



# 2011 Interim Results



24 August 2011

# A strong first half 2011

## ▪ **Good operating performance**

- Revenue growth of 5.8% L/L at €2,973m
- Operating profit up 44.0% L/L at €199m
- Flow-through: 51.5% excl. Egypt and Ivory Coast

## ▪ **Ongoing Asset Management program**

- At the end of June, over 7,400 rooms (65 hotels) sold for a €191m impact on adjusted net debt <sup>(1)</sup>
- Including the binding agreements for Pullman Bercy and Sofitel Arc de Triomphe in Paris, the impact on adjusted net debt amounts to €306m

## ▪ **An expansion plan on track**

- 13,700 rooms opened, 78% under franchise or management contracts
- Maintenance capex discipline, at €94m
- Confirmation of the 30K rooms openings target

## ▪ **A financial position enhanced by strategy execution**

- FFO/Net debt ratio of 23.1%
- Net debt reduced to €559m

<sup>(1)</sup> Net debt adjusted for NPV of minimum lease payments discounted at 8% (Standard & Poor's methodology)

# A strong first half 2011

<i>In € millions</i>	June 2010	June 2011	% change Reported	% change L/L <sup>(1)</sup>
<b>Revenue</b>	<b>2 849</b>	<b>2 973</b>	<b>+4,4%</b>	<b>+5,8%</b>
<b>EBITDAR</b>	<b>835</b>	<b>897</b>	<b>+7,4%</b>	<b>+9,7%</b>
<i>EBITDAR margin</i>	<i>29,3%</i>	<i>30,2%</i>	<i>+0,9 pt</i>	<i>+1,1 pt</i>
<b>EBIT</b>	<b>156</b>	<b>199</b>	<b>+27,5%</b>	<b>+44,0%</b>
<b>Operating profit before tax and non-recurring items</b>	<b>93</b>	<b>144</b>	<b>+55,5%</b>	<b>+70,0%</b>
Profit or loss from discontinued operations	52	1	N/A	N/A
<b>Net profit/(loss)</b>	<b>(15)</b>	<b>41</b>	<b>N/A</b>	<b>N/A</b>

<sup>(1)</sup>Like-for-Like, i.e. excluding changes in scope of consolidation and exchange rates

**Good operating performance**

# H1 2011 Revenue: up 5.8% L/L to €2,973m

+5.8%

**Like-for-like**  
+€164m

+1.7%

**Expansion**  
+€50m

-3.6%

**Disposals**  
-€101m

+0.4%

**Currency**  
+11m

+4.4%

**Reported**  
+€124m

## ■ L/L growth

- Hotels +5.9%
  - Up & Midscale: +6.0%
  - Economy excl. US: +6.4%
  - Economy US: +3.7%
- Others: +4.3%

## ■ Expansion

- H1 2011 openings: 13,700 new rooms (108 hotels)

## ■ Disposals: Asset Right Strategy

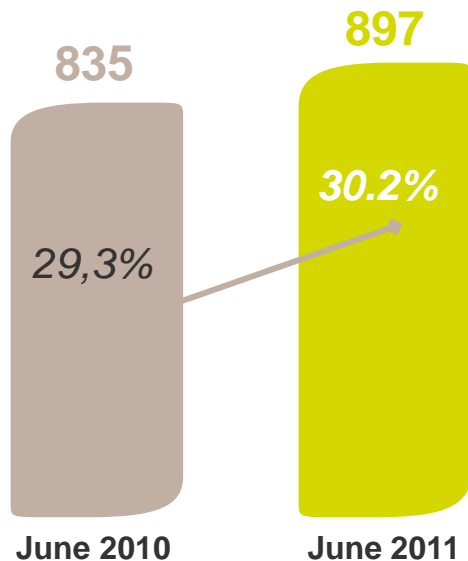
## ■ Currency effect

- AUD: +0.6%, +€16.8m
- CHF: +0.2%, +€6.1m
- BRL: +0.2%, +€5.8m
- USD: -0.6%, -€16.8m

Ongoing recovery across all segments

# Continued EBITDAR margin growth

EBITDAR (in €m)



