■ Accor T.R.B.	100.00%
* CIWLT	99.44%

Denmark

▲ World Tourist (2)	49.72%
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Germany

○ Novotel DTC GmbH	100.00%
○ Mercure Hôtels	100.00%
○ Eurorheinische (1)	49.72%
■ TR Menu Scheck	100.00%

Greece

○ SH Athènes Centre (1)	41.82%
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Hungary

○ Holpa (51% of Pannonia)	51.45%
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Italy

○ Sifalberghi	72.62%
○ Sagar	99.44%
● ■ Gemeaz	94.64%
* Scapa Italia	97.00%

Portugal

○ Soltejo (2)	46.65%
■ ESA	46.05%

Spain

○ Novotel Espagne	99.94%
▲ Viajes Ecuador (2)	49.72%
● ■ ● Geresa	99.93%

Sweden

■ Rikskuponger	99.86%
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Switzerland

○ Novotel International	100.00%
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The Netherlands

○ Novotel Nederland	100.00%
○ Nhere BV	100.00%
○ MMH	100.00%

United Kingdom

○ Novotel UK	100.00%
▲ WLT Travel UK (2)	49.72%
■ Luncheon Vouchers	99.98%

NORTH AMERICA
Canada

○ Group Accor of Canada	99.97%
▲ Carlson Canada (2)	49.72%

United States

○ Accor North America	100.00%
○ IBL Ltd	99.95%
○ Miotel	100.00%
▲ Carlson USA (2)	49.72%

LATIN AMERICA
Argentina

■ Servicios Ticket	83.99%
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Brazil

○ N.H.T.	70.90%
● ● T.S. do Brasil	49.97%

Mexico

▲ WLT Mexicana	69.61%
■ Accor Servicios Emp.	93.18%

AFRICA
Ivory Coast

○ Société Abidjanaise	74.97%
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Senegal

○ SPHU	60.51%
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ASIA PACIFIC

○ Accor Asia Pacific Corp.(1)	100.00%
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(1) Associate company

(2) Company consolidated through proportional integration

NB 1: Percentage indicates Group interest.
NB 2: A comprehensive list of consolidated subsidiaries and equity holdings is available to Company Shareholders upon request.

○ Hotels

▲ Travel Agencies

❖ Car Rental

■ Corporate Services

● Public Restaurants and Institutional Catering

◆ Railway Onboard Services

* Other Services

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Resolutions to the Ordinary General Shareholders' Meeting

Resolution No 1

Approval of 1997 financial statements

The Ordinary Shareholders' Meeting approves the Management Board report on the 1997 results and financial position of the Company and all transactions mentioned therein. The Ordinary Shareholders' Meeting takes note of the observations made by the Supervisory Board and Statutory Auditors in their respective reports, and approves their conclusions.

The Ordinary Shareholders' Meeting also approves the transactions reflected in the financial statements and the management decisions adopted by the Management Board during the year.

Resolution No 2

Approval of regulated conventions

The Ordinary Shareholders' Meeting takes note of the Statutory Auditors report on intra-Group conventions as required by article 143 of the law of July 24, 1966 and approves these conventions as well as the implementation of conventions previously carried out.

Resolution No 3

Appropriation of 1997 profits

The Management Board proposes to the Ordinary Shareholders' Meeting the following allocation of the parent company net profit

for the year amounting to:	FF 1,800,594,063.59
plus retained earnings of	FF 834,909,005.52
total earnings available for distribution of	FF 2,635,503,069.11

To be allocated as follows:

• Dividend distribution	FF 824,605,591.00
• Tax credit	FF 315,899,969.00
• Retained earnings	FF 1,494,997,509.11

The net dividend paid to the 35,852,417 shares eligible as of January 1, 1997 is FF 23.00 per share, excluding FF 11.50 in "Avoir Fiscal" tax credit, representing a total revenue of FF 34.50 per share. The dividend is payable on June 15, 1998.

Dividend distribution for the previous three years was as follows:

(in FF)	1994	1995	1996
Net dividend per share	18.00	20.00	20.00
Tax credit	9.00	10.00	10.00
Total	27.00	30.00	30.00

Resolution No 4

Authorization to complete regulatory filings

The Ordinary Shareholders' Meeting authorizes the bearer of a copy of the minutes of the Meeting to make all filings and publications required by law.

General Information

Since January 7, 1997, and pursuant to the General Shareholders' Meeting of that date, the Company operates as a public limited company with Management and Supervisory Boards ("Société à Directoire et Conseil de Surveillance").

Registered name

Accor

Registered office

2, rue de la Mare-Neuve - 91000 Évry - France

Legal status

Public limited company governed by Articles 118 to 150 of Companies Act of July 24, 1966.

Legislation

Public limited company incorporated under the legislation of the Republic of France.

Incorporation and expiration date

The company was incorporated April 22, 1960, for 99 years, expiring April 22, 2059, except extension or early dissolution.

