

CONSOLIDATED INCOME STATEMENT

In millions	Notes	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Revenues		6,946	3,287	3,566	23,395
Other operating revenues		62	29	34	220
CONSOLIDATED REVENUES	3	7,007	3,316	3,600	23,615
Operating expenses		(5,117)	(2,465)	(2,640)	(17,316)
EBITDAR	4	1,891	851	960	6,299
Rental expense	5	(616)	(291)	(344)	(2,257)
EBDIT		1,275	560	616	4,042
Depreciation and operating provision expense	6	(428)	(192)	(223)	(1,466)
EBIT		847	368	393	2,576
Net financial expense	7	(121)	(47)	(42)	(271)
Net income from associated equity companies, Group share	8	25	5	4	26
TOTAL INCOME FROM OPERATIONS		751	326	355	2,331
Result from management of hotel portfolio	9	19	(14)	(2)	(16)
CURRENT INCOME BEFORE TAXES		770	312	353	2,315
Result from management of other assets	10	23	36	54	351
Goodwill amortization		(96)	(38)	(49)	(320)
Income taxes	11	(256)	(104)	(121)	(791)
Exceptional items (net of taxes)	12	35	-	-	-
Minority interests		(28)	(10)	(13)	(81)
CONSOLIDATED NET INCOME, GROUP SHARE		447	196	224	1,474
Average number of shares outstanding (in thousands)	21	196,002	196,076	196,947	196,947
EARNINGS PER SHARE (in EUR /in FRF)		2.28	1.00	1.14	7.48
NET INCOME, FULLY DILUTED	21	2.27	0.99	1.13	7.41

CONSOLIDATED BALANCE SHEET

ASSETS (on June 30)		June 30, 2000	2000	June 30, 2001	June 30, 2001
In millions	Notes	EUR	EUR	EUR	FRF
INTANGIBLE FIXED ASSETS	13	561	581	623	4,088
GOODWILL (NET OF AMORTIZATION)	14	1,748	1,911	1,940	12,723
PROPERTY, PLANT AND EQUIPMENT NET OF ACCUMULATED DEPRECIATION	15	4,578	4,696	5,068	33,244
Long-term loans	16	285	294	359	2,356
Investments in associated equity companies	17	215	303	234	1,536
Other financial assets	18	170	176	268	1,755
TOTAL FINANCIAL ASSETS		670	773	861	5,647
TOTAL FIXED ASSETS	19	7,557	7,961	8,492	55,702
Inventories		105	85	172	1,130
Trade accounts receivables		1,284	1,201	1,360	8,919
Other receivables	20	802	876	979	6,420
Service vouchers reserve funds		254	259	288	1,892
Receivables on short-term asset disposals	27	83	102	52	344
Short-term loans	27	54	79	68	446
Marketable securities	27	625	792	720	4,720
Cash and equivalents	27	535	599	549	3,600
TOTAL CURRENT ASSETS		3,742	3,993	4,188	27,471
TOTAL ASSETS		11,299	11,954	12,680	83,173

CONSOLIDATED BALANCE SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY (on June 30)		June 30, 2000	2000	June 30, 2001	June 30, 2001
In millions	Notes	EUR	EUR	EUR	FRF
Share capital		587	591	591	3,876
Additional paid-in capital		1,868	1,894	1,889	12,391
Reserves (retained earnings)		753	724	926	6,074
Translation adjustments		157	187	345	2,265
Net income for the year		196	447	224	1,474
TOTAL SHAREHOLDERS' EQUITY	21	3,561	3,843	3,975	26,080
Minority interests	22	171	141	137	899
TOTAL SHAREHOLDERS' EQUITY AND MINORITY INTERESTS		3,732	3,984	4,112	26,979
Provisions	23	554	609	594	3,899
Repackaged Perpetual Subordinated Floating Rate Notes (TSDI)	24	342	270	242	1,594
Exchangeable bonds	25	434	434	-	-
Other long-term debt	27	2,289	2,477	2,918	19,132
Capital leases	27	230	216	241	1,580
TOTAL LONG-TERM DEBT	26	3,295	3,397	3,401	22,306
TOTAL NON-CURRENT LIABILITIES AND SHAREHOLDERS'EQUITY		7,581	7,990	8,107	53,184
Trade accounts payable		661	677	786	5,154
Other payables	20	1,097	1,241	1,290	8,459
Service vouchers in circulation		1,216	1,325	1,355	8,888
Short-term debt	27	383	251	742	4,868
Due to banks	27	361	470	400	2,620
TOTAL CURRENT LIABILITIES		3,718	3,964	4,573	29,989
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		11,299	11,954	12,680	83,173

CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS

In millions	Note	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Consolidated net income, Group share		447	196	224	1,474
Minority interests		28	10	13	81
Depreciation, amortization and provision		524	230	272	1,786
Net income from associated equity companies, Group share, net of actual dividends received		(11)	-	5	35
Deferred taxes		77	51	32	210
Financial provisions and provisions on assets management		12	(14)	8	53
CONSOLIDATED CASH FLOW (1)		1,077	473	554	3,639
Net realized capital (gains)/ losses on asset sales (2)		(149)	(50)	(78)	(511)
Non-operating losses/ (profit)		56	11	28	185
CONSOLIDATED CASH FLOW FROM OPERATIONS		984	434	504	3,314
Investments for renovation and maintenance (3)		(422)	(209)	(203)	(1,334)
FREE CASH FLOW		562	225	301	1,980
New capital and technology expenditure (4)		(1,251)	(492)	(493)	(3,234)
Proceeds from asset disposals (5)		843	433	228	1,498
Decrease/ (increase) in working capital (6)		116	(161)	(170)	(1,121)
Non-operating gains (losses)		(56)	(11)	(28)	(185)
NET SOURCES / (USES) FROM OPERATIONS		214	(6)	(162)	(1,062)
Dividends (7)		(248)	(238)	(257)	(1,685)
Capital increases / (decrease) (8)		276	244	(5)	(37)
Currency translation adjustments on fixed assets and shareholders' equity (9)		(99)	(62)	(182)	(1,196)
Changes in the scope of consolidation on provisions and minority interests (10)		(24)	(14)	-	1
DECREASE/ (INCREASE) IN NET INDEBTEDNESS	27	119	(76)	(606)	(3,980)
Net indebtedness (beginning of the period)		(2,665)	(2,665)	(2,547)	(16,705)
Net indebtedness (end of the period)		(2,547)	(2,741)	(3,153)	(20,685)
DECREASE/ (INCREASE) IN NET INDEBTEDNESS	27	119	(76)	(606)	(3,980)
CASH FLOWS FROM OPERATING ACTIVITIES (1)+(2)+(6)		1,044	262	306	2,007
CASH FLOWS FROM INVESTING ACTIVITIES (3)+(4)+(5)		(830)	(268)	(468)	(3,070)
CASH FLOW (7)+(8)		28	6	(262)	(1,722)
MISCELLANEOUS (9)+(10)		(123)	(76)	(182)	(1,195)
DECREASE/ (INCREASE) IN NET INDEBTEDNESS		119	(76)	(606)	(3,980)

CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY (BEFORE MINORITY INTERESTS)

In EUR millions	Number of shares outstanding	Share capital	Additional paid-in capital	Translation adjustments (*)	Reserves (retained earnings)	Consolidated shareholders' equity
At December 31, 1999	185,481,982	556	1,655	89	979	3,279
Impact of change in accounting method (**)					(30)	(30)
Capital increases:						
- Conversions of bonds	11,296,983	34	254			288
- Exercise of stock options	779,590	2	9			11
- Treasury shares	(1,282,070)	(4)	(48)			(52)
- Through merger / transfer of assets						
- Through employee subscription	766,050	3	24			27
Dividend					(225)	(225)
Translation adjustments				98		98
Net income for 2000					447	447
At December 31, 2000	197,042,535	591	1,894	187	1,171	3,843
Capital increases:						
- Conversions of bonds	62,020		1			1
- Exercise of stock options	(146,661)		(6)			(6)
- Treasury shares						
- Through merger / transfer of assets						
- Through employee subscription						
Dividend					(245)	(245)
Translation adjustments				158		158
Net income for the first half of 2001					224	224
At June 30, 2001	196,957,894	591	1,889	345	1,150	3,975

In FRF millions	Number of shares outstanding	Share capital	Additional paid-in capital	Translation adjustments (*)	Reserves (retained earnings)	Consolidated shareholders' equity
At December 31, 1999	185,481,982	3,650	10,857	582	6,421	21,510
Impact of change in accounting method (**)					(196)	(196)
Capital increases:						
- Conversions of bonds	11,296,983	222	1,664			1,886
- Exercise of stock options	779,590	15	58			73
- Treasury shares	(1,282,070)	(25)	(318)			(343)
- Through merger / transfer of assets						
- Through employee subscription	766,050	16	165			181
Dividend					(1,477)	(1,477)
Translation adjustments				647		647
Net income for 2000					2 933	2 933
At December 31, 2000	197,042,535	3,878	12,426	1,229	7,681	25,214
Capital increases:						
- Conversions of bonds	62 020	1	5			6
- Exercise of stock options	(146 661)	(3)	(40)			(43)
- Treasury shares						
- Through merger / transfer of assets						
- Through employee subscription						
Dividend					(1,607)	(1,607)
Translation adjustments				1 036		1,036
Net income for the first half of 2001					1,474	1,474
At June 30, 2001	196,957,894	3,876	12,391	2,265	7,548	26,080

