ACCOR

# 2007 Registration Document

# Contents

# 2007 REGISTRATION DOCUMENT

AUTORITÉ DES MARCHÉS FINANCIERS

AMF

The original French version of this translated Reference Document was filed with the Autorité des Marchés Financiers on April 3, 2008 in accordance with article 212-13 of the General Regulations of the Autorité des Marchés Financiers. It may be used in connection with a financial transaction in conjunction with an Information Memorandum approved by the Autorité des Marchés Financiers.

# Board of Directors Report

# Operations and Strategy

## CORE BUSINESSES

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

ACCOR Hospitality

- **Hotels**, with the Sofitel, Pullman, Novotel, Mercure, Suitehotel, Ibis, All Seasons, Etap Hotel, Formule 1 and Motel 6 brands, representing nearly 4,000 hotels and 500,000 rooms in 90 countries, as well as strategically related activities, such as Lenôtre.

ACCOR Services

- **Services**, with 30 million people in 40 countries benefiting from Accor Services products in benefits for employees and citizens, rewards and loyalty and expense management.

### Hotels

Accor is uniquely positioned in the global hotel market, with 3,871 hotels and 461,698 rooms in 90 countries around the world at December 31, 2007. Covering every segment, from luxury to budget, we are a major operator in luxury accommodations with Sofitel and upscale hotels with Pullman. We are also the world leader in the midscale segment with Novotel, Mercure and Suitehotel, in economy lodging with All Seasons and Ibis and in the budget segment with the Etap Hotel, Formule 1 and Motel 6 chains.

## A portfolio structured to meet demand, from luxury to budget

### Luxury and upscale

Sofitel, "Life is magnifique"
As part of Sofitel's repositioning in the luxury segment, two brands have been created: "Sofitel Legend" for prestigious properties like the Metropole in Hanoi and "So by Sofitel" for smaller boutique hotels offering chic, contemporary, designer accommodations. The brand blends elegance "*à la française*" with deep roots in each local culture.

Network: 172 hotels, 38,195 rooms in 52 countries.

Customers: 60% business – 40% leisure

Pullman, "Check in, chill out"
Our new upscale chain, Pullman, offers business travelers environments designed as comfortable, inviting spaces for meeting and interacting with the community. Located in business centers or near airports, they combine high-technology and a friendly, homelike atmosphere.

Network: 11 hotels, 2,954 rooms in 4 countries.

### Midscale

Novotel, "Designed for natural living"
With its contemporary, open spaces for relaxing, spacious rooms for work or rest, convenient services, and friendly, attentive staff, the Novotel brand is now positioned at the top of the midrange hotel segment. With properties located in major international cities and leisure destinations, the chain is committed to accommodating business and leisure travelers in an environment where they just naturally feel at home.

Network: 387 hotels, 69,234 rooms in 61 countries.

Customers: 65% business – 35% leisure

Mercure, "The hospitality know how that makes everybody stay unique"
Located in city centers and in seaside and mountain resorts, Mercure hotels all share the same values. They all pay careful attention to individual needs, have their own distinctive personality and express the culture of their city or region. The chain is also renowned for its outstanding list of fine wines.

Network: 756 hotels, 93,827 rooms in 49 countries.

Customers: 60% business – 40% leisure

Adagio City Aparthotel, "Feel right at home, far from home"
Launched as a joint venture with Pierre & Vacances in early 2007, Adagio City Aparthotel is a chain of apartment hotels designed to meet the growing demand for longer stays for business or pleasure. Comprising 80 to 140 apartments and located in large European cities, the chain's mid-range properties all offer hotel-like amenities.

Network: 14 apartment hotels, 2,204 rooms in France.

Suitehotel, "A new way of hotel living"
Offering space, flexibility, comfort and conviviality, Suitehotel is designed for people on the move. Its 30-square-meter suites feature work and relaxation areas that can be adapted to individual desires or needs. Located in Europe and targeting medium and long-stay guests, Suitehotel is our solution for people who feel that the hotel is their "home away from home."

Network: 21 hotels, 2,734 rooms in 4 countries.

Customers: 70% business – 30% leisure

### Economy

All Seasons, "All is all you need"
A new chain of non-standardized economy hotels located in city centers and major business areas, All Seasons offers well-equipped hotels that combine charm and quality at an all-inclusive price.

Network: 6 hotels, 445 rooms in 2 countries. 52 hotels in Europe by year-end 2008.

Ibis, "Hotels the way you like them"
A leader in the economy segment in Europe, Ibis hotels have made quality a top priority. Certified ISO 9001, Ibis always guarantees superior services and comfort and highly competitive rates in a welcoming, contemporary atmosphere. Ibis is also the world's first chain to receive ISO 14001 certification—for nearly 200 hotels—in recognition of its commitment to protecting the environment.

Network: 769 hotels, 86,486 rooms in 36 countries.

Customers: 55% business – 45% leisure

Etap Hotel "Be smart, stay smart"
Based in Europe, Etap Hotel provides cost-effective lodging with hotels in large metropolitan areas and city centers, along major roadways or near airports.

Network: 369 hotels, 30,719 rooms in 11 countries.

Customers: 60% business – 40% leisure

Formule 1, "Sleep well at the best price"
With the creation of Formule 1 in 1985, Accor radically transformed the hotel industry, making hotels widely affordable with a comfortable room for one, two or three people priced at less than 100 francs (€15). Now the benchmark in low-cost hotels, Formule 1 is taking the concept to the next level with the new generation hotelF1 units in France. More dynamic than ever, the brand has revitalized the hotel interior with an attractive design, a new room concept, a new reception and breakfast area, and a new logo.

Network: 371 hotels, 29,286 rooms in 14 countries.

Customers: 60% business – 40% leisure

### Economy US

Motel 6, "We'll leave the light on for you"
Present across the United States and Canada, Motel 6 is known for providing excellent value for money in budget lodging. Leveraging its high brand awareness, the Motel 6 network will focus on franchise-led expansion.

Network: 910 hotels, 92,497 rooms in the United States and Canada.

Studio 6, "Extend your stay, not your budget"
Studio 6 offers an all-inclusive rate covering such hotel amenities and services as housekeeping and provision of kitchenware and linen. This competitive advantage positions the brand as the benchmark in the budget extended-stay segment.

Network: 46 hotels, 5,541 rooms in the United States and Canada.

## A global presence in every market segment

Accor operates on five continents with a unique portfolio of nearly 4,000 hotels and a presence in every market segment.

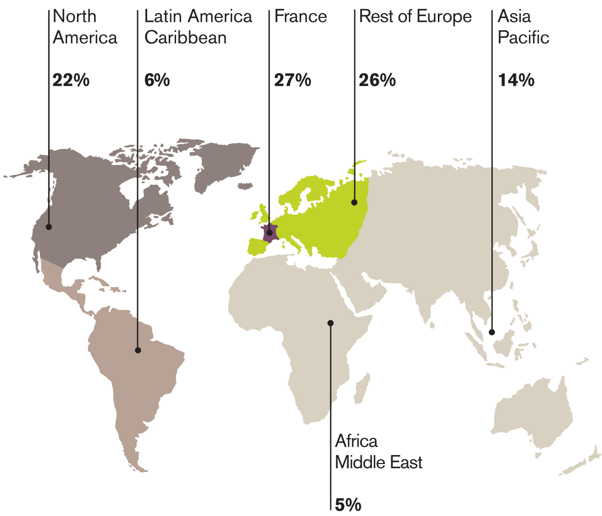
### Hotel portfolio by region and brand at December 31, 2007

| | France | | Rest of Europe | | North America | | Latin America Caribbean | | Africa Middle East | | Asia-Pacific | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Brand** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** |
| Sofitel | 24 | 3,430 | 34 | 7,279 | 10 | 3,193 | 16 | 2,480 | 35 | 7,579 | 53 | 14,234 | 172 | 38,195 |
| Pullman | 7 | 1,941 | 3 | 627 | - | - | - | - | - | - | 1 | 386 | 11 | 2,954 |
| Novotel | 123 | 16,230 | 138 | 25,761 | 8 | 2,076 | 17 | 2,777 | 22 | 4,357 | 79 | 18,033 | 387 | 69,234 |
| Mercure | 263 | 24,992 | 276 | 36,729 | - | - | 78 | 10,473 | 35 | 5,474 | 104 | 16,159 | 756 | 93,827 |
| Adagio | 14 | 2,204 | - | - | - | - | - | - | - | - | - | - | 14 | 2,204 |
| Suitehotel | 15 | 1,803 | 6 | 931 | - | - | - | - | - | - | - | - | 21 | 2,734 |
| Coralia Club | 1 | 444 | | | | | 1 | 385 | 7 | 1,556 | | | 9 | 2,385 |
| Other Brands | 5 | 369 | 3 | 414 | - | - | - | - | 1 | 110 | 21 | 4,298 | 30 | 5,191 |
| **Luxury, Upscale And Midscale** | **452** | **51,413** | **460** | **71,741** | **18** | **5,269** | **112** | **16,115** | **100** | **19,076** | **258** | **53,110** | **1,400** | **216,724** |
| All Seasons | 5 | 372 | - | - | - | - | - | - | - | - | 1 | 73 | 6 | 445 |
| Ibis | 371 | 32,430 | 286 | 36,193 | | | 51 | 7,629 | 21 | 2,741 | 40 | 7,493 | 769 | 86,486 |
| Etap Hotel | 271 | 21,032 | 98 | 9,687 | | | | | | | | | 369 | 30,719 |
| Formule 1 | 281 | 20,840 | 36 | 2,625 | | | 7 | 2,075 | 24 | 1,668 | 23 | 2,078 | 371 | 29,286 |
| **Economy** | **928** | **74,674** | **420** | **48,505** | **0** | **0** | **58** | **9,704** | **45** | **4,409** | **64** | **9,644** | **1,515** | **146,936** |
| Motel 6 | | | | | 910 | 92,497 | | | | | | | 910 | 92,497 |
| Studio 6 | | | | | 46 | 5,541 | | | | | | | 46 | 5,541 |
| **Economy Us** | | | | | **956** | **98,038** | | | | | | | **956** | **98,038** |
| **TOTAL** | **1,380** | **126,087** | **880** | **120,246** | **974** | **103,307** | **170** | **25,819** | **145** | **23,485** | **322** | **62,754** | **3,871** | **461,698** |

Accor is the largest hotel group in **Europe**, with a network of 2,260 hotels and 246,333 rooms accounting for 53% of the room base at December 31, 2007. In other regions, our expertise is deployed through 974 hotels (22% of the room base) in **North America**, 170 hotels (6%) in **Latin America** and the **Caribbean**, 145 hotels (5%) in **Africa** and the **Middle East**, and 322 hotels (14%) in **Asia** and the **Pacific**.

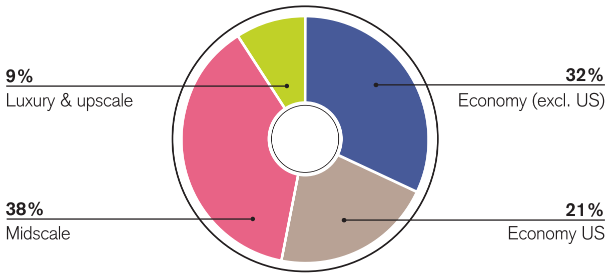
### Hotel portfolio by region at December 31, 2007

*(% based on number of rooms)*




### Hotel portfolio by segment at December 31, 2007

*(% based on number of rooms)*




## Differentiated ownership structures

Accor's strategy is to tailor a specific hotel ownership structure to each market segment and host country, depending on return on capital employed and earnings volatility.

To optimize return on capital employed and reduce earnings volatility in more mature markets, we prefer low capital-intensive ownership structures based on management contracts in the upscale, variable-rent leases and franchise agreements in the midscale, variable-rent leases and franchise agreements in the European economy segment and franchise agreements in the US economy segment.

To expand in emerging markets, we focus on management contracts and the creation of joint ventures with local partners in the upper and midscale segments and on joint ventures and sometimes fully owned structures in the economy segment.

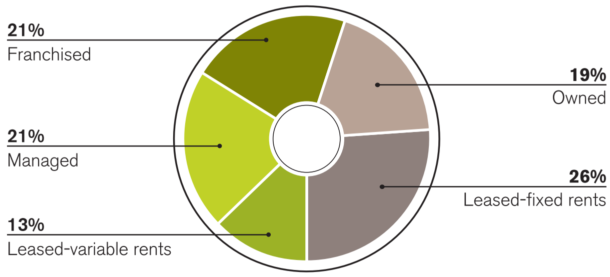
As of year-end 2007, 55% of the room base was operated under arrangements that limited earnings volatility, such as variable-rent leases, management contracts and franchise agreements.

## Hotel portfolio by ownership structure and brand at December 31, 2007

| | Owned | | Leased Fixed rents | | Leased Variable rents | | Managed | | Franchised | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Brand** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** |
| Sofitel | 21 | 3,056 | 17 | 3,596 | 13 | 2,245 | 106 | 25,863 | 15 | 3,435 | 172 | 38,195 |
| Pullman | 3 | 653 | 6 | 1,815 | 1 | 100 | 1 | 386 | | | 11 | 2,954 |
| Novotel | 55 | 8,264 | 74 | 13,318 | 100 | 16,504 | 101 | 21,689 | 57 | 9,459 | 387 | 69,234 |
| Mercure | 58 | 6,217 | 117 | 17,399 | 76 | 11,549 | 205 | 30,211 | 300 | 28,451 | 756 | 93,827 |
| Adagio | - | - | - | - | - | - | 14 | 2,204 | - | - | 14 | 2,204 |
| Suitehotel | 6 | 763 | 10 | 1,507 | - | - | 1 | 86 | 4 | 378 | 21 | 2,734 |
| Coralia Club | 2 | 548 | - | - | - | - | 7 | 1,837 | - | - | 9 | 2,385 |
| Other Brands | - | - | 5 | 652 | - | - | 19 | 3,356 | 6 | 1,183 | 30 | 5,191 |
| **Luxury, Upscale And Midscale** | **145** | **19,501** | **229** | **38,287** | **190** | **30,398** | **454** | **85,632** | **382** | **42,906** | **1,400** | **216,724** |
| All Seasons | 2 | 191 | | | | | 1 | 73 | 3 | 181 | 6 | 445 |
| Ibis | 124 | 15,128 | 138 | 17,597 | 189 | 24,096 | 64 | 10,559 | 254 | 19,106 | 769 | 86,486 |
| Etap Hotel | 82 | 6,744 | 57 | 5,573 | 49 | 4,312 | 6 | 715 | 175 | 13,375 | 369 | 30,719 |
| Formule 1 | 220 | 16,404 | 102 | 8,014 | 6 | 1,775 | 9 | 905 | 34 | 2,188 | 371 | 29,286 |
| **Economy** | **428** | **38,467** | **297** | **31,184** | **244** | **30,183** | **80** | **12,252** | **466** | **34,850** | **1,515** | **146,936** |
| Motel 6 | 271 | 29,763 | 406 | 46,079 | 1 | 72 | 1 | 59 | 231 | 16,524 | 910 | 92,497 |
| Studio 6 | 8 | 891 | 28 | 3,757 | - | - | - | - | 10 | 893 | 46 | 5,541 |
| **Economy US** | **279** | **30,654** | **434** | **49,836** | **1** | **72** | **1** | **59** | **241** | **17,417** | **956** | **98,038** |
| **TOTAL** | **852** | **88,622** | **960** | **119,307** | **435** | **60,653** | **535** | **97,943** | **1,089** | **95,173** | **3,871** | **461,698** |

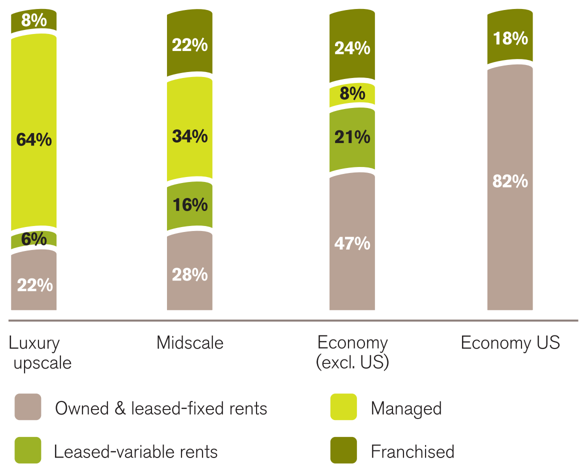
## Hotel portfolio by ownership structure at December 31, 2007

*(% based on number of rooms)*




## Hotel portfolio by segment and ownership structure at December 31, 2007

*(% based on number of rooms)*

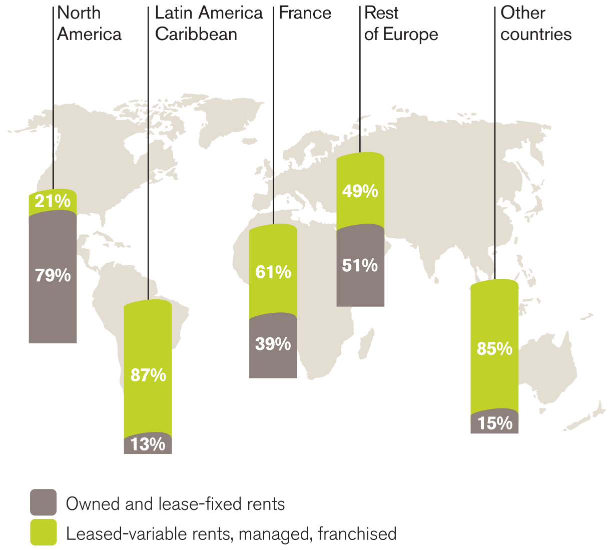



## Hotel portfolio by ownership structure and region at December 31, 2007

| | Owned | | Leased Fixed rents | | Leased Variable rents | | Managed | | Franchised | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** | **Hotels** | **Rooms** |
| France | 358 | 31,309 | 166 | 17,750 | 196 | 24,912 | 64 | 7,826 | 596 | 44,290 | 1,380 | 126,087 |
| Rest of Europe | 143 | 16,886 | 307 | 43,913 | 193 | 27,075 | 63 | 9,273 | 174 | 23,099 | 880 | 120,246 |
| North America | 283 | 31,839 | 434 | 49,836 | 1 | 72 | 14 | 4,023 | 242 | 17,537 | 974 | 103,307 |
| Latin America and Caribbean | 18 | 2,351 | 6 | 1,006 | 35 | 6,820 | 95 | 13,816 | 16 | 1,826 | 170 | 25,819 |
| Rest of the world | 50 | 6,237 | 47 | 6,802 | 10 | 1,774 | 299 | 63,005 | 61 | 8,421 | 467 | 86,239 |
| **TOTAL** | **852** | **88,622** | **960** | **119,307** | **435** | **60,653** | **535** | **97,943** | **1,089** | **95,173** | **3,871** | **461,698** |

### Hotel portfolio by ownership structure and region

*(% based on number of rooms)*




## Property

Property, plant and equipment recognized in the consolidated balance sheet primarily corresponds to hotel assets that are either owned outright or held under finance leases. The cost value of consolidated property, plant and equipment stood at €5,948 million at December 31, 2007. The carrying amount was €3,321 million, representing 30.7% of total consolidated assets at that date (see note 20 to the consolidated financial statements, page 167).

The above breakdown of the hotel portfolio shows the number of rooms, the type of ownership structure and the location of the hotels at December 31, 2007. Occupancy rates, average rates and RevPar (Revenue Per Available Room) are provided in the analysis of consolidated results on pages 50 and 51.

Hotel projects currently underway are presented in note 2 to the consolidated financial statements on page 135.

Environmental factors are described in the Environmental Report on page 36.

## Markets and competition

Accor ranks fifth in the global hotel industry, based on the number of rooms:

### Hospitality companies ranked by number of rooms worldwide at December 31, 2007

| Rank | Company | Number of hotels | Number of rooms |
|---|---|---|---|
| 1 | InterContinental | 3,949 | 585,094 |
| 2 | Wyndham WW | 6,544 | 550,576 |
| 3 | Marriott | 2,942 | 527,307 |
| 4 | Hilton | 2,896 | 500,000 |
| 5 | Accor | 3,871 | 461,698 |

*Source: Accor, Company Websites.*

The above competitors share two characteristics: they are all well established in the United States and they mainly operate through franchise agreements.

Accor is the leading hospitality company in Europe, with major market positions in many countries, such as France (18% of the market), Poland (17%), Belgium (10%), Hungary (9%), the Netherlands (8%), Germany (6%).

*Source: MKG Hospitality, March 2008.*

### European hospitality companies by number of rooms at December 31, 2007 (27-country European Union)

| Rank | Company | Number of hotels | Number of rooms |
|---|---|---|---|
| 1 | Accor | 2,207 | 239,507 |
| 2 | Intercontinental | 541 | 82,123 |
| 3 | Best Western | 1,201 | 79,205 |
| 4 | Groupe du Louvre | 844 | 58,411 |
| 5 | Sol Melia | 199 | 42,448 |

*Source: MKG Hospitality database – March 2008*

**4 Accor brands** rank among the top ten in the 27-country European Union:

### European integrated hotel chains by number of rooms at December 31, 2007 (27-country European Union)

| Rank | Chain | Number of hotels | Number of rooms |
|---|---|---|---|
| 1 | Best Western | 1,201 | 79,205 |
| 2 | Ibis | 641 | 67,112 |
| 3 | Mercure | 536 | 61,406 |
| 4 | Holiday Inn | 292 | 44,893 |
| 5 | Novotel | 252 | 40,244 |
| 6 | Hilton | 137 | 36,162 |
| 7 | Premier Inn | 505 | 31,000 |
| 8 | NH Hotels | 254 | 34,424 |
| 9 | Etap Hotel | 365 | 34,090 |
| 10 | Radisson | 118 | 25,362 |

*Source: MKG Hospitality database – March 2008*

# Services

Accor is the world's leading issuer of prepaid service vouchers.

Accor Services designs, develops and manages prepaid solutions that guarantee customers that the funds they disburse will be properly used and that make life easier for employees, citizens and consumers.

By improving both personal well-being and organizational performance, Accor Services is creating new sources of motivation and loyalty, delivering win-win solutions to everyone's mutual benefit, and helping to revitalize organizations.

## Global presence and market leadership

Accor Service's flagship product is the Ticket Restaurant® meal voucher, which was created in the late fifties to enable employers who did not have a staff restaurant to offer employees a subsidized lunch. Now present in 40 countries with 30 million users, the business counted 430,000 corporate and institutional customers and one million affiliates at December 31, 2007.

It operates in a global market comprised of city-dwelling employees and public service citizens, which is experiencing fast growth on the back of increasing urbanization and development of the services sector.

## Service solutions

Accor Services improves the performance of companies and institutions with a range of solutions in three major areas:

- **Benefits for employees and citizens**
  - To motivate and retain employees and improve their performance by optimizing their workplace environment and total compensation;
  - To help local authorities and public institutions equitably allocate government assistance and benefits.
- **Reward and loyalty**: Products to motivate sales teams, stimulate distribution networks, and retain and deepen relations with customers: distribution of rewards, loyalty and incentive consulting services.
- **Expenses management**: Solutions to help companies control employee expense accounts.

These solutions are delivered through a wide variety of products:

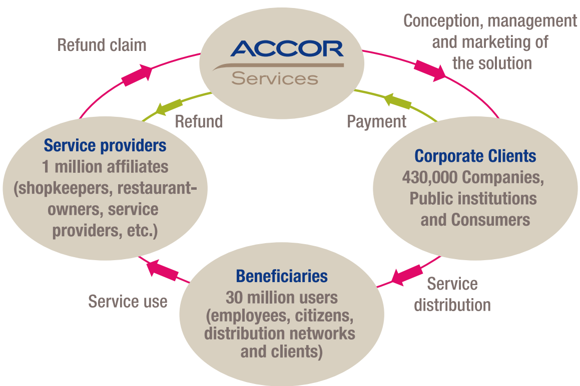
- Prepaid transaction-based products, marketed under the Ticket® umbrella brand. These products, which are Accor Services' core competency, are based on managing transactions with a concept that delivers win/win benefits for every stakeholder, including companies, local authorities, the national government, unions, affiliates and users.
- Services and programs that add value to the transaction-based products by combining them into integrated solutions, such as incentive or loyalty campaigns, while providing customers with the support and control systems needed to manage them effectively.

### Benefits for employees and citizens

| | |
|---|---|
| Ticket Restaurant® / Ticket Alimentación® | Practical solutions to enable employers to help defray employee expenses on meals and groceries. |
| Ticket Childcare Vouchers® | Family assistance solutions to take care of young children. |
| Davidson Trahaire® | Employee Assistance Programs to provide employees with advice and psychological support. |
| Ticket Tesorus® | Solutions that enable small and very small companies to offer employees a corporate savings plan and retirement savings fund. |
| Ticket CESU® | Solutions that enable company or government employees to pay for childcare, dependent care or housekeeping expenses. They may be financed by companies, local authorities, the national government, mutual insurance companies or retirement funds. |
| Ticket Service® | To enable local authorities to manage and deploy welfare and assistance programs.<br>In France, the Ticket à la Carte system helps to finance the cost of textbooks, sports and cultural activities. |
| Domiphone® | To enable local authorities to manage and control the delivery of home-help services for the elderly or sick. |

| Rewards and loyalty | |
|---|---|
| Kadéos | Gift vouchers and cards, such as Kadéos, Compliments® Universel, Compliments® Culture, Compliments® Travel and Delicard®. |
| Ticket Compliments® | Design and management of loyalty programs and incentive campaigns, based on a broad range of innovative incentives and rewards. |
| **Expense management** | |
| Ticket Car® | To manage company car maintenance and fuel costs. |
| Ticket Clean Way® | Solutions to simplify the management of workwear and uniform cleaning services. |

## How the service voucher principle works




Companies or institutions purchase vouchers from Accor at face value plus a service commission. They then distribute them to users, who sometimes pay a portion of the face value, within prescribed limits. In many countries, the vouchers also give rise to a tax rebate, which enhances their appeal for both employers and users. In the case of Ticket Restaurant® in France, for example, the rebate amounted to €5.04 per employee per working day as of January 1, 2008. The user spends the vouchers at face value at affiliated restaurants, merchants or service providers, which redeem them for the face value in local currency less a refund commission.

Between the time the customers pay for the vouchers and the time the affiliate is repaid, the funds are invested and generate interest income, which, in addition to the service and refund fees, constitutes Accor Services' revenue.

Accor Services' performance is underpinned by this business model, which is profitable over the long term because it delivers sustained growth, is non-cyclical, generates a high operating margin and requires little capital investment.

Moreover, service vouchers have demonstrated their economic and social usefulness in both developed and emerging markets. In a recent publication on *Food At Work* [1], the International Labour Office pointed out the employee health benefits of using meal and food vouchers. This is why Accor Services is deploying "Gustino – Nutritional Balance", an innovative worldwide program that since 2006 has helped Ticket Restaurant®-affiliated restaurateurs encourage healthy eating practices among their customers.

Accor Services is also transitioning the vouchers from paper to electronic media, which are easier to use and more secure. As of year-end 2007, 25% of Accor Services transactions were via electronic media, such as stored-value cards, websites and mobile phones. Together these new media are helping to nurture a new, closer, more responsive and therefore more personalized relationship with our customers, users and affiliates.

*(1) Wankek, Christopher. Food At Work: Workplace Solutions for Malnutrition, Obesity and Chronic Diseases (Geneva: International Labour Office, 2005).*

## Other businesses

### Restaurants

Accor is active in all segments of the gourmet food industry through the Lenôtre subsidiary.

As our prestige food brand, Lenôtre acts as an ambassador of French gourmet cooking around the world, with boutiques offering fine pastries, traiteur dishes, chocolates and candies. It also organizes special events and operates a number of restaurants. In all, it has 55 locations in 14 countries, including France, Germany, Spain, Morocco, Tunisia, Kuwait, Qatar, the United Arab Emirates, Saudi Arabia, China, Japan, South Korea, Thailand and the United States.

In France, it manages a network of 17 gourmet restaurants and boutiques, such as the prestigious Pré Catelan restaurant, which received its third Michelin star in 2007, confirmed in 2008, the Panoramique restaurant at the Stade de France sports stadium, and the Pavillon Élysée, a trendy venue dedicated to gourmet cooking that combines a cooking school for amateurs, a Lenôtre Café and a culinary design boutique. All three are located in Paris, along with the new Café Lenôtre opened near Accor's international headquarters. There is also a Café Lenôtre in Cannes.

In addition, the company trains nearly 3,000 foodservice professionals in its school every year and currently boasts nine employees awarded "Meilleur Ouvrier de France" status, an executive wine steward who was elected the World's Best Sommelier in 2000, and a portfolio of more than 30,000 recipes.

Synergies between Lenôtre and our hotel restaurants are being actively developed.

### Onboard train and catering services

With operations in six European countries (Austria, France, Italy, Portugal, Spain and the United Kingdom), la Compagnie des Wagons-Lits delivers a wide range of food, support, logistics and other related services on high-speed and international overnight trains, with concepts tailored to each country's habits.

The company is deeply committed to fostering customer satisfaction, well-being and health, while continuously improving the quality of its products and services. It is also highly focused on innovation and on environmental and ethical principles. To address all of these issues, it has implemented ISO 9001/2000-certified quality and environmental management systems in all of its operating units and met the standards for ISO 14001/2004 environmental certification in Austria, Spain, Italy and Portugal, as well as at headquarters, located in France.

In 2007, the Spanish subsidiary won the tender for onboard catering and related logistics management services on the Madrid-Barcelona high-speed train line. In addition, since October 2007, Rail Restauration has been providing in-seat meal services in first-class cars as part of French National Railways SNCF's new "Pro Premier" service. Since June 10, 2007, Grand Est Restauration has also been providing catering services on the TGV Est high-speed trains to both domestic and international destinations (Alleo Germany and Lyria-Switzerland).

### Groupe Lucien Barrière SAS

Created in December 2004, Groupe Lucien Barrière SAS is 51% owned by the Desseigne-Barrière family, 34% by Accor and 15% by Colony Capital. It is a major European player in the casino market and leader in the luxury hotel and restaurant market in France, with 39 casinos, including the Deauville, Enghien, La Baule, Montreux, Bordeaux and Toulouse casinos, and 15 luxury hotels. It also has a large number of restaurants, including the famous Le Fouquet's on the Champs-Élysées in Paris.

Already present in 6 countries (France, Switzerland, Belgium, Malta, Egypt and Morocco), Groupe Lucien Barrière SAS is actively expanding and modernizing its portfolio of establishments.

Highlights of 2007 included the opening of the completed Toulouse casino and the opening of the temporary Lille casino, ahead of the opening of the completed hotel-casino complex in 2009. This development drive will be further extended in December 2008 with the opening of the luxury Naoura Barrière hotel complex in Marrakech.

*The Cannes-based Majestic Barrière and Gray d'Albion hotels as well as the Barrière Croisette and Barrière Les Princes casinos in Cannes do not form part of Groupe Lucien Barrière SAS's legal structure, but are owned by SFCMC, which is more than 65% - held by the Desseigne-Barrière family.*

# MILESTONES

**1967**

- Paul Dubrule and Gérard Pélisson create SIEH.
- First Novotel hotel opens in Lille.

**1974**

- First Ibis hotel opens in Bordeaux.
- Acquisition of Courtepaille.

**1975**

- Acquisition of Mercure.

**1976**

- Hotel operations are launched in Brazil.

**1980**

- Acquisition of Sofitel (43 hotels and two seawater spas).

**1981**

- Initial public offering of SIEH shares on the Paris Bourse.

**1982**

- Acquisition of Jacques Borel International, European leader in managed food services (Générale de Restauration) and concession restaurants (Café Route, L'Arche), and world leader in the issuance of meal vouchers (Ticket Restaurant), with 165 million vouchers a year distributed in eight countries.

**1983**

- Creation of Accor following the merger of Novotel SIEH Group and Jacques Borel International.

**1985**

- Creation of Formule 1, a new hotel concept based on particularly innovative construction and management techniques.
- Creation of Académie Accor, France's first corporate university for service activities.
- Acquisition of Lenôtre, which owns and manages deluxe caterer boutiques, gourmet restaurants and a cooking school.

**1988**

- 100 new hotels and 250 restaurants are opened during the year, for an average of one opening a day.

**1989**

- Formule 1 expands outside France, with two properties in Belgium.
- Alliance formed with Groupe Lucien Barrière to develop hotel-casino complexes.

**1990**

- Acquisition of the Motel 6 chain in the United States, comprising 550 properties. With its global brands, Accor becomes the world's leading hotel group, in terms of hotels directly owned or managed (excluding franchises).

**1991**

- Successful public offer for Compagnie Internationale des Wagons- Lits et du Tourisme, which is active in hotels (Pullman, Etap, PLM, Altea, Arcade), car rental (Europcar), onboard train services (Wagons-Lits), travel agencies (Wagonlit Travel), managed food services (Eurest) and highway restaurants (Relais Autoroute).
- Creation of Etap Hotel.

**1993**

- Accor Asia Pacific Corp. is created by the merger of Accor's Asia-Pacific businesses with Quality Pacific Corp.
- Interest acquired in the Pannonia chain (24 hotels), as part of Hungary's privatization program.

**1994**

- Partnership between Carlson and Wagonlit Travel in business travel services.

**1995**

- Eurest is sold to Compass, making Accor the largest shareholder in the world's leading food services company.
- The Accor service vouchers market doubles in three years, to 10 million users a day.
- Disposal of 80% of the concession restaurants business.
- Introduction of an extensive training and communication program to improve environmental protection.

**1996**

- Accor becomes the market leader in the Asia-Pacific region, with 144 hotels in 16 countries and 56 projects under construction.
- Management of the Ibis, Etap Hotel and Formule 1 chains is consolidated within Sphere International.
- Launch of the Compliment Card in partnership with American Express.

**1997**

- Accor changes its corporate governance system. Paul Dubrule and Gérard Pélisson become Co-Chairmen of the Supervisory Board, while Jean-Marc Espalioux is appointed Chairman of the Management Board.

- The "Accor 2000" project is launched in a commitment to revitalizing growth and deploying breakthrough technology.
- Carlson and Wagonlit Travel merge to form Carlson Wagonlit Travel, owned equally by Accor and Carlson Companies.
- Public offer made for all outstanding shares of Accor Asia Pacific Corp.
- Acquisition of a majority interest in SPIC, renamed Accor Casinos.

**1998**

- Introduction of the Corporate Card in partnership with Air France, American Express and Crédit Lyonnais.
- Development of new partnerships, with Air France, French National Railways, American Express, Crédit Lyonnais, Danone, France Telecom and others.

**1999**

- The hotel portfolio grows by 22% with 639 new properties, led by the acquisition of Red Roof Inn in the United States.
- Deployment of the Internet strategy.
- The 50% interest in Europcar International is sold.

**2000**

- Accor, official partner of France's National Olympics Committee, is present at the Olympic Games in Sydney.
- 254 new hotels, including 12 Sofitel, are opened during the year.
- Launch of accorhotels.com.
- Brand logos are redesigned to highlight the Accor name, raising international visibility and public awareness.
- The Meal Service Card is introduced in China.
- 38.5% interest in GO Voyages acquired.
- 80% interest in Courtepaille sold.

**2001**

- Faster development of global brand awareness and visibility through the launch of an advertising campaign based on a consistent visual identity and advertising architecture.
- Broader presence in the Chinese hotel market in partnership with Zenith Hotel International and Beijing Tourism Group.
- Sustained development of the Services business in the fast growing market for employee assistance programs, with the acquisition of Employee Advisory Resource Ltd in the UK.
- Suitehotel launched in Europe.

**2002**

- 14 Sofitel properties are opened in some of the world's largest cities.
- Acquisition of a 30% interest in German hotel group Dorint AG (87 hotels, 15,257 rooms).
- Accor Services continues to expand in the global market for employee assistance services with the acquisition of Davidson Trahaire, Australia's leading provider of human resources consulting and assistance services.
- Accor Casinos is now equally-owned with the Colony Capital investment fund, with Accor continuing to manage the company.
- Stake in GO Voyages is raised to 60%.
- Accor is present at the Winter Olympics in Salt Lake City.

**2003**

- Stake in Orbis is raised to 35.58% by purchasing an 8.41% interest held by minority shareholders.
- Stake in GO Voyages raised to 70% following the acquisition of an additional 10% interest.
- All the Dorint hotels have been cobranded as Dorint Sofitel, Dorint Novotel and Dorint Mercure.

**2004**

- Accor, the Barrière Desseigne family and Colony Capital set up Groupe Lucien Barrière SAS to hold the casino and hotel assets of Société Hôtelière de la Chaîne Lucien Barrière, Société des Hôtels et Casino de Deauville, Accor Casinos and their respective subsidiaries. Accor owns 34% of the new combination.
- Acquisition of a 28.9% interest in Club Méditerranée.
- Stake in GO Voyages is raised from 70% to 100%.

**2005**

- Colony Capital invests €1 billion in Accor in exchange for €500 million in ORA equity notes and €500 million in convertible bonds, enabling Accor to strengthen its equity base and step up the pace of expansion.
- Accor implements a new property management strategy and signs an initial agreement with French real estate company Foncière des Murs to transform fixed-rent leases on 128 hotels in France into variable-rent leases.
- Accor Services acquires a majority interest in Hungastro, the fourth largest issuer of service vouchers in Romania.

**2006**

- Accor changes its corporate governance system from a Supervisory Board and Management Board to a Board of Directors, with Serge Weinberg as Chairman and Gilles Pélisson as Chief Executive Officer.
- As part of the non-strategic asset disposal process, Accor sells its 1.42% stake in Compass Group PLC and its 50% interest in Carlson Wagonlit Travel, as well as most of its investment in Club Méditerranée (22.9% out of a total 28.9% stake).
- As part of the ongoing shift in the Hotels business model, Accor carries out a second transaction with Foncière des Murs, involving 59 hotels and 5 thalassotherapy institutes in France, as well as 12 hotels in Belgium. Accor will continue to operate the hotels under 12-year leases with variable rents and no guaranteed minimum, renewable four times per hotel at Accor's option.
- Accor sells six US Sofitel hotels to a joint venture comprised of GEM Realty Capital, Whitehall Street Global Real Estate Limited

Partnership 2005 and Accor. Accor remains a 25% shareholder in the joint venture and continues to manage the hotels under the Sofitel brand through a 25-year contract, renewable for three 10-year periods.

- Accor strengthens its presence in Brazil by becoming Ticket Serviços' sole shareholder.
- Accor Services pursues its expansion and acquires Serial in Italy, RID in India and Calicado in Germany.
- Compagnie des Wagons-Lits wins a tender from French National Railways SNCF for onboard food services on the TGV Est European high-speed train line.

# FINANCIAL HIGHLIGHTS

In accordance with European Commission Regulation 1606/2002 of the European Parliament and of the Council dated July 19, 2002 and European Commission Regulation 1725/2003 dated September 29, 2003, the Accor Group consolidated financial statements have been prepared, as from January 1, 2005, in accordance with the International Financial Reporting Standards (IFRSs), as published by the International Accounting Standards Board (IASB) and adopted by the European Union.

The following financial highlights have been taken directly from the consolidated financial statements at December 31, 2007.

## Consolidated financial highlights

| *(in millions of euros)* | 2005 Adjusted (1) | 2006 | 2007 |
|---|---|---|---|
| Consolidated revenue | 7,136 | 7,607 | 8,121 |
| EBITDAR | 1,906 | 2,084 | 2,321 |
| Operating profit before tax and non-recurring items | 569 | 727 | 907 |
| Net profit | 364 | 534 | 912 |
| Net profit attributable to shareholders | 333 | 501 | 883 |

*(1) In accordance with IFRS, consolidated data for 2005 have been adjusted to reflect the disposal of Carlson Wagonlit Travel in 2006.*

## Per share data

| *(in euros)* | 2005 Adjusted (1) | 2006 | 2007 |
|---|---|---|---|
| Earnings per share | 1.55 | 2.23 | 3.92 |
| Diluted earnings per share | 1.51 | 2.17 | 3.78 |
| Ordinary dividend per share | 1.15 | 1.45 | 1.65 (2) |
| Special dividend per share | - | 1.50 | 1.50 (2) |

*(1) In accordance with IFRS, consolidated data for 2005 have been adjusted to reflect the disposal of Carlson Wagonlit Travel in 2006.*
*(2) Submitted to shareholder approval at the Combined Annual and Extraordinary Shareholders' Meeting on May 13, 2008.*

## Total assets

| *(in millions of euros)* | 2005 | 2006 | 2007 |
|---|---|---|---|
| Total non-current assets | 7,824 | 6,767 | 6,566 |
| Total current assets | 5,094 | 3,821 | 3,991 |
| Assets held for sale | 260 | 545 | 277 |
| Total assets | 13,178 | 11,133 | 10,834 |

## Equity and net debt

| *(in millions of euros)* | 2005 | 2006 | 2007 |
|---|---|---|---|
| Equity attributable to shareholders | 4,301 | 4,098 | 3,691 |
| Equity attributable to minority interests | 95 | 66 | 61 |
| Equity | 4,396 | 4,164 | 3,752 |
| Net debt | 1,420 | 469 | 204 |

# STRATEGIC VISION, INVESTMENT STRATEGY AND OUTLOOK

Accor is solidly anchored in two global core businesses: Services and Hotels.

In Services, we are committed to enhancing our global market leadership with highly innovative voucher products under the "Ticket" umbrella brand, through targeted acquisitions and geographic diversification.

In Hotels, our ambition is to be the leader, on five continents, in economy and midscale hotels and a major player in the upscale segment by broadening our hotel brand portfolio, promoting our expertise and adapting our ownership structures.

## Divesting non-strategic businesses

Accor is refocusing on its core Services and Hotels businesses by divesting non-strategic assets.

After the disposal of €759 million in assets in 2006, GO Voyages was sold in early 2007 to Financière Agache Investissement (part of the Arnault Group) for €280 million, giving rise to a €204 million capital gain.

In August, the Italian food services business was sold to Barclay's Private Equity for €135 million. The business contributed €312 million to consolidated revenue in 2006 and €249 million in the first nine months of 2007.

In addition, after the partial divestment in 2006, Accor still owned an 11.4% stake in Club Méditerranée at the beginning of 2007. During the year, 1,049,719 Club Méditerranée shares were sold at an average price of €42.97, giving rise to a €4 million capital gain. In this way, the stake was reduced to 6%, the minimum Accor agreed in 2006 to hold until June 8, 2008.

In all, non-strategic asset disposals totalled €541 million for the year.

In early February 2008, Accor sold its remaining 50% interest in the Brazilian foodservice operations to Compass Group for BRL 305 million (around €117 million). Sale of the business, which contributed €248 million to consolidated revenue in 2007, is expected to be completed in the first half of 2008.

## Services

### Four main organic growth drivers

Organic growth in the Services business will be led by four main drivers: increasing the penetration rate, extending the product lines, deploying products outside France and entering new country markets. In this way, the business could achieve organic growth (excluding acquisitions and the currency effect) of 8% to 16% a year between 2006 and 2010.

In 2007, deployment of products outside France led to the launch of Ticket Transport in Hungary in May, with 150 customer companies already signed up by early 2008. Ticket Service, the prepaid service voucher that disadvantaged people can use to buy food or essential services, was introduced in the Czech Republic and Turkey.

The Services business is also stepping up the pace of geographic diversification, increasing the number of host countries from 22 in 1995 to 35 in 2005 and 40 in 2008.

### A value-driven acquisitions program

Acquisitions represent another important driver of future growth in Services. Accor is therefore planning to invest €500 million between 2006 and 2010 to enable the business to acquire market share or expertise. This could potentially drive 5% growth per year in addition to organic expansion.

After €95 million invested in five acquisitions in 2006, €124 million was invested in eight acquisitions in 2007. In addition to this amount, which was in line with the above-mentioned plan to invest an average €100 million a year on acquisitions between 2006 and 2010, Accor Services spent €211 million during the year to purchase Kadéos from PPR. This major new acquisition has positioned the business as the leader in the French gift cards and vouchers market, thanks to the integration, now underway, with Ticket Compliments, with the goal of creating a single product range in 2008. These products enjoy a vast distribution network, with access to 380 chains totaling 42,500 sales outlets.

Among the other acquisitions carried out in 2007 by Accor Services, two in the United Kingdom were particularly important for the business future development: PrePay Technologies Ltd and Motivano UK. The UK pioneer and market leader in prepaid card, PrePay Technologies manages authorization platforms in real time, is authorized to issue e-money and is a MasterCard Member Service provider. It serves the leading British retail chains with cards that can be reloaded at more than 30,000 top-up terminals. The acquisition has strengthened Accor Services' leadership and diversified its portfolio of products and services in the UK.

Motivano UK has enabled Accor Services to establish a foothold in the market for HR management technology. Motivano UK's solutions enable employers to let employees individually manage their social benefits via Internet or Intranet. The company currently has one million employee users at 160 UK clients, including many FTSE 500 companies, government organizations and SMEs. Over the medium term, the business is expected to expand in around 20 countries worldwide.

In the rewards and loyalty program segment, acquisitions other than Kadéos included Tintelingen in the Netherlands, Quasar in Germany and Surf Gold, Asia's leading provider of loyalty and incentive solutions for employees, partners or customers, with operations in China, South Korea, Hong Kong, India, Singapore and Taiwan. Already present in Australia, China and India, Accor Services has now broadened its geographic footprint in Asia, with access to a customer portfolio that includes large companies based in the region.

## Hotels

The new Hotels business model is based on deploying a brand strategy, optimizing the network and its operating performance, and adapting ownership structures to each segment and region. Now that most of our expansion is based on low capital-intensive ownership structures, the hotel management expertise we have developed and honed over the past 40 years should enable us to offer hotel owners a full range of high value-added know-how and services.

### Brand strategy

The brand portfolio was broadened and deepened in 2007, with the repositioning of existing brands and the launch of new ones.

**A Brand Portfolio Covering all Markets Segments**

| | Standardized | Non-standardized | Extended Stay |
|---|---|---|---|
| Luxury | | Sofitel Luxury Hotels | |
| Upscale | | Pullman Hotels and Resorts | |
| Midscale | Novotel Hotels, Suite Hotel | Mercure | adagio city aparthotel |
| Economy | ibis Hotel | all seasons Hotels | |
| Budget | Etap Hotel, Hotel Formule 1, hotelF1, Motel 6 | | Studio 6 Extended Stay |

As part of this process, Sofitel has been clearly repositioned in the international luxury hotel segment. This new identity has led to the creation of two new brands, “Sofitel Legend” for a selected number of prestigious properties like the Metropole in Hanoi and “So by Sofitel” for our future boutique hotels. The Sofitel portfolio is also being remodeled, with rebranding or disposals reducing the base to a current 172 properties from 201 at the end of 2006. Nine hotels have been rebranded as Pullmans and 20 have been sold or converted to Mercure or other brands. By 2010, Sofitel will have an aligned network of 139 hotels. After three outstanding openings in 2007 (El Gezirah Cairo, Wanda Beijing and The Palace Old Town Dubai), other major openings are already scheduled for 2008 in London, Dubai and Bangkok.

Pullman, our new upscale business traveler brand, comprised 11 hotels in 4 countries at year-end 2007. In 2008, another 45 units are being converted or built in 23 countries in Europe, the Asia-Pacific region, the Middle East and Latin America, with the objective of operating 300 hotels by 2015, primarily under management contracts or franchise agreements.

The first hotel under our new non-standardized economy brand, All Seasons, opened in September. Development will be driven by franchising and rebranding, and by the end of 2008, the chain is expected to comprise at least 40 units in downtown and business district locations across Europe.

Lastly, in the French budget hotel market, Formule 1 has introduced a new brand identity, HotelF1, to support the renovation of the hotel base. 19 units had been renovated by the end of 2007, with another 84 scheduled for upgrade in 2008.

## Optimizing operating performance

Improving profitability primarily depends on winning the “battle for revenue” by i) adapting marketing strategy to each market; ii) deploying highly efficient booking systems, effective distribution processes, particularly online, and dynamic pricing policies; iii) coordinating hotel operations by city, region or country through the marketplace strategy; and iv) building guest loyalty with a new, rationalized program to be presented in 2008. To optimize costs, a number of action plans have been deployed to improve operating conditions.

## Asset-right ownership structures

Accor is pursuing the asset-right policy launched in 2005 to improve return on capital employed and reduce cash flow volatility by adapting hotel ownership structures to each segment’s profitability profile.

**Preferred ownership structures by market segment**


* Mature countries.

In the upscale, this process involves selling hotel properties and business assets, then signing long-term management contracts and, sometimes, retaining around a 25% interest in the acquiring company. In the midscale segment, fixed-rent leases with an option to buy are being transformed into variable-rent leases, with rents based on a percentage of hotel revenue. This strategy requires finding investors with different profiles, depending on the market segment and country, but with the same ability to support the Group's expansion.

From 2005 to the end of 2007, €3,486 million had been realized through the management of property assets (502 hotels), of which €1.6 billion in cash and €1.9 billion eliminated from off-balance sheet commitments(2). In 2007, 2 Sofitel properties in the United States were divested through sale and management-back arrangements, with a 25% minority interest retained. In Europe, 30 hotel properties were sold in the United Kingdom, 68 in Germany and 19 in the Netherlands.

A further 60 hotels were restructured in January and February 2008, of which 57 hotels have been announced in late December 2007 (47 in France and 10 in Switzerland). Proceeds for those 57 hotels amounted to €373 million, of which €312 million in cash and €61 million eliminated from off-balance sheet commitments(2). The properties were sold to AXA Real Estate Investment Managers and Caisse des Dépôts et Consignations, then leased back under 12-year leases, whose variable rents are based on 16% of revenue with no guaranteed minimum. The leases are renewable six times, for a total of 84 years. The transaction offers a 5.70% yield, very similar to the yields on the previous two transactions closed on June 2007.

From March to December 2008, another 233 hotels will be restructured for a total of €601 million, of which €284 million in cash and €317 million eliminated from off-balance sheet commitments.(2)

An additional program of 614 hotels is scheduled for implementation in 2009 and 2010, comprising 400 Motel 6 units, 14 Sofitels and Pullmans (after the brands have been repositioned, for total projected proceeds of €652 million), 100 hotelF1 properties and 100 other brand hotels.

Following the strategic review initiated in 2006, 341 Red Roof Inn units were sold in the United States in 2007 for USD 1.320 billion. The transaction helped to reduce adjusted net debt (adjusted rents) by €751 million, of which €425 million was added to the Group's cash reserves. The business contributed €289 million to consolidated revenue in 2006 and €183 million in the first eight months of 2007. Accor has now refocused on the Motel 6 brand, a leader in the US Economy Hotels segment.

Once all these programs to adapt hotel ownership structures have been completed at year-end 2010, 77% of the current portfolio (excluding new expansion properties) will be operated under management contracts, franchise agreements or variable-rent leases.

## High growth potential in the hotel business

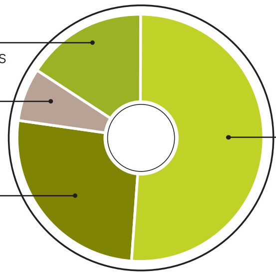
The expansion plan calls for the opening of 200,000 new rooms from 2006 to 2010, representing an investment of €2.5 billion with a targeted ROCE of 15% (see page 56).

On top of 21,675 rooms opened in 2006, a total of 28,409 rooms in 215 hotels were opened in 2007, of which 93% are operated under management contracts and franchise agreements. 38% of these rooms were opened in emerging markets and 40% in Europe, while 92% were opened in the midscale and economy segments.

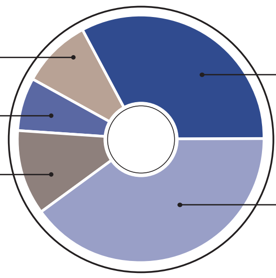
### 2007 Openings: 28,409 rooms and 215 hotels

*(% based on number of rooms)*

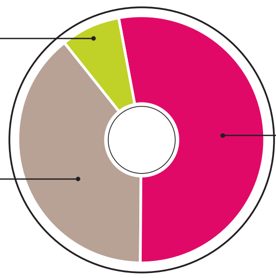
#### By Ownership Structure




#### By Region




#### By Segment




The *pipeline* (i.e. rooms already committed, at the end of December 2007, out of the 200,000 in the 2006-2010 program) is filling up more rapidly, rising to 93,000 rooms at year-end 2007, of which 39,500 scheduled for 2008.

*(2) Minimum lease payments discounted at 8% to net present value.*

75% of these 93,000 rooms will be managed under variable-rent leases, management contracts or franchise agreements, and 88% will be in midrange or economy hotels. Most of them will be opened in Asia (39%) and Europe (29%), with the rest in Africa and the Middle East (19%), Latin America (9%) and North America (4%).

For example, 180 hotels (40,000 rooms) will be opened in China by 2010, under every Accor brand. In particular, 118 Ibis hotels will open by 2011, including 11 already operating at end-February 2008, 35 now being built and 17 planned for construction, and 55 for which negotiations are well advanced.

Of the €2.5 billion projected in the 2006-2010 investment plan, €745 million had been spent by year-end 2007, of which 52% in Europe and 36% in Asia.

## A Group more resilient to economic cycles

Accor's profile has evolved significantly since the last business cycle in 2001-2003. The effect of the Group's strategies can be seen by simulating what the last cycle's impact would have been based on the current portfolio.

Operating profit (EBIT), for example, would have declined by only 9% between 2001 and 2003 instead of the 27% actually reported, which represents a three-fold decrease in volatility.

With the divestment of non-strategic, more cyclical operations, the Group's reduced sensitivity reflects a significant change in its two businesses.

The major expansion of the Services business, which is non-cyclical and enjoys strong growth potential, has doubled its percentage contribution to consolidated EBIT, to 38% in 2007 from 21% in 2001.

The Hotels business has considerably attenuated its cyclical nature thanks to:

- Reduced exposure to the United States, whose percentage contribution to EBIT has been reduced by two-thirds, to 8% in 2007 from 25% in 2001;
- A greater contribution from European economy hotels, which are less cyclical and offer substantial potential for expansion. This segment has increased its share of consolidated EBIT by 43% since 2001, to 30% from 23%;
- An asset-right strategy supporting less-capital intensive, less cyclical ownership structures. In 2001, 35% of the hotel base was operated under management contracts and franchise agreements, whereas in 2007 the figure, including variable-rent leases, was 55%.

## Optimizing the financial structure

The financial structure is being optimized by the proceeds from the disposal of non-strategic assets and any surplus cash from the sale of property assets are being used to optimize the balance sheet. The funds from operations to adjusted net debt ratio is maintained at more than 20% in order to preserve the Group's BBB credit rating. In 2006 and 2007, Accor returned more than €2 billion to shareholders, in the form of three share buyback programs (€500 million in 2006, followed by successively €700 million and €500 million in 2007) and the payment of a special €1.50-a-share dividend in 2007 (€336 million).

At the Annual Meeting on May 13, 2008, shareholders will be asked to approve the return of a further €750 million, via a €400 million share buyback program and the payment of another special €1.50-a-share dividend (around €350 million).

# SIGNIFICANT EVENTS OF EARLY 2008

## Trends

January RevPAR [3] was up 6.7% in Upscale and Midscale Hotels in Europe, up 4.6% in Economy Hotels in Europe but down 3.8% in US Economy Hotels. For the same month, Services revenue was up 12.4% like-for-like.

Trends observed in the beginning of 2008 for hotels business in Europe and services activity worldwide are in line with 2007 trends.

## Significant events

The following significant events have occurred since the end of 2007.

### Acquisition by Accor Services of a 62% interest in Motivano UK, a leading online employee benefits solution provider

Early January 2008, as part of its growth strategy, Accor Services has acquired a 62% stake in Motivano UK, a leading online provider of Flexible Benefits, Total Reward Statements and Voluntary Benefits solutions. The shares were purchased from the venture capital firm Geocapital Partners. The current management team will retain an aggregate 38% interest. The medium-sized transaction is expected to yield an ROCE of around 20% in 2010.

Early February, Motivano UK provides online employee benefits administration solutions to more than 160 clients including many FTSE 500 companies, government organisations and SMEs within the UK and in over 26 other countries worldwide, by installing, maintaining and operating self-service employee benefits via the Internet and company intranets.

Motivano's solutions enable employees to self-administer their own employee benefits, and help them fully understand the value of their total reward package, emphasizing the financial investment their employer has made in their well-being and work/life balance.

### Disposal of all of the Brazilian food services business

As part of its strategy of refocusing on its two core businesses, Services and Hotels, Accor has sold its remaining 50% stake in the Brazilian Food Services Business to Compass Group early february 2008. Compass had already acquired 50% of the business from Accor in 1998.

The transaction was based on a total consideration of BRL 305 million (around €117 million). Sale of the business, which contributed €248 million to 2007 consolidated revenue, is expected to be completed in the first half of 2008.

*(3) Revenue per available room (RevPAR) is defined as occupancy times average room rate.*

# HUMAN RESOURCES

## Key Figures

Accor employed 172,695 people around the world as of December 31, 2007, compared with 170,417 the previous year and 168,623 at December 31, 2005.

Workforce indicators are based on the average number of employees for the year.

Figures are based on full-scope data, which covers full and part-time employees with permanent contracts, fixed-term contracts exceeding three months, or apprenticeship contracts; total headcount of subsidiaries and units managed by Accor under contract. Full-scope data do not reflect units in which Accor holds a stake but is not responsible for managing the teams.

### Workforce by business and region at December 31, 2007

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|
| **Hotels** | **19,549** | **28,140** | **16,589** | **10,751** | **59,823** | **134,852** | **131,010** | **121,448** |
| Upscale and Midscale | 13,979 | 22,154 | 4,024 | 8,906 | 56,222 | 105,285 | 98,203 | 89,648 |
| Economy | 5,570 | 5,986 | - | 1,845 | 3,601 | 17,002 | 16,019 | 15,042 |
| Economy US | - | - | 12,565 | - | - | 12,565 | 16,788 | 16,758 |
| **Services** | **865** | **1,583** | **39** | **2,399** | **469** | **5,355** | **4,593** | **4,316** |
| **Other Businesses** | **4,236** | **2,382** | **-** | **25,870** | **-** | **32,488** | **34,814** | **42,859** |
| Travel agencies | - | - | - | - | - | - | - | 8,529 |
| Restaurants | 1,314 | 76 | - | 25,802 | - | 27,192 | 29,166 | 25,522 |
| Onboard train services | 2,104 | 2,275 | - | - | - | 4,379 | 4,194 | 4,319 |
| Other | 818 | 31 | - | 68 | - | 917 | 1,454 | 4,489 |
| **TOTAL** | **24,650** | **32,105** | **16,628** | **39,020** | **60,292** | **172,695** | **170,417** | **168,623** |

Total number of employees rose during the year, despite the divestment of foodservice operations in Italy, Red Roof Inn in the United States and GO Voyages in France. In addition, the Hotels business is experiencing very fast growth in the Asia Pacific region and Latin America.

## Human resources data at December 31, 2007

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | 2007 | 2006 |
|---|---|---|---|---|---|---|---|
| **Number of employees** | **24,650** | **32,105** | **16,628** | **39,020** | **60,292** | **172,695** | **170,417** |
| % women | 54% | 54% | 70% | 56% | 38% | **50%** | 51 % |
| % men | 46% | 46% | 30% | 44% | 62% | **50%** | 49 % |
| % under permanent contracts | 92% | 84% | 100% | 97% | 86% | **90%** | 90 % |
| % of women under permanent contracts [(1)] | 53% | 53% | 70% | 56% | 38% | **51%** | N/A |
| % of men under permanent contracts[(1)] | 47% | 47% | 30% | 44% | 62% | **49%** | N/A |
| **Management** | | | | | | | |
| % of total workforce [(2)] | 24% | 13% | 12% | 9% | 15% | **14%** | 13 % |
| % women | 44% | 47% | 60% | 60% | 34% | **44%** | 44 % |
| % men | 56% | 53% | 40% | 40% | 66% | **56%** | 56 % |
| **Training** | | | | | | | |
| Training expenditure as a % of total payroll | 1.7% | 2.8% | 1.6% | 4.2% | 2.4%, | **2.4%** | 2.2% |
| Number of days of training | 36,290 | 51,747 | 40,044 | 86,126 | 119,322 | **333,529** | 327,800 |
| Number of employees having attended at least one training course | 13,668 | 15,307 | 21,294 | 39,207 | 64,445 | **153,921** | 169,700 |
| Number of managers having attended at least one training course | 5,051 | 3,413 | 1,829 | 3,202 | 11,305 | **24,800** | 26,716 |
| Number of non-managers having attended at least one training course | 8,617 | 11,894 | 19,465 | 36,005 | 53,140 | **129,121** | 142,984 |
| **Occupational accidents** | | | | | | | |
| Lost-time incident frequency rate (LTIF) [(3)] | - | - | - | - | - | **19.3** | 21.1 |
| Number of fatal accidents on the job | 0 | 0 | 0 | 0 | 2 | **2** | 1 |
| Number of fatal accidents commuting | 0 | 0 | 0 | 1 | 4 | **5** | 7 |

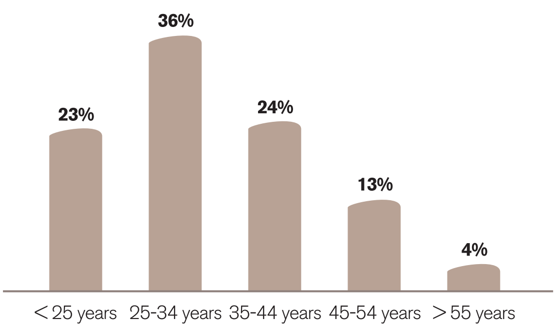
*(1) New indicator*

*(2) A manager is defined as an employee who manages others and/or has a high level of expertise.*

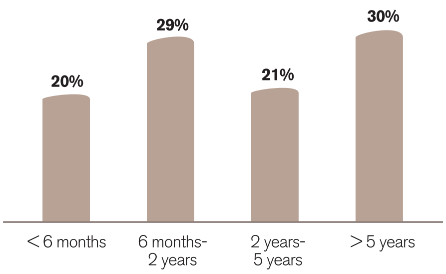
*(3) Number of lost-time incidents (as defined by local legislation) per million hours worked.*

## Employees by age and seniority at December 31, 2007

### Employees by age




### Employees by seniority

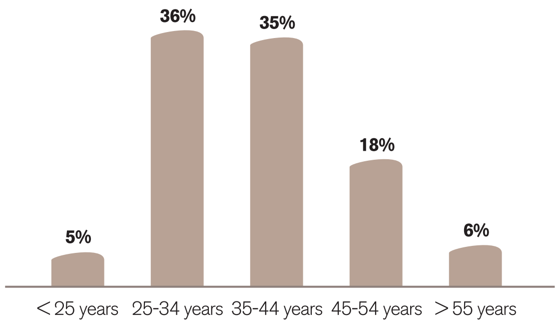


Accor continues to have a young workforce, with 59% of employees under 35 at year-end 2007. In France, 45% of new hires were less than 25 years old.

## Managers by age at December 31, 2007

Accor managers are also young, with 41% under 35, two points more than in 2006. Accor has always favored promoting from within, offering career development opportunities to employees joining the Group and encouraging the best of them to climb the corporate ladder. As part of this process, managers pay close attention to each team member's personal growth and performance, in order to identify and support high potentials and provide them with the training they need. Indeed, training plays a critical role in the process, helping to prepare high potentials to take on greater responsibilities.

Managers by age




# Human Resources Indicators

Worldwide indicators are calculated on the basis of the full-scope data defined above.

Data for France are taken mainly from the Consolidated Corporate Report – France, which consolidates data from the 2007 corporate reports prepared, in compliance with French law, by French subsidiaries that are at least 50% owned and have at least 300 employees.

## Management philosophy and values

Accor's true wealth is derived from its employees, brands, host countries and cultures. Just as important, however are the values that describe our shared personality and, since the beginning, have expressed our management philosophy.

Today, these five values are: **Innovation, a Winning Spirit, Performance, Respect** and **Trust.** A presentation kit, comprising a film, a poster and folders, was distributed in 2007 to enable managers to embrace these values and instill them in their teams, so that all our employees can demonstrate them in their on-the-job practices and attitudes.

## The hiring challenge

To attract and recruit the finest talent and to support our reputation as the benchmark employer in the global hotel industry, a variety of initiatives were pursued in all our host countries to inform potential employees about our businesses, our job and career opportunities, and the advantages of working at Accor. In 2007, our global brands hired 32,600 people worldwide, of which 37% were under 25.

### Human resources marketing

To promote our job skills and enhance our image as a good place to work, a wide range of human resources marketing media has been developed for our country organizations.

They include the "Why Choose Accor" folder that explains our management philosophy and employee benefits system, the "Human Resources Highlights" brochure that describes the various country projects and programs led by local human resources networks during the year, and inserts in the "Your Smile, Your Future" framework of the human resources campaign regularly published online and in print media.

To broaden our recruitment reach, new media are constantly being introduced, such as the podcasts available on accor.com with testimonials from employees around the world, talking about their successful careers in the Group. The website also has a questionnaire that applicants can use to discover which jobs are right for them. Lastly, a large proportion of our new hires are recruited each year through the AccorJobs website, which received 2.8 million visits in 2007.

## Educational partnerships

### *Partnerships With National Education Ministries*

In every host country, Accor maintains close relationships with Ministries responsible for education, training and employment, as well as with a large number of trade and business schools. We also actively participate in job fairs.

In France, a vocational and adult training agreement signed with the National Education Ministry is helping to **integrate changing hotel job skills into training and certification programs and giving them more European scope**, in particular through the creation of a hotel management degree recognized across the continent. The agreement also comprises hands-on programs to deepen cooperation with universities and to provide students with better information to help them choose careers in the hospitality and foodservices industry.

In France, more than 3,300 trainees were hired as part of vocational or technological work/study programs. Forty internships in Accor-brand hotels were also offered under the special training programs created for hotel school teachers.

A number of programs have been implemented to enable students and teachers to discover the hospitality industry. For example, 30 cooking teachers attended Ecole Lenôtre seminars on changes in today's kitchen jobs and new foodservice concepts. Middle-school teachers attended immersion courses in our hotels, while Accor representatives gave presentations on hotel jobs in a large number of middle schools. Other job orientation programs were deployed for teachers, counselors and students, concerning in all 2,800 middle-school students.

In addition, Accor hotel managers and department heads regularly join vocational school teachers to give students additional information about hospitality jobs and lead role-playing exercises.

As well, more than 150 training sessions are offered every year to vocational or technology teachers.

**Accor Morocco** has signed a partnership agreement with the Sahil association for social development and the Office of the Secretary for Literacy and Non-Formal Education to deploy a literacy programme for employees of local Accor-managed hotels. This new agreement will cover courses for 500 people in rural areas and towns in M'diq-Fnidaq province. The initiative will be renewed each year in a different region of the country.

Several Accor hotels in the Netherlands have partnered with the Campus Nieuw West organization, which offers young people the opportunity to acquire new skills and work experience by linking up with local businesses. The partnership involves short internships in the participating hotels to introduce young people to hospitality and foodservice jobs.

**Accor Belgium** has formed a cooperative partnership with the Flanders Regional Education Ministry, which will update curricula in all of the region's hotel schools, train teachers in new hospitality concepts (reflecting changing job skills and distribution processes) and offer students internships in Group hotels with the possibility of being hired.

### *Apprenticeships*

Apprentice programs are a very important source of hiring, which are supported in all our host countries.

**In France, Accor has signed the** Labor Ministry's **Apprenticeship Charter** and the national framework agreement initiated by the Labor Minister to create a professional-skills contact to facilitate the school-to-work transition. We are committed to helping young people develop marketable skills that will enhance their employability in Accor hotels.

In 2007, **1,200 people were involved in work/study programs in France**, of which 75% under apprenticeship contracts.

For the past five years, Accor Hotels EMEA has organized the annual "Professions Challenge," which recognizes the achievements of hospitality and foodservice vocational students and celebrates young professionals working in Accor hotels in the region. In 2007, 40 contestants were chosen from among 800 candidates from 19 countries.

In addition, we organized orientation days for apprentices in Group hotels and a round table for work/study employees at the end of their program, so that they could discuss their work/study experience in the Group. As well, French business school interns in Group hotels were invited to attend a comprehensive presentation on Accor by the corporate human resources department.

The brands are also implementing their own initiatives. In France, for example, Mercure has created a certification program for participating hotels, with certificates awarded to hotels demonstrating compliance with all of the brand's criteria. In their commitment and action, the hotel, the apprentice and his or her dedicated mentor are all bound by a moral contract, with practical milestones to gauge their successful progress. The contract is designed to set up a clear relationship based on each person's rights and responsibilities. In this way, the apprenticeship program becomes a structured course of study, clearly marked by gradual stages of improvement that ensure effective supervision and support. By the end of 2007, 70 hotels had been certified, 140 mentors had been trained and recognized for their teaching abilities, and 170 apprentices were involved in making their apprenticeship a success.

In **Germany**, where apprentices account for 22% of the workforce, the "*Azubi Awards*" are organized every year to celebrate the best apprentices. In the eighth annual event, the 30 top apprentices took part in the reception, kitchen and serving staff finals. The winners in each category were invited to participate in a one-year internship in an Accor hotel in the country of their choice, with all visa, travel and language training expenses fully paid.

As part of the **European Union's Leonardo da Vinci program**, which aims to enhance skills and qualifications of first-year vocational students, three apprentices in Group hotels in **Austria** spent three weeks in Paris at the Ibis Berthier Porte de Clichy and the Pullman Paris Rive Gauche. In 2008, this program will be expanded to a number of 6 apprentices.

In **Morocco**, 12 new apprentices attended the new Apprentice Training Center opened in May 2007 at our **Accor Academy Morocco** facility. An orientation program was organized to familiarize them with the Group, the training center and its operating procedures, and the three Accor hotels in Agadir. Two new classes, totalling 24 people, were created in September 2007, in compliance with the agreement signed with the Vocational Training Authority, which calls for the training of 156 apprentices over three years.

### Regional Employment Delegations in France

For hiring needs in France, operating managers can contact one of seven Regional Employment Delegations located in the country's main employment catchment areas, which coordinate and locally implement the various agreements signed with French government ministries.

They are tasked with:

- defining and implementing initiatives to promote our businesses and skills-sets;
- implementing commitments under national partnerships, such as the National Education Ministry agreements, the Apprenticeship Charter, the National Employment Agency agreements and the Diversity Charter;
- supporting the brands' employment policies;
- short-listing applicants and creating pools of potential new candidates in each catchment area;
- implementing the Group agreement concerning the hiring and retention of disabled employees;
- supporting employees in their job mobility and career development.

In 2007, the Regional Employment Delegations processed **10,000 resumes**, conducted **4,000 individual and collective pre-selection interviews** and participated in more than **40 job fairs**.

The Delegations are also driving the wider use of role-playing techniques in the hiring process to assess the potential capabilities of people with few or unrelated professional skills. In 2007, 90 people were hired in France using this method.

### Providing opportunities to the underprivileged

Accor is committed to supporting equal opportunity in education and hiring people from underprivileged backgrounds.

In December 2006, Accor signed France's **Corporate Charter of Commitments for Equal Educational Opportunities**, which is designed to improve understanding of the business world, so as to facilitate the orientation and workplace integration of students from disadvantaged or from underprivileged backgrounds. Our commitment is expressed in three ways: enabling middle-school teachers to discover jobs in the hospitality and foodservice industry, organizing the "School in the Hotel" program, during which students and teacher run a hotel for a day, and sponsoring a class taught by one of our site managers in a vocational high school.

Accor is a founding member of the **Second Chance School in Paris**, part of a network created in French cities in association with the European Social Fund to encourage the workplace integration of young adults, 18 to 26, without any qualifications or degrees and who have been out of education for at least two years. The schools offer their students a second chance to integrate the workforce and provide support until they find a job. As part of this social inclusion program, we tell the students about our jobs and the required vocational degrees and certifications. We also provide support and advice in writing resumes, preparing for a job interview and other critical job-seeking skills. Accor is currently involved with Second Chance Schools in Tours, Toulouse, Mulhouse, Marseille, Lille and Paris, as well as in the Seine St. Denis department in the Paris suburbs.

During the "Job & Cité Stadium à Lyon" job fair held in the Lyon Gerland sports stadium, a **hiring campaign** was conducted with the participation of Novotel and the Regional Employment Delegation. The theme of the fair was diversity, and people from the city's disadvantaged neighborhoods were invited by local young-adult employment agencies.

Accor also sponsors "Sport dans la Ville," a Lyon-based social inclusion association that encourages children from underprivileged backgrounds, from troubled families or with problems at school to participate in sports, so that they can learn values critical to their self-fulfillment and success. The association supports the children and tracks their performance as they pursue their studies and look for a job. In 2007, three Ibis, Novotel and Mercure hotel managers sponsored one of the association's participants, helping with job counseling, providing information and talking about our jobs. One of the young people is already working as an apprentice with Novotel.

## Diversity

Accor has always been deeply committed to the principle of diversity. The value of our Group is increasingly based on the diversity of both our teams and our team members, which enables us not only to be more innovative and more creative, but also to reflect our clientele.

2007 marked an important new stage in our commitment to diversity, which is one of our strategic priorities.

**In Europe**, several country organizations have introduced diversity programs, in a commitment to effectively addressing these issues in their local communities. Accor encourages this type of approach, which is intended to build a diversity process that respects local cultures and enables the Group to diversify its teams.

**In France**, an action plan has been defined to guarantee non-discrimination and promote diversity. It enhances employee sensitivity to discriminatory practices, whether direct or indirect, conscious or unconscious, related to gender, age or other criteria in the areas of hiring, promotions, training, compensation and career development. Citizens of more than 130 countries work in the French hotels business. To promote diversity, the Novotel Paris Tour Eiffel, for example, organized the Cultures Forum in November, bringing together people from 11 countries of the 37 nationalities represented among the hotel's workforce. The forum was part of the hotel's "All Together, Faster, Further" project.

**Accor North America** was honored with the 2007 Celebration of Diversity Award for "Workplace of the Year in the Dallas/Fort Worth," in recognition of Accor's diversity commitment and programs.

Accor North America was selected from among 84 nominees on the basis of the following criteria:

- a leadership role in improving the quality of life for diverse populations in the Dallas area;

- commitments to promoting diversity and inclusiveness through financial or in-kind contributions and volunteerism;
- contributions to charity programs that help people from diverse backgrounds;
- efforts to create an environment of inclusiveness;
- a sustained commitment to ensuring successful diversity.

In addition, at the July 2007 Summit of the National Association of Black Hotel Owners, Operators & Developers, Accor North America premiered a new diversity program titled the Accor Pinnacle Program, which offers knowledge, guidance, and tools through a wide-range of services and initiatives to help minority and women owners and investors succeed in the lodging industry. In addition, Accor North America won a 2007 Chain Leadership Award from *Lodging Hospitality* magazine in the franchising category for its "Accor Hospitality Diversity in Franchising Program."

In addition to its Indigenous Employment Programme, Accor **Australia** has signed a national partnership agreement with Message Stick, an Aborigine-owned and managed company that provides high value-added telecommunications services.

At the request of the Italian Labor Ministry, Accor **Italy** is actively participating in the Bollino Rosa project, designed to attenuate gender inequality in the job market. Along with around 30 other companies, Accor Italy is supporting the project by working on the creation of a quality certification program, based on equal hiring, compensation, career development and training opportunities. Beginning in 2008, the Ministry will award the certificate, known as "Bollino Rosa: Equal Opportunity, New Opportunities," to companies that meet its criteria.

## Gender equality in the workplace

Women account for 54% of employees in France (57% in Hotels and 61% in Services), while in the rest of the world, they account for 49% in Hotels and 52% in Services.

In **France**, the Group Diversity Agreement also covers the equal treatment of men and women. Among the women's affirmative action plans, the **Managers Plurielles** project undertaken by Etap Hotel and Formule 1 teams has introduced programs to improve the diversity of management and to support career development opportunities for women.

The project is designed to help improve job stability for women; encourage their move up to supervisory and management positions; develop their skills; and introduce work schedules that make it easier for women to serve in management positions.

Among other initiatives, working groups have rewritten recruitment documents to attract more female applicants, designed a gender diversity management training course and, in one hotel, recommended that certain employees be trained in childcare to provide them with additional job skills at Etap Hotel and Formule 1.

A one-day session on the Managers Plurielles project was organized with the Etap Hotel and Formule 1 Executive Committee to share everyone's achievements and explain the actions undertaken. These include the "I Commit To" charter, staff pooling, the safety process, training and reading skills classes, childcare programs and the creation of daycare centers. Directors of operations, with the team members, then implemented an action plan to deploy the project across the network. The Managers Plurielles team received the 2007 Team Bernache [4] award.

## Hiring and integrating the disabled

To comply with French legislation passed in 2005, a Group–wide agreement to make it easier to hire and retain the handicapped has been signed with all of the unions for the 2006-2008 period. Under its provisions, the Integrating the Disabled Project (MIPH) team carried out the following actions in 2007:

- 57 people were hired in Accor France operations, mostly under permanent contracts. Of the total, 18 were hired (under fixed-term or permanent contracts) thanks to three video recruitment sessions, during which 75 applicants posted their video resumes on the MIPH site;
- to help retain disabled employees, a DVD on the prevention of occupational risks was produced for housekeeping staff. It featured an ergonomist describing safe, effective work postures and movements for a variety of housekeeping tasks;
- 43 training and awareness-building sessions were conducted in establishments of Accor in the Greater Paris area, in particular thanks to partnerships with such schools as the medico-educational (IME) and medico-vocational (IMPRO) institutes in Bourg-la-Reine and the Faculté des Métiers in Evry. These sessions were the first step to integration for six participants, who were offered job contracts;
- a partnership was signed with the French National Association of Sheltered Workshops (UNEA) to develop our business with these organizations, which under French legislation are one way to meet the government quota of having disabled employees account of the workforce. In 2007, €532,000 in revenue was generated with sheltered workshops, representing the hiring equivalent of 32 disabled employees.

In all, Accor France employed 464 disabled persons at December 31, 2007, representing 3.53% of the workforce.

In 2007, MIPH conducted a survey **"**Handicaps and You" of nearly 2,000 headquarters employees in Paris and Evry by e-mail. 622 people replied, for a 32% response rate.

An Accor training program won the 2007 Workplace Integration Award in a contest organized by the Association for Disabled Adults and Young People (APAJH). The award honors outstanding efforts by public and private sector organizations to enable the handicapped to participate in society, culture and the workplace.

We also received an award for our commitment to hiring and retaining the disabled, as demonstrated by the programs set up for young adults in the IME and IMPRO institutes in Seine St Denis and Val d'Oise. Conducted in partnership with the special education division of the National Association for Adult Vocational Training (AFPA), the first three sessions enabled 18 participants to receive kitchen training and 15 to serve as interns in Group hotels.

**In China**, the Novotel Hyland Shanghai is supporting the Chinese Disabled Persons Federation's Vocational Rehabilitation Center in the Pudong area by offering the disabled training in kitchen,

*(4) This internal award honors a cross-functional, cross-division team that has carried out an especially outstanding project.*

housekeeping and other hotel skills. So far, 28 people have been hired by Group hotels and restaurants and more than 100 have attended the training courses.

## Skills development

### Training

Training is one of our core human resources management processes. Employees are trained in each business' unique skill-sets, as well as in management, customer reception and sales. We believe that human resources development offers an opportunity to improve customer service by enhancing the professional pride, motivation and loyalty of our employees.

**Accor is committed to ensuring that every employee receives some form of training every year.** This objective is primarily being met through the network of 14 Accor Academies, which are dedicated to three main missions:

- helping to strengthen our competitive advantages;
- supporting the personal and professional growth of our employees by enabling them to acquire new skills;
- instilling our values and culture across the Group.

In close cooperation with our operations and support functions, the Academies offer courses tailored to the needs of the units in their region and constantly enhanced by the custom solutions designed for special situations.

They also support the creation and repositioning of hotel brands by developing appropriate new curricula. The launch of the All Seasons brand, for example, was accompanied by dedicated courses for franchisees, while to support the teams in the new venture, a special session was offered to employees of the first hotel to improve their understanding of the brand.

New cross-brand courses were introduced during the year. One example is the "Accor Manager" program for newly promoted managers, which teaches them i) to capitalize on their acquired experience and transform it into transferable skills; and ii) to enrich their vision of their role, thereby enhancing their leadership capabilities in the areas of strategy, marketing, management and communication.

On-site training is also being expanded using CD-ROMs and other e-learning technologies, which make it possible to reach a wider population. In addition to these courses, managers train their team members on a daily basis – an essential aspect of the services business and a particular priority for Accor.

In 2007, 333,529 days of **training** were conducted during the year, funded at **2.4% of payroll**, an increase of 0.2 percentage point on 2006.

### International mobility

To support our expansion around the world, a highly fulfilling international mobility process has been implemented to encourage employees to take postings outside their home country. Our presence in more than 100 countries offers a broad range of career opportunities in all of our businesses.

Today, international mobility has become a strategic objective of our human resources policies – one that the Expatriation and International Mobility Group is striving to meet by encouraging employees to "Broaden Your Horizons."

Created in 2006, the Group is responding to Accor's development objectives for the Hotels and Services businesses by finding managers with the right backgrounds, meeting employee demand for international job opportunities and coordinating the Group's expatriation and international mobility expertise.

It is organized into two sections:

- the international mobility section is comprised of mobility managers whose job is to streamline the management of international postings and careers, while guaranteeing effective application of our expatriation policies. It is organized by region, so that the mobility managers remain in constant contact with their region's frontline managers and human resources network;
- the expatriation section consolidates all our cross-functional skills in managing expatriate assignments for all of our businesses and regions. These capabilities cover international compensation and benefits, health and repatriation insurance, and pension and other post-retirement benefits for expatriate employees.

There were 700 expatriate employees in 2007. A dedicated organization and assertive policies are now in place.

## Compensation and benefits

Accor compensation and benefits policies are shaped by four principles:

- offer compensation that is competitive in each market and country;
- ensure that men and women receive the same compensation for the same work;
- encourage employee savings and stock ownership;
- strengthen employee healthcare coverage and other benefits.

### Compensation

Accor is committed to compensating every employee in line with market practices, which are identified and tracked through regular surveys conducted by specialized firms.

Managers receive a base salary and an incentive bonus, ranging from 5 to 30% of salary, depending on the level of responsibility, and reflecting the achievement of qualitative and quantitative objectives.

To monitor implementation of this policy and its alignment with market practices, studies are conducted for each skills cluster, business or region. This was the case in 2007, for example, for Accor Services managers in Turkey and sales representatives in France. Similar studies were conducted by Accor Hospitality, including a compensation survey of Ibis hotels in Morocco and a review of key operating positions in the Orfea and Suitehotel brands in France, designed to ensure that their compensation was competitive compared with market practices. Every year key positions across the Group are classified by level of responsibility and organizational impact, then compared with equivalent positions in the local market.

Accor ensures that decisions concerning any aspect of compensation are made without any discrimination with regard to age, gender, nationality or any other personal criteria.

### Employee savings and stock ownership

Employees are regularly offered the opportunity to purchase Accor shares on preferential terms and conditions, as part of employee share issues. At the end of 2007, 26,928 employees owned shares in their company.

In **France**, employees can invest in the Corporate Savings Plan set up in 1985 and steadily broadened ever since. It comprises a conventional plan, under which Accor contributes matching funds each time an employee invests in one of the plan's mutual funds. In addition, to support employees with little capital available for savings, the Tesorus supplemental system offers a booklet of vouchers that employees can use whenever they want to pay into the plan during the year, with Accor again contributing matching funds.

Employees in France also receive non-discretionary profit-shares under a corporate agreement covering 138 companies in 2007, as well as discretionary profit-shares, based on their company's performance and financial results for the year. Discretionary profit-sharing agreements are generally signed for each hotel in order to better reflect the unit's actual business model.

Discretionary profit-shares earned in 2006 and paid in 2007 amounted to an aggregate €16 million for 22,737 employees, or an average amount of €695 for the year.

Non-discretionary profit-shares earned in 2006 and paid in 2007 amounted to an aggregate €9 million for 29,933 employees, or an average net amount of €303 for the year.

### Insurance coverage

In 2007, at a time of constant change in **France**'s national health insurance system, Accor reaffirmed its commitment to providing employees with healthcare and other insurance coverage. A study was undertaken during the year to modernize healthcare benefits and improve insurance coverage at no extra cost to employees.

These changes are now being discussed with employee representatives, with phase-in scheduled for 2008.

In other countries, healthcare and other coverage is being actively extended, depending on local needs and social context.

Examples of benefits include death benefits for employee families and a complete range of healthcare coverage, including routine care, hospitalization, maternity benefits and eye care.

In Brazil, for example, the 2006 results of the "Better Living" program have recently been compiled. More than 9,600 people were covered by the program, which was introduced by Accor Brazil's Employee Benefits and Healthcare department to offer employees medical coverage that exceeds the company's legal obligations.

A cross-disciplinary team provides medical, psychological and dietary assistance, as well as physiotherapy care. More than 3,000 employees used these services and more than 1,000 had 50% of their healthcare expenses paid by the company.

In Africa, operations in more than 15 countries, including Chad, Togo, Cameroon and Côte d'Ivoire, offer their employees medical coverage. In 2007, every employee in Egypt was covered by a disability and death benefits plan.

### Retirement benefits

Following a 2006 audit of pension and post-retirement benefit systems in countries on five continents, a Group Retirement Benefits Committee was set up in 2007. Designed to encourage dialogue and consensual management, the committee is comprised of representatives from the corporate Human Resources, Consolidation, Treasury and Financing, and Administrative Services departments, as well as the Group's consulting actuary. The committee, which meets quarterly, has been tasked with defining governance guidelines and best practices to be shared across the Group in such areas as severance pay, length-of-service awards and seniority bonuses.

In 2007, the following issues were addressed:

- supplementary pension plans in France and the United States.
- changes in the Dutch pension plan;
- changes in Italian length-of-service awards (TFR), in compliance with new local legislation.

## Employee working conditions

### Organizing the workweek

Since April 1, 2007, working time in the French Hotels business has been governed by amendment 2 to the Hotels, Cafés and Restaurant industry agreement, which has set the workweek at 39 hours, with time worked from the 36th to the 39th hour paid 10% overtime.

Overtime may also be taken in the form of additional time off, equivalent to 110% of the overtime hours worked (or at a higher rate if the employee works more than 39 hours a week). Employees classified as managers are paid a fixed annual salary and are not eligible for overtime. All of these conditions have been implemented under an agreement with union representatives.

In the Services business, at Compagnie des Wagons-Lits and at head offices, the workweek for non-managerial staff is 35 hours, with managers expected to work a set 218 days a year.

At December 31, 2007, out of a total of 24,650 employees in France, 22,723, or 92%, have permanent contracts.

Outside France, 90% of employees have permanent contracts. Their working hours comply with local legislation and collective bargaining agreements.