- **Improved operating performance: +1.1 pt L/L (+0.9 pt reported)**
- **High flow-through ratio: 51.5%** excluding Egypt and Ivory coast (48.9% non-restated)

Continued focus on operational excellence

# Up & Midscale: record margin

S O F I T E L  
LUXURY HOTELS

pullman  
HOTELS AND RESORTS

NOVOTEL

Suite  
NOVOTEL

Mercure

adagio  
city apart'hotel

<i>In € millions</i>	June 2010	June 2011	% change Reported	% change L/L <sup>(1)</sup>
<b>Revenue</b>	<b>1,615</b>	<b>1,698</b>	<b>+5.2%</b>	<b>+6.0%</b>
<b>EBITDAR</b>	<b>441</b>	<b>474</b>	<b>+7.3%</b>	<b>+10.7%</b>
<i>EBITDAR margin</i>	27.3%	<b>27.9%</b>	+0.6 pts	<b>+1.2 pts</b>

<sup>(1)</sup> Like-for-like, i.e. excluding changes in scope of consolidation and exchange rates

- Strong improvement in margins, especially Pullman and Novotel
- Remarkable margin growth in France and Brazil

**Strong margin improvement, with increasing prices in main markets**

# Economy excl. US: solid growth across the globe



<i>In € millions</i>	June 2010	June 2011	% change Reported	% change L/L <sup>(1)</sup>
<b>Revenue</b>	<b>861</b>	<b>911</b>	<b>+5.8%</b>	<b>+6.4%</b>
<b>EBITDAR</b>	<b>311</b>	<b>335</b>	<b>+7.8%</b>	<b>+7.1%</b>
<i>EBITDAR margin</i>	36.1%	<b>36.8%</b>	+0.7 pts	<b>+0.2pts</b>

<sup>(1)</sup> Like-for-like, i.e. excluding changes in scope of consolidation and exchange rates

- Occupancy above record levels, and potential for price increases
- Good margin improvement across all brands, led by ibis and Etap

**Increase in revenue well reflected in margins**

# Economy US: demand-led recovery



<i>In € millions</i>	June 2010	June 2011	% change Reported	% change L/L <sup>(1)</sup>
<b>Revenue</b>	<b>267</b>	<b>253</b>	<b>-5.0%</b>	<b>3.7%</b>
<b>EBITDAR</b>	<b>73</b>	<b>71</b>	<b>-3.5%</b>	<b>3.3%</b>
<i>EBITDAR margin</i>	27.5%	<b>27.9%</b>	+0.4 pts	<b>-0.1 pt</b>

<sup>(1)</sup> Like-for-like, i.e. excluding changes in scope of consolidation and exchange rates

- Recovery in margin still impacted by low pricing power in H1

**Ongoing network transformation: 22 new franchised hotels  
9 Sales & Franchise Back and 8 outright sales**

# P&L Performance statement

June 2011	Manager and franchisor <sup>(1)</sup>	Sales & Marketing Fund <sup>(1)</sup>	Owned & Leased	Unalloc., platform & intercos	Total
Gross revenue	5,031	N/A	2,648	111	5,142
o/w revenue	296	140	2,648	(112)	2,973
EBITDAR	152	(4)	736	12	897
Contrib. margin	52%	(3%)	28%	N/A	30%
EBIT	152	(4)	79	(29)	199
EBIT margin	52%	(3%)	3%	N/A	7%

(1) Including fees from subsidiaries

Sales & Marketing Fund now close to break even

# EBIT up 44.0% L/L

<i>In € millions</i>	June 2010	June 2011	% change Reported	% change L/L <sup>(1)</sup>
<b>EBITDAR</b>	<b>835</b>	<b>897</b>	<b>+7.4%</b>	<b>+9.7%</b>
Rental expense	(456)	(491)	-7.8%	-4.4%
Depreciation & amortization	(223)	(207)	7.4%	+3.6%
<b>EBIT</b>	<b>156</b>	<b>199</b>	<b>+27.5%</b>	<b>+44.0%</b>
Net financial expense	(73)	(55)	24.1%	-2.8%
Share of profits/(losses) of associates	10	0	N/A	N/A
<b>Operating profit before tax and non-recurring items</b>	<b>93</b>	<b>144</b>	<b>+55.5%</b>	<b>+70.0%</b>