(*) including EUR (18) millions [FRF (116) millions] for the Euro countries at December 31, 1999
including EUR (17) millions [FRF (103) millions] for the Euro countries at December 31, 2000
including EUR (15) millions [FRF (96) millions] for the Euro countries at June 30, 2001
(**) see Note 1 on Accounting Principles

The change in translation adjustments between 1999 and 2000, and between 2000 and the first half of 2001, primarily stems from the impact on the Group's North American assets - mainly the Motel 6 and Red Roof Inn chains - of the higher or lower US dollar exchange rate relative to the French franc. The **US Dollar versus French Franc** exchange rates used were, respectively :

€ on December, 1999	6.5295
€ on December, 2000	7.0495
€ on June, 2001	7.7353

KEY MANAGEMENT RATIOS

In millions	Note	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR
Gearing	a	73%	64%	77%
FFO / Net Debt	b	21.3%	23.4%	23.6%
Financial Charge Cover	c	5.2	5.1	5.2
Return On Capital Employed	d	11.3%	11.7%	12.0%
Economic Value Added	e	244	265	336

Note (a) : Gearing is the ratio used by the Group to assess its indebtedness. It is the ratio of net debt to shareholders' equity including minority interests.

Note (b) : Funds from operations / Net debt. Pursuant to the methodology applied by major rating agencies, the ratio of funds from operations to net debt is established as follows:

- Consolidated cash flow from operations (see consolidated statement of sources and uses of funds) are adjusted to reflect 2/3 of rents paid during the year;
- Net debt is restated to take into account investments and divestments, prorated on the basis of their impact in the income statement. For example, proceeds generated by a divestments occurring on December 31 of year N will be fully restated under 'Net debt'. In addition, restated net debt is adjusted to include five times rents paid during the current year.

Note (c) : Financial Charge Cover Ratio is the ratio of EBITDAR to net financial expense, adjusted to reflect 1/3 of rents paid during the year. In 1999, this ratio was published at 5.2 in the total Financial Income. As of 2000, the ratio is calculated only from the interest base and in compliance with the major rating agencies.

Note (d) : Return on Capital Employed, or ROCE, is defined in Note 19.3.

Note (e) : Economic Value Added (EVA)

The calculation of Economic Value Added at the end of June 2000, December 2000 and June 2001 was established as follows :

In millions		June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR
Cost of equity	(1)	8.55%	8.60%	8.78%
Cost of debt after tax		3.63%	3.68%	3.19%
Equity/Debt Ratio				
Equity		57.66%	61.01%	56.60%
Debt		42.34%	38.99%	43.40%
WACC	(2)	6.47%	6.68%	6.35%
ROCE net of Income Taxes	(3)	8.76%	9.04%	9.27%
Capital employed (see Note 19.3)		10,632	11,214	11,544
EVA	(4)	244	265	336

(1) The Beta used in calculating the Cost of Equity during 2000 and 2001 is 0.9.

(2) The WACC is determined as follows :

$$\text{Cost of Equity} \times \frac{\text{Equity}}{(\text{Equity} + \text{debt})} + \text{Cost of Debt} \times \frac{\text{Debt}}{\text{Equity} + \text{Debt}}$$

(3) ROCE net of Income taxes is determined as follows :

$$\frac{\text{EBITDA} - [(\text{EBITDA} - \text{operational amortization}) \times \text{tax rate}]}{\text{Capital employed}}$$

For example, in June 30, 2001, the data are as follows :

EBITDA : 1,387 MEUR (see Note 19.3)
Amortization : 459 MEUR
Tax Rate : 34.20% (see Note 11.2)
Capital employed : 11,544 MEUR (see Note 19.3)

(4) The EVA is determined as follows :

$$(\text{ROCE net of Income taxes} - \text{WACC}) \times \text{Capital employed}$$

The variation of the Beta of +/- 0.1 during 2000 and 2001 is EUR 27 million and EUR 26 million.

NOTE 1 – ACCOUNTING PRINCIPLES

The Consolidated Financial Statements of the Accor Group are established in accordance with French regulations presently in force. As from January 1, 2000, Accor applies the new methodology (Rule CRC * 99-02).

Pursuant to new French regulation, the impact in changes of accounting methods has been posted to shareholders' equity as on January 1, 2000. The amount recorded thereby totals EUR 30 million (FRF 196 million) fully corresponding to the Group commitment for employee benefits.

In addition, reflecting the international scope of its activities, Accor has decided to retain, among the options allowed by new French regulation, those that are closest to international accounting practices (capitalization of contracts defined as capital leases ; entering into the Balance Sheet the full amount for employee benefit).

The financial statements of consolidated Group companies, prepared in accordance with the rules of the individual countries in which they operate, are restated to conform to Group principles prior to consolidation.

* "Comité de la Réglementation Comptable"

A. - Consolidation methods

The companies over which the Group directly or indirectly exercises exclusive controlling influence are fully consolidated.

Companies controlled and operated jointly by Accor and a limited number of partners are consolidated through proportional integration.

Companies over which the Group exercises a significant influence and in which it controls, directly or indirectly, between 20% and 50% of voting rights, are accounted for by the equity method.

B. - Goodwill

Within the first year following an acquisition, all assets and liabilities of an acquired business are reviewed and valued. Whenever possible, the difference between the purchase price and the fair value of the Group's share of the underlying net assets at the date of acquisition is posted to the corresponding balance sheet item. The balance is recorded as goodwill in the consolidated balance sheet and is amortized on a straight-line basis according to the nature of the activities involved, within the maximum following limits :

. Hotels	40 years
. Onboard Train Services	40 years
. Services	40 years
. Travel Agencies	40 years
. Restaurants	20 years
. Casinos	20 years
. Other	10 years

C. - Translation of financial statements prepared in foreign currencies

Foreign-currency denominated balance sheet items are translated into French francs at year-end exchange rates. Income statement items are translated at average annual rates. The resulting difference is posted to shareholders' equity.

In the case of subsidiaries operating in exceptionally high-inflation countries, non-monetary balance sheet items are translated at historical rates prevailing on the date of the transaction, while monetary balance sheet items are translated at year-end rates.

Non-monetary income statement items are translated into French francs at historical rates. Other income statement items are translated at the monthly historical average rate following the transaction. Translation differences resulting from the application of this method are incorporated in the Net Financial Expense in the income statement. This method, used to present revenues and expenses, provides maximum insight by allocating currency rate adjustments directly to the relevant income statement items. As a result, revenue and expense items are translated into French francs, using exchange rates close to the appropriate historical rates.

D. - Fixed assets

D.1. – Intangible fixed assets

Intangible fixed assets are recorded at cost.

Prior to initial consolidation, major intangible fixed assets are valued by outside appraisers on the basis of commonly accepted criteria which can be subsequently monitored. When these assets may not be amortized, their value is periodically reviewed and losses in value, if any, are provisioned for. Start-up costs are written off over a maximum period of five years. Only networks and brand names are not subject to amortization, but may reflect a provision for risks.

D.2. – Property, plant and equipment

Property, plant and equipment are valued at cost, including related financial charges.

Property, plant and equipment are depreciated on a straight-line basis over the following useful lives:

Formule 1 hotels / Motel 6 motels	40 years
Other hotels	60 years
Rail cars and other railway equipment	20 years
Other equipment	10 to 30 years
Fixtures and fittings	5 to 10 years

D.3. – Long-term leases, financial leases, sale and lease-back

Pursuant to French legislation, the Group applies the preferential method which allows the capitalization of financial leases and so-called capital leases.

To distinguish capital leases from operating leases, the Group systematically favors an economic analysis of risks and ownership benefits in the relationship between lessor and lessee. Consequently, it classifies leases as operating from the standpoint of the lessee only when related liabilities and commitments are substantially weighted towards the lessor.

Capital leases which substantially transfer the risks and rewards of ownership to the lessee are recognized in the balance sheet. The corresponding assets are included under fixed assets as properties and depreciated according to the Group's accounting principles. The corresponding obligation is listed separately as a liability in the balance sheet.

Operating leases are recognized as rental expenses of the period. Regardless of contractual payment terms, total rental expenses are annualized on a straight-line basis and expensed on an economic basis in equal annual installments over the life of the contract. Future rental charges are detailed in Note 5.

Sale and lease-back transactions are recognized based on the classification of the underlying long-term leases:

- for capital leases, the capital gains or losses are deferred and amortized over the life of the contract, except when it shows an impairment of the underlying asset value which is immediately recognized ;
- in the case of operating lease contracts, assuming sales prices and rents are confirmed by independent experts to reflect market values, capital gains or losses are immediately recognized.

