Press release
26 August 2014

ACCOR
Open New Frontiers in Hospitality

A solid first-half 2014
reflecting strong momentum in international markets
and the early effects of the Group's transformation

- **Revenue up 2.8% like-for-like[1] to €2,593 million**
- **A significant improvement in EBIT, up 17.6% like-for-like to €219 million**
- **Operating profit before tax and non-recurring items up 38.6% like-for-like to €192 million**
- **Net profit of €60 million**

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- **Full year EBIT target of €575-595 million**

Sébastien Bazin, Chairman and Chief Executive Officer, said:

"In the first-half of 2014, our planned reorganisation ensured the Group's transformation is now well underway. The strong results for the period, with an increase in margins, reflect good momentum and the work of highly committed teams to deploy our new strategy. Each business now has the means to respond effectively to its specific challenges. We have significantly increased resources and completed major acquisitions/restructuring for HotelInvest in the first half, followed by the agreement signed with Tritax in the United Kingdom. In the second half we will focus in particular on deploying the HotelServices strategy built around innovation, digital solutions and brands."

First-half 2014 highlights: The transformation is underway

- **The reorganisation of Accor** around its HotelServices and HotelInvest business lines is now effective. The **Group's financial reporting system** is now fully aligned with this new structure.
- **Accor's financial position** was strengthened through debt issues at record low interest rates, including €900 million worth of perpetual subordinated notes issued in June, and a new €1.8 billion syndicated credit line.
- €900 million worth of **acquisitions** were completed (97 hotels in Germany, the Netherlands and Switzerland).
- The **improvement of the Group's digital eco-system** for our guests was introduced by the launch of the Welcome project and the implementation of new advantages for our 16 million Le Club Accorhotels members.
- The first valuation of the gross asset value of HotelInvest's portfolio came up to an indicative range of between €5.0 and 5.5 billion.

Note: *With the application of* ***IFRS 11*** *since January 2014, joint ventures may no longer be consolidated using the proportional method, but instead must be accounted for by the equity method in the same way as associates. First-half 2013 results figures in this press release have been adjusted accordingly.*

[1] At comparable scope of consolidation and constant exchange rates.

First-half 2014 results

(in millions of euros)	H1 2013 restated (1)	H1 2014	% change (restated (1))	% change (like-for-like(2))
Revenue	2,640	2,593	-1.8%	+2.8%
EBITDAR(3)	**804**	**807**	**+0.4%**	**+3.8%**
EBITDAR margin	*30.4%*	*31.1%*	*+0.7 pt*	*+0.3 pt*
EBIT	**191**	**219**	**+14.5%**	**+17.6%**
Operating profit before tax and non-recurring items	146	192	+31.4%	+38.6%
Net profit before profit/(loss) from discontinued operations	**33**	**62**	**-**	**-**
Profit/(loss) from discontinued operations	1	(2)	-	-
Net profit, Group share	**34**	**60**	**-**	**-**

(1) Figures restated from the IFRS 11 impacts
(2) At constant scope of consolidation and exchange rates.
(3) Earnings before interest, taxes, depreciation, amortization and rental expense.

Consolidated **revenue** for the six months ended 30 June 2014 totaled €2,593 million, up 2.8% like-for-like from first-half of 2013 (down 1.8% on a reported basis), thanks to robust demand in the majority of the Group's key markets (with Mediterranean, Middle East, Africa (MMEA) up 8.4%, Americas up 7.6%, Northern, Central and Eastern Europe (NCEE) up 3.2% and Asia Pacific up 2.0%). In France, revenue dipped by 0.9% due to the increase in the VAT rate that came into effect on 1 January 2014, sluggish demand and an unfavorable calendar effect in May and June.

Ninety-two hotels (**12,284 rooms)** were opened during the period, of which:

- 90%[2] under management contracts and franchise agreements.
- 69% outside Europe.

Solid improvement in EBIT

Consolidated **EBITDAR** amounted to €807 million in the first-half of 2014, up 3.8% like-for-like, in the prior year and 0.4% as reported. **EBITDAR margin** was up 0.3 point on a like-for-like basis, at 31.1%.