## Work-life balance

Employees increasingly express their desire to maintain a work-life balance. Employees in France can participate in the "Bien-Être à la Carte" corporate concierge program and its "Bien-Être Assistance" platform, operated as a joint venture between Accor Services and Europ Assistance. They enjoy free, confidential access to Vie Pratique® advisors, who provide them with solutions that make their day-to-day lives easier in such areas as housing, schools, personal finance and leisure activities.

## Managing health and safety risks

### *Risk prevention*

Reducing health and safety risks in the workplace is another priority, which is being met by dedicated initiatives in all of the operating units.

En 2007, Formule 1 and Etap Hotel managers attended a class in "Foreseeing and Managing Risks," designed to build their risk awareness, help them to understand their responsibilities and familiarize them with Accor processes and systems.

**Accor Canada** introduced a health and safety training program for employees at every level of the organization. In recognition, the company was nominated for the Ontario Tourism Excellence Award in the Health and Safety category. After successfully completing a safety and hygiene class, 300 employees of the Novotel Mississauga, North York and Novotel Toronto Centre received a personalized safety guidelines booklet.

### *Health/safety prevention programs*

The incident frequency rate improved by 1.8 point in 2007 to 19.3.

To help prevent work-related accidents, the Accor Academies offer training programs for kitchen staff, housekeepers and other employees who use or are in contact with sharp objects in their day-to-day duties.

In **France**, 4,977 employees received safety training during the year.

In Eastern France, Ibis set up a pilot "Preventing Workplace Abuse" program, which will be rolled out to all of Ibis' French subsidiaries beginning in July 2008. It will help to detect and remedy abusive situations by offering employees confidential counseling and assistance services. Because workplace well-being enhances employee fulfillment and career development, the brand is committed to responding to any form of emotional or physical abuse and providing appropriate assistance and support.

The program is being deployed in five stages:

- training hotel managers to help them diagnose and treat abusive situations;
- informing employees about the new program;
- forming and training a Mediation Committee to track the diagnosis and treatment of reported abuse;
- setting up an anonymous hotline for employees to talk about abuse, with calls managed by an independent institute;
- running a six-month pilot in 15 hotels in the Alsace-Lorraine region.

Opened on April 3, 2007, the hotline is now available to all of Ibis France's 3,930 employees.

At the second meeting of **Accor Morocco**'s human resources network, several healthcare professionals gave presentations on hygiene, health and prevention issues, in order to review occupational medicine obligations and practices, harmonize hotel industry-specific analyses and examinations and increase awareness of HIV/AIDS and hepatitis B and C prevention.

**In Brazil**, a "Health and Well-Being Month" was organized for Sofitel São Paulo employees in September. Programs included a nutritional review for every employee, workplace fitness sessions, hikes, and conferences on eating and physical activity and eating and cardiovascular disease.

**Accor Services Venezuela** conducted a one-day program in which more than 160 employees were vaccinated against measles and rubella, which are gradually being eradicated from the country.

### *AIDS prevention*

With regard to AIDS, Accor focuses on employees who are most at risk and has developed programs in certain countries, particularly in **Africa**, to inform hotel staff of preventive measures and offer access to care. Other prevention campaigns are deployed for customers, if such programs are warranted by conditions and acceptable in the local culture.

Employee AIDS prevention programs vary from one country to another:

- in countries where healthcare coverage is adequate, Accor supports government policies by implementing job-related training programs (which always include a session on AIDS) and awareness and prevention campaigns, as well as by providing employees with access to medicine;
- in countries were coverage is inadequate or inexistent, Accor fills the void left by government policies. This is the case in most African countries, where AIDS prevention measures have been deployed by all our hotels across the continent.

In 2007, the ACT-HIV DVD was introduced to improve AIDS awareness and sensitivity among operating managers in the Hotels and Services businesses. In 2008, it will be distributed by human resources managers in all of our operations.

### Absenteeism

In France, the absenteeism rate is calculated by dividing the number of days absent by the theoretical number of days worked.

Reasons for absenteeism during the year were as follows:

#### Absenteeism rate [(1)] by cause

| | |
|---|---|
| Sick leave | 6.1% |
| Workplace accidents and accidents commuting to/from work | 1.4% |
| Maternity, paternity or adoption leave | 1.8% |
| Compensated absences (family events) | 3.3% |
| Non-compensated absences (unpaid leave, parental leave) | 0.5% |
| **TOTAL** | **13.1%** |

*(1) Number of days of employee absences divided by the theoretical number of days worked.*

Illness remains the leading cause of absenteeism in France.

### Redundancy plans

As part of the process of rationalizing the French hotel base, certain hotels have been sold, in particular to franchisees. Exceptionally, and because there was no possibility of keeping the hotel open after the sale, two redundancy plans were implemented for three hotels, the Mercure Paris Porte de Pantin, the Résidence Saint Dominique and the Mercure Nîmes. The plans, which were negotiated and signed with the unions, included offers of jobs elsewhere in the Group to avoid layoffs and the assistance of a consulting firm for employees seeking outplacement. They concerned 58 people.

At **Compagnie des Wagon-Lits**, a redundancy plan undertaken in response to the announced year-end 2007 closing of the night-train business, led to the following movements in 2007: 18 employees took early retirement, 35 were hired by SNCF, 23 left voluntarily, 32 left for other reasons and two were dismissed. By the time the business has ceased operations, every employee had found a placement solution.

Following discontinuation of the company's vending machine operations on November 1, 2007, a redundancy plan was set up for the 18 employees concerned. Seventeen were transferred to other positions in the company and one left voluntarily.

## Social dialogue

All of Accor's human resources policies are shaped by a focus on social dialogue. We actively support constructive discussions with employee representatives, in a commitment to fostering an efficient, high-quality working environment.

### Employee relations

In 2007, a total of 106,741 hours were used for employee delegate activities.

In 1995, a worldwide agreement was signed with the International Union of Food Workers (IUF) concerning application of ILO conventions 87, 98 and 135 on employees' freedom of association and right to unionize. It ensures compliance with and full application of these conventions in all Accor establishments as well as employees' right to join the labor union of their choice. It also protects employees and their representatives against all forms of discrimination that might undermine the freedom to organize.

In France, union news and information have been communicated via a dedicated union intranet since 2002.

### Collective agreements

Between June 1, 2006 and July 1, 2007, around 50 company-wide agreements were signed with the unions, while salary agreements were signed with employee representatives for all Hotels, Services and head office employees in France.

A Diversity Agreement applicable Group-wide (i.e. including the French subsidiaries) was signed on January 10, 2007 with all of the employee representatives.

### Employee representative organizations

#### *Group Works Council*

The Group Works Council supports dialogue and the sharing of business information with employee representatives in France. Created by the October 12, 1984 framework agreement, the Council comprises 35 employee representatives chosen from among the elected members of the 104 subsidiary works councils in all of our businesses in France. Chaired by the Chief Executive Officer, it meets twice a year and has access to all of the Group's business data.

#### *Social Council*

Another collective body that promotes constructive social dialogue is the Social Council, which meets on a regular basis and provides an informal forum for ongoing relations with union representatives. The meetings address important topics that concern the Group as a whole, as well as certain strategic issues.

#### *European Works Council*

The European Works Council is co-chaired by Accor's Chief Executive Officer and an IUF representative. It meets at least once a year in plenary assembly, to examine the Group's organization, strategy and results, as well as transnational issues. The Council met once in 2007, in Geneva at International Labour Office.

## Outsourcing

The biggest challenge in the area of outsourcing concerns companies that provide hotel cleaning services, which account for most of our outsourcing costs.

In response, partner compliance with our workplace practices has been strengthened by the introduction, in 2003, of a protocol agreement on the objectives and conditions for using subcontractors. Union representatives and Accor management met to define the process of outsourcing room cleaning to subcontractors. It requires strict compliance with labor laws and regulations and defines such aspects as working hours, the calculation of paid hours, and training.

Enforcement is regularly monitored in collaboration with employee representatives.

Of the 836 hotels that are owned and managed in France, approximately 71 used cleaning companies as of December 31, 2007.

Every year, the Human Resources Department verifies outsourcing contracts for compliance with our employee relations standards.

In 2002, a Sustainable Development Purchasing Charter was introduced to share our standards with suppliers. Based on reciprocal commitments, the sharing of best practices and transparent relationships, the Charter has been sent to all certified suppliers and subcontractors. It requires them to comply with carefully defined criteria in the areas of employee working conditions and environmental protection, in line with the International Labour Organization's fundamental conventions. Signing the Charter is one of the primary criteria for recertification.

The same process is followed for the certification of temporary employment agencies.

# Summary Tables of Employee Data - France

## Consolidated Corporate Report - France

In compliance with French legislation, this Report consolidates data from the 2007 corporate reports prepared by French subsidiaries that are at least 50%-owned and that have at least 300 employees.

In all, the Consolidated Corporate Report now covers 81% of Accor employees in France.

This same scope has been used for most of the indicators shown in the first table.

The Report concerns 20,041 employees in service at December 31, 2007, irrespective of the type of employment contract.

| | 2007 | 2006 |
|---|---|---|
| **Number of employees** | | |
| Total number of employees (1) | 20,041 | 20,136 |
| Percentage of women | 54.0% | 53% |
| Percentage of men | 46.0% | 47% |
| Average monthly number of employees (2) | 19,949 | N/A |
| Employees by age | | |
| Under 25 | 16.7% | 16.7% |
| 25 to 34 | 31.8% | 31.5% |
| 35 to 44 | 27.6% | 27.9% |
| 45 to 54 | 17.5% | 17.8% |
| Over 55 | 6.4% | 6.1% |
| Employees by seniority | | |
| Under 6 months | 14.6% | 11.3% |
| 6 months to 2 years | 15.5% | 16.2% |
| 2 to 5 years | 18.9% | 21.2% |
| 5 to 10 years | 22.0% | 21.1% |
| More than 10 years | 29.0% | 30.2% |
| Number of full-time employees under permanent contracts | 14,226 | 14,258 |
| Number of part-time employees under permanent contracts | 4,067 | 4,031 |
| Number of employees under fixed-term contracts | 1,748 | 1,847 |
| Number of non-French employees (3) | 2,500 | 2,505 |
| As a % of total employees | 12.5% | 12.4% |
| **Hiring** | | |
| Number of persons hired under permanent contracts | 4,815 | 3,988 |
| Percentage of women (2) | 50% | N/A |
| Percentage of men (2) | 50% | N/A |
| Number of persons hired under fixed-term contracts | 5,704 | 5,688 |
| Number of people under 25 years old hired | 5,268 | 5,174 |
| **Compensation** | | |
| 2006 discretionary profit-shares paid in 2007 | | |
| Number of beneficiaries (4) | 22,737 | 16,903 |
| Average gross amount per beneficiary *(in €)* | 695 | 638 |
| 2006 non-discretionary profit-shares paid in 2007 | | |
| Special Employee Profit Sharing Reserve, net *(in € millions)* | 9 | 7 |
| Number of beneficiaries (4) | 29,933 | 30,137 |
| Average net amount per beneficiary *(in €)* | 303 | 229 |

*(1) All employees on the payroll at December 31, regardless of the type of employment contract.*
*(2) New indicator.*
*(3) Non-French employees who worked in France.*
*(4) Among employees who worked at least three months in the year.*

| | 2007 | 2006 |
|---|---|---|
| **Health and Safety Conditions** | | |
| Number of meetings of Health, Safety and Working Conditions Committees | 512 | 619 |
| Number of employees receiving onsite safety training | 4,977 | 6,762 |
| **Employee Relations** | | |
| Collective agreements signed, June 2006 to July 2007 | 50 | 46 |
| Total hours used for employee delegate activities | 106,741 | 113,929 |
| Number of meetings with employee representatives | 1,645 | 2,051 |
| **Employee Benefits** | | |
| Solidarity fund | In 1994, a solidarity fund was set up in France to provide administrative or financial assistance to employees faced with major financial or family-related difficulties that they cannot overcome alone. Employees may also seek assistance from the Group's social welfare officers. | |
| Works Council benefits budget *(in € millions)* | 2 | 2 |

## Full-Scope Data in France

Full-scope data cover:

- full and part-time employees with permanent contracts, fixed-term contracts exceeding three months, or apprenticeship contracts;
- total headcount of subsidiaries and units managed by Accor under contract. Full-scope data do not reflect units in which Accor holds a stake but is not responsible for managing the teams.

| | 2007 | 2006 |
|---|---|---|
| **Employees** | | |
| Total number of employees | 24,650 | 25,183 |
| **Compensation** | | |
| Total gross payroll *(in € millions)* | 732 | 648 |
| Employer payroll taxes *(in € millions)* | 275 | 264 |
| **Training** | | |
| Training expenditure as a percentage of total payroll | 1.7% | 1.8 % |
| Average training days per employee [1] | 1.5 | 1.6 |

*(1) Total training days divided by total number of employees.*

In 2007, the sale of several Group hotels to independent owners led to a decline both in the number of employees (without any job losses) and in training expenditure.

# ENVIRONMENTAL REPORT

## Introduction

In 2007, Accor broadened the scope of reporting on Hotel Environment Charter action points and commissioned the first outside audit of the Group's performance. The reliability of water and energy use data was further enhanced by the deployment of the OPEN environmental management application in all of our major operating regions.

## Scope of Reporting

✲ Indicators corresponding to Hotel Environment Charter action points are marked with a ✲ and concern Group hotels.

In 2007, data on Hotel Environment Charter actions were reported by 3,292 hotels. While the scope of reporting narrowed with the disposal of Red Roof Inn, the portion of Group hotels applying the Charter still increased by 6% thanks to its introduction in a number of franchised units.

Results are expressed as a percentage comparing the number of hotels implementing a given action to the total number of hotels applying the Charter. Some action points apply only to hotels equipped with special facilities. In this case, the percentage of hotels having implemented these actions is calculated based solely on the total number of hotels concerned.

### Percentage of Group hotels applying the Environment Charter

| | |
|---|---|
| Owned/leased | 95% |
| Managed | 84% |
| Franchised | 63% |
| **TOTAL** | **84%** |

### Regions covered

Europe, North America, Latin America and Caribbean, Asia-Pacific, Africa and Middle East.

✦ Indicators for water, energy and greenhouse gas emissions are marked with a ✦ and, unless otherwise specified, concern:

- hotels in France, the rest of Europe, North America, Latin America and the Caribbean, and the rest of the world (24 countries in Africa and the Middle East, 11 in Asia and three in the Pacific);
- six seawater spas in France;
- operations of Compagnie des Wagons-Lits in Austria, France, Italy, Portugal and Spain;
- operations of the Lenôtre production facility in Plaisir, France.

A total of 2,163 hotels reported water, energy and greenhouse gas indicators. The disposal of Red Roof Inn in the United States resulted in a decline in the number of hotels reporting water and energy data compared to 2006.

### Percentage of Group hotels reporting other indicators (water, energy, greenhouse gases) *

| | |
|---|---|
| Owned/leased | 84% |
| Managed | 44% |
| **TOTAL** | **55%** |

* *Franchised hotels are not included.*

### Regions covered

Europe, North America, Latin America and Caribbean, Asia-Pacific, Africa and Middle East.

# Energy

## Energy use

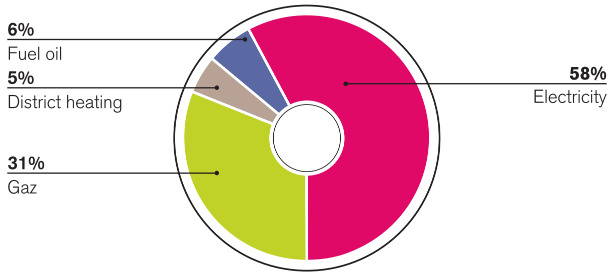
The table below shows total volume of water used worldwide and by region. The decreases in 2007 were primarily attributable to the narrower scope of reporting, reflecting the disposal of Red Roof Inn.

### ✦ Energy use

| | France | | Rest of Europe | | North America | | Latin America and Caribbean | | Rest of the world | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Total 2007 | Total 2006 | Total 2005 |
| Number of establishments | 617 | 30 | 521 | 15 | 687 | 11 | 27 | 12 | 74 | 169 | 2,163 | 2,581 | 2,503 |
| Energy used (MWh) | 549,781 | 50,832 | 793,945 | 45,650 | 666,563 | 115,553 | 37,959 | 14,504 | 122,567 | 997,175 | 3,394,528 | 3,710,496 | 3,441,571 |

Accor tracks the kWh/per available room ratio, which showed that in 2007, energy use declined by 2.64% at owned and leased hotels in the 2006 scope of reporting (1,796 hotels). Energy use ratios are presented in more detail in the 2007 Annual Report.

### ✦ Energy used by type in 2007



## Improving energy efficiency

- The energy efficiency indicators introduced in 2006 enable us to accurately track hotel introduction of programs or technological solutions that address the environmental challenge of global warming.
- There was little change in our energy efficiency performance in 2007. The slight decrease in the "set objectives" indicator resulted from an increase in the number of reporting franchised hotels undertaking the environmental process but not yet using all of the OPEN environmental management application.
- The portion of hotels using energy-efficient lamps rose sharply to 75% in 2007, reflecting our commitment to having 100% of owned or leased hotels equipped with these lamps by 2010.
- Efforts to raise employee awareness in 2007 through training and the Environment Charter Kit will be stepped up in 2008, with a focus on improving the intranet-based OPEN environmental management application.

Lastly, our technical teams made a substantial contribution to improving hotel energy performance by performing energy analyses and defining preventive maintenance plans at 84% of the reporting hotels.

### ✲ Energy-efficiency improvement indicators

| Managing energy use | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Set objectives for reducing use | 67% | 66% | 99% | 83% | 67% | 74% | 77% | - (1) |
| Monitor and analyze use every month | 83% | 92% | 100% | 97% | 88% | 90% | 89% | 93% |
| List potential technical improvements | 37% | 58% | 99% | 48% | 60% | 59% | 61% | - (1) |
| Organize preventive maintenance | 74% | 84% | 100% | 86% | 87% | 84% | 83% | - (1) |
| Use low-energy lamps for permanent lighting | 55% | 77% | 100% | 72% | 63% | 72% | 71% | - (1) |
| Use low-energy lamps in rooms | 44% | 54% | 100% | 53% | 58% | 61% | 44% | - (1) |
| Insulate pipes carrying hot/cold fluids | 67% | 83% | 3% | 70% | 61% | 56% | 47% | - (1) |
| Use energy-efficient boilers | 34% | 52% | 1% | 47% | 40% | 33% | 27% | - (1) |
| Use energy-efficient air-conditioning systems | 24% | 34% | 98% | 53% | 36% | 50% | 55% | - (1) |

*(1) Environment Charter action point added in 2006.*

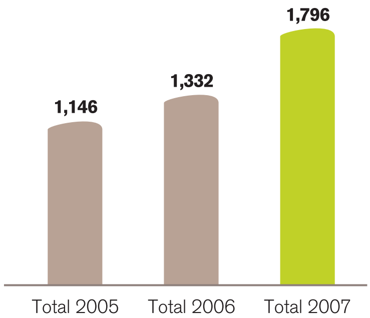
## Encouraging the use of renewable energies

In line with our commitment to encouraging the use of renewable energies, our hotels are continuing to install solar panels to produce domestic hot water. At December 31, 2007, solar panels had been installed in 47 hotels worldwide, representing a total surface area of 4,240 square meters.

Furthermore, in 2007 we reaffirmed our commitment to equipping 100 hotels in France with solar panels by 2010, as part of a partnership with the country's Agency for Environment and Energy Management (ADEME).

The Ibis Clichy, built in 2003, is fitted with photovoltaic solar panels whose electricity output is sold to France's EDF power utility.

### ✦ Solar power used to produce domestic hot water (MWh)



# Water

## Water use

The table below shows total volume of water used worldwide and by region. The decreases in 2007 were primarily attributable to the narrower scope of reporting, reflecting the disposal of Red Roof Inn.

### ✦ Water use

| | France | | Rest of Europe | | North America | | Latin America and Caribbean | | Rest of the world | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Total 2007 | Total 2006 | Total 2005 |
| Number of establishments | 617 | 30 | 521 | 15 | 687 | 11 | 27 | 12 | 74 | 169 | 2,163 | 2,581 | 2,503 |
| Water used *(thousands of cubic meters)* | 4,407 | 497 | 5,457 | 254 | 12,035 | 738 | 361 | 180 | 1,797 | 11,609 | 37,334 | 42,601 | 38,635 |

Accor tracks cubic meters used per occupied room. In 2007, water use decreased by 0.46% at owned and leased hotels in the 2006 scope of reporting (1,796 hotels). Water use ratios are presented in more detail in the 2007 Annual Report.

## Reducing water use

The water use indicators introduced in 2006 enable us to accurately track hotel introduction of programs or technological solutions that address the environmental challenge of the growing depletion of drinking water supplies.

There was little change in our water use performance in 2007. As was the case with energy use, the slight decrease in the "set objectives" indicator resulted from an increase in the number of reporting franchised hotels undertaking the environmental process but not yet using all of the OPEN environmental management application.

Water-saving equipment, such as flow regulators for showers and faucets, is being gradually installed across the Group, reflecting our commitment to equipping 100% of owned and leased hotels by 2010. In 2007, 84% of owned and leased hotels used flow-regulating faucets (with 82% using flow-regulating showerheads). In addition, the vast majority of hotels use water-efficient toilets (up 9% over 2006).

### ✲ Managing water use

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Set objectives for reducing use | 60% | 57% | 99% | 73% | 56% | 68% | 72% | - (1) |
| Monitor and analyze use every month | 83% | 91% | 100% | 94% | 77% | 88% | 88% | 92% |
| Use flow regulators on faucets | 63% | 76% | 100% | 60% | 49% | 72% | 71% | - (1) |
| Use flow regulators on showers | 57% | 77% | 100% | 61% | 53% | 71% | 70% | - (1) |
| Use water-efficient toilets | 51% | 65% | 2% | 31% | 61% | 44% | 35% | - (1) |
| Suggest to customers that they reuse towels | 56% | 85% | 99% | 56% | 76% | 75% | 74% | - (1) |
| Suggest to customers that they reuse sheets | 52% | 65% | 98% | 38% | 57% | 65% | 66% | - (1) |

*(1) Environment Charter action point added in 2006.*

## Other Raw Materials

Accor does not have any manufacturing operations and is not a direct user of raw materials other than water and energy.

## Atmospheric Emissions

### Greenhouse gas emissions

Greenhouse gas emissions are calculated from the energy use data above:

- direct emissions correspond to gas and fuel oil burned in hotel boilers;
- indirect emissions concern electricity used by the hotels.

The increase in direct emissions and decrease in indirect emissions reflect changes in the type of energy used, with natural gas and fuel oil accounting for a larger share of the total in France and the Asia-Pacific region.

#### ✦ Greenhouse gas emissions

| | France | | Rest of Europe | | North America | | Latin America and Caribbean | | Rest of the world | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Owned or leased | Managed | Total 2007 | Total 2006 | Total 2005 |
| Number of establishments | 617 | 30 | 521 | 15 | 687 | 11 | 27 | 12 | 74 | 169 | 2,163 | 2,581 | 2,503 |
| Direct greenhouse gas emissions (tonnes of $CO_2$ equivalent) | 29,516 | 2,868 | 60,946 | 4,328 | 61,444 | 9,637 | 2,527 | 629 | 5,939 | 83,143 | 260,977 | 253,542 | 166,429 |
| Indirect greenhouse gas emissions (tonnes of $CO_2$ equivalent) | 35,881 | 3,184 | 211,245 | 10,053 | 205,369 | 36,801 | 3,402 | 3,361 | 64,393 | 424,176 | 997,865 | 1,135,354 | 1,216,896 |

Emission coefficients for the generation of electricity are based on the Greenhouse Gas Protocol Initiative (www.ghgprotocol.org).

### Ozone-depleting cooling liquids

Cooling fluids present only a small risk of coolant emissions in normal use. However, there is a risk of coolant evaporation during maintenance operations or as a result of an accident. To limit this risk, cooling systems are regularly maintained by qualified companies. In 2006, two coolant use indicators were included in the environmental reporting process.

#### ✲ Protecting the ozone layer

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Eliminate installations containing CFCs | 39% | 53% | 99% | 40% | 40% | 56% | 58% | - (1) |
| Verify that equipment containing CFCs, HCFCs and HFCs is leak-proof | 46% | 76% | 99% | 95% | 69% | 70% | 70% | - (1) |

*(1) Environment Charter action point added in 2006.*

## Wastewater

Accor's activities generate wastewater whose content is similar to household wastewater. The hotels, most of which are in urban locations, are generally connected to municipal sewage systems.

Most of a hotel's wastewater pollution comes from foodservice operations. Given that 48% of our establishments that apply the Hotel Environment Charter have restaurants, it is important to manage the effluent they release into the local sewage system to avoid overloading the wastewater treatment plants. In 2007, implementation of the two main wastewater management initiatives was stepped up by extending the practice of collecting cooking oils and fats.

### ✲ Wastewater

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Collect cooking oil | 95% | 94% | 95% | 74% | 74% | 88% | 86% | - (1) |
| Collect fats | 92% | 86% | 100% | 57% | 86% | 86% | 83% | - (1) |

*(1) Environment Charter action point added in 2006.*

## Waste

### Types of waste

In 2007, Accor improved its waste management procedures by continuing to perform hotel waste classification audits and extending the "Reduce Waste by 10%" campaign to 144 Ibis hotels in France in partnership with the country's Agency for Environment and Energy Management (ADEME). As part of this process, a Groupwide campaign was launched to track waste production in hotels, which will be able to track their own production starting in 2008 using the web-based OPEN environmental management application. Analyses conducted in 2007 examined the quantities of waste produced in 2006 in Ibis hotels. They found that almost all of the 5,997 tonnes of waste produced every year by the 144 Ibis hotels under study could be classified as non-hazardous industrial, with hazardous industrial waste representing less than 1% of the total.

### ✲ Types of waste (Ibis France) *

| Non-hazardous industrial waste (99.3% of total hotel waste) | Percentage of total waste | Percentage recycled (1) | Percentage not recycled (2) |
|---|---|---|---|
| Unsorted, non-hazardous industrial waste | 62.7% | 70% | 30% |
| Paper + cardboard | 15.1% | 100% | - |
| Glass | 9.1% | 100% | - |
| Recyclable packaging other than glass and cardboard | 0.5% | 100% | - |
| Fat separator residue | 7.9% | - | 100% |
| Cooking oil and fats | 1.6% | 100% | - |
| Pallets | 0.1% | 100% | - |
| Crates | 0.1% | 100% | - |
| Bulky refuse | 2.2% | 25% | 75% |
| **TOTAL** | **-** | **70%** | **30%** |

*(1) Burned as fuel or recycled.*
*(2) Landfilled or specially treated.*
** Source: 2007 Ibis France "Reduce Waste by 10%" project.*

**Hazardous industrial waste** produced by hotels is mainly comprised of empty contaminated packaging, disposable and rechargeable batteries, electrical and electronic equipment, light bulbs and compact fluorescent tubes, toner cartridges and aerosols.

### Types of hazardous industrial waste (Ibis France) *

| Hazardous industrial waste (0.7% of overall hotel waste) | |
|---|---|
| Empty contaminated packaging (1) | 31.0% |
| Disposable and rechargeable batteries | 28.6% |
| Fluorescent tubes and light bulbs | 21.5% |
| Toner cartridges | 11.9% |
| Aerosols | 3.6% |
| Electrical and electronic equipment | 3.3% |

*(1) Packaging that remains polluted by the toxic or hazardous products it contained.*
** Source: 2007 Ibis France "Reduce Waste by 10%" project*

## Recycling non-hazardous waste

Recycling, reusing and recovering resources from non-hazardous waste is one of the pillars of Accor's environmental stewardship. By improving sorting processes and reducing the amount of each hotel's unsorted waste, we can limit the risk of sending waste to landfills and treatment plants without recycling and resource recovery capabilities.

Since 2006, the Hotel Environment Charter indicators have enabled us to track the effectiveness of hotel recycling and resource recovery programs. They show a sharp improvement in packaging, glass and plastic sorting in 2007. In the same way, more innovative actions, such as in-room waste sorting, are also gradually being introduced.

### Waste resource recovery

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Recycle paper/cardboard packaging | 70% | 89% | 5% | 95% | 71% | 62% | 54% | 82% |
| Recycle paper, newspapers and magazines | 59% | 87% | 5% | 93% | 66% | 57% | 49% | 75% |
| Recycle glass packaging | 66% | 91% | 5% | 88% | 59% | 59% | 52% | 81% |
| Recycle plastic packaging | 35% | 67% | 4% | 77% | 52% | 40% | 35% | - (1) |
| Recycle metal packaging | 29% | 63% | 4% | 90% | 44% | 36% | 29% | - (1) |
| Recycle organic waste from restaurants | 10% | 51% | 24% | 14% | 35% | 31% | 31% | - (1) |
| Recycle green waste from lawns and gardens | 57% | 58% | 1% | 12% | 34% | 36% | 30% | - (1) |
| Organize waste sorting in hotel rooms | 16% | 14% | 1% | 52% | 29% | 15% | 12% | - (1) |

*(1) Environment Charter action point added in 2006.*

## Eliminating Hazardous Waste

Even though hazardous waste represents a very small percentage of hotel waste (see the Ibis France audit), hotels have introduced dedicated collection systems to manage the most toxic forms of waste after verifying their traceability and compliance with treatment processes.

### Management of hazardous industrial waste

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Dispose of hotel batteries safely | 90% | 90% | 99% | 72% | 41% | 85% | 61% | - (1) |
| Dispose of customer batteries safely | 53% | 33% | 23% | 21% | 16% | 35% | 28% | - (1) |
| Recycle electrical and electronic appliances | 49% | 73% | 1% | 23% | 26% | 41% | 34% | - (1) |
| Recycle toner cartridges | 93% | 94% | 2% | 94% | 68% | 71% | 62% | 94% |
| Dispose of compact fluorescent tubes and light bulbs safely | 72% | 82% | 99% | 41% | 34% | 75% | 50% | - (1) |

*(1) Environment Charter action point added in 2006.*

## Reducing waste volumes at the source

Accor makes a special effort to reduce waste volumes at the source. This requires the long-term cooperation of suppliers to identify ways to limit packaging when goods are being prepared for delivery.

### Reducing waste upstream

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Limit the use of disposable packaging for hotel supplies | 72% | 47% | 4% | 33% | 39% | 30% | 25% | - (1) |
| Limit individual packaging for hygiene products | 93% | 35% | 97% | 46% | 23% | 41% | 45% | - (1) |

*(1) Environment Charter action point added in 2006.*

# Soil Contamination

Accor's activities do not contaminate the soil.

# Noise Pollution and Odors

As Accor's activities generate very little noise pollution or odors, no related measures have been taken.

## Local Impact and Biodiversity

The vast majority of Accor hotels are located in downtown and suburban areas, where they have little impact on the local environment. Whenever a hotel may have a direct impact on an environmentally sensitive area, impact studies are carried out before it is built or renovated.

Accor also works in partnership with several organizations that support biodiversity, such as the International Union for Conservation of Nature (IUCN), the Bird Protection League (LPO) and the Kehati Biodiversity Foundation. Several Environment Charter action points are designed to track hotel commitments to protect biodiversity. For example, our hotels in Côte d'Ivoire have undertaken a reforestation program to help impede desertification with an ecological barrier of 10,000 trees.

### Biodiversity

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Reduce the use of insecticides | 34% | 58% | 1% | 54% | 47% | 33% | 28% | - (1) |
| Reduce the use of herbicides | 29% | 52% | 1% | 46% | 46% | 29% | 24% | - (1) |
| Reduce the use of fungicides | 23% | 50% | 1% | 47% | 42% | 26% | 21% | - (1) |
| Use organic fertilizers | 48% | 60% | 1% | 52% | 47% | 37% | 33% | - (1) |
| Choose plants suitable to the local environment | 39% | 62% | 2% | 81% | 66% | 40% | 35% | - (1) |
| Plant at least one tree a year | 54% | 57% | 100% | 80% | 73% | 68% | 40% | 62% |
| Support a local environmental initiative | 30% | 35% | 9% | 52% | 56% | 31% | 25% | 37% |

*(1) Environment Charter action point added in 2006.*

## Assessment and Certification

### Environmental management

Accor's environmental management systems are based on the Hotel Environment Charter. In 2007, 84% of our hotels participated in the environmental assessment process.

### Environmental management

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Number of initiatives underway | 30.8 | 37.9 | 33.2 | 33.8 | 32.8 | 33 | 31 | 11.97 |

A full presentation of the new Charter can be found on www.accor.com.

### Assessment

To assess their environmental performance, hotels can use the web-based OPEN environmental management application, which enables them to:

- monitor implementation of the Hotel Environment Charter in every host country, regardless of the hotel operating structure. Each hotel completes an online questionnaire, specifying the action points implemented in accordance with the Charter. The application can also be used to create a datasheet to inform customers and employees of the hotel's environmental initiatives;
- track and control water and energy use. A growing number of hotels are managing their use on OPEN. Data are available to both operational and support staff, enabling them to compare actual use or ratios (such as liters of water per room night or kWh per room built) from one year to the next and among different hotels and brands.

### Certifications

As of the end of 2007, the following facilities had been ISO 14001-certified:

- Ibis: 204 hotels, of which 151 in France, four in Hungary, five in Portugal, one in Slovakia, two in Spain, one in Switzerland, 37 in Brazil, two in Argentina and one in Uruguay;
- nine Accor Thalassa spas;
- Sofitel Athens Airport (Greece);
- Novotel London West (United Kingdom);
- Novotel and Ibis Homebush Bay (Australia);
- Compagnie des Wagons-Lits headquarters in France and sites in Austria, Italy and Spain;
- Accor Services' headquarters in France.

In addition, 30 establishments received environmental certification from other organizations:

- Hotel Association of Canada: 11 hotels;
- Green Globe certified: four hotels in Egypt;
- Green Globe benchmarked: 15 hotels in Egypt, Australia, Côte d'Ivoire, France, Switzerland, China, Indonesia and the United Kingdom.

## Compliance

Hotels in France are informed of environmental compliance requirements via the environment intranet. Compiled by a consultancy and updated every quarter, the list identifies the statutes that may be applicable to hotels and specifies compliance criteria for each one. This enables hotels to determine their compliance with each criterion and correct any shortcomings. In other regions, each country organization is responsible for keeping up with changing legislation. In the Asia-Pacific region, the United Kingdom, Brazil and Switzerland, for example, Accor hotels have developed applications to track the latest environmental legislation.

## Environmental Expenditure

The Sustainable Development Department's environmental budget, excluding operating costs, amounted to €157,750 in 2007. It was primarily committed to setting up Earth Guest Day – the first employee day devoted to sustainable development – deploying the Hotel Environment Charter and supporting partnerships. The budget did not include any costs incurred by the hotel brands or support functions, which are not consolidated.

## Environmental Policy Organization

Environmental policies are defined by the Sustainable Development Department, which reports to the Executive Vice President in charge of Human Resources and Sustainable Development, member of the Executive Committee. The Department defines environmental policies and coordinates cross-functional initiatives with the units concerned, such as human resources, purchasing, marketing, legal affairs and technical services. Promotion of these sustainable development policies and the exchange of best practices are managed by 95 sustainable development liaison officers.

Introduced in 2006, the Earth Guest program is pursuing eight priorities, four of which – water, energy, waste and biodiversity – relate to the environment. For each one, objectives for 2010 have been set, with performance and progress tracked by the Sustainable Development Department.

## Raising Environmental Awareness Among Employees

### Raising employee awareness

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Raise environmental awareness among employees | 83% | 84% | 100% | 92% | 72% | 86% | 86% | 68% |
| Integrate environmental protection into all our jobs | 70% | 80% | 100% | 67% | 73% | 79% | 78% | - (1) |

*(1) Environment Charter action point added in 2006.*

Created in 2006, Sustainable Development Committees bring together support teams and operating divisions to encourage cross-functional discussions of action points and practices that should be implemented across the Group.

On April 22, 2007, Accor held its first Earth Guest Day to build employee awareness of sustainable development issues. Sixty-nine country organizations celebrated the event, with nearly 100,000 employees participating in local activities.

In addition, environmental sensitivity programs were organized throughout the year.

## Raising Environmental Awareness Among Customers

### Educating customers

| | France | Rest of Europe | North America | Latin America and Caribbean | Rest of the world | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|---|---|
| Number of establishments | 1,204 | 843 | 715 | 132 | 398 | 3,292 | 3,228 | 2,238 |
| Raise environmental awareness among customers | 59% | 60% | 99% | 64% | 73% | 70% | 70% | 77% |
| Provide customers with environmentally friendly transportation alternatives | 49% | 74% | 1% | 3% | 54% | 44% | 34% | - (1) |

*(1) Environment Charter action point added in 2006.*

To enhance customer awareness of environmental issues, we often work with partners like France's Agency for Environment and Energy Management (ADEME) and the Bird Protection League (LPO). In addition, in response to customer expectations, we have considerably increased, by 10%, access to environmentally friendly means of transportation.

## Organization created to respond to accidental pollution whose consequences extend beyond Group establishments

Accidental pollution risks are very low in light of the Group's operations, which involve very little toxic or hazardous products. In seawater spas, however, procedures have been introduced to alert public authorities in the event of non-compliant wastewater analyses.

## Provisions and guarantees for environmental risks

No material provisions have been set aside for environmental risks.

## Penalties paid following a court ruling on environmental claims

Accor has not been the subject of a court ruling in connection with any environmental claims.

## Objectives assigned to foreign subsidiaries

The environmental policy applies to all establishments outside France that are directly operated by Accor and its subsidiaries.

# Financial Review

## ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

Accor reported record earnings in 2007, reflecting a still favorable hotel cycle in Europe and the promising business environment in Services. Margin improvement was also led by changes in the scope of consolidation and the application of the new Hotels business model.

The balance sheet was further strengthened by the steep reduction in net debt, resulting from the strategy of divesting non-strategic assets and hotel properties.

The year also saw sustained execution of the Hotel business' expansion plan and the Services business' acquisitions program, in line with objectives.

### Revenue

**Consolidated revenue rose by 6.8% to €8,121 million in 2007.** Excluding changes in scope of consolidation and exchange rates, the like-for-like increase was 6.5%.

The expansion strategy boosted revenue for the year by 7.9%, while the disposals carried out under the ongoing "Asset-right" strategy and divestments of non-strategic businesses led to a 6.5% reduction. The currency effect for the year was a negative 1.1%.

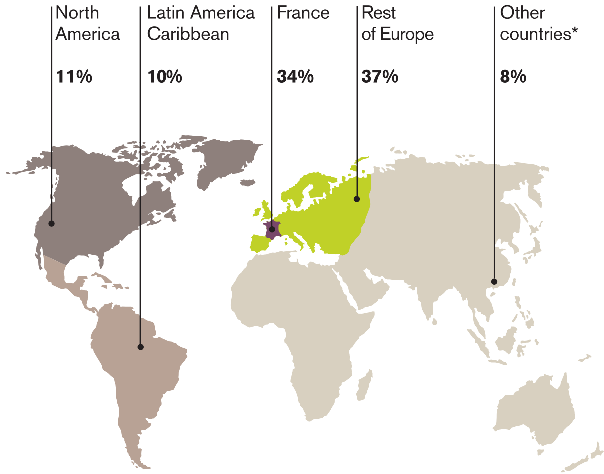
#### Revenue by business

| *(in millions of euros)* | 2005 Restated (1) | 2006 | 2007 | Reported % change 2006-2007 | Like-for-like % change (2) 2006-2007 |
|---|---|---|---|---|---|
| **Hotels** | **5,195** | **5,410** | **5,830** | **+ 7.8%** | **+ 5.8%** |
| Upscale and Midscale | 2,857 | 2,927 | 3,371 | + 15.1% | + 7.2% |
| Economy | 1,374 | 1,492 | 1,618 | + 8.4% | + 6.1% |
| US Economy | 964 | 991 | 841 | - 15.1% | + 1.5% |
| **Services** | **630** | **760** | **885** | **+ 16.5%** | **+ 11.9%** |
| **Other businesses** | **1,311** | **1,437** | **1,406** | **- 2.1%** | **+ 6.0%** |
| Casinos | 326 | 336 | 346 | + 2.9% | + 4.3% |
| Restaurants | 518 | 575 | 573 | - 0.4% | + 10.4% |
| Onboard train services | 264 | 265 | 273 | + 3.1% | + 0.8% |
| Holding companies and other | 203 | 261 | 214 | - 17.9% | + 3.6% |
| **TOTAL** | **7,136** | **7,607** | **8,121** | **+ 6.8%** | **+ 6.5%** |

*(1) In accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", in the consolidated income statement for the year ended December 31, 2005, the profits or losses of 2006 discontinued operations are reported on a separated line.*

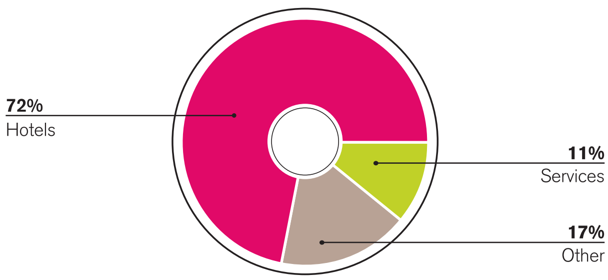
*(2) Excluding changes in scope of consolidation and exchange rates.*

### Revenue by region — 2007




(1) Includes worldwide structures.

### Revenue by business - 2007



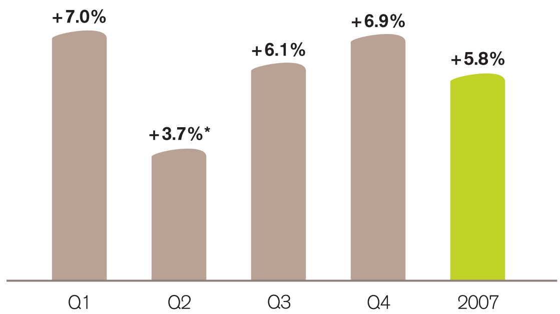

## Hotels

**Revenue** generated by the Hotels business rose 7.8% on a reported basis in 2007 and 5.8% like-for-like, reflecting the upturn in the European hotel cycle observed since mid-2005, which is driving higher occupancy rates and average room rates. The improvement in RevPAR was also led by the Group's "dynamic pricing" and "marketplace strategies".

Excluding the impact of the 2007 Rugby World Cup, which accounted for €16 million in Hotels revenue for the year, revenue would have increased by 5.5% like-for-like.

With the first-time consolidation of Germany's Dorint and the opening of 28,400 new rooms, the expansion strategy added 9.5% to 2007 revenue growth. In line with the "Asset-right" strategy, hotel properties continued to be divested during the year. These transactions, which included outright sales and sales under management-back and franchise-back agreements, had a 6.0% negative impact on Hotels revenue. The currency effect in the Hotels business was a negative 1.6%, mainly due to the euro's appreciation against the dollar.

### Quarter-by-quarter growth in Hotels revenue, like-for-like




* + 5.5% excluding 2006 Football world cup in Germany

### Upscale and Midscale Hotels

Revenue from the Upscale and Midscale Hotels business rose 8.8% like-for-like in the fourth quarter, compared with increases of 7.7% in the third quarter and 6.0% in the first half, translating into annual growth of 7.2%.

In France, which accounts for more than 36% of upscale and midscale hotels revenue, growth came to 10.6% like-for-like in the fourth quarter and 9.0% over the full year. This performance was attributable to a sharp 12.8% rise in RevPAR, reflecting the effectiveness of the "dynamic pricing" strategy. The French transport strikes had only a limited impact on fourth quarter business.

Operations in Northern Europe also performed well in the fourth quarter, particularly in the United Kingdom and Germany, where like-for-like revenue was up 10.7% and 5.0% respectively, compared with a 6.7% increase and a 0.4% decline in the third quarter and rises of 8.1% and 1.2% in the first half. Over the full year, revenue was up 8.5% like-for-like in the United Kingdom and 1.7% in Germany, where prior-year revenue had been boosted by the Football World Cup.

### Economy Hotels (outside the United States)

Revenue from the non-US Economy Hotels business rose 6.6% like-for-like in the fourth quarter, compared with increases of 6.2% in the third quarter and 5.7% in the first half, leading to annual growth of 6.1%.

In France, which contributes 42% of segment revenue, like-for-like growth in the fourth quarter came to 5.6%, versus 6.0% in the third quarter and 3.6% in the first half, leading to a 4.7% increase over the year.

In the United Kingdom, revenue increased 8.0% like-for-like in the fourth quarter, compared with 10.2% in the third quarter and 12.4% in the first half, representing annual growth of 10.6%. In Germany, fourth quarter revenue was 4.9% higher like-for-like, compared with increases of 3.0% in the third quarter and 0.6% in the first half. Over the full year, like-for-like revenue growth in Germany stood at 2.3%.

### US Economy Hotels

Like-for-like revenue ended the year up 1.5% in the US Economy Hotels business, with growth slowing to 0.7% in the fourth quarter, from 1.6% in the third quarter and 1.9% in the first half. The 15.1% decline in reported revenue for the year reflects the early-September divestment of Red Roof Inn, which was deconsolidated effective August 31, 2007, and the dollar's weakness against the euro.

Motel 6's like-for-like revenue rose 0.7% in the fourth quarter, compared with increases of 1.6% in the third quarter and 1.2% in the first half, for a 1.2% like-for-like gain over the full year. The modest growth in the fourth quarter reflects the surge in gasoline prices and the slowdown in housing starts.

### Cumulative RevPAR at December 31, 2007 by segment

| | Occupancy rate | | Average room rate | | RevPAR | | | |
|---|---|---|---|---|---|---|---|---|
| | Subsidiaries (reported) | | Subsidiaries (reported) | | Subsidiaries (reported) | | Subsidiaries (like-for-like [(1)]) | Subsidiaries & managed (reported) |
| | *(in %)* | *(change in pts)* | | *(change in %)* | | *(change in %)* | *(change in %)* | *(change in %)* |
| Upscale and Midscale Europe *(in €)* | 67.5 | + 2.5 | 103 | + 5.8% | 70 | + 10.0% | + 8.8% | + 11.0% |
| Economy Europe *(in €)* | 74.0 | + 1.3 | 55 | + 4.3% | 41 | + 6.1% | + 5.9% | + 6.2% |
| Economy US *(in $)* | 65.6 | +0.7 | 47 | + 0.6% | 31 | 0% | + 1.8% | 0% |

*(1) Excluding changes in scope of consolidation and exchange rates.*

### Upscale and Midscale Hotels: Cumulative RevPAR at December 31, 2007 by country

| | Occupancy rate | | Average room rate | | RevPAR | | | |
|---|---|---|---|---|---|---|---|---|
| | Subsidiaries (reported) | | Subsidiaries (reported) | | Subsidiaries (reported) | | Subsidiaries (like-for-like[(1)]) | Subsidiaries & managed (reported) |
| *(in local currency)* | *(in %)* | *(change in pts)* | | *(change in %)* | | *(change in %)* | *(change in %)* | *(change in %)* |
| France | 67.3 | + 4.2 | 110 | + 5.5% | 74 | + 12.6% | + 10.8% | + 11.4% |
| Germany | 65.0 | + 0.4 | 90 | + 13.9% | 59 | + 14.6% | + 6.0% | + 8.7% |
| Netherlands | 68.5 | + 2.0 | 114 | + 2.1% | 78 | + 5.1% | + 6.0% | + 4.6% |
| Belgium | 71.5 | + 2.7 | 102 | + 3.8% | 73 | + 7.9% | + 7.7% | + 8.9% |
| Spain | 66.5 | + 4.8 | 99 | + 4.5% | 66 | + 12.7% | + 12.7% | + 12.8% |
| Italy | 63.9 | - 0.2 | 118 | + 2.8% | 75 | + 2.5% | + 5.0% | + 2.5% |
| UK | 78.3 | + 1.4 | 85 | + 6.4% | 67 | + 8.4% | + 6.9% | +0.4% |
| USA | 92.7 | +20.0 | 248 | + 14.4% | 230 | + 45.9% | + 20.3% | + 22.0% |

*(1) Excluding changes in scope of consolidation and exchange rates.*

### Economy Hotels: Cumulative RevPAR at December 31, 2007 by country

| | Occupancy rate | | Average room rate | | RevPAR | | | |
|---|---|---|---|---|---|---|---|---|
| | Subsidiaries (reported) | | Subsidiaries (reported) | | Subsidiaries (reported) | | Subsidiaries (like-for-like[1]) | Subsidiaries & managed (reported) |
| *(in local currency)* | *(in %)* | *(change in pts)* | | *(change in %)* | | *(change in %)* | *(change in %)* | *(change in %)* |
| France | 73.5% | + 0.7 | 47 | + 4.1% | 35 | + 5.1% | + 4.6% | + 5.0% |
| Germany | 71.2% | + 0.1 | 56 | + 4.0% | 40 | + 4.2% | + 4.2% | + 4.4% |
| Netherlands | 82.0% | + 1.3 | 77 | + 5.2% | 64 | + 6.9% | + 6.7% | + 6.9% |
| Belgium | 78.1% | + 2.1 | 65 | + 3.3% | 51 | + 6.2% | + 8.1% | + 6.2% |
| Spain | 77.9% | + 1.7 | 54 | + 4.4% | 42 | + 6.7% | + 5.8% | + 6.7% |
| Italy | 66.0% | + 6.3 | 74 | + 3.6% | 49 | + 14.5% | + 15.5% | + 14.5% |
| UK | 77.1% | + 3.0 | 53 | + 5.1% | 41 | + 9.3% | + 10.6% | + 9.4% |
| USA | 65.6% | +0.7 | 47 | + 0.6% | 31 | 0% | + 1.8% | 0% |

*(1) Excluding changes in scope of consolidation and exchange rates.*

## Services

Revenue from the Services business in 2007 increased 16.5% on a reported basis and 11.9% like-for-like, in line with the business' medium-term organic growth target of 8 to 16% a year.

The business' assertive expansion strategy – including the acquisition of Kadéos, France's leading gift card and voucher company – drove a 6.0% increase in revenue, while the depreciation of certain South American currencies against the euro led to a negative currency effect of 0.9%.

## Other businesses

Reported revenue from other businesses contracted 22.8% in the fourth quarter, following divestment of the Italian foodservices business, effective September 30, 2007 and of GO Voyages, effective April 30, 2007. Like-for-like growth was 4.7% for the fourth quarter and 6.0% for the year. Among these businesses, Lenôtre's revenue rose a reported 5.6% for the year, reflecting the positive impact of the Rugby World Cup (representing €2 million additional revenue) and the third Michelin star awarded to the Pré Catelan Restaurant.

# EBITDAR

Earnings before interest, taxes, depreciation, amortization, provisions and rental expense (EBITDAR) represents a key financial performance indicator. It totaled €2,321 million in 2007, an increase of 11.4% on 2006, broken down as follows:

- like-for-like growth: €191 million;
- business expansion: €172 million;
- currency effect: €(37) million;
- disposals: €(89) million.

## EBITDAR by business

| *(in millions of euros)* | 2005 Restated [1] | 2006 | 2007 | % change 2006-2007 | Like-for-like [2] % change 2006-2007 |
|---|---|---|---|---|---|
| **Hotels** | **1,553** | **1,670** | **1,863** | **+11.6%** | **+8.5%** |
| Upscale and Midscale | 704 | 751 | 941 | +25.2% | +10.4% |
| Economy | 495 | 538 | 588 | +9.3% | +8.5% |
| US Economy | 354 | 381 | 334 | (12.3)% | +4.6% |
| **Services** | **255** | **310** | **377** | **+21.7%** | **+17.6%** |
| **Other businesses** | **98** | **104** | **81** | **(22.1)%** | **(4.7)%** |
| **TOTAL** | **1,906** | **2,084** | **2,321** | **+11.4%** | **+9.2%** |

*(1) In accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", the 2005 consolidated income statement has been adjusted to reflect the operations divested in 2006 (Carlson Wagonlit Travel).*

*(2) Excluding changes in scope of consolidation and exchange rates.*

## EBITDAR by region – 2007

## EBIT

EBIT, corresponding to EBITDAR after rental expense, depreciation, amortization and provisions, rose 19.6% to €971 million from €812 million in 2006. The increase can be analyzed as follows:

| *(in millions of euros)* | 2005 Restated (1) | 2006 | 2007 | % change 2006-2007 | Like-for-like (2) % change 2006-2007 |
|---|---|---|---|---|---|
| EBITDAR | 1,906 | 2,084 | 2,321 | + 11.4% | + 9.2% |
| Rental expense | (810) | (836) | (931) | + 11.4% | + 3.5% |
| Depreciation, amortization and provisions | (416) | (436) | (419) | (3.9)% | + 2.8% |
| **EBIT** | **681** | **812** | **971** | **+ 19.6%** | **+ 18.4%** |

*(1) In accordance with IFRS 5, Carlson Wagonlit Travel's EBITDAR has been reclassified under "Profit or loss from discontinued operations".*

*(2) Excluding changes in scope of consolidation and exchange rates.*

Depreciation, amortization and provisions represented 12.6% of the carrying amount of property, plant and equipment.

## Operating profit before tax and non-recurring items

Operating profit before tax and non-recurring items – corresponding to EBIT less net financial expense plus share of profit of associates – represents the result of operations after the cost of financing Group businesses and before tax. In 2007, it totalled €907 million, 24.8% higher than in 2006.

| *(in millions of euros)* | 2005 Restated (1) | 2006 | 2007 | % change 2006-2007 | Like-for-like (2) % change 2006-2007 |
|---|---|---|---|---|---|
| EBIT | 681 | 812 | 971 | + 19.6% | + 18.4% |
| Net financial expense | (120) | (96) | (92) | (4.2)% | + 6.7% |
| Share of profit of associates | 8 | 11 | 28 | N/A | N/A |
| **OPERATING PROFIT BEFORE TAX AND NON-RECURRING ITEMS** | **569** | **727** | **907** | **+ 24.8%** | **+ 21.6%** |

*(1) In accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", the 2005 consolidated income statement has been adjusted to reflect operations divested in 2006 (Carlson Wagonlit Travel).*

*(2) Excluding changes in scope of consolidation and exchange rates.*

Net financial expense declined to €92 million from €96 million in 2006. Total fixed asset holding costs (rental expense plus depreciation and interest) increased to €1,442 million from €1,368 million. They represented 17.8% of revenue, practically unchanged from 18.0% reported in 2006.

Share of profit of associates, which mainly corresponded to the results of Orbis in Poland, totaled €28 million, versus €11 million the year before.

## Net profit, Group share

| *(in millions of euros)* | 2005 Restated [1] | 2006 | 2007 | % change 2006-2007 |
|---|---|---|---|---|
| Operating profit before tax and non-recurring items | 569 | 727 | 907 | + 24.8% |
| Restructuring costs | (39) | (69) | (58) | |
| Impairment losses | (107) | (94) | (99) | |
| Gains and losses on management of hotel properties | 73 | 109 | 208 | |
| Gains and losses on management of other assets | (38) | 15 | 188 | |
| **PROFIT BEFORE TAX** | **458** | **688** | **1,146** | **+ 66.3%** |
| Income tax expense | (117) | (258) | (234) | |
| Profit or loss from discontinued operations | 23 | 104 | - | |
| **CONSOLIDATED NET PROFIT** | **364** | **534** | **912** | **+ 70.4%** |
| **NET PROFIT, GROUP SHARE** | **333** | **501** | **883** | **+ 76.2%** |
| **MINORITY INTERESTS** | **31** | **33** | **29** | |

*(1) In accordance with IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations", the 2005 consolidated income statement has been adjusted to reflect operations divested in 2006 (Carlson Wagonlit Travel).*

Restructuring costs totaled €58 million for the year, compared with €69 million in 2006. In 2007, these costs primarily concerned various reorganization measures.

Impairment losses amounted to €99 million, versus €94 million in 2006, and mainly corresponded to impairment of goodwill and property, plant and equipment.

Gains and losses on the management of hotel properties – corresponding to capital gains and losses on disposals carried out during the year as part of the hotel asset management strategy – represented a net gain of €208 million. They primarily comprised (i) a €319 million gain on sale and variable lease-back transactions carried out in the Netherlands and Germany (86 hotels) and the United Kingdom (30 hotels); (ii) a €174 million loss arising on the sale of Red Roof Inn in the United States; and (iii) a €14 million gain on sale and long-term management-back transactions concerning 2 Sofitel hotels in the United States.

Gains and losses on the management of other assets relate to disposals of non-strategic assets carried out during the year as part of the Group's strategy of refocusing on its core businesses. In 2007 the net gain amounted to €188 million and mainly included the following: (i) a €204 million gain on the disposal of GO Voyages; (ii) a €16 million gain on the sale of the Italian foodservices business.

Income tax expense (excluding tax on the profits of associates and discontinued operations) came to €234 million, versus €258 million in 2006. The effective tax rate (expressed as a percentage of operating profit before tax and non-recurring items) was 26.0% in 2007, compared with 24.2% the year before.

After minority interests of €29 million, the Group ended the year with net profit attributable to shareholders of €883 million, up 76.2% from the €501 million reported in 2006.

As a result, earnings per share rose to €3.92 from €2.23, based on the weighted average 225,012,870 shares outstanding in 2007.

## Cash flows

| *(in millions of euros)* | 2005 | 2006 | 2007 |
|---|---|---|---|
| Funds from operations before non-recurring items | 935 | 1,024 | 1,112 |
| Renovation and maintenance expenditure | (436) | (454) | (466) |
| **FREE CASH FLOW** | **499** | **570** | **646** |
| Expansion expenditure | (476) | (671) | (1,198) |
| Expenditure on assets held for sale | - | (95) | (26) |
| Proceeds from disposals of assets | 310 | 1,459 | 1,635 |
| Ordinary dividends paid | (287) | (276) | (344) |
| Special dividends paid | - | - | (336) |
| Proceeds from issue of share capital | 822 | 227 | 710 |
| Return to shareholders | - | (485) | (1,200) |
| Decrease (increase) in working capital | 297 | 265 | 388 |
| Other | (342) | (43) | (10) |
| **DECREASE/(INCREASE) IN NET DEBT** | **824** | **951** | **265** |

Funds from operations before non-recurring items increased 8.86% to €1,112 million, from €1,024 million in 2006.

Renovation and maintenance expenditure amounted to €466 million (€454 million in 2006) and represented 5.7% of revenue for the year.

Free cash flow came to €646 million, up 13.5% on the previous year.

Development expenditure totaled €1,198 million, versus €671 million in 2006, with the Hotels business accounting for €821 million and Services €335 million.

Proceeds from disposals of assets amounted to €1,635 million, up from €1,459 million the year before, primarily reflecting the following:

- €541 million from non-strategic assets, including €280 million from the disposal of GO Voyages and €135 million from the sale of the Italian foodservices business.
- €1,094 million from the sale of hotel assets including (i) €377 million on the sale of Red Roof Inn; (ii) €357 million on sale and variable lease-back transactions; (iii) €107 million on sale and management-back transactions; (iv) €36 million on sale and franchise-back transactions; and (v) €218 million on outright sales.

The €710 million in net proceeds from the issue of share capital includes the combined impact of a €499 million capital increase following the conversion of convertible bonds held by Colony Capital and a €1,200 million capital reduction following share buybacks carried out during the year. In 2007 the Group purchased a total of 10,623,802 Accor shares at an average price of €65.89 per share under a €700 million share buyback program that ran from May to August, and 8,507,150 shares at an average price of €58.78 under a €500 million program implemented from September to December. In addition, in December 2007, Accor purchased 763,000 shares at an average price of €53.03, for a total cost of €40 million.

As a result of the above cash flows, net debt was reduced by €265 million over the year.

## Financial ratios

All of the Group's main financial ratios improved significantly, reflecting the solidity of its balance sheet at December 31, 2007.

### Gearing ratio

Net debt decreased to €204 million from €469 million at December 31, 2006, reducing the gearing ratio to 5% from 11% a year earlier.

### Funds from operations before non-recurring items

The ratio of funds from ordinary activities 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.

This ratio stood at 26.2% at December 31, 2007, versus 22.2% at December 31, 2006.

## Return on capital employed

Return on capital employed (ROCE), corresponding to EBITDA expressed as a percentage of non-current assets at cost plus working capital, rose to 13.6% [6] from 11.9% in 2006 (see details by job page 124).

## Value creation

Value created is calculated as follows:

$$\left(\text{ROCE after tax} - \text{Weighted average cost of capital}\right) \times \text{Capital employed}$$

Based on a ROCE after tax of 10.76%, a weighted average cost of capital of 8.6% and capital employed of €10.606 billion, the Economic Value Added (EVA®) created by Accor totaled €229 million, versus €232 million in 2006.

*(6) ROCE Hotels: 13,3% in 2007 versus 11,1% in 2006.*
*ROCE Services: 21,3% in 2007 versus 25,3% in 2006.*

# REPORT ON THE PARENT COMPANY FINANCIAL STATEMENTS

## Activities of Accor SA

Accor SA **owns the** Sofitel, Novotel, Mercure, Ibis, Etap Hotel, Formule 1, All Seasons, Pullman and Ticket Restaurant **brands** and receives royalties from the licensing of these brands.

It also owns hotel businesses in France and holds most of the Accor Group hotel management and franchise agreements in the country.

All the hotel businesses operated directly by Accor SA prior to January 1, 1999 have been transferred to dedicated French subsidiaries under business leases. They include 61 Novotel units, four Mercure units, three Ibis units, one Etap unit and the Quiberon, Oléron and Biarritz sea water spas. The only hotels still operated directly by the Company are the Paris-Bercy Mercure, the Paris Étoile Mercure and the Lille-Flandres Novotel.

Accor SA supplies **IT, purchasing, management, advertising, marketing and advisory services** to other Group companies, as well as providing them with **treasury guarantees** and **seconding Accor SA staff** to them as required. Billings for these services correspond either to a percentage of the subsidiary's revenue and/or profit, a flat fee or a fee per service. They are determined on an arm's length basis.

As the Group's holding company, Accor SA manages a substantial portfolio of equity interests, receives dividends from subsidiaries and leads the Group's development.

## Review of 2007 Results

Total revenue from all of the Company's activities, including hotel royalties, business lease revenues and service fees, totaled €637.7 million in 2007, up 7.6% from €592.5 million reported the previous year.

| *In millions of euros* | 2005 | 2006 | 2007 | % of total |
|---|---|---|---|---|
| Hotel revenues | 16 | 18 | 20 | 3% |
| Rent and business lease revenues | 76 | 74 | 85 | 13% |
| Royalties from subsidiaries | 196 | 207 | 224 | 35% |
| Other service fees | 209 | 211 | 223 | 35% |
| Guarantee fees | 20 | 19 | 16 | 3% |
| Royalties from non-Group companies | 59 | 64 | 70 | 11% |
| **TOTAL** | **576** | **593** | **638** | **100%** |

Other income, reversals of depreciation, amortization and provisions and expense transfers amounted to €37.6 million, compared with €40.5 million in 2006.

**EBIT** was a negative €52.0 million in 2007, versus a negative €30.3 million the year before.

Operating expenses increased 9.6% to €727.2 million from €663.3 million.

External expenses were €81.5 million higher, totaling €498.3 million in 2007 versus €416.8 million in 2006. The rise primarily reflected an increase in fees paid during the year and a rise in the costs of services provided by subsidiaries.

Payroll costs decreased by €18.2 million to €138.9 million from €157.1 million, mainly due to the fact that a number of employees were transferred to French subsidiaries during the year with the related costs rebilled to Accor under service agreements.

Additions to provisions for impairment in value of non-current assets came to €35.7 million compared with €34 million in 2006.

Additions to provisions for pensions and other post-employment benefits amounted to €5.2 million versus €15.3 million one year earlier.

Information system research and development costs were expensed as incurred, as in previous years.

**Net financial income** came to €134.2 million, an increase of €76.7 million compared with the €57.5 million recorded in 2006.

**Total provision movements** included in net financial income, corresponding mainly to write-downs of investments in subsidiaries, represented a net charge of €153.8 million versus a €135.1 million net charge in 2006. The main addition to these provisions in 2007 corresponded to a €150 million write-down of the Company's investment in its subsidiary IBL SA, which holds a 37.9% stake in the USA-based subsidiary ALNA. The Company's investment in ALNA was also written down in an amount of €11 million during the year.

Investment income – corresponding to dividends and the Company's share of the profits of SNC and SCI partnerships – amounted to €425.0 million, versus €267.8 million in 2006. The €157.2 million rise essentially stemmed from a €125.3 increase in dividends paid by French subsidiaries in the Hotels business.

Interest income contracted by €56.2 million to €52.2 million from €108.4 million, primarily due to the fact that the Company used surplus cash during the year (in the form of marketable securities) as the main source of financing for its share buyback programs.

**Profit before tax and non-recurring items** stood at €82.1 million in 2007 versus €26.7 million the year before.

**Non-recurring items** represented net income of €658.7 million in 2007 compared with €421.9 million in 2006. The 2007 total included the impact of the sale of Accor's interests in (i) Accor TRB, AS Slovakia and AS Turkey to Accor subsidiaries in Belgium, which generated an aggregate gain of €412.1 million; and (ii) GO Voyages and the Scapa Italia foodservices business, which gave rise to gains of €196.7 million and €31.3 million respectively.

The Company recorded an **income tax benefit** of €64.7 million in 2007 versus €38.5 million in 2006, reflecting the results of the subsidiaries included in the French tax group. The number of companies in the tax group decreased to 138 in 2007 from 156 the year before.

**Net profit for the year** came to €805.4 million, versus €487.2 million in 2006.

Non-deductible provisions and accrued expenses carried in the balance sheet at December 31, 2007 amounted to €50.0 million, down from €99.2 million at the previous year-end.

The Board of Directors is recommending the payment of a 2007 dividend of €1.65 per share plus a special dividend of €1.50. The 2006 dividend was set at €1.45 per share plus a special dividend of €1.50 and the 2005 dividend at €1.15 per share.

Details of management compensation and the other directorships held by the members of the Company's Board of Directors are provided in the Corporate Governance section of this registration document, on page 96.

# 2007 Business Review

## Investment strategy

In 2007, the Company continued to provide services to subsidiaries while pursuing its investment strategy in France and worldwide. The main transactions for the year were as follows:

### Hotels

The Company invested €52.0 million and €70.4 million in two capital increases carried out by The NewGen Hotel (formerly Dorint), acquiring 1,486,369 shares and 2,010,043 shares respectively. Also during the year Accor SA purchased 1,823,891 shares from minority shareholders, representing €93.5 million. Following these transactions, Accor SA now holds 97.7% of The NewGen Hotel, a company that operates 52 hotels under the Sofitel, Novotel and Mercure brands.

In February 2007 Accor SA invested €0.5 million to acquire 5,000 shares in NewCity Apparthotels, a 50-50 joint venture set up with the Pierre & Vacances Group to develop a chain of apartment hotels in Europe.

In May 2007, Accor SA sold its entire 40% interest in Front de Seine Participation (Novotel Tour Eiffel) for €14.7 million, which generated an €8.3 million gain.

In August 2007, Accor SA acquired an additional interest in Orbis in Poland for €42.5 million, raising its interest in the company to 40.5%.

Also in August 2007, the Company sold its entire interest in Financière Le Parc (Sofitel Le Parc – Paris) for €15.9 million, generating a gain of €14.3 million.

### Services

In 2007 Accor SA acquired a 98.3% stake in Kadéos – the PPR Group's gift card and voucher business – for €206.4 million. The acquisition has positioned Accor Services as the leader in the French gift card and voucher market.

In February 2007, Accor SA purchased a 98.3% stake in Sweden-based In-Action Scandinavia AB for €2.2 million.

In June 2007, Accor SA acquired a 98.3% interest in SurfGold, a Singapore-based company specialized in loyalty and incentive solutions for a company's employees, partners and customers, with operations in China, South Korea, Hong Kong, India, Singapore and Taiwan The purchase price was a total €9.3 million.

In September 2007, the Company invested €55 million to acquire a 98.3% stake in PrePay Technologies Ltd., a United Kingdom's leading provider of prepaid card solutions, thus strengthening its technological innovation capabilities.

Also during the year, Accor SA sold its entire interest in Accor Services Turkey and Accor Services Slovakia to Accor TRB (a 98.3%-owned Belgian subsidiary) for €40.9 million and €43.7 million respectively.

In addition, all of the Accor TRB shares held by Accor SA were sold to Accor Hôtel Belgium for €355 million.

### Other businesses

Between January and April 2007, Accor SA sold 1,049,719 Club Méditerranée shares for a total of €45.2 million, generating a capital loss of €2.7 million, which was offset by a €4.4 million reversal from the provision previously recorded on the shares. Following these transactions Accor's stake in Club Méditerranée was reduced to 6.0% at December 31, 2007 from 11.4% a year earlier.

In March 2007, Accor SA made a €15.6 million earn-out payment in connection with the 2004 acquisition of GO Voyages, which increased the value of the related shares to €80.8 million. The same month, the Company sold its entire 99.93% interest in GO Voyages for €281.0 million, giving rise to a capital gain of €197.6 million.

Accor SA sold its entire 97% interest in Scapa Italia in 2007 as part of the disposal of the Italian foodservices business, giving rise to a capital gain of €31.3 million.

## Transactions in Accor SA shares

The remaining 332,581 Accor shares purchased under the share buyback program in 2006 were canceled in January 2007.

During the first half of the year, the Company carried out an employee share issue as part of an Employee Stock Ownership Plan. Employees invested a total of €43.3 million, leading to the issue of 770,529 new shares on July 19, 2007.

Pursuant to the authorizations granted at the May 2007 Annual Shareholders' Meeting, the Company purchased €700 million worth of Accor SA shares during the year. The 10,623,802 shares acquired between May and August were canceled in September 2007.

A second share buyback program was implemented between September and December, for a total of €500 million. Out of the 9,507,150 shares purchased under this program, 1,300,000 were canceled in December 2007.

At December 31, 2007 Accor SA held 8,390,150 shares in treasury, all of which were scheduled to be canceled.

During the year the Company issued a total of 29,764,436 shares following (i) the exercise of stock options and warrants held by employees; (ii) the conversion of OCEANE bonds issued in October 2003; (iii) the conversion of equity notes and convertible bonds fully taken up by Colony Capital in May 2005; and (iv) the employee share issue.

Also in 2007, Accor SA's capital was reduced by 12,256,383 shares following the cancellation of treasury shares.

All of these transactions are described in detail below, in the chapter "Capital and ownership Structure" page 103.

The Company's ownership structure is described in the section "Capital and Ownership Structure".

## Financing transactions

Accor SA did not carry out any long-term debt issues in 2007.

On January 2, 2007, the Company redeemed the third and final tranche of the €570 million May 2002 OCEANE convertible bond issue. The total redemption price was €209.9 million, including redemption premiums of €19.9 million.

In April 2007, Colony Capital exercised its early conversion right on the equity notes issued in May 2005. The related liability, which was recognized in Accor SA's financial statements at December 31, 2006 in an amount of €500 million, was converted in full, resulting in the issue of 12,706,398 shares. In July 2007, Colony Capital exercised its early conversion right in relation to €500 million worth of convertible bonds, giving rise to the issue of 11,756,970 shares.

Following these transactions, Colony Capital held 10.3% of Accor SA's capital.

In 2007, 2,744,105 bonds were converted under the €616 million October 2003 OCEANE convertible bond issue, on the basis of one share per bond leading to a €110.5 million reduction in the outstanding debt. In 2006, 3,627,691 bonds were converted. At December 31, 2007, 11,566 bonds were outstanding, representing a debt of €0.5 million. All of these bonds were redeemed at maturity in January 2008.

## Other significant events

In April 2007, Accor received a €156.1 million payment from the French government by way of a refund of the withholding tax paid on European dividends between 1999 and 2001 as well as €36.3 million in late payment interest. The amounts received have been recorded in a "Taxes payable" account, however, as on March 8, 2007, the French Ministry of the Economy, Finance and Industry, acting on behalf of the French government, appealed the decision handed down by the Versailles Administrative Court.

## Information about subsidiaries

Accor SA holds 50% or more of the capital of 216 companies. The main equity interests – based on historical cost – are as follows:

- **CIWLT** (€1,149 million). Belgium-based Compagnie Internationale des Wagons-Lits et du Tourisme (CIWLT) provides on-board train services in Europe, directly and through subsidiaries.

  CIWLT reported 2007 revenue of €137.1 million compared with €140.0 million the previous year, and net profit of €33.4 million versus €233.9 million. Dividends paid by CIWLT to Accor SA in 2007 amounted to €12.1 million, unchanged from 2006;
- **IBL** (€1,052 million). IBL owns 37.9% of Accor Lodging North America, the holding company for the Accor Group's Hotels business in the United States. It does not have any other activities. Its profit varies depending on the interest received from Accor Lodging North America, on current account advances and on the amount of any dividends received from this company. Accor Lodging North America did not pay a dividend in either 2007 or 2006.

  IBL ended 2007 with a net loss of €142.5 million compared with net profit of €5.3 million the year before. The decline was primarily due to a €150 million provision set aside against Accor Lodging North America shares in 2007. IBL paid €5.2 million in dividends to Accor SA in 2007, versus €3.5 million in 2006;
- **Accor Lodging North America**, the holding company for the Accor Group's Hotels business in the United States (€984 million).

  In 2007, the Hotels Division of Accor Lodging North America (ALNA) reported consolidated revenue of around $1.2 billion. The 14.9% contraction compared with 2006 was attributable to the sale of (i) Red Roof Inn (341 hotels) in September 2007; and (ii) the Sofitel hotels in New York and Philadelphia in early January 2007. The Division's pre-tax profit was 33% higher than in 2006, however, at $144 million against $108 million.

  Accor Lodging North America also owns 98.3% of the capital of Accor Services North America;
- **Accor Services France**, a provider of meal vouchers and other corporate products and services in France (€412 million). In 2007, issuing volume rose 6.3%, chiefly reflecting an increase in the number of vouchers and a higher exemption cap for payroll taxes on meal vouchers. Net revenue climbed 6.6% to €64.8 million from €60.8 million in 2006. Profit before tax and non-recurring items came to €36.0 million, compared with €31.8 million the previous year and net profit for the year was €34.9 million, compared with a net loss of €5.4 million in 2006.

  Accor Services France did not pay any dividends to Accor SA in 2007, whereas in 2006 it paid out €17.4 million;
- **Accor Hôtel Belgium** (AHB), a Belgian holding company (€352 million) that operates hotels in Belgium through subsidiaries and also owns 99.9% of Accor Asia, 81.9% of AAPC – the holding company for the Accor Group's Hotels business in Australia – 39.25% of Accor Participacoes, a Brazilian holding company, and 50% of the Portugal-based hotel operator AHS.

  In July 2007, AHB acquired for €69 million the Amorim Group's 50% of the joint venture set up in 1997 to develop and operate the Group's Hotels business in Portugal. In addition, in December 2007 AHB purchased the Accor TRB shares held by Accor SA for €355 million.

  AHB reported net profit of €33.3 million in 2007 (versus a net loss of €4 million in 2006), primarily due to gains arising on hotel refinancing transactions. The company did not pay any dividends in 2007 or 2006.

The other interests held by Accor SA are listed in the table of subsidiaries and affiliates presented after the condensed parent company financial statements.

# Risk Management

## RISK FACTORS

### Liquidity risk

Liquidity risks are managed by the Corporate Treasury, Financing and Credit Management Department. By centralizing cash management at Group level, requirements and surpluses can be offset before having to raise funds in the financial markets.

Financing policies are designed to ensure that the Group has immediate access – at the lowest possible cost – to the cash it requires to finance corporate assets, meet short-term cash needs and fund expansion.

Short-term financing needs are secured by undrawn medium-term confirmed lines of credit obtained from leading banks (see Note 29B to the consolidated financial statements, page 182). At December 31, 2007, the amounts available under these lines of credit totaled €1,730 million, of which €1,430 million expire in June 2012.

In addition, Accor has €841 million in cash investments with an average maturity of three months that can be converted into liquidity at any time (see Note29E to the consolidated financial statements, page 183). These investments consist mainly of term deposits and negotiable debt securities issued by leading financial institutions, which are therefore not exposed to counterparty risk.

As a result, Accor had a total of €2,571 million in unused liquidity facilities at December 31, 2007.

The Group can also secure diversified medium and long-term financial resources, comprising bank debt and bond issues, to finance its development.

Accor is not subject to any restrictions on the use of its capital that could significantly impact its operations.

In light of these facilities, the Group is not exposed to any liquidity risks.

None of the loan agreements include any rating triggers.

However, certain loan agreements include acceleration clauses that may be triggered in the event of a change of control, following the acquisition of more than 50% of outstanding voting rights. Of the €1,051 million in consolidated debt at December 31, 2007, €570 million worth is subject to acceleration clauses.

In addition, none of Accor's loan agreements include a cross default clause, requiring immediate repayment of a debt in the event of default on another facility. Cross acceleration clauses only concern loan agreements with a duration of at least three years: these clauses would be triggered only in respect of borrowings, not commercial debt, and only if material amounts were concerned.

### Currency and interest rate risks

A variety of financial instruments, including swaps, caps and forward purchases and sales of foreign currencies, are used to manage and hedge interest rate and currency risks arising in the normal course of business. Risk management policies are based on three core principles: protection, liquidity and cost-effectiveness. Interest rate and currency risks are managed by the Corporate Treasury, Financing and Credit Management Department, which reports directly to the Chief Financial Officer, in charge of Purchasing and Information Technology Systems, who is also a member of the Executive Committee. Financial instruments are used to support Group investment, financing and hedging policies, to help manage debt and to minimize the risks on business transactions. Software applications (GTM and Microlis) are used to monitor the breakdown of debt between fixed and floating rate and by currency, as well as to generate reporting schedules, with integrated online access to Reuters and Bloomberg databases.

#### Management of currency risks

##### Long-term investment policy

When Accor SA invests directly or indirectly in a foreign subsidiary, the investment is generally made in the subsidiary's local currency. These are very long-term positions and consequently the currency risk is not hedged.

### Financing

An internationally-recognized signature allows Accor to raise various forms of financing either through banks or through the issue of *billets de trésorerie* (commercial paper) in France and bonds in both French and international markets.

From time to time, the Group also takes advantage of market opportunities by raising financing in a given currency and at a given rate of interest and then using a swap to convert the facility into the currency and interest rate required to finance business needs (see Note 29C to the consolidated financial statements, page 182). This represents an effective method of reducing borrowing costs.

Generally, the Group's policy is to finance its assets and operating requirements in the currency of the country concerned, in order to create a natural hedge and avoid any currency risk.

By using these financial instruments, the Group optimizes also the cost of its resources.

### Other currency hedges

The Services business has experienced the impact of local currency devaluations in Latin America, where it has a major presence. To limit earnings erosion from such devaluations, cumulative earnings in the region are hedged in hard currencies, using instruments such as currency swaps and forward purchases.

There is little need to hedge currency risks in the other businesses as the volume of intercompany transactions in foreign currencies is limited and revenues are denominated in the same currency as the related costs.

The volume of forward sales and purchases of foreign currencies represented €104 million and €692 million respectively at December 31, 2007. All of these futures expire in 2008.

### Management of interest rate risks

Consolidated borrowings include both fixed and floating rate debt denominated in various currencies (see Note 29D to the consolidated financial statements, page 183). Target breakdowns between fixed and floating rate debt are determined separately for each currency, giving due regard to anticipated trends in interest rates and to changes in the composition of debt, as a result of new borrowings and the repayment of existing borrowings.

The targets are reviewed at regular intervals and new targets are set for future periods by senior management. The related financing strategy is implemented by the Corporate Treasury, Financing and Credit Management Department.

The most commonly-used instruments are interest rate swaps and caps; they are contracted with banks rated investment grade based on the model recommended by the French Banking Federation, and do not therefore give rise to any counterparty risk.

The volume of interest-rate hedges represented €53 million at December 31, 2007, of which €35 million corresponded to fixed-rate swaps where the Group is the euro borrower, which expire in 2009.

Accor does not conduct any trading transactions and has no plans to engage in this type of activity. Neither the parent company nor the Group has any open currency or interest rate positions that would be likely to expose the Group to significant risks.

## Equity risk

Accor does not hold any shares in listed or unlisted companies, except for strategic investments. At December 31, 2007, strategic investments in listed companies were as follows:

- Club Méditerranée: As part of its strategy of refocusing on the Hotels and Services businesses, the Group sold the bulk of its stake in Club Méditerranée in 2006. As a result, the remaining Club Méditerranée shares were no longer consolidated at December 31, 2007, but instead recognized at fair value under "Other financial investments", in accordance with the Group's accounting policies (see Note 23 to the consolidated financial statements, page 173);
- Accor (treasury stock): The 8,390,150 Accor shares held in treasury at December 31, 2007 were recorded as a reduction in shareholders' equity in the consolidated balance sheet. These shares are therefore not marked to market.

## Business risks

Accor is not subject to any specific legislation that could have a major impact on its operations. In addition, it is not technically or commercially dependent on any suppliers, subcontractors, customers or other third parties.

The Services business is subject to national regulations, particularly tax rules, and changes in these regulations could negatively impact its operations. However, this type of risk is not concentrated as the Services business operates in a wide range of countries.

The Group is not subject to any other specific business risks thanks to the following strategies:

- Accor SA and a number of its wholly-owned subsidiaries own the trademarks used by the Group. These trademarks are registered with local intellectual property organizations, such as INPI and OMPI. The period of legal protection in each case depends on local legislation;
- Accor also owns the assets and contractual rights necessary to operate its business.

In addition, no governmental, economic, budgetary, monetary or political factors other than those mentioned above have been identified that could significantly impact business operations, and the Group is not subject to any specific confidentiality obligations.

Accor also has a Risk Management Committee, reporting to the Executive Committee, which defines the Group's risk management objectives and prepares the related action plans.

## Legal risks, litigation and arbitration procedures

Accor operates on a global scale and no specific regulations are applicable across all of its businesses.

However, Accor SA and its subsidiaries are naturally subject to local legislation and regulations governing the hotel, restaurant and prepaid service vouchers businesses.

For example, in each country:

- the Hotels business is required to comply with the regulations applicable to establishments open to the public;
- the service vouchers business has to tailor its products to local tax and labor laws and other legal requirements.

To the best of the Group's knowledge, no regulatory or legal changes are planned that would have a material effect on its business.

Information concerning claims, litigation and arbitration procedures that could have, or have had in the recent past, a material effect on the Group's financial position, business or results of operations is provided in Note 41 to the consolidated financial statements. To the best of the Group's knowledge, no other claims or litigation are in progress or pending that could have, or have had in the recent past, a material effect on the Group's financial position, business or results of operations.

Liabilities are recognized and provided for in accordance with the applicable accounting standards (see Note 1.I to the consolidated financial statements, page 130).

Provisions for claims and litigation are recorded by the Group on receipt of a summons, and are determined based on an assessment of the related risk carried out jointly with the Group's external advisers. Details of these provisions are provided in Note 33 to the consolidated financial statements on page 189. In light of the large number of small claims, only claims for material amounts, representing an aggregate €54 million out of total provisions of €161 million, are presented in detail.

Accor has not given any material commitments under shareholder agreements except as explained in Note 42 to the consolidated financial statements on page 202.

## Insurance – Risk coverage

Accor's risks are spread over a very large number of locations throughout the world, and the Group is therefore not exposed to the risk of one claim affecting all of its facilities simultaneously.

The majority of risks are covered via a global insurance program that comprises comprehensive policies (subject to named exclusions) covering property and casualty, business interruption and liability risks. In line with the Group's strategy validated by the Executive Committee, this program is being extended wherever possible under local laws and regulations.

The global program was renewed under extremely favorable conditions on January 1, 2007 following an insurance tender process, launched in 2006, that confirmed that the Group's coverage is in line with market capacity. Under the renewed program, the coverage scope and amounts were improved and premiums were substantially reduced. In addition, the program was set up for a three-year period, which protects the Group against the effects of fluctuations in the insurance market. The global program has been opened up to Group sites in Africa where permitted by local legislation.

Since January 1, 2007, the maximum per claim coverage for property and casualty and business interruption losses has been set at €300 million, corresponding to the maximum claim that would arise from the loss of the largest of the Group's hotels.

For the majority of the sites covered by the global insurance program, the value of assets and the gross margins generated by the operation of those assets are assessed on an annual basis. The highest-value site is considered as representing the maximum possible loss and is used as the benchmark for the insurance cover purchased. Protection against natural disaster is a particular priority and special terms have been negotiated on a country-by-country basis in line with market capacity and based on an analysis of the Group's exposure to this type of risk.

Also in 2007, liability coverage was increased to €500 million in order to factor in changes in the Group's liability risk position and to align coverage with current industry practices.

Insured amounts for liability claims are determined by performing simulations using unfavorable assumptions in order to ensure that the level of cover is adequate.

Under the global insurance program, 90% of recurring risks are self-insured with all units sharing the related costs. Self-insured recurring risks are reinsured through a dedicated reinsurance company, which in turn obtains its own reinsurance in order to limit the Group's commitments and avoid using up the funds earmarked for these risks.

Risks that are not self-insured are covered by internationally recognized insurance and reinsurance companies.

Local insurance programs have been set up in certain major countries or regions, such as the United States, Brazil, China and India.

The US program was developed to take advantage of favorable local insurance market conditions for the types of risks involved, with cover encompassing business interruption, property and casualty and liability risks. The Brazilian and Chinese programs were implemented to comply with local insurance regulations. In both cases, the applicable conditions are reviewed annually to ensure that they are closely aligned with the general insurance conditions applicable to the Group as a whole. As the insurance market has opened up in India, liability risks in that country are now insured as part of the Group's global program.

The Group also pays particular attention to its exposure to terrorism risks. Where local insurance pools are not available specific coverage is purchased in the market.

As the Group has not suffered any major uninsured losses, it deems that its insurance coverage is adequate.

The Group, its insurers and independent loss prevention experts perform regular audits and appraisals of insurable risks, to reduce risk exposure and ensure that risks are adequately covered on a cost-effective basis, taking into account conditions in the insurance and reinsurance markets. Changes in market insurance rates are closely monitored and, where appropriate, risks are self-insured in order to limit the insurance costs incurred by the various businesses and avoid sharp fluctuations in these costs. In addition, a claims reporting system has been set up to enable the Group to closely track its loss experience with a view to swiftly reducing its related risk exposure.

Other forms of global insurance, such as cover for construction related risks and IT fraud, are also set up centrally in order to limit insurance costs.

The amount paid in insurance premiums in 2007 represented approximately 0.40% of consolidated revenue for the year.

The Group has a Risk Prevention Committee which reports to the Corporate Secretary. Its roles and responsibilities are described in the Report of the Chairman of the Board of Directors on internal control procedures. In 2007 the Group launched a project to implement a specific risk and insurance management information system.

## Environmental risks

Potential environmental risks in the Hotels business mainly concern the storage of gas and fuel oil in or near the hotels, the malfunction of a PCB transformer, spillage of cleaning products, contamination from cooling towers, and the risk of fire. Specific risk prevention policies have been set up in relation to these issues.

Due to their location, Accor's businesses are more likely to be exposed to external environmental risks, such as industrial accidents and oil spills, than to be the source of environmental risks themselves.