Sale and lease-back transactions are primarily related to hotel activities.

D.4. – Investments in unconsolidated companies

Investments in unconsolidated companies are recorded at cost.

D.5. – Book value of fixed assets

Fixed assets are valued at cost. When cost exceeds the fair value of the asset, a provision is made to recognize the loss of value.

Fair value is based upon an evaluation of the asset's usefulness in enabling the company to achieve its strategic goals. In particular, in the case of hotel properties, fair value is estimated on the basis of a multiple of average free cash flow over the duration of a hotel industry business cycle. Depreciation, if any, is posted to income under result from management of hotel portfolio (see Notes 1.O.5 and 9).

In addition, in the case of unconsolidated investment securities, usefulness value is based, among other criteria, on the Company's share in revalued net worth and future profitability prospects.

Provisions for loss of value are written to reduce to market value assets held for disposal.

E. - Inventories

Inventories are valued on the basis of weighted average prices. They are depreciated, as needed, on the basis of estimated realization value.

F. - Special reserve funds

As a result of legal restrictions on the use of Ticket Restaurant operating funds in France, these are held in special escrow accounts.

G. - Marketable securities

Marketable securities are recorded at the lower of cost or market.

H. - Deferred charges

Deferred charges include :

- costs incurred prior to the opening of new hotels and restaurants, which are written off over three years in the case of hotels and over one year in the case of restaurants ;
- costs related to the acquisition of fixed assets, which are written off over a maximum of five years;
- bond issuance costs, which are written off over the life of the issue ;
- costs related to the development of data processing systems, which are written off over the useful life of the systems.

Deferred charges are included in 'other receivables'.

I. - Prepaid expenses

Prepaid expenses correspond to expenses paid during a given period but related to the following periods.

Prepaid expenses are included in 'other receivables'.

J. - Personnel expenses

Personnel expenses comprise all sums paid by the Company to its salaried employees, including employee profit-sharing. Employee profit-sharing – totaling EUR 16 million (FRF 105 million) in 1999– was included in result from management of other assets. Since 2000, employee profit-sharing has been included under personnel expenses, for EUR 17 million (FRF 113 million).

K. - Provisions for pension and retirement benefits

Until December 31, 1999, the Group made partial provisions for retirement commitments pursuant to the accounting regulations applicable in each of the countries in which it operates. Pursuant to regulation CRC* 99-02 in effect since January 1, 2000, the Group applies the preferential method and makes provisions for the totality of its retirement commitments.

The impact of this change in accounting method has been deducted from consolidated reserves on January 1, 2000.

In the case of defined benefit retirement plans, liabilities have been calculated pursuant to IAS 19 ; in particular, the Group has estimated its commitments based upon the prospective method, taking into account actuarial assumptions, e.g. salary increases, retirement age, mortality, employment turnover rates, as well as discount rates. These hypotheses take into consideration the specific conditions, notably macro-economic, of the various countries in which the Group operates.

In order to determine net retirement liabilities on January 1, 2000, the Group also took into account assets held to cover these commitments, based on their market value as of that date.

In addition, changes in actuarial assumptions give rise to actuarial adjustments, which are prorated based on the average residual employment period of the salaried employees covered by the respective retirement plans.

Actuarial adjustments in effect prior to January 1, 2000 were preserved and were thereby not deducted from consolidated reserves.

The impact of the change in accounting method is the difference between the liability on January 1, 2000, calculated according to this method, and the provision included in the financial statements as of that date, taking into account corresponding deferred taxes.

* *“Comité de la Réglementation Comptable”*

L. - Translation of foreign currency-denominated transactions

For each Group entity, transactions denominated in a currency other than the Group's own functional currency are translated into that currency at the exchange rate prevailing at the time of the transaction.

Corresponding assets and liabilities, with the exception of those covered by currency hedging transactions, converted into French francs, are translated at year-end rates. Exchange gains and losses resulting from year-end exchange rate conversions are posted to net financial income.

In the case of receivables and debts denominated in currencies of the Euro zone (“in” currencies), the Group has used the conversion rates set irrevocably on December 31, 1998 between the “in” currencies and the Euro, and effective since January 1, 1999. The corresponding foreign exchange gains and losses have been posted to net financial expense.

M. - Deferred taxes

The Group held the Balance Sheet method with variable postponement, according to which future tax payables and receivables are evaluated at the last known tax rate, without actualization.

Deferred tax assets on tax losses carried forward are recognized only if they are likely to be used within a reasonable time frame.

N. - Financial instruments

Financial instruments such as swaps and options contracts primarily used to manage interest rate and currency exposure are recorded as off-balance sheet commitments.

Income from hedging transactions is recognized using the same principle as that applied to the recognition of income or expense on the hedged asset or liability.

O. - Income statement and statement of sources and uses of funds

The presentation of the consolidated income statement and statement of sources and uses of funds is matching closely the key indicators used internally for managing its activities and assessing management performance.

O.1. – Revenues

Revenues include all revenues from sales of products and services by consolidated companies in the course of their normal activities. They encompass :

- for services : commissions paid by client companies, and participating restaurants, royalties and revenues from technical assistance ;
- for travel agencies : commissions on travel tickets, car rental and hotel accommodations, fees related to service contracts, and revenues from the sale of travel packages. This definition of revenues corresponds to the evolution underway in the travel agency business ;
- for onboard train services : catering and lodging services charged to railway networks, as well as subsidies received and capital improvements performed by the Group ;
- for casinos : gross receipts from gaming activities (slot machines and traditional casino games).

O.2. – Other operating revenues

Other operating revenues comprise financial income on the management of available funds generated by Services activities.

Together, revenues and other operating revenues make up the consolidated sales.

O.3. – EBITDAR

EBITDAR comprises operating revenues and charges, reflecting management performance before rent, depreciation, net financial expenses, taxes and operating provision expense.

O.4. – Total income from operations

The heading "Total Income from Operations" reflects results from operations and financing of the Group's activities. It combines EBIT, net financial expense, and the net income from associated equity companies, Group share.

O.5. – Result from management of hotel portfolio

Result from management of hotel portfolio encompasses realized capital gains and losses on the sale of hotel properties, as well as provisions on hotel properties. These items of a recurring nature in the ongoing management of hotel operations are not directly related to the management of the Company's operations.

O.6. – Current income before income taxes

Current income before income taxes is the sum of total income from operations and result from management of hotel portfolio (before amortization of goodwill).

O.7. – Result from management of other assets

Result from management of other assets encompasses realized capital gains and losses on the sale of other assets, excluding hotel portfolio, provisions, as well as non-operating losses and gains. These items are not directly related to the management of the company's operations.

Results on management of other assets also takes into account provisions for risks related to the impact of dilution from future exercise by employees of stock options issued by Group subsidiaries.

Each year, the difference between the market value of stock options and their exercise price is provided for.

O.8. – Exceptional items (net of taxes and of minority interests)

Exceptional items are essentially limited to extraordinary transactions – such as disposal of Group core activities – which are not part of the Group's current activities, and do not occur frequently.

O.9. – Statement of sources and uses of funds

The statement of sources and uses of funds was reorganized to match the key indicators used internally in the management of Accor's activities and to differentiate uses and sources of funds from operations on the one hand, and financing activities on the other.

Sources and uses of funds from operations include :

- consolidated cash flow from operations after changes in deferred taxes and before capital gains or losses on asset sales ;
- capital improvements, which cover maintenance and renovation of existing operating assets held on January 1st of the reporting year and required by their ongoing operations ;
- new capital investments, including fixed assets of newly consolidated subsidiaries and the constitution of new assets ;
- capital gain or losses on asset sales ;
- net change in working capital.

NOTE 2 – CHANGES IN THE SCOPE OF CONSOLIDATION

A. – Disposals

A.1. – Disposal of hotel properties

In 2000, the Group carried out the following disposals:

- 9 Business and Leisure properties (3 Sofitel, 3 Novotel, 2 Mercure and 1 SuiteHotel hotels) in Europe and 3 Sofitel hotels in the US, for total proceeds of EUR 483 million (FRF 3,172 million)
- 67 Economy properties for total proceeds of EUR 83 million (FRF 546 million), in France, Sweden and The Netherlands.

During the first half of 2001, the Group carried out the following disposals:

- 18 Economy properties (Ibis, Etap and Formule1) in Sweden and Great-Britain, for a total consideration of EUR 75 million (FRF 494 million).

A.2. – Disposal of Courtepaille

In December 2000, Accor sold 80% of its interest in its Courtepaille public restaurant subsidiary to the Barclays Private Equity Investment Funds, associated to the management of the company.

This transaction – based on an enterprise value of EUR 125 million (FRF 820 million) – generated after-tax consolidated capital gains of EUR 38 million (FRF 249 million) (see Note 12). Courtepaille consolidated revenues, EBDIT and EBIT included in the consolidated financial statements for 2000 amounted to EUR 89 million (FRF 583 million), EUR 15 million (FRF 98 million) and EUR 8 million (FRF 52 million), respectively.

