Press Release
August 28, 2008

High quality first-half 2008 results

Significant progress in implementing the strategic plan

A transformed, less cyclical Group

- **Solid first-half revenue performance**: up 5.2% like-for-like[1], up 11.8% in Services and up 5.1% in Hotels
- **Improvement in operating margin**: 0.8 points like-for-like, particularly a strong increase in Services (up 1.1 pt)
- **Operating profit before tax** and non-recurring items: €393 million, up 16.0% like-for-like and 25.0% like-for-like and excluding the impact of the return to shareholders
- **Sharp improvement in profitability:** ROCE[2] of 14.5%, vs. 12.8% at June-end 2007

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- **Full-year target for operating profit before tax** and non-recurring items: **between €910 million and €930 million,** up 16.0% like-for-like and excluding the impact of the return to shareholders

At a time of transformation

The Group's first-half 2008 results reflect the impact of the strategic initiatives deployed since early 2006.

Disposals of non-strategic businesses and restructuring of real estate to improve profitability

To refocus the Group on its two core Hotels and Services businesses, a number of non-strategic assets have been sold, for a total of €1.4 billion.
As part of the Hotels business' "Asset Right" strategy, hotel ownership structures have been changed in a commitment to improving return on capital employed and reducing earnings volatility. This process has generated nearly €4 billion since 2005.

[1] At constant scope of consolidation and exchange rates.
[2] Return on capital employed (ROCE) corresponds to EBITDA expressed as a percentage of fixed assets at cost plus working capital.

This strategy has also benefited Accor shareholders, who have had €2.4 billion returned to them since 2006 in the form of share buybacks and special dividends.

This transformation has one-off impacts on interim results:

- **Revenue** declined 6.2% (€249 million) year-on-year, due to a loss of 12.6% (€507 million) in revenue from asset disposals.

- **Operating profit before tax** and non-recurring items rose by 3.6% as reported, reduced by 4% (€14 million) due to asset sales and 9% (€35 million) due to the return to shareholders.
  On a like-for-like basis, **operating profit before tax** and non-recurring items **increased by 16.0%,** and by **25.0%** excluding the impact on financial expense of the return to shareholders.

- **Net profit** stood at €310 million versus €596 million in first-half 2007, a 48.0% decline that primarily reflected the €255 million decrease in capital gains.

This transformation has long-term positive impacts on Group performance:

- **Operating margin**, **improved by 1.6 points** over the period.

- **Return on capital employed**, at 14.5% at June 30, 2008, has improved by **1.7 points** since June 30, 2007. The Group has disposed of €749 million in US Economy Hotels assets and €653 million in non-strategic assets, while at the same time focusing on higher return businesses like Economy Hotels in Europe, with a 22.8% ROCE, and Services, with a 21.0% ROCE at June 30, 2008.

- **A less cyclical Group:** Accor is now relying on the two businesses - Economy hotels in Europe and Services - that are low cyclical businesses and account for nearly 70% of EBIT compared to 44% in 2001. Those two activities proved strong resilience during the last cycle (2001-2003). In first half 2008, their combined margin improved by 1.0 point.

As a result of those transformations, the full-year target is to report **profit before tax** and non-recurring items of **between €910 million and €930 million**, reflecting a **16%** increase in profit before tax for the year (like-for-like and excluding the impact of the return to shareholders) which takes into account a more uncertain economic environment.

Anticipating an economic environment that might remain difficult in 2009, Accor will implement an **€75-million** cost savings plan over **2009 and 2010**, covering particularly corporate overheads, organization of head offices in Latin America and the United States, marketing expenditure, purchasing, and new IT projects.

High quality first-half 2008 results

(in € millions)	**H1 2007**	**H1 2008**	**% Change reported**	**% Change Like-for-like**
Revenue	4,015	3,766	-6.2%	+5.2%
EBITDAR	1,095	1,088	-0.6%	+7.9%
EBITDAR margin	*27.3%*	*28.9%*	*+1.6 pts*	*+0.8 pts*
Operating profit before tax and non-recurring items	379	393	+3.6%	+16.0%
Net profit, Group share	596	310	-48.0%	
ROCE	12.8%	14.5%	+1.7 pts	

Consolidated revenue totaled €3,766 million for the first six months of 2008, up 5.2% like-for-like but down 6.2% as reported due to the large number of asset disposals in 2007.

EBITDAR amounted to €1,088 million, up 7.9% like-for-like compared with first-half 2007. A favorable economic environment in the first half and the impact of the Dynamic Pricing policy, as well as sustained demand in the Services business, helped lift EBITDAR margin 1.6 points as reported (0.8 points like-for-like) to 28.9% of revenue.