## Guarantees and collateral

Collateral for Accor SA borrowings is not material. It is not Group policy to give collateral to lenders. Under certain leases, the Group may be required to grant a lien on the business (*nantissements de fonds de commerce*). Details of pledged and mortgaged assets are provided in Note 42 to the consolidated financial statements on page 202.

# SENSITIVITY ANALYSIS

Based on reported 2007 data, sensitivity analyses have been performed to measure the impact on operating profit before tax and non-recurring items of any changes in the dollar-to-euro exchange rate, interest rates and revenue per available room (RevPAR, as calculated by occupancy times average room rate).

A ten-cent fluctuation in the dollar-to-euro exchange rate would have a €8 million impact on operating profit before tax and non-recurring items.

In the Hotel business, a one-point change in RevPAR would impact operating profit before tax and non-recurring items by €12.1 million in Upscale and Midscale Hotels, €8.6 million in Economy Hotels in Europe and €8.7 million in Economy Hotels in the United States.

### Impact on operating profit before tax and non-recurring items of a one-point change in RevPAR

| Hotels business by segment | Impact |
|---|---|
| Upscale and Midscale Hotels | €12.1 million |
| Economy Hotels in Europe | €8.6 million |
| US Economy Hotels | €8.7 million |

# Corporate Governance

## GOVERNANCE STRUCTURES

On January 9, 2006, shareholders approved the change in the Company's governance structure to a Board of Directors, replacing the Supervisory Board and Management Board structure in place since 1997. The same day, the Board of Directors elected to separate the functions of Chairman of the Board and Chief Executive Officer, in accordance with Article L. 225-51-1 of the French Commercial Code (as introduced by the French "New Economic Regulations" (NRE) Act). The new organization, which is aligned with the Group's commitment to promoting best corporate governance practices, establishes a clear distinction between executive and non-executive functions, while ensuring that directors are closely involved in the major decisions that affect Company operations.

In accordance with the law and the Company's Bylaws, the Chairman of the Board of Directors chairs Board meetings, organizes and leads the work of the Board and Board meetings, ensures that the Company's corporate governance structures function effectively, and obtains assurance that directors are in a position to fulfill their responsibilities.

In accordance with the law and the Company's Bylaws, the Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act on behalf of the Company in all circumstances. The situations where the exercise of the Chief Executive Officer's powers is subject to the prior approval of the Board of Directors are detailed in the Report of the Chairman of the Board of Directors drawn up pursuant to Article L. 225-37 of the French Commercial Code.

The Company is governed by a Board of Directors, whose main roles and responsibilities are to determine the Company's strategy and oversee its implementation, examine any and all issues concerning the efficient running of the business, and make decisions on all matters concerning the Company.

The Bylaws stipulate that each Board member is required to hold at least 500 Accor shares. To promote high attendance rates at Board meetings, 50% of the total fees awarded to members of the Board of Directors are based on their attendance record.

Accor complies with the corporate governance principles for listed companies, as described in the AFEP/MEDEF reports on corporate governance.

At its meeting on January 9, 2006, the Board of Directors assessed the independence of its members, applying the criteria set out in the AFEP/MEDEF reports on corporate governance. These criteria state that a member of the Board of Directors of a corporation cannot be qualified as independent if he or she:

- is – or has been at any time in the last five years – an employee or a corporate officer of the corporation, or an employee or director of its parent or a company that it consolidates;
- is a corporate officer in a company in which the corporation directly or indirectly holds a directorship, or in which an employee appointed as such or a corporate officer of the corporation (current or in the past five years) holds a directorship;
- is a customer, supplier, investment banker or commercial banker (i) that is material for the corporation or its group, or (ii) for which the corporation or its group represents a material proportion of the entity's activity;
- has close family ties with a corporate officer;
- has been an auditor of the corporation in the last five years;
- has been a director of the corporation for more than twelve years.

Based on these criteria, the Board considers nine of the seventeen directors to be independent, as follows: Isabelle Bouillot, Philippe Camus, Aldo Cardoso, Gabriele Galateri di Genola, Roderic Lyne, Franck Riboud, Jérôme Seydoux, Theo Waigel and Serge Weinberg. In accordance with the Directors Bylaws, in February 2008 it was confirmed that these directors were still deemed to be independent.

In accordance with the Company and Directors Bylaws, Paul Dubrule and Gérard Pélisson, Co-Chairmen and Co-Founders, attend Board meetings in a consultative capacity, and may be invited to attend meetings of the Board Committees.

In compliance with corporate governance principles, the Board of Directors is assisted in preparing its decisions by the following five Board Committees:

- **the Strategy Committee**, comprising seven members, including three independent members:

  Serge Weinberg, who serves as Committee Chairman, Sébastien Bazin, Aldo Cardoso, Gilles Pélisson, Baudouin Prot, Franck Riboud and Augustin de Romanet de Beaune;
- **the Audit Committee**, comprising four members, including three independent members:

Aldo Cardoso, who serves as Committee Chairman, Isabelle Bouillot, Philippe Camus and Étienne Davignon;

- **the Commitments Committee**, comprising four members, including one independent member:

  Sébastien Bazin, who serves as Committee Chairman, Philippe Citerne, Gabriele Galateri di Genola and Dominique Marcel;

- **the Compensation and Appointments Committee**, comprising four members, including three independent members:

  Jérôme Seydoux, who serves as Committee Chairman, Philippe Camus, Augustin de Romanet de Beaune and Serge Weinberg;

- **the Corporate Governance Committee**, comprising four members, all independent members [7]:

  Jérôme Seydoux, who serves as Committee Chairman, Philippe Camus, Aldo Cardoso and Serge Weinberg.

The organizational and operational framework applicable to the Board of Directors and the Board Committees is described in the Company's Bylaws and in the Directors Bylaws, presented below.

In addition, members of the Board adhere to the Directors Code of Conduct (also presented below), which defines the scope of the directors' duties of diligence, discretion and confidentiality, and sets out the rules applicable to trading in the Company's securities.

Lastly, with a view to preventing any potential conflict of interests, members of the Board are required to complete a statement every year disclosing any and all direct or indirect ties they have with the Company. Based on these statements, the Company has not been notified of any such potential conflict of interests.

The procedures for organizing and preparing the work of the Board during 2007 are described in the Report of the Chairman of the Board of Directors drawn up pursuant to Article L. 225-37 of the French Commercial Code.

In accordance with best corporate governance practices, in the first half of 2007 the Board of Directors implemented a process in conjunction with a specialized consulting firm in order to formally assess its own performance. The results of this process were presented to the Board of Directors, which discussed the matter at two Board meetings.

*(7) The creation of this Committee was decided by the Board of Directors in 2008.*

# BOARD OF DIRECTORS BYLAWS

The members of the Board of Directors of Accor (hereinafter the Company) abide by the following operating rules, which constitute the Bylaws of the Board of Directors.

These Bylaws are based on market recommendations aimed at compliance with the fundamental principles of corporate governance.

These Bylaws are intended for internal use only. Their objective is to supplement the Company Bylaws by specifying the Board of Directors' organizational and operating procedures. They may not be relied on by the shareholders or third parties in any claims against the directors, the Company or any company of the Accor Group (hereinafter the Group). They apply, where appropriate, to the non-voting directors appointed by the Board of Directors as well as to the Founding Co-Chairmen designated in Article 21 of the Company's Bylaws.

The existence and main provisions of these Bylaws shall be disclosed to the shareholders and to the public.

## Composition

At least half of the directors on the Board of Directors must be independent within the meaning of the criteria set forth in the 1995, 1999 and 2002 AFEP/MEDEF consolidated reports.

Every year, prior to calling the Annual Shareholders' Meeting, the Board Directors shall determine which of the directors are independent according to the above-mentioned criteria. The conclusions of said assessment shall be disclosed to the shareholders and to the public in the Annual Report.

## Meetings

As a rule, the Board of Directors shall hold at least six meetings per year, of which one dedicated to reviewing the budget and one dedicated to a strategic review of the Group's business. The proposed dates of each year's meetings shall be sent to the directors no later than November 30 of the previous year. Notices of Meeting shall be sent by mail, e-mail or fax or given verbally by the Board's Secretary.

The draft minutes of each meeting shall be sent to the directors concurrently with the notice of the next meeting. They shall be approved at this meeting and the final minutes shall be forwarded together with the notice of the next meeting.

Part of at least one meeting a year shall be devoted to assessing the Board's efficiency and effectiveness, in order to identify possible areas for improvement. In addition, the Board of Directors shall conduct a formal self-assessment periodically and in any event at least every three years.

For the purpose of calculating the quorum and majority, directors who take part in meetings by any means making it possible to identify them and enabling their actual participation pursuant to current statutes and regulations shall be deemed to be in attendance.

## Provision of information to the Board of Directors

The directors shall be provided with all the information necessary for them to carry out their duties.

Except when compliance with confidentiality or physical obstacles make it impossible, an information package pertaining to the items on the agenda that require prior study shall be sent to the directors in a timely manner prior to the meetings.

In addition, the directors shall be kept periodically informed between meetings of all significant events and transactions in the life of the Group. To this end, they shall be provided with all the press releases issued by the Company and a periodic summary of financial analysts' research on the Group.

At least once year the Board shall be informed of the Group's overall human resources, organization and information systems policies and shall discuss them periodically.

The directors shall be entitled to require the provision of any document necessary for the proceedings of the Board that has not been submitted to them. Any such requests shall be sent to the Chairman of the Board of Directors who may submit it to the Board for a decision.

The directors shall have the right to meet with the Group's main executives, including without the presence of the corporate officers. To do so, they must first file a request with the Chairman of the Board of Directors who shall inform the Chief Executive Officer thereof.

## Powers of the Board of Directors

The Board of Directors shall deal with all matters falling within the powers vested in it under the applicable laws and regulations.

In addition, the Board of Directors shall:

a) approve the annual budget and the business plan presented by the Chief Executive Officer;

b) review and approve the Group's overall strategy, at least once a year, in accordance with Article 2 of these Bylaws;

c) authorize the following decisions of the Chief Executive Officer prior to their implementation:

- any and all immediate or deferred financial commitments representing more than €100 million per transaction. "Financial commitments" shall be defined as:
  - any and all acquisitions or disposals of assets and majority or minority interests in other companies; in the latter case, the amount of the commitment is considered as being equal to the entity's enterprise value,
  - any and all direct investments, for example for the creation of a business, the construction, refurbishment or extension of a hotel property, or expenditure on technological developments,
  - rental investments, measured on the basis of the market value of the leased asset,
  - hotel management contracts with a guaranteed minimum fee,
  - any and all loans to entities in which the Company or one of its subsidiaries does not hold the majority of the shares and voting rights, and any and all commitments to participate in share issues by such entities,
- any and all transactions that have a material impact on the Group's strategy or lead to a material change in the Group's business base (mainly entry into a new business or withdrawal from an existing business), whatever the amount of the commitment,
- any and all credit facilities obtained from a single bank or a banking pool for a cumulative amount of €2 billion, or any individual facility for a period of more than 15 years whatever the amount. The Chief Executive Officer is required to notify the Board of Directors of any and all credit facilities of less than €2 billion obtained since the last disclosure. The Board's prior approval is not required for borrowings due in less than one year,
- any and all transactions involving the Company's shares carried out in application of Article L. 225-209 of the French Commercial Code, which exceed one million shares per transaction and a cumulative two million shares per year;

d) authorize the Chief Executive Officer to issue guarantees, bonds and endorsements in the Company's name, up to a cumulative amount of €1 billion per year. In accordance with the Company's Bylaws, any such authorizations may be given for a period of one year. The Chief Executive Officer is required to report to the Board of Directors each year on the amount and nature of guarantees, bonds and endorsements issued under the authorization;

e) discuss and decide on any proposed changes to the Group's management structure and review information about the main organizational changes.

## Board Committees

Board discussions and decisions in certain areas shall be prepared by specialist Board Committees made up of directors appointed by the Board for the duration of their term. These Committees shall examine matters falling within their terms of reference, as well as any matters referred to them for consideration by the Chairman of the Board. They shall report regularly to the Board on their work, and provide the Board with their observations, opinions, proposals or recommendations.

To assist them in their work, the Board Committees may commission technical reports from Company management or external consultants. In both cases, the Chairman of the Board shall be notified in advance and shall inform the Chief Executive Officer. The Committees may also arrange meetings with members of company management responsible for the areas under review, without any corporate officers being present. In this case also, the Chairman of the Board shall be notified in advance and shall inform the Chief Executive Officer.

There shall be five standing Board Committees:

- the Strategy Committee;
- the Audit Committee;
- the Commitments Committee;
- the Compensation and Appointments Committee;
- the Corporate Governance Committee [8].

The Board of Directors may also set up one or more special Committees.

Each Committee shall be chaired by one of its members appointed by the Board on the recommendation of the Chairman or, if appropriate, one of the Vice Chairmen.

The Committee Chairman shall appoint a person who is not a Committee member to act as secretary.

The Chairman of each Committee may ask for the Committee to be consulted on any matters falling within its terms of reference that have not been referred to it.

Each Committee shall periodically review its rules of procedure and propose to the Board any changes that are considered necessary.

The Board Committees shall not have any decision-making authority.

## The Strategy Committee

The Strategy Committee's role is to prepare the deliberations of the Board relating to the Group's main strategic paths, in particular the expansion policy and its financing, as well as to review changes in the Group's portfolio of businesses.

The Board may also refer to the Strategy Committee any important strategic matters even if such matters do not require the immediate deliberation of the Board of Directors. To that end, it shall prepare the Board's annual meeting devoted to a strategic review of the Group's businesses.

The Strategy Committee shall be comprised of no more than seven members, including the Chairman of the Board and the Chief Executive Officer if he/she is also a director. It shall be chaired by an independent director.

When invited by the Chairman of the Strategy Committee, the Founding Co-Chairmen may take part in the work of the Committee in an advisory capacity.

The notices of meetings shall be mailed by the Chairman of the Committee along with an agenda.

## The Audit Committee

The Audit Committee shall be responsible for ensuring that the accounting policies applied for the preparation of the financial statements of the Company and the Group are appropriate and applied consistently from one period to the next. Its terms of reference also include checking that internal reporting and control procedures provide adequate assurance concerning the reliability and completeness of financial information and the control of Group risk exposure.

*(8) The creation of this Committee was decided by the Board of Directors in 2008.*

To this end, it carries out the following tasks:

- it reviews the interim and annual consolidated financial statements and the financial statements of the Company, prior to their examination by the Board of Directors. This includes reviewing draft results press releases and announcements to be issued by the Company;
- it reviews the scope of consolidation and the reasons for excluding any entities;
- it assesses the Group's material risk exposure and off-balance sheet commitments, and receives a copy of the Chief Financial Officer's detailed report on these matters;
- it obtains assurance concerning the effectiveness of the Group's system of internal control, by reviewing the methods used to identify risks and the organizational principles and procedures of the internal audit department. It is also informed of the internal audit program and of the results of the internal audits carried out since the last presentation;
- it reviews the Statutory Auditors' audit plan and the results of their audits. It receives a copy of the Statutory Auditors' post-audit letter setting out the main issues identified during their audit and describing the main accounting options selected;
- when the Statutory Auditors' appointment is due to expire, it oversees the Auditor selection procedure and reviews the proposals submitted by the various candidates, expresses an opinion on the proposed fee budgets for statutory audit work and makes recommendations to the Board of Directors on the choice of candidate;
- it validates the categories of additional audit-related work that the Statutory Auditors and the members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- at the end of each year, it is informed of the fees paid by Group companies to the Statutory Auditors and the members of their networks during the year, including a detailed breakdown by type of engagement, and reports to the Board of Directors on these fees, as well as on its assessment of the Statutory Auditors' level of independence.

The Audit Committee shall be comprised of three to five members possessing the necessary technical knowledge to fulfill the Committee's duties. At least two-thirds of the members, including the Committee Chairman, must be independent directors.

The Audit Committee shall hold at least three meetings per year. One meeting – attended by the head of Internal Audit – shall be devoted to reviewing the effectiveness of the system of internal control.

The Audit Committee may make enquiries of the Statutory Auditors without the corporate officers and/or the Chief Financial Officer being present, after first notifying the Chairman of the Board who in turn notifies the Chief Executive Officer.

Calls to meeting shall be issued by the Committee Chairman and include the meeting agenda. Meetings to review the interim and annual financial statements shall be held at least three days prior to the Board meeting called to approve the financial statements. The members of the Audit Committee must receive all necessary documents on a timely basis. When members are first appointed to the Committee, they are given detailed information about accounting, financial and operational issues that are specific to the Group. The Chief Executive Officer, the Chief Financial Officer and the Statutory Auditors shall attend Audit Committee meetings as needed and in any event the meetings devoted to reviewing the financial statements.

## The Commitments Committee

The Commitments Committee shall be comprised of no more than five members. Meetings of the Committee may be called at any time, in writing or verbally, by the Committee Chairman or the Chairman of the Board of Directors.

The Commitment Committee's recommendations are adopted by a simple majority. The Commitments Committee's role is to prepare the Board of Directors' meetings and to issue recommendations to the Board of Directors on the following matters:

- any and all transactions that will have a material impact on the Group's business base;
- any proposed purchases, sales or other investments concerning assets that are (i) carried out in the normal course of business (i.e. related to the Hotels business) representing a commitment of more than €300 million – measured as either the purchase or sale price or the enterprise value of the entity concerned –, including the Company's major hotel banners, or (ii) not carried out in the normal course of business, representing a commitment in excess of €100 million (measured as the price or enterprise value). Transactions carried out in the normal course of business are defined as those related to the construction of new hotels or the purchase or sale of individual hotels;
- any mergers or demergers or asset transfers;
- any amendments to the Company's corporate purpose;
- any Similar Transaction (as the term is defined below), the terms and conditions of which are more favorable overall to the given individual or group of individuals to whom the securities are issued than the convertible bonds or redeemable bonds subscribed by ColTime SARL and whose issue takes place no later than November 18, 2006. "Similar Transaction" shall mean the issue either directly or indirectly by the Company of bonds (with the exception of bonds with no corporate governance rights), equities or securities granting access to the share capital reserved for a given individual or group of individuals (with the exception, where required, of issues of securities reserved for the Group's employees or managers) in exchange for a payment in cash.

## The Compensation and Appointments Committee

The Compensation and Appointments Committee's role is to prepare the Board of Directors' decisions pertaining to the compensation of corporate officers and the policy for granting stock subscription and/or stock purchase options (as well as the policy for granting stock without consideration) and to prepare changes in the composition of the Company's management institutions.

To this end, it carries out the following tasks:

- it prepares recommendations, in conjunction with the Chairman of the Board of Directors, regarding the succession of corporate officers and the selection of new directors. As part of the process for selecting directors, the Committee shall take into consideration the desirable balance of the Board's composition, ensure that each director being considered has the required experience and availability and ensure that the directors have a wide array of experience and skills in order to enable the Board of Directors to carry out its duties effectively with the necessary objectivity and independence vis-à-vis both General Management and a given shareholder or group of shareholders;
- it studies and prepares recommendations regarding both the fixed portion and variable portion of corporate officers' compensation, the granting to them of stock subscription and purchase options by any Group company, the granting of stock without consideration, all the provisions regarding their retirement plans and all other in-kind benefits;
- it defines and implements the rules for setting the variable portion of the corporate officers' compensation while ensuring that said rules are consistent with the annual evaluation of corporate officers' performance and with the Group's medium-term strategy;
- it gives the Board an opinion regarding the overall policy for granting stock subscription and/or purchase options and the plans proposed by the Chief Executive Officer;
- it is kept informed of the compensation policy of the main non-corporate officer managers of the Company and other Group companies and reviews the consistency of such policy;
- it issues a recommendation to the Board on the overall amount of directors' fees that is proposed to the Company's Shareholders' Meeting. It proposes to the Board the distribution of said directors' fees and the individual amounts of the payments to be made as fees to the directors based on their attendance at Board and Committee meetings pursuant to Article 7 of these Bylaws;
- it reviews the policy and the projects proposed by the Chief Executive Officer regarding capital increases reserved for employees;
- it reviews the insurance coverage taken out by the Company regarding corporate officer civil liability;
- it approves the information provided to shareholders in the Annual Report regarding corporate officer compensation and the principles and procedures used to set the compensation of such corporate officers, as well as stock subscription and/or purchase options granted to or exercised by them;
- in conjunction with the Chairman of the Board of Directors, it is tasked with issuing proposals on the implementation of corporate governance principles and in particular preparing the assessment of the Board's work;
- it periodically reviews whether the directors meet the independence criteria set forth by the Board and makes recommendations if it appears necessary to review the independent status of directors.

The Compensation and Appointments Committee shall be comprised of three to five members, the majority of whom must be directors qualified as independent by the Board of Directors. It shall be chaired by an independent director.

The Compensation and Appointments Committee shall meet at least three times per year. The notices of meeting and an agenda shall be mailed by the Committee Chairman. The Chief Executive Officer may, at the Committee Chairman's request, attend meetings on matters on the agenda that do not involve him/her.

### The Corporate Governance Committee

The roles and responsibilities of the Corporate Governance Committee are to:

- continuously monitor changes in the Company's shareholder base and determine how the Company's awareness of such changes could be improved, particularly through legal procedures;
- review all cases where there is a conflict of interest concerning one or more shareholders and the interests of the Company;
- review all cases where there is a conflict of interest concerning one or more shareholders represented on the Board of Directors and the interests of shareholders as a whole;
- put forward recommendations concerning the Board of Directors' membership, in conjunction with the Compensation and Appointments Committee;
- prepare all matters for discussion between the Company and its shareholders relating to (i) changes in their equity interests; (ii) their representation in the Company's corporate governance structures; and (iii) any contractual commitments between them and the Company.

The Committee regularly reports to the Board of Directors on the above subjects and puts forward opinions, recommendations and proposals prior to Board meetings. It also advises the Board on best practices for disclosing information to the market regarding the Company's ownership structure and corporate governance.

The Corporate Governance Committee comprises no more than four members, all of whom are independent. It conducts its work in close cooperation with the Chief Executive Officer and receives input from Accor's internal departments, notably Group Finance and the Corporate Secretary's Office. Where required it may also seek advice from outside consultants.

Calls to meetings of the Corporate Governance Committee are issued by the Committee Chairman and include the meeting agenda.

## Secretary of the Board of Directors

Pursuant to the Company's Bylaws, the Board of Directors shall name a Secretary who need not be a director.

The Board Secretary's role is to call members to meetings of the Board of Directors when requested to do so by the Chairman and to draw up the draft minutes of the meetings of the Board of Directors which are then submitted for approval to the Board. He is entrusted with the task of sending the working documents to the directors according to the procedure set forth in Article 3 of these Bylaws and in general makes himself available to directors for any information request pertaining to their rights and obligations, the Board's operation or the life of the Company.

His duties also include maintaining and updating the statements for the prevention of conflicts of interest provided for in Article 3 of the Directors Code of Conduct.

Lastly, the Board Secretary shall attend the meetings of the Board Committees as needed at the request of the Chairman of the Board of Directors or the Committee chairmen. He may also be entrusted with the task of sending the working documents to the Committee members.

## Directors' fees

Upon a motion by the Compensation and Appointments Committee, the Board of Directors shall distribute the annual amount of directors' fees allocated by the Shareholders' Meeting based in particular on the actual attendance of each director at Board meetings and meetings of any Committee of which he/she is a member.

Distribution is based on the following principles:

- the duties of Committee Chairman shall be compensated with a fixed portion of a flat amount defined by the Board of Directors for each Committee;

- the duties of a Committee member shall be compensated with a fixed portion of a flat amount defined by the Board of Directors and with a variable portion based on attendance at meetings, which shall not exceed the amount of the fixed portion;
- half of the available balance of the directors' fees shall be distributed in equal shares to each of the directors. The other half shall be distributed based on the number of Board meetings that the directors attended during the previous fiscal year;
- the amount of directors' fees received by directors who also hold the position of Chief Executive Officer or Deputy Executive is taken into account as well as directors' fees received from other Group companies when calculating their compensation as determined by the Board of Directors upon a motion by the Compensation and Appointments Committee;
- Directors' fees shall be paid no later than three months following the end of the previous fiscal year.

# BOARD OF DIRECTORS CODE OF CONDUCT

The Board of Directors collectively represents all the shareholders and acts in the Company's interest. Each director, regardless of the reason for his appointment and his qualification by the Board of Directors as regards the independence criteria set forth in the 1995, 1999 and 2002 AFEP/MEDEF consolidated reports, represents all the shareholders and as such adheres to the principles of conduct defined in this Code of Conduct.

The non-voting directors appointed by the Board of Directors and the Founding Co-Chairmen referred to in Article 21 of the Company's Bylaws shall be governed by all of the provisions of this Code of Conduct that are applicable to them.

## Duty of due care

Directors shall carry out their duties as they see fit in the best interest of the Company. They shall strive at all times to improve their knowledge of the Group and its business lines and agree to be bound by a duty of vigilance and warning. They shall devote the necessary time and attention to their directorship in particular by attending the meetings of the Committees to which they belong, the meetings of the Board of Directors and the Shareholders' Meetings.

In addition to complying with the applicable statutes and regulations on the holding of several directorships, it is the responsibility of each director to ascertain whether his/her duties as a director of the Company are compatible with the directorships or positions that he/she holds in other companies in particular as regards the workload. Each director shall disclose periodically to the Company the directorships that he/she holds in any other company in order to enable the Company to comply with its statutory disclosure obligations in this regard.

## Information

Directors have the duty to request the information that they deem necessary to carry out their duties from the Company's management via the Chairman of the Board of Directors who informs the Chief Executive Officer or, where applicable, the Board Secretary. They shall have the right to meet with the Company's principal executives, whether or not in the presence of the Chairman of the Board of Directors and the Chief Executive Officer, after having requested such a meeting from the Chairman of the Board of Directors who informs the Chief Executive Officer.

When a new director takes up office, the Board Secretary shall provide him/her with an information package containing the Company's Bylaws, the Directors Bylaws, the Directors Code of Conduct as well as the principal statutes and regulations regarding directors' liability.

Directors may consult the Board Secretary at any time regarding the scope of said statutes and regulations and the rights and obligations incumbent on him/her.

## Transparency and preventing conflicts of interest

Directors strive to remain independent in all circumstance as regards their analysis, judgment, decisions and actions.

Directors agree not to seek out or accept any benefit likely to call into question their independence.

Any director that is directly or indirectly in a position of a conflict of interest – even potentially – with respect to the interest of the company because of the positions that he/she holds, and/or any interests that he/she has elsewhere, shall inform the Chairman of the Board of Directors or any individual designated by the Chairman. He/she shall abstain from the debates and decision-making on the matters concerned and may have to leave a Board meeting during the debate, and, where applicable, the vote.

When he/she takes up office, and subsequently every year no later than January 31, each director shall fill in a statement according to the template attached to this Code of Conduct in which he/she discloses any relationships of any kind with Group companies, their managers, suppliers, customers, partners or competitors. He/she shall send this statement to the Chairman of the Board of Directors and a copy thereof to the Board Secretary.

The Board of Directors shall deliberate on the rates granted to directors when staying in a non-official capacity in Group hotels.

## Trading in Company securities by the directors

Directors have access to insider information. Such information, if made public, could impact the price of the Company's shares or any other securities issued by the Company.

Pursuant to the applicable statutes and regulations, they shall be required:

- to refrain from using insider information to trade such securities either directly or via an intermediary;
- not to knowingly allow a third party to carry out such trading;
- not to disclose such information to third parties even through carelessness.

In addition, without prejudice to the statutes and regulations on insider trading, periods known as "negative windows" shall be determined each year. During such periods, directors shall refrain from trading the Company's shares or any other securities issued by the Company (including exercising stock options), either directly or via an intermediary, even via the trading of derivatives. Such periods shall be comprised of (i) 30 calendar days prior to the date of publication of the annual and interim consolidated financial statements, as well as the day of these publications and the following day, and (ii) 15 calendar days prior to the date of publication of quarterly revenue figures, as well as the day of these publications and the following day.

The exact dates of the "negative windows" shall be disclosed each year to the directors by the Board Secretary. If specific "negative windows" are set up in connection with financial or strategic transactions, the directors shall be informed immediately thereof by the Board Secretary.

Directors may not hedge the risks of losses on the Company shares or stock options they own.

A special system of "negative windows" may be put in place by resolution of the Board of Directors for directors that concurrently hold the positions of Chief Executive Officer or Deputy Executive Officer of the Company as well as for the Group's principal executives.

Each director shall be responsible for reporting to the French securities regulator (*Autorité des Marchés Financiers*) and to the Company (to the attention of the Board Secretary) any trading involving the Company's shares or any other securities issued by the Company and carried out by him/her or individuals that are closely related to him/her, pursuant to applicable statutes and regulations.

Directors may consult the Board Secretary at any time regarding the scope of the "negative windows" system and on the conditions of its application to any specific case.

## Duty of discretion and confidentiality

Pursuant to Article 15 of the Company's Bylaws, directors shall be bound by a duty of discretion and confidentiality in the interest of the Company. To that end, they undertake that they shall be responsible for maintaining the professional secrecy of all the confidential information to which they have access, the resolutions and the operation of the Board of Directors and of any Committees to which they may belong, as well as the content of the opinions issued or votes cast during Board or Committee meetings.

When requested by the Chairman of the Board of Directors, each director agrees to return or destroy immediately any document in his/her possession containing confidential information.

In addition, directors shall be required to consult with the Chairman of the Board prior to any personal disclosure that they may make in the media on matters involving or likely to affect the Group, the Company and/or its governing bodies. This provision shall not apply to directors who concurrently hold the position of Chief Executive Officer or Deputy Executive and who may have to make disclosures in that capacity in the name of the Company.

## Shares owned privately

Pursuant to the Company's Bylaws, directors must own 500 shares in the Company. Such shares and any shares acquired in excess of that number must be registered shares.

The permanent representatives of legal entities that are directors shall be subject to the same obligation.

The number of Company shares owned by each director (and each permanent representative of any legal entity that is a director) shall be publicly disclosed by the Company.

# DIRECTORS AND CORPORATE OFFICERS

## Board of Directors

**Thomas J. Barrack**

- Thomas J. Barrack has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since May 3, 2005. He holds 500 Accor shares.
- Founder, Chairman and Chief Executive Officer of Colony Capital LLC.
- Aged 60.
- Thomas J. Barrack is an attorney specialized in international financial law. He has also held the positions of President of Oxford Development Venture Inc., Senior Vice-President of E. F. Hutton & Co. in New York and Principal with the Robert M. Bass Group (RMBG), a company founded by Texas-based investor Robert M. Bass.

**Sébastien Bazin**

- Sébastien Bazin has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since May 3, 2005. He holds 1,000 Accor shares.
- Chief Executive Officer Europe of Colony Capital SAS.
- Aged 46.
- Sébastien Bazin holds a Master of Business Administration from the Sorbonne University of Paris. Before joining Colony Capital in 1997, he was a Vice-President of the mergers and acquisitions group of Paine Webber in both London and New York, a director of Hottinguer Rivaud Finances and the Group Director and General Manager of Immobilière Hôtelière.

**Isabelle Bouillot**

- Isabelle Bouillot has been a director of Accor since January 9, 2006 and her term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. She had been a member of the Supervisory Board since February 14, 1996. She holds 500 Accor shares.
- Consultant, Corporate director.
- Aged 58.
- Isabelle Bouillot graduated from the École Nationale d'Administration. She has held various positions in the French government, notably economic advisor to the French President from 1989 to 1991 and budget director in the Ministry of the Economy and Finance from 1991 to 1995. She joined Caisse des Dépôts et Consignations in 1995, where she served as Managing Director of the investment bank of the CDC-Ixis Group from 2000 to 2003.

**Philippe Camus**

- Philippe Camus has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He holds 500 Accor shares.
- Co-Managing Partner of Lagardère Group.
- Aged 59.
- Philippe Camus graduated from the École Normale Supérieure and the Institut d'Études Politiques de Paris. He began his career in the Finance Department of Caisse des Dépôts et Consignations. In 1982, he joined the general management team of Lagardère Group and was appointed Managing Director and Chairman of the Finance Committee in 1993. He supervised the planning that led to the creation of EADS, where he served as Chief Executive Officer from 2000 to 2005. Philippe Camus has been Co-Managing Partner of Lagardère Group since 1998.

**Aldo Cardoso**

- Aldo Cardoso has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He holds 500 Accor shares.
- Corporate director.
- Aged 51.
- Aldo Cardoso holds a PhD in law and an MBA from the École Supérieure de Commerce de Paris. He spent 24 years with Andersen, where he held various operational positions, and from 2002 to 2003 he served as Chairman and Chief Executive Officer of Andersen Worldwide.

**Philippe Citerne**

- Philippe Citerne has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. Société Générale, represented by Philippe Citerne, had been a member of the Supervisory Board since June 28, 1983. He holds 500 Accor shares.
- Director and Chief Operating Officer of Société Générale.
- Aged 59.
- Philippe Citerne earned a graduate degree from the École Centrale de Paris. After holding a number of positions in the Finance Ministry, he joined Société Générale in 1979, where he has served successively as Vice-President Economic Studies, Vice-President Finance, Vice-President Human Relations and then Director and Chief Operating Officer since 1997.

### Étienne Davignon

- Étienne Davignon has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since May 16, 1990. He holds 648 Accor shares.
- Vice-Chairman of Suez-Tractebel.
- Aged 75.
- Étienne Davignon holds a PhD in law. He was Vice-Chairman of the Commission of the European Communities from 1981 to 1985 before serving as Chairman of Société Générale de Belgique from 1988 to 2001. He was subsequently appointed as Vice-Chairman of Suez-Tractebel.

### Gabriele Galateri di Genola

- Gabriele Galateri di Genola has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since July 2, 2003. He holds 500 Accor shares.
- Chairman of Telecom Italia.
- Aged 60.
- Gabriele Galateri di Genola earned an MBA from Columbia University. He held various positions at Saint-Gobain, then at Fiat, beginning in 1977. Gabriele Galateri di Genola was appointed Managing Director of IFIL in 1986 and Chief Executive Officer in 1993 before becoming Chairman of Mediobanca, a position he held until June 2007.

### Sir Roderic Lyne

- Sir Roderic Lyne has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He holds 500 Accor shares.
- Former British ambassador.
- Aged 59.
- Sir Roderic Lyne graduated in History from the University of Leeds and has been awarded honorary doctorates by Leeds, Kingston and Heriot-Watt Universities, as well as four universities in Russia. He has served in British Embassies in several countries, notably in Eastern Europe and Senegal. He was private secretary to the British Prime Minister from 1993 to 1996, the United Kingdom's permanent representative to the World Trade Organization and United Nations from 1997 to 2000, and British ambassador to the Russian Federation from 2000 to 2004.

### Dominique Marcel

- Dominique Marcel has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since May 3, 2005. He holds 500 Accor shares.
- Vice-President Finance and Strategy and member of the Executive Committee of Caisse des Dépôts et Consignations.
- Aged 52.
- Dominique Marcel is a graduate of the Institut d'Études Politiques de Paris and the École Nationale d'Administration (1983). He held a number of government positions, including deputy private secretary to the Prime Minister in 2000. He later joined Caisse des Dépôts et Consignations, where he has been a member of the Executive Committee since 2003.

### Gilles Pélisson

- Gilles Pélisson has been a director and Chief Executive Officer of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He holds 13,641 Accor shares.
- Aged 50.
- Gilles Pélisson graduated from France's ESSEC business school and holds an MBA from Harvard Business School. He began his career with Accor in 1983, in the United States and then in the Asia-Pacific region, and served as Co-Chairman of the Novotel hotel chain. He was appointed Chief Executive Officer of Euro Disney in 1995 and Chairman and Chief Executive Officer in 1997. In 2000, he joined the Suez group, then Bouygues Telecom as Chief Executive Officer and subsequently became Chairman and Chief Executive Officer (from February 2004 to October 2005).

### Baudouin Prot

- Baudouin Prot has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. BNP Paribas, represented by Baudouin Prot, had been a member of the Supervisory Board since May 16, 1990. He holds 500 Accor shares.
- Director and Chief Executive Officer of BNP Paribas.
- Aged 56.
- Baudouin Prot graduated from the École des Hautes Études Commerciales and the École Nationale d'Administration (1976). He is an Inspecteur Général des Finances and held a number of positions in the French government before joining BNP. He has served as Chief Executive Officer of BNP Paribas since 2000.

### Franck Riboud

- Franck Riboud has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since July 3, 2001. He holds 500 Accor shares.
- Chairman and Chief Executive Officer of Danone.
- Aged 52.
- Franck Riboud has an engineering degree from the École Polytechnique Fédérale in Lausanne, Switzerland. He has spent his entire career with the Danone Group, holding positions in finance, marketing and development and has served as Chairman and Chief Executive Officer since 1996.

#### Augustin de Romanet de Beaune

- Augustin de Romanet de Beaune has been a director of Accor since May 14, 2007 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2009. He holds 500 Accor shares.
- Chief Executive Officer of Caisse des Dépôts et Consignations since March 2007.
- Aged 46.
- A graduate of the Institut d'Études Politiques de Paris and the Ecole Nationale d'Administration (1986), Augustin de Romanet de Beaune held various positions within the French Ministry of the Economy and Finance. He was managing partner of Oddo Pinatton Corporate before being appointed deputy director of the Prime Minister's private staff, then deputy principal private secretary to the President of the Republic in 2005. In October 2006, he was appointed Senior Vice President, Finance and Strategy and member of the Executive Committee of Crédit Agricole SA.

#### Jérôme Seydoux

- Jérôme Seydoux has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since January 7, 1997. He holds 1,000 Accor shares.
- Chairman and Member of the Executive Board of Pathé SAS.
- Aged 73.
- Jérôme Seydoux holds an engineering degree from the École Nationale Supérieure d'Électronique, d'Électrotechnique et d'Hydraulique in Toulouse. He began his career as a financial analyst in New York and later served as a member of the Management Board of Banque Neuflize Schlumberger Mallet, Chief Executive Officer of Schlumberger, and Chairman of Chargeurs (1980-1996).

#### Theo Waigel

- Theo Waigel has been a director of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He holds 500 Accor shares.
- Former German Finance Minister (from 1989 to 1998).
- Aged 68.
- Theo Waigel has a PhD in law. He held several positions in the Bavarian State Ministry before becoming a member of the German Bundestag, where he served from 1972 to 2002. He was simultaneously named Chairman of the CSU group and Vice-Chairman of the CDU/CSU parliamentary group in 1982. He served as German Finance Minister from 1989 to 1998.

#### Serge Weinberg

- Serge Weinberg has been the Chairman of the Board of Directors of Accor since January 9, 2006 and his term of office expires at the close of the Annual Meeting to be called to approve the accounts for the year ending December 31, 2008. He had been a member of the Supervisory Board since October 10, 2005. He holds 500 Accor shares.
- Chairman and Chief Executive Officer of Weinberg Capital Partners.
- Aged 56.
- Serge Weinberg graduated from the Institut d'Études Politiques de Paris and France's École Nationale d'Administration (1976). He has served as principal private secretary (*Chef de Cabinet*) to the Budget Minister, Laurent Fabius (1981-1982), Chairman of Havas Tourisme and General Manager of Pallas Finances. He joined the Pinault-Printemps-Redoute Group in 1990 and served as Chairman of the Management Board from 1995 to 2005. In March 2005, he set up Weinberg Capital Partners, a private equity firm specialized in LBO financing.

## Co-Chairmen and Co-Founders

#### Paul Dubrule

Born on July 6, 1934 in Tourcoing (France), Paul Dubrule graduated from the Institut des Hautes Études Commerciales, University of Geneva. Co-Founder and Co-Chairman of the Novotel chain in 1963 with Gérard Pélisson, Co-Chairman of the Novotel SIEH Group (1971-1983). Co-Founder and Co-Chairman of the Accor Group (1983-1997). Paul Dubrule is also Chairman of Entreprise et Progrès and Co-Founder of the World Travel and Tourism Council (WTTC). In 2002, the Paul Dubrule Chair in Sustainable Development was created at the INSEAD international business school. Paul Dubrule also personally set up a hotel school at Siem Reap, in Cambodia. On March 24, 2005, he was appointed Chairman of Maison de la France.

#### Gérard Pélisson

Born on February 9, 1932 in Lyon (France), Gérard Pélisson holds an engineering degree from the École Centrale des Arts et Manufactures, Paris, and a Master of Science in Industrial Management from the Massachusetts Institute of Technology (USA). Co-Founder and Co-Chairman of the Novotel chain in 1963 with Paul Dubrule, Co-Chairman of the Novotel S.I.E.H. Group (1971-1983). Co-Founder and Co-Chairman of the Accor Group (1983-1997). Gérard Pélisson has also served as Chairman of the Council on French Investment in Africa (CIAN), Chairman of the Union of French Citizens Abroad (UFE), Chairman of the Paul Bocuse Institute, Co-Founder and Vice-Chairman of the World Travel and Tourism Council (WTTC) and President of the École Supérieure de Commerce of Lyon (1990-1996).

## Secretary of the Board of Directors

**Pierre Todorov**

To the best of the Company's knowledge, no officer of the company has been convicted of fraud during the past five years. No officer has served as an executive in a company that has filed for bankruptcy or had its assets seized or been placed in liquidation during the past five years. No member has been investigated and/or been the subject of disciplinary measures by any statutory or regulatory authority during the past five years. No officer has been barred by a court from serving as a member of the Board of Directors, Management Board, Supervisory Board or equivalent of an issuer or from participating in the management or conduct of the affairs of an issuer during the past five years. No officer of the Company has a service contract with the Company or any of its subsidiaries providing for the payment of any benefits.

## Executive Committee

**Gilles Pélisson**

Director and Chief Executive Officer

**Philippe Adam**

Executive Vice-President, Strategy and Hotel Development

**Firmin Antonio**

Chief Operating Officer, Accor Latin America

**Yann Caillère**

Chief Operating Officer, Hotels France, Southern Europe, Africa and Middle East, and CEO Sofitel Worldwide

**Michael Flaxman**

Chief Operating Officer, Hotels Northern Europe

**Michael Issenberg** *

Chief Operating Officer, Accor Asia Pacific

*Roberto Cusin and Georges Le Mener have decided to retire in June and December 2007.*

** Michael Issenberg replaced David Baffsky who has decided to retire in February 2008*

**Cathy Kopp**

Executive Vice-President, Human Resources and Sustainable Development

**Eric Lepleux**

Executive Vice-President, Hotels and Brands Marketing

**Serge Ragozin**

Chief Operating Officer, Accor Services

**Jacques Stern**

Chief Financial Officer, in charge of Purchasing and Information Technology Systems

**Pierre Todorov**

Corporate Secretary and Secretary of the Board of Directors.

# OTHER DIRECTORSHIPS AND POSITIONS HELD BY THE MEMBERS OF THE BOARD OF DIRECTORS

## Thomas J. Barrack

### *Directorships and positions currently held*

**In France**

Director of Accor.

**Outside France**

***United States***
Chairman and Chief Executive Officer of Colony Capital LLC.

***Australia***
Director of Challenger Financial Services Group Limited.

### *Directorships and positions held in the past five years*

**In France**

Member of the Supervisory Board of Accor.

Director of Lucia.

**Outside France**

***United States***
Director of the Board of Public Storage, Inc., Kennedy Wilson, Inc., Continental Airlines, Inc. and First Republic Bank.

***Philippines***
Director of the Board of Megaworld Corporation.

## Sébastien Bazin

### *Directorships and positions currently held*

**In France**

Chief Executive Officer Europe of Colony Capital SAS.
Chairman of the Board and Chief Executive Officer of Société d'Exploitation Sports & Événements and Holding Sports & Événements.
Member of the Supervisory Board of ANF (Les Ateliers du Nord de la France) and Carrefour.
Chairman of Colwine SAS, Colbison SAS, SAIP, Colfilm and SAS Spazio.
Chief Executive Officer of Toulouse Canceropole SAS.
Director of Accor SA, France Animation SA and Moonscoop SAS.
Legal Manager of CC Europe Invest SARL and Colmassy SARL.

**Outside France**

***Belgium***
Chairman of RSI SA.

***Luxembourg***
Director of Sisters SA.

### *Directorships and positions held in the past five years*

**In France**

Chairman of the Board of Chateau Lascombes.
Chairman of the Board and Chief Executive Officer of Lucia.
Chairman of Front de Seine Participations SAS, Coladria SAS, Financière Baltimore SAS, SAS Baltimore, Financière Le Parc SAS, SAS Le Parc, SAS ABC Hotels, SAS Défense CB3, Société Hôtelière des Antilles Francaises SHAF (SAS), Financière Paris Astor SAS, SAS Paris Astor, Financière Castille SAS, SAS Castille, Financière Élysées Ponthieu SAS, SAS Élysées Ponthieu, Financière Terminus Nord SAS, SAS Terminus Nord, Financière Terminus Est SAS, SAS Terminus Est, SIHPP, Financière Libertel 2 SAS, SAS Libertel 2, Financière Libertel Ter SAS, SAS Libertel Ter, Financière Libertel Bis SAS, SAS Libertel Bis, Financière Libertel Quater SAS, SAS Libertel Quater, Financière Libertel 16 SAS, SAS Libertel 16, Coldif SAS, Coleven SAS, Financière Libertel Régions, SAS Libertel Régions, Financière Marignan Élysées, SAS Marignan Élysées, SAS Hôtel The Grand and Colony Capital SAS.
Vice-Chairman and Member of the Supervisory Board of Buffalo Grill.
Director of Moonscoop SAS.
Legal Manager of Colony Santa Maria EURL, Colony Pinta SNC, Colony Santa Maria SNC and Colony Le Châlet EURL.
Permanent representative of Front de Seine Participations SAS, Managing Partner of Front de Seine Hotel.
Permanent representative of Fineurogest SA, director of France Animation.
Permanent representative of Lucia, Managing Partner of SNC Immobilière Lucia et Compagnie, SNC Lucia 92 et Compagnie and SNC Immobiloisir Serre-Chevalier.
Permanent representative of Lucia, Chairman of Lucia Club CH, Lucia Investimmo and Lucia Invest Adria.
Permanent representative of Lucia, Legal Manager of Lusi Danton and Lusi Danton 2.
Permanent representative of Lucia, Chairman of SAS Lucia Investissement.
Permanent representative of Lucia, Legal Manager of SCI Clair Logis.
Permanent representative of Lucia, Liquidator of Eural, Société de Gestion Alimentaire and Elven.
Permanent representative of Lucia, Managing Partner of Lucia Saint-Quentin 78 and SNC 10 quai Paul-Doumer.
Permanent representative of Fineurogest SA, director of Antefilms Production.
Member of the Accor Supervisory Board.
Member of the Supervisory Board of Groupe Lucien Barrière SAS.

**Outside France**

***Italy***
Director of RSI Italia SpA and RSI Group SpA.

## Isabelle Bouillot

### *Directorships and positions currently held*

**In France**

Chairman of China Equity Links.
Director of Accor and Compagnie de Saint Gobain.
Managing Partner of IB Finance.

**Outside France**

***Belgium***
Director of Umicore.

### *Directorships and positions held in the past five years*

**In France**

Chairman of the Supervisory Board of CDC Ixis Capital Markets.
Member of the Supervisory Boards of CNCE, CNP, CDC Ixis Asset Management and Accor.
Director of CDC Ixis Private Equity, C3D and La Poste.

**Outside France**

***United States***
Chairman of CDC Ixis Capital Markets North America.

***Italy***
Director of San Paolo IMI.

## Philippe Camus

### *Directorships and positions currently held*

**In France**

Vice-Chairman and Chief Operating Officer of ARJIL Commanditée – ARCO SA.
Representative of ARJIL Conmanditée – ARCO SA, General Partner and Co-Legal Manager of Lagardère SCA.
Director of Éditions P. Amaury SA, Crédit Agricole and Accor.
Member of the Supervisory Board of Hachette Filipacchi Médias SA and Lagardère Active SAS.
Permanent representative of Hachette SA on the Board of Directors of Hachette Distribution Services SA.
Permanent representative of Lagardère SCA on the Board of Directors of Hachette SA.
Honorary Chairman of GIFAS.
Permanent representative of Lagardère Active on the Board of Directors of Lagardère Active Broadcast (Monaco).

**Outside France**

***United States***
Chairman and CEO of Lagardère North America.
Director of Cellfish Media, LLC and Schlumberger.
Senior Managing Director of Evercore Partners Inc.

### *Directorships and positions held in the past five years*

**In France**

Chairman of EADS France SAS and Groupement des Industries Françaises Aéronautiques et Spatiales (GIFAS).
Director of La Provence SA, Nice Matin SA, Hachette Filipacchi Medias SA, GIE PGS, Crédit Lyonnais and Dassault Aviation SA.
Member of the Compensation Committee and the Partners Committee of Airbus SAS.

**Outside France**

***Netherlands***
Executive Co-Chairman of EADS N.V. and EADS Participations B.V.

## Aldo Cardoso

### *Directorships and positions currently held*

**In France**

Director of Accor, Gaz de France, Imerys and Rhodia.
Non-voting director of Bureau Veritas and Axa Investment Managers.

**Outside France**

***Belgium***
Director of Mobistar.

### *Directorships and positions held in the past five years*

**In France**

Director of Penauille and Orange.

## Philippe Citerne

### *Directorships and positions currently held*

**In France**

Director and Chief Operating Officer of Société Générale.
Chairman of Systèmes Technologiques d'Échanges et de Traitement (STET).
Director of Accor, Sopra Group, Geneval and Grosvenor Continental Europe SAS.

**Outside France**

***United Kingdom***
Director of SG Hambros Bank Ltd.

***United States***
Director of TCW.

***Russia***
Director of Rosbank.

### *Directorships and positions held in the past five years*

**In France**

Director of Crédit du Nord.
Member of the Supervisory Board of Sopra Group.
Permanent representative of Société Générale on the Supervisory Board of Accor.
Permanent representative of Société Générale on the Board of Directors of TF1.

**Outside France**

***Italy***
Director of Unicredito Italiano.

## Étienne Davignon

### *Directorships and positions currently held*

**In France**

Director of Accor and Suez.

**Outside France**

***Belgium***
Chairman of Compagnie Internationale des Wagons-Lits et du Tourisme, Compagnie Maritime Belge, Recticel and SN Air Holding.
Vice-Chairman of Suez-Tractebel and Cumerio.
Director of Sofina.

### *Directorships and positions held in the past five years*

**In France**

Director of Pechiney.
Member of the Supervisory Board of Accor.

**Outside France**

***Belgium***
Chairman of Sibeka.
Vice-Chairman of Société Générale de Belgique, Petrofina, Tractebel, Fortis and Umicore.
Director of Solvay, BIAC and RealSoftware.

***Germany***
Member of the Supervisory Board of BASF.

## Gabriele Galateri di Genola

### *Directorships and positions currently held*

**In France**

Director of Accor.

**Outside France**

***Italy***
Chairman of Telecom Italia SpA, Istituto Europeo di Oncologia and Centro Cardiologico Monzino.
Chairman of the Board of Istituto Italiano di Tecnologia.
Vice-Chairman of Assicurazioni Generali SpA and RCS SpA.
Director of Sifalberghi Srl, Fiera di Genova SpA, Banca Esperia SpA, Italmobiliare SpA, Cassa di Risparmio di Savigliano, UTET SpA, Pirelli & C. SpA and Azimut SpA.

***Germany***
Member of the Central Advisory Board of Commerzbank.

***Switzerland***
Member of the Supervisory Committee and Director of San Faustin NV.

### *Directorships and positions held in the past five years*

**In France**

Director of Worms & Cie.

Member of the Supervisory Board of Accor.

**Outside France**

***United Kingdom***
Director of Arjo Wiggins Appleton.
Member of the International Advisory Board of Morgan Stanley.

***Italy***
Chairman of Mediobanca SpA, Business Solution SpA, Ciao Web Srl, Emittente Titoli SpA and Fiat Auto SpA.
Vice-Chairman and Managing Director of Egidio Galbani SpA.
Director of Alpitour Italia SpA, Atlanet SpA, Birra Peroni Industriale SpA, IFI SpA, La Rinascente SpA, Siemens Italia and Toro Assicurazioni SpA.
Managing Director of Fiat SpA and Ifil SpA.
Director and Member of the Executive Committee of Sanpaolo IMI SpA.
*Consigliere Accomandatario* of Giovanni Agnelli & C Sapaz.
Mediobanca representative in the *Patto di Sindicato* of GIM SpA and Gemina SpA.

***Luxembourg***
Director of Sanpaolo IMI Investments.
Director of Exor Group.
Managing Director of Eurofind SA.

***Netherlands***
Chairman of Fiat Auto Holding BV, Iveco NV.
Director of CNH Global NV and New Holding For Turism BV.
Director of Ferrari SpA.

***Switzerland***
Vice-Chairman of IHF Internationale Holding Fiat SA.

## Sir Roderic Lyne

### *Directorships and positions currently held*

**In France**

Director of Accor.

**Outside France**

***United Kingdom***
Non-executive director of Aricom Plc. and the Russo-British Chamber of Commerce.
Member of the Board of Governors of Kingston University.
Senior Advisor to JPMorgan Chase Bank.
Special Advisor to BP Pcl.
Special Representative of ITE Group Plc.
Member of the Strategic Advisory Group of QucomHaps Holding Ltd.

## Dominique Marcel

### *Directorships and positions currently held*

**In France**

Vice-President, Finance and Strategy and member of the Executive Committee of Caisse des Dépôts et Consignations.
Chairman and Chief Executive Officer of CDC Entreprises Capital Investissement, Financière Transdev and CDC Infrastructure (formerly Map Holding).
Chairman of the Board of BAC Participations.
Chairman of the Supervisory Board of Compagnie des Alpes.
Vice-Chairman of the Supervisory Board of Dexia Crédit Local.
Director of Accor, CDC Entreprises (SAS formerly FP Gestion), CNP Assurances, Icade (formerly Icade EMPGP SA), Société du Grand Théâtre des Champs-Élysées and Société Forestière de la CDC.
Permanent representative of Caisse des Dépôts et Consignations on the Supervisory Board of Société Nationale Immobilière.
Permanent representative of Financière Transdev on the Board of Directors of Transdev.

**Outside France**

***Germany***
Chairman of the Supervisory Board of CDC DI GmbH.

***Belgium***
Director of Dexia.

### *Directorships and positions held in the past five years*

**In France**

Chairman of Groupe Beture Cap Atrium (SASU).
Chairman of the Board of CDC Holding Finance.
Member of the Supervisory Board of Accor, CDC Entreprises Holding (formerly CDC Entreprises), CNP Assurances, Crédit Foncier de France, Société Nationale Immobilière, Ixis Asset Management and Ixis CIB.
Director of Caisse des Dépôts Développement (C3D) and Icade.
Permanent representative of Caisse des Dépôts et Consignations on the Supervisory Board of CDC Ixis and Caisse Nationale des Caisses d'Épargne et de Prévoyance (CNCE).
Permanent representative of Caisse des Dépôts et Consignations on the Board of Directors of Icade.
Permanent representative of CDC Holding Finance on the Board of Directors of Compagnie Financière Eulia.

## Gilles Pélisson

### *Directorships and positions currently held*

**In France**

Director and Chief Executive Officer of Accor.
Vice-Chairman of the Supervisory Board of Groupe Lucien Barrière SAS.
Permanent representative of Accor on the Supervisory Board of Lenôtre.
Chairman of the Supervisory Board of ESSEC.
Director of BIC SA.

**Outside France**

***Italy***
Director of Accor Services Italia S.r.l (formerly Gemeaz Cusin S.r.l), Sagar S.r.l and Sifalberghi S.r.l.

### *Directorships and positions held in the past five years*

**In France**

Chairman and CEO of Bouygues Telecom (February 2004 to October 2005).
Chief Executive Officer of Bouygues Telecom (2001 to 2004).
Director of TPS, RCBT (Réseau Clubs Bouygues Telecom) and Club Méditerranée.

**Outside France**

Director of Scapa Italia S.r.l.

## Baudouin Prot

### *Directorships and positions currently held*

**In France**

Director and Chief Executive Officer of BNP Paribas.
Director of Accor, Veolia Environnement and Pinault-Printemps-Redoute.

**Outside France**

***Belgium***
Director of ERBE.

***Italy***
Director of BNL.

***Switzerland***
Director of Pargesa Holding SA.

### *Directorships and positions held in the past five years*

**In France**

Chairman of the Board of BNP Paribas E3.
Director of Pechiney.
Member of the Supervisory Boards of Cetelem and Pinault-Printemps-Redoute.
Permanent representative of BNP Paribas on the Supervisory Board of Fonds de Garantie des Dépôts, Accor.

## Franck Riboud

### *Directorships and positions currently held*

**In France**

Chairman and Chief Executive Officer and Chairman of the Executive Committee of Groupe Danone.
Director and Chairman of the Compensation Committee of Renault SA.
Director of Lacoste France, Renault SAS, Accor, Asociation Nationale des Industries Agro-Alimentaires and International Advisory Board HEC.

Groupe Danone representative on the National Sustainable Development Committee (*Conseil National du Développement Durable*).

**Outside France**

***Spain***
Director of Baglay Latinoamerica SA and Danone SA.

***Switzerland***
Director of Fondation GAIN (Global Alliance for Improved Nutrition).

***India***
Director of Wadia BSN India Limited.

***Morocco***
Director of ONA.

### Directorships and positions held in the past five years

**In France**

Chairman of the Board of Compagnie Gervais Danone and Générale Biscuits.
Member of the Supervisory Board of Accor and Eurazeo.
Director of Ansa, L'Oréal and Danone Finance.
Permanent representative of Générale Biscuits on the Board of Directors of LU France.
Member of the Advisory Committee of Banque de France.
Chairman of the Appointments Committee of Renault SA.

**Outside France**

***Singapore***
Chairman and director of Danone Asia PTE Limited.

***Indonesia***
Commissioner of P.T. Tirta Investama.

***Belgium***
Director of Sofina.

***United States***
Director of Quiksilver.

***United Kingdom***
Director of Associated Biscuits International Ltd (ABIL), Scottish & Newcastle Plc. and ABI Holdings Ltd. (ABIH).

## Augustin de Romanet de Beaune

### Directorships and positions currently held

**In France**

Director of Accor, Veolia Environnement and CDC Entreprises (SAS).
Chairman of the Supervisory Board of SNI.
Permanent representative of Caisse des Dépôts et Consignations on the Board of Directors of CNP Assurances.
Permanent representative of Caisse des Dépôts et Consignations on the Board of Directors of Icade.

**Outside France**

***Belgium***
Director of Dexia.

## Jérôme Seydoux

### Directorships and positions currently held

**In France**

Chairman of Pathé SAS, Pathé Distribution SAS and Pathé Renn Production SAS.
Chief Executive Officer of Pricel SAS.
Vice-Chairman and CEO and director of Chargeurs SA.
Director and Vice-Chairman of Olympique Lyonnais Groupe.
Director of Accor and Compagnie du Mont-Blanc.
Legal Manager of OJEJ SC, SOJER SC and EDJER EURL.
Permanent representative of Soparic Participations for Olympique Lyonnais SASP.

### Directorships and positions held in the past five years

**In France**

Chairman of the Supervisory Board of Mont-Blanc & Compagnie SA.
Vice-Chairman of the Supervisory Board of Mont-Blanc & Compagnie SA.
Legal Manager of JMS Films SNC and Pathé Image SNC.
Director of Compagnie Deutsch and Groupe Danone SA.
Member of the Executive Committee of Arena Films SAS and Galfin Productions SAS.
Member of the Supervisory Board of Accor.
Permanent representative of Pathé on the Board of Directors of Olympique Lyonnais Groupe.
Member of the Appointments Committee and Compensation Committee of Groupe Danone SA.
Vice-Chairman and director of Télé Monté Carlo SA (Monaco).

## Theo Waigel

### Directorships and positions currently held

**In France**

Director of Accor.

**Outside France**

***Germany***
Chairman of the Supervisory Board of NSM Löwen Entertainment GmbH.
Member of the Supervisory Board of AachenMünchener Versicherung AG, AachenMünchener Lebensversicherung AG, AGCO Fendt GmbH, Bayerische Gewerbebau AG and Deutsche Vermogensberatung AG.
Member of the Advisory Committee of BT GmbH & Co oHG, IVG Immobilien AG, Lexis Nexis and EnBW Energie Baden-Württemberg AG.

***Austria***
Member of the Supervisory Board of Generali Vienna Holding AG.

***United States***
Member of the Advisory Committee of Emerson Electric.

***Italy***
Member of the General Council (*Consiglio Generale*) of Generali Assicurazioni SpA.

***United Kingdom***
Member of the Advisory Committee of Eli Lilly Holdings Limited.

## Serge Weinberg

### *Directorships and positions currently held*

**In France**

Chairman and Chief Executive Officer of Weinberg Capital Partners SAS.
Chairman of the Board of Accor.
Director and Vice-Chairman of Financière SASA (SAS).
Director of FNAC, Rasec SAS, Team Partners Groupe, Alliance Industrie, Financière Poinsetia SAS, VL Holding (SAS) and SASA Industrie (SA).
Vice-Chairman of the Supervisory Board of Schneider Electric.
Legal Manager of Adoval, Maremma and Serole (since October 2007).

**Outside France**

***Netherlands***
Member of the Supervisory Board of Gucci Group NV.

### *Directorships and positions held in the past five years*

**In France**

Chairman of the Management Board of Pinault-Printemps-Redoute.
Chairman of the Supervisory Board of Accor, Conforama Holding, France Printemps, Guilbert SA and Redcats.
Legal Manager of Serole (from September 1999 to March 2005).
Director of Rexel.
Member of the Supervisory Board of Yves Saint Laurent Parfums and Boucheron Holding.
Permanent representative of Tennessee on the Board of Directors of Bouygues.
Permanent representative of PPR on the Supervisory Board of PPR Interactive.

**Outside France**

***Singapore***
Director of PPR Asia.

# REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

## TO THE ANNUAL SHAREHOLDERS' MEETING ON THE PREPARATION AND ORGANIZATION OF BOARD OF DIRECTORS' MEETINGS AND INTERNAL CONTROL PROCEDURES (PREPARED IN APPLICATION OF ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE).

This report was reviewed by the Board of Directors at its meeting on February 26, 2008. It was prepared in accordance with the document entitled "The Internal Control System: Reference Framework" issued by the Working Group set up by French securities regulator *Autorité des Marchés Financiers*. The following description of the Company's internal control procedures is based on Reference Framework's outline.

## 1. Preparation and organization of Board of Directors' Meetings

The preparation and organization of meetings of the Board of Directors are governed by the laws and regulations applicable to public limited companies (*sociétés anonymes*), the Company's Bylaws and the Board of Directors Bylaws, which also describe the procedures of the four Board committees. Details concerning membership of the Board of Directors, the independent status of directors and the criteria used to establish independence, are set out in the "Directors and Corporate Officers" and "Governance Structures" sections of the Board of Directors report.

Each Board member is required to comply with the Board of Directors Code of Conduct, which is also included in the Board of Directors Report.

The Board met nine times in 2007. The notices of meeting together with the agenda were sent to all the members by e-mail, generally one week before the meeting date. In the period between two meetings, members were kept regularly informed of significant events and transactions involving the Company and were sent copies of all press releases issued by the Company.

Each ordinary Board meeting lasted four hours on average and special meetings convened to discuss specific matters lasted an average of one hour. The attendance rate was around 75%.

In addition to fulfilling the duties attributed to it by law or in the Company's Bylaws, the Board of Directors was informed by the Chief Executive Officer and, in some cases, by the senior executives concerned, of a large number of significant business achievements and projects.

At two meetings the Board also discussed the procedure of assessing its own performance.

Board discussions and decisions in certain areas are prepared by specialist Board Committees made up of directors appointed by the Board for the duration of their term. These Committees examine matters falling within their terms of reference, as well as any matters referred to them for consideration by the Chairman of the Board. They report regularly to the Board on their work, and provide the Board with observations, opinions, proposals and recommendations.

To assist them in their work, the Board Committees may commission technical reports from management or external consultants. In both cases, the Chairman of the Board is notified in advance and informs the Chief Executive Officer. The Committees may also arrange meetings with members of management responsible for the areas under review, without any executive directors necessarily being present. In this case also, the Chairman of the Board is notified in advance and informs the Chief Executive Officer.

There are currently four Board Committees:

- the Strategy Committee;
- the Audit Committee;
- the Commitments Committee;
- the Compensation and Appointments Committee.

The Board may also set up one or several special committees.

Each Committee is chaired by one of its members, designated by the Board.

The Committee Chairman appoints a person who may or may not be a Committee member to act as secretary.

The Chairman of each Committee may ask for the Committee to be consulted on any matters falling within its terms of reference that have not been referred to it.

Each Committee is required to periodically review its rules of procedure and propose to the Board any changes that are considered necessary.

The Board Committees do not have any decision-making authority.

The **Audit Committee** met three times in 2007. During these meetings, it prepared the Board's review and discussion of the annual financial statements, in accordance with its terms of reference as set out in the Board's Bylaws. Meetings of the Audit Committee are also attended by the Chief Executive Officer, the Chief Financial Officer and, where necessary, the Board secretary and the head of Internal Audit. The Statutory Auditors attend meetings held to approve the financial statements.

The Audit Committee has between three and five members, all of whom have the necessary technical knowledge to fulfill the Committee's duties. At least two-thirds of the members, including the Committee Chairman, must be independent directors.

The **Compensation and Appointments Committee** met four times in 2007. During these meetings, the Committee drafted proposals to the Board concerning the compensation packages of executive directors, in accordance with its terms of reference as set out in the Board's Bylaws. It also reviewed the terms of the March 22 and May 14, 2007 stock option plans. In accordance with French Act no. 2006-1770 of December 30, 2006 on profit-sharing and employee stock ownership, the principles and rules applied by the Board of Directors for determining the compensation and benefits payable to executive directors are described in the "Executive and Director Compensation" section of the report of the Board of Directors. As well as describing the policy for determining executive directors' compensation, this section provides details of the amount of their compensation, the amount of director's fees paid to members of the Board, directors' transactions in the Company's shares, and directors' and employees' interests in the Company's capital (through stock option plans and incentive and profit-sharing schemes).

The Compensation and Appointments Committee comprises three to five members, the majority of whom must be directors qualified as independent by the Board of Directors. It is chaired by an independent director.

The **Strategy Committee** met once in 2007. Its role is to (i) prepare the matters to be discussed by the Board relating to the Group's main strategic objectives, in particular expansion and financing; and (ii) review changes in the Group's business portfolio. It also prepares the Board's annual meeting devoted to a strategic review of the Group's businesses.

The Strategy Committee comprises up to seven members, including the Chairman of the Board and the Chief Executive Officer if he/she is also a director. It is chaired by an independent director.

The **Commitments Committee** met eight times in 2007, with an attendance rate of around 75%.

The Committee is responsible for preparing Board meetings and making recommendations to the Board on the following matters:

- any and all transactions that may have a material impact on the Group's business base;
- any proposed asset purchases, sales or other investments that are (i) carried out in the normal course of business (i.e. related to the Hotels business) whose price or enterprise value exceeds €300 million, including the Company's major hotel banners; or (ii) not carried out in the normal course of business, whose price or enterprise value exceeds €100 million. Transactions carried out in the normal course of business are defined as the construction of new hotels or the purchase or sale of individual hotels;
- any mergers, demergers or asset transfers;
- any amendments to the Company's corporate purpose.

The Commitments Committee may have up to five members. Committee meetings may be called at any time, in writing or verbally, by the Committee Chairman or the Chairman of the Board of Directors.

## 2. Restrictions on the powers of the Chief Executive Officer

The Board of Directors has elected to separate the functions of Chairman of the Board and Chief Executive Officer, in accordance with the option offered under Article L. 225-51-1 of the French Commercial Code. The Board of Directors deals with all matters falling within the powers vested in it under the applicable laws and regulations.

In addition, the Board of Directors is responsible for:

a) approving the annual budget and the business plan presented by the Chief Executive Officer;

b) reviewing and approving the Group's overall strategy, at least once a year, in accordance with the Board's Bylaws;

c) authorizing the following decisions of the Chief Executive Officer prior to their implementation:

- any and all immediate or deferred financial commitments representing more than €100 million per transaction. "Financial commitments" shall be defined as:
  - any and all acquisitions or disposals of assets and majority or minority interests in other companies; in the latter case, the amount of the commitment is determined by reference to the entity's enterprise value,
  - any and all direct investments, for example for the creation of a business, the construction, refurbishment or extension of a hotel property, or expenditure on technological developments,
  - rental investments, measured on the basis of the market value of the leased asset,
  - hotel management contracts with a guaranteed minimum fee,

– any and all loans to entities in which the Company or one of its subsidiaries does not hold the majority of the shares and voting rights, and any and all commitments to participate in share issues by such entities,

- any and all transactions that may impact the Group's strategy or lead to a material change in the Group's business base (mainly entry into a new business or withdrawal from an existing business), whatever the amount of the commitment,
- any and all credit facilities obtained from a single bank or a banking pool for a cumulative amount of €2 billion, or any individual facility for a period of more than 15 years irrespective of the amount. The Chief Executive Officer is required to notify the Board of Directors of any and all credit facilities of less than €2 billion obtained since the last disclosure. The Board's prior approval is not required for borrowings due in less than one year,
- any and all transactions involving the Company's shares carried out in application of Article L. 225-209 of the French Commercial Code, which exceed one million shares per transaction and a cumulative two million shares per year;

d) authorizing the Chief Executive Officer to issue guarantees, bonds and endorsements in the Company's name, up to a cumulative amount of €1 billion per year. In accordance with the Company's Bylaws, any such authorizations may be given for a period of one year. The Chief Executive Officer is required to report to the Board of Directors each year on the amount and nature of guarantees, bonds and endorsements issued under the authorization;

e) discussing and deciding on any proposed changes to the Group's management structure and reviewing information about the main organizational changes.

# 3. Internal control procedures

## 3.1. Internal control objectives

The Group applies the internationally recognized definition of internal control formulated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to this definition, internal control is a process, effected by an entity's Board of Directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- effectiveness and efficiency of operations;
- reliability of financial reporting;
- compliance with applicable laws and regulations.

This definition complies with that set out in the above-mentioned Internal Control Reference Framework issued by the AMF:

"Internal control is a company's system, defined and implemented under its responsibility, which aims to ensure that:

- laws and regulations are complied with;
- the instructions and directional guidelines fixed by Executive Management or the Management Board are applied;
- the company's internal processes are functioning correctly, particularly those implicating the security of its assets;
- financial information is reliable;

and generally, contributes to the control over its activities, to the efficiency of its operations and to the efficient utilization of its resources.

By helping to anticipate and control the risks involved in not meeting the objectives the company has set for itself, the internal control system plays a key role in conducting and monitoring its various activities.

However, internal control cannot provide an absolute guarantee that the company's objectives will be met."

One of the objectives of the internal control system is therefore to anticipate and control the risks arising in the course of the Company's business, as well as the risk of errors or fraud, particularly in the areas of accounting and finance. However, as stated in the AMF's Internal Control Reference Framework, internal control procedures cannot provide an absolute guarantee that the company's objectives will be met, no matter how well the system is designed or how well the procedures are applied.

The following description of the Company's internal control systems was prepared based on the aforementioned Reference Framework and its application guide.

## 3.2. Summary description of internal control procedures

The internal control system described below covers the parent company and all of its consolidated subsidiaries.

### 3.2.1. Overall organization of the internal control system

#### *3.2.1.1. Main participants*

Internal control procedures are part of the policies defined by Board of Directors and are implemented under the direct responsibility of the heads of the operating divisions and corporate functions. Internal control is everyone's responsibility, from corporate officers to front-line employees.

The main parties responsible for overseeing the internal control system are as follows.

**Executive Management**

In accordance with the law and the Company's Bylaws, the Chief Executive Officer represents the Company in its dealings with third parties and has the broadest powers to act on behalf of the Company in all circumstances. The situations where exercise of the Chief Executive Officer's powers is subject to the prior approval of the Board of Directors are detailed in section 2 of this report.

For the purpose of carrying out his duties, the Chief Executive Officer has set up an Executive Committee including representatives of all of the operating divisions and corporate functions. This Committee comprises the following members:

- the Chief Operating Officer, Hotels, France, Southern Europe, Africa and the Middle East and CEO of Sofitel Worldwide is in charge of the region that includes France, Spain, Portugal, Italy, and the Africa/Middle East. He is also responsible for Sofitel operations in all regions;
- the Chief Operating Officer, Hotels, Northern Europe is responsible for the region that includes the United Kingdom, Germany, Ireland, the Benelux countries, Scandinavia, Central Europe, Eastern Europe and Turkey. In addition, the Executive Vice-President, Distribution Networks reports to him;
- the Chief Operating Officer, Accor Asia-Pacific is responsible for the region that includes Asia, Australia and China;
- the Chief Operating Officer, Accor Services is in charge of Accor Services worldwide;
- the Chief Operating Officer, Accor Latin America is responsible for all of Accor's operations in Brazil and Latin America;
- the Chief Financial Officer, in charge of Purchasing and Information Technology Systems oversees all of the Group's finance functions. In addition, the Purchasing, Information Systems and Telecommunications Departments report to him. A description of the structure and responsibilities of the Corporate Finance Department is provided below, including its role in monitoring the accounting and financial aspects of the internal control system;
- the Executive Vice-President, Strategy and Hotel Development is primarily tasked with (i) defining the Group's strategy (including the three-year business plan); and (ii) helping to review and approve major Group developments. He supervises hotel development and the Hotel Technical Services Department and is also in charge of shareholdings;
- the Executive Vice-President, Human Resources and Sustainable Development develops the Group's human resources strategy and coordinates human resources management. She is also in charge of the Sustainable Development Department and supervises all of the corporate administrative services;
- the Corporate Secretary and Secretary of the Board of Directors is responsible for risk management and oversees the Legal, Insurance and Health and Safety Departments;
- the Executive Vice-President, Hotels and Brands Marketing is in charge of brand positioning and advertising, as well as for brand innovation and research. He is also responsible for Accor brand endorsements.

In addition, the following people all report to the Chief Executive Officer: the Executive Vice-President responsible for Motel 6/Studio 6 and Accor North America, as well as the Communications and External Relations Department, the Chairman of the Management Board of Lenôtre and the Chief Executive Officer of Compagnie des Wagons Lits.

**Group Finance**

The Chief Financial Officer is responsible for implementing the Group's financial policies, in particular by circulating to the Divisions the accounting principles and standards used to prepare the consolidated financial statements. In accordance with the strategy put forward by the Chief Executive Officer and approved by the Board of Directors, the Group Finance function includes the following Departments:

- the Group Treasury Department, responsible for (i) managing the Group's long-term financing, (ii) coordinating and optimizing short-term financing facilities in conjunction with the Central Treasury Offices, (iii) implementing the strategy for managing financial flows in the various countries where the Group operates, (iv) carrying out and/or monitoring all market transactions for the Group and performing the related back office functions, and (v) rolling out a credit management process to all of the Group's businesses and/or countries;
- the Corporate Finance Department, in charge of (i) analyzing and monitoring the financial impacts of organic and acquisition-based growth transactions presented to the Investments Committee, (ii) organizing the sale of material non-strategic assets, (iii) coordinating individual asset sales carried out by the Country Finance Departments, and (iv) preparing the Financial Business Plan, in line with the Strategic Business Plan;
- the Group Tax Department, which is tasked with implementing and/or coordinating tax optimization measures, particularly relating to cross-border transactions;
- the Corporate Accounting Department, responsible for preparing the financial statements of Accor SA and monitoring the financial aspects of Accor SA's holding operations;
- the Investor Relations and Financial Communications Department, in charge of releasing details on the Group's strategy and results to the financial markets;
- the Global Financial Support Department, tasked with monitoring the financial functions of the Purchasing, Information Systems and Technical Departments and overseeing the accounting support functions of the Northern Europe and Southern Europe Hotels Divisions;
- the Group Internal Audit Department.

Within the Group Finance Department, the Group General Management Controller supervises:

- the Group Financial Control Department, responsible for coordinating operations with the Country and or/Business Line Finance Directors, as well as for implementing the Group's monthly financial reporting procedure and the budget and results forecast processes;
- the Consolidation Department, which prepares the consolidated financial statements;
- the Financial Information Systems Department, in charge of defining and updating the Group's standards on financial information systems.

Group Finance maintains regular contact with the Statutory Auditors, who audit the financial statements of the Company and the Group in accordance with the applicable laws and regulations.

**Business Line Finance Departments**

The Group has two Business Line Finance Departments:

- the Hotels Finance Department, which includes:
  - the Hotel Real Estate Financing Department, which reports to the Chief Financial Officer. This Department is in charge of implementing and/or optimizing the processes for owning hotel assets that have been identified by the Group as priority holdings,
  - the Finance & Management Control Department for Hotel Sales & Marketing, which reports to the Executive Vice-President Hotels and Brands Marketing and has a dotted-line reporting relationship with the Chief Financial Officer. The responsibilities of this Department are to monitor the financial operations of the Brand Strategy and Relational Marketing and Distribution (International Sales, Reservations and web management) Departments, as well as the Partnership & Sponsoring and Customer Loyalty Departments;
- the Services Finance Department. The responsibilities of this Department – which were defined as part of the strategy approved by the Chief Operating Officer of Accor Services and the financial strategy drawn up by the Chief Financial Officer – are as follows:
  - checking that the monthly, quarterly and half-yearly financial information provided by all of Accor Services' countries is valid and consistent before it is passed on to Group Finance,
  - managing the processes relating to Accor Services' financial planning, operating budgets and/or commitments and results forecasts,
  - ensuring that all of Accor Services' countries comply with the internal control system,
  - as part of the capital expenditure procedure, validating the expansion projects put forward by the management teams of the various countries and subsequently implementing them and/or monitoring their completion.

**Group Internal Audit**

Group Internal Audit reports directly to the Chief Financial Officer and has a dotted-line reporting relationship with the Group Internal Control Committee. As the cornerstone of the internal audit system, it is responsible for helping to develop internal control tools and standards, and for performing internal audits based on the annual audit program approved by the Group Internal Control Committee.

Group Internal Audit coordinates its audit plans with the statutory audit work performed by the Statutory Auditors. It is also responsible for coordinating the activities of the local internal audit departments within the Divisions.

At December 31, 2007, Group Internal Audit had a staff of 19 auditors. Group Information Systems Internal Audit, which reports to the Group Information Systems and Telecoms Department, had a team of four auditors at that date.

**The local internal audit departments in the Divisions**

The local internal audit departments set up in the main Divisions report to their Division's Chief Financial Officer and have a dotted-line reporting relationship with Group Internal Audit.

These local departments have direct ties with Group Internal Audit, thereby ensuring that they comply with the fundamental principles of conduct and independence and follow the standards of the internal audit profession, as well as the methods recommended by the Group. These ties also guarantee that the local internal audit departments are given adequate resources to fulfill their objectives.

At end-2007 the local internal audit departments in the Divisions had a total of 34 auditors.

#### 3.2.1.2. The accounting and financial information system

The Group's accounting and financial information system is designed to ensure the security, reliability, availability and traceability of information. It is based on an interfaced reporting and consolidation system that covers substantially all of the Group's operations with the aim of providing consistent accounting data at company and Group level.

A specifically designed user manual has been prepared and issued to the employees concerned, in order to guarantee that the systems are correctly used and that the information obtained is appropriate and relevant.

The Group has also set up processes to ensure the security of the accounting and financial information system, as well as the integrity of the data involved. These include regular back-ups and automatic controls that trigger warnings in the event of intrusion.

In addition, the accounting and financial information system is regularly updated in line with the Group's specific needs.

### 3.2.2. Internal reporting

The Group ensures that relevant information is communicated in a timely manner to the appropriate persons so that they can exercise their duties in accordance with the Group's standards. To this end, a set of procedures containing best practices and reporting processes has been circulated internally.

#### Corporate values and principles

The Group's internal control system forms part of the corporate values expressed by the Board of Directors and Executive Management and communicated to all employees. The Group has prepared rules of conduct and integrity relating to employee behavior, customer relations, shareholders, business partners and competitors. It is currently updating its Ethics Charter.

The Internal Audit Charter aims to provide a Group-level cross-functional view of internal audit resources and methodologies, as well as the methods used to communicate the results of internal audits. To this end, it defines the framework for internal audit activities within the Group, based on the professional standards issued by IFACI and other bodies. The Charter also formally describes the role, membership and procedural rules of the Group Internal Control Committee. Lastly, it describes the procedure to be followed by

Group Internal Audit to coordinate the activities of the local internal audit departments.

The Internal Audit Charter was signed by the Group's Chief Executive Officer, Chief Financial Officer and Corporate Secretary, as well as by the Head of Group Internal Audit and all of the members of the Group Internal Control Committee. The structure and roles of this Committee are described in section 3.2.5.

#### *Procedure manuals and accounting principles*

A Finance Manual is issued to all Group Finance Departments, describing the closing process for the monthly management accounts and setting out the Group's charts of accounts, consolidation principles, accounting standards and policies. It also addresses specific issues related to the investment approval procedure and includes the Treasury Charter, which describes cash management procedures, the principles to be followed concerning the holding of payment instruments and the approval of expenditures, as well as the role and organization of cash pooling systems. The Manual is available on the Group Intranet.

In addition, a presentation of International Accounting Standards/International Financial Reporting Standards has been prepared by the General Management Control Department and provided to the Group employees concerned.

Lastly, consolidation instructions detailing the financial reporting schedule and specific points concerning restatement of individual financial statements are issued once every six months to the Group's various Finance Directors and consolidation teams, and are archived on the Finance Intranet.

#### *Internal procedure manuals*

Internal procedure manuals have been produced for the main businesses. The purpose of these manuals is to structure and firmly establish Group procedural guidelines, based on an assessment of the specific internal control risks of each business.

#### *Internal control assignment reports*

A draft report is prepared after each internal audit assignment, setting out observations, identified risks and appropriate recommendations. This report is sent to the management team of each audited entity, which prepares an action plan when required. A summarized version of this draft report may also be sent to the members of the Executive Committee if they so request.

The final reports, which include the corrective action plans prepared by the audited entities, are then sent to the managers in charge of overseeing operational and financial matters for the entities concerned.

The reports prepared by the local internal audit departments are systematically centralized by the Group Internal Audit Department and a summary of the work performed by these departments is presented to the Group Internal Control Committee.

In addition, the Audit Committee receives a quarterly synopsis of the assignments carried out by the internal audit teams, including a status report on the annual audit plan, internal control levels identified during the assignments, major observations, and action plans decided on by the parties concerned.

#### *Reporting procedure*

Group Financial Control is responsible for overseeing the reporting procedure specified in the Finance Manual. The procedure requires submission, by the Divisions, of monthly reporting packages comprising an analysis of key business indicators and the main components of income, in the format prescribed by the Group. All reporting data submitted by the Divisions must be analyzable both by nature and by function.

The reporting procedure is designed to provide a detailed analysis of changes in financial and operating results, to support resource allocation decisions and measure the efficiency of the various organizations.

### 3.2.3. Analyzing risks

The Group identifies and analyzes the key risks that, if they occurred, would affect its ability to fulfill its objectives. It takes the appropriate measures to limit the probability of these risks occurring and the consequences if they do.

#### *Identifying risks*

The Group is exposed to a number of risks in the normal course of business. These risks, together with the related control procedures, are described in the "Risk Factors" section of the Board of Directors' Report in this registration document. They mainly correspond to liquidity, interest rate, currency, equity, business, legal and environmental risks, as well as risks relating to litigation and arbitration procedures. The "Risk Factors" section also includes a description of the Group's insurance strategy.

Internal control procedures are implemented under the direct responsibility of the Heads of the Operating Divisions and Corporate Functions and form part of an ongoing process of identifying, assessing and managing risks.

In line with this overall process the Group has developed internal control self-assessments, based on analyzing the internal control risks inherent in each business and identifying key control issues.

#### *Internal control self-assessments*

In recent years, the Group has placed considerable emphasis on preparing, issuing and monitoring internal control self-assessment procedures that are based on existing standards and processes. These procedures have now been rolled out to the majority of hotel operating units, headquarters units and Accor Services subsidiaries.

Internal control self-assessment data are periodically centralized at Division level, with the assistance of the internal auditors where appropriate.

Internal audit programs for units where the self-assessment system has been deployed include a quantitative measurement, via a rating system, of the gap between the self-assessment and the internal auditors' assessment of the level of internal control. By analyzing these gaps, it is possible to evaluate the quality of the self-assessment procedures implemented by the unit manager.

#### *Risk mapping*

Internal control risk maps are prepared based on the internal audit assignments and above-mentioned self-assessments. These maps, which highlight issues that require priority action, are included in the relevant internal audit reports and are periodically presented in summary form to the Internal Control Committee and Audit Committee.A global risk map covering all internal and external risk factors is currently being prepared by the Risk Management Department, in close conjunction with Group Internal Audit Control. All of the Group's Operating Divisions will be consulted as part of this process, in order to obtain data in a standard form concerning each entity's degree of risk exposure and to prepare the appropriate action plans.

#### *The Risk Management Department*

The Risk Management Department is responsible for implementing procedures in association with the Executive Committee that anticipate and appropriately address the risks to which the Group is exposed. In this capacity, it is in charge of drafting crisis management plans, particularly for the head office, and coordinating the network of international risk management correspondents. Working in close cooperation with the operating divisions and corporate functions, it focuses on:

- developing tools designed to monitor risk trends and prioritize the Group's main risks;
- devising a risk prevention strategy aimed at reducing the frequency and seriousness of identified risks;
- rolling out a consistent crisis management strategy across the Group;
- setting up Group-wide crisis management systems.

#### *The Risk Management Committee*

The Group has set up a Risk Management Committee to:

- regularly identify the main risks to which the Group is exposed;
- determine the main objectives and features of global risk management policies, including the applicable standards and procedures;
- prepare risk prevention action plans;
- decide any emergency measures as necessary in response to circumstances;
- organize the communication and implementation of risk management policies throughout the Group.

The Risk Management Committee comprises the Executive Vice-President, Human Resources and Sustainable Development; the Corporate Secretary; the Executive Vice-President, Information Systems and Telecoms; the Executive Vice-President and General Counsel; the Vice-President and Assistant Vice-President, Risk Management; the Vice-President, Safety and Security; the Vice-President, Internal Audit; the Vice-President, Purchasing; the Vice-President Intranet/Internet Systems; the Vice-President, Expertise and Methods Department; the Chief Press Officer; the Group Risk Officer and the Vice-President, Information Systems Security.

The Committee meets on a quarterly basis and is assisted, where necessary, by working groups made up of line managers and, depending on the issues involved, the heads of the corporate functions concerned and external experts.

### 3.2.4. Control activities

To improve control of identified risks, the Group has set up control procedures that comply with its standards and cover both operating and financial information processes.

#### *Authorization process for expansion capital expenditure and disposals*

A procedure has been set up for the prior authorization of capital expenditure projects in order to ensure that they comply with Group strategy and return-on-investment criteria. The procedure requires formal authorizations to be obtained from the appropriate line and staff managers, in a standard format. A similar authorization procedure has been established for disposals.