B. – INVESTMENT PROGRAM

B.1 – Acquisition of 35% of Accor Casinos in November, 2000

In November 2000, Accor has exercised its call option on the 35% of the capital of Accor Casinos held by SHCD (Société des Hôtels et Casinos de Deauville) for an amount of EUR 69 million (FRF 454 million).

In addition, Accor retained its 35% interest in SHCD.

Accor Casinos' EBIT amounted to EUR 39 million (FRF 258 million) in 2000.

B.2 – Acquisition of 20% of Orbis in August, 2000

In August 2000, as part of the Polish State's privatization program, Accor has acquired a 20% interest in the capital of the Polish hotel and tourism group Orbis for a total of EUR 81 million (FRF 534 million).

The Orbis group, also active in travel and casinos, is the leading Polish hotel group, with 55 hotels (10,439 rooms) located in the country's 25 major cities. Beginning in 2001 and following a renovation program, these hotels will be operated under Accor Group brand names.

In 2000, revenues of Orbis's hotel activities totaled EUR 194 million (FRF 1,274 million).

B.3. – Other investments (external and internal growth)

Taking into account external and internal growth initiatives, the Group opened or acquired 121 additional hotels (13,667 rooms) during the first half of 2001. Separately, 36 hotels (4,474 rooms) were closed during the period.

On June 30, 2001, the Group's hotel portfolio breaks down as follows :

	Subsidiaries (*)		Management		Franchise		Total	
	Number of hotels	Number of rooms	Number of hotels	Number of rooms	Number of hotels	Number of rooms	Number of hotels	Number of rooms
Sofitel	61	12,140	77	13,483	9	2,346	147	27,969
Novotel	205	30,394	97	18,986	34	4,257	336	53,637
Mercure	257	31,812	225	25,369	172	13,072	654	70,253
Ibis	331	39,092	52	6,407	172	12,261	555	57,760
Etap Hotel	156	11,914	6	541	62	4,332	224	16,787
Formule 1	336	24,551	11	891	11	725	358	26,167
Red Roof	261	30,475	-	-	94	8,863	355	39,338
Motel 6	724	81,628	2	117	122	8,340	848	90,085
Others	24	4,186	26	4,599	47	8,280	97	17,065
Total	2,355	266,192	496	70,393	723	62,476	3,574	399,061
Total in %	65.9%	66.7%	13.9%	17.6%	20.2%	15.7%	100.0%	100.0%

(*) Owned or leased units over 50%-owned.

NOTE 3 – BREAKDOWN OF CONSOLIDATED SALES BY GEOGRAPHICAL AREA AND BY ACTIVITY

On June 30, 2001, operating revenues of entities which revenues (royalties) are not specific to a given region are presented under 'worldwide structures'.

In EUR millions	France	Europe (excluding France)	North America	Latin America	Other Countries	Worldwide structures	June 30, 2001	June 30, 2000	Dec. 31, 2000
HOTELS	830	666	762	40	143	41	2,482	2,230	4,739
Business and Leisure	568	455	106	35	135	41	1,340	1,198	2,525
Economy Hotels	262	211	1	5	8	-	487	435	922
Economy Hotels - United States	-	-	655	-	-	-	655	597	1,292
SERVICES	37	77	10	114	3	-	241	206	437
Other activities									
Travel Agencies	34	104	98	18	7	4	265	258	531
Casinos	145	-	-	-	-	-	145	112	243
Restaurants	44	98	-	91	5	-	238	261	542
On-board Train Services	75	57	-	-	-	2	134	161	333
Holdings and other	33	49	-	7	2	4	95	88	182
June 30, 2001 total	1,198	1,051	870	270	160	51	3,600		
June 30, 2000 total	1,124	988	799	237	117	51		3,316	
December 31, 2000 total	2,360	2,035	1,731	517	258	104			7,007

On June 30, 2001, consolidated sales amounted EUR 3,600 million (FRF 23,615 million), as compared to EUR 3,316 million (FRF 21,752 million) on June 30, 2000. This represents an increase of EUR 284 million (FRF 1,863 million) or + 8.6%.

This change breaks down as follows:

- + 5.3% for like-for-like growth
- + 6.1% for business development
- -3.6% reflecting closing or disposal of activities
- + 0.8% for currency impact.

NOTE 4 – BREAKDOWN OF EBITDAR

In EUR million	France	Europe (Excluding France)	North America	Latin America	Other Countries	Worldwide Structures (*)	June 30, 2001
HOTELS	240	225	278	8	33	3	787
Business and Leisure	157	145	31	7	30	(8)	362
Economy Hotels	83	80	-	1	3	11	178
Economy Hotels United States	-	-	247	-	-	-	247
SERVICES	15	43	2	45	-	(5)	100
Other activities							
Travel Agencies	2	12	(2)	3	-	6	21
Casinos	27	-	-	-	-	-	27
Restaurants	4	9	-	4	1	-	18
On-board Train Services	2	2	-	-	-	-	4
Holdings and other	(3)	11	-	-	(2)	(3)	3
June 30, 2001 total	287	302	278	60	32	1	960

In EUR million	France	Europe (excluding France)	North America	Latin America	Other Countries	Worldwide Structures (*)	June 30, 2000
HOTELS	226	204	269	7	20	(23)	703
Business and Leisure	146	139	28	7	17	(33)	304
Economy Hotels	80	65	-	-	3	10	158
Economy Hotels United States	-	-	241	-	-	-	241
SERVICES	13	30	1	27	-	(5)	66
Other activities							
Travel Agencies	4	8	12	1	-	2	27
Casinos	22	-	-	-	-	-	22
Restaurants	11	8	-	3	1	-	23
On-board Train Services	(3)	5	-	-	-	2	4
Holdings and other	-	6	-	1	-	(1)	6
June 30, 2000 total pro forma	273	261	282	39	21	(25)	851

In EUR million	France	Europe (Excluding France)	North America	Latin America	Other Countries	Worldwide Structures (*)	Dec. 31, 2000
HOTELS	457	442	598	14	56	(10)	1,557
Business and Leisure	292	293	63	13	50	(34)	677
Economy Hotels	165	149	1	1	6	24	346
Economy Hotels United States	-	-	534	-	-	-	534
SERVICES	27	64	2	62	-	(8)	146
Other activities							
Travel Agencies	7	18	15	1	-	9	50
Casinos	50	-	-	-	-	-	50
Restaurants	25	15	-	8	2	-	50
On-board Train Services	14	11	-	-	-	5	32
Holdings and other	(4)	13	-	-	(2)	(1)	6
December 31, 2000 total	576	563	615	86	56	(5)	1,891

(*) EBITDAR of entities which revenues (royalties) are not specific to a given region are presented under 'worldwide structures'.

On June 30, 2001, EBITDAR amounted EUR 960 million (FRF 6,299 million), compared to EUR 851 million (FRF 5,584 million) on June 30, 2000, which represents an increase of EUR 109 million (FRF 715 million) or + 12.8%.

This change breaks down as follows:

- + 6.9% for like-for-like growth
- + 6.4% for business development
- 2.1% reflecting closing or disposal of activities
- + 1.6% for currency impact.

NOTE 5. – OPERATING RENTAL EXPENSES

Rental charges amounted to EUR 291 million (FRF 1,912 million) in the first half of 2000 and EUR 344 million (FRF 2,257 million) in the first half of 2001.

Pursuant to international principles (see Note 1.D.3), these rental expenses are exclusively related to operating leases. Regardless of actual payment profiles, total rental expenses related to these leases are accounted for on a straight-line basis and indexed (e.g., on the basis of the French INSEE new construction index) in order to record a constant expense stream on an economic basis. Certain leases have been signed for periods exceeding the traditional French nine-year term, primarily to protect Accor against the absence of commercial property rights in certain countries.

On June 30, 2001, annualized expenses related to **non-discounted rental leases** break down as follows:

In EUR millions	2000	2001
Business and Leisure hotels	(283)	(331)
Economy Hotels	(96)	(111)
Economy Hotels United States	(183)	(193)
Other	(54)	(53)
Total	(616)	(688)

The schedule for minimum **non-discounted rental leases** commitments as of January 2002 is as follows :

Years	in € million
2002	(676)
2003	(675)
2004	(675)
2005	(674)
2006	(681)
2007	(678)
2008	(682)
2009	(674)
2010	(646)
2011	(641)
2012	(637)
2013	(638)
2014	(632)
2015	(630)
2016	(637)
2017	(592)
2018	(558)
2019	(481)
2020	(387)
2021	(295)
> 2021	(734)

Some contracts include renewal clauses and/or options to purchase based on market conditions.

NOTE 6. – DETAIL OF AMORTIZATION AND PROVISIONS

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Amortization	(408)	(191)	(214)	(1,404)
Provisions	(20)	(1)	(9)	(62)
Total	(428)	(192)	(223)	(1,466)

NOTE 7 – NET FINANCIAL EXPENSE

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Net interest income / expense	(166)	(74)	(71)	(463)
Other financial revenues and expenses	45	27	29	192
Net financial expense	(121)	(47)	(42)	(271)

In 2000, other financial revenues and expenses primarily comprise a EUR 29 million recapture of provision for redemption premium of convertible bonds.