Objects (see Article 3 of the by-laws)

The Company was established to enter in the following activities for its own account, on behalf of third parties, or jointly with third parties:

- the ownership, financing, and management, directly, indirectly, or within specified mandates of restaurants, bars, hotels of all nature and categories and, more generally, any establishment related to restauration, lodging, tourism, leisure, and services;
- the economic, financial, and technical review of projects and, generally, all services related to

the development, organization and management of above-mentioned establishments, including all actions related to their construction or consulting services thereupon;

- the review and provision of services aimed at facilitating the supply of meals to employees at corporations and other organizations;
- the creation of any new company and acquisition of interests operating in any business and by any means;
- all civilian, commercial, industrial, financial, securities, and real estate transactions related to the above and all similar or related activities in France and other countries.

Trade Register Identification

Évry B 602 036 444.

Code APE: 553 B.

Place where the legal documents regarding the Company may be consulted

The legal documents regarding the Company, including by-laws, balance sheets, statements of income, Board of Directors' report to the Shareholders' Meetings, Statutory Auditors' report, and inventories, may be obtained upon request at Tour Maine-Montparnasse - 33, avenue du Maine, 75755 Paris Cedex 15.

Fiscal year

The company's fiscal year begins on January 1 and ends on December 31.

Statutory appropriation of profits

Profits available for distribution consist of net income for the year, minus net losses from prior years and transfers to reserves for the year, in

accordance with French law, plus retained earnings from prior years.

Profits available for distribution are appropriated upon decision of the Annual General Shareholders' Meeting, which may also decide to deduct/allocate funds from/to reserves.

General Shareholders' Meetings

Participation to General Shareholders' Meetings (see Article 21 of the by-laws)

General Shareholders' Meetings are called pursuant to regulation in force.

In accordance with Article 136 or the decree of March 23, 1967, the right to participate or be represented at the Meetings requires shareholders to register their shares with the Company five days prior to the Meeting or the deposit, within five days of the Meeting, of certificates of deposit issued by their bank, financial institution, or brokerage house holding the shares, at a location indicated on the invitation.

The Meetings are held at the Company's registered offices or any other location indicated on the invitations.

Proceedings of the Shareholders' Meetings (see Article 22 of the by-laws)

All shareholders have the right to participate or be represented at the General Shareholders' Meetings, within the conditions set by law. They may vote by proxy in accordance with Article 161-1 of the law on commercial companies. Each share equals one vote, except when otherwise dictated by regulation in force.

Double voting rights are granted to fully-paid shares registered for at least two years by the same shareholder.

In the case of share capital increases by incorporation of reserves, profits, or paid-in surplus, bonus registered shares distributed to registered shareholders enjoying double voting rights are similarly granted double voting rights.

Registered shares transformed into bearer shares or sold to a different holder lose their double voting rights. However, transfer through inheritance,

liquidation of marital assets or transfers to a spouse or direct parent do not result in the loss of rights or registered status. The merger of the Company has no impact on double voting-rights, provided that the by-laws of the acquiring company allow for their exercise.

When shares are held in usufruct, voting rights are granted to the usufructuary in Ordinary and Extraordinary Shareholders' Meetings.

Meetings are chaired by the Chairman of the Supervisory Board, the Vice Chairman, or in their absence, a member of the Supervisory Board mandated by the Board. Otherwise, the Board elects its own Chairman.

The function of Scrutineer of the Meeting is fulfilled by the two shareholders present at the Meeting and representing the largest number of voting rights.

The Bureau thus formed names a Secretary which does not need to be a shareholder.

A participant list is maintained pursuant to regulation in force.

Copies or extracts from the Meeting minutes are certified by the Chairman of the Supervisory Board, the Vice Chairman, or the Meeting Secretary.

The Ordinary and Extraordinary Shareholders' Meetings meeting quorum and majority requirements exercise the powers granted by law.

Statutory Reporting Thresholds (see Article 9 of the by-laws)

Shareholders must inform the Company whenever their holding exceeds 2% of total share capital or falls below this limit.

Beyond the 2% limit, shareholders must inform the Company of any increase or decrease in their holding in increments corresponding to 1% of total share capital. These requirements also apply to convertible securities as well as voting rights related to shares and convertible securities.

The information must be provided according to conditions set by law (see Article 356-4 of the law of July 24, 1966). The Company may exercise its legal right to identify shareholders and holders of convertible securities giving rise to voting rights at the Shareholders' Meetings.

General Information on Share Capital

Share capital

At December 31, 1997, the Company's share capital amounted to FF 3,585,241,700, comprised of 35,852,417 shares of FF 100 par value each, fully paid-up.

Shareholders may elect to hold their shares in registered or bearer form.

Shares are freely transferable within legal and regulatory limits.

The transfer of shares, regardless of price and modalities, is made by transfer of accounts pursuant to regulation in force.

Authorization to sell and purchase shares in the open market

The General Shareholders' Meeting of June 4, 1997 authorized the Management Board to buy or sell Accor shares in the open market for a period expiring at the following General Shareholders' Meeting, approving the 1997 financial statements. The maximum purchase price may not exceed FF 1,200 and the minimum selling price may not be below FF 600 per share.