As part of this process, an Investments Committee has been created and tasked with reviewing and authorizing projects representing amounts of between €5 million and €100 million (or €2.5 million for the acquisition of minority shareholdings). It comprises the Chief Executive Officer, the Chief Financial Officer, the Vice-President, Strategy and Hotel Development, the Vice-President, Corporate Finance and, depending on the project concerned, the Vice-President, Hotel Development or the member of the Executive Committee responsible for the Services business.

The Investments Committee meets between six and eight times per year.

#### *Preparing and controlling the consolidated financial statements*

The consolidated financial statements are prepared by Group Finance based on information reported by the subsidiaries' Chief Executive Officers and Chief Financial Officers. The format of the consolidation packages is determined by the Group.

The subsidiaries are responsible for the information contained in their consolidation packages and are required to make formal representations to the Group Chief Financial Officer about the fairness of reporting data and its conformity with Group accounting standards and policies.

The Consolidation Department carries out systematic controls of the consolidation packages submitted by the subsidiaries. A detailed schedule for reviewing the packages has been prepared and sent to the employees concerned.

In connection with their audit of the consolidated financial statements, the Statutory Auditors review the consolidation packages transmitted by the subsidiaries included in the scope of their audit. Group Internal Audit also reviews from time to time the proper application of Group accounting standards and policies by the subsidiaries, and reports to the Group Chief Financial Officer any issues identified during the review.

The consolidated financial statements are examined by the Chief Financial Officer prior to their review by the Audit Committee in preparation for approval by the Board of Directors.

#### *Group Internal Audit assignments*

Group Internal Audit carries out its control assignments based on an audit program validated by the Internal Control and Audit Committees. The main types of assignments, as described in the Internal Audit Charter, are as follows:

- **operations audits** are aimed at evaluating the security and effectiveness of the operating entities' internal control system, as well as ensuring that they comply with Group standards. They mainly include checking on a regular basis that the internal control self-assessments have been properly performed by the operating entities;
- **head office audits (corporate functions)** are designed to optimize the internal control procedures applied at the head office and ensure that the head office is able to carry out its role of overseeing and supporting operating entities as effectively as possible;
- **organizational and procedural audits** are aimed at helping the Divisions to optimize and adapt their procedures and operating processes, notably when rolling out cross-functional projects that lead to a change in organization structures;
- **specific audits**. Review assignments are referred to as specific audits when they comply with the professional standards applicable to internal auditors and fall within their remit. They can concern issues applicable to one or more operating units or to a particular country, function or process.

#### *Assignments carried out by the local internal audit departments*

These departments perform internal audits, either on a stand-alone basis or jointly with Group Internal Audit, in line with the program approved by their Division's Internal Control Committee. They also provide ongoing assistance to finance and operating departments in managing and monitoring internal control issues within the Division's operating units. They use methods, tools (including scoring) and work programs that have been approved by Group Internal Audit due to their direct ties with this Department.

In accordance with ethical principles, the local internal auditors do not audit head office or cross-functional departments, due to possible conflicts of interest arising from the fact that the auditors work in the Divisions.

#### *Assignments performed by Group Information Systems Internal Audit*

Reporting to Group Information Systems and Telecoms, this Internal Audit Department carries out assignments throughout the Group. The main types of audit are as follows:

- **information systems audits** are performed to ensure that best practices are applied in relation to the organization and monitoring of the audited entities' information systems;
- **audits of applications and processes** ensure that the manual and automated checks in place provide an appropriate level of internal control in view of the operations covered by the applications concerned;
- **project management audits** are designed to validate the implementation of best project management practices;
- **acquisition audits** are conducted as part of the decision-making process for Group acquisitions when the business of the companies concerned has highly technological components. Their scope depends on the underlying objectives of the acquisition, but their general aim is to identify any risks relating to the Group's ability to maintain and develop the target company's information systems;
- **IT security audits** help to ensure the security of the Group's technological platforms. They are primarily performed by the Information Systems Security Department, which reports to Group Information Systems and Telecoms. In some cases they fall within the scope of assignments carried out by Information Systems Internal Audit.

### 3.2.5. Monitoring internal control

Internal control procedures are regularly reviewed to ensure that they adequately address the specific risks incurred by each activity and are cost-effective.

The main structures responsible for overseeing the internal control system are as follows:

#### *The Audit Committee*

The Board of Directors' Bylaws define the Audit Committee's membership, terms of reference and procedures. The Committee is responsible for ensuring that the accounting policies applied for the preparation of the financial statements of the Company and the Group are appropriate and applied consistently from one period to the next. Its terms of reference also include checking that internal reporting and control procedures provide adequate assurance concerning the reliability and completeness of financial information and the control of Group risk exposure. To this end, the Committee performs the following tasks:

- it reviews the interim and annual consolidated financial statements and the financial statements of the Company, prior to their examination by the Board of Directors. This includes reviewing draft results press releases and announcements to be issued by the Company;
- it reviews the scope of consolidation and the reasons for excluding any entities;
- it assesses the Group's material risk exposure and off-balance sheet commitments, and receives a copy of the Chief Financial Officer's detailed report on these matters;
- it obtains assurance concerning the effectiveness of the Group's system of internal control, by reviewing the methods used to identify risks and the organizational principles and procedures of the Internal Audit Department. It is also informed of the internal audit program and of the results of the internal audits carried out since the last presentation;
- it reviews the Statutory Auditors' audit plan and the results of their audits. It receives a copy of the Statutory Auditors' post-audit letter setting out the main issues identified during their audit and describing the main accounting options selected;
- when the Statutory Auditors' term of office is due to expire, it oversees the Auditor selection procedure and reviews the proposals submitted by the various candidate firms, expresses

an opinion on the proposed fee budgets for statutory audit work and makes recommendations to the Board of Directors on the choice of candidate;

- it validates the categories of additional audit-related work that the Statutory Auditors and the members of their networks may be asked to perform in accordance with the applicable laws and regulations;
- at the end of each year, it is informed of the fees paid by Group companies to the Statutory Auditors and the members of their networks during the year, including a detailed breakdown by type of engagement, and reports to the Board of Directors on these fees, as well as on its assessment of the Statutory Auditors' level of independence.

The Audit Committee has between three and five members, all of whom have the necessary technical knowledge to fulfill the Committee's duties. At least two-thirds of the members, including the Committee Chairman, must be independent directors.

The Audit Committee meets at least three times a year. One meeting – attended by the head of Internal Audit – is devoted to reviewing the effectiveness of the system of internal control.

The Audit Committee may make enquiries of the Statutory Auditors without the corporate officers and/or Chief Financial Officer being present, after first notifying the Chairman of the Board who in turn notifies the Chief Executive Officer.

Calls to meeting are issued by the Committee Chairman and include the meeting agenda. Meetings to review the interim and annual financial statements are held at least three days prior to the Board meeting called to approve the financial statements. The members of the Audit Committee must receive all necessary documents on a timely basis. When members are first appointed to the Committee, they are given detailed information about accounting, financial and operational issues that are specific to the Group.

The Chief Executive Officer, Chief Financial Officer and Statutory Auditors attend Audit Committee meetings as required, including the meetings devoted to reviewing the financial statements.

### *Group Internal Control Committee*

The Group Internal Control Committee comprises the Chief Executive Officer, members of the Executive Committee (see list in the "Directors and Corporate Officers" section of the Board of Directors' report), the head of Internal Audit, the head of Information Systems Audit, and the Chief Financial Officers of the main Divisions. Members of the Divisional Internal Control Committees and the heads of the local internal audit departments may also be invited to attend meetings of the Group Internal Control Committee.

The Group Internal Control Committee guarantees the independence of the internal audit function. Its responsibilities are to:

- validate the annual internal audit program;
- review the significant audit issues for the current year, for each of the audited areas, and approve the action plans for each audited entity;
- track changes in internal control levels within the Group;
- oversee the activities of the Internal Audit function, in terms of audit efficiency/optimization and the adequacy of the function's resources.

The Group Internal Control Committee meets once or twice a year.

### *Division Internal Control Committees*

Local Internal Control Committees have been set up in the Group's main Operating Divisions. Each Committee is chaired by the Division's Chief Executive Officer and comprises members of the operating units and Finance Department, as well as a representative of Group Internal Audit. The Committees meet at least once a year to prepare the work program for the local internal audit departments (where appropriate, based on the instructions issued by the Group Internal Control Committee), review the reports on the internal audits performed during the period and assess the action taken to implement recommendations made following previous audits.

# AUDITORS' REPORT

## PREPARED IN ACCORDANCE WITH ARTICLE L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE ACCOR BOARD OF DIRECTORS ON INTERNAL CONTROL PROCEDURES RELATED TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

## YEAR ENDED DECEMBER 31, 2007

*This is a free translation into English of the original Auditors' Report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders,

In our capacity as Statutory Auditors of Accor and in accordance with the requirements of article L. 225-235 of the French Commercial Code, we present below our report on the report prepared by the Chairman of the Board of Directors of your company in application of article L. 225-37 of the French Commercial Code for the year ended December 31, 2007.

In his report, the Chairman is required to comment on the conditions applicable for the preparation and organization of the work carried out by the Board and the internal control procedures implemented within the Company.

Our responsibility is to report to you our comments on the information contained in the Chairman's report concerning the internal control procedures related to the preparation and processing of accounting and financial information.

We performed our procedures in accordance with professional guidelines applicable in France. Those guidelines require us to perform procedures to assess the fairness of the information set out in the Chairman's report concerning the internal control procedures related to the preparation and processing of financial and accounting information. These procedures included:

- examining the internal control procedures related to preparation and processing of accounting and financial data underlying the information presented in the Chairman's report, as well as existing documentation;
- acquiring an understanding of the work performed in order to prepare this information and existing documentation;
- determining whether the major internal control weaknesses concerning the preparation and processing of accounting and financial information that we may have identified as part of our audit are appropriately disclosed in the Chairman's report.

Based on procedures performed, we have no matters to report concerning the information provided on the Company's internal control procedures related to the preparation and processing of accounting and financial information, as contained in the report of the Chairman of the Board of Directors prepared in accordance with article L. 225-37 of the French Commercial Code.

Neuilly-sur-Seine – March 26, 2008

The Auditors

| Deloitte & Associés | Ernst & Young et Autres |
|---|---|
| David Dupont-Noel | Bruno Bizet |

# EXECUTIVE AND DIRECTOR COMPENSATION

## Executive compensation policy

### Compensation policy for the Chairman of the Board of Directors and the Director and Chief Executive Officer

Compensation policies for Accor corporate officers comply with AFEP/MEDEF corporate governance recommendations.

Compensation paid to the Chairman of the Board of Directors and the Director and Chief Executive Officer is determined by the Board based on the recommendation of the Compensation and Appointments Committee, and reflects comparative surveys of compensation practices among large French companies.

Gross compensation paid to the Chairman of the Board of Directors for 2007 amounted to €500,000, entirely in base salary. This amount was unchanged from 2006.

The gross base salary paid to the Director and Chief Executive Officer for 2007 amounted to €900,000, also unchanged from 2006. For 2007 his gross incentive bonus represented 150% of the base salary, amounting to €1,350,000, in recognition of the percentage achievement of the performance objectives set by the Board of Directors on the recommendation of the Compensation and Appointments Committee. These performance objectives were based on growth in (i) profit before tax and non-recurring items reported by the two core businesses; (ii) cash flow; and (iii) earnings per share. The Board of Directors also awarded the Chief Executive Officer a gross exceptional bonus of €100,000 in view of the successful implementation of the asset-right strategy during the year.

Based on the recommendation of the Compensation and Appointments Committee, the Board of Directors has determined that the incentive bonus payable to the Director and Chief Executive Officer in respect of 2008 will be based on the degree to which the Group meets its performance objectives for (i) profit before tax and non-recurring items and (ii) earnings per share. The amount may vary from 0 to 150% of the annual base salary, with a bonus equal to 100%. This bonus will also depend on qualitative objectives.

In line with the principles set by the Board of Directors, based on the recommendation of the Compensation and Appointments Committee, the Chairman of the Board and the Director and Chief Executive Officer are not paid any directors' fees.

Conditions governing the termination by the Company of the Director and Chief Executive Officer's functions were defined by the Board of Directors on January 9, 2006 and approved by shareholders on May 10, 2006. They were amended by the Board of Directors on February 26, 2008 in order to comply with Article 17 of the French Act dated August 21, 2007. Except in the event of gross or willful misconduct, the Director and Chief Executive Officer would be paid the equivalent of 36 months base salary and incentive bonus, received in his capacity as Chief Executive Officer during the last full year prior to the termination of his term of office. This amount includes any compensation due in connection with the termination of his employment contract. Compensation received in relation to the termination of the Director and Chief Executive Officer's corporate office may only be paid if the Group's average annual profit before tax and non-recurring items for the years corresponding to his term of office is higher than that generated in the three years preceding the start of his term.

### Supplementary retirement benefits

Like some 60 other corporate officers and senior executives, the Director and Chief Executive Officer is the beneficiary of a supplementary retirement plan comprising both a defined contribution scheme and a defined benefit scheme. Except in specific cases provided for by law, if a beneficiary leaves the Group before the date of retirement, he or she will retain only the rights accrued under the defined contribution scheme (i.e. an annual employer contribution of up to 5% of five times the annual social security cap) and will lose the rights accrued under the defined benefit scheme. The Director and Chief Executive Officer's total replacement rate (government-sponsored basic pension plus Accor supplementary plans) upon retirement is capped at 35% of the average of the three highest annual compensations (base salary plus bonus) over the ten years prior to the date of retirement.

# Executive compensation

## Compensation paid to corporate officers

Total compensation and benefits paid by the Company to the Chairman of the Board of Directors and the Director and Chief Executive Officer of Accor SA (as from January 9, 2006) was as follows (in euros):

| | 2006 Compensation | | 2007 Compensation | |
|---|---|---|---|---|
| *(in euros)* | Due for the year | Paid during the year | Due for the year | Paid during the year |
| **Serge Weinberg** | | | | |
| Base salary | 500,000 | 500,000 | 500,000 | 500,000 |
| **TOTAL** | **500,000** | **500,000** | **500,000** | **500,000** |
| **Gilles Pélisson** | | | | |
| Base salary (*) | 906,950 | 906,950 | 906,950 | 906,950 |
| Incentive bonus (**) | 1,100,000 | N/A | 1,450,000 | 1,100,000 |
| **TOTAL** | **2,006,950** | **906,950** | **2,356,950** | **2,006,950** |

*(*) Including benefits in kind, corresponding to the use of a company car.*
*(**) Incentive bonuses are paid in the year following the year for which they are awarded.*

Gilles Pélisson's compensation also includes €25,000 in directors' fees due in 2006 for his functions as a director of SAGAR in Italy (wholly owned by the Group).

## Compensation paid to other Group executives

The total gross compensation and benefits paid in 2007 by the Company and the various other Group entities to the 12 members of the Executive Committee (except for the Chief Executive Officer, whose compensation is described above) amounted to €8,660,458, including €3,455,423 in gross incentive bonuses.

Provisions for pensions and other post-employment benefits for executives as of December 31, 2007 are presented in Note 48 to the consolidated financial statements (page 208).

# Directors' fees

Total directors' fees payable by Accor SA for 2006 were set at €590,000 by shareholders at the Ordinary and Extraordinary Meeting of January 9, 2006 and remained unchanged for 2007. The fees for 2007 were paid in March 2008.

The total amount is allocated among the members of the Board Directors on the following basis:

- the Chairman of the Board and the Director and Chief Executive Officer are not paid any directors' fees;

the Chairmen and members of the Board Committees receive a fixed amount for serving on these Committees. In 2007 these amounts were as follows: €5,000 for being a Committee member; €10,000 for chairing the Compensation and Appointments Committee and the Commitments Committee; and €15,000 for chairing the Audit Committee;

of the balance, 50% is shared equally among all the members of the Board (€12,000 per director) and 50% is allocated prorata to each member's attendance record at Board meetings during the year (including attendance by teleconference link).

**Directors' fees** paid to members of the Board of Directors by the Company were as follows (in euros):

| Board of Directors | 2006 | | 2007 | |
|---|---|---|---|---|
| *(en euros)* | Due for the year | Paid during the year | Due for the year | Paid during the year |
| Thomas J. Barrack | 24,887 | 11,786 | 15,280 | 24,887 |
| Sébastien Bazin | 52,775 | 19,639 | 56,516 | 52,775 |
| Isabelle Bouillot | 42,775 | 22,412 | 39,957 | 42,775 |
| Philippe Camus | 34,887 | N/A | 44,957 | 34,887 |
| Aldo Cardoso | 62,775 | N/A | 66,516 | 62,775 |
| Philippe Citerne | 42,775 | N/A | 36,677 | 42,775 |
| Étienne Davignon [(1)] | 38,479 | 32,572 | 46,516[(1)] | 38,479 |
| Gabriele Galateri di Genola | 38,479 | 13,172 | 46,516 | 38,479 |
| Gilles Pélisson | N/A | N/A | N/A | N/A |
| Sir Roderic Lyne | 37,775 | N/A | 38,236 | 37,775 |
| Dominique Marcel | 29,887 | 19,639 | 36,677 | 29,887 |
| Francis Mayer (deceased) | 30,591 | 22,412 | N/A | 30,591 |
| Baudoin Prot | 38,479 | N/A | 33,398 | 38,479 |
| Franck Riboud | 38,479 | 15,945 | 30,118 | 38,479 |
| Augustin de Romanet de Beaune | N/A | N/A | 28,559 | N/A |
| Jérôme Seydoux | 47,775 | 21,025 | 44,957 | 47,775 |
| Theo Waigel | 29,183 | N/A | 25,118 | 29,183 |
| Serge Weinberg | N/A | 10,399 | N/A | N/A |

*(1) In 2007, Étienne Davignon was also paid €45,578 in directors' fees due for the year for his functions as Chairman of Compagnie Internationale des Wagons-Lits et du Tourisme (€45,395 due for and paid in 2006).*

# DIRECTORS' AND EMPLOYEES' INTERESTS

## Stock option plans

Accor regularly grants stock options to corporate officers, executives and middle managers. These grants are not made systematically to a given category of employees, but are designed to reward personal performance, measured in terms of results obtained or individual achievements.

The number of options granted to the Chief Executive Officer has been set by the Board of Directors based on the recommendation by the Compensation and Appointments Committee.

The plan issued on March 22, 2007 granted options to purchase new or existing shares to 958 corporate officers, executives and middle managers. The exercise price of €68.65 corresponds to the average opening Accor share price over the 20 trading days preceding the date of grant, without any discount.

On May 14, 2007 the Group issued performance-related stock options to eleven members of the Executive Committee. The exercise price of €71.72 corresponds to the average opening Accor share price over the 20 trading days preceding the date of grant, without any discount. The performance conditions relating to this plan are described in Note 25 to the consolidated financial statements.

The options issued in 2007 have a seven-year life, with a four-year vesting period.

### Stock options granted to employees and/or corporate officers

| Date of the Management Board or Board of Directors Meeting | Total potential number of new shares | | | | Number of grantees | Exercisable from | Expiry date | Exercise price *In euros* | Number of options exercised in 2007 | Number of new shares issued at Dec. 31, 2007 | Options outstanding at Dec. 31, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of options granted | Of which corporate officers | Of which to the top 10 employee grantees | Number of options canceled (1) | | | | | | | |
| **Options to purchase new Accor shares** | | | | | | | | | | | |
| Jan. 6, 1999 | 581,525 | 0 | 53,500 | 92,985 | 639 | Jan. 6, 2004 | Jan. 1, 2007 | 33.95 | 16,018 | 488,540 | 0 |
| March 30, 2000 | 690,125 | 0 | 98,900 | 12,600 | 809 | March 30, 2005 | March 30, 2008 | 37.00 | 117,749 | 427,833 | 249,692 |
| Jan. 4, 2001 | 1,957,000 | 895,000 | 575,000 | 70,000 | 32 | Jan. 4, 2004 | Jan. 4, 2009 | 40.58 | 272,445 | 1,252,450 | 634,550 |
| Jan. 8, 2002 | 3,438,840 | 435,000 | 290,000 | 77,750 | 2,032 | Jan. 8, 2005 | Jan. 8, 2010 | 37.77 | 742,770 | 1,934,747 | 1,426,343 |
| Jan. 3, 2003 | 148,900 | 30,000 | 96,000 | 0 | 67 | Jan. 4, 2006 | Jan. 3, 2011 | 31.83 | 59,710 | 91,910 | 56,990 |
| Jan. 7, 2004 | 1,482,900 | 265,000 | 145,000 | 14,500 | 1,517 | Jan. 8, 2007 | Jan. 7, 2012 | 35.68 | 272,508 | 278,908 | 1,189,492 |
| Jan. 12, 2005 | 1,298,950 | 265,000 | 129,000 | 18,450 | 903 | Jan. 13, 2009 | Jan. 12, 2012 | 32.42 | 700 | 700 | 1,279,800 |
| Jan. 9, 2006 | 1,231,200 | 250,000 | 295,000 | 3,500 | 191 | Jan. 10, 2010 | Jan. 9, 2013 | 46.15 | 0 | 0 | 1,227,700 |
| March 24, 2006 | 666,950 | 0 | 61,500 | 6,000 | 818 | March 25, 2010 | March 24, 2013 | 49.10 | 1,300 | 1,300 (2) | 659,650 |
| March 22, 2007 (5) | 1,492,845 | 62,500 | 127,500 | 0 | 958 | March 23, 2011 | March 22, 2014 | 68.65 | 0 | 0 | 1,492,845 |
| May 14, 2007 | 95,000 | 31,250 | 63,750 | 0 | 11 | May 15, 2011 | May 14, 2014 | 71.72 | 0 | 0 | 95,000 |
| **TOTAL OPTIONS** | **13,084,235** | | | **295,785** | | | | | | **4,476,388** | **8,312,062** |
| **Stock savings warrants (3)** | | | | | | | | | | | |
| Dec. 22, 2000 | 757,322 | | | | 15,725 | Dec. 22, 2003 | Dec. 22, 2007 | 43.40 | 415,143 | 554,950 | 0 |
| July 12, 2002 | 104,361 | | | | 3,890 | July 12, 2005 | July 12, 2009 | 39.10 | 14,999 | 29,164 | 75,197 |
| July 9, 2004 | 88,131 | | | | 3,390 | July 9, 2007 | July 9, 2012 | 33.94 | 3,092 | 3,092 | 85,039 |
| **TOTAL STOCK SAVINGS WARRANTS** | **949,814** | | | | | | | | | **587,206** | **160,236** |
| **TOTAL** | **14,034,049** | | | **295,785** | | | | | | **5,063,594 (4)** | **8,472,298** |

*(1) Options canceled due to beneficiaries leaving the Group or the vesting conditions not being met.*
*(2) Options exercised following the death of the grantee.*
*(3) Options to purchase new shares issued in connection with Accor employee share issue programs.*
*(4) Representing 3.68% of Accor common stock at December 31, 2007.*
*(5) Granted by the Chief Executive Officer under a delegation given by the Board of Directors on March 6, 2007.*

The stock option plans were approved by shareholders as follows:

- 1998 to 2001 plans: Annual Meeting of January 7, 1997;
- 2002 and 2003 plans: Annual Meeting of May 29, 2001;
- 2004 and 2005 plans: Annual Meeting of May 20, 2003;
- 2006 and 2007 plans: Annual Meeting of January 9, 2006.

Under the terms of the authorization approved by shareholders at the Ordinary and Extraordinary Shareholders' Meeting of January 9, 2006, the number of options granted may not be more than 2.5% of the share capital as of that date.

### Stock options granted to and exercised by the Director and Chief Executive Officer during 2007

| | Name | Options granted | Plan | Price *In euros* | Expiry date |
|---|---|---|---|---|---|
| Options granted during the year to the Director and Chief Executive Officer | Gilles Pélisson | 62,500 | March 06, 2007 | 68.65 | March 22, 2014 |
| | | 31,250 | May 14, 2007 | 71.72 | May 14, 2014 |
| Options exercised during the year by corporate officers | None | | | | |

The 93,750 options to purchase new shares granted in 2007 to the Director and Chief Executive Officer represented 0.04% of the share capital at December 31, 2007. Based on the valuation method used in the consolidated financial statements, the cost of these options amounted to €0.345 million in 2007.

### 2007 stock option data concerning the ten employees other than corporate officers who received/exercised the largest number of options

| | Number of options | Average price *In euros* |
|---|---|---|
| Options granted in 2007 to the ten employees other than corporate officers who received the largest number of options | 191,250 (1) | 70.19 |
| Options exercised in 2007 to the ten employees other than corporate officers who exercised the largest number of options | 373,225 (2) | 38.60 |

*(1) Of which 127,500 options granted on March 22, 2007 and 63,750 on May 14, 2007.*

*(2) Of which 209,445 options granted on January 4, 2001, 107,080 options granted on January 8, 2002, 41,700 options granted on January 3, 2003, and 15,000 options granted on January 7, 2004.*

## Performance stock grant plan

In 2007, Accor set up its first performance stock grant plan. The performance conditions applicable under the plan are described in Note 25 to the consolidated financial statements.

The number of performance shares granted to the Director and Chief Executive Officer was set by the Board of Directors based on the recommendation by the Compensation and Appointments Committee. The plan has a four-year term and concerns 102 Group executives.

| Date of Board of Directors' meeting | Total number of shares granted (1) Number of shares granted | Of which to corporate officers | Of which to the top 10 employee grantees | Number of shares canceled (2) | Number of grantees | Vesting date | End of lock-up period |
|---|---|---|---|---|---|---|---|
| May 14, 2007 | 56,171 | 7,813 | 15,938 | 0 | 102 | May 14, 2009 | May 14, 2011 |
| **TOTAL NUMBER OF SHARES GRANTED** | **56,171** | | | **0** | | | |

*(1) The shares granted under this plan did not vest on the grant date and are subject to a two-year vesting period.*
*(2) Shares cancelled due to beneficiaries leaving the Group or performance conditions not being met.*

The 2007 performance stock grant plan was authorized at the Shareholders' Meeting of January 9, 2006. The number of shares granted under this authorization may not represent more than 0.5% of the share capital as of that date.

### Shares granted to the Director and Chief Executive Officer during 2007

| | Name | Shares granted | Plan (date of Board of Directors' meeting) | Expiry date |
|---|---|---|---|---|
| Shares granted during the year to the Director and Chief Executive Officer | Gilles Pélisson | 7,813 | May 14, 2007 | May 14, 2011 |

The 7,813 shares granted in 2007 to the Director and Chief Executive Officer under the performance stock grant plan represented 0.003% of the share capital at December 31, 2007. Based on the valuation method used in the consolidated financial statements, the cost of these shares amounted to €0.351 million in 2007.

### Shares granted under the performance-related stock grant plan to the top ten employee grantees (other than corporate officers)

| | Shares granted |
|---|---|
| Shares granted in 2007 to the ten employees other than corporate officers who received the largest number of shares | 15,938 |

# Discretionary and non-discretionary employee profit-sharing programs

## Non-discretionary profit-sharing

In France, a Group-level non-discretionary profit-sharing program has been negotiated with employee representatives and applies to Accor and its French subsidiaries that are at least 50%-owned, irrespective of the number of employees in the company.

This agreement enables employees with more than three months' seniority to receive profit-shares based on the results of all of the subsidiaries covered by the program.

Sums are paid into a special profit-sharing reserve, calculated by applying a standard legal formula to the profits of each company that falls within the scope of application of the profit-sharing agreement, as follows:

Special profit-sharing reserve=1/2 (net profit – 5% of equity) x (salaries / value added)

Based on this formula, a gross amount of €10 million was allocated to the profit-sharing reserve for 2006 (paid in 2007).

Amounts allocated to the special profit-sharing reserve in previous years were: €7 million for 2005 (paid in 2006); €8 million for 2004 (paid in 2005); €11 million for 2003 (paid in 2004); and €12 million for 2002 (paid in 2003).

The total amount of the reserve is allocated between all of the employee beneficiaries in proportion to their individual salary for the reference year, which is capped by agreement at double the amount of the ceiling for French social security contributions, set at December 31 of the reference year.

In order to qualify for tax and social security exemptions, the amounts allocated to the profit-sharing reserve are invested in mutual funds and are only available to beneficiary employees after a period of five years.

## Discretionary profit-sharing

Due to the Group's organization structure and compensation policy, a large number of discretionary profit-sharing plans have been set up at the level of Accor SA, its subsidiaries and the operating units.

These profit shares are determined based on whether the subsidiary concerned achieves or exceeds its profit targets, with the calculation method based on quantitative criteria specified in each related agreement. The amounts vary from year to year and are capped.

Discretionary profit-sharing agreements are negotiated with works councils or union representatives.

In the case of Accor SA, the amount of discretionary profit-shares is dependent on achieving the net profit target announced to the Company's shareholders.

# Transactions involving Accor SA shares

### Schedule of transactions involving shares of the Company carried out during the past fiscal year, within the meaning of Article L. 621-18-2 of the French Monetary and Financial Code

| | Transaction | Number of shares |
|---|---|---|
| Person related to Thomas J. Barrack Jr and Sébastien Bazin | Purchase of new shares | 24,463,368 |
| Person related to Thomas J. Barrack Jr and Sébastien Bazin | Sale | 3,630,277 |
| Person related to Thomas J. Barrack Jr and Sébastien Bazin | Forward financial instrument | 20,000,000 (1) |
| Person related to Thomas J. Barrack Jr and Sébastien Bazin | Purchase of put options on shares | 20,874,091 (2) |
| Baudouin Prot | Purchase | 500 |
| Augustin de Romanet de Beaune | Purchase | 500 |
| Person related to Augustin de Romanet de Beaune | Purchase | 60 |
| Person related to Paul Dubrule and Gérard Pélisson | Purchase | 53,000 |
| Michael Flaxman | Purchase | 1,650 |
| Cathy Kopp | Purchase | 4,700 |
| Cathy Kopp | Purchase of new shares | 32,000 |
| Serge Ragozin | Sale | 11,000 |
| Serge Ragozin | Purchase of new shares | 30,000 |
| Person related to Serge Ragozin | Sale | 19,000 |
| Jacques Stern | Purchase | 5,000 |
| Jacques Stern | Sale | 8,076 |
| Jacques Stern | Purchase of new shares | 28,580 |
| Person related to Pierre Todorov | Sale | 27,000 |
| Pierre Todorov | Purchase of new shares | 82,000 |

*(1) Number of shares that may be acquired in exchange for a financial instrument.*
*(2) Number of share put options.*

# Capital and Ownership Structure

## CAPITAL

### Share capital

At December 31, 2007, the Company's share capital amounted to €689,753,382, divided into 229,917,794 shares of common stock with a par value of €3.00, all fully paid-up and all in the same class.

Shares may be held in either registered or bearer form.

The Company avails itself of legal procedures to identify its shareholders.

Shares are freely transferable within legal and regulatory limits.

The transfer of shares, regardless of price or terms, is made by account transfer, pursuant to regulations in force.

### Share buyback program

#### Authorization granted by the Ordinary and Extraordinary Shareholders' Meeting of May 14, 2007

The Ordinary and Extraordinary Shareholders' Meeting of May 14, 2007 authorized the Board of Directors to trade in the Company's shares on the stock market. The authorization was given for a period of 18 months and supersedes the previous authorization given at the January 9, 2006 Annual Meeting.

The maximum purchase price under this authorization is €100 and the minimum sale price is €45.

The number of shares acquired in treasury may not exceed 20,650,000, or 9% of the share capital at December 31, 2007.

The authorization may be used for the following purposes:

- for cancellation, in connection with a capital reduction decided or authorized by the Company's shareholders in an Extraordinary Meeting;
- for allocation upon exercise of stock options granted under plans governed by Articles L. 225-177 *et seq.* of the French Commercial Code, or to members of an employee stock ownership plan governed by Articles L. 443-1 *et seq.* of the Labor Code or to recipients of stock grants made under plans governed by Articles L. 225-197-1 *et seq.* of the Commercial Code;
- for allocation on the conversion, redemption, exchange or exercise of share equivalents;
- to be held in treasury for subsequent remittance in exchange or payment or in connection with external growth transactions, a merger, demerger or asset contribution within a limit of 5% of the Company's capital;
- to be used under a liquidity contract that complies with the code of ethics recognized by the *Autorité des Marchés Financiers*.

#### Implementation of the share buyback program in 2007

Pursuant to the above authorization, the Board of Directors decided to implement a maximum of 12-month share buyback program of €700 million on May 14, 2007 and a maximum of 6-month share buyback program of €500 million on August 28, 2007 and to cancel the acquired shares.

In 2007, a total of 19,893,952 Accor shares were purchased at an average weighted price of €62.40, for a total cost of €1,241,382,604. The related transaction costs amounted to €1.04 million.

The Board of Directors decided to cancel a total of 12,256,383 shares in 2007, on January 10, September 13 and December 31.

In addition, 130,000 treasury shares were allocated following the conversion of Accor's 2003/2008 1.75% OCEANE bonds, at a conversion price of €40.25.

At December 31, 2007, Accor held 8,390,150 of its own shares, representing 3.65% of the share capital at that date. Based on a total cost value of €478 million, these shares are recorded in financial assets in the Accor SA balance sheet and as a reduction in shareholders' equity in the consolidated balance sheet. They have been allocated as follows. These 8,390,150 shares were scheduled to be canceled.

Additional information can be found in the special report on the share buyback program authorized on May 14, 2007 and in the description of the share buyback program submitted to shareholder approval at the May 14, 2007 Annual Meeting (page 240).

## Financial authorizations

At the Ordinary and Extraordinary Shareholders' Meetings of January 9, 2006 and May 14, 2007 shareholders granted the Board of Directors the following authorizations:

| Type of authorization | Date of authorization | Nominal amount authorized | Term and expiry date | Utilization in 2007 |
|---|---|---|---|---|
| **Corporate actions** | | | | |
| Issuance of shares and share equivalents | Ordinary and Extraordinary Shareholders' Meeting of May 14, 2007 17th, 18th, 19th, 20th, 21st and 22nd resolutions | | 26 months – July 14, 2009 | |
| - With pre-emptive subscription rights<br>- Without pre-emptive subscription rights<br>- Issued in connection with a stock-for-stock offer<br>- Issued in payment for contributed assets<br>- Issued to increase the amount of any issues that are oversubscribed | | €200 million<br>€100 million<br>€100 million<br>10% of the Company's share capital 15% of the amount of the initial issue | | |
| Issuance of new shares by capitalizing reserves, retained earnings and additional paid-in capital | | €200 million | | |
| Maximum total par value of new shares that may be issued | | €300 million | | |
| **Stock option plans** | | | | |
| Employee stock option plans (purchase of new/existing shares) | Ordinary and Extraordinary Shareholders' meeting of January 9, 2006 30th resolution | 2.5% of the Company's share capital at January 9, 2006 | 38 months – March 9, 2009 | Board of Directors' meeting of March 06, 2007 1,492,845 stock options granted Board of Directors' meeting of May 14, 2007 95,000 stock options granted subject to performance conditions |
| Employee share issues | Ordinary and Extraordinary Shareholders' Meeting of May 14, 2007 23rd resolution | 2% of the Company's share capital at May 14, 2007 | 26 months – July 14, 2009 | |
| Stock grants without consideration | Ordinary and Extraordinary Shareholders' Meeting of January 9, 2006 31st resolution | 0.5% of the Company's share capital at January 9, 2006 | 38 months – March 9, 2009 | Board of Directors' meeting of May 14, 2007 56,171 shares granted subject to performance conditions |

## Employee stock ownership

The first "Accor en Actions" employee share issue, open to Group employees in France, was launched in 1999. A total of 7,900 employees subscribed to the issue.

In 2000 the Group launched its first international employee share issue in a total of 23 countries. The information memorandum covering the offer to employees in France was registered with the then French securities regulator (COB) on October 16, 2000 under visa no 00-1665.

The purpose of the issue was to offer a significant number of employees worldwide the opportunity to become Accor shareholders, by tailoring the plan rules to comply with legal and tax restrictions in each country. A total of 16,000 people participated in the offer.

In 2002, another international employee share issue was carried out in 25 countries, taken up by 12,700 employees. The information memorandum covering the offer to employees in France was registered with the COB on May 17, 2002 under visa no. 02-577.

Another employee share issue was carried out in May and June 2004, with a four-week subscription period for employees in some twenty countries. In France, a preliminary information memorandum related to the issue was registered with the Autorité des Marchés Financiers on February 23, 2004 under visa no. 04-118 and a further information memorandum was registered on May 12, 2004 under visa no. 04-407.

A total of 9,100 employees subscribed to the issue. A total of 8,736 employees subscribed to the issue.

In 2007, a leveraged employee share issue was carried out for Group employees in 26 countries where permitted by local legislation. For each Accor share purchased by an employee, the partner bank for the transaction contributed nine additional shares. The purchased shares are subject to a five-year lock-up period, after which the employees are guaranteed to receive the amount they originally invested in the shares, as well as 100% of the average increase in the share price calculated based on all of the shares purchased directly by the employee and the additional shares received from the bank.

At December 31, 2004, 0.92% of the Company's capital was held by 23,303 employees through employee stock ownership plans.

At December 31, 2005, 0.76% of the Company's capital was held by 21,851 employees through employee stock ownership plans.

At December 31, 2006, 0.67% of the Company's capital was held by 20,284 employees through employee stock ownership plans.

At December 31, 2007, 0.89% of the Company's capital was held by 26,928 employees through employee stock ownership plans.

## Share equivalents

### Convertible bonds

- October 2003 1.75% OCEANE bonds, due January 2008 (15,304,348 bonds convertible into new or existing Accor shares), ISIN code FR0010026765. In 2007, 2,744,105 bonds were converted, including 2,614,105 into new shares and 130,000 into existing shares. The share capital was therefore increased by 2,614,105 shares, or 1.14% of the total at December 31, 2007. This bond issue expired on January 2, 2008

### Employee stock options

At December 31, 2007, a total of 8,472,298 stock options were outstanding.

Exercise of all of these options would lead to the issuance of 8,472,298 shares representing 3.68% of the Company's capital at December 31, 2007.

## Securities not carrying rights to a share in the capital

There are no other share equivalents outstanding.

# Changes in capital

## Changes in capital over the past five years

| Year | Transaction | Increase (decrease) in capital (in euros) Par value | Premium | New capital (in euros) | New shares outstanding |
|---|---|---|---|---|---|
| 2003 | Exercise of stock options at €32.47 | 3,000 | 29,470 | 597,778,650 | 199,259,550 |
| 2004 | Exercise of stock options at €32.47 | 26,250 | 257,862 | 597,804,900 | 199,268,300 |
| | Exercise of stock options at €15.46 | 255,000 | 1,059,100 | 598,059,900 | 199,353,300 |
| | Exercise of stock options at €33.95 | 2,250 | 23,213 | 598,062,150 | 199,354,050 |
| | Employee share issue at €24.48 | 815,469 | 5,838,758 | 598,877,619 | 199,625,873 |
| | Employee share issue at €27.98 | 357,933 | 2,980,389 | 599,235,552 | 199,745,184 |
| | Conversion of 1.75% 2003 OCEANE bonds | 20,895,975 | 257,717,025 | 620,131,527 | 206,710,509 |
| 2005 | Exercise of stock options at €32.47 | 3,899,100 | 38,302,159 | 624,030,627 | 208,010,209 |
| | Exercise of stock options at €37.00 | 180,942 | 2,050,676 | 624,211,569 | 208,070,523 |
| | Exercise of stock options at €33.95 | 335,169 | 3,457,827 | 624,546,738 | 208,182,246 |
| | Exercise of stock options at €37.77 | 365,850 | 4,240,202 | 624,912,588 | 208,304,196 |
| | Exercise of stock options at €40.58 | 120,000 | 1,503,200 | 625,032,588 | 208,344,196 |
| | Exercise of stock savings warrants at €43.40 | 1,746 | 23,513 | 625,034,334 | 208,344,778 |
| | Exercise of stock savings warrants at €39.10 | 30 | 361 | 625,034,364 | 208,344,788 |
| | Conversion of 1.75% 2003 OCEANE bonds | 26,762,958 | 332,306,729 | 651,797,322 | 217,265,774 |
| 2006 | Exercise of stock options at €31.83 | 96,600 | 928,326 | 651,893,922 | 217,297,974 |
| | Exercise of stock options at €32.47 | 26,250 | 257,863 | 651,920,172 | 217,306,724 |
| | Exercise of stock options at €33.95 | 1,077,147 | 11,112,567 | 652,997,319 | 217,665,773 |
| | Exercise of stock options at €35.68 | 19,200 | 209,152 | 653,016,519 | 217,672,173 |
| | Exercise of stock options at €37.00 | 749,310 | 8,492,180 | 653,765,829 | 217,921,943 |
| | Exercise of stock options at €37.77 | 3,210,081 | 37,204,839 | 656,975,910 | 218,991,970 |
| | Exercise of stock options at €40.58 | 2,820,015 | 35,325,388 | 659,795,925 | 219,931,975 |
| | Exercise of stock savings warrants at €39.10 | 42,465 | 510,996 | 659,838,390 | 219,946,130 |
| | Exercise of stock savings warrants at €43.40 | 417,675 | 5,624,690 | 660,256,065 | 220,085,355 |
| | Conversion of 1.75% 2003 OCEANE bonds | 7,946,964 | 98,674,803 | 668,203,029 | 222,734,343 |
| | Conversion of 1% 2002 OCEANE bonds | 15 | 263 | 668,203,044 | 222,734,348 |
| | Cancellation of shares | (30,973,821) | (449,770,737) | 637,229,223 | 212,409,741 |
| 2007 | Exercise of stock options at €31.83 | 179,130 | 1,721,439 | 637,408,353 | 212,469,451 |
| | Exercise of stock options at €32.42 | 2,100 | 20,594 | 637,410,453 | 212,470,151 |
| | Exercise of stock options at €33.95 | 48,054 | 495,757 | 637,458,507 | 212,486,169 |
| | Exercise of stock options at €35.68 | 817,524 | 8,905,561 | 638,276,031 | 212,758,677 |
| | Exercise of stock options at €37.00 | 353,247 | 4,003,466 | 638,629,278 | 212,876,426 |
| | Exercise of stock options at €37.77 | 2,228,310 | 25,826,113 | 640,857,588 | 213,619,196 |
| | Exercise of stock options at €40.58 | 817,335 | 10,238,483 | 641,674,923 | 213,891,641 |
| | Exercise of stock options at €49.10 | 3,900 | 59,930 | 641,678,823 | 213,892,941 |
| | Exercise of stock savings warrants at €39.10 | 44,997 | 541,464 | 641,723,820 | 213,907,940 |
| | Exercise of stock savings warrants at €43.40 | 1,245,429 | 16,771,777 | 642,969,249 | 214,323,083 |
| | Exercise of stock savings warrants at €33.94 | 9,276 | 95,666 | 642,978,525 | 214,326,175 |
| | Conversion of 1.75% 2003 OCEANE bonds | 7,842,315 | 97,375,411 | 650,820,840 | 216,940,280 |
| | Conversion of 2005 equity notes taken up by Colony | 38,119,194 | 461,880,306 | 688,940,034 | 229,646,678 |
| | Conversion of 2005 convertible bonds taken up by Colony | 35,270,910 | 464,728,790 | 724,210,944 | 241,403,648 |
| | Employee share issue at €56.23 | 2,311,587 | 41,018,136 | 726,522,531 | 242,174,177 |
| | Cancellation of shares | (36,769,149) | (762,371,319) | 689,753,382 | 229,917,794 |

*N.B.: There are no options outstanding to purchase existing shares of the Company. All options granted are to purchase new shares. At December 31, 2007 Accor held 8,390,150 of its own shares, of which 7,970,150 under the second share buyback program carried out in 2007.*

# OWNERSHIP STRUCTURE

A Euroclear France survey of financial institutions holding at least 200,000 shares and of shareholders holding at least 250 shares at December 31, 2007 identified 12,038 shareholders owning an aggregate 69.07% of the Company's capital, representing 61.94% of the voting rights.

In addition, the Company had 2,924 registered shareholders at December 31, 2007, representing 26.26% of the Company's capital and 30.62% of the voting rights.

An additional 1.15% of the Company's capital and 1.03% of the voting rights were identified through a another investors survey.

At December 31, 2007 the Company's capital consisted of 229,917,794 shares, representing a total of 256,392,790 voting rights, of which 248,002,640 were exercisable taking into account shares that do not carry voting rights.

### Shareholders at December 31, 2007

| Analysis by shareholder category at December 31, 2007 | % capital held in registered form | % capital held in bearer form | %Total capital | % Total voting rights |
|---|---|---|---|---|
| International institutions | 1.29% | 43.07% | 44.36% | 39.78% |
| French institutions | - | 19.91% | 19.91% | 17.85% |
| Board members, Founders and treasury stock (*) | 22.71% | 4.38% | 27.09% | 33.21% |
| Private shareholders | 1.70% | 6.94% | 8.64% | 9.16% |
| **TOTAL** | **26.26%** | **73.74%** | **100.00%** | **100.00%** |

*(*) Shares held in treasury do not carry voting rights.*

*(Sources: Euroclear France, Accor share register, aditional survey and disclosures made to the Autorité des Marchés Financiers).*

Among the international institutions, at December 31, 2007 investors based in the United States owned 22.07% of outstanding shares, the United Kingdom 11.19%, Canada 3.08%, Germany 1.18%, Switzerland 1.33%, other continental European countries 3.76% and other countries 1.76%.

| Analysis of shares held by Board members and ounders, and free-float | Number of shares | Total number of voting rights | % capital | % voting rights |
|---|---|---|---|---|
| ColTime/Lifetime Holdings (2) | 24,504,368 | 24,504,368 | 10.66% | 9.56% |
| Caisse des Dépôts et Consignations Group | 18,695,460 | 34,513,131 | 8.13% | 13.46% |
| Founders | 6,069,825 | 11,877,987 | 2.64% | 4.63% |
| Société Générale | 3,381,760 | 3,381,760 | 1.47% | 1.32% |
| BNP Paribas | 1,227,080 | 2,454,160 | 0.53% | 0.96% |
| Treasury stock (3) and other | 8,413,140 | 8,415,650 | 3.66% | 3.28% |
| **Board members, Founders and treasury stock (3)** | **62,291,633** | **85,147,056** | **27.09%** | **33.21%** |
| Other shareholders | 167,626,161 | 171,245,734 | 72.91% | 66.79% |
| **TOTAL AT DECEMBER 31, 2007** | **229,917,794** | **256,392,790(1)** | **100.00%** | **100.00%** |

*(1) Of which 248,002,640 are exercisable.*

*(2) Shareholders acting in concert: ColTime (Colony Capital, LLC) and LifeTime Holdings (TPG-Axon Capital Management, LP), which respectively hold 20,874,091 and 3,630,277 shares and voting rights.*

*(3) The 8,390,150 shares held in treasury do not carry voting rights.*

*(Sources: Euroclear France, Accor share register, additional survey and disclosures made to the Autorité des Marchés Financiers).*

There were 26,474,996 double voting rights outstanding at December 31, 2007.

At December 31, 2007, 26,928 employees held 3,223,515 shares (1.40% of the Company's capital) and 4,990,491 voting rights (1.95% of the total), of which 2,043,863 shares (0.89% of the capital) and 3,217,460 voting rights (1.25% of the total) were held under employee stock ownership plans.

During 2007 and in early 2008, the following registered intermediaries and fund managers also notified the *Autorité des Marchés Financiers* of changes in their interests, in accordance with disclosure threshold rules:

| Disclosure date | AMF reference number | Registered intermediary or fund manager | Number of shares | % capital | Number of voting rights | % voting rights |
|---|---|---|---|---|---|---|
| April 10, 2007 | 207C0652 | ColTime Sarl / ColTime & ColLife SNC | 12,747,398 | 5.99% | 12,747,398 | 5.69% |
| May 11, 2007 | 207C0866 | Société Générale (*) | 11,704,238 | 5.50% | 11,704,238 | 5.22% |
| May 18, 2007 | 207C0905 | Société Générale (*) | 10,809,303 | 4.79% | 10,809,303 | 4.57% |
| July 9, 2007 | 207C1380 | ColTime | 24,504,368 | 10.28% | 24,504,368 | 9.80% |
| October 25, 2007 | 207C2357 | ColTime/LifeTime Holdings | 24,504,368 | 10.70% | 24,504,368 | 10.23% |
| October 31, 2007 | 207C2398 | Coltime | 24,504,368 | 10.70% | 24,504,368 | 10.23% |
| November 30, 2007 | 207C2574 | Caisse des Dépôts et Consignations - CDC | 18,695,460 | 8.16% | 34,513,131 | 13.51% |
| November 23, 2007 | 207C2604 | ColTime/LifeTime Holdings | 24,504,368 | 10.70% | 24,504,368 | 9.59% |
| January 31, 2008 | 208C0225 | Coltime/Lifetime Holdings/Eurazeo | 25,719,091 | 11.19% | 25,719,091 | 10.03% |
| February 12, 2008 | 208C0298 | Crédit Suisse International | 11,687,623 | 5.08% | 11,687,623 | 4.56% |

*(*) The thresholds indicated include the trading activities of Société Générale.*

To the best of the Company's knowledge, no other shareholder has disclosed that it owns more than 5% of the Company's capital.

### Changes in ownership structure over the past three years

| | December 31, 2005 | | | December 31, 2006 | | | December 31, 2007 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Number of shares | % capital | % exercisable voting rights | Number of shares | % capital | % exercisable voting rights | Number of shares | % capital | % total voting rights |
| ColTime / Lifetime Holdings | - | - | - | - | - | - | 24,504,368 | 10.66% | 9.56% |
| Caisse des Dépôts et Consignations Group | 18,694,960 | 8.6% | 8.2% | 18,695,460 | 8.8% | 8.4% | 18,695,460 | 8.13% | 13.46% |
| Founders | 7,196,300 | 3.3% | 6.0% | 6,858,602 | 3.2% | 5.9% | 6,069,825 | 2.64% | 4.63% |
| Société Générale | 3,557,260 | 1.6% | 1.6% | 3,556,760 | 1.7% | 1.6% | 3,381,760 | 1.47% | 1.32% |
| BNP Paribas | 1,227,580 | 0.6% | 1.1% | 1,227,580 | 0.6% | 1.1% | 1,227,080 | 0.53% | 0.96% |
| Treasury stock (*) | 1,528,731 | 0.7% | - | 882,581 | 0.4% | - | 8,390,150 | 3.65% | 3.27% |
| Other shareholders | 185,060,943 | 85.2% | 83.1% | 181,188,758 | 85.3% | 83.0% | 167,649,151 | 72.92% | 70.07% |
| **TOTAL** | **217,265,774** | **100.00%** | **100.00%** | **212,409,741** | **100.00%** | **100.00%** | **229,917,794** | **100.00%** | **100.00%** |

*(*) Shares held in treasury do not carry voting rights.*
*(Sources: Euroclear France, Accor share register, disclosures made to the Autorité des Marchés Financiers).*

Accor has not identified any other material changes in its ownership structure during the past three years.

To the best of the Company's knowledge, no individual or company, directly or indirectly and acting alone or in concert with other shareholders, controls or is in a position to control Accor. Accor does not hold treasury shares for any other reason than those set out in the "Share Buyback Program" section above.

On October 18, 2007 ColTime (Colony Capital, LLC) and LifeTime Holdings (TPG-Axon Capital Management, LP) signed a shareholder pact. Following the shareholder pact entered into on January 27, 2008 between Eurazeo and ColTime, these three companies have disclosed that they are now acting in concert, representing 11,2% of capital as of 2008 January 31.

## Liens on registered shares

No liens on registered shares have been identified among the shares held by the Group's main shareholders (defined as shareholders owning over 5% of the capital).

Registered shares that are subject to liens do not represent a material percentage of the total capital (0.02% at December 31, 2007).

# DIVIDENDS

| Year | Number of shares with dividend rights | Dividend for the year (in euros) Dividend | Tax credit | Total revenue | Paid on | Share price (in euros) High | Low | Year-end | Yield based on year-end closing price |
|---|---|---|---|---|---|---|---|---|---|
| 2003 | 199,259,550 | 1.05 | 0.525 | 1.575 | May 17, 2004 | 37.43 | 25.01 | 35.90 | 4.39% |
| 2004 | 206,710,509 | 1.30 (1) | - | 1.30 (1) | May 17, 2005 | 37.36 | 30.37 | 32.21 | 4.00% |
| 2005 | 217,265,774 | 1.15 | - | 1.15 | May 17, 2006 | 47.15 | 31.03 | 46.46 | 2.48% |
| 2006 | 212,077,160 (2) | 2.95 (3) | - | 2.95 (3) | May 16, 2007 | 59.25 | 42.30 | 58.70 | 5.03% |
| 2007 | 229,917,794 (2) | 3.15 (4) | - | 3.15 (4) | May 20, 2008 | 75.32 | 52.21 | 54.70 | 5.80% |

*(1) Including a special dividend of €0.25.*
*(2) Shares carrying dividend rights at March 15, 2007.*
*(3) Including a special dividend of €1.50.*
*(4) Including a special dividend of €1.50. Submitted for shareholder approval at the Ordinary and Extraordinary Shareholders' Meeting on May 13, 2008.*
*In accordance with the 2004 French Finance Act, as from 2004 dividends no longer give rise to tax credits.*

The recommended dividend for 2007, payable on all shares carrying dividend rights, comprises an ordinary dividend of €1.65 and a special dividend of €1.50.

No interim dividend was paid in 2007. Dividends are paid through Euroclear France.

Dividends not claimed within five years from the date of payment are forfeited, as provided for by law.

# THE MARKET FOR ACCOR SECURITIES

## The market for Accor shares

Accor shares are traded on the segment A of Euronext Paris and are included in the CAC 40 index.

Accor shares are also included in the four main socially responsible investment stock indexes, the Vigeo ASPI index, the FTSE4Good index, the Ethibel ESI index and the Dow Jones Sustainability Index.

At December 31, 2007, the Accor share closed at €54.70, and the Company's market capitalization was €12.6 billion.

### Accor share prices and trading volumes (ISIN code FR0000120404)

| *In euros* | Average price | High-Low High | High-Low Low | Trading volume |
|---|---|---|---|---|
| **2006** | | | | |
| October | 54.02 | 55.45 | 52.25 | 25,797,421 |
| November | 55.78 | 57.35 | 54.15 | 20,638,906 |
| December | 57.78 | 59.25 | 54.75 | 20,443,439 |
| **2007** | | | | |
| January | 61.94 | 65.00 | 58.55 | 28,062,950 |
| February | 69.00 | 72.80 | 63.15 | 35,747,603 |
| March | 67.58 | 70.50 | 63.71 | 38,172,754 |
| April | 70.66 | 72.49 | 67.53 | 28,091,212 |
| May | 69.07 | 71.04 | 66.75 | 30,035,285 |
| June | 66.22 | 69.95 | 63.62 | 35,209,301 |
| July | 67.89 | 75.32 | 60.73 | 49,936,160 |
| August | 59.44 | 64.05 | 54.72 | 48,495,111 |
| September | 61.95 | 64.54 | 59.06 | 31,527,063 |
| October | 66.47 | 69.30 | 62.12 | 29,934,019 |
| November | 59.21 | 66.00 | 52.96 | 36,784,361 |
| December | 55.74 | 59.89 | 52.21 | 34,928,413 |
| **2008** | | | | |
| January | 50.75 | 55.75 | 44.47 | 57,235,869 |
| February | 49.92 | 54.39 | 46.20 | 42,430,412 |

*(Sources: Euronext)*

## Registrar

Shareholder services are provided by Société Générale:

32, rue du Champ-de-Tir

BP 81236

44312 Nantes Cedex 3, France

## The market for Accor bonds

### Prices and trading volumes of October 2003 1.75% Accor OCEANE bonds, due January 2008 (ISIN code FR0010026765)

| | | High-Low | | Trading volume | |
|---|---|---|---|---|---|
| *In euros* | Average price (*) | High | Low | *In thousands of euros* | Number |
| **2005** | | | | | |
| October | 44.12 | 44.80 | 44.00 | 234 | 5,300 |
| November | 45.43 | 47.00 | 44.75 | 480 | 10,626 |
| December | 46.01 | 47.49 | 45.00 | 744 | 16,246 |
| **2006** | | | | | |
| January | 48.52 | 50.40 | 46.00 | 3,833 | 78,564 |
| February | 48.78 | 50.20 | 47.75 | 150 | 3,050 |
| March | 47.51 | 50.80 | 45.70 | 199 | 5,457 |
| April | 45.60 | 48.20 | 44.70 | 114 | 2,504 |
| May | 47.60 | 50.00 | 44.75 | 88 | 1,854 |
| June | 45.20 | 48.10 | 42.51 | 147 | 3,243 |
| July | 45.64 | 47.70 | 44.11 | 26 | 572 |
| August | 47.63 | 50.00 | 45.94 | 559 | 11,737 |
| September | 52.08 | 54.30 | 49.80 | 255 | 4,904 |
| October | 53.69 | 56.20 | 48.16 | 368 | 6,850 |
| November | 55.53 | 56.95 | 54.00 | 155 | 2,796 |
| December | 56.59 | 59.75 | 55.00 | 56 | 997 |
| **2007** | | | | | |
| January | 60.66 | 62.90 | 57.20 | 223 | 3,684 |
| February | 67.26 | 69.80 | 62.90 | 106 | 1,588 |
| March | 66.86 | 68.90 | 64.60 | 122 | 1,819 |
| April | 69.78 | 70.80 | 68.60 | 54 | 776 |
| May | 67.28 | 68.70 | 62.30 | 106 | 1,572 |
| June | 66.12 | 69.96 | 63.20 | 102 | 1,536 |
| July | 67.79 | 77.10 | 60.66 | 106 | 1,567 |
| August | 59.33 | 67.60 | 54.66 | 6 | 80 |
| September | 61.83 | 64.65 | 59.05 | 33 | 538 |
| October | 66.37 | 69.20 | 61.70 | 47 | 715 |
| November | 59.10 | 66.90 | 52.95 | 175 | 2,955 |
| December | 51.09 | 60.40 | 40.80 | 19 | 997 |

*(*) Arithmetical average of the closing rates for the month).*
*(Sources: Fininfo, Euronext then Bloomberg from July 2007.)*

# Financial Statements

# Consolidated Financial Statements and Notes

## AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

### YEAR ENDED DECEMBER 31, 2007

*This is a free translation into English of the original Auditors' Report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders,

In accordance with our appointment as Auditors by your Annual Shareholders' Meeting, we have audited the accompanying consolidated financial statements of Accor for the year ended December 31, 2007.

The consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements, based on our audit.

#### I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and results of the consolidated group of companies in accordance with IFRSs as adopted by the European Union.

#### II. Justification of our assessments

Pursuant to the provisions of Article L. 823-9 of the French Commercial Code governing the justification of our assessments, we draw your attention to the following:

Notes 1.D.6 and 1.D.4 to the consolidated financial statements describe the accounting policies and methods used to assess the recoverable amount of property, plant and equipment and intangible assets, as well as the policies and methods used to account for leases and sale-and-leaseback transactions. We reviewed the appropriateness of these accounting policies and methods and of the related information given in the notes to the consolidated financial statements. We also examined the consistency of the data and assumptions used, and the supporting documentation, and on these bases assessed the reasonableness of the estimates made.

The assessments were made in the context of our audit of the consolidated financial statements taken as a whole and therefore contributed to the formation of the opinion expressed in the first part of this report.

#### III. Specific procedure

In accordance with professional standards applicable in France, we have also verified the information given in the Group's Management Report. We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Neuilly-sur-Seine – March 26, 2008

The Auditors

Ernst & Young et Autres

Bruno Bizet

Deloitte & Associés

David Dupont-Noel

# CONSOLIDATED INCOME STATEMENTS

| *(in millions of euros)* | Notes | 2005 (*) | 2006 | 2007 |
|---|---|---|---|---|
| Revenue | | 7,076 | 7,533 | 8,025 |
| Other operating revenue | | 60 | 74 | 96 |
| **CONSOLIDATED REVENUE** | **3** | **7,136** | **7,607** | **8,121** |
| Operating expense | 4 | (5,230) | (5,523) | (5,800) |
| **EBITDAR** | **5** | **1,906** | **2,084** | **2,321** |
| Rental expense | 6 | (810) | (836) | (931) |
| **EBITDA** | **7** | **1,096** | **1,248** | **1,390** |
| Depreciation, amortization and provision expense | 8 | (416) | (436) | (419) |
| **EBIT** | **9** | **681** | **812** | **971** |
| Net financial expense | 10 | (120) | (96) | (92) |
| Share of profit of associates after tax | 11 | 8 | 11 | 28 |
| **OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS** | | **569** | **727** | **907** |
| Restructuring costs | 12 | (39) | (69) | (58) |
| Impairment losses | 13 | (107) | (94) | (99) |
| Gains and losses on management of hotel properties | 14 | 73 | 109 | 208 |
| Gains and losses on management of other assets | 15 | (38) | 15 | 188 |
| **OPERATING PROFIT BEFORE TAX** | | **458** | **688** | **1,146** |
| Income tax expense | 16 | (117) | (258) | (234) |
| Profit or loss from discontinued operations | 17 | 23 | 104 | - |
| **NET PROFIT** | **43** | **364** | **534** | **912** |
| **NET PROFIT, GROUP SHARE** | | **333** | **501** | **883** |
| Net Profit, Minority interests | | 31 | 33 | 29 |

| | | | | |
|---|---|---|---|---|
| Weighted average number of shares outstanding *(in thousands)* | 25 | 214,783 | 224,738 | 225,013 |
| **EARNINGS PER SHARE** *(in euros)* | | **1.55** | **2.23** | **3.92** |
| Diluted earnings per share *(in euros)* | 25 | 1.51 | 2.17 | 3.78 |
| **DIVIDEND PER SHARE** *(in euros)* | | **1.15** | **1.45** | **1.65(**)** |
| **SPECIAL DIVIDEND PER SHARE** *(in euros)* | | **-** | **1.50** | **1.50(**)** |
| Earnings per share from continuing operations *(in euros)* | | 1.44 | 1.77 | 3.92 |
| Diluted earnings per share from continuing operations *(in euros)* | | 1.42 | 1.74 | 3.78 |
| Earnings per share from discontinued operations *(in euros)* | | 0.11 | 0.46 | N/A |
| Diluted earnings per share from discontinued operations *(in euros)* | | 0.09 | 0.43 | N/A |

*(*) In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", in the consolidated income statement for the year ended December 31, 2005 the profits or losses of 2006 discontinued operations are reported on a separate line (see Note 17).*

*(**) Proposed to the Combined Annual and Extraordinary Shareholders' Meeting of May 13, 2008.*

Financial Statements

# CONSOLIDATED BALANCE SHEETS

## Assets

| *(in millions of euros)* | Notes | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|---|
| **GOODWILL** | **18** | **1,897** | **1,735** | **1,967** |
| **INTANGIBLE ASSETS** | **19** | **437** | **390** | **369** |
| **PROPERTY, PLANT AND EQUIPMENT** | **20** | **3,891** | **3,506** | **3,321** |
| Long-term loans | 21 | 288 | 269 | 107 |
| Investments in associates | 22 | 640 | 326 | 421 |
| Other financial investments | 23 | 284 | 244 | 182 |
| **TOTAL NON-CURRENT FINANCIAL ASSETS** | | **1,212** | **839** | **710** |
| Deferred tax assets | 16 | 387 | 297 | 199 |
| **TOTAL NON-CURRENT ASSETS** | | **7,824** | **6,767** | **6,566** |
| Inventories | | 64 | 64 | 74 |
| Trade receivables | 24 | 1,508 | 1,308 | 1,598 |
| Other receivables and accruals | 24 | 770 | 727 | 715 |
| Service voucher reserve funds | | 327 | 373 | 392 |
| Receivables on disposals of assets | 29 & 30 | 23 | 54 | 52 |
| Short-term loans | 29 & 30 | 39 | 28 | 22 |
| Current financial assets | 29 & 30 | 600 | - | - |
| Cash and cash equivalents | 29 & 30 | 1,763 | 1,267 | 1,138 |
| **TOTAL CURRENT ASSETS** | | **5,094** | **3,821** | **3,991** |
| Assets held for sale | 32 | 260 | 545 | 277 |
| **TOTAL ASSETS** | | **13,178** | **11,133** | **10,834** |

## Equity and Liabilities

| *(in millions of euros)* | Notes | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|---|
| Share capital | | 649 | 635 | 665 |
| Additional paid-in capital | | 2,567 | 2,321 | 2,276 |
| Retained earnings | | 15 | 100 | (94) |
| Fair value adjustments on financial instruments reserve | 26 | 547 | 524 | 66 |
| Reserve related to employee benefits | | 19 | 32 | 59 |
| Reserve for actuarial gains/losses | | (21) | (23) | (19) |
| Currency translation reserve | | 192 | 8 | (145) |
| Net profit, Group share | | 333 | 501 | 883 |
| **SHAREHOLDERS' EQUITY, GROUP SHARE** | **25** | **4,301** | **4,098** | **3,691** |
| Minority interests | 27 | 95 | 66 | 61 |
| **TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS** | | **4,396** | **4,164** | **3,752** |
| Convertible or exchangeable bonds (OCEANE) | 28, 29 & 30 | 1,001 | 635 | - |
| Other long-term debt | 29 & 30 | 520 | 490 | 1,056 |
| Long-term finance lease liabilities | 29 & 30 | 352 | 184 | 216 |
| Deferred tax liabilities | 16 | 314 | 245 | 170 |
| Non-current provisions | 33 | 171 | 125 | 118 |
| **TOTAL NON-CURRENT LIABILITIES** | | **6,754** | **5,843** | **5,312** |
| Trade payables | 24 | 849 | 599 | 679 |
| Other payables and income tax payable | 24 | 1,460 | 1,422 | 1,557 |
| Service vouchers in circulation | 35 | 1,940 | 2,289 | 2,894 |
| Current provisions | 33 | 203 | 242 | 248 |
| Short-term debt and finance lease liabilities | 29 & 30 | 1,915 | 449 | 109 |
| Bank overdrafts | 29 & 30 | 57 | 60 | 35 |
| **TOTAL CURRENT LIABILITIES** | | **6,424** | **5,061** | **5,522** |
| Liabilities of assets classified as held for sale | 32 | - | 229 | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | | **13,178** | **11,133** | **10,834** |

# CONSOLIDATED CASH FLOW STATEMENTS

| *(in millions of euros)* | Notes | 2005 (*) | 2006 | 2007 |
|---|---|---|---|---|
| EBITDA | | 1,096 | 1,248 | 1,390 |
| Net financial expense | | (120) | (96) | (92) |
| Income tax expense | | (193) | (266) | (252) |
| Non cash revenue and expense included in EBITDA | | (7) | 23 | 29 |
| Elimination of provision movements included in net financial expense, income tax expense and non-recurring taxes | | 101 | 89 | 30 |
| Dividends received from associates | | 6 | 5 | 7 |
| Profit or loss from discontinued operations | | 52 | 21 | - |
| **FUNDS FROM ORDINARY ACTIVITIES** | **34** | **935** | **1,024** | **1,112** |
| Cash received (paid) on non-recurring transactions (included restructuring costs and non-recurring taxes) | | (120) | (84) | (85) |
| Decrease (increase) in working capital | 35 | 297 | 265 | 388 |
| Profit or loss from discontinued operations | | (30) | (9) | - |
| **NET CASH FROM OPERATING ACTIVITIES (A)** | | **1,082** | **1,196** | **1,415** |
| Renovation and maintenance expenditure | 36 | (436) | (454) | (466) |
| Renovation and maintenance expenditure on non-current assets held for sale | 37 | - | (95) | (26) |
| Development expenditure | 37 | (476) | (671) | (1,198) |
| Proceeds from disposals of assets | | 310 | 1,459 | 1,635 |
| Profit or loss from discontinued operations | | (13) | (6) | - |
| **NET CASH USED IN INVESTMENTS/DIVESTMENTS (B)** | | **(615)** | **233** | **(55)** |
| Proceeds from issue of share capital | | 822 | 227 | 710 |
| Capital reduction | | - | (485) | (1,200) |
| Dividends paid | | (287) | (276) | (680) |
| Repayment of long-term debt | | (704) | (391) | (900) |
| Payment of finance lease liabilities | | (52) | (142) | (50) |
| New long term debt | | 664 | 263 | 940 |
| **INCREASE (DECREASE) IN LONG-TERM DEBT** | | **(92)** | **(270)** | **(10)** |
| Increase (decrease) in short-term debt | | (183) | (1,721) | (178) |
| Profit or loss from discontinued operations | | 7 | (1) | - |
| **NET CASH FROM FINANCING ACTIVITIES (C)** | | **267** | **(2,526)** | **(1,358)** |
| Effect of changes in exchange rates (D) | | (27) | 35 | (49) |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS (E)=(A)+(B)+(C)+(D)** | **30** | **707** | **(1,062)** | **(47)** |
| Cash and cash equivalents at beginning of period | | 1,594 | 2,306 | 1,207 |
| Effect of changes in fair value of cash and cash equivalents | | 5 | (1) | (1) |
| Profit or loss from discontinued operations | | - | (36) | (56) |
| Cash and cash equivalents at end of period | | 2,306 | 1,207 | 1,103 |
| **NET CHANGE IN CASH AND CASH EQUIVALENTS** | **30** | **707** | **(1,062)** | **(47)** |

*(*) In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", in the cash flow statement for the year ended December 31, 2005 the cash flows of 2006 discontinued operations are reported on a separate line (see Note 17).*

# CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

| *(in millions of euros)* | Number of shares outstanding | Share capital | Additional paid-in capital | Currency translation reserve (2) | Fair value adjustments on Financial Instruments reserve (3) | Reserve related to employee benefits | Reserve for actuarial gains/losses | Retained earnings and profit for the period | Shareholders' equity | Minority interests | Consolidated shareholders' Equity |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **AT DECEMBER 31, 2004** | **205,731,778** | **617** | **2,187** | **(93)** | **125** | **10** | **-** | **282** | **3,128** | **70** | **3,198** |
| Fair value adjustments on financial instruments | - | - | (2) | - | 422 | - | - | - | 420 | - | 420 |
| Change in reserve for employee benefits | - | - | - | - | - | 9 | - | - | 9 | - | 9 |
| Change in reserve for acturial gains/losses | - | - | - | - | - | - | (21) | - | (21) | - | (21) |
| Profit for the period | - | - | - | - | - | - | - | 333 | 333 | 31 | 364 |
| Recognised income and expense | - | - | (2) | - | 422 | 9 | (21) | 333 | 741 | 31 | 772 |
| Issues of share capital | | | | | | | | | | | |
| • On conversion of equity notes (Convertible bonds) | 8,920,986 | 28 | 332 | - | - | - | - | - | 360 | - | 360 |
| • On exercise of stock options | 1,634,279 | 4 | 50 | - | - | - | - | - | 54 | - | 54 |
| Dividends paid | | - | - | - | - | - | - | (267) | (267) | (21) | (288) |
| Currency translation adjustment | | - | - | 285 | - | - | - | - | 285 | 8 | 293 |
| Effect of scope changes | | - | - | - | - | - | - | - | - | 7 | 7 |
| **AT DECEMBER 31, 2005** | **216,287,043** | **649** | **2,567** | **192** | **547** | **19** | **(21)** | **348** | **4,301** | **95** | **4,396** |
| Fair value adjustments on financial instruments | - | - | - | - | (23) | - | - | - | (23) | - | (23) |
| Change in reserve for employee benefits | - | - | - | - | - | 13 | - | - | 13 | - | 13 |
| Change in reserve for acturial gains/losses | - | - | - | - | - | - | (2) | - | (2) | - | (2) |
| Profit for the period | - | - | - | - | - | - | - | 501 | 501 | 33 | 534 |
| Recognised income and expense | - | - | - | - | (23) | 13 | (2) | 501 | 489 | 33 | 522 |
| Issues of share capital | | | | | | | | | | | |
| • On conversion of equity notes (convertible bonds) | 2,648,993 | 8 | 99 | - | - | - | - | - | 107 | - | 107 |
| • On exercise of stock options | 2,819,581 | 8 | 100 | - | - | - | - | - | 108 | - | 108 |
| • Treasury stock | 646,150 | 2 | 18 | - | - | - | - | - | 20 | - | 20 |
| • Club Méditerranée earn-out payable (4) | (436,000) | (1) | (13) | - | - | - | - | - | (14) | - | (14) |
| Capital reduction (5) | (10,324,607) | (31) | (450) | - | - | - | - | - | (481) | - | (481) |
| Dividends paid | - | - | - | - | - | - | - | (248) | (248) | (28) | (276) |
| Currency translation adjustment | - | - | - | (184) | - | - | - | - | (184) | (3) | (187) |
| Effect of scope changes | - | - | - | - | - | - | - | - | - | (31) | (31) |
| **AT DECEMBER 31, 2006** | **211,641,160** | **635** | **2,321** | **8** | **524** | **32** | **(23)** | **601** | **4,098** | **66** | **4,164** |
| Change in reserve for employee benefits | - | - | - | - | - | 27 | - | - | 27 | - | 27 |
| Change in reserve for acturial gains/losses | - | - | - | - | - | - | 4 | - | 4 | - | 4 |
| Profit for the period | - | - | - | - | - | - | - | 883 | 883 | 29 | 912 |
| Recognised income and expense | - | - | - | - | - | 27 | 4 | 883 | 914 | 29 | 943 |
| Issues of share capital | | | | | | | | | | | |
| • On conversion of equity notes and convertible bonds | 27,077,473 | 82 | 1,024 | - | - | - | - | (31) | 1,075 | - | 1,075 |
| • Employee rights issue | 770,529 | 2 | 41 | - | - | - | - | - | 43 | - | 43 |
| • On exercise of stock options | 1,916,434 | 6 | 69 | - | - | - | - | (1) | 74 | - | 74 |
| • Treasury stock | 130,000 | 0 | 5 | - | - | - | - | - | 5 | - | 5 |
| • Club Méditerranée earn-out payable (4) | (114,000) | (1) | (3) | - | - | - | - | - | (4) | - | (4) |
| Change in fair value resulting from conversion of equity notes | - | - | - | - | (458) | - | - | - | (458) | - | (458) |
| Capital reduction - return of capital to shareholders (5) | (19,130,952) | (57) | (1,143) | - | - | - | - | - | (1,200) | - | (1,200) |
| Other capital reduction | (763,000) | (2) | (38) | - | - | - | - | - | (40) | - | (40) |
| Dividends paid | - | - | - | - | - | - | - | (661) | (661) | (19) | (680) |
| Currency translation adjustment | - | - | - | (153) | - | - | - | - | (153) | (3) | (156) |
| Effect of scope changes | - | - | - | - | - | - | - | (2) | (2) | (12) | (14) |
| **AT DECEMBER 31, 2007 (1)** | **221,527,644** | **665** | **2,276** | **(145)** | **66** | **59** | **(19)** | **789** | **3,691** | **61** | **3,752** |

*(1) At December 31, 2007, Accor held 8,390,150 shares in treasury, with a fair value of €478 million. These shares have been deducted from equity at cost.*

*(2) Exchange differences on translating foreign operations for the year ended December 31, 2007, in the amount of €153 million, mainly concern changes in exchange rates against the euro of the US dollar (€127 million negative impact).*

*The period-end euro/USD exchange rates applied to prepare the consolidated financial statements were as follows:*

*– December 2006 1.3170;*

*– December 2007 1.4721.*

*(3) 2007 change corresponding mainly to the redemption in equity of the ORA equity notes issued to Colony Capital (see Note 26).*

*(4) Corresponding to the reversal of the provision set up at the time of acquisition of Club Méditerranée, covering part of the stock-based earn-out payment due to Caisse des Dépôts et Consignations (see Note 2.A.3).*

*(5) Capital reduction resulting from the cancellation of shares acquired under the buyback programs (see Note 2.F). Accordingly, 7,970,150 shares totalling €461 million will be cancelled in 2008*

The number of Accor's shares is detailed as follows:

| **Details on shares** | **December 2005** | **December 2006** | **December 2007** |
|---|---|---|---|
| Total number of shares authorized | 217,265,774 | 212,409,741 | 229,917,794 |
| Number of fully paid shares issued and outstanding | 217,265,774 | 212,409,741 | 229,917,794 |
| Number of shares issued and outstdanding not fully paid | - | - | - |
| Par value per share *(in euros)* | 3 | 3 | 3 |
| Treasury stock | 1,528,731 | 882,581 | 8,390,150 |
| Number of shares held for allocation on exercise of stock options and grants | - | - | - |

Number of outstanding shares and number of potential shares that could be issued breaks down as follows:

| | |
|---|---|
| **Share capital at December 31, 2007** | **229,917,794** |
| Shares in treasury at December 31, 2007 | (420,000) |
| Number of shares bought back for cancellation | (7,970,150) |
| **Outstanding share capital at December 31, 2007** | **221,527,644** |
| Stock option plans (see Note 25.3) | 8,472,298 |
| Performance shares granted to employees (see Note 25.3) | 56,171 |
| **Potential number of shares (*)** | **230,056,113** |

*(*) Not including the 11,566 convertible bonds issued in 2003 that were redeemed in January 2008 (see Note 28)*

Full conversion would have the effect of reducing debt at December 31, 2007 as follows:

| | |
|---|---|
| Impact of conversion of stock option plans (*) | 379 |
| **Impact on net debt of converting all equity instruments** | **379** |

*(*) Based on a conversion of 100% of the outstanding options*

Average number of ordinary shares before and after dilution is presented as follows:

| | |
|---|---|
| **Accor's share capital at December 31, 2007** | **229,917,794** |
| Shares in treasury at December 31, 2007 | (420,000) |
| Number of shares bought back for cancellation | (7,970,150) |
| **Outstanding Accor's share capital at December 31, 2007** | **221,527,644** |
| Adjustment *from:* | |
| • Conversion of convertible bonds | (1,998,134) |
| • Conversion of stock option plans | (979,460) |
| • Share buyback programs during the period (cf. Note 2.F) | 13,002,984 |
| • Conversion of Colony convertible bonds (cf. Note 2.E) | (6,120,067) |
| • Increase of capital | (420,097) |
| **Weighted average number of ordinary shares during the period (cf. Note 25)** | **225,012,870** |
| Number of potential ordinary shares resulting from conversion of Stock option plans | 2,869,393 |
| Number of potential ordinary shares resulting from conversion of Bonds | 11,566 |
| Adjustm*ent from Convert*ible Bonds exercised during the period | 8,050,133 |
| **Weighted average number of shares used to calculate diluted earnings per share (cf. Note 25)** | **235,943,962** |

# KEY MANAGEMENT RATIOS

| | Note | Dec. 2005 (*) | Dec. 2006 | Dec. 2007 |
|---|---|---|---|---|
| Gearing | a | 32% | 11% | 5% |
| Adjusted Funds from Ordinary Activities / Adjusted Net Debt | b | 16.8% | 22.2% | 26.2% |
| Return On Capital Employed | c | 10.7% | 11.9% | 13.6% |
| Economic Value Added (EVA ®) *(in millions of euros)* | d | 236 | 232 | 229 |

*(*) Key management ratios presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5.*

**Note (a):** Gearing corresponds to the ratio of net debt to equity (including minority interests).

**Note (b):** Adjusted Funds from Ordinary Activities / Adjusted Net Debt is calculated as follows, corresponding to the method used by the main rating agencies:

| | Dec. 2005 (*) | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **NET DEBT AT END OF THE PERIOD** | **1,420** | **469** | **204** |
| Debt restatment *prorated over* the period | (17) | 19 | (120) |
| **AVERAGE DEBT** | **1,403** | **488** | **84** |
| 8% discounted rental commitments (**) | 5,469 | 5,149 | 5,155 |
| **TOTAL ADJUSTED NET DEBT** | **6,872** | **5,637** | **5,239** |
| **FUNDS FROM ORDINARY ACTIVITIES** | **935** | **1,024** | **1,112** |
| Rental amortization | 221 | 229 | 258 |
| **ADJUSTED FUNDS FROM ORDINARY ACTIVITIES** | **1,156** | **1,253** | **1,370** |
| **ADJUSTED FUNDS FROM ORDINARY ACTIVITIES / ADJUSTED NET DEBT** | **16.8%** | **22.2%** | **26.2%** |

*(*) Key management ratios presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5.*

*(**) The difference between the value of future minimum lease payments discounted at 8%, as shown on page 47 (€4,569 million), and the value used in the above table to calculate adjusted net debt (€5,155 million) corresponds to 8/12ths of Red Roof Inn's future minimum lease payments, discounted at 8%, recognized prior to the company's disposal. Note that at the same time, eight months of funds from operations were recognized in consolidated funds from operations before non-recurring items in 2007*

**Note (c):** Return On Capital Employed (ROCE) is defined below.

**Note (d):** Economic Value Added (EVA®).



Financial Statements

2005, 2006 and 2007 Economic Value Added (EVA) have been calculated as follows:

| | Dec. 2005 (*) | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Cost of equity (1) | 7.57% | 7.71% | 8.88% |
| Cost of debt (after tax) | 3.30% | 3.33% | 3.50% |
| Equity/debt weighting | | | |
| • Equity | 75.58% | 89.88% | 94.84% |
| • Debt | 24.42% | 10.12% | 5.16% |
| **WEIGHTED AVERAGE COST OF CAPITAL (WACC) (2)** | **6.53%** | **7.26%** | **8.60%** |
| **ROCE AFTER TAX (3)** | **8.62%** | **9.41%** | **10.76%** |
| **CAPITAL EMPLOYED** *(in millions of euros)* | **11,291** | **10,807** | **10,606** |
| **ECONOMIC VALUE ADDED** *(in millions of euros)* (4) | **236** | **232** | **229** |

*(*) Key management ratios presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5.*

*(1) The Beta used to calculate the cost of equity for 2005, 2006 and 2007 was 1 and the 10-year OAT rate as at each year-end has been used as the risk-free rate.*

*(2) WACC is determined as follows:*

$$\text{Cost of equity } x \quad \frac{\text{Equity}}{(\text{Equity} + \text{Debt})} \quad + \text{Cost of debt } x \quad \frac{\text{Debt}}{(\text{Equity} + \text{Debt})}$$

*(3) OCE after tax is determined as follows:*

$$\frac{\text{EBITDA} - [(\text{EBITDA} - \text{depreciation, amortization and provisions}) \text{ x tax rate}]}{\text{Capital employed}}$$

*EBITDA: €1,437 million (see ROCE hereafter)*
*Depreciation, amortization and provisions: € (419) million*
*Notional tax rate: 29.1% (see Note 16.2)*
*Capital employed: €10,606 million (see ROCE hereafter)*

*(4) EVA is determined as follows:*

*(ROCE after tax – WACC) x Capital employed*

*A 0.1 point increase or decrease in the Beta would have had a €36 million impact on 2005 EVA, a €36 million impact on 2006 EVA and a €45 million impact on 2007 EVA.*

# RETURN ON CAPITAL EMPLOYED (ROCE) BY BUSINESS SEGMENT

Return on Capital Employed (ROCE) is a key management indicator used internally to measure the performance of the Group's various businesses.

It is also an indicator of the profitability of assets that are either not consolidated or accounted for by the equity method.

It is calculated on the basis of the following aggregates derived from the consolidated financial statements:

- Adjusted EBITDA: for each business, EBITDA plus revenue from financial assets and investments in associates (dividends and interest);
- Capital Employed: for each business, the average cost of non-current assets, before depreciation, amortization and provisions, plus working capital.

ROCE corresponds to the ratio between EBITDA and average capital employed for the period. In December 2007, ROCE stood at 13.6% versus 11.9% in fiscal 2006 and 10.7% in fiscal 2005.

| *(in millions of euros)* | **2005 (*)** | **2006** | **2007** |
|---|---|---|---|
| Capital employed | 11,389 | 10,779 | 10,519 |
| Adjustments on *capital employe*d (1) | (665) | 78 | 44 |
| Effect of exchange rate on capital employed (2) | 74 | (50) | 43 |
| **AVERAGE CAPITAL EMPLOYED** | **10,798** | **10,807** | **10,606** |
| EBITDA | 1,096 | 1,248 | 1,390 |
| Interest income on external loans and dividends | 36 | 17 | 9 |
| Share of profit of associates before tax (see Note 11) | 22 | 18 | 38 |
| **ADJUSTED EBITDA** | **1,154** | **1,283** | **1,437** |
| **ROCE (ADJUSTED EBITDA/CAPITAL EMPLOYED)** | **10.7%** | **11.9%** | **13.6%** |

*(*) ROCE presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5.*

*(1) For the purpose of calculating ROCE, capital employed is prorated over the period of EBITDA recognition in the income statement. For example, the capital employed of a business acquired on December 31 that did not generate any EBITDA during the period would not be included in the calculation.*

*(2) Capital employed is translated at the average exchange rate for the year, corresponding to the rate used to translate EBITDA.*

Return on capital employed (ratio between EBITDA and average capital employed) over a 12-month rolling period is as follows, by business segment:

| | 2005 (*) | | 2006 | | 2007 | |
|---|---|---|---|---|---|---|
| | Capital Employed | ROCE | Capital Employed | ROCE | Capital Employed | ROCE |
| **Business** | *(in millions of euros)* | % | *(in millions of euros)* | % | *(in millions of euros)* | % |
| **HOTELS** | **7,894** | **9.9%** | **7,862** | **11.1%** | **7,482** | **13.3%** |
| Up and Midscale Hotels | 3,933 | 7.9% | 3,903 | 8.7% | 3,924 | 11.6% |
| Economy Hotels | 1,771 | 17.0% | 1,753 | 19.2% | 1,674 | 21.5% |
| Economy Hotels United States | 2,190 | 7.7% | 2,206 | 9.0% | 1,884 | 9.6% |
| **SERVICES** | **936** | **26.0%** | **1,172** | **25.3%** | **1,710** | **21.3%** |
| **OTHER BUSINESSES** | | | | | | |
| Casinos | 429 | 10.6% | 451 | 10.0% | 473 | 9.7% |
| Restaurants | 235 | 14.0% | 262 | 13.0% | 257 | 12.9% |
| Onboard Train Services | 123 | 15.3% | 139 | 12.4% | 145 | 10.4% |
| Holding Companies and other | 1,181 | 2.9% | 921 | 1.6% | 539 | -3.3% |
| **GROUP TOTAL** | **10,798** | **10.7%** | **10,807** | **11.9%** | **10,606** | **13.6%** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts are not reported.*

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## Note 1. Summary of Significant Accounting Policies

In accordance with European Commission regulation 1606/2002 dated July 19, 2002 on the application of international financial reporting standards, the Accor Group annual consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union and applicable at December 31, 2007.

They include comparative annual financial information for 2005 and 2006, prepared in accordance with the same standards.