In the first half of 2001, other financial revenues and expenses are primarily explained by foreign exchange gains and dividends received from unconsolidated companies.

NOTE 8 – INCOME (LOSS) OF ASSOCIATED EQUITY COMPANIES, GROUP SHARE

Key contributions break down as follows:

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Orbis	3	-	2	12
Société Hôtelière des Casinos de Deauville	7	-	1	6
TAHL	3	2	-	-
Other	12	3	1	8
Group share in income before tax	25	5	4	26

NOTE 9 – RESULT FROM MANAGEMENT OF HOTEL PORTFOLIO

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Capital gains or losses on sale of assets	25	(2)	9	62
Provisions on hotel properties (see Note 1. D. 5)	(6)	(12)	(11)	(78)
Total	19	(14)	(2)	(16)

In 2000, result from management of hotel portfolio primarily encompassed capital gains on the sale of economy hotels (16 Ibis, 5 Etap and 46 Formule1 hotels) in France, Sweden and The Netherlands for EUR 25 million (FRF 168 million), capital gains on the sale of two Novotel properties in Spain for EUR15 million (FRF 100 million) as well as a capital loss on the sale of two Sofitel in France for EUR 5 million (FRF 35 million).

In the first half of 2001, result from management of hotel portfolio primarily encompasses capital gains on the sale of the Novotel Toronto Airport for EUR 9 million (FRF 57 million), capital gains on the sale of economy hotels in Sweden (3 Ibis, 3 Formule 1) for EUR 2 million (FRF 11 million), and a capital loss on the sale of Motel 6 hotels for EUR 4 million (FRF 27 million).

NOTE 10 – Result from management of other assets

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Capital gains or losses on sale of assets	89	52	68	449
Provisions	(10)	(3)	13	87
Non-operating gains (losses)	(56)	(13)	(27)	(185)
Total	23	36	54	351

On December 31, 2000, the EUR 89 million capital gain on sale of assets mainly reflects capital gains on the sale of Compass shares and on the exchange of a 23.35% interest in CNIT SA for a 1% interest in Unibail .

Non-operating losses in 2000 primarily encompass non-recurring expenses related to the deployment of the Accor 2000 projects (Reservation, Back office, Yield management), as well as charges related to the closure of certain activities (buffets railway, Brazil food services).

In 2000, pursuant to new French accounting standards, expenses related to employee profit-sharing are included in EBITDAR as personnel expenses for EUR 17 million (FRF 113 million).

On June 30, 2001, the result from management of other assets primarily encompasses a capital gain on the sale of Compass shares and a capital gain on the activity of catering in Australia.

NOTE 11 – INCOME TAXES

11.1 - Tax expenses of the fiscal year (excluding exceptional items)

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Current taxes and provisions	(170)	(50)	(86)	(562)
Deferred taxes	(77)	(51)	(32)	(210)
Group share in current and deferred taxes of associated equity companies	(9)	(3)	(3)	(19)
Total	(256)	(104)	(121)	(791)
Current income before tax	770	312	353	2,315
Total consolidated income tax	(256)	(104)	(121)	(791)
Group apparent tax rate on current income	33.2%	33.1%	34.2%	34.2%

11.2 - Effective tax rate

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Current income before tax	770	312	353	2,315
Result of the management of other assets	23	36	54	351
Goodwill amortization	(96)	(38)	(49)	(320)
Income before tax	697	310	358	2,346
Goodwill amortization	96	38	49	320
Elimination of intra-Group capital gains	3	-	(3)	(18)
Asset depreciation	5	-	-	-
Other	67	12	11	73
Total of permanent differences (non-deductible expenses)	171	50	57	375
Income subject to lower tax rates or not subject to taxes (1)	(238)	(80)	(102)	(668)
Income taxable at current rates	630	280	313	2,053
Current tax rate in France	37.76%	37.76%	36.42%	36.42%
Theoretical income tax at current French tax rate	(238)	(106)	(114)	(748)
Impact of theoretical income tax of :				
. differences in tax rate in countries other than France	11	7	1	10
. unutilized tax losses for the year	(23)	(14)	(4)	(27)
. utilization of tax losses from prior years	24	5	-	-
. tax credit resulting from timing differences not recognized in prior years	-	-	-	-
. losses carried forward unrecognized in prior years (2)	-	-	-	-
. other	(8)	7	(3)	(20)
Total	4	5	(6)	(37)
Income tax at current tax rate	(234)	(101)	(120)	(785)
Income tax at lower rates	(22)	(3)	(1)	(6)
Total consolidated income tax	(256)	(104)	(121)	(791)
Current income before tax	770	312	353	2,315
Total consolidated income tax	(256)	(104)	(121)	(791)
Group apparent tax rate on current income	33.2%	33.1%	34.2%	34.2%

(1) Primarily capital gains on asset sales.

(2) Tax losses carried forward result in deferred tax assets only when they are likely to be recovered within a reasonable time frame.

11.3-Detailed deferred tax assets and liabilities in balance sheet

In millions	2000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Deferred tax assets	126	91	109	717
Deferred tax liabilities	(217)	(195)	(234)	(1,536)
Net deferred taxes	(91)	(104)	(125)	(819)

11.4-Deferred tax assets not accounted for

June 30, 2001, deferred tax assets not included in the financial statements amounted to EUR 102 million (FRF 672 million). On December 31, 2000, the amount of deferred tax not included in the financial statements encompassed EUR 85 million (FRF 558 million).

NOTE 12 – EXCEPTIONAL ITEMS (NET OF TAXES AND MINORITY INTERESTS)

In millions	2000	June 30, 2000	June 30, 2001	June 30, 2001
	EUR	EUR	EUR	FRF
Exceptional items	35	-	-	-

In 2000, exceptional items include a EUR 38 million (FRF 249 million) capital gain on the sale of the Group's interest in Courtepaille (see Note 2.A.2) and a EUR 3 million (FRF 19 million) capital loss (including disposal costs) relative to the sale of the railway maintenance activities.

NOTE 13 – INTANGIBLE FIXED ASSETS

In millions		June 30, 2000	2000	June 30, 2001	June 30, 2001
		EUR	EUR	EUR	FRF
Brand name, Motel 6	(1)	210	216	237	1,555
Brand name, Red Roof Inns	(1)	124	129	141	928
Market share, On-board train services		75	75	75	490
Other networks and brand names		11	11	11	71
Business rights		17	17	17	109
Start-up costs		18	16	15	96
Other intangible fixed assets		209	223	250	1,645
Total (gross)	(2)	664	687	746	4,894
Amortization		(103)	(106)	(123)	(806)
Total (net)		561	581	623	4,088

(1) Changes in the valuation of the Motel 6 and Red Roof brands are primarily due to fluctuations in the exchange rate of the US Dollar against the French franc at the closing date (December 31, 2000 : 7.04951; June 2001: 7.73534).

(2) Provisions for risks are written in the case of intangible fixed assets held for disposal whenever their estimated market value is lower than book value.

NOTE 14 – Goodwill

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Goodwill (gross)	2,110	2,331	2,402	15,751
Amortization	(362)	(420)	(462)	(3,028)
Total net goodwill	1,748	1,911	1,940	12,723

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Motel 6 (40 years)	335	336	358	2,347
Red Roof Inns (40 years)	232	239	250	1,638
Business & Leisure Hotels France (40 years)	147	231	225	1,477
Travel Agencies (20 years)	236	230	219	1,436
Casinos (Accor Casinos and subsidiaries) (20 years)	140	211	199	1,308
Hotels, Australia (40 years)	200	198	190	1,244
Economy Hotels (excluding Motel 6 and RRI) (40 years)	118	115	121	794
Hotels, Asia (20 years)	74	69	76	498
Société des Hôtels et Casinos de Deauville (40 years)	30	29	29	189
Hotels, Hungary (Pannonia) (40 years)	19	21	21	135
Lenôtre (20 years)	16	16	16	103
French Railway Catering (7 years)	11	14	12	82
Hotels, Poland (Orbis) (40 years)	11	11	12	78
Brazilian Luncheon Vouchers (Apetik) (40 years)	11	10	10	62
Brazilian Institutional Catering (Embral) (20 years)	6	6	5	36
Other (under MEUR 5)	173	175	197	1,296
Total net goodwill	1,748	1,911	1,940	12,723

The change in net goodwill break down as follows:

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Total net goodwill at beginning of period	1,684	1,684	1,911	12,538
Increase in gross value and impact of changes in the scope of consolidation :				
. International Hotels	-	-	13	88
. Reef Casinos (Australian casinos)	-	-	10	65
. Services	-	-	7	49
. Hotels, France - Miscellaneous	-	19	5	32
. Itapemirín (Tour operator Brazil)	-	-	5	31
. Est Voyages (Tour Operator)	-	-	4	29
. French railway catering	-	15	-	-
. Casinos	32	107	-	-
. Go Voyages (tour operator)	12	11	-	-
. Hotels Poland (Orbis)	-	12	-	-
. Other	19	59	5	28
Disposal of the period :		(13)	(10)	(68)
. Eurest Australia	-	-	(9)	(59)
. Courtepaille	-	(13)	-	-
. Other	-	-	(1)	(9)
Amortization	(38)	(96)	(49)	(320)
Translation adjustments	25	36	50	331
Line-by-line restatement and other changes	14	77	(11)	(80)
Total net goodwill at end of period	1,748	1,911	1,940	12,723

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Land	557	562	624	4,090
Buildings	3,302	3,308	3,434	22,528
Fittings	911	972	1,079	7,076
Equipment and furniture	1,601	1,584	1,753	11,501
Construction in process	511	536	607	3,979
Total gross	6,882	6,962	7,497	49,174
Depreciation and amortization	(2,304)	(2,266)	(2,429)	(15,930)
Total net	4,578	4,696	5,068	33,244

Changes of the year

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Total as of January 1, 2000	4,518	4,518	4,696	30,804
Evolution of the scope of consolidation	5	33	(5)	(31)
Disposals	(328)	(571)	(87)	(571)
Investments of the period	522	1,079	492	3,227
Amortization	(176)	(377)	(195)	(1,282)
Translation adjustments	87	139	220	1,446
Other changes	(50)	(125)	(53)	(349)
Total at the end of period	4,578	4,696	5,068	33,244

On June 30, 2001 property, plant and equipment held under capital leases totaled EUR 797 million or FRF 5,231 million (gross value), as against EUR 681 million (FRF 4,466 million) on December 31, 2000.

NOTE 16 – LONG-TERM LOANS

In millions		June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Hotels, Asia / Pacific	(1)	50	58	89	583
ABC Company (Demeure / Libertel Hotels)	(2)	48	53	55	358
Hotels, US / Canada		1	31	34	225
Hotels, UK		25	30	31	203
Hotels, The Netherlands		28	28	28	184
Hotels, France		-	-	27	175
Courtepaille		-	19	19	125
Vaturi Group	(3)	48	-	-	-
Other		85	75	76	503
Total		285	294	359	2,356

- (1) During the period, Accor granted a loan to Tahl for an amount of EUR 28 million (FRF 181 million) within the scope of the renting of the hotels previously sold by Accor.
- (2) In partnership with two American investment funds, Accor has acquired in December 1999 the hotel activities of CGIS, a subsidiary of Vivendi. The hotel portfolio thereby acquired comprises 41 Libertel hotels and 8 Sofitel Demeure hotels, representing a total of 3,240 rooms. The acquisition vehicle (ABC hotels), 30%-held by the Accor Group, has simultaneously signed management contracts with Accor. In addition, on June 30, 2001, Accor lent EUR 55 million to ABC hotels.
- (3) Pursuant to various transactions with the Vaturi group, Accor held, at January 1, 2000, interests of 5% and 2% in the companies *Financière Saresco* and *Saresco* (duty-free activities, perfumery boutiques), as well as a EUR 48 million (FRF 315 million) loan receivable from Immtel. As part of an arbitration procedure under the supervision of the Paris commercial court, Accor has exchanged all the above assets plus the payment of EUR 15 million (FRF 100 million) against the lease of a four-star Paris hotel, (effective January 1, 2009).

NOTE 17 – INVESTMENTS IN COMPANIES ACCOUNTED FOR BY THE EQUITY METHOD

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Orbis (Hotels Poland) (see note 2.B.2) (1)	-	80	92	603
Société Hôtelière des Casinos de Deauville (3)	23	28	33	215
Other associated equity companies (Asia)	40	45	31	202
Morocco Investment Funds (4)	15	15	14	95
ABC Company (Demeure / Libertel hotels)	14	15	12	81
Sofitel Le Faubourg	8	8	9	56
Tunisia Investment Funds (5)	-	-	8	52
Société Hôtelière Paris les Halles	3	5	5	34
THAL (Australia) (2)	63	59	-	-
Eurest Australia (6)	17	16	-	-
Quadro Rodas (Hotels, Brazil)	2	-	-	-
Other associated equity companies	30	32	30	198
Total	215	303	234	1,536

(1) Financial highlights of Orbis are as follows :

Key Figures of Orbis (in millions)	2 000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Turnover	194	-	97	637
Net Income	21	-	5	35
Net Indebtedness	(15)	-	21	138

(2) From 1997, Accor accounted for by the equity method the holding company Tahl, in possession of assets in Australia, up to 37.07% . During the period, Tahl shares have been reclassified as marketable securities.

(3) Financial highlights of Societe Hoteliere des Casinos de Deauville are as follows :

Key Figures of SHCD (in millions)	2 000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Turnover	172	75	79	518
Net Income	12	(1)	18	118
Net Indebtedness	70	54	12	81

(4) During the first trimester 2000, Accor held 48% in the investment fund established by the Group in Morocco (Risma). Since January 1, 2000, Risma has been consolidated by the equity method. Financial highlights of Risma are as follows :

Key Figures of Risma (in millions)	2 000 EUR	June 30, 2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Turnover	35	18	13	88
Net Income	2	1	(1)	(6)
Net Indebtedness	4	1	-	2

(5) During the first semester 2001, Accor holds 35% in the investment fund established by the Group in Tunisia (Tanit). Since January 1, 2001, Tanit has been consolidated by the equity method. There is no relevant debt in the investment fund.

(6) The contribution in Eurest Australia up to 35% was sold during the first half of 2001.

NOTE 18 – OTHER FINANCIAL FIXED ASSETS

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Investment in unconsolidated companies (1)	123	112	169	1,106
Deposits and securities	94	95	130	855
Total (gross)	217	207	299	1,961
Provision for loss in value	(47)	(31)	(31)	(206)
Total (net)	170	176	268	1,755

(1) The change in this item is primarily due to the reclassifying of Tahl shares, previously appearing in associated equity companies, for a total amount of EUR 52 million.

NOTE 19 – BREAKDOWN OF FIXED ASSETS BY ACTIVITY

19.1. – Gross fixed assets by activity

In EUR millions	HOTELS			SERVICES	Travel Agencies	Casinos	IC & PR	On-board Train Services	Holdings and Other	June 30, 2001	2000
	Business & Leisure	Economy	Economy United States								
Intangible assets	46	36	419	62	61	3	6	30	83	746	687
Goodwill	534	152	756	79	293	228	59	17	284	2,402	2,331
Property, plant and equipment	2,916	1,675	2,192	93	122	132	93	83	191	7,497	6,962
Sub-total	3,496	1,863	3,367	234	476	363	158	130	558	10,645	9,980
Long-term loans	237	15	3	-	-	-	2	2	117	376	298
Investment in associated	157	24	-	-	3	-	-	-	49	233	303
Other financial assets	139	11	80	2	7	-	1	1	56	297	207
June 30, 2001 total	4,029	1,913	3,450	236	486	363	161	133	780	11,551	
2000 total	3,781	1,867	3,065	226	469	359	155	152	714		10,788

On June 30, 2001, fixed assets include EUR 3,280 million in hotel real estate, as compared to EUR 3,120 million at December 31, 2000.

19.2. – Geographical breakdown of gross fixed assets

In EUR millions	France	Europe (excl. France)	North America	Latin America	Other Countries	Worldwide Structures	June 30, 2001	2000
Intangible assets	53	76	424	34	4	155	746	687
Goodwill	604	192	760	89	218	539	2,402	2,331
Property, plant and equipment	2,360	1,752	2,586	229	277	293	7,497	6,962
June 30, 2001 total	3,017	2,020	3,770	352	499	987	10,645	
Dec. 31, 2000 total	2,943	1,960	3,563	295	355	864		9,980

19.3. – Return On Capital Employed (ROCE)

Return On Capital Employed (ROCE) is a key management tool used internally by the Group to measure the performance of the various activities it controls. It is also a key indicator of the profitability of assets which are either non-consolidated or accounted for by the equity method.

It is calculated on the basis of aggregate amounts derived from the consolidated financial statements:

- return : for each activity, total of EBITDA and financial revenues (dividends and financial income) generated by unconsolidated assets, plus share in net income of associated equity companies;
- capital employed : for each activity, total value of fixed assets, based on their average gross value during the year, plus working capital requirements.

ROCE is calculated as ratio between the EBITDA and the average capital employed during the period. On June 30, 2001, ROCE amounts to 12.0% compared to 11.7% on December 31, 2000.

Excluding hotels under development (capital employed without EBITDA), the ROCE would be 12.4% and 12.1% on June 30, 2001 and December 31, 2000, respectively.

Finally, the inclusion of employee profit-sharing under personnel expenses (see Note 1.J) has a negative impact of 0.2% on the ROCE. Excluding this, the ROCE amounted to 11.9% on December 31, 2000 (+0.7% compared to December 31, 1999).