- **Services**

Services delivered a good set of results in first half. EBITDAR margin stood at 42.4% for the period, a 1.1-point like-for-like increase. This performance confirms the business' robust performance in its core markets, in spite of the loss of a contract in Belgium and the change in tax law in Argentina. Furthermore, the Services started to migrate from paper vouchers to cards, improving the operating margin. As a result, EBITDAR margin in Europe was up 0.3 points with a flow-through rate[3] of 49%. In Latin America, EBITDAR margin improved by 2.0 points and the flow-through rate reached 64% overall and 77% in Brazil, where the EBITDAR margin gained 3.1 points.

- **Upscale and Midscale Hotels**

In Upscale and Midscale Hotels, EBITDAR margin widened by a 0.5 points like-for-like to 27.7%, with a flow-through rate of 35%.
In France, revenue was up 6.8% and EBITDAR margin increased by 0.4 points like-for-like. The effective flow-through rate of 34% would have been 49% excluding the negative impact of the January 1 discontinuation of payroll tax relief on low salaries.
In Europe (excluding France), revenue and EBITDAR margin increased respectively by 3.7% and 0.8 points, with a flow-through rate of 52%.

- **Economy hotels (outside the United States)**

In Economy Hotels, EBITDAR margin improved by 1.0 point like-for-like to 35.8%, with a flow-through rate of 53%.
In France, like-for-like revenue increased by 5.4%, with flow-through rate of 22% reflecting the impact of both F1 hotel renovations and the above-mentioned discontinuation of payroll tax relief on low salaries since January 1. Adjusted for these impacts, the flow-through rate would have been 36% for

[3] Defined as the like-for-like change in EBITDAR expressed as a percentage of the like-for-like change in revenue.

the period. In Germany, revenue improved by 4.1% like-for-like with a flow-through rate of 72%, while in the UK, the flow-through rate was 68%, with revenue up 8.5% like-for-like.

- **Economy Hotels in the United States**

In Economy Hotels in the US, EBITDAR margin improved by 0.2 points to 37.9% in a difficult economic environment, demonstrating disciplined control of costs.

EBIT rose by 1.8% to €425 million as reported and by 15.4% like-for-like.

Operating profit before tax and non-recurring items amounted to €393 million, an increase of 3.6% as reported. This figure takes into account an €18 million negative currency effect due mainly to the British pound and the US dollar. On a like-for-like basis, operating profit before tax and non-recurring items was up by 16.0%, or by 25.0% excluding the impact on financial expense of the return to shareholders.

Net profit, Group share came to €310 million, compared with €596 million for the year-earlier period. Most of the decline was attributable to a decrease in capital gains from €533 million in first-half 2007, mainly from the disposal of Go Voyages and property divestments, to €130 million in first-half 2008. This differential in capital gains explains most of the reduction in net profit in first half 2008. Operating profit before non-recurring items, net of tax amounted to €263 million, compared with €258 million in first-half 2007.

Net earnings per share amounted to **€1.40**, based on the weighted average 221.7 million shares outstanding during the period.

Funds from operations totaled €487 million in first-half 2008. In first-half 2007, they included €39 million from businesses that have since been divested (Go Voyages, Red Roof Inn and the Foodservices in Italy and Brazil). At constant scope of consolidation, funds from operations were up 2.3% for the period.

Net debt amounted to €931 million at June 30, 2008. It takes into account €368 million in **expansion capex** and the €226 million cost of acquiring assets held for sale (mainly by exercising call options as part of the restructuring of hotel property assets) and €503 million in proceeds from **asset sales**. **Dividends** paid in first-half 2008 amounted to €714 million, including €332 million in a special dividend of €1.50 per share.

The main financial ratios reflect the Group's robust financial position. Gearing stood at 28.0% at June 30, 2008, while the ratio of adjusted funds from operations to adjusted net debt[4] came to 24.2%.

Return on capital employed continued to improve, rising to 14.5% at June 30, 2008, from 12.8% at June 30, 2007. ROCE in the Hotels business has improved by 2.9 points since December 31, 2006, from 11.1% to 14.0% at June 30, 2008.

Significant progress in implementing the strategic plan

- **Accor Services: extending the range of prepaid services and products**

Active in the prepaid market for more than 40 years with Ticket Restaurant meal vouchers and Ticket Alimentation food vouchers, the Services business is expanding its lineup with Prepaid Gifts, Prepaid

[4] The ratio of funds from operations before non-recurring items to adjusted net debt is calculated according to a method used by the main rating agencies, with net debt adjusted for the 8% discounting of future minimum lease payments and funds from operations adjusted for interest expense on these payments. Funds from operations before non-recurring items corresponds to cash flow from operating activities before non-recurring items and changes in working capital requirement.

Car and Prepaid Transport products to meet the expectations of employers and employees alike. This development is being led by a growing emphasis on new technological solutions, such as smart cards and cell phones, as well as on innovative marketing techniques.

In first-half 2008, Accor Services launched:

- The UUB prepaid card, aimed at Un- and UnderBanked employees in the United Kingdom.