The maximum number of shares is at the most equal to the maximum fixed by the law, or 10%. The company used this authorization in 1997.

Securities convertible into equity

Convertible bonds

In May 1991, Accor raised FF 2,016,000,000 through a bond issue, comprising 2.1 million convertible bonds of FF 960 par value, bearing 6.75% interest and convertible on the basis of one Accor share per bond. The conversion ratio was adjusted on December 1, 1996, the average share price in the 40 trading days preceding November 30, 1996 being under FF 1,250. The conversion ratio is now 1.15 Accor shares per bond, and could lead to the creation of a maximum of 2,414,891 shares. The bonds mature January 1, 2000, at a price of FF 1,056 per bond.

As of December 31, 1997, 2,099,349 such convertible bonds remain outstanding. The bonds trade on the Paris Stock Exchange (code 8519).

Share options reserved to group employees

In January 1997, 200,000 new share options with a subscription price of FF 507 per share were attributed to Group employees and in January 1998, 280,000 share options with a subscription price of FF 1,065.

At December 31, 1997, 809,368 share options were outstanding.

Should all the 1991 bonds be converted and stock options exercised, the maximum number of new shares to be issued would total 3,503,619, and the total number of shares outstanding would amount to 39,356,036.

This would result in an increase in shareholders' equity of approximately FF 2.7 billion.

→ Changes in share capital

	Capital increase in the past 5 years	Amount of changes in capital (in FF)		Share capital (in FF)	Total number of shares
		Nominal	Premium		
1993	Conversion of 119 US dollar -denominated bonds issued in 1984	467,200	188,401	2,411,808,600	24,118,086
	Exercise of share options issued by SHPCL prior to merger	50,800	9,200	2,411,859,400	24,118,594
	Exercise of share options at FF 284 each	11,748,800	21,617,792	2,423,608,200	24,236,082
	Dividend payment in share form at a price of FF 537 each	49,651,400	216,976,618	2,473,259,600	24,732,596
	Exercise of warrants at FF 1,000 each	1,600	14,400	2,473,261,200	24,732,612
1994	Conversion of 8 bonds issued in 1991	800	6,880	2,473,262,000	24,732,620
	Dividend payment in share form at a price of FF 644 each	23,266,100	126,567,584	2,496,528,100	24,965,281
1995	Conversion of 30 US dollar-denominated bonds issued in 1984	117,800	41,385	2,496,645,900	24,966,459
	Exercise of share options at FF 508 each	18,000	73,440	2,496,663,900	24,966,639
	Dividend payment in share form at a price of FF 555 each	61,971,200	281,968,960	2,558,635,100	25,586,351
	CIWLT Public Exchange Offer	332,950,000	1,254,123,000	2,891,585,100	28,915,851
1996	Conversion of 51 bonds issued in 1991	5,400	40,940	2,891,590,500	28,915,905
	Exercise of share options at FF 617 each	50,000	258,500	2,891,640,500	28,916,405
	Exercise of share options at FF 508 each	3,965,100	16,177,608	2,895,605,600	28,956,056
	Exercise of share options at FF 590 each	100,000	490,000	2,895,705,600	28,957,056
	Dividend payment in share form at a price of FF 633 each	72,327,400	385,505,042	2,968,033,000	29,680,330
	Exchange of IBL shares	343,685,400	855,671,113	3,311,718,400	33,117,184
1997	Conversion of 557 bonds issued in 1991	64,200	471,799	3,311,782,600	33,117,826
	Exercise of share options at FF 617 each	1,620,000	8,375,400	3,313,402,600	33,134,026
	Exercise of share options at FF 508 each	25,763,000	105,113,040	3,339,165,600	33,391,656
	Exercise of share options at FF 590 each	11,300,000	55,370,000	3,350,465,600	33,504,656
	Exchange of Sphere shares	234,776,100	484,898,267	3,585,241,700	35,852,417

NB. There is no option to purchase. All the options are options to subscribe.

→ Breakdown of share capital and voting rights

Shareholders at February 27, 1998	Number of shares	% of share capital	Number of voting rights	% of voting rights
Caisse des dépôts et consignations Group	2,118,084	5.91	3,776,909	9.59
Société Générale Group	1,502,628	4.19	1,724,034	4.38
Founders	1,278,646	3.57	1,858,062	4.72
Someal (IFIL Group)	475,528	1.33	951,056	2.41
Compagnie d'Investissement de Paris (BNP)	257,025	0.72	514,050	1.30
Other shareholders	30,220,506	84.28	30,575,668	77.60
Total	35,852,417	100	39,399,779	100

Other shareholders

- According to a survey conducted on February 27, 1998 by Sicovam with intermediaries holding over 50,000 shares on behalf of their clients, there are approximately 49,000 Accor shareholders.
- To the knowledge of the company, no shareholder other than those listed above holds over 2% of Accor's share capital or voting rights.
- The number of shares directly or indirectly owned by members of management represents approximately 1% of share capital. Furthermore, they hold share options.
- There are no alliances of shareholders acting jointly.