EBIT rose by 17.6% like-for-like to €219 million from €191 million in the first-half of 2013, lifted by strong demand in all regions except France, and by the positive effects of the cost savings plan.

Operating profit before tax and non-recurring items amounted to €192 million in first-half 2014, versus €146 million in the prior year, a 38.6% like-for-like increase. **Net profit, Group share** was significantly higher at €60 million.

Funds from operations rose to €296 million from €288 million in the first-half 2013. Recurring development expenditure amounted to €84 million. Maintenance and renovation expenditure totaled €61 million versus €80 million at the first-half 2013. The gap is linked to a lag observed in CAPEX expenditures which will be offset in the second-half of 2014.

[2] In number of rooms

In the first-half of 2014, **recurring cash flow** was solid at €151 million.

Net debt increased by €33 million in the first-half 2014 to €259 million at 30 June 2014. This slight increase is linked to the acquisitions of the Moor Park and Axa Real Estate hotel portfolios for €900 million, offset by the €900 million proceeds from the June 2014 perpetual subordinated notes issue, the total amount of which is treated as equity under IFRS.

There was a clear improvement in consolidated **return on capital employed** (ROCE), 14.4% in the first-half of 2014 compared with 13.6% in the first-half of 2013.

As of 30 June 2014, Accor had an unused €1.8 billion confirmed long-term line of credit.

The Group optimised its borrowing costs by issuing €750 million in 2.625% bonds and CHF 150 million in 1.75% bonds, and redeeming 7.5% bonds in an amount of €402 million. These operations **reduced the cost of debt** from 4.28% at the December-end 2013 to 3.17% as of 30 June 2014.

HotelServices & HotelInvest results – first-half 2014

In line with its new organisation, Accor now reports the main financial indicators for its two strategic businesses, HotelServices and HotelInvest, to provide more clarity and improve strategic management.

2014 Interim results

(in millions of euros)	**HotelServices**	**HotelInvest**	**Corporate & Intercos**	**Accor**
Revenue	582	2,286	(275)	2,593
EBITDAR	**200**	**643**	(36)	**807**
EBITDAR margin	*34.3%*	*28.1%*	*n.a.*	*31.1%*
EBITDA	**188**	**222**	(34)	**376**
EBITDA margin	*32.3%*	*9.7%*	*n.a.*	*14.5%*
EBIT	**172**	**83**	(36)	**219**
EBIT margin	*29.6%*	*3.6%*	*n.a.*	*8.4%*
H1 2013 EBIT (restated) (1)	***161***	***60***	*(30)*	***191***
H1 2013 EBIT margin (restated) (1)	*26.8%*	*2.6%*	*n.a.*	*7.2%*

(1) Figures restated from the IFRS 11 impacts

Both **HotelServices** and **HotelInvest** performed well in the first-half of 2014, delivering **significant improvements in their operating margins, which rose by 2.8 points and 1.0 point respectively.**

EBIT by region and by business line

(in millions of euros)	HotelServices		HotelInvest		Accor		
In M€	H1 2013 restated (1)	**H1 2014**	H1 2013 restated (1)	**H1 2014**	H1 2013 restated (1)	**H1 2014**	**change (like-for-like)**
France	50	**59**	30	**18**	80	**77**	**-3.6%**
NCEE	53	**46**	26	**48**	79	**94**	**+17.2%**
MMEA	15	**20**	(16)	**(7)**	(1)	**13**	**N/A**
Asia-Pacific	17	**21**	(2)	**(2)**	15	**19**	**+23.3%**
Americas	18	**15**	3	**7**	21	**22**	**+21.5%**
Worldwide Structures	8	**11**	19	**19**	(3)	**(6)**	**-25.2%**
Total	**161**	**172**	**60**	**83**	**191**	**219**	**+17.6%**

(1) Figures restated from the IFRS 11 impacts

Accor delivered highly satisfactory gains in its markets, with the exception of France. All other regions enjoyed double-digit EBIT growth, led by a strong operating dynamic.

Thanks notably to HotelServices, particularly strong performances were recorded in emerging markets. The biggest improvements were seen in the Asia-Pacific region (up 23.3% like-for-like), and the Americas (up 21.5%) which benefited from the favourable effects of the Football World Cup in Brazil throughout the first half.

