Press Release
February 24, 2010

Demerging the Two Businesses and Details of the Demerger Process

The Accor Board of Directors has approved the demerger of the Group's two core businesses, Hotels and Services, and outlined the demerger process. Employee representatives have already responded to the demerger plan, which will be submitted to shareholders for approval at an Extraordinary Shareholders Meeting on June 29, 2010.

Demerger rationale

Today, both businesses are market leaders, with the critical mass and international reputation to operate independently in fast changing markets. With 4,100 hotels in 90 countries and 145,000 employees, the Hotels business is the European market leader and a global hotel manager, with a unique foundation in the midscale and economy segments.

Accor Services which, after years of strong growth, now operates in 40 countries with 5,600 employees, has become the world leader in employee and public benefits and a major provider of prepaid services, with more than €12 billion in issue volume in 2009.

Today, it is clear that:

- Hotels and Services leverage specific skills and expertise, and operate in different business environments.
- Backed by sufficient independent financial resources, Hotels and Services will be better positioned in today's increasingly competitive global marketplace.
- Separately, the two businesses, each with its own business model, will attract a larger number of investors.

With their own operating, marketing and sales and legal structures, the two businesses will be able to independently drive their own growth.

The demerger offers benefits for both businesses, because it will make it possible to:

- Complete two corporate mission projects, led by dedicated management teams, strengthening employee pride in each company.
- Create two pure players, listed separately without any capital ties, with targeted investors, and stronger visibility.
- Offer both businesses new opportunities for partnerships, strategic alliances and financial transactions to fund future growth, in particular through the ability to pay in shares.

Demerger process

During the review of the potential benefits of the demerger, initiated in late August 2009, the Liaison Committee between the management teams and representatives of the Board of Directors met several times to identify the best ways to ensure the future success of the **proposed two listed companies without any capital ties between them.** The resulting process was approved by the Board of Directors on February 23, 2010.

- **Legal and tax issues**

Accor SA will retain the Hotels business, as well as Lenôtre, Compagnie des Wagon-Lits and its stake in Groupe Lucien Barrière, while **a new company will be created for the Services business**. The transaction will be carried out as follows:

- All of the Services subsidiaries' shares will be contributed to a new company (after transferring certain shareholdings in settlement of debt).
- Shares in the new company will be distributed to Accor SA shareholders.

Shares in Accor SA (retaining the Hotels business) and the new Services company will be listed on the NYSE-Euronext Paris stock exchange.

Following the response at the beginning of this month from employee representatives, the main steps remaining in the demerger process are:

- Meeting with bondholders.
- A vote by Accor SA shareholders at the Extraordinary Shareholders Meeting.

- **Determining the capital structure**

The proposed debt allocation structure aims to ensure that each company enjoys a rating and a capital structure in line with its peer group, and to provide each one with the resources necessary for its independent, long-term growth.
The Services business aims at earning a Strong Investment Grade rating, which is a prerequisite for maintaining and expanding its leadership in an industry where payment security is a key issue.
The goal of the Hotels business is to have an Investment Grade rating by paying down all of its debt in 2011, using the proceeds from the disposal of non-strategic assets (including the 49% interest in Groupe Lucien Barrière) and certain hotel assets.

Based on these considerations, **consolidated net debt**, which stood at €1.6 billion at December 31, 2009, will be **allocated** as follows:

- Net debt of €1.2 billion to Accor SA (Hotels).
- Net debt of €0.4 billion to the new Services company.

Criteria for setting the demerger timetable

To determine the most appropriate demerger timetable, the Board of Directors defined a series of milestones:

- Implementation of **action plans**, in particular for the hotel property disposal strategy and the disciplined management of expansion expenditure.
- Launch of the two **corporate mission projects**, led by each management team.
- **Separation of** shared **teams**, **information systems** and **legal structures.**
- Definition of the right **capital structure** and allocation of the amount of debt appropriate to each company's business model.
- Commitment from **Colony Capital and Eurazeo** to support the two companies (until January 1, 2012, as announced on December 15, 2009).

Now that these milestones have been successfully reached, **the Board has decided to carry out the demerger in late June**. An **Extraordinary Shareholders Meeting will be called for June 29, 2010** when shareholders will be asked to approve the proposed demerger of Accor's two businesses.

The prospectus describing the details of the transaction and providing investors with all the necessary information about the new listed company will be published in May and filed with French securities regulator AMF. **Accor Services shares will start trading in early July**.

The two proposed equity stories

Hotels: A New Business Model

The world's leading hotel manager, Accor Hospitality, is committed to becoming Europe's largest hotel franchisor and one of the world's top three hotel groups by 2015, by leveraging five strategic strengths:

- **A portfolio of powerful brands**, aligned with today's increasingly fragmented demand and ranging from luxury to budget hotels.