In millions	(*) June 30, 2000 EUR	2000 EUR	(*) June 30, 2001 EUR
Capital employed at December 31, 2000	10,470	11,276	11,276
Adjustments <i>prorata temporis</i> on capital employed (1)	171	(280)	70
Translation adjustments on capital employed (2)	(9)	220	198
Capital employed	10,632	11,216	11,544
EBDIT	1,183	1,275	1,333
Financial interest on external loans and dividends	15	15	31
Net income of companies accounted for by the Equity Method (EM), Group share	16	25	23
Other adjustments	(14)	-	-
EBITDA	1,200	1,315	1,387
ROCE (EBITDA / Capital employed)	11.3%	11.7%	12.0%

(*) The EBITDA for the first semester is calculated over 12-months rolling period.

- (1) In calculating the ROCE, the capital employed is considered prorata temporis within the EBITDA. Thus, no capital employed would be held for an acquisition implemented on December 31, and no EBITDA would be taken into account in the income statement.
- (2) The capital employed is converted to the average exchange rate so that it is comparable to the EBITDA.

Return on capital employed over a 12-month rolling period (ratio of these two factors) breaks down as follows:

Activities	June 30, 2000	2000	June 30, 2001
HOTELS	11.5%	11.9%	12.0%
Business and Leisure	10.1%	11.0%	(*) 11.6%
Economy Hotels	14.1%	14.6%	(**) 14.7%
Economy Hotels United States	11.4%	11.4%	10.9%
SERVICES	20.9%	19.7%	22.9%
Other activities			
Travel Agencies	4.9%	5.0%	4.7%
Casinos	16.5%	16.9%	16.9%
Restaurants	14.2%	14.7%	14.9%
On-board Train Services	5.0%	13.6%	15.1%
Other and associated equity companies	5.6%	2.2%	2.3%
Total Group	11.3%	11.7%	12.0%

(*) **11.8%** and **12.3%** excluding hotels under development in 2000 and first half of 2001 respectively

(**) **15.6%** excluding hotels under development in 2000 and first half of 2001

NOTE 20 – OTHER RECEIVABLES AND PAYABLES

In millions	June 30, 2000	2000	June 30, 2001	June 30, 2001
	EUR	EUR	EUR	FRF
Deferred tax credit	91	126	109	717
Other receivables (1)	795	829	948	6,217
Gross other receivables	886	955	1,057	6,934
Provision	(84)	(79)	(78)	(514)
Net other receivables	802	876	979	6,420
Deferred tax liability	195	217	234	1,536
Other payables (2)	902	1,024	1,056	6,923
Gross other payables	1,097	1,241	1,290	8,459

(1) On June 30, 2001, it included :

- VAT receivables for EUR 148 million (FRF 973 million) ;
- tax receivables for EUR 34 million (FRF 224 million) ;
- employee organization receivables for EUR 12 million (FRF 77 million) ;
- prepaid expenses for EUR 274 million (FRF 1,803 million) ;
- deferred charges for EUR 147 million (FRF 963 million) ;
- other receivables for EUR 333 million (2,177 million).

(2) On June 30, 2001, it included :

- personnel and employee organization payables for EUR 341 million (FRF 2,234 million) ;
- tax payables for EUR 131 million (FRF 858 million) ;
- VAT payables for EUR 68 million (FRF 448 million) ;
- corporate tax payables for EUR 60 million (FRF 391 million) ;
- accrued liabilities for EUR 103 million (FRF 678 million) ;
- other payables for EUR 353 million (FRF 2,314 million).

NOTE 21 – FULLY DILUTED SHARE CAPITAL

On June 30, 2001, Accor shares amounted to 198,386,625. The average number of shares outstanding during the first six months of 2001 was 196,946,827.

In addition, 6,139,252 options to subscribe to Accor shares, representing 3.10% of the total capital, reserved to Group personnel, were outstanding on June 30, 2001 :

- 66,250 stock options exercisable from August 1997 until August 2001 at EUR 18.81 per share;
- 105,680 stock options exercisable from October 2000 until October 2001 at EUR 13.23 per share;
- 485,000 stock options exercisable from January 1999 until January 2005 at EUR 15.46 per share;
- 1,375,000 stock options exercisable from January 2003 until January 2006 at EUR 32.47 per share;
- 757,322 stock options exercisable (Stock Saving Warrants) from December 2003 until December 2007 at EUR 43.40 per share;
- 600,000 stock options exercisable from January 2004 until January 2007 at EUR 33.95 per share;
- 750,000 stock options exercisable from March 2005 until March 2008 at EUR 37.00 per share;
- 2,000,000 stock options exercisable from January 2004 until January 2009 at EUR 40.58 per share.

On this basis, the average fully diluted number of shares outstanding on June 30, 2001 is 198,438,603. Consequently, fully diluted earnings per share is calculated as follows :

	June 30, 2000	2000	June 30, 2001
	EUR	EUR	EUR
Net income, Group share (in millions)	196	447	224
Fully diluted number of shares (in thousands)	197,538	197,067	198,439
Fully diluted earnings per share (in thousands)	0.99	2.27	1.13

NOTE 22 – CHANGES IN MINORITY INTERESTS

In millions	EUR	FRF
December 31, 1999	185	1,216
Income from minority interest for the period	28	186
Dividends paid to minority interests	(24)	(157)
Translation adjustments	(3)	(19)
Other changes	(46)	(303)
December 31, 2000	141	923
Income from minority interest for the period	13	81
Dividends paid to minority interests	(13)	(78)
Translation adjustments	-	3
Other changes	(4)	(30)
June 30, 2001	137	899

NOTE 23 – PROVISIONS FOR RISKS

In millions	EUR	FRF
December 31, 1999	604	3,964
Additions to scope of consolidation	9	59
Change of method	41	269
Allocation to / (reversal of) current provisions (*)	(11)	(70)
Translation adjustments	5	31
Other changes	(39)	(260)
December 31, 2000	609	3,993
Additions to scope of consolidation	1	5
Change of method	-	-
Allocation to / (reversal of) current provisions (*)	(6)	(36)
Translation adjustments	1	9
Other changes	(11)	(72)
June 30, 2001	594	3,899

(*) Breakdown of allocation to and recapture of provisions :

2000 : allocation : EUR 143 million (FRF 938 million)
recapture : EUR (154) million (FRF (1,008) million)
2001 : allocation : EUR 69 million (FRF 452 million)
recapture : EUR (75) million (FRF (488) million)

On June 30, 2001, net provisions for risks include EUR 50 million (FRF 325 million) in provisions for retirement benefits and pension funds, provisions for self-insurance (EUR 18 million or FRF 116 million), provisions for charges totaling EUR 115 million (FRF 757 million) relative to costs for reorganization and reengineering of the Group's various activities, and costs related to the transition to the Euro, EUR 238 million (FRF 1,568 million) in provisions for identifiable commercial, tax and social risks in excess of EUR 0.8 million (FRF 5 million) each, and EUR 47 million (FRF 308 million) in provisions for miscellaneous risks and expenses less than EUR 0.8 million (FRF 5 million) each. In addition, provisions for risks include EUR 126 million (FRF 825 million) in provisions on asset realization premiums.

NOTE 24 – REPACKAGED PERPETUAL SUBORDINATED FLOATING RATE NOTES (TSDI)

In December 1990, Accor issued EUR 762 million (FRF 5 billion) in Repackaged Perpetual Subordinated Floating Rate Notes (Titres Subordonnés à Durée Indéterminée).

Concurrently, Accor paid a third-party special-vehicle company an amount of EUR 170 million (FRF 1,118 million) in return for that company's agreement to repurchase the notes from their holders 15 years after their issuance, and to relinquish all rights to principal or interest on these notes from that time onwards.

The notes issue generated net amount of EUR 592 million (FRF 3,882 million), recorded as a liability as of the issue date.

Since the notes are subordinated, Accor may temporarily suspend semi-annual payments of interest and principal in the event of exceptional financial difficulties. In this case, accrued interest would be capitalized.

The notes carry a market-based variable interest rate for a 15-year period (PIBOR + Margin). The swap transaction enabling principal repayment to be fixed while leaving the after-tax interest rate variable (based on market rates) was the object of an investment reimbursed in February 2000.

Taxes are spread over the life of the issue, in proportion to financial expense incurred.

The validity of the accounting treatment of this issue was confirmed to Accor by the French Tax Authorities in the early 1993.

NOTE 25 – EXCHANGEABLE BONDS

In March 1999, Accor has issued bonds exchangeable into Compass shares for an amount of EUR 434 million (FRF 2,843 million) in the form of 433,484 bonds of EUR 1,000 (FRF 6,560) par value, bearing interest at 1%, and exchangeable into Compass shares on the basis of 70.8215 Compass shares per bond beginning in May 1999. Holders of the bonds will have the option to either exchange them for Compass shares or be redeemed in cash at par.

On December 31, 2000, the merger of Granada Plc and Compass Plc had not led to any changes in the exchange ratio of the bonds exchangeable into Compass shares (70.8215 Compass-Granada Plc for each exchangeable bond).