→ Change in shareholders

	1995 ⁽¹⁾		1996 ⁽²⁾		1997 ⁽³⁾	
	% share capital	% voting rights	% share capital	% voting rights	% share capital	% voting rights
Société Générale de Belgique Group	12.23	17.31	10.34	16.36	–	–
Caisse des dépôts et consignations Group	6.26	9.22	11.71	13.64	8.14	11.49
Société Générale Group	4.36	4.93	4.92	5.26	4.43	5.28
Compagnie Générale des Eaux	3.12	4.92	2.29	3.68	0.35	0.63
BNP Group	1.60	2.23	1.46	2.03	1.43	1.99
UAP Group	2.95	2.33	2.36	1.90	1.92	1.73
IFIL Group	2.28	1.80	1.97	1.58	1.44	1.30

(1) at March 31, 1995.

(2) at February 29, 1996.

(3) at February 27, 1997.

Listed securities

The Accor shares trade on the Monthly Settlement Market of the Paris Stock Exchange (code 12040).
The 6.75% convertible bonds issued in 1991 trade on the Paris Stock Exchange (code 8519).
ADR (American Deposit Receipts) are traded on the

New York OTC market (Code ACRFY, CUSIP 00435F 10 1).
Shareholder services, including transfers and dividend payments are provided by Banque Crédit Agricole-Indosuez, Direction des Services Titres
9, quai du Président Paul Doumer,
92400 Courbevoie, France.

The Accor share

	Number of shares	Dividend paid for the year			Ex-dividend	Paid	Share price			Dividend yield based on share price at Dec. 31
		net	tax credit	gross			high	low	at Dec. 31	
1993	24,732,612	18.00	9.00	27.00	June 6, 1994	July 12, 1994	736	560	593	4.55%
1994	24,965,281	18.00	9.00	27.00	June 21, 1995	July 26, 1995	766	504	580	4.66%
1995	28,915,851	20.00	10.00	30.00	June 14, 1996	July 19, 1996	680	521	634	4.73%
1996	33,117,184	20.00	10.00	30.00	June 13, 1997	June 13, 1997	802	606	657	4.57%
1997⁽¹⁾	35,852,417	23.00	11.50	34.50	June 15, 1998	June 15, 1998	1,193	631	1,119	3.08%

(1) Proposed.

Dividend

The Board proposes to pay a dividend per share of FF 23.00, net of FF 11.50 in "Avoir fiscal" tax credit,

to each of the 35,852,417 shares eligible for the 1997 dividend.

Dividend distributed over the past five years:

(in FF)	1992	1993	1994	1995	1996
Net dividend	18.00	18.00	18.00	20.00	20.00
Taxes paid	9.00	9.00	9.00	10.00	10.00
Total revenue	27.00	27.00	27.00	30.00	30.00

No interim dividend has been paid in 1997.
Dividend payment is done by Sicovam.

Dividend payments which have not been claimed within five years are subject to prescription as defined by law.

Share price and exchanged volumes

→ Share price

(in FF)	Share price high	low	Average price	Number of exchanged shares
1996				
October	677	623	643	2,190,057
November	684	635	659	1,816,589
December	685	606	638	2,042,767
1997				
January	758	631	668	4,382,483
February	808	723	762	5,583,468
March	856	761	812	4,983,053
April	893	775	839	3,610,419
May	912	798	865	3,839,356
June	915	770	879	5,702,348
July	965	886	934	3,476,017
August	1,029	910	956	3,093,913
September	1,109	910	995	2,890,980
October	1,173	930	1,102	4,331,883
November	1,134	1,008	1,074	1,890,202
December	1,193	1,065	1,126	2,901,736
1998				
January	1,228	1,050	1,134	2,539,388
February	1,420	1,190	1,280	1,999,091
March	1,590	1,329	1,439	2,417,005

→ Convertible bonds 6.75% 1991

(in FF)	Bond price high	low	Average price	Number of exchanged bonds
1996				
October	1,185	1,155	1,165	40,859
November	1,210	1,155	1,178	11,398
December	1,250	1,165	1,183	19,009
1997				
January	1,200	1,101	1,140	41,853
February	1,240	1,165	1,204	64,335
March	1,257	1,192	1,231	41,585
April	1,234	1,214	1,225	33,533
May	1,249	1,230	1,235	40,333
June	1,268	1,251	1,261	33,431
July	1,290	1,269	1,282	26,129
August	1,289	1,279	1,284	30,160
September	1,317	1,291	1,310	49,653
October	1,374	1,323	1,363	187,335
November	1,394	1,351	1,382	99,578
December	1,475	1,435	1,468	63,132
1998				
January	1,441	1,414	1,432	154,489
February	1,575	1,539	1,564	77,398
March	1,705	1,648	1,689	85,990

At March 31, 1998 there was no transaction realized under the ADR program.

