Open New Frontiers in Hospitality

Press Release

September 13, 2011

A New Era Guided by a Spirit of Conquest

Accor today has announced a number of major changes concerning its brands, its operational strategy and its financial objectives. The Group is now "100% hotelier" and backed by its unique and universal model as an owner, operator and franchisor from economy to luxury in all regions.

- **The Accor brand** is being deployed with a new baseline – "**Open New Frontiers in Hospitality**" – and a new identity, especially for use in **loyalty programs** and **distribution.**

- **ibis has become the keystone of a new architecture for the Group's economy brands,** with all seasons becoming **ibis Styles** and Etap Hotel becoming **ibis Budget**. This change will be supported by an ambitious plan to revitalize hotel products and services.

- **Motel 6's transition to an asset-light model has been accelerated considerably.** This mission has been assigned to **Jim Amorosia**, the brand's new CEO and the first American to hold the position since Accor acquired Motel 6 in 1991.

- **Accor is revising its development objectives upwards.** The Group will open 35,000 rooms in 2011 and has now set a target of opening 40,000 rooms a year beginning in 2012. It will meet this goal through **organic growth** and **targeted acquisitions** in Europe, Asia-Pacific and Latin America, while maintaining the overall objective of an 80% asset-light hotel portfolio by 2015.

- In line with its long-term strategy of **optimizing the hotel portfolio**, Accor is reconfirming the asset management plan already underway and announcing a **new plan for the 2013-2015 period** that will have an **impact of €1 billion on adjusted net debt**. This will bring the total to **€2.2 billion for the 2011-2015 period.**

- Accor will leverage **the unrivaled capabilities and expertise provided by its unique business model**: a **distribution system** that accounts for nearly 60% of room revenue and **operating excellence**, especially in the areas of revenue management, purchasing and cost control. This expertise will be developed and shared with all Group hotels, whether owned and leased, managed or franchised.

- With high ambitions and strengthened management tools, the Group has set the following targets:
  - **Generate sustainable positive free cash flow.**
  - Over the medium term, **improve the Group's EBIT margin by 2-4 points,** in particular by optimizing the performance at hotels owned by the Group or leased under fixed or variable leases.

<u>**Outlook for 2011**</u>. Concerning the year underway and based on the following factors:
- An **excellent first half** and **promising summer-season trends** in all regions.
- **The absence of any signs of a slowdown** in demand to date.
- A **flow-through ratio** objective at EBITDAR level **confirmed at 50%**.

Accor is announcing a 2011 **EBIT target of €510 million to €530 million.**

All of these developments will be presented today in detail at the Accor Investor Day, to be held in Paris beginning at 8:00 a.m. The event is webcast live on www.accor.com/finance

"*Our business model is now clearly set*," said **Denis Hennequin**, Accor's Chairman and Chief Executive Officer. "*The next step is to revitalize our brand portfolio and share our unique expertise with our franchisees. In a spirit of conquest, we are strengthening our development plan and announcing our ambition of* ***becoming the global reference in hotel industry****."*

The strategy is based on four pillars:

- **A powerful marketing approach**, with a revitalization of the Economy Hotels activity and the Accor brand.
- **Unique operational expertise** derived from Accor's skills and capabilities in its three strategically aligned businesses – hotel owner, operator and franchisor – in all segments and all regions.
- **A value-creating asset management strategy** that improves the Group's business performance, optimizes its balance sheet and support growth.
- **A development strategy** that aims to consolidate the Group's current leadership in Europe and Latin America and position it among the leaders in Asia-Pacific, especially China.

In the United States, Accor has decided to sharply accelerate the transformation of Motel 6's business model, with the goal of **significantly reducing capital employed** over the medium term, **improving margins** and **lessening exposure to business cycles**. This mission has been assigned to **Jim Amorosia**, who has been promoted CEO of Motel 6.

A new strategy for the economy brands

The Group has broadened the role of the **Accor** corporate brand. With the **Accorhotels.com** online brand and A|Club, now renamed **Le Club Accorhotels**, the Group is introducing a common visual identity with Accor playing the role of a commercial brand. With a new baseline – **Open New Frontiers in Hospitality** – the Accor brand is committed to becoming the hotel industry's most competitive, most attractive affinity brand for customers, partners and employees.

The economy hotel offering is now based on two foundations: **A new brand architecture** and **an ambitious plan to revitalize products and services.** In **2012**, the Group will organize its brands in a more aligned, understandable, attractive manner by capitalizing on **ibis**, a powerful brand that enjoys high awareness around the world. Consequently, all seasons will become **ibis Styles** and Etap Hotel will become **ibis Budget**. The new **ibis** "family" represented **1,570 hotels** at end-June 2011.

The deployment of this new segmentation – which will be completed in early 2013 – is intended to:

- Increase market share through higher brand awareness and improved customer satisfaction.
- Optimize the RevPar index.
- Secure the development plan.

Project costs are estimated at €150 million, with ROCE of around 20%.

A unique distribution network core to operational strategy

The status of a hotel operator covering all segments from economy to luxury provides Accor with a considerable advantage that the Group plans to consolidate.