After the end of 2000, Granada-Compass announced the demerger of its media activities (Granada Plc) and its food service and lodging activities (Compass Plc). Following the demerger, Accor has called a general meeting of holders of exchangeable bonds to approve the exchange of Accor exchangeable bonds for 70.8215 Granada Plc shares and 70.8215 Compass Plc shares, up to March 2002.

On June 30, 2001, the exchangeable bond issue appears in short-term debt. For the record, the date of payment of this financial instrument is in March, 2002.

NOTE 26 – TOTAL LONG-TERM DEBT

In millions	June 30, 2000	Actual interest rate	2000	Actual interest rate	June 30, 2001	Actual interest rate	June 30, 2001
	EUR	June 30, 2000 %	EUR	2000 %	EUR	June 30, 2001 %	FRF
EURO	1,656	4.18	1,680	4.35	1,845	4.26	12,103
US Dollar	1,277	6.66	1,325	6.76	1,614	5.35	10,587
Australian Dollar	233	6.17	234	6.29	216	4.97	1,417
Canadian Dollar	23	6.28	14	5.90	13	4.72	85
Swiss Franc	12	5.13	12	5.16	11	5.16	72
Japanese Yen	3	0.36	8	1.12	7	0.44	46
Swedish Crown	26	4.44	15	4.34	4	4.51	26
Pound Sterling	10	5.71	-	-	-	-	-
Other currencies	21	-	24	-	43	-	282
Sub-total, all currencies	3,261	5.37	3,312	5.51	3,753	4.85	24,618
Capital leases	258	-	246	-	272	-	1,784
Short-term financial debt and due to banks	519	-	560	-	518	-	3,392
Total debt	4,038	-	4,118	-	4,543	-	29,794

This analysis was carried out taking currency swaps and interest rates into account. These figures include a new loan for EUR 800 million.

Long-term financial debt	3,295	-	3,397	-	3,401	-	22,306
Short-term financial debt and due to banks	744	-	721	-	1,142	-	7,488
Total debt	4,039	-	4,118	-	4,543	-	29,794

Debt maturity is as follows :

In millions	June 30, 2000 €	2000 €	June 30 2001 €	1er sem. 2001 FRF
Year N + 1	744	721	1,142	7,488
Year N + 2	775	1,172	399	2,617
Year N + 3	479	340	323	2,119
Year N + 4	264	132	144	945
Year N + 5	140	1,335	1,527	10,016
Year N + 6	1,473	314	882	5,786
Beyond	163	104	126	824
Total long-term debt	4,038	4,118	4,543	29,795

As of June 30, 2001, Accor carries several unutilized confirmed credit lines with maturities of over one year, for a total of EUR 1,301 million (FRF 8,534 million), expiring between July 2002 and August 2006. Short-term financing (Commercial Paper programs and spot credit), which the Group expects to renew, have been reclassified as long-term debt for a total of EUR 1,095 million (FRF 7,183 million).

Fixed / Variable interest rate of the financial debt
(excluding capital leases and other financial short term debt)

in millions EUR	Fixed-Rate Debt			Variable-Rate Debt			Total Debt	
	Amount	Rate	Fixed Debt	Amount	Rate	Variable Debt	Amount	Rate
June 2000	1,636	4.70%	50%	1,625	6.04%	50%	3,261	5.37%
December 2000	1,676	4.78%	51%	1,636	6.26%	49%	3,312	5.51%
June 2001	1,754	4.73%	47%	1,999	4.96%	53%	3,753	4.85%

On June 30, 2001, fixed-rate indebtedness is primarily denominated in Euro (69%) and US dollar (30%). Variable interest-rate debt was primarily denominated in USD (54%), EUR (32%) and AUD (11%).

NOTE 27 – NET INDEBTEDNESS

In millions	June 30, 2000 EUR	2000 EUR	June 30, 2001 EUR	June 30, 2001 FRF
Repackaged perpetual subordinated	342	270	242	1,594
Long-term exchangeable bonds	434	434	-	-
Other long-term debt	2,289	2,477	2,918	19,132
Capital leases	230	216	241	1,580
Short-term financial debt	383	251	308	2,021
Short-term exchangeable bonds	-	-	434	2,847
Due to banks	361	470	400	2,620
Total financial debt	4,038	4,118	4,543	29,794
Short-term loans	(54)	(79)	(68)	(446)
Marketable securities	(625)	(792)	(720)	(4,720)
Cash and equivalents	(535)	(599)	(549)	(3,600)
Receivables related to assets sales	(83)	(102)	(52)	(344)
Net financial debt	2,741	2,546	3,154	20,684

	2,665	2,665	2,546	16,705
Net financial debt at beginning of the period				
Changes in long-term debt	266	468	(92)	(601)
Changes in short-term net financial debt	(403)	(681)	553	3,629
Other structural and currency changes (1)	31	(70)	96	628
Change in receivables related to assets sales	182	164	49	323
Total changes for the period	76	(119)	606	3,979
Net financial debt at end of the period	2,741	2,546	3,154	20,684

(1) Long-term debt

NOTE 28 – PAYROLL

Total payroll amounted to EUR 1,148 million (FRF 7,529 million) in the first half of 2000 and to EUR 1,234 million (FRF 8,093 million) on June 30, 2001. From now on, it includes employee profit-sharing (see Note 1.J.).

Fees paid by various Group companies to Members of the Supervisory Board amounted to EUR 0.948 million of which, EUR 0.276 million were paid by Accor S.A.

NOTE 29 – LITIGATION

Several associates of companies managing under mandate Formule 1 hotels and Etap hotels in France have filed claims in professional courts (*Conseils de Prud'hommes* of Evry and Paris) against Group subsidiaries operating these units, in order to obtain the re-qualification of their contracts from management contracts to employment contracts.

The above mentioned professional courts have stated that they are qualified to hear these claims, and the Paris Court of Appeal in a December 21, 2000 and a June 7, 2001 ruling has confirmed this statement for the Paris *Conseil de Prud'hommes*.

Consequently, the Paris *Conseil de Prud'hommes* should imminently issue an initial ruling regarding the amount of compensation claimed by the plaintiffs.

The Group subsidiaries have filed suit to obtain the annulment of the Paris Court of Appeal ruling.

The 2001 consolidated financial statements take into account the Group's financial valuation of the risk associated to these claims.

On June 30, 2001, there is no other relevant litigation.

NOTE 30 – OFF-BALANCE SHEET COMMITMENTS AND CONTINGENCIES AS OF JUNE 30, 2001

- Guarantees on loans and overdrafts totaled EUR 64 million (FRF 417 million).
- Accor and IFIL have amended their agreement of December 5, 1991 regarding their joint subsidiary Sifalberghi and concerning Accor's commitment to purchase from IFIL 25% of Sifalberghi. IFIL now benefits from the following commitments :

IFIL may exercise an option between July 1, 1999 and December 31, 2005. The price of this option will be based on a formula taking into account net book value, unrealized capital gains on the real estate portfolio, and goodwill.

This commitment was valued at EUR 32 million (FRF 210 million) on June 30, 2001.

- As part of a 10-year management contract relative to the Mercure Sydney Railway Square hotel, opened on the fourth quarter of 1998, Accor has granted the owner of the property a put option, exercisable after January 1, 2004, to acquire the hotel property for EUR 46 million (FRF 301 million). Construction costs born by the owner will total approximately EUR 63 million (FRF 412 million).
- Other commitments given total EUR 51 million (FRF 336 million).

LATIN AMERICAARGENTINA

c	Servicios Ticket	85.00%
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BRAZIL

a	H.A.B SA	71.31%
dc	T.S. do Brasil	49.99%
f	DALKIA	49.99%

MEXICO

b	WLT Mexicana	99.48%
c	Accor Servicios Emp.	96.50%

CHILE

c	TR Chili	64.00%
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ASIA-PACIFIC

a	AAPC : Accor Asia Pacific Corp.	100.00%
b	HQ Asia (2)	49.74%

OTHER COUNTRIES

a	Saudi Hotels Management	60.00%
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NORTH AMERICACANADA

a	Group Accor of Canada	99.97%
b	Carlson Canada (2)	49.74%

UNITED STATES

a	Accor North America	100.00%
a	IBL Ltd	99.77%
a	Miotel	100.00%
a	Red Roof Inns	99.77%
a	Accor Lodging North Am.	100.00%
b	Carlson USA (2)	49.74%

AFRIQUEIVORY COAST

a	Société Abidjanaise	74.92%
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SENEGAL

a	SPHU	92.89%
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ZIMBABWE

a	Rainbow Tourism (1)	35.00%
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(1) Associated equity company

(2) Company consolidated through proportional integration

(*) Companies entering the scope of consolidation in 2001

NB 1 : Percentage indicates Group interest.

NB 2 : A comprehensive list of consolidated subsidiaries and equity holdings is available to Company Shareholders upon request.

a Hotels

b Travel Agencies

c Services

d Public Restaurants and
Institutional Catering

e Onboard Train Services

f Other Services