The following standards, interpretations or amendments adopted by the European Union were applicable as of January 1, 2007. The effect of applying these standards, interpretations and amendments on the 2007 consolidated financial statements was not material:

- Amendment to IAS 1 "Capital Disclosures";
- IFRS 7 "Financial Instruments: Disclosures";
- IFRIC 7 "Applying the Restatement Approach under IAS 29: Financial Reporting in Hyperinflationary Economies";
- IFRIC 8 "Scope of IFRS 2";
- IFRIC 9 "Reassessment of Embedded Derivatives";
- IFRIC 10 "Interim Financial Reporting and Impairment".

The Group has not elected for early adoption of the following standards, amendments and interpretations adopted or in the process of being adopted by the European Union at December 31, 2007 and applicable after December 31, 2007:

| | | Application Date (period beginning on or after) | Measurement of the possible impact on the Accor Group consolidated financial statements in the period of initial application |
|---|---|---|---|
| IFRS 8 | "Operating Segments" | January 1, 2009 | |
| IAS 1 revised | Revised version of IAS 1 "Presentation of Financial Statements" | January 1, 2009 | |
| IFRIC 11 | "IFRS 2: Group and Treasury Share Transactions" | March 1, 2007 | |
| IFRIC 14 | "IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" | January 1, 2008 | This standard and these interpretations are currently not expected to have a material impact on the consolidated financial statements |
| IFRIC 13 | "Customer Loyalty Programs" | July 1, 2008 | The impact of applying IFRIC 13 is not currently known. It will be assessed by reference to the specific features of the Group's loyalty programs, which are in the process of being revised. |
| IFRIC 12 | "Service Concession Arrangements" | January 1, 2008 | The Group is not affected by this interpretation as it is not party to any service concession arrangements |
| Amendment to IAS 23 | "Borrowing costs" | January 1, 2009 | Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are already capitalized as part of the cost of that asset and the amendment will therefore have no impact on the consolidated financial statements. |

The following options adopted by Accor in the opening IFRS balance sheet at the IFRS transition date (January 1, 2004) in accordance with IFRS 1, continue to have a material impact on the consolidated financial statements:

- Business combinations recorded prior to January 1, 2004 were not restated;
- Cumulative translation differences at the transition date were reclassified in retained earnings;
- Property, plant and equipment and intangible assets were not measured at fair value at the transition date.

**Basis for preparation of the financial standards**

The financial statements of consolidated companies, prepared in accordance with local accounting principles, have been restated to conform to Group policies prior to consolidation. All consolidated companies have a December 31 year-end, except for Groupe Lucien Barrière SAS whose year-end is October 31.

The preparation of consolidated financial statements implies the consideration of estimates and assumptions by Group management that can affect the carrying amount of certain assets and liabilities, income and expenses, and the information disclosed in the notes to the financial statements. Group management reviews these estimates and assumptions on a regular basis to ensure their pertinence relevance with respect to past experience and the current economic situation. Items in future financial statements could differ from current estimates as a result of changes in these assumptions.

The main estimates made by management in the preparation of financial statements concern the valuation and the useful life of intangible assets, property, plant and equipment and goodwill, the amount of contingency provision, the valuation of the share-based payments and assumptions underlying the calculation of pension obligations and deferred tax balances.

The main assumptions made by the Group are detailed in the appropriate notes to the financial statement.

When a specific transaction is not dealt with in any standards or interpretations, the management uses its judgment in developing and applying an accounting policy that results in information that is relevant and reliable, as a result the financial statements represent faithfully the Group's financial position, financial performance and cash flow and reflect the economic substance of transactions.

**Capital management**

The Group's prime objective in terms of managing capital is to maintain a satisfactory credit rating and robust capital ratios, in order to facilitate business operations and maximize shareholder value.

Its capital structure is managed and adjusted to keep pace with changes in economic conditions, by adjusting dividends, returning capital to shareholders or issuing new shares. Capital management objectives, policies and procedures were unchanged in 2005, 2006 and 2007.

The main indicator used for capital management purposes is the debt-to-capital ratio (corresponding to net debt divided by equity: see Note "Key Management Ratios" and Note 29). Group policy consists of maintaining this ratio within the range of 20% to 35%. For the purpose of calculating the ratio, net debt corresponds to interest-bearing loans and borrowings, trade payables and other liabilities, cash and cash equivalents, and equity includes convertible preferred stock, and unrealized gains and losses recognized directly in equity, but excludes minority interests.

**Financial risk management**

The Group's risk management objectives, policies and procedures are described in the Management Report, which also includes interest rates and currency rates sensitivity analyses.

The main accounting methods applied are as follows:

## A. Consolidation methods

The companies over which the Group exercises exclusive *de jure* or *de facto* control, directly or indirectly, are fully consolidated.

Companies controlled and operated jointly by Accor and a limited number of partners under a contractual agreement are proportionally consolidated.

Companies over which the Group exercises significant influence are accounted for by the equity method. Significant influence is considered as being exercised when the Group owns between 20% and 50% of the voting rights.

The assets and liabilities of subsidiaries acquired during the period are initially recognized at their fair value at the acquisition date. Minority interests are determined based on the initially recognized fair values of the underlying assets and liabilities.

In accordance with IAS 27 "Consolidated and Separate Financial Statements", potential voting rights held by Accor that are currently exercisable (call options) are taken into account to determine the existence of a control over the concerned company.

## B. Goodwill

In the year following the acquisition of a consolidated company, fair value adjustments are made to the identifiable assets and liabilities acquired. For this purpose, fair values are determined in the new subsidiary's local currency.

In subsequent years, these fair value adjustments follow the same accounting treatment as the items to which they relate.

### B.1. Positive goodwill

Goodwill, representing the excess of the cost of a business combination over the Group's equity in the net fair value of the identifiable assets and liabilities acquired at the acquisition date, is recognized in assets under "Goodwill". Residual goodwill mainly result from the expected synergies and other benefits from combining the companies acquired.

Goodwill arising on acquisition of associates – corresponding to companies over which the Group exercises significant influence – is recognized in the carrying amount of the investment.

Goodwill arising on acquisition of subsidiaries and jointly controlled entities is reported separately.

In accordance with IFRS 3 "Business Combinations", goodwill is not amortized but is tested for impairment at least once a year and more frequently if there is any indication that it may be impaired. The methods used to test goodwill for impairment are described in Note 1.D.6. If the carrying amount of goodwill exceeds the recoverable amount, an irreversible impairment loss is recognized in profit.

### B.2. Negative goodwill

Negative goodwill, representing the excess of the Group's equity in the net fair value of the identifiable assets and liabilities acquired at the acquisition date over the cost of the business combination, is recognized immediately in profit.

## C. Foreign currency translation

The presentation currency is the euro.

The balance sheets of foreign subsidiaries are translated into euros at the closing exchange rate, and their income statements are translated at the average rate for the period. Differences arising from translation are recorded as a separate component of equity and recognized in profit on disposal of the business.

For subsidiaries operating in hyperinflationary economies, non-monetary assets and liabilities are translated at the exchange rate of the business day when the transaction occurred (historical rate) and monetary assets and liabilities are translated at the closing rate.

In the income statement, income and expense related to non-monetary assets and liabilities are translated at the historical rate and other items are translated at the average rate for the month in which the transaction was recorded. Differences arising from the application of this method are recorded in the income statement under "Net financial expense".

## D. Non-current assets

### D.1. Intangible assets

In accordance with IAS 38 "Intangible Assets", intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

Brands and lease premiums ("droit au bail") in France are considered as having indefinite useful lives and are therefore not amortized. Their carrying amount is reviewed at least once a year and more frequently if there is any indication that they may be impaired. If their fair value determined according to the criteria applied at the acquisition date is less than their carrying amount, an impairment loss is recognized (see Note 1.D.6).

Other intangible assets (licenses and software) are considered as having finite useful lives. They are amortized on a straight-line basis over their useful lives.

The clientele of hotels outside France is generally amortized over the life of the underlying lease.

Identifiable intangible assets recognized in a business combination are initially recognized at amounts determined by independent valuations, performed using relevant criteria for the business concerned that can be applied for the subsequent measurement of the assets. Identifiable brands are measured based on multiple criteria, taking into account both brand equity and their contribution to profit. Contractual customer relationships are measured based on the cost of acquiring new customers.

### D.2. Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses, in accordance with IAS 16 "Property, Plant and Equipment". Cost includes borrowing costs directly attributable to the construction of assets.

Assets under construction are measured at cost less any accumulated impairment losses. They are depreciated from the date when they are put in service.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, determined by the components method, from the date when they are put in service. The main depreciation periods applied are as follows:

| | Upscale and Midscale Hotels | Economy Hotels |
|---|---|---|
| Buildings | 50 years | 35 years |
| Building improvements, fixtures and fittings | 7 to 25 years | 7 to 25 years |
| Capitalized construction-related costs | 50 years | 35 years |
| Equipment | 5 to 15 years | 5 to 15 years |

### D.3. Borrowing costs

Borrowing costs directly attributable to the construction or production of a qualifying asset are included in the cost of the asset. Other borrowing costs are recognized as an expense for the period in which they are incurred.

### D.4. Leases and sale-and-leaseback transactions

Leases are analysed based on IAS 17 "Leases".

Leases that transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee are qualified as finance leases and accounted for as follows:

- The leased item is recognized as an asset at an amount equal to its fair value or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease;
- A liability is recognized for the same amount, under "Finance lease liabilities";
- Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability;
- The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The asset is depreciated over its useful life, in accordance with Group accounting policy, if there is reasonable certainty that the Group will obtain ownership of the asset by the end of the lease term; otherwise the asset is depreciated by the components method over the shorter of the lease term and its useful life.

Where sale-and-leaseback transactions result in a finance lease, any excess of sales proceeds over the carrying amount is deferred and amortized over the lease term, unless there has been impairment in value.

Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term. Future minimum lease payments under non-cancelable operating leases are disclosed in Note 6. Where sale-and-leaseback transactions result in an operating lease and it is clear that the transaction is established at fair value, any profit or loss is recognized immediately. Fair value for this purpose is generally determined based on independent valuations.

### D.5. Other financial investments

Other financial investments, corresponding to investments in non-consolidated companies, are classified as "Available for sale financial assets" and are therefore measured at fair value. Changes in fair value are accumulated in equity and recognized in profit when the investments are sold. An impairment loss is recognized on significantly impaired investments whose value is not expected to recover in the foreseeable future. The impairment loss is recognized in profit and is not reversible.

### D.6. Recoverable value of assets

In accordance with IAS 36 "Impairment of Assets", the carrying amounts of property, plant and equipment, intangible assets and goodwill are reviewed and tested for impairment when there is any indication that they may be impaired and at least once a year for the following:

- Assets with an indefinite useful life: goodwill, brands and lease premiums are considered as having an indefinite useful life; and
- Intangible assets not yet available for use.

#### *Criteria used for impairment tests*

For impairment testing purposes, the criteria considered as indicators of a possible impairment in value are the same for all businesses:

- 15% drop in revenue, based on a comparable consolidation scope; or
- 30% drop in EBITDA, based on a comparable consolidation scope.

#### *Cash-generating unit*

Impairment tests are performed individually for each asset excepted when an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In this case, it is included in a cash-generating unit (CGU) and impairments tests are performed at the level of the cash-generating unit.

In the hotel business, all the property, plant and equipment incorporated to a hotel are grouped together to create a cash-generating unit.

Goodwill is tested for impairment at the level of the cash-generating unit (CGU) to which it belongs. CGUs correspond to specific businesses and countries; they include not only goodwill but also all the related property, plant and equipment and intangible assets.

Other assets, and in particular intangible assets, are tested individually.

#### *Methods used to determine recoverable value*

Impairment tests consist of comparing the carrying amount of the asset or the CGU with its recoverable value. The recoverable value of an asset or a CGU is the higher of its fair value less costs to sell and its value in use.

**Property Plant and equipment and goodwill**

The recoverable value of all the assets or the CGUs is determined by comparing the results obtained by two methods, the EBITDA multiples method (fair value approach) and the after-tax discounted cash flows method (value in use approach).

*1. Valuation by the EBITDA multiples method*

For impairment tests performed by hotel, this method consists of calculating each hotel's average EBITDA for the last two years and applying a multiple based on the hotel's location and category. The multiples applied by the Group correspond to the average prices observed on the market for recent transactions and are as follows:

| Segment | Coefficient |
|---|---|
| Upscale and Midscale Hotels | 7.5 < x < 10.5 |
| Economy Hotels | 6.5 < x < 8 |
| Economy Hotels United States | 6.5 < x < 8 |

For impairment tests performed by country, the recoverable value is determined by applying to the country's average EBITDA for the last two years a multiple based on its geographic location and a country coefficient.

If the recoverable value is less than the carrying amount, the asset's recoverable value will be recalculated according the discounted cash flows method.

*2. Valuation by the discounted cash flows method*

The projection period is limited to five years. Cash flows are discounted at a rate corresponding to the Group's weighted average cost of capital at the previous year-end, adjusted in all cases for country risk. The projected long-term rate of revenue growth reflects each country's economic outlook.

**Intangible assets except goodwill**

The recoverable value of an intangible asset is determined according the discounted cash flow method only (referred above), due to the absence of an active market and comparable transactions.

### *Impairment loss measurement*

If the recoverable value is less than the carrying amount, an impairment loss is recognized in an amount corresponding to the lower of the losses calculated by the multiple of EBITDA and discounted cash flows methods. Impairment losses are recognized in the income statement under "Impairment losses" (see Note 1.R.7).

### *Reversing of an impairment loss*

In accordance with IAS 36 "impairment of Assets", impairment losses on goodwill are irreversible. Impairment losses on intangible assets with a finite useful life, such as patents and software, are irreversible too. Losses on property, plant and equipment and on intangible assets with an indefinite useful life, such as brands, are reversible in the case of a change in estimates used to determine their recoverable amount.

### D.7. Assets held for sale

In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", as from January 1, 2005, assets or group of assets held for sale are presented separately on the face of the balance sheet, at the lower of their carrying amount and fair value less costs to sell.

Assets are classified as "held for sale" when they are available for immediate sale in their present condition, their sale in the foreseeable future is highly probable and the management is committed to a plan to sell the asset and an active program to locate a buyer and complete the plan has been initiated.

This item groups together:

- Non-current assets held for sale;
- Groups of assets held for sale;
- The whole of the current and non-current assets related to a business or geographical segment (i.e. to a discontinued operation) itself held for sale.

## E. Inventories

Inventories are measured at the lower of cost and net realizable value, in accordance with IAS 2 "Inventories". Cost is determined by the weighted average cost method.

## F. Service voucher reserve funds

Service voucher reserve funds are held in special escrow accounts, to comply with legal requirements in France on the use of Ticket Restaurant operating funds. They require issuers of service vouchers to set aside the equivalent of the aggregate face value of outstanding vouchers in a special reserve fund.

## G. Prepaid expense

Prepaid expenses correspond to expenses paid during the period that relate to subsequent periods. They also include the effect of recognizing rental expense on a straight-line basis over the life of the lease (see Note 6). Prepaid expenses are included in "Other receivables and accruals".

## H. Employee benefits expense

Employee benefits expense includes all amounts paid or payable to employees, including profit-sharing and the cost of share-based payments.

## I. Provisions

In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognized when the Group has a present obligation (legal, constructive or implicit) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount of each provision is determined based on the type of obligation and the most probable assumptions.

Provisions for restructuring costs are recorded when the Group has a detailed formal plan for the restructuring and the plan's main features have been announced to those affected by it.

## J. Pensions and other post-employment benefits

The Group operates various complementary pension, length-of-service award and other post-employment benefit plans, in accordance with the laws and practices of the countries where it operates. These plans are either defined contribution or defined benefit plans.

Under defined contribution plans, the Group pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay benefits. Contributions under these plans are recognized immediately as an expense.

For defined benefit plans, including multi-employer plans when the manager is able to provide the necessary information, the Group's obligation is determined in accordance with IAS 19 "Employee Benefits".

The Group's obligation is determined by the projected unit credit method based on actuarial assumptions related to future salary levels, retirement age, mortality, staff turnover and the discount rate. These assumptions take into account the macro-economic environment and other specific conditions in the various host countries.

Pension and other retirement benefit obligations take into account the market value of plan assets. The amount recognized in the balance sheet corresponds to the discounted present value of the defined benefit obligation less the fair value of plan assets. Any surpluses, corresponding to the excess of the fair value of plan assets over the projected benefit obligation, are recognized only when they represent the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. For post-employment benefits, actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity.

The net defined benefit obligation is recognized in the balance sheet under "Non-current Provisions".

## K. Translation of foreign currency transactions

Foreign currency transactions are recognized and measured in accordance with IAS 21 "Effects of Changes in Foreign Exchange Rates". As prescribed by this standard, each Group entity translates foreign currency transactions into its functional currency at the exchange rate on the transaction date.

Foreign currency receivables and payables are translated into euros at the closing exchange rate. Foreign currency financial liabilities measured at fair value are translated at the exchange rate on the valuation date. Gains and losses arising from translation are recognized in "Net financial expense", except for gains and losses on financial liabilities measured at fair value which are recognized in equity.

## L. Deferred tax

In accordance with IAS 12 "Income Taxes", deferred taxes are recognized on temporary differences between the carrying amount of assets and liabilities and their tax base by the liability method. This method consists of adjusting deferred taxes at each period-end, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The effects of changes in tax rates (and tax laws) are recognized in the income statement for the period in which the rate change is announced.

A deferred tax liability is recognized for all temporary differences, except when it arises from the initial recognition of non-deductible goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and which, at the time of the transaction, affects neither accounting profit nor taxable profit. The only exception concerns deferred taxes arising from the difference in treatment of certain leases accounted for as finance leases in the consolidated accounts.

A deferred tax liability is recognized for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures except when:

- The Group is able to control the timing of the reversal of the temporary difference; and
- It is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognized for ordinary and evergreen tax loss carryforwards only when it is probable that the asset will be recovered in the foreseeable future.

Income taxes are normally recognized in the income statement. However, when the underlying transaction is recognized in equity, the related income tax is also recorded in equity.

In accordance with IAS 12, deferred taxes are not discounted.

## M. Share-based payments

### M.1. Share-based payments

#### *Stock Option Plans*

In accordance with the transitional provisions of IFRS 1 "Share-based Payment", employee benefits expense is recognized only for grants of shares, stock options or other equity instruments that were granted after November 7, 2002 and had not yet vested at January 1, 2005.

IFRS 2 applies to eight stock option plans set up between 2003 and December 2007. The first seven plans do not have any specific vesting conditions except for the requirement for grantees to continue to be employed by the Group at the starting date of the exercised period. The eighth plan is a performance option plan with vesting conditions other than market conditions. As for the first seven plans, grantees must continue to be employed by the Group at the starting date of the exercised period.

The service cost representing consideration for the stock options is recognized in expense over the vesting period by adjusting equity. The expense recognized in each period corresponds to the fair value of the goods and services received at the grant date, as determined using the Black & Scholes option-pricing model. The grant date is defined as the date when the plan's terms and conditions are communicated to Group employees corresponding to the dates on which the Board of Directors approved these plans. Under IFRS 2, vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the options but are taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount, so that, ultimately, the amount recognized for goods and services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

When the options are exercised, the cash settlement is recorded in cash and cash equivalents and in equity. The amount recognized in equity is allocated between "Share capital" and "Additional paid-in capital".

#### *Employee Stock Ownership Plan*

IFRS 2 also applies to employee benefits granted through the Employee Stock Ownership Plan to the extent that shares are purchased at a discount by participating employees. Accordingly, when rights under the plan are exercisable at a price that is less than the fair value of the shares at the grant date, an expense is recognized immediately or over the vesting period, as appropriate.

The Group's employee stock ownership plans enable employees to invest in Accor stock at a discount. The share purchase price before discount is based on the average of the prices quoted for Accor stock over the twenty trading days preceding the grant date. The shares are subject to a five-year lock-up.

The fair value of the employee benefit is measured by reference to:

- The discount reflected in the purchase price;
- The cost represented by the lock-up clause. This cost, which is calculated only for shares financed directly by employees and not for any shares financed by a bank loan, is measured by discounting the discount over 5 years at a rate corresponding to the risk-free interest rate plus a country risk premium;
- The grant date, defined as the date when the plan's terms and conditions are communicated to Group employees, corresponding to the first day of the subscription period.

The employee benefit is measured as the difference between the fair value of the acquired shares and the price paid by employees at the subscription date, multiplied by the number of shares subscribed.

The fair value, determined as described above, is recognized in full in "Employee benefits expense" at the end of the subscription period, by adjusting equity.

#### *Accor Group subsidiaries' share-based payment plans*

Stock option plans have also been set up by certain Group companies, mainly in the United States and France. As the subsidiaries concerned are not listed on the stock exchange, Accor has given a commitment to buy back the shares issued on exercise of the options at their fair value, generally corresponding to a multiple of EBITDA less net debt. Most of these plans are governed by IFRS 2. Since they represent cash-settled plans, the related cost is accrued over the vesting period and the accrual is adjusted at each period-end based on updated valuation assumptions.

### M.2. Treasury stock

Accor shares held by the Company and/or subsidiaries are recognized as a deduction from equity.

Gains and losses on sales of treasury stock (and the related tax effect) are recognized directly in equity without affecting profit. No impairment losses are recognized on treasury stock.

## N. Financial instruments

Financial assets and liabilities are recognized and measured in accordance with IAS 39 "Financial Instruments, Recognition and Measurement", and its amendments. Amendment to IAS 39 "The Fair Value Option" is not applicable to Accor because the Group has not elected to designate financial instruments as at fair value through profit or loss upon initial recognition. The Group did not elect for early adoption of IFRS 7 "Financial Instruments: Disclosures" which was adopted by the European Union on January 11, 2006 and is applicable from January 1, 2007. The first-time adoption of this standard had no material impact on the 2007 consolidated financial statements.

Financial assets and liabilities are recognized in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### N.1. Financial assets

Financial assets are classified between the three main categories defined in IAS 39, as follows:

- Time deposits and loans to non-consolidated companies are classified as "Loans and receivables" and measured at amortized cost,
- Bonds and other marketable securities intended to be held to maturity are classified as "Held to maturity investments" and measured at amortized cost;

For these two categories, amortized cost is equivalent to purchase cost, because no material transaction costs are incurred.

- Equities and mutual fund units are classified as "Available for sale financial assets" and are measured at fair value, with changes in fair value recognized in equity. The fair value of listed securities corresponds to market price. For unlisted securities, fair value is estimated based on the most appropriate criteria applicable to each individual investment. Securities that are not traded on an active market, for which fair value cannot be reliably estimated, are carried in the balance sheet at historical cost plus any transaction expenses. When there is objective evidence of other-than-temporary impairment, the cumulative unrealized loss recorded in equity is reclassified to the income statement.

### N.2. Derivative financial Instruments

Derivative financial instruments such as interest rate and currency swaps, caps and forward purchases of foreign currencies, are used solely to hedge exposures to changes in interest rates and exchange rates. The Group's risk management objectives, policies and procedures are described in the Management Report, which also includes a sensitivity analysis.

They are measured at fair value. Changes in fair value are recognized in profit, except for instruments qualified as cash flow hedges (hedges of variable rate debt) for which changes in fair value are recognized in equity.

The fair value of interest rate derivatives is equal to the present value of the instrument's future cash flows, discounted at the interest rate for zero-coupon bonds. The fair value of currency derivatives is determined based on the forward exchange rate at the period-end.

### N.3. Financial liabilities hedged by derivative instruments

Financial liabilities hedged by derivative instruments qualify for hedge accounting. The derivative instruments are classified as either fair value hedges or cash flow hedges.

Financial liabilities hedged by fair value hedges are measured at fair value, taking into account the effect of changes in interest rates. Changes in fair value are recognized in profit and are offset by changes in the fair value of the hedging instrument.

Financial liabilities hedged by cash flow hedges are measured at amortized cost. Changes in the fair value of the hedging instrument are accumulated in equity and are reclassified into profit in the same period or periods during which the financial liability affects profit.

### N.4. Bank borrowings

Interest-bearing drawdowns on lines of credit and bank overdrafts are recognized for the amounts received, net of direct issue costs.

### N.5. Convertible Bonds

Convertible bonds are qualified as hybrid instruments comprising a host contract, recognized in debt, and an embedded derivative, recognized in equity. The carrying amount of the host contract or debt component is equal to the present value of future principal and interest payments, discounted at the rate that would be applicable to ordinary bonds issued at the same time as the convertible bonds, less the value of the conversion option calculated at the date of issue. The embedded derivative or equity component is recognized in equity for an amount corresponding to the difference between the nominal amount of the issue and the value attributed to the debt component. Costs are allocated to the two components based on the proportion of the total nominal amount represented by each component. The difference between interest expense recognized in accordance with IAS 39 and the interest paid is added to the carrying amount of the debt component at each period-end, so that the carrying amount at maturity of unconverted bonds corresponds to the redemption price.

### N.6. Other financial liabilities

Other financial liabilities are measured at amortized cost. Amortized cost is determined by the effective interest method, taking into account the costs of the issue and any issue or redemption premiums.

## O. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, and short-term investments in money market instruments. These instruments generally have maturities of less than three months and are readily convertible into known amounts of cash; their exposure to changes in value is minimal.

## P. Liabilities of assets classified as held for sale

In accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations", this item includes all the liabilities (excluded equity) related to a group of assets classified as held for sale (see Note 1.D.7).

## Q. Put Options granted by Accor

IAS 32 "Financial Instruments: disclosures and presentation" requires that the value of the financial commitment represented by put options granted by Accor to minority interests in subsidiaries, be recognized as a debt. The difference between the debt and the related minority interests in the balance sheet, corresponding to the portion of the subsidiary's net assets represented by the shares underlying the put, is recognized as goodwill. The amount of the debt is determined based on a multiple of the EBITDA reflected in the 5-year business plan of the subsidiary concerned and is discounted. Changes in the debt arising from business plan adjustments are recognized in goodwill. Discounting adjustments are recognized in financial expense.

## R. Income statement and cash flow statement presentation

### R.1. Revenue

In accordance with IAS 18 "Revenue", revenue corresponds to the value of goods and services sold in the ordinary course of business by fully and proportionally consolidated companies. It includes:

- For directly owned and leased hotels, all revenue received from clients for accommodation, catering and other services, and for managed and franchised hotels, all management and franchise fees;
- For the service businesses, fees received from client companies, contributions received from restaurant operators, royalties for the use of Group trademarks and technical assistance fees;
- For onboard train services, sleeping compartment and food services billed to railway operators and grants received;
- For casinos, gross gaming receipts (slot machines and traditional casino games).

In accordance with IAS 18 "Revenue", revenue is measured at the fair value of the consideration received or receivable, net of all discounts and rebates, VAT and other sales taxes.

Revenue from product sales is recognized when the product is delivered and the significant risks and rewards of ownership are transferred to the buyer. Revenue from sales of services is recognized when the service is rendered. Revenue from sales of loyalty programs is recognised on a straight-line basis over the life of the cards in order to reflect the timing, nature and value of the benefits provided.

### R.2. Other operating revenue

Other operating revenue consists of interest income on service voucher reserve funds. The interest corresponds to the service voucher business's operating revenue and is included in the determination of consolidated revenue.

### R.3. EBITDAR

Earnings before interest, tax, depreciation, amortization and rental expense and share of profit of associates after tax (EBITDAR) correspond to revenue less operating expense. EBITDAR is used as a key management indicator.

### R.4. Rental expense and Depreciation, amortization and provision expense

Rental expense and depreciation, amortization and provision expense reflect the operating costs of holding leased and owned assets.

For this reason, an additional sub-total has been included in the income statement. Under this presentation:

- EBITDA corresponds to gross profit after the operating costs of holding leased assets;
- Operating profit corresponds to gross operating profit after the operating costs of holding both leased and owned assets.

These two indicators are used regularly by the Group to analyze the impact of the operating costs of holding assets on the consolidated financial statements.

### R.5. Operating profit before tax and non recurring items

Operating profit before tax and non-recurring items corresponds to the results of operations of the Group's businesses less the related financing cost. Net financial expense and the share of profit of associates after tax represent an integral part of consolidated operating profit before tax and non-recurring items to the extent that they contribute to the performance indicator used by the Group in its communications to investors. This indicator is also used as the benchmark for determining senior management and other executive compensation, as it reflects the economic performance of each business, including the cost of financing the hotel businesses.

### R.6. Restructuring costs

Restructuring costs correspond to all the costs incurred in connection with restructuring operations.

### R.7. Impairment losses

Impairment losses correspond to all the losses and provisions recorded in accordance with IAS 36 "Impairment of Assets".

### R.8. Gains and losses on management of hotel properties

Gains and losses on management of hotel properties arise from the management of the hotel portfolio. The transactions concerned are not directly related to the management of continuing operations.

### R.9. Gains and losses on management of other assets

This item corresponds to gains and losses on management of fixed assets other than hotels and movements in provisions, as well as other gains and losses on non-recurring transactions. The transactions concerned are not directly related to the management of continuing operations.

### R.10. Operating profit before tax

Operating profit before tax corresponds to operating profit after income and expenses that are unusual in terms of their amount and frequency that do not relate directly to the Group's ordinary activities.

### R.11. Profit or loss from discontinued operations

Profit or loss from discontinued operations corresponds to:

- The profit or loss net of tax of the discontinued operations carried out until the date of transfer or until the closing date if the discontinued operation is not sold at this date;
- The gain or loss net of tax recognized on the disposal of the discontinued operations if the discontinued operation has been sold before the closing date.

### R.12. Cash flow statement

The cash flow statement is presented on the same basis as the management reporting schedules used internally to manage the business. It shows cash flows from operating, investing and financing activities.

Cash flows from operating activities include:

- Funds from operations, before non-recurring items and after changes in deferred taxes and gains and losses on disposals of assets;
- Cash received and paid on non-recurring transactions;
- Changes in working capital.

Cash flows from investing activities comprise:

- Renovation and maintenance expenditure to maintain in a good state of repair operating assets held at January 1 of each year;
- Development expenditure, including the fixed assets and working capital of newly consolidated subsidiaries and additions to fixed assets of existing subsidiaries;
- Development expenditure on non-current assets classified as held for sale;
- Proceeds from disposals of assets.

Cash flows from financing activities include:

- Changes in equity;
- Changes in debt.

## S. Earnings per share

The methods used to calculate basic and diluted earnings per share are in accordance with IAS 33 "Earnings Per Share".

## T. Other information

Current assets and liabilities are assets and liabilities that the Group expects to recover or settle:

- In the normal course of business; or
- Within twelve months of the period-end.

The Board of Directors of February 26, 2008 approved these financial statements for publication.

## Note 2. Significant Events and Changes in Scope of Consolidation

### A. Strategic refocusing on Hotels and Services

In line with the Group strategy announced to the financial markets in 2006, various non-strategic assets were sold in 2006 for a total of €759 million. During 2007, the Group sold non-strategic assets for an amount of €541 million. Details of the main divestments and acquisitions carried out in 2006 and 2007 are presented below.

#### A.1. Divestment of the stake in Compass in 2006

On March 7, 2006, Accor sold its entire 1.42% stake in Compass Group PLC. This stake of 30,706,882 shares was sold for a total amount of €95 million carrying out a loss of €4 million (see Note 15). Accor no longer holds shares in Compass.

#### A.2. Divestment of the stake in Carlson Wagonlit Travel in 2006

As part of the strategic review of its business portfolio on April 27, 2006, Accor Group signed an agreement to sell for $465 million its entire 50% interest in Carlson Wagonlit Travel (CWT) to Carlson Companies and One Equity Partners LLC (OEP), a private equity affiliate of JP Morgan Chase & Co. Accor Group and Carlson Companies had each owned a 50% interest in CWT since 1997. As part of the transaction, Accor and CWT signed a three-year, renewable strategic partnership designed to secure preferred distribution of Accor hotels by CWT. At the same time, Accor confirmed CWT as the Group's preferred travel agency.

The sale of Accor's 50% interest in CWT became effective in August 2006. Due to the timing of the transaction, CWT was removed from the scope of consolidation in the second half of 2006. CWT represented a major separate line of business and was treated as such for segment reporting purposes. Consequently, at December 31, 2006, it was classified as a discontinued operation, in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". In accordance with IFRS 5, CWT's profit for the period up to its sale (€14 million) and the profit generated by the sale (€90 million) were reported under "Profit or loss from discontinued operations" (see Note 17).

The sale of CWT led to a reduction in debt of €341 million in 2006.

#### A.3 Divestment of the stake in Club Méditerranée

##### *A.3.1. History*

In June 2004, Accor acquired 28.9% of the capital of Club Méditerranée, including 21.2% from the Agnelli Group (Exor/Ifil) and 7.7% from Caisse des Dépôts et Consignations (CDC).

Club Méditerranée was accounted for by the equity method at December 31, 2004 based on its financial statements for the fiscal year ended October 31, 2004, with no impact on 2004 consolidated profit. In 2005, profit was consolidated under the equity method.

##### *A.3.2. 2006 events*

As part of the strategic review of its financial investments, Accor decided to divest most of its stake in Club Méditerranée, 22.93% of the capital on a total stake of 28.93%. In order to perpetuate the synergies achieved between both groups, Accor committed, as part of the shareholders agreement, to maintain a 6% stake in Club Méditerranée during 2 years.

Consequently, on June 9, 2006, Accor sold 13.5% of its stake at a price of €44.9 per share to a group of investors bound up with a shareholders agreement of which Accor is part of. Then, on June 14, 2006, Accor sold 4% of its stake at a price of €44.9 per share to another investor. No share sales were carried out in the second half of the year and at December 31, 2006, Accor still owned 11.43% of the capital of Club Méditerranée.

The sale led to Club Méditerranée being excluded from the scope of consolidation at June 30, 2006. The remaining shares are carried in the consolidated balance sheet at fair value, under "Available for sale financial assets" in accordance with Group accounting policies (see Note 1.N).

The sale generated a loss of €6 million recognized in "Gains or Losses on Management of Other Assets" (see Note 15). At December 31, 2006, the remaining shares were written down by €11 million, including €6 million through a charge against equity in respect of the shares for which Accor has signed a lock-up agreement.

##### *A.3.3. 2007 events*

During 2007, Accor has sold 1,049,719 shares at a price of €42.97 per share. Following this transaction, the Group's interest in Club Méditerranée now stands at 6%.

The sale generated a gain of €4 million recognized in "Gains or Losses on Management of Other Assets" (see Note 15).

At December 31, 2007, the remaining shares for which Accor has signed a lock-up agreement expiring on June 8, 2008 were carried in the balance sheet in an amount of €37.2 million.

#### A.4. Divestment of the stake in GO Voyages in 2007

As part of the disposal of its non-strategic assets, Accor sold, in February 2007, its entire 100% stake in GO Voyages to Financière Agache Investissement (Groupe Arnault) and to GO Voyages management for €280 million. To continue leveraging the synergies developed since 2002 between Accor and GO Voyages, a renewable marketing partnership has been formed to ensure the preferred distribution of Accor hotels by GO Voyages.

As the sale of this stake was initiated prior to the December 31, 2006 closing, all of GO Voyages's current and non-current assets were reclassified as "Assets held for sale" in the consolidated balance sheet at December 31, 2006 for a net amount of €144 million and all its liabilities (excluding equity) were reclassified under "Liabilities related to assets classified as held for sale" for a net amount of €120 million.

The sale generated in 2007 a gain of €204 million recognized in "Gains or Losses on Management of Other Assets" (see Note 15) and reduced the net debt of the period by €280 million.

The business contributed €118 million to Accor's full year 2006 consolidated revenue and €56 million to Accor's first months 2007 consolidated revenue. The business contributed €12 million to Accor's full year 2006 consolidated operating profit and €4 million to Accor's first months 2007 consolidated operating profit.

### A.5. Divestment of the stake in Italian Food Services Business in 2007

As part of the disposal of its non-strategic assets, on October 11, 2007, Accor sold its Italian food services business to Barclay's Private Equity for €135 million.

As the sale was initiated prior to December 31, 2006 closing, all of Italian food services business' current and non-current assets were reclassified as "Assets held for sale" in the consolidated balance sheet at December 31, 2006 for a net amount of €142 million and all its liabilities (excluding equity) were reclassified under "Liabilities related to assets classified as held for sale" for a net amount of €109 million.

This business contributed €312 million to Accor's full year 2006 consolidated revenue and €249 million to Accor's first nine months 2007 consolidated revenue. The business contributed €16 million to Accor's full year 2006 consolidated operating profit and €16 million to Accor's first nine months 2007 consolidated operating profit.

## B. Property strategy

In line with the "Asset Right" strategy referred to in the Group's communications to the financial markets since 2005, the operating structures of the hotel units have been changed based on a detailed analysis of the risk and earnings profiles of each hotel segment. The aim of this strategy is to reduce the capital tied up in hotel assets and reduce cash flow volatility.


* In mature countries.

### Real estate policy since january 1, 2005

Since January 1, 2005, the operating structures of 502 hotel units have been changed. The following table provides summary information about the various transactions, by type.

| | Number of hotels | Portfolio value | Debt impact | Discounted Rental Commitments impact (*) | Adjusted Debt impact (**) |
|---|---|---|---|---|---|
| Sales & Management Back | 17 | 544 | 296 | 244 | 540 |
| Sales & Variable Lease Back | 317 | 2,933 | 902 | 1,392 | 2,294 |
| Sales & Lease Back | 1 | 3 | 3 | (5) | (2) |
| Sales & Franchise Back | 86 | 98 | 89 | 122 | 211 |
| Outright sales | 81 | 396 | 317 | 126 | 443 |
| **TOTAL** | **502** | **3,974** | **1,607** | **1,879** | **3,486** |

*(*) Rental commitments discounted with an 8% rate.*

*(**) Adjusted from the rental commitments discounted with an 8% rate.*

In addition to the program to modify the management structure of 502 hotels, some 293 hotels could change their operating structure by the end of 2008. These programs to adapt hotel operating structures should add €600 million to cash and cash equivalents and reduce adjusted off-balanced sheet net debt by €378 million.

The various transactions carried out under this strategy since January 1, 2005, are as follows:

### B.1. Upscale hotels (Sofitel / Pullman)

**"Sale-and-Management Back" transactions to reduce capital employed and earnings volatility**

The strategy for upscale hotels consists of selling the hotel properties while continuing to manage the business, retaining a minority interest depending on the circumstances.

#### *B.1.1. 2006 Sale-and-management back transactions: 6 Sofitel hotels*

In 2006, Accor sold **6 Sofitel hotels** under sale-and-management back transactions **in United States** for $370 million (€295 million) to a joint venture comprised of GEM Realty, Whitehall Street Global Real Estate Limited Partnership and Accor. The six hotels, totalling 1,931 rooms, are located in the major metropolitan markets of Chicago, Los Angeles, Miami, Minneapolis, San Francisco Bay and Washington D.C.

Accor remains a 25% partner in the joint venture, which is accounted for by the equity method, and continues to manage the hotels under the Sofitel brand name under a 25-year management contract renewable three times for successive periods of ten years.

The sale of the 6 hotels generated a capital loss of €15 million (see Note 14). The impact on net debt is a decrease of €140 million.

#### *B.1.2. 2007 Sale-and-management back transactions: 4 Sofitel hotels*

In line with the strategy underlying the transactions carried out in 2006, at the beginning of January 2007, Accor sold **two US Sofitel hotels** for $255 million to a joint venture comprised of GEM Realty Capital, Whitehall Street Global Real Estate Limited Partnership and Accor. Created in March 2006 for the first transaction, the joint venture already owns six US Sofitel hotels. The two hotels sold in 2007, totalling 704 rooms, are located in New York and Philadelphia. Accor remains a 25% shareholder in the joint venture and will continue to manage the hotels under the Sofitel brand name under a 25 year contract. The transaction enabled Accor to reduce its debt by €83 million.

In late December 2007, a further **two Sofitel units** were sold to an external company, Stratom, under sale-and-management back agreements. Both hotels are located in the French West Indies.

### B.2. Midscale and economy hotels

**Reduce cyclical fluctuations in consolidated earnings by variabilizing hotel property carrying costs through "Sale-and-Variable Leaseback" transactions**

In the Midscale and Economy segments, the strategy consists of selling the hotel properties while continuing to manage the business, retaining variable rent leases based on a percentage of revenue, without any guaranteed minimum. One of the aims is to variabilize a proportion of fixed costs.

#### *B.2.1. 2005 Sale-and-variable leaseback transactions to Foncière des Murs: 128 hotels in France*

In line with the Group's new property management strategy for the Midscale segment, in March 2005 an initial contract was signed with Foncière des Murs, a consortium made up of Foncière des Regions, Generali, Assurances Crédit Mutuel Vie and Prédica (Crédit Agricole Group) for the sale-and-variable leaseback of **128 hotels in France** worth €1,025 million.

The hotel contracts are for a period of 12 years, renewable four times per hotel at Accor's discretion. The average rent is equal to 15.5% of revenue, without any guaranteed minimum, reduced to 14.5% at the first renewal date (in the case of renewal at Accor's initiative after the first twelve-year period).

The transaction released **€146 million in cash** and generated a **€107 million capital gain net of transfer costs**.

Foncière des Murs has also agreed to finance a €102 million refurbishment program, which will help to speed up Novotel's repositioning with the new "Novation" room. Accor is committed to financing €67 million worth of construction work (see Note 42) including €56 million in expenditure incurred at December 31, 2007.

#### *B.2.2. 2006 Sale-and-variable leaseback transactions to Foncière des Murs: 76 units in France and in Belgium*

In line with the strategy underlying the transactions carried out in 2005, at March 6, 2006, Accor has signed a memorandum of understanding to sell 76 units including 6 spas in France and in Belgium to Foncière des Murs, for a market value of €583 million.

As of December 31, 2006, the sale of 70 units – **55 hotels and 3 spas in France** and **12 hotels in Belgium** – for a total of €494 million had been completed. The remaining six units will be sold in 2008.

Accor continue to manage the hotels through 12 year contract per hotel renewable four times per hotel at Accor's discretion. The rent is equal to 14% of revenue, without any guaranteed minimum, reduced to 13% at the first renewal date (in the case of renewal at Accor's initiative after the first twelve-year period).

In 2006, the transaction generated a **€143 million capital gain net of transfer costs** and permitted to reduce the discounted rental commitments to 8% for an amount of €151 million.

Foncière des Murs has also agreed to finance a €39 million refurbishment program. Accor is committed to financing €27 million worth of construction work (see Note 42) including €15 million in expenditure incurred at December 31, 2007.

#### *B.2.3. 2006 Other Sale-and-variable leaseback transactions*

During 2006, Accor also sold 5 hotels under sale-and-lease back transactions: one Novotel unit in France, one Novotel unit in Romania, and three Ibis units in Mexico. All of these hotels are now operated under variable-rent leases.

#### *B.2.4. 2007 Sale-and-variable leaseback transactions to Land Securities: 29 units in the United Kingdom*

In first-half 2007, Accor implemented a memorandum of understanding to sell and lease back 30 hotel properties (5,007 Ibis and Novotel Rooms) in the United Kingdom to Land Securities. These units were reported in the consolidated balance sheet at December 31, 2006 under "Assets held for sale" for a net amount of €82 million (see Note 32).

On June 30, 2007, **29 hotel properties were legally sold** (4,925 Ibis and Novotel rooms) for €683 million. The last unit will be sold in 2008.

Accor will continue to operate the hotels under 12-year variable leases, at rents based on an average 21% of annual revenues with no guaranteed minimum. The leases are renewable six times, for a total of 84 years. Expenses related to the land and hotel building – structural maintenance capex and insurance costs – will be paid by the new owner.

The transaction enabled Accor to report **a €168 million capital gain net of taxes** in 2007 and to reduce its adjusted net debt (rental discounted with an 8% rate) by €526 million, of which €157 million are added to the Group's cash reserves. It had no impact on EBITDA but added around €11 million to 2007 operating profit before tax.

The agreement also provides for a €51 million renovation program financed by the owner. Accor is committed to financing €24 million (see Note 42) including €7 million in expenditure incurred at December 31, 2007.

#### *B.2.5. 2007 Sale-and-variable leaseback transactions to Moor Park Real Estate: 86 units in Germany and in the Netherlands*

On June 29, 2007, Accor implemented a memorandum of understanding to sell and lease back 72 hotel properties in Germany (8,549 Novotel, Mercure, Ibis and Etap rooms) and 19 hotel properties in the Netherlands (3,600 Mercure, Novotel, Ibis and Etap rooms) to Moor Park Real Estate. These units were reported in the consolidated balance sheet at December 31, 2006 under "Assets held for sale" for a net amount of €77 million (see Note 32).

In 2007, **67 hotel properties** (7,539 Novotel, Mercure, Ibis and Etap rooms) **were legally sold in Germany and 19 hotel properties in the Netherlands**. One unit will be sold in 2008 and the remaining 4 units will be sold in 2009.

This agreement with Moor Park Real Estate for €747 million provides for a €59 million renovation program financed by the owner. Accor is committed to financing €27 million (see Note 42) including €2 million in expenditure incurred at December 31, 2007.

Accor will continue to operate the hotels under 12-year variable leases, at rents based on an average 18% of annual revenues with no guaranteed minimum. The leases are renewable 6 times, for a total of 84 years. Expenses related to the land and hotel building – structural maintenance capex and insurance costs – will be paid by the new owner.

The transaction enabled Accor to report **a €142 million capital gain net of taxes** in 2007 and to reduce its adjusted net debt (rental discounted with an 8% rate) by €536 million, of which €159 million are added to the Group's cash reserves. It had no impact on EBITDA but added around €3 million to operating profit before tax in 2007.

#### *B.2.6. 2007 Other Sale-and-variable leaseback transactions*

In 2007, Accor also sold Ibis Wembley property hotel under sale-and-variable lease back transaction in the United Kingdom and Ibis Frankfurt Centrum property hotel under sale-and-variable lease back in Germany.

### B.3. All segments

**Optimize operating profit by selling non-strategic assets**

This program includes outright sales, "sale-and-franchise back" transactions and "sale-and-management back" transactions.

#### *B.3.1. 2005 transactions*

*Outright sales: 17 hotels*

In 2005, 17 hotels were sold outright. The transactions concerned 3 Red Roof Inns units and 4 Motel 6 units in United States, 1 Sofitel unit, 5 Mercure units and 1 Formule 1 unit. Moreover in Germany, 1 Mercure was sold and 2 Novotel leases were stopped under the program to rationalize the hotel portfolio following the acquisition of the stake in Dorint.

*Sale-and-franchise back transactions: 25 hotels*

- The businesses of 22 leased German hotels – representing annual rental expense of €15 million – were sold and franchised back under the Mercure brand.
- Accor sold and franchised back under Mercure and Novotel brands, 2 oversea territories hotels that were previously directly owned.
- One Ibis fixed rent lease has been replaced by a variable rent lease in Brazil.

*Sale-and-management back transactions: 2 hotels*

In April 2005, in China, one Novotel unit has been sold and managed back and Accor changed in Spain a lease contract into a management contract.

### B.3.2. 2006 transactions

*Outright sales: 25 hotels*

In 2006, 25 hotels were sold outright. The transactions concerned 2 Red Roof Inns units and 5 Motel 6 units in United States, 1 Sofitel unit, 8 Mercure units, 2 Novotel units and 1 Etap Hotel unit. In addition, Accor sold its six leased hotels in Denmark.

*Sale-and-franchise back transactions: 27 hotels*

- In France, Accor sold and franchised back under Formule 1 (7 hotels), Etap Hotel (3 hotels), Ibis (2 hotels) and Sofitel (1 hotel) brands, 13 French hotels that were previously directly owned. The business of 1 leased French hotel was sold and franchised back under the Ibis brand.
- Five leased Motel 6 was sold and franchised back in United States.
- Eight leased hotels was sold and franchised back in Germany (1 Formule 1 unit, 1 Etap Hotel unit, 1 Ibis unit, 1 Mercure unit and 4 Novotel units).

*Sale-and-management back transactions: 1 hotel*

In second-half 2006, Accor sold under a sale-and-management back transaction 1 Mercure unit in New-Zealand.

### B.3.3. 2007 transactions

*Outright sales: 39 hotels*

In 2007, 39 hotels properties and leased hotels were sold outright. The transactions concerned 4 Motel 6 units in United States, 6 Sofitel units (in United States, in the Netherlands, in France, in Portugal, in Belgian and in Germany), 6 Mercure units, 8 Novotel units, 3 Ibis units, 3 Etap units and 9 Formule 1 units.

*Sale-and-franchise back transactions: 34 hotels*

- In France, Accor sold and franchised back under Formule 1 (12 hotels), Etap Hotel (3 hotels), Ibis (5 hotels), Novotel (2 hotels) and Mercure (2 hotels) brands, 24 French hotels that were previously directly owned or leased.
- Seven leased Motel 6, previously directly owned, were sold and franchised back in United States.
- Two leased hotels were sold and franchised back in Germany (Mercure and Ibis brands).
- One leased hotel was sold and franchised back in Hungry (Etap brand).

*Sale-and-management back transactions: 4 hotels*

In 2007, Accor sold under a sale-and-management back transaction one Mercure and one Novotel units in Reunion, one Mercure unit in France and one Novotel unit in Cayenne.

## C. Divestment of the stake in Red Roof Inn in 2007

Based on the strategic review of its business portfolio, on September 10, 2007, Accor Group sold Red Roof Inn to a consortium comprised of Citi's Global Special Situations Group and Westbridge Hospitality Fund, L.P. for $1,320 billion. The Red Roof Inn network comprised 341 hotels and 36,683 rooms, located mainly in the East coast and Midwest regions of the United States.

As the strategic review was still in progress at December 31, 2006, Red Roof Inn was fully consolidated in the Accor Group's accounts at that date. At June 30, 2007, the sale process was underway and all the Red Roof Inn's current and non-current assets were reclassified as "Assets held for sale" in the consolidated balance sheet for a net amount of €498 million and all its liabilities (excluding equity) were reclassified under "Liabilities related to assets classified as held for sale" for a net amount of €61 million.

The sale generated in 2007 a loss of €174 million recognized in "Gains and Losses on Management of Hotel Properties" (see Note 14) and enabled Accor to reduce its adjusted net debt by €751 million of which €425 million have been added to the Group's cash reserves.

The business contributed €289 million to Accor's full year 2006 consolidated revenue and €183 million to Accor's first eight months 2007 consolidated revenue.

## D. Organic growth and acquisitions

### D.1. Hotel Division development strategy

As part of its strategy, Accor has announced plans to open 200,000 rooms over the period 2006-2010, focusing on the midscale and economy segments in Europe and in the economy segment in emerging countries.

#### D.1.1. Investments in hotels (acquisitions and organic growth)

In 2007, the Group added 215 hotels (28,409 rooms) to its portfolio through acquisitions and organic growth. In addition, 465 hotels (53,737 rooms) were closed during the period.

## Hotel portfolio by brand and type of management at December 31, 2007

| In number of hotels | Owned | Fixed Lease | Variable Lease | Managed | Franchised | Total |
|---|---|---|---|---|---|---|
| Sofitel | 21 | 17 | 13 | 106 | 15 | **172** |
| Pullman | 3 | 6 | 1 | 1 | - | **11** |
| Novotel | 55 | 74 | 100 | 101 | 57 | **387** |
| Mercure | 58 | 117 | 76 | 205 | 300 | **756** |
| Suitehotel | 6 | 10 | - | 1 | 4 | **21** |
| Ibis | 124 | 138 | 189 | 64 | 254 | **769** |
| All Seasons | 2 | - | - | 1 | 3 | **6** |
| Etap Hotel | 82 | 57 | 49 | 6 | 175 | **369** |
| Formule 1 | 220 | 102 | 6 | 9 | 34 | **371** |
| Motel 6 / Studio 6 | 279 | 434 | 1 | 1 | 241 | **956** |
| Other | 2 | 5 | - | 40 | 6 | **53** |
| **TOTAL** | **852** | **960** | **435** | **535** | **1,089** | **3,871** |
| **TOTAL IN %** | **22.0%** | **24.8%** | **11.2%** | **13.8%** | **28.1%** | **100.0%** |

| In number of rooms | Owned | Fixed Lease | Variable Lease | Managed | Franchised | Total |
|---|---|---|---|---|---|---|
| Sofitel | 3,056 | 3,596 | 2,245 | 25,863 | 3,435 | **38,195** |
| Pullman | 653 | 1,815 | 100 | 386 | - | **2,954** |
| Novotel | 8,264 | 13,318 | 16,504 | 21,689 | 9,459 | **69,234** |
| Mercure | 6,217 | 17,399 | 11,549 | 30,211 | 28,451 | **93,827** |
| Suitehotel | 763 | 1,507 | - | 86 | 378 | **2,734** |
| Ibis | 15,128 | 17,597 | 24,096 | 10,559 | 19,106 | **86,486** |
| All Seasons | 191 | - | - | 73 | 181 | **445** |
| Etap Hotel | 6,744 | 5,573 | 4,312 | 715 | 13,375 | **30,719** |
| Formule 1 | 16,404 | 8,014 | 1,775 | 905 | 2,188 | **29,286** |
| Motel 6 / Studio 6 | 30,654 | 49,836 | 72 | 59 | 17,417 | **98,038** |
| Other | 548 | 652 | - | 7,397 | 1,183 | **9,780** |
| **TOTAL** | **88,622** | **119,307** | **60,653** | **97,943** | **95,173** | **461,698** |
| **TOTAL IN %** | **19.2%** | **25.8%** | **13.1%** | **21.2%** | **20.6%** | **100.0%** |

## Hotel portfolio by region and type of management at December 31, 2007

| In number of hotels | Owned | Fixed Lease | Variable Lease | Managed | Franchised | Total |
|---|---|---|---|---|---|---|
| France | 358 | 166 | 196 | 64 | 596 | **1,380** |
| Europe excluding France | 143 | 307 | 193 | 63 | 174 | **880** |
| North America | 283 | 434 | 1 | 14 | 242 | **974** |
| Latin America & Caribbean | 18 | 6 | 35 | 95 | 16 | **170** |
| Other countries | 50 | 47 | 10 | 299 | 61 | **467** |
| **TOTAL** | **852** | **960** | **435** | **535** | **1,089** | **3,871** |
| **TOTAL IN %** | **22.0%** | **24.8%** | **11.2%** | **13.8%** | **28.1%** | **100.0%** |

| In number of rooms | Owned | Fixed Lease | Variable Lease | Managed | Franchised | Total |
|---|---|---|---|---|---|---|
| France | 31,309 | 17,750 | 24,912 | 7,826 | 44,290 | **126,087** |
| Europe excluding France | 16,886 | 43,913 | 27,075 | 9,273 | 23,099 | **120,246** |
| North America | 31,839 | 49,836 | 72 | 4,023 | 17,537 | **103,307** |
| Latin America & Caribbean | 2,351 | 1,006 | 6,820 | 13,816 | 1,826 | **25,819** |
| Other countries | 6,237 | 6,802 | 1,774 | 63,005 | 8,421 | **86,239** |
| **TOTAL** | **88,622** | **119,307** | **60,653** | **97,943** | **95,173** | **461,698** |
| **TOTAL IN %** | **19.2%** | **25.8%** | **13.1%** | **21.2%** | **20.6%** | **100.0%** |

## Hotel portfolio by region and brand at December 31, 2007

| In number of hotels | France | Europe (excl. France) | North America | Latin America & Caribbean | Other countries | Total |
|---|---|---|---|---|---|---|
| Sofitel | 24 | 34 | 10 | 16 | 88 | **172** |
| Pullman | 7 | 3 | - | - | 1 | **11** |
| Novotel | 123 | 138 | 8 | 17 | 101 | **387** |
| Mercure | 263 | 276 | - | 78 | 139 | **756** |
| Suitehotel | 15 | 6 | - | - | - | **21** |
| Ibis | 371 | 286 | - | 51 | 61 | **769** |
| All Seasons | 5 | - | - | - | 1 | **6** |
| Etap Hotel | 271 | 98 | - | - | - | **369** |
| Formule 1 | 281 | 36 | - | 7 | 47 | **371** |
| Motel 6 / Studio 6 | - | - | 956 | - | - | **956** |
| Other | 20 | 3 | - | 1 | 29 | **53** |
| **TOTAL** | **1,380** | **880** | **974** | **170** | **467** | **3,871** |
| **TOTAL IN %** | **35.6%** | **22.7%** | **25.2%** | **4.4%** | **12.1%** | **100%** |

| In number of rooms | France | Europe (excl. France) | North America | Latin America & Caribbean | Other countries | Total |
|---|---|---|---|---|---|---|
| Sofitel | 3,430 | 7,279 | 3,193 | 2,480 | 21,813 | **38,195** |
| Pullman | 1,941 | 627 | - | - | 386 | **2,954** |
| Novotel | 16,230 | 25,761 | 2,076 | 2,777 | 22,390 | **69,234** |
| Mercure | 24,992 | 36,729 | - | 10,473 | 21,633 | **93,827** |
| Suitehotel | 1,803 | 931 | - | - | - | **2,734** |
| Ibis | 32,430 | 36,193 | - | 7,629 | 10,234 | **86,486** |
| All Seasons | 372 | - | - | - | 73 | **445** |
| Etap Hotel | 21,032 | 9,687 | - | - | - | **30,719** |
| Formule 1 | 20,840 | 2,625 | - | 2,075 | 3,746 | **29,286** |
| Motel 6 / Studio 6 | - | - | 98,038 | - | - | **98,038** |
| Other | 3,017 | 414 | - | 385 | 5,964 | **9,780** |
| **TOTAL** | **126,087** | **120,246** | **103,307** | **25,819** | **86,239** | **461,698** |
| **TOTAL IN %** | **27.3%** | **26.0%** | **22.4%** | **5.6%** | **18.7%** | **100%** |

### Hotel development projects in progress at December 31, 2007

The number of new rooms represented by hotel development projects in progress at December 31, 2007 is as follows:

| In number of rooms | Owned | Fixed Lease | Variable Lease | Managed | Franchised | Total |
|---|---|---|---|---|---|---|
| 2008 | 5,227 | 2,749 | 3,952 | 18,128 | 9,198 | **39,254** |
| 2009 | 8,796 | 2,206 | 3,916 | 16,794 | 1,503 | **33,215** |
| 2010 | 3,764 | 1,019 | 1,673 | 13,952 | - | **20,408** |
| **TOTAL** | **17,787** | **5,974** | **9,541** | **48,874** | **10,701** | **92,877** |

#### *D.1.2. Acquisition of 4.9% of the capital of Orbis in 2007*

On August 22, 2007, Accor acquired 4.9% of the capital of Orbis, based in Poland, raising its interest from 40.58% to 45.48%. A total of 2,257,773 shares were acquired at a price of PLN 72 per share, representing a total investment of PLN163 million (approximately €42 million). The transaction had no impact on the classification of Orbis as an associate and the company therefore continues to be accounted for by the equity method.

#### *D.1.3. Takeover of the remaining 50% stake in hotel operations in Portugal in 2007*

At the beginning of July 2007, Accor acquired the Armorim Group's 50% stake in the joint-venture created by the two companies in 1997 to develop and operate hotels in Portugal for €69 million. At the same time, Accor sold the Sofitel Thalassa Vilalara to Amorim for €27 million.

Following completion of the transactions, Accor is now the sole owner of its hotel operations in Portugal, with a portfolio of 29 hotels. These operations were proportionately consolidated in the first half of 2007 and fully consolidated from July 1, 2007.

Their contribution to consolidated revenue and operating profit for the second half of 2007 was €44 million and €6 million respectively. Goodwill arising from the acquisition amounted to €14 million, based on the provisional accounting for the business combination. The final amount will be determined in 2008.

### D.2. Services Division development strategy

#### *D.2.1. 2006 Acquisitions*

In **February 2006**, Accor Services first acquired **Stimula**, an organizer of distribution network and sales force incentive programs. With this acquisition, Accor Services has become the leading player in the French corporate incentive market, with revenues (including Stimula) of some €200 million and 200 employees in France. Stimula was acquired for €7.3 million, paid in cash. The business combination was accounted for by the purchase method, leading to the recognition of contractual customer relationships in intangible assets for €1.6 million and goodwill for €5.6 million.

In **March 2006**, Accor Services acquired **Commuter Check Services Corporation**, an American company issuing transit vouchers. These checks allow companies to help their employees fund their daily commuting requirements. Commuter Check Services Corporation is a major player in this market in the US in terms of its business volume amounting to $79 million in 2005, its portfolio of around 3,700 customers and its 110,000 users in the 10 major American cities (in particular San Francisco Bay Area, Boston, Philadelphia). Commuter Check Services Corporation was acquired for $35 million (€28.4 million) paid in cash. The business combination was accounted for by the purchase method, leading to the recognition of contractual customer relationships in intangible assets for €2.1 million and goodwill for €25.5 million. Commuter Check Services Corporation reported 2007 revenue of €6 million.

In **August 2006**, the acquisition of Italian meal voucher issuer **Serial** consolidated Accor Services Italy's leadership position. Since its creation in 1998, Serial established a strong position in the small business segment, with an issue volume more than €97 million. Serial was acquired for €42.9 million, paid in cash. The business combination was accounted for by the purchase method, leading to the recognition of contractual customer relationships in intangible assets for €7.3 million and goodwill for €34.9 million. Serial reported 2007 revenue of €9 million.

#### *D.2.2. 2007 Acquisitions*

In **January 2007**, Accor Services acquired **Autocupon** Mexico's second largest petrol cards seller from the Pegaso Group. The acquisition cost included €7 million in cash and an estimated €1 million earn-out payment.

In **January 2007**, Accor Services acquired **Tintelingen B.V.**, a B2B issuer of Christmas gift cards in the Netherlands, offering a wide range of products and services. The acquisition cost included €3 million in cash and an estimated €4 million earn-out payment.

In **March 2007**, Accor Services acquired **Kadéos**, the PPR Group's gift card and voucher business. This acquisition positions Accor Services as the leader of the gift card and voucher market in France. These products for businesses and consumers are sold in more than 82 chains and can be used in nearly 1,000 stores in France, as well as on e-commerce sites. Kadéos was acquired for €211 million, paid in cash. The business combination was accounted for by the purchase method, leading to the recognition in intangible assets of contractual customer relationships for €19 million, the Kadeos brand for €19 million, exclusive distribution rights with the PPR Group for €18 million and goodwill for €181 million in all cases excluding deferred taxes.

Kadéos reported 2007 revenue of €29 million.

In **June 2007**, Accor Services acquired **Surfgold**, Asia's leading provider of marketing services for €10 million paid in cash plus an estimated €4 million earn-out payment. By providing access to Surfgold's portfolio of forefront Asian companies and to its incentive and loyalty program management platform, the acquisition enables Accor Services to professionalize and broaden the scope of its rewards and loyalty programs, especially its range of gift vouchers. Goodwill arising from the acquisition amounted to €8 million, based on the provisional accounting for the business combination. The final amount will be determined in 2008.

In **September 2007**, Accor Services acquired **PrePay Technologies Ltd.**, the UK's leading issuer of prepaid card solutions for a total of £42 million (€63 million) paid in cash plus an estimated £8 million (€12 million) earn-out payment. This acquisition strengthens Accor Services leadership and diversifies its portfolio of products and services in the UK. Goodwill arising from the acquisition amounted to €66 million, based on the provisional accounting for the business combination. The final amount will be determined in 2008.

### D.3. Acquisition of 50% of Accor Brazil

At the beginning of December 2006, Accor acquired from Brookfield Asset Management Inc., and Espirito Santo Resources, Ltd., the two companies' combined 50% stake in Brazil's Ticket Serviços for €197 million.

Jointly held by Accor (50%), Brookfield Asset Management Inc. (40%) and Espirito Santo Resources, Ltd. (10%), Ticket Serviçios manages service vouchers and hotels in Brazil under Accor brands and food catering services under a local brand. Once the transaction has been completed, Accor will hold a 100% stake in the company's service vouchers and hotel operations and a 50% stake in its food services operations, with Compass owning the other 50%.

The business combination was accounted for by the purchase method, leading to the recognition of goodwill for €163 million. Ticket Serviçios reported 2006 revenue of €365 million and net profit of €24.4 million.

### D.4. Acquisition and restructuring of the Dorint AG Group

#### *D.4.1. History*

In 2002, Accor acquired a 30% interest in the Dorint AG hotel group for €49 million. The purpose of the transaction was to increase the Group's market share in Germany at the bottom of the cycle. The Dorint AG Management Board and Supervisory Board approved the creation of a strategic partnership with Accor based on franchise and marketing agreements. All the Dorint hotels were co-branded Dorint Sofitel or Dorint Novotel or converted to the Mercure brand, and the Dorint sales and marketing teams were integrated in the Accor network from February 1, 2003.

Accor negotiated an option to purchase an additional 25% of Dorint from its major shareholder, Dr. Herbert Ebertz, between March 31, 2009 and June 30, 2011, at a price corresponding to a multiple of EBITDA less consolidated net debt with a €45 million floor. In connection with the original transaction, Accor made a €35 million loan to Dr. Ebertz and gave Dorint AG a €25 million guarantee *pari passu* with Dr. Ebertz.

Finally, Accor gave a call option to Dr Ebertz for the purchase of Dorint shares representing 30% of the capital, at a fixed price. This call option can be exercised during the 6 months after the expiry of the Accor call option.

At the end of first-half 2003, Accor SA acquired a further 10.19% interest in Dorint AG for €13.2 million through a share issue underwritten jointly with Dr. Ebertz. Following this transaction, in second-half 2003 Dorint was accounted for by the equity method on a 40.19% basis.

In early 2004, Accor announced its support for the long-term plan proposed by the Dorint Management Board and approved by the Supervisory Board. The plan is designed to position the German hotel group to reap the full benefits of the future economic recovery in Germany.

It extends the measures taken in 2003 to reduce the operating expense through:

- A €42 million share issue;
- A further share issue in 2005 for €8.4 million;
- Signature of a contract for the management of Dorint hotels by Accor Germany, with the aim of improving their marketing and operating performance as part of the co-branding strategy with the Sofitel and Novotel brands.

An US investment fund, Noonday, also took part in the 2004 share issue and became a shareholder of Dorint. At December 31, 2004, Noonday's interest in Dorint stood at 21.7%. After contributing €2.6 million to 2004 shares issue, Accor's interest stood at 26.0% at the end of December 2004.

At the time of the 2004 shares issue, Accor gave put options on shares representing 35.1% of the capital to various Dorint shareholders. The put options are exercisable between July 1, 2009 and July 1, 2011 at a price based on a multiple of EBITDA less the net debt (for 13.4% of the capital) and from June 30, 2009 for the remaining balance of the shares (21.7%). With regards to the put option given to Noonday (21.7% of the capital), there is additional price component on top of the multiple of EBITDA less the net debt, and also the option would be able to be exercised at any time if Accor shareholding in Dorint moves to less than 25% or more than 50% of the total capital.

At the same time, as at December 31, 2004, Accor had a call option on 15.2% of the capital owned by the Ebertz family, on the basis of a multiple of EBITDA less the net debt with a minimum amount. In addition to this call option, Accor also had a call option on 21.7% owned by Noonday, exercisable between July 1, 2007 and June 30, 2010.

### D.4.2. 2005 Restructuring

During the second half of 2005, Dorint was still struggling, and a new restructuring plan was launched. The plan is based on 4 steps:

- The 10% reduction of the lease expense from the owners for the next twenty years, in exchange for a commitment to increase the rent if revenues improve (with comparable figures starting in 2005);
- The withdrawing from 3 unprofitable lease contracts;
- The renegotiation of the management contracts of the 2 managers of the Dorint hotels (Accor and Intercontinental). With regards to Accor, the group agreed to reduce the management fees from January 1, 2005 onwards until the end of 2009, with the amount of the fees reduction being capped at €20 million in the event of not meeting the minimum result target. The amount was fully provided for in the 2005 accounts as a provision for risks;
- A €27 million shares issue.

Accor contributed €7 million to the €27 million share issue, raising its interest in Dorint to 29.08% as at December 31, 2005. Following this new capital increase, Noonday held 37.6% of Dorint as at December 31, 2005.

The effects of the third restructuring plan on the Group's consolidated financial statements can be summarized as follows:

- The probable value of the put options granted to Dr. Ebertz, the Noonday investment fund and the Didenhofen family has been disclosed as an off-balance sheet item for a total amount of €105 million;
- A provision for risks of €30.5 million in respect of the potential commitments to be paid to Noonday following the 2004 agreements has been recorded in Accor books.

The other consequences of this restructuring on the call and the put options between Accor and the other shareholders of Dorint are detailed below:

- The put options given by Accor now relate to 52.3% of the capital of Dorint. The put options on 8.35% of the capital of Dorint will be exercisable between July 1, 2009 and July 31, 2011 on the basis of a multiple of EBITDA less the net debt. The put options on 6.41% of the capital of Dorint will be exercisable between July 1, 2009 and December 31, 2011 on the basis of a multiple of EBITDA less the net debt. Finally, the put option given to Noonday on 37.5% of the capital can be exercised from July 1, 2007 onwards;
- The call option given by Noonday relates to 37.5% of the capital of Dorint;
- The 2002 call option given by Dr Ebertz now relates to 9.6% of the capital of Dorint and can be exercised until June 30, 2012; the minimum purchase price does not apply any longer;
- The 2002 call option given to Dr Ebertz now relates to 29.1% of the capital.

Also, the dates for the exercise of the put option given by Accor to the Noonday investment fund were modified. The put option can now be exercised from July 1, 2007 onwards.

Lastly, the Group committed to contribute to €12.5 million to the €23 million share issue planned in 2006. This amount was included in the off-balance sheet commitments at December 31, 2005.

### D.4.3. 2006 Restructuring

In line with the undertaking given in 2005, during first-half of 2006 Accor contributed €12.5 million to the €22.7 million share issue by Dorint. Following this issue, the Group's interest in Dorint came to 34.35%, while that of the Noonday private equity fund stood at 39.3%. The loan to Dr. Ebertz was written down by €28 million during the year.

### D.4.4. 2007 Restructuring

In light of Dorint's continued substantial operating losses in 2006 (see Note 22), the company's Supervisory Board decided to split up the business into two separate entities in first-half 2007:

- By subscribing a €52 million capital increase, Accor has acquired a controlling interest in one of the new companies, which operates 52 hotels. Of the hotels, nine were previously operated under the Dorint Sofitel brand, 17 under the Dorint Novotel brand and 26 under the Mercure brand. In the first-half of 2007, they are rebranded as, respectively Sofitel, Novotel and Mercure units. The company is named The NewGen Hotels AG;
- Ebertz & Partner acquired all shares of the other company, named Neue Dorint Gmbh, which operates 41 Dorint hotels under the Dorint brand.

In the same time, Accor subscribed to a second €70.4 million capital increase and bought out the minority interests for €94.2 million, resulting in the Group owning around a 97.64% stake in The NewGen Hotels AG. The new structure was fully consolidated at December 31, 2007.

Financially, the transaction has enabled Accor to gain control of 52 hotels, which generate in 2007 €336 million in revenue, €13 million in EBITDA and €8 million in operating profit. By comparison, accounting for Dorint AG by the equity method resulted in a €7 million loss for Accor's share in 2006.

A provision of €31 million was recorded in Accor's 2006 consolidated financial statements to cover the impact of the demerger (see Note 13.D). From now, this company is fully consolidated into the consolidated financial statements leading to the recognition of additional goodwill for €143 million.

## E. Colony Capital

In March 2005, the Management Board and the Supervisory Board approved a proposal by Colony Capital to invest €1 billion in the Group, in order to expand the capital base and move up a gear in the development program.

This major investment by Colony Capital, which was approved at the Extraordinary Shareholders' Meeting of May 3, 2005, was carried out in two simultaneous tranches:

- €500 million 3-year 4.5% equity note issue. The notes were issued at a price of €3,900 and were based on a redemption ratio of one note for 100 Accor shares at €39. Conversion of all of the outstanding equity notes would result in the issue of 12,820,500 new shares. In accordance with the accounting policy described in Note 1.N, the equity component of the notes was recognized in equity in the amount of €433 million (see Note 26) and the balance of the issue was recognized in debt for €67 million;
- €500 million 5-year 3.25% convertible bond issue. The bonds were issued at a price of €4,300 and were based on a conversion ratio of one bond for 100 Accor shares at €43. Conversion of all of the outstanding bonds would result in the issue of 11,627,900 new shares. The entire €500 million face value of the convertible bonds was recognized in debt.

The equity notes were redeemed for Accor shares on April 10, 2007, at Colony Capital's request. In the consolidated financial statements, the equity component was written off from equity in the amount of €433 million (see Statement of Changes in Equity) and the debt component (originally €67 million), carried in the balance sheet at December 31, 2006 for €30 million, was reclassified in equity.

On July 3, 2007, Colony Capital converted its convertible bonds, for an amount of €500 million. The initial debt (€500 million) was reclassified in equity. Following this conversion, Colony Capital holds 10.64% of Accor's capital before dilution.

## F. €2 billion returned to shareholders for at end-December 2007

Since May 10, 2006, Accor has announced several successive share buyback programs, as follows:

- **on May 10, 2006, Accor announced a first program to buy back Accor S.A shares for a total of €500 million**. This program was carried out pursuant to the authorization granted at the Shareholders Meeting held on January 9, 2006, which capped the buy-back price at €62 per share. During 2006, Accor bought back and cancelled 10,324,607 shares. These shares were acquired at a total cost of €481 million representing an average price per share of €46.56. As of December 31, 2006, a further 332,581 shares had been bought back at a total cost of €19 million. These shares were cancelled at the beginning of January 2007;
- **on May 14, 2007, Accor announced a second program to buy back Accor S.A shares for a total of €700 million**. This program is being carried out pursuant to the authorization granted at the Shareholders Meeting held on May 14, 2007, which capped the buy-back price at €100 per share. During the first half of 2007, Accor bought back and cancelled 10,623,802 shares. These shares were acquired at a total cost of €700 million representing an average price per share of €65.89;
- **on August 28, 2007, Accor announced a third program to buy back Accor S.A shares for a total of €500 million**. This program is being carried out pursuant to the authorization granted at the Shareholders Meeting held on May 14, 2007, which capped the buy-back price at €100 per share. During the second half of 2007, Accor bought back 8,507,150 shares at a total cost of €500 million representing an average price per share of €58.78. As of December 31, 2007, 1,300,000 shares had been legally cancelled. The remaining 7,207,150 shares will be cancelled during 2008.

In addition, during first-half 2007, the Group paid a special dividend of €1.50 per share on the 224,058,558 shares outstanding, representing a total payout of €336 million.

## Note 3. Consolidated Revenue by Business and by Region

| *(in millions of euros)* | France | Europe (excl. France) | North America | Latin America & Caribbean | Other Coun-tries | Worldwide Structures (1) | 2007 | 2006 (2) | 2005 (2) |
|---|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **1,911** | **2,307** | **913** | **217** | **451** | **31** | **5,830** | **5,410** | **5,195** |
| Upscale and Midscale Hotels | 1,233 | 1,546 | 72 | 137 | 353 | 30 | 3,371 | 2,927 | 2,857 |
| Economy Hotels | 678 | 761 | - | 80 | 98 | 1 | 1,618 | 1,492 | 1,374 |
| Economy Hotels US | - | - | 841 | - | - | - | 841 | 991 | 964 |
| **SERVICES** | **199** | **310** | **15** | **325** | **34** | **2** | **885** | **760** | **630** |
| **OTHER BUSINESSES** | **645** | **396** | **-** | **248** | **110** | **7** | **1,406** | **1,437** | **1,311** |
| Casinos | 331 | - | - | - | 15 | - | 346 | 336 | 326 |
| Restaurants | 120 | 200 | - | 248 | 5 | - | 573 | 575 | 518 |
| Onboard Train Services | 128 | 145 | - | - | - | - | 273 | 265 | 264 |
| Holding Companies and other | 66 | 51 | - | - | 90 | 7 | 214 | 261 | 203 |
| **TOTAL 2007** | **2,755** | **3,013** | **928** | **790** | **595** | **40** | **8,121** | | |
| **TOTAL 2006 (2)** | **2,591** | **2,604** | **1,162** | **718** | **486** | **46** | | **7,607** | |
| **TOTAL 2005 (2)** | **2,462** | **2,400** | **1,177** | **604** | **450** | **43** | | | **7,136** |

*(1) "Worldwide Structures" corresponds to revenue (royalties) that is not specific to a single geographic region.*
*(2) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) revenue has been reported in Profit or loss from discontinued operations (see Note 17).*

Consolidated revenue for December 31, 2007 totalled €8,121 million, compared with €7,607 million for the same period of 2006. The period-on-period increase of €514 million or +6.8% breaks down as follows:

| *(in millions of euros)* | | |
|---|---|---|
| • Like-for-like growth | +492 | +6.5% |
| • Business expansion | +601 | +7.9% |
| • Currency effects | (83) | -1.1% |
| • Disposals | (496) | -6.5% |
| **INCREASE IN 2007 REVENUE** | **+514** | **+6.8%** |

## Increase in 2007 consolidated revenue by business

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| **HOTELS** | **+420** | **+316** | **+5.8%** |
| Upscale and Midscale Hotels | +443 | +210 | +7.2% |
| Economy Hotels | +126 | +91 | +6.1% |
| Economy Hotels US | (149) | +15 | +1.5% |
| **SERVICES** | **+126** | **+90** | **+11.9%** |
| **OTHER BUSINESSES** | **(32)** | **+86** | **+6.0%** |
| Casinos | +10 | +14 | +4.3% |
| Restaurants | (2) | +60 | +10.4% |
| Onboard Train Services | +8 | +2 | +0.8% |
| Holding Companies and other | (48) | +10 | +3.6% |
| **GROUP TOTAL** | **+514** | **+492** | **+6.5%** |

## Increase 2007 consolidated revenue by region

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| France | +163 | +178 | +6.9% |
| Europe (excl. France) | +409 | +154 | +5.9% |
| North America | (234) | +30 | +2.6% |
| Latin America & Caribbean | +73 | +78 | +10.8% |
| Other Countries | +110 | +55 | +11.3% |
| Worldwide Structures | (7) | (3) | -7.1% |
| **GROUP TOTAL** | **+514** | **+492** | **+6.5%** |

Revenue from managed and franchised hotels, included in the hotels' revenue presented above of €5,830 million, amounted to €213 million at December 31, 2007. This amount breaks down as follows:

| *(in millions of euros)* | Management fees | Franchise fees | 2007 | 2006 | 2005 |
|---|---|---|---|---|---|
| **HOTELS** | | | | | |
| Upscale and Midscale Hotels | 130 | 30 | 160 | 150 | 130 |
| Economy Hotels | 13 | 25 | 38 | 33 | 29 |
| Economy Hotels United States | - | 15 | 15 | 17 | 15 |
| **TOTAL 2007** | **143** | **70** | **213** | | |
| **TOTAL 2006** | **136** | **64** | | **200** | |
| **TOTAL 2005** | **116** | **58** | | | **174** |

## Note 4. Operating Expense

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Cost of goods sold (1) | (747) | (799) | (795) |
| Employee benefits expense (2) | (2,630) | (2,729) | (2,896) |
| Energy, maintenance and repairs | (371) | (389) | (403) |
| Taxes, insurance and service charges (co-owned properties) | (299) | (297) | (291) |
| Other operating expense (3) | (1,183) | (1,310) | (1,415) |
| **TOTAL OPERATING EXPENSE** | **(5,230)** | **(5,523)** | **(5,800)** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) operating expense has been reported in Profit or loss from discontinued operations (see Note 17).*

*(1) The cost of goods sold includes food and beverage purchases, laundry costs and the cost of telephone calls billed to clients. These costs mainly concern the Hotel and Restaurant businesses.*

*(2) The Ratio employee benefits expense / Full-time equivalent (FTE) is presented as follows:*

| Full-time equivalent | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Full-time equivalent (**) | 92,801 | 92,250 | 91,483 |
| Ratio employee benefits expense / FTE *(In thousands of euros)* | (28) | (30) | (32) |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts are not reported.*

*(**) Full-time equivalent employees are based on the ratio between the number of hours worked during the period and the total working legal hours for the period. For firms which are consolidated using the proportional method, the employee number is calculated with the Group's interest. There is no employee number for associates.*

*Employee benefits expense includes €17 million related to stock option plans, to employee stock ownership plan and to performance shares plan.*

*(3) Other operating expense consists mainly of selling, information systems, marketing, advertising and promotional costs. The total also includes various fee payments.*

## Note 5. EBITDAR by Business and Region

| *(in millions of euros)* | France | Europe (excl. France) | North America | Latin America & Caribbean | Other Coun-tries | Worldwide Structures (1) | 2007 | 2006 (2) | 2005 (2) |
|---|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **577** | **774** | **357** | **44** | **127** | **(16)** | **1,863** | **1,670** | **1,553** |
| Upscale and Midscale Hotels | 357 | 477 | 23 | 15 | 86 | (17) | 941 | 751 | 704 |
| Economy Hotels | 220 | 297 | - | 29 | 41 | 1 | 588 | 538 | 495 |
| Economy Hotels US | - | - | 334 | - | - | - | 334 | 381 | 354 |
| **SERVICES** | **60** | **168** | **5** | **157** | **9** | **(22)** | **377** | **310** | **255** |
| **OTHER BUSINESSES** | **66** | **43** | **-** | **9** | **14** | **(51)** | **81** | **104** | **98** |
| Casinos | 47 | - | - | - | 5 | - | 52 | 50 | 50 |
| Restaurants | 12 | 14 | - | 16 | - | (1) | 41 | 42 | 40 |
| Onboard Train Services | 2 | 15 | - | - | - | 1 | 18 | 20 | 20 |
| Holding Companies and other | 5 | 14 | - | (7) | 9 | (51) | (30) | (8) | (12) |
| **TOTAL 2007** | **703** | **985** | **362** | **210** | **150** | **(89)** | **2,321** | | |
| **TOTAL 2006 (2)** | **624** | **775** | **430** | **180** | **119** | **(44)** | | **2,084** | |
| **TOTAL 2005 (2)** | **603** | **680** | **405** | **144** | **115** | **(41)** | | | **1,906** |

*(1) "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.*

*(2) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) EBITDAR has been reported in Profit or loss from discontinued operations (see Note 17).*

Consolidated EBITDAR for 2007 totalled €2,321 million compared with €2,084 million for the same period of 2006.

The period-on-period increase breaks down as follows:

| *(in millions of euros)* | | |
|---|---|---|
| • Like-for-like growth | +191 | +9.2% |
| • Business expansion | +172 | +8.2% |
| • Currency effects | (37) | -1.8% |
| • Disposals | (89) | -4.3% |
| **INCREASE IN 2007 EBITDAR** | **+237** | **+11.4%** |

## Increase in 2007 EBITDAR by business

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| **HOTELS** | **+193** | **+141** | **+8.5%** |
| Upscale and Midscale Hotels | +190 | +77 | +10.4% |
| Economy | +50 | +46 | +8.5% |
| Economy US | (47) | +18 | +4.6% |
| **SERVICES** | **+67** | **+55** | **+17.6%** |
| **OTHER BUSINESSES** | **(23)** | **(5)** | **-4.7%** |
| Casinos | +2 | +4 | +7.6% |
| Restaurants | (1) | +2 | +5.0% |
| Onboard Train Services | (2) | (2) | -9.0% |
| Holding Companies and other | (22) | (9) | - |
| **GROUP TOTAL** | **+237** | **+191** | **+9.2%** |

## Increase in 2007 EBITDAR by region

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| France | +79 | +70 | +11.2% |
| Europe (excl. France) | +210 | +94 | +12.1% |
| North America | (68) | +24 | +5.6% |
| Latin America & Caribbean | +30 | +33 | +18.2% |
| Other Countries | +31 | +22 | +18.6% |
| Worldwide Structures | (45) | (52) | - |
| **GROUP TOTAL** | **+237** | **+191** | **+9.2%** |

## Note 6. Rental Expense

Rental expense amounted to €931 million in 2007 compared with €836 million in fiscal 2006 and with €810 million in 2005 (excluding Travel Agencies).

In accordance with the policy described in Note 1.D.4, the expense reported on this line only concern operating leases. Finance leases are recognized in the balance sheet as an asset and a liability. The amount of the liability at December 31, 2007 was €234 million (see Note 29.A).

Rental expense is recognized on a straight-line basis over the lease term, even if payments are not made on that basis. Most leases have been signed for periods exceeding the traditional nine-year term of commercial leases in France, primarily to protect Accor against the absence of commercial property rights in certain countries.

None of the leases contains any clauses requiring advance payment of rentals in the case of a ratings downgrade or other adverse events affecting Accor, and there are no cross-default clauses or covenants.

The €931 million in rental expense corresponds to 1,395 hotel leases, including 39% with a purchase option. Where applicable, the option price corresponds to either a pre-agreed percentage of the owner's original investment or the property's market value when the option is exercised. The options are generally exercisable after 10 or 12 years. Certain contracts allow for the purchase of the property at the appraised value at the end of the lease.

### A. Rental expense by business

Rental expense can be analyzed as follows by business:

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| **HOTELS** | **(803)** | **(823)** | **(911)** |
| Upscale and Midscale Hotels | (424) | (432) | (527) |
| Economy | (190) | (206) | (230) |
| Economy US | (189) | (185) | (154) |
| **SERVICES** | **(12)** | **(12)** | **(14)** |
| **OTHER BUSINESSES** | **5** | **(1)** | **(6)** |
| Casinos | (5) | (5) | (6) |
| Restaurants | (7) | (8) | (8) |
| Onboard Train Services | (2) | (3) | (3) |
| Holding Companies and other (1) | 19 | 15 | 11 |
| **TOTAL** | **(810)** | **(836)** | **(931)** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) rental expense has been reported in Profit or loss from discontinued operations (see Note 17).*
*(1) Including lease guarantee fees received from hotels subsidiaries for €18 million (see Note 6.B).*

## B. Rental expense by type of contract

Rental expense breaks down as follows by type of contract:

| *(in millions of euros)* | Number of hotels (1) | 2007 rental expense | Fixed rental expense | Variable rental expense |
|---|---|---|---|---|
| Fixed rent with purchase option | 547 | (224) | (224) | - |
| Fixed rent without purchase option | 343 | (266) | (265) | (1) |
| Fixed rent with a variable portion (2) | 70 | (66) | (62) | (4) |
| Land rent | - | (14) | (10) | (4) |
| Office rental expenses (Hotels business) | - | (43) | (34) | (9) |
| Fees on intragroup rent guarantees on Hotels business | - | (18) | (15) | (3) |
| **TOTAL HOTEL FIXED RENTAL EXPENSE** | **960** | **(631)** | **(610)** | **(21)** |
| Variable rent with a minimum (3) | 87 | (70) | (59) | (11) |
| Variable rent with a minimum and cap (4) | 5 | (9) | (1) | (8) |
| Variable rent without a minimum (5) | 343 | (201) | - | (201) |
| **TOTAL HOTEL VARIABLE RENTAL EXPENSE** | **435** | **(280)** | **(60)** | **(220)** |
| **TOTAL HOTEL RENTAL EXPENSE** | **1,395** | **(911)** | **(670)** | **(241)** |
| Rent from other businesses | - | (38) | (37) | (1) |
| Internal lease guarantee fees | - | 18 | 15 | 3 |
| **TOTAL RENTAL EXPENSE** | **1,395** | **(931)** | **(692)** | **(239)** |

*(1) Detail by brand and type of contract at December 31, 2007 is presented as follows:*

| Leased hotels at December 31, 2007 | Fixed rent with purchase option | Fixed rent without purchase option | Fixed rent with a variable portion | Variable rent with a minimum | Variable rent with a minimum and cap | Variable rent without a minimum | Total |
|---|---|---|---|---|---|---|---|
| Sofitel | 6 | 11 | - | 8 | - | 5 | 30 |
| Pullman | 2 | 2 | 2 | - | - | 1 | 7 |
| Novotel | 4 | 58 | 12 | 14 | 3 | 83 | 174 |
| Mercure | 12 | 77 | 28 | 12 | 1 | 63 | 193 |
| Suitehotel | 5 | 5 | - | - | - | - | 10 |
| Ibis | 17 | 107 | 14 | 51 | - | 138 | 327 |
| All Seasons | - | - | - | - | - | - | - |
| Etap Hôtel | 2 | 54 | 1 | 1 | 1 | 47 | 106 |
| Formule 1 | 87 | 3 | 12 | - | - | 6 | 108 |
| Motel 6 | 411 | 22 | 1 | 1 | - | - | 435 |
| Red Roof Inns | - | - | - | - | - | - | - |
| Other | 1 | 4 | - | - | - | - | 5 |
| **TOTAL** | **547** | **343** | **70** | **87** | **5** | **343** | **1,395** |

*(2) Fixed rent expense with a variable portion includes a fixed portion. The variable portion is generally a percentage of revenue or a percentage of EBITDAR.*

*(3) This rent expense depends on a percentage of revenue or a percentage of EBITDAR with a fixed contract guaranteed minimum.*

*(4) This rent expense depends on a percentage of revenue with a fixed contract guaranteed minimum which is also caped.*

*(5) Variable rent without a minimum is generally based on a percentage of revenue (320 hotels), or a percentage of EBITDAR (23 hotels). None of the leases contains any minimum rent clauses.*

## C. Minimum rental commitments (cash basis)

Minimum future rentals in the following tables only correspond to long-term rental commitments in the Hotels Division. The other divisions' rental commitments are generally for periods of less than three years and are not reflected in the table below.

