Press Release
Paris, May 19, 2010

Accor: a new momentum

Accor becomes a "pure player" in hospitality, focused on:

- Its brand portfolio and its guests
- Its business as a operator and a provider of hotel services
- The value of its assets through sales of hotel properties
- An ambitious development plan built mainly around management contracts and franchise agreements
- A strong cash-generating business model

Ahead of the demerger to be submitted to shareholders for approval at the Extraordinary Meeting of June 29, 2010, Accor (Hospitality) has organized an investor day on Wednesday, May 19, 2010, to present its new business model and strategic vision to the financial community.

This vision will be based on **three objectives**:

- **Being the world's leading hotel operator,** by emphasizing customer and employee satisfaction, developing the brands and leveraging the expertise acquired over more than 40 years. Of a total of 493,000 rooms, Accor today operates a network of 384,000 rooms in hotels that are owned, leased or operated under management contracts, representing the world's largest operated hotel base.
- **Become the leading franchiser in Europe,** by converting existing hotels and developing new projects.
- **Becoming one of the world's top three hospitality groups by stepping up the pace of expansion with the opening of 35,000 to 40,000 new rooms a year at cruising speed beyond 2012,** in Europe and in countries with high growth potential.

To achieve these targets, Accor will leverage **three main sources of value creation** under its **ARIANE 2015** corporate mission project:

- Operational excellence and cost efficiency
- The Asset Right strategy
- An ambitious development plan based primarily on the asset-light model

Favorable trends in the global hospitality market

After sharply contracting in 2009, the hospitality market showed clear signs of improvement during the first quarter of 2010 in most countries, particularly in Europe. Looking beyond the positive outlook linked to the **cyclical upturn**, expanding demand in both developed and emerging markets should **drive long-term growth**.

Operational excellence and cost efficiency

Covering all customer segments from Budget to Luxury, and comprising both standardized and non-standardized hotels, Accor's **unique brand portfolio** is an aligned response to increasingly segmented demand. In this respect, the Group has decided to reposition Suitehotel within the Novotel brand. The new **Suite Novotel** brand to be launched this summer will leverage the strategic fit between the merged brands and will benefit from the power of the Novotel brand already present in 60 countries.

Along with strong brands, the Group enjoys a **strong distribution dynamic** led by TARS[1], a unique booking system that generates a growing proportion of hospitality revenues (42% in 2009 versus 34% in 2008 and less than 10% in 2000). This marketing efficiency, which is one of Accor's areas of operational excellence, is also based on Accor's ability to attract large numbers of visitors to its websites, the successful A|Club loyalty program launched 18 months ago and a tailored management of key strategic customers.

Thanks to its expertise platforms and powerful brands, the Group's **RevPAR index[2] has outperformed the competition's,** particularly in countries where Accor is market leader. Examples include Ibis in France, Belgium and the Netherlands, Novotel in France and Germany and Mercure in France and Germany. The Group's operational excellence is also illustrated by its **optimized operating and support cost base.** Thanks to the plan to reduce operating costs implemented during the crisis, **Accor's 2009 response ratio targets were exceeded in most countries** (with a 41% ratio in the EMEA[3] region versus a target of 35%).
As for support costs, the Group has maintained its objective of generating **€45 million in savings in 2010** (on the back of €87 million in 2009 versus a target of €80 million). **Overhauling purchasing processes** should generate **€30-40 million in annual savings** in the midterm. **Optimization of support costs should help to drive a 1.5 to 2.0-point improvement in normalized[4] EBITDAR margin.**

Recognition of the Group's operational excellence will play a critical role in attracting investors and owners of hotels operated under management contracts or franchise agreements.

The Asset Right strategy

Underway since 2005, the ongoing deployment of the Asset Right model is based on adapting each hotel's ownership structure to its segment and location. In building **a hotel portfolio offering a coherent mix of capital-intensive and asset-light ownership structures,** Accor aims to leverage the strategic fit between the benefits offered by each one.

[1] TARS (The Accor Reservation System) is the multichannel booking system developed by Accor

[2] The RevPAR index compares the performance of Accor brands with that of its competitors in terms of RevPAR (Revenue Per Available Room).

[3] Europe, Middle East, Africa

[4] Average mid-cycle impact

The Asset Management program is designed to **encourage the use of asset-light ownership structures in order to reduce capital employed and attenuate earnings volatility.**

To reach this objective, **450 of the 1,600 hotels** owned or operated under fixed leases at December 31, 2009 will change of ownership structure **between 2010 and 2013.**

The Group continues to expect planned disposals for 2010 to have a **€450 million impact, of which more than 50% had already been secured by the end of April** in a more favorable market.