Management

Management Board

- Jean-Marc Espalioux, Chairman
- Sven Boinet
- Benjamin Cohen
- John du Monceau

Secretary of the Board

Olivier Devys

Supervisory Board

- Paul Dubrulle, Gérard Pélisson, Co-Chairmen
- Isabelle Bouillot
- BNP, represented by Baudouin Prot
- CDC Participations, represented by Alain Treppoz*
- IFIL Finanziaria di Partecipazioni SpA, represented by Gabriele Galateri di Genola
- Société Générale, represented by Patrick Duverger
- Étienne Davignon
- Renaud d'Elissagaray
- Jean-Marie Fourrier
- Jérôme Seydoux
- Maurice Simond

* Since January 7, 1998, CDC Participations is represented by Willy Stricker.

Secretary of the Board

Pierre Todorov

Board Committees

The Remunerations Committee comprises four members: the Co-Chairmen of the Supervisory Board, Messrs. Paul Dubrulle and Gérard Pélisson, and two independent members, Messrs. Étienne Davignon and Jérôme Seydoux.

The Remunerations Committee makes recommendations to the Supervisory Board regarding the remuneration of the Group's Executive Officers, as well as management stock option plans.

The Audit Committee comprises five members: the Co-Chairmen of the Supervisory Board, Messrs. Paul Dubrulle and Gérard Pélisson, Ms. Isabelle Bouillot, and two independent members, Messrs. Étienne Davignon and Renaud d'Elissagaray. The Audit Committee is responsible for overseeing the reliability and consistency of the accounting methods adopted to establish the Group's consolidated and parent company financial statements, as well as the effectiveness of internal procedures set up to collect and control financial information.

The Audit Committee also reviews the validity of the accounting treatment of all material transactions. Its members may meet with Group officers, executives and managers in charge of the establishment and control of the financial statements, including the Chairman of the Management Board and the Management Board member in charge of finance, as well as the Company's Statutory Auditors. The Committee reports its findings to the Supervisory Board, bringing to the Board's attention any material information likely to require specific deliberation and review, so as to facilitate the conduct of the Board's oversight and control functions.

Specific guidelines have been issued regarding the relationships between the Management and Supervisory Boards, internal operating procedures of the Management Board, and relationships between the Management Board and Group subsidiaries and operating units.

Remuneration

Total remuneration of the executive management team, comprising the members of the Management Board and other key executives, i.e. 12 people, amounted to FF 23,765,849 in 1997. Remuneration of any kind paid to members of the Supervisory Board for their various positions in some Group

companies represent FF 11,950,000 including fees for FF 4,950,000 paid by different companies. Members of the Management Board hold Accor stock options resulting from the employee stock option plans currently in force (15,000 from the 1993 plan, 40,000 from the 1995 plan, 110,000 from the 1997 plan and 79,000 from the 1998 plan).

In 1997, Members of the Management Board exercised 5,500 Accor stock options.

Messrs. Paul Dubrulle and Gérard Pélisson, Co-Chairmen of the Supervisory Board, and members of the Management Board hold ownership interests in certain Group subsidiaries, for a total of less than 10% excluding:

- 50.0% of Société Michelet Défense (one Sofitel hotel);
- 57.8% of Société Valbotel (one Mercure hotel);
- 19.5% of Société anonyme des Hôtels de Tradition.

In addition, they hold interests in several franchised hotel companies affiliated with the Group.

Employee Stock Option Plans

• Stock Option Plans issued by Accor:

- At its September 30, 1992 meeting, the Board of Directors granted Group salaried employees 350,000 Accor stock options with an exercise price of FF 508. This plan expired on September 30, 1997.
- At its October 19, 1993 meeting, the Board of Directors granted Group salaried employees 350,000 Accor stock options with an exercise price of FF 590. These options are exercisable October 19, 1997 through October 19, 1998.
- At its August 1, 1995 meeting, the Board of Directors granted Group salaried employees 200,000 Accor stock options with an exercise price of FF 617. These options are exercisable August 1, 1997 through August 1, 2001.

- At its January 7, 1997 meeting, the Management Board granted Group salaried employees 200,000 Accor stock options with an exercise price of FF 507. These options are exercisable January 1, 1997 through January 1, 2005.

- At its January 7, 1998 meeting, the Management Board granted Group salaried employees 280,000 Accor stock options with an exercise price of FF 1,065. These options are exercisable January 7, 2003 through January 7, 2006.

In addition, following its merger with Sphere International, Accor took over two stock option plans issued by this subsidiary:

- December 19, 1994 plan: 52,960 shares with an exercise price of FF 490;
- October 31, 1996 plan: 137,108 shares with an exercise price of FF 434.

• Stock option plans issued by subsidiaries:

Lenôtre has issued three stock option plans with an exercise price of FF 1,120 per share:

- December 29, 1994: 4,700 options;
- April 30, 1996: 2,700 options;
- October 25, 1996: 600 options.

These options have been granted to 12 executives and managers of the company.