Undiscounted minimum lease payments in foreign currencies converted at the average exchange rate based on latest known rates, are as follows:

| Years | *(in millions of euros)* |
|---|---|
| 2008 | (595) |
| 2009 | (584) |
| 2010 | (574) |
| 2011 | (563) |
| 2012 | (548) |
| 2013 | (537) |
| 2014 | (522) |
| 2015 | (511) |
| 2016 | (493) |
| 2017 | (468) |

| Years | *(in millions of euros)* |
|---|---|
| 2018 | (417) |
| 2019 | (382) |
| 2020 | (340) |
| 2021 | (280) |
| 2022 | (250) |
| 2023 | (226) |
| 2024 | (188) |
| 2025 | (163) |
| >2025 | (581) |
| **TOTAL** | **(8,222)** |

The present value of future minimum lease payments, considered as representing 8% of the minimum lease payments used to calculate the "Adjusted funds from ordinary activities/adjusted net debt" ratio, amounts to €4,569 million.

Interest expense related to adjusted net debt, estimated at 8% amounts to €366 million. The difference between the 2007 minimum rent (€595 million) and interest expense (€366 million) amounts to €229 million. This difference corresponds to the implicit repayment of adjusted debt ("Standards & Poor's method").

## Note 7. EBITDA by Business and Region

| *(in millions of euros)* | France | Europe (excl. France) | North America | Latin America & Caribbean | Other Countries | Worldwide Structures (1) | 2007 | 2006 (2) | 2005 (2) |
|---|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **367** | **325** | **201** | **17** | **62** | **(21)** | **951** | **847** | **751** |
| Upscale and Midscale Hotels | 210 | 161 | 21 | 6 | 38 | (22) | 414 | 319 | 278 |
| Economy Hotels | 157 | 164 | - | 11 | 24 | 1 | 357 | 332 | 309 |
| Economy Hotels US | - | - | 180 | - | - | - | 180 | 196 | 164 |
| **SERVICES** | **57** | **163** | **5** | **154** | **8** | **(23)** | **364** | **297** | **243** |
| **OTHER BUSINESSES** | **55** | **40** | **-** | **6** | **12** | **(38)** | **75** | **104** | **102** |
| Casinos | 41 | - | - | - | 5 | - | 46 | 45 | 45 |
| Restaurants | 9 | 12 | - | 13 | (1) | - | 33 | 34 | 33 |
| Onboard Train Services | - | 15 | - | - | - | 1 | 16 | 17 | 19 |
| Holding Companies and other | 5 | 13 | - | (7) | 8 | (39) | (20) | 8 | 5 |
| **TOTAL 2007** | **479** | **528** | **206** | **177** | **82** | **(82)** | **1,390** | | |
| **TOTAL 2006 (2)** | **427** | **416** | **225** | **153** | **59** | **(32)** | | **1,248** | |
| **TOTAL 2005 (2)** | **427** | **332** | **186** | **122** | **56** | **(27)** | | | **1,096** |

*(1) "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.*

*(2) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) EBITDA has been reported in Profit or loss from discontinued operations (see Note 17).*

Consolidated EBITDA for 2007 totalled €1,390 million compared with €1,248 million for the same period of 2006.

The period-on-period increase breaks down as follows:

| *(in millions of euros)* | | |
|---|---|---|
| • Like-for-like growth | +161 | +12.9% |
| • Business expansion | +45 | +3.6% |
| • Currency effects | (24) | -1.9% |
| • Disposals | (40) | -3.2% |
| **INCREASE IN 2007 EBITDA** | **+142** | **+11.3%** |

## Increase in 2007 EBITDA by business

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| **HOTELS** | **+104** | **+117** | **+13.8%** |
| Upscale and Midscale Hotels | +94 | +63 | +19.6% |
| Economy | +25 | +38 | +11.4% |
| Economy US | (15) | +16 | +8.4% |
| **SERVICES** | **+67** | **+55** | **+18.5%** |
| **OTHER BUSINESSES** | **(29)** | **(11)** | **-10.0%** |
| Casinos | +1 | +4 | +8.7% |
| Restaurants | (1) | +1 | +4.1% |
| Onboard Train Services | (2) | (2) | -9.8% |
| Holding Companies and other | (27) | (14) | - |
| **GROUP TOTAL** | **+142** | **+161** | **+12.9%** |

## Increase in 2007 EBITDA by region

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| France | +53 | +57 | +13.5% |
| Europe (excl. France) | +112 | +88 | +21.2% |
| North America | (19) | +23 | +10.0% |
| Latin America & Caribbean | +24 | +30 | +19.4% |
| Other Countries | +23 | +22 | +36.5% |
| Worldwide Structures | (51) | (59) | - |
| **GROUP TOTAL** | **+142** | **+161** | **+12.9%** |

## Note 8. Depreciation, Amortization and Provision Expense

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Depreciation and amortization | (417) | (426) | (407) |
| Provision | 1 | (10) | (12) |
| **TOTAL** | **(416)** | **(436)** | **(419)** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) depreciation, amortization and provision expense has been reported in Profit or loss from discontinued operations (see Note 17).*

## Note 9. EBIT by Business and Region

| *(in millions of euros)* | France | Europe (excl. France) | North America | Latin America & Caribbean | Other Countries | Worldwide Structures (1) | 2007 | 2006 (2) | 2005 (2) |
|---|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **251** | **211** | **129** | **8** | **36** | **(28)** | **607** | **488** | **393** |
| Upscale and Midscale Hotels | 134 | 88 | 18 | - | 17 | (30) | 227 | 138 | 95 |
| Economy Hotels | 117 | 123 | - | 8 | 19 | 2 | 269 | 243 | 218 |
| Economy Hotels US | - | - | 111 | - | - | - | 111 | 107 | 80 |
| **SERVICES** | **48** | **157** | **4** | **146** | **6** | **(23)** | **338** | **275** | **223** |
| **OTHER BUSINESSES** | **28** | **29** | **-** | **4** | **9** | **(44)** | **26** | **49** | **65** |
| Casinos | 23 | - | - | - | 4 | - | 27 | 28 | 28 |
| Restaurants | 5 | 8 | - | 11 | (1) | (1) | 22 | 22 | 22 |
| Onboard Train Services | (3) | 12 | - | - | - | - | 9 | 12 | 15 |
| Holding Companies and other | 3 | 9 | - | (7) | 6 | (43) | (32) | (13) | - |
| **TOTAL 2007** | **327** | **397** | **133** | **158** | **51** | **(95)** | **971** | | |
| **TOTAL 2006 (2)** | **286** | **284** | **125** | **135** | **34** | **(52)** | | **812** | |
| **TOTAL 2005 (2)** | **290** | **217** | **82** | **105** | **33** | **(46)** | | | **681** |

*(1) "Worldwide Structures" corresponds to revenue (royalties) and costs that are not specific to a single geographic region.*

*(2) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) EBIT has been reported in Profit or loss from discontinued operations (see Note 17).*

Consolidated EBIT for 2007 totalled €971 million compared with €812 million for the same period of 2006.

The period-on-period increase breaks down as follows:

| *(in millions of euros)* | | |
|---|---|---|
| • Like-for-like growth | +149 | +18.4% |
| • Business expansion | +31 | +3.8% |
| • Currency effects | (17) | -2.1% |
| • Disposals | (4) | -0.5% |
| **INCREASE IN 2007 EBIT** | **+159** | **+19.6%** |

## Increase in 2007 EBIT by business

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| **HOTELS** | **+120** | **+98** | **+20.2%** |
| Upscale and Midscale Hotels | +89 | +50 | +36.6% |
| Economy | +26 | +36 | +14.9% |
| Economy US | +5 | +12 | +11.1% |
| **SERVICES** | **+62** | **+58** | **+21.0%** |
| **OTHER BUSINESSES** | **(23)** | **(7)** | **-14.6%** |
| Casinos | (2) | +4 | +13.0% |
| Restaurants | +1 | +1 | +5.5% |
| Onboard Train Services | (3) | (2) | -18.1% |
| Holding Companies and other | (19) | (10) | -77.2% |
| **GROUP TOTAL** | **+159** | **+149** | **+18.4%** |

## Increase in 2007 EBIT by region

| | 2007/2006 | Like-for-like | |
|---|---|---|---|
| | *(in millions of euros)* | *(in millions of euros)* | *(in percents)* |
| France | +41 | +51 | +17.9% |
| Europe (excl. France) | +112 | +85 | +29.9% |
| North America | +8 | +19 | +14.9% |
| Latin America & Caribbean | +23 | +28 | +20.9% |
| Other Countries | +17 | +19 | +55.3% |
| Worldwide Structures | (42) | (53) | - |
| **GROUP TOTAL** | **+159** | **+149** | **+18.4%** |

## Note 10. Net Financial Expense

| (in millions of euros) | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Net financial costs (1) | (133) | (98) | (86) |
| Other financial income and expense (2) | 13 | 2 | (6) |
| **NET FINANCIAL EXPENSE** | **(120)** | **(96)** | **(92)** |

(*) *In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) net financial expense has been reported in Profit or loss from discontinued operations (see Note 17).*

(1) *Net financial costs can be analyzed as follows between cash and non-cash items:*

| (in millions of euros) | 2005 | 2006 | 2007 |
|---|---|---|---|
| Net financial costs - cash | (109) | (79) | (84) |
| Net financial costs - non-cash (*) | (24) | (19) | (2) |
| **TOTAL NET FINANCIAL COSTS** | **(133)** | **(98)** | **(86)** |

*(*) Mainly non-cash interest costs related to OCEANE convertible bonds, which is accounted in accordance with IFRS (see Note 1.N).*

(2) *Other financial income and expense include the following items:*

| (in millions of euros) | 2005 | 2006 | 2007 |
|---|---|---|---|
| Dividend income from non-consolidated companies | 6 | 3 | 2 |
| Exchange gains and losses (other than on financial assets at fair value) | 6 | (3) | (1) |
| Movements in provisions | 1 | 2 | (7) |
| **TOTAL OTHER FINANCIAL INCOME AND EXPENSE** | **13** | **2** | **(6)** |

## Note 11. Share of Profit (Loss) of Associates after Tax

| (in millions of euros) | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Share of profit of associates before tax | 22 | 18 | 38 |
| Share of tax of associates | (14) | (7) | (10) |
| **SHARE OF PROFIT OF ASSOCIATES AFTER TAX** | **8** | **11** | **28** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) share of profit (loss) of associates after tax has been reported in Profit or loss from discontinued operations (see Note 17).*

The main contributions are as follows:

| (in millions of euros) | 2005 | 2006 | 2007 |
|---|---|---|---|
| Orbis (Hotels, Poland) (Note 2.D.1.2) | 6 | 6 | 18 |
| Dorint (Hotels, Germany) (Note 2.D.4) | (7) | (7) | N/A |
| Asia/Australia Hotels | 3 | 4 | 4 |
| Club Méditerranée (Note 2.A.3) | 3 | N/A | N/A |
| Tunisian and Moroccan investment funds (STI and RISMA) | 2 | - | 1 |
| Sofitel London St James (Hotels, UK) | - | 1 | 1 |
| Société Hôtelière Paris les Halles | - | 2 | 3 |
| Other | 1 | 4 | 1 |
| **SHARE OF PROFIT OF ASSOCIATES AFTER TAX** | **8** | **11** | **28** |

## Note 12. Restructuring Costs

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Restructuring provisions | (19) | (16) | (10) |
| Restructuring costs | (20) | (53) | (48) |
| **TOTAL** | **(39)** | **(69)** | **(58)** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) restructuring costs have been reported in Profit or loss from discontinued operations (see Note 17).*

Restructuring costs in 2006 and in 2007 correspond mainly to the costs linked to the reorganization of the Group.

## Note 13. Impairment Losses

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Goodwill | (20) | (29) | (53) |
| Intangible assets | (1) | (3) | (5) |
| Property, plant and equipment | (86) | (3) | (36) |
| Financial assets | - | (59) | (5) |
| **IMPAIRMENT LOSSES** | **(107)** | **(94)** | **(99)** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) impairment losses have been reported in Profit or loss from discontinued operations (see Note 17).*

The main assets and cash generating units for which impairment losses were recognized in 2005, 2006 and 2007 were as follows:

### A. Impairment of goodwill

| *(in millions of euros)* | 2005 | 2006 | 2007 |
|---|---|---|---|
| **HOTELS** | **(16)** | **(19)** | **(4)** |
| Upscale and Midscale Hotels | (14) | (18) | (2) |
| Economy Hotels | (2) | (1) | (2) |
| Economy Hotels US | - | - | - |
| **SERVICES** | **(3)** | **(3)** | **(13)** |
| **OTHER BUSINESSES** | **(1)** | **(7)** | **(36)** |
| Casinos | - | - | - |
| Restaurants | (1) | (1) | - |
| Onboard Train Services | - | - | - |
| Holding Companies and other | - | (6) | (36) |
| **TOTAL** | **(20)** | **(29)** | **(53)** |

In 2006, impairment losses on goodwill primarily concerned Mercure Chopin in Warsaw for €12 million. Impairment losses recorded in 2007 mainly concern the fair value impact on the goodwill of a 4 star hotel in Paris.

With regard to the assessment of the major goodwill's' recoverable value, management believe that the carrying values of the cash generating units would only exceed their recoverable amounts in the event of highly unlikely changes in the key assumptions.

## B. Impairment of intangible assets with an indefinite useful life

Following the periodic review of the recoverable amount of intangible assets with an indefinite useful life, a €5.2 million impairment loss was recognized in 2007.

## C. Impairment of property, plant and equipment

| *(in millions of euros)* | 2005 | 2006 | 2007 |
|---|---|---|---|
| **HOTELS** | **(84)** | **6** | **(36)** |
| Upscale and Midscale Hotels | (50) | 8 | (31) |
| Economy Hotels | (30) | (1) | (5) |
| Economy Hotels US | (4) | (1) | - |
| **SERVICES** | **-** | **-** | **-** |
| **OTHER BUSINESSES** | **(2)** | **(9)** | **-** |
| Casinos | (1) | - | - |
| Restaurants | - | (1) | - |
| Onboard Train Services | - | - | - |
| Holding Companies and other | (1) | (8) | - |
| **TOTAL** | **(86)** | **(3)** | **(36)** |

In 2007, the €36 million in impairment losses on property, plant and equipment corresponded mainly to write-downs of non-strategic assets available for sale and to provisions booked on the basis of regular reviews of asset values. In 2007, expenses concern 64 hotels for €37.1 million and recovery concern 21 hotels for €1.4 million.

## D. Impairment of financial assets

In 2006, the loan to Dr. Ebertz was written down to fair value, giving rise to a €28.2 million provision for impairment (see Note 2.D.4). In addition, the assets of the company created through the Dorint spin-off were marked to market, leading to the recognition of a €30.5 million impairment loss.

In 2007, impairments of financial assets mainly concern the Group's investment in Société Calédonienne des Bains de Mer.

## Note 14. Gains and Losses on Management of Hotel Properties

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Disposal gains and losses | 90 | 140 | 238 |
| Provisions for losses on hotel properties | (17) | (31) | (30) |
| **TOTAL** | **73** | **109** | **208** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) gains and losses on management of hotel properties have been reported in Profit or loss from discontinued operations (see Note 17).*

**In fiscal 2005,** the total included:

- Gain on the sale of 128 hotel properties in France for €107 million (see Note 2.B.2.1);
- Losses on disposal of 44 non-strategic hotels for €5 million;
- Various provisions and reversals including provisions for risks related to Germany (€46 million).

**In fiscal 2006,** the total included:

- A €143 million gain on the sale to Foncière des Murs of 58 hotel properties in France and 12 hotel properties in Belgium under a sale-and-variable leaseback arrangement based on a percentage of revenue (see Note 2.B.2.2);
- A €15 million loss on the sale of 6 Sofitel units in the United States, under a sale-and-long-term management-back arrangement (see Note 2.B.1.1);
- Gains on disposal of non-strategic assets in Europe and the United States for €26 million (see Note 2.B.3);
- A €14 million loss on sale of all six hotels in Denmark;
- A €22 million provision for restructuring of the Dorint Group in Germany.

**In fiscal 2007,** the total included:

- A €319 million gain on the sale to Moor-Park and Land Securities of hotel properties in the Netherlands, in Germany and in United Kingdom under a sale-and-variable leaseback arrangement (see Notes 2.B.2.4 and 2.B.2.5);
- A €174 million loss on the sale of RRI (341 hotel properties) (see Note 2.C);
- A €26 million gain on the outright sale of Sofitel Le Parc;
- A €14 million gain on the sale of 2 Sofitel units in the United States, under a sale-and-long-term management back arrangement (see Note 2.B.1.2).

## Note 15. Gains and Losses on Management of Other Assets

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Disposal gains and losses | 28 | 20 | 243 |
| Provision movements | (30) | 26 | (18) |
| Gains and losses on non-recurring transactions | (36) | (31) | (37) |
| **TOTAL** | **(38)** | **15** | **188** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) gains and losses on management of other assets have been reported in Profit or loss from discontinued operations (see Note 17).*

**In fiscal 2005** disposal gains and losses include the €25 million gain on the disposal of Financière Courtepaille.

Provisions mainly consist of addition to provisions for €36 million for bad debt and releases of €12 million.

Gains and losses on non-recurring transactions include a €13 million payment to Dorint related to transactions presented in Note 2.D.4.

**In fiscal 2006,** disposal gains and losses mainly include the €15 million gain on the disposal of Casino Mandelieu, the €4 million loss on the disposal of Compass and the €5 million gain on the disposal of Accor's stake in Compagnie du Mont-Blanc.

In addition, a €6 million loss was recognized on the sale of part of the Group's interest in Club Méditerranée and a €5 million provision was recognized on the remaining 5.43% interest to be sold in the near future, based on a price of €40.8 (share price at December 31, 2006) per share (see Note 2.A.3).

**In fiscal 2007,** disposal gains and losses mainly include:

- Gains on the disposals the non-strategic assets: GO Voyages (a €204 million gain) and the Italian Food Services Business (a €16 million gain) (see Notes 2.A.4 and 2.A.5);
- The costs linked to the exercise of buy out options of Motel 6 units in United-States previously operated under a fixed lease (€22 million loss).

## Note 16. Income Tax Expense

### Note 16.1. Income tax expense for the period

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| Current tax | (193) | (266) | (252) |
| **SUB-TOTAL, CURRENT TAX** | **(193)** | **(266)** | **(252)** |
| Deferred taxes (expense) income on new temporary differences and reversals of temporary differences arising in prior periods | 78 | - | 13 |
| Deferred taxes arising from changes in tax rates or tax laws | (2) | 8 | 5 |
| **SUB-TOTAL, DEFERRED TAX** | **76** | **8** | **18** |
| **INCOME TAX EXPENSE EXCLUDING TAX ON THE PROFITS OF ASSOCIATES AND DISCONTINUED OPERATIONS** | **(117)** | **(258)** | **(234)** |
| Tax on profits of associates | (14) | (7) | (10) |
| Tax on profits of discontinued operations | (7) | (8) | - |
| **TAX OF THE PERIOD** | **(138)** | **(273)** | **(244)** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) income tax expense has been reported in Profit or loss from discontinued operations (see Note 17).*

## Note 16.2. Effective tax rate

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| **OPERATING PROFIT BEFORE TAX (A)** | **458** | **688** | **1,146** |
| Non-deductible impairment losses | 22 | 18 | 53 |
| Elimination of intercompany capital gains | (14) | 2 | 417 |
| Tax on share of profit (loss) of associates | 14 | 7 | 10 |
| Other | 9 | 21 | 25 |
| **TOTAL PERMANENT DIFFERENCES (NON-DEDUCTIBLE EXPENSES) (B)** | **31** | **48** | **505** |
| **UNTAXED PROFIT AND PROFIT TAXED AT A REDUCED RATE (1) (C)** | **(103)** | **(182)** | **(905)** |
| **PROFIT TAXED AT STANDARD RATE (D) = (A) + (B) + (C)** | **386** | **554** | **746** |
| **STANDARD TAX RATE IN FRANCE (E)** | **34.93%** | **34.43%** | **34.43%** |
| **TAX AT STANDARD FRENCH TAX RATE (F) = (D) X (E)** | **(135)** | **(191)** | **(257)** |
| Effects on tax at standard French tax rate of: | | | |
| Differences in foreign tax rates | 20 | 17 | 40 |
| Unrecognized tax losses for the period | (43) | (32) | (21) |
| Utilization of tax loss carryforwards | 10 | 32 | 14 |
| Changes in deferred tax rates | (2) | 9 | 5 |
| Share of profit (loss) of associates | 14 | 7 | 10 |
| Total TSDI tax (2) | 64 | - | - |
| Net charges to/reversals of provisions for tax risks | - | (46) | 15 |
| Other items | (16) | (24) | (31) |
| **TOTAL EFFECTS ON TAX AT STANDARD FRENCH TAX RATE (G)** | **47** | **(37)** | **32** |
| **TAX AT NORMAL RATE (H) = (F) + (G)** | **(88)** | **(228)** | **(225)** |
| **TAX AT REDUCED RATE (1) (I)** | **(29)** | **(30)** | **(9)** |
| **INCOME TAX EXPENSE (J) = (H) + (I)** | **(117)** | **(258)** | **(234)** |
| Operating profit before tax taxed at standard rate | 386 | 554 | 746 |
| Income tax expense | (115) | (174) | (217) |
| **GROUP EFFECTIVE TAX RATE** | **29.7%** | **31.4%** | **29.1%** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts are not reported (see Note 17).*

*(1) In 2005 and 2006, amounts mainly related to sales of real estate in France to Foncière des Murs (see Note 2.B.2).*

*Pre-tax profit for fiscal 2005 includes €107 million in capital gains and pre-tax profit for fiscal 2006 includes €143 million in capital gains. The French Capital gains (€25 million in 2006) qualify for taxation at a reduced rate of 16.5% under the SIIC (REIT-style) tax regime.*

*In 2007, untaxed profit and profit taxed at a reduced rate mainly concerns real estate transactions in Germany and the Netherlands with Moor Park, and in the United Kingdom with Land Securities (see Note 2.B.2): the transaction with Moor Park in the Netherlands qualified for "tax ruling", while that with Land Securities in the United Kingdom was partially exempt.*

*The transaction in Germany gave rise to current income tax expense of €10.2 million. Changes in deferred taxes arising from temporary differences and consolidation adjustments amounted to a positive €24.6 million in the Netherlands, a positive €10.5 million in the United Kingdom and a negative €4.1 in respect of the sold hotels in Germany.*

*In France, gains on the sale of investments (mainly GO Voyages) were not taxed except for the 5% of their amount qualified as corresponding to costs and expenses.*

*(2) A change in the rules governing the deductibility of the interest on perpetual subordinated notes has been introduced in France's 2006 Finance Act. As a result of this change in tax law, the following entries were recorded in 2005 in respect of the 1990 repackaged perpetual subordinated floating rate notes due December 27, 2005:*

*- income tax payable of €63 million;*

*- reversal of a deferred tax liability of €127 million. This deferred tax liability has been recognized in equity at the date of transition to IFRSs.*

*The repackaged perpetual subordinated floating rate notes were repaid in full in December 2005.*

## Note 16.3. Details of deferred tax (Balance Sheet)

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Timing differences between company profit and taxable profit | 152 | 137 | 137 |
| Timing differences between consolidated profit and company profit [(1)] | 190 | 78 | 40 |
| Recognized tax losses | 45 | 82 | 22 |
| **SUB-TOTAL, DEFERRED TAX ASSETS** | **387** | **297** | **199** |
| Timing differences between company profit and taxable profit | 84 | 66 | 25 |
| Timing differences between consolidated profit and company profit | 230 | 179 | 145 |
| **SUB-TOTAL, DEFERRED TAX LIABILITIES** | **314** | **245** | **170** |
| **DEFERRED TAX, NET** | **73** | **52** | **29** |

*(1) The change in timing differences between consolidated profit and company profit between December 2005 and December 2006 is primarily attributable to the reversal of deferred taxes on the repackaged perpetual subordinated floating rate notes for €127 million (see Note 16.2).*

## Note 16.4. Unrecognized deferred tax assets

Unrecognized deferred tax assets at December 31, 2007 amounts to €190 million (December 31, 2006: €129 million; December 31, 2005: €171 million).

Unrecognized deferred tax assets at December 31, 2007 will expire in the following periods if not utilized:

| *(in millions of euros)* | Deductible temporary differences | Tax loss carryforwards [(1)] | Tax credits | Total |
|---|---|---|---|---|
| Y+1 | - | (5) | - | (5) |
| Y+2 | - | (1) | - | (1) |
| Y+3 | - | (1) | - | (1) |
| Y+4 | - | (3) | - | (3) |
| Y+5 and beyond | - | (37) | - | (37) |
| Evergreen | (4) | (139) | - | (143) |
| **DEFERRED TAX, NET** | **(4)** | **(186)** | **-** | **(190)** |

*(1) Unrecognized deferred tax assets at December 31, 2007 include €57 million corresponding to the tax loss carryforwards of The NewGen Hotels AG companies in Germany, Austria, France and Poland (see Note 2.D.4)*

## Note 17. Profit or Loss from Discontinued Operations

In accordance with IFRS 5, profit or loss from discontinued operations includes:

- The profit or loss of the period of discontinued operations; and
- The profit or loss recognised on the disposal of the assets constituting the discontinued operations.

In 2006, only Carlson Wagonlit Travel's sale (CWT) had been classified as discontinued operations (see Note 2.A.2). During 2007, no sale has been classified as discontinued operation.

Detail of profit or loss from discontinued operations (CWT) is as follows:

| *(in millions of euros)* | 2005 | 2006 |
|---|---|---|
| Profit or loss from discontinued operation before tax | 30 | 22 |
| Tax on Profit or loss from discontinued operation | (7) | (8) |
| Profit or loss recognised on the disposal of the assets constituing the discontinued operation | - | 90 |
| Tax on Profit or loss from discontinued operation | - | - |
| **PROFIT OR LOSS FROM DISCONTINUED OPERATIONS** | **23** | **104** |

Detail of CWT consolidated income statement (including the profit recognised on the disposal) classified in profit or loss from discontinued operations in Accor consolidated Income Statements is as follow:

| *(in millions of euros)* | 2005 | 2006 |
|---|---|---|
| Revenue | 486 | 244 |
| Other operating revenue | - | - |
| **CONSOLIDATED REVENUE** | **486** | **244** |
| Operating expense | (406) | (200) |
| **EBITDAR** | **80** | **44** |
| Rental expense | (27) | (15) |
| **EBITDA** | **53** | **29** |
| Depreciation, amortization and provision expense | (16) | (6) |
| **EBIT** | **36** | **23** |
| Net financial expense | (2) | (1) |
| Share of profit of associates after tax | - | - |
| **OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS** | **34** | **22** |
| Restructuring costs | (4) | - |
| Impairment losses | - | - |
| Gains and losses on management of hotel properties | (1) | - |
| Gains and losses on management of other assets | 1 | 90 |
| **OPERATING PROFIT BEFORE TAX** | **30** | **112** |
| Income tax expense | (7) | (8) |
| **NET PROFIT FROM DISCONTINUED OPERATIONS** | **23** | **104** |

## Note 18. Goodwill

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Goodwill (gross value) | 2,484 | 2,187 | 2,417 |
| Less impairment losses and depreciation | (587) | (452) | (450) |
| **GOODWILL, NET** | **1,897** | **1,735** | **1,967** |

| *(in millions of euros)* | Notes | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|---|
| Upscale and Midscale Hotels France | | 266 | 244 | 184 |
| Motel 6 | | 256 | 229 | 205 |
| Hotels, Germany | 2.D.4 | - | - | 190 |
| Hotels, Australia | | 190 | 192 | 174 |
| Economy Hotels (excluding Motel 6 and Red Roof Inn) | | 87 | 87 | 93 |
| Hotels, Asia | | 50 | 44 | 39 |
| Hotels, Italy | | 33 | 33 | 33 |
| Hotels, Hungary | | 26 | 25 | 25 |
| Hotels, Egypt | | 24 | 24 | 24 |
| Hotels, Netherlands | | 21 | 21 | 21 |
| Hotels, Portugal | | 4 | 4 | 19 |
| Hotels, Switzerland | | 9 | 9 | 17 |
| Red Roof Inn | 2.C | 168 | 150 | - |
| Other Hotels (< €6 million) | | 24 | 22 | 8 |
| **SUB-TOTAL HOTELS** | | **1,158** | **1,084** | **1,032** |
| Services, France (Kadéos) | 2.D.2.2 | - | - | 181 |
| Services, Brazil | 2.D.3 | - | 122 | 139 |
| Services, United Kingdom | 2.D.2.2 | 35 | 34 | 100 |
| Services, Romania | | 31 | 34 | 37 |
| Services, Italy | 2.D.2.1 | - | 35 | 36 |
| Services, Mexico | | 35 | 31 | 35 |
| Services, USA | 2.D.2.1 | 8 | 35 | 33 |
| Services, Sweden | | 20 | 22 | 19 |
| Services, Australia | | 10 | 10 | 11 |
| Services, Asia | | - | - | 8 |
| Services, Venezuela | | 8 | 7 | 7 |
| Services, Argentina | | 11 | 10 | - |
| Other Services (< €6 million) | | 56 | 72 | 74 |
| **SUB-TOTAL SERVICES** | | **214** | **412** | **680** |
| Casinos (Accor Casinos, SHCD and Groupe Lucien Barrière SAS) | | 161 | 156 | 162 |
| Food Business, Brazil | | - | 29 | 37 |
| Lenôtre | | 23 | 24 | 24 |
| GO Voyages | 2.A.4 | 57 | - | - |
| Travel Agencies | 2.A.2 | 251 | - | - |
| Other (< €6 million) | | 33 | 30 | 32 |
| **SUB-TOTAL OTHER BUSINESSES** | | **525** | **239** | **255** |
| **GOODWILL, NET** | | **1,897** | **1,735** | **1,967** |

Changes in the carrying amount of goodwill over the period were as follows:

| *(in millions of euros)* | Notes | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|---|
| **CARRYING AMOUNT AT BEGINNING OF PERIOD** | | **1,667** | **1,897** | **1,735** |
| **GOODWILL RECOGNIZED ON ACQUISITIONS FOR THE PERIOD AND OTHER INCREASES** | | **137** | **277** | **492** |
| Hotels, Germany (buyout of Dorint minority interests) | 2.D.4 | - | - | 189 |
| Hotels, Portugal | 2.D.1.3 | - | - | 15 |
| Economy Hotels (excluding Motel 6 and Red Roof Inn) | | - | 6 | 11 |
| Hotels, Switzerland | | 7 | - | 8 |
| Upscale and Midscale Hotels France | | 48 | - | 1 |
| Hotels, Brazil - Acquisition of Minority Interests | | - | 9 | - |
| Services, France (Acquisition Kadeos) | 2.D.2.2 | - | - | 181 |
| Services, United Kingdom (Acquisition of Prepay Technologies) | 2.D.2.2 | - | 1 | 53 |
| Services, Romania (Acquisition of 30% of Hungastro) | | 18 | 3 | 8 |
| Other acquisitions of Services | | 14 | 12 | 8 |
| Services, Asia (Surfgold) | 2.D.2.2 | - | - | 4 |
| Services, Italy (Serial) | 2.D.2.1 | - | 35 | 1 |
| Services, USA (Acquisition of Commuter Check Services - Transit Vouchers) | 2.D.2.1 | - | 27 | 1 |
| Services, Brazil - Acquisition of Minority Interests | 2.D.3 | - | 124 | - |
| Food Business, Brazil - Acquisition of Minority Interests | 2.D.3 | - | 27 | 5 |
| Groupe Lucien Barrière SAS | | 20 | 1 | 5 |
| Lenôtre (Acquisition of 9 stores) | | 12 | - | 1 |
| GO Voyages | 2.A.4 | 11 | 7 | - |
| Carlson Wagon Lit Business (Martiz and Protravel) | 2.A.2 | 1 | - | - |
| Time-Share Business, Australia | | - | 19 | - |
| Other | | 6 | 6 | 1 |
| **DISPOSALS** | | **(4)** | **(8)** | **(167)** |
| **IMPAIRMENT LOSSES** | | **(12)** | **(28)** | **(53)** |
| **TRANSLATION ADJUSTMENT** | | **97** | **(63)** | **(38)** |
| **RECLASSIFICATIONS ON PROPERTY, PLANT AND EQUIPMENT** | | **-** | **(25)** | **(18)** |
| **RECLASSIFICATIONS ON ASSETS HELD FOR SALE** | | **-** | **(318)** | **-** |
| **OTHER RECLASSIFICATIONS AND MOVEMENTS** | | **12** | **3** | **16** |
| **CARRYING AMOUNT AT END OF PERIOD** | | **1,897** | **1,735** | **1,967** |

## Note 19. Intangible Assets

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **GROSS VALUE** | | | |
| Motel 6 brand (1) | 170 | 153 | 137 |
| Red Roof Inn brand (2) | 102 | 91 | - |
| Kadeos brand (3) | - | - | 19 |
| Other brands and networks (4) | 23 | 30 | 57 |
| Licenses, softwares | 212 | 162 | 168 |
| Other intangible assets | 174 | 167 | 222 |
| **TOTAL INTANGIBLE ASSETS AT COST** | **681** | **603** | **603** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES** | | | |
| Licenses, softwares | (139) | (116) | (126) |
| Other intangible assets | (105) | (97) | (108) |
| **TOTAL ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES** | **(244)** | **(213)** | **(234)** |
| **INTANGIBLE ASSETS, NET** | **437** | **390** | **369** |

*(1) The decrease in value of the Motel 6 brand in 2007 is due to the change in the dollar/euro exchange rate (1.3170 at December 31, 2006 versus 1.472 at December 31, 2007).*

*(2) During second-half 2007, the Red Roof Inn brand has been sold for €91 million (see Note 2.C).*

*(3) The Kadeos brand was valued, following the acquisition of this company in March 2007 (see Note 2.D.2.2).*

*(4) Including €18 million corresponding to land usufruct right to operate Ibis and Novotel hotels in China.*

### Changes in the carrying amount of intangible assets over the period were as follows

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **CARRYING AMOUNT AT BEGINNING OF PERIOD** | **400** | **437** | **390** |
| Additions | 2 | 8 | 30 |
| Internally-generated assets | 21 | 23 | 26 |
| Intangible assets of newly consolidated companies | 5 | 13 | 68 |
| Amortization for the period | (41) | (35) | (37) |
| Impairment losses for the period | - | (3) | (5) |
| Disposals | (2) | (4) | (94) |
| Translation adjustment | 50 | (33) | (30) |
| Reclassifications | 2 | (16) | 21 |
| **CARRYING AMOUNT AT END OF PERIOD** | **437** | **390** | **369** |

### The following intangible assets are considered as having an indefinite useful life

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Motel 6 brand | 170 | 153 | 137 |
| Kadeos brand | - | - | 19 |
| Red Roof Inn brand | 102 | 91 | - |
| Other brands | 23 | 30 | 57 |
| **CARRYING AMOUNT AT END OF PERIOD** | **295** | **274** | **213** |

The above brands and lease premiums have been qualified as having an indefinite useful life because the Group considers that there is no foreseeable limit to the period in which they can be used.

Contracts totalling €5 million have been signed for the purchase of intangible assets at December 31, 2007. They are not recognised in the balance sheet.

# Note 20. Property, Plant and Equipment

## Note 20.1. Property, plant and equipment by nature

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Land | 527 | 471 | 409 |
| Buildings | 2,544 | 2,268 | 2,074 |
| Fixtures | 1,955 | 1,949 | 1,739 |
| Equipment and furniture | 1,666 | 1,471 | 1,466 |
| Constructions in progress | 268 | 204 | 260 |
| **PROPERTY, PLANT AND EQUIPMENT, AT COST** | **6,960** | **6,363** | **5,948** |

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Buildings | (817) | (774) | (691) |
| Fixtures | (1,021) | (999) | (876) |
| Equipment and furniture | (1,096) | (938) | (931) |
| Constructions in progress | (5) | (5) | (6) |
| **TOTAL OF DEPRECIATION** | **(2,939)** | **(2,716)** | **(2,504)** |
| Land | (7) | (8) | (5) |
| Buildings | (118) | (97) | (75) |
| Fixtures | - | (25) | (29) |
| Equipment and furniture | - | (8) | (11) |
| Constructions in progress | (5) | (3) | (3) |
| **TOTAL OF IMPAIRMENT LOSSES** (SEE NOTE 13) | **(130)** | **(141)** | **(123)** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES** | **(3,069)** | **(2,857)** | **(2,627)** |

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Land | 520 | 463 | 404 |
| Buildings | 1,609 | 1,397 | 1,308 |
| Fixtures | 934 | 925 | 834 |
| Equipment and furniture | 570 | 525 | 524 |
| Constructions in progress | 258 | 196 | 251 |
| **PROPERTY, PLANT AND EQUIPMENT, NET** | **3,891** | **3,506** | **3,321** |

Changes in the carrying amount of property, plant and equipment during the period were as follows:

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **NET CARRYING AMOUNT AT BEGINNING OF PERIOD** | **3,717** | **3,891** | **3,506** |
| Property, plant and equipment of newly acquired companies | 159 | 15 | 169 |
| Capital expenditure | 601 | 660 | 875 |
| Disposals | (129) | (391) | (478) |
| Depreciation for the period | (392) | (386) | (360) |
| Impairment losses for the period | (86) | (3) | (29) |
| Translation adjustment | 198 | (132) | (120) |
| Reclassifications on assets held for sales (see Note 32) | (260) | (188) | (232) |
| Other reclassifications | 83 | 40 | (10) |
| **NET CARRYING AMOUNT AT END OF PERIOD** | **3,891** | **3,506** | **3,321** |

At December 31, 2007, contracts totalling €252 million have been signed for the purchase of property, plant and equipment. They are not recognised in the balance sheet. At December 31, 2006, contracts totalized €176 million.

In addition, under the Foncière des Murs transactions (see Note 2.B.2 and Note 42), Accor is committed to carrying out €94 million worth of work over the period 2005-2009, out of a total €235 million program.

At December 31, 2007, €70 million worth of work was carried out by the Group. Under the terms of the leases with Foncière des Murs, the Group is required to pay the cost of maintaining the hotels over the period from January 1, 2009 to the first possible lease termination date (July 1, 2017). The costs to be paid by the Group may not represent less than a certain percentage of the hotels' revenues (4% for Ibis & Etap Hotel, 3.5% for Novotel & Sofitel, and 3% or 3.5% for Mercure).

Borrowing costs included in the carrying amount of property, plant and equipment at December 31, 2007 came to €8 million (€6 million at December 31, 2006). The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 4.85% (Group average borrowing cost at December 31, 2006).

## Note 20.2. Finance leases

At December 31, 2007, the carrying amount of finance leases recognized in the balance sheet in net value is €107 million (December 31, 2006: €130 million), as follows:

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Land | 43 | 27 | 20 |
| Buildings | 234 | 168 | 161 |
| Fixtures | 108 | 66 | 59 |
| Equipment and furniture | 58 | 29 | 11 |
| **PROPERTY, PLANT AND EQUIPMENT, AT COST** | **443** | **290** | **251** |
| Land | - | - | - |
| Buildings | (80) | (88) | (97) |
| Fixtures | (54) | (48) | (38) |
| Equipment and furniture | (47) | (24) | (9) |
| Accumulated depreciation and impairment losses | (181) | (160) | (144) |
| **PROPERTY, PLANT AND EQUIPMENT, NET** | **262** | **130** | **107** |

Finance lease liabilities can be analyzed as follows by maturity:

| | Debt (in millions of euros) non discounted |
|---|---|
| 2007 | 234 |
| 2008 | 216 |
| 2009 | 206 |
| 2010 | 196 |
| 2011 | 183 |
| 2012 | 163 |
| 2013 | 141 |
| 2014 | 125 |
| 2015 | 112 |
| 2016 | 103 |
| 2017 | 93 |
| 2018 | 66 |
| 2019 | 56 |
| 2020 | 51 |
| 2021 | 47 |
| > 2022 | 43 |

## Note 21. Long-Term Loans

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Gross value | 306 | 305 | 125 |
| Accumulated impairment losses | (18) | (36) | (18) |
| **LONG-TERM LOANS, NET** | **288** | **269** | **107** |

| (in millions of euros) | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Hotels, Asia-Pacific (1) | 75 | 126 | 80 |
| Hotels, Germany (2) | 35 | 13 | - |
| Colony Capital | 33 | - | - |
| Hotels, Netherlands (3) | 28 | 28 | - |
| Hotels, United States/Canada (4) | 27 | 23 | - |
| Hotels, United Kingdom (5) | 27 | 28 | - |
| Front de Seine Participations (Novotel Paris Tour Eiffel) (6) | 25 | 26 | - |
| Other | 38 | 25 | 27 |
| **TOTAL** | **288** | **269** | **107** |

*(1) Loans to hotels in the Asia-Pacific region mainly include loans:*
- *to Tahl (an Australian property company) for €65 million at December 31, 2007;*
- *to Accor Première Vacation Club, the Australian time share company to private buyers of timeshares (December 31, 2006: €54 million). Following the sale of 50% of the Group's interest in the company in 2007, this loan remains to €3 million.*

*(2) In connection with the acquisition of Dorint AG in 2002, the Group made a €35 million loan to Dr. Ebertz, repayable no later than December 31, 2010 (see Note 2.D.4). At December 2006, this loan amounted to €41 million (gross value) and to €13 million (net value). At December 2007, in connection with the restructuring of The NewGen Hotels AG Group (formerly Dorint), the loan to Dr. Ebertz was totally repaid.*

*(3) Following the 2007 sale-and-variable leaseback transactions to Moor Park in the Netherlands, all the loans granted in the past were repaid.*

*(4) Signature of sale and management-back contracts for the New York and Philadelphia Sofitels in January 2007, the €23 million subordinated loan was repaid.*

*(5) Following the 2007 sale-and-variable leaseback transactions to Land Securities in the United Kingdom, all the loans granted in the past were repaid.*

*(6) Following the sale of the Group's interest in the company under a management-back arrangement, the loan to Front de Seine Participations was repaid in 2007.*

## Note 22. Investments in Associates

| (in millions of euros) | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Club Méditerranée (Note 2.A.3) | 317 | - | - |
| Orbis (Hotels, Poland) (1) (Note 2.D.1.2) | 164 | 178 | 250 |
| Accor Asia-Pacific subsidiaries (*) | 46 | 55 | 96 |
| Moroccan investment fund (RISMA) (2) | 28 | 32 | 33 |
| Sofitel Hotels, US (25%) (3) (Note 2.B.1) | - | 14 | (8) |
| Dorint (Hotels, Germany) (4) (Note 2.D.4) | 24 | (2) | - |
| Egyptian investment fund | 13 | 11 | 10 |
| Société Hôtelière Paris Les Halles (5) | 9 | 9 | 11 |
| Tunisian investment fund (STI) (6) | 8 | 6 | 4 |
| Sofitel London St James (Hotels, United Kingdom) | 3 | 4 | 5 |
| Front de Seine Participations (7) | - | 1 | - |
| Other | 28 | 18 | 20 |
| **TOTAL** | **640** | **326** | **421** |

*(*) The Asia-Pacific investments primarily include Interglobe Hotels Enterprises Limited for €21 million, Sofitel Mumbai for €17 million, Ambassador Inc and Ambatel Inc (South Korea) for €16 million.*

(1) *Key figures for Orbis are as follows:*

**Orbis (Hotels, Poland)**

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Revenue | 248 | 275 | 307 |
| Net profit (loss) | 29 | 35 | 40 |
| Net cash/(Net debt) | (51) | (54) | (45) |
| Equity | 352 | 379 | 443 |
| Market capitalization | 394 | 759 | 891 |
| Total assets | 560 | 593 | 658 |
| % interest held | 40.58% | 40.58% | 45.48% |

(2) *Key figures for the hotel investment fund in Morocco (Risma) are as follows:*

**Risma (Moroccan investment fund)**

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Revenue | 57 | 68 | 83 |
| Net profit (loss) | 4 | 3 | 3 |
| Net cash/(Net debt) | (50) | (34) | (119) |
| Equity | 56 | 89 | 91 |
| Market capitalization | N/A | 240 | 238 |
| Total assets | 137 | 166 | 272 |
| % interest held | 48.25% | 34.92% | 34.92% |

(3) *Key figures for Sofitel Hotels, US are as follows:*

**Sofitel Hotels US**

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 (6 months) | Dec. 2007 |
|---|---|---|---|
| Revenue | N/A | 75 | 178 |
| Net profit (loss) | N/A | 3 | (4) |
| Net cash/(Net debt) | N/A | (223) | (455) |
| Equity | N/A | 57 | (33) |
| Market capitalization | N/A | N/A | N/A |
| Total assets | N/A | 309 | 464 |
| % interest held | N/A | 25.00% | 25.00% |

(4) *Key figures for Dorint AG are as follows:*

**Dorint**

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Revenue | 566 | 586 | N/A |
| Net profit (loss) (*) | (26) | (23) | N/A |
| Net cash/(Net debt) | (54) | (32) | N/A |
| Equity (*) | (26) | (96) | N/A |
| Market capitalization | N/A | N/A | N/A |
| Total assets | 189 | 163 | N/A |
| % interest held | 29.08% | 34.35% | N/A |

*(*) (After adjustments recorded on first-time consolidation of Dorint, in the Accor Group accounts under IFRS (see Note 2.D.4).*

*Following the reorganization and demerger of Dorint/The NewGen Hotels AG (see Note 2.D.4), the German Group is now fully consolidated.*

*(5) Key figures for Société Hôtelière Paris les Halles are as follows:*

**Société Hôtelière Paris Les Halles**

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Revenue | 58 | 64 | 69 |
| Net profit (loss) | 6 | 6 | 8 |
| Net cash/(Net debt) | (93) | (88) | (91) |
| Equity | 13 | 15 | 24 |
| Market capitalization | N/A | N/A | N/A |
| Total assets | 132 | 131 | 141 |
| % interest held | 31.19% | 31.19% | 31.19% |

*(6) Key figures for Société Tanit International are as follows:*

**Société Tanit International**

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Revenue | 19 | 21 | 21 |
| Net profit (loss) | (1) | (4) | (6) |
| Net cash/(Net debt) | 5 | (5) | (5) |
| Equity | 23 | 18 | 12 |
| Market capitalization | N/A | N/A | N/A |
| Total assets | 29 | 30 | 23 |
| % interest held | 37.50% | 37.50% | 37.50% |

*(7) Key figures for Front de Seine Participation, owner of the Novotel Paris Tour Eiffel, are as follows:*

**Front de Seine Participations (Novotel Paris Tour Eiffel)**

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Revenue | 38 | 44 | 18 |
| Net profit (loss) | 0 | 2 | 0 |
| Net cash/(Net debt) | (106) | (99) | (96) |
| Equity | (2) | - | - |
| Market capitalization | N/A | N/A | N/A |
| Total assets | 120 | 119 | 117 |
| % interest held | 40.00% | 40.00% | Sortante |

*On December 31, 2007, Accor sold its 40% interest in Front de Seine Participations and signed a business lease with the new owner of the Novotel Tour Eiffel building and the hotel business. The business lease covers a period of 18 years and is renewable once for a further 18 years. Rents are based on a percentage of hotel revenue, with no guaranteed minimum.*

## Note 23. Other Financial Investments

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Investments in non-consolidated companies (available for sale financial assets) | 307 | 192 | 171 |
| Deposits (loans and receivables) | 124 | 98 | 66 |
| **OTHER FINANCIAL INVESTMENTS, AT COST** | **431** | **290** | **237** |
| Accumulated impairment losses | (147) | (46) | (55) |
| **OTHER FINANCIAL INVESTMENTS, NET** | **284** | **244** | **182** |

Other financial investments break down as follows:

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Compass Group | 99 | - | - |
| Club Mediterranée (1) | - | 90 | 37 |
| Other investments and deposits | 185 | 154 | 145 |
| **OTHER FINANCIAL INVESTMENTS, NET** | **284** | **244** | **182** |

*(1) 5.43% of Club Méditerranée share capital has been sold during the period; Accor holds 1,162,630 shares relative to 6% of Club Méditerranée share capital (see Note 2.A.3).*

## Note 24. Receivables and Payables

### Note 24.1. Trade receivables and related provision

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Gross value | 1,575 | 1,356 | 1,655 |
| Provisions | (67) | (48) | (57) |
| **NET** | **1,508** | **1,308** | **1,598** |

Provisions for impairment in value of trade receivables correspond to numerous separate provisions, none of which are material. Past-due receivables are tracked individually and regular estimates are made of potential losses in order to increase the related provisions if and when required. Past-due receivables not covered by provisions are not material.

### Note 24.2. Details of other receivables and accruals

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Recoverable VAT | 207 | 207 | 218 |
| Prepaid wages and salaries and payroll taxes | 9 | 10 | 9 |
| Other prepaid and recoverable taxes | 97 | 57 | 40 |
| Other receivables | 287 | 257 | 342 |
| Other prepaid expenses | 194 | 216 | 125 |
| **OTHER RECEIVABLES AND ACCRUALS, AT COST** | **794** | **747** | **734** |
| **PROVISIONS** | **(24)** | **(20)** | **(19)** |
| **OTHER RECEIVABLES AND ACCRUALS, NET** | **770** | **727** | **715** |

### Note 24.3. Details of other payables

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| VAT payable | 102 | 104 | 117 |
| Wages and salaries and payroll taxes payable | 497 | 479 | 522 |
| Other taxes payable (*) | 157 | 171 | 313 |
| Other payables (*) | 289 | 328 | 426 |
| Deferred income | 415 | 340 | 179 |
| **OTHER PAYABLES** | **1,460** | **1,422** | **1,557** |

*(*) Including €192 million of "precompte" (see Note 41).*

### Note 24.4. Analysis of other receivables / payables' periods

| *(in millions of euros)* **at December 31, 2007** | Due within 1 year | Due in 1 to 5 years | Due beyond 5 years | Dec. 2007 | Dec. 2006 | Dec. 2005 |
|---|---|---|---|---|---|---|
| Inventories | 74 | - | - | 74 | 64 | 64 |
| Trade receivables | 1,581 | 17 | - | 1,598 | 1,308 | 1,508 |
| Recoverable VAT | 192 | 26 | - | 218 | 207 | 207 |
| Prepaid payroll taxes | 9 | - | - | 9 | 10 | 9 |
| Other prepaid and recoverable taxes | 40 | - | - | 40 | 57 | 97 |
| Other receivables | 313 | 10 | - | 323 | 237 | 263 |
| **CURRENT ASSETS** | **2,209** | **53** | **-** | **2,262** | **1,883** | **2,148** |
| Trade payables | 675 | 3 | 1 | 679 | 599 | 849 |
| VAT payable | 117 | - | - | 117 | 104 | 102 |
| Wages and salaries and payroll taxes payable | 503 | 17 | 2 | 522 | 479 | 497 |
| Other taxes payable | 313 | 1 | - | 314 | 171 | 157 |
| Other payables | 417 | 4 | 4 | 425 | 328 | 289 |
| **CURRENT LIABILITIES** | **2,025** | **25** | **7** | **2,057** | **1,681** | **1,894** |

## Note 25. Potential Ordinary Shares

### Note 25.1. Number of potential shares

At December 31, 2007, the Company's share capital was made up of 229,917,794 ordinary shares. The average number of ordinary shares outstanding during the period was 225,012,870. **The number of outstanding shares at December 31, 2007 was 221,527,644.**

In addition, employee stock options exercisable for 8,472,298 ordinary shares, representing 3.68% of the capital, were outstanding at December 31, 2007, as follows:

- 249,692 stock options exercisable at a price of €37.00 per share (Plan 3)
- 634,550 stock options exercisable at a price of €40.58 per share (Plan 5)
- 1,426,343 stock options exercisable at a price of €37.77 per share (Plan 6)
- 75,197 stock options (stock savings warrants) exercisable at a price of €39.10 per share (Plan 7)
- 56,990 stock options exercisable at a price of €31.83 per share (Plan 8)
- 1,189,492 stock options exercisable at a price of €35.68 per share (Plan 9)
- 85,039 stock options (stock savings warrants) exercisable at a price of €33.94 per share (Plan 10)
- 1,279,800 stock options exercisable at a price of €32.42 per share (Plan 11)
- 1,227,700 stock options exercisable at a price of €46.15 per share (Plan 12)
- 659,650 stock options exercisable at a price of €49.10 per share (Plan 13)
- 1,492,845 stock options exercisable at a price of €68.65 per share (Plan 14)
- 95,000 stock options exercisable at a price of €71.72 per share (Plan 15)

Accor has also made 56,171 performance share grants to members of senior management, with vesting conditions based on the Group's 2007 and 2008 results (see Note 25.3).

The 11,566 convertible bonds issued in 2003 that were outstanding at December 31, 2007 were redeemed on January 1, 2008.

Lastly, during second-half 2007, Accor announced a third share buyback program followed by a fourth program (see Note 2.F). At December 31, 2007, 7,970,150 shares had been bought back under these programs, but had not yet been cancelled. These shares are in addition to the 420,000 shares held in treasury at December 31, 2007.

Conversion of all of the potential shares presented above would have the effect of increasing the number of shares outstanding to 230,067,679.

## Note 25.2. Diluted earnings per share

Based on the above number of potential shares and the average Accor share price for 2007 of €64.88, the diluted weighted average number of shares outstanding in 2007 was 235,943,962. Diluted earnings per share were therefore calculated as follows:

| *(in millions of euros)* | **2005** | **2006** | **2007** |
|---|---|---|---|
| Net profit, Group share | 333 | 501 | 883 |
| Adjustment for OCEANE convertible bonds (1) | 44 | 28 | 8 |
| **ADJUSTED NET PROFIT, GROUP SHARE** | **377** | **529** | **891** |
| Weighted average number of ordinary shares *(in thousands)* | 214,783 | 224,738 | 225,013 |
| Number of shares resulting from the exercise of stock options | 1,051 | 2,367 | 2,869 |
| Number of shares resulting from the conversion of OCEANE convertible bonds | 33,020 | 16,894 | 8,062 |
| Fully diluted weighted average number of shares *(in thousands)* | 248,853 | 243,998 | 235,944 |
| **DILUTED EARNINGS PER SHARE** | **1.51** | **2.17** | **3.78** |

*(1) The adjustment for OCEANE convertible bonds breaks down as follows:*

| *(in millions of euros)* | **2005** | **2006** | **2007** |
|---|---|---|---|
| Cancellation of interest expense on OCEANE convertible bonds, net of tax | 38 | 25 | 8 |
| Cancellation of redemption premiums on OCEANE convertible bonds, net of tax | 6 | 3 | - |
| **TOTAL** | **44** | **28** | **8** |

The following instruments that may have a dilutive impact on basic earnings per share in the future have not been included in the calculation of diluted earnings per share because they did not have a dilutive effect on 2007:

- 1,492,845 stock options at a price of €68.65 exercisable from March 23, 2010 until March 22, 2014 (Plan 14);
- 95,000 stock options at a price of €71.72 exercisable from May 15, 2010 until May 14, 2014 (Plan 15).

## Note 25.3. Share-based payments

### Stock option plans

***Description of the main plans***

The following table summarizes the characteristics of stock options outstanding at December 31, 2007, as well as of options that were cancelled or expired during the period.

| | Grant date | Life of plan | Number of options granted | Option exercise date | Number of grantees | Exercise price | Cash-settled or equity-settled |
|---|---|---|---|---|---|---|---|
| Plan 2 | January 6, 1999 | 8 years | 581,525 | from 6/01/04 until 6/01/07 | 639 | €33.95 | Equity-settled |
| Plan 3 | March 30, 2000 | 8 years | 690,125 | from 30/03/05 until 30/03/08 | 809 | €37.00 | Equity-settled |
| Plan 4 | December 22, 2000 | 7 years | 757,322 | from 22/12/03 until 22/12/07 | 15,725 | €43.40 | Equity-settled |
| Plan 5 | January 4, 2001 | 8 years | 1,957,000 | from 4/01/04 until 4/01/09 | 32 | €40.58 | Equity-settled |
| Plan 6 | January 8, 2002 | 8 years | 3,438,840 | from 8/01/05 until 8/01/10 | 2,032 | €37.77 | Equity-settled |
| Plan 7 | July 12, 2002 | 7 years | 104,361 | from 12/07/05 until 12/07/09 | 3,890 | €39.10 | Equity-settled |
| Plan 8 | January 3, 2003 | 8 years | 148,900 | from 4/01/06 until 3/01/11 | 67 | €31.83 | Equity-settled |
| Plan 9 | January 7, 2004 | 8 years | 1,482,900 | from 8/01/07 until 7/01/12 | 1,517 | €35.68 | Equity-settled |
| Plan 10 | July 9, 2004 | 8 years | 88,131 | from 9/07/07 until 9/07/12 | 3,390 | €33.94 | Equity-settled |
| Plan 11 | January 12, 2005 | 7 years | 1,298,950 | from 13/01/09 until 12/01/12 | 903 | €32.42 | Equity-settled |
| Plan 12 | January 9, 2006 | 7 years | 1,231,200 | from 10/01/10 until 09/01/13 | 191 | €46.15 | Equity-settled |
| Plan 13 | March 24, 2006 | 7 years | 666,950 | from 25/03/10 until 24/03/13 | 818 | €49.10 | Equity-settled |
| Plan 14 | March 22, 2007 | 7 years | 1,492,845 | from 23/03/11 until 22/03/14 | 958 | €68.65 | Equity-settled |
| Plan 15 | May 14, 2007 | 7 years | 95,000 | from 15/05/11 until 14/05/14 | 11 | €71.72 | Equity-settled |

Options granted under Plan 15 are performance options. The options will vest in four equal tranches in each of the years 2007 to 2010 based on the attainment of performance targets expressed in terms of growth in the Accor Group's return on capital employed (ROCE) and current operating profit after tax.

If the performance targets are met at the end of each year, grantees will receive one quarter of the options included in the initial grant. If only one of the two targets is met, they will receive one eighth of the options.

For all of the options to vest, ROCE and current operating profit after tax will have to increase by around 10% or more per year. If ROCE and current operating profit after tax increase by less than 10% (but more than 0%), the number of vested options will be reduced based on the ratio between the actual increase and 10%.

The performance criteria were met in 2007 and grantees will therefore receive a total of 23,750 options at the end of the subscription period, provided that they continue to be employed by the Group at that date.

Changes in outstanding stock options during the 2005, 2006 and 2007 periods are as follows:

| | December 31, 2005 | | December 31, 2006 | | December 31, 2007 | |
|---|---|---|---|---|---|---|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| **OPTIONS OUTSTANDING AT BEGINNING OF PERIOD** | **10,591,554** | **€37.36** | **10,174,625** | **€37.36** | **9,049,919** | **€39.15** |
| Options granted | 1,298,950 | €32.42 | 1,898,150 | €47.19 | 1,587,845 | €68.83 |
| Options cancelled or expired | (81,600) | €39.77 | (203,275) | €35.81 | (249,032) | €41.72 |
| Options exercised | (1,634,279) | €33.34 | (2,819,581) | €38.35 | (1,916,434) | €38.84 |
| **OPTIONS OUTSTANDING AT END OF PERIOD** | **10,174,625** | **€37.36** | **9,049,919** | **€39.15** | **8,472,298** | **€44.71** |
| **OPTIONS EXERCISABLE AT END OF PERIOD** | **7,156,144** | **€38.76** | **4,323,588** | **€38.91** | **3,717,303** | **€37.38** |

Outstanding options at December 31, 2007 are as follows:

| | Exercise price | Number of outstanding options | Remaining life of the options |
|---|---|---|---|
| Plan 3 | €37.00 | 249,692 | 3 months |
| Plan 5 | €40.58 | 634,550 | 1 year |
| Plan 6 | €37.77 | 1,426,343 | 2 years |
| Plan 7 | €39.10 | 75,197 | 1.5 years |
| Plan 8 | €31.83 | 56,990 | 3 years |
| Plan 9 | €35.68 | 1,189,492 | 4 years |
| Plan 10 | €33.94 | 85,039 | 4.5 years |
| Plan 11 | €32.42 | 1,279,800 | 4 years |
| Plan 12 | €46.15 | 1,227,700 | 5 years |
| Plan 13 | €49.10 | 659,650 | 5.3 years |
| Plan 14 | €68.65 | 1,492,845 | 6.3 years |
| Plan 15 | €71.72 | 95,000 | 6.5 years |

### *Fair value of options*

IFRS 1 requires the recognition in the accounts of equity-settled stock options granted after 7 November 2002 that had not yet vested at January 1, 2005.

In the case of the Accor Group, IFRS 2 applies to options granted under eight plans set up from 2003 to 2007.

The fair value of these options at the grant date has been determined using the Black & Scholes option-pricing model.

The main data and assumptions used for the fair value calculations are as follows:

| | Plan 8 | Plan 9 | Plan 10 | Plan 11 | Plan 12 | Plan 13 | Plan 14 | Plan 15 |
|---|---|---|---|---|---|---|---|---|
| Accor share price at the option grant date | €30.50 | €35.18 | €33.71 | €31.64 | €49.80 | €48.30 | €70.95 | €70.45 |
| Option exercise price | €31.83 | €35.68 | €33.94 | €32.42 | €46.15 | €49.10 | €68.65 | €71.72 |
| Expected volatility (*) | 39.58% | 39.68% | 39.18% | 37.64% | 35.36% | 34.60% | 31.73% | 31.60% |
| Life of the options | 8 years | 8 years | 8 years | 7 years | 7 years | 7 years | 7 years | 7 years |
| Expected share yield (**) | 3.54% | 3.44% | 3.55% | 2.94% | 3.13% | 3.74% | 3.94% | 4.25% |
| Fair value of options (***) | €8.91 | €10.52 | €10.07 | €8.48 | €14.11 | €12.57 | €20.38 | €19.36 |

*(*) Weighted volatility based on exercise periods.*
*(**) Expected share yield based on exercise periods.*
*(***) Fair value of options based on exercise periods.*

The dividend rate used to measure the fair value of options is 3.03% for plans 8, 9, 10, 3.22% for plans 11, 12, 13 and 2.29% for plans 14 and 15. These rates correspond to the average payout rate for the previous two years.

### *Maturities of stock options*

The Group has decided to base the exercise dates of stock options under these plans on observed exercise dates under previous plans. The same principle has been applied to all plans, as follows:

- 35% of options exercised after 4 years;
- 20% of options exercised after 5 years;
- 35% of options exercised after 6 years;
- 5% of options exercised after 7 years – 10% for plans 11, 12, 13, 14 and 15;
- 5% of options exercised after 8 years.

Maturities stock options correspond to the options' expected lives.

### *Share price volatility*

The Group has chosen to apply a volatility rate calculated by reference to historical data for the eight years preceding the grant date. Different volatility rates have been applied, calculated from granted date, to each maturity as presented above.

### *Cost of share-based payments recognized in the accounts*

The total cost recognized in employee benefits expense by adjusting equity in respect of share-based payments amounted to €17 million at December 31, 2007 (December 31, 2006: €14 million, December 31, 2005: €9 million).

### *Employee Stock Ownership Plan*

In 2007, an employee rights issue was carried out under the Employee Stock Ownership Plan.

The issue was leveraged, meaning that for each share purchased between June 11 and 18, 2007 the bank that partnered Accor in the issue financed an additional nine shares on behalf of the employee. At the end of the 5-year lock-up period, employees will receive a cash payment equal to the average increase in value of the Accor shares purchased with their own funds and with the financing provided by the bank. In addition, the employees' initial investment in the shares is guaranteed by the bank.

The plan's characteristics are as follows:

- Reference share price: €68.61;
- Employee discount: 18.9%;
- Discounted subscription price: €55.64 (except in Germany where employees were not entitled to the discount but were awarded stock warrants).

At the close of the subscription period, the Group issued 770,529 new shares purchased by employees under the plan, including 769,126 shares acquired through corporate mutual funds and 1,403 purchased directly.

The fair value of the employee benefit, totalling €9.7 million, was recognized in full in "Employee benefits expense" by adjusting equity, in first-half 2007. The cost represented by the lock-up clause, determined only for shares purchased by employees (not for any shares financed by a bank loan) was calculated by discounting the discount over 5 years at a 5.5% discount rate and amounted to €0.2 million. For 2007, the cost of the lock-up was measured at 5.5% of the discounted subscription price.

### *Performance shares plans*

On May 14, 2007, Accor decided to grant 56,171 performance shares to senior executives and certain employees.

The performance shares are subject to vesting conditions based on growth in Accor's return on capital employed (ROCE) and current operating profit after tax for each of the years 2007 and 2008, with half of the shares vesting in each year if both performance targets are met. If only one of the performance targets is met, a quarter of the shares will vest.

For all of the shares to vest, ROCE and current operating profit after tax will have to increase by around 10% or more per year. If ROCE and current operating profit after tax increase by less than 10% (but more than 0%), the number of vested shares will be reduced based on the ratio between the actual increase and 10%.

The shares are subject to a two-year lock-up.

The cost of the performance share plan – corresponding to the fair value of the share grants – amounts to €4 million and is being recognized on a straight-line basis over the vesting period under "Employee benefits expense" with a corresponding adjustment to equity. The fair value of the share grants is measured as the average of the Accor share prices for the twenty trading days preceding the grant date multiplied by the number of shares granted under the plan.

The performance targets were met in 2007 and grantees will therefore receive 28,085 performance shares at the end of the vesting period, provided that they continue to be employed by the Group at that date.

## Note 26. Cumulative Unrealized Gains and Losses on Financial Instruments

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| OCEANE convertible bonds (1) | 104 | 94 | 66 |
| Equity notes (2) | 441 | 433 | - |
| Mutual fund units | 3 | 2 | - |
| Interest rate and currency swaps | (1) | 1 | - |
| Fair value adjustments to non-consolidated investments (3) | - | (6) | - |
| **IMPACT ON EQUITY** | **547** | **524** | **66** |

*(1) This corresponds to the equity component of the OCEANE convertible bonds (see Note 28).*

*The equity component of the €570 million 2002 OCEANEs and the €616 million 2003 OCEANEs initially amounted to €50 million and €75 million respectively.*

*In 2005, 8,920,986 2003 OCEANEs were converted, and in 2006, 3,627,691 2003 OCEANEs and 33 2002 OCEANEs were converted (see Note 28). The change between December 31, 2006 and December 31, 2007 is explained by the conversion of 2003 OCEANEs.*

*(2) Equity notes issued to Colony Capital in March 2005. In accordance with the accounting policy explained in Note 1.N, the equity component recognized in equity was set in 2005 at €433 million. During the first half of 2007, the 128,205 equity notes outstanding were redeemed for shares and the €433 million equity component was therefore written off.*

*(3) Under the terms of the shareholders' pact between Accor and Club Méditerranée, the Group is committed to holding 6% of Club Méditerranée's capital for two years. The impairment in value of these shares was considered as other than temporary, and the loss recorded directly in equity in 2006 was therefore reclassified to the income statement in 2007*

### Change in fair value adjustments on financial instruments recognized in equity

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **AVAILABLE FOR SALE FINANCIAL ASSETS** | **3** | **(9)** | **5** |
| Gains (losses) recognised in Equity during the period | 3 | (9) | (1) |
| Gains (losses) reclassified to profit or loss | - | - | 6 |
| **CASH FLOW HEDGES** | **1** | **2** | **(1)** |
| Gains (losses) recognised in Equity during the period | 1 | 2 | (1) |
| Gains (losses) reclassified to profit or loss | - | - | - |
| **CHANGES IN RESERVE** | **4** | **(7)** | **4** |

## Note 27. Minority Interests

| *(in millions of euros)* | |
|---|---|
| **AT DECEMBER 31, 2004** | **70** |
| Minority interests in profit for the period | 31 |
| Dividends paid to minority interests | (21) |
| Translation adjustment | 8 |
| Changes in scope of consolidation | 7 |
| **AT DECEMBER 31, 2005** | **95** |
| Minority interests in profit for the period | 33 |
| Dividends paid to minority interests | (28) |
| Translation adjustment | (3) |
| Changes in scope of consolidation (1) | (31) |
| **AT DECEMBER 31, 2006** | **66** |
| Minority interests in profit for the period | 29 |
| Dividends paid to minority interests | (19) |
| Translation adjustment | (3) |
| Changes in scope of consolidation | (12) |
| **AT DECEMBER 31, 2007** | **61** |

*(1) Changes in minority interests correspond mainly to the buyout of minority interests in Brazil (see Note 2.D.3).*

## Note 28. Convertible or Exchangeable Bonds (OCEANE)

### 2002 OCEANE bonds convertible or exchangeable for new or existing Accor shares (see Note 25)

On April 24, 2002, Accor issued 3,415,424 bonds convertible or exchangeable for new or existing shares (OCEANE) at a price of €166.89. The aggregate nominal value of the issue was €570 million and the interest rate is 1%. Interest is payable annually in arrears, on January 1.

The bonds are redeemable in three instalments, as follows:

- On January 1, 2005, at a price of €58.86 representing a premium of 105.81% on one-third of the bonds' nominal value;
- On January 1, 2006, at a price of €60.14 representing a premium of 108.11% on one-third of the bonds' nominal value;
- On January 1, 2007, at a price of €61.47 representing a premium of 110.50% on one-third of the bonds' nominal value.

In each case, the redemption price of one-third of the bond's value plus the premium represents an annual yield to maturity from the issue date of 3.125%.

Bond holders could convert or exchange their bonds for shares since May 3, 2002 as follows:

- Between May 3, 2002 and the seventh business day preceding January 1, 2005, at the rate of three Accor shares per bond;
- Between the seventh business day preceding January 1, 2005 and the seventh business day preceding January 1, 2006, at the rate of two Accor shares per bond;
- Between the seventh business day preceding January 1, 2006 and the seventh business day preceding January 1, 2007, at the rate of one Accor share per bond.

On January 1, 2005, the first tranche was redeemed for a total of €201 million or €58.86 per bond.

On January 1, 2006, the second tranche was redeemed for a total of €205 million or €60.14 per bond. In 2006, 5 bonds were converted into new shares and 28 bonds were exchangeable into shares.

On January 1, 2007, the last tranche was redeemed for a total of €210 million or €61.47 per bond.

### 2003 OCEANE bonds convertible or exchangeable for new or existing Accor shares (see Note 25)

On October 24, 2003, Accor issued 15,304,348 bonds convertible or exchangeable for new or existing shares (OCEANEs) at a price of €40.25. The aggregate nominal value of the issue was €616 million and the interest rate is 1.75%. Interest is payable annually in arrears, on January 1.

Bonds that are not converted or exchanged will be redeemed for cash at par (€40.25 per bond) on January 1, 2008.

Bond holders may convert or exchange their bonds for shares since October 24, 2003 on the basis of one Accor share per bond.

Accor has an early conversion option, exercisable from February 1, 2005, if the Accor share price is more than 110% higher than the issue price (i.e. €44.27) for 20 consecutive days.

In 2005, 8,920,986 bonds were converted into new shares, leading to the issuance of shares with an aggregate par value of €332 million. As of December 31, 2005, 6,383,362 bonds were outstanding.

In 2006, 2,648,988 bonds were converted into new shares and 978,703 bonds were exchangeable into shares, leading to the issuance of shares with an aggregate par value of €146 million. As of December 31, 2006, 2,755,671 bonds were outstanding.

In 2007, 2,744,105 bonds were converted into new shares, reducing the number of bonds outstanding at December 31, 2007 to 11,566. All 11,566 bonds were redeemed in January 2008.

### 2005 convertible bonds (see Note 2.E)

On May 18, 2005, Accor issued 116,279 convertible bonds at a price of €4,300. The €500 million issue was underwritten by ColTime SARL. Interest on the bonds was payable quarterly in arrears with a 3.25% actuarial rate. Unconverted bonds would be redeemed at par (€4,300 per bond) on May 18, 2010.

Bond holders may convert their bonds from January 1, 2007 on the basis of 100 Accor shares per bond.

On July 4, 2007, Coltime SARL redeemed conversion of 116,279 bonds into 11,756,970 new shares for an amount of €500 million.

## Note 29. Debt by Currency and Maturity

### Note 29.A. Long and short-term debt

Long and short-term debt at December 31, 2007 breaks down as follows by currency and interest rate after hedging transactions:

| | | Effective rate 2005 | | Effective rate 2006 | | Effective rate 2007 |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | **Dec. 2005** | **%** | **Dec. 2006** | **%** | **Dec. 2007** | **%** |
| EUR | 2,311 | 4.50 | 798 | 4.39 | 818 | 4.65 |
| USD | 560 | 5.07 | 381 | 5.24 | 11 | 5.40 |
| AUD | 116 | 6.62 | 101 | 7.69 | 55 | 7.30 |
| Other currencies (1) | 137 | 5.37 | 134 | 4.32 | 167 | 5.55 |
| **LONG AND SHORT-TERM BORROWINGS** | **3,124** | **4.72** | **1,414** | **4.85** | **1,051** | **4.94** |
| Long and short-term finance lease liabilities | 388 | - | 207 | - | 234 | - |
| Purchase commitments | 119 | - | 62 | - | 75 | - |
| Changes in fair value of financial liabilities | 12 | - | - | - | - | - |
| Derivatives included in liabilities | 13 | - | 1 | - | 15 | - |
| Other short-term financial liabilities and bank overdrafts | 189 | - | 135 | - | 42 | - |
| **LONG AND SHORT-TERM DEBT** | **3,845** | **-** | **1,819** | **-** | **1,417** | **-** |

*(1) Including about CNY €39 million, CHF €36 million, JPY €20 million as at December 31, 2007.*

At December 31, 2007, derivative instruments recorded in assets and held as hedges of debt amounted to €1 million.

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Long-term debt | 1,873 | 1,309 | 1,272 |
| Short-term debt | 1,972 | 510 | 145 |
| **TOTAL LONG AND SHORT-TERM DEBT** | **3,845** | **1,819** | **1,417** |

## Note 29.B. Maturities of debt

At December 31, 2007, maturities of debt were as follows:

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Year Y+1 | 1,972 | 510 | 145 |
| Year Y+2 | 462 | 741 | 78 |
| Year Y+3 | 929 | 216 | 85 |
| Year Y+4 | 157 | 65 | 101 |
| Year Y+5 | 57 | 89 | 798 |
| Year Y+6 | 68 | 35 | 45 |
| Beyond | 200 | 163 | 165 |
| **TOTAL LONG AND SHORT-TERM DEBT** | **3,845** | **1,819** | **1,417** |

In the above presentation, all derivatives are classified as short-term. The breakdown of interest rate and currency hedging instruments by maturity is disclosed in Note 29.E on Financial instruments.

At December 31, 2007, Accor had several unused confirmed lines of credit with maturities of more than one year, for a total of €1,730 million, expiring between January 2010 and November 2012.

As a result, €175 million in short-term facilities that the Group intends to roll over has been reclassified as long-term debt. After reclassifications, long-term unused confirmed lines of credit total €1,555 million.

## Note 29.C. Long and short-term debt before and after hedging

At December 31, 2007, long and short-term debt breaks down as follows before hedging transactions:

| | Total debt | | |
|---|---|---|---|
| *(in millions of euros)* | Amount | Rate | % of total debt |
| EUR | 921 | 4.72% | 87% |
| USD | 2 | 6.97% | 0% |
| AUD | 5 | 7.81% | 1% |
| Other currencies | 123 | 6.57% | 12% |
| **TOTAL LONG AND SHORT-TERM DEBT** | **1,051** | **4.96%** | **100%** |

Long and short-term debt after currency and interest rate hedging breaks down as follows at December 31, 2007:

| | Total debt | | |
|---|---|---|---|
| *(in millions of euros)* | **Amount** | **Rate** | **% of total debt** |
| EUR | 818 | 4.65% | 78% |
| USD | 11 | 5.40% | 1% |
| AUD | 55 | 7.30% | 5% |
| Other currencies | 167 | 5.55% | 16% |
| **TOTAL LONG AND SHORT-TERM DEBT** | **1,051** | **4.94%** | **100%** |

## Note 29.D. Long and short-term debt by interest rate after hedging

| | Total debt | |
|---|---|---|
| *(in millions of euros)* | **Amount** | **Rate** |
| December 2005 | 3,124 | 4.72% |
| December 2006 | 1,414 | 4.85% |
| December 2007 | 1,051 | 4.94% |

At December 2007, 10% of long and short-term debt was fixed rate, with an average rate of 4.04%, and 90% was variable rate, with an average rate of 5.04%.

Fixed rate debt was denominated primarily in EUR (57%), while variable rate debt was denominated mainly in EUR (80%), AUD (6%) and CNY (4%).

The Group's loan agreements do not contain any rating triggers.

None of the Group's loan agreements contain any cross default clauses. Cross acceleration clauses only concern loans for periods of at least three years and they would be triggered only for similar loans representing a significant amount.

## Note 29.E. Financial instruments

### 1. Currency hedges

The following tables analyze the nominal amount of currency hedges by maturity and the carrying amount of these instruments in the balance sheet, corresponding to their fair value, at December 31, 2007:

| **Forward sales and currency swaps** *(in millions of euros)* | **Maturity 2008** | **December 31, 2007 Nominal amount** | **December 31, 2007 Fair value** |
|---|---|---|---|
| AUD | 51 | 51 | (0) |
| JPY | 20 | 20 | (0) |
| Other | 33 | 33 | (1) |
| **FORWARD SALES** | **104** | **104** | **(1)** |

| **Forward purchases and currency swaps** *(in millions of euros)* | **Maturity 2008** | **December 31, 2007 Nominal amount** | **December 31, 2007 Fair value** |
|---|---|---|---|
| GBP | 409 | 409 | 14 |
| SEK | 80 | 80 | 1 |
| Other | 203 | 203 | 1 |
| **FORWARD PURCHASES** | **692** | **692** | **16** |
| **TOTAL CURRENCY HEDGING** | **796** | **796** | **15** |

For each currency, the nominal amount corresponds to the amount of currency sold or purchased forward. Fair value corresponds to the difference between the currency amount sold (purchased) and the currency amount purchased (sold), converted in both cases at the period-end forward exchange rate.

All the currency instruments listed above are used for hedging purposes. Most are designated and documented fair value hedges of intra-group loans and borrowings that qualify for hedge accounting.

At December 31, 2007, currency instruments had a negative fair value of €15 million.

### 2. Interest rate hedges

The following tables analyze the notional amount of interest rate hedges by maturity and the carrying amount of these instruments in the balance sheet, corresponding to their fair value, at December 31, 2007:

| *(in millions of euros)* | **2008** | **2009** | **December 31, 2007 Notional amount** | **December 31, 2007 Fair value** |
|---|---|---|---|---|
| EUR: Fixed-rate borrower swaps and caps: *Cash Flow Hedge* | 8 | 45 | 53 | (1) |
| **INTEREST RATE HEDGES** | **8** | **45** | **53** | **(1)** |

The "notional amount" corresponds to the amount covered by the interest rate hedge. "Fair value" corresponds to the amount that would be payable or receivable if the positions were unwound on the market.

All the interest rate instruments listed above are used for hedging purposes. At December 31, 2007, interest rate instruments had a positive fair value of €1 million.

### 3. Fair value of financial instruments

The carrying amount and fair value of financial instruments at December 31, 2007 are as follows:

| *(in millions of euros)* | December 31, 2007 Carrying amount | December 31, 2007 Fair value |
|---|---|---|
| **FINANCIAL LIABILITIES** | **1,417** | **1,417** |
| Bank borrowings | 1,043 | 1,043 |
| Financial lease liabilities | 234 | 234 |
| Other financial liabilities | 125 | 125 |
| Currency derivatives *(Fair Value Hedge)* (1) | 15 | 15 |
| **FINANCIAL ASSETS** | **(1,213)** | **(1,213)** |
| Marketable securities (2) | (841) | (841) |
| Cash | (297) | (297) |
| Other | (74) | (74) |
| Interest rate derivatives *(Cash Fow Hedge)* (1) | (1) | (1) |
| **NET DEBT** | **204** | **204** |

*(1) The fair value of forward foreign exchange contracts and interest rate swaps and currency swaps was measured based on the market price that the Group would have to pay or receive to unwind the positions.*

*(2) Marketable securities break down as follows:*

| *(in millions of euros)* | December 31, 2007 Carrying amount | December 31, 2007 Fair value |
|---|---|---|
| Bonds and other negotiable debt securities (a) | (151) | (151) |
| Money market securities (b) | (673) | (673) |
| Mutual fund units convertible into cash in less than three months (*) (c) | (10) | (10) |
| Other | (7) | (7) |
| **TOTAL MARKETABLE SECURITIES** | **(841)** | **(841)** |

*(*) The fair value of mutual fund units corresponds to their net asset value.*

*(a) Held to maturity investments.*

*(b) Loans and receivables issued by the Group.*

*(c) Available for sale financial assets.*

## Note 29.F. Financial Risk Management

The Group's risk management objectives, policies and procedures are described in the Management Report, which also includes interest rates and currency rates sensitivity analyses.

## Note 30. Net Debt and Net Cash

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Convertible bonds [1] | 1,001 | 635 | - |
| Other long-term debt | 520 | 490 | 1,056 |
| Long-term finance lease liabilities | 352 | 184 | 216 |
| Short-term borrowings | 1,915 | 449 | 109 |
| Bank overdrafts | 44 | 60 | 20 |
| Liabilities derivatives | 13 | 1 | 15 |
| **TOTAL DEBT** | **3,845** | **1,819** | **1,417** |
| Short-term loans | (39) | (28) | (22) |
| Marketable securities [2] | (2,059) | (944) | (841) |
| Cash | (264) | (314) | (297) |
| Asset derivatives | (40) | (10) | (1) |
| Short-term receivables on disposals of assets | (23) | (54) | (52) |
| **CURRENT FINANCIAL ASSETS [3]** | **(2,425)** | **(1,350)** | **(1,213)** |
| **NET DEBT** | **1,420** | **469** | **204** |

*(1) Convertible bonds Colony was converted into shares during second-half 2007 (see Note 28).*
*(2) See Note 29.E.*
*(3) Included €653 million related to Services compared with €615 million at December 31, 2006.*

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **NET DEBT AT BEGINNING OF PERIOD** | **2,244** | **1,420** | **469** |
| Change in long-term debt | (90) | (296) | (10) |
| Change in short-term financial liabilities | (178) | (1,760) | (368) |
| Cash and cash equivalents change | (710) | 1,063 | 104 |
| Reclassifications | 154 | 42 | 9 |
| **CHANGES FOR THE PERIOD** | **(824)** | **(951)** | **(265)** |
| **NET DEBT AT END OF PERIOD** | **1,420** | **469** | **204** |

The following table reconciles cash and cash equivalents in the balance sheet to cash and cash equivalents in the cash flow statement:

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **BALANCE SHEET CASH AND CASH EQUIVALENTS** | **1,763** | **1,267** | **1,138** |
| Bank overdrafts | (44) | (60) | (20) |
| Derivatives included in liabilities | (13) | (1) | (15) |
| Current financial assets | 600 | - | - |
| **CASH FLOW STATEMENT CASH AND CASH EQUIVALENTS** | **2,306** | **1,206** | **1,103** |

## Note 31. Analysis of Financial Assets and Liabilities under IFRS 7

At December 31, 2007, financial assets and liabilities broke down as follows by category:

| | Carrying amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| **HELD TO MATURITY FINANCIAL ASSETS** | **121** | **104** | **151** | **121** | **104** | **151** |
| Bonds and other negotiable debt securities | 121 | 104 | 151 | 121 | 104 | 151 |
| **LOANS AND RECEIVABLES** | **2,845** | **2,459** | **2,519** | **2,845** | **2,459** | **2,519** |
| Money Market securities | 858 | 701 | 673 | 858 | 701 | 673 |
| Short-term loans | 39 | 28 | 22 | 39 | 28 | 22 |
| Long-term loans | 288 | 269 | 107 | 288 | 269 | 107 |
| Receivables on disposals of assets | 23 | 54 | 52 | 23 | 54 | 52 |
| Deposits | 120 | 98 | 65 | 120 | 98 | 65 |
| Trade Receivables | 1,508 | 1,308 | 1,598 | 1,508 | 1,308 | 1,598 |
| Other | 9 | 1 | 2 | 9 | 1 | 2 |
| **AVAILABLE FOR SALE FINANCIAL ASSETS** | **1,235** | **284** | **132** | **1,235** | **284** | **132** |
| Mutual fund units convertible into cash | 1,070 | 137 | 10 | 1,070 | 137 | 10 |
| Investments in non-consolidated companies | 164 | 146 | 117 | 164 | 146 | 117 |
| Other | 1 | 1 | 5 | 1 | 1 | 5 |
| **FINANCIAL ASSETS AT FAIR VALUE** | **40** | **10** | **1** | **40** | **10** | **1** |
| Interest rate derivatives | 40 | 2 | 1 | 40 | 2 | 1 |
| Currency derivatives | 0 | 8 | 0 | 0 | 8 | 0 |
| **CASH AT BANK** | **264** | **314** | **297** | **264** | **314** | **297** |
| **FINANCIAL ASSETS** | **4,505** | **3,171** | **3,100** | **4,505** | **3,171** | **3,100** |

| | Carrying amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| **FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS** | **1,452** | **1** | **15** | **1,460** | **1** | **15** |
| Currency derivatives | 13 | 1 | 15 | 13 | 1 | 15 |
| Other bonds | 1,439 | 0 | 0 | 1,447 | 0 | 0 |
| **FINANCIAL LIABILITIES AT AMORTISED COST** | **4,681** | **2,477** | **2,081** | **4,681** | **2,477** | **2,081** |
| Convertible bonds/Equity Notes | 1,001 | 845 | 0 | 1,001 | 845 | 0 |
| Bank Borrowings | 520 | 564 | 1,043 | 520 | 564 | 1,043 |
| Finance lease liabilities | 352 | 207 | 234 | 352 | 207 | 234 |
| Other debts | 1,915 | 202 | 105 | 1,915 | 202 | 105 |
| Trade payables | 849 | 599 | 679 | 849 | 599 | 679 |
| **CASH AT BANK** | **44** | **60** | **20** | **44** | **60** | **20** |
| **FINANCIAL LIABILITIES** | **6,177** | **2,538** | **2,116** | **6,185** | **2,538** | **2,116** |

For cash and cash equivalents, trade receivables, receivables on disposal assets, trades payables and other debts, Accor considers their carrying amount to be the best proxy for market value.