The Northern, Central and Eastern Europe region also delivered a very good performance (up 17.5% like-for-like), driven by solid demand in the UK and Benelux.

- **HotelServices, hotel operator and brand franchiser:**

HotelServices reported €5.7 billion in **business volume**[3]**,** an increase of 5.0% at constant exchange rates, led by the development of emerging markets.

Revenue rose by 5.7% like-for-like to €582 million, with strong gains in the Americas (up 10.8%), the Mediterranean-Africa- Middle East (MMEA, up 10.1%) and Northern, Central and Eastern Europe (NCEE, up 5.0%), and to a lesser extent in Asia-Pacific (ASPAC, +3.7%) and France (+0.5%).

These favourable trends positively impacted **EBITDA**, which increased 14.8% like-for-like to €188 million, lifting the **EBITDA margin** to a high 32.3%.

[3] Business volume corresponds to revenue from owned, leased and managed hotels and to room revenue from franchised hotels. Change is as reported.

HotelServices detailed results – first-half 2014

(in millions of euros)	**H1 2013 restated (1)**	**H1 2014**
Business volume	5,600	5,700
Revenue	603	582
EBITDA	**178**	**188**
EBITDA margin	*29.5%*	*32.3%*
Margin excluding Sales & Marketing Fund and loyalty program	*44.6%*	*47.1%*
EBIT	**161**	**172**
EBIT margin	*26.8%*	*29.6%*

(1) Figures restated from the IFRS 11 impacts

HotelServices recorded **EBIT** of €172 million, an increase of 16.5% like-for-like that boosted EBIT margin by 2.8 points. This improvement was mainly due to robust hotel demand in all regions except France.

- **HotelInvest, hotel owner and investor:**

On a like-for-like basis, HotelInvest's **revenue** rose 1.6% to €2,286 million. Revenue increased in all regions apart from France (down 1.8% like-for-like), which was adversely affected by a three-point increase in the VAT rate. The Northern, Central and Eastern Europe region was lifted by robust demand in the UK and Benelux, while the Mediterranean-Middle East-Africa region clearly benefited from the confirmed recovery in Southern Europe.

Revenue growth was reflected in **EBITDAR,** which advanced 1.2% like-for-like to €643 million.

HotelInvest detailed results - first-half 2014

(in millions of euros)	**H1 2013 restated (1)**	**H1 2014**
Revenue	2,336	2,286
EBITDAR	**645**	**643**
EBITDAR margin	*27.6%*	*28.1%*
EBITDA	**212**	**222**
EBITDA margin	*9.1%*	*9.7%*
EBIT	**60**	**83**
EBIT margin	*2.6%*	*3.6%*

(1) Figures restated from the IFRS 11 impacts

HotelInvest's **EBIT** climbed 21% like-for-like to €83 million. **EBIT margin** improved by 1 point to 3.6%, reflecting sustained hotel demand in the first-half.

The gross value of HotelInvest's assets, which was assessed by three independent experts who each valued a part of the portfolio in the first-half, came up to an indicative range of between **€5.0 and 5.5 billion**. This indicative valuation includes the assets acquired from Moor Park and Axa Real Estate, as these operations were closed by the end of June 2014.

HotelInvest's EBITDA over a 12 rolling-month period at the end of June, was restated from the rents attached to those acquisitions, amounting to €557 million. This restated EBITDA, reported to the mid-range valuation of the experts leads to a **return on investment (ROI)** ratio of **10.6%** for HotelInvest's assets.

Asset Management Program

A total of **25 hotels** were restructured in first-half 2014, including **18 leased** hotels and **7 owned** properties. These transactions had the effect of reducing adjusted net by **€52 million**. At the same time, HotelInvest acquired two portfolios of hotels that were previously operated by the Group under variable leases. These portfolios (Moor Park and Axa Real Estate) representing **97 hotels** (over 12,000 rooms), were acquired for €900 million.

Acquisition of Tritax in the United Kingdom

On 26 August 2014, Accor announced the acquisition of a portfolio of 13 ibis hotels in United-Kingdom for €89 million (£71 million).

Priorities for second-half 2014

With a dedicated organisation and adequate funding capacity to restructure and develop its business, **HotelInvest** will continue to optimise its real estate portfolio in accordance with its strategy.