<sup>(1)</sup>Like-for-Like, i.e. excluding changes in scope of consolidation and exchange rates

# Net profit: €41m

<i>In € millions</i>	June 2010	June 2011
<b>Operating profit before tax and non-recurring items</b>	<b>93</b>	<b>144</b>
Restructuring costs	(11)	(22)
Impairment losses	(35)	(19)
Gain and losses on management of assets	(27)	19
Income tax expense	(84)	(71)
Minority interests	(3)	(11)
Profit or loss from discontinued operations	52	1
<b>Net profit/(loss) attributable to shareholders</b>	<b>(15)</b>	<b>41</b>
Operating profit before non-recurring items, net of tax <sup>(1)</sup>	N/A	104
Operating profit before non-recurring items, net of tax per share (in €)	N/A	0.46

<sup>(1)</sup> Operating profit before tax and non-recurring items, less operating tax, less minority interests

**Operating profit before non-recurring items, net of tax per share: €0.46**

# A strong cash flow model (1/2)

<i>In € millions</i>	June 2010	June 2011	% change Reported
<b>Adjusted funds from operations</b>	<b>287</b>	<b>324</b>	<b>+12.9%</b>
Renovation & maintenance capex	(89)	(94)	+5.6%
<b>Funds from operations</b>	<b>198</b>	<b>230</b>	<b>+16.2%</b>

**Capex discipline: 3.2% of revenue**  
**Strong growth in funds from operations before non-recurring items**

# A strong cash flow model (2/2)

<i>In € millions</i>	June 2010	June 2011
<b>Funds from operations</b>	<b>198</b>	<b>230</b>
Expansion capex	(167)	(96)
<b>Operating free cash flow</b>	<b>31</b>	<b>134</b>
Proceeds from disposals of hotel properties	206	140
Proceeds from disposals of other assets	15	9
Ordinary dividend	(245)	(151)
Capital increase, net	18	6
Others	634 <sup>(1)</sup>	33
<b>(Increase) / Decrease in net debt</b>	<b>660</b>	<b>171</b>

*(1) Mainly linked to discontinued operations*

**High free cash flow generation and continued de-leveraging**

# Asset Management in H1 2011: €191m

Proceeds from asset disposals in H1 2011	# hotels	# rooms	Impacts on cash /debt	
			Cash (€m)	Adjusted net debt <sup>1</sup> (€m)
Sales & Variable Lease Back	2	332	20	21
Sales & Management Back	7	1,183	35	60
Sales & Franchise Back	41	3,920	59	83
Outright Sales	15	1,975	26	27
<b>Total</b>	<b>65</b>	<b>7,410</b>	<b>140</b>	<b>191</b>

<sup>(1)</sup> Net debt adjusted for NPV of minimum lease payments discounted at 8% (Standard & Poor's methodology)

**€306m including the disposals of  
Pullman Bercy and Sofitel Arc de Triomphe**

# A Sound Financial Position

<i>In € millions</i>	June 2010	Dec. 2010	June 2011
<b>Gross debt</b>	2,303	1,988	1,882
Current financial assets	(1,339)	(1,258)	(1,323)
<b>Net debt</b>	<b>964</b>	<b>730</b>	<b>559</b>
Adjusted Funds from Operations / Adjusted net debt <sup>(1)</sup>	16.7%	20.1%	23.1%

(1) Net debt adjusted for NPV of minimum lease payments discounted at 8% ( Standard & Poor's methodology)