The methods used to measure the fair value of derivative instruments, money market securities, held to maturity financial assets and mutual fund unit convertible into cash are described in Notes 29 and 30.

## Note 32. Assets and Liabilities Held for Sale

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **GROUPS OF ASSETS CLASSIFIED AS HELD FOR SALE** [(a)] | **-** | **287** | **-** |
| Hotels to sell to Foncière des Murs in France and in Belgium [(b)] | 251 | 22 | 21 |
| Hotels to sell to Axa REIM in France and in Switzerland [(c)] | - | - | 218 |
| Hotels to sell to investors (France) (d) | - | 12 | 2 |
| Hotels to sell in United-States [(e)] | 9 | 40 | 8 |
| Hotels to sell to investors (United-Kingdom) (f) | - | 86 | 19 |
| Hotels to sell in Germany / Netherlands [(g)] | - | 77 | 3 |
| Other | - | 21 | 6 |
| **TOTAL NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE** | **260** | **258** | **277** |
| **TOTAL ASSETS CLASSIFIED AS HELD FOR SALE** | **260** | **545** | **277** |
| **TOTAL LIABILITIES CLASSIFIED AS HELD FOR SALE** [(a)] | **-** | **229** | **-** |

*(a) At December 31, 2006, as part of its review of assets, the Group decided to sell GO Voyages and its Italian contract food services business. As a result of this decision, the assets and liabilities of GO Voyages and the Italian contract food business were reclassified as "held for sale" in the balance sheet at that date.*

| *(in millions of euros)* | GO Voyages | Italian Food Business | Total 2006 |
|---|---|---|---|
| **GROUPS OF ASSETS HELD FOR SALE** | | | |
| Goodwill | 57 | 4 | 61 |
| Intangible, tangible and financial assets | 3 | 18 | 21 |
| Current Assets | 85 | 120 | 205 |
| **TOTAL ASSETS CLASSIFIED AS HELD FOR SALE** | **145** | **142** | **287** |
| Non-current Liabilities | 4 | 26 | 30 |
| Current liabilities | 115 | 76 | 191 |
| Short-term Financial debt | 1 | 7 | 8 |
| **TOTAL LIABILITIES CLASSIFIED AS HELD FOR SALE** | **120** | **109** | **229** |

*(b) At December 31, 2005, in line with the asset management policy, the Group planned to sign an agreement for the second series of asset sales to Foncière des Murs. The transaction concerned 76 units, including 64 units in France and 12 units in Belgium. Under IFRS 5, the €251 million carrying amount of these hotels has been reclassified in the consolidated balance sheet at December 31, 2005 under "Assets held for sale".*

*At December 31, 2006, 70 units were sold during the period. The sale of the remaining six units is scheduled for completion in 2007 or 2008.*

*At December 31, 2007, these French units are still reported in the consolidated balance sheet under "Assets held for sale" for a net amount of €21 million.*

*(c) At December 31, 2007, in line with the asset management policy, the Group signed an agreement for a series of asset sales to AXA Real Estate. The transaction concerned 57 units, including 47 units in France and 10 units in Switzerland. Under IFRS 5, the €218 million carrying amount of these hotels has been reclassified in the consolidated balance sheet at December 31, 2007 under "Assets held for sale".*

*(d) In line with the asset management strategy, Accor was also engaged to sell 2 hotels in France.*

*(e) During 2007, Sofitel New-York and Sofitel Philadelphia have been sold under sale-and-management back transactions in January, 2007; and Sofitel Houston has been sold outright.*

*In addition, seven Motel 6 units have been reclassified in the consolidated balance sheet at December 31, 2007 under "Assets held for sale" for a net amount of €8 million.*

*(f) At December 31, 2006, in line with the asset management policy, the Group planed to sign an agreement for a series of asset sales to Land Securities. The transaction concerned 30 hotels that have been reclassified in the consolidated balance sheet under "Assets held for sale" for an amount of €82 million. In addition, Accor planed to sign an agreement for the sale of 6 other hotels in United-Kingdom.*

*29 units were sold during first-half 2007 and the sale of the remaining unit is scheduled for completion in 2008. In addition, the Group plans to sell three more units, acquired in connection with the transaction with Land Securities and considered as non strategic. These four units are therefore reported in the consolidated balance sheet at December 31, 2007 under "Assets held for sale" for a net amount of €19 million.*

*(g) At December 31, 2006, Accor was committed to selling 72 hotels in Germany and 19 hotels in the Netherlands.*

*During first-half 2007, 86 units were sold and the five other units are reported in the consolidated balance sheet at December 31, 2007 under "Assets held for sale".*

## Note 33. Provisions

Movements in non-current provisions between December 31, 2006 and December 31, 2007 can be analyzed as follows:

| *(in millions of euros)* | Dec. 31, 2005 | Dec. 31, 2006 | Equity impact (*) | Increases | Utilizations | Reversals of unused provisions | Translation adjustment | Reclassifications and changes in scope (*) | Discounting adjustment | Dec. 31, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Provisions for pensions | 152 | 107 | 6 | 11 | (16) | (16) | - | 1 | - | 93 |
| Provisions for loyalty bonuses | 18 | 17 | - | 4 | (2) | (1) | - | 7 | - | 25 |
| Provisions for claims and litigation and others contingencies | 1 | 1 | - | - | - | (1) | - | - | - | - |
| **TOTAL NON-CURRENT PROVISIONS** | **171** | **125** | **6** | **15** | **(18)** | **(18)** | **-** | **8** | **-** | **118** |

*(*) See Note 33.C.*

Movements in current provisions between December 31, 2006 and December 31, 2007 can be analyzed as follows:

| *(in millions of euros)* | Dec. 31, 2005 | Dec. 31, 2006 | Equity impact | Increases | Utilizations | Reversals of unused provisions | Translation adjustment | Reclassifications and changes in scope | Discounting adjustment | Dec. 31, 2007 |
|---|---|---|---|---|---|---|---|---|---|---|
| Tax provisions | 9 | 47 | - | 2 | (4) | (17) | - | 3 | - | 31 |
| Restructuring provisions | 33 | 39 | - | 52 | (34) | (1) | (1) | 1 | - | 56 |
| Provisions for claims and litigation and others contingencies | 161 | 156 | - | 93 | (38) | (7) | - | (43) | - | 161 |
| **TOTAL CURRENT PROVISIONS** | **203** | **242** | **-** | **147** | **(76)** | **(25)** | **(1)** | **(39)** | **-** | **248** |

At December 31, 2007, ordinary provisions for claims and litigation and others include:

- €27 million provisions for various claims;
- €27 million provisions for employee-related claims.

Net provision expense – corresponding to increase in provisions less reversals of utilized and unutilized provisions set up in prior periods – is recorded under the following income statement captions:

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| EBIT | (11) | 8 | (8) |
| Finance cost, net | (3) | (1) | 7 |
| Provision for losses on hotel properties | 44 | 16 | 39 |
| Provision on other assets and restructuring provisions | 18 | (5) | 5 |
| Deferred tax | - | 35 | (18) |
| **TOTAL** | **48** | **53** | **25** |

## Provisions for pensions and other post-employment benefits

### A. Description of the plans

Group employees receive various short-term benefits (paid vacation, paid sick leave and profit-shares), long-term benefits (long-service awards, long-term disability benefits, loyalty bonuses and seniority bonuses), as well as various post-employment benefits provided under defined contribution and defined benefit plans (length-of-service awards payable on retirement, pension funds).

Short-term benefit obligations are recognized in the balance sheets of the Group entities concerned.

Post-employment benefits are provided under either defined contribution or defined benefit plans.

#### *Defined contribution plans*

Obligations under these plans are funded by periodic contributions to external organizations that are responsible for the administrative and financial management of the plans. The external organization is responsible for all benefit payments and the Group has no liability beyond the payment of contributions. Examples of defined contribution plans include the government-sponsored basic pension and supplementary pension (ARRCO/AGIRC) schemes in France and defined contribution pension schemes in other countries.

Contributions to these plans are recognized in the period to which they relate.

#### *Defined benefit plans*

Benefits paid under the Group's defined benefit plans are determined based on employees' years of service with the Group. The benefit obligation is generally funded by plan assets, with any unfunded portion recognized as a liability in the balance sheet.

The defined benefit obligation (DBO) is determined by the projected unit credit method, based on actuarial assumptions concerning future salary levels, retirement age, mortality rates, staff turnover rates and the discount rate. These assumptions take into account the macro-economic situation and other specific circumstances in each host country.

Actuarial gains and losses arising from changes in actuarial assumptions and experience adjustments are recognized immediately in equity, in accordance with Group accounting policy.

At Accor, the main post-employment defined benefit plans concern:

- Length-of-service awards in France:

  These are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service and end-of-career salary. The calculation is based on parameters defined by Corporate Finance and Human Resources in November of each year. The related obligation is covered by a provision;

- Length-of-service awards in Italy:

  These are lump-sum payments made to employees on retirement. They are determined by reference to the employee's years of service, end-of-career salary, and whether they leave on their own initiative or on that of the company. The related obligation is covered by a provision;

- Pensions: the main defined benefit pension plans are for employees in France and in the Worldwide Structures (53% of the obligation), in the Netherlands (18.1% of the obligation) and in Italy (9.3% of the obligation). Pension benefit obligations are determined by reference to employees' years of service and end-of-career salary. They are funded by payments to external organizations that are legally separate from Accor Group.

### B. Actuarial assumptions

Actuarial valuations are based on a certain number of long-term parameters supplied by the Group, which are reviewed each year.

| | | Europe excluding France | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **2007** | **France** | **Netherlands** | **United Kingdom** | **Germany** | **Belgium** | **Italy** | **Worldwide Structures** | **Other countries** |
| Retirement age | 65 years | 65 years | 65 years | 65 years | 65 years | 65 years | 65 years | 55-65 years |
| Rate of future salary increases | 3.0% | 3.0% | 3.0% | 2.3% | 3.0% | 2.0% | 3%-4% | 2%-10% |
| Payroll tax rate | 46% | 23% | 13% | 22% | 36% | 29% | 46% | 9%-45% |
| Discount rate | 5%-5,25% | 5.0% | 5.8% | 5.0% | 5.0% | 5.0% | 5.0% | 4% - 8,68% |
| Expected Rates of return on 2007 plan assets | 2,20%-4,5% | 4%-5% | 5.5% | 4.3% | 4.5% | N/A | 4.5% | N/A |
| Expected Rates of return on 2008 plan assets | 2,20%-4,5% | 4%-5% | 5.5% | 4.3% | 4.5% | N/A | 4.5% | N/A |

| 2006 | France | Europe excluding France: Netherlands | United Kingdom | Germany | Belgium | Italy | Worldwide Structures | Other countries |
|---|---|---|---|---|---|---|---|---|
| Retirement age | 65 years | 65 years | 65 years | 65 years | 65 years | 65 years | 65 years | 55-67 years |
| Rate of future salary increases | 3.0% | 2.0% | 2.5% | 1.5% | 3.0% | 2.0% | 3%-4% | 2%-8% |
| Payroll tax rate | 46% | 23% | 13% | 22% | 36% | 29% | 46% | 9%-45% |
| Discount rate | 4.3% | 4.3% | 5.0% | 4.3% | 4.3% | 4.3% | 4.3% | 4% - 8,68% |
| Expected Rates of return on 2006 plan assets | 4.5% | 6.5% | 5.8% | 4.5% | 4.5% | N/A | 4.5% | N/A |
| Expected Rates of return on 2007 plan assets | 4.5% | 6.5% | 5.8% | 4.5% | 4.5% | N/A | 4.5% | N/A |

The assumptions concerning the expected return on plan assets and the discount rate applied to calculate the present value of benefit obligations were determined based on the recommendations of independent experts.

The French Social Security Financing Act for 2008 provides for an additional levy payable on retirement bonuses in the event of compulsory retirement before the age of 65. This additional tax is 25% in 2008 and 50% as of 2009. The Act also discontinues the favourable tax and social security regime for retirement bonuses negotiated with employees retiring before the statutory age of 65 and paid between 2010.

The Act has led the Group to adjust its assumptions concerning the rate of payroll taxes due on the benefits. In view of the difference in the employer contributions payable on compulsory and voluntary retirement, the corresponding benefit obligation is €11 million higher at December 31, 2007.

This increase in the obligation represents an actuarial loss that has entirely been recognised in equity, in accordance with the Group's current policy for recognizing actuarial gains and losses.

In Italy, under the 2007 Social Security Financing Act adopted in December 2006, all accruals for future termination benefits (TFR) must be paid into a pension plan rather than recorded as company book reserves. The implementing decrees in relation to this Act were issued on January 30, 2007.

In accordance with the new regulations, in companies with fifty or more employees, staff can actively designate an external fund for their TFR contributions paid from 2007. If no such fund is designated the TFR accruals will go automatically to the default pension fund. This could be the industry-wide fund, a specific employer-sponsored plan or, otherwise, a fund managed by the Italian National Social Security Institute (INPS).

Whichever option chosen by the employee, the market consensus is to consider that this new funding system means that the employer has no defined benefit obligations as from 2007. The impact of the reform was accounted for as a curtailment which led to the recognition of a €5 million gain recorded in the income statement.

## C. Funded status of post-employment defined benefit plans and other long term employee benefits

The method used by the Group is the "Projected Unit Credit" method.

| At December 31, 2007 *(in millions of euros)* | Pensions | Other post-employment benefits (*) | Total |
|---|---|---|---|
| Present value of funded obligation | 103 | - | 103 |
| Fair value of plan assets | (79) | - | (79) |
| **EXCESS OF BENEFIT OBLIGATION/(PLAN ASSETS)** | **24** | **-** | **24** |
| Present value of unfunded obligation | - | 94 | 94 |
| Unrecognized past service cost | - | - | - |
| **LIABILITY RECOGNIZED IN THE BALANCE SHEET** | **24** | **94** | **118** |

*(*) Including length-of-service awards and loyalty bonus.*

| At December 31, 2006 *(in millions of euros)* | Pensions | Other post-employment benefits (*) | Total |
|---|---|---|---|
| Present value of funded obligation | 108 | - | 108 |
| Fair value of plan assets | (69) | - | (69) |
| **EXCESS OF BENEFIT OBLIGATION/(PLAN ASSETS)** | **39** | **-** | **39** |
| Present value of unfunded obligation | - | 85 | 85 |
| Unrecognized past service cost | - | - | - |
| **LIABILITY RECOGNIZED IN THE BALANCE SHEET** | **39** | **85** | **124** |

*(*) Including length-of-service awards and loyalty bonus.*

## Evolution of the funded status of post-employment defined benefit plans by geographical area

| | Pensions | | | | | |
|---|---|---|---|---|---|---|
| | | Europe excluding France | | | | |
| *(in millions of euros)* | France | Netherlands | United Kingdom | Germany | Belgium | Italy |
| **ACTUARIAL DEBT AT THE BEGINNING** | **28** | **41** | **9** | **7** | **10** | **23** |
| **OTHER LONG-TERM BENEFITS RECLASSIFICATION** | **-** | **-** | **-** | **-** | **-** | **-** |
| Services Cost during year | 2 | 0 | - | 0 | 0 | 0 |
| Interest Cost | 1 | 1 | 0 | 0 | 0 | 1 |
| Employee contributions | 0 | - | - | - | 0 | - |
| Service cost/Change in regime | - | - | - | 1 | - | - |
| Reduction/Liquidation of plan | - | (9) | - | - | - | (5) |
| Acquisition/(Sale) | 0 | 0 | - | - | - | - |
| Benefits granted | (1) | (2) | (0) | - | (1) | (3) |
| Actuarial (Gains)/Losses | 1 | - | (2) | (1) | (1) | 0 |
| Effect of exchange rates | (1) | - | (1) | - | - | - |
| Reclassification on Assets/Liabilities held for sale | - | - | - | - | - | - |
| Others | 1 | - | - | - | - | - |
| **ACTUARIAL DEBT AT END OF PERIOD** | **32** | **31** | **7** | **8** | **9** | **16** |

| | | Europe excluding France | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | Netherlands | United Kingdom | Germany | Belgium | Italy |
| **FAIR VALUE ON ASSETS AT THE BEGINNING** | **2** | **32** | **6** | **1** | **6** | **-** |
| Actual return of funds | 0 | 1 | 1 | - | 0 | - |
| Employers contributions | 1 | - | - | 0 | 1 | - |
| Employee contributions | 0 | - | - | - | 0 | - |
| Benefits paid | - | (2) | (0) | - | (1) | - |
| Effect of exchange rates | (0) | - | (1) | - | - | - |
| Business combinations/(Sale) | - | - | - | - | - | - |
| Others | (0) | - | - | - | - | - |
| **FAIR VALUE ON ASSETS AT END OF PERIOD** | **3** | **31** | **6** | **2** | **6** | **-** |

| | | Europe excluding France | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | Netherlands | United Kingdom | Germany | Belgium | Italy |
| **FINANCIAL SITUATION AT THE BEGINNING** | **26** | **9** | **2** | **6** | **4** | **23** |
| Reclassification on Assets/Liabilities held for sale | - | - | - | - | - | - |
| **FINANCIAL SITUATION AT END OF PERIOD** | **30** | **0** | **0** | **7** | **3** | **16** |

| | | Europe excluding France | | | | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | France | Netherlands | United Kingdom | Germany | Belgium | Italy |
| Services cost in the year | 2 | 0 | - | 0 | 0 | 0 |
| Interest cost | 1 | 1 | 0 | 0 | 0 | 1 |
| Expected return of assets | (0) | (1) | (0) | (0) | (0) | - |
| Service cost amortization | 0 | - | - | 1 | - | - |
| Curtailment/settlement (gains) losses | - | (9) | - | - | - | (5) |
| Amortization actuarial (gains) losses | - | - | - | - | - | - |
| Others | - | - | - | - | 0 | - |
| **CHARGE OF THE PERIOD** | **3** | **(9)** | **0** | **1** | **1** | **(4)** |
| **AMORTIZATION ACTUARIAL (GAINS) LOSSES** | **1** | **(0)** | **(2)** | **(0)** | **(2)** | **0** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts and loyalty bonus are not reported.*

| | | | Other benefits | | | |
|---|---|---|---|---|---|---|
| | | | 2007 | 2007 | 2006 | 2005 (*) |
| Worldwide structures | Other | Total | Other benefits | Total 2007 | Total 2006 | Total 2005 |
| **49** | **9** | **175** | **17** | **193** | **235** | **166** |
| **-** | **-** | **-** | **-** | **-** | **18** | **-** |
| 2 | 1 | 6 | 3 | 10 | 15 | 14 |
| 2 | - | 6 | 0 | 6 | 9 | 9 |
| - | - | 1 | - | 1 | 1 | 1 |
| - | - | 1 | - | 1 | 0 | 0 |
| - | - | (14) | (0) | (14) | (2) | (9) |
| - | - | 1 | 7 | 8 | (43) | (3) |
| (2) | - | (11) | (2) | (13) | (19) | (13) |
| 9 | - | 6 | (1) | 5 | 5 | 28 |
| - | - | (1) | 0 | (0) | 0 | 0 |
| - | - | - | - | - | (27) | - |
| (0) | - | 1 | - | 1 | (1) | - |
| **58** | **10** | **171** | **25** | **195** | **192** | **194** |

| Worldwide structures | Other | Total | Other benefits | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|
| **21** | **0** | **69** | **-** | **69** | **83** | **39** |
| 1 | 0 | 3 | - | 3 | 2 | 3 |
| 10 | - | 12 | - | 12 | 14 | 14 |
| - | - | 1 | - | 1 | 1 | 1 |
| (2) | - | (5) | - | (5) | (6) | (2) |
| - | - | (1) | - | (1) | 0 | 0 |
| - | - | 0 | - | 0 | (27) | - |
| - | - | - | - | - | 2 | - |
| **30** | **0** | **79** | **-** | **79** | **69** | **56** |

| Worldwide structures | Other | Total | Other benefits | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|
| **28** | **9** | **106** | **17** | **124** | **170** | **126** |
| - | - | - | - | - | (27) | - |
| **28** | **9** | **93** | **25** | **118** | **124** | **137** |

| Worldwide structures | Other | Total | Other benefits | Total 2007 | Total 2006 | Total 2005 |
|---|---|---|---|---|---|---|
| 2 | 1 | 6 | 3 | 10 | 15 | 14 |
| 2 | 0 | 6 | 0 | 6 | 9 | 9 |
| (1) | - | (2) | - | (2) | (3) | (2) |
| - | - | 1 | - | 1 | 0 | 5 |
| - | (0) | (14) | - | (14) | (2) | (6) |
| - | - | - | - | - | (1) | 26 |
| 0 | 0 | 0 | - | 0 | (2) | - |
| **3** | **1** | **(3)** | **4** | **1** | **16** | **20** |
| **8** | **(0)** | **6** | **(1)** | **4** | **7** | **26** |

## Reconciliation of provisions for pensions and loyalty bonus between January 1, 2006 and December 31, 2007

| *(in millions of euros)* | Amount |
|---|---|
| **FINANCIAL SITUATION ON DECEMBER 31, 2005** | **170** |
| Services cost unknown at December 31, 2005 | - |
| **PROVISION ON DECEMBER 31, 2005** | **170** |
| Charge of the year | 16 |
| Cash out | (26) |
| SORIE | 7 |
| Effect of changes | (16) |
| Reclassifications on assets/liabilities held for sale | (27) |
| Other (Acquisitions/Changes) | - |
| **PROVISION ON DECEMBER 31, 2006** | **124** |
| Charge of the year | 1 |
| Cash out | (20) |
| SORIE | 5 |
| Effect of changes (1) | 8 |
| **Provision on December 31, 2007** | **118** |

*(1) €7 million from The NewGen Hotels AG entities entry and €1 million from Novotel Paris Tour Eiffel and Kadéos purchases.*

## Actuarial gains and losses related to changes in assumptions and experience adjustment

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Acturial debt | | | |
| **ACTUARIAL GAINS AND LOSSES RELATED TO EXPERIENCE ADJUSTMENT** | **(2)** | **6** | **4** |
| Actuarial gains and losses related to changes in assumptions | 34 | - | 2 |
| **FAIR VALUE ON ASSETS** | | | |
| Actuarial gains and losses related to experience adjustment | (3) | 1 | (1) |

## Detail of plan assets

| Detail of plan assets | France | Netherlands | United Kingdom | Germany | Belgium | Worldwide Structures |
|---|---|---|---|---|---|---|
| Shares | 15% - 25% | NA | 75% | 15% - 25% | 15% - 25% | 15% - 25% |
| Bonds | 75%- 80% | NA | 17% | 75% - 80% | 75% - 80% | 75% - 80% |
| Other | 0% - 5% | NA | 8% | 0% - 5% | 0% - 5% | 0% - 5% |

According to management's best estimate based on the information currently available, contributions in 2008 are €3 million.

The estimated yield on plan assets in 2007 was 3.95%.

## Note 34. Reconciliation of Funds from Operations

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| Net Profit, Group share | 333 | 501 | 883 |
| Minority interests | 31 | 33 | 29 |
| Depreciation, amortization and provision expense | 416 | 437 | 394 |
| Share of profit of associates, net of dividends received | (2) | (7) | (21) |
| Deferred tax | (76) | (8) | (19) |
| Change in financial provisions and provisions for losses on asset disposals | 214 | 207 | 197 |
| **FUNDS FROM OPERATIONS** | **916** | **1,163** | **1,463** |
| (Gains) losses on disposals of assets, net | (119) | (251) | (480) |
| (Gains) losses on non-recurring transactions (included restructuring costs and exceptional taxes) | 138 | 112 | 129 |
| **FUNDS FROM ORDINARY ACTIVITIES** | **935** | **1,024** | **1,112** |

## Note 35. Working Capital, Service Voucher in Circulation and Service Voucher Reserve Funds

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 | Variation |
|---|---|---|---|---|
| Inventories | 64 | 64 | 74 | 10 |
| Trade receivables | 1,508 | 1,308 | 1,598 | 290 |
| Other receivables and accruals | 770 | 727 | 715 | (12) |
| Service voucher reserve funds | 327 | 373 | 392 | 19 |
| **WORKING CAPITAL ITEMS - ASSETS** | **2,669** | **2,472** | **2,779** | **307** |
| Trade payables | 849 | 599 | 679 | 80 |
| Other payables | 1,460 | 1,422 | 1,557 | 135 |
| Service voucher in circulation | 1,940 | 2,289 | 2,894 | 605 |
| **WORKING CAPITAL ITEMS - LIABILITIES** | **4,249** | **4,310** | **5,130** | **820** |
| **WORKING CAPITAL** | **1,580** | **1,838** | **2,351** | **513** |

| | |
|---|---|
| **DECEMBER 31, 2005 WORKING CAPITAL** | **1,580** |
| **DECEMBER 31, 2006 WORKING CAPITAL** | **1,838** |
| Change in working capital (1) | 388 |
| Development Expenditure | 328 |
| Disposals | (117) |
| Translation adjustment | (65) |
| Reclassifications | (21) |
| **NET CHANGE IN WORKING CAPITAL** | **513** |
| **DECEMBER 31, 2007 WORKING CAPITAL** | **2,351** |

*(1) See cash flow statements.*

## Note 36. Renovation and Maintenance Expenditure

The amounts reported under "Renovation and maintenance expenditure" correspond to capitalized costs for maintaining or improving the quality of assets held by the Group at the beginning of each period (January 1st) as a condition of their continuing operation. This caption does not include development expenditure corresponding to the property, plant and equipment and working capital of newly consolidated companies and the purchase or construction of new assets.

Renovation and maintenance expenditure breaks down as follows:

| *(in millions of euros)* | Dec. 2005 | Dec. 2006 | Dec. 2007 |
|---|---|---|---|
| **HOTELS** | | | |
| - Upscale and Midscale Hotels | 195 | 182 | 213 |
| - Economy | 74 | 78 | 89 |
| - Economy US | 115 | 133 | 93 |
| **SERVICES** | **16** | **17** | **18** |
| **OTHER BUSINESSES** | | | |
| Casinos | 17 | 15 | 13 |
| Restaurants | 10 | 12 | 11 |
| Onboard Train Services | 2 | 4 | 3 |
| Holding Companies and other | 7 | 13 | 26 |
| **RENOVATION AND MAINTENANCE EXPENDITURE** | **436** | **454** | **466** |

## Note 37. Development Expenditure

Development expenditure corresponds to the property, plant and equipment, and working capital of newly consolidated companies (compliant IAS 7 "Cash flow statements") and the purchase or construction of new assets, as follows:

### Development expenditure excluding assets held for sale

| *(in millions of euros)* | France | Europe (excl. France) | North America | Latin America & Caribbean | Other Countries | Worldwide Structure (*) | 2007 | 2006 (**) | 2005 (**) |
|---|---|---|---|---|---|---|---|---|---|
| **HOTELS** | **105** | **444** | **119** | **26** | **127** | **-** | **821** | **342** | **386** |
| Upscale and Midscale Hotels | 79 | 377 | - | 17 | 54 | - | 527 | 240 | 307 |
| Economy Hotels | 26 | 67 | - | 9 | 73 | - | 175 | 96 | 77 |
| Economy Hotels US | - | - | 119 | - | - | - | 119 | 6 | 2 |
| **SERVICES** | **215** | **97** | **2** | **5** | **14** | **2** | **335** | **248** | **28** |
| **OTHER BUSINESSES** | **36** | **-** | **-** | **6** | **-** | **-** | **42** | **81** | **62** |
| Casinos | 27 | - | - | - | - | - | 27 | 25 | 24 |
| Restaurants | 7 | - | - | 6 | - | - | 13 | 40 | 25 |
| Onboard Train Services | 1 | - | - | - | - | - | 1 | - | - |
| Holding Companies and other | 1 | - | - | - | - | - | 1 | 16 | 13 |
| **TOTAL 2007** | **356** | **541** | **121** | **37** | **141** | **2** | **1,198** | | |
| **TOTAL 2006 (**)** | **110** | **118** | **36** | **224** | **176** | **7** | | **671** | |
| **TOTAL 2005 (**)** | **201** | **204** | **24** | **16** | **30** | **1** | | | **476** |

*(*) "Worldwide Structures" corresponds to development expenditure that is not specific to a single geographic region.*
*(**) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts are not reported.*

Development expenditure related to assets held for sale.

This item includes development expenditure of €19 million on two Novotel units and two Ibis units in the United Kingdom, €4 million on a Mercure unit in Germany and €2 million on the Italian Food Services Business.

## Note 38. Segment Information: Income Statement

The Group's primary and secondary reportable segments, under IAS 14 (Segment Reporting), are respectively the business segment and the geographical segment. This reflects the Group's organizational structure and internal financial reporting system, which are based on the nature of the products and the services delivered. Each segment represents a strategic business offering different products and serving different markets.

The Group has identified six business segments:

- Hotels, with a portfolio of brands on every segment of the market and its 3,871 establishments in 90 countries comprises three sub-segments:
  - upscale and Midscale hotels, with the Sofitel, Pullman, Novotel, Mercure and Suitehotel brands,
  - economy hotels, with the Formule 1, Etap Hotel, All Seasons and Ibis brands,
  - US Economy hotels with Motel 6 and Studio 6 brands;
- Services. Accor is a world-leading issuer of service vouchers and cards;
- Restaurants. Accor offers a full range of gourmet dining activities, notably through its Lenôtre subsidiary but also with the joint venture with the group Compass in Brazil;
- Casinos. Organized around Groupe Lucien Barrière, the segment is specialized in casino management;
- Onboard train services, providing restaurant and hotel services to the railway sector;
- Other activities, notably the Group Financial Managements.

The Group's geographical segments are determined by the location of its assets and operations.

Financial Statements

## Note 38.A. Income Statement by business segment

Segment revenues for each reportable segment are disclosed in Note 3.Consolidated Revenue by Business and by Region.

Segment result for each reportable segment is disclosed in Note 5.EBITDAR by Business and Region, in Note 7.EBITDA by Business and Region, and Note 9.EBIT by Business and Region.

Rental expense for each reportable segment is disclosed in Note 6.Rental Expense.

The aggregate of the entity's share of the profit or loss of jointly controlled entities of which substantially all of their operations are within a single segment is disclosed in Note 45.Additional Information about Jointly-controlled Entities.

## Note 38.B. Income Statement by geographical area

Based on the Group's internal organization and the trends in various national markets, geographical segments have been defined as follows:

- France;
- Europe excluding France;
- North America;
- Latin America & Caribbean;
- Other Countries (Africa & Middle East, Asia / Pacific);
- Worldwide Structures ("Worldwide Structures" corresponds to revenue and costs that are not specific to a single geographic region).

Geographical revenues for each reportable segment are disclosed in Note 3.Consolidated Revenue by Business and by Region.

Geographical result for each reportable segment is disclosed in Note 5.EBITDAR by Business and Region, in Note 7.EBITDA by Business and Region, and Note 9.EBIT by Business and Region.

The aggregate of the entity's share of the profit or loss of jointly controlled entities of which substantially all of their operations are within a single segment is disclosed in Note 45.Additional Information about Jointly-controlled Entities.

# Note 39. Segment Information: the Balance Sheet

## Note 39.A. Balance Sheet by business segment

| **At December 31, 2007** *(in millions of euros)* | Hotels | Services | Other Businesses | Eliminations | Total consolidated |
|---|---|---|---|---|---|
| Goodwill | 1,032 | 680 | 255 | - | 1,967 |
| Intangible assets | 223 | 103 | 43 | - | 369 |
| Property, plant and equipment | 3,033 | 30 | 258 | - | 3,321 |
| Total non-current financial assets | 910 | 612 | 347 | (1,159) | 710 |
| Deferred tax assets | 159 | 10 | 30 | - | 199 |
| **TOTAL NON-CURRENT ASSETS** | **5,357** | **1,435** | **933** | **(1,159)** | **6,566** |
| **TOTAL CURRENT ASSETS** | **4,435** | **3,125** | **1,472** | **(5,041)** | **3,991** |
| Assets held for sale | 272 | - | 5 | - | 277 |
| **TOTAL ASSETS** | **10,064** | **4,560** | **2,410** | **(6,200)** | **10,834** |
| **SHAREHOLDERS' EQUITY & MINORITY INTERESTS** | **5,098** | **1,035** | **(2,381)** | **-** | **3,752** |
| **TOTAL NON-CURRENT LIABILITIES** | **526** | **129** | **905** | **-** | **1,560** |
| **TOTAL CURRENT LIABILITIES** | **4,440** | **3,396** | **3,886** | **(6,200)** | **5,522** |
| Liabilities of assets classified as held for sale | - | - | - | - | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **10,064** | **4,560** | **2,410** | **(6,200)** | **10,834** |

| At December 31, 2007 *(in millions of euros)* | Up and Midscale hotels | Economy Hotels | Economy Hotels United States | Total Hotels |
|---|---|---|---|---|
| Goodwill | 731 | 96 | 205 | 1,032 |
| Intangible assets | 45 | 26 | 152 | 223 |
| Property, plant and equipment | 1,551 | 877 | 605 | 3,033 |
| Total non-current financial assets | 669 | 208 | 33 | 910 |
| Deferred tax assets | 52 | 28 | 79 | 159 |
| **TOTAL NON-CURRENT ASSETS** | **3,048** | **1,235** | **1,074** | **5,357** |
| **TOTAL CURRENT ASSETS** | **3,435** | **916** | **84** | **4,435** |
| Assets held for sale | 117 | 147 | 8 | 272 |
| **TOTAL ASSETS** | **6,600** | **2,298** | **1,166** | **10,064** |
| **SHAREHOLDERS' EQUITY & MINORITY INTERESTS** | **3,532** | **644** | **922** | **5,098** |
| **TOTAL NON-CURRENT LIABILITIES** | **379** | **136** | **11** | **526** |
| **TOTAL CURRENT LIABILITIES** | **2,689** | **1,518** | **233** | **4,440** |
| Liabilities of assets classified as held for sale | - | - | - | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **6,600** | **2,298** | **1,166** | **10,064** |

| At December 31, 2007 *(in millions of euros)* | Casinos | Restaurants | Onboard Train Services | Holdings & Other | Total Other Businesses |
|---|---|---|---|---|---|
| Goodwill | 160 | 62 | 8 | 25 | 255 |
| Intangible assets | 8 | 3 | 1 | 31 | 43 |
| Property, plant and equipment | 145 | 42 | 18 | 53 | 258 |
| Total non-current financial assets | 2 | 4 | - | 341 | 347 |
| Deferred tax assets | - | 3 | 1 | 26 | 30 |
| **TOTAL NON-CURRENT ASSETS** | **315** | **114** | **28** | **476** | **933** |
| **TOTAL CURRENT ASSETS** | **49** | **105** | **174** | **1,144** | **1,472** |
| Assets held for sale | - | 5 | - | - | 5 |
| **TOTAL ASSETS** | **364** | **224** | **202** | **1,620** | **2,410** |
| **SHAREHOLDERS' EQUITY & MINORITY INTERESTS** | **183** | **100** | **99** | **(2,763)** | **(2,381)** |
| **TOTAL NON-CURRENT LIABILITIES** | **102** | **9** | **14** | **780** | **905** |
| **TOTAL CURRENT LIABILITIES** | **79** | **115** | **89** | **3,603** | **3,886** |
| Liabilities of assets classified as held for sale | - | - | - | - | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **364** | **224** | **202** | **1,620** | **2,410** |

## Note 39.B. Balance Sheet by geographical area

| **At December 31, 2007** *(in millions of euros)* | **France** | **Europe (excluding France)** | **North America** | **Latin America** | **Other countries** | **Eliminations** | **Total** |
|---|---|---|---|---|---|---|---|
| Goodwill | 624 | 539 | 239 | 254 | 311 | - | 1,967 |
| Intangible assets | 80 | 45 | 155 | 21 | 68 | - | 369 |
| Property, plant and equipment | 1,136 | 970 | 677 | 141 | 397 | - | 3,321 |
| Total non-current financial assets | 489 | 579 | 99 | 8 | 1,036 | (1,501) | 710 |
| Deferred tax assets | 19 | 42 | 89 | 24 | 25 | - | 199 |
| **TOTAL NON-CURRENT ASSETS** | **2,348** | **2,175** | **1,259** | **448** | **1,837** | **(1,501)** | **6,566** |
| **TOTAL CURRENT ASSETS** | **2,373** | **2,362** | **84** | **973** | **1,361** | **(3,162)** | **3,991** |
| Assets held for sale | 174 | 95 | 8 | - | - | - | 277 |
| **TOTAL ASSETS** | **4,895** | **4,632** | **1,351** | **1,421** | **3,198** | **(4,663)** | **10,834** |
| **SHAREHOLDERS' EQUITY & MINORITY INTERESTS** | **2,677** | **964** | **1,122** | **497** | **(1,508)** | **-** | **3,752** |
| **TOTAL NON-CURRENT LIABILITIES** | **333** | **267** | **18** | **32** | **910** | **-** | **1,560** |
| **TOTAL CURRENT LIABILITIES** | **1,885** | **3,401** | **211** | **892** | **3,796** | **(4,663)** | **5,522** |
| Liabilities of assets classified as held for sale | - | - | - | - | - | - | - |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **4,895** | **4,632** | **1,351** | **1,421** | **3,198** | **(4,663)** | **10,834** |

## Note 40. Directors' Fees

Fees paid in 2007 by the Group to the members of the Board of Directors for year 2006 amounted to €590,000.

## Note 41. Claims and Litigation

### Management contracts

The reorganization of the Formule 1 and Etap Hotel networks is continuing, with the focus on converting management contracts into employment contracts. Over 50% of the combined network is now run by managers with employee status.

The legal action still underway, corresponding to a reduced number of claims, is unlikely to modify the estimated financial impact of the related risks, as recorded in the consolidated financial statements for 2007.

### CIWLT tax audit

A tax audit was carried out on the permanent branch in France of Compagnie Internationale des Wagons Lits et du Tourisme (CIWLT), a Belgian company that is 99.49%-owned by Accor SA. Following the audit, the French tax authorities concluded that CIWLT's seat of management was located in France not in Belgium.

Accordingly, the French tax authorities added back CIWLT's profits in Belgium for the purpose of calculating income tax payable in France. At the end of 2003, the resulting reassessments, for a total of €217 million including late interest, were contested by CIWLT, on the basis of the notice received from the Belgian tax authorities confirming that its seat of management was in Belgium. The French tax authorities have issued a notice ordering CIWLT to settle the tax deficiencies for the years 1998 to 2003 for a total of €217 million and have taken action to recover the total amount claimed. A stay of payment was requested in each case, in exchange for a €200 million bank bond covering the reassessments for the years 1998 to 2002. CIWLT has applied to the Cergy-Pontoise administrative tribunal to have the 1998 to 2002 reassessments overturned.

The company's legal and tax advisors consider that the reassessments do not give rise to any tax risk because CIWLT is governed by Belgian tax laws.

### Dividend withholding tax (*précompte*)

In 2002, Accor mounted a legal challenge to its obligation to pay withholding tax *(précompte)* on the redistribution of European source dividends.

Until 2004, French parent companies were entitled to a 50% tax credit on dividends received from French subsidiaries, which could be set off against the *précompte* withholding tax. However, no tax credit was attached to European source dividends.

Accor contested this rule, on the grounds that it breached European Union rules.

In the dispute between Accor and the French State, on December 21, 2006 the Versailles Administrative Court ruled that Accor was entitled to a refund of the *précompte* dividend withholding tax paid in the period 1999 to 2001, in the amount of €156 million.

The amount of €156 million was refunded to Accor during the first half of 2007, together with €36.4 million in late interest due by the French State.

However, on March 8, 2007, the French State appealed the ruling before the Versailles Administrative Court of Appeal. Accor's statement of defense was filed with the Court of Appeal on July 24, 2007. The tax authorities filed a reply to this statement on October 31, 2007, to which Accor replied on November 8, 2007.

At the hearing on November 13, 2007, the Government Commissioner submitted that the French State's appeal should be rejected. Accor is now awaiting the decision of the Versailles Administrative Court of Appeal.

The amounts received from the French State are reported as a liability pending completion of the appeal process and the effect of the Administrative Court's ruling is not therefore reflected in the 2007 accounts.

On February 7, 2007, Accor filed an application originating proceedings before the Cergy-Pontoise Adminstrative Court on the same grounds, to obtain a refund of the €187 million in *précompte* withholding tax paid in the period 2002 to 2004.

### Other claims and litigation

In the normal course of its business, the Group is exposed to various claims and litigation. The Company believes that these claims and litigations will not give rise to any material costs and will not have a material adverse effect on its financial position, business and/or results of operations.

# Note 42. Off-Balance Sheet Commitments at December 31, 2007

## Note 42.1. Off-balance sheet commitments given

Off-balance sheet commitments given at December 31, 2007 break down as follows:

| *(in millions of euros)* | Less than 1 year | 1 to 5 years | Beyond 5 years | December 2007 | December 2006 | December 2005 (*) |
|---|---|---|---|---|---|---|
| **SECURITY INTERESTS GIVEN ON ASSETS (1)** | **-** | **-** | **5** | **5** | **11** | **21** |
| • Novotel Paris Tour Eiffel | - | - | - | - | 18 | 6 |
| • Groupe Lucien Barrière SAS (2) | - | 140 | - | 140 | 140 | 140 |
| • Dorint | - | - | - | - | 105 | 117 |
| • Other purchase commitments | 1 | 48 | - | 49 | 50 | 46 |
| **PURCHASE COMMITMENTS** | **1** | **188** | **-** | **189** | **313** | **309** |
| • Renovation commitment Foncière des Murs transaction 1 (France) (3) | 11 | - | - | 11 | 33 | 57 |
| • Renovation commitment Foncière des Murs transaction 2 (France & Belgium) (3) | 10 | 2 | - | 12 | 24 | - |
| • Renovation commitment Moor Park (Germany and the Netherlands) (4) | 20 | 5 | - | 25 | - | - |
| • Renovation commitment Land Securities (United Kingdom) (5) | 4 | 13 | - | 17 | - | - |
| • Construction commitments Novotel and Ibis (Algeria) (6) | 8 | - | - | 8 | - | - |
| • Construction performance bonds Novotel and Ibis (China) (7) | 23 | 12 | - | 35 | - | - |
| • Renovation commitment Novotel Paris Tour Eiffel (8) | - | 13 | - | 13 | - | - |
| • Ibis Santa Coloma Gramanet & Ibis Ripollet (Spain) | - | 14 | - | 14 | 12 | - |
| • Other renovation commitments (9) | 6 | 43 | 68 | 117 | 107 | 96 |
| **CAPEX COMMITMENTS** | **82** | **102** | **68** | **252** | **176** | **153** |
| **LOAN GUARANTEES GIVEN (10)** | **-** | **12** | **2** | **14** | **44** | **45** |
| **COMMITMENTS GIVEN IN THE NORMAL COURSE OF BUSINESS (11)** | **45** | **278** | **51** | **374** | **412** | **299** |
| **CONTINGENT LIABILITIES** | **-** | **-** | **-** | **-** | **-** | **-** |
| **TOTAL DECEMBER 2007** | **128** | **580** | **126** | **834** | | |
| **TOTAL DECEMBER 2006** | **170** | **391** | **395** | | **956** | |
| **TOTAL DECEMBER 2005 (*)** | **258** | **447** | **122** | | | **827** |

*(1) Security interests on assets correspond to pledges and mortgages valued at the net book value of the underlying assets.*

*(2) Under the agreements between Colony Capital, the Desseigne Barrière family and Accor, Colony Capital has a put option towards Accor and Accor has a call option on Colony's 15% interest in Groupe Lucien Barrière SAS.*

*Colony Capital's put option is exercisable in the 30 days following Groupe Lucien Barrière SAS 2007, 2008 and 2009 fiscal year-ends (October 31). The option exercise price will be determined by independent experts based on market prices. The option is included in off-balance sheet commitments at December 31, 2007 for an amount of €140 million, corresponding to the valuation at the transaction date.*

*(3) In connection with the two Foncière des Murs transactions of sale-and-variable leaseback transactions, Accor is committed to financing €94 million worth of renovation work (see Note 2.B.2). As of December 31, 2007, construction work totalling €71 million had been carried out.*

*(4) In connection with the Moor Park transaction of sale-and-variable leaseback, Accor is committed to financing €27 million worth of renovation work in Germany and in the Netherlands (see Note 2.B.5). As of December 31, 2007, the remaining work amounts to €25 million.*

*(5) In connection with the Land Securities transaction of sale-and-variable leaseback, Accor is committed to financing €24 million worth of renovation work in the United Kingdom (see Note 2.B.4). As of December 31, 2007, the remaining work amounts to €17 million.*

*(6) In connection with development in Algeria, Accor is committed to financing four hotels projects (Tlemcen, Oran, Bab Ezzouar and Constantine) representing a total investment of €15 million. As of December 31, 2007, construction work totalling €7 million had been carried out. The remaining work amounts to €8 million.*

*(7) In connection with development in China, Accor issued a €35 million performance bond to various developers of 29 Ibis hotels and 2 Novotel hotels.*

*(8) In connection with the sale of Accor's 40% interest in Novotel Paris Tour Eiffel under a management-back arrangement, Accor is committed to financing €14 million worth of renovation work before the end of 2012. As of December 31, 2007, construction work totaling €1 million had been carried out. The remaining work amounts to €13 million.*

*(9) Other commitments include €40 million in committed capital expenditure on Australian hotels and €69 million in commitments related to Groupe Lucien Barrière.*

*(10) Loan guarantees given correspond mainly to a €12 million guarantee given to CCF as securities for a loan to Minhal France.*

*(11) Commitments given in the normal course of business include a guarantee given to the owner of four Ibis hotels in Poland, covering the payment by Orbis of annual rentals representing a total of €24 million.*

*In addition, as explained in Note 41, following the tax audit of CIWLT, the French tax authorities issued a notice ordering CIWLT to settle the tax deficiencies of €200 million. In August 2004, Accor provided a €191 million tax bond issued by a bank in exchange for a stay of payment, as well €9 million additional payment in June 30, 2007 to the French tax authorities.*

To the best of the Group's knowledge and in accordance with generally accepted accounting principles, no commitments given have been omitted from the above list.

## Note 42.2. Off-balance sheet commitments received

Off-balance sheet commitments received at December 31, 2007 break down as follows:

| *(in millions of euros)* | Less than 1 year | 1 to 5 years | Beyond 5 years | December 2007 | December 2006 | December 2005 (*) |
|---|---|---|---|---|---|---|
| Irrevocable commitments received for the purchase of intangible assets and property, plant and equipment | - | - | - | - | - | 7 |
| Irrevocable commitments received for the purchase of financial assets | - | 140 | - | 140 | 141 | 141 |
| Customer orders spanning several years | - | - | - | - | - | - |
| **PURCHASE COMMITMENTS RECEIVED** | **-** | **140** | **-** | **140** | **141** | **148** |
| Sellers' warranties received | - | - | 1 | 1 | 2 | 74 |
| Debt waivers granted with a clawback clause | - | - | - | - | - | - |
| Loan guarantees received | - | - | - | - | - | - |
| Other guarantees received in the normal course of business (1) | 55 | 83 | - | 138 | 85 | 95 |
| **OTHER COMMITMENTS AND GUARANTEES RECEIVED** | **55** | **83** | **1** | **139** | **87** | **169** |
| **TOTAL DECEMBER 2007 (2)** | **55** | **223** | **1** | **279** | | |
| **TOTAL DECEMBER 2006 (2)** | **20** | **207** | **1** | | **228** | |
| **TOTAL DECEMBER 2005 (*) (2)** | **74** | **241** | **2** | | | **317** |

*(*) Off-balance sheet commitments presented above have been adjusted to exclude Carlson Wagonlit Travel (CWT), in accordance with IFRS 5.*

*(1) In connection with first transaction with Accor, Foncière des Murs agreed to finance a €141 million renovation program. At December 31, 2007, Foncière des Murs made €104 million of renovation. The remaining work amounts to €37 million (see Note 2.B.2).*

*In connection with transaction in the United Kingdom, Land Securities agreed to finance a €51 million renovation program. As of December 31, 2007, the remaining work amounts to €39 million (see Note 2.B.2.4).*

*In connection with transaction in the Netherlands and in Germany, Moor Park agreed to finance a €59 million renovation program. As of December 31, 2007, the remaining work amounts to €55 million (see Note 2.B.2.5).*

*In connection with the sale of Accor's 40% interest in Novotel Paris Tour Eiffel under a management-back arrangement, the owner of the hotel agreed to finance €5 million worth of renovation work before the end of 2011. As of December 31, 2007, the work had not begun and the outstanding commitment continued to amount to €5 million.*

*(2) Purchase options under finance leases are not included in this table.*

## Note 43. Consolidated Companies Net Profit

| *(in millions of euros)* | 2005 (*) | 2006 (*) | 2007 |
|---|---|---|---|
| **OPERATING PROFIT BEFORE TAX AND NON RECURRING ITEMS** | **569** | **727** | **907** |
| Cancellation of share of profit of associates after tax | (8) | (11) | (28) |
| **CONSOLIDATED COMPANIES PROFIT BEFORE TAX** | **561** | **716** | **879** |
| Restructuring costs | (39) | (69) | (58) |
| Impairment losses | (107) | (94) | (99) |
| Gains and losses on management of hotel properties | 73 | 109 | 208 |
| Gains and losses on management of other assets | (38) | 15 | 188 |
| Income tax expense | (117) | (258) | (234) |
| **CONSOLIDATED COMPANIES NET PROFIT** | **333** | **419** | **884** |

*(*) In accordance with IFRS 5, Carlson Wagonlit Travel (CWT) amounts are not reported (see Note 17).*

## Note 44. Main Consolidated Companies at December 31, 2007

The main subsidiaries and associates represent 85% of consolidated revenue, 88% of EBITDAR and 84% of EBIT. The many other subsidiaries and associates represent individually less than 0.5% of consolidated revenue, EBITDAR and EBIT.

| HOTELS | | | |
|---|---|---|---|
| **France** | | | |
| Exhotel | France | IG | 100.00% |
| Etap Hotels | France | IG | 96.00% |
| Hotexco | France | IG | 100.00% |
| La Thermale de France | France | IG | 100.00% |
| Mer et Montagne | France | IG | 100.00% |
| Mercure International Hotels | France | IG | 100.00% |
| Paris Berthier | France | IG | 100.00% |
| Paris Suffren | France | IG | 75.00% |
| SNC DGR Grand Ouest | France | IG | 100.00% |
| SNC DGR Île-de-France | France | IG | 100.00% |
| SNC DGR Rhône Alpes Méditerranée | France | IG | 100.00% |
| Société Commerciale des Hôtels Économiques | France | IG | 99.95% |
| Société Hôtelière Danton Michelet | France | IG | 100.00% |
| Société Hôtelière du Nouveau Bercy | France | IG | 100.00% |
| Société de Développement des Hôtels Économiques | France | IG | 100.00% |
| Société de Management International | France | IG | 100.00% |
| Société d'Étude et de Promotion Hôtelière Internationale | France | IG | 100.00% |
| Société Hôtelière de la Porte de Sèvres | France | IG | 100.00% |
| Société Internationale de Services des Hôtels Économiques | France | IG | 100.00% |
| Thalamer | France | IG | 99.90% |
| Société d'Exploitation d'Hôtels Suites | France | IG | 100.00% |
| Société Hôtelière 61 Quai de Grenelle | France | IG | 100.00% |
| **Europe Excl. France** | | | |
| Accor Hôtellerie Deutschland | Germany | IG | 100.00% |
| The Newgen Hotels | Germany | IG | 97.64% |
| Accor Austria AG | Austria | IG | 100.00% |
| Accoordination | Belgium | IG | 99.79% |
| Accor Hotels Belgium | Belgium | IG | 100.00% |
| Accor Hoteles Espagne | Spain | IG | 100.00% |
| Société Hôtelière Athènes Centre | Greece | IG | 100.00% |
| Pannonia Hotels RT | Hungary | IG | 99.92% |
| Sofitel Gestioni Alberghiere Italia | Italy | IG | 99.49% |
| Sifalberghi | Italy | IG | 96.28% |
| Motel Maatschappij Hollande | Netherlands | IG | 100.00% |
| Nhere BV | Netherlands | IG | 100.00% |
| Novotel Nederland | Netherlands | IG | 100.00% |
| The Grand Real Estate | Netherlands | IG | 100.00% |
| Orbis | Poland | MEE | 45.48% |
| Portis | Portugal | IG | 100.00% |
| Katerinska Hotels | Czech Republic | IG | 100.00% |
| Accor UK Business & Leisure | United Kingdom | IG | 100.00% |
| Accor UK Economy Hotels | United Kingdom | IG | 100.00% |
| Accor Hôtels Scandinavia | Sweden | IG | 100.00% |
| Accor Gestion Hôtels | Switzerland | IG | 100.00% |
| Accor Suisse | Switzerland | IG | 100.00% |
| **North America** | | | |
| Accor Canada Inc. | Canada | IG | 100.00% |
| Accor Business & Leisure North America Inc. | United States | IG | 100.00% |
| IBL Limited | United States | IG | 100.00% |
| **Latin America and Caribbean** | | | |
| Hotelaria Accor Brasil | Brazil | IG | 99.99% |
| **Other Countries** | | | |
| Formula1 Pty | South Africa | IG | 52.60% |
| Mercure Premier Lodge South Africa | South Africa | IG | 100.00% |
| Saudi Hotels Management | Saudi Arabia | IG | 99.95% |
| Accor Asia Pacific Corp. | Australia / Asia | IG | 100.00% |
| Société Propriétaire de l'Hôtel de l'Union | Senegal | IG | 100.00% |
| Société Abidjanaise | Ivory Coast | IG | 99.99% |
| Accor Hotels SAE | Egypt | IG | 89.15% |
| Risma | Morroco | MEE | 34.92% |

IG: Fully consolidated,

IP: Consolidated using the proportional method,

MEE: Accounted for by the equity method.

# ACCOR S.A.

## SERVICES

| | | | |
|---|---|---|---|
| **France** | | | |
| Accor Services France | France | IG | 99.24% |
| Accentiv'House | France | IG | 98.95% |
| Kadéos | France | IG | 99.24% |
| Profid | France | IG | 99.24% |
| **Europe Excl. France** | | | |
| Accor Services Deutschland | Germany | IG | 99.24% |
| Accor Services Austria | Austria | IG | 98.41% |
| Accor T.R.B. | Belgium | IG | 99.24% |
| Accor Services Empresariales | Spain | IG | 97.25% |
| Accor Services Hongrie | Hungary | IG | 97.77% |
| Gemeaz | Italy | IG | 94.64% |
| Serial | Italy | IG | 94.64% |
| Euro Servicos Alimentares | Portugal | IG | 99.07% |
| Accor Services CZ SRO | Czech Republic | IG | 97.77% |
| Accor Services Roumania | Romania | IG | 91.43% |
| Luncheon Vouchers | United Kingdom | IG | 99.24% |
| Capital Incentives & Motivation | United Kingdom | IG | 99.24% |
| Employee Advisory Resource Limited | United Kingdom | IP | 45.00% |
| Accor Services Slovakia | Slovekia | IG | 98.49% |
| Rikskuponger | Sweden | IG | 99.14% |
| **North America** | | | |
| Accor Services North America inc. | United States | IG | 99.24% |
| Workplace Benefits | United States | IP | 45.00% |
| Wirecommute | United States | IG | 98.46% |
| Commuter Check Services Corporation | United States | IG | 99.24% |
| **Latin America and Caribbean** | | | |
| Accor Argentina | Argentina | IG | 99.33% |
| Ticket Brésil | Brazil | IG | 99.23% |
| Accor Services Chili | Chile | IG | 73.79% |
| Accor Servicios Empresariales | Mexico | IG | 97.24% |
| Servicios Empresariales | Venezuela | IG | 55.44% |
| **Other Countries** | | | |
| Accor Services Australia | Australia | IG | 99.24% |
| Davidson & Trahaire | Australia | IG | 84.35% |
| Royal Image Direct | India | IG | 69.46% |

## OTHER SERVICES

| | | | |
|---|---|---|---|
| Académie Accor | France | IG | 100.00% |
| Accor centre de contacts clients | France | IG | 100.00% |
| Frantour | France | IG | 99.99% |
| Devimco | France | IG | 99.99% |
| Lenôtre | France | IG | 99.98% |
| GR | Brazil | IG | 99.99% |
| Société d'Exploitation des Résidences Hôtelières Rail | France | IP | 49.62% |
| Groupe Lucien Barrière | France | IP | 30.19% |

99.49%

| | | | |
|---|---|---|---|
| **Compagnie Internationale des Wagons-Lits & du Tourisme (*)** | **Belgique** | | |
| Rail Restauration | France | IG | 99.49% |
| Treno | Italy | IG | 99.49% |
| WLT Mexicana | Mexico | IG | 99.49% |

*(*) All entities are held directly by Accor SA, except for Compagnie des Wagon-Lits*

Financial Statements

## Note 45. Additional Information about Jointly-Controlled Entities

| *(in millions of euros)* | Current assets | Non-current assets | Current liabilities | Non-current liabilities | Revenue for the Group | Costs for the Group | Net Profit (*) |
|---|---|---|---|---|---|---|---|
| Casinos France (Groupe Lucien Barrière) | 42 | 150 | 75 | 118 | 331 | (318) | 13 |
| Australia | 13 | 30 | 26 | 18 | 42 | (35) | 7 |

*(*) Information presented in accordance with IAS 14 (Segment Reporting).*

Above disclosed figures correspond to Group share.

## Note 46. Subsequent Events

### Midscale and Economy Hotels in France and Switzerland

On December 20, 2007, as part of its real estate management strategy, Accor has announced the signature of a memorandum of understanding to sell 47 hotels in France and 10 hotels in Switzerland to a Real Estate Consortium including Caisse des Dépôts et Consignations and two investment funds managed by Axa Real Estate Investment Managers. The Novotel, Mercure, Ibis, All Seasons and Etap Hotel properties involved in the transaction represent a total of 8,200 rooms. The sale is scheduled for completion on February 28, 2008 and these units are therefore reported in the consolidated balance sheet at December 31, 2007 under « Assets held for sale » for a net amount of €218 million (see Note 32).

Accor will continue to operate the hotels under the same brands through 12-year variable leases, whose rents are based on the average 16% of revenue a year with no guaranteed minimum. The leases are renewable six times, for a total of 84 years. Insurance costs, property taxes and structural maintenance capex are now at the owner's expense.

### Brazilian Food Services Business

As part of its strategy to refocus on its two core businesses, Services and Hotels, Accor has announced on February 8, 2008, the sale of its remaining 50% stake in the Brazilian Food Services Business to Compass Group. In 1998, Compass had already acquired 50% of this activity from Accor.

This transaction is based on a total consideration of 305 million Brazilian Reals (nearly €117 million).

The Brazilian Food Services business contributed €248 million to Accor's full year 2007 consolidated revenue.

This transaction should be completed by the end of the first semester 2008.

## Note 47. Related Party Transactions

For the purpose of applying IAS 24, the Group has identified the following related parties:

- All fully and proportionately consolidated companies and all associated companies accounted for by the equity method;
- All members of the Executive Committee and the Board of Directors and the members of their direct families;
- All companies in which a member of the Executive Committee or the Board of Directors holds material voting rights.

Based on an analysis of the Company's ownership structure at December 31, 2007, no individual or company controls or exercises significant influence over Accor.

### Fully and proportionately consolidated companies and all associated companies accounted for by the equity method

Relationships between the parent company and its subsidiaries, joint ventures and associates are presented in Note 44. Transactions between the parent company and its subsidiaries – which constitute related party transactions – are eliminated in consolidation and are therefore not disclosed in these notes. Transactions between the parent company and its joint ventures and associates were not material in 2007.

### Members of the Executive Committee and the Board of Directors

Transactions with members of the Executive Committee and Board of Directors are disclosed in full in Note 48.

### Companies in which a member of the Executive Committee or the Board of Directors holds material voting rights

All transactions with companies in which a member of the Executive Committee or the Board of Directors holds material voting rights are conducted in the course of business on arm's length terms.

The related party transactions presented below correspond to the main transactions with companies in which a person holding material voting rights is a member of the Accor Board of Directors. Only material transactions are disclosed.



**Related party transactions**

| *(in millions of euros)* | Type of transaction | Transactions amounts | | | Related party receivable | | | Related party payables | | | Provisions for doubtful accounts | | | Off-balance sheet commitments | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 | 2005 | 2006 | 2007 |
| **Colony Capital** | Long-term loan | - | - | - | 33 | - | - | - | - | - | - | - | - | - | - | - |
| | GLB put option granted to Accor | - | - | - | - | - | - | - | - | - | - | - | - | 140 | 140 | 140 |
| | Bond issues | - | - | - | - | - | - | 1,000 | 1,000 | 500 | - | - | - | - | - | - |

## Note 48. Corporate Officers' Compensation

| | December 31, 2005 | | December 31, 2006 | | December 31, 2007 | |
|---|---|---|---|---|---|---|
| *(in millions of euros)* | Expenses | Balance sheet amount | Expenses | Balance sheet amount | Expenses | Balance sheet amount |
| Short-term benefits received | 7 | 1 | 13 | 5 | 13 | 6 |
| Post-employment benefits | (2) | (0) | 0 | 3 | 2 | 5 |
| Other long-term benefits | - | - | - | - | - | - |
| Compensation for loss of office | 17 | - | - | - | - | - |
| Share-based payments | 2 | - | 3 | - | 4 | - |
| **TOTAL COMPENSATION** | **24** | **1** | **16** | **8** | **19** | **11** |

Corporate officers are defined as members of the Executive Committee and the Board of Directors.

In 2007, compensation only concerned the members of the twelve-member Executive Committee.

Directors' fees paid to members of the Board of Directors in 2007 are disclosed in the registration document. Members of the Board of Directors do not receive any compensation.

# Parent Company Financial Statements

## CONDENSED FINANCIAL STATEMENTS OF THE PARENT COMPANY

### Condensed financial statements of the parent company

The following parent company financial statements are condensed versions. The full statements, including the notes, are available upon request, in French.

There are no items not reflected in the financial statements that would assist an investor in assessing the Company.

#### Condensed Balance Sheet

| *(in millions of euros) At December 31* | 2005 | 2006 | 2007 |
|---|---|---|---|
| **ASSETS** | | | |
| Intangible assets | 117 | 110 | 104 |
| Property and equipment | 120 | 84 | 79 |
| Financial assets | 6,729 | 6,339 | 7,169 |
| Receivables | 2,662 | 1,377 | 807 |
| Cash and cash equivalents | 86 | 32 | 42 |
| **TOTAL ASSETS** | **9,714** | **7,942** | **8,201** |

| *(in millions of euros) At December 31* | 2005 | 2006 | 2007 |
|---|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | |
| Share capital | 652 | 637 | 690 |
| Additional paid-in capital and retained earnings | 3,123 | 2,788 | 2,985 |
| Net profit for the year | 166 | 487 | 805 |
| Other equity – perpetual subordinated notes (T.S.D.I) | 443 | | |
| Provisions for contingencies and charges | 109 | 115 | 64 |
| Convertible bonds (1) | 1,650 | 1,309 | |
| Other debt | 3,394 | 2,401 | 3,233 |
| Other liabilities | 177 | 205 | 424 |
| **TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY** | **9,714** | **7,942** | **8,201** |

*(1) In 2005:*
*a) 3,415,424 bonds with a face value of €166.89 each, issued in May 2002, plus accrued interest of €3.8 million due on January 1, 2006.*
*b) 6,383,362 bonds with a face value of €40.25 each, issued in October 2003, plus accrued interest of €4.5 million due on January 1, 2006.*
*c) 116,279 bonds with a face value of €4,300 each, issued in May 2005, plus accrued interest of €1.9 million due on February 18, 2006.*
*d) 128,205 bonds with a face value of €3,900 each, issued in May 2005, plus accrued interest of €2.6 million due on February 18, 2006.*
*In 2006:*
*a) 3,415,391 bonds with a face value of €166.89 each, issued in May 2002, plus accrued interest of €1.9 million due on January 1, 2007.*
*b) 2,755,671 bonds with a face value of €40.25 each, issued in October 2003, plus accrued interest of €2 million due on January 1, 2007.*
*c) 116,279 bonds with a face value of €4,300 each, issued in May 2005, plus accrued interest of €1.9 million due on February 18, 2007.*
*d) 128,205 bonds with a face value of €3,900 each, issued in May 2005, plus accrued interest of €2.6 million due on February 18, 2007.*
*In 2007:*
*a) 11,566 bonds with a face value of €40.25 each, issued in October 2003, plus accrued interest of €8,000 due on January 1, 2008.*

## Condensed Income Statement

| *(in millions of euros)* | 2005 | 2006 | 2007 |
|---|---|---|---|
| Operating revenues | 605 | 633 | 675 |
| Operating expenses | (535) | (593) | (664) |
| Depreciation, amortization and provisions | (76) | (70) | (63) |
| **EBIT** | **(6)** | **(30)** | **(52)** |
| Other gains (losses) | - | - | - |
| Investment income | 385 | 305 | 455 |
| Other financial income | 131 | 162 | 64 |
| Financial expenses | (352) | (234) | (231) |
| Net additions to provisions | (40) | (176) | (154) |
| **NET FINANCIAL INCOME** | **124** | **57** | **134** |
| **EXCEPTIONAL ITEMS** | **33** | **422** | **658** |
| Tax | 15 | 38 | 65 |
| **NET PROFIT** | **166** | **487** | **805** |

## Shareholders' Equity at December 31, 2007

| *(in millions of euros)* | |
|---|---|
| Share capital | 690 |
| Additional paid-in capital | 2,577 |
| Legal reserve | 65 |
| Untaxed reserves | 9 |
| Other reserves | 112 |
| Retained earnings | 218 |
| Net profit for the year | 805 |
| Untaxed provisions | 4 |
| **TOTAL BEFORE APPROPRIATION** | **4,480** |

## Proposed Appropriation of Net Profit

| *(in millions of euros)* | |
|---|---|
| The Board of Directors will recommend that shareholders appropriate: | |
| 2007 net profit of: | 805 |
| Plus: retained earnings at December 31, 2007 comprising: | 218 |
| - retained earnings brought forward from the prior year | 216 |
| - prior-year dividends not paid out on treasury stock | 2 |
| **TOTAL INCOME AVAILABLE FOR DISTRIBUTION** | **1,023** |
| To the legal reserve | 4 |
| To ordinary dividends (€1.65 per share) [(1)] | 379 |
| To payment of a special dividend (€1.50 per share) [(1)] | 345 |
| To retained earnings | 295 |
| **TOTAL** | **1,023** |
| *(1) Based on the number of shares carrying dividend rights, as recorded in the balance sheet at December 31, 2007* | *229,917,794* |

## Five-Year Financial Summary

| *(in thousands of euros)* | **2003** | **2004** | **2005** | **2006** | **2007** |
|---|---|---|---|---|---|
| **1 – CAPITAL AT YEAR-END** | | | | | |
| Share capital | 597,779 | 620,132 | 651,797 | 637,229 | 689,753 |
| Number of shares in issue | 199,259,550 | 206,710,509 | 217,265,774 | 212,409,741 | 229,917,794 |
| Number of convertible bonds in issue | 18,719,772 | 18,719,772 | 10,043,270 | 6,415,546 | 0 |
| **2 – RESULTS OF OPERATIONS** | | | | | |
| Net revenues | 503,980 | 529,043 | 576,133 | 592,479 | 637,678 |
| Profit before tax, depreciation, amortization and provisions | 293,509 | 327,995 | 236,590 | 610,749 | 875,570 |
| Income tax | (30,634) | (56,429) | (14,581) | (38,531) | (64,675) |
| Net profit | 178,462 | 221,467 | 166,097 | 487,210 | 805,415 |
| Dividends | 268,223 | 268,724 | 249,856 | 625,628 | 724,241 [(1)] |
| **3 – PER SHARE DATA (IN EUROS)** | | | | | |
| Earnings per share after tax, before depreciation, amortization and provisions | 1.63 | 1.86 | 1.15 | 3.06 | 4.09 |
| Earnings per share | 0.90 | 1.07 | 0.76 | 2.29 | 3.50 |
| Dividend per share (before tax credit/allowance) | 1.05 | 1.30 | 1.15 | 2.95 | 3.15 [(1)] |
| **4 – EMPLOYEES** | | | | | |
| Number of employees | 1,225 | 1,294 | 1,273 | 1,271 | 1,176 [(2)] |
| Total payroll and employee benefits [(3)] | 112,942 | 116,904 | 120,413 | 142,140 | 128,621 |

*(1) Recommended dividend for 2007 based on 229,917,794 shares.*
*(2) Number of employees on the Accor SA payroll at December 31, 2007.*
*(3) The published figures for 2004 and 2005 did not reflect income corresponding to the rebilling of salaries and payroll taxes.*

## Summary of significant accounting policies

The parent company financial statements have been prepared in accordance with French generally accepted accounting principles, including the principles of prudence and segregation of accounting periods. They are presented on a going concern basis and accounting methods have been applied consistently from one year to the next.

Assets recorded in the balance sheet are stated at historical cost, contributed value or revalued cost, as applicable.

There were no changes in presentation or measurement methods in 2007.

Since January 1, 2005, the Company has applied CRC standard 2004-06 relating to the definition, recognition and measurement of assets, and CRC standard 2002-10 concerning depreciation, amortization and impairment of assets.

Property and equipment and intangible assets are recognized when the following two conditions are met:

- It is probable that the expected future economic benefits that are attributable to the asset will flow to the Company;
- The cost or value of the asset can be measured reliably.

**a)** Intangible assets

Intangible assets are stated at cost.

Organization expense is amortized over five years.

Business rights, networks and brands are not amortized. Their value is assessed at each year-end and more frequently if events or circumstances indicate a possible impairment in value. If an assessment of fair value based on the same criteria as at the time of acquisition indicates the existence of an other-than-temporary impairment in value, a provision is recorded.

Computer software is amortized over its estimated useful life, generally between two and five years.

**b)** Property and equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over their estimated useful lives, as follows:

- Buildings: 30 to 50 years;
- Fixtures and fittings: 7 to 25 years;
- Other assets: 5 to 15 years.

**a and b bis)** Fair values of intangible assets and property and equipment

At each year-end, the Company determines whether there are any indicators of impairment in value of intangible assets or property and equipment. Where there is an indication that the value of an asset may be impaired, its value in use is assessed for the purpose of calculating the possible impairment charge.

**c)** Investments

Shares in subsidiaries and affiliates and other investments are stated at cost. They are written down to an amount corresponding to the Company's equity in the underlying net assets, where the company concerned is not certain of achieving operating profitability in the future.

The fair value of investments in subsidiaries and affiliates is assessed using a range of indicators, including:

- The historical data used to value the investment at the time of the acquisition;
- Current profitability data and the current value of underlying net assets;
- Projections of future profitability, realizable values and economic trends.

The valuation process also takes into account the maturity of the business (for example, no provision is recorded for investments in companies that are in the start-up phase and whose future profitability is assured).

Additional provisions may be recorded to write down advances to the company concerned and, where necessary, a provision for contingencies is also recorded.

**d)** Inventories

All inventories are stated at the lower of cost and probable realizable value. Cost is determined by the weighted average cost method.

**e)** Deferred charges

Following adoption of the new accounting standard relating to assets, as from January 1, 2005 deferred charges consist solely of debt issuance costs which are amortized over the life of the related debt.

**f)** Receivables

Receivables are stated at nominal value. A provision is recorded to cover any risk of non-recovery.

**g)** Marketable securities

Marketable securities are stated at the lower of cost and market.

**h)** Revenue

Revenue comprises hotel royalties, payments from business leases and service fees.

**i)** Untaxed provisions

Hotel non-current assets are depreciated by the reducing balance method for tax purposes. The difference between straight-line depreciation recorded in the accounts and reducing balance depreciation calculated for tax purposes is taken to shareholders' equity under "Excess tax depreciation".

**j)** Provisions for contingencies and charges

Provisions for contingencies and charges are determined in accordance with CRC standard 2000-06 relating to liabilities.

A provision is recorded when the Company has an obligation towards a third party, which is probable or certain of giving rise to an outflow of economic resources without any inflow of economic resources of at least an equivalent value being expected.

**k)** Provisions for pensions and other post-retirement benefit obligations

In accordance with CNC recommendation 2003-R01 dated April 1, 2003, the Company's total obligation for the payment of pensions and other post-retirement benefits is provided for in the balance sheet. These obligations concern statutory length-of-service awards payable in France and other defined benefit plans. The projected benefit obligation is recognized on a straight-line basis over the vesting period, taking into account the probability of employees leaving the Company before retirement age. The provision recorded in the balance sheet is equal to the discounted value of the defined benefit obligation, plus or minus any actuarial differences, which are taken to the income statement in the year in which they arise.

In addition to these statutory benefit schemes, certain employees are members of:

- A defined contribution supplementary pension plan funded by periodic contributions to external organizations that are responsible for the administrative and financial management of the plan as well as for payment of the related annuities. The contributions made by Accor under these plans are expensed as incurred;
- A defined benefit supplementary pension plan under which beneficiaries are entitled to pension benefits calculated based on their salary and the duration of their participation in the plan. The provision recorded in relation to the Company's obligation under this plan takes into account any amounts funded through external organizations.

**l)** OCEANE bonds

OCEANE bonds (*Obligations à option de Conversion ou d'Echange en actions Nouvelles et/ou Existantes*) offer the issuer the option of exchanging the bonds for either new shares issued for this purpose or existing shares held in treasury or purchased on the market. The probable redemption premium on the May 2002 OCEANEs is being accrued over the life of the bonds.

**m)** Plain vanilla bonds

For plain vanilla bonds issued at a discount to face value, the difference between the issue proceeds and the face value of the bonds is amortized on a straight-line basis over the life of the bonds.

**n)** Foreign currency transactions

Income and expenses in foreign currencies are converted into euros at the exchange rate prevailing on the transaction date.

Payables, receivables and cash balances in foreign currencies are converted at the year-end exchange rate.

Translation differences are recorded in the balance sheet.

No provision for exchange losses is recorded for loans and borrowings denominated in the same currency with broadly equivalent maturities.

**o)** Currency risks

Currency risks arising on the conversion of euro cash reserves into foreign currencies to meet part of the financing needs of foreign subsidiaries are hedged by swaps with the same maturities as the loans to subsidiaries.

**p)** Corporate income tax

Accor has elected for group relief in application of the Act of December 31, 1987. Under the group relief system, the tax losses of certain companies in the tax group can be netted off against the profits of other companies in the group, provided that certain conditions are met. The applicable tax rules are set down in articles 223 A *et seq.* of the French General Tax Code.

Each company in the tax group records in its accounts the tax charge it would have incurred if it had been taxed on a stand-alone basis. The group relief profit or loss is recorded in the balance sheet of Accor as the entity at the head of the tax group.

Further to changes in tax regulations applicable since January 1, 2005, provisions for unrealized long-term losses on securities may no longer be offset against capital gains realized on the same class of investments.

# MAIN SUBSIDIARIES AND AFFILIATES AT DECEMBER 31, 2007

*(in thousands of local currency units)*

| Subsidiaries and affiliates | Currency | Share capital | Reserves (retained earnings) | % interest |
|---|---|---|---|---|
| **A – SUBSIDIARIES AND AFFILIATES WITH A BALANCE SHEET VALUE IN EXCESS OF 1% OF ACCOR'S CAPITAL** | | | | |
| **1 – SUBSIDIARIES (AT LEAST 50%-OWNED)** | | | | |
| **A) FRENCH SUBSIDIARIES** | | | | |
| SPCA 5, esplanade Charles-de-Gaulle 92000 Nanterre | EUR | 17,779 | 4,438 | 100.00% |
| SPFH 110, avenue de France 75013 Paris | EUR | 29,796 | (24,909) | 100.00% |
| SH DANTON MICHELET, 2 rue de la Mare Neuve 91000 Evry | EUR | 16,008 | (1,141) | 100.00% |
| SDHE, 2, rue de la Mare-Neuve 91000 Evry | EUR | 22,500 | 6,142 | 100.00% |
| IBL 110, avenue de France 75013 Paris (6) | EUR | 863,010 | 31,606 | 100.00% |
| S.I.H.N. 2, rue de la Mare-Neuve 91000 Evry (6) | EUR | 55,500 | 3,876 | 100.00% |
| STE CONSTRUCTION DES HOTELS SUITES 2, rue de la Mare-Neuve 91000 Evry | EUR | 18,000 | 1,531 | 100.00% |
| Frantour 3/3 bis, Villa Thoreton 75015 Paris (6) | EUR | 30,493 | 15,875 | 99.99% |
| SEPHI 6-8, rue du Bois-Briard 91000 Evry (6) | EUR | 8,000 | 11,145 | 99.99% |
| SFPIE 110, avenue de France 75013 Paris (6) | EUR | 15,129 | (9,041) | 99.99% |
| SIET 3/3 bis, Villa Thoreton 75015 Paris (6) | EUR | 3,233 | (15,038) | 99.99% |
| La Thermale de France 2, cours de Verdun 40101 Dax cedex | EUR | 2,405 | (9,576) | 99.99% |
| SOFITEL LUXURY HOTELS FRANCE 2, rue de la Mare-Neuve 91000 Evry (6) | EUR | 2,550 | 367 | 99.99% |
| Ste d'Exploitation des Hotels Suites 2, rue de la Mare-Neuve 91000 Evry | EUR | 6,900 | (737) | 99.99% |
| P.I.H. 2, rue de la Mare-Neuve 91000 Evry | EUR | 32,237 | 31,696 | 99.99% |
| Hotexco 6-8, rue du Bois-Briard 91000 Evry (6) | EUR | 39,071 | 88,786 | 99.99% |
| Fimaker 6-8, rue du Bois-Briard 91000 Evry | EUR | 1,103 | 759 | 99.99% |
| Genomer 2, rue de la Mare-Neuve 91000 Evry | EUR | 995 | (443) | 99.99% |
| Finexhor 2, rue de la Mare-Neuve 91000 Evry | EUR | 13,177 | 11,170 | 99.99% |
| SPARHE 2, rue de la Mare-Neuve 91000 Evry | EUR | 9,000 | (2,125) | 99.99% |
| CEPIH 110, avenue de France 75013 Paris | EUR | 688 | 12,160 | 99.98% |
| Accor.com 2, rue de la Mare-Neuve 91000 Evry | EUR | 702 | 6,017 | 99.98% |
| Pradotel 6-8, rue du Bois-Briard 91000 Evry | EUR | 447 | 13,246 | 99.98% |
| STE des Hôtels de Tradition 2, rue de la Mare-Neuve 91000 Evry | EUR | 13,366 | (99) | 99.97% |
| SISHE 6-8, rue du Bois-Briard 91000 Evry | EUR | 10,039 | 10 | 99.50% |
| Lenôtre 44, rue d'Auteuil 75016 Paris | EUR | 2,606 | 6,075 | 99.23% |
| SCHE 6-8, rue du Bois-Briard 91000 Evry | EUR | 35,427 | 35,527 | 98.86% |
| Accor Service Formation 3/3 bis, Villa Thoreton 75015 Paris | EUR | 190 | 418 | 98.32% |
| Accor Service France 72, rue Gabriel-Péri 92120 Montrouge | EUR | 388,037 | 65,336 | 98.30% |
| Accentiv'travel 3/3 bis Villa Thoreton 75015 Paris | EUR | 2,400 | 1,837 | 98.30% |
| Kadeos 47 bis rue des vinaigriers 75010 Paris (6) | EUR | 450 | 6,078 | 98.30% |
| EAP France 62, avenue de Saxe 75015 Paris (6) | EUR | 739 | (723) | 98.15% |
| Accentiv'house 3/3 bis, Villa Thoreton 75015 Paris | EUR | 12,257 | 4,967 | 98.01% |

*In thousands of euros*

| Carrying amount of shares | | Outstanding loans and advances | Guarantees given | Last published net revenues | Results | Dividends received by the Company during the year |
|---|---|---|---|---|---|---|
| Cost | Net | | | | Last published net profit (loss) | |
| 6,997 | 6,997 | 0 | 0 | 0 | 2,448 | 11,662 |
| 29,796 | 1,900 | 0 | 0 | 0 | 6,589 | 0 |
| 34,623 | 16,100 | 0 | 0 | 28,874 | (4,123) | 0 |
| 22,867 | 22,867 | 0 | 478 | 25,150 | 4,818 | 0 |
| 1,051,705 | 951,705 | 0 | 0 | 0 | (142,511) | 5,178 |
| 56,241 | 56,241 | 0 | 2 | 0 | 2,116 | 8,251 |
| 21,387 | 18,635 | 30,196 | 0 | 9,312 | (1,200) | 0 |
| 104,366 | 79,366 | 0 | 0 | 6,624 | 3,988 | 24,775 |
| 40,399 | 40,399 | 0 | 279 | 102,710 | 8,411 | 30,500 |
| 26,640 | 16,899 | 1,919 | 624 | 0 | (10,782) | 0 |
| 90,973 | 0 | 17,726 | 0 | 2,135 | (4,200) | 0 |
| 10,048 | 0 | 7,216 | 9 | 13,471 | (2,965) | 0 |
| 14,885 | 2,958 | 0 | 0 | 0 | 111 | 151 |
| 22,590 | 5,800 | 0 | 23 | 33,786 | (1,549) | 0 |
| 29,263 | 29,263 | 0 | 0 | 0 | 5,289 | 16,117 |
| 12,469 | 12,469 | 3,251 | 71 | 119,091 | 11,671 | 24,418 |
| 7,240 | 1,460 | 0 | 0 | 3,571 | 264 | 294 |
| 13,664 | 564 | 0 | 0 | 0 | (1) | 0 |
| 24,967 | 24,967 | 2,768 | 0 | 4,014 | (4,609) | 0 |
| 12,845 | 12,845 | 2 | 0 | 12,320 | (1,968) | 225 |
| 11,799 | 11,799 | 0 | 0 | 1,828 | 2,179 | 1,223 |
| 69,980 | 2,537 | 0 | 0 | 0 | 5,778 | 0 |
| 7,356 | 7,356 | 0 | 14 | 13,523 | 1,455 | 9,474 |
| 13,065 | 13,065 | 11,885 | 0 | 0 | 1,378 | 0 |
| 9,984 | 9,950 | 10,191 | 0 | 1,322 | (83) | 2,786 |
| 48,736 | 31,187 | 33,094 | 300 | 116,592 | 891 | 0 |
| 42,514 | 42,514 | 17,451 | 27 | 133,867 | 6,350 | 7,661 |
| 7,362 | 815 | 156 | 0 | 6,894 | (19) | 0 |
| 411,767 | 411,767 | 1,054 | 0 | 64,843 | 34,942 | 0 |
| 14,183 | 2,890 | 1 | 595 | 6,695 | 2,369 | 0 |
| 206,430 | 206,430 | 0 | 0 | 16,568 | 6,340 | 1,849 |
| 7,114 | 441 | 1,571 | 0 | 2,584 | (722) | 0 |
| 12,268 | 12,268 | 285 | 0 | 41,911 | 3,982 | 1,351 |

| Subsidiaries and affiliates | Currency | Share capital | Reserves (retained earnings) | % interest |
|---|---|---|---|---|
| | | *(in thousands of local currency units)* | | |
| Accor Afrique 2, rue de la Mare-Neuve 91000 Evry | EUR | 29,709 | (15,699) | 97.22% |
| Marcq Hôtel 2, rue de la Mare-Neuve 91000 Evry | EUR | 6,789 | 5,696 | 96.91% |
| Roissy Orléans 6-8, rue du Bois-Briard 91000 Evry | EUR | 2,250 | 1,070 | 72.00% |
| Mercure International Hotel 2, rue de la Mare-Neuve 91000 Evry (6) | EUR | 54,336 | 94,408 | 71.79% |
| SEORIM 2, rue de la Mare-Neuve 91000 Evry | EUR | 31,359 | 3,654 | 70.94% |
| Accor Services Participations 33, avenue du Maine 75015 Paris (6) | EUR | 12,975 | 11,125 | 55.23% |
| **B) FOREIGN SUBSIDIARIES** | | | | |
| ACCOR SUISSE SA (Switzerland) | CHF | 14,300 | 59,822 | 100.00% |
| NOVOTEL NEDERLAND BV (Netherlands) (6) | EUR | 3,086 | 66,086 | 100.00% |
| SH ATHENES CENTRE (Greece) | EUR | 2,933 | (1,138) | 100.00% |
| STE D'EXPL. HOTEK POLSKA (Poland) (6) | PLN | 173,038 | 11,196 | 100.00% |
| KATERINSKA HOTEL (Czech Republic) (3) | CZK | 300,000 | 395,846 | 100.00% |
| ACCOR UK LTD (United Kingdom) (6) | GBP | 32,530 | 46,076 | 100.00% |
| ACCOR HOTEL BELGIUM (Belgium) (6) | EUR | 412,222 | (172,091) | 100.00% |
| ACCOR HOTEL GMBH (Germany) (3) | EUR | 25,570 | 138,513 | 100.00% |
| SOGEDETU (Dominican Republic) (3) | DOP | 479,724 | (142,980) | 100.00% |
| ACCOR VENEZUELA (Venezuela) | VEB | 36,933 | 0 | 100.00% |
| STE IMMOBILIARIA HOT. DE MEXICO (Mexico) | MXN | 353,028 | (148,657) | 100.00% |
| ACCOR CANADA INC (Canada) (6) | CAD | 22,773 | 43,255 | 99.99% |
| MARARA S.A. (Polynesia) (6) | XPF | 160,000 | (52,709) | 99.96% |
| CI DES WAGONS LITS (Belgium) (6) | EUR | 50,676 | 515,342 | 99.49% |
| HOTELES ACCOR DE ARGENTINA (Argentina) (6) | AR$ | 38,542 | 3,019 | 98.81% |
| PREPAY TECHNOLOGIES LIMITED (United Kingdom) (4) | GBP | 91 | 2,575 | 98.30% |
| SURFGOLD (Singapore) | SGD | 15,800 | (12,419) | 98.30% |
| ACCOR AUSTRIA (Austria) (6) | EUR | 5,542 | 5,442 | 98.00% |
| THE NEWGEN HOTELS AG (Germany) (3) | EUR | 22,425 | (20,610) | 97.65% |
| ASESORIA (Mexico) | MXN | 11,212 | 15,769 | 91.11% |
| ACCOR HOTELES ESPANA (Spain) | EUR | 26,398 | 37,251 | 86.79% |
| ACCOR SERVICES SRL (Romania) | RON | 6,712 | 258,588 | 82.71% |
| ACCOR SERVICES AUSTRALIA (Australia) (6) | AUD | 15,000 | (1,313) | 78.30% |
| ACCOR ARGENTINA SA (Argentina) (6) | AR$ | 5,334 | 91,721 | 73.41% |
| SAFARI CLUB MOOREA (Polynesia) (6) | XPF | 172,000 | 546,284 | 67.44% |
| SHERATON GEZIRAH LE CAIRE (Egypt) | USD | 29,738 | 4,715 | 64.93% |
| HOLPA (Luxembourg) (6) | EUR | 53,245 | 7,377 | 63.55% |
| ACCOR LODGING NORTH AMERICA (United States) (6) | USD | 1,696,285 | 262,751 | 62.14% |
| CESTATICKET ACCOR SERVICES C.A.(Venezuela) | VEB | 6,000,000 | 76,514,841 | 54.50% |



Financial Statements

*In thousands of euros*

| Carrying amount of shares | | Outstanding loans and advances | Guarantees given | Last published net revenues | Results Last published net profit (loss) | Dividends received by the Company during the year |
|---|---|---|---|---|---|---|
| Cost | Net | | | | | |
| 60,706 | 25,000 | 38,348 | 131 | 11,869 | (16,024) | 0 |
| 9,392 | 9,392 | 0 | 0 | 4,819 | 1,411 | 4,386 |
| 8,592 | 8,592 | 652 | 0 | 1,449 | 986 | 0 |
| 65,114 | 65,114 | 0 | 0 | 54,023 | 15,148 | 0 |
| 22,164 | 22,164 | 0 | 0 | 0 | (510) | 9,733 |
| 14,012 | 14,012 | 25,204 | 0 | 0 | 732 | 310 |
| | | | | | | |
| 25,907 | 25,907 | 1,514 | 0 | 0 | 6,862 | 6,070 |
| 16,825 | 16,825 | 0 | 0 | 51,969 | 52,268 | 19,200 |
| 10,362 | 3,421 | 4,423 | 13,838 | 4,879 | (956) | |
| 60,481 | 48,481 | 0 | 0 | 10,676 | 1,946 | 652 |
| 9,125 | 9,125 | 10 | 0 | 24,883 | 4,995 | 0 |
| 92,790 | 92,790 | 0 | 0 | 0 | (874) | 0 |
| 352,299 | 352,299 | 480,887 | 0 | 134,221 | 33,349 | 0 |
| 218,725 | 188,725 | 10 | 4,872 | 569,969 | 4,321 | 0 |
| 20,855 | 7,982 | 0 | 0 | 3,690 | 128 | 0 |
| 12,789 | 12,789 | 0 | 0 | 0 | 0 | 0 |
| 28,707 | 14,707 | 94 | 0 | 11,654 | 72 | 0 |
| 12,021 | 12,021 | 9,555 | 0 | 25,527 | 3,488 | 0 |
| 7,609 | 1,109 | 127 | 4,103 | 5,368 | (3,524) | 0 |
| 1,148,918 | 602,551 | 6 | 190,870 | 137,081 | 33,379 | 12,100 |
| 25,758 | 8,848 | 0 | 0 | 0 | 693 | 246 |
| 54,997 | 54,997 | 0 | 0 | 5,297 | (2,305) | 0 |
| 9,338 | 9,338 | 1,859 | 0 | 1,080 | (1,339) | 0 |
| 20,751 | 20,751 | 0 | 0 | 5,995 | 2,347 | 2,450 |
| 307,677 | 215,885 | 0 | 0 | 488,702 | (104,935) | 0 |
| 7,471 | 7,471 | 0 | 0 | 0 | 2,818 | 2,435 |
| 30,240 | 30,240 | 0 | 0 | 141,252 | 8,379 | 0 |
| 31,154 | 31,154 | 232 | 0 | 28,832 | 20,771 | 15,722 |
| 7,101 | 7,101 | 39 | 0 | 68 | (1,568) | 0 |
| 12,670 | 12,670 | 5,797 | 0 | 38,800 | 6,589 | 5,502 |
| 7,030 | 7,030 | 9,689 | 7,542 | 7,162 | (2,266) | 0 |
| 39,779 | 39,779 | 0 | 0 | 5,108 | 2,559 | 0 |
| 44,585 | 44,585 | 0 | 0 | 0 | 3,616 | 1,207 |
| 984,102 | 973,102 | 0 | 0 | 0 | 4 | 0 |
| 9,297 | 9,297 | 3,431 | 37,962 | 62,470 | 25,643 | 12,635 |

| Subsidiaries and affiliates | Currency | Share capital *(in thousands of local currency units)* | Reserves (retained earnings) | % interest |
|---|---|---|---|---|
| **2 – AFFILIATES (10%-TO50%-OWNED)** | | | | |
| **A) FRENCH AFFILIATES** | | | | |
| GOLF MEDOC PIAN Chemin de Courmateau 33290 Le Pian Médoc-louens | EUR | 411 | 1,351 | 49.82% |
| GLB 35, Bd des Capucines 75002 Paris (5) | EUR | 1,430 | 876,155 | 34.00% |
| **B) FOREIGN AFFILIATES** | | | | |
| AMORIM HOTELS SERVICOS (Portugal) (3) | EUR | 14,300 | 20,713 | 50.00% |
| TANIT INTERNATIONAL (Tunisia) | TND | 60,000 | (15,873) | 37.50% |
| ORBIS (Poland) (6) | PLN | 517,754 | 1,281,687 | 40.48% |
| RISMA (Morocco) (6) | MAD | 623,201 | 301,330 | 32.53% |
| SIFALBERGHI (Italy) (6) | EUR | 13,000 | 17,874 | 30.65% |
| PROGETTO VENEZIA (Italy) (1) | EUR | 20,750 | (10,243) | 20.00% |
| AAPC (Australia) (6) | AUD | 522,382 | (83,610) | 18.10% |
| CIE ITALIENNE DE TOURISME HOLDING SPA (Italy) (2) | EUR | 26,367 | (78,730) | 10.00% |
| **3 – OTHER INVESTMENTS (LESS THAN 10%-OWNED)** | | | | |
| CLUB MÉDITERRANÉE 11, rue de Cambrai 75019 Paris (5) | EUR | 77,483 | 273,712 | 6.00% |
| **B – OTHER INVESTMENTS IN COMPANIES WITH A BALANCE SHEET VALUE OF LESS THAN 1% OF ACCOR'S CAPITA** | | | | |
| **1 – SUBSIDIARIES (AT LEAST 10%-OWNED)** | | | | |
| **A) FRENCH SUBSIDIARIES (AGGREGATE)** | | | | |
| **B) FOREIGN SUBSIDIARIES (AGGREGATE)** | | | | |
| **2 – OTHER INVESTMENTS (LESS THAN 10%-OWNED)** | | | | |
| **A) FRENCH COMPANIES (AGGREGATE)** | | | | |
| **B) FOREIGN COMPANIES (AGGREGATE)** | | | | |
| **TOTAL** | | | | |

*(1) Balance sheet at December 31, 2004.*
*(2) Balance sheet at June 30, 2005.*
*(3) Balance sheet at December 31, 2006.*
*(4) Balance sheet at September 30, 2007.*
*(5) Balance sheet at October 31, 2007.*
*(6) Provisional or unaudited balance sheet.*

*In thousands of euros*

| Carrying amount of shares Cost | Net | Outstanding loans and advances | Guarantees given | Last published net revenues | Results Last published net profit (loss) | Dividends received by the Company during the year |
|---|---|---|---|---|---|---|
| | | | | | | |
| | | | | | | |
| 7,372 | 1,152 | 1,583 | 0 | 1,664 | (454) | 0 |
| 318,200 | 318,200 | 0 | 0 | 40,498 | 18,428 | 4,585 |
| | | | | | | |
| 7,145 | 7,145 | 30,067 | 0 | 0 | (1,351) | 0 |
| 28,933 | 6,432 | 0 | 0 | 20,757 | (1,717) | 0 |
| 160,273 | 160,273 | 0 | 0 | 307,435 | 40,980 | 1,458 |
| 33,460 | 29,460 | 0 | 0 | 32,773 | 1,299 | 0 |
| 9,388 | 8,788 | 6, | 1,390 | 100,914 | 1,333 | 0 |
| 8,568 | 0 | 0 | 0 | 1,094 | (8,622) | 0 |
| 66,758 | 66,758 | 52,106 | 0 | 8,299 | (7,033) | (83,610) |
| 8,985 | 0 | 0 | 0 | 3,125 | (5,911) | (78,730) |
| | | | | | | |
| 52,318 | 50,272 | 0 | 0 | 1,024,222 | (38,021) | 0 |
| | | | | | | |
| | | | | | | |
| **177,637** | **115,545** | **168,389** | **12,672** | | | **60,943** |
| **122,218** | **66,093** | **27,122** | **64,051** | | | **57,941** |
| | | | | | | |
| **3,048** | **1,914** | **22,721** | **9** | | | **90** |
| **4,261** | **3,944** | **41,328** | **0** | | | **0** |
| **7,292,430** | **5,845,684** | **1,063,965** | **339,861** | | | **363 580** |

Financial Statements

# AUDITORS' SPECIAL REPORT ON REGULATED AGREEMENTS AND COMMITMENTS
YEAR ENDED DECEMBER 31, 2007

*This is a free translation into English of the original Auditors' Report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.*

To the shareholders,

In our capacity as Statutory Auditors of your company, we present below our report on regulated agreements and commitments.