The strategic roadmap of **HotelServices**, covering digital services, distribution and brands, is currently being finalised and will be presented at a Digital Day to be held in London on 30 October 2014.

The €100 million cost saving plan launched in first-half 2013 continues to be rolled out. This plan includes several pillars: the optimisation and pooling of some European headquarters, the prioritisation and strategic review of projects, and reduction in hotel operating costs.

Summer trends

Business trends remained stable during the summer season, particularly in July, with RevPAR increasing across all geographies (NCEE up 5.4%, MMEA up 6.4%, ASPAC up 6.1%, Americas up 12.4%) except France (down 1.7%).

Initial indicators for August are encouraging. At this stage, there has not been any sign of a change in the business trends observed since the beginning of the year.

Full year EBIT target

In view of these factors, the Group expects to report full-year EBIT of **€575 to €595 million**, compared with adjusted 2013 EBIT of €521 million.

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Events since 1 January 2014

- On 27 January **Vivek Badrinath** was appointed Deputy Chief Executive Officer in charge of marketing, digital media, distribution and IT systems. Vivek Badrinath has been a member of the Group's Executive Committee since 1 March 2014.

- On 31 January 2014, Accor issued €750 million in seven-year 2.625% bonds.

- On 4 February 2014, the 7.5% bond issue was redeemed for an amount of €402.3 million.

- On 24 February 2014, Accor’s stake in Reef Casino in Australia was sold for €55.5 million.

- On 15 April 2014, Accor announced the appointment of **John Ozinga** as Chief Operating Officer of HotelInvest. John Ozinga has been a member of the Group Executive Committee since 18 June 2014.

- On 27 May 2014, Accor deployed HotelInvest's strategy with the purchase of 97 hotels in Europe for €900 million (86 in Germany and the Netherlands and 11 in Switzerland).

- On 12 June 2014, Accor announced that it had closed a new five-year €1.8 billion syndicated line of credit that replaces the previous €1.5 billion undrawn syndicated credit facility.

- On 17 June 2014, Accor successfully placed its issue of eight-year, 1.75% bonds in an amount of CHF150 million.

- On 23 June 2014, Accor successfully placed a €900 million perpetual subordinated notes issue. The notes will pay interrest at 4.125% until 30 June 2020.

Upcoming events in 2014

16 October 2014: Third-quarter 2014 revenue announcement
30 October 2014: Digital Day in London

Other information

The Board of Directors met on 25 August 2014 and approved the financial statements for the six months ended 30 June 2014. The financial statements have been audited and the auditors' limited review is being issued. The consolidated financial statements and notes related to this press release are available on the www.accor.com

Accor, the world's leading hotel operator, offers its guests and partners the dual expertise of a hotel operator and brand franchisor (HotelServices) and a hotel owner and investor (HotelInvest) with the objective of ensuring lasting growth and harmonious development for the benefit of the greater number.

With more than 3,600 hotels and 470,000 rooms, Accor welcomes business and leisure travelers in 92 countries across all hotel segments:: luxury-upscale with **Sofitel, Pullman, MGallery**, and **Grand Mercure**, midscale with **Novotel, Suite Novotel, Mercure** and **Adagio** and economy with **ibis, ibis Styles, ibis *budget*** and **hotelF1**. The Group boasts a powerful digital ecosystem, notably its booking portal **accorhotels.com**, its brand websites and its loyalty program **Le Club Accorhotels**.

As the world's top hospitality school, Accor is committed to developing the talents of its **170,000 employees** in Accor brand hotels. They are the daily ambassadors of the culture of service and innovation that has driven the Group for over 45 years.

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MEDIA RELATIONS

Charlotte Bourgeois-Cleary
Vice President Media Relations
Phone: +33 (0)1 45 38 84 84

Delphine Dumonceau
Media Relations
Phone: +33 (0)1 45 38 84 95

INVESTOR AND ANALYST RELATIONS

Sébastien Valentin
Senior Vice President Investor Relations and Financial Communication
Phone: +33 (0)1 45 38 86 25

Marie Niel
Investor Relations
Phone: +33 (0)1 45 38 86 94