- The Commuter Check card (transit and parking) in the United States to promote the use of public transportation.

- The “Ma Kadeos” range of customizable gift cards.

Accor Services is relying on acquisitions that enable it either to strengthen its technological expertise - as was the case with UK-based Prepay Technologies, acquired in 2007 - or to immediately increase market share. An annual budget of €100 million has been allocated for acquisitions to help drive additional revenue growth of around 5% a year.

The Services business is also enjoying sustained organic growth in revenue of 8% to 16% a year in accordance to Group’s objectives, with increases of 15.5% in 2006, 11.9% in 2007 and 11.8% in first-half 2008.

- **Ramp-up of the Hotel brands**

The repositioning of Sofitel in the Luxury segment has led to the rebranding of 19 hotels since 2007 and to a 9.7% increase in average room rates for the period. At June 30, the Sofitel network was comprised of 161 hotels, of which 68 will display the new visual identity by the end of 2008. A number of high-profile units are undergoing renovation, including Sofitel Amsterdam The Grand, Sofitel Aswan Old Cataract in and Sofitel Brussels Le Louise. The July rollout of the “Life is Magnifique” advertising campaign has revitalized the brand’s visibility.

Pullman, the new Upscale brand launched last December, performed well in the first half, with RevPAR rising by 3.5% for a network comprised of 20 hotels at June 30, 2008. Forty-six new hotels are already planned, including 30 rebrandings and 16 openings.

In the non-standardized Economy segment, the All Seasons brand introduced in September 2007 already had a network of 14 hotels in France at June 30. In addition, 50 new hotels are commited, including 35 openings and 15 rebrandings.

- **MGallery and Accor Loyalty program scheduled for launch in September**

The MGallery label, designating a collection of upscale hotels with distinctive personality comprised of rebranded Mercure and Sofitel units, will be introduced on September 3.
Accor Hospitality’s new online, multi-brand loyalty program will be launched on September 15, with deployment in 2,000 hotels in 80 countries.

- **Further expansion in the Hotels business**

During the first half, 11,000 rooms were opened, of which 37% in Europe, 31% in Asia-Pacific, 19% in other emerging markets, and 13% in North America. In China, where the network includes 63 hotels, expansion has been especially robust, as illustrated by the openings of the Novotel Beijing West and Mercure Wanshang in Beijing in time for the Summer Olympics. At June 30, 2008, there were 86 hotels in the pipeline, including 24 new contracts signed in the first half.

In all, there were 101,000 rooms in the pipeline at June 30, 2008, compared with 93,000 at December 31, 2007. A total of 23,000 rooms were signed during the first half, compared with 21,325 during the prior-year period.

- **Hotel property disposals proceeding as scheduled**

Of the targeted €978 million in disposals over the year, assets totaling €482 million were divested in the first half, while agreements to sell an additional €119 million in assets have been signed, with closing scheduled during the second half. As a result, more than 60% of the expected full-year program has already been completed.

Outlook for 2008

- **Business in July**

In the **Services** business, revenue increased by 16.3% like-for-like in July.

During the month, like-for-like RevPAR in the **Upscale and Midscale Hotels in Europe** rose by 3.0%, with increases of 4.2% in France, 4.7% in Germany and 0.4% in the rest of Europe. In **Economy Hotels in Europe**, like-for-like RevPAR was up 1.7% overall, rising 3.1% in France, 1.0% in Germany, and 0.4% in the rest of Europe. These trends confirm the resistance of the Group's two core markets, France and Germany.

In **Economy Hotels in the US**, RevPAR was down 3.0% in July, in line with the market.

- **2008 earnings objective**

Over the **full year**, the Group is aiming to report **profit before tax** and non-recurring items of between **€910 million to €930 million**. This target takes into account the following factors:

- Growth in profit before tax and non-recurring items (excluding the impact of the return to shareholders) of 25% in the first half and of around **10% in the second, in light of the less favorable economic environment.**

- An additional negative **€85-million** impact on profit before tax of the Group transformation which is made of a negative **€55-million** impact on net financial expense of the return to shareholders (share buybacks and the payment of special dividends in 2007 and 2008) and a negative **€30-million** impact of assets divested in 2007—Go Voyages, the Foodservices in Italy and Brazil, and Red Roof Inn.

- An estimated negative **€40-million** currency effect due to the weak US dollar and British pound.

- An estimated negative **€17-million** impact of expansion (hotel openings or acquisitions).

This earnings objective would represent around **16% growth in profit before tax like-for-like for the year**, excluding the impact of the return to shareholders.

Upcoming event

October 14: Third-quarter revenue

MEDIA CONTACTS

Armelle Volkringer
Senior Vice President
Corporate Communications and External Relations
Phone: +33 (0)1 45 38 84 85

Emmanuelle Baumgartner
Senior Vice President
Media Relations Department
Phone: +33 (0)1 45 38 84 85

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

INVESTOR RELATIONS

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

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