Employee profit-sharing plans

Mandatory profit-sharing is the object of a Group agreement between Accor and its French subsidiaries, on the one hand, and employee representatives, on the other. The special profit-sharing reserve amounted to FF 40 million in 1997. Reflecting the Group's organization and remunerations strategy, a number of profit-sharing agreements are in force at the parent company as well as the subsidiaries or operating units, with specific quantitative formulas adapted to each situation.

Officer responsible for this report

Jean-Marc Espalioux
Chairman of the Management Board

Statutory Auditors and Independent Accountants*Statutory Auditors***Barbier Frinault & Autres**

Christian Chochon
41, rue Ybry - 92576 Neuilly-sur-Seine - France
Appointed for six years by the June 16, 1995
Shareholders' Meeting
Date of first mandate: June 16, 1995

Janny Marque et Associés

Pierre Marque
23, rue de Cronstadt - 75015 Paris - France
Appointed for six years by the May 14, 1992
Shareholders' Meeting
Date of first mandate: May 14, 1992

Deloitte, Touche, Tohmatsu-Audit

Alain Pons
185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine - France
Appointed for six years by the June 16, 1995
Shareholders' Meeting
Date of first mandate: June 16, 1995

*Alternate Auditors***Jean Coutancier**

265, boulevard Saint-Denis
92400 Courbevoie - France
Re-appointed for six years by the May 14, 1992
Shareholders' Meeting
Date of first mandate: May 27, 1986

Olivier Azières

185, avenue Charles-de-Gaulle
92200 Neuilly-sur-Seine - France
Appointed for five years by the June 4, 1996
Shareholders' Meeting

Christian Chiarasini

41, rue Ybry - 92576 Neuilly-sur-Seine - France
Appointed for five years by the June 4, 1996
Shareholders' Meeting

Independent Accountants**Deloitte Touche Tohmatsu**

185, avenue Charles-de-Gaulle
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Information contacts**Benjamin Cohen**

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Shareholder Relations

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Accor strives to improve the quality of financial information provided to all its shareholders. Throughout the year, Accor organizes meeting with its shareholders: roadshows in Europe, North America and Asia, meetings with individual shareholders throughout France, etc. Accor's investor relations personnel is available to answer and field questions on any topic related to the Group.

Accor's corporate information materials have been improved in the past years. The Group's annual report is now presented in two volumes. The first volume contains the review of operations as well as summarized financial data, while the second volume, approved by the French securities authority (Commission des Opérations de Bourse) contains detailed financial information and is available upon request. Accor also issues two Letters to Shareholders each year.

In 1997, Accor opened a new corporate Internet site, "www.accor.com", encompassing a detailed Financial Communications section for individual and institutional shareholders. Invitations to Shareholders' meeting are also available on the site.

Management Board Report

Beginning January 4, 1999, prices of securities listed on the Paris Stock Exchange (Bourse de Paris) and on other European exchanges will be denominated in euros. The Accor share will be listed in the single European currency. Reflecting Accor's international stature and European leadership in its activities, as well as the need for consistency, the Management Board of Accor has decided to convert the Company's share capital into euros as soon as the European currency will become legal tender in France, and legal and regulatory conditions allowing this conversion have been published. Consequently, the Management Board must be granted by the Shareholders' Meeting all authorizations necessary to carry out this decision in the first half of 1999 and, in any event, prior to the next Shareholders' Meeting. Similarly, the Shareholders' Meeting will be asked to grant the Management Board authorizations to issue in euros the various securities authorized by previous Shareholders' Meetings.

- The Management Board proposes to convert the Company's share capital into euros by adjustment of the current par value of the shares, i.e. FF 100, applying to this par value the definitive conversion rate of the French franc to the euro, rounding the resulting amount either to the next highest euro cent or euro, or to the next lowest euro cent or euro.

The share capital amount in euro will be determined by multiplying the par value obtained through conversion by the number of shares outstanding as of the date of the conversion. This adjustment will result in either a capital increase – in case the par value has been rounded to the next highest euro cent or euro – or a capital reduction – in case the par value has been rounded to the next lowest euro cent or euro. The Management Board proposes to determine the final rounding method on the basis of the official definitive euro/franc conversion rate.

The two examples provided below illustrate the respective application of the two methods, based on theoretical euro/franc exchange rates and the total number of shares outstanding at December 31, 1997, i.e. 35,852,417 shares.

First example

Based on a theoretical conversion rate of euro 1 = FF 6.42531, the FF 100 par value of the share would translate to euros 15.56345. If the par value was rounded to the next highest euro, i.e. euros 16, the total share capital would amount to euros 16 x 35,852,417 shares = euros 573,638,672, resulting in a capital increase of euro 0.43655 x 35,852,417 shares = euros 15,651,373, or, based on the theoretical conversion rate used in this example, a capital increase of FF 100,564,924. This capital increase would be carried out through incorporation of reserves, pursuant to the capital increase authorization granted to the Management Board by the Extraordinary Shareholders' Meeting of June 4, 1997, in Resolution No 8 with similar validity.