**A sound financial position, including €1.8bn  
in unused and confirmed credit lines**

# A value creating model

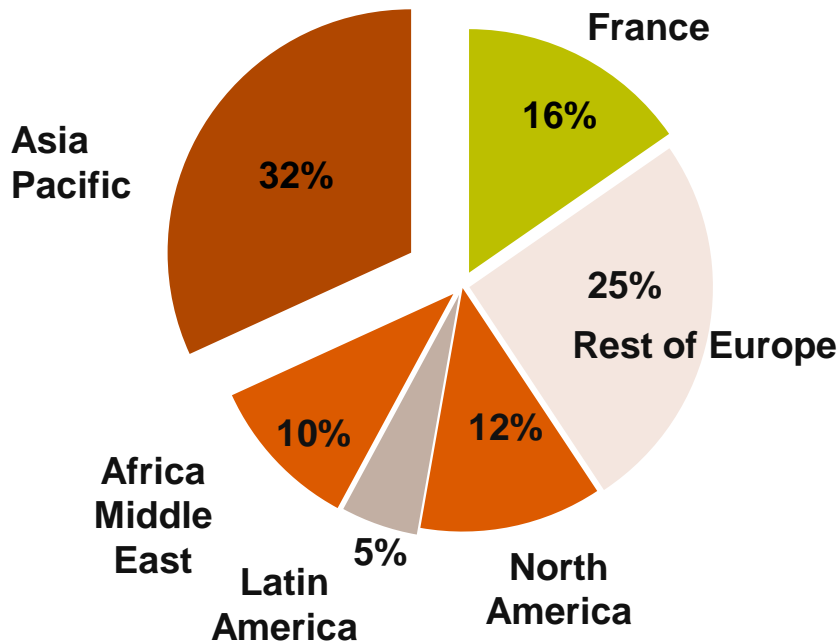
<i>In € millions</i>	Dec. 2010		June 2011	
	Capital employed	ROCE	Capital employed	ROCE
Upscale & Midscale	<b>4,279</b>	10.4%	4,209	10.9%
Economy excl. US	<b>2,008</b>	18.2%	1,921	<b>19.1%</b>
Economy US	<b>1,586</b>	4.1%	1,492	4.4%
<b>HOTELS</b>	<b>7,873</b>	<b>11.1%</b>	<b>7,622</b>	<b>11.7%</b>
<b>TOTAL</b>	<b>8,123</b>	<b>11.3%</b>	<b>7,862</b>	<b>11.9%</b>

Excellent improvement in ROCE,  
in particular for Economy Hotels led by ibis and Etap