Based on the currently projected market environment, the 2010-2013 asset disposal program is expected to **increase cash by €1.6 billion and reduce adjusted net debt by €2.0 billion** (i.e. by an average €500 million a year from 2010).
On the profit and loss statement, the program would have the following impacts on a normalized, annual basis:

- A **€150-200 million reduction in revenue** (including a €5-10 million increase in external fees).
- A **€35-45 million reduction in EBITDAR.**
- A **€30-40 million reduction in EBITDA.**

Beyond 2013, after the asset disposal program has been completed, Accor will continue to restructure its portfolio of owned properties (current hotels and hotels developed in the period to 2013). **This process should continue to reduce adjusted net debt by around €200-300 million a year.**

An ambitious development plan

A selective approach will be adopted to **developing the network of owned hotels,** with the main investments being made in Europe and emerging markets.
For asset-light development:

- **Variable leases** will be the preferred option for the best performing strategic hotels, mainly in the Economy segment.
- Upscale and midscale hotels will generally be operated under **management contracts** in order to retain operational leverage.
- **Franchise agreements** will be used to accelerate deployment of the Economy networks and the Upscale and Midscale networks, while also further raising the brands' awareness.

The shift in business model towards asset-light ownership structures will allow a budget of **€200 million a year** from 2012 (Accor's share of the investments), plus €50 million for hotel repositioning expenditure.

By 2012, the Group expects to open **35,000 to 40,000 rooms a year** at cruising speed, with **hotels operated under management contracts or franchise agreements accounting for over 80% of new rooms.** One-fifth of the investment budget will be used for the development of hotels operated under management contracts.
Eighty percent of **targeted investments in owned and fixed leases hotels** will concern the Economy segments in Europe, for the most part Ibis and Etap units.

By the end of 2015, the expansion plan is expected to drive the opening of **more than 1,800 hotels**, or around 220,000 rooms, with a strong focus on Europe and Asia.
At cruising speed, the plan should have the following impacts on the income statement, on a normalized, annual basis:

- **A €150-200 million increase in revenue** (including €30-40 million in external fees)
- **A €65-80 million increase in EBITDAR.**
- **A €40-55 million increase in EBITDA.**

Applying the Asset Right model to Asset Management and development should result in 80% of the hotel base being operated under management contracts, franchise agreements or variable leases by 2015 (versus 60% at end-2009).

Financial policy

To support its evolving business model and improve performance tracking, the Group has adopted a **new financial reporting system, "P&L Performance"**, that will be one of the cornerstones of its financial communications starting with the 2010 annual results presentation.
"P&L Performance" analyses income statement data based on three profit or cost centers[1]:

- **Management and franchise**, for which the Group has set a mid-term objective of a more than 50% contribution margin
- **Sales, distribution and marketing fund**, for which the mid-term target is to be at break-even
- **Subsidiaries (owned or leased hotels)**, with the objective of a 40-50% drop-through ratio[2] at mid-cycle

The Group has set the following financial targets:

- **An improvement in ROCE** thanks to the implementation of a less capital-intensive model.
- Sales of non-strategic assets and asset-light policy leading to **rapid deleveraging by 2011**.
- **Highly positive operating cash flow in the midterm** after development and before disposals.
- **Investment grade** credit rating.
- A **dividend payout of a maximum 50%** of recurring net income

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Thanks to the new corporate mission project, Accor will accelerate the transformation of its business model value creative and cash generating enabling to continue its growth and to consolidate its leadership.

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As part of the demerger process, an updated Registration Document was filed with French securities regulator AMF under number D.10-0201-A01. It may be viewed in the Finance section of the Accor website (http://www.accor.com/en/finance.html) and on the AMF website (www.amf-france.org).

Upcoming events

- *June 29, 2010: Annual and Extraordinary Shareholders' Meeting*

[1] Unallocated costs, shared services and intragroup eliminations will be presented separately.

[2] Ratio of the change in like-for-like EBITDAR/change in like-for-like revenue.

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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 to 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 4,100 hotels and nearly 500,000 rooms in 90 countries, as well as strategically related activities, **Thalassa sea & spa, Lenôtre, CWL.**
- **Services,** with 33 million people in 40 countries benefiting from Accor Services products in employee and constituent benefits, rewards and incentives, and expense management.

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