This advantage is apparent in **distribution**, an area in which **Accor is on the leading edge of innovation worldwide** thanks to the only **fully Web-based central booking system**, **total connectivity** with online distributors and a very **strong presence in mobile applications**. Today, nearly **60% of room revenue for all Group hotels is generated by these central distribution channels.** The loyalty program, renamed **Le Club Accorhotels**, now has more than 7 million members, of whom 6 million outside France.

Accor's **operational excellence** will increasingly be made available to **franchised and managed** hotel partners. The Group's status as the world's leading hotel operator represents a **key asset** for its **franchising** operations. It enables Accor to forge true partnering relationships with franchisees by offering them unique services and support tools. These assets are spearheading an **ambitious strategy to develop the franchised hotel network**, especially in Europe.

A value-creating asset management strategy

In 2005, Accor embarked on a far-reaching asset management program aimed at reducing the capital intensity of the hotel portfolio as well as cash flow volatility. The program unlocks the value of its property assets and structurally improves margins. The asset management strategy represents an additional lever for development.

Half of the program to dispose of 450 hotels in the 2010-2013 period has already been completed. Early in the year, Accor also announced it was accelerating its initial program to **reduce adjusted net debt by €1.2 billion in 2011-2012.** The success of recent sale-and-management-back transactions involving the Pullman Paris Bercy and the Sofitel Arc de Triomphe illustrates the progress made in implementing the program.

Accor is today announcing **a new plan for the 2013-2015 period.** It will involve 175 hotels and **reduce adjusted net debt by €1.0 billion.**

An ambitious development strategy

The development strategy is built on two key axes: **Strengthening the Group's leadership in Europe** and **developing operations quickly in emerging markets**.

Europe remains a high potential area of growth for Accor. The Group will leverage its leadership to pursue an assertive development strategy, especially in economy hotels, a segment in which the penetration rate of hotel chains is still low in many countries. Repositioning the hotel brands around ibis will provide additional benefits.

In emerging markets, Accor is committed to strengthening its presence, particularly in high potential countries like Brazil, India and China. By 2015, **the Group targets to quadruple the size** of its network in China.

To speed its development, the Group will leverage:

- **Brands that are more flexible and more closely tailored** to local specificities.
- **Selective investment** in high-margin projects involving prime locations, mainly in the economy segment in Europe.
- **Accelerated** development through **franchising** in the midscale and economy segments.
- **External growth opportunities** via partnerships or acquisitions, to consolidate the Group's leadership in the most attractive markets, with a focus on targets operated under asset-light structures.

Accor plans to open **35,000 rooms in 2011**, then **40,000 a year in 2012 and 2013**, with acquisitions accounting for approximately 5,000 rooms a year. More than 80% of this development plan will be carried out through management contracts and franchise agreements.

A financial strategy designed to optimize the business model

All of these factors are intended to optimize the Accor business model, which aims to deliver a sustainable improvement in cash flow generation by increasing margins and return on capital employed.

The **P&L Performance** system already shows that the contribution margin generated by management and franchise operations exceeds 50% and that sales & marketing operations are close to breakeven, in line with objectives.

Accor is also expanding the analysis of its business model. The Group will **now report EBIT margins separately for hotels that are owned or leased under fixed or variable leases** and has set the following medium-term margin objectives:

- 12% to 15% for owned hotels vs. 9% in 2010.
- 6% to 8% for hotels leased under fixed leases vs. a negative 2% in 2010.
- 8% to 10% for hotels leased under variable leases vs. 6% in 2010.

The Group has also set **the following medium-term financial targets:**

- A 2 to 4-point improvement in EBIT margin.
- Sustainable positive free cash flow before disposals.
- An increase in ROCE thanks to a less capital-intensive business model.

As a result, **cash flow will be used** to **finance maintenance and renovation of the existing network**, focusing in particular on the brands and distribution channels, and **development expenditure**. In addition, the Group will hold firm to its dividend policy, based on a high 50% payout ratio. This should give the Group **the necessary financial flexibility to take up strategic growth**

opportunities while also generating a **healthy return for shareholders**. The aims of the growth strategy are to consolidate and extend Accor's leadership in Europe, as well as to acquire or lock-in significant positions in fast-growing countries based on an asset-light model with 80% of hotel properties taken off the balance sheet by 2015.

By leveraging its unique assets and pursuing an ambitious development strategy, Accor is entering into a new era of growth and value creation for its shareholders.

****

Accor, the world's leading hotel operator and market leader in Europe, is present in **90 countries with 4,200 hotels and more than 500,000 rooms**. Accor's broad portfolio of hotel brands - **Sofitel, Pullman, MGallery, Novotel, Suite Novotel, Mercure, Adagio, IBIS, all seasons/ibis Styles, Etap Hotel/ibis Budget, Formule 1, hotelF1 and Motel** 6 - provide an extensive offer from luxury to budget.

With **145,000 employees** worldwide, the Group offers its **clients and partners** nearly 45 years of know-how and expertise.

MEDIA RELATIONS

Agnès Caradec

Senior Vice President Communications & External Relations

Phone : +33 1 45 38 87 52

Elodie Woillez

Phone: +33 1 45 38 87 08

INVESTOR RELATIONS CONTACTS

Sébastien Valentin

Senior Vice President Financial Communications & Investor Relations

Phone : +33 1 45 38 86 25

Olivia Hublot

Investor Relations

Phone:+33 1 45 38 87 06