## Agreements and commitments authorized during the year and until the date of this report

In application of article L. 225-40 of the French Commercial Code, we have been informed of the agreements and commitments approved in advance by the Board of Directors until the date of this report.

Our responsibility does not include identifying any undisclosed agreements or commitments. We are required to report to shareholders, based on the information provided, about the main terms and conditions of agreements and commitments that have been disclosed to us, without commenting on their relevance or substance. Under the provisions of article R. 225-31 of the French Commercial Code, it is the responsibility of shareholders to determine whether the agreements and commitments are appropriate and should be approved.

We conducted our review in accordance with the professional standards applicable in France. Those standards require that we carry out the necessary procedures to verify the consistency of the information disclosed to us with the source documents.

### 1. With Gilles C. Pélisson, Director and Chief Executive Officer

#### Type of agreement and purpose

Setting the performance conditions applicable to the payment of termination benefits to the Chief Executive Officer (Article 17 of the French Act of August 27, 2007).

#### *Terms and conditions*

On February 26, 2008, in accordance with Article L. 225.42.1 of the Commercial Code, the Board of Directors authorized Accor SA to enter into an agreement with Gilles Pélisson in order to set the terms and conditions applicable to the compensation payable in the event that his term of office as the Company's Chief Executive Officer is terminated. Said terms and conditions are as follows:

**a)** If Gilles Pélisson's term of office as Chief Executive Officer is terminated by the Company for any reason other than gross or willful misconduct he will be entitled to compensation representing the equivalent of three times the amount of his total annual remuneration (base salary and incentive bonus) received for the last full year preceding the termination of his duties. If Gilles Pélisson's employment contract – which was signed on October 24, 2005 and has been suspended since January 9, 2006 – is terminated at the same time as his corporate officer's duties, the severance payment due under said contract (representing 30 months base salary and incentive bonus) shall be deducted from the above-mentioned compensation, along with any payment in lieu of notice provided for in said contract.

However, if Gilles Pélisson's employment contract is not terminated at the same time as the termination of his duties as Chief Executive Officer, any sums paid when he ceases to hold his corporate officer's position shall be deducted from any severance payment and payment in lieu of notice provided for in his employment contract, irrespective of the contract termination date. The employment contract entered into between Accor SA and Gilles Pélisson on October 24, 2005 will be amended to take into account this latter provision.

**b)** The above-mentioned compensation for the termination of Gilles Pélisson's duties as Chief Executive Officer would only be payable if the Group's average annual profit before tax and non-recurring items for the years corresponding to Gilles Pélisson's first term of office as Chief Executive Officer (the "term of office") is higher than the average annual profit before tax and non-recurring items recorded for the three years preceding said term of office (the "reference period"). When assessing whether this condition has been met, the applicable figures will be adjusted to offset the effect of any significant changes in Group structure over the reference period or the term of office and will take into account any exceptional circumstances arising from changes in economic or market conditions.

If this performance condition is not met, Gilles Pélisson would not be entitled to the payment of the compensation described in paragraph a) above but would still be entitled to any severance pay provided for in his employment contract in the event that said employment contract is also terminated.

**c)** For the purpose of applying the provisions in paragraph a) above, the following situations shall be deemed to be a termination by the Company of Gilles Pélisson's term of office as Chief Executive Officer: i) if Gilles Pélisson was not reappointed Chief Executive Officer after the Annual Shareholders' Meeting called to approve the financial statements for the year ending December 31, 2008; and ii) any situation in which Gilles Pélisson is required to step down from his position as Chief Executive Officer as a result of a substantial modification in the powers and responsibilities allocated to him by the Board of Directors, or in the terms and conditions applicable to the performance of his duties as Chief Executive Officer.

## 2. With Paul Dubrule and Gérard Pélisson, Co-Chairmen And Co-Founders

### Type of agreement and purpose

Exceptional remuneration.

#### *Terms and conditions*

On February 26, 2008, the Board of Directors authorized the payment of an exceptional amount of €300,000 (excluding taxes) to each of the Group's Co-Chairmen and Co-Founders, as remuneration for advisory and representative work carried out during 2007 on behalf of the Group.

## 3. With Société Générale and BNP Paribas

**Persons concerned: Philippe Citerne, a Director of Accor and Director and Chief Operating Officer of Société Générale, and Baudouin Prot, a Director of Accor and Director and Chief Executive Officer of the BNP Paribas group.**

### a. Type of agreement and purpose

Assistance and advisory services.

#### *Terms and conditions*

On February 26, 2008 the Board of Directors authorized the signature of an agreement whereby Société Générale and BNP Paribas will assist and advise the Group in relation to its strategic and financial objectives. The agreement expires on July 31, 2009 and provides for the payment of €350,000 (excluding VAT) in fees to each of the two banks.

### b. Type of agreement and purpose

Syndicated bank line of credit.

#### *Terms and conditions*

On May 14, 2007, the Board of Directors decided to renew before maturity the €2 billion syndicated bank line of credit set up in 2004 as authorized by the Supervisory Board on September 3, 2004. As a result, the Board authorized the Company to sign an agreement relating to setting up a €1.5 billion syndicated bank line of credit with the option of increasing this amount to €2 billion. The main characteristics of the credit line are as follows:

- Maturity: five year, plus two one-year renewals;
- Margin: 22.5 basis points;
- Commitment fee: 6.75 basis points (30% of the margin).

The facility was used once in 2007 to drawdown €570 million at an average interest rate of 4.75% per year. Fees paid in 2007 totaled €2,636,038.10 (excluding tax) and interest amounted to €5,970,564.22.

## 4. With FNAC

**Person concerned: Serge Weinberg, Chairman of the Board of Directors of Accor and a Director of FNAC, which holds a 16.66% stake in Kadéos.**

### Type of agreement and purpose

Acquisition of Kadéos/Sales and marketing agreement with FNAC.

#### *Terms and conditions*

On February 20, 2007, the Board of Directors authorized the Company to acquire Kadéos, the leader in the French gift card and voucher market, in connection with a bidding process launched by the PPR group.

Kadéos was acquired on March 30, 2007 based on a price of €2,333.33 per share, corresponding to an aggregate €34,999,950 for the 15,000 Kadéos shares held by FNAC.

The acquisition was contingent on the renewal for a five-year term of the exclusive affiliation and distribution agreement and related payment terms in force between Kadéos and the PPR group's three main banners (FNAC, Redcats and Conforama).

## 5. With Compagnie Internationale des Wagons-Lits et du Tourisme – CIWLT

**Person concerned: Etienne Davignon, a Director of Accor and Chairman of the Board of Directors of CIWLT**

### Type of agreement and purpose

Acquisition of the Pullman brand from CIWLT.

#### *Terms and conditions*

On August 28, 2007, in order to facilitate the legal and financial management of transactions related to the launch of Pullman hotels, the Board of Directors authorized Accor to acquire the Pullman brand owned by Accor's 99.47%-held subsidiary CIWLT. The brand was purchased for €105,000 based on a valuation carried out by an independent valuer.

### 6. With Caisse des Dépôts et Consignations

**Persons concerned: Augustin de Romanet de Beaune and Dominique Marcel, Directors of Accor and respectively Chief Executive Officer of Caisse des Dépôts et Consignations and Vice-President, Finance and Strategy, and member of the Executive Committee of Caisse des Dépôts et Consignations.**

#### Type of agreement and purpose

Sale of hotel properties in France and Switzerland.

#### *Terms and conditions*

On December 5, 2007, the Board of Directors authorized the sale of 57 hotel properties (47 in France and 10 in Switzerland) to a property investment trust (OPCI) including two property funds managed directly by AXA Real Estate Investment Managers (REIM) and Caisse des Dépôts et Consignations, which each hold 33% of the trust's capital. The total sale price for the hotels was €556,255,028 (excluding VAT), breaking down as follows:

- €465,526,028 for the purchase of the buildings (excluding finance lease liabilities);
- €51,648,000 for the Group's share of the investment in the initial works carried out on the properties;
- €8,381,000 for initial structural works;
- €30,700,000 for two hotel extensions (Ibis Zurich Messe Airport and Ibis Roissy).

Following the sale, the hotels were leased back under 12-year variable leases, renewable six times in total. The leases provide for rental payments corresponding to an average 16% of revenue, without any guaranteed minimum.

## Agreements and commitments approved in prior years that remained in force during the year

In application of the Commercial Code, we were advised of the following agreements and commitments entered into in prior years, which remained in force during the year.

### 1. With Compagnie Internationale des Wagons-Lits et du Tourisme – CIWLT

#### Type of agreement and purpose

Administrative support agreement.

#### *Terms and conditions*

The administrative support agreement with CIWLT was amended on November 23, 2006 with retroactive effect as from January 1, 2006. These amendments reduced the annual fee paid to Accor SA by CIWLT to €10,000.

### 2. With Europcar International

#### Type of agreement and purpose

Marketing partnership agreement.

#### *Terms and conditions*

The partnership agreement signed with Europcar International when Accor's interest in Europcar International was sold to Volkswagen was authorized by the Supervisory Board on December 15, 1999 and January 8, 2002.

The initial 10-year contract was extended for one year and the terms of Accor's remuneration changed. Under the amended terms, the variable portion of the remuneration, which was capped at €2.5 million a year, has been replaced by an additional fixed fee of €1.5 million a year. Consequently, the minimum annual guaranteed fee now totals €5.1 million.

In 2007, the Company received €6,650,608.05 in fees from this contract.

### 3. With Groupe Lucien Barrière SAS

#### a. Type of agreement and purpose

Service agreement between Accor SA, the intercompany partnerships Accorest and Accorequip, and Groupe Lucien Barrière SAS.

#### *Terms and conditions*

On May 3, 2005, the Supervisory Board authorized the signature of a two-year contract effective from May 2, 2005 granting Groupe Lucien Barrière SAS access to Accorest's and Accorequip's products and purchasing conditions in exchange for a contribution to the operating costs of these two intercompany partnerships. This agreement provides for Groupe Lucien Barrière SAS to receive the following percentages of the fees received by the Company from its approved suppliers of food and other products:

- 60% if Groupe Lucien Barrière SAS uses the approved suppliers for 0 to 60% of its purchases;
- 80% if the percentage of use exceeds 60%.

These rates are also applicable for sharing the fees received by Accor SA in connection with sales cooperation and brand image agreements signed with the suppliers. Of the total amount of fees, 20% is allocated to operating costs, with the remaining 80% forming the basis for the fee-sharing calculation.

Lastly, 15% of the amounts received by Groupe Lucien Barrière SAS from the suppliers relating to brand image contracts signed solely with Groupe Lucien Barrière companies is paid to Accor SA as contribution for administrative and operating costs borne by Accor SA.

In 2007, the Company received €140,345.12 (including VAT) in fees from this contract.

### b. Type of agreement and purpose

Sales and marketing agreement between Accor SA and Groupe Lucien Barrière SAS.

#### *Terms and conditions*

On May 3, 2005, the Supervisory Board authorized the signature of a fourteen-month contract effective from September 1, 2005 providing for Accor SA to supply sales and marketing tools – including the TARS reservation system, sales personnel and websites – to Groupe Lucien Barrière SAS in return for:

- A fixed fee of €750,000 excluding VAT;
- A variable fee calculated as follows: if the revenues contributed by Accor SA represent between 5 and 8% of the aggregate accommodation revenues generated by all of the beneficiary facilities, the variable fee will represent 1% of the said contributed revenues (excluding VAT), if the revenues contributed by Accor SA exceed 8% of the aggregate accommodation revenues generated by all of the beneficiary facilities, the variable fee will represent 1.2% of the said aggregate contributed revenues (excluding VAT);
- A fixed fee of €80,000 excluding VAT for the implementation and utilization of reservation systems and the training of sales teams;
- The cost of joining the ATACS system (initial membership fee of $50.00 plus a commission of $0.74 per reservation per facility).

Under an amendment was signed on September 1, 2006:

- The contract was extended for a two-year period from November 1, 2006 through October 31, 2008;
- The original fixed fee of €750,000 excluding VAT has been reduced to €600,000 excluding VAT for the period from November 1, 2005 through October 31, 2006;
- The fixed fee has been set at €50,000 excluding VAT for the period from November 1, 2006 through October 31, 2007 and at €200,000 excluding VAT for November 1, 2007 through October 31, 2008. These fixed fees will be increased by €50,000 excluding VAT if the revenues contributed by Accor SA represent 5% or more of the annual aggregate revenues (excluding VAT) generated by the beneficiary facilities concerned;
- An additional variable fee is payable equivalent to 15% of the aggregate revenues contributed by Accor SA to the beneficiary facilities concerned.

In 2007, the Company received €762,300 (including VAT) in fees from this contract.

### c. Type of agreement and purpose

IT services agreement between Accor SA and Groupe Lucien Barrière SAS.

#### *Terms and conditions*

On July 6, 2005, the Supervisory Board authorized the Company to provide assistance and consulting services to Groupe Lucien Barrière SAS for an indefinite period, in return for a fee of €500 or €900 (excluding VAT) per day of services provided. The related agreement was signed on April 11, 2006 with retroactive effect from March 1, 2006 for an automatically renewable one-year term.

In 2007, the Company received €14,465.14 (including VAT) in fees from this contract.

### d. Type of agreement and purpose

Legal services agreement between Accor SA and Groupe Lucien Barrière SAS.

#### *Terms and conditions*

On July 6, 2005, the Supervisory Board authorized the Company to provide assistance to Groupe Lucien Barrière SAS on labor law issues (advice on employment law and access to a hotline) for an indefinite period effective from November 1, 2005. This assistance is covered by an annual fixed fee of €350 (excluding VAT) per contract and per facility.

In 2007, the Company received €33,849.19 (including VAT) in fees from this contract.

## 4. With Olympique Lyonnais

### Type of agreement and purpose

Sports sponsorship agreement between Accor and the Olympique Lyonnais football team.

#### *Terms and conditions*

On May 10, 2006, the Board of Directors authorized the signature of a sports sponsorship agreement between Accor and the Olympique Lyonnais (OL) football team, effective from the start of the 2006-2007 season. Under this agreement, Accor is exclusively authorized to use, via any form of promotional medium, all of the marketing rights granted by OL, and to advertise its Novotel and Ticket Restaurant brands on the OL team strips.

- Financial conditions: Payment by Accor SA of a fixed annual fee of €8 million for the first season (2006-2007) and €9 million for the 2007-2008 and 2008-2009 seasons.
- Term: Three years with possible renewal for an additional two-year term, either automatically – in which case the annual fee would amount to €10 million – or based on new financial conditions to be negotiated between the parties. Accor SA also has a right of last refusal if new financial conditions are negotiated in order to enable it to align its proposal with any higher offer made by a competitor.

In 2007, the Company paid €8,235,667 (excluding VAT) to Olympique Lyonnais under the terms of this contract.

## 5. With Club Méditerranée

### Type of agreement and purpose

Sale of shares in Club Méditerranée.

#### *Terms and conditions*

On June 9, 2006 the Board of Directors authorized the sale of 22.9% of Club Méditerranée's capital, as follows:

- Sale of a 16% stake based on a price of €44.90 per share – corresponding to the quoted price for Club Méditerranée's shares on June 8, 2006 – to a stable group of investors comprising Caisse des Dépôts et de Gestion du Maroc, Icade and Air France. These investors have signed a shareholders' agreement that also includes Accor SA in relation to its residual 6% interest.

  According to this agreement, the Club Méditerranée shares cannot be transferred for a period of two years, following which each party has a right of first refusal over the other party's shares for a one-year period. The agreement also includes a three-year standstill commitment.

- Sale of an additional 6.9% stake, either on the market or to other investors that have not signed the shareholders' agreement, depending on market conditions.

  The capital gain recognized in 2007 on the sale of 5.43% of outstanding Club Méditerranée shares, at an average price of €43 per share, amounted to €1,665,915, net of transaction costs and after reversal of the provision.

  At the same time, to maintain the synergies between Accor and Club Méditerranée, a three-year partnership agreement has been signed, with a renewal option for subsequent one-year terms. This agreement will enable both Groups to continue to promote their offerings – notably through their websites – and to bolster procurement synergies. More generally each of the Groups will be able to benefit from the other's expertise, in particular to drive revenue growth.

## 6. With Paul Dubrule and Gérard Pélisson, Co-Chairmen and Co-Founders

### Type of agreement and purpose

Provision of resources.

#### *Terms and conditions*

On January 9, 2006, the Board of Directors authorized the Company to enter into an agreement with Paul Dubrule and Gérard Pélisson to provide them with an office at the Company's Paris headquarters, an assistant and a chauffeur for their terms as Co-Chairmen and Co-Founders of the Group, and to reimburse any expenses incurred by them on Company business. These resources were provided to Paul Dubrule and Gérard Pélisson during 2006 and 2007.

## 7. With Gilles Pélisson, Director and Chief Executive Officer

### Type of agreement and purpose

Participation in the supplementary retirement plan set up for Accor SA's senior managers and executives.

#### *Terms and conditions*

On January 10, 2007, the Board of Directors authorized the signature of an addendum to the rules concerning Accor SA's supplementary defined contribution and defined benefit retirement plans set up on January 1, 2005. One of the purposes was to extend the membership of these plans to corporate officers who are members of Accor's Executive Committee, including Gilles Pélisson, with effect from January 1, 2006.

Under these plans, except in specific cases provided for by law, if a beneficiary leaves the Group before the date of retirement, he or she will retain only the rights accrued under the defined contribution scheme (i.e. an annual employer contribution of up to 5% of five times the annual social security cap) and lose the rights accrued under the defined benefit scheme.

The Director and Chief Executive Officer's total replacement rate (government-sponsored basic pension plus Accor supplementary plans) upon retirement is capped at 35% of the average of the three highest annual compensations (base salary plus bonus) over the ten years prior to the date of retirement.

Neuilly-sur-Seine – March 26, 2008

The Auditors

| Ernst & Young et Autres | Deloitte & Associés |
|---|---|
| Bruno Bizet | David Dupont-Noel |

# Legal Information

# General Information

## INFORMATION ABOUT THE COMPANY

### Company name

Accor

### Registered office

2, rue de la Mare-Neuve, 91000 Évry, France.

### Primary business office

Immeuble Odyssey, 110 avenue de France,
75210 Paris Cedex 13, France.

### Legal form

Joint stock company (*société anonyme*) governed by the applicable French laws and regulations, including Articles L. 225-17 to L. 225-56 of the Commercial Code.

### Governing law

The laws and regulations of France.

### Term

The Company was incorporated on April 22, 1960 and will be dissolved on April 22, 2059 unless it is wound up in advance or its term is extended.

### Corporate purpose

*(Article 3 of the Bylaws)*

The Company's corporate purpose is to engage in the following activities, in France and other countries, for its own account, on behalf of third parties, or jointly with third parties:

- The ownership, financing and management, directly indirectly or under specified mandates, of hotels, restaurants and bars of any nature or category, and more generally, any establishment related to lodging, food, tourism, leisure and services;
- The economic, financial, and technical review of projects and, generally, all services related to the development, organization and management of the above-mentioned establishments, including all actions related to their construction or the provision of any related consulting services;
- The review and provision of services intended to facilitate the supply of meals to employees in companies, institutions and other organizations;
- The creation of any new company and the acquisition of interests by any method in any company operating in any business;
- All civil, commercial, industrial and financial transactions, involving both securities and property, related to the purposes of the Company and all similar or related purposes.

### Trade Register

The Company is registered in Evry under number 602 036 444.

Business Identification (APE) Code: 5110 Z

### Consultation of corporate documents

Corporate documents, including the Bylaws, balance sheets, income statements, Board of Directors' reports, Auditors' Reports and the annual accounts ledger, are available for consultation at the Company's primary business office.

### Fiscal year

The Company's fiscal year begins on January 1 and ends on December 31.

### Profit available for distribution

*(Article 27 of the Bylaws)*

Profit available for distribution consists of net profit for the year, less any losses brought forward from prior years and any amounts to be credited to reserves pursuant to the law, plus any unappropriated retained earnings brought forward from prior years.

After approving the accounts for the year, the Annual Shareholders' Meeting may decide to appropriate all or part of the profit available for distribution, if any, to the payment of a dividend. In the event of partial distribution, the Annual Shareholders' Meeting may decide to appropriate the remaining profit to one or more reserve accounts. Alternatively, the Annual Shareholders' Meeting may decide to appropriate all of the profit available for distribution to said reserve accounts.

## Shareholders' Meetings

### Notice of Shareholders' Meetings

*(Article 24 of the Bylaws)*

Shareholders' Meetings shall be called as provided for by law. The meetings shall take place at the Company's registered office or at any other venue specified in the notice of meeting.

### Attendance and representation

*(Article 24 of the Bylaws)*

In accordance with applicable laws and regulations, all shareholders are entitled to attend or be represented at Shareholders' Meetings, regardless of the number of shares they hold, provided they can present legally sufficient evidence that the shares are registered in their name in the Company's share register (registered shares) or recorded in a share account in their name administered by an accredited financial intermediary (bearer shares), in compliance with paragraph 7 of Article L. 228-1 of the Commercial Code, at least three business days prior to midnight CET on the date of the Meeting.

In the case of bearer shares, such evidence shall take the form of a statement of share ownership (attestation de participation) issued by the accredited financial intermediary in accordance with the law.

### Organization of Shareholders' Meetings

*(Article 25 of the Bylaws)*

All shareholders have the right to attend or be represented at Shareholders' Meetings, within the conditions set by law. They may vote by post in accordance with Article 225-107 of the Commercial Code. The proxy/postal voting form may be sent to the Company or to the Company's registrar in paper form or, by decision of the Board of Directors published in the notice of meeting, by electronic mail in accordance with the applicable laws and regulations.

In addition, if decided by the Board of Directors when the Meeting is called, shareholders who participate in the Meeting by videoconference or by any electronic means enabling their identification, on the basis and by the method stipulated in the applicable laws and regulations, will be considered as being physically present for the calculation of the quorum and voting majority.

To cast a vote or execute a proxy by electronic means, shareholders or their duly authorized representative or attorney must either:

- Provide a secure electronic signature fulfilling the requirements of the applicable laws and regulations;
- Enter a unique username and password on the Company's website, if such a website exists, in accordance with the applicable laws and regulations. This type of electronic signature shall be considered a reliable mechanism for identifying shareholders and their votes, in compliance with the first sentence of paragraph 2 of Article 1316-4 of the French Civil Code (Code Civil).

Meetings are chaired by the Chairman of the Board of Directors or, in his or her absence, by a director designated by the Board. Otherwise, the meeting elects its own Chairman.

The function of Scrutineer of the meeting is fulfilled by the two shareholders present at the meeting who represent the largest number of voting rights and who consent to take on the role. The Bureau thus formed names a Secretary, who may or may not be a shareholder.

An attendance register is kept, pursuant to the law.

Copies or excerpts of the meeting minutes may be certified by the Chairman of the Board of Directors, the Chairman of the meeting, or the meeting Secretary.

Ordinary and Extraordinary Shareholders' Meetings fulfilling the relevant quorum and majority voting requirements exercise the powers vested in them by law.

### Double voting rights

*(Article 25 of the Bylaws)*

All fully paid shares registered in the name of the same holder for at least two years carry double voting rights. In the event of a capital increase through the capitalization of retained earnings, profits or additional paid-in capital, the resulting bonus shares distributed in respect of registered shares carrying double voting rights will similarly carry double voting rights.

Registered shares converted into bearer shares or sold to a different holder lose their double voting rights. However, transfers through inheritance, liquidation of marital assets, *inter vivos* transfers to a spouse or to a relative in the ascending or descending line do not result in the loss of double voting rights or a break in the qualifying period. The merger of the Company has no impact on double voting rights, provided that the Bylaws of the surviving company allow for their exercise.

When shares are held by beneficial and non-beneficial owners, voting rights in Ordinary and Extraordinary Shareholders' Meetings are exercised by the beneficial owner.

### Disclosure thresholds

*(Article 9 of the Bylaws)*

Any shareholder, acting alone or in concert with other shareholders within the meaning of Article L. 233-10 of the Commercial Code, that directly or indirectly acquires an interest, or raises its interest, in the capital or voting rights of the Company, including any equivalent shares or voting rights as defined in Article L. 233-9-1 of the Commercial Code, to above or below any statutory disclosure threshold is required to disclose its interest to the Company. In the case of failure to make such disclosure, the sanctions provided for by law will apply.

In addition, any shareholder that acquires, or raises its interest to 1% of the capital or voting rights is required to disclose its interest to the Company by registered letter with return receipt requested sent to the head office, within five trading days of the transaction date or the signature of any agreement resulting in the disclosure threshold being crossed, whatever the date on which the shares are recorded in the holder's account. The notification must include details of the total number of shares and/or share equivalents held and the number of voting rights held as provided for above.

Above said 1% threshold, the same disclosure rules as defined above will apply to any increase in a shareholder's interest by any multiple of 0.5% of the capital or voting rights and to any reduction in a shareholder's interest by any multiple of 1% of the capital or voting rights.

For the application of the above paragraphs, the shares or voting rights referred to in paragraphs 1 to 8 of Article L. 233-9-1 of the Commercial Code are considered as being equivalent to the shares or voting rights held by the shareholder.

### Restrictions on voting rights

*(Article 9 of the Bylaws)*

In the case of failure to comply with the applicable disclosure rules, at the request of one or several shareholders representing at least 3% of the Company's capital or voting rights, as duly recorded in the minutes of the Shareholders' Meeting, the undisclosed shares will be stripped of voting rights at all Shareholders' Meetings held in the two years following the date when the omission is remedied.

### Notification of intentions

*(Article 9 of the Bylaws)*

Any shareholder that acquires or raises its interest to more than one-twentieth, three-twentieths or one quarter of the capital or voting rights is required to notify the Company of its intentions over the following twelve months.

At the end of each successive twelve-month period, any shareholder that continues to hold a number of shares or voting rights in excess of the above fractions will be required to notify the Company of its intentions for the following twelve months.

In particular, the shareholder must inform the Company of whether it is acting alone or in concert with other shareholders, whether or not it plans to purchase additional shares, and whether or not it intends to acquire control of the Company or to request its election or the election of one or several candidates of its choice as directors of the Company. The Company will have the right to inform the public and shareholders of the said shareholder's disclosed intentions, or of the shareholder's failure to comply with this requirement.

For the application of the above paragraphs, the shares or voting rights referred to in paragraphs 1 to 8 of Article L. 233-9-1 of the Commercial Code are considered as being equivalent to the shares or voting rights held by the shareholder.

# Resolutions

## PRESENTATION OF THE RESOLUTIONS

## PURPOSES OF THE RESOLUTIONS SUBMITTED TO SHAREHOLDERS AT THE ORDINARY AND EXTRAORDINARY MEETING OF MAY 13, 2008

### Approval of the 2007 financial statements

The purpose of the first resolution is to approve the 2007 financial statements of Accor SA.

In accordance with the provisions of Article L. 225-100, paragraph 3, of the Commercial Code, shareholders will also be invited to approve the consolidated financial statements, in the second resolution.

### Appropriation of profit and determination of the dividend

The purpose of the third resolution is to appropriate net profit for the year and set the amount of the dividend.

The Board of Directors recommends the payment of an ordinary dividend of €1.65 per share.

In addition, following the divestment of non-strategic assets and in view of the success of the hotel asset management strategy, the Board of Directors is recommending the payment of a special dividend of €1.50 per share.

The total recommended dividend for 2007 is therefore €3.15 per share.

Dividends for the previous three fiscal years amounted to €1.30 (including a €0.25 special dividend) for 2004, €1.15 for 2005, and €2.95 (including a €1.50 special dividend) for 2006.

Eligible shareholders will be entitled to the 40% tax allowance on the total dividend, as provided for in Article 158.3.2 of the French General Tax Code, except if they have opted for the flat-rate dividend withholding tax introduced under Article I.1 of the French Finance Act for 2008.

### Approval of related-party agreements

In the fourth, fifth, sixth, seventh, eighth, ninth and tenth resolutions, shareholders are requested to approve the related-party agreements governed by Article L. 225-38 of the Commercial Code authorized by the Board of Directors in 2007 and the first quarter of 2008 (described in the Auditors' special report).

In accordance with good corporate governance practices, each related-party agreement entered into during 2007 and the first quarter of 2008 will be submitted for shareholder approval separately, as was the case for the meeting held on May 14, 2007.

In the fourth resolution shareholders are requested to approve a related-party agreement entered into with FNAC, which held a 16.66% stake in Kadéos, a company acquired by Accor in March 2007. The acquisition included a five-year sales and marketing agreement with FNAC, Redcats and Conforama, the three main banners of the PPR group. This related-party agreement concerns Serge Weinberg, Chairman of Accor's Board of Directors and a director of FNAC.

In the fifth resolution shareholders are asked to authorize a related-party agreement with Société Générale and BNP Paribas to set up a €2 billion syndicated bank credit line. The agreement concerns Philippe Citerne and Baudouin Prot, directors of Accor and respectively Director and Chief Operating Officer of Société Générale and Director and Chief Executive Officer of BNP-Paribas.

The sixth resolution concerns a related-party agreement entered into with Compagnie Internationale des Wagons-Lits et du Tourisme (CIWLT, a 99.47%-owned Accor subsidiary) relating to the acquisition of the Pullman brand owned by CIWLT. The Board of Directors has authorized Accor to purchase this brand for a price based on a valuation performed by an independent valuer. The person involved in this agreement is Étienne Davignon, director of Accor and Chairman of the Board of Directors of CIWLT.

In the seventh resolution, shareholders are invited to approve a related-party agreement concerning the sale of hotel properties in France and Switzerland to a property investment trust (OPCI), in which Caisse des Dépôts et Consignations holds a 33% interest. The persons concerned are Augustin de Romanet de Beaune and Dominique Marcel, directors of Accor and respectively Director and Chief Executive Officer of Caisse des Dépôts et Consignations and Vice-President, Finance and Strategy, and member of the Executive Committee of Caisse des Dépôts et Consignations.

The eighth resolution concerns a related-party agreement entered into with Gilles Pélisson, Accor's Director and Chief Executive Officer. Its purpose is to comply with Article 17 of the French Act dated August 21, 2007, by amending the terms and conditions applicable to the compensation payable to Gilles Pélisson (as decided in 2006) in the event that his duties as Chief Executive Officer are terminated by the Company. Under this agreement, the payment of any such compensation would be subject to conditions relating to the Group's financial performance.

In the ninth resolution, shareholders are invited to approve a related-party agreement entered into with Paul Dubrule and Gérard Pélisson, Co-Chairmen and Co-Founders of Accor. The agreement provides for exceptional fees of €300,000 (excluding VAT) to be paid to each of them as compensation for advisory and representative work carried out on behalf of the Group in 2007.

The purpose of the tenth resolution is to obtain shareholder approval for a related-party agreement entered into with Société Générale and BNP Paribas concerning assistance and advisory services relating to the Group's strategic and financial objectives. The persons concerned are Philippe Citerne and Baudouin Prot, directors of Accor and respectively Director and Chief Operating Officer of Société Générale and Director and Chief Executive Officer of BNP Paribas.

## Authorization to trade in the Company's shares

In the eleventh resolution, the Board of Directors is seeking an eighteen-month authorization to trade in Accor SA shares on the Company's behalf, subject to compliance with the applicable laws. This authorization would terminate, with immediate effect, the unused portion of the previous authorization given in the fifteenth resolution of the Ordinary Shareholders' Meeting held on May 14, 2007.

The aims of the share buyback program are listed in the resolution submitted to shareholders and also in the section below entitled "Share Buyback Program."

Under this authorization, buybacks may be carried out at any time except when the Company is the target of a takeover bid.

The maximum purchase price will be set at €100 per share and the minimum sale price at €45. The Company will not be authorized to purchase more than 22,500,000 shares, corresponding to 9.80% of the capital at December 31, 2007 and representing a maximum total investment of €2,250 million.

In 2007, the Board of Directors used the authorization granted by shareholders at the Ordinary Meeting of May 14, 2007 to buy back 19,893,952 shares at an average price of €62.40, representing 8.80% of the capital at May 14, 2007 and a total investment of €1,240 million.

Accor currently holds 8,390,150 treasury shares (representing 3.65% of the Company's issued capital at December 31, 2007), following the 2007 allocation of 130,000 shares held in treasury at December 31, 2006 upon conversion of OCEANE bonds issued in 2003 and due in 2008.

## Authorization to reduce the Company's capital by canceling shares

The purpose of the twelfth resolution is to authorize the Board of Directors to cancel all or some of the shares bought back pursuant to the eleventh resolution and to reduce the capital accordingly. The number of shares cancelled in any given twenty-four month period may not exceed the equivalent of 10% of the total shares outstanding.

This authorization would terminate, with immediate effect, the unused portion of the previous authorization given in the sixteenth resolution of the Extraordinary Shareholders' Meeting held on May 14, 2007. It is being sought for a period of eighteen months and is the subject of a special report issued by the Auditors in accordance with the law.

Since May 14, 2007 the Board of Directors has used the authorization granted by the Extraordinary Shareholders' Meeting on that date to cancel 11,923,802 shares, representing 5.28% of the Company's capital at May 14, 2007.

## Stock option and stock grant plans

Accor is a service company whose growth is rooted in the motivation and quality of its people. One of the basic tenets of its human resources policy is to build employee loyalty. This is achieved by nurturing individual skills and setting up reward systems such as profit-sharing systems, employee stock ownership plans, stock option plans and performance stock grants. All equity-based incentive programs are designed to limit the dilutive impact for existing shareholders.

The purpose of the thirteenth resolution is to authorize the Board of Directors to grant stock options to employees and/or corporate officers to purchase either new or existing shares.

The options granted under this authorization would be exercisable for shares representing a maximum of 2.5% of the Company's capital as of the date of this meeting, unchanged from the maximum amount authorized by the Extraordinary Shareholders' Meeting of January 9, 2006. As this authorization would be given for a period of thirty-eight months from the date of this meeting the maximum potential dilutive impact of stock options granted represents approximately 0.8% of the current capital per year.

The option exercise price will not be less than the average of the prices quoted for Accor shares over the twenty trading days preceding the option grant date, without any discount. For options exercisable for existing shares, the exercise price will not be less than the average price paid by the Company for the underlying shares purchased in accordance with Articles L. 225-208 and L. 225-209 of the Commercial Code. The maximum life of the options will be set at eight years.

In accordance with paragraph 1 of Article L. 225-129-6 of the Commercial Code, whenever companies decide to issue shares to be paid up in cash, except in the specific cases provided for by law, they must also submit to shareholders in an Extraordinary Meeting a resolution authorizing an employee rights issue for participants in an Accor Group employee stock ownership plan. When Accor's stock options are exercised, any newly-issued shares allocated to option holders will be paid up in cash. Consequently, in the fourteenth resolution the Board of Directors is seeking to renew the authorization to issue shares and/or share equivalents to employees who participant in an Accor Group employee stock ownership plan. The total number of shares and/or share equivalents that may be issued under this authorization would not exceed the equivalent of 2% of the Company's capital as of the date of this Meeting, unchanged from the maximum amount authorized by the Extraordinary Shareholders' Meeting of May 14, 2007.

The fifteenth resolution concerns an authorization to be given to the Board of Directors to make stock grants free of consideration to all or selected employees and/or corporate officers. These stock grants would be subject to vesting criteria based on individual or group performance targets defined by the Board of Directors.

The total number of shares granted would not exceed the equivalent of 0.5% of the Company's capital as at the date of this meeting, unchanged from the maximum amount authorized at the Extraordinary Shareholders' Meeting of January 9, 2006. As this authorization would be given for a period of thirty-eight months from the date of this meeting the maximum potential dilutive impact of stock grant plans concerning newly-issued shares would be approximately 0.15% of the current capital per year.

## Transfer of assets and liabilities currently held by Accor SA that relate to the management of the Sofitel brand in France

Accor is strategically committed to making Sofitel a worldwide standard-setter in the luxury hotels industry by 2010. The Board of Directors is therefore recommending that all of the resources required to reposition the brand be consolidated within a single company dedicated to managing the hotels operated under the Sofitel name. This process would involve the transfer of all of the assets and liabilities currently held by Accor SA that relate to the management of the Sofitel brand in France to SoLuxury HMC, a newly-formed, wholly-owned Accor subsidiary.

Pursuant to Article 210 B of the French General Tax Code, this transfer meets the eligibility criteria for the preferential tax treatment applicable to mergers as provided for under Article 210 A of said Code. Consequently, the transfer would include all of the assets constituting a "stand-alone business line" corresponding to (i) the brand name and related rights such as domain names; (ii) contracts relating to the brand such as management and franchise agreements; and (iii) all of the liabilities related to the business.

In the sixteenth resolution, shareholders are therefore invited to authorize this asset transfer and its valuation, as well as the related consideration to be received by Accor SA in the form of 10,226,352 new shares with a par value of €1 each to be issued by SoLuxury HMC.

## Powers to carry out formalities

In the seventeenth resolution, shareholders are asked to give full powers to the bearer of an original, extract or copy of the minutes of the meeting to carry out any and all filing and other formalities required by law.

# PROPOSED RESOLUTIONS
# PRESENTED AT THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETING OF MAY 13, 2008

## First resolution

### *Approval of the 2007 financial statements of the Company*

The Ordinary Meeting, having considered the Report of the Chairman of the Board of Directors on the Preparation and Organization of Board of Directors' Meetings and Internal Control Procedures, as well as the management report prepared by the Board of Directors and the Auditors' Report on the financial statements of Accor SA, approves the financial statements of the Company for the year ended December 31, 2007, as presented.

The Ordinary Meeting also approves the transactions reflected in the financial statements and the management measures taken by the Board of Directors during the year.

## Second resolution

### *Approval of the 2007 financial statements of the Group*

The Ordinary Meeting, having considered the management report of the Board of Directors and the Auditors' Report on the consolidated financial statements, approves the consolidated financial statements for the year ended December 31, 2007, as presented.

## Third resolution

### *Appropriation of 2007 profit*

The Ordinary Meeting approves the recommendation of the Board of Directors and resolves

1. To appropriate:

| | |
|---|---|
| 2007 net profit of: | €805,415,292.00 |
| plus: | |
| Retained earnings: | €216,224,285.58 |
| Prior-year dividends not paid out on treasury stock: | €2,138,750.00 |
| **Total profit available for distribution:** | **€1,023,778,327.58** |

As follows, based on the 229,917,794 shares outstanding at December 31, 2007:

| | |
|---|---|
| To the payment of an ordinary dividend (€1.65 per share): | €379,364,360.10 |
| To the payment of a special dividend (€1.50 per share): | €344,876,691.00 |
| To the legal reserve: | €3,795,606.20 |
| To retained earnings: | €295,741,670.28 |

2. Accordingly, after noting the existence of profit available for distribution, the Ordinary Meeting resolves to pay an ordinary dividend of €1.65, as well as a special dividend of €1.50 per share for all shares carrying dividend rights. If the number of shares carrying rights to the 2007 dividend is below or exceeds 229,917,794, the amount of the ordinary and special dividends will be decreased or raised as appropriate and the amount allocated to retained earnings will be adjusted on the basis of the total amount of dividends actually paid;
3. The entire amount of the dividend is eligible for the 40% tax allowance provided for in Article 158.3.2 of the French General Tax Code. This allowance may not, however, be claimed by shareholders who have opted to pay the flat-rate dividend withholding tax introduced under Article I.1 of the French Finance Act for 2008;
4. The dividend will be paid as of May 20, 2008.

As required by law, the Ordinary Meeting notes that dividends per share for the last three years were as follows:

| *In euros* | 2004 | 2005 | 2006 |
|---|---|---|---|
| Dividend | 1.30 (1) | 1.15 | 2.95 (2) |

*(1) Including a special dividend of €0.25.*
*(2) Including a special dividend of €1.50.*

## Fourth resolution

***Approval of a related-party agreement***

Having considered the Auditors' special report on agreements governed by Articles L. 225-38 *et seq.* of the Commercial Code, the Ordinary Meeting approves the agreement entered into with FNAC.

## Fifth resolution

***Approval of a related-party agreement***

Having considered the Auditors' special report on agreements governed by Articles L. 225-38 *et seq.* of the Commercial Code, the Ordinary Meeting approves the agreement entered into with Société Générale and BNP-Paribas.

## Sixth resolution

***Approval of a related-party agreement***

Having considered the Auditors' special report on agreements governed by Articles L. 225-38 *et seq* of the Commercial Code, the Ordinary Meeting approves the agreement entered into with Compagnie Internationale des Wagons Lits et du Tourisme.

## Seventh resolution

***Approval of a related-party agreement***

Having considered the Auditors' special report on agreements governed by Articles L. 225-38 *et seq.* of the Commercial Code, the Ordinary Meeting approves the agreement entered into with Caisse des Dépôts et Consignations.

## Eighth resolution

***Approval of a related-party agreement***

Having considered the Auditors' special report on agreements governed by Articles L. 225-38 *et seq.* of the Commercial Code, the Ordinary Meeting approves the agreement entered into with Gilles Pélisson.

## Ninth resolution

***Approval of a related-party agreement***

Having considered the Auditors' special report on agreements governed by Articles L. 225-38 *et seq.* of the Commercial Code, the Ordinary Meeting approves the agreement entered into with Paul Dubrule and Gérard Pélisson.

## Tenth resolution

### *Approval of a related-party agreement*

Having considered the Auditors' special report on agreements governed by Articles L. 225-38 *et seq.* of the Commercial Code, the Ordinary Meeting approves the agreement entered into with Société Générale and BNP-Paribas.

## Eleventh resolution

### *Authorization to be given to the Board of Directors to trade in the Company's shares*

Having considered the report of the Board of Directors, the Ordinary Meeting authorizes the Board to trade in the Company's shares in accordance with Articles L. 225-209 *et seq.* of the Commercial Code, subject to the conditions set out below.

The Board of Directors may purchase, sell or transfer shares under this authorization, subject to compliance with the above-mentioned Code and in accordance with the practices authorized by the *Autorité des Marchés Financiers*, for the following purposes:

- To purchase shares for cancellation in connection with a capital reduction decided or authorized by the shareholders in Extraordinary Meeting;
- To purchase shares for allocation upon exercise of stock options granted under plans governed by Articles L. 225-177 *et seq.* of the French Commercial Code, or to members of an employee stock ownership plan governed by Articles L. 443-1 *et seq.* of the Labor Code or to recipients of stock grants made under plans governed by Articles L. 225-197-1 *et seq.* of the Commercial Code;
- To purchase shares for allocation on the conversion, redemption, exchange or exercise of share equivalents;
- To hold shares in treasury stock for subsequent delivery either (i) as payment in connection with external growth transactions; or (ii) as part of a share-for-share exchange in connection with a merger, demerger or asset contribution, provided that the total number of shares used for such transactions does not exceed the equivalent of 5% of the Company's capital;
- To be used under a liquidity contract that complies with the code of ethics recognized by the *Autorité des Marchés Financiers*.

The share buyback program may also be used for any other purposes authorized by current or future laws and regulations, provided that the Company informs shareholders of the purpose of the buybacks in a specific press release.

The shares may not be bought back at a price of more than €100 per share and may not be sold at a price of less than €45 per share. However, the minimum price will not apply to shares sold upon exercise of stock options (or allocated to employees in the form of stock grants). In such cases, the sale price or consideration will be determined in accordance with the provisions of the plan concerned.

The maximum purchase price and the minimum sale price will be adjusted to reflect the impact of any corporate actions, including any bonus share issue, or any stock-split or reverse stock-split.

In application of Article 225-209 of the Commercial Code, the maximum number of shares that may be acquired under this authorization is set at 22,500,000, corresponding to a total investment of no more than €2,250 million based on the maximum purchase price of €100 per share authorized above.

The Ordinary Meeting resolves that (i) the purchase, sale or transfer of shares may be effected and settled by any method allowed under the laws and regulations in force at the transaction date, in one or several installments, on the market or over-the-counter, including through the use of options, derivatives – particularly, the purchase or sale of call and put options – or securities carrying rights to Company shares, and that (ii) the entire buyback program may be implemented through a block trade.

The Ordinary Meeting gives full powers to the Board of Directors to use this authorization, place any and all buy and sell orders, enter into any and all agreements, carry out any and all reporting and other formalities, and generally do whatever is necessary to implement this resolution. These powers may be delegated subject to compliance with the law.

This authorization, which is given for an eighteen-month period as from the date of this meeting, terminates, with immediate effect, the unused portion of the previous authorization given in the fifteenth resolution of the Ordinary Shareholders' Meeting held on May 14, 2007.

## Twelfth resolution

### *Authorization to reduce the Company's capital by canceling shares*

Having considered the report of the Board of Directors and the Auditor's special report, the Extraordinary Meeting resolves, in accordance with Article L. 225-209 of the Commercial Code to:

1. Authorize the Board of Directors to reduce the Company's capital, on one or several occasions, by canceling some or all of the Accor shares held by the Company, provided that the number of shares cancelled in any twenty-four month period does not exceed the equivalent of 10% of the Company's total share capital as at the date of this meeting;
2. Give the Board full powers, which may be delegated in accordance with the law, to:

- Effect the capital reduction(s),
- Determine the amount and terms thereof, place on record the capital reduction(s) resulting from the cancellation of shares under this resolution,
- Charge the difference between the carrying amount of the cancelled shares and their par value against additional paid-in capital or reserves,
- Amend the Bylaws to reflect the new capital and generally carry out any necessary reporting and other formalities.

All in compliance with the laws and regulations in force when this authorization is used;

3. Terminate, with immediate effect, the unused portion of the previous authorization given in the sixteenth resolution of the Extraordinary Shareholders' Meeting held on May 14, 2007.
4. This authorization is given for an eighteen-month period as from the date of this meeting.

## Thirteenth resolution

### *Authorization to grant stock options*

Having considered the report of the Board of Directors and the Auditors' special report, the Extraordinary Meeting authorizes the Board of Directors to grant options to purchase new or existing shares to selected employees and/or corporate officers as provided for in Articles L. 225-177 to L. 225-185 of the Commercial Code.

The conditions governing the option grants shall be as follows:

- The authorization is given to the Board of Directors for a period of thirty-eight months from the date of this meeting and may be used by the Board on one or several occasions;
- The stock options will have a maximum life of eight years as from the grant date;
- The options will be exercisable at the earliest as from the fourth anniversary of the grant date until the option expiry date;
- The total number of options granted under this authorization may not exceed the equivalent of 2.5% of the Company's capital as of the date of this meeting, before taking into account any options to be issued or allocated to protect the rights of existing grantees in the event that any corporate actions are carried out during the lock-up period;
- The option exercise price will be set by the Board of Directors. The price shall not be less than the average of the prices quoted for Accor shares over the twenty trading days preceding the option grant date. For options exercisable for existing shares, the exercise price shall not be less than the average price paid by the Company for the underlying shares purchased in accordance with Articles L. 225-208 and L. 225-209 of the Commercial Code. If the Company carries out any of the transactions referred to in Article L. 225-181 of the Commercial Code, the Board of Directors shall take all necessary measures provided for in the regulations then in force to protect the option holders' interests. If appropriate, such measures may consist of adjusting the number of shares to be obtained on exercise of the options to take into account the impact of the transaction. In application of Articles R. 225-137 *et seq* of the Commercial Code, the exercise price may be adjusted if required as a result of any corporate actions carried out by the Company. The number of shares acquired on exercise of the options may also be adjusted so that the aggregate exercise price remains unchanged;
- No options may be granted under this authorization to employees and/or corporate officers who hold more than 10% of the Company's capital, in accordance with Article L. 225-182, paragraph 2, of the Commercial Code;
- Options may be granted to all or selected employees and/or officers of the Company and/or of entities directly or indirectly related to the Company within the meaning of Article L. 225-180 of the Commercial Code.

The Extraordinary Meeting gives full powers to the Board of Directors, which may be delegated in accordance with the law, to:

- Set the other terms and conditions of the options;
- Decide the eligibility conditions for option grants;
- Draw up the list of grantees;
- Provide for a temporary suspension of the right to exercise the options for a maximum of three months in the event of any corporate actions requiring the exercise of rights attached to the Company's shares;

- Decide that the options may not be exercised by the Company's officers, as defined in Article L. 225-185 of the Commercial Code, prior to the termination or expiry of their duties, or that following the exercise of their options corporate officers are required to hold a certain number of acquired shares in registered form until the termination or expiry of their term of office.

The Board of Directors may also use any other new legal provisions that may come into effect during the period of validity of this authorization, provided that their use is not subject to a specific decision of a General Shareholders' Meeting.

This authorization automatically entails the waiver by existing shareholders of their preemptive right to subscribe for the shares to be issued on exercise of the options.

This authorization terminates, with immediate effect, the unused portion of the authorization given in the thirtieth resolution of the Extraordinary Shareholders' Meeting of January 9, 2006.

## Fourteenth resolution

### *Authorization to issue shares and/or share equivalents to employees who are members of an Accor Group employee stock ownership plan*

Having considered the report of the Board of Directors and the Auditors' special report, in accordance with Article L. 225-138-1 of the Commercial Code and Article L. 443-1 of the Labor Code relating to employee share ownership, the Extraordinary Meeting resolves:

1. To give the Board of Directors a twenty-six month authorization as from the date of this meeting to issue shares and/or share equivalents on one or more occasions to employees of the Company and French and foreign related companies within the meaning of Article L. 225-180 of the Commercial Code, who are participants in an Accor Group employee stock ownership plan ("*Plan d'Épargne d'Entreprise*");
2. To authorize the Board of Directors to grant shares and/or share equivalents to employees free of consideration, within the limits prescribed in Article L. 443-5, paragraph 4, of the Labor Code, within the framework of this or these capital increases;
3. That the total number of shares that may be issued under this authorization may not exceed the equivalent of 2% of the Company's capital as of the date of this meeting;
4. That the maximum subscription price for the shares issued under this authorization may not exceed the average of the prices quoted for Accor shares during the twenty trading days preceding the Board of Directors' decision setting the opening date of the subscription period and the minimum price may not represent said average less the maximum discount authorized by law, and that the characteristics of any share equivalents issued will be set in accordance with the applicable regulations;
5. That these decisions will automatically entail the waiver by shareholders of their preemptive rights to subscribe for any shares and/or share equivalents to be issued in accordance with this authorization, as well as their rights concerning any shares offered to employees free of consideration pursuant to this authorization;
6. That the Board of Directors shall have full powers to use this authorization and to delegate said powers subject to compliance with the law. Accordingly, the Board of Directors shall be authorized to:

- Draw up the list of companies whose employees will be entitled to subscribe for the shares and/or share equivalents,
- Decide that the securities may be acquired either directly or through a corporate mutual fund,
- Allow employees a specified period of time to pay up their securities,
- Set the terms and conditions of membership of the employee stock ownership plan, as well as draw up or amend the plan rules,
- Set the opening and closing dates of the subscription period and the issue price of the securities,
- Determine the number of new shares to be issued,
- Place on record the capital increases,
- Carry out any and all transactions and formalities, directly or through a duly authorized representative,
- Amend the Company's Bylaws to reflect the new capital and, generally, take all appropriate measures and do whatever is necessary to comply with the applicable laws and regulations.

This authorization terminates, with immediate effect, the previous authorization given in the twenty-third resolution of the Extraordinary Shareholders' Meeting of May 14, 2007.

## Fifteenth resolution

***Authorization to be given to the Board of Directors to set up performance stock grant plans***

Having considered the report of the Board of Directors and the Auditors' special report, in accordance with Articles 225-197-1 and L. 225-197-2 *et seq* of the Commercial Code, the Extraordinary Meeting resolves:

- To authorize the Board of Directors to grant, on one or several occasions, existing or newly-issued shares of the Company free of consideration;
- That said grants may be made to all or selected employees and/or officers of the Company and/or of entities directly or indirectly related to the Company within the meaning of Article L. 225-197-2 of the Commercial Code;
- That the Board of Directors shall draw up the list of grantees and set the individual or group performance conditions applicable to the grants;
- That the total number of shares granted free of consideration under this resolution may not exceed the equivalent of 0.5% of the Company's capital as of the date of this meeting, before taking into account any shares to be issued or allocated to protect the rights of existing grantees in the event that any corporate actions are carried out during the vesting period;
- That, at the discretion of the Board of Directors, the rights to said shares shall vest either (i) after a period of no less than two years, to be followed by a two-year lock-up period; or (ii) after a period of no less than four years, with no lock-up period;
- That the shares may vest before the expiry of the above-mentioned vesting period, and shall be freely transferable before the expiry of the above-mentioned lock-up period in the event that the beneficiary becomes disabled, within the definition set down in the second or third categories under Article L. 341-4 of the French Social Security Code;
- That the Board of Directors shall have full powers to use this authorization and to delegate said powers subject to compliance with the law. Accordingly, the Board of Directors shall be authorized to:
  - Determine the amount of shares to be granted free of consideration that are subject to either (i) a minimum vesting period of two years or (ii) a minimum vesting period of four years,
  - Increase where required the minimum vesting and/or lock-up periods in accordance with the law,
  - Decide in relation to shares issued free of consideration to officers of the Company, as defined in Article L. 225-197-1-II of the Commercial Code, either (i) that the shares may be sold by the grantees before the termination or expiry of their term of office; or (ii) that a certain number of said shares must be held in registered form until the termination or expiry of the grantees' term of office;
- That during the vesting period, the Board of Directors may adjust the number of shares granted free of consideration to protect the rights of grantees in the event that any corporate actions are carried out;
- That this authorization shall result in a capital increase at the end of the vesting period, to be paid up by capitalizing retained earnings, profits or additional paid-in capital, and that shareholders shall automatically waive their right to the capitalized portion of retained earnings, profits or additional paid-in capital.

This authorization is given for a period of thirty-eight months from the date of this meeting and terminates, with immediate effect, the unused portion of the authorization given in the thirty-first resolution of the Extraordinary Shareholders' Meeting of January 9, 2006.

The Extraordinary Meeting gives the Board of Directors full powers to use this authorization, and to delegate said powers in accordance with the law, including to set the dates and terms of grant, take any necessary or appropriate measures, enter into any and all agreements to permit the completion of the stock grants, place on record the capital increase(s) resulting from any grants made under this authorization and amend the Bylaws to reflect the new capital.

## Sixteenth resolution

### *Review and approval of the agreement concerning the transfer of the Sofitel hotels management business in France by Accor SA to its subsidiary SoLuxury HMC, as well as approval of the transaction and the related valuation and consideration*

Having considered (i) the report of the Board of Directors; (ii) the reports of the Transaction Appraisers (*Commissaires aux apports et à la scission*) concerning the terms and conditions of the transfer and the valuation of the assets and specific benefits transferred; and (iii) the transfer agreement, signed on March 21, 2008 between Accor SA and its subsidiary SoLuxury HMC which provides for Accor SA to transfer to SoLuxury HMC all the assets and liabilities making up the stand-alone business line dedicated to managing the hotels operated under the Sofitel brand in France; the Extraordinary Meeting:

1. Approves (i) the asset transfer agreement dated March 21, 2008, and consequently authorizes the asset transfer referred to therein between Accor SA and its subsidiary SoLuxury HMC, which is eligible for the preferential tax treatment applicable to mergers as provided for in Article 210 A of the General Tax Code in accordance with Article 210 B of said Code, with retroactive effect from January 1, 2008; and (ii) the valuation of the transferred assets (corresponding to a total of €15,860,163) and the transferred liabilities (corresponding to a total of €5,633,811), representing an aggregate net asset value of €10,226,352, in accordance with the terms and conditions provided for in the asset transfer agreement;
2. Approves the consideration to be paid to Accor SA for this asset transfer, corresponding to 10,226,352 new shares with a par value of €1 each, to be issued by SoLuxury HMC. These shares will be fully paid up and carry dividend and voting rights as of January 1, 2008. From that date they will rank *pari passu* with all existing shares and be subject to the Company's Bylaws. They will be transferable once the related capital increase is completed, in accordance with Article L. 228-10 of the Commercial Code;
3. Notes that the asset transfer will only be completed at the close of the Extraordinary Meeting of partners of SoLuxury HMC to be called to approve the asset transfer and carry out the related capital increase.

## Seventeenth resolution

### *Powers to carry out formalities*

The Ordinary and Extraordinary Meeting gives full powers to the bearer of an original, extract or copy of the minutes of this meeting to carry out any and all filing and other formalities required by law.

# Other Legal Information

## MATERIAL CONTRACTS

During 2007, material contracts (other than contracts entered into in the ordinary course of business) corresponded to agreements signed in relation to business acquisitions, as described in paragraph A to D of Note 2 and Note 42 to the consolidated financial statements).

## SHARE BUYBACK PROGRAM

The information provided in this section updates and expands on the information provided in the section entitled "Share Buyback Program" on page 103 of the Board of Directors' Report concerning the share buyback authorization given by the Ordinary Shareholders' Meeting on May 14, 2007 and the use of this authorization in 2007.

### Special report on the share buyback program authorized by the Ordinary Shareholders' Meeting of May 14, 2007

In accordance with Article L. 225-209 of the Commercial Code, the table below provides shareholders with information concerning share buybacks carried out under the authorization granted by the Ordinary Shareholders' Meeting of May 14, 2007.

### Transactions carried out between May 14, 2007 and December 31, 2007, by purpose

| | For allocation on conversion of OCEANE bonds | For allocation on exercise of stock options, to members of an employee stock ownership plan or to beneficiaries of stock grants | For holding and subsequent delivery in payment or exchange for securities in connection with external growth transactions (1) | For cancellation | To be used in connection with a liquidity contract | Total |
|---|---|---|---|---|---|---|
| **Number of shares at May 14, 2007** | | | 550,000 | | | 550,000 |
| **Shares purchased** | | | | | | |
| Number of shares | | | | | | 19,893,952 |
| Average purchase price *(in euros)* | | | | | | 62.40 |
| **Utilization** | | | | | | |
| Number of shares | 130,000 | | | 11,923,802 | | 12,053,802 |
| **Reallocation for other purposes** | | | | | | |
| Number of shares | | | | | | |
| **Number of shares at December 31, 2007** | | | | | | **8,390,150** |

*(1) Earmarked for possible remittance to Caisse des Dépôts et Consignations under the earn-out clause relating to the purchase of 1,500,000 Club Méditerranée shares. However, because the earn-out targets were not met, these shares were reallocated by the Board on August 28, 2007 and February 26, 2008.*

## Main characteristics of the share buyback program submitted for approval at the Ordinary Shareholders' Meeting of May 13, 2008

Below is a description of the share buyback program submitted for approval at the Ordinary Shareholders' Meeting of May 13, 2008:

- **Shares concerned:** Accor – ISIN Code FR0000120404. The Accor share is listed on Euronext Paris (Compartment A);
- **Number of shares and percentage capital held by the Company:** Accor holds a total of 8,390,150 shares in treasury, representing 3.65% of the Company's capital at December 31, 2007.
- **Purpose for which treasury shares are held:** To be canceled in connection with a capital reduction decided or authorized by the shareholders in Extraordinary Meeting;
- **Maximum percentage capital that may be purchased by the Company:** 9.8% of the Company's capital at December 31, 2007;
- **Maximum number of Accor shares that may be purchased by the Company:** 22,500,000;
- **Maximum per-share purchase price:** €100;
- **Purposes of the share buyback program:**

– To purchase shares for cancellation in connection with a capital reduction decided or authorized by the shareholders in Extraordinary Meeting,

– To purchase shares for allocation upon exercise of stock options granted under plans governed by Articles L. 225-177 *et seq.* of the French Commercial Code, or to members of an employee stock ownership plan governed by Articles L. 443-1 *et seq.* of the Labor Code or to recipients of stock grants made under plans governed by Articles L. 225-197-1 *et seq.* of the Commercial Code,

– To purchase shares for allocation on the conversion, redemption, exchange or exercise of share equivalents,

– To be held in treasury for subsequent remittance in exchange or payment or in connection with external growth transactions, a merger, demerger or asset contribution within a limit of 5% of the Company's capital,

– To be used under a liquidity contract that complies with the code of ethics recognized by the *Autorité des marchés financiers*;

- **Duration of the program:** If approved by the Ordinary Shareholders' Meeting, this program will be valid for an eighteen-month period from May 13, 2008 through November 13, 2009.

## Summary of Accor share transactions carried out by the Company

Pursuant to Instruction 2005-06 issued by the French securities regulator (AMF) on February 22, 2005, the table below provides a summary of the transactions carried out by the Company in relation to Accor shares between May 14, 2007 and December 31, 2007:

- Percentage of capital held by the Company directly and indirectly: 3.65% at December 31, 2007;
- Number of shares canceled during the last twenty-four months: 22,580,990;
- Number of shares held in treasury: 8,390,150 at December 31, 2007;
- Carrying amount of treasury shares: €478 million at December 31, 2007;
- Market value of treasury shares: €458,941,205 at December 31, 2007.

| | Cumulative transactions | | | Open positions at December 31, 2007 | | | |
|---|---|---|---|---|---|---|---|
| | Purchases | Sales | Transfers [1] | Open buy positions | | Open sell positions | |
| | | | | Purchased calls | Forward purchases | Written calls | Forward sales |
| Number of shares | 19,893,952 | | 130,000 | | | | |
| Average maximum maturity | - | - | - | - | - | - | - |
| Average transaction price *(in euros)* | 62.40 | | | - | - | - | - |
| Average exercise price *(in euros)* | | | 40.25 | - | - | - | - |
| Amounts *(in euros)* | 1,241,382,605 | | 5,232,500 | - | - | - | - |

*(1) Conversions of 2003-2008 OCEANE bonds into 130,000 existing shares at an exercise price of €40.25.*

# Persons Responsible for the Registration Document, the Audit of the Accounts, and Documents Available to the Public

## PERSONS RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND FOR THE AUDIT OF THE ACCOUNTS

### Person responsible for the Registration Document

Gilles C. Pélisson — Director and Chief Executive Officer

### Statement by the person responsible for the Registration Document

I hereby declare that having taken all reasonable care to ensure that such is the case, the information contained in this Registration Document is, to the best of my knowledge, in accordance with the facts and contains no omission likely to affect its import.

I obtained a statement from the Auditors at the end of their engagement affirming that they have read the whole of the Registration Document and examined the information about the financial position and the accounts contained therein.

**Gilles C. Pélisson**

### Persons responsible for information

**Éliane Rouyer-Chevalier**

Senior Vice President, Investor Relations and Financial Communications

Tel.: +33 (0)1 45 38 86 26

**Pierre Todorov**

Member of the Executive Committee – Corporate Secretary and Secretary of the Board of Directors.

Tel.: +33 (0)1 45 38 87 33

**Jacques Stern**

Member of the Executive Committee – Chief Financial Officer, in charge of Purchasing and Information Technology Systems

Tel.: +33 (0)1 45 38 86 36

# Auditors

## Statutory Auditors

**Ernst & Young et Autres**

Member of the Ernst & Young network

Bruno Bizet

41, rue Ybry, 92200 Neuilly-sur-Seine, France

Date of first appointment: June 16, 1995.

Re-appointed for six years by the May 14, 2007 Annual Shareholders' Meeting.

**Deloitte & Associés**

David Dupont Noel

185, avenue Charles De Gaulle, BP 136,
92203 Neuilly-sur-Seine Cedex, France

Date of first appointment: June 16, 1995.

Re-appointed for six years by the May 14, 2007 Annual Shareholders' Meeting.

## Alternate Auditors

**Auditex**

Tour Ernst & Young - 11, allée de l'Arche

92037 Paris La Défense Cedex, France

Appointed for six years by the May 14, 2007 Annual Shareholders' Meeting.

**BEAS**

7, Villa Houssay

92200 Neuilly-sur-Seine, France

Date of first appointment: May 29, 2001.

Re-appointed for six years by the May 14, 2007 Annual Shareholders' Meeting.

# FEES PAID TO THE AUDITORS

Fees paid to the Auditors and members of their networks break down as follows:

| | Deloitte | | | | Ernst & Young | | | |
|---|---|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2007 | | 2006 | |
| *(in millions of euros)* | Amount | % | Amount | % | Amount | % | Amount | % |
| *Audit services* | | | | | | | | |
| **Statutory and contractual audits** | | | | | | | | |
| France: Issuer | 1.0 | 11% | 1.0 | 11% | 0.4 | 13% | 0.3 | 11% |
| France: Subsidiaries | 1.0 | 12% | 0.8 | 9% | 1.5 | 47% | 2.2 | 79% |
| Outside France: Subsidiaries | 4.7 | 55% | 5.3 | 60% | 1.1 | 34% | 0.0 | 0% |
| **Audit-related services** | | | | | | | | |
| France: Issuer | 0.6 | 7% | 0.3 | 3% | 0.1 | 3% | 0.1 | 4% |
| France: Subsidiaries | 0.0 | 0% | 0.0 | 0% | 0.1 | 3% | 0.0 | 0% |
| Outside France: Subsidiaries | 1.0 | 12% | 1.2 | 13% | 0.0 | 0% | 0.1 | 4% |
| **SUB-TOTAL** | **8.3** | **97%** | **8.6** | **97%** | **3.2** | **100%** | **2.7** | **96%** |
| *Other services* | | | | | | | | |
| **Legal and tax advice** | | | | | | | | |
| France | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% |
| Outside France | 0.3 | 3% | 0.3 | 3% | 0.0 | 0% | 0.1 | 4% |
| **Other** | | | | | | | | |
| France | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% |
| Outside France | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% | 0.0 | 0% |
| **SUB-TOTAL** | **0.3** | **3%** | **0.3** | **3%** | **0.0** | **0%** | **0.1** | **4%** |
| **TOTAL** | **8.6** | **100%** | **8.9** | **100%** | **3.2** | **100%** | **2.8** | **100%** |

# INVESTOR RELATIONS AND DOCUMENTS AVAILABLE TO THE PUBLIC

Accor's investor relations process is designed to provide increasingly transparent information. Institutional and private investors, employees, customers and partners can find everything they need to form an opinion about the quality of Accor's fundamentals.

Accor continually strives to promote shareholder involvement, including through organizing meetings and publishing documentation.

In addition to our annual and interim results presentations, we regularly keep both private and institutional shareholders informed of the Group's developments in the most pro-active way possible. We tailor our information to the specific needs of different types of shareholders and financial analysts while constantly complying with the principle of fair access to information.

## Meetings with investors

In 2007, meetings were held with 742 representatives from 215 financial institutions and 23 roadshows were organized in Europe, the United States and Canada.

Hotel visits were also organized so that investors could talk with line managers and gain a better understanding of our management practices and processes. Accor also took part in five investor conferences during the year, in France and the United States.

On October 22 and 23, 2007 Accor organized an institutional investors' and financial analysts' day at the Novotel Convention & Wellness Roissy to present the new Hotels business model and quantify its impact. The event, which was attended by 70 people from France and abroad, included presentations by the Group's corporate and operating units. With all of the Group's brands present in Roissy, which is near Paris Charles de Gaulle airport, a number of hotel visits were organized as well.

As in previous years, opportunities were taken to meet with private shareholders, via three events held in Toulouse, Lyon and Strasbourg that were attended by more than 900 shareholders in all. A meeting was also held in Paris at the annual Actionaria investors fair, which attracted more than 300 people. Accor's booth welcomed more than 1,000 visitors during the two-day event.

In addition, the Annual Shareholders' Meeting, attended by 600 people, once again offered an excellent venue for exchanging views and opinions.

Also in 2007, employee shareholders – who are kept informed throughout the year through in-house publications and the corporate intranet – were invited to attend live broadcasts of the Group's annual and interim results presentations to financial analysts.

## The Accor Shareholders Club

Created in May 2000 for shareholders owning at least 50 bearer shares or one registered share, the Accor Shareholders Club had 7,600 members at December 31, 2007. In 2007, twelve site visits were organized for members, giving more than 200 shareholders the opportunity to discover the Group in a more personalized way. A schedule for these visits is provided on a six-monthly basis in the Shareholders Club Newsletter.

Members are regularly updated on Accor news, through the Letter to Shareholders, the Club Newsletter and press releases, sent by post or e-mail. They may also ask to receive all of the Group's other publications.

Club members also receive promotional offers concerning the Group's products.

### Working group on the private shareholder relations process

As announced in 2006, a working group comprising fifteen members of the Shareholders Club, selected on application, was set up in 2007 to help improve the private shareholder relations process. The group met twice in 2007 to study the existing process, resulting in comments and suggestions that have been integrated into the Group's corporate publications and events. Some of the group's members also participated in the Actionaria investors fair, helping Accor's Investor Relations and Financial Communications team to staff the Group's visitor booth and taking part in the shareholders' meeting organized at the event. A report on their work has been published in the Shareholders Club Newsletter.

## Investor and shareholder publications

All of the Group's financial news and publications can be accessed at www.accor.com/finance – a database-like tool dedicated to financial communications. The site carries live and deferred webcasts of results presentations and of the Annual Shareholders' Meeting, as well as audio retransmissions of conference calls held in conjunction with quarterly releases. The Accor share price can be tracked in real time and there is a specific area for private shareholders and members of the Shareholders Club.

A wide array of documents, whose information exceeds regulatory requirements, is available upon request or can be viewed on the Accor financial communications website at www.accor.com/finance. These documents, which have been available in electronic form since 1997, include:

- The Annual Report and the Registration Document filed with the *Autorité des Marchés Financiers* (AMF);
- The corporate brochure describing the Group and its values;
- The Letter to Shareholders, mailed twice a year to identified private shareholders owning at least 250 bearer shares and to all shareholders listed in the Company's share register, as well as to members of the Accor Shareholders Club. A special edition translated into eleven languages is sent to employee-shareholders once a year;
- Financial announcements published in the French press;
- Information memoranda filed with the AMF concerning corporate actions;
- The Shareholder Guide;
- Notices of Shareholder Meetings, sent systematically to registered shareholders as well as to members of the Shareholders Club on request;
- The Shareholders Club Newsletter, sent twice a year to the 7,600 Club members and the Club's practical guide, which is available on request.

Legal documents may also be consulted at the Company's headquarters at Immeuble Odyssey, 110 avenue de France, 75210 Paris Cedex 13, France.

Since January 20, 2007, when the European Transparency Directive was transposed into French law, Accor has issued its regulatory filings through a professional disclosure service that complies with the criteria set out in the AMF's General Regulations. The filings are also available on the corporate website.

## Shareholder contact

Shareholders in France can call 0 811 01 02 03 (calls charged at local rate) at any time to obtain general information about the Group, the latest share price and practical guidelines for private shareholders. Operators are available to answer questions from 9:00 a.m. to 6:00 p.m. from Monday to Friday and messages may be left out of hours, which are answered as soon as possible.

## Senior Vice President, Investor Relations and Financial Communications

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*Éliane Rouyer, Senior Vice President, Investor Relations and Financial Communications, has been the President of CLIFF, the French Investor Relations Association, since 2004. Since 2005, she has also chaired the Observatoire de la Communication Financière, an investor relations think-tank.*

# INFORMATION INCORPORATED BY REFERENCE

In accordance with Article 28 of European Commission Regulation (EC) **809/2004**, the Registration Document incorporates by reference the following information:

- The 2006 consolidated financial statements and the related Auditors' Reports contained in the Registration Document filed with the *Autorité des Marchés Financiers* on **April 3, 2007** under **no. D. 07-267** (pages **109 to 198**, **108**, and **210 to 213** respectively);
- The financial information contained in pages **46 to 54** of the 2006 Registration Document filed with the *Autorité des Marchés Financiers* on **April 3, 2007** under **no. D. 07-267**;
- The 2005 consolidated financial statements and the related Auditors' Reports contained **in the Registration Document filed with the Autorité des Marchés Financiers on April 4, 2006** under **no. D. 06-208** (pages **111 to 191 and 110 and 202** respectively);
- The financial information contained in pages **37 to 45** of the **2005** Registration Document filed with the *Autorité des Marchés Financiers* on **April 4, 2006** under **no. D. 06-208**;
- The sections of these documents not incorporated by reference are not relevant to investors or else covered in another section of the Registration Document.

# REGULATORY FILINGS

The following information [8] was published or made available to the public by Accor during the last twelve months (April 1, 2007 through March 25, 2008), in accordance with Article L. 451-1-1 of the French Monetary and Financial Code and Article 222-7 of the General Regulations of the *Autorité des Marchés Financiers*:

- 2006 Registration Document filed with the *Autorité des Marchés Financiers* on April 3, 2007 under number D.07-267;
- Notice of meeting for the Ordinary and Extraordinary Shareholders' Meeting held on May 14, 2007, published in the French legal gazette (*Bulletin des annonces légales obligatoires*) on April 9, 2007;
- Press release dated April 19, 2007 on first-quarter 2007 revenue;
- 2006 consolidated and parent company financial statements published in the *Bulletin des annonces légales obligatoires* on April 20, 2007;
- Press release dated April 23, 2007 relating to the sale of Red Roof Inn;
- Disclosure of number of shares and voting rights held dated April 30, 2007;
- First-quarter 2007 revenue published in the *Bulletin des annonces légales obligatoires* on May 4, 2007;
- Notice relating to voting rights published in the *Bulletin des annonces légales obligatoires* on June 1, 2007, with an amended notice published on June 8, 2007;
- Weekly disclosures of treasury share transactions dated May 16, 2007 and May 28, 2007;
- Disclosure of number of shares and voting rights held dated May 31, 2007;
- Final consolidated and parent company financial statements for 2006, Auditors' Report and appropriation of profit published in the *Bulletin des annonces légales obligatoires* on June 8, 2007;
- Weekly disclosures of treasury share transactions dated June 4, 2007, June 12, 2007, June 19, 2007 and June 22, 2007;
- Press release dated June 26, 2007 concerning the acquisition of Surf Gold;
- Disclosure of number of shares and voting rights held dated June 30, 2007;
- Press release dated July 3, 2007 relating to Accor's acquisition of 50% of the joint venture with Amorim;
- Weekly disclosures of treasury share transactions dated July 2, 2007, July 6, 2007, July 23, 2007 and July 30, 2007;
- Press release dated July 4, 2007 concerning the signature of a syndicated loan agreement;
- Notice of the adjustment to the conversion ratio relating to the convertible bonds issue taken up in full by ColTime SARL, published in the *Bulletin des annonces légales obligatoires* on July 11, 2007;
- Press release dated July 17, 2007 on first-half 2007 revenue;
- Second-quarter 2007 revenue published in the *Bulletin des annonces légales obligatoires* on July 25, 2007;
- Disclosure of number of shares and voting rights held dated July 31, 2007;

*(8) Information available on the Company's website at www.accor.com/finance.*

- Press release dated August 1, 2007 on the sale of the Group's Italian foodservices business;
- Weekly disclosures of treasury share transactions dated August 6, 2007 and August 14, 2007;
- Press release dated August 24, 2007 concerning the acquisition of 4.9% of Orbis;
- Press release dated August 29, 2007 on the 2007 interim consolidated financial statements;
- Disclosure of number of shares and voting rights held dated August 31, 2007;
- Weekly disclosures of treasury share transactions dated September 3, 2007, September 10, 2007, September 17, 2007 and September 24, 2007;
- Press release dated September 10, 2007 relating to the completion of the sale of Red Roof Inn;
- 2007 interim consolidated financial statements published in the *Bulletin des annonces légales obligatoires* on September 19, 2007;
- Press release dated September 21, 2007 concerning the acquisition of PrePay Technologies Ltd.;
- Disclosure of number of shares and voting rights held dated September 30, 2007;
- Press release dated October 11, 2007 on the completion of the sale of the Group's Italian foodservices business;
- Press release dated October 16, 2007 on third-quarter 2007 revenue;
- Press release dated October 23, 2007 on the new Accor Hospitality business model;
- Weekly disclosures of treasury share transactions dated October 1, 2007, October 25, 2007 and October 29, 2007;
- Disclosure of number of shares and voting rights held dated October 31, 2007;
- Third-quarter 2007 revenue published in the *Bulletin des annonces légales obligatoires* on October 24, 2007;
- Weekly disclosures of treasury share transactions dated November 6, 2007, November 9, 2007, November 19, 2007 and November 26, 2007;
- Disclosure of number of shares and voting rights held dated November 30, 2007;
- Press release dated December 20, 2007 concerning the sale of 57 hotel properties in France and Switzerland;
- Weekly disclosures of treasury share transactions dated December 3, 2007, December 10, 2007, December 17, 2007, December 24, 2007 and December 31, 2007;
- Disclosure of number of shares and voting rights held dated December 31, 2007;
- Press release dated January 9, 2008 concerning the acquisition of 62% of Motivano UK;
- Press release dated January 15, 2008 on 2007 full-year revenue;
- 2007 full-year revenue published in the *Bulletin des annonces légales obligatoires* on January 30, 2008,
- Disclosure of number of shares and voting rights held dated January 31, 2008;
- Press release dated February 8, 2008 on the total sale of the Brazilian foodservices business;
- Press release dated February 27, 2008 on the 2007 consolidated financial statements;
- Disclosure of number of shares and voting rights held dated February 29, 2008.

# Cross-reference table

The table below provides cross references between the pages in the Registration Document and the key information required under European Commission Regulation (EC) no. 809/2004 implementing EC Directive 2003/71/EC of the European Parliament and of the Council.

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