- **Operating excellence**, based primarily on an outstanding team recognized for its hospitality expertise, **a comprehensive range of innovative services** and a dynamic distribution strategy.

- **A unique business model, based on speeding up the low capital-intensive asset-right strategy underway since 2005**, with the goal of operating more than 70% of the hotel base under management contracts, franchise agreements or variable-rent leases by 2013. Building this type of base will enable the Hotels business to reduce its cyclicality, which will lead to more stable cash flows and **higher return on capital employed.** To reach this objective, 450 of the 1,600 hotels owned or operated under fixed-rent leases at December 31, 2010 will change ownership structure between 2010 and 2013.This disposal process will have a cash impact of €1.6 billion and will reduce adjusted net debt by €2 billion. In 2010 alone, the targeted disposals are expected to represent €450 million, of which 25% had already been realized by the end of February.

- **A sustained expansion plan, with the objective of opening 35,000 to 40,000 new rooms a year at cruising speed**, while reducing annual expenditure to €250 million by focusing on asset-light expansion. Primarily deployed in the Economy segment in Europe and in fast-growing countries, the plan is already well underway with more than 100,000 rooms in the pipeline as of end-2009.

- **A people-driven strategy**, to strengthen relationships with customers and partners, remain **the hospitality industry's "best place to work,"** and support our position as the world's "leading hotel school."

Proud of its business and its expertise, the Hotels business is committed to:

- Leveraging a portfolio of powerful brands.

- Delivering superior services.

- Creating innovative hotel solutions and related business models.

- Instilling a pioneering, entrepreneurial spirit.

- Hiring and retaining motivated, high-quality people.

- Being successful both globally and locally.

Prepaid Services: A Growth Strategy

Positioned at the heart of a win-win relationship

Because the Services business offers close ties and effective solutions to public authorities, companies, users and affiliates, it is **positioned at the heart of a win-win relationship that enhances people's well-being and motivation and helps to improve the performance of an organization**. Its role is to act as an enabler in:

- Implementing economic and social policies, for public authorities, institutions and unions.
- Improving attractiveness and performance, for companies.
- Increasing purchasing power and enhancing well-being and motivation, for users.
- Increasing revenue and customer loyalty, for affiliates.

Fundamentals driving strong growth in both developed and emerging markets

The Services business enjoys a wide variety of fundamentals – shaped by demographics, socio-professional and sociological trends and favorable government policies – that are capable of driving long-term growth in both developing and emerging markets. At the same time, the gradual shift from paper to electronic media is enabling a deeper understanding of user needs and helping to speed up growth by making prepaid services faster, easier to use and more secure.

A powerful vision

In this growth environment, the Services business is committed to being **the world leader in employee and public benefits and a major provider of prepaid services to help improve the performance of an organization.**

In a business where building volume is the key to creating value, Services has nine sustainable growth drivers. These drivers are generating a virtuous circle capable of delivering double-digit growth in operating cash flow in "normal conditions" based on three pillars: growth in operating revenue, economies of scale (after initial investments) led by the migration from paper to electronic solutions, and a higher float in value.

A unique growth model that has demonstrated its robustness

- Strong growth in issue volume and revenue, which rose respectively an average 10.5% and 12.3% a year between 2003 and 2009.
- Strong growth in operating free cash flow, up an average 15.1% a year between 2003 and 2009.
- Low cyclicality. Excluding exceptional external factors during the year, growth would have exceeded 10% in 2009.
- High sustainability, underpinned by geographic, product, customer and media diversity.

To ensure the successful listing of a business offering growth, low-cyclicality, low capital-intensity with a presence in developed and emerging markets, the Services team can leverage such strong values as the spirit of enterprise, innovation, performance, simplicity and sharing.

Conclusion

All of the work accomplished as part of the demerger process has created an internal dynamic that will enable the project to be carried out under the best possible conditions.

These ambitious corporate mission projects, which are highly motivating for employees, will give birth to two global market leaders capable of creating shareholder value.

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

- Hotels, with the **Sofitel, Pullman, MGallery, Novotel, Mercure, Suitehotel, Adagio, ibis, all seasons, Etap Hotel, Formule 1, hotelF1 and Motel 6 brands,** representing 4,000 hotels and nearly 500,000 rooms in 90 countries, as well as strategically related activities, such as **Thalassa sea&spa, Lenôtre and CWL.**

- Prepaid Services, with 32 million people in 40 countries benefiting from Accor Services products in employee and public benefits, rewards and motivation, and expense management.

MEDIA CONTACT

Armelle Volkringer
Senior vice president corporate communications and external relations
Phone : +33 (0)1 45 38 87 52

Charlotte Bourgeois-Cleary
Phone. : +33 1 45 38 84 84

INVESTORS CONTACTS

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

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