The authorization to increase the Company's share capital through an increase in the par value of the share after conversion into euros is the object of **Resolution No 1**.

Second example

Based on a theoretical conversion rate of euro 1 = FF 6.64612, the FF 100 par value of the share would translate to euros 15.04637. If the par value was rounded to the next lowest euro, i.e. euros 15, the total share capital would amount to euros 15 x 35,852,417 shares = euros 537,786,255, resulting in a capital reduction of euro 0.04637 x 35,852,417 shares = euros 1,662,477, or, based on the theoretical conversion rate used in this example, a capital reduction of FF 11,049,022.

The amount resulting from the capital reduction would be transferred to a reserve account, not available for distribution. This transaction would be carried out in accordance with legal conditions in force at the time of the transaction, being noted that the French Parliament is currently reviewing a proposed law to that effect.

The authorization to reduce the Company's share capital through a decrease in the par value of the share after conversion into euros is the object of **Resolution No 2**, valid until the next Ordinary Shareholders' Meeting.

The implementation by the Management Board of the authorizations granted by the Shareholders' Meeting to increase or reduce the Company's share capital and adapt the by-laws accordingly is aimed exclusively at converting the Company's share capital and share par value in euros, and will have no impact on the shareholders' situation.

• In addition, reflecting the switch to the single European currency of European financial markets on January 1, 1999, the securities issues authorized by previous Shareholders' Meetings must also be conducted in euros.

To this end, through **Resolution No 3**, the Shareholders' Meeting is asked to grant the Management Board authorization to issue in euros the securities giving immediate or deferred access to share capital authorized by Resolutions No 6 through No 9 of the Extraordinary Shareholders' Meeting of June 4, 1997, within the limits set in French francs by the above-mentioned resolutions or their equivalent in euros on the date of their issuance. These authorizations relate to the issuance of ordinary shares, with or without warrants; bonds convertible into shares, bonds with share warrants, bonds exchangeable or redeemable for shares; share warrants, or, more generally, securities giving immediate or deferred access, through conversion, exchange, redemption, exercise of warrant or any other means, to the Company's share capital.

The authorizations granted to the Management Board to issue the securities described above are

valid for 26 months, beginning with the Extraordinary Shareholders' Meeting of June 4, 1997. The authorizations granted to the Management Board to issue these securities in euros are valid for the same period.

Similarly, through **Resolution No 4**, the Shareholders' Meeting is asked to grant the Management Board authorization to issue in euros the debt securities authorized by the Ordinary Shareholders' Meeting of June 16, 1995, in its Resolution No 14, for a period of five years, and within the limit of the amounts authorized by this Resolution and not yet utilized.

This authorization relates to the issuance of bonds (not giving access to the Company's share capital), subordinated or not, notably in the form of Repackaged Perpetual Subordinated Floating Rate Notes, with or without warrants for additional bonds or other debt securities.

• **Resolution No 5** authorizes the Management Board to purchase and sell shares of the Company in the open market pursuant to legal conditions in force. The maximum purchase price will be FF 2,000 per share and the minimum selling price will be FF 800 per share, or the equivalent in euros once the euro becomes legal tender in France. The maximum number of shares the Company will be authorized to hold under the present authorization will be the maximum authorized by law.

The aim of this authorization is to enable the Company to regulate its share price and, if needed, to reduce the total number of shares outstanding to increase earnings per share.

The Management Board will thereby be authorized to cancel the shares purchased in the open market through capital reduction pursuant to legal and regulatory conditions prevailing at the time of the transaction. This authorization will be valid through the next Ordinary Shareholders' Meeting.

• Finally, the **Resolution No 6** authorizes the Management Board to exercise its rights to issue new securities not reserved to specific parties in the event that public purchase or exchange offers

Extraordinary Shareholders' Meeting

were launched on shares of the Company. This authorization is valid through the next ordinary Shareholders' Meeting.

The Supervisory Board, meeting on April 7, 1998, approved the principle and conditions of the various authorizations to be granted to the

Management Board as described in its report to the Extraordinary Shareholders' Meeting.

The Supervisory Board has issued a favorable opinion regarding the adoption of the resolutions submitted to the vote of the Extraordinary Shareholders' Meeting.

Resolutions - Extraordinary General Shareholders' Meeting

Resolution No 1

Authorization granted to the Management Board to convert the share capital into euros through a capital increase

The Extraordinary Shareholders' Meeting, after taking note of the Management Board report, authorizes the Management Board to make all decisions it will deem necessary as soon as the euro becomes legal tender in France. Consequently, the Management Board is allowed to convert into euros the share capital of the Company, rounding up to the next highest euro cent or, at most, to the next highest euro, the par value of the shares through application of the euro conversion rate. To this end, the Extraordinary Shareholders' Meeting authorizes the Management Board to carry out a capital increase, through incorporation of reserves, earnings or paid-in premium, and to withhold the necessary amounts from the amounts authorized by the Extraordinary Shareholders' Meeting of June 4, 1997, in its Resolution No 8.