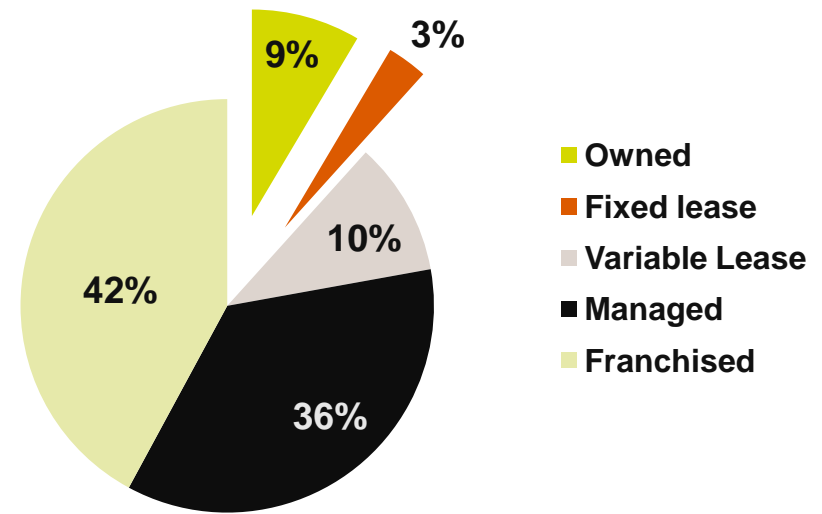
# Expansion in line with strategy

## Openings during H1 2011: 13,700 rooms

By region



By ownership structure

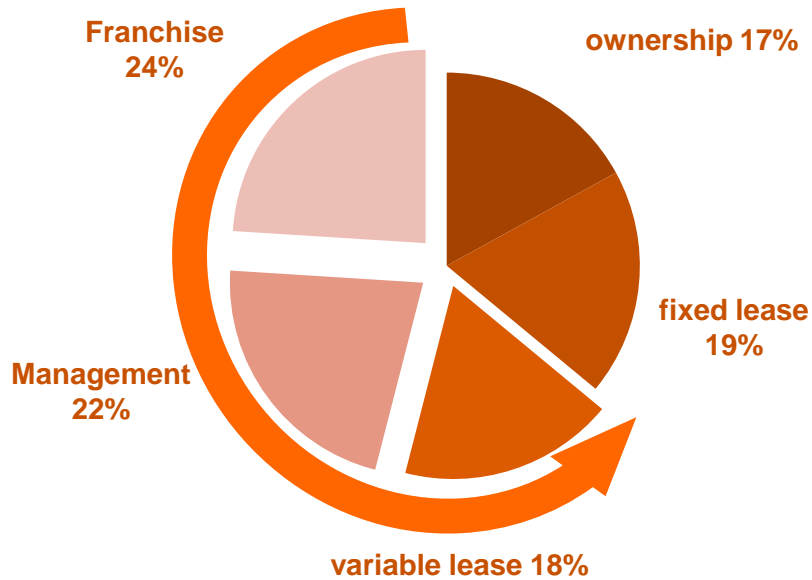


47% in emerging markets

78% under franchise and management

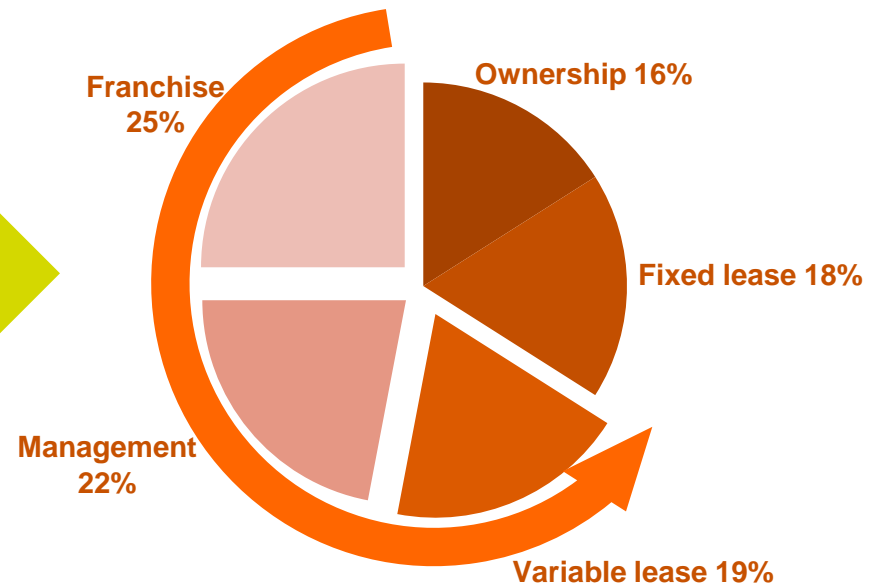
# Portfolio of 514,000 rooms

**2010**  
**507,000 rooms**



**64% Asset Light**  
**(325k rooms)**

**H1 2011**  
**514,000 rooms**



**66% Asset Light**  
**(337k rooms)**



# H2 Focus



# Hotels business trends in July

<i>in %</i>	YoY RevPAR change in July L/L <sup>(1)</sup> <i>Excl. VAT</i>
<b>Upscale and Midscale Hotels Europe</b>	<b>+7.5%</b>
▪ France	+11.2%
▪ Germany	+6.5%
▪ UK	+8.2%
▪ Other	+2.5%
<b>Economy Hotels Europe</b>	<b>+7.7%</b>
▪ France	+6.9%
▪ Germany	+7.9%
▪ UK	+10.5%
▪ Other	+7.5%
<b>Economy Hotels US</b>	<b>+4.0%</b>

*(1) Subsidiaries only*






- Solid summer season
- No measurable sign of slowdown in the cycle recovery at this stage



# Conclusion



# Conclusion: Strong first-half 2011 results

	Free cash flow	<b>Strong free cash flow generation</b> after capex and before disposals
	Growth in asset-light network	<b>78% of openings under franchise &amp; management contracts</b>
	Asset disposals	<b>€306m including the disposals of Pullman Bercy and Sofitel Arc de Triomphe</b>
	Flow-through and margin	<b>Continued operational excellence</b>
	Non-strategic assets disposals	<b>Disposals of Group Lucien Barrière and Lenôtre effective respectively in Q1 and Q3 2011</b>

**The Group gets the benefits of its « 100% hotelier » profile**



# Appendices



# Asset Management in H1 2011: P&L Impacts

P&L Impacts <sup>(1)</sup> (€m)	
<b>Revenue</b>	<b>(94)</b>
<b>EBITDAR</b>	<b>(19)</b>
<b>EBITDA</b>	<b>(10)</b>
<b>Capital gains</b>	<b>37</b>

*(1) Based on 2010 figures*

# Asset Management in H1 2011

## Focus on Sales & Franchise Back and Outright Sales

### FRANCE



26 Sales & Franchise Back  
1 Outright sales

**=14.6x 2010 EBITDA**

### UNITED STATES



9 Sales & Franchise Back  
8 Outright sales

### OTHER COUNTRIES

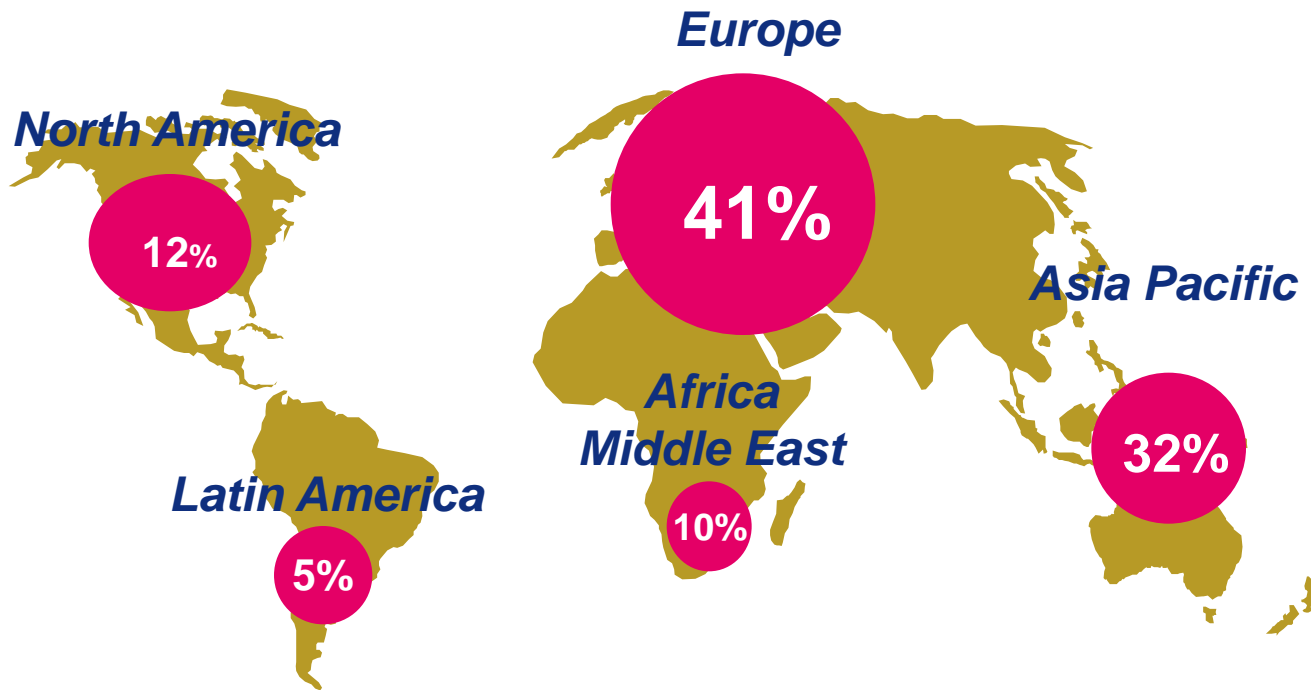


6 Sales & Franchise Back  
6 Outright sales

# H1 2011 openings

108 new hotels (13,700 rooms) opened in H1 2011

H1 2011 openings by region, in % of total number of rooms



78%<sup>(1)</sup> under franchise and management contracts