The Extraordinary Shareholders' Meeting decides that the present authorization will have the same validity as the authorization mentioned above.

Resolution No 2

Authorization granted to the Management Board to convert the share capital into euros through a capital reduction

The Extraordinary Shareholders' Meeting, after taking note of the Management Board report, authorizes the Management Board to make all decisions it will deem necessary as soon as the euro becomes legal tender in France. Consequently, the Management Board is allowed to convert into euros the share capital of the Company, rounding down to the next lowest euro cent or, at most, to the next lowest euro, the par value of the shares through application of the euro conversion rate, and, consequently, to carry out the corresponding capital reduction. This transaction will be implemented pursuant to law prevailing at the time of the transaction. The amounts resulting from the capital reduction will be transferred to a reserve account, not available for distribution, to be used exclusively in case of losses or for later incorporation into the share capital.

The Extraordinary Shareholders' Meeting grants the Management Board all powers necessary to carry out any change in article 6 of the by-laws, decisions and filings required by this conversion. The authorization granted to the Management Board is valid until the next Ordinary Shareholders' Meeting.

Resolution No 3

Authorization granted to the Management Board to issue euro-denominated securities giving immediate or deferred access to share capital

The Extraordinary Shareholders' Meeting, after taking note of the Management Board report, decides that the securities giving immediate or deferred access to share capital authorized by Resolutions No 6 through No 9 of the Extraordinary Shareholders' Meeting of June 4, 1997, may also be denominated in euros, within the limits set in French Francs by the above-mentioned resolutions or their equivalent in euros on the date of their issuance.

No other change is made to the content of these resolutions, which remain in force for the full validity period determined by the Extraordinary Shareholders' Meeting of June 4, 1997.

Resolution No 4

Authorization granted to the Management Board to issue euro-denominated debt securities in one or several tranches

The Extraordinary Shareholders' Meeting, after taking note of the Management Board report, decides that the debt securities authorized by Resolution No 14 of the Ordinary Shareholders' Meeting of June 16, 1995, may also be denominated in euros, within the limits set in French Francs by the above-mentioned resolution or their equivalent in euros on the date of their issuance.

No other change is made to the content of this resolution, which remains in force for the full validity period determined by the Ordinary Shareholders' Meeting of June 16, 1995.

Resolution No 5

Authorization granted to the Management Board to sell and purchase shares in the open market

The Extraordinary Shareholders' Meeting, after taking note of the Management Board report, authorizes the Management Board to trade in the Company's shares in the open market, pursuant to conditions set by articles 217-2 to 217-5 of the law of July 24, 1966.

The maximum purchase price is set at FF 2,000 per share and the minimum selling price at FF 800 per share, or the equivalent amount in euros, rounded up to the next highest euro, when the euro becomes legal tender in France.

The Management Board may use the present authorization to regulate the Company's share price and/or to reduce the total number of shares outstanding in order to increase earnings per share. The maximum number of shares the Company is authorized to hold under the present authorization is the maximum number authorized by law.

In the case of capital increase through incorporation of reserves and attribution of bonus shares, stock split, or reverse stock split, the minimum and maximum prices indicated above will be adjusted by applying to these prices a ratio equal to the ratio of total number of shares outstanding prior to and following the transaction considered.

The shares purchased by the Company pursuant to the present authorization may be freely sold or transferred. They may also be cancelled through a capital reduction pursuant to legal and regulatory conditions prevailing at the time of the cancellation. The present authorization is granted until the Shareholders' Meeting approving the 1998 financial statements.

The Extraordinary Shareholders' Meeting grants the Management Board all powers necessary to purchase and sell the shares, sign all agreements and carry out all filings and declarations required by regulation in force at the time of the transaction with the French Commission des Opérations de Bourse or any other authority, carry out any necessary change in article 6 of the by-laws, and generally make all decision required for the implementation of the present authorization.

Extraordinary Shareholders' Meeting

Resolution No 6

Authorization granted to the Management Board to exercise its authorization to issue new securities not reserved to specific parties in the event that public purchase or exchange offers were launched on shares of the Company

The Extraordinary Shareholders' Meeting, having taken note of the Management Board report, authorizes the Management Board, within applicable legal restrictions, to exercise its authorization to issue new securities not reserved to specific parties in the event that public tender or exchange offers were launched for shares of the Company, pursuant to the authorizations to increase share capital included in Resolutions No 6 through No 8 of the Extraordinary Shareholders' Meeting of June 4, 1997. This authorization is valid until the Shareholders' Meeting approving the 1998 financial statements. The Supervisory Board will be required to authorize any issue proposed by the Management Board, pursuant to article 15 of the Company by-laws.

Resolution No 7

Authorization to complete regulatory filings

The Extraordinary Shareholders' Meeting authorizes the bearer of a copy of the minutes of the Meeting to make all filings and publications required by law.

This report has been published
by the Investor Relations Department.

Éliane Rouyer, Director
Laurence Duc